

Q3

FY2022

KERNEL

Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022



Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022

Table of Contents

2	Management discussion and analysis
5	Alternative Performance Measures
9	Selected Financial Data
10	Condensed Consolidated Interim Statement of Financial Position
11	Condensed Consolidated Interim Statement of Profit or Loss
12	Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
13	Condensed Consolidated Interim Statement of Changes in Equity
14	Condensed Consolidated Interim Statement of Cash Flows
15	Notes to the Condensed Consolidated Interim Financial Statements

Management discussion and analysis

for the three and the nine months ended 31 March 2022

Income statement highlights

- Consolidated **revenue** of Kernel Holding group of companies (hereinafter "Kernel", the "Company", or the "Group") in Q3 FY2022 decreased 2% y-o-y to US\$ 1,690 million, reflecting strong grain export volumes and high prices in January-February 2022, but virtually no export operations in March 2022 due to Black Sea ports in Ukraine being blocked for export activities.
- Following its typical seasonality pattern, **revaluation of biological assets** resulted in a loss of US\$ 74 million in Q3 FY2022, as compared to US\$ 58 million loss in Q3 FY2021. The magnitude of the pattern this season was intensified by high prices prevailing.
- Other operating income** in Q3 FY2022 totaled at US\$ 38 million, mainly driven by gain from contracts wash-out (price difference settlement of contracts without physical delivery of goods) related to trading activities.
- General and administrative expenses** in Q3 FY2022 added US\$ 17 million y-o-y to US\$ 53 million, with such growth being primarily driven by bad debt expenses (provisioning related to the financing provided to third parties).
- Kernel **EBITDA** in January-March 2022 plummeted by 63% y-o-y to US\$ 42 million, with segment contributions being as follows:
 - Oilseeds Processing** segment EBITDA almost doubled y-o-y, reaching US\$ 13 million in Q3 FY2022, reflecting healthy margins in January-February 2022, undermined later in March 2022 by lack of sales and running costs of all but one crushing plants which suspended operations.
 - Infrastructure and Trading** segment EBITDA for three months ended 31 March 2022 reduced 9% y-o-y, to US\$ 110 million, driven primarily by strong trading margins and solid volumes achieved by Kernel trading operations in Ukraine in January-

February 2022, but much weaker (albeit still positive) Avere contribution over the reporting period, as compared to Q3 FY2021;

- Farming** segment recognized a negative EBITDA of US\$ 65 million in Q3 FY2022, stipulated by US\$ 74 million loss from net change in fair value of biological assets and low sales of own crops produced due to blockade of ports in Ukraine.
- Unallocated corporate expenses** in the reporting period amounted to US\$ 17 million, a 16% decrease y-o-y.
- Due to Russian invasion of Ukraine, Group recognized US\$ 61 million **loss on impairment of assets**, including US\$ 38 million impairment charge against goodwill related to oilseed processing plants and US\$ 23 million write-off of sunflower meal inventories after expiry date.
- Net finance costs** in Q3 FY2022 declined by 18% y-o-y, to US\$ 28 million.
- Net foreign exchange gain** in the reporting period comprised US\$ 16 million, arising from the depreciation of UAH against US\$.
- Group recognized **other expenses** of US\$ 22 million in Q3 FY2022, of which US\$ 14 million were related to social spendings of the Group to provide humanitarian aid to those in need, support employees and donate for purchases of protective equipment and other goods for defendants of Ukraine.
- Accounting also for US\$ 16 million income tax expenses, **net loss attributable to shareholders** in Q3 FY2022 totaled to US\$ 103 million.

Cash flow highlights

- Operating profit before working capital changes** in Q3 FY2022 amounted to US\$ 137 million, a 15% decline y-o-y.

US\$ million except ratios and EPS	Q1 FY2021	Q2 FY2022	Q3 FY2022	y-o-y	q-o-q	9M FY2021	9M FY2022	y-o-y
Income statement highlights								
Revenue	1,729	1,882	1,690	(2%)	(10%)	3,996	4,915	23%
EBITDA ¹	111	293	42	(63%)	(86%)	670	650	(3%)
Net profit attributable to equity holders of the Company	16	190	(103)	n/a	n/a	348	297	(14%)
EBITDA margin	6.4%	15.6%	2.5%	(4.0pp)	(13.1pp)	16.8%	13.2%	(3.5pp)
Net margin	0.9%	10.1%	(6.1%)	n/a	n/a	8.7%	6.1%	(2.7pp)
Earnings per share ² , US\$	0.19	2.35	(1.31)	n/a	n/a	4.14	3.55	(14%)
Cash flow highlights								
Operating profit before working capital changes	161	276	137	(15%)	(50%)	567	605	7%
Change in working capital	22	(710)	25	14%	n/a	(361)	(844)	2.3x
Finance costs paid, net	(27)	(42)	(17)	(36%)	(59%)	(92)	(80)	(13%)
Income tax paid	(5)	(5)	(7)	35%	40%	(18)	(16)	(8%)
Net cash used in operating activities	151	(481)	138	(9%)	n/a	96	(335)	n/a
Net cash used in investing activities	80	(50)	(203)	n/a	4.1x	(114)	(355)	3.1x
	31 Mar 2021	31 Dec 2021	31 Mar 2022	y-o-y	q-o-q			
Liquidity and credit metrics								
Net debt	1,073	1,551	1,715	60%	11%			
Readily marketable inventories ³	567	1,362	1,181	2.1x	(13%)			
Adjusted net debt ⁴	506	189	534	6%	2.8x			
Shareholders' equity	1,730	2,194	2,022	17%	(8%)			
Net debt / EBITDA ⁵	1.4x	1.6x	1.9x	+0.5x	+0.3x			
Adjusted net debt / EBITDA ⁵	0.6x	0.2x	0.6x	-0.1x	+0.4x			
EBITDA / Interest ⁶	5.1x	8.3x	8.2x	+3.0x	-0.2x			

Note: Financial year ends 30 June, Q3 ends 31 March

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

² EPS is measured in US Dollars per share based on 84.0 million shares for Q3 FY2022, Q2 FY2021 and for Q3 FY2021, 84.0 million shares for 9M FY2022, 9M FY2021.

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

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

⁵ Calculated based on 12-month trailing EBITDA.

⁶ Calculated based on 12-month trailing EBITDA and net finance costs.

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

Management discussion and analysis

for the three and the nine months ended 31 March 2022

Segment results summary

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons ¹			EBITDA margin, US\$/t ²		
	Q3 FY2021	Q3 FY2022	Y-o-Y	Q3 FY2021	Q3 FY2022	Y-o-Y	Q3 FY2021	Q3 FY2022	Y-o-Y	Q3 FY2021	Q3 FY2022	Y-o-Y
Oilseed Processing	520	495	(5%)	7	13	90%	372	269	(28%)	19	49	2.6x
Infrastructure and Trading	1,513	1,479	(2%)	122	110	(9%)	1,824	2,136	17%	67	52	(23%)
Farming	128	87	(32%)	3	(65)	n/a						
Unallocated corporate expenses				(20)	(17)	(16%)						
Reconciliation	(432)	(371)	(14%)									
Total	1,729	1,690	(2%)	111	42	(63%)						

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons ¹			EBITDA margin, US\$/t ²		
	9M FY2021	9M FY2022	Y-o-Y	9M FY2021	9M FY2022	Y-o-Y	9M FY2021	9M FY2022	Y-o-Y	9M FY2021	9M FY2022	Y-o-Y
Oilseed Processing	1,300	1,527	17%	62	87	41%	1,094	906	(17%)	57	96	70%
Infrastructure and Trading	3,432	4,257	24%	394	355	(10%)	6,345	7,846	24%	62	45	(27%)
Farming	430	510	18%	270	294	9%						
Unallocated corporate expenses				(56)	(87)	55%						
Reconciliation	(1,166)	(1,379)	18%									
Total	3,996	4,915	23%	670	650	(3%)						

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.

- Cash inflow from the **release of the working capital** in January-March 2022 amounted to US\$ 25 million, as compared to US\$ 22 million cash inflow for the same period of the previous year.
- **Net cash used in investing activities** stood at US\$ 203 million, mainly as a result of the US\$ 154 million purchase of intangible and other non-current assets (primarily crypto assets) as a part of the Group's liquidity management program. Purchase of property, plant and equipment totaled at US\$ 27 million in Q3 FY2022. Finally, Kernel paid US\$ 32 million to increase its stake in Avere trading subsidiary from 60% to 100%, with the post completion adjustment to that payment to follow.

Credit highlights

- **Net debt** as of 31 March 2022 increased to US\$ 1,715 million, up 11% from 31 December 2021 level, reflecting the accumulation of short-term debt. **Readily marketable inventories** ("RMI") seasonally reduced by 13% over Q3 FY2022, to US\$ 1,181 million as of 31 March 2022 and consisted of 2.1 million tons of grain, 0.8 million tons of sunflower seeds and 145 thousand tons of sunflower oil. **Net debt adjusted for RMI** ended up at US\$ 534 million.
- Group's **leverage** as of 31 March 2022 increased to 1.9x Net-debt-to-EBITDA, Adjusted-net-debt-to-EBITDA metric slightly increased to 0.6x and interest coverage remained at 8.2x EBITDA-to-Interest, calculated on the last-twelve-months basis.
- The Group is in the process of obtaining waivers from creditors to postpone the repayment of loan principals, while interest expenses are being paid.

