Q1 FY2023

KERNEL

Condensed Consolidated Interim Financial Statements

for the three months ended 30 September 2022

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Management discussion and analysis

for the three months ended 30 September 2022

Income statement highlights

- Consolidated **revenue** of Kernel Holding group of companies (hereinafter "Kernel", the "Company", or the "the Group") in Q1 FY2023 decreased 51% y-o-y to US$ 655 million, primarily reflecting low grain export volumes, but also negatively impacted by reduced sunflower meal and oil sales volumes.
- **Net loss arising from changes in the fair value of biological assets** amounted to US$ 2 million in Q1 FY2023, as compared to US$ 85 million gain in Q1 FY2022.
- Driven by sales volumes reduction, Group's **cost of sales** in the reporting period declined 56% y-o-y, to US$ 479 million. Shipping and handling costs constituted 28% of cost of sales in July-September 2022, adding 47% y-o-y and 3x as compared to the previous quarter, reflecting the **skyrocketed logistics costs** when exporting goods from Ukraine.
- Consequently, **gross profit** in Q1 FY2023 practically halved y-o-y, totaling at US$ 173 million.
- **Other operating income** for three months ending 30 September 2022 amounted to US$ 19 million, primarily comprising gain related to Group's liquidity management exercises.
- Other operating losses and expenses during the reporting period totaled at US$ 6 million, primarily driven by additional provisions recognized for accounts receivable.
- **General and administrative expenses** in Q1 FY2023 normalized to US$ 44 million, down from US$ 78 million for the same period of FY2022 which accounted payroll and payroll related costs attributable to Avere minority shareholders (after acquiring the remaining 40% stake in Avere in March 2022, such costs disappeared from Group's accounts).
- Kernel's **EBITDA** in July-September 2022 plummeted by 40% y-o-y to US$ 168 million, with segment contributions being as follows:
  - **Oilseeds Processing** segment EBITDA reached a strong US$ 45 million, reflecting a robust crush margin prevailing on the market for those players who keep exporting sunflower oil from Ukraine and managed to organize proper logistics.
  - **Infrastructure and Trading** segment EBITDA for three months ended 30 September 2022 reduced 35% y-o-y, to US$ 60 million, a significant part of which stood for Avere contribution.
  - **Farming** EBITDA ended up at US$ 82 million in Q1 FY2023, down 61% y-o-y.
  - **Unallocated corporate expenses** in the reporting period amounted to US$ 18 million, a 44% decrease y-o-y.
- **Net finance costs** in Q1 FY2023 increased by 31% y-o-y, to US$ 35 million, driven by higher amount of debt kept on the Group's balance: Kernel postponed the repayment of loan principal amounts because of the stretched liquidity situation caused by the war in Ukraine.
- **Net foreign exchange gain** in the reporting period amounted to US$ 58 million, owing to the depreciation of Ukrainian hryvnia against the US$ and revaluation of intra-group balances.
- Accounting also for US$ 5 million income tax expenses, **net profit attributable to shareholders** in Q1 FY2023 totaled at US$ 162 million, down 23% y-o-y.

US$ million except ratios and EPS	Q1 FY2022[1]	**Q1 FY2023**	y-o-y
Income statement highlights			
Revenue	1,340	**655**	*(51%)*
EBITDA [2]	281	**168**	*(40%)*
Net profit attributable to equity holders of the Company	211	**162**	*(23%)*
EBITDA margin	21%	**26%**	*5pp*
Net margin	16%	**25%**	*9pp*
Earnings per share [3], US$	2.52	**2.09**	*(17%)*
Cash flow highlights			
Operating profit before working capital changes	195	**181**	*(7%)*
Change in working capital	(161)	**(192)**	*19%*
Finance costs paid, net	(21)	**(20)**	*(5%)*
Income tax paid	(5)	**(1)**	*(84%)*
Net cash generated by / (used in) operating activities	8	**(31)**	*n/a*
Net cash used in investing activities	(102)	**(39)**	*(61%)*
Net cash generated by / (used in) financing activities	54	**(107)**	*n/a*
	30 Sep 2021	**30 Sep 2022**	y-o-y
Liquidity and credit metrics			
Net debt	1,014	**1,496**	*48%*
Commodity inventories [4]	580	**701**	*21%*
Adjusted net debt [5]	433	**796**	*84%*
Shareholders' equity	2,137	**1,603**	*(25%)*
Net debt / EBITDA [6]	1.3x	**13.9x**	*+12.7x*
Adjusted net debt / EBITDA [6]	0.5x	**7.4x**	*+6.9x*
EBITDA / Interest [7]	5.8x	**0.8x**	*-5.0x*

Note: Financial year ends 30 June, Q1 ends 30 September.
1 Q1 FY2022 figures were corrected, as explained in detail in the notes to the consolidated financial statements
2 Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.
3 EPS is measured in US Dollars per share based on weighted average number of shares per period: 83.8 million shares for Q1 FY2022, 77.4 million shares for Q1 FY2023.
4 Commodity inventories are inventories such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets and the international pricing mechanism. The Group used to call such inventories as "Readily marketable inventories", but after the beginning of the war in Ukraine, the Group faced difficulties selling such inventories, and therefore such inventories cannot any longer be considered as readily marketable.
5 Adjusted debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt, long-term interest-bearing debt and lease liabilities, less cash and cash equivalents and commodity inventories at cost
6 Calculated based on 12-month trailing EBITDA.
7 Calculated based on 12-month trailing EBITDA and net finance costs.
Hereinafter differences between totals and sums of the parts are possible due to rounding.

Segment results summary

	Revenue, US$ million			EBITDA, US$ million			Volume, thousand tons [1]			EBITDA margin, US$/t [2]		
	Q1 FY2022	Q1 FY2023	y-o-y	Q1 FY2022	Q1 FY2023	y-o-y	Q1 FY2022	Q1 FY2023	y-o-y	Q1 FY2022	Q1 FY2023	y-o-y
Oilseed Processing	365	263	*(28%)*	13	45	*3.3x*	221	202	*(8%)*	61	223	*3.6x*
Infrastructure and Trading	1,127	517	*(54%)*	92	60	*(35%)*	2,227	732	*(67%)*	41	82	*99%*
Farming	146	161	*11%*	208	82	*(61%)*						
Unallocated corporate expenses				(32)	(18)	*(44%)*						
Reconciliation	(298)	(287)	*(4%)*									
Total	**1,340**	**655**	***(51%)***	**281**	**168**	***(40%)***						

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 flow highlights

- **Operating profit before working capital changes** amounted to US$ 181 million in Q1 FY2023, down 7% y-o-y, but generally representing a solid result supported by the re-opening of the Ukrainian Black Sea ports for the agri exports from Ukraine.
- **Changes in working capital** resulted in US$ 192 million cash outflow over the reporting period, primarily related to the increase in the trade receivables associated with the (i) gradual recovery in export volumes and (ii) extension of the working capital cycle emerged due to the war-related disruptions.
- **Net cash used in investing activities** stood at US$ 39 million, major portion of which comprised investments related to the de-bottlenecking of export routes alternative to the Black Sea: purchase of river vessels and containers for railway transportation.
- **Net cash used in financing activities** totaled US$ 107 million, as the Group was partially repaying some of its loans according to the agreements reached with creditors.

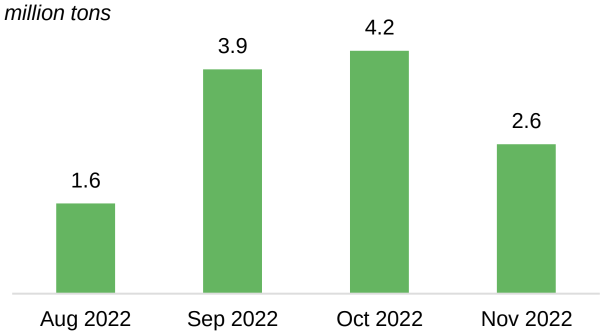
Credit highlights

- Kernel's **debt liabilities** in Q1 FY2023 **reduced** by 9% q-o-q, to US$ 1,764 million, reflecting partial repayments of bank loans following the agreements reached with the Group's creditors, and devaluation of loan balances denominated in Ukrainian hryvnia.
- **Net debt,** as of 30 September 2022, remained virtually unchanged as compared to 30 June 2022, at US$ 1,496 million.
- **Commodity Inventories**[1] ("CI") during Q1 FY2023 reduced by 21%, to US$ 701 million as of 30 September 2022, reflecting the accelerated export sales stipulated by the Grain Deal. Commodity Inventories included 1.7 million tons of grains, 205 thousand tons of sunflower oil, 96 thousand tons of sunflower meal, and 358 thousand tons of sunflower seeds.
- As a result, **Net debt adjusted for CI** ended up at US$ 796 million, mounting 34% q-o-q.
- The Group's **leverage** as of 30 September 2022 increased to 13.9x Net-debt-to-EBITDA being mostly affected by two subsequent quarters with negative EBITDA in FY2022, as well as by 40% y-o-y tumbled Q1 FY2023 EBITDA. Adjusted-net-debt-to-EBITDA metric climbed to 7.4x, while the interest coverage ratio remained at 0.8x EBITDA-to-Interest, calculated on the last-twelve-months basis.
- Kernel proceeds with the negotiations of the principal repayments' postponement with the creditors. As of the date of this report publication, the Group managed to obtain waivers to extend the terms of repayment of the principal of US$ 671 million with the lenders and waiving of the debt covenants and some other conditions by 30 June 2023. For the debt liabilities totaling US$ 179 million,

Black Sea Grain Initiative

Grain deal remains of vital importance for Ukrainian agricultural sector and for Kernel operations. While providing a huge relief for export of agricultural commodities from Ukraine, the initiative suffers from inspection delays and congestions. Reflecting also risks of not being extended, the November 2022 export volume reduced by 38% as compared to the previous month and resulted in more than 65% decline as compared to November 2021 seaborn export volumes.

