



KERNEL

Kernel Holding S.A.

ANNUAL REPORT

For the year ended 30 June 2023

Kernel is a diversified vertically integrated agricultural business, the leading exporter of agricultural products from Ukraine.

We are the world's leading producer and exporter of sunflower oil, the largest grain exporter from Ukraine, the operator of an extensive agricultural logistics network, and the largest producer of grain and oilseeds in Ukraine. In FY2023, we supplied 6 million tons of agricultural products from Ukraine all over the world.

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Key Highlights

USD million except ratios and EPS

	FY2022	FY2023	y-o-y
Income statement highlights			
Revenue	5,332	3,455	(35%)
EBITDA ¹	220	544	2.5x
Net profit attributable to equity holders of Kernel Holding S.A.	(41)	299	n/a
EBITDA margin	4.1%	15.8%	11.6pp
Net margin	(0.8%)	8.7%	9.4pp
Earnings per share, USD	(0.51)	3.86	n/a
Cash flow highlights			
Operating profit before working capital changes	677	753	11%
Change in working capital	(794)	128	n/a
Finance costs paid, net	(119)	(120)	1%
Income tax paid	(70)	(44)	(37%)
Net cash generated by operating activities	(305)	716	n/a
Net cash used in investing activities	(294)	10	n/a
Liquidity and credit metrics			
Net debt	1,488	595	(60%)
Commodity inventories ²	892	282	(68%)
Adjusted net debt ³	596	313	(47%)
Shareholders' equity	1,683	1,742	3%
Net debt / EBITDA	6.8x	1.1x	-5.7x
Adjusted net debt / EBITDA	2.7x	0.6x	-2.1x
EBITDA / Interest	1.8x	4.4x	+2.6x
Non-financial highlights			
Number of employees (full-time equivalent) as of 30 June ⁴	10,223	10,733	5%
Rate of recordable work-related injuries, accidents per million worked hours	0.22	0.42	91%
Social spending, USD million	26.3	12.3	(53%)
Greenhouse gas emissions, thousand tons of CO ₂ equivalent	1,264	1,056	(17%)
Total energy consumption, terajoules	6,881	8,146	18%

Note: The financial year ends on 30 June.

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

2. 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 "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 readily marketable.

3. 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.

4. Excluding employees related to assets held for sale as of the reporting date.

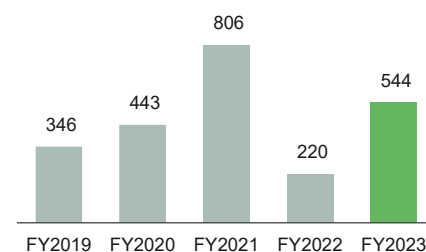
Hereinafter differences between totals and sums of the parts are possible due to rounding.

Hereinafter "Kernel" or "Group" refers to the Kernel Holding S.A. group of companies, while "the Company" refers to Kernel Holding S.A. as the Group's parent entity.

This Strategic Report together with the "Sustainability" and "Corporate Governance" sections shall be read and perceived as Directors' Report for the purposes of the Luxembourg legislation.

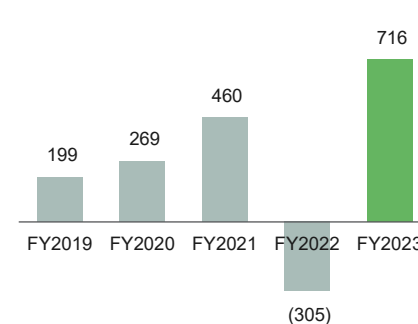
EBITDA

USD million

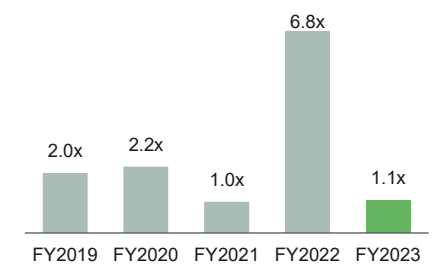


Net cash generated by operating activities

USD million



Net debt / EBITDA

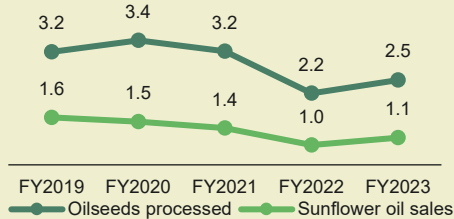


Operating Highlights



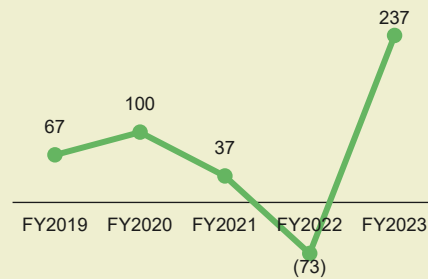
Oilseed Processing

Segment volumes million tons

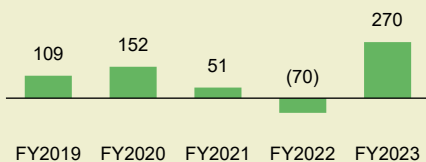


EBITDA margin

USD / ton of sunflower oil sold



EBITDA¹ USD million



Segment volumes slightly increased y-o-y in FY2023, following a dramatic decline in the previous period due to the war in Ukraine. The Group **processed 2.5 million tons of sunflower seeds** in FY2023, 14% increase y-o-y, implying 84% capacity utilization. Sunflower oil sales volumes slightly grew to 1.1 million tons.

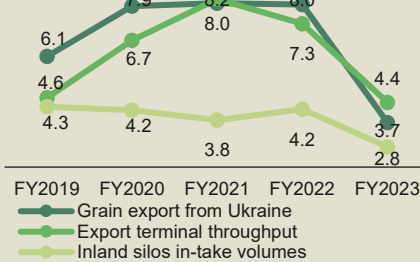
Segment **EBITDA** amounted to USD 270 million, driven by relatively high global prices for sunflower oil, relatively low export logistic costs enabled by the Grain Deal, supportive supply-demand balance in Ukraine, and Group's investments and efforts to enhance the sunflower oil export chain. The result also includes a USD 22 million one-off net gain from reversals of impairments and write-offs of inventories which occurred in FY2022.

As a result, the **EBITDA margin per ton of oil sold** amounted to USD 237, pricing a substantially increased risks related to operations in Ukraine.



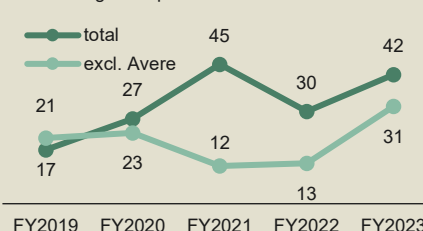
Infrastructure and Trading

Segment volumes million tons

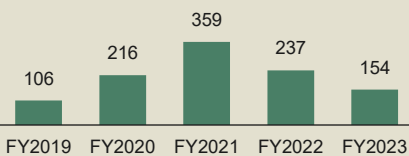


EBITDA margin

USD / ton of grain exported



EBITDA¹ USD million



The segment's **volumes** in FY2023 practically halved as compared to the previous year, due to export logistics disruptions caused by the Russia's full-scale invasion of Ukraine.

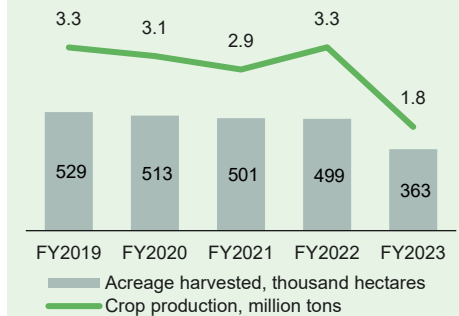
However, the **margins** appeared to be quite strong, primarily locked by the infrastructure and logistic assets in Ukraine during the window of opportunity to export at low logistic costs opened by the Black Sea Grain Initiative. Avere trading activities had a limited contribution to segment's EBITDA. In FY2023, there were no such massive one-off war-related losses as those recognized a year ago.

With declining volumes but higher margins, segment **EBITDA** in FY2023 reduced by 35% y-o-y, to USD 154 million.



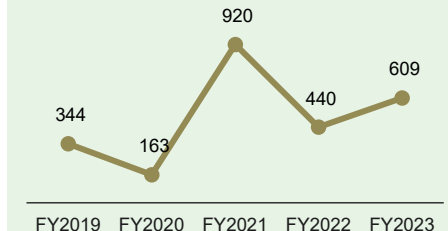
Farming

Kernel's production of key crops

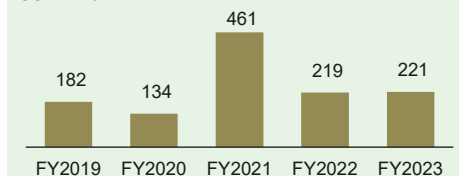


EBITDA margin

USD / hectare



EBITDA¹ USD million



Farming segment **EBITDA** in FY2023 appeared to be flat y-o-y, but this result includes the impact of various multi-directional factors. The Group recognized USD 115 million non-cash loss from net change in fair value of biological assets and agricultural produce, mostly driven by the declining global grain prices. The business also benefitted from relatively high sales prices in FY2023, the existence of low-cost export logistics enabled by the Grain Deal, and relatively low production cost of carry-over stocks from the previous season which was sold during the reported period. Depreciation of UAH as a functional currency of the Farming segment against USD substantially reduced the costs of goods sold, boosting EBITDA. However, the respective loss on translation differences was recognized among the massive USD 241 other comprehensive loss for the period.

¹ Here and further segment EBITDA is provided before unallocated corporate expenses.

Chairman's Statement



Andrii Verevskyi
Chairman of the Board of Directors,
Founder

Dear Stakeholders,

I am honored to present, on behalf of the Board of Directors of Kernel Holding S.A., an overview of the Group's performance for the year ending on 30 June 2023, delving into risks and challenges for the new season and touching on the Group's strategy going forward.

FY2023 highlights

In FY2023, we faced an **extraordinarily volatile operating environment**, navigating the challenges of a full-scale war in Ukraine. The season began with considerable doubt surrounding our export capabilities. Russia blocked Ukrainian Black Sea ports for exports, which appeared to be a major obstacle for us as we relied heavily on this channel for our sales. Alternative routes were ill-prepared to accommodate the substantial export volume lacking the physical capacity, and it was impossible to re-orient a company of our size to new logistics routes. Even high global soft commodities prices at the beginning of the season could not cover skyrocketing logistics costs turning export operations into losses, forcing us to suspend our export activities. It became evident that there were **no scalable and economically viable alternatives to sea-based exports of agricultural products from Ukraine**. Having a stockpile of 2.5 million tons of grains, oilseeds, sunflower oil, and meal, valued at nearly USD 900 million, and with the impending harvest campaign exerting pressure on our storage capacities, we found ourselves facing a daunting challenge with no clear path forward.

Luckily, in August-September 2022, **Ukraine regained access to the Black Sea**, thanks to the Black Sea Grain Initiative ("BSGI" or "Grain Deal"), a treaty brokered by the United Nations and Turkey. This agreement aimed to facilitate the export of grain and other agricultural products from Ukraine via Black Sea ports, specifically Odesa, Chornomorsk, and Pivdennyi. The BSGI provided a significant relief for our operations, allowing us to de-stock our inventories. It was not a flawless solution, though, as Russia persistently disrupted vessel inspections, leading to substantial voyage delays and incremental costs associated with such delays. Several waves of uncertainty, each time on or around the Grain Deal's expirations in November 2022 and March 2023, complicated export logistics planning within the BSGI, but fortunately the Grain Deal was renewed each time. Despite these challenges, logistics costs were notably reduced as compared to alternative routes, and with **global prices remaining high enough**, we earned good profit margins during this period, essentially earning almost the entire our annual profit during this period. More than 90% of the

grain and over 50% of the sunflower oil exported by Kernel in FY2023 was delivered through the BSGI.

However, the **operating environment materially deteriorated closer to the end of the season**. Russia's sabotage of the BSGI led to a continuous decline in export volumes from April 2023 until July 2023 when the Grain Deal was eventually unilaterally terminated by Russia. What was worse, global prices, which had been on a consistent downward trajectory throughout FY2023, reached alarmingly low levels by the end of the season. Despite the noticeable increase in throughput capacities of alternative export channels over the season, low commodity prices combined with high logistics costs once again prohibited running profitable export operations.

In addition to the logistics and pricing issues, we encountered numerous other challenges in FY2023. We had to contend with **severe power outages in Ukraine** caused by Russia's attacks on Ukrainian power generation and distribution infrastructure. These outages resulted in the temporary suspension of oilseed processing operations at several of the Group's plants and caused instability in silo operations, transportation, and transshipment activities. Our **Farming segment operations were significantly disrupted**, including difficulties with the proper supply of crop inputs and delayed corn harvesting, which was only completed in February 2023. We had to abandon hope of resuming operations at our two oilseed processing plants in Kharkiv regions, as these were severely damaged by regular Russian strikes, causing us to reallocate the most valuable equipment to safer places. A total of 1,478 of our employees joined the Armed Forces or Territorial Defense units to resist Russian aggression. Regrettably, 35 of our employees lost their lives defending Ukraine, and 87 sustained injuries as of the date of this report.

Moving to the financials, the Group's **EBITDA** in FY2023 rebounded to USD 544 million, marking a 2.5x y-o-y increase, and a previous year's bottom line loss turned into a USD 299 million **profit attributable to shareholders** in the current season. In addition, we recognized a USD 241 million foreign exchange translation loss due to the depreciation of the Ukrainian hryvnia against the US dollar. Consequently, we closed the year with a **total comprehensive income** of USD 59 million attributable to Kernel Holding S.A. equity holders. The quarterly dynamics perfectly highlight the operational volatility experienced throughout the year: we faced losses in both Q1 and Q4, but these were offset by the profits generated during Q2 and Q3. Our net debt as of 30

Chairman's Statement *continued*

June 2023 decreased by 60% y-o-y, reaching USD 595 million, resulting in a 1.1x net-debt-to-EBITDA ratio. From the current standpoint, I would describe this performance as an unexpectedly favorable outcome in war-torn Ukraine largely attributable to a few supportive factors, primarily the Grain Deal and high global prices.

Switching now to the performance of each of our segments.

The **Oilseed Processing** segment achieved EBITDA of USD 270 million in the reporting period, including a one-off gain of USD 22 million from reversals of impairments and write-offs of inventories that occurred in FY2022. We had the good fortune of benefitting from **relatively high global sunflower oil prices** in combination with the ability to export sunflower oil via the Black Sea through the BSGI, which secured extremely good margins for more than half of sunflower oil sold in FY2023. Slightly less than half of the Group's sunflower oil was exported via channels other than Ukrainian Black Sea ports, and it is a strong achievement of our team, which could hardly be deemed possible when the war started. We have been investing in infrastructure and logistics assets to facilitate sunflower oil export via alternative routes. Besides, the **sunflower seed supply-demand balance** for FY2023 appeared to be rather **supportive**, as a large carry-over stock of oilseeds greatly contributed to the supply for the season, while a large number of crushing capacities located on territories temporarily occupied by Russia or nearby the frontline ceased their operations. Moreover, delays with VAT refunds with potential FX losses, unpredictability of export logistics capabilities which were regularly disrupted by Russia, unpredictability of our production capabilities due to power outages, risks of product destruction or quality deterioration, lack of proper hedging strategy further undermined operational environment in Ukraine enabling crushers to pass over these risks to farmers. As a result, healthy oilseed processing margins secured profitable Oilseed Processing segment operations in FY2023, as compared to the loss-making previous period.

EBITDA of the **Infrastructure and Trading** segment in FY2023 totaled USD 154 million, down 35% y-o-y from USD 237 million of the previous year's result. To better understand the performance, it shall be flagged that last year's result included a USD 82 million one-off war-related losses and a very strong USD 134 million contribution from Avere trading activities. But in FY2023, the Avere team was more conservative in risk-taking and delivered much lower EBITDA. The results of the **grain export**

value chain in Ukraine were very volatile: from losses in Q1 to profits in Q2-Q3, and to losses again in Q4. Such volatility stemmed from the business environment, mostly comprising our availability to export grain via the Black Sea ports of Ukraine and the declining global grain prices throughout FY2023 squeezing margins. Besides, we had no such heavy one-off war-related losses in FY2023 as those recognized a year ago. The results of the trading business clearly demonstrate that there is no alternative to the Black Sea exports to sustain profitable operations.

Grain infrastructure and logistics assets saw a surge in demand in Ukraine during the period the Grain Deal was functioning. Market players rushed to export as much agricultural goods as possible through Black Sea ports spiking demand for grain railcars. Despite lower intake volumes, our silo business EBITDA slightly increased, primarily due to higher demand for storage and other silo services, coupled with reduced natural gas costs for grain drying. Our export terminals' EBITDA experienced a reduction, largely attributable to lower throughput volumes while overall grain origination was loss-making in FY2023.

The Group's **Farming** segment contributed USD 221 million EBITDA in FY2023, flat y-o-y. It includes USD 115 million non-cash loss from net change in fair value of biological assets and agricultural produce, primarily driven by the decline in global grain prices. Adjusted for that, segment EBITDA in the reporting period reached USD 336 million. While looking strong at first glance, this result deserves to be examined in more detail in order to make proper conclusions. *First of all*, we benefited from **relatively high global grain and oilseeds prices**. Despite such prices being in a downward trend for the whole year, we managed to secure relatively good levels. *Secondly*, the Grain Deal was of huge tailwind to us allowing to export goods via Black Sea ports at **materially lower logistics costs** as compared to alternative logistics channels. Finally, in FY2023 we have been actively selling the carry-over stock from FY2022, meaning the harvest of calendar year 2021, and a large part of the associated costs of such harvest were incurred back in 2020 and accounted in UAH as a functional currency of Group's farming entities. Brought forward **costs of such stock were relatively low and further reduced by the depreciation of UAH against USD** in 2022 translating into the accounting recognition of solid profits on such sales by the Group. Sales of 2022 crops were not so profitable and still over 700 thousand tons of corn and wheat remained unsold as of 30 June 2023. While UAH depreciation substantially reduced the farming cost base when

translating results to USD and contributed to the strong accounting EBITDA reported, the respective forex translation negative result was reported as a part of USD 241 million other comprehensive loss for the period.

In light of the significant uncertainties and risks facing the Group's future, the Board of Directors has decided to recommend shareholders **not distribute dividends** for the financial year ending on 30 June 2023.

M&A update

In FY2023, we were quite active on the M&A side, mostly to fortify our sunflower oil export value chain which was our major profit driver during the reported period.

In December 2022, leveraging the existence of the grain corridor, we acquired **an edible oil transshipment terminal in the port of Pivdennyi**, applying the enterprise value of USD 19.8 million. Given that Mykolaiv, the largest pre-war port exporting sunflower oil, remained blocked for export activities, the demand for transshipment services in other ports spiked with the Grain Deal in place. The acquisition allowed us to have our own transshipment facility and was a strategic move that significantly contributed to our sunflower oil export volumes in FY2023.

Recognizing the eventual expiration of the Grain Deal, we then shifted our focus to assets along the Danube River. In February 2023, we **acquired a small grain terminal in Ukraine's Reni port**, equipped with flat warehouses offering a one-time storage capacity of 12,000 tons. In July 2023, we entered into an agreement to acquire 100% of corporate rights in Reni-Oil LLC, a **sunflower oil transshipment terminal in the Reni port**, for USD 24.75 million. This terminal stands out as the sole facility among Ukrainian Danube River ports with the proper intake, storage, and off-loading capacities, ensuring uninterrupted sunflower oil exports even in the event of Black Sea port blockades. The deal is expected to be finalized by 31 December 2023.

Finally, in July 2023, we **acquired assets for the transshipment of vegetable oils at the Chornomorsk port** for USD 19.4 million. In case Ukrainian Black Sea ports remain blocked, these assets are poised to serve as a vital sunflower oil storage and accumulation hub: we will use them to receive sunflower oil via rail, accumulate it in storage, and then redirect the product by trucks to the Danube River ports, effectively reducing logistics costs for alternative export routes. The one-time sunflower oil storage capacity of 105 thousand tons enables us to maintain our crushing plants' operations during transportation

Chairman's Statement *continued*

disruptions, a challenge experienced in FY2022-FY2023. Should Ukrainian Black Sea ports become accessible, these assets will serve as our central deep-water transshipment base on the Black Sea for the sunflower oil we export.

FY2024 outlook

The major risks we warned about throughout FY2023 have begun to materialize at the beginning of FY2024. On July 18, 2023, Russia unilaterally decided not to renew the Grain Deal, which had significant and detrimental effects on the Group's export capacity. The available alternatives to sea-based trade remain constrained in terms of capacity and are notably more costly from a logistics perspective, thereby exerting adverse pressure on our operational profitability. Neighboring EU markets with shorter logistics routes have imposed restrictions on the export of Ukrainian agricultural products, prohibiting us from selling there. As a result, our exports substantially dropped in Q1 FY2024. Only in late September 2023 some hope appeared, as the Ukrainian Navy arranged a temporary corridor for vessels leaving Black Sea ports. Amid threats, first vessels started to use a new shipping route in an attempt to revive sea-borne grain export to overcome the Russian blockade. It is not clear, however, how sustainable such a new route would be and what could be its capacities. **The ability to export via Ukrainian Black Sea ports is vital for maintaining the Group's profitability in FY2024.** While we managed to secure transshipment capacities to export 100 thousand tons of sunflower oil, 100 thousand tons of sunflower meal, and 100 thousand tons of grain per month via channels other than the Black Sea, the logistic costs of such operations remain adversely high. While sunflower oil export margin may have the capacity to absorb such costs, this is not the case for grain.

In FY2023, we were lucky that our core asset base has not suffered material damages from Russian attacks, except for two oilseed processing plants in the Kharkiv region and two silos. Unfortunately, since 19 July 2023, immediately following its withdrawal from the Grain Deal, the **Russian terrorist regime launched regular drone and missile attacks on Ukrainian port infrastructure.** Initially, these attacks targeted deep-water Black Sea ports, inflicting significant damage to the Group's port assets, but subsequent strikes extended to the Danube ports of Reni and Izmail, impacting assets either under Kernel's control or providing essential services to the Group. These attacks resulted in substantial destruction to grain and sunflower oil storage facilities, intake capacities, and loading equipment. Furthermore, a significant missile strike hit one of

our largest in-land silos located in the Khmelnytskyi region. The current preliminary assessment of the required capital expenditure for the restoration and rehabilitation of equipment damaged or destroyed in recent attacks indicates a minimum cost of USD 21 million. The cumulative estimated market value of the commodities lost as a result of these attacks is approximately USD 11 million. Additionally, the strikes at Danube ports disrupted transshipment operations and fleet logistics. **The risk of destruction or severe damage to our key assets** is one of the most significant for our operations in FY2024.

All of that coincided with **global prices declining to very low levels in Q1 FY2024**, and under the assumption that the Black Sea export route remains predominately blocked, implies large losses to our Farming segment in FY2024. For the first time in our history, we recognized a USD 27 million loss from changes in the fair value of the upcoming harvest (crop 2023) in presented accounts, meaning, in simple words, that anticipated proceeds from sales of crop 2023 are not enough to cover the incurred production and selling expenses related to such crop. Under such circumstances, there are not many options for how to act. It is either to maintain a long position in the hope prices would rebound along with the resumption of Black Sea exports or sell now fixing the losses to avoid even larger losses if global prices soften further and the Black Sea remains under blockage by Russians. For the moment many farmers in Ukraine are not active sellers, meaning that our Infrastructure and Trading segment may lack volumes to handle. As for the Oilseed Processing business, there is still potential for profit even in the current price environment and inflated logistic costs.

The extended war in Ukraine has brought several notable, **longer-term consequences** for agribusiness in the region. Firstly, **Ukraine is losing its longer-term crop production potential.** Approximately 18% of Ukrainian territory remains temporarily occupied by Russia. These are south-eastern regions focused on sunflower and wheat production. Once these territories are liberated and the war is over, **substantial areas will need to be de-mined**, posing a significant obstacle to resuming agricultural operations on these lands. Furthermore, it's unclear how quickly farmers from these territories will be able to **resume cultivation**, given the disruptions and damage caused by military activities.

Secondly, **Russia with its own agricultural produce is taking over Ukraine's traditional export markets.** Due to export logistics restrictions and Ukraine's unreliable trade

partner status, we are unable to build a substantial trade program backlog, allowing Russia to capture these markets.

Thirdly, Ukraine's alteration of its crop mix structure for the 2022 and 2023 seasons in favor of oilseed crops brings high risks of spread of pests and diseases, materially undermining the future crop yield potential across the whole crop mix. To avoid that, a significant reduction in oilseed acreage during the next several years will be required to normalize the crop structure. We are likely to make such a decision for our own farming business, and I do not exclude that other farmers will follow the same pattern. It may have a **negative impact on the supply of sunflower seeds in the near future.**

We have significantly enhanced our readiness to cope with **potential blackouts and power outages in Ukraine**, as Russia is expected to renew its terroristic attacks on Ukraine's civil energy infrastructure as we are heading to the winter season. The envisaged **commissioning of the Group's fifth co-generation heat and power facility** at the Prydniprovskiy oil extraction plant in November 2023 will definitely contribute to our resilience to this risk. Nevertheless, the extent to which we can withstand these challenges will be heavily contingent on the magnitude of potential damages suffered. In the most severe scenarios, our operations could be substantially paralyzed.

Update on the Strategy 2026

Just before the outbreak of the full-scale war in Ukraine, we announced our new ambitious growth Strategy 2026, targeting growth across all business segments. While in its majority the strategy is put on hold as we live under emergency conditions without any ability to plan long-term, some pillars of the strategy are being executed. In spring 2024, we **plan to commission the Group's greenfield crushing plant** in the Khmelnytskyi region in Ukraine. This crushing facility will have the capacity to process up to 1 million tons of sunflower seeds annually. This asset is of extreme importance now, as it increases our footprint in the Oilseed Processing segment – a business line that is expected to drive our earnings in FY2024. Out of USD 279 million total investments, USD 40 million remains to be deployed.

Sustainability progress

In FY2023 we demonstrated strong results in developing the system of climate corporate governance. We improved our Carbon Disclosure Project (CDP) score by two points, from D to B, becoming the only company in Ukraine with such a high rating. We successfully completed the "Climate Corporate Governance and Low-Carbon Pathway" project in

Chairman's Statement continued

partnership with EBRD and EY which resulted in an action plan for further improvements in our climate-risk management process, implementation of business opportunities associated with low-carbon development, methodological advancements in the operational accounting of GHG emissions, etc. These directions of work in low-carbon development were included in our strategic targets for FY2024.

Our main priority in strengthening social capital remained the support of the Armed Forces of Ukraine and the society. In FY2023 we directed a total of USD 12 million on body armor and military equipment, as well as humanitarian aid. Our purpose of building a long-term value, while remaining resilient in times of extreme challenges, remains aligned with the UN Global Compact Ten Principles.

Company's delisting from the Warsaw Stock Exchange

Namsen Limited being the largest shareholder of Kernel, took the initiative to propose the delisting of the Company from the Warsaw Stock Exchange. After careful consideration, I firmly believe that maintaining the listing no longer holds strategic significance for Kernel. The compelling arguments were presented to the Board of Directors, leading to several rounds of robust debate and scrutiny.

After thorough deliberation and discussions, the Board ultimately reached a consensus that delisting would serve the best interests of the Company and approved this course of action.

Following the completion of the take-private tender offer by Namsen Limited, the Company submitted an application to the Polish Financial Supervision Authority for approval of the delisting. As of the date of this report, the decision of the regulator is pending.

Share capital increase and debt facilities

For the third time since the start of the full-scale invasion of Ukraine by Russia, we had to launch negotiations with our institutional creditors to seek a loan portfolio maturity extension. As part of this restructuring process, Kernel creditors required an essential equity injection of USD 60 million to bolster liquidity and reduce indebtedness.

The capital raise was done in early September 2023 allowing the Company to meet the creditors' condition and fortify the financial position during these exceptionally challenging times. Consequently, we successfully completed the restructuring of our debt portfolio, obtaining necessary waivers till 30 June 2024 for credit facilities with total outstanding balances of USD 778 million. In the face of the continued

and growing risks to the Group's operating model, management of our liquidity and debt portfolio will remain the Group's top priorities in the near term, and we will look for opportunities to deleverage our business where appropriate.

Changes in the Executive Management Team

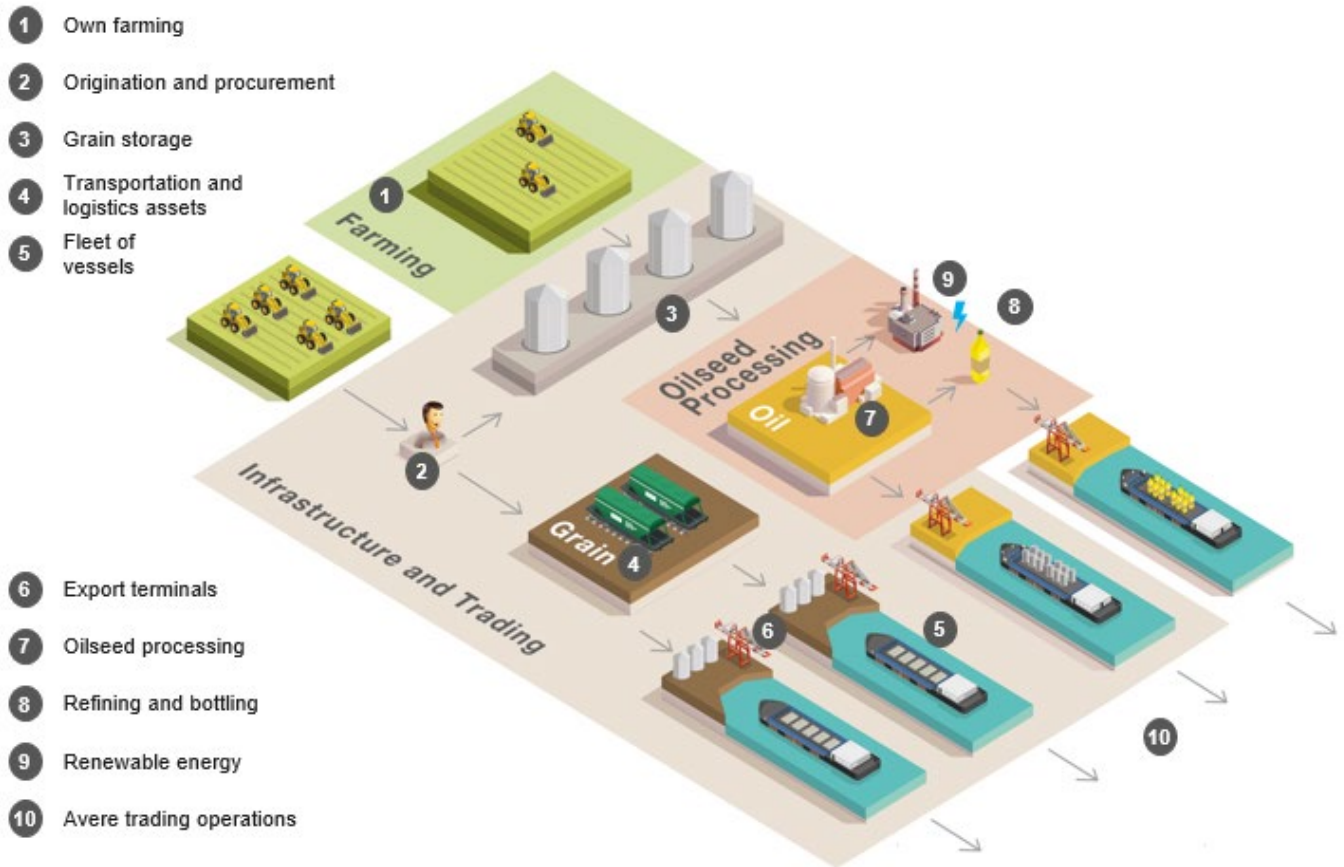
Our long-standing leaders, Anastasiia Usachova, CFO, and Viktoriia Lukianenko, Chief Legal Officer, who have been foundational to Kernel's success have shifted their focus away from daily management responsibilities to engage in other strategic Group projects while retaining their roles as Company directors. On behalf of the Board, I want to express our sincere gratitude to them for their significant contributions in guiding Kernel to its current position as a market leader. In parallel, we welcome new members to our team. Sergiy Volkov joined Kernel as our new CFO and Artem Filipyev spearheads the legal function of the Group. We wish them success and inspiration in their roles as they contribute to the ongoing transformation of their respective divisions. These changes exemplify our commitment to maintaining a dynamic, vibrant, and capable leadership team to safeguard Kernel.

On behalf of the Board of Directors, I wish to convey our heartfelt appreciation to all our stakeholders for their unwavering support. We are deeply grateful to the entire Kernel team for their dedication and hard work in guiding the Group through these challenging times and wish them to stay safe and strong. Our thanks also extend to the international community for their assistance to Ukraine in facing Russian aggression. We reserve a special and profound appreciation for the courageous heroic defenders of Ukraine—men and women who valiantly protect our nation and its people.



Andrii Verevskyi
Chairman of the Board of
Directors, Founder

Our Business Model



Topping industry league tables in all segments



Oilseed Processing segment

- Leading sunflower oil producer (~5% of global production) and exporter (~8% of global exports);
- **Leading** bottled sunflower oil producer and marketer in Ukraine;
- 3.0 million tons annual sunflower seed processing capacity; **1.0m** new capacity will be added in the H2 FY2024;
- Producer of renewable energy from biomass;



Infrastructure and Trading segment

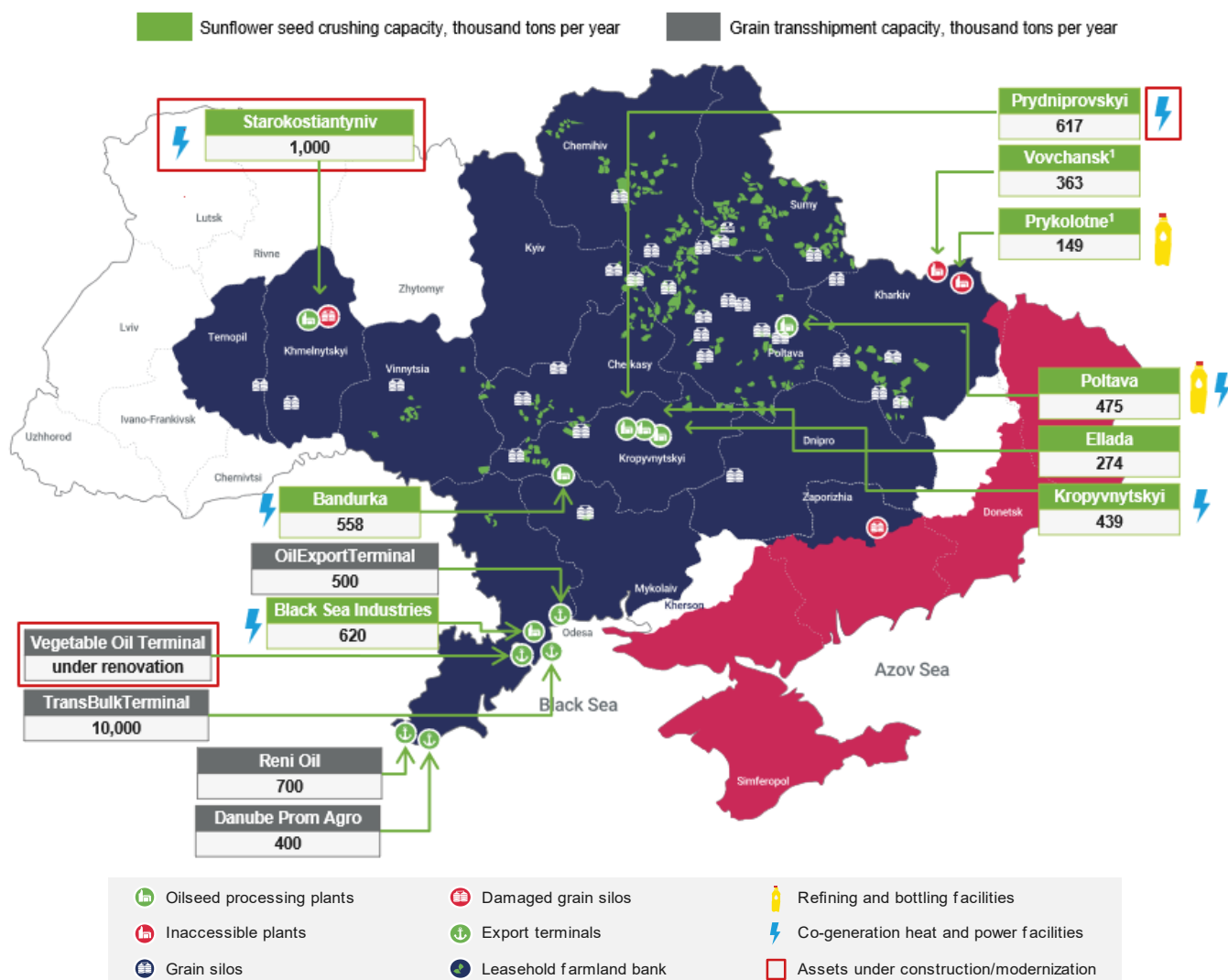
- Leading grain exporter from Ukraine with 8% of country's total grain export in FY2023;
- Leading grain export terminal operator with total annual capacity to transship 10.9 million tons of soft commodities;
- #1 private inland grain silo network in Ukraine with 2.2 million tons of one-time grain storage capacity;
- #1 private grain railcar fleet in Ukraine (3.4 thousand of accessible own railcars);
- Avere proprietary trading activities;



Farming segment

- Leading producer in Ukraine operating 359 thousand hectares of leasehold farmland;
- Modern large-scale machinery, sustainable agronomic practices, cluster management system and export-oriented crop mix;
- Nearly 100% of sales volumes flows through our Infrastructure and Trading and Oilseed Processing segments, earning incremental profits.

Kernel at Glance



Note 1 Oilseed processing plants which were occupied by Russia during Feb 24th - Sep 13th, 2022. As of October 2023, plants remain inaccessible.

Segment results summary

	Revenue, USD million			EBITDA, USD million			Volume, thousand tons ²			EBITDA margin, USD/t ³		
	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y
Oilseed Processing	1,681	1,908	13%	(70)	270	n/a	967	1,139	18%	(73)	237	n/a
Infrastructure and Trading	4,535	2,602	(43%)	237	154	(35%)	7,969	3,705	(54%)	30	42	40%
Farming	635	695	9%	219	221	1%	3,268	1,849	(43%)	440	609	39%
Unallocated corporate expenses				(166)	(101)	(39%)						
Reconciliation	(1,519)	(1,750)	15%									
Total	5,332	3,455	(35%)	220	544	2.5x						

Note 2 Physical grain volumes exported from Ukraine (ex. Avere) for Infrastructure and Trading; harvest of grain and oilseeds in the Farming segment.

Note 3 USD per ton of vegetable oil sold for Oilseed Processing; USD per ton of grain exported (ex. Avere volumes) for Infrastructure and Trading; USD per hectare for Farming.


Our Strategy 2026

Owing to the war, Kernel needs to temporarily **set aside its growth strategy and operate in survival mode**. Considering the uncertainty of the future availability of the maritime exports, as well as the business environment in Ukraine, the Group had to put on hold its strategic initiatives and will revise its long-term strategy once the degree of the uncertainty dwindles.

Prior to the war, the Kernel's Strategic approach was as follows:

We aim to sustainably increase the scale and efficiency of our low-cost business system to export annually 20 million tons of soft commodities from Ukraine by strategic acquisitions, fostering loyal relations with local farmers, and constant development of our people.

Strategic targets

 Oilseed Processing <ul style="list-style-type: none"> 6 million tons of oilseed processing annually with 35% originated via captive supplies¹ 	 Infrastructure and Trading <ul style="list-style-type: none"> 15 million tons of grain export from Ukraine annually with 50% originated via captive supplies¹ 	 Farming <ul style="list-style-type: none"> 4 million tons of in-house production annually on 0.7 million hectares of farmland under own operations
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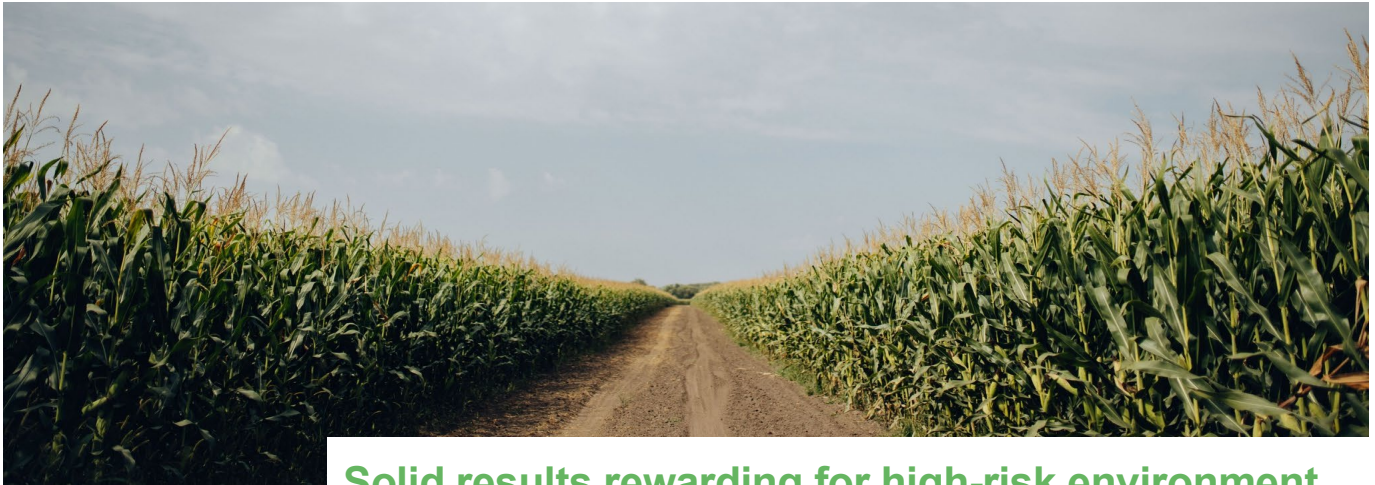
Strategic initiatives

Scale increase <ul style="list-style-type: none"> Acquisition via M&A / asset lease / tolling: <ul style="list-style-type: none"> 1.5 million tons of sunflower seed processing 5.0 million tons of grain transshipment capacity 0.2 million hectares of farmland Upscale of CRM and market intelligence system Further expansion of the Open Agribusiness project 	Efficiency enhancement <ul style="list-style-type: none"> Processes automation and digitalization Labor productivity gains Adoption of innovative solutions in farming Electronic document flow
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Sustainability approach

- Contributing to relevant **UN Sustainable Development Goals**
- Supporting the objectives of the European Green Deal through **rigorous climate action**
- Acting as a **sustainable farming ambassador** in Ukraine through dissemination of resource-efficient, environmentally, and socially responsible production practices among our partners in supply chains
- Providing fair and safe working conditions, proper resources, environment for learning, and equal opportunities for self-realization to remain the **ethical employer of choice**
- Actively contributing to the **improvement of local communities' well-being**

Financial Performance in FY2023



Solid results rewarding for high-risk environment



FY2023 was a notably **challenging year** for Kernel, **but** it also proved to be a **rewarding one**. The Group achieved an EBITDA of USD 544 million and a net profit attributable to the Company's shareholders of USD 299 million. However, it incurred a significant other comprehensive loss of USD 241 million due to translation differences caused by the depreciation of the Ukrainian hryvnia against the US dollar. Consequently, the Group generated USD 59 million of total comprehensive income attributable to the equity holders of Kernel Holding S.A. for the twelve months ending on 30 June 2023.

Our results could have been significantly worse considering the way the year began. We commenced the season with USD 1.9 billion in outstanding debt and USD 0.9 billion worth of commodity inventories, with limited clarity on how to export this stock due to Russia's blockade of Ukrainian Black Sea ports as part of its full-scale invasion of Ukraine. However, we inherited a relatively good liquidity position from a strong pre-war performance, which allowed us not to be in a rush when selling goods with high logistic costs and lock losses, but rather hold back exports waiting for more favorable terms.

Luckily, the **spiking soft commodity prices, coinciding with the Grain Deal** enabled in August 2022 and sustained for most of the season implying relatively low export logistics costs, allowed us to substantially de-stock and capture decent margins along our export value chain. With our world-class export and logistics infrastructure we strongly capitalized on the opportunity, delivering over 90% of grain and more than 50% of sunflower oil exports via deep-water Black Sea ports of Ukraine.

Profitable sales and working capital release allowed us to generate USD 716 million of cash from operations in FY2023 and decrease net debt of the Group. Net debt reduced by 60%, to USD 595 million as of 30 June 2023, of which USD 282 million are covered by commodity inventories. In October 2023, we completed the third-during-a-wartime restructuring

Revenue

USD 3,455 million

-35% y-o-y

EBITDA

USD 544 million

2.5x growth y-o-y

of our credit portfolio for the total amount of USD 778 million.

It was **not an easy walk**, though. Twice in FY2023, we faced huge risks of the Grain Deal not being extended, but fortunately, the continuation happened each time until the initiative was terminated in July 2023. We sustained extensive power outages and blackouts caused by Russia's terroristic attacks on Ukraine's civil energy infrastructure. We coped with numerous business disruptions in our farming business. We tried many options to export grain from Ukraine via channels other than the Black Sea until we learned that there are no sustainable and economically viable alternatives. Exporting via Danube River ports appeared to be the least harmful option, and we secured some transshipment capacities in that region.

The new season opened with a rather grim atmosphere: Grain Deal was terminated (and the Black Sea became blocked for our exports once again), global prices reached dramatically low levels, and Russia started regular air attacks on Ukrainian civil ports, both at the Black Sea and on the Danube River, causing significant damages up to date for our operations. While in late September a new solution for exports via Black Sea ports appeared, it is yet to be tested, and it is not clear how sustainable it is.

Financial Performance in FY2023 continued

Income statement highlights

The **revenue** of the Group in FY2023 reduced by 35% y-o-y, to USD 3,455 million, mostly due to lower grain export volumes given the restricted export logistics capabilities.

Driven by a decline in crop prices over the reporting period, **net change in the fair value of biological assets and agricultural produce** resulted in a USD 115 million loss in FY2023. This component includes a gain from revaluing crops in the fields to fair value less costs to sell as of 30 June 2023 and expensing the respective gain booked a year earlier. While expensing the previously recognized gain attributable to grain and oilseeds sold, we have not recognized a usual gain for next harvest crops, but, on the contrary, were forced to book losses for the first time in our history, as expected future proceeds from sales of crop 2023 do not allow to cover capitalized expenses related to such crop as of 30 June 2023.

