H1 FY2023

KERNEL

Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2022

Condensed Consolidated Interim Financial Statements

for the three and the six months ended 31 December 2022

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Income statement highlights

- Consolidated **revenue** of Kernel Holding group of companies (hereinafter "Kernel", the "Company", or the "the Group") in Q2 FY2023 decreased 34% y-o-y to US$ 1,235 million due to the volume-driven reduction in the exports of grain, sunflower oil and meal.
- **Net change in the fair value of biological assets** had no major impact on Group's performance, resulting in US$ 0.3 million gain in Q2 FY2023, as compared to US$ 27 million gain for the same period of the previous year.
- Driven primarily by sales volumes reduction, Group's **cost of sales** in the reporting period declined 40% y-o-y, to US$ 941 million. Shipping and handling costs constituted 23% of cost of sales in October-December 2022, adding 120% y-o-y and 64% as compared to the previous quarter and reflecting the **skyrocketed logistics costs** when exporting goods from Ukraine.
- As a result, **gross profit** in Q2 FY2023 declined by 15% y-o-y, standing at US$ 294 million.
- **Other operating income** for three months ending 31 December 2022 totaled to US$ 12 million, primarily comprising gain related to contracts wash-out (price difference settlement).
- **Other operating expenses** during the reporting period totaled at US$ 17 million, mostly related to losses on operations with derivatives and securities.
- The Group also recognized a US$ 5 million gain from the reversal of the previously recognized impairment of assets, mostly attributable to the inventories located on the territories previously occupied by Russia, as the Group managed to access such inventories and use in its operating activities.
- **General and administrative expenses** in Q2 FY2023 amounted to US$ 59 million, adding 33% as compared to Q1 FY2023, reflecting higher payroll-related accruals.
- Kernel's **EBITDA** in October-December 2022 dropped by 5% y-o-y to US$ 277 million, with segment contributions being as follows:
  - The **Oilseeds Processing** segment EBITDA increased by 10% y-o-y, to US$ 66 million, mostly driven by a second consecutive quarter of strong crush margin for those players who managed to organize sunflower oil export logistics from Ukraine. The segment margins were also supported by the new harvest of sunflower seeds entering the market in Q2 FY2023.
  - Despite improved margins y-o-y in the reporting period for all businesses within the **Infrastructure and Trading** segment, a more than twofold reduction in export volumes has driven the segment's EBITDA down by 46% y-o-y to US$ 62 million.
  - The **Farming** segment recorded a robust US$ 204 million EBITDA, representing a 45% y-o-y increase. This notable performance was largely attributed to the positive effect of the UAH functional currency on the Group's farming entities, where costs denominated in UAH were reduced due to the currency's devaluation against the US$, ultimately boosting earnings. This effect was particularly pronounced for the crop of 2021 harvest, which had being sold during the reporting period.
  - **Unallocated corporate expenses** in the Q2 FY2023 amounted to US$ 54 million, a 2.3x growth y-o-y driven by payroll-related accruals for bonuses and write-off of certain financial assets.
- **Net finance costs** in Q2 FY2023 virtually unchanged y-o-y, standing at US$ 31 million.
- **Net foreign exchange gain** in the reporting period amounted to US$

US$ million except ratios and EPS	Q2 FY2022	Q1 FY2023	**Q2 FY2023**	y-o-y	q-o-q	H1 FY2022	**H1 FY2023**	y-o-y
Income statement highlights [1]								
Revenue	1,877	655	**1,235**	*(34%)*	*89%*	3,217	**1,890**	*(41%)*
EBITDA [2]	292	168	**277**	*(5%)*	*65%*	570	**446**	*(22%)*
Net profit attributable to equity holders of the Company	213	162	**207**	*(3%)*	*28%*	424	**368**	*(13%)*
EBITDA margin	15.6%	25.7%	**22.4%**	*6.9pp*	*(3.3pp)*	17.7%	**23.6%**	*5.8pp*
Net margin	11.3%	24.7%	**16.7%**	*5.4pp*	*(8.0pp)*	13.2%	**19.5%**	*6.3pp*
Earnings per share [3], US$	2.64	2.09	**2.67**	*1%*	*28%*	5.15	**4.75**	*(8%)*
Cash flow highlights								
Operating profit before working capital changes	184	181	**299**	*63%*	*65%*	378	**479**	*27%*
Change in working capital	(618)	(192)	**127**	*n/a*	*n/a*	(779)	**(65)**	*(92%)*
Finance costs paid, net	(42)	(20)	**(39)**	*(6%)*	*2.0x*	(63)	**(59)**	*(6%)*
Income tax paid	(5)	(1)	**(7)**	*40%*	*8.6x*	(9)	**(7)**	*(21%)*
Net cash used in operating activities	(481)	(31)	**379**	*n/a*	*n/a*	(473)	**348**	*n/a*
Net cash used in investing activities	(50)	(39)	**82**	*n/a*	*n/a*	(152)	**43**	*n/a*

	31 Dec 2021	30 Sep 2022	**31 Dec 2022**	y-o-y	q-o-q
Liquidity and credit metrics					
Net debt	1,551	1,496	**1,048**	*(32%)*	*(30%)*
Commodity inventories [4]	1,362	701	**593**	*(56%)*	*(15%)*
Adjusted net debt [5]	189	796	**455**	*2.4x*	*(43%)*
Shareholders' equity	2,248	1,603	**1,801**	*(20%)*	*12%*
Net debt / EBITDA [6]	1.9x	13.5x	**11.0x**	*+9.1x*	*-2.6x*
Adjusted net debt / EBITDA [6]	0.2x	7.2x	**4.8x**	*+4.5x*	*-2.4x*
EBITDA / Interest [7]	7.0x	0.9x	**0.7x**	*-6.2x*	*-0.1x*

Note: Financial year ends 30 June, Q1 ends 30 September, and Q2 ends 31 December
1 Q2 and H1 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
2 EPS is measured in US Dollars per share based on 80.8 million for Q2 FY2022; 82.3 million for H1 FY2022, and 77.4 million shares for Q1, Q2 and H1 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. When calculating Commodity inventories, the Group does not include inventories which are located on territories occupied by Russia and inventories which are recognized among the assets held for sale.
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]		
	Q2 FY2022	Q2 FY2023	y-o-y	Q2 FY2022	Q2 FY2023	y-o-y	Q2 FY2022	Q2 FY2023	y-o-y	Q2 FY2022	Q2 FY2023	y-o-y
Oilseed Processing	667	687	3%	60	66	10%	417	345	(17%)	144	191	33%
Infrastructure and Trading	1,697	1,036	(39%)	116	62	(46%)	3,483	1,522	(56%)	33	41	23%
Farming	277	324	17%	140	204	45%						
Unallocated corporate expenses				(24)	(54)	2.3x						
Reconciliation	(764)	(812)	6%									
Total	**1,877**	**1,235**	**(34%)**	**292**	**277**	**(5%)**						

	Revenue, US$ million			EBITDA, US$ million			Volume, thousand tons [1]			EBITDA margin, US$/t [2]		
	H1 FY2022	H1 FY2023	y-o-y	H1 FY2022	H1 FY2023	y-o-y	H1 FY2022	H1 FY2023	y-o-y	H1 FY2022	H1 FY2023	y-o-y
Oilseed Processing	1,032	950	(8%)	71	111	56%	637	547	(14%)	111	202	82%
Infrastructure and Trading	2,824	1,552	(45%)	207	122	(41%)	5,710	2,254	(61%)	36	54	50%
Farming	423	486	15%	349	285	(18%)						
Unallocated corporate expenses				(56)	(73)	29%						
Reconciliation	(1,062)	(1,098)	3%									
Total	**3,217**	**1,890**	**(41%)**	**570**	**446**	**(22%)**						

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.

8 million, primarily driven by the revaluation of intra-group balances for those subsidiaries with the reporting currency other than US$.

- Accounting also for US$ 11 million income tax expenses, **net profit attributable to shareholders** in Q2 FY2023 totaled at US$ 207 million, a 3% decline y-o-y.

Cash flow highlights

- In Q2 FY2023, **operating profit before working capital changes** increased by 65% year-over-year to reach US$ 299 million, which was in line with the EBITDA for October-December 2022 and reflected strong margins achieved during the reporting period.
- **Release of the working capital** for the same period resulted in the US$ 127 million cash inflow, primarily driven by the reduction of inventories and biological assets, together with VAT refunds received.
- The Group generated a US$ 82 million **cash inflow of from investing activities** in Q2 FY2023. This was primarily due to the conversion of crypto assets into cash, and such inflows outweighed the cash outflows related to capital expenditures (both maintenance and those related to expanding the logistics capabilities: vessels, railway carriages and containers) and the acquisition of subsidiaries.
- **Net cash used in financing activities** totaled US$ 50 million in Q2 FY2023, as the Group continued to repay its indebtedness in accordance with the agreements reached with creditors. This amount also includes US$ 33 million repayment of lease liabilities, which constitutes a part of Group's regular payments under farmland lease agreements.

Credit highlights

- Group's **debt liabilities** as of 31 December 2022 declined by 2% q-o-q, to US$ 1,727 million.
- Given the strong operating performance in Q2 FY2023, combined with the conversion of crypto assets to cash, Group's **cash balance** added US$ 412 million during October-December 2022, to US$ 679 million as of the end of the reporting period. Driven by that, **net debt** reduced by 30% over Q2 FY2023, to US$ 1,048 million as of 31 December 2022.
- **Commodity Inventories**[1] ("CI") during Q2 FY2023 reduced by 15%, to US$ 593 million as of 31 December 2022, mostly driven by the twofold reduction in the stock of sunflower oil and meal. Grain inventories little changed, as the new harvest coming from the Group's farming business matched the grain export volumes. Sunflower seed inventories increased by 33% in tonnage and by 6% in value over Q2 FY2023, as the Group was harvesting its own sunflower, but also making a limited procurements from third parties.
  - Commodity Inventories included 1.6 million tons of grains, 102 thousand tons of sunflower oil (bulk and bottled), 49 thousand tons of sunflower meal, and 478 thousand tons of sunflower seeds as of 31 December 2022.
- As a result, **Net debt adjusted for CI** ended up at US$ 455 million at the end of the reporting period, down 43% q-o-q.
- The Group's **leverage** as of 31 December 2022 reduced to 11.0x Net-debt-to-EBITDA and 4.8x Adjusted-net-debt-to-EBITDA. The interest coverage ratio deteriorated to 0.7x EBITDA-to-Interest, calculated on the last-twelve-months basis.
- As of 31 December 2022, the Group has **completed negotiations with the banks on the principal repayments' postponement**. Kernel obtained waiver letters in relation to, inter alia the Natixis PXF Facility, the ING PXF Facility, EBRD Facility and EIB Facilities, and other credit agreements in each case, with respect to the period ending 30 June 2023. Kernel keeps servicing interest payments on the entire portfolio of its outstanding corporate debt, as well as keeps paying coupons due under the bonds issued.

[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. When calculating Commodity inventories, the Group does not include inventories which are located on territories occupied by Russia and inventories which are recognized among the assets held for sale.