Departure of vessels with agricultural products from Ukrainian Black Sea ports
million tons



Kernel is still in the process of formalizing waivers with similar structure.

Operating environment

Black Sea Grain Initiative & Exports

- During Q1 FY2023, the business environment for Kernel had been remaining **challenging and uncertain**. With the partial re-opening of the Ukrainian Black Sea ports under the Black Sea Grain Initiative, the Group managed to **fractionally recover its export activities**, and, consequentially, oilseed processing operations. Still, due to the presence of Russia among the 'Grain deal' stakeholders, Russian representatives vastly contributed to the bureaucratization of the export procedures, which resulted in unsustainable day-to-day planning of Kernel's operational activity, negatively affecting both export and procurement operations of grain, with the latter being partially suspended during the reporting period.
- The Group's **grain exports from Ukraine declined** by 67% y-o-y,

[1] Commodity inventories are inventories such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets, and the international pricing mechanism. The Group used to call such inventories as "Readily marketable inventories", but after the beginning of the war in Ukraine the Group faced difficulties selling such inventories, and therefore such inventories cannot any longer be considered as readily marketable.

Harvest update

	Acreage, thousand hectares			Net yields [1], tons / hectare			Harvest size, thousand tons		
	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y
Corn	254.6	149.7	(41%)	9.3	7.9	(14%)	2,360	1,189	(50%)
Sunflower	154.0	130.6	(15%)	3.0	2.5	(17%)	469	330	(30%)
Wheat	64.3	34.8	(46%)	6.1	4.7	(24%)	395	162	(59%)
Other [2]	26.2	47.8	82%						
Total[3]	**499.1**	**362.9**	**(27%)**				**3,225**	**1,681**	**(48%)**

Note 1 Net crop yields are projections based on 60% of corn, 100% of sunflower, and 100% of wheat acreage harvested as of 7 December 2022. One ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat.
Note 2 Includes soybean, rapeseed, barley, rye, oats, forage crops and other minor crops, as well as fallow land.
Note 3 The acreage harvested in FY2023 does not reflect 134 thousand ha of the farmland currently recognized among the assets held for sale, as part of the divestiture transaction initiated (commenced) in April 2022.
Differences are possible due to rounding.

resulting in 732 thousand tons of grain exported during Q1 FY2023. While Kernel proceeded with the establishing of the alternative export routes, **less than 20% of grains was exported through such channels** due to the restricted export capacities and infrastructural bottlenecks of railway, auto and river export facilities. Considering future exports of grains, Kernel is **heavily relied on the existence of the 'Grain Corridor'**. Despite it has contributed to the export volumes growing 5x times compared to the Q4 FY2022, the 'Grain Deal' suffers from risks of not being extended beyond March 2023 and is exposed to substantial delays in inspections, as already experienced in October-November 2022.

- Assuming the emerging instability in exports, alongside with the skyrocketed amount of the carry-over stock, the Group switched from structured origination program to ad-hoc **margin-capturing procurements**.
- In Q1 FY2023, Kernel managed to process 461 thousand tons of the Group's owned oilseeds, and to export 202 thousand tons of sunflower oil, being down by 4% y-o-y and 8%, respectively. Such a decent result is mostly attributable to the emerged opportunity to **partially revived sunflower oil exports** through the 'Grain Deal', as well as to the highest historical carry-over amount of sunflower seeds held by Kernel at the beginning of the quarter. To maximize capacity utilization, we also processed 29 thousand tons of third-parties-owned sunflower seeds via tolling agreements. During the reporting period, 6 out of 8 of the Group's plants were processing sunflower seeds. In September 2022, owing to the successful counter-offensive operation of Ukrainian Armed Forces, Ukraine has regained control over the territories in Kharkiv region where two Kernel's crushing plants are located. Due to the constant missile and artillery strikes in this area, it is **impossible to renew operations on these two plants** in the foreseeable future.
- During Q1 FY2023, the situation developing in the domestic sunflower seed market was supportive for Kernel's oilseed processing margins, which has soared 3.6x times y-o-y. Still, such trend may not sustain in the future due to the **mushrooming amounts of sunflower seed exports from Ukraine**, which are to reach the unprecedented historical amount of 2 million tons in FY2023 according to the U.S. Department of Agriculture. Furthermore, considering the ascending monthly trend, and relying on various estimates, sunflower seed exports might exceed 3.5 million tons in FY2023. The mounted exports, in conjunction with the reduction in the harvest, may sharpen the **deficit in the domestic sunflower seed market** in the second half of the season, negatively affecting the crushing operations' margins.
- Losses stemming from the **reduction of inventory value to the net realizable value** amounted to US 14 million in Q1 FY2023, including US$ 9.3 million losses related to grain inventories and US$ 4.7 million losses attributable to the oilseeds, sunflower oil and meal.

Harvest update

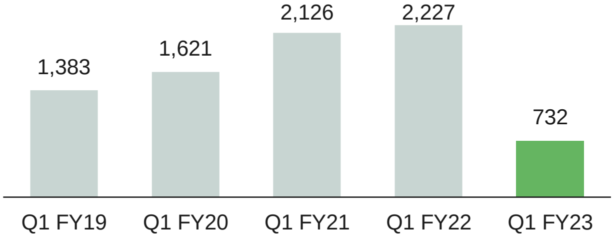
- As of December 2022, Kernel has completed its harvest campaign for sunflower seeds, reaching 2.5 tons per hectare yield (17% decline y-o-y), and for wheat with 4.7 tons per hectare yield, down 24% y-o-y. Management expects to end up with the yield for corn of 7.9 tons per hectare, decreasing 14% y-o-y, yet 40% of acreage under corn is still unharvested as of the date of this report. Such a **substantial reduction in the yields** is explained by the following factors:
  - Due to the disrupted supply chains, and skyrocketed prices of fertilizers, Kernel had to apply the **suboptimal production** technology, which had negatively impacted the yields.
  - **Delays** in the spring sowing campaign in Chernihiv and Sumy regions, which were occupied by Russia during March 2022. Corn harvesting was also delayed due to the rainy weather in September 2022, inability to harvest at nights due to the curfew

Segment volumes

thousand metric tons	Q1 FY2022	Q1 FY2023	*y-o-y*
Oilseeds processed	482	461	(4%)
Sunflower oil sales [1]	221	202	(8%)
Grain and oilseeds received in inland silos	1,019	523	(49%)
Export terminal throughput (Ukraine)	2,207	721	(67%)
Grain export from Ukraine	2,227	732	(67%)

Differences are possible due to rounding.

Kernel's grain export volumes
thousand metric tons



in Ukraine, deficit of trucks for transportation of corn from field to silo, and problems with silos' intake caused by electricity outages and deficit of natural gas to dry corn.

- The Group has **revised corn yield estimates** from 8.7 tons/ha envisaged in November 2022 to 7.9 tons/ha expected as of the date of this report publication. The decline stems from the extended delays in harvesting campaign, leading to the higher acreage under corn to be harvested in late December 2022, and during 2023, which may negatively impact both the yields and the quality of harvested corn.

Electricity outages

- While six of Group's plants are located on the relatively safe territories, Kernel has faced another factor disrupting the continuity of the oilseed processing operations – **electricity outages**. Due to the regular blackouts commenced in October 2022, the Group had to **temporarily suspend crushing operations** on two of its plants in November-December 2022. While the remaining four crushing facilities are fully equipped with the co-generation heat and power units, it allows them to function independently. Still, they might require to be partially powered from the grid in case of the total blackout in Ukraine. Kernel's management is currently exploring options in **alternative sources of energy** to partially secure electricity supply for the oilseed processing operations. Considering such disruptive factors, the commissioning of a brand-new 1-million-ton-per-year Starokostiantyniv crushing facility remains delayed.
- Moreover, since 10th October 2022, and up to date of this report publication, due to the massive Russian missile strikes on Ukrainian critical energy infrastructure, the Group's operations with silos and export terminals have been also partially disrupted due to the continuous **electricity outages interrupting the drying, transportation and transshipment processes**. The Group is currently working on the implementation of special solutions to minimize the negative effects associated with the blackouts.

Infrastructural damages

- In Q1 FY2023, Kernel has not faced any critical damages of its assets and infrastructure caused by the missile or artillery strikes. As a result, no significant war-related losses were recognized during the reporting period.

Employees defending Ukraine

- Since the beginning of the war, 1,296 of the Group's employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units. Of them, 518 were demobilized and returned to work. Tragically, **Kernel lost 16 employees, who died defending Ukraine**. Regretfully, 59 employees were injured as a result of military actions. As of December 2022, the Group continues to provide support to its employees and their families, as well as to other civilians in need and the defenders of Ukraine.

Corporate highlights

- In Q1 FY2023, the Board of Directors of Kernel Holding S.A. approved the resignation of Mrs. Pieternel Boogaard from the Board of Directors of Kernel Holding S.A. with effect as of 14 September 2022, and approved the co-optation of Mr. Mykhaylo Mishov as a **new non-executive director** of Kernel Holding S.A. in replacement of Mrs. Pieternel Boogaard until ratification thereto by the next general meeting of shareholders of the company, and with effect as of 14 September 2022.
- On 23 September 2022, Kernel held the Extraordinary general meeting of shareholders with the following resolutions adopted:
  - approved the **creation of an authorized share capital** of the Company, excluding the current issued share capital, of an amount of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696) consisting of two hundred sixteen million (216,000,000) shares without nominal value.
  - granted an authorization to the board of directors of the Company for a period of five (5) years to, from time to time, issue shares, to grant options to subscribe for shares and to issue any other instruments giving access to shares within the limits of the authorized capital to such persons and on such terms as they shall see fit and specifically to proceed with such issue without reserving a preferential right to subscribe to the shares issued for the existing shareholders and it being understood, that any issuance of such instruments will reduce the available authorized capital accordingly.
- On 18 November 2022, the Group convened the Annual general meeting of shareholders to be held on 20 December 2022, at which the board of directors proposes to **declare a dividend at nil** for the financial year ended on 30 June 2022.
- As of the date of this report publication, the **divestiture transaction** of part of the Group's farming business consisting of leasehold rights for 134 thousand hectares of farmland, grain storage silo, farming machinery and working capital, has not been closed yet. The transaction will be completed after releasing the entities from obligors' group in some of the banking lines.