Cost of sales in FY2023 contracted by 42% y-o-y, to USD 2,704 million. While the cost of goods for resale and raw materials used dropped even more, by 53% y-o-y driven by low grain export volumes, shipping and handling costs actually increased by 63% y-o-y, reflecting much more expensive export logistics together with a shift from FOB to CIF sales for the majority of our goods sold.

Consequently, the **gross profit** for the period contracted by 2% y-o-y, totaling USD 636 million.

Other operating income settled at USD 54 million, comprising primarily gains on the sale of hard currency, a part of the reimbursement received under political violence insurance triggered by the war in Ukraine, and stock take.

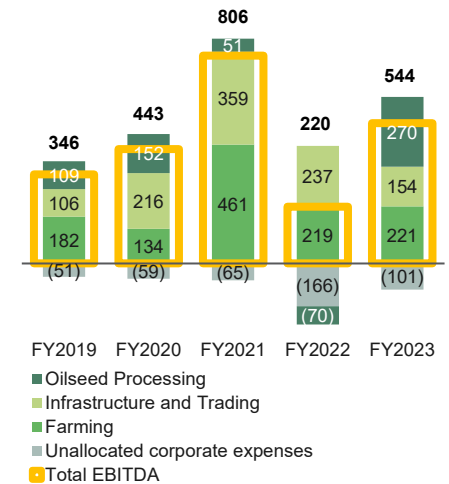
Other operating expenses amounted to USD 35 million, down 22% y-o-y, comprising USD 24 million dispatch and other fines (due to extended waiting times during the loading and unloading of vessels in ports given the instability of shipments within the BSGI), and USD 11 million loss on Group's operations with securities and derivatives.

General, administrative, and selling expenses in FY2023 fell by 11% y-o-y, to USD 205 million, mostly driven by lower payroll and payroll-related costs.

Additionally, the Group booked USD 4 million net reversal of losses in financial assets recognized in previous periods, primarily related to provisions created under the Group's accounts receivable.

Kernel also recognized net **loss on impairment of assets** of USD 15 million in FY2023, as compared to USD 317 million respective loss in the same period of the previous year. This year's result is primarily a combination of USD 30 million reversal of previously created inventory allowances and write-offs (mostly attributable to the Oilseed Processing segment), USD 7 million new allowances and write-offs of inventories, and Group's grain railcars blocked on the territories temporarily occupied

Kernel's EBITDA split by segments
USD million



by Russia, USD 9 million allowance for VAT refund, and USD 26 million impairment of assets held for sale.

Subsequently, **operating profit** reached USD 439 million, up 4.8x y-o-y.

Despite a decrease in interest-bearing debt balances, **finance costs** in FY2023 increased by 17% y-o-y, reaching USD 153 million. This rise was primarily due to a substantial growth of LIBOR/SOFR benchmarks used to calculate interest rates. **Finance income** in FY2023 nearly tripled y-o-y, amounting to USD 31 million, as a result of allocating extra liquidity balances into interest-bearing instruments. The **net finance costs** remained almost unchanged y-o-y, standing at USD 122 million for FY2023.

Net foreign exchange gain in the reporting period amounted to USD 63 million, owing to the depreciation of Ukrainian hryvnia against the USD in July 2022 and the respective revaluation of intra-group balances.

Other expenses, net, amounted to USD 12 million, a 53% decline y-o-y, comprising USD 12 million of charity expenses, USD 3 million of fines and penalties, and reflecting also a USD 4 million gain on disposal of subsidiaries (the Group completed disposal of two silos in FY2023 and recognized the respective gain).

With the USD 368 million **profit before income tax generated**, the Group recognized **corporate income tax expenses** of USD 69 million in FY2023 and ended the year with USD 299 million **net profit attributable to shareholders of Kernel Holding S.A.** Finally, accounting for USD 241 million of exchange translation differences occurring due to the depreciation of UAH against USD in July

Income statement highlights

USD million

	FY2022	FY2023	y-o-y
Revenue	5,332	3,455	(35%)
Net IAS 41 gain	13	(115)	n/a
Cost of sales	(4,692)	(2,704)	(42%)
Gross profit	652	636	(2%)
Other operating income	64	54	(16%)
Other operating expenses	(45)	(35)	(22%)
Net impairment losses on financial assets	(33)	4	n/a
Loss on impairment of assets	(317)	(15)	(95%)
General, administrative and selling expenses	(230)	(205)	(11%)
Operating profit	91	439	4.8x
Finance costs, net	(119)	(122)	3%
Foreign exchange gain(loss), net	10	63	6.2x
Other (expenses), net	(25)	(12)	(53%)
Profit / (loss) before income tax	(43)	368	n/a
Income tax (expenses) / benefit	3	(69)	n/a
Profit / (loss) for the period	(41)	299	n/a
Attributable to equity holders of Kernel Holding S.A.	(41)	299	n/a
Non-controlling interest	0.4	(0.4)	n/a
EBITDA	220	544	2.5x

Financial Performance in FY2023 continued

2022, the Group ended FY2023 with USD 59 million of **total comprehensive income attributable to shareholders of the Company**, up from USD 103 million loss a year ago.

Considering significant uncertainties and risks facing the Group's future and the presence of restrictive covenants in the additional agreements already signed with the lenders, the Board of Directors recommended the general meeting of shareholders to declare a dividend at nil for the year ended on 30 June 2023.

Cash flow highlights

In FY2023, Kernel generated **operating profit before working capital changes** of USD 753 million, an 11% increase y-o-y. Such an all-time-high result reflects the strong profitability of the Group's operations stemming from open Black Sea ports for agricultural exports for a large part of the season and relatively high global soft commodity prices that prevailed for much of FY2023.

Working capital changes resulted in a USD 128 million cash inflow in FY2023, driven mostly by a decrease in inventories, while most material outflows happened due to changes in trade receivable and other financial assets.

Interest paid in FY2023 amounted to USD 148 million, up 14% y-o-y, while **interest received** achieved USD 28 million. Accounting also for USD 44 million income tax paid, Kernel ended up with USD 716 million of **cash generated by operating activities**.

Net cash generated from investing activities totaled USD 10 million in FY2023, primarily comprising USD 123 million proceeds from

the disposal of intangible and other non-current assets (primarily conversion of crypto assets into cash), USD 90 million proceeds from the disposal of subsidiaries (a part of the consideration received for the divestment of selected farming entities), USD 77 million purchase of PP&E as a maintenance and expansion CapEx, USD 123 million placement of pledge deposit (as described below), as well as some other items.

Within the **financing activities**, the Group repaid USD 248 million of borrowings, while raising USD 55 million of funds at local banks in Ukraine. Over the reported period, the Group's cash position increased by USD 507 million.

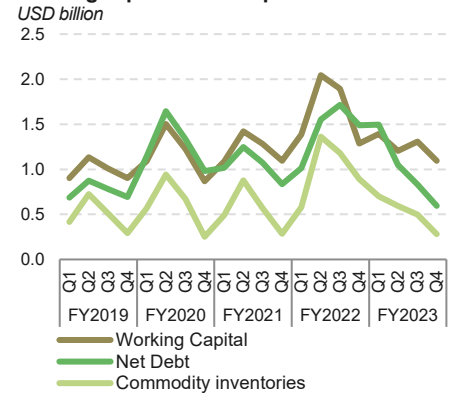
Debt overview

The Group's **debt liabilities** reduced by 14% over FY2023, to USD 1,672 million as of 30 June 2023. The reduction was driven by the repayment of bank debt via a cash sweep mechanism and the devaluation of loan and lease balances denominated in Ukrainian hryvnia.

Because the Group did not have an unconditional right to defer settlement for 12 months or longer concerning its bank facilities as of 30 June 2023, all the Group's debt liabilities were reclassified as short-term as of 30 June 2023. Notwithstanding such classification, management notes that, given the effective waivers from banks that were in place as of 30 June 2023, cross-acceleration events of default under the bonds were not triggered as of such date, and the Group remained otherwise in full compliance with the terms of its bonds.

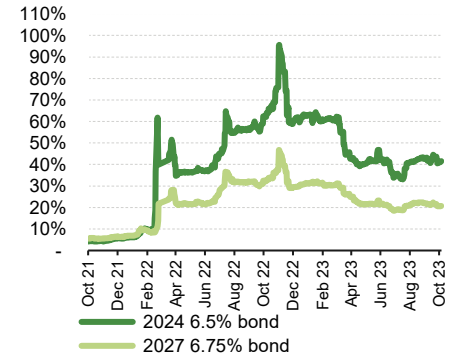
The Group's **cash position** more than

Working capital and debt position



"Working Capital", "Net Debt" and "Commodity inventories" definitions as described in section [Alternative Performance Measures](#).

Kernel Eurobonds mid-YTM



Source: Bloomberg

doubled during FY2023, reaching USD 954 million as of 30 June 2023. Besides, the Group had USD 123 million as a cash deposit pledged as collateral for certain credit facilities. While not being treated in reporting as cash available to the Group, such deposit is treated as cash for the purposes of calculating credit metrics.

Consequently, the Group's **net debt** faced a 60% reduction over FY2023, to USD 595 million as of 30 June 2023.

The **commodity inventories**¹ balance as of 30 June 2023 totaled USD 282 million, down 68% y-o-y, covering 47% of net debt outstanding. The decline is driven by the reduction of inventory volumes (mainly sunflower seeds and grain), as well as reduced cost per ton of inventory reflecting a substantial global commodity price decline in FY2023. The commodity inventories accounted for 83% of all

Liquidity positions and credit metrics

USD million, except ratios

	30 June 2022	30 June 2023	y-o-y
Short-term interest-bearing debt	1,101	878	(20%)
Lease liabilities	240	198	(17%)
Eurobonds	595	596	0%
Debt liabilities	1,935	1,672	(14%)
Cash and cash equivalents	448	1,077	2.4x
Net debt	1,488	595	(60%)
Commodity inventories	892	282	(68%)
of which sunflower oil and meal	207	118	(43%)
Sunflower seeds	325	26	(92%)
Grains and other commodity inventories	360	138	(62%)
Adjusted net debt	596	313	(47%)
Shareholders' equity	1,683	1,742	3%
Net debt / EBITDA	6.8x	1.1x	-5.7x
Adjusted net debt / EBITDA	2.7x	0.6x	-2.1x
EBITDA / Interest	1.8x	4.4x	+2.6x

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.

Financial Performance in FY2023 continued

inventories as of 30 June 2023. Throughout FY2023, the value of the commodity inventories was reduced by USD 40 million of inventory-related losses: the reduction of the net realizable value of inventories below cost, allowance for inventories and write-offs of inventories, but accounting also for a gain from the reversal of the losses on previously impaired assets.

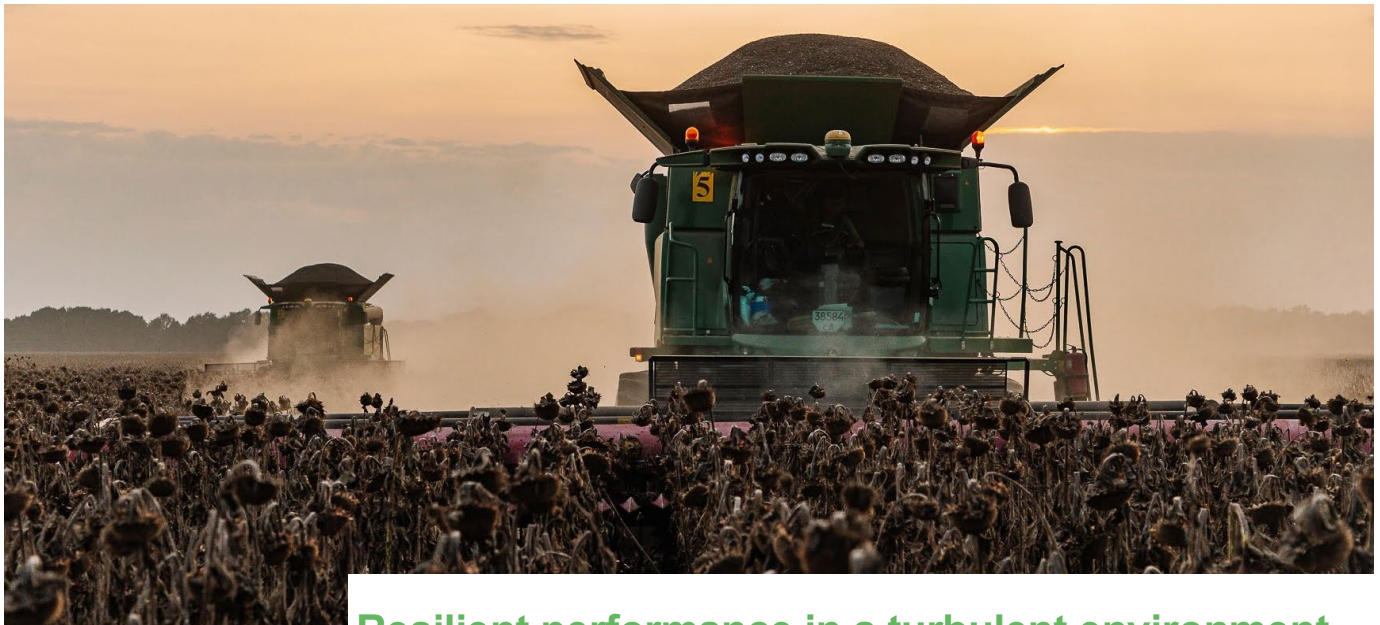
The **net debt adjusted** for commodity inventories settled at USD 313 million as of FY2023 end, down 47% over the reported period.

The **key leverage metrics** as of 30 June 2023 improved to 1.1x Net debt / EBITDA, 0.6x Adjusted net debt / EBITDA, and 4.4x EBITDA / interest coverage, driven by strong EBITDA generated for FY2023.

In March 2023, **S&P upgraded Kernel's rating to "CC"** from "SD". Additionally, in June 2023, Fitch affirmed Kernel's credit rating at CC.

To maintain liquidity and manage the uncertainty, the Group decided to continue waiver and standstill arrangements with the lenders and entered into new negotiations with the Lenders in May 2023 in respect of the commercial terms for the new standstill period till 30 June 2024. As a result and as of the date of issue of this report, the Group obtained waivers for the pre-war borrowings of USD 778 million to defer repayment and waiving of the debt covenants and some other conditions by 30 June 2024.

Oilseed Processing



2.6 million tons of
oilseeds processed in
FY2023

Resilient performance in a turbulent environment

Amidst export logistics disruptions caused by Russia's invasion of Ukraine, Oilseed Processing appeared to be the most resilient our segment in facing these challenges. Export logistics of liquid goods is easier than logistics of grain in bulk, volumes to move are lower, and margins for this higher added value product leave some space for extra logistic costs.

Even with Black Sea ports being closed, the crushing business remained profitable, thanks to high global sunflower oil prices. The Grain Deal greatly contributed to segment performance by opening Ukrainian Black Sea ports for export and reducing logistics costs, especially as prices were declining throughout the season. Segment EBITDA in FY2023 amounted to USD 270 million, as compared to USD 70 million loss at the EBITDA level a year ago.

Building on this, the Group decided to **complete the construction of the largest oilseed processing plant in Ukraine**, which had been 80% ready before the war. The construction was temporarily postponed in 2022 due to uncertainties in the business outlook. However, with the increased confidence gained, resuming the project was seen as a proper strategic move.

Besides, we **strengthened our sunflower oil export logistics** by acquiring transshipment facilities in the ports of Pivdennyi, Chornomorsk, and Reni (in the process of completion). Historically, the Group had relied on third-party facilities for sunflower oil transshipment. These acquisitions expanded the export value chain and diversified the load points in the ports, which is especially significant given Russia's intensified ongoing attacks on Ukrainian civil

Revenue

USD 1,908 million
+13% y-o-y

EBITDA

(before unallocated head office expenses)

USD 270 million

port infrastructure since July 2023.

Moreover, we took a significant stride forward along our value chain by **purchasing our first tanker for transporting sunflower oil** via rivers and seas. This acquisition affords us much-needed flexibility in securing our export logistics.

All these endeavors increase the resilience of our Oilseed Processing segment in view of potential export logistics disruptions, given that the war in Ukraine is dragging on.

The Oilseed Processing segment is expected to **remain the primary profit driver** for the Group in FY2024. However, there are potential challenges to consider. Global sunflower oil prices have significantly declined from the levels seen in FY2023, putting pressure on margins. Additionally, the intensification of Russian attacks on Ukrainian port infrastructure poses risks to export logistics and cargo loss.

Oilseed Processing

Market overview

Historically, the two key factors were materially affecting Kernel's oilseed processing business: 1) the sunflower seed **supply-demand balance** in Ukraine, which determined the **profit distribution** between farmers and crushers in the country; and 2) the **global sunflower oil prices**, impacting the **combined earnings** of local sunflower seed farming and processing.

Since Russia's full-scale invasion of Ukraine in February 2022, capabilities to export sunflower oil and meal via channels other than Ukrainian Black Sea ports and the cost of such logistics became a new important factor. While new export routes have been established in FY2023 and there are no longer capacity restrictions, **logistics costs** remain an important factor impacting the business.

Supply-demand balance

Historically, Ukraine's sunflower seed processing has been heavily localized, with the vast majority of sunflower seeds harvested by local farmers being then processed within the country. Import-export activities for sunflower seeds were negligible, and there was minimal carry-over stock between seasons. However, this landscape underwent a significant transformation following February 2022. Large volumes of sunflower seeds began to be **exported**, culminating in an impressive 2.4 million tons exported during FY2023. Furthermore, the sunflower seed supply in FY2023 was influenced by a substantial 4.6 million tons of **carry-in stock**, which served as a buffer to mitigate the adverse effects of a 29% y-o-y decline in **harvest**, dropping to 11.9 million tons. This decline was primarily due to **reduced harvested areas**, driven by the occupation of the Southeastern regions of Ukraine, a major sunflower seed-producing area, by Russia. Additionally, the **crop yield** faced a 7% y-o-y decline.

Sunflower seed processing capacity in Ukraine for FY2023 was estimated to be 16.6 million tons (not including the plants on the occupied territories or those with suspended operations for the whole or part of the season due to the proximity of the frontline). Some local crushers ceased operations having their facilities either destroyed by military actions or occupied in southern and eastern regions of Ukraine and thus being unable to properly operate. Others were not able to utilize their capacities in the best way due to power outages or export logistics difficulties.

At the same time, the FY2022 carry-over stock together with the current season harvest

provided enough feedstock for quite decent overall crush capacity utilization. It implied a pretty decent capacity utilization rate for the crushing industry in Ukraine.

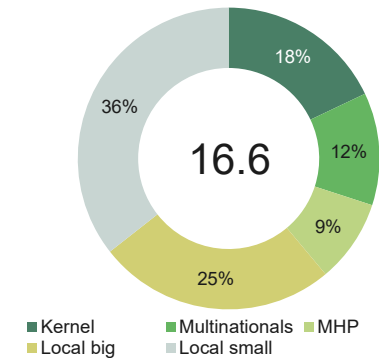
Global sunflower oil prices

Sunflower oil is the **fourth-largest consumed vegetable oil in the world**, with a 9.1% market share in the 2022/23 season. The largest consumers and importers are the EU, India, China, Turkey, Iran, and Iraq, collectively accounting for 76% of the global imports. Meanwhile, **Ukraine stands as the leading global exporter**, contributing 37% to the total exports. Throughout the 2022/23 season, Ukraine exported 4.9 million tons of sunflower oil, marking a 9% y-o-y increase¹.

Sunflower oil prices have been falling for almost the whole of FY2023 and lost nearly half of their value, led by improved global supply coinciding with demand rationing. Price patterns can be segregated at several stages:

- **Before FY2023**, vegetable oil prices had risen steadily since mid-2020 and reached a record peak in spring 2022, being driven by 1) the global monetary easing that triggered a strong post-COVID recovery; and 2) the Russian invasion of Ukraine.
- Unprecedented price levels eventually **tumbled in June 2022** triggered by Indonesian palm oil export resumption that flooded the market. Accelerated Indonesian exports remained the main bearish factor through early FY2023, subsequently bolstered by abundant EU rapeseed harvest and the Black Sea Grain Initiative finally unblocking massive Ukrainian oilseeds and sunflower oil stocks. Generally, good harvests and abundant supply have kept weighing on the world prices through the end of the year.
- Meanwhile, global demand for vegetable oils kept weakening given sluggish economic performance, high food inflation, growing interest rates, and tumbling crude oil prices. All this added further pressure on the vegetable oil prices and these factors are not yet resolved and persisted as an ongoing concern even on the day of publication of this report.
- However, there were some significant supportive events during FY2023. Vegetable oil prices revived in Oct-Nov, reacting to the fast depletion of soybean oil stocks in Argentina, where an increased incorporation mandate resulted in a sharp rise in biodiesel consumption. Similarly, US biodiesel producers increased the purchase of Canadian canola oil in an effort to meet renewable fuel targets in the US.
- The rest of the season was all-bearish until the very end of FY2023. Severe drought across the US soybean belt, followed by

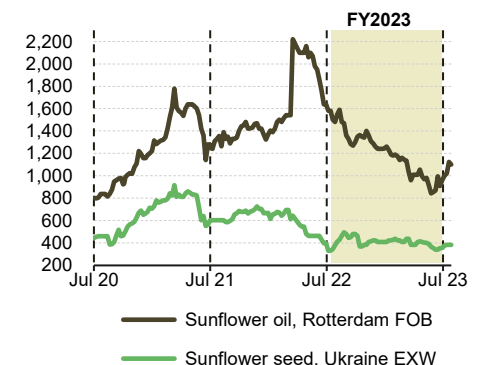
Processing capacities as at FY2023
million tons



Source: Kernel's estimates

Sunflower oil and sunflower seed prices

USD per ton of unrefined oil sold in bulk
USD per ton of sunflower seeds



Source: APK-Inform

overly dry Canadian canola areas, pushed the prices up in June-July 2023. Later on, these crops have largely recovered due to timely weather improvements. So, these days the vegetable oils market seems to be close to equilibrium and looking for directions.

Sunflower oil of Ukrainian origin was notably discounted to other origins/oils throughout the entire FY2023 season given complicated and uncertain Black Sea logistics, including regular Russian threats to leave the UN corridor deal and obstructing the normal performance of the corridor by the Russian side. Safe and sustainable export corridors are still imperative for the Ukrainian agricultural industry and global food security going forward.

¹ Source: USDA, September 2023

Oilseed Processing

Our business model

Market leader in oilseed processing

For the last years, Kernel has been the leading global sunflower oil producer and exporter, accounting for **~5% of global sunflower oil production** and **~8% of global sunflower oil export** in FY2023¹.

Asset base

Kernel owns eight oilseed processing plants in Ukraine with a total annual capacity to process 3.5 million tons of sunflower seeds.

Two of Kernel's oilseed processing plants, which were occupied by Russia at the beginning of the war in February 2022, still are not operational as of the end of the reported period, being located very close to the Russian border and regularly suffering from Russian air attacks. Adjusting for these facilities, the **Group operates 3.0 million tons of annual crushing capacity**, which corresponds to **17% of the country's** total accessible industrial **crushing capacity**².

The majority of the Group's **crushing facilities are multi-seed**, which allows switching to soybean or rapeseed processing if needed. These assets can function throughout the year, requiring only a single month for maintenance, typically scheduled during the summer.

All the assets are located across the sunflower seed production belt in Ukraine in close proximity to farmers, ensuring high utilization rates and profitability, as the low density of

sunflower seed negatively impacts the economics of long-distance seed transportation.

The Group's crushing plants are modern facilities that are properly maintained and regularly upgraded, granting Kernel processing cost advantages over many other players. The scale also allows benefitting from more efficient usage of the Group's countrywide origination network and allocation of overheads over larger volumes.

Since February 2019, Kernel has also owned a 5.85% stake in ViOil – one of the largest independent sunflower oil producers in Ukraine, but disposed of this stake in FY2023, securing exit at cost, given limited strategic opportunities related to this asset.

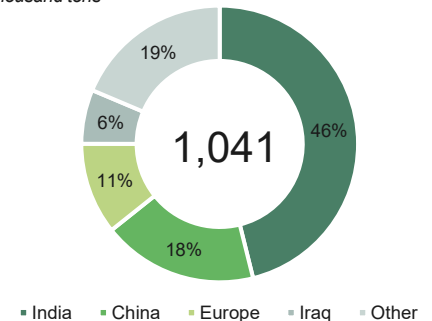
Origination and production

The Group heavily relies on the procurement of sunflower seeds from other farmers, as the Group's Farming segment secured only 13% of the feedstock processed in FY2023.

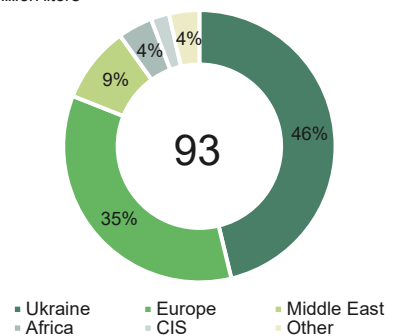
The sunflower seed processing yields two major products: sunflower oil and meal, which are exported globally, being transshipped in ports either via the Group's Infrastructure and Trading segment or through third-party terminals. Sunflower seed husk, a biomass by-product, is mostly burned in-house to generate steam for production purposes, but could also be pelletized and sold to third parties.

Four of the Group's plants are already equipped with co-generation heat and power units, burning all the husk produced and

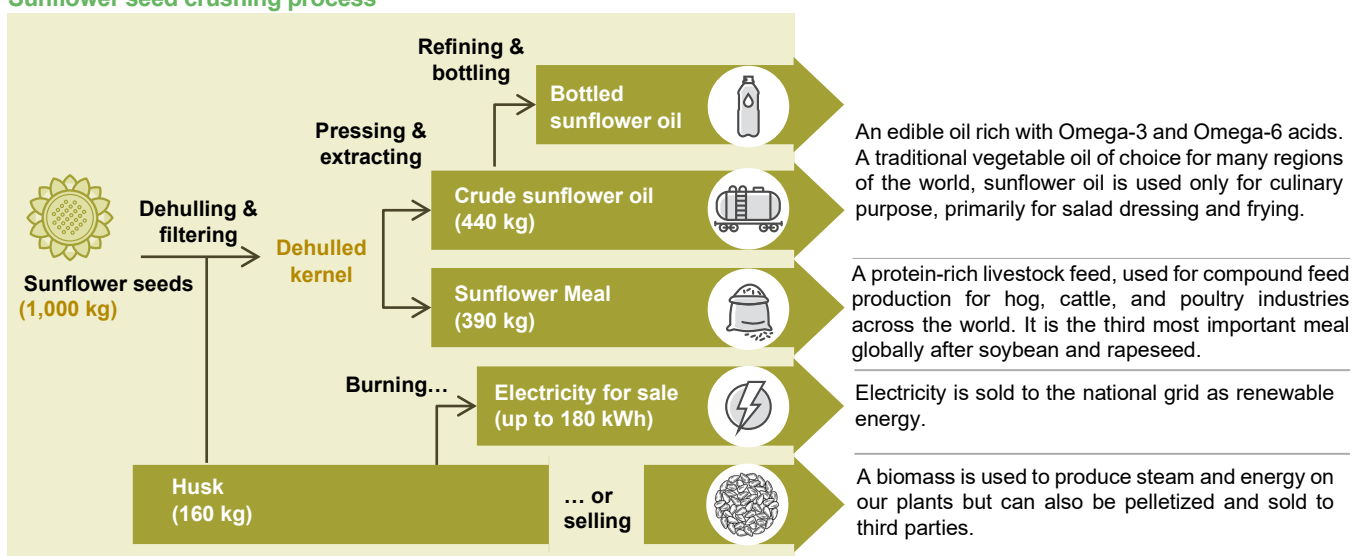
Sunflower oil sold in bulk destinations FY2023
thousand tons



Bottled sunflower oil destinations FY2023
million liters



Sunflower seed crushing process



¹ USDA, Kernel analysis.

² Source: Group's estimates.

Oilseed Processing

generating electricity. Such facilities, with a 44.2 MW installed turbine capacity, supply the electricity generated to the national grid. A state-owned enterprise "Guaranteed Buyer" is obliged to buy all such renewable energy produced at the feed-in tariff fixed in EUR by 2030. Some co-generation facilities can also supply power directly to the crushing plant.

Around 11% of produced crude sunflower oil was further refined and 7% was bottled on our Poltava plant in FY2023, granting incremental margin for such a higher added value product.

Sales

Most sunflower oil produced by Kernel plants (65% in FY2023) is sold to our Avere subsidiary, applying the arm's length principle. Avere then sells it in export countries earning extra trading margin, which is accounted for in our Infrastructure and Trading segment. Such intersegment sales comprised almost half of Oilseed Processing revenue in FY2023. In addition to marketing sunflower oil produced by the Group's plants, Avere also buys sunflower oil from other producers in Ukraine, building up the scale in global sunflower oil trading.

Sunflower oil and meal are mostly sold through forward contracts. The Group had **contractual commitments to sell** 158 thousand tons of sunflower oil for USD 149 million (implying USD 948 per ton sales price) and 129 thousand tons of sunflower meal for USD 44 million (implying USD 339 per ton sales price) as of 30 June 2023.

Markets and customers

As oilseed processing is an export-oriented business, over 90% of produced sunflower oil is exported in bulk, with India, China, Europe, and Iraq being our key markets. Kernel's customers mainly include processors of soft commodities who refine and bottle sunflower oil, and big international traders. The largest customer in FY2023 was the Kaleesuwari Refinery Private Limited in India with a 9% share in our total bulk oil sales. Other big customers include Etihad Food Industries, Beijing Grain & Oil Co., JDI Brokers Sàrl, and Parakh Food & Oils taking 7%, 5%, 5%, and 4% of our bulk oil sales volumes, respectively.

In FY2023, 53% of the produced bottled oil was exported, mostly to Europe, the Middle East, former CIS, Asia, and Africa both under the Kernel brands and private labels. The Group had a 19% share in total refined bottled sunflower oil exports from Ukraine in FY2023, supplying products to such international retail chains as METRO, Auchan, Walmart, Maxima, and others.

47% of produced bottled oil in FY2023 was sold in Ukraine to 22 nationwide retailers and 42 regional distributors, comprising 83% and 17% of domestic sales, respectively, under well-recognized brands "Schedryi Dar" (in TOP-50 brands in Ukraine¹), "Stozhar", "Chumak", and others.

Key developments

War impact

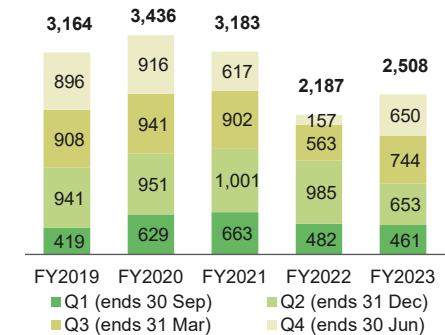
Russia's full-scale invasion of Ukraine and related business disruptions were still the main hardships impacting the segment performance in FY2023:

- **Undermined processing volumes.** The Group discontinued operations on two oilseed processing plants in the Kharkiv region with 0.5 million tons annual processing capacity. These plants were occupied by Russia in spring 2022 and have not returned to operations due to the proximity to the hostilities and given the damages suffered. Many employees were relocated and employed at the other Group's plants.
- Utilization of the remaining plants in FY2023 was negatively impacted by:
 - **Bottlenecks in export logistics** at the beginning of the season;
 - **Russia's attacks on Ukraine's energy infrastructure** commencing in October 2022. As a result, the Group was compelled to temporarily suspend crushing activities at two of its plants during November-December 2022. The co-generation heat and power units on the remaining four crushing facilities partially helped to cover the shortage of electricity from the grid and to function relatively stable;
 - **Tough supply of sunflower seeds** at the end of the season, resulting in a slowdown of processing in Q4 FY2023.

Export logistics disruptions also caused a **lack of storage capacity for sunflower oil**, which almost led to the shutdown of some of our plants. But storage capacities available at vegetable oil transshipment terminals the Group acquired in the ports of Pivdennyi, Chornomorsk, and Reni together with usage of third-party storage allowed the Group to overcome this issue going forward.

During FY2023, we explored various channels of export of sunflower oil and meal other than the Black Sea, and ultimately found Danube River ports in Ukraine as the most appropriate alternative. We then managed to secure in that region the necessary transshipment capacities to cover all our export needs in case of the Black Sea blockade by Russia, however, the export logistics cost for such a channel remains high.

Kernel oilseed processing volumes thousand tons



Kernel bottled oil selected customers



Kernel bottled oil core brands



¹ Source: MPP Consulting 2023

Oilseed Processing

Due to the inability to resume operations at the Group's two crushing plants in the Kharkiv region, the Group has been relocating some of the most valuable equipment from these plants to other Group facilities. Luckily, there were no damages to six plants in operation in FY2023.

With the uncertainties in export logistics prevailing at the beginning of FY2023, our crushing plants provided **processing services to third parties**, crushing in total 75 thousand tons of sunflower seeds via tolling agreements. When providing tolling services, the Group obtains a tolling fee but is not entitled to the regular crushing margin.

In FY2023, the **headcount in the Oilseed Processing segment** increased by 10% y-o-y, reflecting the staff hiring for the Group's new crushing plant which is being constructed in Western Ukraine. No war-related staff cuts were introduced during FY2023.

Strengthening the logistics chain

The Black Sea Grain Initiative enacted in Q1 FY2023 allowed to resumption of export activities through the Ukrainian Black Sea ports of Chornomorsk, Odessa, and Pivdennyi. However, the port of Mykolaiv, which accounted for nearly half of Ukraine's pre-war seaborne vegetable oil exports, remained blocked. With most of the sunflower oil export volumes flowing in the direction of Pivdennyi and Chornomorsk ports, the competition for available transshipment capacities there significantly increased. Given that and the strategic importance of the export of sunflower oil for Kernel, the Group acquired a vegetable oil transshipment facility in the ports of Pivdennyi. This strategic move was pivotal for us, as it provided a new avenue for exporting sunflower oil, particularly crucial when the historically significant route through Mykolaiv ports became blocked.

After the reporting date, the Group acquired vegetable oil storage and transshipment assets in the port of Chornomorsk and also entered into an agreement to acquire the vegetable oil transshipment terminal in the Reni port.

While all these assets will belong to the Group's Infrastructure and Trading segment, these facilities are important for the proper functioning of Kernel's sunflower oil export value chain.

Performance overview

In FY2023, **Kernel's oilseed processing**

Oilseed Processing segment performance

		FY2022	FY2023	y-o-y
Oilseeds processed	thousand tons	2,187	2,502	14%
Sunflower oil sales	thousand tons	967	1,139	18%
Revenue	USD million	1,681	1,908	13%
EBITDA	USD million	(70)	270	n/a
EBITDA per ton of oil sold	USD / ton	(73)	237	n/a
EBITDA margin	% of revenue	(4.2%)	14.2%	n/a

volumes amounted to 2.5 million tons¹, up 15% y-o-y primarily due to a low comparison base, as most of our plants were out of operation in March-June of FY2022 due to active war actions in Ukraine and disrupted export logistics. It resulted in an 84% utilization rate of available capacities in operation for 12 months ending 30 June 2023. Trying to improve capacity utilization, the Group processed 75 thousand tons of oilseeds via a tolling agreement throughout the reporting period, but the margin on that was well below our average crushing margin generated in FY2023. The Group has not processed other oilseeds than sunflower during the reported period. The **market share of Kernel in Ukraine's sunflower seed crushing** is estimated by the Company at 21%, slightly up from 20% in FY2022.

Edible oil sales in FY2023 amounted to 1.1 million tons, up 14% y-o-y and mirroring the growth in processing volumes. Of that, bottled sunflower oil sales amounted to 86 thousand tons, down 26% y-o-y, as the Group put out of operation the refining and bottling capacities at the Prykolotne plant in Kharkiv region.

In addition to the sales of edible oil, the Group also **sold 946 thousand tons of sunflower meal**, another product resulting from the sunflower seed crushing process. While sunflower meal is less costly than sunflower oil, its sales are crucial for capturing the entire crushing margin and preventing the accumulation of stockpiles, which could lead to the cessation of crushing plant operations. Ensuring smooth sales is essential, particularly considering the relatively short shelf life of sunflower meal. With a substantial volume of sunflower meal to be sold, it took the lead over the Group's grain in competition for the limited throughput capacity of export channels in FY2023. This prioritization was justified, considering the significantly higher margins in the oilseed processing business compared to grain exports.

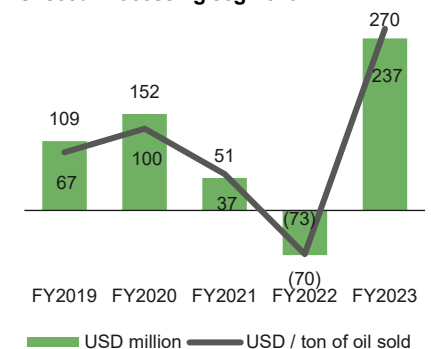
Segment **EBITDA** in FY2023 appeared to be the record one in the Group's history, peaking at USD 270 million, as compared to the USD 70 million loss at the EBITDA level for FY2022 which included heavy USD 185 million one-off war-related losses. FY2023 EBITDA also

includes USD 22 million one-off net gain from reversals of impairments and write-offs of inventories which occurred in FY2022.

EBITDA per ton of oil sold in FY2023 spiked to USD 237, the highest since 2009. Strong performance in the reporting period could be attributable to several factors working in concert, such as:

- The existence of the **Black Sea Grain Initiative** which was instrumental in enabling the export of over half of the Group's sunflower oil via Ukrainian Black Sea ports in FY2023, all at a low logistic cost.
- **Global sunflower oil prices**, while experiencing a consistent decline throughout FY2023, **remained relatively high** when compared to historical levels, allowing to absorb the elevated logistic costs associated with exporting through channels other than Ukrainian Black Sea ports;
- **Investments** and strong efforts of the team **to establish alternative export channels**;
- A rather **supportive sunflower seed supply-demand balance** in Ukraine for FY2023;
- Pricing of **substantially increased risks** related to operations in Ukraine in FY2023:
 - **risks related to VAT refund for exporters in Ukraine**: 1) probable government defaults on such refunds due to the war in Ukraine; 2) large delays with the VAT reimbursement prevailing on the market, which dilutes the working capital for crushers and increases exposure to potential FX losses (as VAT outstanding is denominated in Ukrainian hryvnia);

Oilseed Processing segment EBITDA



¹ Does not include 75 thousand tons of oilseeds processed by Kernel plants in FY2023 via tolling agreements.

Oilseed Processing

- **unpredictability of export logistics** implying the potential for growing logistics costs and higher exposure to goods quality deterioration risks;
- **general business continuity risks** in Ukraine due to ongoing war;
- **lack of proper hedging strategy.** In previous seasons, a regular way to run a crushing business was to lock the margin by buying sunflower seeds and selling sunflower oil approximately simultaneously. In the current season, crushers need to take substantial long positions, increasing **business vulnerability to global price declines**;
- **Proceeds from sales of renewable energy**, which becomes a material addition to the segment's earnings and serves as a return on our historic investments in the construction of co-generation heat and power facilities adjacent to the Group's crushing plants.

When considered together, these factors formed a potent synergy that propelled the Group's performance. However, the potential of this combination diminished as we approached the end of the season, and it's unlikely to be achievable in FY2024.

FY2024 outlook

Due to obvious limitations, we are unable to offer any guidance for the upcoming season. However, we would like to emphasize key performance drivers to monitor in FY2024.

Export capabilities

The status of Ukrainian Black Sea ports for agricultural product exports remains uncertain, although recent developments offer some optimism. Nevertheless, the Group has proactively secured ample export capabilities for sunflower oil and meal, even in the event of potential Black Sea port blockades. In such a scenario, we anticipate higher logistic costs but believe that prevailing oilseed processing margins will help absorb these expenses.

However, shortly after the termination of the Grain Deal, Russia resumed attacks on Ukraine's civil port infrastructure, resulting in damage to assets in Danube ports engaged in the transshipment of the Group's sunflower oil and meal. While the impact of these attacks has been manageable so far, there remains a significant risk that further destruction could be more severe, potentially posing a threat to our export capabilities.

Supply-demand balance

Sunflower seed supply in Ukraine

We estimate that the 2023 **sunflower seed harvest** in Ukraine will reach 14.2 million tons, up 19% y-o-y. Ukrainian farmers shifted to sunflower from corn as sunflower cultivation

Construction site of Kernel new oil-extraction plant in Western Ukraine, August 2023



requires fewer fertilizers, less natural gas for crop drying, and places less strain on storage and logistics infrastructure due to its lower crop yield per hectare. This transition had a positive impact on the 2023 oilseed harvest.

However, with a **low carry-in stock** for FY2024, the supply of sunflower seeds in the market will only see a modest increase of 2-3% year-over-year compared to the previous season when a substantial 2.1 million tons carry-in balance significantly bolstered oilseed supply. A key question is the extent of sunflower seed exports, as aggressive export activities might diminish the available stock for crushing.

At the beginning of the FY2024 season, we already faced a **deficit of sunflower seeds**. As of 30 June 2023, we had only 67 thousand tons of sunflower seeds in stock – the lowest amount since FY2016 for that part of the season. Consequently, two of our oil extraction plants switched to rapeseed processing in Q1 FY2024, crushing in total 113 thousand tons of rapeseed.

It shall be flagged, however, that many farmers in Ukraine, including the Group's own farming business, substantially deviated from normal crop rotation practices for harvests of 2022 and 2023 in favor of a higher share of sunflower in crop acreage, as sunflower granted profitability even in case of the most severe scenarios. But the practice of keeping the share of sunflower in the crop mix high is not sustainable, and already in 2024 farmers will need to significantly reduce the acreages under sunflower – otherwise crop yields will be negatively impacted due to the spread of pests and diseases.

Oilseed processing capacities

The Group entered the FY2024 season with 6 crushing plants in operation having in total 3 million tons of annual sunflower seed processing capacity. Re-integration of the other 2 plants in the Kharkiv region does not seem feasible in the near future.

In addition, we are on track to commission our new state-of-the-art crushing plant in the Khmelnytskyi region in spring 2024. This facility will possess an annual processing capacity of 1 million tons of sunflower seeds, making it the largest of its kind in Ukraine. Despite facing over a year of construction delays due to Russia's full-scale invasion of Ukraine, our management made a strategic decision in 2023 to see the project through to completion. Several factors underpinned this decision:

- **Resilient profitability:** our Oilseed Processing business has demonstrated robust margins during the wartime conditions in Ukraine and is anticipated to remain a key profit driver for FY2024. Ukrainian farmers are expected to increase their sunflower seed production, providing a substantial supply base. Additionally, the current global prices for sunflower oil and meal offer the opportunity to absorb high export logistics costs, leaving also room for profit for crushers and farmers.
- **Substantial investment progress:** at the time of this decision, the Group had already invested USD 230 million out of a total of USD 278 million. The facility was nearly 80% staffed, showcasing significant progress in its development.

The plant will be equipped with a co-generation heat and power unit having 22.5MW electricity generation capacity. This capability is of paramount importance, especially considering the potential for power outages in Ukraine.

Oilseed Processing

As a result, the Group is likely to end the season with 4 million tons of sunflower seed crushing capacity per annum.

We will try to keep the capacity utilization of our plants as high as possible, but it will require a sizable amount of working capital to be deployed.

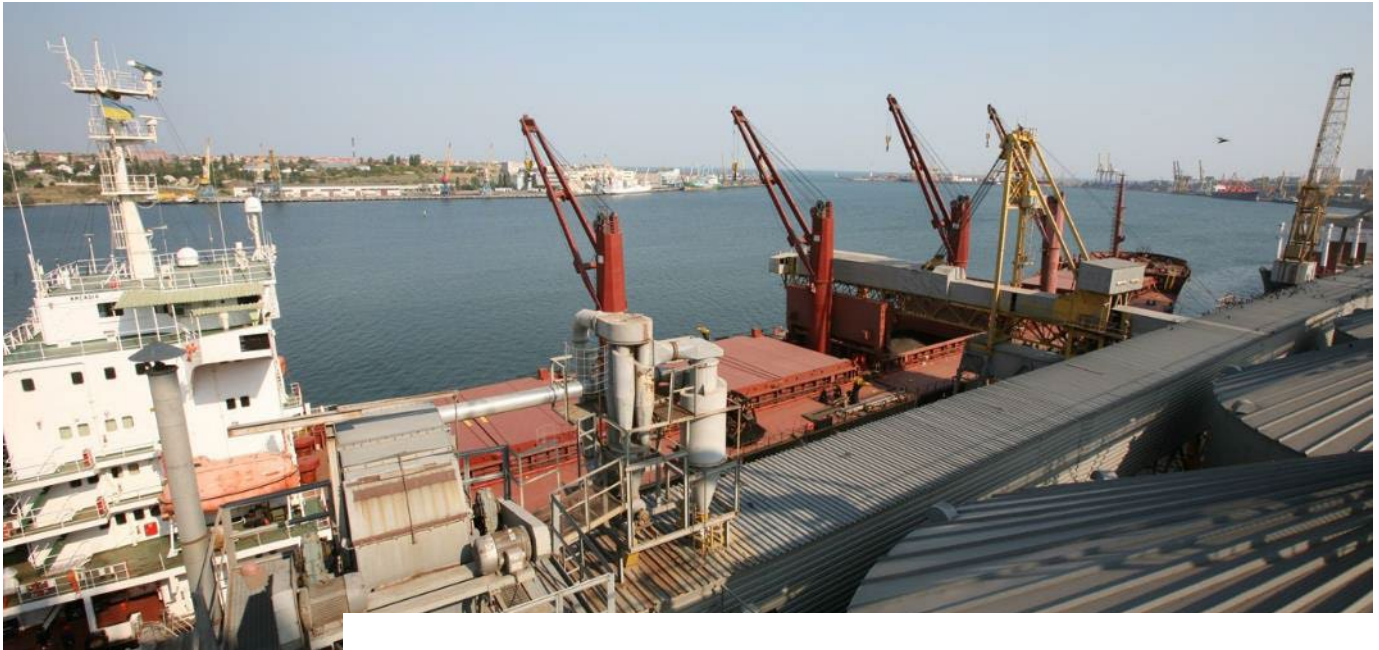
Other profit drivers

In November 2023, we aim to **commission our fifth co-generation heat and power ("CHP") facility** with 21 MW installed electricity generation capacity. The project undeniably holds strategic significance for us, as it bolsters energy security for both our business and Ukraine. The sixth CHP unit, a 6 MW facility at our Vovchansk plant, may not be put into operation in the foreseeable future due to the asset's proximity to the Russian border. The commissioning of the seventh CHP unit, a 22.5 MW unit at our new plant in the Khmelnytskyi region, is expected to take place in spring 2024.