Market environment and operations

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 caused by representatives of Russia and resulting congestions. Additionally, uncertainties about the extension of the Grain Deal result in suppressed export volumes on or around the dates of such extension (as observed in November 2022 and as to be observed in March 2023), as it is close to impossible to plan any shipments near or after such dates. As a result, export volumes from Ukraine are well below 6.5-7.5 million tons monthly seaborn export levels observed for the same period a year ago.
- The restrictions in exports also had a **strong negative impact on Kernel's export volumes**. But, on the other hand, **margins** across the grain export value chain and oilseed processing business **were strong enough to compensate for low volumes**. Huge domestic supply of agricultural commodities and limited number of ports and terminals pushed margins up, rewarding players who control the infrastructure and logistics and who were able to organize large trading programs.
- **The key risk** for the Group today **is the termination of the Black Sea Grain Initiative** which expires on 18 March 2023 and has not yet been prolonged. While the Group arranged for some alternative export channels, the impact of the Grain Deal termination might be quite severe.

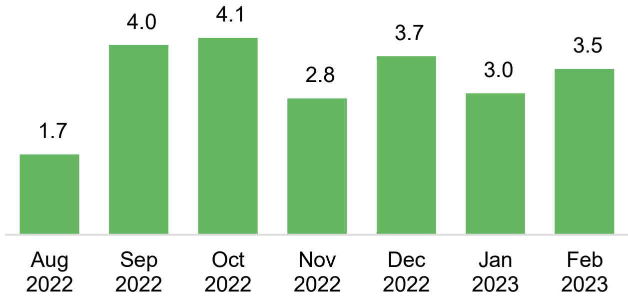
Infrastructure and Trading

- Caused by difficulties with the Black Sea logistics, the Group's **grain exports from Ukraine** in Q2 FY2023 reduced by 56% y-o-y, to 1.5 million tons. Negligibly low volume of grains was exported by alternative channels: railways, river, and trucks, as such routes are a way more expensive than Black Sea.
- **Export terminals throughput volume** in Q2 FY2023 amounted to 1.7 million tons of grain, sunflower oil and meal, down 42% y-o-y, as the flow of vessels to Ukrainian deep-water Black Sea ports was substantially undermined by 1) overall slow inspections of vessels creating queues in the "grain corridor"; and 2) uncertainties about the extension of the "Grain Deal" in November 2022 and the related difficulties in planning the freight.
- Given the complicated logistics, **next grain harvest** in Ukraine is expected to **substantially reduce**. Market has already observed a 35-40% decline in the planting acreage under the winter wheat, which is historically the second largest grain crop. A substantial decline in acreage is also expected for corn as the most energy intensive crop. Such reduction in acreage will have a **negative impact on the grain supply next season**.
- Given the instability in exports and uncertainty with regard to the extension of the Grain Deal, alongside with the significant amount of the carry-over stock, the Group switched from structured origination program to ad-hoc **margin-capturing procurements**.

Oilseed Processing

- Kernel **processed 653 thousand tons of sunflower seeds in Q2 FY2023**, plummeting by 34% y-o-y. A year ago, the Group operated nine oil-extraction plants, as compared to six facilities in operation in October-December 2022, given that two group-owned crushing plants are inaccessible at high-risk zone in Kharkiv region, and the Group also ceased tolling operations at another crushing plant in the same area. In addition to that, the assets were not operating at full capacity due to constant electricity outages which had been caused by the Russian missile strikes targeting Ukrainian electricity generation and distribution system. Owing to regular blackouts, Kernel had to temporarily suspend crushing operations at two of its oilseed processing plants during November-December 2022, while the remaining four crushing plants were functioning relatively stable being equipped with the co-generation heat and power units.

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



Source: Joint Coordination Centre of the Black Sea Grain Initiative

- As of 31 December 2022, the Group had a stock of sunflower seeds of 478 thousand tons, which is 32% less than a year ago, 52% less than two years ago, and 67% less than three years ago, implying a relatively **low coverage for operations of oilseed processing plants**. Estimating the 2022 sunflower seed harvest in Ukraine at 11.3 million tons (down 33% y-o-y) and observing a relatively high volumes of export of sunflower seeds from Ukraine (which we estimate to reach 2.2-2.5 million tons for the season), a relative tightness with the supply of oilseeds is expected **closer to the end of the season**, which is likely to have a **negative impact on margins**.
- Nevertheless, as the new crop entered the market in September-October 2022, it **significantly supported the crushing margins** in Q2 FY2023, which kept strong at US$ 189 EBITDA per ton of sunflower oil sold, but still down 15% as compared to the previous quarter result.

Segment volumes

thousand metric tons	Q2 FY2022	Q2 FY2023	*y-o-y*
Oilseeds processed	985,472	653,011	*(34%)*
Sunflower oil sales	416,504	344,710	*(17%)*
Grain and oilseeds received in inland silos	3,049,497	1,516,349	*(50%)*
Export terminal throughput (Ukraine)	2,984,992	1,716,416	*(42%)*
Grain export from Ukraine	3,483,124	1,521,961	*(56%)*

Differences are possible due to rounding.

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	8.8	*(5%)*	2,360	1,317	*(44%)*
Sunflower	154.0	130.6	*(15%)*	3.0	2.6	*(16%)*	469	333	*(29%)*
Wheat	64.3	34.9	*(46%)*	6.1	4.5	*(26%)*	395	158	*(60%)*
Other [2]	26.2	47.8	*82%*						
Total [3]	**499.1**	**362.9**	***(27%)***				**3,225**	**1,808**	***(44%)***

Note 1 Net crop yields are preliminary figures based the completed harvesting campaign for 2022 crop. 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, forage crops and other minor crops, as well as fallow land.
Note 3 The acreage harvested in FY2023 does not reflect 134 thousand hectares 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.

Farming

- In February 2023, Kernel **has completed its 2022 crop harvesting campaign**. The net yield of corn decreased by 5% y-o-y, with a yield of 8.8 tons per hectare. This figure, which is higher than the previous estimate of 8.5 tons per hectare made in January 2023, can be attributed to the mild winter weather that favored a higher yield over quality. Meanwhile, the net yield for sunflower was 2.6 tons per hectare, a 16% y-o-y decrease, and wheat's net yield was 4.5 tons per hectare, down by 26% y-o-y. Such a **reduction in the yields** is attributed to the following factors:
  - Due to disrupted supply chains and the skyrocketing prices of fertilizers, Kernel had to resort to **suboptimal production technology**, which had a negative impact on the yields.
  - The **spring sowing campaign** in Chernihiv and Sumy regions **was delayed** as these areas were occupied by Russia during March 2022. The delay in sowing, coupled with rainy weather in September 2022, curfew restrictions that prevented nighttime harvesting, a shortage of trucks for transportation of corn from the field to the silo, and problems with silos' intake caused by electricity outages and a shortage of natural gas to dry the corn, all contributed to delays in the corn harvesting process. In addition, the deficit of conventional storage space forced the Group to utilize alternative solutions such as flexi bags, with a peak of 187 thousand tons of grain stored in flexi bags.
- Looking ahead to the 2023 crop and the upcoming spring planting campaign, the Group has made **significant changes to its crop mix** in order to minimize the acreage under the most energy-intensive and logistics-intensive crop, corn, in favor of less energy-intensive options, such as soybeans and partially winter wheat:
  - The acreage under **winter wheat** for the 2023 crop is above 60 thousand hectares, an increase of over 70% y-o-y. The crops in the fields are in normal condition, thanks to the rather mild winter weather.
  - The acreage under **sunflower** is expected to reduce by 5-10% y-o-y in order to revert back to more sustainable crop rotation practices. The Group will also be reintroducing **soybeans** into its crop mix, targeting up to 65,000 hectares to be planted in the spring of 2023.
  - The final decision on the **corn** acreage will be made at a later stage, once the situation with the grain corridor becomes clearer. If Ukrainian Black Sea ports become inaccessible for export operations, the management will consider leaving as much as 50,000 hectares fallow for the new season, in order to minimize the acreage under corn.
- The Group has successfully **secured the necessary crop inputs** required for the upcoming spring planting campaign. However, due to the challenging situation with the supply of fertilizers in Ukraine, the Group plans to reduce fertilizer application rates. This may have a negative impact on crop yields, but it is a necessary measure to adapt to the current environment.

Electricity outages

- During Q2 FY2023, **severe power outages in Ukraine** caused by Russia's attacks on Ukrainian power generation and distribution infrastructure led to the temporary suspension of oilseed processing operations at several of the Group's plants. These outages also caused instability in silo operations, transportation, and transshipment activities. To mitigate the impact on its business, the Group equipped its key assets with diesel generators. Difficulties with power supply persisted throughout January 2023 and only began to partially improve in February 2023.
- To further mitigate the impact of power deficits, the Group accelerated the construction of a co-generation heat and power unit at its Prydniprovskyi oil-extraction plant. The co-generation facility will provide the plant with a reliable and independent source of energy, reducing the impact of future power outages. At the same time, the completion of the construction of the Starokostiantyniv oil extraction plant, which is also designed to be equipped with a co-generation facility, has been postponed for the unforeseeable future.

Asset damages

- In Q2 FY2023, Kernel did not experience any critical damages to its assets and infrastructure as a result of missile or artillery strikes. Therefore, no significant war-related losses were recognized during the reporting period.
- However, assets located near the Russian border are regularly hit by missile and artillery strikes. As a result, such assets are currently not operational and are difficult to reach, making it challenging to estimate the full extent of the damages at this time.

M&A update

- In December 2022, Kernel **completed the acquisition of a 100% stake in an edible oil transshipment terminal** located in the Black Sea port of Pivdennyi in the Odesa region, having a one-time storage capacity of 49.4 thousand tons of sunflower oil. The transaction implied the enterprise value of US$ 19.8 million. This acquisition is of strategic importance to Kernel because it provides the Group with a new channel of export of sunflower oil while the historically largest route through ports in the Mykolaiv region is currently unavailable.
- In February 2023, Kernel **acquired a grain terminal in the Reni port of Ukraine**. The terminal has flat warehouses with a one-time storage capacity of 12,000 tons, and the acquisition is part of Kernel's strategy to secure backup options in case the Black Sea ports become inaccessible as a result of the termination of the grain deal in March 2023. The Group intends to keep investing in its operations in the Reni port to expand the transshipment capacity, and such investments will be leveraged by the Agricultural Resilience Initiative of the USAID who agreed to procure and supply the equipment needed for such expansion.
- In February 2023, Kernel received the final waiver from creditors

required **to complete the divestment transaction of selected farming entities** comprising 134,000 hectares of farmland, along with related farming infrastructure, machinery, and working capital, as previously agreed in April 2022. The transaction is expected to be completed in March 2023.

Employees defending Ukraine

- Since the beginning of the war, 1,373 of Kernel's employees were mobilized to serve in the Armed Forces of Ukraine or joined the Territorial Defense units. Out of this number, 548 have been demobilized and returned to work. Unfortunately, the Group has also suffered the loss of 20 employees who made the ultimate sacrifice while defending Ukraine, while 69 others have been injured as a result of the military actions. As of March 2023, Kernel remains committed to supporting its employees and their families, as well as other civilians in need and the defenders of Ukraine.

Principal Risks and Uncertainties

for the three and the six months ended 31 December 2022

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

Strategic (Business) risks:

- Logistics disruption;
- Loss of critical infrastructure;
- Low global soft commodity prices;
- Loss of inventories;
- Shortfall of proceeds from renewable energy sale;

Financial risks:

- Liquidity associated risks;

Operational risks:

- Trade position management issues;
- Credit and counterparty risks;
- Investment projects management;
- Information security and IT.