Operating environment

- Since Russian invasion of Ukraine on 24 February 2022, Kernel's business remains stretched as Ukrainian Black Sea ports do not operate. Group stopped origination of grain and oilseeds, and substantially reduced export volumes. All but one oilseed processing plants ceased operations.
- Group remains focused on establishing alternative export routes via Ukraine-EU borders and Ukrainian ports on Danube, but limited progress has been achieved so far due to numerous bottlenecks along the road.
- None of the Group's critical facilities or infrastructure has suffered any significant damage. Two Group's crushing plants are located on the temporarily occupied territory, and access to such facilities is limited. Commodities owned by Group are in safe condition and properly stored.
- Group completed spring sowing campaign on 370 thousand hectares, in addition to 88 thousand hectares already being under winter crops, out of the total land bank of 494 thousand hectares. As of the date of this report, weather conditions are generally favorable both for winter and spring crops. Due to lack of certain crop inputs, Kernel yields for 2022 harvest might be undermined.
- Notwithstanding the fundamentally strong season, the Russian invasion of Ukraine initiated on 24 February 2022 created significant uncertainties about the business performance in FY2022 and FY2023, and about timing of the commissioning of three remaining co-generation heat and power plants together with a brand-new 1-million-ton-per-year crushing facility.
- Since the beginning of the war with Russia, over 1,139 of our

Segment volumes

thousand metric tons	Q3 FY2021	Q3 FY2022	y-o-y	9M FY2021	9M FY2022	y-o-y
Oilseeds processed	902	563	(38%)	2,566	2,031	(21%)
Sunflower oil sales ¹	372	269	(28%)	1,094	906	(17%)
Grain and oilseeds received in inland silos	109	51	(53%)	3,743	4,114	10%
Export terminal throughput (Ukraine)	2,057	2,077	1%	6,308	7,269	15%
Grain export from Ukraine	1,824	2,136	17%	6,345	7,846	24%

Differences are possible due to rounding.

Management discussion and analysis

for the three and the nine months ended 31 March 2022

employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units. Of them, 458 were demobilized and returned to work. Unfortunately, 8 Kernel employees died as a result of the military actions.

Corporate highlights

- On 15 April 2022, the Board of Directors of Kernel Holding S.A. approved the resignation of Mr. Sergei Shibaev from the Board of Directors of Kernel Holding S.A. with effect as of 15 April 2022 and approved the co-optation of Mr. Andrii Miski-Oglu as a new non-executive director of Kernel Holding S.A. in replacement of Mr. Sergei Shibaev until ratification thereto by the next general meeting of shareholders of the company, and with effect as of 15 April 2022.
- On 26 April 2022 the Company informed that it decided to sell corporate rights in legal entities operating 134 thousand hectares of land with related infrastructure, machinery and working capital. After not finding interested buyer among local and strategic investors, an investment vehicle directly controlled by Kernel's major shareholder, Mr. Andrii Verevskyi agreed to purchase this asset for US\$ 210 million. The completion of the transaction is conditional on obtaining consents from some of Kernel's creditors and relevant regulatory requirements.
- On 22 May 2022, the Board of Directors of Kernel Holding S.A. approved the resignation of Mrs. Nathalie Bachich from the Board of Directors of Kernel Holding S.A. with effect as of 22 May 2022 and approved the co-optation of Mrs. Daria Anna Danilczuk as a new non-executive director of Kernel Holding S.A. in replacement of Mrs. Nathalie Bachich until ratification thereto by the next general meeting of shareholders of the company, and with effect as of 22 May 2022.

Alternative Performance Measures

for the three and the nine months ended 31 March 2022

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

The Group presents its results in accordance with generally accepted accounting principles (IFRS), but nonetheless, management considers that certain supplemental non-IFRS measures, such as

- **EBITDA;**
- **EBITDA margin;**
- **Segment EBITDA;**
- **Segment EBITDA margin;**
- **Investing Cash Flows less Net Fixed Assets Investments;**
- **Net Fixed Assets Investments;**
- **Operating Cash Flows before Working Capital Changes;**
- **Free Cash Flows to the Firm;**
- **Debt Liabilities;**
- **Net Debt;**
- **Readily Marketable Inventories;**
- **Adjusted Net Debt;** and
- **Adjusted Working Capital;**

(together, the 'Alternative Performance Measures') provide investors with a supplemental tool to assist in evaluating current business performance.

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

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

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

EBITDA and EBITDA margin

The Group uses **EBITDA**¹ as a key measure of operating performance, and which is defined as profit from operating activities adding back amortization and depreciation.

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

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

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

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

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

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

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

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

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

<i>in thousand US\$ except the margin</i>	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Profit from operating activities	83,929	12,306	586,805	545,213
<i>add back:</i>				
Amortization and depreciation	27,490	29,348	83,185	104,767
EBITDA	111,419	41,654	669,990	649,980
Revenue	1,729,191	1,690,087	3,996,197	4,915,377
EBITDA margin	6.4%	2.5%	16.8%	13.2%

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

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

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

Alternative Performance Measures

for the three and the nine months ended 31 March 2022

Investing Cash Flows less Net Fixed Assets Investments

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

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

Net Fixed Assets Investments

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

Operating Cash Flows before Working Capital Changes

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

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

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand US\$	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Oilseed Processing				
Profit from operating activities	460	5,322	45,078	63,764
plus Amortization and depreciation	6,522	7,974	16,795	23,434
Segment EBITDA	6,982	13,296	61,873	87,198
Segment revenue	520,496	495,161	1,300,176	1,527,206
Segment EBITDA margin	1%	3%	5%	6%
Infrastructure and Trading				
Profit from operating activities	116,054	104,402	376,746	337,260
plus Amortization and depreciation	5,529	5,943	17,136	18,165
Segment EBITDA	121,583	110,345	393,882	355,425
Segment revenue	1,513,453	1,479,057	3,431,548	4,256,777
Segment EBITDA margin	8%	7%	11%	8%
Farming				
Profit / (loss) from operating activities	(11,887)	(79,956)	222,679	233,255
plus Amortization and depreciation	14,855	14,916	47,536	61,125
Segment EBITDA	2,968	(65,040)	270,215	294,380
Segment revenue	127,661	87,132	430,473	510,017
Segment EBITDA margin	2%	(75%)	63%	58%
Other				
Loss from operating activities	(20,698)	(17,462)	(57,698)	(89,066)
plus Amortization and depreciation	584	515	1,718	2,043
Segment EBITDA	(20,114)	(16,947)	(55,980)	(87,023)

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

in thousand US\$	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Net cash used in investing activities	80,024	(202,598)	(114,340)	(354,515)
<i>Adding back:</i>				
Purchase of property, plant and equipment	(32,602)	(26,891)	(128,094)	(116,348)
Proceeds from disposal of property, plant and equipment	1,985	1,892	3,812	4,317
Investing Cash Flows less Net Fixed Assets Investments	110,641	(177,599)	9,942	(242,484)

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

in thousand US\$	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Purchase of property, plant and equipment	(32,602)	(26,891)	(128,094)	(116,348)
Proceeds from disposal of property, plant and equipment	1,985	1,892	3,812	4,317
Net Fixed Assets Investments	(30,617)	(24,999)	(124,282)	(112,031)

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

in thousand US\$	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Net cash generated by operating activities	182,931	161,935	205,863	(238,828)
<i>Less:</i>				
Changes in working capital, including:	21,643	24,620	(360,694)	(843,785)
Change in trade and other accounts receivable	(301,282)	28,362	(374,622)	18,992
Change in prepayments and other current assets	(31,326)	28,937	2,486	12,796
Change in restricted cash balance	(3)	52	1,817	90
Change in taxes recoverable and prepaid	11,509	(19,062)	(69,067)	(135,056)
Change in biological assets	(8,184)	(9,286)	324,538	482,343
Change in inventories	187,754	26,039	(495,880)	(1,221,831)
Change in trade accounts payable	182,743	1,897	239,320	74,434
Change in advances from customers and other current liabilities	(19,568)	(32,319)	10,714	(75,553)
Operating Cash Flows before Working Capital Changes	161,288	137,315	566,557	604,957

Alternative Performance Measures

for the three and the nine months ended 31 March 2022

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>	Q3 FY2021	Q3 FY2022	9M FY2021	9M FY2022
Net cash used in operating activities	151,375	138,142	96,193	(334,648)
Net cash used in investing activities	80,024	(202,598)	(114,340)	(354,515)
Free Cash Flows to the Firm	231,399	(64,456)	(18,147)	(689,163)

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 March 2021	As of 31 December 2021	As of 31 March 2022
Sunflower oil & meal	210,445	228,498	200,697
Sunflower seed	200,626	465,202	501,804
Grains	155,910	667,899	478,076
Other	158,248	146,032	193,773
Total	725,229	1,507,631	1,374,350
<i>of which: Readily Marketable Inventories</i>	567,178	1,362,013	1,180,877