Power outages

It is very likely that Russian **attacks on Ukrainian energy infrastructure** which heavily impacted Ukraine's energy system in FY2023 will repeat in FY2024. While the Group is generally better prepared for such a scenario than in FY2023 and our renewable energy investments allow us to partially mitigate risks of blackouts, the severity of the possible impact is hardly predictable.

Infrastructure and Trading



**Exported 3.7 million
tons of grains from
Ukraine in FY2023**

Tumultuous period with remarkable instability

The Infrastructure and Trading segment has come through one of the most turbulent seasons ever. With its full-scale invasion of Ukraine, Russia has also impeded Ukraine's agricultural sea-bound exports, leaving the Group without channels to export produce.

We entered the season with the largest-ever carry-over stock of grain of 1.8 million tons. Accounting for procurement of 1 million tons, export of 3.7 million tons, and crop of our own farming business, we ended the season with 1.1 million tons of grain inventories, substantially reducing pressure on our infrastructure. Our grain export volumes in FY2023 were reduced twofold, and grain procurement from third parties reduced 7x y-o-y.

The EBITDA of the segment in FY2023 remained robust, totaling USD 154 million. This strong performance was primarily attributed to the infrastructure and logistics assets in Ukraine, especially during the active phase of grain exports facilitated by the Black Sea Grain Initiative (BSGI). The Grain Deal played a pivotal role in securing the EBITDA of this segment, considering that 90% of the Group's grain exports were executed within the framework of the Grain Deal.

The financial performance of this segment was marked by significant volatility. Periods when the grain corridor faced disruptions resulted in losses, particularly in Q4 FY2023. Conversely, quarters characterized by the smooth operation of the Grain Deal substantially contributed to the segment's overall performance for the entire fiscal year.

Revenue

USD 2,602 million
-43% y-o-y

EBITDA

(before unallocated head office expenses)

USD 154 million
-35% y-o-y

The majority of the Group's investment efforts were concentrated on enhancing infrastructure and logistics assets. These investments included the acquisition of transportation assets such as vessels, containers, flat railcars, and trucks, as well as the acquisition of transshipment facilities for grain and edible oil.

The next season brings new challenges. The Grain Deal is over, and we faced a significant decline in export volumes in Q1 FY2024. Assuming the Black Sea is closed for our exports, the outlook for the segment is blurry. However, some hope remains, as recently Ukrainian military introduced temporary routes towards the ports of Odesa regions. The capability of this path is yet to be proved.

Russian attacks against Ukraine's port infrastructure continue on a regular basis and exacerbate concerns about the performance next year.

Infrastructure and Trading

Market overview

The key market factors important to follow for the Infrastructure and Trading segment performance include the availability of the Ukrainian Black Sea ports for export operations and the dynamics of global grain prices. Other factors include the harvest of grains in Ukraine, competition among grain traders in Ukraine, and competition among grain infrastructure assets, to name a few.

Black Sea Grain Initiative

BSGI was paramount for the export of agricultural produce from Ukraine in FY2023. Signed in July 2023, it secured the export of 54% of total Ukraine's export of grain during the season, 27% of vegetable oils, and 38% of oilseed meals, even though the functioning of the corridor was less than flawless. For more detailed information, please refer to the next page.

Grain harvest in Ukraine

In FY2023, Ukrainian farmers **harvested 55 million tons¹** of grain, down by 36% y-o-y. The acreage under grains, namely: corn, wheat, and barley decreased from 15 to 11 million hectares due to a large part of Ukrainian territories being temporarily occupied by Russia, as well as a substantial portion of land remaining inaccessible due to active military actions taking place.

At the same time, record carry-over stock from the previous season kept the **grain supply in Ukraine** at a strong 71 million tons, 19% down y-o-y.

Despite the continued war and low harvest, in FY2023 the grain exports from Ukraine were relatively stable compared to the previous years and amounted to 48 million tons, a slight decline of 4% y-o-y. Ukraine became the fourth-largest exporter globally in the 2022/23 season after the USA, Brazil, and Russia, and kept a 9.7% market share in global grain trade².

Competition among grain traders

The disruption of Ukraine's traditional grain export channels, the expansion of exports through alternative routes, and the implementation of the Black Sea Grain Initiative with its specific vessel allocation system have led to a significant rise in competition among grain traders. Many new, smaller players have entered the grain export market. As a result, the market share of Kernel and other big multinational trade houses like Louis Dreyfus, Cargill, ADM, and COFCO, significantly reduced. In this competitive landscape, Kernel leverages its extensive infrastructure network and

logistical assets to maintain a competitive edge.

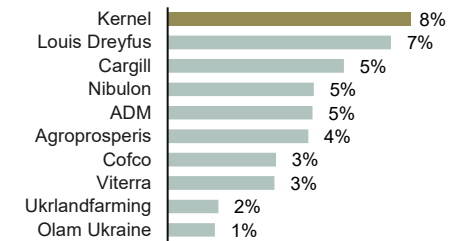
Global grain prices

The evolution of global grain prices in FY2023 was determined by the following factors:

- After being at a record high for a few months following the sudden onset of the Russian war, global grain markets finally witnessed a **sharp decline in late June-July of 2022**. Both wheat and corn retreated greatly from the previous values yet remained at historically high levels. Wheat prices took the lead in the plunge, reacting to record Russian yields and exports. Other bearish factors included Ukraine's regained access to the Black Sea via BSGI, Northern hemisphere harvest pressure, quantitative tightening resulting in stronger USD, fears of global recession, and massive arrival of South American corn harvest to the global marketplace.
- **Around Aug-Sep 2022**, grain prices have somewhat rebounded in response to dry growing conditions in the EU and North America, followed by major drought in Argentina. On top of that, Russia started to blackmail the world threatening to quit the BSGI. Such regular threats and deliberate disruptions of the corridor's proper functioning will continue to be a bullish factor through the end of the season until the actual Russian withdrawal from the deal in July 2023.
- The next bearish phase started in **October 2022** and generally prevailed for many months, all the way through the **end of May 2023**. The main drivers were Black Sea Grain deal renewals and relatively good performance, record Russian exports, record high Australian crop came to light, huge Safrinha crop looming, big enough to offset drought losses in Argentina, and finally good prospects for the new 2023 wheat and corn harvest in the Northern hemisphere. Moreover, the other long-standing bearish fundamentals retained their relevance - global monetary tightening in an attempt to curb inflation, slowing the world economy, sluggish consumer demand globally, and concerns about Chinese buying capacity in particular.
- **At the end of FY2023**, grain prices were set to decline yet further given ample supply and uncertain demand, but here came the weather - the US Midwest faced severe drought, dry conditions in Canada and parts of the EU and Russia set prices on the rise in late May-first half of June 2023. However, it did not last long, as timely rains and larger-than-expected corn acreage in the US brought a bearish tone back to the market at the end of June 2023.

Top-10 grain exporters from Ukraine in FY2023

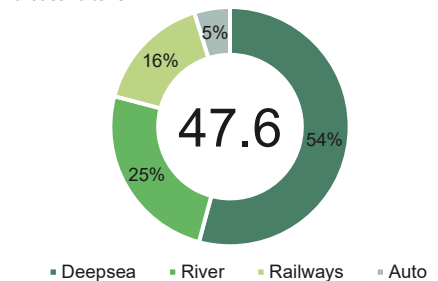
% of total grain export



Source: STARK, Kernel

Grain exports from Ukraine by transport in FY2023

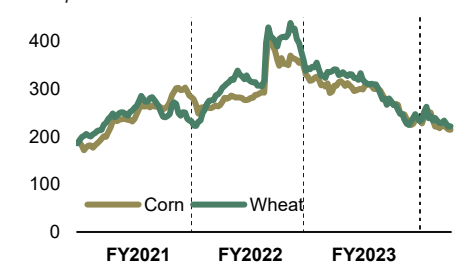
thousand tons



Source: Agrochart, Kernel

Corn and wheat prices, FOB Constanta

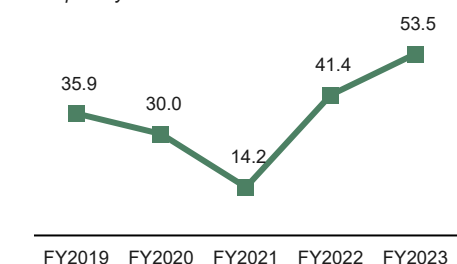
USD per ton



Source: Agricensus, Kernel

Average grain railcars lease costs in Ukraine

USD per day



¹ Three key grains: corn, wheat, and barley. Source: Company estimates as of October 2023.

² Three key grains: corn, wheat, and barley. Source: USDA, as of October 2023.

Infrastructure and Trading

All in all, it has been a challenging year for the global food industry, but more so for Ukrainian farmers and exporters who were particularly hard-hit.

Grain railcars business

Grain railcars remained in large demand in FY2023, driven by increased exports by railways (11.5 million tons of grain, vegetable oils, and meals) and the Grain Deal granting a window of opportunity to export via the Black Sea and the respective delivery of grain by railcars to ports.

Our business model

The Infrastructure and Trading segment encompasses multiple interconnected business units that form a supply chain bridging Ukrainian farmers with global markets. These units include silo services, transportation and logistics assets, export terminals in ports, vessels, grain origination and export operations in Ukraine, as well as Avere operations (offshore physical and proprietary trading).

Grain export business

Kernel is the leading grain exporter from the Black Sea region and stands as the largest grain exporter from Ukraine. The Group is involved in purchasing grain from local grower partners (including its own Farming segment) and exporting it from Ukraine, navigating in this low-margin business by effectively combining the following components:

- **Experienced procurement team** with country-wide presence and deep understanding of local trends and regional peculiarities;
- **First-hand access to the unique in Ukraine own infrastructure** – the largest private silo network, the largest private fleet of grain railcars, as well as the largest deep-water grain transshipment capacity in ports;
- **Prudent risk management:** locking up the margins by selling grain through forward contracts in a similar time frame as purchasing it from farmers on the spot market¹;
- **Client-friendly approach** allows Kernel to positively differentiate relationships with farmers managing it through the centralized **CRM system IBuyMore** and supporting them with numerous value-added initiatives:
 - Kernel used to be **one of the largest providers of pre-crop financing** to farmers in Ukraine, with loan amounts reaching USD 120 million at peak. However, due to various business restrictions and implied risks caused by Russia's full-scale invasion of Ukraine, the Group does not maintain such activities any longer.

- With the **Open Agribusiness** initiative, the Group shares know-how and provides various services to third-party farmers operating on a total of 168 thousand hectares of land.
- Kernel provides advanced IT solutions to the suppliers, including an electronic document flow system that simplifies paperwork for farmers and accelerates deals execution, as well as the **Transithub** virtual truck navigation solution for providers of grain and oilseeds logistics.

More than 67% of the grain exported from Ukraine in FY2023 was sold on the CFR/CIF basis when Kernel also organized transportation of goods by sea to the port of destination. FOB sales amounted to 26% of the Group's export volumes in the reported period.

In FY2023, Kernel **exported 1.6 million tons of ISCC-compliant corn**, which is used for bioethanol production and grants a price premium over conventional corn, as ISCC certification confirms that corn was produced in an environmentally and socially sustainable way.

Silo services

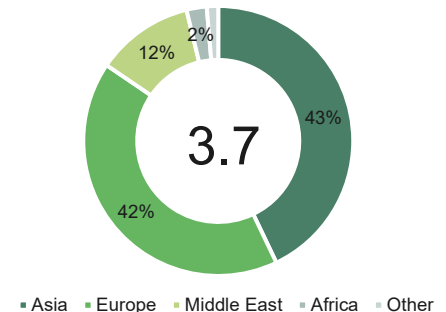
We operate the **largest private inland silo network in Ukraine**, which includes 28 silos with a combined grain storage capacity of 2.2 million tons. On top of that, we also have available 0.3 million tons flexi bags storage capacity for the FY2023 season. The assets network includes highly productive storages capable of loading shuttle trains (54 railcars) in one day, but also smaller and less efficient floor-type silos.

Situated strategically throughout Ukraine's primary grain-producing regions, these silos offer a full suite of services, including grain intake, drying, cleaning, storage, and off-loading services to both our Farming segment and third-party farmers across the country. Grain intake at the silos commences with wheat in July and concludes with corn in December, allowing them to achieve a seasonal turnover exceeding 1.0x their storage capacity.

In addition to its standard services, Kernel's **silo network** plays a crucial role as an **origination tool**. It allows the procurement team to acquire grain and sunflower seeds from farmers within a 100-kilometer radius, establishing the Group as the preferred choice for farmers. This widespread network of inland silos also fosters strong relationships with farmers and offers enhanced insights into the Ukrainian grain supply.

Transportation and logistics assets

Kernel grain export from Ukraine destinations
million tons



The Group operates numerous transportation and logistics assets that are used for inland logistics (by rail or road) when exporting grain, sunflower oil, and meal from Ukraine.

Assets used for railway logistics include:

- **Grain railcars.** Kernel is the largest private operator of grain railcars in Ukraine, with an 11% market share of the total grain hoppers fleet in Ukraine. The Group owns 3.4 thousand railcars used to deliver grain from both Kernel-owned silos and those operated by other entities' silos to the grain transshipment terminals in the ports. Ownership of the railcars allows Kernel to save on lease payments, though still paying for the usage of railway traction and infrastructure. Since the beginning of the war in Ukraine, 8% of the Group's wagons have remained stuck in the territories temporarily occupied by Russia. The remaining railcars serve as a huge support when utilizing the railway export routes.
- **Specialized containers.** The Group owns **100 specialized railway containers** designed for the transportation of grain and sunflower meal via container flatcars, as well as **400 railway tank containers** for the transportation of sunflower oil via container flatcars.
- **Rail flatcars** in the amount of 99 units to transport containers by railways;
- **Railway tanks** for sunflower oil transportation in the amount of 77 units.

In addition, Kernel owns and operates a **fleet of vehicles**, including 22 tanker trucks for transporting sunflower oil and 81 trucks with trailers for grain transportation.

Export terminals

Kernel is **one of the largest port operators in Ukraine**. The Group's infrastructure in operations includes:

- **TransBulkTerminal** in the deep-water port of Chornomorsk – **the largest grain transshipment facility in Ukraine**, allowing the

¹ Deviations from such approach may appear during the business disruptions caused by the war in Ukraine.

Infrastructure and Trading

Group to handle 10 million tons of grain per annum. It is capable of servicing over-Panamax-sized vessels with a deadweight of up to 100,000 tons and maximum loading at berths of up to 80,000 tons.

- **OilExportTerminal** in the deep-water port of Pivdennyi – a vegetable oil transshipment terminal with a capacity to transship 0.5 million tons of sunflower oil per annum. The asset was acquired by the Group in FY2023
- **Danube Prom Agro** terminal in the river port of Reni, allowing to export of 0.4 million tons of grain/sunflower meal per annum. The Group acquired this asset in FY2023.

Furthermore, in Q1 FY2024 the Group acquired through a bankruptcy proceeding **selected assets of the vegetable oil transshipment terminal in the Chornomorsk port**. The facility is currently not operational, and additional investments and preparations are required to bring it to full functionality.

Finally, in Q1 FY2024 the Group agreed to acquire the **Reni-Oil sunflower oil transshipment terminal in the port of Reni** on the Danube River with a capacity to transship 700 thousand tons of sunflower oil per annum.

Kernel's terminals transship mainly grain (77% of total throughput in FY2023), but also sunflower meal, sunflower oil, and sunflower husk.

Vessels

As a new business line added in FY2023, the Group owns and operates bulk carrier "Eneida" with grain cargo capacity of 44 thousand tons and tanker "Mavka" with sunflower oil cargo capacity of 12.5 thousand tons.

Exercising complete control over the entire value chain (from silos to railcars to port terminals and vessels) allows us to improve the

efficiency and reduce costs of export logistics.

Avere operations

Avere is a research and knowledge platform founded in FY2018 and headquartered in Switzerland, with representative offices in the USA, Singapore, and China. Avere employs a highly skilled team of 32 professionals specializing in research, trading, and execution. Leveraging its expertise, Avere engages in merchandising and proprietary trading of grains, oilseeds, and related commodities in key global markets.

Avere financial results might be quite volatile because of its trading nature. Market risk taken by Avere is managed by various tools, including monitoring and restricting such metrics as:

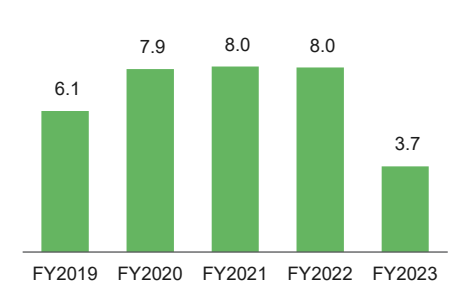
- Drawdown (difference in value from the most recent peak to the most recent trough in the market); and
- Value-at-risk (a maximum potential loss over one day with 95% confidence).

Key developments

Russia's full-scale invasion of Ukraine blocked Ukrainian Black Sea ports, our usual export route, for export operations. Throughout FY2023, the Group was in search of alternative export routes. After testing many options, it became obvious that there is **no viable alternative to deep-water ports of the Black Sea**. The next best option is the Ukrainian Danube River ports of Reni and Izmil, but the capacity there is limited, and logistics costs are much higher. Export via railcars or trucks to the EU or transiting the EU to other destinations is even more expensive and lacks capacity.

With the BSGI granting some relief, our grain **export volumes substantially recovered, but still were well below pre-war levels** due

Kernel grain export from Ukraine
million tons



to constant Russia's sabotage of vessels' inspection, as the Russian navy was authorized to conduct weapons inspections on vessels at the Bosphorus Strait, located at the gateway to the Black Sea. Before the war, our monthly export volumes peaked at 1.2 million tons, utilizing our world-class deep-water port infrastructure. With the Grain Deal in place, the maximum reached was 50% lower, only 0.6 million tons per month.

At the start of the season, there was a physical shortage of agriculture export capacity through channels other than the Black Sea ports of Ukraine. However, as the season progressed, export capacities expanded significantly. Danube River ports achieved a monthly throughput of 2.5 million tons, rail transport exports peaked at 1.5 million tons, and a maximum of 0.7 million tons were exported via trucks. Despite these substantial capacity enhancements, a season-long decline in global prices led to price levels that made achieving profitable sales extremely challenging, especially in light of the persistently high logistic costs.

Due to limited export capabilities, a surplus of carry-over stock, and a significant grain harvest from our own Farming segment,

First vessels added to the Group's asset portfolio

"Eneida"

- bulk carrier with a grain cargo capacity of 44 thousand tons



"Mavka"

- tanker with sunflower oil cargo capacity of 12.5 thousand tons



Infrastructure and Trading

substantially **reduced the grain procurement activities in FY2023**. Throughout the reporting period, we procured only 1.0 million tons of grain from other farmers, a substantial reduction compared to the 7.1 million tons purchased in FY2022.

Fortunately, our grain export infrastructure remained largely intact in FY2023. The only exception was the Group's silo with 50 thousand tons of grain storage capacity in Huliaipole, Zaporizhzhia region, which sustained initial damage at the onset of the conflict and was ultimately destroyed during FY2023 due to ongoing military activities in that region.

The **headcount of the segment increased 2% y-o-y**, to 2,741 employees as of 30 June 2023. The new hires are mostly associated with the additional employees required for the Group's pioneering of the alternative export routes.

Asset base optimization

In FY2023, the Group completed the disposal of two floor-type grain storages which had started in FY2021. The cash consideration received amounted to USD 4 million. Additionally, the Group is in the process of disposal of one additional floor-type grain silo with 50 thousand tons of grain storage capacity.

Fleet investments

Due to the disruptions in grain and sunflower oil export logistics caused by the war in Ukraine, the Group recognized a pressing need for its fleet to facilitate these commodities' exports. Early in FY2023, the Group acquired two used vessels: one capable of carrying 12.5 thousand tons of sunflower oil and the other with a grain cargo capacity of 44 thousand tons. This strategic acquisition, totaling USD 17.8 million, significantly improved the efficiency of the Group's export value chain. Encouraged by the synergies gained from this investment, Kernel is actively exploring further opportunities related to sea vessels.

At the beginning of FY2024, the Group also secured two oil tanker convoys (9,800 tons in total) and is considering further fleet investments. Additionally, the Group invests in securing the availability of river barges.

Strengthening the asset base

In February 2023, Kernel acquired a Danube Prom Agro grain terminal in the Reni port of Ukraine. The facility 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. The Group intends to keep investing in its operations in the

Acquired sunflower oil transshipment terminal in the port of Pivdennyi



Reni port to expand the transshipment capacity, and such investments will be leveraged by the Agricultural Resilience Initiative of the USAID which agreed to procure and supply the equipment needed for such expansion.

Furthermore, the Group initiated a project to construct a new grain and sunflower oil transshipment terminal in Reni, securing the land plot, preparing the project, and contracting some of the equipment required. However, in light of renewed Russian attacks on the Danube River port infrastructure at the outset of FY2024, the Group decided to postpone the facility's construction. The assessment indicated that the risks of newly constructed storage capacities being vulnerable to Russian air attacks were unacceptably high, leading to the suspension of the project.

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 an enterprise value of USD 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.

Once it became obvious that the Grain Deal would not be extended, we understood the urgent need to secure sunflower oil transshipment capacity via the Danube River. As such, after the reporting date, we **agreed to acquire 100% of corporate rights in Reni-Oil LLC, a sunflower oil transshipment terminal** with 15 thousand tons of one-time sunflower oil

Acquired sunflower oil storage and transshipment assets in the port of Chornomorsk



Infrastructure and Trading

storage in the Reni port for USD 24.75 million. It is the only terminal with proper intake, storage, and off-loading capacities among Ukrainian Danube River ports, allowing to export of sunflower oil even in case of the blockade of the Black Sea ports. The deal is expected to be completed by 31 December 2023.

Additionally, to improve the resilience of its oilseed processing business which has been the Group's major earnings driver recently, the Group **acquired assets used in the transshipment of vegetable oils in the port of Chornomorsk** for USD 19.4 million. In case Ukrainian Black Sea ports remain blocked, the Group intends to use such assets as an important storage and transshipment hub to receive the sunflower oil by railway, accumulate it in storage, and then redirect sunflower oil by trucks to the Danube River port, thus reducing the logistics costs of the alternative export route. One-time sunflower oil storage of 105 thousand tons allows the Group not to stop crushing plants during transportation disruptions, as heavily experienced in FY2022-FY2023, and smooth down the logistics. In case Ukrainian Black Sea ports are unblocked, the assets will be used as a core deep-water transshipment base on the Black Sea for sunflower oil exported by the Group. Historically, the terminal was inactive and not adequately maintained for an extended period, so it will take some time to make it fully functional.

Performance overview

The Infrastructure and Trading segment achieved favorable results in FY2023 despite the challenges posed by the war in Ukraine. These outcomes primarily hinge on the accessibility of the Black Sea for grain export, the extensive infrastructure and logistics assets held by the Group, and the dedicated efforts of our team.

Operational performance

In FY2023, the Group **exported 3.7 million tons of grain from Ukraine**, a 54% y-o-y decline because of logistical issues spawned by Russia's war on Ukraine. The limited throughput capacity of the BSGI, combined with the Group's priority to export sunflower meal, a product of more profitable oilseed processing operations, does not allow Kernel to export more grain when the Black Sea was open for exports. And high logistic costs associated with exporting through channels other than the Black Sea, along with declining global prices, forced the Group to minimize loss-making shipments via alternative export channels.

As a result, only up to 10% of Kernel's export

Infrastructure and Trading segment performance

		FY2022	FY2023	y-o-y
Grain export volumes	thousand tons	7,969	3,705	(54%)
Export terminal's throughput (Ukraine)	thousand tons	7,269	4,433	(39%)
Grain received in inland silos	thousand tons	4,185	2,825	(32%)
Revenue	USD million	4,535	2,602	(43%)
EBITDA	USD million	237	154	(35%)
EBITDA margin <i>per ton of grain exported</i>	USD	30	42	40%

volume left Ukraine via channels other than the Black Sea in FY2023, while over 90% was exported via the Group's TransBulkTerminal within the BSGI, underscoring the pivotal role of Grain Deal in maintaining the Group's financial standing.

Corn comprised 77% of exported volumes, wheat – 17%, and the remaining percentage standing for barley and other crops. The Group's own Farming segment produced almost half of the grain Kernel exported in FY2023. Given disruptions in export logistics and many new small players entering the market, Kernel's **market share in grain export** has **contracted**, reaching 8% for FY2023, as compared to 16% in the previous season¹. In FY2023, the Group kept 10% of all corn exported from Ukraine, 4% of wheat, and 5% of barley¹. Despite substantially losing market share, Kernel retained its position as the largest grain exporter from Ukraine.

During the reported period, **Kernel transshipped 4.4 million tons of goods** (grain, sunflower meal, oil, and husk) through its port facilities, down by 39% y-o-y. The decline is mainly attributed to the disruptions of operations of Ukrainian Black Sea ports due to the war in Ukraine.

The volume of **grain received in inland silos** has amounted to 2.8 million tons, 32% down y-o-y, reflecting lower crop size in 2022 as compared to the 2021 year and large carry-over stock from the previous season.

Financial results

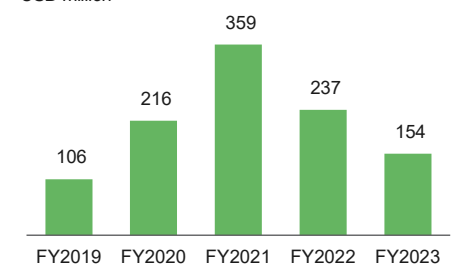
Segment **EBITDA** in FY2023 amounted to USD 154 million, down 35% y-o-y. The decline is mostly driven by virtually no contribution from Avere trading activities in FY2023, as compared to USD 134 million Avere EBITDA generated in FY2022. As such, practically all segment EBITDA in the reporting year was generated by infrastructure businesses in Ukraine:

- **Strong EBITDA of the railcars business line.** With the Grain Deal in place and the constant risk of its termination, all players in Ukraine pushed hard trying to export as much as possible during this window of

opportunity. Consequently, lease rates for grain railcars in Ukraine reached record highs, practically doubling the EBITDA of for Group's grain railcars business in FY2023 as compared to the previous period.

- **Higher y-o-y contribution from silo business line** despite much lower grain intake volume, driven by:
 - higher proceeds from storage services given large carry-over stock from FY2022;
 - overall market tariffs increase for silo services;
 - more grain drying services provided and lower cost of natural gas used for drying services.
- **EBITDA of the export terminals business line** reduced y-o-y primarily due to lower transshipment volumes but still remained a substantial contribution to the segment's earnings.
- **Origination margin in Ukraine** in FY2023 resulted in a small loss at the EBITDA level but was hugely volatile over the season. Loss in the first quarter (when the Black Sea was closed or not fully functional yet) turned into profits in the second and third quarters (as we benefited from cheap logistics when exporting goods from Ukraine via the Black Sea Grain Initiative) and then turned again into a substantial loss in the last quarter when low global prices and constraints of exporting via Grain Deal took a toll.
- Various **one-off factors** resulted in a USD 8 million loss on the EBITDA level, including USD 8.5 million allowance for VAT created, USD 1.4 million write-offs of railcars which remain blocked on territories temporarily occupied by Russia, partially compensated

Infrastructure and Trading segment EBITDA USD million



¹ Source: Kernel analysis

Infrastructure and Trading

by a positive effect from reversal of impairment of inventories recognized in FY2022.

The volatility of the business environment during FY2023 was strongly reflected in the quarterly results of the segment. When adjusted for offshore Avere trading activities, the **grain export value chain in Ukraine was loss-making** in the first and the last quarters of the season but made good money in the second and third quarters benefitting from the ability to export goods via the Black Sea ports of Ukraine.

FY2024 outlook

We identify two key risks for FY2024: the blockade of the Ukrainian Black Sea ports for the export of goods and Russian missile attacks on the Group's infrastructure.

Black Sea ports functioning

On 18 July 2023, Russia unilaterally withdrew from the BSGI and re-imposed the blockade of Ukrainian deep-water ports. It negatively and materially impacted the Group's export capabilities as the BSGI was a major channel for delivering soft commodities to the international marketplace. Any alternatives to sea-borne trade are limited in capacity and more expensive from a logistics standpoint adversely impacting operating profitability.

However, in late September 2023, the Ukrainian military introduced temporary routes for commercial navigation of vessels leaving Black Sea ports. Amid threats, first vessels started to use a new shipping route that

allowed to revive grain export to circumvent the Russian blockade. The Group's own vessel was among the first which use such a route to load the grain and deliver it to the export market. It is not clear, however, how sustainable such a new route is and what could be its throughput capacities. Not so many vessels left so far using this route. **The ability to export via Ukrainian Black Sea ports is critical for maintaining the segment's profitability in FY2024.**

Having no low-cost logistics solutions at the current prevailing low global grain prices will imply strongly negative margins for farmers in Ukraine and prevent them from selling goods.

The Group **secured capacities** in the Ukrainian ports of Reni and Izmail and the Romanian port of Constanta for monthly export of 100 thousand tons of grain in case the blockade of Ukrainian Black Sea ports resumes. However, the profitability of such operations will strongly depend on the selling prices captured.

The Group entered FY2024 with 1.1 million tons of grain in stock, down 42% y-o-y, but an additional 1.3-1.4 million tons of grain and soybeans are to be added following the completion of the harvesting by the Group's farming business.

Attacks on the Group's infrastructure assets

On 19 July 2023, immediately after the termination of the Black Sea Grain Initiative, Russia

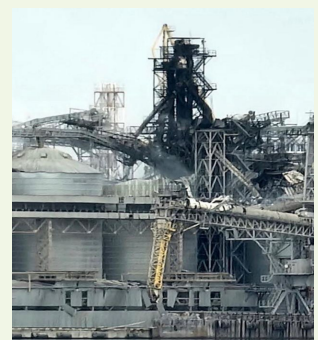
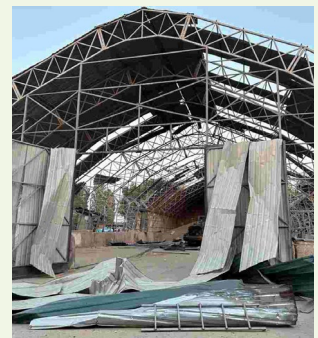
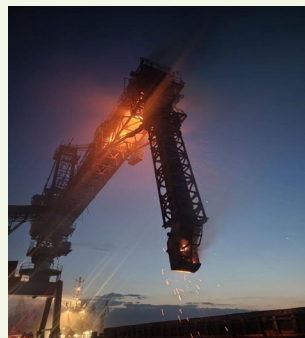
resumed its terrorist air attacks on Ukraine's civil port infrastructure. The missile attack on that day severely damaged the grain export infrastructure at the Ukrainian ports of Odesa and Chornomorsk, including vital Group assets. The attack inflicted considerable harm to the Group's storage facilities, intake capacities, and loading equipment, as well as loss of commodity inventories.

On 24 July 2023, another missile strike targeted the Reni Port on the Danube River. This attack caused extensive damage to the port's infrastructure, specifically affecting the Group's vegetable oil transshipment terminal. As a result, 6 thousand tons of storage capacity were lost, railway intake capabilities and piping equipment were damaged, and nearly a thousand tons of sunflower oil were spilled and irretrievably lost.

On 6 August 2023, a significant missile strike struck one of the Group's largest inland silos located in the Khmelnytskyi region. This attack resulted in the complete destruction of 21 thousand tons of storage, as well as truck unloading equipment. Additionally, 44 thousand tons of storage, drying facilities, and administrative buildings sustained substantial damage.

On 16 August 2023, Russian drones targeted and inflicted severe damage upon all grain storage belonging to the Group's grain transshipment terminal in the Reni port. This assault also resulted in the destruction of

Russian attacks on the Group's infrastructure assets since July 2023



Infrastructure and Trading

valuable loading equipment.

On 2 September 2023, Russia once again targeted key Danube port infrastructure in Ukraine, vital to the operations of the Company's subsidiaries involved in sunflower oil exports from the region. Russian drones inflicted damage on various vital assets, including storage tanks utilized for the accumulation of vegetable oil, essential transshipment equipment (including pipelines), rail-way intake capabilities, rail tanks awaiting unloading, and an administrative building.

On 3 September 2023, Russia also targeted grain flat storages managed by a port operator in the Danube region, a key provider of grain transshipment services to Kernel. This led to the complete destruction of two flat storages with a combined storage capacity of 5 thousand tons, while another two flat storages with the same capacity sustained damage, rendering them temporarily unusable for grain accumulation.

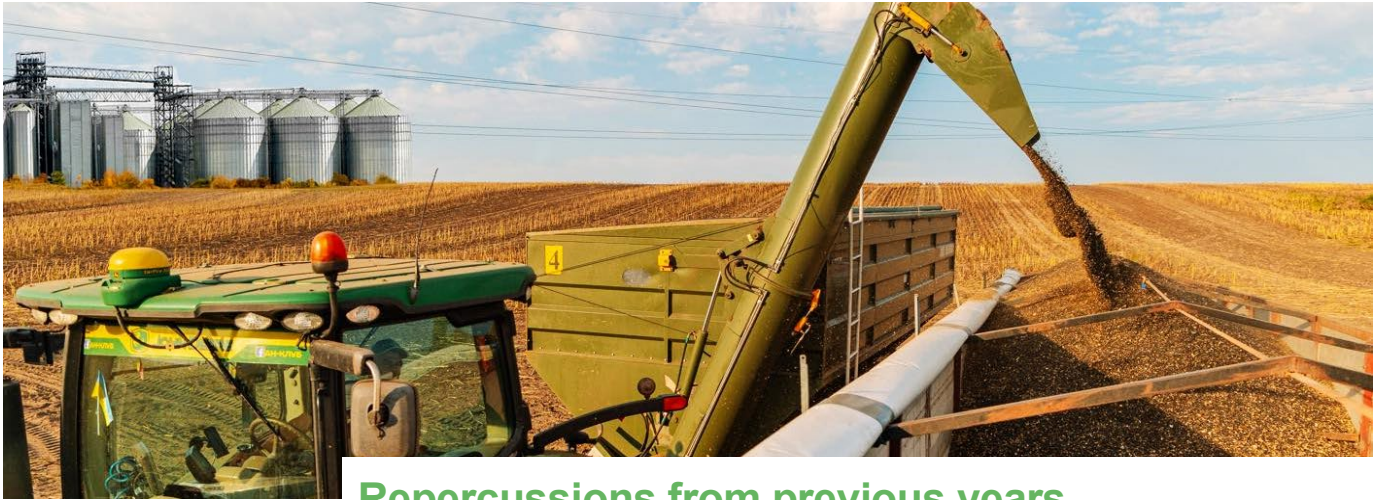
On 6 September 2023, another strike occurred, affecting, among other locations, the Company's assets in the Danube ports. Fortunately, no major damage was reported, although the operational activities of these assets were temporarily disrupted.

The current preliminary assessment of the required capital expenditure for the restoration and rehabilitation of equipment damaged or destroyed in recent attacks indicates a minimum cost of USD 21 million. For some instances, the repair process is anticipated to extend over a period of up to 12 months. The cumulative estimated market value of the commodities lost as a result of these attacks is approximately USD 11 million. Affected equipment and inventories do not have insurance coverage for unexpected events.

Other risks

It is expected that Russia may recommence its attacks on Ukraine's energy infrastructure in the Q2-Q3 FY2024. Although Kernel is now better equipped to handle such a situation compared to the previous year, the extent of possible **rolling blackouts and power disruptions** in Ukraine is yet to be felt.

Farming



**Produced 1.8 million
tons of corn, wheat
and sunflower in
FY2023**

#DigitalAgriBusiness
Kernel creates future

Repercussions from previous years

FY2023 performance

FY2023 proved to be one of the most volatile years in our history. We began the season with uncertainty about selling crops in the fields and a surplus from the previous year. Our typical export routes were blocked, and alternative options carried high logistical costs. Amidst these challenges, our ability to maintain farming operations at our usual scale was uncertain. Energy and fertilizer expenses were rising, and the ongoing war in Ukraine disrupted our usual crop production processes.

Fortunately, in July 2022, the Grain Deal was signed, opening up Ukrainian Black Sea ports for agricultural exports at relatively low logistics costs. It allowed us to avoid the full collapse of grain storage and logistic infrastructure caused by the approaching harvest in Ukraine. Additionally, we benefited from elevated global grain and oilseeds prices, which, despite a downward trend in FY2023, enabled us to secure our highest-ever sale prices for the Farming segment.

Lastly, we capitalized on the legacy of the previous season. A significant portion of FY2023 results was driven by the sale of low-cost carry-over stock from the 2021 crop, benefiting from a reduced cost base due to the depreciation of the Ukrainian hryvnia against the USD. Altogether, we achieved a strong EBITDA of USD 285 million during the first half of the season, which then turned into USD 64 million losses at the EBITDA level in January-June 2023, reflecting a substantial deterioration of the operating environment.

With all these factors aligning, the Farming segment delivered an EBITDA of USD 221 million for the reported period.

FY2024 outlook

The robust performance of the last season has limited to no impact on the FY2024 outlook. Global grain prices have declined to levels insufficient to

Revenue

USD 695 million

+9.4% y-o-y

EBITDA

(before unallocated head office expenses)

USD 221 million

-0.4% y-o-y

cover the costly logistics associated with exporting via Danube River ports or railways toward the EU. At the same time, the resumption of regular export operations through Ukrainian Black Sea ports, reducing logistics costs, remains uncertain. In the absence of significant changes in these factors, the Group is likely to incur losses related to carry-over stock from FY2022 (comprising over 700 thousand tons of grain) and the whole volume of the 2023 harvest of corn, wheat, and sunflower.

These loss-making operations raise significant concerns regarding our approach to the 2024 planting campaign. While we have completed the planting of nearly 90 thousand hectares of winter wheat and 14 thousand hectares of rapeseeds, decisions regarding the spring planting campaign are yet to be taken.

Farming

Our business model

Large-scale farming

Kernel is one of the largest crop producers in Ukraine. As of 30 June 2023, the total area of leasehold farmlands under Kernel's operations amounted to **359 thousand hectares**, including 340 thousand hectares under 2022 crop to be sold, 7 thousand hectares of land under seeds and crops grown for in-house use (cattle business), and 12 thousand hectares of fallow land. In FY2023, we harvested 1.8 million tons of corn, wheat, and sunflower¹. We operate in the central and northern regions of Ukraine with highly fertile "chornozem" black soils and sufficient precipitation. Our land bank is divided into five production clusters, each with a decentralized operational decision-making structure that enables rapid responses to external factors. The central office is responsible for shaping our overall business strategy, procuring key inputs, and overseeing operations. A spirit of healthy competition among these clusters promotes ongoing efficiency enhancements.

Except for 2,823 hectares of irrigated land used for in-house seed production, all our farmland is rain-fed, with all the associated weather risks.

We adhere to a simple **crop mix dominated by corn and sunflower**, covering in total of

80-85% of our farmland bank, and the remaining percentage stands for wheat, rapeseed, soybean, and other minor crops².

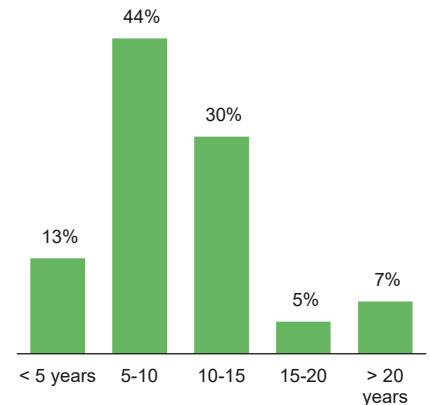
The Farming business is characterized by a **long working capital cycle** (~18 months³), as illustrated in the "FY2023 crop production cycle" graph below.

Leasehold land operations

Approximately one-quarter of Ukraine's agricultural land is held by the state, municipalities, and state-owned companies. The remaining 75% consists of small land parcels, ranging from 1 to 10 hectares depending on the region, owned by private individuals who acquired these rights during the land distribution process in the 1990s following the collapse of the Soviet Union.

For the past two decades, all farmland in Ukraine has been subject to a moratorium, preventing its sale. Initially implemented in 2001, this moratorium has been repeatedly extended by the parliament, impeding the growth of the farming sector in Ukraine. Consequently, agricultural producers lease land from current owners, with new lease agreements since 2015 having a minimum term of seven years to ensure the stability of farmers' business operations. The **farmland market finally opened** on 1 July 2021, albeit with

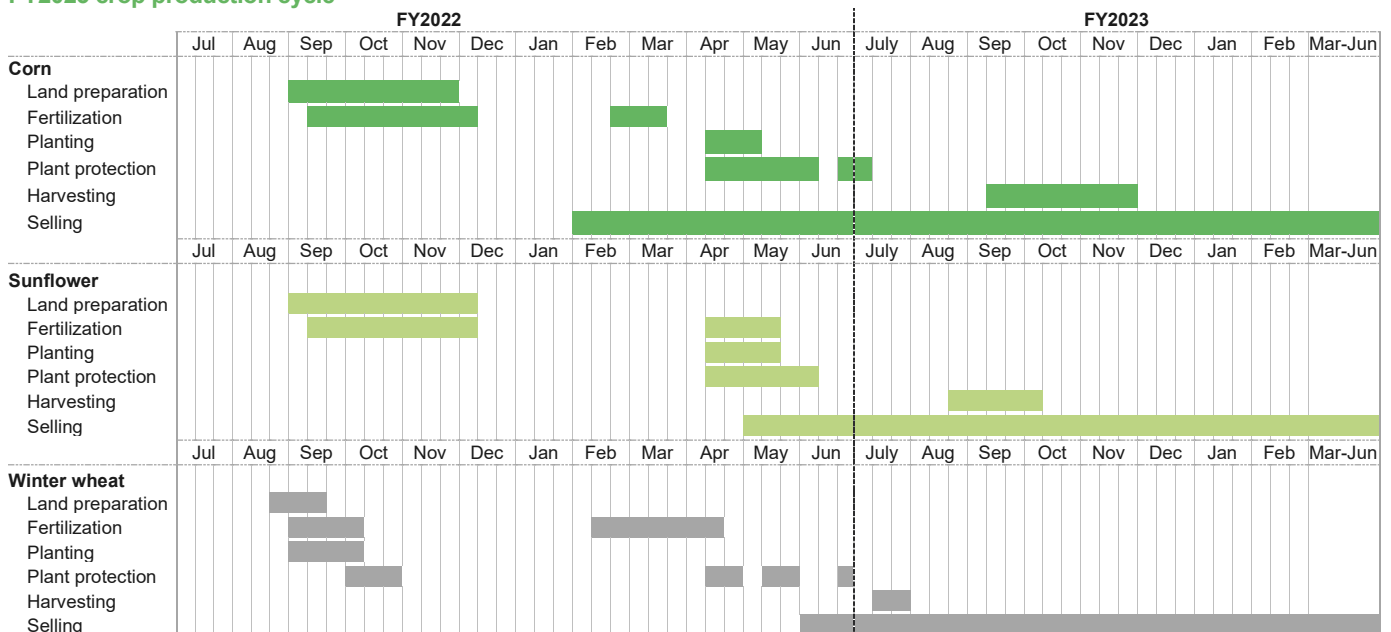
Kernel's farmland lease rights maturity as % of total landbank



several restrictions. The most significant of these restrictions include:

- Ukrainian citizens are permitted to acquire agricultural land, but individual ownership is limited to a maximum of 100 hectares.
- Starting from January 1, 2024, Ukrainian-incorporated legal entities will be allowed to purchase agricultural land, and the ownership cap will increase from 100 hectares to 10,000 hectares for both private individuals and legal entities.
- Foreign individuals and corporations, as well as legal entities with foreign shareholders under the Law of Ukraine, are prohibited from purchasing land unless a nationwide

FY2023 crop production cycle



¹ The FY2023 crop was harvested on an area of 363 thousand hectares, which the Group operated before the divestment of some farming entities in April 2022.

² The Group substantially deviated from such an approach in FY2023 and in FY2024, when the share of sunflower seeds in the acreage substantially increased, and the Group re-introduced soybeans in the crop mix. However, such crop mix is not sustainable, and we will revert to our normal crop rotation practice in 2-3 years.

³ Under normal conditions. Currently, given the export logistics disruptions caused by Russia's full-scale invasion of Ukraine, the working capital and crop production cycles are longer.

Farming

FY2023 harvest results

	Acreage thousand hectares			Net yield tons / ha ¹			Harvest size thousand tons ³		
	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y
Corn	255	150	(41%)	9.3	8.8	(5%)	2,360	1,324	(44%)
Sunflower	154	131	(15%)	3.0	2.5	(16%)	469	332	(29%)
Wheat	64	35	(46%)	6.1	4.6	(25%)	395	161	(59%)
Other ²	26	48	83%						
Total	499	363	(27%)				3,225	1,818	(44%)

Note 1. 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

Note 2 Includes soybean, pea, rapeseed, barley, forage crops and other minor crops, as well as land left fallow for crop rotation purposes.

Note 3 For the three main crops: corn, sunflower and wheat.

referendum decides otherwise.

Kernel **leases all the land under operation**, with lease contracts having an **average maturity of 13.1 years**. All lease contracts include the right of first refusal to prolong leases or to buy the land in case of being allowed to do so.

We've secured the use of 15,000 hectares of land through long-term land lease agreements, extending up until the year 2118. These agreements, known as 'emphyteusis' leases, involve making a single lump-sum payment of all rent to the lessor at the agreement's signing. This approach enables us to ensure the continuity of our operations for an extended duration, well beyond the scope of typical farmland lease contracts.

Private individuals own 89% of the landbank that we lease, and 11% is owned by the state.

Key developments

Divestment of the part of the landbank

In FY2023, we **completed the divestment of a part of our farming business** consisting of leasehold rights for 134 thousand hectares of farmland, along with the accompanying farming infrastructure, machinery, and working capital, with a consolidated net asset value of USD 210 million as of 3 March 2023 (a date of completion of the divestment), for a consideration of USD 210 million, to de-risk our business model and secure incremental liquidity. Following the divestment arrangement signed in April 2022, the Group has received the full amount of total consideration by July 2023, as envisaged by the share purchase agreement.