For a detailed disclosure of the possible impact of most of the key risks and our management approach, please refer to pages 33-36 of the annual report for the year ended 30 June 2022, available at www.kernel.ua.

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

- Weak harvest in Ukraine;
- Failure to maintain the integrity of the leasehold farmland bank;
- Fraudulent activities;
- COVID-19 related risks;
- Human capital risks;
- Increase in competition;
- Sustainability-related risks: non-compliance with environmental standards; undermined profitability due to more severe environmental requirements applicable to farming and oilseed processing related with implementation of the European Green Deal; low sustainability rating of Kernel may increase cost of capital;
- Weak economic growth, either globally or in the Group's key markets;
- Economic policy, political, social, and legal risks and uncertainties in countries other than Ukraine in which Kernel Holding S.A. operates;
- Any loss or diminution in the services of Mr. Andrii Verevskyi, Kernel Holding S.A.'s chairman of the Board of Directors;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in the impairment of tangible and intangible assets, including goodwill;
- The risk of fluctuations in the exchange rate of the Ukrainian hryvnia to the US dollar;
- The risk of disruption or limitation of natural gas or electricity supply;
- The risk of disruptions in Kernel Holding S.A.'s manufacturing operations;
- The risk of product liability claims;
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

Significant Events

for the three and the six months ended 31 December 2022

On 20 December 2022, Kernel Holding S.A. convened its annual General Meeting of Shareholders, which adopted the following resolutions with immediate effect:

- The general meeting acknowledges that due to current geopolitical circumstances and resulting delays in the publication of the Consolidated Financial Statements of the Company and Parent Company's annual accounts (unconsolidated), the board of directors was forced to slightly postpone the convening of the annual general meeting of shareholders of the Company and to convene it for 20 December 2022 instead of 12 December 2022, i.e. the first Business Day after 10 December 2022, as foreseen by the articles of association of the Company.

  Further to the foregoing, the general meeting gives discharge to the board of directors for the late convening of the annual general meeting of shareholders.
- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves these reports.
- The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves in their entirety the Consolidated Financial Statements of the Company for the financial year ended on 30 June 2022, with a resulting consolidated net loss attributable to equity holders of the Company of forty-one million one hundred and two thousand US dollars (USD 41,102,000. -).
- The general meeting, after having reviewed the management report of the board of directors and the report of the independent auditor of the Company, approves in their entirety the Parent Company's annual accounts (unconsolidated) for the financial year ended on 30 June 2022, with a resulting net profit for Kernel Holding S.A. as parent company of the Kernel Holding S.A. group of ten million three hundred eighty-five thousand four hundred thirty-five US dollars and fifty cents (USD 10,385,435.50).
- The general meeting approves the proposal of the board of directors (i) to carry forward the net profit of the Parent Company annual accounts (non-consolidated) of ten million three hundred eighty-five thousand four hundred thirty-five US dollars and fifty cents (USD 10,385,435.50) and (ii) after allocation to the legal reserve of the Company, to declare a dividend at nil for the financial year ended on 30 June 2022.
- The general meeting decides to grant discharge to the directors of the Company for their management duties and the exercise of their mandates in the course of the financial year ended on 30 June 2022.
- The general meeting, having acknowledged the end of the mandates of directors and in consideration of the proposal to reappoint Mr. Andrii Miski-Oglu, Mrs. Daria Anna Danilczuk, Mrs. Anastasiia Usachova, Mrs. Viktoriia Lukianenko, Mr. Yevgen Osypov, Mr. Yuriy Kovalchuk for a one-year term, decides to renew the mandate of Mr. Andrii Miski-Oglu, Mrs. Daria Anna Danilczuk, Mrs. Anastasiia Usachova, Mrs. Viktoriia Lukianenko, Mr. Yevgen Osypov, Mr. Yuriy Kovalchuk for a one-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2023.
- The general meeting of shareholders resolves to ratify the co-optation by the board of directors of the Company on 14 September 2022 of Mr. Mykhaylo Mishov, born on 27 November 1981 in Khmelnytskyi, Ukraine, and residing professionally at 116 Mulberry Rd, Deerfield, IL 60015, United States, as non-executive independent director of the Company in replacement of Mrs. Pieternel Boogaard, with effect as of 14 September 2022. The general meeting of shareholders further resolves to appoint Mr. Mykhaylo Mishov as non-executive independent director of the Company until the next annual general meeting of shareholders of the Company to be held in 2023.
- Further to the resignation letter signed by Mrs. Pieternel Boogaard on 15 July 2022, the general meeting of shareholders resolves to acknowledge the resignation of Mrs. Pieternel Boogaard from her mandate as non-executive independent director of the Company with effect as of 14 September 2022.

  The general meeting of shareholders further decides to grant her full discharge for the exercise of her mandate.
- The general meeting, having acknowledged that fees (tantiemes) paid to the non-executive directors for their previous term in office amounted in total to two hundred forty-six thousand nine hundred and sixty-one US dollars and 83 cents (USD 246,961.83), approves the non-executive directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2023, for a total gross annual amount of two hundred forty thousand US dollars (USD 240,000. -).
- The general meeting, having acknowledged that fees (tantiemes) paid to the executive directors for their previous term as members of the board of directors amounted in total to two hundred forty thousand US dollars (USD 240,000. -), approves the executive directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2023, for a total gross annual amount of two hundred forty thousand US dollars (USD 240,000. -) including two hundred thousand US dollars (USD 200,000. -) to be paid to the chairman of the board of directors.
- The general meeting grants discharge to the independent auditor of the Company, PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 for the financial year ended on 30 June 2022.
- The general meeting, following proposal by the board of directors to reappoint PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 as independent auditor of the Company, resolves to reappoint PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 as independent auditor of the Company for a one-year term mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2023.

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 from operating activities to **EBITDA** and **EBITDA margin**:

in thousand US$ except the margin	Q2 FY2022	**Q2 FY2023**	H1 FY2022	**H1 FY2023**
Profit from operating activities	**250,199**	**244,359**	**494,920**	**386,826**
add back:				
Amortization and depreciation	41,980	32,787	75,419	58,696
EBITDA	**292,179**	**277,146**	**570,339**	**445,522**
Revenue	**1,877,233**	**1,235,227**	**3,216,740**	**1,889,784**
EBITDA margin	**15.6%**	**22.4%**	**17.7%**	**23.6%**

[1] In other documents (e.g. listing particulars) the Group could use the term Adjusted EBITDA, which is calculated as profit before income tax adding back net finance costs, net foreign exchange gain, net other expenses, share of income/(loss) of joint ventures, and amortization and depreciation, and coming to the same result as EBITDA

Alternative Performance Measures continued

for the three and the six months ended 31 December 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$	Q2 FY2022	**Q2 FY2023**	H1 FY2022	**H1 FY2023**
Oilseed Processing				
Profit from operating activities	51,615	58,025	55,447	95,665
plus Amortization and depreciation	8,157	7,702	15,460	15,040
Segment EBITDA	**59,772**	**65,727**	**70,907**	**110,705**
Segment revenue	667,485	686,668	1,032,045	949,979
Segment EBITDA margin	**9%**	**10%**	**7%**	**12%**
Infrastructure and Trading				
Profit from operating activities	109,372	55,631	194,655	110,549
plus Amortization and depreciation	6,277	6,537	12,222	11,784
Segment EBITDA	**115,649**	**62,168**	**206,877**	**122,333**
Segment revenue	1,696,877	1,035,731	2,823,519	1,552,473
Segment EBITDA margin	**7%**	**6%**	**7%**	**8%**
Farming				
Profit / (loss) from operating activities	113,620	186,040	302,523	254,774
plus Amortization and depreciation	26,872	17,493	46,209	30,285
Segment EBITDA	**140,492**	**203,533**	**348,732**	**285,059**
Segment revenue	277,023	324,455	422,885	485,775
Segment EBITDA margin	**51%**	**62.7%**	**82%**	**59%**
Other				
Loss from operating activities	(24,409)	(55,338)	(57,706)	(74,162)
plus Amortization and depreciation	674	1,055	1,528	1,587
Segment EBITDA	**(23,735)**	**(54,283)**	**(56,178)**	**(72,575)**

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$	Q2 FY2022	**Q2 FY2023**	H1 FY2022	**H1 FY2023**
Net cash used in investing activities	(49,962)	**82,086**	(151,917)	**42,636**
Adding back:				
Purchase of property, plant and equipment	(39,084)	(26,029)	(89,457)	(56,058)
Proceeds from disposal of property, plant and equipment	1,140	264	2,425	264
Investing Cash Flows less Net Fixed Assets Investments	**(87,906)**	**56,321**	**(238,949)**	**(13,158)**

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$	Q2 FY2022	**Q2 FY2023**	H1 FY2022	**H1 FY2023**
Purchase of property, plant and equipment	(39,084)	(26,029)	(89,457)	(56,058)
Proceeds from disposal of property, plant and equipment	1,140	264	2,425	264
Net Fixed Assets Investments	**(37,944)**	**(25,765)**	**(87,032)**	**(55,794)**

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$	Q2 FY2022	**Q2 FY2023**	H1 FY2022	**H1 FY2023**
Net cash generated by operating activities	(434,356)	425,523	(400,763)	414,599
Less:				
Changes in working capital, including:	(615,602)	126,954	(779,174)	(64,841)
Change in trade and other accounts receivable	(121,089)	(54,694)	(9,370)	(247,974)
Change in prepayments and other current assets	(22,455)	(53,598)	(16,141)	(36,339)
Change in restricted cash balance	-	-	38	58
Change in taxes recoverable and prepaid	(94,329)	63,633	(115,994)	(16,001)
Change in biological assets	359,773	115,058	491,629	74,875
Change in inventories	(838,909)	108,320	(1,250,600)	181,849
Change in trade accounts payable	29,747	(37,138)	73,663	(42,169)
Change in advances from customers and other current liabilities	71,660	(14,627)	47,601	20,860
Operating Cash Flows before Working Capital Changes	**181,246**	**298,569**	**378,411**	**479,440**

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.

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

in thousand US$	Q2 FY2022	Q2 FY2023	H1 FY2022	H1 FY2023
Net cash used in operating activities	(481,093)	379,485	(472,790)	348,122
Net cash used in investing activities	(49,962)	82,086	(151,917)	42,636
Free Cash Flows to the Firm	**(531,055)**	**461,571**	**(624,707)**	**390,758**

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.

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 31 December 2021	As of 30 September 2022	As of 31 December 2022
Sunflower oil & meal	228,498	230,018	99,099
Sunflower seed	465,202	178,347	189,736
Grains	667,899	290,425	302,167
Other	146,032	116,792	107,860
Total	**1,507,631**	**815,582**	**698,862**
*of which: **Commodity Inventories***	1,362,013	700,616	592,945

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.