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

<i>in thousand US\$</i>	As of 31 March 2021	As of 31 December 2021	As of 31 March 2022
Current bonds issued	212,476	-	-
Bonds issued	593,818	594,648	594,895
Interest on bonds issued	20,418	7,612	17,440
Long-term borrowings	233,669	214,057	205,713
Current portion of long-term borrowings	19,909	25,539	28,717
Short-term borrowings	36,905	818,172	906,935
Lease liabilities	243,623	277,487	278,635
Current portion of lease liabilities	-	67,400	55,835
Debt Liabilities	1,360,818	2,004,915	2,088,170
less: cash and cash equivalents	346,045	453,667	372,993
Net Debt	1,014,773	1,551,248	1,715,177
less: readily marketable inventories	567,178	1,362,013	1,180,877
Adjusted Net Debt	447,595	189,235	534,300

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

<i>in thousand US\$</i>	As of 31 March 2021	As of 31 December 2021	As of 31 March 2022
Total current assets	2,294,454	3,145,748	2,879,418
less:			
Cash and cash equivalents	346,045	453,667	372,993
Total current liabilities	1,015,687	1,477,393	1,605,424
add back:			
Short-term borrowings	36,905	818,172	906,935
Current portion of long-term borrowings	19,909	25,539	28,717
Current portion of lease liabilities	212,476	-	-
Current bonds issued	58,557	67,400	55,835
Interest on bonds issued	20,418	7,612	17,440
Adjusted Working Capital	1,280,987	2,133,411	1,909,928

Alternative Performance Measures

for the three and the nine months ended 31 March 2022

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

APM	Calculation	Why APM is the most important for management
EBITDA	Profit from operating activities adding back amortization and depreciation.	EBITDA is the main metric used by management of the Group to measure operating performance. It is also widely used by investors when evaluating businesses, and by rating agencies and creditors to evaluate the leverage.
EBITDA margin	EBITDA divided by revenue during the reporting period.	EBITDA margin is a metric widely used to measure profitability of Group's operations.
Segment EBITDA	Segment profit from operating activities adding back amortization and depreciation.	EBITDA is the main metric used by management of the Group to measure segment operating performance.
Segment EBITDA margin	Segment EBITDA divided by segment revenue during the reporting period.	Segment EBITDA margin is a metric widely used to measure profitability of Group's segment operations.
Investing Cash Flows less Net Fixed Assets Investments	Net cash used in investing activities adding back purchase of property, plant and equipment, and proceeds from disposal of property, plant and equipment.	As the Group grew and developed through acquisitions, this APM helps to monitor the M&A and other investing activities of the Group.
Net Fixed Assets Investments	Net cash used in investing activities less Investing Cash Flows less Net Fixed Assets Investments , or alternatively may be calculated as cash used for purchase of property, plant and equipment less proceeds from disposal of property, plant and equipment.	The Group is executing a solid investment program as a part of Strategy 2021, and fixed assets investment is an important measure to monitor capital expenditure as a part of the execution of investment program.
Operating Cash Flows before Working Capital Changes	Net cash generated by operating activities less changes in working capital activities, including: <ul style="list-style-type: none"> • change in trade and other accounts receivable; • change in prepayments and other current assets; • change in restricted cash balance; • change in taxes recoverable and prepaid; • change in biological assets; • change in inventories; • change in trade accounts payable; and • change in advances from customers and other current liabilities. 	The Group uses this APM as a pre-working capital measure that reflects Group's ability to generate cash for investment, debt servicing and distributions to shareholders.
Free Cash Flows to the Firm	Sum of net cash generated by operating activities and net cash used in investing activities.	The Group uses this APM as it reflects the cash generating capability of the Group to repay debt and distribute dividends to shareholders.
Readily Marketable Inventories	Agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil.	The Group uses this APM as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements.
Debt Liabilities	Sum of bonds issued, interest on bonds issued, long-term borrowings, current portion of long-term borrowings, short-term borrowings; current portion of lease liabilities; and lease liabilities.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies.
Net Debt	Debt Liabilities less cash and cash equivalents.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit and equity investors and rating agencies.
Adjusted Net Debt	Net Debt less readily marketable inventories.	The Group uses this APM as a supplemental measure of the Group's liquidity, which shows the amount of Debt Liabilities not covered by cash and readily marketable inventories (highly liquid inventories).
Adjusted Working Capital	Current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of 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.

Selected Financial Data

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

	USD ¹		PLN		EUR	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
I. Revenue	1,690,087	1,729,191	6,969,124	6,526,313	1,506,713	1,434,537
II. Profit from operating activities	12,306	83,929	50,744	316,765	10,971	69,627
III. (Loss)/Profit before income tax	(81,917)	54,514	(337,787)	205,747	(73,029)	45,225
IV. (Loss)/Profit for the period from continuing operations	(97,512)	52,930	(402,094)	199,768	(86,932)	43,911
V. Net cash generated by operating activities	138,142	151,375	569,633	571,320	123,154	125,581
VI. Net cash (used in)/generated by investing activities	(202,598)	80,024	(835,419)	302,027	(180,616)	66,388
VII. Net cash used in financing activities	(16,140)	(139,344)	(66,554)	(525,912)	(14,389)	(115,600)
VIII. Total net cash flow	(80,596)	92,055	(332,340)	347,435	(71,851)	76,369
IX. Total assets	4,756,417	3,941,552	19,882,299	15,638,502	4,273,640	3,355,838
X. Current liabilities	1,605,424	1,015,687	6,710,833	4,029,840	1,442,473	864,756
XI. Non-current liabilities	1,126,212	1,091,724	4,707,679	4,331,524	1,011,901	929,494
XII. Issued capital	2,219	2,219	9,276	8,804	1,994	1,889
XIII. Total equity	2,024,781	1,834,141	8,463,787	7,277,138	1,819,266	1,561,588
XIV. Number of shares	78,666,730	84,031,230	78,666,730	84,031,230	78,666,730	84,031,230
XV. (Loss)/Profit per ordinary share (in USD/PLN/EUR)	(1.31)	0.19	(5.42)	0.71	(1.17)	0.16
XVI. Diluted number of shares	78,666,730	84,031,230	78,666,730	84,031,230	78,666,730	84,031,230
XVII. Diluted (loss)/profit per ordinary share (in USD/PLN/EUR)	(1.31)	0.19	(5.42)	0.71	(1.17)	0.16
XVIII. Book value per share (in USD/PLN/EUR)	26.12	20.59	109.18	81.69	23.47	17.53
XIX. Diluted book value per share (in USD/PLN/EUR)	26.12	20.59	109.18	81.69	23.47	17.53

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

Condensed Consolidated Interim Statement of Financial Position

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 March 2022	As of 31 December 2021	As of 30 June 2021	As of 31 March 2021
Assets					
Current assets					
Cash and cash equivalents	8	372,993	453,667	574,040	346,045
Trade accounts receivable	24	369,436	342,086	381,124	583,253
Prepayments to suppliers	24	106,200	143,203	127,726	95,404
Corporate income tax prepaid		5,363	1,295	12,041	11,017
Taxes recoverable and prepaid		296,286	298,412	185,966	197,999
Inventory	9	1,374,350	1,507,631	332,027	725,229
Biological assets	10	51,617	52,187	376,644	52,365
Other financial assets	11, 24	303,173	347,267	294,156	283,142
Total current assets		2,879,418	3,145,748	2,283,724	2,294,454
Non-current assets					
Property, plant and equipment	12	1,092,696	1,115,259	1,065,205	1,036,326
Right-of-use assets		358,837	381,375	364,699	338,730
Intangible assets		209,813	60,390	62,144	61,030
Goodwill		81,610	120,839	120,925	120,342
Deferred tax assets		12,076	22,002	15,098	16,951
Non-current financial assets	24	69,004	64,103	46,322	31,694
Other non-current assets		52,963	42,868	38,462	42,025
Total non-current assets		1,876,999	1,806,836	1,712,855	1,647,098
Total assets		4,756,417	4,952,584	3,996,579	3,941,552
Liabilities and equity					
Current liabilities					
Trade accounts payable	24	233,423	230,770	150,061	391,649
Advances from customers and other current liabilities	13, 24	124,111	148,235	140,543	117,056
Corporate income tax liabilities		58,829	50,733	46,504	31,107
Short-term borrowings	15	906,935	818,172	13,888	36,905
Current portion of long-term borrowings	16	28,717	25,539	21,715	19,909
Current portion of lease liabilities		55,835	67,400	37,338	58,557
Current bonds issued	17	—	—	212,495	212,476
Interest on bonds issued		17,440	7,612	15,353	20,418
Other financial liabilities	14, 24	180,134	128,932	145,116	127,610
Total current liabilities		1,605,424	1,477,393	783,013	1,015,687
Non-current liabilities					
Long-term borrowings	16	205,713	214,057	227,740	233,669
Lease liabilities		278,635	277,487	287,154	243,623
Deferred tax liabilities		20,134	21,726	20,806	19,375
Bonds issued	17	594,895	594,648	593,942	593,818
Other non-current liabilities		26,835	26,926	1,216	1,239
Total non-current liabilities		1,126,212	1,134,844	1,130,858	1,091,724
Equity attributable to Kernel Holding S.A. equity holders					
Issued capital	2	2,219	2,219	2,219	2,219
Share premium reserve		500,378	500,378	500,378	500,378
Additional paid-in capital		39,944	39,944	39,944	39,944
Treasury shares	2	(96,897)	(50,786)	—	—
Equity-settled employee benefits reserve	2	—	—	1,850	1,850
Revaluation reserve		62,174	62,174	57,290	57,290
Other reserves		—	(8,266)	(896)	(18,800)
Translation reserve		(817,051)	(712,571)	(703,034)	(736,070)
Retained earnings		2,331,339	2,360,961	2,048,399	1,883,450
Total equity attributable to Kernel Holding S.A. equity holders		2,022,106	2,194,053	1,946,150	1,730,261
Non-controlling interests	18	2,675	146,294	136,558	103,880
Total equity		2,024,781	2,340,347	2,082,708	1,834,141
Total liabilities and equity		4,756,417	4,952,584	3,996,579	3,941,552
Book value		2,022,106	2,194,053	1,946,150	1,730,261
Number of shares	2	77,429,230	80,804,230	84,031,230	84,031,230
Book value per share (in USD)		26.12	27.15	23.16	20.59
Diluted number of shares		77,429,230	80,804,230	84,031,230	84,031,230
Diluted book value per share (in USD)		26.12	27.15	23.16	20.59