The decision was taken back in April 2022, keeping in mind the potential outcomes of the war between Ukraine and Russia and the implications on the Group's operations going forward. However, the deal was completed only in March 2023 after the technically long process of releasing the entities divested from the obligors' group in some of the Group's banking lines.

Following the divestment, our landbank was reduced by 134 thousand hectares to 363 thousand hectares in operation.

The financial results of disposed entities between 1 July 2022 and 3 March 2023 are accounted for in the EBITDA of the Farming segment for FY2023.

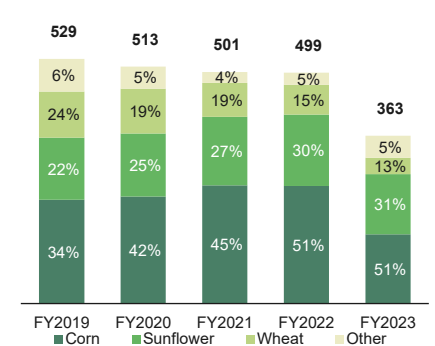
Harvest 2022 (FY2023)

FY2023 was the first full year of operations in conditions of the war in Ukraine. The impact on the Group's operations was as follows:

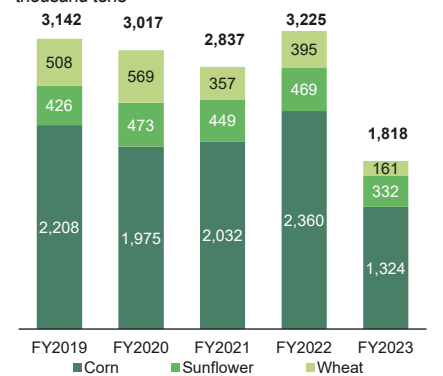
- **Firstly, the land bank under the Group's operations was reduced** by 134 thousand hectares following the divestment of selected farming entities to de-risk Group's activities, as described above;
- **Secondly, we reduced the sown acreage** in our northern cluster **by 28 thousand hectares**, being unable to properly complete the spring sowing campaign there due to the lack of crop inputs and given that regions were either temporarily occupied or not properly de-mined after de-occupation.
- **Thirdly, we revised our crop acreage structure** for the 2022 crop. We significantly reduced the share of corn (from 51% to 41%), partially in favor of sunflower (an increase from 31% to 36%) presuming more attractive economics of oilseed processing in Ukraine as compared to grain export for the period of war in Ukraine, and increased the percentage of land kept as fallow to 8% of landbank in operation.
- **Finally, we have not managed to apply our typical crop production technology** facing the local deficit of some crop inputs and business disruptions caused by difficulties with logistics and mobilization of some of our employees to the Armed Forces of Ukraine. Despite all our efforts to mitigate such factors, the suboptimal farming technology had a **negative impact on our crop yields**.

Due to problems with export logistics and large carry-in farming stock for the FY2023 season putting pressure on the Group's grain storage capacities, and accounting also for the rainy weather in September 2022, inability

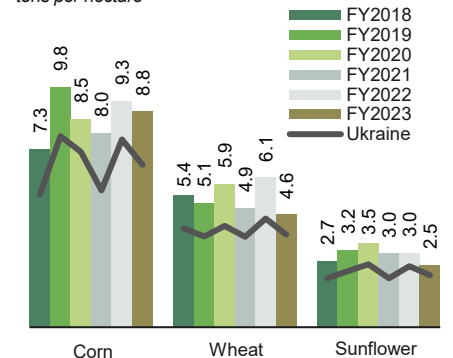
Kernel's acreage harvested by crops



Kernel's production of key crops



Kernel's crop yields¹



Note 1: For comparison purposes, yields for FY2018 are provided for Kernel's initial lands (prior to land bank expansion in summer 2017) to avoid the dilution effect.

to harvest at night due to the curfew in Ukraine, deficit of trucks for transportation of corn from the field to silo, and problems with silos' intake caused by electricity outages and deficit of natural gas to dry corn, the harvesting of corn was complete only in February 2023. In addition, the deficit of conventional

Farming

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. Both late harvesting and storage in flexi bags had a negative impact on the quality of the grain.

Consequently, the 2022 crop yields declined for all key crops, as presented in the table "FY2023 harvest results", and the crop size declined by 44% y-o-y.

Sowing of the 2023 crop

The Group has made **significant changes to its crop mix** to minimize the acreage under the most energy-intensive and logistics-heavy crop, corn, in favor of less energy-intensive options, such as soybeans and partially winter wheat:

- Acreage under **sunflower** reduced to 33% of total crop mix, at 120 thousand hectares, down 8% y-o-y, as Kernel reverted to a more sustainable crop rotation practice. Nevertheless, sunflower became the largest crop in the Group's acreage structure for the first time in the Group's history, reflecting the importance of this crop for the Group's in-house oilseed processing operations.
- Despite concerns about the export logistics and considerations to leave as much as 50 thousand hectares fallow for the new season, the management decided to take risks and plant 84 thousand hectares of **corn**, which is still down 44% y-o-y. From the current standpoint, such a decision was not the best one, as corn is likely to deliver losses for our farming business in FY2024 under the "no deep-water ports" scenario.
- The Group also planted 61 thousand hectares of **winter wheat**, a 75% increase of y-o-y.
- Kernel re-introduced soybeans into its crop mix, with 65 thousand hectares sown.

We must acknowledge that our **crop mixes in 2022 and 2023**, marked by a heavy shift towards oilseeds, **were unsustainable**, but dictated by business disruptions caused by Russia's invasion of Ukraine. Prolonged high levels of oilseeds can harm crop yields and profitability. Consequently, we will significantly reduce oilseed acreage in 2024-2025, and since 2026 expect to return it to normalized levels.

Performance overview

Business result in FY2023 was strongly impacted by three factors:

- **Global grain and oilseeds prices**, despite declining for the whole of FY2023, remained at a relatively high level. We managed to capture the highest prices in our history.
- **The Black Sea Grain Initiative** allowed to export large part of Farming produce with

relatively low logistics costs.

- **Relatively low cost of 2021 crop**, which, as a carry-over stock from the previous season, was sold throughout FY2023.

As a result, the **Farming** segment generated USD 221 million EBITDA in FY2023, unchanged as compared to the previous year. This result also includes a USD 115 million loss from net change in the fair value of biological assets and agricultural produce, which included impacts related to three different harvests:

- **Crop 2021:** we expensed a previously recognized USD 149 million gain together with the sale of that crop;
- **Crop 2022:** we recognized gain related to the whole amount of the 2022 crop throughout FY2023, but such gain was not fully expensed during the reported period given that part of the 2022 harvest remains unsold. Net impact resulted in a USD 62 million gain in FY2023;
- **Crop 2023:** for the first time in our history, we recognized a loss from changes in fair value of biological assets (USD 27 million), as discounted expected future proceeds from sales of crop 2023 do not allow to cover capitalized expenses related to such crop as of 30 June 2023.

While looking strong, such a result is to a large extent driven by the **sale of the 2021 harvest**. The Group entered FY2023 with almost 800 thousand tons of corn and sunflower seeds from the 2021 harvest being unsold. It was a relatively low-cost product with all the production costs incurred before Russia's full-scale invasion of Ukraine. To compare, production costs per ton of corn, sunflower, and wheat of the 2021 harvest appeared to be 15%, 21%, and 29% lower than of the 2022 harvest. And given that such carry-over stock was sold in FY2023 at relatively high prices and partially at not-so-expensive logistics (given sales via the Black Sea Grain Initiative), 2021 harvest sale appeared to be very profitable, covering a large portion of FY2023 EBITDA.

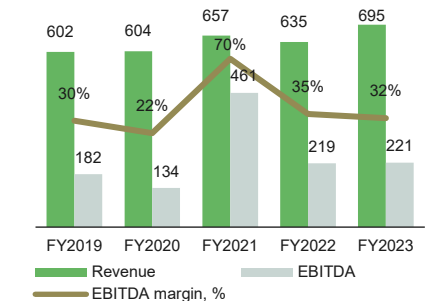
The Group also sold 1.5 million tons of 2022 crops but with a low contribution to EBITDA. Additionally, over 700 thousand tons of **corn and wheat remained unsold** as of 30 June 2023, being subject to price risk.

It shall be flagged, that a part of the strong Farming FY2023 EBITDA is driven by the depreciation of UAH (the functional currency of the Group's farming entities) against USD in the 2022 calendar year. It reduced the cost base of farming produce when translating the results to the USD as the Group's presentation currency.

Finally, a part of the EBITDA is attributable to

Profitability dynamics

USD million



the earnings of farming entities between 1 July 2022 and 3 March 2023, when such entities were divested.

FY2024 outlook

2023 crop size and carry-over stock

For the 2023 harvest, we were very lucky with the weather, despite the much-increased exposure of crops to various risks related to insufficient application of fertilizers, suboptimal soil preparation, and a slightly delayed spring sowing campaign. The Group **completed the harvesting of winter crops**. We harvested 60.4 thousand hectares of winter wheat with the highest-ever wheat net yield of 6.65 tons per hectare. Rapeseeds harvested at 10 thousand hectares delivered a more moderated yield of 3.24 tons per hectare.

Concerning spring crops, the harvesting is almost completed for sunflowers and soybeans. For sunflower, we expect to achieve a 2.9 tons per hectare average net yield at 120 thousand hectares, and for soybean (a crop that was re-introduced to our crop mix this year only) we expect to reach 2.9 tons per hectare net yield for 65 thousand hectares.

Harvesting of 84 thousand hectares under corn is currently undergoing, and we expect to complete it in the second half of November, reaching crop yields exceeding 9 tons per hectare.

Production costs for the 2023 crop are expected to be 9% lower y-o-y for corn (mainly because of the positive impact of UAH depreciation against USD for costs incurred in UAH), 11% lower for wheat (while cost per hectare actually increased, strong yield improvement led to the reduction of cost per ton), and flat y-o-y for sunflower.

Besides that, 675 thousand tons of 2022 crop corn remain to be sold throughout FY2024.

Major profitability drivers

Farming segment performance in FY2024 will

Farming

strongly depend on 1) the level of global grain and oilseed prices; and 2) the availability of Ukrainian Black Sea ports for the export of agricultural produce.

If the current situation continues, the Farming segment is expected to incur losses in FY2024, marking the second time in Kernel's history and the first time since FY2014. The Group has already recorded a loss related to the change in the fair value of biological assets for the 2023 crop. To avoid further losses, we may contemplate delaying sales for a certain period, depending on our storage capacities, liquidity position, and other operational restrictions.

If export via Black Sea ports is not resumed, meaning logistics costs for export remain high, the only chance for the Farming segment to remain profitable will be for global prices to become high enough to cover such high logistic costs.

Loss-making operations raise significant concerns about the approach to the planting campaign for the 2024 harvest. The Group has completed the planting of nearly 90 thousand hectares of winter wheat and 14 thousand hectares of rapeseeds, but decisions regarding the spring planting campaign are yet to be taken. It's important to consider that keeping land fallow also implies costs, with land lease costs being the largest among them.

We remain long for most of the new harvest and carry-over stock, unwilling to sell at prevailing prices and lock losses. While providing an opportunity to avoid losses in case the Black Sea opens for the export of our grain, such an approach at the same time increased the Group's vulnerability to potential price declines, as our position is unhedged, and to potential losses of goods considering intensified attacks on port and agri storage infrastructure.

Risk management

Risk management system

At Kernel Holding S.A., management defines risk as an event, action, or lack of action, which can lead to failure to achieve the Company's objectives.

Kernel has an evolving system of risk management aimed at **preserving the stability and solvency of the Company under extreme conditions to secure long-term sustainable value for shareholders.**

Based on the **Risk Management Policy** (adopted by the Board of Directors in November 2018) and underlying policies and procedures, Kernel monitors and assesses its risk exposures regularly and takes steps to minimize their impact.

Key roles

The Company's risk management is realized by the Board of Directors, Executive Management Team, and other management and staff, starting from the strategy development and impacting all activities and processes of the Company. These activities set out to identify and manage risks, in order to provide reasonable assurance of the Companies' goals accomplishment. Please see details at [Key roles and duties in the risk management process chart](#).

Risk management cycle

The risk management cycle includes five stages: risk identification; risk assessment and prioritization; planning risk management actions; actions implementation; measurement, control, and monitoring.

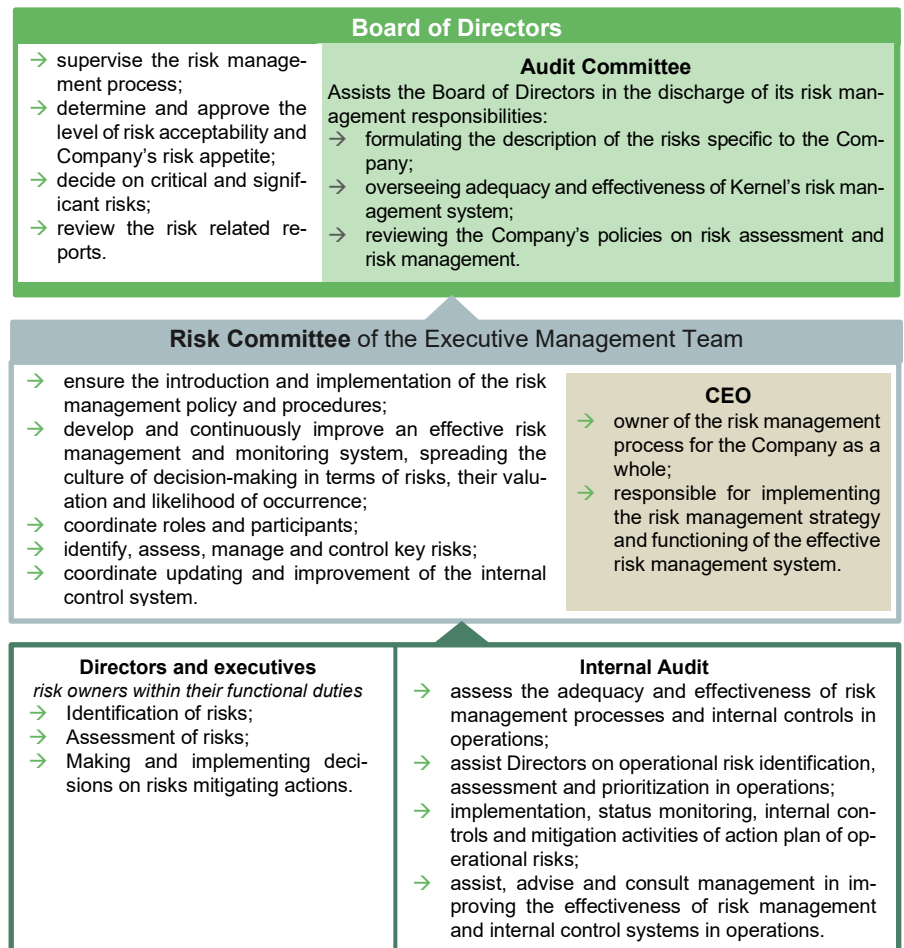
Risk categories

The management classifies all risks into five categories:

1. Strategic (Business)
2. Operational
3. Financial
4. Regulatory
5. Sustainability

The top 10 risks identified for FY2024 include risks from the Strategic (Business), Operational, and Financial categories.

Key roles and duties in the risk management process



Kernel's risk identification and mitigation system



Risk management continued

Top 10 risks

This section includes a summary of the main risks that Kernel may face during the normal course of its business. However:

- this section does not purport to contain an exhaustive list of the risks faced by Kernel and Kernel may be significantly affected by risks that it has not identified or considered not to be material;
- some risks faced by Kernel, whether they are mentioned in this section or not, may arise from external factors beyond Kernel's control;
- whereas mitigations are mentioned in this section, there is no guarantee that such measures will be effective (in whole or in part) to remove or reduce the effect of the risk;
- investors may face other risks when dealing with Kernel securities (shares and bonds).

As a result of the latest review cycle, the Board approved the Top 10 risks for the Group for

FY2024 as depicted on the chart below.

For the Group, FY2024 is the third year impacted by the war in Ukraine, and the management envisages the following **key changes for FY2024 Top 10 risks against FY2023 Top 10 risks**:

- Slightly reduced risk impact and probability for *Logistics disruption*, as the Group has gained expertise in alternative export channels beyond the Black Sea.
- Increased the risk probability for *Loss of critical infrastructure* and *Loss of inventories*, as the Group's assets have been under regular Russian shelling since the beginning of FY2024; at the same time, the risk impact for the last risk reduced, as the Group tries to minimize the inventory levels in port assets subject to Russian attacks;
- Increased the risk impact and probability for *Low global soft commodity prices*, considering the recent prices' evolution and global S&D outlook for the season;

- Risk impact and probability of *Liquidity associated risks* reduced given that Group 1) agreed on the extension of waivers with creditors by 30 June 2024; 2) attracted equity financing; 3) received the whole remaining consideration for the sale of farming entities; and 4) managed to generate decent cash from operating activities in FY2023.
- Risk impact and probability for *Investment project management* reduced, as the Group is in the final stage of development of its greenfield crushing plant in western Ukraine and CHP projects;
- *Human capital risks* returned to the top 10 risks, given the protracted war in Ukraine;
- The risk of *shortfall of proceeds from sales of renewable energy* was removed from Top-10 risks, as 1) market energy prices in Ukraine are converging to the level of feed-in tariffs; and 2) payments from the Guaranteed Buyer have normalized, although a small portion of the tariff still remains unpaid.

Kernel FY2024 Top 10 risks

Strategic (Business) risks:

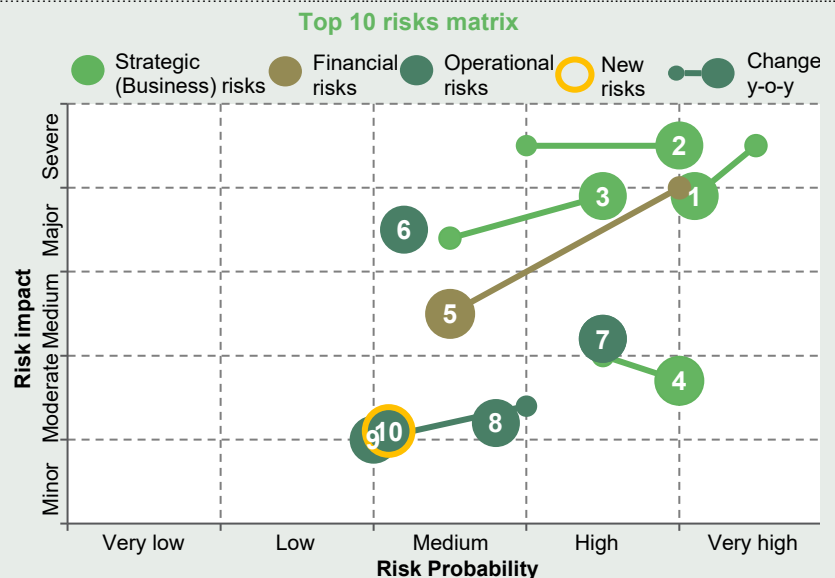
1. Logistics disruption
2. Loss of critical infrastructure
3. Low global soft commodity prices
4. Loss of inventories

Financial risks:

5. Liquidity associated risks

Operational risks:

6. Trade position management issues
7. Credit and counterparty risks
8. Information security and IT
9. Investment projects management
10. Human capital risk



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;
- A shortfall of proceeds from sales of renewable energy;
- 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 to the implementation of the European Green Deal; low sustainability rating of Kernel may increase the 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.

Risk management continued

Kernel FY2024 Top-10 risks and mitigating factors		
Risk	Possible impact	Mitigating factors
1. Logistics disruption: closed Ukrainian seaports due to the war;	<ul style="list-style-type: none"> • Reduction in export volumes of grain, sunflower oil, and meal in case of continued difficulties with the export of agriproducts via the Ukrainian Black Sea ports (a usual and most convenient export route for Ukrainian agricultural products); • Growing logistics costs (railway in Ukraine and EU, truck and barges services) caused by substituting cheap sea freight with more expensive auto, railway, and river logistics with multi-modal transshipment. It implies a negative impact on margins including loss-making grain export business; • Increase in the shipment time resulting in more working capital required; quality deterioration of goods due to long-time multi-modal transportation. 	<ul style="list-style-type: none"> → In case of Ukrainian Black Sea ports being blocked, focus on transshipments via Ukrainian Danube River ports and railway deliveries to Constanta port in Romania, as other export channels proved to be not so efficient (higher costs and lower throughput capacities). The Group acquired/is in the process of acquiring two terminals in Reni port: a vegetable oil transshipment terminal and a grain / sunflower meal transshipment terminal. Additionally, the Group arranged for a provision of transshipment services with operators in the Izmail port in Ukraine, and in Constanta port in Romania. → Capacity expansion. For the facilities under control, the Group undertakes regular capacity expansion initiatives. → Diversified load points in ports to mitigate risks related to any particular port. In FY2023, the Group acquired the vegetable oil transshipment terminal in the port of Pivdennyi, and at the beginning of FY2024 the Group acquired the vegetable oil transshipment terminal in the port of Chomomorsk. Together with available facilities in the ports of Reni and Izmail, it allows diversifying load points. → Fleet investments to support river logistics. In FY2023, the Group acquired two vessels (a bulkier and a tanker) to support the export of grain/meal and sunflower oil. At the beginning of FY2024, the Group secured two oil tanker convoys (9,800 tons in total) and considers further fleet investments. Additionally, the Group invests in securing the availability of river barges.
2. Loss of critical infrastructure	<ul style="list-style-type: none"> • Undermined earnings generation capacity and additional CapEx required due to potential loss or damages of critical infrastructure (export terminals, oil-extraction plants, key silos) as a result of Russian missile or drone attacks. 	<ul style="list-style-type: none"> → Diversified asset base located relatively far from the regions of active military actions; → Grain and oil transshipment agreements with third-party export terminals; → Diversified load points in ports.
3. Low global soft commodity prices: grain and oilseeds	<ul style="list-style-type: none"> • Undermined profitability of the Group's Farming segment (which is always in a naturally long position as a typical upstream business) in case of low global grain and oilseeds prices. • Undermined profitability of the Group's Infrastructure and Trading segment, as low prices do not allow to absorb high logistics costs, and farmers prefer to wait with sales of grain. 	<ul style="list-style-type: none"> → Hedging grain prices: we use various hedging tools, including CME corn and soybean futures and options, forward contracts for the Black Sea origin premium, and direct forward contracts (if available). Physical delivery forward contracts (if available) are typically used for shorter duration hedging, normally within six months; → Longer period of crop sales: under normal conditions, we start selling next year's crop as soon as we have the initial understanding of the next year's production costs, considering also the entire value chain margin. But the selling of 2022 and 2023 crops is complicated by the bottlenecks in export logistics; → Partial flexibility in determining the timing of sale of own crop, allowing to avoid sales during extremely low-price periods; → Deep analysis of global soft commodity fundamentals: Avere research and trading unit provides insights into the global soft commodity market, guiding the selection of proper timing and pricing of our hedging operations.
3. Low global soft commodity prices: sunflower oil	<ul style="list-style-type: none"> • Compressed margins in the Oilseed Processing segment: low prices for sunflower oil reduce combined earnings shared by farmers and crushers in Ukraine in the short term and discourage farmers from expanding acreage under sunflower in the long term. 	<ul style="list-style-type: none"> → Active procurements of sunflower seeds at the beginning of the season (when a huge post-harvest supply of sunflower seeds allows for negotiating more attractive prices) to partially mitigate long-term sunflower oil price weakness; → Careful sales management during the season to mitigate seasonal price declines.
4. Loss of inventories	<ul style="list-style-type: none"> • Deterioration of the quality of inventories (grains, oilseeds, sunflower oil, and meal) being: <ul style="list-style-type: none"> ○ stored for an excessively long time (including storage in flexy bags) with inadequate quality maintenance; or 	<ul style="list-style-type: none"> → Expanding Group's export capacities via alternative routes; → Regular inventory inspection of the commodities stored in the third-party-owned silos; → Investments into additional storage capacities (including plastic silo bags); signing of long-term contracts with third-party storage service providers.

Risk management continued

Kernel FY2024 Top-10 risks and mitigating factors		
Risk	Possible impact	Mitigating factors
	<ul style="list-style-type: none"> transported via new routes with untested quality controls; or a result of late winter corn harvesting due to the deficit of grain silo storage capacity. 	<ul style="list-style-type: none"> → Diversified load points in ports → Minimizing onsite storage in ports in favor of direct loading.
	<ul style="list-style-type: none"> • Physical loss of Group's inventories due to Russian missile or drone attacks; 	
5. Liquidity associated risks	<ul style="list-style-type: none"> • Lack of liquidity to properly service the outstanding debt → potential business disruptions caused by creditors in case of hostile actions undertaken, and limited access to additional credit sources; • Difficulties with securing working capital financing for farming and oilseed origination → suboptimal crop production technology applied in the Farming segment; lost profit in the Oilseed Processing segment; • Cash management restrictions imposed by the National Bank of Ukraine → 1) difficulties with serving debt outside Ukraine, including upcoming Eurobonds 2024 maturity; 2) excessive UAH liquidity in Ukraine implying higher devaluation risks; • Inability to fund CapEx required 1) to ensure grain export via alternative export channels; and 2) to repair/restore assets that suffered from shelling. 	<ul style="list-style-type: none"> → Negotiating with state-owned banks in Ukraine on securing additional credit lines; → Discovering options for new working capital and long-term financing to be provided by International Financial Institutions; → Perfect Group's credit history allowed to obtain waivers for principal repayments up to 30 June 2023 as further extended till 30 September 2023 for all bank loans maturing in due time together with a cash-sweep mechanism introduced for all pre-war facilities; new waivers for postponement of principal repayments for full FY2024 were submitted to the lenders in May 2023 with negotiation process to be held since then. As of the date of publication of this report, the Group obtained waivers to extend the terms of repayment of the principal of USD 778 million with the lenders and waive the debt covenants and some other conditions by 30 June 2024. The Group will continue to service its debt liabilities through an extended cash-sweep mechanism and has permission to raise new debt needed for working capital and CapEx financing; → Upon the creditors' request, the Company raised USD 60 million of equity capital in September 2023; → By August 2023, the Group had fully received USD 210 million in proceeds from the divestment of selected farming entities, significantly bolstering its liquidity.
6. Trade position management issues	<ul style="list-style-type: none"> • Losses arising from the Group's trade position mismanagement. For example, an open position in sunflower oil may have an adverse effect on the Company's earnings in case of significant movements in sunflower oil prices; • Losses arising from Avere trading business. 	<ul style="list-style-type: none"> → Trade position control system: <ul style="list-style-type: none"> ○ maximum limits on the position (long / short) with daily control. Separate limits for various goods (e.g., for sunflower oil produced from own seeds, sunflower oil produced from purchased seeds, and sunflower oil purchased from third parties). Specific limits are set for sunflower seed procurement not covered by sunflower oil sold. Special approvals are required to exceed the limits. ○ a part of positions is controlled by restricting Value at Risk and drawdown limits with daily monitoring. ○ constant monitoring of the impact of changes in market prices on existing trade positions and improvement of the monitoring system. → The "Balanced book" policy employed by the Company reduces the impact of the commodities price fluctuations through price and volume hedging. Such a policy presupposes the arrangement of the forward contracts for the sunflower seed sales, alongside the procurement of the same sunflower seeds from farmers. In such a manner, the Company reduces the risk exposure by ensuring the sales volumes, as well as locking the selling price. Deviations from the balanced book approach may appear during the business disruptions caused by the war in Ukraine; → Centralized contract execution and scheduling of shipments.
7. Credit and counterparty risks	<ul style="list-style-type: none"> • Defaults of third-party farmers under financing received from the Group (including the Open Agribusiness program); • Losses arising due to the Group's counterparties not performing their trade obligations. 	<ul style="list-style-type: none"> → Constant monitoring of solvency and business performance of the farmers who received financing from the Group; → Negotiating with farmers on extending the obligations repayment period or agreeing on alternative ways of repayments; → Active restructuring and claim work against counterparties in default.

Risk management continued

Kernel FY2024 Top-10 risks and mitigating factors

Risk	Possible impact	Mitigating factors
8. Information security and IT	<ul style="list-style-type: none"> • The loss or disclosure of key information may threaten business operations and development of the business; • Interruption of business processes and decisions which are dependent on the continuity of IT applications and infrastructure. • Leakage of the information stored at assets currently occupied by Russia; • Cyber-attacks on the Group's IT infrastructure; • Damage to the Group's cloud IT infrastructure occurred due to the military actions in Ukraine; lack of access to cloud services provided outside of Ukraine. 	<ul style="list-style-type: none"> → The backup data center was relocated to Lviv (Western Ukraine); → Access to the IT systems is denied at night for developers and contractors; → Implemented IT business continuity and data recovery policy; → Multifactor authentication is being implemented to reduce the risk of documents, correspondence, and other confidential data leakage; → Password policy, access control for external users to company IT systems; Privileged access management solutions. → Regular testing of IT recovery plan; regular vulnerability testing from inside and outside; → Patch management policy – regular installations of critical and security patches on servers and workstations; → Special solution to combat the advanced persistent threat (APT) and 0-day virus attacks; → Implementation of incident and change management processes in the IT infrastructure; → Improving the maturity of the access management process by automating the process of reviewing access rights. → Regular training and testing of employees for knowledge and compliance with information security rules.
9. Investment projects management	<ul style="list-style-type: none"> • Extra spending beyond budgets. In FY2024, the Group will be completing the construction of the largest oilseed processing plant in Ukraine, and commissioning two co-generation heat and power units adjacent to the Group's crushing plants, after the conservation of projects since 24 February 2022 when Russia invaded Ukraine. Additionally, the Group will invest in repairing assets that suffered from Russian missile and drone attacks. In total, the relevant CapEx in FY2024 is budgeted to amount to USD 56 million; • Lost profits due to execution delays caused by unsafe working conditions on the projects' location, associated with active military actions proceeding in Ukraine and the constant threat of air-missile strikes. 	<ul style="list-style-type: none"> → Strong in-house expertise in greenfield projects execution (including Bandurka greenfield processing plant; Balyn, Vesnianka, and Lazirky silos; TransGrainTerminal, etc.) with a dedicated team of experienced professionals to manage new projects; → Rigorous project management. All projects are carefully analyzed and properly documented. Each project is organized by a charter of the investment project, which defines goals, budget, delivery milestones, schedules, deadlines, project team, definition/evaluation/response to the project risks, assessment of the business case, and feasibility study. In case of necessity, we organize quality control of project documentation for investment construction projects by an independent expert company. Technical specifications for new construction projects are evaluated, amended, and approved by all related business segments; → Proper oversight including internal cost benchmarking among various projects, budget control before signing contracts and making payments, deep involvement of the investment committee, and supervision from the strategic committee; → Conducting open and closed tenders to determine the best offers; → Involvement of suppliers with high credibility rating; → Proper GR management to interact with state regulatory / permitting authorities at the early project stages to minimize delays; → Insurance of construction and assembly works.
10. Human capital risk	<ul style="list-style-type: none"> • Disruptions in business and support processes due to: <ul style="list-style-type: none"> ○ a shortage of staff in general and the challenge of replacing key employees due to the low qualifications of new candidates, exacerbated by significant emigration from Ukraine; ○ employee conscription for military service, a consequence of the protracted war in Ukraine; ○ increased mental stress among remaining employees as a result of the ongoing and prolonged war in Ukraine. 	<ul style="list-style-type: none"> → Competitive compensation: the level we pay matches or exceeds the benchmark in our industries. We aim to increase further compensation levels to successfully compete with neighboring countries along the way. The compensation system is regularly reviewed to match the Company strategy and HR strategy. We regularly measure employee satisfaction levels and react to the results; → Extensive social package: <ul style="list-style-type: none"> ○ Housing repayable loans to young employees in the regions; ○ Voluntary medical insurance (full cost coverage for employees and 50% cost coverage for employee's children); ○ Social monetary support in case of employee's personal life difficulties. → Talent management, professional development, and education of our employees. We have numerous education programs with extensive coverage and a system of individual development and career planning, as well as mental health education (as disclosed in the Sustainability section of the annual report);

Risk management continued

Kernel FY2024 Top-10 risks and mitigating factors		
Risk	Possible impact	Mitigating factors
		<ul style="list-style-type: none"> → Safe and convenient working conditions. Constant improvement of working conditions and infrastructure for staff. Remote work and flexible working hours. Support of employee affinity and networking groups; → Effective recruitment: we use various tools and channels to recruit the best people on the market. We actively work with universities and the business community and have a separate Kernel Chance program to develop and solicit new associates; → Employee involvement through effective KPI system, responsibility delegation, rewards for operation efficiency improvement, and team-building events; → Comprehensive new employees' adaptation programs; → Labor productivity improvement through processes automation and optimization, job versatility, and employee fungibility increase; → HR brand development, creating a sustainable employer reputation. Corporate social responsibility strategy.

Alternative Performance Measures

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 considers 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**:

<i>in thousand USD except the margin</i>	FY2022	FY2023
Profit from operating activities	90,667	439,460
<i>add back:</i>		
Amortization and depreciation	129,676	104,786
EBITDA	220,343	544,246
Revenue	5,331,545	3,455,121
EBITDA margin	4.1%	15.8%

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

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.

Investing Cash Flows net of 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 it is defined as net cash used in investing activities adding back:

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

Net Fixed Assets Investments

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

Operating Cash Flows before Working Capital Changes

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

Calculation of Segment EBITDA and Segment EBITDA margin:

<i>in thousand USD</i>	FY2022	FY2023
Oilseed Processing		
Profit from operating activities	(101,668)	240,693
plus Amortization and depreciation	31,384	29,651
Segment EBITDA	(70,284)	270,344
Segment revenue	1,681,004	1,907,681
Segment EBITDA margin	-4%	14%
Trading and Infrastructure		
Profit from operating activities	213,161	129,149
plus Amortization and depreciation	23,593	24,608
Segment EBITDA	236,754	153,757
Segment revenue	4,534,606	2,601,847
Segment EBITDA margin	5%	6%
Farming		
Profit from operating activities	147,214	174,059
plus Amortization and depreciation	72,192	47,068
Segment EBITDA	219,406	221,127
Segment revenue	635,223	695,155
Segment EBITDA margin	35%	32%
Other		
Loss from operating activities	(168,040)	(104,441)
plus Amortization and depreciation	2,507	3,459
Segment EBITDA	(165,533)	(100,982)

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

<i>in thousand USD</i>	FY2022	FY2023
Net cash used in investing activities	(293,689)	9,576
Adding back:		
Purchase of property, plant and equipment	(119,678)	(77,093)
Proceeds from disposal of property, plant and equipment	5,876	2,720
Investing Cash Flows net of Fixed Assets Investments	(179,887)	83,949

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

<i>in thousand USD</i>	FY2022	FY2023
Purchase of property, plant and equipment	(119,678)	(77,093)
Proceeds from disposal of property, plant and equipment	5,876	2,720
Net Fixed Assets Investments	(113,802)	(74,373)

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

<i>in thousand USD</i>	FY2022	FY2023
Net cash generated by operating activities	(305,464)	716,132
Less:		
Changes in working capital, including:	(793,842)	127,633
Change in trade receivables and other financial assets	232,076	(443,226)
Change in prepayments and other current assets	(58,369)	(70,235)
Change in restricted cash balance	32	58
Change in taxes recoverable and prepaid	(58,918)	2,733
Change in biological assets	141,024	73,662
Change in inventories	(937,306)	508,182
Change in trade accounts payable	15,126	1,063
Change in advances from customers and other current liabilities	(127,507)	55,396
Operating Cash Flows before Working Capital Changes	488,378	588,499

Alternative Performance Measures continued

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 it is defined as the sum of net cash generated by the operating activities and the net cash used in investing activities.

Commodity Inventories

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

Debt Liabilities

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

- bonds issued;
- current bond 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 defines **Net Debt** as **Debt Liabilities** less cash and cash equivalents and cash deposits pledged under credit facilities. Finally, the Group defines **Adjusted Net Debt**, as **Net Debt** less commodity inventories.

Adjusted Working Capital

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

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

<i>in thousand USD</i>	FY2022	FY2023
Net cash generated by operating activities	(305,464)	716,132
Net cash used in investing activities	(293,689)	9,576
Free Cash Flows to the Firm	(599,153)	725,708

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 in the periods indicated:

<i>in thousand USD</i>	As of 30 June 2022	As of 30 June 2023
Sunflower oil & meal	207,047	117,971
Sunflower seed	324,974	25,627
Grains	358,229	137,092
Other	63,673	60,853
Total	953,922	341,543
<i>of which: Commodity Inventories</i>	891,718	281,855

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

<i>in thousand USD</i>	As of 30 June 2022	As of 30 June 2023
Bonds issued	-	-
Current bonds issued	595,038	596,211
Interest on bonds issued	7,612	7,612
Long-term borrowings	-	-
Current portion of long-term borrowings	-	-
Short-term borrowings	1,093,087	869,933
Lease liabilities	200,441	166,735
Current portion of lease liability	39,111	31,160
Debt Liabilities	1,935,289	1,671,651
less: cash and cash equivalents	447,625	954,103
Net Debt	1,487,664	717,548
less: commodity inventories	891,718	281,855
Adjusted Net Debt	595,946	435,693

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

<i>in thousand USD</i>	As of 30 June 2022	As of 30 June 2023
Total current assets	2,523,156	2,442,102
less:		
Cash and cash equivalents	447,625	954,103
Assets classified as held for sale	287,068	-
Total current liabilities	2,238,186	1,898,804
add back:		
Short-term borrowings	1,093,087	869,933
Current portion of long-term borrowings	-	-
Current portion of lease liabilities	39,111	31,160
Current bonds issued	595,038	596,211
Interest on bonds issued	7,612	7,612
Liabilities associated with assets classified as held for sale	116,848	-
Adjusted Working Capital	1,401,973	1,094,111

Alternative Performance Measures continued

The Management believes 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: <ul style="list-style-type: none"> 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 and cash deposits pledged under credit facilities.	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.

Sustainability



Sustainable agribusiness as a paradigm of long-term capitalization

FY2023 performance

For the first time, tasks on climate corporate governance, including materialization of decarbonization business opportunities, were included in Kernel's annual strategic targets for FY2024. This development can be considered one of the key achievements of the company's sustainability function in FY2023 as we are starting to see clear indications that ESG principles can serve as a strong contributor to the long-term capitalization of business.

In FY2023 we improved our **Carbon Disclosure Project (CDP) rating from D to B**, becoming the only company in Ukraine with such a high rating. We finalized our **EBRD-financed "Climate corporate governance and low-carbon pathway"** project; the outcomes of the project will form the basis of Kernel's climate action plan. We started working on the development and integration of **operational**

accounting of GHG emissions from farming operations across individual fields to ensure traceability of our commodities' carbon footprint across the whole production chain.

Support of our employees and the Armed Forces of Ukraine remained at the center of our social capital values. In FY2023, we directed a total of USD 12 million of material support to the army and humanitarian aid. We also launched an adaptation program for veterans with the primary focus on the company's employees who were demobilized and going back to civilian life. The program seeks to help veterans in their self-realization while also recognizing their unique perspectives on the strategic development of business.

Our values and purpose that help us manage ESG risks and opportunities in agriculture sector in Ukraine

Environment



Low-carbon development: scale up of decarbonization practices across the value chain, from carbon farming and precision agriculture on the field to low-carbon oilseed processing.



Biodiversity: promotion of soil health and biodiversity through integrated pest management, expansion of cover crops practices and control over seed quality with own laboratories

Social



National security and wellbeing: contributing towards Ukraine's victory against the Russian invasion through ongoing support of the Armed Forces of Ukraine and humanitarian aid



Human capital: proactive expansion of agriculture expertise by attracting and educating students through Open Agro University program



Diversity, equality and inclusion: integration of veterans back into the civilian life, providing them with opportunities for self-realization

Governance



Sustainable finance: groundwork for systematic attraction of sustainable finance through evidence-based approach of enhancing natural capital



Ethics and compliance: ensuring transparent business practices through systematic integration of relevant sustainability standards



Market leadership: sharing own experience with other key agriculture companies as well as small- and medium-size farmers to improve market maturity and institutional capacity in sustainable and low-carbon development

Sustainability: Key highlights

ESG Topics

Key indicators in FY2023

ENVIRONMENTAL CAPITAL

Contribution to SDGs:



Energy management

- **8,145 TJ** – total electricity consumption
- **2,059 MJ/t** – energy intensity of sunflower seed processing in FY2023
- **64.3 MJ/t-%** – energy intensity of drying grain
- **627.3 MJ/t** – energy intensity

Water and effluent management

- **4,740 ML** – the total volume of water withdrawn
- **871 ML** – total volume of water discharged

Waste management

- **213,238 tons** – total volume of waste generated
- **195,036 tons** – total volume of treated waste

Biodiversity management

- 22 thousand ha of cover crops. Ongoing implementation of the research program on the efficiency of different types of cover crops

CLIMATE ACTION

Contribution to SDGs:



TCFD aligned disclosure

- **1,056 thousand tCO₂e** – total Scope 1 GHG emissions, excluding 348.9 thousand tCO₂ of biogenic emissions
- **84.1 thousand tCO₂e** – total Scope 2 GHG emissions (location-based)
- **138 thousand tCO₂e** – total Scope 2 GHG emissions (market-based)
- **1,884 thousand tCO₂e** – total Scope 3 GHG emissions
- Improved CDP rating (Carbon Disclosure Project) by two positions – from D to B, making Kernel the only company in Ukraine with such a rating

Investment rating on climate performance

HUMAN CAPITAL

Contribution to SDGs:



Employment

- **10,733** – total number of employees
- **2,711** – total number of new hires
- **2,163** – total number of employee turnover
- 1st place in the agriculture sector and 2nd place among all companies in the national rating of employers
- Top-25 companies with adaptation programs for veterans according to Forbes Ukraine
- HR Team of the Year, 8th Annual HR Brilliance Awards (United Kingdom)

Training and career advancement

- **207,596** – total number of training hours
- **1,647** – total number of employees, receiving regular performance and career reviews

Occupational health and safety

- **9** – total number of recordable work-related injuries
- **0.42** – lost time injury frequency rate

Human rights, diversity, and inclusion

- Launched an adaptation program for veterans, aimed to reintegrate demobilized employees back into civilian life and the company's activities

SOCIAL CAPITAL

Contribution to SDGs:



Economic performance

- **USD 3,394 million** – Direct economic value generated
- **USD 3,026 million** – Total economic value distributed
- Disclosure in line with the EU Taxonomy

Support of local communities and society as a whole

- **USD 12 million** – total contributions towards support of the Ukrainian Army and humanitarian aid during military time.

Sustainability: Environmental capital

ENVIRONMENTAL CAPITAL

Energy management

Our management approach to energy resources and efficiency

Consumption of energy resources is one of the most material indicators of our operational activities. We constantly research and integrate various approaches towards the improvement of our energy efficiency, which in turn reduces our contribution to the national volume of GHG emissions. In addition, given our potential to be the largest producer of electricity from biomass in Ukraine, we seek to be a role model in the regional agriculture market in driving energy saving and climate actions.

Our management approach towards energy resources and energy efficiency is rooted in the corporate [Code of Conduct](#) and [Environmental protection policy](#). There are energy managers within each business segment, who are responsible for overseeing Kernel's energy-related operations and integrating energy efficiency measures. Indeed, the team of nine specialists (Energy Management Service) covers Oilseed Processing and Infrastructure and Trading; in addition, there are engineers on production sites, providing technical support for the energy system. Energy efficiency issues in the Farming segment, namely efficient use of fuel by agricultural machinery, are managed by the Engineering service; it is also responsible for exploring and testing new technologies and machines, that can help decrease fuel consumption.

Our energy management performance

In FY2023, the overall consumption of energy remained at about the same level as the previous year as the company's two oilseed processing plants remained inactive.

Our **Oilseed Processing** segment is the main consumer of electricity, and its most significant energy-intensive technological processes include drying of raw materials, wet heat treatment of raw materials, cooling, oil treatment by steam and cooling, drying and cooling of meals, steam condensation, and heat recovery processes. Natural gas is mostly consumed by **Infrastructure and Trading**, particularly by silos, as it is used in grain drying operations, whereas the most energy-intensive processes are purification and drying of production, handling, and shipment of raw materials and storage. With regards to the **Farming** segment, it predominantly uses liquid fuel, such as diesel and petroleum, in agricultural machinery.

Over the reporting period, the Group produced and sold to the national energy grid a total of 632 terajoules of electricity, produced from biomass by four combined heat and power plants (CHP), namely those operating at Kropyvnytskyi, Poltava, Bandurka, and 'Ukrainian Black Sea Industry' oil extraction plants (OEP). A particular value of our 'green' electricity is that we do not produce biomass separately to be combusted on our CHPs but rather use sunflower seed husk, which is a side product of the main operational activity and is approved as a feedstock for advanced biofuels by **Annex IX.A. of RED II EU Directive**. These CHPs are a part of our USD 248 million investment project; the latter aimed to result in a total of seven CHPs with a total installed electric capacity of 94MW, making Kernel the largest in Ukraine producer of electricity from biomass¹.

In addition to selling electricity to the national energy grid, it is also used for our own needs, mainly for the production of steam on our OEPs. For that reason, in FY2023, approximately 98% of the total volume of heat energy consumed by Kernel's Oilseed Processing division was renewable, demonstrating a great potential for our oil extraction operations to become net zero in the future. Our efforts to improve energy efficiency within the **Oilseed Processing** segment are focused primarily on the optimization of steam usage in operations.

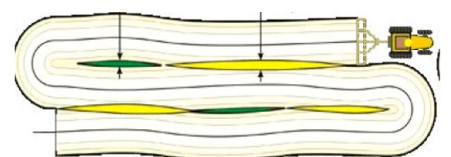
In our **Farming segment**, our energy efficiency approaches target our agriculture machinery fleet. We constantly research the market and development projects of major global producers of agriculture machines and upgrade our machines every 5-6 years² to replace them with more efficient options in terms of fuel consumption.