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 net of Fixed Assets Investments**;
- **Net Fixed Assets Investments**;
- **Operating Cash Flows before Working Capital Changes**;
- **Free Cash Flows to the Firm**;
- **Debt Liabilities**;
- **Net Debt**;
- **Commodity 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 parties interested 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 for the Group. 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 it is defined as profit from operating activities adding back amortization and depreciation.

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

Kernel Holding S.A. views **EBITDA** and **EBITDA margin** as the key measures of the Group's performance. The Group uses **EBITDA** and **EBITDA margin** in its public reporting, which is also related to the listing of Company's 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, significance of which reflects 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 expenses 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 arises 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.

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

in thousand US$ except the margin	Q1 FY2022	Q1 FY2023
Profit from operating activities	**247,813**	**142,467**
add back:		
Amortization and depreciation	33,439	25,909
EBITDA	**281,252**	**168,376**
Revenue	**1,339,507**	**654,557**
EBITDA margin	**21.0%**	**25.7%**

[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 continued

for the three months ended 30 September 2022

Segment EBITDA and Segment EBITDA margin

The Group uses **Segment EBITDA** and **Segment EBITDA margin** as the 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 the segment revenue during the reporting period.

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand US$	Q1 FY2022	**Q1 FY2023**
Oilseed Processing	6,169	37,640
Profit from operating activities	7,303	7,338
plus Amortization and depreciation	**13,472**	**44,978**
Segment EBITDA	364,560	263,311
Segment revenue	**4%**	**17%**
Segment EBITDA margin	6,169	37,640
Infrastructure and Trading		
Profit from operating activities	86,038	54,918
plus Amortization and depreciation	5,945	5,247
Segment EBITDA	**91,983**	**60,165**
Segment revenue	1,126,642	516,742
Segment EBITDA margin	**8%**	**12%**
Farming		
Profit from operating activities	188,903	68,734
plus Amortization and depreciation	19,337	12,792
Segment EBITDA	**208,240**	**81,526**
Segment revenue	145,862	161,320
Segment EBITDA margin	**143%**	**51%**
Other		
Loss from operating activities	(33,297)	(18,824)
plus Amortization and depreciation	854	532
Segment EBITDA	**(32,443)**	**(18,292)**

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.

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

in thousand US$	Q1 FY2022	**Q1 FY2023**
Net cash used in investing activities	**(101,955)**	**(39,450)**
Adding back:		
Purchase of property, plant and equipment	(50,373)	(30,029)
Proceeds from disposal of property, plant and equipment	1,285	-
Investing Cash Flows net of Fixed Assets Investments	**(52,867)**	**(9,421)**

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.

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

in thousand US$	Q1 FY2022	**Q1 FY2023**
Net cash used in investing activities	**(101,955)**	**(39,450)**
less:		
Investing Cash Flows less Net Fixed Assets Investments	(52,867)	(9,421)
Net Fixed Assets Investments	**(49,088)**	**(30,029)**

Operating Cash Flows before Working Capital Changes

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

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

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

in thousand US$	Q1 FY2022	**Q1 FY2023**
Net cash used in operating activities	**8,303**	**(31,363)**
Less:		
Changes in working capital, including:	(161,111)	(191,795)
Change in trade and other accounts receivable	111,719	(193,280)
Change in prepayments and other current assets	6,314	17,259
Change in restricted cash balance	38	58
Change in taxes recoverable and prepaid	(21,665)	(79,634)
Change in biological assets	131,856	(40,183)
Change in inventories	(411,687)	73,529
Change in trade accounts payable	43,916	(5,031)
Change in advances from customers and other current liabilities	(21,602)	35,487
Operating Cash Flows before Working Capital Changes	**169,414**	**160,432**

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.

Commodity Inventories

The Group uses **Commodity Inventories** (hereinafter '**CI**'), as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements. The Group defines **CI** as agricultural inventories, such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets and the international pricing mechanism. The Group used to call such inventories as "**Readily marketable inventories**", but after the beginning of the war in Ukraine the Group faced difficulties with selling such inventories, and therefore such inventories cannot be considered as readily marketable any longer.

Debt Liabilities

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

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

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

Adjusted Working Capital

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

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

in thousand US$	Q1 FY2022	Q1 FY2023
Net cash used in operating activities	8,303	(31,363)
Net cash used in investing activities	(101,955)	(39,450)
Free Cash Flows to the Firm	**(93,652)**	**(70,813)**

The following table shows the Group's key inventories considered eligible for **CI** by type and the amounts of such inventory that the Group treats as **CI** as at the periods indicated:

in thousand US$	As of 30 September 2021	As of 30 September 2022
Sunflower oil & meal	147,574	230,018
Sunflower seed	181,507	178,347
Grains	250,924	290,425
Other	116,867	116,792
Total	**696,871**	**815,582**
*of which: **Commodity Inventories***	***580,447***	***700,616***

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

in thousand US$	As of 30 September 2021	As of 30 September 2022
Bonds issued	594,401	-
Current bonds issued	212,769	595,515
Interest on bonds issued	20,418	17,440
Long-term borrowings	221,811	-
Current portion of long-term borrowings	23,276	-
Short-term borrowings	134,032	953,245
Lease liabilities	317,296	168,392
Current portion of lease liabilities	23,453	29,518
Debt Liabilities	**1,547,456**	**1,764,110**
less: cash and cash equivalents	533,837	267,650
Net Debt	**1,013,619**	**1,496,460**
less: commodity inventories	580,447	700,616
Adjusted Net Debt	**433,172**	**795,844**

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

in thousand US$	As of 30 September 2021	As of 30 September 2022
Total current assets	**2,559,962**	**2,390,188**
less:		
Cash and cash equivalents	533,837	267,650
Assets classified as held for sale	-	259,272
Total current liabilities	1,056,192	2,067,483
add back:		
Short-term borrowings	134,032	953,245
Current portion of long-term borrowings	23,276	0
Current bonds issued	212,769	595,515
Current portion of lease liabilities	23,453	29,518
Interest on bonds issued	20,418	17,440
Adjusted Working Capital	**1,383,881**	**1,391,501**

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 the 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 reported 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 the metric widely used to measure profitability of Group's segment operations.
Investing Cash Flows net of 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 has grown 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 net of Fixed Assets Investments**.	The Group is executing a solid investment program, 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: • change in trade receivables and other financial assets; • 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.
Commodity 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, current bonds issued, interest on bonds issued, long-term borrowings, current portion of long-term borrowings, short-term borrowings; lease liabilities and current portion of 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 commodity 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 commodity inventories.
Adjusted Working Capital	Current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of lease liabilities, current bonds issued, interest on bonds issued, and liabilities associated with assets classified as held for sale).	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 it measures both a Group's efficiency and its short-term financial health. It also helps management to keep a business operating smoothly and meet all its financial obligation within the coming year.

Selected Financial Data

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

		USD[1]		PLN		EUR	
		30 September 2022	30 September 2021	**30 September 2022**	30 September 2021	**30 September 2022**	30 September 2021
I.	Revenue	**654,557**	1,339,507	**3,080,149**	5,187,509	**649,255**	1,136,036
II.	Profit from operating activities	**142,467**	247,813	**670,407**	959,705	**141,313**	210,170
III.	Profit before income tax	**166,579**	212,773	**783,871**	824,006	**165,230**	180,453
IV.	Profit for the period	**161,594**	210,828	**760,413**	816,474	**160,285**	178,803
V.	Net cash (used in)/generated by operating activities	**(31,363)**	8,303	**(147,584)**	32,155	**(31,110)**	7,042
VI.	Net cash used in investing activities	**(39,450)**	(101,955)	**(185,640)**	(394,841)	**(39,130)**	(86,468)
VII.	Net cash generated by/(used in) financing activities	**(109,104)**	53,557	**(513,411)**	207,410	**(108,220)**	45,422
VIII.	Total net cash flow	**(179,917)**	(40,095)	**(846,635)**	(155,276)	**(178,460)**	(34,004)
IX.	Total assets	**3,901,663**	4,353,863	**19,326,107**	17,382,798	**3,968,381**	3,752,159
X.	Current liabilities	**2,067,483**	1,056,192	**10,240,864**	4,216,847	**2,102,837**	910,226
XI.	Non-current liabilities	**228,858**	1,157,711	**1,133,602**	4,622,161	**232,771**	997,715
XII.	Issued capital	**2,219**	2,219	**10,991**	8,859	**2,257**	1,912
XIII.	Total equity	**1,605,322**	2,139,960	**7,951,641**	8,543,790	**1,632,773**	1,844,218
XIV.	Weighted average number of shares	**77,429,230**	83,785,697	**77,429,230**	83,785,697	**77,429,230**	83,785,697
XV.	Profit per ordinary share (in USD/PLN/EUR)	**2.09**	2.52	**9.82**	9.74	**2.07**	2.13
XVI.	Diluted number of shares	**77,429,230**	83,785,697	**77,429,230**	83,785,697	**77,429,230**	83,785,697
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	**2.09**	2.52	**9.82**	9.74	**2.07**	2.13
XVIII.	Book value per share (in USD/PLN/EUR)	**20.70**	26.45	**102.53**	105.60	**21.05**	22.79
XIX.	Diluted book value per share (in USD/PLN/EUR)	**20.70**	26.45	**102.53**	105.60	**21.05**	22.79