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

		3 months ended 31 March 2022	9 months ended 31 March 2022	3 months ended 31 March 2021	9 months ended 31 March 2021
	Notes				
Revenue	19, 24	1,690,087	4,915,377	1,729,191	3,996,197
Net change in fair value of biological assets and agricultural produce	10	(73,560)	37,946	(58,403)	69,872
Cost of sales	20, 24	(1,589,270)	(4,249,847)	(1,561,453)	(3,404,572)
Gross profit		27,257	703,476	109,335	661,497
Other operating income, net		37,659	40,405	8,308	44,054
General and administrative expenses	21, 24	(52,610)	(198,668)	(33,714)	(118,746)
Profit from operating activities		12,306	545,213	83,929	586,805
Loss on impairment of assets	22	(60,649)	(60,649)	—	—
Finance costs, net	24	(27,891)	(85,332)	(33,951)	(115,877)
Foreign exchange gain/(loss), net		16,426	11,114	(3,855)	(2,775)
Other (expenses)/income, net	23, 24	(22,109)	(31,278)	8,391	7,362
(Loss)/Profit before income tax		(81,917)	379,068	54,514	475,515
Income tax expenses		(15,595)	(25,015)	(1,584)	(18,565)
(Loss)/Profit for the period		(97,512)	354,053	52,930	456,950
(Loss)/Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		(103,344)	297,459	15,831	347,759
Non-controlling interests	18	5,832	56,594	37,099	109,191
Earnings per share					
Weighted average number of shares		78,666,730	81,103,208	84,031,230	84,031,230
(Loss)/Profit per ordinary share (in USD)		(1.31)	3.67	0.19	4.14
Diluted number of shares		78,666,730	81,103,208	84,031,230	84,031,230
Diluted (loss)/profit per ordinary share (in USD)		(1.31)	3.67	0.19	4.14

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 three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2022	9 months ended 31 March 2022	3 months ended 31 March 2021	9 months ended 31 March 2021
Profit for the period		(97,512)	354,053	52,930	456,950
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Gain/(Loss) from revaluation of property	12	—	5,956	—	(6,048)
Income tax related to revaluation of property		—	(1,072)	—	1,089
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(102,315)	(111,850)	15,572	(38,722)
Gain/(Loss) arising from cash flow hedge		16,017	1,736	(5,501)	(30,786)
Income tax related to cash flow hedge		(2,241)	(243)	770	4,312
Other comprehensive (loss)/income, net		(88,539)	(105,473)	10,841	(70,155)
Total comprehensive (loss)/income for the period		(186,051)	248,580	63,771	386,795
Total comprehensive (loss)/income attributable to:					
Equity holders of Kernel Holding S.A.		(199,558)	189,222	28,539	287,664
Non-controlling interests		13,507	59,358	35,232	99,131

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

Attributable to Kernel Holding S.A. shareholders												
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Subscribed capital/Treasury shares	Revaluation reserve	Other reserves	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 31 March 2021	2,219	500,378	39,944	1,850	—	57,290	(18,800)	(736,070)	1,883,450	1,730,261	103,880	1,834,141
Profit for the period	—	—	—	—	—	—	—	—	164,949	164,949	20,690	185,639
Other comprehensive income	—	—	—	—	—	—	17,904	33,036	50,940	50,940	11,988	62,928
Total comprehensive income for the period	—	—	—	—	—	—	17,904	33,036	164,949	215,889	32,678	248,567
Balance as of 31 June 2021	2,219	500,378	39,944	1,850	—	57,290	(896)	(703,034)	2,048,399	1,946,150	136,558	2,082,708
Profit for the period	—	—	—	—	—	—	—	—	210,784	210,784	35,322	246,106
Other comprehensive income/(loss)	—	—	—	—	—	4,884	(3,691)	29,766	30,959	30,959	(2,404)	28,555
Total comprehensive income for the period	—	—	—	—	—	4,884	(3,691)	29,766	210,784	241,743	32,918	274,661
Subscribed capital (Note 2)	—	—	—	—	(50,786)	—	—	—	—	(50,786)	—	(50,786)
Balance as of 30 September 2021	2,219	500,378	39,944	1,850	(50,786)	62,174	(4,587)	(673,268)	2,259,183	2,137,107	169,476	2,306,583
Profit for the period	—	—	—	—	—	—	—	—	190,019	190,019	15,440	205,459
Other comprehensive loss	—	—	—	—	—	—	(3,679)	(39,303)	(42,982)	(42,982)	(2,507)	(45,489)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	(3,679)	(39,303)	190,019	147,037	12,933	159,970
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	—	(34,069)	(34,069)	—	(34,069)
Effect of changes on non-controlling interest (Note 18)	—	—	—	—	—	—	—	—	(54,172)	(54,172)	(36,115)	(90,287)
Modification of share-based payments	—	—	—	(1,850)	—	—	—	—	—	(1,850)	—	(1,850)
Balance as of 31 December 2021	2,219	500,378	39,944	—	(50,786)	62,174	(8,266)	(712,571)	2,360,961	2,194,053	146,294	2,340,347
(Loss)/Profit for the period	—	—	—	—	—	—	—	—	(103,344)	(103,344)	5,832	(97,512)
Other comprehensive income/(loss)	—	—	—	—	—	—	8,266	(104,480)	—	(96,214)	7,675	(88,539)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	8,266	(104,480)	(103,344)	(199,558)	13,507	(186,051)
Effect of changes on non-controlling interest (Note 18)	—	—	—	—	—	—	—	—	73,722	73,722	(157,126)	(83,404)
Subscribed capital (Note 2)	—	—	—	—	(46,111)	—	—	—	—	(46,111)	—	(46,111)
Balance as of 31 March 2022	2,219	500,378	39,944	—	(96,897)	62,174	—	(817,051)	2,331,339	2,022,106	2,675	2,024,781

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 three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2022	9 months ended 31 March 2022	3 months ended 31 March 2021	9 months ended 31 March 2021
Operating activities:					
(Loss)/Profit before income tax		(81,917)	379,068	54,514	475,515
Adjustments for:					
Amortization and depreciation		29,348	104,767	27,490	83,185
Finance costs, net		27,891	85,332	33,951	115,877
Change in loss allowance for expected credit losses on trade and other receivables		15,168	17,010	692	801
Other accruals		2,695	6,658	1,923	3,044
Gain on disposal of property, plant and equipment		(598)	(1,793)	(1,105)	(1,151)
Net foreign exchange loss		(14,932)	(7,576)	(3,415)	(942)
Write-offs and impairment loss		60,649	58,312	—	4,561
Net change in fair value of biological assets and agricultural produce	10	73,560	(37,946)	58,403	(69,872)
Gain on sales of subsidiaries	7	—	—	(621)	(1,870)
Net gain arising on financial assets classified as at fair value through profit or loss		25,451	1,125	(10,544)	(42,591)
Operating profit before working capital changes		137,315	604,957	161,288	566,557
Changes in working capital:					
Change in trade and other accounts receivable ¹		28,362	18,992	(301,282)	(374,622)
Change in prepayments and other current assets		28,937	12,796	(31,326)	2,486
Change in restricted cash balance		52	90	(3)	1,817
Change in taxes recoverable and prepaid		(19,062)	(135,056)	11,509	(69,067)
Change in biological assets		(9,286)	482,343	(8,184)	324,538
Change in inventories		26,039	(1,221,831)	187,754	(495,880)
Change in trade accounts payable		1,897	74,434	182,743	239,320
Change in advances from customers and other current liabilities		(32,319)	(75,553)	(19,568)	10,714
Cash generated from/(used in) operations		161,935	(238,828)	182,931	205,863
Interest paid		(20,661)	(90,179)	(27,591)	(95,798)
Interest received		3,519	10,441	957	3,665
Income tax paid		(6,651)	(16,082)	(4,922)	(17,537)
Net cash generated by/(used in) operating activities		138,142	(334,648)	151,375	96,193
Investing activities:					
Purchase of property, plant and equipment		(26,891)	(116,348)	(32,602)	(128,094)
Proceeds from disposal of property, plant and equipment		1,892	4,317	1,985	3,812
Payment for lease agreements		(410)	(1,777)	(296)	(1,666)
Purchase of intangible and other non-current assets		(154,324)	(158,094)	(677)	(2,300)
Disposal of subsidiaries	7	—	—	707	2,153
Amount advanced for subsidiaries		1,969	2,869	—	3,396
Amount advanced to related parties		(1,348)	(19,790)	(10,797)	(12,806)
Proceeds from return of loans by related parties		7,038	14,972	—	19,804
Proceeds from sale of/(Payment to acquire) financial assets		1,476	(48,664)	121,704	1,361
Acquisition of non-controlling interest	18	(32,000)	(32,000)	—	—
Net cash (used in)/generated by investing activities		(202,598)	(354,515)	80,024	(114,340)
Financing activities:					
Proceeds from borrowings		182,039	1,029,913	46,414	289,479
Repayment of borrowings		(86,855)	(137,496)	(133,402)	(222,996)
Repayment of dividends	2	(34,069)	(34,069)	(35,293)	(35,293)
Financing for farmers		(4,173)	(13,788)	—	—
Repayment of lease liabilities		(1,256)	(17,477)	(4,654)	(15,752)
Repurchase of share options		—	—	(11,484)	(11,484)
Repurchase of treasury shares	2	(46,111)	(96,897)	—	—
Proceeds from bonds issued	17	—	—	—	299,286
Transactions costs related to corporates bonds issue		—	—	—	(2,428)
Repayment of corporate bonds	17	—	(213,110)	—	(286,890)
Premium for early repayment of bonds	17	—	(1,888)	—	(16,108)
Net cash generated by/(used in) financing activities		9,575	515,188	(138,419)	(2,186)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(25,715)	(26,886)	(925)	(920)
Net (decrease)/increase in cash and cash equivalents		(80,596)	(200,861)	92,055	(21,253)
Cash and cash equivalents, at the beginning of the period	8	453,585	573,850	253,896	367,204
Cash and cash equivalents, at the end of the period	8	372,989	372,989	345,951	345,951