In addition, our existing machines, especially fuel-intensive ones, are equipped with GPS trackers and a remote system for monitoring fuel consumption. These help us to optimize the usage of fuel and decrease the fuel intensity of standard operations. For example, the operation of deep loosening with mineral fertilizers application executed by a machine using an RTK-guided autopilot system, which allows to avoid overlaps in application, saving around 4.2% of both fuel and fertilizers. Overall, Kernel invests a significant resource in the development of its agriculture innovation solutions with the Digital Agribusiness system and application of AI to increase production efficiency. The company regularly collects and analyses data, both with agriculture machinery and remote sensing technology, on

agrochemical and weather conditions from individual field plots. The long-term goal of such a process is to operate based on a highly granulated understanding of soil characteristics and potential within every field, which allows us to apply a tailored set of practices and precise amounts of fertilizers or pesticides. Such an approach helps to achieve higher productivity with minimum destruction of natural capital. In FY2023, Kernel started testing such an approach of a tailored combination of practices on a pilot set of fields.



Drone sprayers allow to reduce diesel consumption by 1.5-2.5 liters per hectare



RTK-guided autopilot system saves 4.2% of fuel and fertilizer avoiding application overlaps

¹ Commissioning of the co-generation heat and power facility at Vovchansk oil-extraction plant is postponed for the unforeseen period.

² For the last two seasons, the Group underinvests in the maintenance and upgrade of the machinery and equipment in the Farming segment, caused by the uncertainties with the export of agricultural products due to Russia's full-scale invasion of Ukraine.

Sustainability: Environmental capital

Key energy management indicators ¹

	FY2021	FY2022	FY2023
Energy consumption, terajoules			
Non-renewable fuel consumed	3,165.0	2,915.1	2,798.2
Natural gas	1,373.1	1,578.8	1,206.8
Oilseed Processing	321.9	149.1	112.0
Infrastructure and Trading	1,007.3	1,394.9	1,031.8
Farming	44.0	34.7	63.0
Other	-	-	-
Diesel	1,643.5	1,247.3	1,495.2
Oilseed Processing	10.4	8.2	3.6
Infrastructure and Trading	18.5	34.6	50.3
Farming	1,528.4	1,198.3	1,433.3
Other	86.3	6.2	7.9
Petroleum	58.1	39.7	46.1
Oilseed Processing	2.0	1.2	0.6
Infrastructure and Trading	5.6	4.5	4.2
Farming	39.6	25.8	40.6
Other	10.9	8.2	0.7
LNG	90.2	49.3	50.2
Oilseed Processing	0.6	0.3	0.2
Infrastructure and Trading	3.1	2.5	1.7
Farming	84.9	45.3	48.2
Other	1.7	1.2	-
Renewable fuel consumed (sunflower seed husk)	3,557.6	3,551.5	5,189.2
Electricity	894.3	736.4	789.4
Oilseed Processing	668.6	512.3	617.4
Infrastructure and Trading	152.4	171.9	127.3
Farming	69.6	49.7	44.8
Other	3.6	2.5	-
Heating	3.1	0.9	0.2
Oilseed Processing	-	-	-
Infrastructure and Trading	1.9	-	-
Farming	0.1	0.1	0.2
Other	1.1	0.7	-
Electricity sold to the grid	160.5	322.5	631.7
Total energy consumption	7,459.5	6,881.4	8,145.7
Oilseed processing	4,400.1	3,900.1	5,291.3
Infrastructure and Trading	1,188.9	1,608.6	1,215.3
Farming	1,766.6	1,353.9	1,630.1
Other	104.0	18.8	8.7
Energy intensity indicators, megajoules,			
Energy consumed per ton of sunflower seed crushed	1,425.6	1,966.6	2,058.7
Energy consumed per ton-% of grain dried	57.8	57.3	64.3
Energy consumed per ton of harvested grain	589.5	398.4	627.3

Note 1: Any discrepancies between data in this and previous reports (FY2022 and FY2021) are associated with clarifications of raw data and alignment of conversion factors.

Water and effluent management

Our management approach to water resources and efficiency

We constantly improve our approaches towards rational water consumption and treatment of wastewater, aiming to both increase water use efficiency and decrease our impact on the environment. Our approach is embedded in the [Environmental protection policy](#). Kernel undertakes water withdrawal in line with valid 'Special water use' permits, being fully compliant with the national legislation.

Kernel closely monitors operations in areas with water stress. Our water use accounting system includes information on assets' location in terms of water stress zones: three of our

oil extraction plants withdraw water in areas with high water stress, and three plants operate in areas with medium water stress. In addition, we undertake strict measures to prevent water contamination from our operations, the highest risk of which is associated with farming activities. Specifically, we ensure the precise application of fertilizers and pesticides to the soil, allowing us to control the risk of their runoff to water bodies; in addition, we do not have farming and manure management operations in the protection buffer zones of water bodies.

Our water management performance

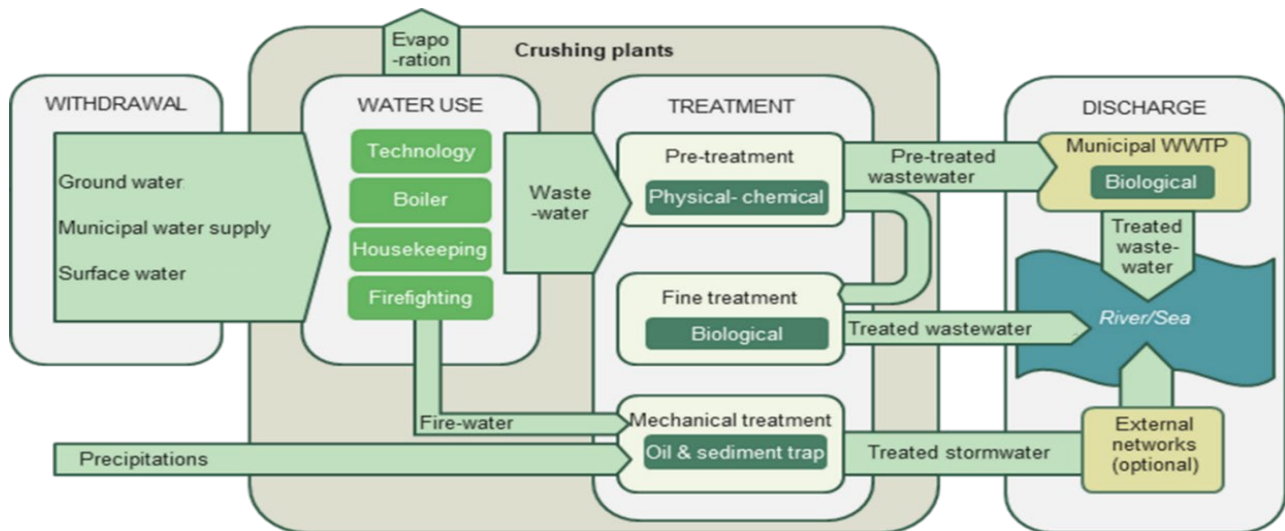
In the **Oilseed Processing** segment water is used primarily for technical purposes, namely production of steam, and domestic needs.

Each of our OEPs has an emergency water reserve, used in case of fire, and five of our plants have stormwater collection systems to prevent contamination of soil and groundwater with oil residue and solid particles. The collected stormwater is not used in the production processes, due to food safety requirements limitations.

For our crop production operations natural precipitations are the main source of water, and less than 1% of our landbank is irrigated. For that reason, irrigation purposes account for the largest share of the total volume of water used by the **Farming segment**. We apply advanced monitoring techniques to accurately identify the water needs of our crops and exploit the modern pumping and distribution

Sustainability: Environmental capital

Scheme of Kernel's water management cycle at oil extraction plants



equipment, allowing minimal technical losses of water. Kernel's irrigation experts have been actively involved in the working group, coordinated by the Ministry of Agriculture Policy of Ukraine, aimed at developing the foundation for the implementation of the Law of Ukraine "On the organization of water users and stimulation of hydro-technical melioration of land", adopted in March 2022. The Law provides for the establishment of **water use organizations (WOU)**, aiming to drive the development of irrigation systems in Ukraine and make them accessible for farmers. In FY2023, one WOU has been successfully established under the coordination of Kernel's experts and another one is undergoing a relevant preparational process. In the Farming division, water is also used for animal husbandry and technological purposes, such as dilution and application of crop protection chemicals and fertilizers. In the case of animal husbandry, we reduce water usage by applying a dry method of removing manure from cowsheds, using conveyor scrapers. We also constantly test and integrate approaches to reduce water use in the process of agrochemical application.

In addition to the water-saving measures on the operational level, Kernel invests in technological solutions that allow to increase water use efficiency in the long-term perspective. On our Bandurka and Black Sea Industry CHPs, we exploit dry cooling systems, which are three times more expensive in comparison to traditional wet cooling systems but allow us to save up to 320 megaliters of water annually.

Our management approach to wastewater treatment

All wastewater generated during operations, undergoes treatment before being discharged to water bodies. Three oil extraction plants operate full-cycle water treatment systems, which provide biological, physical, and chemical purification.

In FY2023, we purified 125.1 megaliters of wastewater on our water treatment system, of which 98.1 megaliters underwent physical-chemical and biological treatments, and 27.1 megaliters were treated through dissolved air flotation. If an oil extraction plant is connected to a municipal wastewater treatment plant (WWTP), wastewater is pre-treated on the site to meet the requirements of a WWTP and is directed at a proper external treatment. The quality of treated wastewater is monitored by our laboratories, which analyze water samples in line with the Ukrainian national regulation on maximum permissible discharges of pollutants, maximum levels of which are specified in a "Special water use" permit.

Such permits set limitations to volumes of withdrawn water and/or on volumes and quality of effluents based on surveys that define hydrological conditions, baseline water quality, and assimilation capacity of a water body.

The permitting authority uses information on water use within a watershed or aquifer to set permit conditions in a way that balances the interests of all users and keeps cumulative pollution levels within the national water quality standards. The regulatory requirements were the only criteria for setting permit conditions that define the quality of our effluents. Parameters of wastewater, controlled during

laboratory testing, include eight substances, as well as biological (five-day) and chemical demands of oxygen. In FY2023, there were no incidents of non-compliance with quality requirements of wastewater quality.

In FY2023, we successfully finalized a procedure of Environmental Impact Assessment for the project on renovation of an onsite wastewater treatment system at Kropyvnytskyi oil extraction plant. Modernization of this system will allow addressing specific parameters of wastewater, including equalization, correction of pH, reagent flotation and its preparation for dehydration, as well as mechanical dehydration of sludge. The expected treatment capacity of 0.15 megaliters/day.

Sustainability: Environmental capital

Key water management indicators

	FY2022		FY2023	
	Total	Areas with water stress	Total	Areas with water stress
Water withdrawal, megaliters	3,354.7	818.9	4,739.6	845.8
<i>by source</i>				
ground water	1,025.6	628.2	1,401.4	838.4
surface water	1,481.2	8.2	2,529.2	7.5
municipal suppliers (third-party water)	847.8	184.4	809.0	-
<i>by business segment</i>				
Oilseed Processing	1,508.5	777.9	1,666.5	752.3
Infrastructure and Trading	23.5	1.9	29.8	1.87
Farming, incl.:	1,822.7	41.0	3,043.3	93.6
Irrigation	1,454.9	-	2,518.1	-
Animal husbandry	166.0	-	207.6	-
Water discharge, megaliters	864.4	329.4	870.5	207.6
<i>by types of destination</i>				
surface water	259.1	259.1	98.1	98.1
municipal suppliers (third-party water)	605.3	70.4	772.4	109.5
<i>by business segment</i>				
Oilseed Processing	854.4	329.4	860.7	207.6
Infrastructure and Trading	10.0	-	151.90	-
Discharge of substances, tons				
dry residue (mineralization)	768.9	160.4	406.7	129.7
sulfates	198.2	98.0	96.4	57.3
chlorides	196.2	71.8	88.6	46.4
suspended particles	131.2	16.6	51.1	25.3
fats	12.8	4.2	10.8	8.7
other substances	105.3	79.7	240.3	110.6

Waste management

Our management approach to waste generation and treatment

Minimization of waste, as well as its proper treatment, is one of the key indicators of our operational efficiency. We seek to identify and implement measures towards the reduction of the overall volume of waste through the modernization of technological processes, including the reuse of waste across divisions, contributing to the long-term sustainability of our business, as well as through the establishment of controls over a waste generation, transportation, and storage.

This approach is enriched in the [Environmental protection policy](#) and [Code of Conduct](#). In case the generated waste does not have direct application in the production chain, it is transferred to licensed providers of waste disposal or recycling services selected from the official list of license holders provided by the Ministry of Environmental Protection of Ukraine. The license conditions are set to ensure the operator's capacity for safe handling of collected waste. The Ministry is responsible for verification of compliance of licensees' operations with these conditions. Violation leads to license revocation.

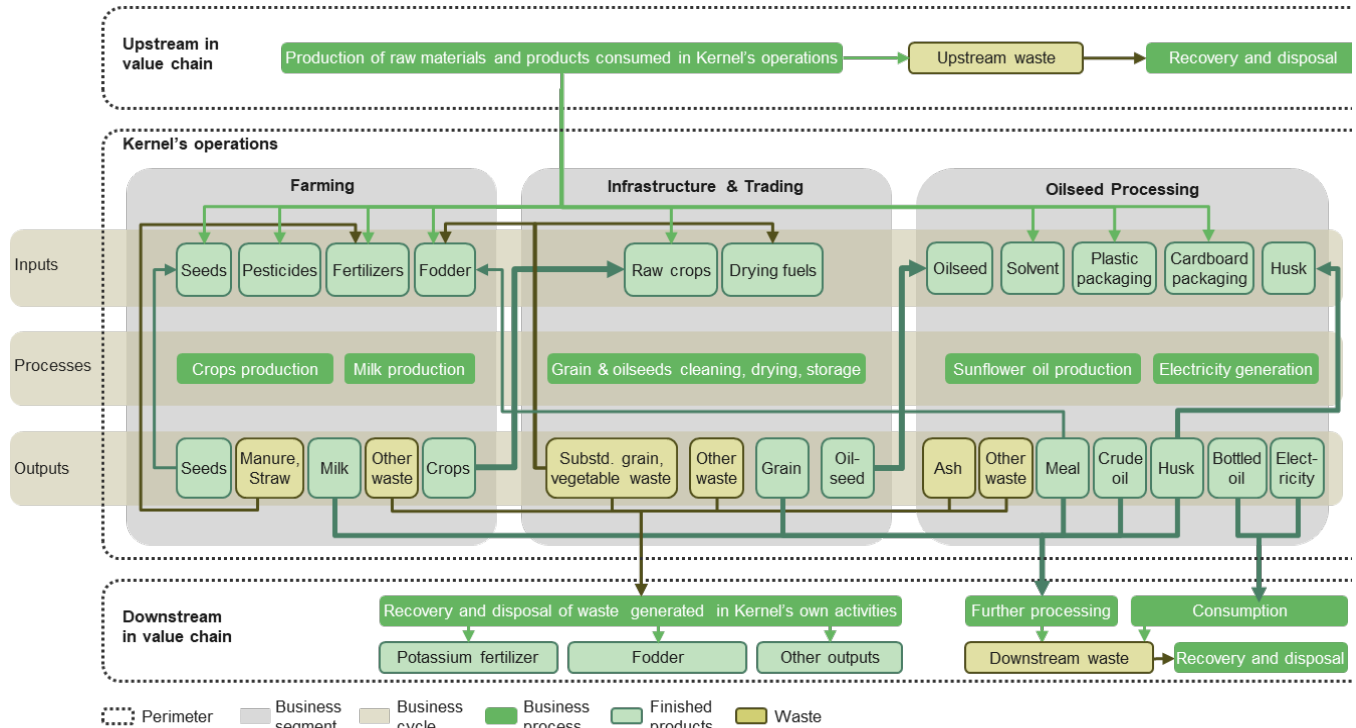
We expect the same level of responsibility regarding waste management from our contractors working on Kernel's sites: standard clauses of our agreements oblige contractors to control the generation of waste and prevent the mixing of different types of waste. In line with such obligation, Kernel may request contractors to provide copies of agreements with providers of waste disposal and recycling services.

Key waste management indicators

	FY2022	FY2023
Volume of waste generated	177,133.2	213,237.8
<i>including by class of hazard</i>		
1st class	14.5	24.4
2nd class	237.4	246.7
3d class	401.1	167.3
4th class	176,480.2	212,799.4
Volume of treated waste	164,620.2	195,036.3
<i>including by management approach</i>		
Sold to 3d parties	99,729.3	38,653.7
Landfilling	9,710.6	15,453.9
Transferred for utilization	883.4	1,569.4
Used at enterprise	54,296.9	139,359.2

Sustainability: Environmental capital

Scheme of Kernel's waste management cycle



Our waste management performance

In the **Farming** segment, the waste from operational activities includes:

- **Crop residue** that is normally left distributed on the field and might also be incorporated in soil or mulched. Part of the straw is used for the purpose of cattle management as bedding. No crop residue is burned on the field, as it is strictly forbidden.
- **Pesticide packaging** is collected separately, depending on the class of hazard, and transferred to a licensed provider of waste disposal services.
- **Manure** is the main type of waste from animal husbandry. After manure is removed from cowsheds with scraper conveyors, it is transported to embanked storages, where it undergoes natural composting in piles. All storage is located outside of settlements, in leeward areas; no storage is located in close proximity to water protection buffer zones to avoid contamination. Manure is mainly applied in fields as organic fertilizer, and part of it is distributed among local communities for gardening purposes. In FY2023, we applied 59 thousand tons of composted manure mixed with straw as a fertilizer.
- **Cows' carcasses** are disposed of in registered bio-thermal pits in compliance with the requirements of the [State Veterinary Committee](#).

In terms of milk production, this process does

not involve the generation of waste related to packaging because final products are sold in bulk.

In the **Infrastructure and Trading** segment generation of waste is associated mainly with the grain purification process and includes:

- **Fraction of substandard grain and crop residue**, separated from main products and used mainly as input for cattle fodder in our animal husbandry business and is sold to third parties. In addition, we use crop residue as a fuel on one of our drying installations for the generation of steam.

The main matter of the Infrastructure and Trading business, namely grain, is sold in bulk and does not involve the generation of additional waste associated with packaging.

In the **Oilseed Processing** segment, the main source of waste and co-products is oilseed crushing in the process of sunflower oil production, generating:

- **Sunflower seed husk**, which is used as a fuel, partly for satisfying own technological needs of our oil extraction plants (steam generation), whereas the major share of the total volume is used as biomass in electricity production by Kernel's combined heat and power plants (CHPs).
- **Meal** is used as an input for cattle fodder in our animal husbandry business and is sold to third parties.

- **Sunflower ash**, from combustion in the power generation process, is used as a raw material for the production of fertilizers. Ash is valuable for its chemical composition, namely its high potassium content and lack of hazardous admixture. Applying ash in fields allows to return of a part of harvested nutrients back to the soil.

The main final product in the **Oilseed Processing** business is crude oil sold in bulk for further processing by customers. The remaining volume of produced oil is refined, bottled, and packed. The generation of waste associated with plastic and cardboard packages, takes place downstream among customers.

Other types of waste occur as the result of operational household activities, such as machinery maintenance, construction and engineering works, and wastewater treatment.

Biodiversity management

Our management approach to biodiversity protection

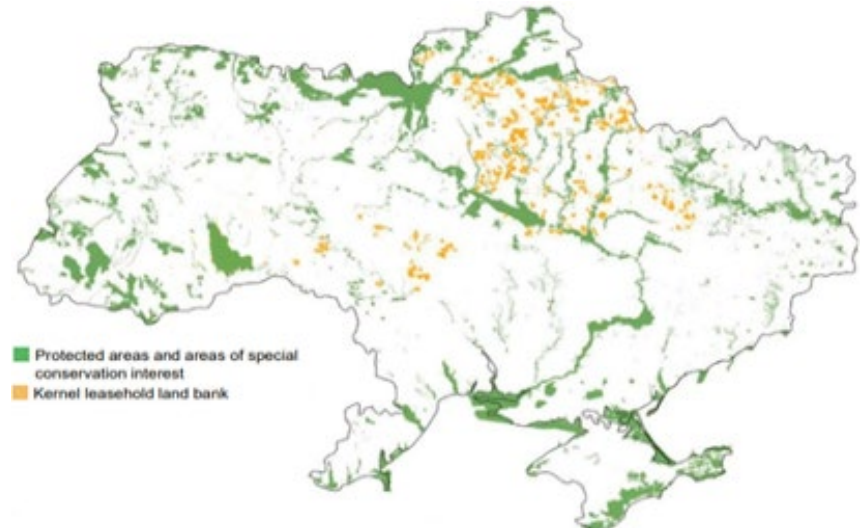
Given the nature of Kernel's business of operations, specifically farming activities, we are strongly committed to both minimizing our negative impact on biodiversity and undertaking specific measures aimed at conserving and boosting biodiversity. This approach is reflected in our Environmental protection policy.

Sustainability: Environmental capital

The key principle in delivering this commitment is ensuring comprehensive and detailed monitoring of our farming activities, which we perform throughout our innovative **DigitalAgribusiness ecosystem**. We apply IT, AI, and Big Data solutions to accumulate information on fields and technological operations, allowing us to improve our practices of precise farming, strengthen our risk management approaches, as well as control interactions and impact on natural ecosystems. We exploit RTK-guided autopilot agriculture machinery on all our fields; we collaborate with other companies, sharing the RTK signal and increasing the area coverage where precise farming is applied. We also monitor our fields through **remote sensing technologies** by collecting data, such as **NDVI¹**, from satellites, helicopters, and on-site data collection facilities, which are then synchronized in databases and analyzed with **GIS** (Geographic Information Systems) programs. Additionally, these analytical tools are made accessible in operational activities on the ground: in their everyday work, our agronomists use tablets with installed **'Mobile Agronomist' scouting application**, making the process of risk assessment and decision-making more effective. Furthermore, we undertake thorough due diligence prior to the conclusion of the lease, which includes evaluation of the physical condition, such as quality of soil and existing vegetation, as well as the legal status of the land, namely ownership rights, registered land use limitations and legal suitability for farming, which also includes proximity to conservation areas. Therefore, **we do not operate in the areas with high biodiversity value**, specifically in (1) protected natural zones as defined by the national legislation and (2) wildlife and natural habitats at the 377 Areas of Specified Conservation Interest (ASCI) that are part of the Ukrainian zone of the Emerald Network, established by the **Bern Convention**.

In addition, our own farming operations and our suppliers of grain and oilseed **are not associated with deforestation**. In Ukraine, the land bank of forestry and agriculture is governed by different laws stating that the conversion of forests into agricultural land is prohibited. Furthermore, Ukraine is historically known for its large territories of agricultural land (almost 70% of the country's territories), which have not been covered by forests over the last 50 years. Issues of illegal deforestation in Ukraine are specific to the lands of the forest fund and are not associated with agricultural activities. In addition to such legislative limitations, **Kernel took a non-deforestation commitment**. We are also committed to

Map of Kernel's presence in areas with high biodiversity value in Ukraine



preventing the expansion of arable lands at the cost of natural habitats and other territories not intended for farming, both in our own operations and in supply chains.

Our biodiversity management performance

Our practical approaches to minimizing the adverse impacts of our farming operations on biodiversity include the following:

- **Promotion of soil biodiversity.** Kernel actively researches and tests applications of biological fertilizers, including phosphorus- and nitrogen-fixing bacteria. We are the first agriculture company in Ukraine to establish and run our own microbiological laboratory, where we closely evaluate the benefits of biological fertilizers on soil health. We also use biodestructors, namely bacteria and fungi, that contribute to maintaining the biodiversity of soil while also intensifying the decomposition of organic crop residues mulched and left in fields, leading to a subsequent return of nutrients from residue back to the soil. In addition, biodestructors have a fungicidal effect, protecting crops from harmful microorganisms. We have been applying biodestructors on more than 350,000 hectares for several years.

We are closely researching agriculture technologies that have a high potential for reducing GHG emissions, associated with farming operations, and have a positive impact on biodiversity. Approaches such as reduced tillage, cover, and perennial crops not only allow to sequester carbon, but also conserve ecosystems of microorganisms in the soil, crop residue, and plant

biomass. In FY2023, Kernel sowed a total of 22 thousand hectares of cover crops.

- **Integrated pest management system.** When undertaking pest control actions to reduce crop exposure to diseases, we comply with applicable national and international regulations. We only use authorized plant protection products, listed in the State registry of pesticides and agrochemicals allowed to be used in Ukraine; we also do not apply chemicals prohibited by the **Stockholm Convention on Persistent Organic pollutants and products**, listed in **Annex 3 of the Rotterdam Convention²**. We constantly improve our pest management approaches by adjusting them in line with legislative changes on pesticides in other countries. For example, since 2021 we have been gradually reducing the use of neonicotinoid products. In a few years, their application will be limited to Thiacloprid and Acetamiprid which are used in certain EU countries and have lower toxicity for bees and wild insects. Before using a new substance on the operational scale, we test it on our R&D fields (more than 25,000 hectares).

Application of pesticides is performed by self-propelled spraying machinery, equipped with a positioning control system that deactivates sprayers when leaving the boundaries of an assigned field and prevents doubling and re-application in areas that were already sprayed. In addition, machines have automatic remote controls for weather conditions which accounts for wind, allowing for minimized off-the-field releases of pesticides.

¹ Normalized Difference Vegetation Index quantifies vegetation by measuring the difference between near-infrared (which vegetation strongly reflects) and red light (which vegetation absorbs). NDVI is a standardized way to measure healthy vegetation – the higher the NDVI, the healthier vegetation.

² Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

Sustainability: Environmental capital

- **Control of seed quality.** For sowing campaigns, Kernel only uses breeds and hybrids of seeds, listed in the State Registry of Plant Species Eligible for Cultivation in Ukraine, which excludes genetically modified seeds. All seeds, either produced internally or sourced from the market, undergo a thorough examination in Kernel's accredited laboratory prior to sowing.
- **Monitoring soil nutrients.** At least once per crop rotation cycle, we analyze the quality of soils at our agrochemical laboratory by taking over 20,000 soil samples (from 30 centimeters depths). Based on the results of evaluations, we adjust our crop mix plans, production technology, and fertilization practices where required. Test-based approach to the application of fertilizers allows for maintaining a deficit-free balance of nutrients and thus prevents deterioration of the soil quality.

Monitoring of environmental impacts and ecological compliance

Our management approach towards regulation of the impacts of our operations on the environment is built on two pillars, namely (1) continuous monitoring of key environmental performance indicators to be aligned with **permit requirements** and to successfully pass environmental inspections, and (2) procedure of **environmental impact assessment (EIA)** and **strategic environmental assessment (SEA)** in line with the national legislation for planned activities that pose a high risk of significant environmental impacts.

These priorities are reflected in our [Code of Conduct](#) and in [Environmental protection policy](#) provisions which account for EBRD's

Key environmental monitoring indicators in FY2023

Scope of monitoring	# of checks	# of sites monitored	# of samples taken
Air quality	84	141	505
Conditions of emissions permit	12	56	75
Conditions of EIA	37	15	171
Areas at boarders with SPA ¹	35	70	259
Water quality	32	58	135
Ground water	24	56	91
Surface water	8	2	44
Soil quality	23	86	82
Areas of waste storage	13	65	65
Areas at boarders with SPA	10	21	17
Noise pollution			
Vibration pollution	31	37	177

Performance Requirements. We also expect the same level of responsibility regarding control of environmental impact from our suppliers as stated in our Code of interaction with suppliers. Mechanisms of environmental monitoring are practically implemented through a group-wide environmental management system (EMS), which is certified with the **ISO 14001 "Environmental management"** standard¹. Responsibility for performing environmental monitoring and ensuring compliance with relevant legislation lies on the assets-based team of environmental specialists (11 full-time employees). Given the nature of our business operations, we are required to obtain permits for air emissions, water withdrawal, and discharge of wastewater to water bodies. The process of obtaining permits is performed both by Kernel's team of environmental specialists and by involving external contractors. In FY2023 Kernel's assets

obtained a total of 7 new permits, including 3 air emission permits, 3 water withdrawal permits, and 1 permit for subsoil use.

Complying with permit obligations we have developed monitoring programs to control the environmental quality of our operations. These include analysis of air, soil, and water quality, as well as assessment of levels of noise and vibration pollution. There were no inspections of environmental compliance performed by the State environmental inspectorate on our assets in FY2023. Such inspections are forbidden during martial law.

In FY2023, we spent a total of USD 141 thousand on measures associated with mitigation of environmental impacts and environmental protection.

¹ Certification ISO 14001 covers key trading company Kernel-Trade, six oil crushing plants, two farming clusters, fifteen silos and one trading terminal

Sustainability: TCFD disclosure

CLIMATE ACTIONS (TCFD DISCLOSURE)

Governance

Board oversight of climate-related risks and opportunities

Kernel's **Sustainability Committee** of the Board of Directors is the body responsible for (1) identifying, prioritizing, and advising the Board on the company's strategic activities in the areas of decarbonization, climate-related business opportunities, development of environmental, social and human capital, and sustainability governance (hereinafter – 'ESG') and sustainable finance; (2) critically reviewing and considering the ESG Strategy, which will incorporate SBTi aligned climate targets and decarbonization pathway; (3) ensuring the implementation of the ESG Strategy across business operations; (4) connecting ESG and climate corporate agendas with Kernel's business strategy, business objectives and capital allocation decision.

The Sustainability Board Committee consists of at least three members, appointed by the Board of Directors upon proposal of the Nomination and Remuneration Committee; the Chair of the Committee appoints a secretary, who is normally a sustainability manager of the Group. For that reason, the Sustainability Board Committee acts as an effective link between the Board of Directors and the Executive Management Team.

The Sustainability Committee had one meeting during the reporting period, discussing the following:

- update on various business opportunities related to the sustainability function and climate change;
- CDP scoring results and areas for improvement.

At the meeting held in July 2023, the Sustainability Committee discussed business opportunities related to the sustainability function and climate change and discussed the EY summary presentation related to the project "Climate Corporate Governance and Low-Carbon Pathway".

The **Audit Committee** critically reviews and prioritizes physical and transition climate risks as part of its responsibilities to assist the Board of Directors in delivering its risk management responsibilities by providing a description of risks specific to Kernel, overseeing the adequacy and effectiveness of Kernel's risk management system, and reviewing the company's policies on risk assessment and risk management.

Management's role in assessing and managing climate-related risks and opportunities

Kernel seeks to integrate ESG and climate corporate agendas in the company's overall

business strategy and operations. For that reason, the Executive Management Team is actively engaged in the implementation of ESG and climate action practices and initiatives within their respective functions, that are considered priority at a specific time. Kernel plans and prioritizes such initiatives based on its vision of the role of the company and agriculture sector in general in delivering the goals of the **Paris Agreement** and our place within **the international climate arena**. We develop our vision based on our understanding of global dynamics in the areas of decarbonization and carbon markets, which is complemented by our ongoing dialogue with our key trade partners, and major global agriculture commodity traders.

The **Chief Executive Officer** of Kernel plays a key role in ensuring control over the integration of ESG and climate corporate agendas in business operations. CEO is to provide a critical review and feedback on the development of Kernel's ESG and climate corporate strategy, including GHG emission reduction targets, approaches to the development of the sustainability and climate corporate strategy across operations, as well as on engagement in relevant business opportunities related to decarbonization.

Executive Management Team: At the end of FY2023, the company developed climate-related strategic targets for the Executive Management Team that will be enforced throughout FY2024, including:

1. **Development of the framework for systematic attraction of sustainable finance:** Chief Financial Officer
2. **Research and realization of business opportunities associated with low-carbon development:** Heads of Trading
3. **Integration of operational accounting of GHG emissions from agriculture operations:** Director of Agribusiness, Director of IT, Chief Financial Officer

Head of HR department provides overall support to initiatives that focus on the implementation of business opportunities associated with low-carbon development. Among the specific responsibilities of the Head of the HR Department is the development of the system of climate KPIs for the Executive Management Team and their cascading throughout each corporate function. The head of HR Department is also responsible for communicating the importance and benefits of sustainability practices and climate actions within the Group and supporting their implementation from the behavioral perspective. Kernel's Head of Sustainability is in direct subordination to the Head of HR department. Head of Sustainability is responsible for leading the development and improvement of Kernel's sustainability and climate corporate function.

The Risk Committee of the Executive

Management Team is responsible for the identification, assessment, management, and control of the key risks, including climate-related risks.

Strategy

In FY2023, Kernel finalized the "Climate corporate governance and low-carbon pathway" project in partnership with EBRD, which involved the assessment of climate-related risks and opportunities (in line with TCFD recommendations), gap analysis of climate governance, feasibility analysis mitigation and adaptation measures.

Building on the results of this project, the company developed a comprehensive action plan, which includes actions of an organizational and investment nature aiming to improve Kernel's climate corporate governance performance. Such actions were developed across material groups: agribusiness, production, energy, carbon offsets, production, supply chain, GHG accounting, risk, strategy, governance, and sustainable finance. The action plan was reviewed by the Sustainability committee of the Board of Directors, prioritizing actions and reflecting them in respective KPIs for executive and operational managers. The action plan will act as a cornerstone of the Group's future climate transition strategy and emission reduction targets aligned with the SBTi FLAG guidance.

As part of preparing and implementing such an action plan, the Group is actively evaluating options for corporate GHG emission reduction targets by integrating a detailed operational accounting system and addressing business opportunities and risks associated with the application of low-carbon farming practices. However, in FY2023 setting targets in line with the SBTi FLAG was once again postponed until the next reporting periods due to high levels of uncertainty regarding the operational boundaries of GHG emissions accounting, crop rotations (which may be altered depending on export routes), availability of export routes etc.

Approach to climate risk identification and management

Kernel's overall approach to managing risks, including climate physical and transitional risks, and to evaluating their impact on business is governed by the company's Risk Management Policy and underlying procedures. The policy reflects a comprehensive risk management framework developed by Kernel, which includes a 5-steps risk identification and mitigation system, namely:

- Risk identification;
- Risk assessment and prioritization;
- Development and execution of risk mitigation plan;
- Monitoring of plan execution;
- Enhancement of risk management process.

Sustainability: TCFD disclosure

The risk management framework operates five risk categories: strategic (business), operational, financial, regulatory, and sustainability. In terms of climate-related risks, strategic (business) and operational categories account for physical climate long-term and short-term risks, respectively. Transitional climate risks are covered by the regulatory category and sustainability category, covering a broader group of environmental and social risks. For the purpose of annual operational planning, the company re-evaluates and updates the matrix of top-10 risks, which are then approved by the Board of Directors. The risk of acute climate events in the production cycle is embedded in the risk category 'weak harvest in Ukraine'. The risk of weak harvest is applied to each business segment of the company: (1) Kernel's own farming operations (direct impact); (2) capacity utilization of Kernel's silos and export terminals due to physical shortage of grain on the market and oil crushing margins due to limited supply of oilseeds (indirect impact); (3) export value chain, because the majority of Kernel's grain export volumes normally originates from third-party suppliers.

The risk management process is implemented by the Board of Directors, executive management, and operational management on an ongoing basis. Risks of substantial financial impact are considered by the Board of Directors, and other risks are maintained at the executive management and operational management levels. Indeed, the executive management team ensures that all risks are systematically identified, quantified, monitored, mitigated, and managed daily.

Within the 'Climate change strategy and low-carbon pathway' project, Kernel works to integrate a more articulated approach to the identification, evaluation, and management of climate physical and transition risks in line with the TCFD recommendations. This includes an **assessment of the impacts of climate-related risks on the enterprise value**.

With regards to climate physical risks, such an approach involves the regular assessment of climate change information provided by the **Regional Climate Models** (specifically CMIP6 Projections using SSP 2.6-4.5 and SSP 8.5 scenarios to inform management decisions) to understand the dynamic of climate change impact across Kernel's landbank in the long-term perspective. Relevant parameters of these scenarios are used for **stress-testing Kernel's financial model**, allowing it to evaluate the Group's exposure to long-term climate change impacts and their monetary interpretation (i.e. impact on EBITDA). Evaluation of transitional climate risks is also to be reflected in the company's financial model and accounts for implications of both domestic and European carbon regulations.

The interconnection between climate physical and transitional risks is linked to the assumption that SSP 2.6-4.5 scenarios would imply that carbon regulations will be tightened significantly and will strongly affect the Company's performance, but the Company will be less exposed to the physical risks, whereas SSP 8.5 scenario implies that carbon regulations will be tightened moderately and softly affect the company's performance, but in turns the company will be more exposed to the physical risks.

Kernel's approaches to the identification, assessment, and management of climate risks are the following:

- **Climate physical risks** are evaluated on the operational level. Kernel's modelling and monitoring team (consists of experts in practical application of geographic information systems, or GIS) as well as financial and business analytics undertaking ongoing monitoring of key climatic indicators (data obtained from the company's own meteorological stations and satellite data, which reflects the vegetational response to weather conditions, such as NDVI indicators) and their interconnections with financial and business performance. Furthermore, the farming segment holds strategic sessions twice a year before spring and winter sowing campaigns where Kernel's agricultural experts, building on this analysis, undertake short-term business planning, profound consultation, and decision-making on managing acute climate risks and adaptation practices.
- In terms of **chronic climate risks**, the monitoring is based on the company's practical observations and analysis of available agrometeorological research on changes in Ukraine's climate zones and yield dynamics. To that end, Kernel's business analysts undertake a regular analysis of harvest results of both Kernel and other agriculture companies in Ukraine and compare these indicators between geographic regions. Such exercises help to identify climate patterns and tendencies across the company's land bank, which are used to make informed long-term strategic decisions regarding the geographic location of assets. Such decisions are made at the level of the executive management team or at the level of the Board of Directors if the monetary implication of risk is higher than the established substantial strategic impact threshold.
- Identification of **climate transitional risks** is undertaken by Kernel's sustainability manager through the ongoing monitoring of developments in domestic and EU carbon regulations. Transitional risks, flagged by the sustainability manager, are evaluated in terms of their monetary impact together with financial and business analytics. It is then brought up to the executive management team or the Board of Directors attention if the impact of the risk is considered

significant. Evaluation of climate transitional risks is based on analysis of **NGFS (Network for Greening the Financial System)** scenarios of carbon prices within EU ETS and in Ukraine. Analysis of these scenarios and financial implication of climate transitional risks, as well as information on key drivers of these risks (i.e. developments in EU and domestic climate regulations), are updated on an annual basis and approved by the Audit Committee at the Board of Directors.

Material climate-related risks

Chronic physical risks

For Kernel's operations, chronic physical climate risks are relevant from the perspective of long-term strategic impact on the location of assets. Analysis of the overall dynamic in the climate system across the territory of Ukraine demonstrates a gradual shift in the boundaries of natural zones (woodlands, forest-steppe, steppe) towards the northwest. The shift in climate zones leads to an extension of land that falls under the category of risky farming and, therefore, to the increased price of lease agreements for agricultural land suitable for growing grain and oilseeds (the so-called 'corn belt of Ukraine').

Assessment and monitoring of dynamics in climate conditions on Kernel's landbank are ongoing and involve (1) analysis of meteorological data obtained from Kernel's meteorological stations (a total of 51 stations) and satellite climate change data obtained from GIS solutions frameworks such as GEOSIS, undertaken by the modelling and monitoring team, and (2) retrospective analysis of harvest from both Kernel's landbank and in Ukraine in general, made by the team of financial and business analysts.

For the purpose of ongoing monitoring of changes in the vegetation and visualization of climate-related data relevant to the regions of the company's operations and potential expansion, Kernel has a subscription to the provider of GIS solutions (geographic information system), GEOSIS Technologies. These solutions allow to consolidate and analyze climate climate-related data and relevant patterns obtained from satellite images. The cost of the response to climate chronic physical risks also includes technical maintenance of Kernel's own agrometeorological stations, IT support and development of the company's Digital Agribusiness program, and maintenance of the company's own drones that undertake remote sensing of the landbank.

Acute physical risks

The risk of acute climatic events resulting in decreased yields is a basic risk for the agriculture business. Within Kernel's risk management framework, this risk is reflected in the risk category 'Weak harvest in Ukraine', which is normally included in the top-10 company's

Sustainability: TCFD disclosure

risks list. Likewise, the company's financial modeling provides for conservative basic assumptions of reduced yields due to impacts of acute climate impacts. In addition, acute climate physical risks are also applicable to Kernel's infrastructure since extreme weather conditions would impact farming business across the whole country (impact on Kernel's supply chain and trading operations), leading to decreased capacity operations of the company's silos and oil crushing plants.

We perform an evaluation of acute physical risks based on the Regional Climate Model (RCM) of climate dynamics on the territory of Ukraine. RCM collects data on single levels from a number of experiments, models, domains, resolutions, ensemble members, time frequencies, and periods computed over several regional domains all over the World - particularly in the CMIP 6 of the **Coordinated Regional Climate Downscaling Experiment** (CORDEX) framework. The analysis showed that the frequency of acute climate events (droughts) in northern parts of Kernel's landbank would increase under the SSP 8.5 scenario in a long-term perspective.

The company's response to this risk includes the organization of strategic sessions of the Farming segment twice a year before the spring and winter sowing campaign. During this meeting directors of Kernel's farming clusters (cluster is an organizational unit in Kernel's landbank and farming operations; there are a total of 6 clusters), agricultural experts, as well as business and financial analytics undertake broad consultations on results of previous harvest seasons; identify areas for improvement in agriculture practices; analyze available data and projections of weather conditions during the next harvest season; undertake short-term business planning, profound consultation and decision-making on management of climate acute risks and adaptation practices.

The response also includes technical expenses to support research and development centers, which are specifically dedicated fields where the company tests new farming practices, including resistant FAO hybrids, inhibitors of nitrification, biological destructors, etc.

Transitional risk: emerging carbon regulation in Ukraine

In the case of Ukraine's carbon tax, it increased from 10 UAH to 30 UAH (approximately 1 EUR) per tonne of CO₂ over 2021. Although the tax rate did not change in FY2023, the company expects that the rate of the carbon tax will continue growing over the next years to become aligned with an average price of a tonne of CO₂ in the EU (these expectations are based on Ukraine's

commitment under EU Association Agreement and its candidacy to EU, as well as Ukraine's possible response to EU CBAM requirements). Kernel evaluates the risk of the expected growth of carbon tax in the following years based on the average carbon tax value in EU member countries (EUR 20-120/tCO₂), which would lead to significant annual expenditures. Ukraine's carbon tax is applicable to Kernel's combined heat and power plants that produce electricity from sunflower seed husk (side product to the oilseed crushing process, approved as a feedstock to provide advanced biofuels as per Annex IX.A. of RED II Directive). The nature of these risks lies in the fact that such regulation contradicts Ukraine's regulation on Monitoring, Verification, and Reporting (MRV) and the EU's position on the combustion of biomass and production of advanced biofuels GHG emissions from which are considered to be zero.

With regards to Ukraine's national emission trading scheme, the key risk for Kernel's is the significant increase in electricity price, when ETS is finalized and launched. The assumption of the potential impact of such risk is based on average wholesale electricity prices in the EU, which fell to the average of EUR 110/MWh in 2022. To compare, industry electricity prices in Ukraine in 2022 accounted for approximately EUR 70/MWh. The company closely monitors such risks, despite the fact that the development of Ukraine's ETS is at its initial stage and is expected to be finalized no sooner than seven years.

It was evaluated that at the current tax rate, annual expenditures to cover carbon tax could account for up to USD 1.4 million per year, assuming that all seven plants work to their full capacity (686 GWh per year) generating 538 949,88 tons of CO₂. The potential financial implication is evaluated according to the **NGFS (Network for Greening the Financial System)** climate modeling of the carbon price dynamic in Ukraine. In FY2023 the company updated assumptions of carbon price in line with the new NGFS model for Ukraine (which was re-scaled to Eastern Europe) "GCAM 5.3+ NGFS".

In line with updated scenarios, under the SSP 2.6-4.5 scenario carbon price in Ukraine is projected to increase up to EUR 63.33/tCO₂, and under the SSP 8.5, the price would reach EUR 1.1/tCO₂ by 2030. In the range of potential financial impact, the minimum figure is the combined impact of increased carbon tax and increased price of electricity once the UA ETS is implemented in 2030 under the SSP 8.5, whereas the maximum figure – under the SSP 2.6-4.5 scenario.

Kernel actively participates in business associations, namely the European Business Association and American Chamber of

Commerce in Ukraine, where we actively contribute to the development of common business positions on different matters (i.e. energy transition, food-energy balance, as well as bioenergy and biofuels as integral pillars of the REPowerEU initiative) and their communication to the government. Tax on GHG emissions, generated from biomass combustion is one of the key issues where Kernel demonstrates a strong position, as the largest producer of electricity from biomass in Ukraine.

Transitional risk: emerging carbon regulation in EU (increasing cost of fertilizers)

EU's 'Fit for 55' package (under which EU seeks to cut its emissions by at least 55% before 2030) includes provisions on the Emission Trading Scheme, namely the target to reduce the emissions by 61% before 2030 and to reduce the number of free allowances by 4.2% each year. GHG emissions from the production of nitric acid, ammonia, and hydrogen are covered by the EU ETS. Considering that nitric acid, ammonia, and hydrogen are intermediates in the production of NPK fertilizers, it is expected that the price of EU-sourced fertilizers will increase following the implementation of Fit for 55 provisions. In FY2023, less than 10% of the total volume of nitrogen fertilizers, purchased by Kernel, were made in the EU.

In FY2023 the company updated assumptions of a carbon price in line with the new NGFS model for EU - "REMIND-MAGPIE 3.0-4.4", as well as integrated these assumptions into the renewed financial model. If produced in the EU, the price of fertilizers would reflect the price of EU allowances on GHG emissions, which are projected to increase up to EUR 162.68/tCO₂ under the SSP 2.6-4.5 scenario and to EUR 67.43/tCO₂ under the SSP 8.5 scenario by 2030 (according to NGFS climate data projections). In the case of domestically produced fertilizers, their price would account for a projected carbon price in Ukraine: EUR 63.33/tCO₂ under SSP 2.6-4.5 scenario and EUR 1.1/tCO₂ under SSP 8.5 scenario by 2030 (according to NGFS climate data projections). In the range of potential financial impact, the minimum figure is the combined impact of the increased price of carbon allowances under the EU ETS and the UA ETS once implemented in 2030 under the SSP 8.5, whereas the maximum figure – under the SSP 2.6-4.5 scenario.

Sustainability: TCFD disclosure

Material climate-related opportunities

In FY2023, Kernel re-evaluated material categories of business opportunities, associated with emerging decarbonization regulations in the EU, development of new markets that aim to incentivize companies to reduce emissions and contribute to energy transition, as well as partnerships to support low-carbon development of agriculture sector globally.