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

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

Condensed Consolidated Interim Statement of Financial Position

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Assets				
Current assets				
Cash and cash equivalents	8	267,650	447,625	533,837
Trade accounts receivable		332,861	142,738	217,414
Prepayments to suppliers		137,258	107,167	121,650
Corporate income tax prepaid		9,764	12,228	13,395
Taxes recoverable and prepaid		233,831	204,686	211,988
Inventory	9	815,582	953,922	696,871
Biological assets	10	132,549	161,911	384,077
Other financial assets	11, 20	201,421	205,811	380,730
Assets classified as held for sale	12	259,272	287,068	—
Total current assets		**2,390,188**	**2,523,156**	**2,559,962**
Non-current assets				
Property, plant and equipment		1,002,333	1,018,073	1,106,552
Right-of-use assets		199,988	247,740	381,789
Intangible assets		121,910	124,198	61,322
Goodwill		67,364	71,620	121,442
Deferred tax assets		36,341	41,568	22,868
Non-current financial assets	13, 20	34,159	52,532	59,555
Other non-current assets		49,380	106,725	40,373
Total non-current assets		**1,511,475**	**1,662,456**	**1,793,901**
Total assets		**3,901,663**	**4,185,612**	**4,353,863**
Liabilities and equity				
Current liabilities				
Trade accounts payable	20	144,650	161,342	199,914
Advances from customers and other current liabilities	14, 20	126,084	89,200	110,356
Corporate income tax liabilities		6,619	7,411	50,412
Short-term borrowings	15	953,245	1,093,087	134,032
Current portion of long-term borrowings	15	—	—	23,276
Current portion of lease liabilities		29,518	39,111	23,453
Current bonds issued	16	595,515	595,038	212,769
Interest on bonds issued		17,440	7,612	20,418
Other financial liabilities	20	95,480	128,537	281,562
Liabilities associated with assets classified as held for sale	12	98,932	116,848	—
Total current liabilities		**2,067,483**	**2,238,186**	**1,056,192**
Non-current liabilities				
Long-term borrowings	15	—	—	221,811
Lease liabilities		168,392	200,441	317,296
Deferred tax liabilities		21,874	21,893	23,046
Bonds issued	16	—	—	594,401
Other non-current liabilities	20	38,592	38,871	1,157
Total non-current liabilities		**228,858**	**261,205**	**1,157,711**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital	0	2,219	2,219	2,219
Share premium reserve	0	500,378	500,378	500,378
Additional paid-in capital	0	39,944	39,944	39,944
Treasury shares	0	(96,897)	(96,897)	(50,786)
Equity-settled employee benefits reserve	0	—	—	1,850
Revaluation reserve		104,303	104,303	62,174
Other reserves		—	—	(4,587)
Translation reserve		(1,058,422)	(816,490)	(673,268)
Retained earnings		2,111,266	1,949,731	2,259,183
Total equity attributable to Kernel Holding S.A. equity holders		**1,602,791**	**1,683,188**	**2,137,107**
Non-controlling interests		2,531	3,033	2,853
Total equity		**1,605,322**	**1,686,221**	**2,139,960**
Total liabilities and equity		**3,901,663**	**4,185,612**	**4,353,863**
Book value		1,602,791	1,683,188	2,137,107
Number of shares	0	77,429,230	77,429,230	80,804,230
Book value per share (in USD)		20.7	21.74	26.45
Diluted number of shares		77,429,230	77,429,230	80,804,230
Diluted book value per share (in USD)		20.7	21.74	26.45

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	For the three months ended 30 September 2022	For the three months ended 30 September 2021
Revenue	17, 20	654,557	1,339,507
Net change in fair value of biological assets and agricultural produce	10	(2,190)	84,558
Cost of sales	18, 20	(479,024)	(1,093,308)
Gross profit		**173,343**	**330,757**
Other operating income	20	19,018	7,159
Other operating expenses		(2,898)	(13,401)
General, administrative and selling expenses	20	(44,281)	(77,978)
Net impairment losses on financial assets		(6,508)	(1,061)
Impairment losses and gains on assets		3,793	2,337
Profit from operating activities		**142,467**	**247,813**
Finance costs	20	(38,370)	(28,700)
Finance income	20	3,579	2,203
Foreign exchange gain/(loss), net	19	58,174	(8,165)
Other (expenses)/income, net	20	729	(378)
Profit before income tax		**166,579**	**212,773**
Income tax expenses		(4,985)	(1,945)
Profit for the period		**161,594**	**210,828**
Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		**161,535**	**210,784**
Non-controlling interests		59	44
Earnings per share			
Weighted average number of shares		77,429,230	83,785,697
Profit per ordinary share (in USD)		2.09	2.52
Diluted number of shares		77,429,230	83,785,697
Diluted profit per ordinary share (in USD)		2.09	2.52

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

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

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

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	For the three months ended 30 September 2022	For the three months ended 30 September 2021
Profit for the period		**161,594**	**210,828**
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Increase in revaluation reserve		—	5,956
Income tax related to components of other comprehensive income		—	(1,072)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations[1]		(242,493)	29,819
Loss arising on cash flow hedge		—	(4,347)
Income tax related to cash flow hedge		—	656
Other comprehensive (loss)/income		**(242,493)**	**31,012**
Total comprehensive (loss)/income for the period		**(80,899)**	**241,840**
Total comprehensive (loss)/income attributable to:			
Equity holders of Kernel Holding S.A.		(80,397)	241,743
Non-controlling interests		(502)	97

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] Exchange differences on translating foreign operations increased mostly as a result of foreign exchange rate change.

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

Condensed Consolidated Interim Statement of Changes in Equity

for the three months ended 30 September 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	Treasury shares	Revaluation reserve	Other reserves	Translation reserve	Retained Earnings	**Total**	Non-controlling interests	**Total equity**
Balance as of 30 June 2021 (restated)	**2,219**	**500,378**	**39,944**	**1,850**	**—**	**57,290**	**(896)**	**(703,034)**	**2,048,399**	**1,946,150**	**2,756**	**1,948,906**
Profit for the period (restated)	—	—	—	—	—	—	—	—	210,784	**210,784**	44	**210,828**
Other comprehensive income/(loss) (restated)	—	—	—	—	—	4,884	(3,691)	29,766	—	**30,959**	53	**31,012**
Total comprehensive income/(loss) for the period (restated)	**—**	**—**	**—**	**—**	**—**	**4,884**	**(3,691)**	**29,766**	**210,784**	**241,743**	**97**	**241,840**
Repurchase of treasury shares (Note 0)	—	—	—	—	(50,786)	—	—	—	—	**(50,786)**	—	**(50,786)**
Balance as of 30 September 2021 (restated)	**2,219**	**500,378**	**39,944**	**1,850**	**(50,786)**	**62,174**	**(4,587)**	**(673,268)**	**2,259,183**	**2,137,107**	**2,853**	**2,139,960**
Balance as of 30 June 2022	**2,219**	**500,378**	**39,944**	**—**	**(96,897)**	**104,303**	**—**	**(816,490)**	**1,949,731**	**1,683,188**	**3,033**	**1,686,221**
Profit for the period	—	—	—	—	—	—	—	—	161,535	**161,535**	59	**161,594**
Other comprehensive loss	—	—	—	—	—	—	—	(241,932)	—	**(241,932)**	(561)	**(242,493)**
Total comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(241,932)**	**161,535**	**(80,397)**	**(502)**	**(80,899)**
Balance as of 30 September 2022	**2,219**	**500,378**	**39,944**	**—**	**(96,897)**	**104,303**	**—**	**(1,058,422)**	**2,111,266**	**1,602,791**	**2,531**	**1,605,322**

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Cash Flows

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 September 2022	As of 30 September 2021
Operating activities:			
(Loss)/Profit before income tax		**166,579**	**212,773**
Adjustments for:			
Amortization and depreciation		25,909	33,439
Finance costs, net		34,791	26,497
Change in loss allowance for expected credit losses on trade and other receivables		6,508	1,061
Other accruals		(43)	415
Loss/(gain) on disposal of property, plant and equipment		559	(716)
Net foreign exchange (gain)/loss		(56,968)	7,096
Impairment losses and gains on assets		(3,793)	(2,337)
Net change in fair value of biological assets and agricultural produce	10	2,190	(84,558)
Gain on sales of subsidiaries and joint ventures		(4,368)	--
Net gain arising on financial assets classified as at fair value through profit or loss		(4,529)	(4,208)
Write-downs of inventories to net realisable value	9	14,036	5,242
Operating profit before working capital changes		**180,871**	**194,704**
Changes in working capital:			
Change in trade receivable and other financial assets		(193,280)	111,719
Change in prepayments and other current assets		17,259	6,314
Change in restricted cash balance		58	38
Change in taxes recoverable and prepaid		(79,634)	(21,665)
Change in biological assets		(40,183)	131,856
Change in inventories		73,529	(411,687)
Change in trade accounts payable		(5,031)	43,916
Change in advances from customers and other current liabilities		35,487	(21,602)
Cash (used in)/generated from operations		**(10,924)**	**33,593**
Interest paid		(23,245)	(23,669)
Interest received		3,579	3,075
Income tax paid		(773)	(4,696)
Net cash (used in)/generated by operating activities		**(31,363)**	**8,303**
Investing activities:			
Purchase of property, plant and equipment		(30,029)	(50,373)
Proceeds from disposal of property, plant and equipment		—	1,285
Payment for lease agreements		(2,865)	(624)
Purchase of intangible and other non-current assets		(5,989)	(1,128)
Proceeds from disposal of intangible and other non-current assets		623	—
Amount advanced for subsidiary		(6,436)	—
Advances received for disposal of subsidiaries		—	622
Loans provided to related parties		—	(13,390)
Proceeds from return of loans by related parties		—	2,619
Proceeds from financial assets		5,246	—
Payment to acquire financial assets		—	(40,966)
Net cash used in investing activities		**(39,450)**	**(101,955)**
Financing activities:			
Proceeds from borrowings		43,502	126,093
Repayment of borrowings		(150,478)	(12,358)
Financing for farmers		200	—
Repayment of lease liabilities		—	(8,995)
Repurchase of treasury shares	0	—	(50,786)
Net cash generated/ (used in) by financing activities		**(106,776)**	**53,954**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2,328)	(397)
Net decrease in cash and cash equivalents		(179,917)	(40,095)
Cash and cash equivalents, at the beginning of the year	8	447,566	573,850
Cash and cash equivalents, at the end of the year	8	267,649	533,755

For non-cash financing activities please see Note 8.