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

¹ Includes movement in other financial assets

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (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, wheat, soybean and rapeseed), 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 March 2022	31 December 2021	30 June 2021	31 March 2021
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0% ¹	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%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	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%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators.	Ukraine	94.1%	94.1%	94.1%	94.0%
Kononivsky Elevator LLC	Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	100.0%	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%	91.12%	91.12%
Hliborob LLC	Agricultural farms.	Ukraine	100.0%	100.0%	100.0%	100.0%
Prydniprovskyi Kray ALLC	Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	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 May 2022.

¹ 40% share in Avere Commodities S.A. was acquired on 9 March 2022

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (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 March 2022, 31 December 2021 and 31 March 2021, 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 (except of own shares purchased).

The shares were distributed as follows:

	As of 31 March 2022		As of 31 December 2021		As of 31 March 2021	
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')	31,974,011	38.05%	33,003,278	39.28%	32,903,278	39.16%
Free float	45,455,219	54.09%	47,800,952	56.88%	51,127,952	60.84%
Own shares purchased	6,602,000	7.86%	3,227,000	3.84%	—	—
Total	84,031,230	100.00%	84,031,230	100.00%	84,031,230	100.00%

As of 31 March 2022, 31 December 2021 and 31 March 2021, 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 34,069¹ 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 35,293¹ thousand on 14 January 2021.

On 24 September 2021 and 3 February 2022, as the result of a share buy-back program, the Group purchased the Company's equity instruments (3,227,000 shares constituting 3.84% and 3,375,000 shares constituting 4.02% of the total share capital, respectively) paying the consideration equal USD 96,897 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 March 2022 (31 December and 31 March 2021: 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.

Months 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 32.18 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.

¹ 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 three months ended 31 March 2022 (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;

As at the beginning of May, Ukraine has already received USD 5.3 billion of financial aid from international organizations and governments of different countries out of USD 11 billion confirmed. 36% out of this amount is in the form of grants.

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 30%. 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 three months ended 31 March 2022 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.

The condensed consolidated interim financial statements of the Group for the three months ended 31 March 2022 have been prepared on a going concern basis as management believes that application of the going concern assumption is appropriate.

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 (though Chernihiv, Sumy and partially Mykolayiv and Kharkiv regions were deoccupied after Russian invasion, some areas remained unsuitable for agricultural use as a result of past military actions); Black Sea ports in Ukraine suspended their operations, making export through the sea terminals temporarily inaccessible. The government introduced export licensing of some agricultural goods, including wheat. For other subsequent events please refer to Notes 3. Operating environment and 27. Subsequent events.

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. Since the beginning of the war with Russian Federation, over 1,139 of our employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units. Of them, 458 were demobilized and returned to work. Unfortunately, 8 Kernel employees died as a result of the military actions..

Following mentioned events, the Group's assets with a carrying value of USD 1.6 million were damaged and two oil extraction plants in Vovchansk and Prykolotne with total carrying value of USD 44.8 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.

The Group's inventories are in good condition and are in safe storage. Inventory of USD 41 million is located on temporary occupied areas.

The Group is finalizing spring sowing campaign on 370 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 maintained sufficient volumes 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.

Military activity in the southern part of Ukraine currently remains high risky for resuming export operations through sea ports, operations of which

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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, minimizing the risk of claims for non-performance under its sales contracts. The Group started to transport agricultural products 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 remain low.

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 is 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 persons or organizations listed in the list of sanction. In this situation the Group does not expect any influence on the supply 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 March 2022 the Group has a significant amount of current assets, inventory in particular, however it 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 agricultural products and the extent to which they can be used by the Group is yet unknown. Hence, it may take longer than expected for the Group to sell its stock of inventory. 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 880 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 agricultural traders and shipment companies on securing alternative ways of exporting Ukrainian agricultural products given a significant global demand of those.

Although the Group's financial performance was strong in 2021 calendar year, military actions occurring before 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 and transshipment services for which USD was determined as the functional currency.

Foreign Currencies

Transactions in currencies other than the functional currencies of the Group's companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Consolidated Statement of Profit or Loss and Other Comprehensive Income accumulated in Translation reserve.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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

Currency	Closing rate as of 31 March 2022	Average rate for the		Closing rate as of 31 March 2021	Average rate for the	
		3 months ended 31 March 2022	9 months ended 31 March 2022		3 months ended 31 March 2021	9 months ended 31 March 2021
UAH/USD	29.2549	28.5545	27.3735	27.8852	27.9694	27.9454
EUR/USD	0.8985	0.8915	0.8712	0.8514	0.8296	0.8414
PLN/USD	4.1801	4.1235	4.0111	3.9676	3.7742	3.7856

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.

Crypto assets

The Group owned crypto assets meeting the definition of an intangible asset regulated by IAS 38 Intangible Assets due to inherent characteristics of an asset, namely, identifiable, lack physical substance, control over a resource and existence of future economic benefits.

The crypto assets are carried initially at cost comprised from purchased price and transaction cost. The Group considers that the crypto assets have not had a foreseeable limit to the period over which it is expected to generate net cash inflows for the Company, as a result no amortization is required. The Group applies the revaluation model as active market exist for these intangible assets and measure them at the fair value on the date of revaluation less any impairment losses.

The Group recognized crypto assets in the amount of USD 153,000 thousand, as of 31 March 2022, within Intangible assets.

Reclassifications

Certain corrections and reclassifications have been made to the condensed consolidated interim financial statements as of 31 March 2021 and for the period then ended in order to achieve comparability with the presentation used in the condensed consolidated interim financial statements for the three months ended 31 March 2022 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 March 2021 by presenting separately Non-current financial assets in the amount of USD 31,694 thousand that was previously presented as Other non-current assets, by presenting other financial assets in the amount of USD 61,350 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 31,107 thousand that was previously presented as Advances from customers and other current liabilities and presenting other financial liabilities in the amount of USD 61,592 thousand as Other financial liabilities 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.