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

in thousand US$	As of 31 December 2021	As of 30 September 2022	As of 31 December 2022
Bonds issued	594,648	-	-
Current bonds issued	-	595,515	595,782
Interest on bonds issued	7,612	17,440	7,612
Long-term borrowings	214,057	-	-
Current portion of long-term borrowings	25,539	-	-
Short-term borrowings	818,172	953,245	937,012
Lease liabilities	277,487	168,392	148,591
Current portion of lease liabilities	67,400	29,518	38,145
Debt Liabilities	**2,004,915**	**1,764,110**	**1,727,142**
less: cash and cash equivalents	453,667	267,650	679,223
Net Debt	**1,551,248**	**1,496,460**	**1,047,919**
less: Commodity Inventories	1,362,013	700,616	592,945
Adjusted Net Debt	**189,235**	**795,844**	**454,974**

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.

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

in thousand US$	As of 31 December 2021	As of 30 September 2022	As of 31 December 2022
Total current assets	**3,145,748**	**2,390,188**	**2,555,883**
less:			
Cash and cash equivalents	453,667	267,650	679,223
Assets classified as held for sale	-	259,272	228,227
Total current liabilities	1,566,627	2,067,483	2,021,025
add back:			
Short-term borrowings	818,172	953,245	937,012
Current portion of long-term borrowings	25,539	-	-
Current portion of lease liabilities	67,400	29,518	38,145
Current bonds issued	-	595,515	595,782
Interest on bonds issued	7,612	17,440	7,612
Adjusted Working Capital	**2,044,177**	**1,391,501**	**1,205,959**

Alternative Performance Measures continued

for the three and the six months ended 31 December 2022

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

APM	Calculation	Why APM is the most important for management
EBITDA	Profit from operating activities adding back amortization and depreciation.	**EBITDA** is the main metric used by 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.

Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of
Kernel Holding S.A.

We have reviewed the accompanying condensed consolidated interim financial statements of Kernel Holding S.A. (the “Company”) and its subsidiaries (the “Group”), which comprise the condensed consolidated interim statement of financial position as at 31 December 2022, the condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended and other explanatory information.

Board of Directors’ responsibility for the condensed consolidated interim financial statements

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

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. Except as explained in the Basis for Qualified Conclusion – Intangible Assets section below, we conducted our review in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” as adopted for Luxembourg by the “Institut des Réviseurs d’Entreprises”. This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed consolidated interim financial statements in accordance with International Standard on Review Engagements 2410 is a limited assurance engagement. The “Réviseur d’entreprises agréé” performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

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

Basis for Qualified Conclusion - Intangible Assets

As at 30 June 2022, the Group had a balance of 100,195USD thousand of crypto assets accounted for within the Intangible Assets line in its condensed consolidated interim statement of financial position. During the six-month period ended 31 December 2022, the Group incurred a loss on transactions with crypto assets of 2,409USD thousand disclosed within the line Reversal of Impairment Losses on assets in its condensed consolidated interim statement of profit or loss. As at 31 December 2022, the Group did not hold any crypto assets. In course of our audit of the Group's consolidated financial statements as at 30 June 2022 and for the year then ended, we have not obtained sufficient audit evidence to verify the crypto assets balance as at 30 June 2022 due to the lack of formalised controls around the authenticity of digital records and, hence, issued our audit report qualified in respect of this matter. Based on our review procedures performed with respect to the transactions with crypto assets during the six-month period ended 31 December 2022 we did not identify any changes in controls, consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Conclusion

Except for the possible effects of the matter described in the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of Matter

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

Other Matter

The accompanying condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of profit or loss and other comprehensive income for the three-months ended 31 December 2022 and 31 December 2021 and related explanatory information, were neither audited in accordance with International Standards on Auditing nor reviewed in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" and accordingly we do not express any form of assurance on it.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 2 March 2023

Electronically signed by:
Andrei Chizhov

Andrei Chizhov

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

for the three and the six months ended 31 December 2022

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

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

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

- the Condensed Consolidated Interim Financial Statements of Kernel Holding S.A. prepared and established in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted by the European Union;

- the Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

02 March 2023

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Office

Selected Financial Data

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

		USD[1]		PLN[1]		EUR[1]	
		31 December 2022	31 December 2021[2]	31 December 2022	31 December 2021[2]	31 December 2022	31 December 2021[2]
I.	Revenue	1,889,784	3,216,740	8,836,441	12,725,745	1,865,595	2,770,578
II.	Profit from operating activities	386,826	494,920	1,808,760	1,957,953	381,875	426,275
III.	Profit before income tax	386,376	433,344	1,806,656	1,714,352	381,430	373,239
IV.	Profit for the period	370,308	423,924	1,731,523	1,677,086	365,568	365,126
V.	Net cash generated by/(used in) operating activities	348,122	(472,790)	1,627,783	(1,870,405)	343,666	(407,214)
VI.	Net cash generated by/(used in) investing activities	42,636	(151,917)	199,362	(600,999)	42,090	(130,846)
VII.	Net cash (used in)/generated by financing activities	(159,104)	504,442	(743,954)	1,995,623	(157,067)	434,476
VIII.	Total net cash flow	231,654	(120,265)	1,083,191	(475,781)	228,689	(103,584)
IX.	Total assets	4,029,217	4,952,584	17,735,808	20,107,493	3,781,823	4,371,646
X.	Current liabilities	2,021,025	1,566,627	8,896,148	6,360,506	1,896,934	1,382,862
XI.	Non-current liabilities	202,590	1,156,139	891,761	4,693,924	190,151	1,020,524
XII.	Issued capital	2,219	2,219	9,768	9,009	2,083	1,959
XIII.	Total equity	1,805,602	2,229,818	7,947,899	9,053,063	1,694,738	1,968,260
XIV.	Weighted average number of shares	77,429,230	82,294,964	77,429,230	82,294,964	77,429,230	82,294,964
XV.	Profit per ordinary share (in USD/PLN/EUR)	4.75	5.15	22.23	20.37	4.69	4.44
XVI.	Diluted number of shares	77,429,230	82,294,964	77,429,230	82,294,964	77,429,230	82,294,964
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	4.75	5.15	22.23	20.37	4.69	4.44
XVIII.	Book value per share (in USD/PLN/EUR)	23.26	27.56	102.39	110.23	21.83	23.97
XIX.	Diluted book value per share (in USD/PLN/EUR)	23.26	27.56	102.39	110.23	21.83	23.97

[1] Please see Note 4 for the exchange rates used for conversion.
[2] During the six months ended 31 December 2022, the Group made certain corrections, please see Note 4 for more details.

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

Condensed Consolidated Interim Statement of Financial Position

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

	Notes	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021[1]
Assets				
Current assets				
Cash and cash equivalents	9	679,223	447,625	453,667
Trade accounts receivable	23	392,417	142,738	342,086
Prepayments to suppliers	23	149,567	107,167	143,203
Corporate income tax prepaid		3,893	12,228	1,295
Taxes recoverable and prepaid		170,696	204,686	298,412
Inventory	10	698,862	953,922	1,507,631
Biological assets	11	66,383	161,911	52,187
Other financial assets	12, 23	166,615	205,811	347,267
Assets classified as held for sale	13	228,227	287,068	—
Total current assets		**2,555,883**	**2,523,156**	**3,145,748**
Non-current assets				
Property, plant and equipment	14	1,025,630	1,018,073	1,115,259
Right-of-use assets	5	202,338	247,740	381,375
Intangible assets		35,985	124,198	60,390
Goodwill		68,993	71,620	120,839
Deferred tax assets		33,429	41,568	22,002
Non-current financial assets	15, 23	31,751	52,532	64,103
Other non-current assets		75,208	106,725	42,868
Total non-current assets		**1,473,334**	**1,662,456**	**1,806,836**
Total assets		**4,029,217**	**4,185,612**	**4,952,584**
Liabilities and equity				
Current liabilities				
Trade accounts payable	23	114,570	161,342	230,770
Advances from customers and other current liabilities	16, 23	155,225	89,200	148,235
Corporate income tax liabilities		18,488	7,411	50,733
Short-term borrowings	17	937,012	1,093,087	818,172
Current portion of long-term borrowings	17	—	—	25,539
Current portion of lease liabilities		38,145	39,111	67,400
Current bonds issued	18	595,782	595,038	—
Interest on bonds issued		7,612	7,612	7,612
Other financial liabilities	23	59,820	128,537	218,166
Liabilities associated with assets classified as held for sale	13	94,371	116,848	—
Total current liabilities		**2,021,025**	**2,238,186**	**1,566,627**
Non-current liabilities				
Long-term borrowings	17	—	—	214,057
Lease liabilities		148,591	200,441	277,487
Deferred tax liabilities		6,789	21,893	21,726
Bonds issued	18	—	—	594,648
Other non-current liabilities	2, 23	47,210	38,871	48,221
Total non-current liabilities		**202,590**	**261,205**	**1,156,139**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		2,219	2,219	2,219
Share premium reserve		500,378	500,378	500,378
Additional paid-in capital		39,944	39,944	39,944
Treasury shares	2	(96,897)	(96,897)	(50,786)
Revaluation reserve		104,303	104,303	62,174
Other reserves		—	—	(8,266)
Translation reserve		(1,066,942)	(816,490)	(712,571)
Retained earnings		2,317,847	1,949,731	2,393,838
Total equity attributable to Kernel Holding S.A. equity holders		**1,800,852**	**1,683,188**	**2,226,930**
Non-controlling interests	4	4,750	3,033	2,888
Total equity		**1,805,602**	**1,686,221**	**2,229,818**
Total liabilities and equity		**4,029,217**	**4,185,612**	**4,952,584**
Book value		1,800,852	1,683,188	2,226,930
Number of shares	2	77,429,230	77,429,230	80,804,230
Book value per share (in USD)		23.26	21.74	27.56
Diluted number of shares		77,429,230	77,429,230	80,804,230
Diluted book value per share (in USD)		23.26	21.74	27.56

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the six months ended 31 December 2022, the Group made certain corrections, please see Note 4 for more details.

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

Condensed Consolidated Interim Statement of Profit or Loss

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

	Notes	6 months ended 31 December 2022	3 months ended 31 December 2022	6 months ended 31 December 2021[1]	3 months ended 31 December 2021[1]
Revenue	19, 23	1,889,784	1,235,227	3,216,740	1,877,233
Net change in fair value of biological assets and agricultural produce	11	(1,854)	336	111,506	26,948
Cost of sales	20, 23	(1,420,523)	(941,499)	(2,652,816)	(1,558,753)
Gross profit		**467,407**	**294,064**	**675,430**	**345,428**
Other operating income	23	31,416	12,398	14,178	7,019
Other operating expenses		(19,845)	(16,947)	(20,989)	(7,588)
General, administrative and selling expenses	21, 23	(102,996)	(58,715)	(171,857)	(93,879)
Net impairment gains and (losses) on financial assets		1,793	8,301	(1,842)	(781)
Reversal of impairment losses on assets	10, 13	9,051	5,258	—	—
Profit from operating activities		**386,826**	**244,359**	**494,920**	**250,199**
Finance costs	23	(76,323)	(37,953)	(62,752)	(34,052)
Finance income	23	10,440	6,861	5,311	3,108
Foreign exchange gain/(loss), net	22	66,591	8,417	(5,312)	2,853
Other (expenses)/income, net	23	(1,158)	(1,887)	1,177	(1,537)
Profit before income tax		**386,376**	**219,797**	**433,344**	**220,571**
Income tax expenses		(16,068)	(11,083)	(9,420)	(7,475)
Profit for the period		**370,308**	**208,714**	**423,924**	**213,096**
Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		**368,116**	**206,581**	**423,790**	**213,006**
Non-controlling interests		2,192	2,133	134	90
Earnings per share					
Weighted average number of shares		77,429,230	77,429,230	82,294,964	80,804,230
Profit per ordinary share (in USD)		4.75	2.67	5.15	2.64
Diluted number of shares		77,429,230	77,429,230	82,294,964	80,804,230
Diluted profit per ordinary share (in USD)		4.75	2.67	5.15	2.64

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the six months ended 31 December 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

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

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

	Notes	6 months ended 31 December 2022	3 months ended 31 December 2022	6 months ended 31 December 2021[1]	3 months ended 31 December 2021
Profit for the period		**370,308**	**208,714**	**423,924**	**213,096**
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[2]		(250,927)	(8,434)	(9,539)	(39,358)
Loss arising on cash flow hedge		—	—	(8,673)	(4,326)
Income tax related to cash flow hedge		—	—	1,303	647
Other comprehensive loss		**(250,927)**	**(8,434)**	**(12,025)**	**(43,037)**
Total comprehensive income for the period		**119,381**	**200,280**	**411,899**	**170,059**
Total comprehensive income attributable to:					
Equity holders of Kernel Holding S.A.		117,664	198,061	411,767	170,024
Non-controlling interests		1,717	2,219	132	35

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the six months ended 31 December 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.
[2] Exchange differences originated on different presentation currency of the Group and functional currencies of the subsidiaries.