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.

for the three months ended 30 September 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, soybean, wheat and barley), farming, and the provision of logistics and transshipment services.

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

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

As of 30 September, the primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

			Group's effective ownership interest and voting rights as of	
Subsidiary	**Principal activity**	**Country of incorporation**	**30 September 2022**	**30 September 2021**
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0%[1]	60.0%[2]
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%
Prykolotne OEP LLC		Ukraine	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services	Cyprus	100.0%	100.0%
Transbulkterminal LLC		Ukraine	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.1%	94.1%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 9 December 2022.

[1] 40% were repurchased by the Company on 9 March 2022.
[2] Economic ownership of Avere was 60% based on structure of dividend distribution and 100% based on the fact that it's part of employee profit sharing arrangement, but voting rights was 85% for the Group.

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 30 September 2022 and 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 30 September 2022		As of 30 June 2022		As of 30 September 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%	31,974,011	38.05%	32,903,278	39.16%
Free float	45,455,219	54.09%	45,455,219	54.09%	47,900,952	57.00%
Own shares purchased	6,602,000	7.86%	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 30 September and 30 June 2022, and 30 September 2021, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

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.

During the year ended 30 June 2022, a new management incentive plan was introduced, according to which the Company shall grant to the management of the put options the right to sell to the Company and the obligation to the Company to purchase in total up to 2,792,435 ordinary shares of the Company. The consideration for each share will be a minimum of (i) USD 23.80 and (ii) operating profit before working capital changes minus interest paid plus interest received minus interest tax paid minus maintenance capital expenditures in the fixed amount of USD 155,000 thousand, where all amounts, except for the maintenance capital expenditures, are specified in United States Dollars ('USD') as appropriately classified and disclosed in the consolidated statement of cash flows of the audited annual consolidated accounts of the Company and its subsidiaries for the Financial Years 2022-2024, divided by three divided by 12% and divided by 84,031,230. The option exercise period is set for a period commencing on 1 November 2024 and expiring on 31 December 2025. Fair value of the put options were calculated using a Monte Carlo model and at the grant date amounted USD 44,830 thousand, out of which USD 44,282 thousand were recognized through Retained earnings and USD 548 thousand expensed in General, administrative and selling expenses (part of Payroll and payroll related expenses). As of 30 September 2022, fair value of the put options equaled to USD 35,822 thousand.

As of 30 September 2022, the fair value of the share-based options granted previously to the management in the amount of USD 1,850 thousand and fully vested as of 30 June 2021, was reclassified to liabilities according to call options phantom arrangement according to which the consideration for each option (out of 1,200,000) would be the difference between the average market price of shares for the last 6 months before the date of exercise and PLN 67.71 (minus leakage value per share). The option period will expire on 4 November 2036. As of 30 September 2022, fair value of call options amounted USD 1,960 thousand (recognized as a part of non-current liabilities) and during the three months ended 30 September 2022, related expenses in the amount of USD 640 thousand was reversed as a part of payroll and payroll related expenses (as of and during the three months ended 30 September 2021: USD 1,850 thousand as a part of equity-settled employee benefits reserve and no expenses were recognized, since all the existing options have been already vested).

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 221 thousand as of 30 September 2022 and 2021, may not be distributed as dividends.

3. Operating Environment

On 24 February 2022 the Russian Federation started a full-scale military invasion of Ukraine which, due to 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 levels of uncertainty 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 prioritized defense and social spending. In September 2022, annual inflation in Ukraine had reached 24.8%. The Ukrainian economy experienced significant challenges and the government heavily relied on international financial support.

The Ukrainian government received financing and donations from international organizations and various countries to support financial stability and to finance social related payments and military needs (International Monetary Fund, European Union, and directly from numerous countries). For the 2023 calendar year, the EU approved financial aid of USD 18 billion to cover the state budget deficit (USD 1.5 billion per month)

It should be noted that starting from April 2022, economic activity began to restore itself: businesses and the Ukrainian population showed adaptation to the new conditions. According to the Ministry of Economy of Ukraine reports, at the end of September only 26% of enterprises working before the war remained idle.

The NBU increased the key policy rate to 25% in June 2022. According to its most recent forecast, the real GDP of Ukraine is expected to fall by 30% for the calendar year 2022.

The NBU has imposed certain restrictions regarding withdrawals hryvnia by customers and since 24 February 2022 switched from a flexible to a fixed exchange rate regime at UAH 29.25 for 1 USD (UAH 36.57 for 1 USD starting from 21 July 2022) on the foreign currency exchange market to ensure the sound and stable operation of the country's financial system. As a result, commercial interbank quotes remained close to the officially imposed by the NBU, and bid rate was fixed as UAH 29.25 for USD 1, at a maximum point. The NBU stated that as soon as the economy and financial system of Ukraine return to normal operation regime, the floating exchange rate will be restored. 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, and all banking services are available to its customers, both legal entities and individuals. Companies operating in Ukraine are 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 in the East and South of Ukraine, 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 routes are available for usage as Ukraine has an extensive road and railway network. Assets belonging to different businesses, except those located on temporary occupied territory, were not destroyed materially, based on available information, as air attacks and missile strikes primarily destroyed military infrastructures, objects, airfields, and civilian buildings.

Upon the start of the invasion, all Ukrainian Black Sea ports stopped work due to armed conflict in the territory of Ukraine, including seas' areas and fully froze exports made via Ukrainian seaports. According to the deal brokered on 22 July by the United Nations and Turkey, also referred as "grain deal", three Ukrainian Black Sea ports (Odesa, Chornomorsk and Pivdennyi) were unblocked beginning in August.

Among the positive economic factors, there was an improvement in the dynamics of transportation, both due to the increase in the export of agricultural products by sea transport, and due to the increase in the transportation of goods by railway.

Last month, the volume of Ukrainian exports in monetary terms increased by more than 23% compared to August of this year, which is a record value since the beginning of the full-scale invasion of the Russian Federation.

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.

Recent multiple Russian missile attacks on the Ukrainian civil energy infrastructure damaged the Ukrainian power stations and electricity distribution infrastructure, which caused power supply outages. The risk for the most exposed Oilseed Processing business is partially mitigated by the Group's recent investments in co-generation heat and power facilities, four of which had been already constructed at the crushing plants and now allow to fully cover the consumption needs of the respective oilseed processing operations. In addition, any massive power outages for railway infrastructure as well as export terminals or key silos may disrupt the grain export capabilities.

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 30 September 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 2022, except the adoption of new and amended standards, which have become effective from 1 July 2022. 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 have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment for oilseeds processing segment, biological assets, agricultural produce and certain financial assets and liabilities measured at fair value. The condensed consolidated interim financial statements have been prepared on a going concern basis.

Going concern

The Group considers the direct and indirect exposures to the impacts arising from the war on the business, as mentioned below:

- For the period after the Russian invasion of Ukraine 1,296 employees joined Ukrainian military forces and territorial defense, approximately 518 of them were demobilized. Personnel of oil plant production activities and farming business remained in their working area.
- The Group's critical facilities or infrastructure have not suffered any significant damage.
- Export sales of the company historically are above 90% of total external sales, but due to the war, export flow via Ukrainian ports was reduced significantly. Alternative export routes are limited by the capacity of the railways and are significantly more expensive in comparison with sea.

Domestic sales significantly increased, driven by the moderate availability to export goods in ordinary way.
- On 22 July 2022, Ukraine together with Turkey and UNN signed the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian ports (ISTGFUP). This initiative was renewed for a further 120 days starting since 17 November 2022 and allowing safe passage of ships to world markets from Ukrainian ports.
- Logistics difficulties and a restriction of access to the market led to the lack of crops protection, fuel, fertilizers.
- Oil extraction plants operated partially due to the temporary inability to export sunflower oil via Ukrainian Black Sea ports
- Military activity in the southern part of Ukraine remains too risky for resuming export operations through seaports, operations of which are partially opened and, consequently, the Group stopped procurement of grain and oilseeds from farmers.
- Group's liquidity position is under the pressure due to the reduction of revenue and growth of logistic cost for alternative ways of export.
- Bank facilities appeared to be limited.
- Considering the disruptions described above, the Group's ability to service debt suffered. As of the date of these consolidated financial statements issue, the Group obtained waivers to extend the terms of repayment of the principal of USD 670,797 thousand with the lenders and waiving of the debt covenants and some other conditions by 30 June 2023 and USD 179,251 thousand are in the process of formalizing their waivers.
- Since 30 June 2022, the Group classified its long-term bank borrowings as short-term. Although an effective waiver was in place, such waiver had an expiry date within 12 months of 30 June 2022, and, accordingly, the Group did not have an unconditional right to defer settlement for 12 months or longer with respect to its bank facilities as at 30 June 2022 (Note 15). Accordingly, there was a risk that such loans would be accelerated and become due and payable at a future date within 12 months of the end of the reporting period, which could in turn trigger a cross-acceleration event of default under the Group's outstanding bonds. As a result, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 "Presentation of Financial Statements" to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term (Note 16).

Management has reorganized the business process in response to abovementioned impacts:
- 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 reorganized to adjust to the existing challenges and to provide continuity to the Group's activities.
- The Group's land bank accounts 494 thousand hectares (including assets held for sale) and the Group managed to plant 95% of its land bank in course of 2022 sowing campaign. As of the date of these consolidated financial statements issue, the Group finished harvesting winter crops, sunflower seeds, and started harvesting corn.
- Management set up new logistics routes for grain and oil export through Poland, Romania, Lithuania by truck and railway including usage of own railway wagons (accessible quantity is 2.8 thousand).
- 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 in the list of sanctions. In this situation the Group does not expect any influence on the supplying chain and payments flow.
- The Group suspended the implementation of several investment projects and reduced the investments in non-current assets.
- The Group's subsidiary Avere keeps operating in the usual mode.
- The Group intends to continue paying interests to its lenders while there will not be the repayment of principal amount due to renegotiated terms and continue paying coupons to the bondholders.