#	Product group	Specification
1.	Bioenergy	<p>Kernel explores opportunities associated with the production of biofuels, namely biomethane produced from plant-based feedstock such as silage corn or crop residue. This opportunity stems from the growing demand for energy sources both in Ukraine and in the EU (REPowerEU initiative aimed to reduce dependency on Russian natural gas), amid changes in regional energy geopolitics following Russian invasion of Ukraine.</p> <p>This opportunity is also supported by developments in relevant domestic legislations, which allow injection of bio-methane in the gas transportation system and provides for establishment of national registry of renewable gas guarantees of origin (RGGO) for biomethane producers.</p>
2.	Diversification of financial assets with sustainability- and climate-linked finance	<p>We aim to effectively access markets of sustainability- and climate-linked finance, both in terms of receiving specialized interest rates on loans (linked to specific covenants) and project finance. It's understandable that there are yet no unified rules of such finance, particularly in agriculture sector in Ukraine, and standardized criteria for investing in nature and social capital.</p> <p>Therefore, the company started building focused dialogues with key investors, commercial banks and financial institutions to develop tailored approaches of attracting different types of sustainable- and climate finance in an evidence-based manner. Kernel seeks to develop a comprehensive sustainable finance framework, building on the outcomes of the 'Corporate climate governance and low-carbon pathway' project.</p> <p>The purpose of such framework is to develop evidence-based quantifiable criteria (covenants) of sustainability and climate-linked finance, tailored to different types of financial products and aligned with the company's overarching sustainability strategy; and to coordinate them with a pool of potential investors, IFIs, local commercial banks etc.</p>
3.	Voluntary carbon markets	<p>This opportunity is associated with the access to voluntary carbon markets. The company is currently testing collaboration with an accelerator of agriculture-based carbon offsets; the main purpose of such pilot interaction is to better understand different approaches of carbon marketplaces to calculate a baseline, changes in soil carbon stock due to tillage, crop rotation and application of cover crops for each kind of crops, impact of inhibitors of nitrification on reduction potential and other technical nuances of GHG emissions accounting for agriculture sector.</p> <p>Building on such observations the company seeks to align its operational accounting of carbon footprint and strategies on realizing this opportunity with the rules of global carbon market mechanism (Article 6.2 and Article 6.4 of the Paris Agreement). Exploration of carbon offsets markets, goes hand in hand with in-depth analysis of global market incentives towards decarbonizing supply chain of agriculture commodities, building relevant dialogue with reputable international organizations and exchanging knowledge with key trading partners.</p>
4.	Efficiency improvement through carbon farming practices	<p>The opportunity lies around the system of farming practices that promote accumulation of soil organic carbon, reduction of GHG emissions from tillage and nitrification, improving soil health and biodiversity. These practices are commonly referred to as regenerative, or carbon, farming which is one of the key pillars of the company's corporate climate strategy. We believe that this is a long-term direction of development, which would have a visible impact on capitalization, and over the last several years this subject has moved from purely theoretical discussion toward practical consideration during operational planning and testing.</p> <p>The company is undertaking an ongoing screening of possible channels for comprehensive monetization of carbon farming practices through its focused engagement with trade partners and other stakeholders (more details in C12.1d). For now, the performance of carbon farming practices can be quantified through optimization of nutrition rates (including through application of inhibitors of nitrification) and, therefore, operational expenses on nitrogen fertilizers. As of now, the potential impact of such measures can lead up to 20% lower application of N per hectare; this figure may vary as the company scales up its regenerative farming practices.</p>

In FY2023, in response to this risk, Kernel started proactive interaction with current suppliers of nitrogen fertilizers to collect their data on the carbon footprint of production and include it in relevant Scope 3 calculations. In the long-term perspective, this information would be applied to optimize the suppliers' portfolio and to initiate bilateral cooperation toward decreasing purchased fertilizers' carbon footprint. We expect that access to carbon footprint data will be simplified when fertilizer producers start disclosing this information under the CBAM regulations.

Transitional risk: emerging carbon regulation in EU (increasing cost of marine freight)

EU's Fit for 55 package (under which EU seeks to cut its emissions by at least 55% before 2030) provides for the extension of the Emission Trading Scheme (ETS) and inclusion of emissions from maritime transport, which would cover all CO₂ emissions from large vessel regardless of the flag they fly. It is, therefore, expected that the cost of maritime freight will increase significantly since it will also include the cost of ETS emission allowances.

Sustainability: TCFD disclosure

In FY2023, emissions from downstream transportation by maritime freight accounted for 49.8% of the total Scope 3 emissions (591,657.66 tCO₂e).

The cost of freight operations would reflect the projected price of GHG allowances under the EU ETS, which would increase up to EUR 162.68/tCO₂ under the SSP 2.6-4.5 scenario and reach EUR 67.43/tCO₂ under the SSP 8.5 scenario by 2030 (according to NGFS climate data projections). In the range of potential financial impact, the minimum figure reflects the impact of the increased price of carbon allowances under the EU ETS in 2030 under the SSP 8.5, whereas the maximum figure – under the SSP 2.6-4.5 scenario.

Metrics and targets

Kernel's Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions and other air emissions

Kernel accounts for GHG emissions, generated from operational activities in Ukraine. Emissions are calculated in accordance with the **IPCC Guidelines for National Greenhouse Gas Inventories** and **Greenhouse Gas Protocol Guidance**.

Scope 1 emissions include direct GHG emissions associated with the company's operations of **fossil fuel stationary and mobile combustion, cattle farming, farmland cultivation (soil carbon stock change), and fertilizer application**. The company's total biogenic GHG emissions generated from the combustion of sunflower seed husk and changes in organic carbon stocks are reported as a separate figure. Emissions associated with farming operations are reported in the financial year, when the agricultural products were harvested, using data on mineral and organic fertilizers applied during the growth period in crops.

Scope 2 (location-based) emissions refer to GHG emissions generated from energy (electricity and heating) the company supplied. The average specific emission factor for electricity production in Ukraine is calculated as the ratio of total emissions from electricity production in Ukraine (source: National Inventory Report to UNFCCC) to energy production itself (source from Ministry of Energy and Coal Mining).

Scope 2 (market-based) emissions refer to GHG emissions from energy (electricity and heating) purchased. Carbon intensity of heating both location and market-based approach is the same due to vertically integrated market and heating monopoly supply. Market-based carbon intensity of electricity supplied is higher than the grid average (location-based) due to a decreased share of low carbon capacities in the electricity trade portfolio allocated for the relevant supplying contract (data from Kernel's electricity supplier) – a significant share of nuclear and hydro capacities in

Key GHG emission indicators*

thousand tCO₂e

	FY2021	FY2022	FY2023
Scope 1	1,025.9	1,264.2	1,055.6
<i>by GHG</i>			
CO ₂	291.7	521.5	416.9
CH ₄	22.0	22.8	23.4
N ₂ O	712.2	719.9	615.2
<i>by business segment</i>			
Oilseed processing	19.0	9.1	6.6
Infrastructure and trading	58.4	81.3	62.2
Farming	941.1	1,172.7	986.2
<i>Fuel use</i>	<i>135.5</i>	<i>103.2</i>	<i>124.8</i>
<i>Fertilizers application</i>	<i>697.3</i>	<i>708.6</i>	<i>602.4</i>
<i>Changes in stock of soil carbon</i>	<i>83.9</i>	<i>335.4</i>	<i>232.8</i>
<i>Cattle methane from enteric fermentation</i>	<i>24.4</i>	<i>25.5</i>	<i>26.2</i>
Other	7.4	1.2	0.7
Biogenic (combustion of sunflower husk)	349.5	348.9	509.8
Scope 2 (Location based)	95.5	78.5	84.1
Scope 2 (Market based)	101.3	83.3	137.9
Scope 3	3,078.1	2,775.2	1,188.7
Cat.1. Purchased goods and services	2,538.4	2,415.3	1,186.8
Cat.2. Capital goods	45.6	22.5	4.3
Cat.3. Fuel- and energy-related activities (not incl. in S.1-2)	66.7	52.4	69.2
Cat.4. Upstream transportation and distribution	17.0	16.8	23.7
Cat.5. Waste generated in operations	5.07	4.99	4.4
Cat.9. Downstream transportation and distribution	350.8	253.5	591.7
Cat.10. Processing of sold products	47.4	3.1	3.5
Cat.12. End-of-life treatment of sold products	0.5	0.1	0.8

* - Any discrepancies between data in this and previous reports (FY2022 and FY2021) are associated with clarifications of raw data, alignment of relevant conversion factors and other corrections in calculations.

Ukraine are contracted for households by using special purpose agreements.

Scope 3. To calculate Scope 3 emissions, Kernel applies methodology, provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We evaluated all 15 categories of Scope 3 emissions, namely:

- **Purchased goods and services:** this category of emissions includes three material types of purchased products: (1) purchased grains, (2) purchased agriculture machinery, and (3) purchased fertilizers. In the case of emissions associated with the purchased grains, the accounting approach lies in the application of carbon intensity factors of Kernel's own crops to the volumes of the purchased grains. In the case of the emissions associated with purchased agriculture machinery, a spend-based method was used, where emission factors were calculated based on the carbon intensity of net revenue of machinery producers (material producers included CNH Industrial, John Deere, MAN, Palfinger). In the case of the emissions associated with the production of nitrogen fertilizers purchased by Kernel, the content of nitrogen was calculated, and a sector average

emission factor was applied (kg CO₂e/kg N).

- **Capital goods:** in this category, Kernel accounted for the emissions associated with the production of metal and concrete, used for the construction of assets. The company applied material use emission factors for metal and concrete from the UK Department of Environment, Food and Rural Affairs (DEFRA).
- **Fuel-and-energy-related activities (not included in Scope 1 or 2):** to calculate this category of emissions, Kernel used primary data on energy consumption and applied Well-to-tank indicators (Activity A) from DEFRA; transmission and distribution losses data for Ukraine (Activity C); as well as average heat rate of local thermal power plants (Activity B) to calculate emissions across three types of activities: Activity A (39,369.9 tons CO₂e), Activity B (20,800.4 tons CO₂e), Activity C (9,066.0 tons CO₂e).
- **Upstream transportation and distribution:** this category includes the emissions from the transportation of purchased goods and internal logistics (i.e. transportation of grains from fields to silos and from silos to terminals). The company applied the Freight goods emission factors for vans and HGV from DEFRA. In the case of the

Sustainability: TCFD disclosure

spend-based method of emission accounting, the emission factors were calculated based on the carbon intensity of the net revenue of providers of logistics services.

- **Waste generation in services:** for this category, Kernel used primary data on waste generation and approaches to waste utilization, including treatment of wastewater discharged to WWTPs. The company applied the Waste disposal emission factors from DEFRA.
- **Business travel:** This category of emissions is not material in comparison to the total volume of Scope 3 GHG emissions. We evaluated this category of emissions and concluded that it remains immaterial for Kernel operations (less than 1 tCO₂e).
- **Employee commuting:** This category of emissions is not material in comparison to the total volume of Scope 3 GHG emissions. We evaluated this category of emissions and concluded that it remains immaterial for Kernel operations (less than 1 tCO₂e).
- **Upstream leased assets:** Kernel does not have leased assets within its operations.
- **Downstream transportation and distribution:** this category includes the emissions associated with marine freight of sold products (grain and oil) – from the combustion of fuel by ships, mostly Panamax class. Respective emission factors from DEFRA for the burning of marine fuel oil were applied considering the shipping costs and average fuel spent share.
- **Processing of sold products:** this category includes emissions associated with the refining of sunflower oil. Unrefined sunflower oil purchased from Kernel typically undergoes a refining process at the facilities of a buyer. To calculate such emissions the company used the average electricity efficiency factor for its own refining process and applied grid emission factors for each country where sunflower oil was exported (The IFI Dataset of Default Grid Factors).
- **Use of sold products:** Kernel sells final products, including grains, sunflower oil, and animal meal. In case the sold products are used in the energy sector, the sunflower oil-related biodiesel component of fuel is considered zero-carbon.
- **End-of-life treatment of sold products:** this category includes the emissions associated with the treatment of the sold waste. Kernel used primary data on the sold waste and approaches to its utilization. The relevant Waste disposal emission factors from DEFRA were applied. However, this category of emissions is not material in comparison to the total volume of Scope 3 emissions.
- **Downstream leased assets:** This category of emissions is not relevant to Kernel's business, as the company does not provide leased assets.
- **Franchises:** this category of emissions is not relevant to Kernel's business as the company acts neither as an investor nor does it have shares in emission-related

Key GHG emissions intensity indicators (Scope 1&2)*

	FY2021	FY2022	FY2023
GHG emissions per volume of harvested crop, kg CO₂e/ t of yields			
Corn	216.6	203.6	201.9
Sunflower	330.0	330.1	336.2
Wheat	257.4	130.8	232.6
Rapeseed	415.9	331.7	335.1
Soybean	338.3	321.7	320.9
GHG emissions per area of sowed crop, kg CO₂e/ ha			
Corn	1,722.0	1,887.7	1,765.6
Sunflower	997.0	1,007.9	922.1
Wheat	1,255.2	803.7	1,224.5
Rapeseed	1,253.5	1,318.1	1,139.6
Soybean	416.3	650.9	913.2
GHG emissions per sunflower seeds processed*, kg CO₂e/ t of seeds			
	29.2	32.1	28.2

*- Any discrepancies between data in this and previous reports (FY2022 and FY2021) are associated with clarifications of raw data, alignment of relevant conversion factors and other corrections in calculations.

portfolios.

- **Investments:** This category of emissions is not relevant to Kernel's business as the company acts neither as an investor nor does it have shares in emission-related portfolios.

In FY2023 Kernel started working on the development of operational accounting of GHG emissions from farming operations across field level, which is the highest level of granularity, for each crop. The end goal is to automatize such accounting by integrating the methodology into existing ERP systems and to ensure traceability of the carbon footprint of each batch of grain (originating from a particular field) across the value chain. For these purposes the company seeks to ensure minimization of data uncertainty: calculations of changes in soil carbon due to tillage are performed using "measure and model" and "measure and re-measure" approaches (aligned with the Verified Carbon Standard methodology, VM0042) that account for availability of laboratory agrochemical data on soil organic carbon. The company has already un-

derstood and is currently working on further scaling on the remaining landbank.

The company seeks to monitor field related carbon footprint of its commodities (in kgCO₂e/t of yield) and operations (in kgCO₂e/ha) from the stage of sowing planning until harvest. This would allow the company to better evaluate the overall potential for decarbonization of farming operations, allowing it to prioritize geographic location and intensity of low-carbon practices and achieve reduction of GHG emissions with higher monetary efficacy.

To reduce N₂O emissions, Kernel applies **differentiated mineral fertilization** that prevents excessive volumes of nitrogen from ending up in the atmosphere. Based on the crop monitoring data, this technique allows to reduce the portion of fertilizer by 10-15%. The **proper application timing** is equally important. For corn, winter wheat, rapeseed, and sunflower annual portion of nitrogen is applied in 2-3 phases.

Other significant air emissions

	FY2021	FY2022	FY2023
Air pollutants, thousand tones			
Carbon oxide	0.9	0.6	0.67
Sulfur dioxide	0.1	0.1	0.05
Nitrogen oxides	0.1	0.4	0.42
Solid substances	1.1	1.3	1.26
Ozone-depleting substances, tCO₂e			
R-407C	105.0	95.8	95.8
R-134A	1,195.5	72.9	72.9
R-507A	77.4	1,195.5	1,195.5
Hexane, tones	1,259.0	942.5	958.7

dertaken calculations for a pilot selection of We apply a **stabilized liquid nitrogen**

Sustainability: TCFD disclosure

fertilizer (urea-ammonia mixture) in spring to ensure the minimum time between its application and consumption by crops. In autumn we use only the **ammonia-based fertilizer**, after the average daily soil temperature falls below 10°C.

Additionally, we apply **nitrification inhibitors**, and cultivate cover crops. To limit CO₂ emissions, we reduce both specific fuel consumption and mileage of the field machinery through regular **modernization of the fleet and optimized routing**, respectively.

Emission of other significant emissions, such as air pollutants, are associated with the combustion of sunflower husk at oil extraction plants and are calculated by the sites' environmental specialists for statutory reporting purposes on a quarterly basis. Calculations are based on the volumes of combusted husk and established specific emission factors.

The emissions of hexane are associated with a solvent used for oil extraction, are strictly controlled, and are prevented throughout transportation, storage and application for both resource efficiency and safety reasons. All the equipment contacting hexane at Kernel's plants follows the **EU ATEX Directive** (2014/34/EU 'Equipment for potentially explosive atmosphere'). The solvent is reused through multiple extraction cycles.

The emissions of ozone-depleting substances, namely refrigerants, are associated with the work of industrial cooling equipment operated at two oil extraction plants and in the animal husbandry division.

To prevent dust emissions associated with grain and oilseed handling, we apply sophisticated design solutions and techniques that minimize contact of material flows with the

atmosphere. This includes closed-type grain and oilseed unloading stations, conveyor lines, and ship-loading machines with advanced dust control features. Where prevention is not feasible, treatment equipment is applied.

Our crushing plants operate six **electrostatic precipitators** (ESP) for removing PM from boilers' flue gases. These highly efficient (95-98%) filtration devices use electric energy to generate an electrostatic charge that captures fine particles. All grain handling installations at silos and transshipment terminals are equipped with cyclone filters.

In FY2023 Kernel paid a total of USD 446 thousand in environmental tax, of which USD 401 thousand for CO₂ emissions and USD 44 thousand for air-polluting emissions from stationary sources.

Emission reduction targets

Kernel seeks to establish targets of GHG emissions per ton of commodity in line with SBTi FLAG guidelines. As the groundwork for setting up such targets and baseline, Kernel is developing an operational accounting of GHG emissions from agriculture practices across fields and crops with the end goal of ensuring traceability of the carbon footprint of commodities across the whole value chain. Having such a detailed accounting system in place would also allow us to account for crop rotations and associated rotation of different tillage technologies.

Reduction of GHG emissions from agriculture practices is achieved with carbon farming practices, also known as regenerative agriculture, namely reduced tillage, application of nitrification inhibitors and introduction of cover crops to crop rotations. According to prior estimations such practices can potentially have the following emission reduction capacity: (1)

nitrification inhibitors up to 10% reduction, (2) cover crops up to 31% reduction and (3) reduced tillage up to 85% reduction.

The majority of Kernel's landbank (more than 90%) is already cultivated with reduced technology; in FY2023 the company increased the area under cover crops to 22 thousand ha and increased the application of inhibitors of nitrification.

In terms of oilseed processing operations, the company may potentially achieve carbon neutrality over the following years, given that the 90% of energy consumed by the company's plants is already low carbon and the rest is related to Scope 2 electricity consumption (might be compensated by allocating of the self-generated renewable electricity for own operation or supplying external low carbon electricity by using available market instruments such as Corporate Power Purchase Agreements, or PPAs).

As per the methodological approach for setting emission reduction targets, Kernel will rely on the SBTi Forest, Land and Agriculture (FLAG) guidance. In line with this guidance, Kernel would seek to set two categories of emission reduction targets: an absolute target and specific targets for each key crop. However, due to the uncertainty resulting from Russia's invasion of Ukraine and ongoing military actions, the company had to postpone any decision-making on emission reduction targets until the next two years. Nevertheless, the company continues to work on researching business opportunities related to the decarbonization of its operations and remains committed to its climate ambitions.

Sustainability: Human capital

HUMAN CAPITAL

General employment information

Our management approach to employment and human resources

Kernel's approach towards managing human resources is defined by the [Code of Conduct](#) and is built on four principles, namely (1) involvement as internal entrepreneurship, (2) partnership and unity of goals (3) mutual respect and trust, and (4) development of human potential. Our practices are strictly aligned with the **Labor Code of Ukraine** and other relevant national legislatures as well as the **International Labor Organization's (ILO) Fundamental Conventions**.

We expect the same level of responsibility regarding relations with employees throughout our supply chain: our counterparties are obligated to comply with our [Code of interaction with suppliers](#), requiring them to ensure fair and safe working conditions for their employees and to be compliant with labor legislation. These requirements are reflected in the relevant provision of a contract signed by counterparties.

We are committed to providing our employees with safe working conditions, strictly adhering to the regulations of occupational health and safety and the other relevant requirements; respective working hours; competitive transparent remuneration and benefits (including all salary-related taxes and social contributions); support with childbirth and proper parental leave. There is an absolute **zero tolerance to any form of forced or compulsory labor or child labor** at Kernel Group.

Remuneration approach and benefits

In FY2023 Kernel's total payroll accounted for a total of USD118 million; 162 employees were receiving minimum wage (66 FTE basis).

Overall, our remuneration is built on three pillars, namely:

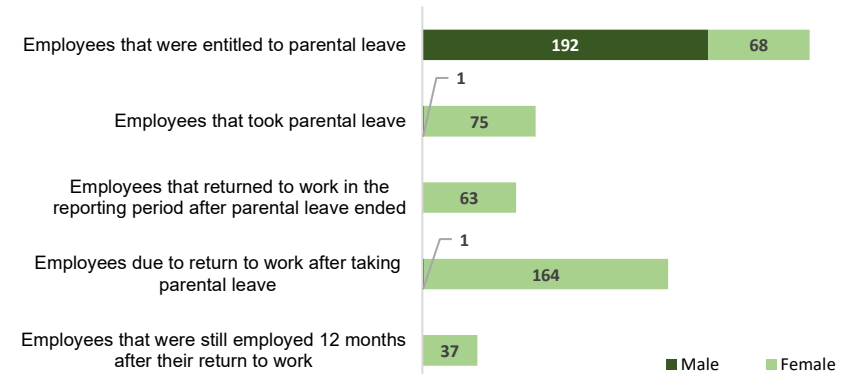
- Base compensation and benefits.** The basic level of Kernel's remuneration system includes:
 - salaries and wage-based bonuses, that match or exceed the benchmark of other industries. It also includes additional payments and compensations, depending on working conditions, as well as fixed payments in case of retirement and financial support in case of an employee's difficult personal circumstances. When personnel optimization takes place resulting in a reduction of
 - number of employees, the wage fund is not reduced correspondingly, but is distributed among the rest of the team.
 - healthcare services, including voluntary medical insurance for full-time employees, life insurance for employees, who

Key human resources indicators

(as of June 30, 2023)

	FY2021	FY2022	FY2023
Total number of employees¹	11,256	10,223	10,733
<i>including by geography:</i>			
Ukraine	11,208	10,180	10,691
Other countries	48	43	42
<i>including by level:</i>			
Managers	936	870	885
Specialists	3,354	3,020	3,110
Workers	6,966	6,333	6,738
<i>including by business segment:</i>			
Oilseed Processing	2,253	2,291	2,530
Infrastructure and Trading	2,592	2,679	2,741
Farming	5,609	4,366	4,508
Head office and other	802	887	954
<i>including by age</i>			
less than 30 years old	1,686	1,464	1,585
up to 50 years old	6,431	6,271	2,992
more than 50 years old	3,139	2,488	6,156
<i>including by employment contract, by region:</i>			
Permanent	10,614	9,647	10,077
Ukraine	10,566	9,604	10,035
Other countries	48	43	42
Seasonal and temporary	642	576	656
Ukraine	642	576	656
Other countries	0	0	0
<i>including by employment contract, by gender:</i>			
Permanent	10,614	9,647	10,077
Male	7,750	6,845	6,845
Female	2,864	2,768	2,768
Seasonal and Temporary	642	576	576
Male	581	510	510
Female	61	66	66
<i>including by employment type, by gender:</i>			
Full-time	11,162	7,262	10,647
Male	8,279	5,430	5,430
Female	2,883	1,832	1,832
Part-time	94	63	63
Male	54	30	30
Female	40	33	33

Parental leave indicators in FY2023



Sustainability: Human capital

cover insurance costs, and OHS insurance.

- rewards for improvements in production, both monetary (such as one-time monetary incentives for operational accomplishments) and non-financial recognitions.
- other benefits include sponsorship of educational opportunities and sports activities, provision of food at workplaces, free transportation to work etc.

2. Reward for leadership. Each year employees undergo an assessment of their competencies, both self-assessment and evaluation by a linear manager. Based on the result of such assessment employees' base salaries might be reviewed (more information on annual performance appraisal and career advancement in the section Training and career advancement)

3. Incentive system. This system aims to ensure that the career goals of our employees, business targets of business divisions and long-term strategic goals of the company are synchronized. Kernel annually establishes financial and operational quantitative and qualitative goals, which are cascaded down to specific KPIs of employees in relevant business segments. Employees can also establish their own KPIs. Annual performance assessment quantifies the achievement of KPIs and automatically impacts the size of the annual performance bonus. The system is fully transparent and prevents any prejudice. We provide employees with all the tools to directly affect KPIs and monitor the KPIs' execution on a

Key training and education indicators

	FY2021	FY2022	FY2023
Average hours of training per employee	21.6	22.8	30.4
<i>by gender:</i>			
Average hours of training per male	21.2	25.1	29.9
Average hours of training per female	22.7	18.4	31.4
<i>by employee category:</i>			
Average hours of training per manager	76.6	35.8	39.1
Average hours of training per specialist	35.7	32.7	40.0
Average hours of training per worker	7.4	7.9	18.8
Total number of training hours	242,833	152,804	207,596
<i>including by skill sets</i>			
Hard skills	195,868	111,309	161,037
Soft skills	46,965	41,495	46,559
<i>including by learning formats</i>			
Full-time training	41,266	21,964	63,293
Distance Learning	201,567	130,840	144,303
<i>including by frequency</i>			
Annual / regular training	123,420	67,507	95,758
One-time training	109,533	79,417	108,746
Modular development programs	9,880	5,880	3,092

close-to-online basis.

Support of employees during wartime

The safety and well-being of our employees have been the utmost priority amid military actions in Ukraine, resulting from Russia's invasion. In FY2023 Kernel continued providing extensive support to its employees, especially those who are defending the country or are internally displaced people.

Over FY2023 a total of 779 employees were enlisted to the Armed Forces of Ukraine, whereas 124 employees were demobilized (since February 2022, the total number of enlisted employees accounted for 1,478 and demobilized – 634). The size of monetary

support of enlisted employees in FY2023 was USD 3,920 thousand.

Furthermore, in FY2023 Kernel provided employees who suffered disability as the result of military actions and families of employees, who were killed in action, with a total of USD 545 thousand of financial support.

In addition, employees who had a newborn child in FY2023 received a total of USD 65.8 thousand of material assistance.

Integration of veterans back into civilian life

As the wartime context became closely inter-

1,478 mobilized employees were provided with military equipment, and they received a total of

USD 3,920 thousand of monetary support in FY2023

linked with the company's everyday life, in FY2023 Kernel started an adaptation program for veterans with the primary focus on the company's employees who were demobilized and going back to civilian life. The program seeks to help veterans in their self-realization and smooth integration into business processes. It consists of three key components, namely: (1) physical recovery, including compensation of costs of medical treatment and prosthetics; (2) mental recovery involving tailored work with professional psychologists; (3) integration into the workplace, which also implies specific training on communication skills and ethics for other employees. The latter might also include alterations of a working place or machinery to accommodate a

Key employment indicators in FY2023

Total number of new hires	2,711
<i>by geography</i>	
Ukraine	2,711
Other countries	-
<i>by gender</i>	
Male	1,866
Female	603
<i>by age</i>	
less than 30 years old	684
up to 50 years old	1,312
more than 50 years old	473
Total number of employee turnover	2,163
<i>by gender</i>	
Male	1,623
Female	713
<i>by age</i>	
less than 30 years old	477
up to 50 years old	646
more than 50 years old	1,040
Total number of employees that left Kernel due to retirement	83

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person's prosthetics. Upon return to work, veterans may also change their previous professional qualifications with special support from the HR department. Kernel's veterans' adaptation program was recognized by Forbes Ukraine's Top-25 rating.

New incentive program "Synergy of Change"

In FY2023 Kernel launched a new project, 'Synergy of Change'. This initiative seeks to maximize operational efficiency across business segments by providing employees with an opportunity to implement their ideas and get rewarded if their suggestions contribute to an increase in the company's EBITDA. Within the project any employee can submit an idea on operational improvements, such as process automation, cost reductions and improvements in workplace safety. In addition to monetary motivation, 'Synergy of Change' aims to enhance corporate values of cooperation and continuous improvement.

Training and career advancement Our management approach to training and performance review

We manage the professional development of our employees based on the Competency model. It is a system of eight key competencies established in line with Kernel's business strategy, priorities, and targets, aiming to maximize the Group's long-term value. Competencies, in line with which Kernel currently operates, were determined during the company-wide research on different behavioral features that managers most value and promote in employees across different business segments and operational levels.

Kernel's key professional competencies are the following:

1. Strategic thinking
2. Performance management
3. Organization of a unit's work
4. Responsibility
5. Readiness to change
6. Cooperation
7. Systematic thinking
8. Continuous improvement

The employees, covered by the competency model, undertake an annual assessment after which they create an individual development plan. The individual development plan consists of three parts: (1) hard learning, which provides for the attraction of internal or external experts and the allocation of individual learning budgets; (2) soft learning, which is realized through Kernel's Institute of internal coaches; and (3) distance learning, which employees can plan access through an online educational platform, Kernel Hub, which provides more than 1,000 e-books, 155 e-courses

Key employees' career development indicators

	FY2020	FY2021	FY2023
Total number of employees, receiving regular performance and career development reviews	1,779	1,777	1,647
<i>including by gender</i>			
Male	1,385	1,393	1,273
Female	394	384	374
<i>including by employee category</i>			
Managers	657	664	621
Specialists	1,122	1,113	1,026

and 200 training videos.

The combination of these three categories of learning activities is known as the corporate minimum package, which includes one professional course and a minimum of three courses on general development. In terms of employee categories, the competency model covers managers and specialists. Workers receive professional education, which is built on Kernel's in-house expertise. Professional training for workers matches their development plans and job descriptions, that contain standard skill requirements for each position. During FY2023 Kernel resumed education under the 'corporate minimum package', which was paused due to wartime, as well as examination of expertise of key operational employees, such as mechanics in Agribusiness.

Throughout FY2023 the system of annual performance appraisal underwent a series of changes. The timeline of the competencies assessment was shifted to align it with the budgeting process and to better account for performance indicators in the decision-making on salaries and promotions. There were also changes to the target-setting approach, namely that it now allows the company's CEO and top managers to manually set up strategic targets and cascade them across relevant business segments.

In FY2023, a total of 3,319 employees evaluated their competencies and created

individual development plans. Throughout the year, a total of 6,831 employees benefited from Kernel's educational programs, spending 207,596 hours of training (or an average of 30.4 hours per employee), 78% of which were dedicated to the improvement of hard skills and 22% - soft skills. In terms of distance learning, 8,225 employees took at least one course on Kernel's Hub in FY2023.

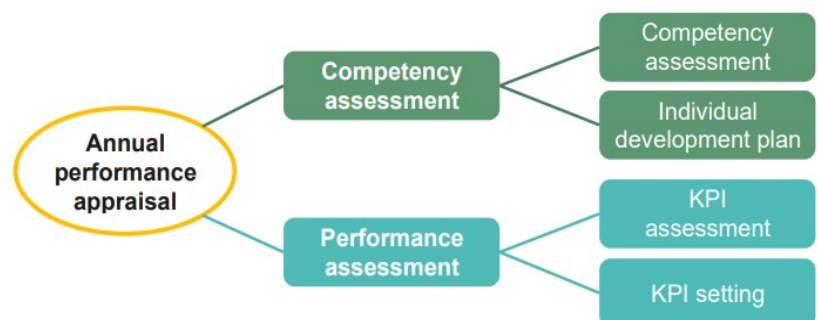
Kernel's overall expenditures on training and education of its employees in FY2023 accounted for USD 141.7 thousand.

In addition to competency assessment, employees undertake annual performance, or KPIs, assessment through a dedicated digital system. Based on the results of such evaluation managers provide feedback and consultations on career development, and review KPIs for the next financial year. Both competency and performance assessment mechanisms are key pillars in Kernel's annual performance appraisal system.

Assistance with career growth and upgrading skills of our employees

Kernel has developed two programs to support employees' professional growth and career advancement, namely Kernel Growth and Kernel Leadership, which are core pillars of the 'Talent Pool' project. The idea behind this project is to create two levels for personnel reserved for promotion to top-management positions: (1) under Kernel Leadership

Kernel's annual performance appraisal system



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heads of departments who aspire to become top managers, receive specialized training, mentorship from acting top managers and assistance from coaches of personal development; whereas (2) Kernel Growth covers middle-level managers and specialists, who are motivated to actively build their career at Kernel.

To become a participant in either program, employees go through several stages of selection, that include analytical tests and business cases. By the end of FY2023 a group of 43 participants completed the Kernel Growth program, of which 15 employees were promoted. Upon graduation all participants received mini-MBA diplomas from the Kyiv-Mohyla Business School.

Training to adapt to external challenges

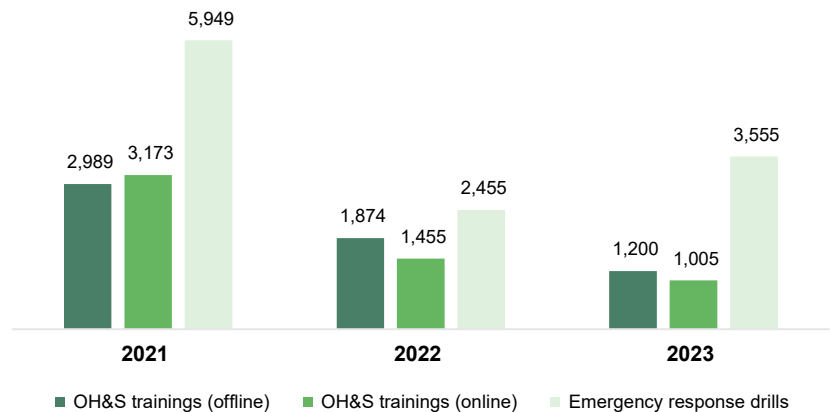
We envision training and professional development as integral components of our human capital, which in turn empowers our ability to create long-term value and strengthen our adaptability to external risks and challenges. Amid wartime in Ukraine, Kernel takes active steps to adapt to new conditions. To ensure continuity of processing during the martial law and ongoing mobilization to the Armed Forces, the company is building up personnel reserve by training additional employees for the following two groups of positions: (1) directors of silos and (2) leading power engineers, mechanics and head of laboratory. In addition, since the beginning of the Russian invasion of Ukraine, Kernel has launched training on tactical medicine accessible to all employees. The participants of this training learn how to provide first aid in accordance with the Tactical Combat Casualty Care protocol MARCH (the acronym stands for the proper order of treatment, namely massive hemorrhage, airway, respiration, circulation, head injury/hypothermia). Our employees have demonstrated significant success in mastering the training, being able to apply a tourniquet in 45 seconds.

Occupational health and safety

Our management approach to occupational health and safety

The central driver of our approach to managing occupational health and safety (OHS) is the aspiration to have no work-related injuries and fatalities at all at Kernel's working sites. All our employees are provided with appropriate and safe working conditions in line with Ukraine's national labor legislation and provisions of the International Labor Organization's Fundamental Conventions. Our approach is enshrined in the [Workplace health and safety policy](#), which provides for the establishment

Number of participants in occupational health and safety trainings



and continuous improvement of the occupational health and safety management system (hereinafter – OHSMS). We expect the same level of responsibility and dedication to ensure occupational health and safety from our suppliers: our agreements include a provision on compliance with Kernel's [Code of interaction with suppliers](#), under which our suppliers are obligated to provide their employees with a safe working environment and have proper OHS practices implemented. OHSMS covers all employees and contractors, including contractors working on our sites but whom we have limited functional control over.

To minimize risks of work-related injuries among our contractors, we instruct them on our OHS practices and requirements¹. There is also a dedicated OHS specialist responsible for managing an independent system of monitoring the implementation of OHS practices and inspecting compliance with safety requirements violations in our investment projects. Therefore, our contractors are evaluated and ranked based on their OHS performance. If violations of OHS requirements reoccur, the contractors are penalized. In FY2023, there were no instances of work-related injuries and fatalities among contractors.

Kernel's OHSMS operates in line with the requirements of national regulations and ISO 45001 standards and is led by an OHS corporate manager who annually reports to a management committee headed by the company's CEO. Within the OHSMS the process of identifying and assessing work-related hazards and safety risks is exercised on a non-routine and annual basis. A non-routine procedure of

risk identification takes place for new business operations and assets, and results in a list of hazards and risks. The risk identification on an annual basis is reflected in the responsibilities of managers, OHS professionals and other employees to update the list of hazards, basing their inputs on results of internal and external labor safety audits, the outcomes of employees' engagement process and feedback, lessons learned from incidents investigations, as well as results of OHS assessments and incorporation of world best practices. OHS assessments include self-assessments and statutory inspections, information on which is consolidated in a special database. Once potential risks and hazards are identified, the OHSMS triggers the procedure of risk management which is organized in line with the ERIC/PD² hierarchy of hazard controls and consists of the following steps, taken in descending priority:

- Fully eliminate a risk or a hazard
- Reduce the potential impact of a risk or a hazard
- Isolate a risk or a hazard from employees
- Control a risk or a hazard, by providing employees with personal protective equipment, training, detailed instructions and information, means of first response, as well as lockout/tagout devices.

If work-related incidents occur, we launch an investigation of each case, using the Ishikawa, or 'fishbone diagram' approach that aims: (1) to identify root causes of an incident, (2) to map risks and hazards that materialized, (3) to determine corrective actions in line with the ERIC/PD hierarchy of hazards control, and (4) to integrate lessons learned into required

¹ Before entering our working sites, any visitor or worker is briefed with description of the OHS risk identification and management system; they are also required to take an OHS e-course.

² Acronym stands for Eliminate, Reduce, Isolate, Control, Personal Protective Equipment, Discipline.

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improvements of the OHSMS. This information is diligently recorded in the accident statistics, which also includes data on the frequency of occupational accidents, subsequent lost workdays, and the severity of injuries.

For every work-related accident, we create a special investigation commission that might also include representatives of relevant authorities. As the result of an investigation the commission issues a report detailing the circumstances of the incident and recommendations to improve the risk management approaches and to prevent the occurrence of such incidents in the future. Such an approach aims to ensure continuous improvement of the OHS practices to achieve the central target of zero work-related injuries and fatalities.

As of the end of FY2023, a total of 25 assets¹ were certified with ISO 45001 standards. In FY2023, all covered employees were audited internally, whereas 6,902 of them also underwent external audit. Overall, 71 externally certified inspectors spent 92 man-days on internal labor safety audits; in addition, 16 man-days were spent on independent audits, completed by a third party. There were no OHS statutory inspections of our assets.

In FY2023, Kernel's total expenditures on occupational health and safety amounted to USD1,277 thousand. This amount includes spending on special working clothes and personal protection equipment, education and training, risk management and prevention etc.

Employee engagement and training on occupational health and safety

Our approach to employee engagement in OHS practices improvement is driven by behavioral incentives and material nudges, motivating staff to minimize and prevent hazardous situations. Such incentives include monitors installed at our production sites, which show a current and record number of days without work-related accidents, or monetary rewards for best ideas on labor safety improvement and risk identification factors.

We employ proactive methods to engage our employees in the development, implementation and evaluation of the effectiveness of the OHSMS, as well as to communicate OHS information, namely via corporate surveys, the 'Gold Safety Rules' initiative and the 'Walk the Talk' project².

At Kernel, any employee can flag and report

occupational health and safety risks they observe and report about hazardous situations on a worksite by reaching out to their supervisor, field OHS specialist or the company's corporate manager. They can also raise any OHS issues by submitting a 'Near Miss' and 'Stop card' letterforms or contacting the corporate Hotmail (in FY2023 a total of 6,741 'Near Miss' letter forms were submitted, resulting in the elimination of 98% of potential incidents). Workplace health and safety policy ensures the protection of whistleblowers from any form of retaliation.

Kernel's OHS training program gives our employees an opportunity to deepen their understanding of key principles in labor safety and OHSMS, as well as to gain specific skills, allowing them to prevent, minimize and appropriately respond to hazardous situations on worksites. All employees are obligated to take OHS e-learning courses (a general course for all employees and specialized courses tailored to different business operations and professions) followed by a test. Employees involved in high-risk work take mandatory specialized training, followed by exams and authorization to begin work. In addition, Kernel provides employees with training on appropriate response actions in dangerous situations, such as fire, that involve state rescue services and specialized equipment.

Over FY2023, a total of 1,005 employees took mandatory e-learning OHS courses, and 1,200 employees took specialized offline OHS training, spending 62,194 hours.

Human rights, diversity, and inclusion

Kernel has an unconditional respect for human rights, which is an obligatory principle employed at every corporate level and extrapolated to our suppliers and business partners. Our position on internationally proclaimed human rights is enriched in our [Sustainability development and corporate social responsibility policy](#) and aligned with the principles of the **UN Global Compact**, which Kernel signed in 2020.

As a signatory, we are committed to safeguarding human rights and equal opportunities for women, persons with disabilities, local opportunities, smallholder farmers and workers, including those under temporary contracts, sub-contractors and migrant workers; we are also committed to not undertaking any activities that have a negative impact on human rights of children and indigenous people. Indeed, there is no forced or child labor involved in any of Kernel's operations; the

Key occupational health and safety indicators

	FY2021	FY2022	FY2023
Recordable work-related injuries	10	4	9
<i>including by business segment</i>			
Oilseed processing	1	1	0
Infrastructure and trading	1	2	6
Farming	8	1	3
High-consequence work-related injuries (ex. Fatalities)	2	3	1
<i>including by business segment</i>			
Oilseed processing	-	1	0
Infrastructure and trading	-	1	1
Farming	2	1	0
Fatalities resulted from work-related injuries	-	1	0
<i>including by business segment</i>			
Oilseed processing	-	-	0
Infrastructure and trading	-	-	0
Farming	-	1	0
Rate of recordable work-related injuries (LTIFR)	0.46	0.22	0.42
Rate of fatalities as a result of work-related injury	0.00	0.06	0.00
Rate of high-consequence work-related injuries (excluding fatalities)	0.09	0.17	0.05
Workers covered by OHS management system	11,209	10,180	10,676
Workers covered by OHS management system, who were audited internally	11,209	10,180	10,676
Workers covered by OHS management system, who were verified internally and externally	10,667	7,358	4,585

¹ These include key trading company Kernel-Trade, six oil extraction plants, two farming clusters, fifteen silos and one grain transshipment terminal.

² 'Gold Safety Rules' initiative recognizes best set of labor safety requirements, composed by employees themselves; 'Walk the Talk' projects was launched to allow OHS specialists and manager explore gaps in OHSMS by interviewing employees and discussing their ideas on improvements.

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company was not complicit and did not commit violations of any other human rights in the reported period. We follow the action plan to promote human rights principles and annually report our performance as part of the Communication on Progress on the UN Global Compact.

Our suppliers and business partners are also obligated to respect human rights as part of their mandatory compliance with Kernel's [Code of interaction with suppliers](#), which is one of the provisions in our agreements with counterparties. The Code requires our counterparties to ensure equal opportunities for their employees, diversity, and a ban on forced and child labor in their operations.

At Kernel, we believe in the respect for diversity among our employees as one of the fundamental human rights and freedoms, and its empowerment is integral for ensuring our success, market competitiveness and long-term value for our stakeholders. Our approach to safeguarding equal opportunities and a non-discriminatory working environment is guided by the Luxembourg Law of 23 July 2016¹ and our [Anti-Discrimination](#) and [Diversity, Equality](#)

and [Inclusion](#) (hereinafter – DE&I policy) policies.

In line with DE&I policy, Kernel aspires to reach at least 30% representation of each gender within the company's corporate bodies, namely the Board of Directors and the Executive Management Team. We have designated individuals and teams responsible for implementing the DE&I Policy at every corporate level, ensuring the adoption of diversity, equality and inclusion principles in all business activities of Kernel. At the Board of Directors' level, matters related to the integration of diversity principles are overseen by the Nomination and Remuneration Committee, whereas the Chief Executive Officer is responsible for the implementation of the DE&I Policy throughout the company.

Under the Anti-discrimination policy, we are committed to ensuring equal employment opportunities and a non-discriminatory working environment for all categories of individuals. In FY2023, the share of socially vulnerable employees was 8% out of the total number of employees, and 6% of all employees were

individuals with disabilities.

Kernel has a grievance mechanism through which the company's employees and counterparties have an opportunity to submit complaints related to human rights violations or discriminatory actions, as well as to receive redress if an investigation determines that such violations took place².

Freedom of association and collective bargaining

At Kernel, we believe that every employee has a right to be a part of associations and collective bargaining agreements. Our position is enriched in the [Freedom of associations and unions policy](#) and aligned with the principle of the UN Global Compact to uphold the **freedom of associations and the effective recognition of the right to collective bargaining**. As of the end of FY2023, 85% of our employees were covered by collective bargaining, and 5% of all employees were members of trade unions.

SOCIAL CAPITAL

Anti-corruption and compliance

[Our management approach to anti-corruption](#)

At Kernel, we have zero tolerance for any fraudulent and corrupt activities, both among our employees and counterparties. Our position on anti-corruption and approach towards ensuring ethical compliance are embodied in Kernel's [Corporate Governance Charter](#), [Code of Conduct](#), [Anti-corruption policy](#)³ and [Code of Interaction with Suppliers](#). In addition, all our agreements and tendering processes include the [Anti-corruption clause](#).

The requirements to adhere to our anti-corruption rules also cover our partners in the Open Agribusiness project (small farmers cannot participate in our programs if their land lease agreements are not properly registered, their crop sales and business processes are not formalized, as if they are found to be involved in shadow operations or avoid paying taxes); and students of Kernel's Open Agro University, who might be employed at the company after graduation. Responsibility to enforce provisions of these documents centrally lies on Kernel's compliance officer, who reports directly to the CEO and the Audit Committee on the Board of Directors, whereas the corporate culture of integrity and compliance is driven by

Key diversity and equality indicators (as of June 30, 2023)

	FY2021	FY2022	FY2023
Percentage distribution of individuals within the Board of Directors			
<i>by gender</i>			
Male	63%	50%	62%
Female	38%	50%	38%
<i>by age</i>			
30-50 years old	75%	75%	75%
more than 50 years old	25%	25%	25%
Percentage distribution of individuals within the Executive Management Team			
<i>by gender</i>			
Male	67%	67%	80%
Female	33%	33%	20%
<i>by age</i>			
30-50 years old	87%	87%	87%
more than 50 years old	13%	13%	13%
Percentage distribution of individuals among employees			
<i>by gender</i>			
Male	74%	72%	74%
Female	26%	28%	26%
<i>by age</i>			
less than 30 years old	15%	14%	15%
up to 50 years old	57%	61%	28%
more than 50 years old	28%	24%	57%

¹ Luxembourg Law of 23 July 2016 on disclosure of non-financial and diversity information, implementing the European Directive 2014/95/EU.