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

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 31 December 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[1]	**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[1]	—	—	—	—	—	—		—	423,790	**423,790**	134	**423,924**
Other comprehensive income /(loss)[1]	—	—	—	—	—	4,884	(7,370)	(9,537)	—	**(12,023)**	(2)	**(12,025)**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	—	**4,884**	**(7,370)**	**(9,537)**	**423,790**	**411,767**	**132**	**411,899**
Distribution of dividends	—	—	—	—	—	—	—	—	(34,069)	**(34,069)**	—	**(34,069)**
Repurchase of treasury shares (Note 2)	—	—	—	—	(50,786)	—	—	—	—	**(50,786)**	—	**(50,786)**
Modification of share-based payments	—	—	—	(1,850)	—	—	—	—	(44,282)	**(46,132)**	—	**(46,132)**
Balance as of 31 December 2021[1]	**2,219**	**500,378**	**39,944**	—	**(50,786)**	**62,174**	**(8,266)**	**(712,571)**	**2,393,838**	**2,226,930**	**2,888**	**2,229,818**
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	—	—	—	—	—	—	—	—	368,116	**368,116**	2,192	**370,308**
Other comprehensive loss	—	—	—	—	—	—	—	(250,452)	—	**(250,452)**	(475)	**(250,927)**
Total comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(250,452)**	**368,116**	**117,664**	1,717	**119,381**
Balance as of 31 December 2022	**2,219**	**500,378**	**39,944**	**—**	**(96,897)**	**104,303**	**—**	**(1,066,942)**	**2,317,847**	**1,800,852**	**4,750**	**1,805,602**

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the six months ended 31 December 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Condensed Consolidated Interim Statement of Cash Flows

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

	Notes	6 months ended 31 December 2022	6 months ended 31 December 2021[1]
Operating activities:			
Profit before income tax		**386,376**	**433,344**
Adjustments for:			
Amortization and depreciation		58,696	75,419
Finance costs, net		65,883	57,441
Change in loss allowance for expected credit losses on trade and other receivables		(1,793)	1,842
Other accruals		5,413	2,837
Loss/(gain) on disposal of property, plant and equipment		430	(1,195)
Net foreign exchange (gain)/loss	22	(65,101)	7,356
Reversal of impairment losses on assets	10	(9,051)	(2,337)
Net change in fair value of biological assets and agricultural produce	11	1,854	(111,506)
Net gain/(loss) arising on financial instruments		27,962	(87,516)
Write-downs of inventories to net realisable value	10	8,771	2,726
Operating profit before working capital changes		**479,440**	**378,411**
Changes in working capital:			
Change in trade receivable and other financial assets		(247,974)	(9,370)
Change in prepayments and other current assets		(36,339)	(16,141)
Change in restricted cash balance		58	38
Change in taxes recoverable and prepaid		(16,001)	(115,994)
Change in biological assets		74,875	491,629
Change in inventories		181,849	(1,250,600)
Change in trade accounts payable		(42,169)	73,663
Change in advances from customers and other current liabilities		20,860	47,601
Cash generated from/(used in) operations		**414,599**	**(400,763)**
Interest paid		(66,769)	(69,518)
Interest received		7,701	6,922
Income tax paid		(7,409)	(9,431)
Net cash generated by/(used in) operating activities		**348,122**	**(472,790)**
Investing activities:			
Purchase of property, plant and equipment		(56,058)	(89,457)
Proceeds from disposal of property, plant and equipment		264	2,425
Payment for lease agreements		(1,034)	(1,367)
Purchase of intangible and other non-current assets		(9,398)	(3,770)
Proceeds from disposal of intangible and other non-current assets		111,311	—
Acquisition of subsidiaries, net of cash acquired	8	(6,414)	—
Amount advanced for subsidiary		—	900
Amount advanced to related parties		—	(18,442)
Proceeds from financial assets		3,965	7,934
Payment to acquire financial assets		—	(50,140)
Net cash generated by/(used in) investing activities		**42,636**	**(151,917)**
Financing activities:			
Proceeds from borrowings		54,906	847,874
Repayment of borrowings		(179,137)	(50,641)
Financing for farmers		196	(9,615)
Repayment of lease liabilities		(32,931)	(16,221)
Purchase of treasury shares	2	—	(50,786)
Repayment of corporate bonds		—	(213,110)
Premium for early repayment of bonds		—	(1,888)
Net cash (used in)/generated by financing activities		**(156,966)**	**505,613**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2,138)	(1,171)
Net decrease in cash and cash equivalents		231,654	(120,265)
Cash and cash equivalents, at the beginning of the year	9	447,566	573,850
Cash and cash equivalents, at the end of the year	9	679,220	453,585

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the six months ended 31 December 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

for the six months ended 31 December 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 31 December, 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**	**31 December 2022**	**30 June 2022**	**31 December 2021**
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0%[1]	100.0%[2]	60.0%[3]
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotne OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services	Cyprus	100.0%	100.0%	100.0%
Transbulkterminal LLC		Ukraine	100.0%	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%	100.0%
Oilexportterminal LLC		Ukraine	100.0%	—	—
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.1%	94.1%	94.1%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 2 March 2023.

[1] 40% were repurchased by the Company on 9 March 2022.
[2] 40% were repurchased by the Company on 9 March 2022.
[3] 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 six months ended 31 December 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 31 December 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 31 December 2022		As of 30 June 2022		As of 31 December 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%	33,003,278	39.28%
Free float	45,455,219	54.09%	45,455,219	54.09%	47,800,952	56.88%
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 31 December 2022 and 2021, and 30 June 2022, 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 50,786 thousand and USD 46,111 thousand, respectively, 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 the Group's liability amounted to 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 31 December 2022, the fair value of the Group's liabilities under this management incentive plan equalled to USD 44,495 thousand (31 December 2021: USD 44,830 thousand).

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 221 thousand as of 31 December 2022 and 2021, and 30 June 2022, 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 December 2022, annual inflation in Ukraine had reached 26.6%. 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 research of the result of 2022 year only 73.5% of enterprises have completely or almost completely resumed their business activities before the war remained level. This indicator is lower than in November 2022, when 31.7% of enterprises remained completely or almost completely inactive.

The NBU increased the key policy rate to 25% in June 2022 and has decided to keep this rate unchanged in 2023.

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 and further 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. 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 provision of transhipment services due to the armed conflict in the territory of Ukraine, including seas' areas that fully froze exports made via Ukrainian seaports. According to the deal brokered on 22 July by the United Nations and Turkey on the Safe Transportation of Grain and Foodstuffs from Ukrainian ports (ISTGFUP), also referred to as "Grain Deal", three Ukrainian Black Sea ports (Odesa, Chornomorsk and Pivdennyi) were unblocked at the beginning of August 2022. The Grain Deal freed up some storage spaces for agricultural companies to store their 2021/2022 harvest. Although these three ports resumed their operations, the flow of vessels to / from Ukrainian deep-water Black Sea ports did not reach even close to the pre-war levels due to the slow inspections of vessels leading to queues in the "grain corridor", and short-term nature of the "Grain Deal" requiring its prolongation every 3-4 months and, hence, making buyers reluctant to enter into new export contracts.

Among other positive economic factors, there was an improvement in the dynamics of railway transportation.

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 alternative 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.

The ultimate outcome of the war and its consequences are extremely difficult to predict but it is obvious that they have a severe effect on the Ukrainian economy and the Group's business.

4. Basis of preparation

Basis of Preparation and Accounting

The condensed consolidated interim financial statements of the Group for the six months ended 31 December 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 for the estimation of income tax which is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year and 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 1,373 employees joined Ukrainian military forces and territorial defence, 548 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 Group historically were 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.
- Two out of nine oil extraction plants (that the Group operated previously) are at high-risk zone in the Kharkiv region and thus, they are not fully accessible; the Group also ceased tolling operations at another crushing plant in the same area. Kernel temporarily decreased crushing operations at its other two oilseed processing plants in November 2022 - January 2023 due to the electricity outages, caused by the Russian missile strikes targeting Ukrainian electricity generation and distribution system. Remaining four crushing plants were functioning relatively stable being equipped with the cogeneration heat and power units. Some other of the Group's assets, including elevators did not operate at their full

capacities due to the disruption of critical infrastructure and respective electricity outages.
- The "Grain Deal" was prolonged in November 2022 securing its continuation till March 2023, though transhipment is significantly delayed due to the long queues of vessels caused by the unjustifiable slow inspections of vessels creating queues in the "grain corridor" and there are the uncertainties caused by the termination of the "Grain Deal" in March 2023.
- Group's liquidity position is under pressure due to the reduction of revenue and growth of logistic cost for alternative ways of export.
- New bank facilities appeared to be limited.
- As of the date of these condensed consolidated interim financial statement issue, the Group obtained waivers to extend the terms of repayment of the principal of USD 824,5 thousand with the lenders and waive debt covenants and some other conditions by 30 June 2023. Though these waivers prescribe new conditions for the Group to comply with regulations.
- Since 30 June 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 as of 31 December 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 of 31 December 2023 (Note 17). 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 classifies its long-term bonds as short-term (Note 18).
- The Group divested from holding cryptocurrencies, including stablecoins held at crypto exchange as of 31 December 2022.

Management has reorganized the business process in response to above mentioned events:
- The Group's key priority is the safety and security of its employees and their families. The Group coordinates, to the extent possible, the evacuation of its employees from regions subject to the active military strikes and coveres associated relocation costs and provides 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 for 494 thousand hectares (including assets held for sale) and the Group plants 95% of its land bank in the course of 2023 sowing campaign. As of the date of these condensed consolidated interim financial statements issue, the Group finished harvesting its crops and sunflower seeds, while the remaining part of corn has been harvested up to February 2023.
- The Group acquired a vegetable oil terminal in Odessa region in December (Note 8) as oil transshipment through Mykolaiv terminals is not possible. Management have also signed up long-term agreements for transhipment services for grains through the Danube river, increasing its transshipment capacity. While Black Sea still is the main route for transshipment of its products, management continue working on new logistics routes for grain and oil exports through Poland, Romania, Lithuania by truck and railway, including usage of own railway wagons (accessible quantity is about 2.8 thousand) and entering into service agreements with third parties.
- 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 coupons to the bondholders, interests to its lenders and principal according to the renegotiated terms with the banks.