Although the Group's financial performance was strong in the 2021 calendar year, military actions occurring after 24 February 2022 create material uncertainty for the Group in the future, including the risk of damage of assets (and insurance unlikely to meet the replacement costs), loss of inventory as a result of military actions, the ability of Black Sea ports to continue its operations, availability of alternative export routes and disruptions of the farming and oilseed processing business 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 realize 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 to take actions to minimize the impact on the Group and thus believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Functional and Presentation Currency
The Group's presentation currency is the USD. The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil, for which USD was determined as the functional currency.

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

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

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

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

Currency	Closing rate as of 30 September 2022	Average rate for the 3 months ended 30 September 2022	Closing rate as of 30 September 2021	Average rate for the 3 months ended 30 September 2021
USD/UAH	36.5686	34.9787	26.5760	26.9110
USD/EUR	1.0171	0.9919	0.8618	0.8481
USD/PLN	4.9533	4.7057	3.9925	3.8727

As disclosed in Note 3, rates established by NBU might differ from the commercial rates. Therefore, these rates might not be the ones at which the assets could be realized, or liabilities could be settled. Additionally, NBU imposed certain restrictions on the transactions with foreign currency, and hence net assets of Ukrainian subsidiaries of the Group temporarily cannot be distributed to the parent company of the Group. NBU's Board Resolution No. 21 dated 24 February 2022 allowed the purchase of foreign currency and cross-border transfer of currency valuables only for buying of goods from the list of critical imports, defined by the Cabinet of Ministers of Ukraine. Additionally, the NBU reduced the settlement deadlines for export and import transactions that were executed after 5 April 2022 from 365 to 90 calendar days to prevent capital outflows from Ukraine.

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Ukraine for USD/UAH and by the National Bank of Poland for USD/EUR and USD/PLN.

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

Reclassifications

Certain reclassifications have been made to the condensed consolidated interim financial statements as of 30 September 2021 and for the period then ended to conform to the current period's presentation.

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 executive management who are members of the board of directors of the Company 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. Segmentation presented in these consolidated financial statements is consistent with the structure of financial information regularly reviewed by the Group's management, including the Chief Executive Officer. The operating segments' performance is assessed based on a measure of EBITDA.

The Group is presenting its segment results within three operating 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 the 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. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, Avere).

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

Presentation of the operating segments' activities is as follows:

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

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

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

Reconciliation eliminates intersegment items. 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.

The "Other" column reflects income and expenses not allocated to segments.

Since financial management of the Group's companies is carried out centrally, borrowings, bonds, deferred taxes and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' column. 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. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn). In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to fair value less costs to sell and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

6. Key Data by Operating Segment

Key data by operating segment for the three months ended 30 September 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	181,296	464,797	8,464	—	—	654,557
Intersegment sales	82,015	51,945	152,856	—	(286,816)	—
Total revenue	**263,311**	**516,742**	**161,320**	**—**	**(286,816)**	**654,557**
Net change in fair value of biological assets and agricultural produce	—	—	(2,190)	—	—	(2,190)
Cost of sales	(229,757)	(439,043)	(97,040)	—	286,816	(479,024)
Other operating income	6,672	2,097	2,809	7,440	—	19,018
Other operating expenses	(562)	(582)	(28)	(1,726)	—	(2,898)
General, administrative and selling expenses	(1,813)	(21,472)	(2,304)	(18,692)	—	(44,281)
Net impairment losses on financial assets	(395)	(402)	132	(5,843)	—	(6,508)
Loss on impairment of assets	185	(2,425)	6,033	—	—	3,793
Profit/(Loss) from operating activities	**37,641**	**54,915**	**68,732**	**(18,821)**	**—**	**142,467**
Amortization and depreciation	7,338	5,247	12,792	532	—	25,909
EBITDA	**44,979**	**60,162**	**81,524**	**(18,289)**	**—**	**168,376**
Reconciliation:						
Finance costs						(38,370)
Finance income						3,579
Foreign exchange gain, net						58,174
Other expenses, net						729
Income tax benefit						(4,985)
Profit for the period						**161,594**
Total assets	1,468,062	1,427,568	830,293	175,740	—	3,901,663
Capital expenditures	10,592	25,166	4,768	4,772	—	45,298
Liabilities	73,191	188,706	280,776	1,753,668	—	2,296,341

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

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

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

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

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	214,747	1,117,215	7,545	—	—	1,339,507
Intersegment sales	149,813	9,427	138,317	—	(297,557)	—
Total revenue	**364,560**	**1,126,642**	**145,862**	**—**	**(297,557)**	**1,339,507**
Net change in fair value of biological assets and agricultural produce	—	—	84,558	—	—	84,558
Cost of sales	(359,339)	(987,155)	(39,863)	(4,508)	297,557	(1,093,308)
Other operating income	795	3,406	4,927	(1,969)	—	7,159
Other operating expenses	(9)	(6,266)	(107)	(7,019)	—	(13,401)
General, administrative and selling expenses	(1,929)	(49,744)	(6,556)	(19,749)	—	(77,978)
Net impairment losses on financial assets	(246)	(845)	82	(52)	—	(1,061)
Loss on impairment of assets	2,337	—	—	—	—	2,337
Profit/(Loss) from operating activities	**6,169**	**86,038**	**188,903**	**(33,297)**	—	**247,813**
Amortization and depreciation	7,303	5,945	19,337	854	—	33,439
EBITDA	**13,472**	**91,983**	**208,240**	**(32,443)**	—	**281,252**
Reconciliation:						
Finance costs						(28,700)
Finance income						2,203
Foreign exchange loss, net						(8,165)
Other income, net						(378)
Income tax expenses						(1,945)
Profit for the period						**210,828**
Total assets	1,320,764	1,735,573	1,110,513	187,013	—	4,353,863
Capital expenditures	23,005	9,248	39,274	925	—	72,452
Liabilities	83,622	448,715	398,944	1,282,622	—	2,213,903

Revenue from sales of goods and services allocated by operating segment for the three months ended 30 September under requirements of IFRS 15 was as follows:

	For the 3 months ended 30 September 2022				For the 3 months ended 30 September 2021			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	156,000	424,693	8,464	589,157	204,292	1,059,192	7,545	1,271,029
Freight and other services	25,296	40,104	—	65,400	10,455	58,023	—	68,478
Total external revenue from contracts with customers	**181,296**	**464,797**	**8,464**	**654,557**	**214,747**	**1,117,215**	**7,545**	**1,339,507**

Assets held for sale are presented in the Farming segment.

During the three months ended 30 September 2022, revenues of approximately USD 51,315 thousand (three months ended 30 September 2021: USD 189,049 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 91.9% of total external sales (three months ended 30 September 2021: 95.8%).

During the three months ended 30 September 2022, revenue from the Group's top five customers accounted for approximately 28.8% of total revenue (for the three months ended 30 September 2021, revenue from the top five customers accounted for 36.1% of total revenue).

Among the 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.

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

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 non-current financial assets and deferred tax assets) by geographical location are detailed below:

	Revenue from external customers	
	For 3 months ended 30 September 2022	For 3 months ended 30 September 2021
Asia	326,638	709,337
of which India	102,432	222,024
China	63,727	94,010
Turkey	46,387	19,806
Europe	275,658	550,266
of which Switzerland	56,363	190,420
Netherland	61,783	94,139
Other locations	52,261	79,904
Total	**654,557**	**1,339,507**

	Non-current assets	
	As of 30 September 2022	As of 30 September 2021
Ukraine	1,339,527	1,707,935
Switzerland	2,455	2,788
USA	713	405
Other locations	98,280	350
Total	**1,440,975**	**1,711,478**

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

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

7. Acquisition and Disposal of Subsidiaries

No entities were acquired during the three months ended 30 September 2022 as well as no entities were acquired and disposed during the three months ended 30 September 2021.

During the three months ended 30 September 2022, as a result of the optimization process of the logistic assets, the Group disposed of two grain elevators located in Poltava and Odesa regions. The net assets of the disposed entities as of the date of disposal were equal to USD 70 thousand and the cash consideration received was USD 4,159 thousand. Gain on disposal comprised USD 4,089 thousand.

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Cash in banks in USD	229,839	404,279	504,291
Cash in banks in UAH	21,856	3,403	6,195
Cash in banks in other currencies	15,950	39,938	23,343
Cash on hand	5	5	8
Total	**267,650**	**447,625**	**533,837**
Less restricted and blocked cash on security bank accounts	—	(58)	(52)
Less bank overdrafts (Note 15)	(1)	(1)	(30)
Cash for the purposes of cash flow statement	**267,649**	**447,566**	**533,755**

As of 30 September 2022, cash deposit in amount of USD 7,251 thousand (30 June 2022: USD 8,000 thousand; 30 September 2021: nil) have been pledged as security for short-term borrowings (Note 15).

9. Inventory

The balances of inventories were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Goods for resale	262,810	292,479	234,533
Raw materials	221,444	346,961	236,056
Finished products	179,559	154,954	149,642
Products of agriculture	110,147	121,863	42,829
Fuel	21,842	20,292	8,519
Work in progress	8,605	5,252	14,071
Packaging materials	2,296	2,474	1,616
Other inventories	8,879	9,647	9,605
Total	**815,582**	**953,922**	**696,871**

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As of 30 September 2022, write-downs of inventories to the net realizable value amounted to USD 14,036 thousand (30 September 2021: USD 5,242 thousand).

As of 30 September 2022, inventories with a carrying amount of USD 421,369 thousand (30 June 2022: USD 566,902 thousand; 30 September 2021: USD 319,409 thousand) have been pledged as security for short-term borrowings (Note 15), out of which USD 1,208 thousand are included into Assets classified as held for sale (30 June 2022: USD 5,678 thousand; 30 September 2021: nil).