² Submissions to the grievance mechanism can be made via (1) a toll-free round-the-clock hotline, (2) form on Kernel's website, (3) via email by writing to hot-line@kernel.lu or compliance@kernel.lu, (4) Telegram chatbot 'KernelHotline'.

³ Anti-corruption policy is aligned with requirements of national legislation, the US Foreign policy Corrupt Practices Act (FCPA), the UK Bribery Act (UKBA), the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and reflects provisions of anti-corruption legislation of the countries with Kernel's presence

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the Tone at the Top principle. There are also regional compliance coordinators, whose role is to implement anti-corruption and compliance standards, as well as ensure ongoing improvement of ethically correct corporate culture on Kernel's operational assets. The compliance officer is also responsible for provision of confidential advice on compliance practices to Kernel's employees at their request. In FY2023, there were 83 such requests.

Kernel is also a member of several professional associations and international initiatives, under which the company made public commitments to promote transparency and zero tolerance for fraudulent activities. Indeed, Kernel is a member of the Ukrainian **Network of Integrity and Compliance (UNIC)** and a signatory to the **UN Global Compact** and the **UN Anti-corruption Collective Action Memorandum**. Additionally, for Kernel, these platforms are effective ways to exchange best corruption prevention practices between businesses, and to drive the corporate culture of integrity in the agriculture sector.

Identification and prevention of corruption risks

All our operations are regularly screened against risks of corruption. The company identified a total of 19 risks; the most significant risks include: (1) obtaining undue benefits, that might lead to financial losses and reputational damages; (2) conflict of interest; (3) work for other companies and entrepreneurial activities. Our managers and specialists are obligated to undertake the annual procedure of declaration of any conflict of interests, whereas workers are informed on situations where conflict of interests might occur. The company also applies screening of corruption risks when hiring new employees, with particular focus made on candidates who previously worked in governmental institutions.

In terms of the identification of corruption incidents among counterparties, Kernel's security department conducts an in-depth documented KYC (Know Your Customer) procedure before any interaction. A compliance officer is involved in this process to undertake additional verification if a counterparty poses medium or high risks of corruption, or conflict of interests or might be subject to international sanctions (53 cases in FY2023). Additional verification of contracts by a compliance manager also takes place when a counterparty suggests changes to our Anti-corruption clause (278 cases in FY2023).

Furthermore, any corruption risks and

Key anti-corruption and compliance indicators in FY2023

Number of confirmed incidents of corruption	46
Number of employees dismissed for corruption	63
Number of public legal cases on corruption brought against Kernel	0
Number of confirmed incidents of contracts with business partners being terminated due to corruption	4
Total number of submissions to Kernel's channels of informing on misconduct	22
Total number of managers and specialists who completed the procedure on declaration of conflicts of interest	2,702
Total number of employees who took anti-corruption trainings	1,369
<i>by employee category</i>	
Managers	62
Specialists under high compliance risks	18
Workers	1,289
Total number of Open Agro University students who took anti-corruption trainings	134

potential incidents of misconduct are also identified through dedicated channels of informing, including anonymous ones which are open for Kernel's employees, suppliers and third parties¹. All submissions are examined and addressed by the compliance officer. Kernel has established a mechanism to protect whistleblowers from retaliation.

Mandatory education, awareness-raising and continuous enhancement of ethically correct corporate culture are the main pillars of our approach to prevent unethical behavior among our employees. As a result, all our employees are familiar with Kernel's internal policies on corruption prevention and anti-corruption provisions of the Code of Conduct. Our Executive Management team is regularly informed about changes in anti-corruption legislation, the introduction of new sanctions and key compliance measures integrated into the company's operational activities.

Our anticorruption practices and approaches to enhancement of the culture of transparency and integrity are demonstrating positive results. Over the last four years occurrence of corruption has been following a strong declining trend. In FY2023, a total of 46 cases of corruption were confirmed. Incidents of theft by employees have also decreased by 14% in FY2023 and accounted for 60 cases (66 employees were involved).

Our actions on gender-based violence

Throughout the reporting period, the company was undertaking proactive actions toward the promotion of gender equality and prevention of gender-based violence. Kernel held a company-wide webinar 'What is gender, why do we need gender equality in society, gender

stereotypes and roles', and implemented a short-term project 'Stories of Kernel's women' under which a company published more than ten success stories of female employees in recognition of their achievements.

We also participated in the annual international campaign 'The 16 Days of Activism against Gender-Based Violence' organized by UN Women. As part of this campaign the company organized a series of activities aimed to help employees recognize and prevent gender-based and domestic violence, as well as to provide training on first aid for such cases. Another achievement in this area was a program of psychological assistance to employees who suffered from domestic- and gender-based violence.

Economic performance and impact

Economic performance is the most important KPI for the management performance-based part of compensation. As a diversified agro-industrial business in Ukraine with leading positions across all business segments, we generate a significant direct economic impact on our stakeholders in areas of all our operations. Direct economic impact includes our purchasing of goods from suppliers, dividends paid to shareholders, wages and benefits paid to our employees, financial expenses paid to creditors, income taxes paid to the public sector, and community investments, as well as economic value retained for investments to increase the capitalization of the company.

EU Taxonomy

Kernel reports its contribution to the European Union's environmental objectives of climate change mitigation and climate change adaptation in line with the guidelines laid down in the **EU Taxonomy** regulations. In response to

¹ Submissions can be made via (1) a toll-free round-the-clock hotline, (2) form on Kernel's website, (3) via email by writing to hotline@kernel.lu or compliance@kernel.lu, (4) Telegram chatbot 'KernelHotline'.

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these requirements, we have undertaken a comprehensive analysis of our economic activities, the revenue they generate as well as our capital (CapEx) and operational (OpEx) expenditures, and identified the share of activities that meet the EU Taxonomy criteria or, in other words, are considered 'environmentally sustainable'.

The identified taxonomy-eligible economic activity falls under the category '**Electricity generation from bioenergy**' (NACE code D35.11 in accordance with the statistical classification of economic activities, established by Regulation EC No 1893/2006) and refers to production of electricity from biomass, namely sunflower seed husk, at our combined heat and power plants (CHP). This 'green CapEx' investment project was launched in 2018, aiming to construct seven CHPs with a total installed capacity of 94MW. When commissioned, all CHPs are expected to produce and sell to the national grid up to 650 GWh of electricity annually, making Kernel the largest producer of biomass-originated electric energy in Ukraine.

A particular value of our 'green' electricity is that we do not produce biomass separately to be combusted on CHPs but rather use sunflower seed husk, which is a side product of the main operational activity and is approved as a feedstock to provide advanced biofuels in accordance with **Annex IX.A. of RED II EU Directive**. When sold to the national energy grid, electricity produced at our CHPs substitutes electricity produced from fossil fuels. When fully implemented, our taxonomy-eligible activity will be able to save up to 700,000 tCO₂e of national emissions every year, contributing significantly to Ukraine's transition to a net-zero emissions economy. As of FY2023 Kernel has been operating four CHPs with the remaining plants to be commissioned in the following periods.

Support of local communities and society as a whole

Our management approach toward social impact

At Kernel we are driven to maximize our positive social impact within the area of our biggest expertise by sharing our knowledge and experience with farmers and educating future generations of specialists in agriculture and food sectors, as well as by being a responsible neighbor and reputable partner to local communities and generally supporting the Ukrainian society. These priorities are reflected in our [Sustainable development and corporate social responsibility policy](#).

The company's approach towards effective interaction with different groups of stakeholders

Key economic performance indicators

USD million

	FY2021	FY2022	FY2023
Direct economic value generated	5,839	5,409	3,394
Revenue	5,595	5,332	3,455
Net IAS 41 effect	133	13	(115)
Other operating income	111	64	54
Economic value distributed			
Operating costs, of which	(5,147)	(5,317)	(2,955)
<i>employee wages and benefits</i>	(351)	(245)	(229)
Finance costs	(142)	(119)	(122)
Community investments	(4)	(26)	(12)
Other costs	(8)	9	63
Total charges	(5,301)	(5,453)	(3,026)
Income tax	(32)	3	(69)
Dividends paid	(35)	(34)	-
Total economic value distributed	(5,368)	(5,484)	(3,095)
Economic value retained	471	(75)	299

is guided by the Stakeholder engagement policy aligned with the IFC's performance standard, which includes an extensive plan of our interactions with key stakeholders like local communities. The responsibility for identification and practical interaction with stakeholders lies in a team of assets-based public relations managers, who act as Kernel's representatives in regions, communicating with landowners, local officials, and the media. They also reach out to communities in rural regions, helping them with employment on Kernel's assets, as well as coordinating our regional social projects and initiatives. Communication with representatives of local communities and other stakeholders is also performed via dedicated channels of informing, and grievance mechanisms, through which they can submit their inquiries and receive extensive feedback (in FY2023 we received a total of 879 calls via a toll-free hotline).

Support of the Armed Forces of Ukraine and the society in wartime

People have always been the main value for Kernel and our mission to ensure their safety and wellbeing have been of highest priority amid wartime in Ukraine. From the beginning of Russia's full-scale invasion of Ukraine, Kernel has been taking a leadership position among Ukrainian businesses in providing help and support to the Ukrainian society and the army during wartime. Our support has been both financial, such as purchases of military equipment, medicine and cars, and non-monetary, namely humanitarian aid directed to the army and internally displaced people, such as food supplies and provision of temporary shelter for internally displaced people.

Social projects and charity spending

We direct our charity and social investments towards the following categories of projects:

- **Infrastructure investments:** maintenance and repairs of roads, bridges, street lighting, waterpipes, bus stops and others.
- **Education:** maintenance and repairs of schools, kindergartens, and playgrounds;

Taxonomy-eligible share of Kernel's economic activities

USD million	FY2022		FY2023	
	Amount	Share	Amount	Share
Revenue, including	5,332.0	100.00%	3,455.0	100.00%
<i>taxonomy-eligible</i>	13.4	0.25%	28.8	0.83%
<i>taxonomy non-eligible</i>	5,318.6	99.75%	3,426.2	99.17%
Capital expenditure ¹, including	110.0	100.00%	101.2	100.00%
<i>taxonomy-eligible</i>	21.5	19.58%	5.4	5.32%
<i>taxonomy non-eligible</i>	88.4	80.42%	95.8	94.68%
Operational expenditure, including	5,317.0	100.00%	2,955.0	100.00%
<i>taxonomy-eligible</i>	9.5	0.18%	18.3	0.62%
<i>taxonomy non-eligible</i>	5,307.5	99.82%	2,936.7	99.38%

Note 1: Additions in CIP and uninstalled equipment for the respective period (Note 15).

Sustainability: Social capital

providing necessary equipment to educational institutions.

- **General charity:** targeted support of land-owners in need, orphanages and nursing homes, severely ill people, and cash donations to other charity organizations.
- **Sport and culture:** building and repairs of libraries, athletic fields, community cultural centers, and sacral buildings; supplying equipment for gyms; sponsorship of sports and cultural events.
- **Healthcare:** maintenance and renovation of rural health posts and purchases of medical equipment.

Educating the next generation of agriculture specialists

Throughout FY2023 Kernel continued implementing its educational project Open Agro University, which was launched last year. The project seeks to prepare future employees of the company by targeting students of last years, who are motivated to undertake specific training on agriculture technologies, food processing and corporate management. Project participants who successfully complete the program become employed at Kernel. The process of selecting the program's participants is inclusive and diversity-driven, providing equal opportunities for candidates of different genders from different regions, cities, and universities.

The University offers education in seven specialties, namely:

- Agronomist
- Power engineer
- Mechanical engineer in farming
- Mechanical engineer in production
- Engineers of process automated control systems
- Technology engineer in oil production
- Technology engineer in laboratories and silos

The team of experts and lecturers includes more than 100 Kernel's in-house experts, professors of Ukraine's leading universities, external partners (global producers of agriculture machinery, fertilizers and crop protection agents) and international experts.

Sharing our expertise with farmers

In 2018 Kernel launched the Open Agribusiness project, designed to help farmers in Ukraine sustainably increase their yields, as well as improve technological and business management approaches to reduce cost, maximize income and build resilience to risks and volatilities. We share our expertise and provide practical assistance to Open Agribusiness partners. In return, they supply a

Key social impact indicators

FY2023

Total material support of the Armed Forces of Ukraine and humanitarian aid USD thousand

12,279

Non-material support of the Armed Forces of Ukraine psc

Military helmets	34
Military uniform sets	4,892
Means of communication	464
Thermal imagers	126
Unmanned aerial vehicle (UAV)	40
Quadcopters	405

Humanitarian aid

Milling wheat, <i>tones</i>	2
Sunflower oil, <i>liters</i>	80,785
Canned food, <i>liters</i>	7,840
Machinery and other aid, <i>psc</i>	624

Medical aid

Medicine and medical equipment, <i>psc</i>	6,405
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minimum of 80% of their yields to Kernel. As of the end of the reported period, the Open Agribusiness has more than 50 partners, which cover a total of 168 thousand hectares of land-bank.

Since the beginning of Russia's full-scale invasion of Ukraine, Kernel has continued supporting partners of the Open Agribusiness project by providing extensive agronomic consulting on farming practices, development of technological maps and improvements in productivity.

In addition, Kernel is taking a leading role in expanding the market-wide practice of establishing Water Use Organizations (WUOs). The idea behind WUOs is to unite small- and medium-sized farmers and to simplify their irrigation resources. Indeed, the company has already supported the establishment of one WUO around the Dmitryvka irrigation system, and launched preparational works for another WUO in Brovarka.

Interactions with suppliers

Quality interactions with suppliers are one of the key aspects of Kernel's ESG and climate governance agenda. The main purpose is to identify opportunities for cooperation, explore ways to improve our climate-related performance (reduction of Scope 3 GHG emissions) and extrapolate our practices across our supply chain, including suppliers of grain and oilseed, as well as our partners within the Open Agribusiness program.

In FY2023 we started collecting data on the carbon footprint of production from our

suppliers of nitrogen fertilizers to include this data in Scope 3 calculations. The purchase of fertilizers is one of the most material categories of Kernel's Scope 3 emissions and the purpose of such interaction is to minimize the uncertainty of calculations; in exchange, we are also prepared to provide our data on GHG emissions from the application of N-fertilizers and, therefore, contribute to the advancement of Scope 3 emissions accounting globally. We believe that the collection of such data from domestic producers of fertilizers will be simplified once companies begin reporting in line with CBAM regulations (Carbon Border Adjustment Mechanism).

The purpose of this exercise, from the long-term perspective is also to identify ways to optimize the portfolio of suppliers to reduce the carbon footprint of purchased fertilizers. This would be an initial step in addressing one of the climate transitional risks associated with the target of the EU's 'Fit for 55' package to reduce emissions by 61% before 2030. Given that production of intermediates for nitrogen fertilizers, namely nitric acid, ammonia and hydrogen, are covered by the scope of the EU Emission Trading Scheme, it is expected that the cost of EU-originated fertilizers would increase significantly in the following years.

Kernel's process of supply chain management consists of four stages:

- **Setting E&S standards.** Our expectations of suppliers' environmental and social performance are enriched by relevant provisions of the Code of interaction with suppliers and the Anti-corruption Clause, which reflect Kernel's commitments to the principles of the UN Global Compact and

Sustainability: Social capital

Sustainable Development Goals. They include requirements on ethics, fair business practices, human rights, occupational health and safety, and environmental protection.

- **Ensuring obligatory E&S compliance.** Before entering business relationships, all counterparties are obligated to sign Kernel's Anti-corruption clause of a contract. Kernel is entitled to verify compliance with relevant provisions and terminate contracts if non-compliance is identified.
- **Compliance verification.** The procedure of conforming suppliers' compliance with Kernel's E&S requirements is of two levels. First, all potential counterparties undergo initial screening by the corporate Economic Security Service. Environmental and social criteria are included in the scope of initial screening, focusing on the analysis of the location and nature of suppliers' operations, certification by relevant E&S standards, such as **ISCC**, **ISO14001** and **ISO18001**, as well as the outcomes of environmental inspections etc. The second level of verification is an audit that involves visits to suppliers
- Production facilities, interviews with management and personnel, and review of relevant documentation. In the process of verification, we provide feedback to suppliers regarding possible ways to improve their E&S performance, if required.
- **Application of business consequences.** Based on the results of audits Kernel either continues cooperation with counterparties or suggests corrective measures if non-compliance with our E&S requirements is identified and monitors their implementation. Another possible consequence of suppliers' non-observance is the termination of business relationships.

Onsite contractors also undergo compliance checks for anti-corruption risks, OHS and environmental performance at the stage of tendering. According to the template provisions in Kernel's counterparty contracts, onsite contractors are obligated to complete OHS drills before entering the company's facilities; prepare the OHS management plans, which need to be approved by Kernel; report on waste management procedures etc.

Our overall approach to managing OHS of on-site contractors is implemented in line with the **ISO 45001:2018 standard**.

Product quality and customer safety Our management approach to product quality and customer safety

Our management approach towards ensuring

Matrix of Kernel's product quality certification

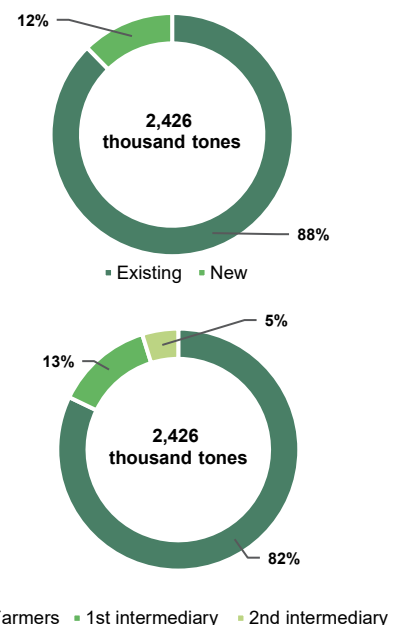
Standard	Oilseed processing plants							Terminals			Trading			Farming	Total
	Bandurka	Vovchansk	Kropyvnytskyi	Poltava	Prykolotne	BSI	Prydniprovskiy	Starokostiantyniv	TransBulkTerminal	TransGrainTerminal	OilExportTerminal	Kernel-Trade	Inerco	Avere	
ISO 9001	✓	✓	✓	✓	✓	✓	✓	✓	✓						6
ISO 22000	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓				6
GMP+R 1.0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	15
ICS				✓											1
BSCI															-
Kosher	✓	✓	✓		✓		✓								3
Kosher Passover				✓	✓										1
Badatz Passover				✓	✓										1
Halal	✓	✓	✓	✓	✓		✓								4
FDA registration			✓	✓	✓		✓								3
ISCC EU	✓			✓	✓	✓	✓	✓				✓	✓	✓	7
ISCC PLUS	✓				✓	✓	✓	✓				✓	✓		5
BRCGS				✓	✓										1
IFS				✓	✓										1
Gafta									✓						1
China (meal sunflower)	✓	✓	✓	✓	✓	✓	✓								5
China (oil sunflower)	✓	✓	✓	✓	✓	✓	✓								5
China (meal rapeseed)	✓					✓	✓								3
China (oil rapeseed)	✓					✓	✓								3
ISO 14001												✓			1
ISO 45001												✓			1
Total	11	-	8	13	-	9	12	1	3	1	1	5	3	2	73

✓	certificates obtained in FY2023
✓	certificates with expanded coverage in FY2023
✓	certificates to be received in FY2024
✓	certificates lost due to hostilities in the production area

the highest quality of our goods is embodied in Kernel's Product Quality and Safety Management policy. The policy is aimed at establishing a unified system of managing issues related to product quality and safety and creating conditions for its continuous development in line with international standards (ISO, GMP+, ISCC, IFS, BSCI etc.) and Sustainable Development Goals. At the center of our approach is the preventive food management system, which seeks to mitigate potential risks of biological, chemical, and physical hazards before they become material.

We adhere to the highest standard of quality in both the final goods and production processes throughout the whole value chain. Our oil-extraction plants are certified with ISO 9001 "Quality management system" and ISO 22000 "Food safety management" standard, which integrates the principles of the Hazard Analysis and Critical Control Point (HACCP) system and application of procedures developed by the Codex Alimentarius Commission. The ISO 9001 standard also covers our export terminal. In addition, most of our assets are certified with ISO 14001 "Environmental

Volumes of purchased grains and oilseeds by types of suppliers in FY2023



Sustainability: Social capital

management" and ISO 45001 "Occupational health and safety", namely key trading company Kernel-Trade, six oil crushing plants, two farming clusters, fifteen silos and one trading terminal.

Our approach and the overall system of food safety and quality are managed by an internal quality management team, as well as undergo regular inspection and verification by independent third-party auditors. The scope of the audit covers production, storage, distribution, and supply processes; 100% of significant products are assessed with regard to the improvement of health and safety impacts.

In FY2023, a total of

112 independent audits were successfully passed, which were performed throughout

176 days.

In FY2023, the total number of audits increased from 80 to 112, due to the lifted moratorium on state inspections, whereas overall time spent on audits decreased from 199 to 176 days since offline inspections became possible.

There were no instances of incompliance with regulations or voluntary codes, which would have resulted in fines, penalties, or warnings.

Quality of sunflower oil

Kernel's oil-crushing and bottling processes in Poltava are certified in accordance with the BSCI standard (grade A), which speaks to our responsibility as an employer and high social performance. We also certified our laboratory (ISO 17025 "General requirements for the competence of testing and calibration laboratories"), which conducts regular sample analysis of sunflower oil, meal and grain to confirm their compliance with quality standards. Finally, our TransBulkTerminal is certified for conducting fumigation activities, in accordance with Gafta standards.

Furthermore, our production assets are compliant with Kosher, Kosher Passover, Badatz and Badatz Passover requirements of Jewish dietary regulations, as well as the Muslim Halal food standards. Four of our plants are registered by the U.S. Food and Drug Administration (FDA), making our sunflower oil, including high oleic sunflower oil, in bottles and flexi-tanks suitable for the USA market. Our bottling facilities are certified under FSSC 22000. In addition, oil-extracting plants with bottling facilities are certified in accordance with IFS, which allows us to sell bottled sunflower oil and sunflower oil in flexitanks to

European countries; one of our plants obtained a country-specific license to sell sunflower oil to South Korea. We supply bottled sunflower oil to reputable international retail chains (Metro, Walmart, Maxima etc.).

Finally, four of our oil extraction plants (we plan to terminate certification for Prykolotne OEP) as well as our trading entities are certified in line with ISCC EU standards, which makes the production of sunflower oil and meal compliant with the legal sustainability requirements of the EU Renewable Energy Directive (RED II) and Fuel Quality Directive.

Quality of meals

Our whole value chain of protein meal is certified with the applicable feed quality and safety standard, namely GMP. All our oilseed processing plants are certified with GMP+B1; our export terminals, as well as trading entities, Kernel-Trade, Inerco and Avere, are certified with GMP+B3, ensuring feed safety in the collection, storage, transshipment, and trade of meals. Finally, our Switzerland-based trading entity, Inerco, is also compliant with GMP+B4, which demonstrates feed safety in transportation and affreightment.

In addition, three of our oil extraction plants, as well as two trading entities, Kernel-Trade and Inerco, are certified in line with ISCC PLUS, with regard to meal production. Our sunflower meal is also suitable for export to China as it complies with country-specific regulations.

Quality of crop production and storage

Within the whole landbank of Kernel, 363 thousand hectares¹ are certified with ISCC EU requirements, which ensures that crop production is performed in environmentally and socially sound ways. Under this certification produced crops are considered compliant with biofuel supply chain sustainability requirements outlined in the EU RED II. At all our grain silos we build our food safety management system on the **HACCP principles** (Hazard Analysis Critical Control Point), namely: (1) conduct a hazard analysis, (2) determine critical control points (CCPs), (3) establish critical limits, (4) establish monitoring procedures, (5) establish corrective actions, (6) establish verification procedures, and (7) establish record-keeping and documentation procedures.

Implementation of these principles aims to prevent and reduce the occurrence of food safety risks through analysis and control of biological, chemical and physical hazards throughout the production chain.

¹ Excluding assets held for sale

Sustainability: Social capital

ABOUT THE REPORT

Disclosure of non-financial information as part of Kernel's Annual report is one of the key channels of communicating our performance to stakeholders in terms of sustainable development and climate actions, as well as our progress on creating long-term business value by integrating ESG principles in our operations.

This report is prepared in line with the Global Reporting Initiative (GRI) standard, Core option. When identifying the content of the report we also ensure compliance with relevant regulations, including the Luxembourg Law of 23 July 2016 on disclosure of non-financial and diversity information (the "Law of 23 July 2016"), implementing the European Directive 2014/95/EU.

Stakeholder engagement

Kernel identifies a total of 12 groups of stakeholders that are subject to inter-influence and ongoing interaction with the company. These influences and stakeholders' categorization are identified in Kernel's management vision, as well as an analysis of the dynamic in stakeholders' feedback and media screening. The company's management regularly reviews the list of stakeholder groups.

Our approaches towards interactions with stakeholders are governed by the Stakeholder Engagement Policy aligned with relevant IFC Performance Standards.

Material topics and report content

Evaluation of topics' materiality and content of the 'Sustainability' section of this report is based on the results of the stakeholder engagement process, throughout which we identified interests and expectations of key stakeholder groups, namely capital providers (shareholder and debt providers), regulatory authorities, employees, and environmental/social NGOs. This was complemented by the management's assessment of priorities and the importance of different aspects of the company's sustainability, or ESG, agenda.

The materiality of such topics has been assessed against two criteria: (1) influence on stakeholder assessments and decisions; and (2) significance of economic, environmental, and social impacts. The topics with the highest combination of scores for both criteria were defined as material. Furthermore, Kernel's executive management approved the list of topics that are subject to disclosure in the 'Sustainability' section of the report. Boundaries for material topics include Kernel subsidiaries where the company has operating control, unless stated otherwise. All identified topics are considered material both internally and externally. The content of this section of the report

Methods of engagement with key stakeholder groups

Stakeholder groups	Engagement method
Employees	<ul style="list-style-type: none"> → Learning and development programs → Internal communications → Corporate social media and the company's website → Corporate hotline for submitting compliance related inquiries → HR Conference and Strategic sessions for each business division
Shareholders, creditors, bondholders	<ul style="list-style-type: none"> → Annual reports, three quarterly reports; Annual General Meetings → Corporate social media and the company's website → Online/offline one-to-one meetings → Online communication via email and investors' questionnaires → Roadshows and site visits; Investment conferences
Local communities	<ul style="list-style-type: none"> → Environmental and social impact assessments → Online/offline one-to-one meetings → Dedicated channels of corporate social media and the company's website → Hot line for submitting compliance related inquiries → Printed material distributed among communities
National and local government	<ul style="list-style-type: none"> → Online/offline one-to-one meetings → Corporate social media, the company's website and the website of the charitable foundation "Together with Kernel" → Local and national media → Corporate hotline for submitting compliance related inquiries
Civil society organizations/NGOs	<ul style="list-style-type: none"> → Online/offline one-to-one meetings → Corporate social media and the company's website; Annual reports → Corporate hotline for submitting compliance related inquiries
Local and national media	<ul style="list-style-type: none"> → Corporate social media and the company's website → Online/offline one-to-one meetings → Email communications
Customers	<ul style="list-style-type: none"> → Corporate social media; website of Company and company's brand names → Brand exhibitions and specialized events; annual reports → Corporate hotline for submitting compliance related inquiries → Customer research and brand health tracking
Partners (Open Agribusiness)	<ul style="list-style-type: none"> → Online/offline one-to-one meetings → Online communication via email → Brand exhibitions and specialized events
Suppliers	<ul style="list-style-type: none"> → Supply Chain Sustainability Program → Online/offline one-to-one meetings Corporate social media and the company's website
Certification bodies	<ul style="list-style-type: none"> → Online/offline one-to-one meetings; site visits → Disclosure/application requirements for certification bodies

also reflects our Communication on Progress in implementing principles of the UN Global Compact, namely:

- **Human rights and Labor** (chapter 'Human capital');
- **Environment** (chapter 'Environmental

capital');

- **Anti-corruption** (chapter 'Social capital').

Matrix of Kernel's material ESG topics

Category of impact	Material topic	Topic boundary
Social capital	<ul style="list-style-type: none"> → Economic performance and impact → Anti-corruption and compliance → Support of local communities and society as a whole → Product quality and customer safety → Interactions with suppliers 	<ul style="list-style-type: none"> All business segments All business segments All business segments All business segments All business segments
Environmental capital	<ul style="list-style-type: none"> → Energy management → Water and effluents management → Waste management → Biodiversity management → Climate actions → Monitoring of environmental impacts and ecological compliance 	<ul style="list-style-type: none"> All business segments All business segments All business segments Farming All business segments All business segments
Human capital	<ul style="list-style-type: none"> → Employment → Training and career advancement → Human rights, diversity, and inclusion → Freedom of associations and collective bargaining 	<ul style="list-style-type: none"> All business segments All business segments All business segments All business segments

Sustainability: GRI Content Index

GRI CONTENT INDEX

Material topic	Disclosure number	Disclosure title	References and comments
GRI 102: General Disclosures 2016. Organizational profile	102-1	Name of the organization	Kernel Holding S.A.
	102-2	Activities, brands, products, and services	Our business model (p.8), Kernel's corporate web-site
	102-3	Location of headquarters	Kyiv, Ukraine
	102-4	Location of operations	Key Kernel's assets are located in Ukraine (p. 9)
	102-5	Ownership and legal form	Group structure (p.102), Share capital and significant shareholders (p.103)
	102-6	Markets served	Geographic locations: sunflower oil sold in bulk (p.17) bottled sunflower oil (p.17), grain export markets (p.17) Sectors served: food and agriculture Types of customers and beneficiaries: global soft commodity traders and processors of agricultural commodities, feed compounders, retail chains and distributors
	102-7	Scale of the organization	Total number of employees: (p.61) Total number of operations: three business segments: Oilseed Processing, Infrastructure and Trading, Farming (p.6, 7, 105). Net revenues: key highlights (p.2) Total capitalization: market capitalization (; for updated figures please see Kernel profile on Warsaw Stock Exchange website); credit metrics (p.13) Quantity of products or services provided: Kernel a Glance (p. 9)
	102-8	Information on employees and other workers	General employment information (p.61) Workers who are not employees perform insignificant portion of activities. Significant variations in the numbers include only seasonal variations of employees in Kernel farming business, which does not exceed 6% of total headcount. Data compiled by Kernel employee accounting system; General employment information
	102-9	Supply chain	Our Business Model (p.8), Interactions with suppliers (p.69) Types of suppliers: independent farmers-suppliers of grain and oilseeds, suppliers of inputs to crop production (seeds, fertilizers, crop protection agents, fuel), suppliers of other inputs (natural gas, energy)
	102-10	Significant changes to the organization and its supply chain	There were no significant changes to Kernel supply chain in FY2023.
	102-11	Precautionary Principle or approach	The Group's entities apply the Precautionary Principle through maintaining compliance with the Law of Ukraine on Environmental Impact Assessment (p.53). The law requires a promoter to provide scientific evidence of no threats of serious or irreversible environmental damage associated with the planned development and activities. Unless such evidence is presented, no statutory authorization can be granted to the development and activities in question. The same principle works for environmental permitting. No emission or water use permit can be granted unless an applicant presented evidence of impacts staying below established thresholds (environmental quality standards). Kernel's

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			subsidiaries hold all applicable environmental permits (p.53)
	102-12	External initiatives	Kernel endorses the following externally-developed economic, environmental and social charters, principles, and other initiatives: International Labour Organization's Fundamental Principles and Rights at Work; United Nations Global Compact (UNGC); United Nations Universal Declaration of Human Rights; Carbon Disclosure Project (CDP); Task Force on Climate-Related Financial Disclosures (TCFD); Global Reporting Initiative (GRI).
	102-13	Membership of associations	Kernel, through its subsidiaries, is a member of several industry associations in Ukraine, including: European Business Association (incl. Logistics Committee); American Chamber of Commerce ; Ukrainian Grain Association ; Ukrainian Agrarian Association ; U.S.-Ukraine Business Council ; Federation of Oils, Seeds and Fats Associations ; Grain and Feed Trade Association ; UkrOliyaProm ; Ukrainian Network of Integrity and Compliance ; UN Global Compact Association "Ukrainian Agribusiness Club" (UCAB)
GRI 102: General Disclosures 2016. Strategy	102-14	Statement from senior decision-maker	Chairman's statement (p.4)
GRI 102: General Disclosures 2016. Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	Business ethics and compliance section on Kernel's corporate website Sustainability section on Kernel's corporate website
	102-17	Mechanisms for advice and concerns about ethics	Anti-corruption and compliance (p.66)
GRI 102: General Disclosures 2016. Governance	102-18	Governance structure	Governance structure of the organization (p.78) In FY2022 the Company established a Sustainability committee at the Board of Directors, responsible for overseeing the development of the ESG and climate corporate governance agenda.
GRI 102: General Disclosures 2016. Stakeholder engagement	102-40	List of stakeholder groups	Stakeholder engagement (p.72)
	102-41	Collective bargaining agreements	Freedom of association and collective bargaining (p. 66)
	102-42	Identifying and selecting stakeholders	Stakeholder engagement (p.72)
	102-43	Approach to stakeholder engagement	Stakeholder engagement (p.72)
	102-44	Key topics and concerns raised	Stakeholder engagement (p.72)
GRI 102: General Disclosures 2016. Reporting practice	102-45	Entities included in the consolidated financial statements	Notes 1 to the Consolidated Financial Statements (p. 102)
	102-46	Defining report content and topic Boundaries	Material topics and report content (p.72)
	102-47	List of material topics	Material topics and report content (p.72)
	102-48	Restatements of information	No restatements of information took place in FY2022
	102-49	Changes in reporting	There were no changes in the list of material topics and topic boundaries
	102-50	Reporting period	Financial year 2023 ended 30 June 2023. See also Note 1 to the Consolidated Financial Statements
	102-51	Date of most recent report	16 November 2022 is the date of the most recent previous report, as a sustainability section of the FY2022 annual report

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	sustainability@kernel.ua; ir@kernel.ua
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
	102-55	GRI content index	p.73-77
	102-56	External assurance	The Company does not have a policy regarding external assurance. FY2023 Sustainability report was not externally assured
GRI 201: Economic Performance 2016	<i>GRI 103: Management Approach 2016</i>		<i>Economic performance and impact (p. 67)</i> <i>Material topics and report content (p.72)</i> <i>About the Report (p.72)</i>
	201-1	Direct economic value generated and distributed	Economic performance and impact (p. 67)
	201-2	Financial implications and other risks and opportunities due to climate change	Approach to climate risk identification and management (p.54) Material climate-related risks (p.55)
	201-4	Financial assistance received from government	Economic performance and impact (p. 67)
GRI 203: Indirect Economic Impacts 2016	<i>GRI 103: Management Approach 2016</i>		<i>Support of local communities and society as a whole (p.68)</i> <i>About the Report (p.72)</i>
	203-1	Infrastructure investments and services supported	Social projects and charity spendings (p.68)
	203-2	Significant indirect economic impact	Support of local communities and society as a whole (p.68)
GRI 205: Anti-corruption 2016	<i>GRI 103: Management Approach 2016</i>		<i>Anti-corruption and compliance (p.66)</i> <i>About the Report (p.72)</i>
	205-1	Operations assessed for risks related to corruption	Anti-corruption and compliance (p.66)
	205-2	Communication and training about anti-corruption policies and procedures	<i>Anti-corruption and compliance (p.66)</i> . We do not provide a breakdown of communication and training by regions, as all such activities happen in Ukraine
	205-3	Confirmed incidents of corruption and actions taken	Anti-corruption and compliance (p.66)
GRI 302: Energy 2016	<i>GRI 103: Management Approach 2016</i>		<i>Energy management (p.47)</i> <i>About the Report (p.72)</i>
	302-1	Energy consumption within the organization	Energy management (p.47)
	302-3	Energy intensity	Energy management (p.47)
GRI 303: Water and Effluents 2018	<i>GRI 103: Management Approach 2016</i>		<i>Water and effluents management (p. 48)</i> <i>About the Report (p.72)</i>
	303-1	Interactions with water as a shared resource	Water and effluents management (p. 48), Environmental Protection Policy
	303-2	Management of water discharge-related impacts	Water and effluents management (p. 48)
	303-3	Water withdrawal	Water and effluents management (p. 48)
	303-4	Water discharge	Water and effluents management (p. 48)
	<i>GRI 103: Management Approach 2016</i>		<i>Biodiversity management (p.51)</i> <i>About the Report (p.72)</i>
GRI 304: Biodiversity 2016	<i>GRI 103: Management Approach 2016</i>		Biodiversity management (p.51)
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas	Reason for omission - Confidentiality constrains. We omit disclosure of details of each separate site falling within the territory of a national park, as all such sites are lands, we lease from third parties, and detailed list of such sites constitutes a

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			commercial information, as we compete for leasing land with other players in Ukraine
GRI 305: Emissions 2016	<i>GRI 103: Management Approach 2016</i>		<i>Climate actions (TCFD disclosure) (p.54)</i> <i>About the Report (p.72)</i>
	305-1	Direct (Scope 1) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.58) ¹
	305-2	Energy indirect (Scope 2) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.58) ¹
	305-3	Other indirect (Scope 3) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.58)
	305-4	GHG emissions intensity	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.58) ¹
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	
GRI 306: Waste 2020	<i>GRI 103: Management Approach 2016</i>		<i>Waste management (p.49)</i> <i>About the Report (p.72)</i>
	306-1	Waste generation and significant waste-related impacts	Waste management (p.49)
	306-2	Management of significant waste-related impacts	Waste management (p.49)
	306-3	Waste generated	Waste management (p.49)
GRI 307: Environmental compliance	<i>GRI 103: Management Approach 2016</i>		<i>Monitoring of environmental impact and ecological compliance (p.53)</i> <i>About the Report (p.72)</i>
	307-1	Non-compliance with environmental laws and regulations	Monitoring of environmental impact and ecological compliance (p.53)
GRI 308: Supplier Environmental Assessment 2016	<i>GRI 103: Management Approach 2016</i>		<i>Interaction with suppliers (p.69)</i> <i>About the Report (p.72)</i>
	308-2	Negative environmental impacts in the supply chain and actions taken	Interaction with suppliers (p.69)
GRI 401: Employment 2016	<i>GRI 103: Management Approach 2016</i>		<i>General employment information (p.61)</i> <i>About the Report (p.72)</i>
	401-1	New employee hires and employee turnover	General employment information (p.61)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Remuneration approach and benefits (p.61)
	401-3	Parental leave	General employment information (p.61)
GRI 403: Occupational Health and Safety 2018	<i>GRI 103: Management Approach 2016</i>		<i>Occupational health and safety (p.64)</i> <i>About the Report (p.72)</i>
	403-1	Occupational health and safety management system	Occupational health and safety (p.64)
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational health and safety (p.64)
	403-3	Occupational health services	Occupational health and safety (p.64)
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety (p.64). Company does not have a formal joint management-worker health and safety committee.
	403-5	Worker training on occupational health and safety	Occupational health and safety (p.64)
	403-6	Promotion of worker health	Occupational health and safety (p.64), Remuneration approach and benefits (p.61)
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety (p.64)
	403-8	Workers covered by an occupational health and safety management system	Occupational health and safety (p.64). No workers have been excluded from this disclosure. OHSMS covers all Group's entities and, respectively, all

¹ In FY2023 Kernel started working on the development of operational accounting of GHG emissions from farming operations across field level, which is the highest level of granularity, for each crop. In this report calculations of GHG emissions include Enselco Agro LLC to ensure consistency of methodological boundaries. In line with the updated accounting approach historical emissions will be recalculated to exclude Enselco Agro LLC operations, which will be reflected in the company's emission baseline and in future disclosures.

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			Groups workers.
	403-9	Work-related injuries	Occupational health and safety (p.64). Main types of work-related injuries include slips, trips, and falls. No workers have been excluded from this disclosure.
GRI 404: Training and Education 2016	<i>GRI 103: Management Approach 2016</i>		<i>Training and career advancement (p.63)</i> <i>About the Report (p.72)</i>
	404-1	Average hours of training per year per employee	Training and career advancement (p.63)
	404-2	Programs for upgrading employee skills and transition assistance programs	Training and career advancement (p.63). We do not provide any specific transition assistance programs to facilitate management of career endings resulting from retirement or termination of employment, apart from one-off severance payment or retirement benefit.
	404-3	Percentage of employees receiving regular performance and career development reviews	Training and career advancement (p.63)
GRI 405: Diversity and Equal Opportunity 2016	<i>GRI 103: Management Approach 2016</i>		<i>Human rights, diversity and inclusion (p.65)</i> <i>About the Report (p.72)</i>
	405-1	Diversity of governance bodies and employees	Human rights, diversity and inclusion (p.65)
GRI 407: Freedom of Association and Collective Bargaining 2016	<i>GRI 103: Management Approach 2016</i>		<i>Freedom of association and collective bargaining (p. 66)</i> <i>About the Report (p.72)</i>
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of association and collective bargaining (p. 66). We have no operations in which workers' rights to exercise freedom of association may be violated or at significant risk. We have not identified suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated.
GRI 412: Human Rights Assessment 2016	<i>GRI 103: Management Approach 2016</i>		<i>Human rights, diversity and inclusion (p.65)</i> <i>About the Report (p.72)</i>
	412-2	Employee training on human rights policies or procedures	Human rights, diversity and inclusion (p.65)
GRI 413: Local Communities 2016	<i>GRI 103: Management Approach 2016</i>		<i>Support of local communities and society as a whole (p.68)</i>
	413-1	Operations with local community engagement, impact assessments, and development programs	Support of local communities and society as a whole (p.68) 100% of operations in our Farming segment are involved in local community engagement, impact assessments and/or development programs
	413-2	Operations with significant actual and potential negative impacts on local communities	Kernel is not aware of any significant negative impacts on local communities as a result of its activities
GRI 414: Supplier Social Assessment 2016	<i>GRI 103: Management Approach 2016</i>		<i>Interaction with suppliers (p. 69)</i> <i>About the Report (p.72)</i>
	414-2	Negative social impacts in the supply chain and actions taken	Interaction with suppliers (p. 69)
GRI 416: Customer Health and Safety 2016	<i>GRI 103: Management Approach 2016</i>		<i>Product quality and customer safety (p.70)</i> <i>About the Report (p.72)</i>
	416-1	Assessment of the health and safety impacts of product and service categories	Product quality and customer safety (p.70) We assess health and safety impacts for improvement for all our significant products
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product quality and customer safety (p.70)

Corporate Governance

Main characteristics of Kernel

Group structure

Kernel Holding S.A. (the “**Company**”) is a Luxembourg-based public limited liability company (RCS Luxembourg B109173) established on June 15, 2005, with its registered office at 9 Rue de Bitbourg, L-1273 Luxembourg. It serves as the holding entity for a group of companies, collectively referred to as the “Group” or “Kernel”. The Company's shares have been listed on the Warsaw Stock Exchange's main market since November 2007. As of 30 June 2023, Kernel was in the **process of being delisted from the Warsaw Stock Exchange**, with key milestones in this process outlined below.

The list of primary subsidiaries is disclosed on page 102 of this report.

Share capital and significant shareholdings

The issued capital of the Company as of 30 June 2023 consisted of 84,031,230 fully paid ordinary electronic single class shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends (except for 6,602,000 own shares purchased). Consequently, there were 77,429,230 shares having voting and dividend rights.

According to notifications received by the Company, one shareholder owned more than 5% of the Company's voting shares as of 30 June 2023:

- Namsen Limited (hereinafter “Namsen”), a legal entity directly controlled by the Chairman of the Board of Directors and founder of the business, Mr. Andrii Verevskyi, owning 80.4% of voting shares.

The Company is not aware of any other shareholders except Namsen who hold more than 5% of the share capital and total votes.

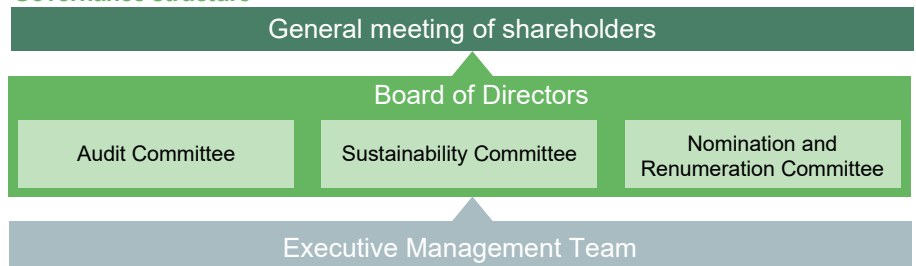
Ownership structure as of 30 June 2023

	Shares owned	% owned	% in voting and dividend
Namsen	62,222,460	74.0%	80.4%
Other	15,206,770	18.1%	19.6%
Treasury	6,602,000	7.9%	
Total	84,031,230	100.0%	100.0%

In FY2023, the Company received two shareholder notifications from Lind Invest and Korpemik Global Investors, LLC, each reducing their stake below 5% of the voting rights.

Over the course of FY2023, Namsen increased its stake in the Company from 38% to 74% of total shares issued (or to 80.4% of shares with voting rights), as a result of the

Governance structure



acquisition of shares during the delisting tender offer, as described in detail in the section “Kernel delisting from the Warsaw Stock Exchange”.

As of 30 June 2023, the Company's subsidiary Etrecom Investments Limited held 6,602,000 Company shares purchased over the course of FY2022 as a part of the Company's share buyback program. Such shares are disclosed as **treasury shares** in the consolidated financial statements and have no dividend and voting rights.

As of 30 June 2023, there were no outstanding options granting rights to acquire shares of the Company.

After the reporting date, on 1 September 2023, the Company issued 216,000,000 new shares in the registered form (see details in the section “Share capital increase on 1 September 2023”). As a result of the participation in the share offering, the percentage of shares issued owned by Namsen increased to 91.61%, and the percentage of votes on the general meeting of shareholders increased to 93.67%.

Kernel delisting from the Warsaw Stock Exchange

On 06 March 2023, the Company received from Namsen Limited a [letter](#) 1) informing the Board of Directors about the intention of Namsen to delist the Company and to launch a delisting tender offer to invite the remaining shareholders to sell their shares in the Company for the purposes of the potential delisting of the Company's shares; and 2) requesting the Board of Directors to consider delisting of the Company's shares from trading on the Warsaw Stock Exchange and make the respective decisions within limits of Board's powers and responsibilities.