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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 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 three months ended 31 March 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	208,247	1,470,594	11,246	—	—	1,690,087
Intersegment sales	286,914	8,463	75,886	—	(371,263)	—
Total revenue	495,161	1,479,057	87,132	—	(371,263)	1,690,087
Net change in fair value of biological assets and agricultural produce	—	—	(73,560)	—	—	(73,560)
Other operating income, net	3,363	30,548	1,774	1,974	—	37,659
Profit/(Loss) from operating activities	5,322	104,402	(79,956)	(17,462)	—	12,306
Loss on impairment of assets						(60,649)
Finance costs, net						(27,891)
Foreign exchange gain, net						16,426
Other expenses, net						(22,109)
Income tax expenses						(15,595)
Loss for the period						(97,512)
Total assets	1,570,849	1,768,500	1,022,860	394,208	—	4,756,417
Capital expenditures	11,046	6,410	15,640	1,137	—	34,233
Amortization and depreciation	7,974	5,943	14,916	515	—	29,348
Total liabilities	91,992	363,418	402,337	1,873,889	—	2,731,636

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

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

Key data by operating segment for the three months ended 31 March 2021:

	Oilseed Processing	Infrastructure and Trading	Farming	Other ¹	Reconciliation	Continuing operations
Revenue (external)	228,942	1,495,050	5,199	—	—	1,729,191
Intersegment sales	291,554	18,403	122,462	—	(432,419)	—
Total revenue	520,496	1,513,453	127,661	—	(432,419)	1,729,191
Net change in fair value of biological assets and agricultural produce	—	—	(58,403)	—	—	(58,403)
Other operating income/(expenses), net	346	11,293	(6)	(3,325)	—	8,308
Profit/(Loss) from operating activities	460	116,054	(11,887)	(20,698)	—	83,929
Finance costs, net						(33,951)
Foreign exchange loss, net						(3,855)
Other income, net						8,391
Income tax expenses						(1,584)
Profit for the period						52,930
Total assets	1,407,186	1,546,974	865,876	121,516	—	3,941,552
Capital expenditures	13,464	8,735	17,489	534	—	40,222
Amortization and depreciation	6,522	5,529	14,855	584	—	27,490
Total liabilities	61,239	490,956	391,632	1,163,584	—	2,107,411

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

	For the 3 months ended 31 March 2022				For the 3 months ended 31 March 2021			
	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations	Oilseed Processing	Infrastructure and Trading	Farming	Continuing operations
Revenue from sales of commodities	184,136	1,398,221	11,246	1,593,603	211,689	1,447,687	5,199	1,664,575
Freight and other services	24,111	72,373	—	96,484	17,253	47,363	—	64,616
Total external revenue from contracts with customers	208,247	1,470,594	11,246	1,690,087	228,942	1,495,050	5,199	1,729,191

During the three months ended 31 March 2022, revenues of approximately USD 139,352 thousand (the three months ended 31 March 2021: USD 172,740 thousand) are derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 97.5% of total external sales (three months ended 31 March 2021: 97.2%).

During the three months ended 31 March 2022, revenue from the Group's top five customers accounted for approximately 27.8% of total revenue (for the three months ended 31 March 2021, revenue from the top five customers accounted for 28.2% 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	
	3 months ended 31 March 2022	3 months ended 31 March 2021		As of 31 March 2022	As of 31 March 2021
Asia	1,010,850	885,330	Ukraine	1,792,553	1,594,680
of which Singapore	412,557	210,203	Switzerland	2,632	2,994
China	227,635	263,389	USA	264	439
India	110,813	174,610	Other locations	470	340
Europe	557,029	447,081			
of which the Netherlands	144,271	101,358			
Switzerland	127,710	101,514			
Other locations	122,208	396,780			
Total	1,690,087	1,729,191	Total	1,795,919	1,598,453

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

7. Acquisition and Disposal of Subsidiaries

No entities were acquired or disposed during the three months ended 31 March 2022 as well as no entities were acquired during the three months ended 31 March 2021.

During the three months ended 31 March 2021, as a result of the optimization process of the logistic assets, the Group disposed of two grain elevators located in Chernihiv and Mykolaiv regions, one of which was previously recognized as assets held for sale. The net assets of the

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

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

disposed entities as of the date of disposal were equal to USD 912 thousand (out of which USD 351 thousand belonged to assets held for sale) and the cash consideration received was USD 1,533 thousand (out of which USD 707 thousand was received during the reporting period). Gain on disposal comprised to USD 621 thousand.

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Cash in banks in USD	328,747	406,746	287,857
Cash in banks in UAH	4,619	2,043	26,892
Cash in banks in other currencies	39,620	44,869	31,291
Cash on hand	7	9	5
Total	372,993	453,667	346,045
Less restricted and blocked cash on security bank accounts	—	(52)	(92)
Less bank overdrafts (Note 15)	(4)	(30)	(2)
Cash for the purposes of cash flow statement	372,989	453,585	345,951

9. Inventory

The balances of inventories were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Raw materials	586,596	528,802	281,185
Goods for resale	315,626	383,956	170,753
Agricultural products	206,485	313,105	125,456
Finished products	158,233	211,593	71,316
Work in progress	87,178	55,576	59,968
Fuel	7,180	3,174	5,451
Packaging materials	1,775	2,142	1,572
Other inventories	11,277	9,283	9,528
Total	1,374,350	1,507,631	725,229

As of 31 March 2022, raw materials mostly consisted of sunflower seed stock in the amount of USD 501,804 thousand (as of 31 December 2021 and 31 March 2021: USD 463,737 thousand and USD 200,646 thousand, respectively).

As of 31 March 2022, goods for resale mostly consisted of corn in the amount of USD 188,844 thousand (as of 31 December 2021 and 31 March 2021: USD 246,394 thousand and USD 25,060 thousand, respectively).

As of 31 March 2022, agricultural products mostly consisted of corn in the amount of USD 204,993 thousand as of 31 December 2021 and 31 March 2021: USD 307,187 thousand and USD 125,210 thousand, respectively).

As of 31 March 2022, finished goods mostly consisted of sunflower oil sold in bulk in the amount of USD 138,211 thousand (as of 31 December 2021 and 31 March 2021: USD 174,661 thousand and USD 144,320 thousand, respectively).

As of 31 March 2022, write-downs of inventories to net realizable value amounted to USD 5,930 thousand (31 March 2021: USD 1,811 thousand) and were recognized as an expense and included in line "Cost of sales".

As of 31 March 2022, inventory balances in the amounts of USD 684,312 thousand (as of 31 December 2021 and 31 March 2021: USD 645,148 thousand and USD 186,286 thousand, respectively) were pledged as security for short-term borrowings (Note 15).

10. Biological Assets

Current biological assets as of 31 March 2022 consisted of 88,142 hectares of winter crops sowed in the amount of USD 49,846 thousand (31 December 2021: 88,190 hectares of winter crops sowed in the amount of USD 50,370 thousand; 31 March 2021: 74,194 hectares of winter crops sowed in the amount of USD 50,931 thousand) and current cattle of USD 1,771 thousand was represented mainly by 4,369 heads of calves (31 December 2021: USD 1,817 thousand was represented mainly by 4,508 heads of calves; 31 March 2021: USD 1,426 thousand was represented mainly by 4,303 heads of calves).

Net change in fair value of biological assets and agricultural produce for the three months ended 31 March 2022 amounted to USD 73,560 thousand of loss (three months ended 31 March 2021: loss USD 58,403 thousand) reflecting revaluation of crops in fields, livestock balances to its fair value, and reversed revaluation on sales of agricultural produce of prior year harvest.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

11. Other financial assets

The balances of other financial assets were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Derivative financial instruments (Note 26)	130,394	97,870	110,531
Margin account with brokers	84,060	154,382	97,638
Corporate and government bonds	58,877	60,353	13,623
Other financial assets	29,842	34,662	61,350
Total	303,173	347,267	283,142

12. Property, Plant and Equipment, net

During the three months ended 31 March 2022, the Group acquired property, plant and equipment in the amount of USD 16,568 thousand (31 March 2021: USD 36,058 thousand). These purchases were related mainly to the construction of an oil-crushing plant (31 March 2021: oil-crushing plant and an agricultural equipment and vehicles).

The decrease in property, plant and equipment in the amount of USD 17,556 thousand resulted from the devaluation of the Ukrainian hryvnia during the three months ended 31 March 2022 (31 March 2021: increase USD 5,412 thousand as a result of revaluation of the Ukrainian hryvnia).

During the three months ended 31 March 2022, depreciation of property, plant and equipment amounted USD 20,283 thousand (31 March 2021: USD 18,566 thousand).

As of 31 March 2022, the Group's construction in progress and uninstalled equipment amounted to USD 245,216 thousand, which is mostly related to the construction of an oil-crushing plant (31 March 2021: USD 388,602 thousand, mostly related to the construction of an oil-crushing plant and a port terminal).

As of 31 March 2022, property, plant and equipment with a carrying amount of USD 307,153 thousand (31 March 2021: USD 287,678 thousand) were pledged by the Group as collateral against long-term bank borrowings (Notes 16).

For the three months ended 31 March 2022, borrowing costs in the amount of USD 746 thousand were included in the cost of qualifying assets (31 March 2021: USD 1,831 thousand).