Although the Group has taken actions to stabilise and improve its financial performance since the war start, military actions occurred after 24 February 2022 created a material uncertainty for the Group in the future, including the risk of damage of its 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 due to the power and heating shortages. 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 condensed consolidated interim 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 and grain transshipment terminals, for which USD was determined as the functional currency.

Foreign Currencies

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

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

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

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

Currency	Closing rate as of 31 December 2022	Average rate for the 6 months ended 31 December 2022	Average rate for the 3 months ended 31 December 2022	Closing rate as of 30 June 2022	Closing rate as of 31 December 2021	Average rate for the 6 months ended 31 December 2021	Average rate for the 3 months ended 31 December 2021
USD/UAH	36.5686	35.7736	36.5686	29.2549	27.2782	26.7958	26.6806
USD/EUR	0.9386	0.9872	0.9824	0.9577	0.8827	0.8612	0.8743
USD/PLN	4.4018	4.6759	4.6461	4.4825	4.0600	3.9561	4.0395

As disclosed in Note 3, rates established by NBU ('National Bank of Ukraine') 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.

Corrections and reclassifications

The Group corrected the accounting of profit-sharing arrangements which directors, being also non-controlling shareholders of the Group's subsidiary Avere Commodities SA, were entitled to. Previously, as of 31 December 2021 the Group recognized non-controlling interest in the amount of USD 146,294 thousand as part of Total equity on the face of condensed consolidated interim statement of financial position and presented the share of total comprehensive income for the period ended 31 December 2021 attributable to non-controlling interest of USD 45,851 thousand. However, based on the arrangements set by shareholders agreement for Avere Commodities SA, the Group should have presented the amount of USD 89,234 thousand as Other financial liabilities and the amount of USD 50,762 thousand, being in substance a short-term employee benefit expense, as part of General, administrative and selling expenses. Therefore, in these condensed consolidated interim financial statements the Group corrected the amounts of non-controlling interest in the amount of USD 143,406 thousand and provided reassessment of the corresponding liability for the six months ended 31 December 2021, recognizing USD 50,762 thousand in the condensed consolidated interim statement of profit and loss as General and administrative expenses, USD 89,234 thousand in the condensed consolidated interim statement of financial position as Other financial liabilities.

In addition, the Group corrected recognition of the management incentive program which involved the issue of compound financial instruments. In the condensed consolidated interim financial statements for the six months ended 31 December 2021 the Group recognized in General and administrative expenses USD 23,535 thousand and respective liability for the same amount in line Other non-current liabilities of the condensed consolidated interim statement of financial position. While it should recognise USD 44,282 thousand as a decrease in Retained earnings in the condensed consolidated interim statement of changes in equity with corresponding liability recorded for the amount of USD 44,830 thousand in the line Other non-current liabilities of the condensed consolidated interim statement of financial position and increase in General, administrative and selling expenses in the amount of USD 547 thousand of the condensed consolidated interim statement of profit or loss.

Certain corrections have been made to the comparative financial information in the condensed consolidated interim financial statements as of 31 December 2022 and for the period then ended to conform to the current year's presentation.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing condensed consolidated interim financial statements management applies judgments, assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant changes in the accounting judgements, estimates and assumptions applied in preparing these condensed consolidated interim financial statements compared to consolidated financial statements for the year ended 30 June 2022, apart from those described below.

Impairment Testing of Property, Plant and Equipment and Goodwill

The Group performs impairment testing of non-financial assets whenever there are indicators those assets might be impaired. As of 31 December 2022 there were no additional impairment triggering events to those disclosed in the consolidated financial statements for the year ended 30 June 2022, apart from electricity outages since late October 2022 (Note 4). Hence the Group tested property, plant and equipment and goodwill in the oil processing segment for recoverability by comparing the net carrying values and their recoverable amounts (higher of their value in use or fair value less cost to sell) as of 31 December 2022.

Management used probability-based discounted cash flow scenarios to capture the increased risk and uncertainties relating to the availability of electricity, and, hence, production volumes, in the cash flows. In the basic scenario with an assigned probability of 66.67% the Group assumes operations at the pre-war capacity levels in 2025, while in optimistic (16.67%) – starting from 2024 and pessimistic (16.67%) – from 2026. With respect to the assumption of operations of Black Sea ports at their full capacities, it is assumed that the current structure of transportation costs remains for a long period.

Other key assumptions used in the value in use calculations in the oil processing segment did not change significantly or stayed within the range from those reported in the consolidated financial statements as of 30 June 2022.

The results of the impairment test didn’t show additional impairment to the one already recognised in the consolidated financial statements as of 30 June 2022.

Key assumptions used in value in use assessment of property, plant and equipment and goodwill in other segments did not significantly change since the impairment test performed as of 30 June 2022, and the electricity outages didn’t have significant impact on them either.

Impairment of Right of Use Assets

Majority of the Group’s right of use assets relate to leasehold land for agricultural purposes, being part of the Farming segment. In July - December 2022 the Group revised its lease rate payable to the land owners, hence the Group performed a test for impairment of right of use assets by CGU as at 31 December 2022.

The Group estimated fair value less cost to sell of the right of use assets. Management used the following key assumptions for impairment test of right of use assets:

- the residual term of the lease contract of 8-12 years;
- discount rate being incremental borrowing rate of 23.14-30.19% depending on the remaining term of the lease contract; and
- lease rate in the amount of USD 79-163 for 1 ha of the leased land annually depending on location and other qualitative characteristics of the assets under lease.

Impairment testing within the Farming segment for the six months ended 31 December 2022 has not identified right of use assets being impaired. The impairment model was not identified as being sensitive to reasonably possible changes in key assumptions.

6. 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 condensed consolidated interim 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 the 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 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 the current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. 100% of the Group’s export terminals capacity and majority of grain storage capacity are used for the Group’s own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the 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 the 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.

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

Presentation of the operating segments' activities is as follows:

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

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

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.

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.

7. Key Data by Operating Segment

Key data by operating segment for the six months ended 31 December 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	454,758	1,415,404	19,622	—	—	1,889,784
Intersegment sales	495,221	137,069	466,153	—	(1,098,443)	—
Total revenue	**949,979**	**1,552,473**	**485,775**	—	**(1,098,443)**	**1,889,784**
Net change in fair value of biological assets and agricultural produce	—	—	(1,854)	—	—	(1,854)
Cost of sales	(892,556)	(1,405,579)	(220,235)	(596)	1,098,443	(1,420,523)
Other operating income	12,495	5,496	5,379	8,046	—	31,416
Other operating expenses	(1,643)	3,816	(28)	(21,990)	—	(19,845)
General, administrative and selling expenses	(4,388)	(28,659)	(8,303)	(61,646)	—	(102,996)
Net impairment losses on financial assets	20,119	(19,354)	(996)	2,024	—	1,793
Loss on impairment of assets	11,659	2,356	(4,964)	—	—	9,051
Profit/(Loss) from operating activities	**95,665**	**110,549**	**254,774**	**(74,162)**	**—**	**386,826**
Amortization and depreciation	15,040	11,784	30,285	1,587	—	58,696
EBITDA	**110,705**	**122,333**	**285,059**	**(72,575)**	**—**	**445,522**
Reconciliation:						
Finance costs						(76,323)
Finance income						10,440
Foreign exchange gain, net						66,591
Other expenses, net						(1,158)
Income tax expenses						(16,068)
Profit for the period						**370,308**
Total assets	1,548,106	1,492,493	829,060	159,558	—	4,029,217
Capital expenditures	26,355	42,193	2,318	838	—	71,704
Liabilities	74,913	174,177	333,247	1,641,278	—	2,223,615

[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 six months ended 31 December 2022 (in thousands of US dollars, unless otherwise stated)

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

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	517,946	2,679,849	18,945	—	—	3,216,740
Intersegment sales	514,099	143,670	403,940	—	(1,061,709)	—
Total revenue	**1,032,045**	**2,823,519**	**422,885**		**(1,061,709)**	**3,216,740**
Net change in fair value of biological assets and agricultural produce	—	—	111,506	—	—	111,506
Cost of sales	(977,995)	(2,529,165)	(210,055)	2,690	1,061,709	(2,652,816)
Other operating income	7,075	5,480	5,259	(3,636)	—	14,178
Other operating expenses	(9)	(107)	(11,784)	(9,089)	—	(20,989)
General, administrative and selling expenses	(5,423)	(103,161)	(14,596)	(48,677)	—	(171,857)
Net impairment losses on financial assets	(246)	(1,911)	(692)	1,007		(1,842)
Profit/(Loss) from operating activities	**55,447**	**194,655**	**302,523**	**(57,705)**	**—**	**494,920**
Amortization and depreciation	15,460	12,222	46,209	1,528	—	75,419
EBITDA	**70,907**	**206,877**	**348,732**	**(56,177)**	—	**570,339**
Reconciliation:						
Finance costs						(62,752)
Finance income						5,311
Foreign exchange loss, net						(5,312)
Other exchange, net						1,177
Income tax expenses						(9,420)
Profit for the period						**423,924**
Total assets	1,802,273	1,795,334	1,107,791	247,186	—	4,952,584
Capital expenditures	47,320	14,542	74,908	2,880	—	139,650
Liabilities	122,093	306,585	397,725	1,896,363	—	2,722,766

Revenue from sales of goods and services allocated by operating segment for the six months ended 31 December under requirements of IFRS 15 was as follows:

	For the 6 months ended 31 December 2022				For the 6 months ended 31 December 2021			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	327,441	1,323,378	19,622	1,670,441	488,291	2,544,917	18,945	3,052,153
Freight and other services	127,317	92,026	—	219,343	29,655	134,932	—	164,587
Total external revenue from contracts with customers	**454,758**	**1,415,404**	**19,622**	**1,889,784**	**517,946**	**2,679,849**	**18,945**	**3,216,740**

Assets held for sale are presented in the Farming segment.

During the six months ended 31 December 2022, export sales amounted to 90.9% of total external sales (the six months ended 31 December 2021: 95.8%).

During the six months ended 31 December 2022, revenue from the Group's top five customers accounted for approximately 22% of total revenue (for the six months ended 31 December 2021, revenue from the top five customers accounted for 32.4% 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 six months ended 31 December 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	
	6 months ended 31 December 2022	6 months ended 31 December 2021
Asia	951,796	1,625,704
of which India	294,270	559,319
China	166,462	266,513
Singapore	143,149	604,783
Hong Kong	126,442	—
Turkey	90,592	59,316
Europe	820,023	1,372,162
of which Ukraine	176,409	136,642
Switzerland	177,508	549,838
Netherland	137,070	236,203
Other locations	117,965	218,874
Total	**1,889,784**	**3,216,740**

	Non-current assets		
	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Ukraine	1,375,129	1,463,772	1,717,430
Switzerland	15,311	2,624	2,676
USA	678	1,215	245
Other locations	17,036	100,745	380
Total	**1,408,154**	**1,568,356**	**1,720,731**

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.