10. Biological Assets

The balances of biological assets were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Non-current assets			
Non-current cattle	4,901	5,937	6,425
Total	**4,901**	**5,937**	**6,425**
Current assets			
Crops in fields	131,106	160,158	382,477
Current cattle	1,443	1,753	1,600
Total	**132,549**	**161,911**	**384,077**

For the three months ended 30 September 2022, the net loss arising from changes in the fair value of biological assets of USD 2,190 thousand (for the three months ended 30 September 2022: gain of USD 84,558 thousand) mainly composed of a USD 35,887 thousand gain due to revaluation of crops in fields to its fair value (2021: gain of USD 129,637 thousand) leveled down by loss of USD 37,744.0 thousand on revaluation of agricultural products at the point of harvest during three months ended 30 September 2022 and reverse of revaluation of realized 2021-2022 harvests during this period.

The crops mix and its fair value as of the reporting dates were as follows:

	As of 30 September 2022		As of 30 June 2022		As of 30 September 2021	
	Hectares	Value	Hectares	Value	Hectares	Value
Corn	149,066	119,516	148,795	75,795	254,383	302,707
Sunflower	95,946	10,662	130,680	61,732	153,988	79,399
Soybean	3,692	604	6,331	2,118	4,533	49
Other	1,010	324	41,515	20,513	898	322
Total	**249,714**	**131,106**	**327,321**	**160,158**	**413,802**	**382,477**

11. Other Financial Assets

The balances of other financial assets were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Margin account with brokers	80,588	77,136	172,498
Loans granted	37,583	43,760	9,981
Corporate and government bonds	32,779	33,205	41,040
Derivative financial instruments (Note 22)	32,431	48,879	125,089
Short-term bank deposits	—	—	10,139
Other financial assets	18,040	2,831	21,983
Total	**201,421**	**205,811**	**380,730**

As of 30 September 2022, 70,000 Ukrainian government bonds in amount of USD 1,110 thousand (30 June 2022: USD 6,077 thousand; 30 September 2021: nil) were pledged as security for short-term borrowings (Note 15).

12. Assets Classified as Held for Sale

After the beginning of full-scale military aggression of Russia against Ukraine, the management of the Group decided to divest part of its farming entities comprising 134 thousand hectares of leasehold farmland with related farming infrastructure, machinery and working capital. Non-current assets of disposal group belong to the farming segment.

On 26 April 2022, the Group entered into the legally binding share purchase agreement with the buyer, which will be finalized after fulfilment of certain conditions. As not all the conditions were met as of 30 June 2022 the deal was not finalized and the assets and liabilities attributable to disposal Group were classified as held for sale as at reporting date.

The consideration to be paid by the buyer is USD 210,000 thousand. As of 30 September 2022, the buyer, directly controlled by Mr. Andrii Verevskyi, made a prepayment in the amount of USD 20,000 thousand.

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The associated assets and liabilities were consequently presented as held for sale as of 30 September 2022.
As of 30 September 2022, the carrying amounts of assets and liabilities held for sale at consolidated basis were:

	As of 30 September 2022
Cash and cash equivalents	19
Trade accounts receivable	21
Prepayments to suppliers	1,771
Taxes recoverable and prepaid	18,885
Inventory	104,876
Biological assets	50,276
Other financial assets	612
Property, plant and equipment	28,485
Right-of-use assets	49,596
Intangible assets (Note 12)	1,484
Non-current financial assets	1,066
Other non-current assets	2,181
Total assets	**259,272**
Trade accounts payable	2,914
Advances from customers and other current liabilities	6,511
Current portion of lease liabilities (Note 8)	10,839
Other financial liabilities	1,105
Lease liabilities (Note 8)	77,550
Other non-current liabilities	13
Total liabilities	**98,932**
Net assets (at consolidated basis)	**160,340**

The assets classified as held for sale and associated liabilities are presented in this Note after elimination of intercompany balances. As of 30 June 2022, the Group has recognized an impairment of assets classified as held for sale in the amount of USD 92,920 thousand, out of which USD 6,035 thousand was reversed as of 30 September 2022.

Consideration was determined based on discounted cash flow model used for calculation of fair value less cost to sell of non-current assets and carrying value of remaining assets and associated liabilities before elimination of intercompany balances.

As of 30 September 2022, the fair value of biological assets was in the amount of USD 50,276 thousands of 74,336 hectares under spring crops of 2022 year not yet harvested (30 June 2022: USD 99,301 thousand).

Key assumptions and approach to determine the fair value less cost to sell of the non-current assets held for sale and biological assets were similar to those described in the financial report for the financial year 2022.

13. Non-current Financial Assets

The balances of non-current financial assets were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Loans provided to related parties (Note 20)	12,510	26,564	49,496
Loans to farmers	7,858	10,060	630
Investments in financial assets	7,513	7,513	7,513
Other non-current assets	6,278	8,395	1,916
Total	**34,159**	**52,532**	**59,555**

14. Advances from Customers and Other Current Liabilities

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

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Accrued payroll, payroll related taxes and bonuses	61,174	44,236	70,058
Advances for assets classified as held for sale	20,000	20,000	16,496
Contract liabilities	19,230	11,528	—
Provision for unused vacations and other provisions	5,278	6,106	6,933
Taxes payable and provision for tax liabilities	4,284	3,499	7,881
Other current liabilities	16,118	3,831	8,988
Total	**126,084**	**89,200**	**110,356**

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15. Borrowings

The balances of borrowings were as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Current liabilities			
Bank credit lines	727,553	854,828	132,591
Short-term borrowings	221,811	234,429	—
Interest accrued on short-term borrowings	3,880	3,829	330
Bank overdrafts (Note 8)	1	1	30
Current portion of long-term borrowings	—	—	23,276
Interest accrued on long-term borrowings	—	—	1,081
Total	**953,245**	**1,093,087**	**157,308**
Non-current liabilities			
Long-term borrowings	—	—	221,811
Total	**—**	**—**	**379,119**

The balances of short-term borrowings in details by tranches were as follows:

	Due through	Interest rate in range	Currency	Amount due 30 September 2022	Amount due 30 June 2022	Amount due 30 September 2021
European bank	October 2022	from 2.30% to 3.50% plus LIBOR	USD	218,648	—	—
European bank	October 2022	from 2.90% to 4.00% plus SOFR	USD	136,033	—	—
Ukrainian subsidiary of European bank	October 2022	from 5.75% to 7.00%	USD	76,295	—	—
Ukrainian subsidiary of European bank	October 2022	from 4.15% to 5.22%	USD	66,878	—	—
European bank	October 2022	4.00% plus Libor	USD	66,200	—	—
Ukrainian bank	May 2023	from 15.60% to 23.73%	UAH	43,753	43,753	—
Ukrainian subsidiary of European bank	October 2022	from 15.60% to 23.73%	UAH	33,128	—	—
European bank	October 2022	COF+4.00%	USD	27,000	—	—
Ukrainian bank	July 2023	6.00% plus UIRD	UAH	25,881	—	—
Ukrainian subsidiary of European bank	October 2022	8.50%	USD	13,595	—	—
European bank	June 2023	2.20% plus Libor	USD	7,251	—	—
Ukrainian bank	May 2023	6.00% plus UIRD	UAH	6,683	—	—
Ukrainian subsidiary of European bank	June 2023	from 3.00% to 3.80%	USD	6,209	—	—
European bank	September 2022	from 2.30% to 3.50% plus LIBOR	USD	—	348,870	—
European bank	September 2022	from 2.90% to 4.00% plus SOFR	USD	—	157,042	—
Ukrainian subsidiary of European bank	September 2022	from 13.50% to 22.00%	UAH	—	109,894	—
Ukrainian subsidiary of European bank	September 2022	from 3.00% to 3.80%	USD	—	93,243	—
Ukrainian subsidiary of European bank	September 2022	from 5.75% to 7.00%	USD	—	45,000	—
Ukrainian subsidiary of European bank	September 2022	from 2.20% to 2.97%	USD	—	37,027	—
European bank	September 2022	COF+2.50%	USD	—	12,000	—
European bank	September 2022	from 2.20% to 2.97%	USD	—	8,000	—
Ukrainian subsidiary of European bank	October 2021	from 6.50% to 8.50%	UAH	—	—	110,621
Ukrainian subsidiary of European bank	October 2021	from 1.90% to 2.00%	USD	—	—	22,000
Total				**727,554**	**854,829**	**132,621**

As of 30 September 2022, the Group classified its long-term bank borrowings as short-term. Although effective waivers were in place, such waivers had an expiry date within 12 months of 30 June 2022, and, accordingly, the Group did not have an unconditional right to defer settlement for 12 months or longer with respect to its bank loans as at 30 June 2022 and as of 30 September 2022.

The balance of the borrowings with contractual maturity more than 12 month as at 30 September 2022 is disclosed in the table below by tranches:

	Initial contractual maturity	Interest rate in range	Currency	Amount due 30 September 2022	Amount due 30 June 2022	Amount due 30 September 2021
European bank	2030	from 2.77% to 2.84% plus LIBOR	USD	90,543	91,421	91,860
European bank	2029	from 2.77% to 2.84% plus LIBOR	USD	88,708	95,968	101,707
European bank	2027	from 1.00% to 4.50% plus LIBOR	USD	42,560	47,040	51,520
Total				**221,811**	**234,429**	**245,087**

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As of 30 September 2022, the undrawn amount of bank borrowings amounted to USD 22,128 thousand including available facility amounts upon bank credit lines (30 June 2022: USD 10,938 thousand; 30 September 2021: USD 1,028,768 thousand).

Libor-based borrowings are exposed to 3M USD Libor, which is due to be discontinued in mid-2023. The Group's management remains in discussions with the banks to determine both the alternative benchmark and the timing of the further transition. In accordance with the management's expectation, the impact of alternative benchmark, once determined, is not expected to be material to the Group.