13. Advances from Customers and Other Current Liabilities

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

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Advances from customers	55,442	18,019	33,072
Accrued payroll, payroll related taxes and bonuses	50,533	65,984	56,195
Provision for unused vacations and other provisions	7,274	6,981	6,507
Taxes payable and provision for tax liabilities	4,158	39,822	6,012
Other current liabilities	6,704	17,429	15,270
Total	124,111	148,235	117,056

14. Other Financial Liabilities

The balances of other financial liabilities were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Derivative financial instruments (Note 26)	92,858	47,019	66,018
Payable for legal claims (Note 25)	37,846	37,311	35,676
Accounts payable for property, plant and equipment	10,847	11,301	23,716
Dividends declared	—	31,255	—
Other current liabilities	38,583	2,046	2,200
Total	180,134	128,932	127,610

15. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Bank credit lines	904,045	815,599	35,177
Interest accrued on short-term borrowings	1,775	1,393	595
Interest accrued on long-term borrowings	1,111	1,150	1,131
Bank overdrafts (Note 8)	4	30	2
Total	906,935	818,172	36,905

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

The balances of short-term borrowings as of 31 March 2022 were as follows:

	Interest rate ¹	Currency	Maturity	Amount due
European bank	Libor+3.20%	USD	April 2022	175,000
European bank	Libor+3.10%	USD	April 2022	119,000
European bank	SOFR+2.90%	USD	April 2022	106,600
European bank	COF+2.10%	USD	February 2023	53,044
Ukrainian subsidiary of European bank	13.00%	UAH	April 2022	43,377
European bank	SOFR+3.00%	USD	April 2022	39,700
Ukrainian subsidiary of European bank	11.20%	UAH	May 2022	39,515
Ukrainian subsidiary of European bank	2.05%	USD	April 2022	27,000
European bank	COF+2.50%	USD	April 2022	27,000
European bank	Libor+2.75%	USD	April 2022	25,700
Ukrainian subsidiary of European bank	5.75%	USD	May 2022	20,000
Ukrainian subsidiary of European bank	2.21%	USD	June 2022	18,400
Ukrainian subsidiary of European bank	2.15%	USD	May 2022	16,794
Ukrainian subsidiary of European bank	2.61%	USD	May 2022	15,000
Ukrainian subsidiary of European bank	2.56%	USD	April 2022	15,000
European bank	Libor+2.30%	USD	April 2022	15,000
Ukrainian subsidiary of European bank	9.50%	UAH	May 2022	13,878
European bank	Libor+2.00%	USD	April 2022	13,500
European bank	SOFR+3.50%	USD	April 2022	12,900
Ukrainian subsidiary of European bank	3.00%	USD	May 2022	12,500
European bank	Libor+3.5%	USD	April 2022	12,000
Ukrainian subsidiary of European bank	10.50%	UAH	April 2022	11,526
Ukrainian subsidiary of European bank	2.50%	USD	April 2022	10,500
Ukrainian subsidiary of European bank	2.67%	USD	May 2022	10,000
Ukrainian subsidiary of European bank	5.75%	USD	June 2022	10,000
European bank	SOFR+4.50%	USD	April 2022	9,300
Ukrainian subsidiary of European bank	2.50%	USD	May 2022	8,000
European bank	Libor+2.30%	USD	September 2022	8,000
Ukrainian subsidiary of European bank	2.20%	USD	April 2022	6,850
Ukrainian subsidiary of European bank	2.64%	USD	May 2022	5,000
Ukrainian subsidiary of European bank	17.75%	UAH	April 2022	2,389
Ukrainian subsidiary of European bank	2.65%	USD	April 2022	1,200
Ukrainian subsidiary of European bank	10.75%	UAH	May 2022	376
Total bank credit lines				904,049
Interest accrued on short-term borrowings				1,775
Interest accrued on long-term borrowings				1,111
Total				906,935

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

	Interest rate ¹	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
Total bank credit lines				815,629
Interest accrued on short-term borrowings				1,393
Interest accrued on long-term borrowings				1,150
Total				818,172

¹ 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.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor+1.90%	USD	November 2021	22,232
Ukrainian subsidiary of European bank	6.70%	UAH	April 2021	7,174
European bank	Libor+2.45%	USD	October 2021	5,157
Ukrainian subsidiary of European bank	Libor+4.50%	USD	August 2021	616
Total bank credit lines				35,179
Interest accrued on long-term borrowings				1,131
Interest accrued on short-term borrowings				595
Total				36,905

As of 31 March 2022, undrawn short-term bank credit lines amounted to USD 307,235 thousand (as of 31 December 2021 and 31 March 2021: USD 428,509 thousand and USD 955,556 thousand).

Short-term borrowings from banks were secured as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Assets pledged			
Inventory (Note 9)	684,312	645,148	186,286
Future sales receipts	549,186	542,659	162,892
Total	1,233,498	1,187,807	349,178

16. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Long-term bank borrowings	234,430	239,596	253,578
Current portion of long-term borrowings	(28,717)	(25,539)	(19,909)
Total	205,713	214,057	233,669

The balances of long-term borrowings as of 31 March 2022 were as follows:

	Interest rate ¹	Currency	Maturity	Amount due
European bank	Libor+2.84%	USD	July 2030	58,360
European bank	Libor+2.78%	USD	February 2029	42,424
European bank	Libor+4.50%	USD	May 2027	40,320
European bank	Libor+2.77%	USD	December 2030	19,000
European bank	Libor+2.80%	USD	October 2029	18,788
European bank	Libor+2.78%	USD	December 2029	16,485
European bank	Libor+2.79%	USD	January 2030	14,062
European bank	Libor+2.77%	USD	April 2029	10,668
European bank	Libor+2.84%	USD	September 2029	7,603
European bank	Libor+1.00%	USD	May 2027	6,720
Total				234,430

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

	Interest rate ²	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
Total				239,596

¹ 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.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

The balances of long-term borrowings as of 31 March 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	48,485
European bank	Libor+4.50%	USD	May 2027	48,000
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	12,140
European bank	Libor+2.84%	USD	September 2029	8,093
European bank	Libor+1.00%	USD	May 2027	8,000
Total				253,578

As of 31 March 2022, undrawn long-term borrowings amounted to USD 50,907 thousand (as of 31 December 2021 and 31 March 2021: USD 50,907 thousand and USD 52,422 thousand, respectively).

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

	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
Assets pledged			
Property, plant and equipment (Note 12)	307,153	311,684	287,678
Total	307,153	311,684	287,678

17. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 31 March 2022	As of 31 December 2021	As of 31 March 2021
US 300,000 thousand 6.75% coupon bonds	October 2027	297,328	297,234	297,011
US 300,000 thousand 6.50% coupon bonds	October 2024	297,567	297,414	296,807
US 500,000 thousand 8.75% coupon bonds	January 2022	—	—	212,476
Total		594,895	594,648	806,294

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 matured 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).

18. Non-Controlling Interests

For the three months ended 31 March 2022, non-controlling interest decreased to USD 2,675 thousand (31 December 2021 and 31 March 2021: USD 146,294 thousand and USD 103,880 thousand, respectively) mostly as a result of 40% stake acquisition in Avere Commodities SA (Avere) on 9 March 2022, consolidating 100% voting rights and interest ownership in Avere.

Consideration paid to the existing Avere minority shareholders is USD 32,000 thousand, calculated as an estimated net assets value attributable

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

to the respective 40% shareholding in Avere as of the date of disposal. 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.

During the three months ended 31 March 2022, the non-controlling interest decreased by USD 19,600 thousand as a result of dividends distribution performed by Avere (three months ended 31 March 2021: no dividends declared or distributed by Avere).

19. Revenue

The Group's revenue was as follows:

	3 months ended 31 March 2022	3 months ended 31 March 2021
Revenue from agriculture commodities merchandizing	872,234	711,459
Revenue from edible oils sold in bulk, meal and cake	753,347	960,259
Revenue from bottled sunflower oil	47,982	49,392
Revenue from farming	11,246	5,199
Revenue from transshipment services	4,193	2,482
Revenue from grain silo services	1,085	400
Total	1,690,087	1,729,191

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.

For the three months ended 31 March 2022, revenue was increased by USD 61,087 thousand (31 March 2021: USD 46,604 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 39,712 thousand and revenue from agriculture commodities merchandizing in the amount USD 21,375 thousand (31 March 2021: increase in the amount of USD 57,552 thousand and decrease USD 10,948 thousand, respectively).

20. Cost of Sales

Cost of sales was as follows:

	3 months ended 31 March 2022	3 months ended 31 March 2021
Cost of goods for resale and raw materials used	1,404,915	1,419,035
Shipping and handling costs	137,846	94,603
Amortization and depreciation	27,749	26,059
Payroll and payroll related costs	15,133	16,192
Rental payments	417	2,043
Other operating costs	3,210	3,521
Total	1,589,270	1,561,453

For the three months ended 31 March 2022, result on operations with commodity futures, options and unrealized forwards, included within Cost of goods for resale and raw materials used line, increased Cost of sales for the amount of USD 11,088 thousand (31 March 2021: USD 150,037 thousand decrease).

For the three months ended 31 March 2021, presentation of Cost of sales was changed (Note 21).

21. General and Administrative Expenses

General and administrative expenses were as follows:

	3 months ended 31 March 2022	3 months ended 31 March 2021
Payroll and payroll related costs	24,612	22,648
Bad debts expenses	15,168	692
Audit, legal and other professional fees	3,016	2,931
Business trip expenses	1,770	750
Repairs and material costs	1,657	1,625
Amortization and depreciation	1,483	1,387
Taxes other than income tax	1,263	572
Expense relating to leases of low-value assets	1,012	841
Bank services	608	703
Insurance	397	644
Communication expenses	372	347
Other expenses	1,252	574
Total	52,610	33,714

The Group changed presentation of General and administrative expenses and included brokerage services in the amount USD 1,999 thousand for the three months ended 31 March 2021 into the Cost of sale line. This revision was applied due to the changes in the policy of recognition operations with commodity futures and options within Cost of sales.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

22. Loss on impairment of assets

As a result of full-scale Russian military invasion of Ukraine, the Group suffered operational and logistic difficulties, namely temporarily suspension of export through Ukrainian ports which resulted in the absence of active procurement, processing and export of grain and sunflower oil. Significant changes in operating environment became triggering events and indicator for impairment testing of goodwill.