8. Acquisition and Disposal of Subsidiaries

On 27 December 2022 the Group acquired 100% of the issued share capital of Oilexportterminal LLC and Transshipservice LLC (considered as business acquisition), a vegetable oil terminal. The acquisition has increased the Group's export capacity of sunflower oil. The assets of acquired companies consist of property, plant and equipment in the amount of USD 7,874 thousand and intangible assets in the amount of USD 11,456 thousand. The net assets of the companies were in the amount of USD 19,807 thousand.

The total consideration equalled to USD 19,819 thousand, out of which USD 7,750 thousand is a non-cash consideration. During the six months ended 31 December 2022, the Group settled part of cash-consideration in the amount of USD 6,414 thousand and the amount of non-cash consideration equivalent to USD 7,750 thousand.

Fair value of intangible assets and property, plant and equipment were determined by independent appraisers.

During the six months ended 31 December 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.

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

9. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Cash in banks in USD	612,334	404,279	406,746
Cash in banks in UAH	39,634	3,403	2,043
Cash in banks in other currencies	27,251	39,938	44,869
Cash on hand	4	5	9
Total	**679,223**	**447,625**	**453,667**
Less restricted and blocked cash on security bank accounts	—	(58)	(52)
Less bank overdrafts (Note 17)	(3)	(1)	(30)
Cash for the purposes of cash flow statement	**679,220**	**447,566**	**453,585**

As of 31 December 2022, cash deposit in amount of USD 7,277 thousand (30 June 2022: USD 8,000 thousand; 31 December 2021: nil) have been pledged as security for short-term borrowings (Note 17).

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10. Inventory

The balances of inventories were as follows:

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Raw materials	243,014	346,961	528,802
Products of agriculture	183,616	121,863	313,105
Goods for resale	153,200	292,479	383,956
Finished products	78,111	154,954	211,593
Work in progress	20,364	5,252	55,576
Fuel	11,292	20,292	3,174
Packaging materials	2,424	2,474	2,142
Other inventories	6,841	9,647	9,283
Total	**698,862**	**953,922**	**1,507,631**

As of 31 December 2022, write-downs of inventories to the net realizable value amounted to USD 8,771 thousand (31 December 2021: USD 2,726 thousand), which was recognised as an expense as part of cost of sales for 6 months then ended.

As of 31 December 2022, inventories with a carrying amount of USD 376,969 thousand (30 June 2022: USD 566,902 thousand; 31 December 2021: USD 645,148 thousand) have been pledged as security for short-term borrowings (Note 17), out of which USD nil thousand are included into Assets classified as held for sale (30 June 2022: USD 5,678 thousand; 31 December 2021: nil).

As of 31 December 2022, the previously recognized inventory impairment provision was reversed in the amount of USD 19,543 thousand since the Group become capable to transfer those inventories from territories, which were occupied before previous reporting dates, and so, as at the reporting date, Group was able to use those inventory in its operating activities.

11. Biological Assets

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

	As of 31 December 2022		As of 30 June 2022		As of 31 December 2021	
	Hectares	Value	Hectares	Value	Hectares	Value
Corn	43,287	55,812	148,795	75,795	—	—
Sunflower	—	—	130,680	61,732	—	—
Wheat	60,700	8,394	35,633	16,386	70,908	35,596
Rapeseed	10,936	487	4,727	3,611	16,393	14,598
Soybean	—	—	6,331	2,118	—	—
Other	1,102	189	1,155	516	889	176
Total	**116,025**	**64,882**	**327,321**	**160,158**	**88,190**	**50,370**

As of 31 December 2022, fair value of crop bearing fields in current biological assets of USD 64,882 thousand. Since the 2022 harvesting campaign was not finished as at the reporting date, the balance included corn of 2022 harvest on 43,287 hectares valued for USD 55,812 thousand and winter crops on 72,738 hectares valued for USD 9,070 thousand. For the six months ended 31 December 2022, the Group recognised USD 19,985 thousand gain due to revaluation of crops in fields to its fair value (for the six months ended 31 December 2021: gain of USD 35,941 thousand).

In addition to the above, biological assets also included current cattle of calves for USD 1,501 thousand (30 June 2022: USD 1,753 thousand; 31 December 2021: USD 1,817 thousand) and milk herd in the amount of USD 5,374 thousand (30 June 2022: USD 5,937 thousand; 31 December 2021: USD 7,445 thousand). The net loss arising from changes in the fair value of livestock for the six months ended 31 December 2022 amounted to USD 438 thousand (for the six months ended 31 December 2021: loss of USD 623 thousand).

Besides the abovementioned, the net loss arising from net change in the fair value of biological assets of USD 1,854 thousand for the six months ended 31 December 2022 (for the six months ended 31 December 2021: gain of USD 111,506 thousand) also resulted from a loss on revaluation of agricultural products at the point of harvest during six months ended 31 December 2022 and reverse of revaluation of realized 2021-2022 harvests during the indicated period in the amount of USD 21,401 thousand (for the six months ended 31 December 2021: gain of USD 76,188 thousand).

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12. Other Financial Assets

The balances of other financial assets were as follows:

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Margin account with brokers	87,058	77,136	154,382
Loans granted	37,297	43,760	26,690
Corporate and government bonds	15,239	33,205	60,353
Derivative financial instruments (Note 25)	10,303	48,879	97,870
Other financial assets	16,718	2,831	7,972
Total	**166,615**	**205,811**	**347,267**

As of 31 December 2022, 554,400 Ukrainian government bonds in amount of USD 15,239 thousand (30 June 2022: USD 6,077 thousand; 31 December 2021: nil) were pledged as security for short-term borrowings (Note 17).

13. 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 and 31 December 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 31 December 2022, the buyer, directly controlled by Mr. Andrii Verevskyi, made a prepayment in the amount of USD 20,000 thousand (Note 16).

The associated assets and liabilities were consequently presented as held for sale as of 31 December 2022.

As of 31 December 2022, the carrying amounts of assets and liabilities held for sale at consolidated basis were:

	As of 31 December 2022
Cash and cash equivalents	24
Trade accounts receivable	36
Prepayments to suppliers	4,368
Taxes recoverable and prepaid	10,976
Inventory	128,261
Biological assets	11,674
Other financial assets	571
Property, plant and equipment	24,275
Right-of-use assets	43,390
Intangible assets	1,267
Non-current financial assets	1,172
Other non-current assets	2,213
Total assets	**228,227**
Trade accounts payable	2,355
Advances from customers and other current liabilities	7,177
Current portion of lease liabilities	17,851
Other financial liabilities	802
Lease liabilities	66,173
Other non-current liabilities	13
Total liabilities	**94,371**
Net assets (at consolidated basis)	**133,856**

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 and subsequently has recognized an impairment in the amount USD 8,080 thousand as of 31 December 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 31 December 2022, the fair value of biological assets was in the amount of USD 11,674 thousands of 64,572 hectares under spring crops of 2022 year not yet harvested and winter crops sown during the six months ended 31 December 2022 (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 annual consolidated financial statements for the financial year 2022.

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14. Property, Plant and Equipment

During the six months ended 31 December 2022, the Group acquired property, plant and equipment in the amount of USD 70,056 thousand (31 December 2021: USD 85,249 thousand). These purchases were mainly for infrastructure and trade, such as vessels, railway carriages and containers (31 December 2021: construction of an oil-crushing plant).

The decrease in property, plant and equipment in the amount of USD 34,479 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2022 (31 December 2021: decrease USD 808 thousand).

During the six months ended 31 December 2022, depreciation of property, plant and equipment amounted to USD 34,316 thousand (31 December 2021: USD 41,448 thousand).

As of 31 December 2022, the result of impairment testing performed for the oil processing segment did not reveal additional impairment to be recognised in respect of property, plant and equipment and goodwill.

15. Non-current Financial Assets

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

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Loans provided to related parties (Note 23)	9,491	26,564	38,673
Loans to farmers	7,858	10,060	10,229
Investments in financial assets	7,513	7,513	7,513
Other non-current assets	6,889	8,395	7,688
Total	**31,751**	**52,532**	**64,103**

16. Advances from Customers and Other Current Liabilities

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

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Accrued payroll, payroll related taxes and bonuses	78,996	44,236	65,984
Contract liabilities	43,304	11,962	25,280
Advances for assets classified as held for sale (Note 13)	20,000	20,000	—
Provision for unused vacations and other provisions	6,028	6,106	6,981
Taxes payable and provision for tax liabilities	3,892	3,499	39,822
Other current liabilities	3,005	3,397	10,168
Total	**155,225**	**89,200**	**148,235**

17. Borrowings

The balances of borrowings were as follows:

	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
Current liabilities			
Bank credit lines	710,298	854,828	815,599
Short-term borrowings	221,811	234,429	—
Interest accrued on short-term borrowings	4,900	3,829	1,393
Bank overdrafts (Note 9)	3	1	30
Current portion of long-term borrowings	—	—	25,539
Interest accrued on long-term borrowings	—	—	1,150
Total	**937,012**	**1,093,087**	**843,711**
Non-current liabilities			
Long-term borrowings	—	—	214,057
Total	**—**	**—**	**214,057**

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

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

	Interest rate in range	Currency	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
European bank	from 2.50% to 4.00% plus LIBOR	USD	270,848	320,370	495,293
European bank	from 1.50% to 2.3% plus LIBOR	USD	7,251	36,500	89,313
European bank	from 2.90% to 4.00% plus SOFR	USD	130,032	157,042	—
European bank	from 2.50% to 4.00% plus COF	USD	27,000	12,000	—
Ukrainian subsidiary of European bank	from 5.70% to 10.00%	USD	153,770	45,000	—
Ukrainian subsidiary of European bank	from 7.00% to 21.00%	UAH	28,570	95,978	102,793
Ukrainian subsidiary of European bank	from 1.90% to 5.50%	USD	6,209	130,268	128,230
Ukrainian subsidiary of European bank	from 21.00% to 23.00%	UAH	4,559	13,918	—
Ukrainian bank	from 17.00% to 23.73%	UAH	18,953	43,753	—
Ukrainian bank	6.00% plus UIRD	UAH	43,967	—	—
Ukrainian bank	7.00%	USD	19,142	—	—
Total			**710,301**	**854,829**	**815,629**

As of 31 December 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, i.e. as of 31 December 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 of 31 December 2022 and as of 30 June 2022. Signed in 2022 waivers contain certain restrictive requirements that limit the ability of the Group and, where applicable, its restricted subsidiaries to incur CAPEX expenditures over the agreed limits, acquire or invest into non-core assets, except for certain curve-outs incur new indebtedness and provide loans, make certain disposals and transfers of assets and other restrictions.

The balance of the borrowings with initial contractual maturity more than 12 month as of 31 December 2022 are disclosed in the table below by tranches:

	Initial contractual maturity year	Interest rate in range	Currency	As of 31 December 2022	As of 30 June 2022	As of 31 December 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	98,456
European bank	2027	from 1.00% to 4.50% plus LIBOR	USD	42,560	47,040	49,280
Total				**221,811**	**234,429**	**239,596**

As of 31 December 2022, the undrawn amount of bank borrowings amounted to USD 12,365 thousand including available facility amounts upon bank credit lines (30 June 2022: USD 10,938 thousand; 31 December 2021: USD 479,416 thousand).