The bank borrowings were secured as follows:

	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
Inventory (Note 9)	421,369	566,902	319,409
Property, plant and equipment	400,598	393,782	313,698
Cash and cash equivalents (Note 8)	7,251	8,000	—
Other financial assets (Note 11)	1,110	6,077	—
Future sales receipts	—	—	255,708
Total	**830,328**	**974,761**	**888,815**

16. Bonds issued

The balances of bonds issued were as follows:

	Initial contractual maturity	As of 30 September 2022	As of 30 June 2022	As of 30 September 2021
US 300,000 thousand 6.75% coupon bonds	October 2027	297,522	297,314	297,194
US 300,000 thousand 6.50% coupon bonds	October 2024	297,993	297,724	297,207
US 500,000 thousand 8.75% coupon bonds	January 2022	—	—	212,769
Total		**595,515**	**595,038**	**807,170**

As of 30 September 2022, the bonds are rated CC by S&P, one notch below the Ukrainian sovereign. Also, the bonds keep CC rating assigned by Fitch.

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.

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).

As of 30 September 2022, although effective bank waivers relating to its loans were in place, such waivers had an expiry date within 12 months of 30 September 2022, and, accordingly, the Group did not have an unconditional right to defer settlement of its bank loans for 12 months or longer (Note 15). Accordingly, there was a risk that such loans would be accelerated and become due and payable at a future date within 12 months of the end of the reporting period, which could in turn trigger a cross-acceleration event of default under the Group's outstanding bonds. As a result, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 "Presentation of Financial Statements") to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term. Notwithstanding such classification, management notes that, in view of the effective waivers from banks that were in place as of 30 September 2022, cross-acceleration events of default under the bonds were not triggered as at such date, and the Group remained otherwise in full compliance with the terms of its bonds.

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17. Revenue

The Group's revenue was as follows:

	3 months ended 30 September 2022	3 months ended 30 September 2021
Revenue from agriculture commodities merchandizing	232,108	713,246
Revenue from edible oils sold in bulk, meal and cake	375,720	560,893
Revenue from bottled sunflower oil	36,767	51,578
Revenue from farming	7,390	7,545
Revenue from transshipment services	1,647	5,338
Revenue from grain silo services	925	907
Total	**654,557**	**1,339,507**

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 Note 6.

The transaction price allocated to unsatisfied performance obligations as of 30 September 2022 is USD 17,835 thousand (30 September 2021: USD 1,776 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in October 2022, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 30 September 2022.

18. Cost of Sales

Cost of sales was as follows:

	3 months ended 30 September 2022	3 months ended 30 September 2021
Cost of goods for resale and raw materials used	308,498	952,448
Shipping and handling costs	131,448	89,630
Amortization and depreciation	24,950	31,679
Payroll and payroll related costs	11,853	15,165
Rental payments	146	439
Other operating costs	2,129	3,947
Total	**479,024**	**1,093,308**

For the three months ended 30 September 2022 result on operations with commodity futures, options and unrealized forwards, included within Cost of goods for resale and raw materials used line, decreased Cost of sales for the amount of USD 29,951 thousand (30 September 2021: USD 117,429 thousand decrease).

19. Foreign Exchange Gain/(Loss), net

For the three months ended 30 September 2022, foreign exchange gain, net amounted to USD 58,174 thousand (30 September 2022: foreign exchange loss, net amounted to 8,165 thousand). The result is mostly connected with devaluation of Ukrainian hryvnia and fluctuation of exchange rates, which influenced on revaluation of balances denominated in other than functional currencies, namely trade balances and borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's subsidiaries if they had different functional currencies).

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20. 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	Related party balances as of 30 September 2022	Related party balances as of 30 June 2022	Related party balances as of 30 September 2021
Entities under Beneficial Owner control	Trade accounts receivable	1,238	1,763	130
	Prepayments to suppliers	2,154	—	10,411
	Other financial assets	19,363	8,849	10,110
	Non-current financial assets	—	19,552	19,702
	Other non-current assets	9,219	—	—
	Trade accounts payable	3,108	768	14,005
	Advances from customers and other current liabilities	20,647	20,000	1,162
Key management	Other financial assets	63	—	170
	Non-current financial assets	2,103	2,099	1,668
	Advances from customers and other current liabilities	10,165	5,545	32,183
	Other financial liabilities	—	964	—
	Other non-current liabilities	37,782	37,970	—
Entities under Key Management control	Other financial assets	18,536	18,304	943
	Non-current financial assets	1,304	1,325	19,942
	Trade accounts payable	157	—	138
	Other financial liabilities	116	—	1,749
Other related parties	Trade accounts receivable	48,498	44,333	651
	Prepayments to suppliers	3,375	6,590	871
	Other financial assets	3,971	4,433	3,687
	Non-current financial assets	9,059	11,324	8,490
	Trade accounts payable	14,093	13,468	438
	Advances from customers and other current liabilities	49	308	625
	Other financial liabilities	38,125	15,015	—

The management of the Group has been provided with options to sale shares of the Holding to the Company according to a management incentive plan adopted at the Extraordinary General Meeting of Shareholders held on 30 August 2021, which was initially recognized in equity and fair value of which as of 30 September 2022 amounted to USD 35,822 thousand and were recognized in Other non-current liabilities (Note 0).

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.

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Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	Related party turnovers for the 3 months ended 30 September 2022	Related party turnovers for the 3 months ended 30 September 2021
Entities under Beneficial Owner control	Revenue	1,066	131
	Cost of sales	(1,689)	(4,432)
	Finance income	331	261
	Other income/(expenses), net	(9)	13
Key management	General, administrative and selling expenses	(5,155)	(6,459)
	Finance cost	—	(56)
Entities under Key Management control	Finance income	55	273
Other related parties	Revenue	19,727	80
	Cost of sales	(125)	(1)
	Other operating income	161	—
	General, administrative and selling expenses	(153)	(163)
	Finance cost	(110)	—
	Finance income	444	252
	Other income/(expenses), net	22	376

Change of fair value of options provided to key management as of 30 September 2022 resulted in gain recognized in General, administrative and selling expenses in the amount of USD 188 thousand.

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 including salaries and other current employee benefits amounted to USD 5,541 thousand (for the three months ended 30 September 2021: USD 6,561 thousand). Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

21. Commitments and Contingencies

Capital Commitments

As of 30 September 2022, the Group had commitments under contracts with a group of suppliers for a total amount of USD 25,228 thousand, mostly for the construction of an oilseed crushing plant (30 June 2022 and 30 September 2021: USD 32,595 thousand and USD 62,736 thousand, respectively, mostly for the construction of an oilseed crushing plant).

Contractual Commitments on Sales

As of 30 September 2022, the Group had entered into commercial contracts for the export of 1,551,912 tons of grain, 250,511 tons of sunflower oil and 195,880 tons of sunflower meal and other related products, corresponding to an amount of USD 452,449 thousand, USD 359,016 thousand and USD 64,049 thousand, respectively, in contract prices as of the reporting date.

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

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 September 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 30,300 thousand.

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 6,000 thousand.

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.

On 16 December 2020, the Stiomi 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 Stiomi Sellers challenge this finding.

On the other hand, the Group has discovered, in September 2021, that some of the Stiomi Sellers initiated criminal proceedings against the third party, claiming that the assignment agreement is a forged document. Kernel also discovered that the Stiomi 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 recognized 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 38,933 thousand as of 30 June 2022 (30 June 2022 and 30 September 2021: USD 38,387 thousand and USD 36,764 thousand, respectively), and related expenses in the amount of USD 546 thousand were recognized within the year ended 30 June 2022 (three months ended 30 September 2020: USD 547 thousand) and included within the line "Other expenses, net".

As of 30 September 2022, one of the Group's subsidiaries 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 30 September 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 77,830 thousand (as of 30 June 2022 and 30 September 2021: USD 97,287 thousand and USD 103,896 thousand, respectively), from which USD 65,808 thousand related to VAT recoverability (as of 30 June 2021 and 30 September 2021: USD 82,260 thousand and USD 89,668 thousand, respectively), USD 11,822 thousand related to corporate income tax (as of 30 June 2022 and 30 September 2021: USD 14,777 thousand and USD 13,885 thousand, respectively) and USD 200 thousand related to other tax issues (as of 30 June 2022 and 30 September 2021: USD 250 thousand and USD 335 thousand, respectively).

As of 30 September 2022, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 71,837 thousand (as of 30 June 2022 and 30 September 2021: USD 89,796 thousand and USD 22,192 thousand, respectively), included in the abovementioned amount. Out of this amount, USD 3,830 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (as of 30 June 2022 and 30 September 2021: USD 4,787 thousand and USD 4,609 thousand, respectively). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

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

22. 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.

for the three months ended 30 September 2022 (in thousands of US dollars, unless otherwise stated)

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

	As of 30 September 2022		As of 30 June 2022		As of 30 September 2021	
Financial liabilities [1]	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Bonds issued (Note 16)	612,955	196,680	602,650	319,800	827,588	857,931

Due to the defined short-term nature of the borrowings, as of 30 September 2022, their carrying amount is considered to be approximately the same as their fair value. The fair value was calculated based on cash flows discounted using a current lending rate that is within level 2 of the fair value hierarchy.

The fair value of Bonds issued was estimated based on directly observable quotations within Level 2 of the fair value hierarchy.

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

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

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

	As at 30 September 2022			As at 30 June 2022			As at 30 September 2021		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Other financial assets (Note 11)									
Forwards	—	7,383	**7,383**	—	10,448	**10,448**	—	73,058	**73,058**
Futures/Options	25,048	—	**25,048**	38,431	—	**38,431**	52,031	—	**52,031**
Other financial liabilities									
Forwards	—	5,676	**5,676**	—	22,185	**22,185**	—	46,176	**46,176**
Futures/Options	1,844	—	**1,844**	945	—	**945**	6,971	—	**6,971**
Derivatives held for hedging	—	—	**—**	—	—	**—**	—	5,111	**5,111**

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

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 and trade accounts payable, 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.

For the three months ended 30 June 2022, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the three months ended 30 June 2021, fair value of other non-current liabilities is classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

There were no transfers between levels of fair value hierarchy.

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

23. Subsequent Events

No subsequent events occurred after the reporting date.

[1] Including accrued interests