The recoverable amounts of cash-generating units ('CGUs') were determined based on a value in use calculation, which uses cash flow projections based on the most recent financial budget approved by the management and covering a five-year period. Significant judgements are used to estimate the utilization, handled volumes, gross margin, long-term growth rate applied in the computing the recoverable amounts of CGU. The management has relied on its expectation of market and the market trends.

The discount rate reflects the specific risk relating to the segment and country in which operates. The discount rate was determined by the weighted average cost of capital based on observable inputs from external sources of information. The discount rate nominated in USD used as of 31 March 2022 was 16% (30 June 2021: 7.6%).

As the result of this analysis, the Group has recognized an impairment charge against goodwill in the amount of USD 37,687 thousand belong to the Oilseed Processing CGUs.

The Group recognized the write-off of inventories in the amount of USD 22,962 thousand, due to the suspension of export and subsequent expiration date of the goods.

23. Other (Expenses)/Income, net

Other expenses, net were as follows:

	3 months ended 31 March 2022	3 months ended 31 March 2021
Social spending	(14,472)	(420)
(Loss)/Gain on derivatives	(6,901)	8,584
Gain on disposal of property, plant and equipment	598	1,105
Other expenses, net	(1,334)	(878)
Total	(22,109)	8,391

24. 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, which has significant influence over the reporting entity.

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 March 2022	As of 31 December 2021	As of 31 March 2021
Entities under	Trade accounts receivable, net	1,159	1,715	74
Beneficial Owner	Prepayments to suppliers, net	3,778	15,774	—
control	Other financial assets	126	7,130	31,962
	Non-current financial assets	20,350	20,474	—
	Trade accounts payable	764	23,363	19,590
	Advances from customers and other current liabilities	—	—	2,290
Key management	Other financial assets	107	(60)	124
	Non-current financial assets	2,099	2,240	—
	Advances from customers and other current liabilities	17,633	23,217	14,686
	Other non-current liabilities	—	25,832	—
Entities under Key	Prepayments to suppliers, net	—	73	243
Management	Other financial assets	13,957	13,523	765
control	Non-current financial assets	5,731	5,678	19,459
	Other financial liabilities	163	187	296
Other related	Trade accounts receivable, net	414	469	851
parties	Prepayments to suppliers, net	2,584	868	717
	Other financial assets	4,180	4,209	3,120
	Non-current financial assets	10,320	10,280	4,293
	Trade accounts payable	601	1,237	160
	Advances from customers and other current liabilities	357	331	1,264

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.

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	3 months ended 31 March 2022	3 months ended 31 March 2021
Entities under Beneficial Owner control	Revenue	1,011	72
	Cost of sales	(14)	(7,762)
	Financial costs, net	345	202
Key management	General and administrative expenses	(786)	(4,653)
Entities under Key Management control	Financial costs, net	274	258
Other related parties	General and administrative expenses	(252)	(165)
	Financial costs, net	391	144
	Other (expenses)/income, net	(145)	238

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 889 thousand (for the three months ended 31 March 2021: USD 4,756 thousand). Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

25. Commitments and Contingencies

Capital Commitments

As of 31 March 2022, the Group had commitments under contracts with a group of suppliers for a total amount of USD 38,315 thousand, mostly for the construction of an oilseed crushing plant (31 December 2021 and 31 March 2021: USD 59,248 thousand and USD 55,262 thousand, mostly for the construction of an oilseed crushing plant, respectively).

Contractual Commitments on Sales

As of 31 March 2022, the Group had entered into commercial contracts for the export of 1,285,500 tons of grain, corresponding to an amount of USD 370,233 thousand, in contract prices as of the reporting date.

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.

As of 31 March 2021, the Group had entered into commercial contracts for the export of 3,149,108 tons of grain and 342,057 tons of sunflower oil and 410,111 tons of sunflower meal and other related products, corresponding to an amount of USD 740,185 thousand, USD 412,358 thousand and USD 120,381 thousand, respectively, in contract prices as of the reporting date.

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 31 March 2022, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers (the "Stiomi Sellers") in respect of the non-fulfilment of the Stiomi Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiomi Sellers in which the Stiomi Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the Stiomi Sellers an aggregate amount of approximately USD 30.3 million.

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

In Switzerland, the Stiomi Sellers have obtained attachment orders against certain bank accounts of the Group. The proceeds of these attachments were allocated to the Stiomi Sellers by the debt collection office. The amount frozen, however, did not exceed some tens of thousands Swiss Francs. The Stiomi Sellers have also obtained an attachment on intergroup receivables. Furthermore, former counsel to the Stiomi Sellers has also obtained a Swiss attachment order against one of the Stiomi Sellers on the basis of unpaid fees in an amount of close to EUR 6 million.

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

In early 2020, a third party brought claims both before Luxembourg and Ukrainian courts asserting that one of the Stiomi Seller's claims has been assigned to them, which the Stiomi Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiomi Sellers, pending the resolution of these issues.

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.

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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, it appears that 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 and possibly Kernel officers. Swiss jurisdiction has been confirmed and the investigation appears to be ongoing. So far, Kernel has not been auditioned and has no possibility to access the file. Kernel has provided to the Public Prosecutor of Geneva a spontaneous letter with the purpose of clarifying facts and to demonstrate that accusations against the Group are unfounded/contradicted by robust evidence.

From a civil perspective, 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 37,846 thousand as of 31 March 2022 (31 December 2021 and 31 March 2021: USD 37,311 thousand and USD 35,676 thousand, respectively), and related expenses in the amount of USD 535 thousand were recognised within the three months ended 31 March 2022 (three months ended 31 March 2021: USD 535 thousand) and included within the line "Other expenses, net".

As of 31 March 2022, 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 March 2022, 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 94,687 thousand (31 December 2021: USD 99,153 thousand), from which USD 84,013 thousand related to VAT recoverability (31 December 2021: USD 87,932 thousand), USD 10,425 thousand related to corporate income tax (31 December 2021: USD 10,953 thousand) and USD 250 thousand related to other tax issues (31 December 2021: USD 268 thousand).

As of 31 March 2022, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 91,549 thousand (31 December 2021: USD 96,015 thousand), included in the abovementioned amount. Out of this amount, USD 4,785 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (31 December 2021: USD 5,131 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

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

26. 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 March 2022		31 December 2021		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities¹						
Long-term borrowings (Note 16)	234,430	236,609	239,596	241,818	253,578	256,285
Bonds issued (Note 17)	612,335	307,500	602,260	600,048	826,712	863,101

For the three months ended 31 March 2022, 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 2.78% (for the three months ended 31 March 2021: 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.

¹ Including accrued interests

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

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

	As of 31 March 2022			As of 31 December 2021			As of 31 March 2021		
Other financial assets	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Forwards	—	99,732	99,732	—	61,194	61,194	—	94,014	94,014
Futures/Options	30,662	—	30,662	36,676	—	36,676	15,637	—	15,637
Derivatives held for hedging	—	—	—	—	—	—	—	814	814
Total	30,662	99,732	130,394	36,676	61,194	97,870	15,637	94,828	110,465
Other financial liabilities	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
Forwards	—	89,873	89,873	—	46,934	46,934	—	32,748	32,748
Futures/Options	2,985	—	2,985	85	—	85	6,557	—	6,557
Derivatives held for hedging	—	—	—	—	—	—	—	26,713	26,713
Total	2,985	89,873	92,858	85	46,934	47,019	6,557	59,461	66,018

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).

As a result of temporarily suspension of export through Ukrainian ports, the designated hedged forecast transactions were no longer considered to be highly probable to occur and the Group ceased to recognise cash flow hedge for sunflower oil sales as of 31 March 2022. Consequently, effective part of cash flow hedge as of 31 December 2021 was recognized as a loss within Cost of sales in the amount of USD 16,017 thousand for the three months ended 31 March 2022.

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

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

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, other 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 58,877 thousand and classified as held for trading (as of 31 December 2021 and 31 March 2021: USD 60,353 thousand and USD 13,623 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 three months ended 31 March 2022, the fair value of non-current financial assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the three months ended 31 March 2022, 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 March 2022, 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.

27. Subsequent Events

On 26 April 2022, the Kernel Holding S.A. entered into share purchase agreement regarding divesting part of its farming entities comprising 134 thousand hectares of farmland with related farming infrastructure, machinery, and working capital. The consideration to be paid is USD 210 million. The completion of the transaction is conditional upon obtaining consent from some of the Company's creditors and relevant regulatory requirements.

On 15 April 2022, Mr. Andrii Miski-Oglu was approved by the Board of Directors as a new non-executive director of the Kernel Holding S.A. via co-optation procedure in replacement of Mr. Sergei Shibaev.

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

Notes to the Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2022 (in thousands of US dollars, unless otherwise stated)

On 9 May 2022, the Company received a written notice from Mrs. Nathalie Bachich, a non-executive director, about her resignation from the Board of Directors of the Company. On 22 May 2022, the Board of Directors of Kernel Holding S.A. approved the resignation of Mrs. Nathalie Bachich from the Board of Directors of Kernel Holding S.A. with effect as of 22 May 2022 and approved the co-optation of Mrs. Daria Anna Danilczuk as a new non-executive director of Kernel Holding S.A. in replacement of Mrs. Nathalie Bachich until ratification thereto by the next general meeting of shareholders of the company, and with effect as of 22 May 2022.