Libor-based borrowings are exposed to 3M USD Libor, which will 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 31 December 2022	As of 30 June 2022	As of 31 December 2021
Property, plant and equipment	399,193	393,782	311,684
Inventory (Note 10)	376,969	566,902	645,148
Future sales receipts	148,836	—	542,659
Other financial assets (Note 12)	15,239	6,077	—
Cash and cash equivalents (Note 9)	7,277	8,000	—
Total	**947,514**	**974,761**	**1,499,491**

18. Bonds issued

The balances of bonds issued were as follows:

	Initial contractual maturity	As of 31 December 2022	As of 30 June 2022	As of 31 December 2021
US 300,000 thousand 6.75% coupon bonds	October 2027	297,568	297,314	297,234
US 300,000 thousand 6.50% coupon bonds	October 2024	298,214	297,724	297,414
Total		**595,782**	**595,038**	**594,648**

As of 31 December 2022, the bonds are rated CC by S&P, one notch below the Ukrainian sovereign. Also, the bonds keep CC rating assigned by Fitch.

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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 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 of 31 December 2022, although effective bank waivers relating to its loans were in place, such waivers had an expiry date within 12 months of 31 December 2022, and, accordingly, the Group did not have an unconditional right to defer settlement of its bank loans for 12 months or longer (Note 17). 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 31 December 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.

19. Revenue

The Group's revenue was as follows:

	6 months ended 31 December 2022	6 months ended 31 December 2021
Revenue from edible oils sold in bulk, meal and cake	997,152	1,432,139
Revenue from agriculture commodities merchandizing	786,844	1,636,207
Revenue from bottled sunflower oil	80,390	110,456
Revenue from farming	15,346	18,945
Revenue from transshipment services	7,775	12,232
Revenue from grain silo services	2,277	6,761
Total	**1,889,784**	**3,216,740**

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 7.

The transaction price allocated to unsatisfied performance obligations as of 31 December 2022 is USD 19,277 thousand (31 December 2021: USD 8,106 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in January 2023, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 31 December 2022.

20. Cost of Sales

Cost of sales was as follows:

	6 months ended 31 December 2022	6 months ended 31 December 2021
Cost of goods for resale and raw materials used	971,901	2,339,529
Shipping and handling costs	347,155	187,775
Amortization and depreciation	56,695	71,775
Payroll and payroll related costs	36,109	41,658
Rental payments	570	1,006
Other operating costs	8,093	11,073
Total	**1,420,523**	**2,652,816**

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For the six months ended 31 December 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 in the amount of USD 35,241 thousand (31 December 2021: USD 181,301 thousand decrease).

21. General, administrative and selling expenses

General, administrative and selling expenses were as follows:

	6 months ended 31 December 2022	6 months ended 31 December 2021
Payroll and payroll related costs G&A (Note 4)	84,721	145,957
Audit, legal and other professional fees	6,108	6,170
Repairs and material costs	3,917	4,336
Amortization and depreciation	2,400	3,529
Taxes other than income tax	1,364	2,728
Rental payments	890	799
Communication expenses	582	953
Bank services	508	1,866
Business trip expenses	351	1,203
Insurance	349	429
Other expenses G&A	1,806	3,887
Total	**102,996**	**171,857**

22. Foreign Exchange Gain/(Loss), net

For the six months ended 31 December 2022, foreign exchange gain, net amounted to USD 66,591 thousand (for the six months ended 31 December 2021: foreign exchange loss, net amounted to 5,312 thousand). The result is mostly connected with devaluation of Ukrainian hryvnia and fluctuation of exchange rates, which influenced on translation 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).

23. 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 31 December 2022	Related party balances as of 30 June 2022	Related party balances as of 31 December 2021
Entities under Beneficial Owner control	Trade accounts receivable	6,014	1,763	1,715
	Prepayments to suppliers	11,261	—	15,774
	Other financial assets	12,435	8,849	7,130
	Non-current financial assets	—	19,552	20,474
	Trade accounts payable	6,208	768	23,363
	Advances from customers and other current liabilities	20,000	20,000	—
Key management	Other financial assets	1,931	93	—
	Non-current financial assets	230	2,099	2,240
	Advances from customers and other current liabilities	19,390	5,545	23,217
	Other financial liabilities	—	964	—
	Other non-current liabilities	46,400	37,970	47,127
Entities under Key Management control	Prepayments to suppliers	—	—	73
	Other financial assets	18,585	18,304	13,523
	Non-current financial assets	338	1,325	5,678
	Trade accounts payable	157	157	138
	Other financial liabilities	92	—	187
Other related parties	Trade accounts receivable	261	44,333	469
	Prepayments to suppliers	9,124	6,590	868
	Other financial assets	4,314	4,433	4,209
	Non-current financial assets	8,923	11,324	10,280
	Trade accounts payable	1,034	13,468	1,237
	Advances from customers and other current liabilities	35	308	331
	Other financial liabilities	—	15,015	—

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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 31 December 2022 amounted to USD 44,495 thousand and were recognized in Other non-current liabilities (Note 2).

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

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

Transactions with related parties were as follows:

Related party	**Statement of Profit and Loss line**	**Related party turnovers for the 6 months ended 31 December 2022**	**Related party turnovers for the 6 months ended 31 December 2021**
Entities under Beneficial Owner control	Revenue	6,214	1,651
	Cost of sales	(11,782)	(7,662)
	Finance income	353	583
Key management	General, administrative and selling expenses	(26,304)	(19,865)
Entities under Key Management control	Finance income	109	464
Other related parties	Revenue	20,991	—
	Cost of sales	(1,057)	—
	Other operating income	3,963	—
	General, administrative and selling expenses	(317)	(331)
	Finance cost	(230)	—
	Finance income	867	1,106
	Other expenses, net	25	675

Change of fair value of liability for management incentive plan provided to key management as of 31 December 2022 resulted in loss recognized in General, administrative and selling expenses in the amount of USD 8,430 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 17,985 thousand (for the six months ended 31 December 2021: USD 19,082 thousand). Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

24. Commitments and Contingencies

Capital Commitments

As of 31 December 2022, the Group had commitments under contracts with a group of suppliers for a total amount of USD 23,872 thousand, mostly for construction of the oil-crushing plant (30 June 2022 and 31 December 2021: USD 32,595 thousand and USD 59,248 thousand, mostly for construction of the oil-crushing plant).

Contractual Commitments on Sales

As of 31 December 2022, the Group had entered into commercial contracts for the export of 1,046,010 tons of grain, 106,993 tons of sunflower oil and 90,779 tons of sunflower meal and other related products, corresponding to an amount of USD 307,324 thousand, USD 157,924 thousand and USD 35,979 thousand, respectively, in contract prices as of the reporting date.

As of 30 June 2022, the Group had entered into commercial contracts for the export of 838,000 tons of grain, 50,572 tons of sunflower oil and 75,676 tons of sunflower meal and other related products, corresponding to an amount of USD 244,633 thousand, USD 73,032 thousand and USD 32,733 thousand, respectively, in contract prices as of the reporting date.

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

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 well Khmelnytskkhliboprodukt LLC., equally active in agricultural business in Ukraine. 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 CHF 83,0 thousand.

The Stiomi Sellers have also obtained an attachment order on intergroup receivables, which they validated by filing enforcement proceedings in Switzerland. The Group raised an opposition against said enforcement proceedings. In January 2022, the Stiomi Sellers requested the lifting of the Group's opposition as well as the exequatur of the Award. In September 2022, the Geneva first instance Court declared the Award enforceable in Switzerland and pronounced the definitive lifting of the Group's opposition.

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 aiming at obtaining the authorization to proceed to a discharge payment of in the hands of the Swiss courts. After having heard all the parties involved, the Swiss court have rendered a judgment 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. The Group also discovered that the Stiomi Sellers have extended their complaint against Kernel and possibly Kernel officers. The investigation appears to be ongoing. However, so far Kernel is not a party to these proceedings. Hence, it 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 Kernel are unfounded/contradicted by robust evidence.

From a civil perspective, as of 30 June 2018, the Group registered a provision regarding the arbitral award 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 were USD 39,480 thousand as of 31 December 2022 (30 June 2022 and 31 December 2021: USD 38,387 thousand and USD 37,311 thousand, respectively), and related expenses in the amount of USD 1,093 thousand were recognized within the six months ended 31 December 2022 (six months ended 31 December 2021: USD 1,094 thousand) and included within the line Other (expenses)/income, net.

As of 31 December 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 31 December 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 71,408 thousand (as of 30 June 2022 and 31 December 2021: USD 97,287 thousand and USD 99,153 thousand, respectively), from which USD 65,378 thousand related to VAT recoverability (as of 30 June 2021 and 31 December 2021: USD 82,260 thousand and USD 87,932 thousand, respectively), USD 5,830 thousand related to corporate income tax (as of 30 June 2022 and 31 December 2021: USD 14,777 thousand and USD 10,953 thousand, respectively) and USD 200 thousand related to other tax issues (as of 30 June 2022 and 31 December 2021: USD 250 thousand and USD 268 thousand, respectively).

As of 31 December 2022, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 71,408 thousand (as of 30 June 2022 and 31 December 2021: USD 89,796 thousand and USD 96,015 thousand, respectively), included in the abovementioned amount. Out of this amount, USD 6,673 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 31 December 2021: USD 4,787 thousand and USD 5,131 thousand, respectively). Management believes that based on the previous 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 condensed consolidated interim financial statements as of the reporting date.

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

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.

25. Financial Instruments

Due to the defined short-term nature of the borrowings as of 31 December 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 following table below represents comparison of carrying amounts and fair value of the bonds issued for which they differ:

	As of 31 December 2022		As of 30 June 2022		As of 31 December 2021	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Bonds issued (Note 18)	603,394	205,680	602,650	319,800	602,260	600,048

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 of 31 December 2022			As of 30 June 2022			As of 31 December 2021		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Other financial assets (Note 12)									
Forwards	—	1,141	**1,141**	—	10,448	**10,448**	—	61,194	**61,194**
Futures/Options	9,162	—	**9,162**	38,431	—	**38,431**	36,676	—	**36,676**
Other financial liabilities									
Forwards	—	4,442	**4,442**	—	22,185	**22,185**	—	46,934	**46,934**
Futures/Options	800	—	**800**	945	—	**945**	85	—	**85**

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

For the six months ended 31 December 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 six months ended 31 December 2022, 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.

26. Subsequent Events

In February 2023, the Company acquired the Danube Prom Agro river terminal in the Reni port of Ukraine. The terminal has flat warehouses with a one-time storage capacity of 12,000 tons, and the acquisition is part of the Company's strategy to secure backup options in case the Black Sea ports become inaccessible as a result of the termination of the grain deal in March 2023. The Group intends to keep investing in its operations in the Reni port to expand the transshipment capacity, and such investments will be leveraged by the Agricultural Resilience Initiative of the USAID who agreed to procure and supply the equipment needed for such expansion.

In February 2023, the Company received the final waiver from creditors required to complete the divestment transaction of selected farming entities comprising 134,000 hectares of farmland, along with related farming infrastructure, machinery, and working capital, as previously agreed in April 2022. The transaction is expected to be completed in March 2023.