On 30 March 2023, the Company received from Namsen Limited a [letter](#) informing the Company about the announcement of the delisting tender offer for the sale of all shares in the Company, as required by the applicable delisting regulations.

On 13 April 2023, the Board of Directors, as a competent decision-making body of a public company domiciled in Luxembourg and listed on the Warsaw Stock Exchange, decided to withdraw the shares of the Company from trading on the WSE. The Board of Directors also announced the intention to convert all Company's shares into the registered form after delisting.

On 12 May 2023, the delisting tender offer was settled. As a result, Namsen [acquired](#) 30,248,449 shares of the Company (36% of total shares issued), increasing its total stake to 74% of the total shares issued.

On 15 May 2023, the Company submitted an application to the Polish Financial Supervision Authority (“PFSA”) for approval of the withdrawal of the Company's shares from trading on the regulated market operated by the WSE.

On 13 July 2023, the Company submitted to the PFSA the additional legal memorandum and other documents requested by the PFSA.

On 01 August 2023, the Company submitted to the PFSA a letter opposing the motions submitted on admission to the Kernel proceedings at PFSA.

As of the date of the publication of this report, the Company has not received any additional information about the timing of the decision of the Polish Financial Supervision Authority on the delisting. Once such approval is granted by the PFSA, the Company will immediately make a delisting application to the WSE and file a relevant motion to the Polish National Depository for the conversion of Kernel shares to a registered form with relevant communication to follow.

Corporate Governance continued

Corporate governance framework

Kernel is committed to high standards of corporate governance and is guided by the corporate governance framework determined by:

- the corporate law of the Grand Duchy of Luxembourg as a place of incorporation (including voluntary compliance with most of the provisions of the X Principles of Corporate Governance of the Luxembourg Stock Exchange); and
- the corporate governance rules set out in the [Best Practice for WSE Listed Companies 2021](#) as a place of Company's shares listing. Paragraph 29 of the [Warsaw Stock Exchange Rules](#) requires issuers to publish a report indicating which rules the issuer complies with and which rules the issuer does not comply with permanently. The Company published such a report on 12 August 2021, available on the Company's [website](#). The Company applied all the principles except for detailed principles 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.11.3., 2.11.5., 2.11.6., 3.6., 3.9., 6.2., 6.3., 6.4. Additionally, in the current report #19 dated 25 March 2022, the Company informed that it incidentally breached rule 1.6 of the Best Practice for GPW Listed Companies 2021 because of the continuing military aggression of Russia in Ukraine. That rule has not been breached incidentally in the last two years.

Key internal documents laying out corporate governance principles are Kernel Holding S.A. Articles of Association and Corporate Governance Charter. On 30 August 2021, the EGM also approved the Remuneration Policy, which applies to the Board of Directors and the Executive Management Team. All these documents are available on the [Company's website](#).

Following the regular review of the Company's compliance with the best corporate governance practices, the Board believes that the Company put its best efforts to comply with:

- the applicable corporate governance principles;
- disclosure obligations concerning compliance with corporate governance principles defined in the [WSE Rules](#);
- regulations on current and periodic reports published by the Company as an issuer of securities;
- defined in the [WSE Rules](#);
- regulations on current and periodic reports published by the Company as an issuer of securities.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest governance body of the Company, having the broadest power to order, carry out,

Share capital increase on 1 September 2023

Following the request of the Board to have an emergency financing option in case the circumstances in Ukraine require it, the extraordinary general meeting of shareholders held on 23 September 2022 created the authorized share capital and granted authorization to the Board to issue new shares on such terms as the Board sees fit.

In the summer of 2023, while negotiating the third restructuring of the Group's loan portfolio during wartime in Ukraine, the Group's creditors demanded equity support from the Company's shareholders in order to proceed with the restructuring of the loan portfolio. Following several rounds of negotiations, the Group managed to reduce the amount of the demanded equity contribution and agreed to initiate the equity raise of USD 60 million. On 22 August 2023, the Company announced the share offering to qualified investors – existing shareholders of the Company. As a part of the book-building process, shareholders provided their subscription forms which altogether determined (via the mechanism of a Dutch auction) the number of shares to be issued and the issue price in such a way that the Company raised the necessary amount of USD 60 million and completed the requirement of the creditors. Consequently, the Company allotted 216,000,000 shares to several qualified investors (shareholders of the Company) at the issue price of USD 0.2777 per share.

On 1 September 2023, the Board approved the results of the offering and the share capital increase. These shares, all paid up in cash, were issued in the registered form and they will not be admitted to trading on any securities exchange, given the Company's pending delisting process. Each share offers its holder a single voting right at the Company's general meeting of shareholders. Additionally, each of these shares carries dividend rights congruent with the existing shares, except for the 6,602,000 shares owned by the Company's subsidiary Etrecom Investments Limited which does not have voting or dividend rights.

As a result of the share capital increase, the number of Company's shares issued increased to 300,031,230 shares. These shares collectively represent 293,429,230 voting rights for the Company's General Meeting, factoring in the 6,602,000 shares held by Etrecom Investments Limited, which are devoid of voting rights due to their treasury share nature. The stake of Namsen Limited increased to 91.61% of total shares issued, or 93.67% of shares with voting/dividend rights.

or ratify all acts relating to the operations of the Company. All the details about organizing and functioning of the general meeting of shareholders are listed in the Articles of Association and Corporate Governance Charter. Both documents are published on the [Company's website](#).

Extraordinary general meeting of shareholders held on 1 July 2022:

- acknowledged the resignation of Mr. Sergei Shibaev as a non-executive independent director of the Company with effect as of 12 March 2022 and granted him discharge for the exercise of his mandate;
- appointed Mr. Andrii Miski-Oglu as a non-executive independent director of the Company;
- acknowledged the resignation of Mrs. Nathalie Bachich as non-executive independent director of the Company with effect as of 22 May 2022 and granted her discharge for the exercise of her mandate;
- appointed Mrs. Daria Anna Danilczuk as non-executive independent director of the Company;
- amended Articles of Association.

Extraordinary general meeting of shareholders held on 23 September 2022:

- approved the creation of an authorized share capital of the Company, excluding the current issued share capital, of an amount of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696) consisting of two hundred sixteen million (216,000,000) shares without nominal value.
- granted authorization to the board of directors of the Company for a period of five (5) years to, from time to time, issue shares, to grant options to subscribe for shares, and to issue any other instruments giving access to shares within the limits of the authorized capital to such persons and on such terms as they shall see fit and specifically to proceed with such issue without reserving a preferential right to subscribe to the shares issued for the existing shareholders and it being understood that any issuance of such instruments will reduce the available authorized capital accordingly.

The annual general meeting held on 20 December 2022:

- approved the management report of the Board of Directors, consolidated financial statements of the Company and standalone annual accounts of the Kernel Holding S.A., and the report of the independent auditor for

Corporate Governance continued

the year ended 30 June 2022;

- granted discharge to the directors of the Company for the exercise of their mandates in FY2022;
- acknowledged the resignation of Mrs. Pieternel Boogaard as a non-executive independent director of the Company with effect as of 14 September 2022 and granted her discharge for the exercise of her mandate;
- appointed Mr. Mykhailo Mishov as a non-executive independent director of the Company;
- renewed the mandates of all directors and approved the fees of executive and non-executive directors for the year ended 11 December 2023;
- Re-appointed PwC as an independent auditor of the Company.

The next annual general meeting of shareholders is scheduled for 11 December 2023.

All recent general meetings were held without any physical presence of shareholders, as all shareholders who had decided to attend the meeting opted for direct electronic voting or indirect voting via the independent proxy.

All the documents and resolutions adopted by the shareholder meetings are available on the [Company's website](#).

Board of Directors

The Company is managed by the Board of Directors (the "**Board**"), which is the ultimate decision-making body, except for the powers reserved for the general meeting of shareholders by law, the Articles of Association, and the Corporate Governance Charter. The Board is

vested with the broadest powers to perform all acts of administration and disposition in compliance with the Company's corporate purpose. The Board resolves to take its decisions objectively, in the best corporate interest of the Company. The Board is collectively responsible and accountable to the shareholders for the proper conduct of the business, the long-term success of the Company, the effectiveness of the reporting system, and the corporate governance framework.

The responsibilities of the Board include approval and review of strategies and policies, governance of the Company, and

management supervision. More detailed responsibilities are specified in the Company's [Corporate Governance Charter](#).

All Directors are equally accountable for the proper stewardship of the Company's affairs. The non-executive directors have a responsibility to ensure that the business strategies proposed are fully discussed and critically reviewed. This enables the Directors to promote the success of the Company for the benefit of its shareholders, while having regard to, among other matters, the interest of employees, the fostering of business relationships with customers, suppliers, and other stakeholders, as well as promoting the impact of the Company's operations on the communities and the environment in which the business operates.

The Board approves every investment, divestment, acquisition, disposal, and funding transaction exceeding in value 5% of the average 12 months trailing daily market capitalization of the Company.

Board composition

The Board is composed of eight directors, five of which are executive (including a Chairman) and three are non-executive directors. Two non-executive directors fulfill the criteria of being independent. None of the three non-executive directors have material relations with any shareholder who holds at least 5% of the total vote in the company.

There were several **changes in the composition of the Board** in FY2023. Specifically:

- The general meeting of shareholders held on 1 July 2022 acknowledged the resignation of Mr. Sergei Shibaev and Mrs. Nathalie Bachich from their mandate as non-executive independent directors and granted them full discharge for the exercise of their mandates.
- The general meeting of shareholders held on 1 July 2022 approved the co-optation of Mr. Andrii Miski-Oglu and Mrs. Daria Anna Danilczuk and appointed them as non-executive independent directors of the Company.
- In September 2022, Mrs. Pieternel Boogaard resigned from the Board due to the lack of availability of D&O insurance, which the Company was not able to extend

considering the lack of offers from insurers to take Ukrainian risks. The Board acknowledged the resignation of Mrs. Pieternel Boogaard with effect as of 14 September 2022 and approved the co-optation of Mr. Mykhaylo Mishov as a new non-executive director of Kernel Holding S.A. as the replacement of Mrs. Pieternel Boogaard. Mr. Mykhaylo Mishov has experience in consulting, including Ernst & Young, Deloitte, and KPMG, leading numerous strategy and performance improvement projects for agribusiness clients. The annual general meeting of shareholders held on 20 December 2022 approved the co-optation of Mr. Mykhailo Mishov and appointed him as a non-executive independent director of the Company.

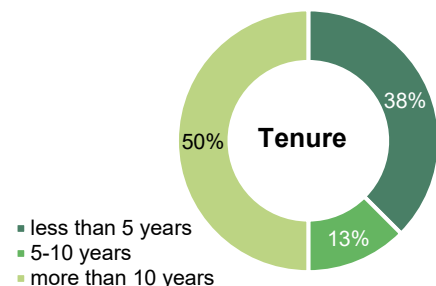
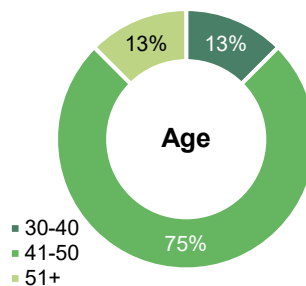
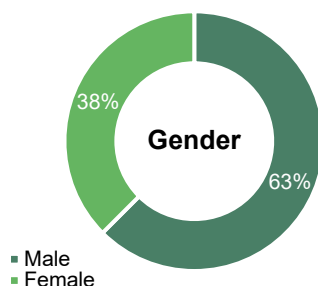
New appointments bring a wealth of fresh expertise and perspectives to the Company's governance. These additions are expected to have a positive impact on the Company's performance. Furthermore, these appointments play a crucial role in enhancing the diversity of the Board.

Our non-executive directors are highly experienced and influential individuals hailing from diverse industries and countries. They bring a well-rounded blend of skills and extensive business acumen to the Board and its various Committees, contributing significantly to their effective operation.

The mandate of the Chairman expires at the annual general shareholder meeting in December 2025. The mandates of all other directors expire at the annual general shareholder meeting in December 2023.

The Nomination & Remuneration Committee regularly reviews the composition of the Board to ensure that the Board has an appropriate, diverse, and balanced mix of competencies, skills, experience, background, and knowledge of the Company's affairs. Key principles governing the processes of nomination, appointment, and re-election of Directors are described in the Company's Corporate Governance Charter, published on the [Kernel's website](#).

Composition of the Board of Directors as of 27 October 2023



Corporate Governance continued

Effective and experienced leadership

Kernel Holding S.A. is governed by the Board of Directors composing of eight members, including three non-executive directors, two of whom are independent). Key information on Directors is as follows (with further details available on Company's [website](#)).

Andrii Verevskyi, 49 	Chairman of the Board, Founder Tenure: 16 years Skills and experience: Founded the Group's business in 1995, holding various executive positions within the Group. Presently, he oversees the strategic development and overall management of the Group. Board Committee: Nomination & Remuneration Committee	Andrii Miski-Oglu, 46 	Independent non-executive director Tenure: 2 years Skills and experience: 21 years' experience in public accounting and audit in EY, involved in major EY Global audit-related initiatives. Andrii is Certified Public Accountant in the US since 2011 and a member of The American Institute of Certified Public Accountants (AICPA). Board Committee: Chairman of the Audit Committee, Nomination & Remuneration Committee
Daria Danilczuk, 36 	Non-executive director Tenure: 2 years Skills and experience: Agricultural commodity broker, specialized in Black Sea commodity markets, experienced in international trade and biofuels trade and regulatory framework. Board Committee: Chairwoman of the Sustainability Committee, Audit Committee	Mykhaylo Mishov, 41 	Independent non-executive director Tenure: 2 years Skills and experience: Mr. Mishov has over 18 years' experience in consulting, including Ernst & Young, Deloitte and KPMG, leading numerous strategy and performance improvement projects for agribusiness clients. Board Committee: Chairman of the Nomination & Remuneration Committee, Audit Committee, Sustainability Committee
Viktoriia Lukianenko, 47 	Executive Director Tenure: 16 years Skills and experience: Mrs. Lukianenko is responsible for providing legal advice and counseling in all aspects of Kernel's business operations. Board Committee: None	Yevgen Osypov, 47 	Chief Executive Officer Tenure: 6 years Skills and experience: Mr. Osypov is responsible for the day-to-day management of the Company's subsidiaries, execution of strategy, budgets, and Board decisions. He completed several educational programs in Harvard Business School. Board Committee: Sustainability Committee
Anastasiia Usachova, 52 	Executive Director Tenure: 16 years Skills and experience: Mrs. Usachova is responsible for the overall financial oversight of Kernel. She holds an MBA degree from IMD (Switzerland). Board Committee: None	Yuriy Kovalchuk, 42 	Corporate Investment Director Tenure: 12 years Skills and experience: Mr. Kovalchuk contributes to strategy formulation and is responsible for the execution of investment projects. Yuriy has been a Fellow with Association of Chartered Certified Accountants (FCCA), since September 2013. Board Committee: None

Corporate Governance continued

Board diversity

Diversity among the Directors makes the Board high-performing and efficient, serving the best interests of the Company. The diversity within the Board is enhanced by [Kernel's Diversity, Equality, and Inclusion Policy](#), which was adopted by the management back in 2018, and then specified and adopted by the AGM on 10 December 2021. The policy is constantly considered by the N&R Committee of the Board and by the Executive Management Team when making employee and management appointment decisions.

The Company benefits from diversity in:

- **gender** (37.5% female Directors, above the minimum 30% threshold recommended by the Best Practice for WSE Listed Companies 2021);
- **age and tenure**;
- **professional experience** (industry and operations expertise, soft commodities trading, finance and audit, banking and investments, sustainability, legal, among others);
- **nationality and culture** (while the majority of Directors are Ukrainians, we also have one citizen of Poland and residents of the US on the Board of Directors).

The Directors consider the diversity among Board members while evaluating the Board's effectiveness. During the annual Board self-evaluation process conducted in FY2023, most directors recognized the sufficient range of expertise, attitudes, and external relationships among the Board members.

Directors' independence

Each non-executive director annually provides the other members of the Board with a statement of meeting the independence criteria indicated in Annex II of the European Commission Recommendation of 15 February 2005. The statements are published on the Company's website.

As per statements received in 2023, two out of three non-executive directors met the independence criteria.

Conflict of interest

A [Corporate Governance Charter](#) adopted in May 2018 pays special attention to disclosing conflicts of interest among Board members. Any Director having a direct or indirect conflict of interest must inform the Board thereof and shall refrain from deliberating or voting on the relevant item of the agenda. Any conflict of interest should be properly declared and documented.

Members of the Board shall refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing

bodies of the Company, and where a conflict of interest arises, immediately disclose it.

The following non-exhaustive list is an example of the duties that shall be followed by the Directors:

- duty not to accept any benefits from third parties, which may give rise to personal financial interest and/or gain;
- duty to disclose any interest in a proposed transaction or arrangement with the Company and a separate and independent duty to disclose any arrangement with the Company; and
- duty to avoid conflicts of interest unless authorized.

There were 6 cases of conflict of interest declared by Directors in FY2023:

- at 4 Board meetings related to the discussion and the approval of the delisting of the Company, the Chairman of the Board declared a conflict of interest and abstained from voting on any related decisions;
- two directors declared conflicts of interest and abstained from voting for the Board decisions related to the appointment of new members of the Executive Management Team.

As of October 2023, non-executive directors occupied the following positions in companies outside Kernel:

- Mrs. Daria Danilczuk is a commodities broker and trading expert at JDI Brokers, Switzerland.
- Mr. Mykhaylo Mishov is Supply Chain Strategy Lead at SC Johnson, Chicago, United States.
- Mr. Andrii Miski-Oglu does not occupy positions in companies outside Kernel at the date of publication of this report. In FY2023, he was the business analysis lead (data analytics, EY technology) at the EY Chicago office, United States.

Board committees

The Board has three committees appointed among its members:

- Audit Committee;
- Nomination & Remuneration Committee (hereinafter "N&R Committee");
- Sustainability Committee.

The Board believes this structure is sufficient to ensure its efficient performance of duties and tasks, as certain specific matters are discussed first by specialized bodies with explicit professional experience, and only then considered by the Board.

The Board regularly reviews the necessity of establishing new committees, striving to adapt to the changing needs of the business. Following the regular annual review in July 2023, the

Board concluded that there is no need to establish new committees at the moment, but decided to discuss establishing of a Risk committee at a later stage, as such a step requires additional preparations.

Board self-evaluation

Following the best standards of corporate governance, the Board regularly undertakes a formal self-evaluation of its performance and effectiveness as a collective body, operating efficiency, composition, organizational structure, compliance with the rules of good government, and relationship with the executive management and other stakeholders. The survey conducted in FY2023 identified no major issues concerning the items mentioned above. The Board recognized the quality and timeliness of the information provided to the Board, the quality of the Board practices and meetings, the appropriate composition of the Board, adequate Board roles and responsibilities, properly established committee practices, etc.

Independent advice

All directors can consult with the corporate secretary, who is available to provide assistance and information on governance, corporate administration, and legal matters as appropriate. The Directors may also seek advice on such matters, or other business-related matters relating to the performance of their duties, directly from independent professional advisors, if so desired, at the Company's expense.

Board activity report

The Board held fourteen meetings in FY2023, including one physical meeting in Luxembourg and thirteen meetings via teleconference. The average attendance rate for all directors was 92% for the reporting period.

Typically, at each meeting, the Chairman of the Board together with other executive directors reports on the strategy implementation and presents recent developments and management accounts. The work plan (minutes and circular resolutions) of the Board for FY2023 included, among others, the following items:

- review of the impact of the Russian war against Ukraine on the Company's operations;
- review of the Company's mid-term strategy and approval of budget; review of cash flow forecasts;
- review and approval of annual, semi-annual, and quarterly accounts; review of operations updates;
- review of management accounts and financing transactions;
- convening annual and extraordinary

Corporate Governance continued

Compensation structure of the Executive Management Team

Fixed remuneration	Members of the Executive Management Team receive a base salary determined at the discretion of the Board of Directors, commensurate with the respective position and the individual profile of the relevant members in terms of qualifications, skill set, and experience. All amounts are fixed and shall be paid monthly. In FY2023, the aggregated base salary for 15 members of the Executive Management Team amounted to USD 2,683 thousand paid by the subsidiaries of the Company.
Variable remuneration	<p>An annual variable monetary bonus (if applicable) is paid as well. Such bonus is determined by the formula approved by the Board of Directors upon the recommendation of the N&R Committee. The bonus shall reward the members of the Executive Management team for the financial performance of the Group, which derives from the financial performance of each of its subsidiaries where each respective member of the Executive Management Team is employed or has contractual obligations. The structure of the variable remuneration is as follows:</p> <ul style="list-style-type: none"> The bonus pool for 13 members of the Executive Management Team (the "Bonus Pool") is expressed as a percentage of the consolidated EBITDA of the Group less the consolidated financial costs of the Group ("EBITDA Less Finance Costs"), with a minimum threshold level of USD 123 million required to activate the pay-out. The Bonus Pool as a percentage of EBITDA Less Finance Costs is gradually increasing starting from 0.46% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds USD 123 million and reaching 3.66% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds USD 443 million. The exact allocation of the Bonus Pool between the relevant members of the Executive Management Team is determined by the N&R Committee. Two members of the Executive Management Team have different metrics determining their variable remuneration, including the financial results of the business divisions they lead, the Group EBITDA and personal key performance indicators. <p>The variable remuneration is paid by the subsidiaries of the Company for duties and services provided by members of the Executive Management Team to subsidiaries of the Company. In FY2023, the aggregated variable remuneration for 15 members of the Executive Management Team amounted to USD 17,902 thousand to be paid by the subsidiaries of the Company.</p>
Long-term management incentive plan	<p>Seven members of the Executive Management Team are subject to the long-term management incentive plan which shall reward such members of the Executive Management Team for accomplishing individual performance goals related to the duties and services provided by such individuals to subsidiaries of the Company, altogether contributing to the better financial and non-financial results of the group of companies to which the Company belongs over the long-term period and aligning the interests of the Executive Management Team with those of the shareholders of the Company. The long-term management incentive plan is duly reviewed by the N&R Committee and approved by the Board of Directors after the generic terms thereof having been approved by the general meeting of shareholders. Seven members of the Executive management team are granted with put options providing the right but not the obligation to sell a fixed number of Company's shares owned by management at the moment at Put Price during the exercise period:</p> <ul style="list-style-type: none"> exercise period shall commence on 1 November 2024 and end on 31 December 2025 (or in certain cases 31 December 2026), if no put options are exercised during Exercise Period, then such put options shall lapse. Put option also provides for acceleration events which dictate that the put options may be exercised before the commencement of the exercise period if the following events occur: 1) the cessation of trading of Company's shares at the Warsaw Stock Exchange or any other recognized stock exchange; or 2) a change of control event where the shareholding of Nansen Limited or its ultimate beneficial owner in Kernel's total votes falls below twenty five percent (25%). In such cases, put options may be exercised only after 12 months following the occurrence of the relevant events. Put Price is determined as lower of (1) USD 23.80; or (2) 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 155,000,000, where all amounts, except for the maintenance capital expenditures, are specified in USD in the relevant paragraph of 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 3 divided by 12% and divided by 84,031,230.

- general meetings of shareholders;
- review of corporate-governance-related questions;
- supervision of the risk management process: approval of top risks for the Company and mitigation plan, review of reports on top risks mitigation activities; update on implementing the risk management system; review of risk limits; review of outstanding legal cases;
- updates from Audit Committee, N&R Committee, and Sustainability Committee;
- review of the performance of the Group sustainability function;
- selection and nomination of new

- independent non-executive directors and members of the Executive Management Team, appointment of members of the Board committees;
- approvals of financing and investment transactions; M&A updates;
- matters related to the delisting of the Company from the Warsaw Stock Exchange;
- discussions of the share capital increase transaction;
- various ad-hoc items and other corporate decisions.

Executive Management Team

The Executive Management Team is

responsible for the overall financial and operating results of the Company's subsidiaries, heading operating segments and providing support functions on a daily basis. The Executive Management Team focuses on strategy implementation, financial and competitive performance, commercial and technological developments, succession planning, and organizational development.

The Executive Management Team is headed by the Chief Executive Officer (the "CEO"), who is appointed and removed by the Board and reports directly to the latter. The CEO is responsible for the day-to-day management of

Corporate Governance continued

the Company's subsidiaries, execution of strategy, budgets, and Board decisions. The CEO delegates his/her responsibilities to the other members of the Executive Management Team.

The Executive Management Team consists of 15 professionals including the CEO, benefiting from the diversity among its members. All the members of the Executive Management Team other than the CEO are appointed and removed, as applicable, by the Board upon proposal by the N&R Committee after prior consultation with the CEO, save where he is subject to the procedure. As such, in FY2023 the Board:

- acknowledged the resignation of Mrs. Anastasiia Usachova from her mandate as Chief Financial Officer of the Group (as a member of the Executive Management Team) with effect as of 5 May 2023;
- acknowledges the resignation of Mrs. Viktoriia Lukianenko from her mandate as Chief Legal Officer of the Group (as a member of the Executive Management Team) with effect as of 25 April 2023;
- resolved to appoint Mr. Sergiy Volkov as a new Chief Financial Officer of the Group (as a member of the Executive Management Team) with effect as of 8 May 2023;
- resolves to appoint Mr. Artem Filipyev as the new Chief Legal Officer of the Group (as a member of the Executive Management Team) with effect as of 26 April 2023.

The full list of the members of the Executive Management Team, including short biographies for each member is available on the [Company's website](#).

Responsibilities of the Executive Management Team are described in more detail in the Company's Corporate Governance Charter, available on the [Company's website](#).

There are various committees operating on the Executive Management Team level, including the Strategic Committee, the Investment Committee, the Trade Committee, and the Risk Committee.

Remuneration report

This remuneration report is published in accordance with article 7ter of the same law, the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended.

The compensation principles for the Board and the Executive Management Team are specified in the [Remuneration Policy](#) of the Company. The Group pays remuneration to the Board and the Executive Management Team only in accordance with the Remuneration Policy. The Remuneration Policy must be

Remuneration of the Board of Directors

USD thousands

	FY2019	FY2020	FY2021	FY2022	FY2023
Chairman of the Board	200	200	200	200	200
Other executive Directors	40	40	40	40	40
Non-executive Directors	260	260	260	275	240
Total Board of Directors	500	500	500	515	480

Excluding reimbursement of travelling expenses incurred by Directors in performing their duties.

Remuneration of the Executive Management Team

USD thousands

	FY2019	FY2020	FY2021	FY2022	FY2023
Total remuneration	5,518	8,834	29,334	8,492	20,585
Base salary	2,419	2,508	2,834	2,949	2,683
Short-term variable bonus	3,099	6,326	26,500	5,543	17,902
Number of executive managers	12	12	15	15	15

submitted to a vote by the general meeting at every material change and, in any case, at least every four years.

The EGM held on 30 August 2021:

- approved a new long-term management incentive plan in the form of share put option agreements; and
- approved the [Remuneration Policy](#), following the requirements of Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended.

ESG-linked KPIs historically have not been integrated into the compensation schemes of the Board and the Executive Management Team. However, throughout FY2023, the Group developed a set of ESG-linked KPIs to apply to the compensation of six members of the Executive Management team starting from FY2024 (see details in TCFD disclosure section of the Sustainability report).

Remuneration of the Board

Compensation of the Directors of the Company is comprised only of the fixed fees paid for the services provided by the Directors in their capacity as members of the Board of Directors of the Company. There is no performance-based variable component, pension, retirement, or similar benefits provided by the Company. This ensures a certain degree of independence when it comes to fulfilling the Board's duties towards the Executive Management Team. On top of that, Directors are reimbursed for certain travel, hotel, and other expenses related to the exercise of their duties. The fees paid to the independent directors and the fees paid to executive directors are approved at the annual general shareholders' meeting. See more details on the remuneration of the Board in the [Remuneration Policy](#) of the Company.

Two executive Directors in their capacity as members of the Executive Management Team

also receive compensation for their services provided to subsidiaries of the Company, with such compensation being paid by the subsidiaries of the Company. Two other executive Directors not being members of the Executive Management Team receive compensation for occupying executive positions at the Company's subsidiaries.

Remuneration of the Executive Management Team

Compensation of the members of the Executive Management Team (15 people in total) is based on a pay-for-performance principle, rewarding sustainable growth and long-term value creation for shareholders of the Company. A significant portion of the remuneration comes from a variable part depending on the Group's consolidated financial performance.

For details, please see the figure above.

The principles of the remuneration of the Executive Management Team are specified in the [Remuneration Policy](#).

Members of the Executive Management Team are not granted any pension, retirement, or similar benefits provided by the Company, apart from those required by the law.

The Company believes that the Remuneration Policy strongly contributes to the long-term shareholder value creation and the Company's stability.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a continuously operating collective body of the Board. It is established from among the members of the Board and consists of three members, including a chairman elected by the members of the N&R Committee amongst themselves. The majority of the members of the N&R Committee (including the chairman) are non-executive independent Directors.

Corporate Governance continued

The role of the N&R Committee is to assist the Board in fulfilling its responsibilities by reviewing, advising, and making recommendations to the Board, the Chairman, and the CEO on the nomination to the Board and Executive Management Team and their remuneration. The N&R Committee assists the Board in nominating and assessing candidates for both directorship and managerial positions, establishing and reviewing the compensation principles specified in the Remuneration Policy. The N&R Committee ensures that only persons with adequate competencies, experience, and skills are appointed to the Board. The N&R Committee also supports the Board in preparing the Board's remuneration proposals for the shareholders' general meeting. A detailed list of N&R Committee responsibilities is available in the Corporate Governance Charter, published on the [Company's website](#).

Nomination and Remuneration Committee's activity report

The N&R Committee held four meetings during the reporting period, discussing the nomination of the new Director, the performance of the CEO and the Executive Management Team, the remuneration of the executive management team and transactions within the management incentive plans, and nomination of new members of the Executive Management Team.

On the additional meeting held in October 2023, the N&R Committee settled on the Executive Management Team compensation for FY2023 standing at USD 20,585 thousand (including a bonus of USD 17,902) for 15 key executives, as compared to the total compensation of USD 8,492 thousand (including a bonus of USD 5,543) a year ago for 15 executives.

Accountability and audit Going concern

The Group's business activities, together with the factors affecting its performance, position, and future development are set out in the strategic report on pages 1-44. The financials of the Group, its liquidity position, borrowing facilities, and applicable terms are described in the financial statement's accounts.

Current economic conditions have fostered the development of several risks and uncertainties for the Company, in particular, related to the war in Ukraine (see details in the [Risks and Uncertainties](#) section of this report).

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading and production performance, as well as the debt requirements. The results

show that the **Company should be able to operate within the levels of its available capital**. Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the annual report and accounts.

Takeover disclosure

The Company's shares are in electronic form (84,031,230 shares) and registered form (216,000,000 shares) and are freely transferable, subject only to the provisions of law and the Company's Articles of Association. There are no agreements between the Company and its employees or directors providing for compensation for the loss of office or employment (whether through resignation, purported redundancy, or otherwise) that would occur because of a takeover bid. Put options granted under management incentive plans incorporate accelerated vesting in the event of a takeover.

The Company in the ordinary course of business has entered into various agreements with customers and suppliers around the world. Some of the Company's borrowing agreements, which either by their nature or value may represent significant agreements, do provide for the right of termination upon a change of control of the Company. The commercial sensitivity of these agreements prevents their details from being disclosed.

Except for the preceding disclosure, there are no other significant agreements to which the Company is a party that take effect, alter, or terminate upon a change of control following a takeover of the Company.

Audit Committee

The Audit Committee is a continuously operating collective body of the Board. It consists of three members including a chairman, all of whom are non-executive directors and two of whom meet the independence criteria. The members have competence in accounting and audit, and competence relevant to the sector in which the company is operating. The Audit Committee is fully capable of overseeing the affairs of the Company in the areas of adequacy and effectiveness of the Kernel's system of financial reporting, corporate governance, internal controls, and risk management.

The functioning and key responsibilities of the Audit Committee are described in the [Articles of Association](#) and further specified in the [Corporate Governance Charter](#).

Audit Committee activity report

The Audit Committee had nine meetings in FY2023, all of which were via teleconference. The average attendance rate for all Directors was 89% for the reporting period.

The Chief Financial Officer was invited and attended all the meetings of the Audit Committee. Additionally, the Audit Committee invited the CEO, head of internal audit, compliance officer, sustainability manager, and head of reporting and controls to its meetings. The representatives of the external auditor (PwC) were invited and attended six meetings of the Audit Committee. During its meetings, the Audit Committee had one closed session with the external auditor and one session with the internal auditor to communicate without the presence of executives. Additionally, the decisions of the Audit Committee were taken via two circular resolutions signed throughout FY2023.

To execute its key functions and discharge its responsibilities as outlined in the [Corporate Governance Charter](#), the Audit Committee, during FY2023:

- assisted the Board in **monitoring the reliability and integrity of the financial information provided**. The committee reviewed the consolidated quarterly, semi-annual, and annual financial reports of the Group, standalone annual accounts of the Company, Avere financial statements, reviewed critical accounting policies and management estimates, among other things;
- conducted **oversight over the performance of the internal audit function**, including the review of the internal audit activities and action plans and reports;
- conducted **oversight over the performance of the external audit function** including review of the annual audit plan and scope of semiannual accounts review and areas of focus, review of auditor reports, presentations and additional auditors' report, and management letter review. The Audit Committee had one face-to-face discussion with the external auditors in the absence of executives. The Audit Committee monitored the fee cap of non-audit services, and reviewed the contract with auditors (including a review of expected fees for the audit and consulting services) and the independence of the external auditor;
- conducted **oversight over the risk management function**. The Audit Committee assisted the Board in the discharge of its risk management responsibilities, monitoring and examining the effectiveness of the Company's internal control and risk monitoring system; reviewing top risks, risk mitigation plans, and results of risk mitigation activities, overseeing group risk management procedures; reviewing trade management position risk mitigation activities (including Avere); review of climate physical

Corporate Governance continued

and transitional risks relevant to Kernel's operations;

- conducted **oversight over the compliance function**, including implementation of the [Corporate Governance Charter](#) provisions, compliance with good corporate governance practices concerning the functioning of the Audit Committee, and reviewing reports from the Kernel Compliance Officer on the progress achieved in the enhancement of the Company's compliance function;
- discussed various ad-hoc items.

After each meeting, the chairman of the Audit Committee reports to the Board on key matters discussed.

Throughout FY2023, the Audit Committee conducted an annual self-evaluation procedure, which indicated potential areas of Audit Committee performance and activities improvement and resulted in a clear action plan based on the results of the self-evaluation procedure.

Additionally in FY2023, the Audit Committee conducted the assessment of the efficiency of internal control, risk management and compliance systems, and internal audit function. The Audit Committee agreed that the overall assessment of the internal control and risk management system is rather effective, the overall assessment of the compliance system is effective, and the overall assessment of the internal audit function is effective.

Internal audit

As an integral part of the system of internal control, the Company has an internal audit department headed by an experienced professional reporting directly to the Board of Directors via the Audit Committee and to the CEO of the Company as a chairman of the Risk Committee within the Executive Management Team, and working closely with the Board. Internal audit is a separate independent unit in the Group's organizational structure.

The Internal Audit provides independent and objective assurance and consulting services in the areas of corporate governance, internal controls, and risk management, aimed at improving the operations and performance of the Company and its subsidiaries. The efficient internal audit function is adequate to the size of the Company and the type of and scale of the Company's activities.

The Independence rules defined in generally accepted international standards of the professional internal audit practice apply to members of the internal audit department.

The main responsibilities of the internal audit are:

- to maintain continuous support for the Directors on risk management, internal controls, and mitigation activities by undertaking regular or ad hoc reviews;
- to provide an independent and objective evaluation of the effectiveness and efficiency of corporate governance, internal control, and risk-management systems within the operational framework of the Company;
- to assist personnel and management of the Company in improving the effectiveness of risk identification and internal control systems in operations; advise and consult them regarding how to effectively execute their responsibilities, including recommendations on specific improvements in policies and procedures; and
- to assist in open and two-way communication among internal and external auditors, management and personnel, the Audit Committee, and the Board.

The Head of internal audit regularly presents the results of its work to the Audit Committee, including communication with the members of the committee in the absence of executives.

External audit

PwC *Société cooperative* ("PwC"), with its registered office at 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg and register number B 65 477 with the Luxembourg Trade and Companies Register, acts as an external auditor of Kernel's consolidated and standalone accounts since FY2022.

PwC attended six meetings of the Audit Committee in FY2023, presenting the review of the semi-annual accounts, and audit plan for FY2023, and presenting to the Audit Committee the approach to accounting and audit of various business operations, among other things. The Audit Committee review and monitor the level of fees paid by the Company to the external auditor, preapprove permissible non-audit services, and monitor the cap on non-audit fees.

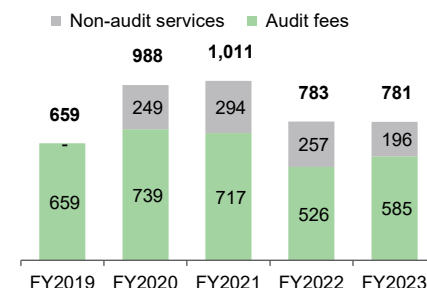
Remuneration to auditors in FY2023 amounted to USD 781 thousand (including USD 196 thousand non-audit services), as compared to USD 783 thousand in FY2022 (including 257 thousand non-audit services).

Sustainable development

The sustainability function at Kernel is governed by the Board via a special Sustainability Committee, which has the purpose of overseeing the overall performance of the sustainability corporate function of the Company and the Group; ensuring the implementation of the environmental, social, and sustainability governance agendas across all business operations; and connect these agendas with the

External auditor's fees

USD thousand



Group's strategy, business objectives, and capital allocation decisions.

The Sustainability Committee had one meeting during the reporting period, discussing the following:

- update on various business opportunities related to the sustainability function and climate change;
- CDP scoring results and areas for improvement.

At the meeting held in July 2023, the Sustainability Committee discussed business opportunities related to the sustainability function and climate change and discussed the EY summary presentation related to the project "Climate Corporate Governance and Low-Carbon Pathway".

Business ethics and compliance

Kernel has embedded strong ethical standards in the Company's everyday operations, as outlined in the [Code of Conduct](#). Additionally, the AGM held on 10 December 2021 approved the [Diversity, Equality, and Inclusion Policy](#) of the Company and its subsidiaries.

In December 2016, Kernel initiated a **Corporate Compliance Program ("CCP")** – an action plan to bring the Company's compliance system in accordance with the best international standards. Progress on CCP implementation was monitored each quarter by Baker Tilly, with the final report presented in summer 2019, after completion of the CCP in June 2019. Baker Tilly recognized significant progress achieved in the implementation of Kernel's Compliance Program due to the actual execution of both internal and external control activities, also highlighting the aspects for further continuous improvement.

Since 2017, the compliance function within Kernel has been headed by a dedicated Compliance Officer, who reports directly to the CEO and Board of Directors via the Audit Committee of the Board, as well as attends all Audit Committee meetings and reports on the

Corporate Governance continued

functioning of compliance system and compliance controls not less than twice per year.

We continue to pay great attention to mutual relations with counterparties. The counterparty's risk identification is carried out based on risk appetite and assessment metrics for trustworthiness, corruption, and sanctions risks. Anti-corruption and anti-sanctions clauses are included in all contracts with counterparties. These clauses consider both national and foreign legislation requirements in connection with the Russian war invasion of Ukraine. Also, we have updated our anti-corruption provisions to reflect changes in national legislation, strengthened controls, enhanced counterparty due diligence processes and contract templates, and made changes to the Anti-Corruption and Sanctions Clauses.

Since 2019 Kernel has been a member of the Ukrainian Network of Integrity and Compliance (UNIC) and a signatory of the UN Global Compact and the Memorandum of UN Collective Action to Combat Corruption. These platforms are effective for sharing best practices in preventing corruption between companies and promoting a corporate culture of integrity in the agricultural sector.

Kernel continues to share compliance best practices with the market. Together with responsible Ukrainian businesses, we worked on materials for the video course "Anti-corruption" about the importance of anti-corruption processes for maintaining a healthy economy in the country.

Over the past few years, Kernel has been taking ongoing steps to promote gender equality and inclusion. The company actively creates and supports favorable workplaces. Gender diversity and equality are very important. Treating everyone with dignity and honesty is the basis of the company's values. Kernel continues to work on balancing gender asymmetry in various areas of the company's life.

The compliance at Kernel is focused on the following areas:

- **preventing fraud, corruption, and other misconduct** (see details in section [Anti-corruption](#));
- **managing risk of cooperation with unreliable counterparties and international sanctions**. Compliance officer and security department check business partners for compliance risks: sanctions, corruption, money laundering, terrorism financing;
- making company activities **compliant with various external initiatives** (GDPR, United Nations Global Compact, equality, diversity, and inclusion initiatives, etc.);
- **compliance by employees with internal documents**, including the [Code of](#)

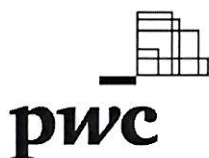
[Conduct](#), [Policy for managing conflicts of interest](#), [combating fraud and corruption](#), and other internal documents on compliance.

The compliance officer leads the compliance incident management processes for all interested parties.

We have a compliance risk management system. We assessed compliance risks in 19 risk areas and introduced the necessary compliance controls in business processes to mitigate the most significant risks. We regularly assess our compliance with internal standards of conduct and take corrective actions accordingly.

To increase employee awareness of business ethics, we have a special e-learning course on the Code of Conduct. All new employees shall reach a minimum 80% pass rate when onboarding.

Additionally, questions related to business ethics and compliance are discussed on the risk committee of the Executive management team.



Audit report

To the Shareholders of
Kernel Holding S.A.

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Kernel Holding S.A. (the “Company”) and its subsidiaries (the “Group”), as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group’s consolidated financial statements comprise:

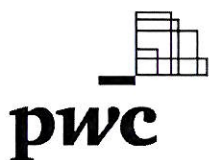
- the consolidated statement of financial position as at 30 June 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

As disclosed in Note 17 the Group disposed of all of its crypto assets during the year ended 30 June 2023 and incurred a loss on transactions with crypto assets of USD 2,412 thousand, as disclosed within the line Loss on impairment of assets in the consolidated statement of profit or loss (Note 30). During the year ended 30 June 2022 the Group also incurred loss on transactions with crypto assets of USD 34,075 thousand. As at 30 June 2023, the Group did not report any crypto assets (30 June 2022: USD 100,195 thousand presented within intangible assets in the consolidated statement of financial position).

We have not obtained sufficient appropriate audit evidence to verify the opening balance and transactions in crypto assets during the year ended 30 June 2023 due to the lack of formalised controls around the authenticity of digital records. Consequently, we were unable to determine whether any adjustments to the opening balance amount or the transactions amounts were necessary. Our audit report for the year ended 30 June 2022 was also qualified for this matter.

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF).



Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its subsidiaries, if applicable, for the year then ended, are disclosed in Note 29 to the consolidated financial statements.

Material uncertainty related to going concern

We draw attention to Note 4 to the consolidated financial statements, which highlights that since 24 February 2022 the Group's operations are significantly affected by the ongoing military invasion of Ukraine and the magnitude of further developments or the timing of the cessation of those actions are uncertain. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Basis for qualified opinion” section and in the “Material Uncertainty related to going concern” section, we have determined the matters described below to be key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of property, plant and equipment in the oilseed processing segment and property, plant and equipment and right of use assets in the farming segment</i></p> <p>As of 30 June 2023, the Group has property, plant and equipment (“PP&E”) in the oilseed processing segment with the carrying amount of USD 617 million and PP&E and right of use assets in the farming segment with the carrying amount of USD 42 million and USD 191 million respectively.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Analysing judgements made in determining the CGUs; • Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the Group in calculating the CGUs recoverable amounts and to assess reasonableness of the discount rates used;

Key audit matter	How our audit addressed the key audit matter
<p>During the reporting period, management identified impairment indicators and performed impairment tests of property, plant and equipment and of right of use assets, as required by IAS 36 Impairment of Assets.</p> <p>Impairment was tested by comparing the carrying amount of the relevant Cash-generating unit ("CGU") with its recoverable amount, which was determined for each CGU as higher of value in use and fair value less costs of disposal.</p> <p>The assumptions with the most significant impact on the recoverable amount calculations were sales prices of sunflower oil, transportation costs, purchase price of sunflower seeds and discount rate for the oilseed processing segment and crops yield, sales prices of crops, transportation costs and discount rate for the farming segment.</p> <p>Taking into account significant management judgements and magnitude of the amounts involved, we considered this to be a key audit matter.</p> <p>Refer to Notes 5, 15 and 16 to the consolidated financial statements for the related disclosures.</p>	<ul style="list-style-type: none"> • Evaluating management's ability to reasonably estimate cash flow forecasts by comparing actual results to management's historical forecasts; • Evaluating and challenging significant assumptions used by management in CGUs recoverable amount calculations, such as the crops yield, purchase price of sunflower seeds, sales prices of sunflower oil and crops, and transportation costs, based on the internal and external data which supports these assumptions; • Checking the sensitivity analysis over significant assumptions used; • Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5, 15 and 16 to the consolidated financial statements.
<p><i>Impairment of goodwill in the oilseed processing segment</i></p> <p>As of 30 June 2023, the Group has goodwill related to the oilseed processing segment in the amount of USD 58 million. As required by IAS 36 Impairment of Assets, management performed an impairment test for goodwill.</p> <p>For the purpose of an impairment test, management calculated the recoverable amount of each CGU to which goodwill is allocated, as the higher of value in use and fair value less costs of disposal.</p> <p>The assumptions with the most significant impact on the cash flow forecasts were sales prices of sunflower oil, purchase price of sunflower seeds, transportation costs and discount rate for the oilseed processing segment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Analysing judgements made in determining the CGUs; • Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the Group in calculating the CGUs recoverable amount and to assess the reasonableness of the discount rate used; • Evaluating management's ability to reasonably estimate cash flow forecasts by comparing actual results to management's historical forecasts; • Evaluating and challenging significant assumptions used by management in CGUs recoverable amount calculations, such as the sales prices of sunflower oil, purchase price of sunflower seeds and transportation costs, based on the internal and external data which supports these assumptions; • Checking the sensitivity analysis over significant assumptions used;

Taking into account significant management judgements and magnitude of the amounts involved, we considered this to be a key audit matter. Refer to Notes 5 and 18 to the consolidated financial statements for the related disclosures.

- Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 18 to the consolidated financial statements.

Valuation of current biological assets

The Group measures biological assets at the fair value less costs to sell in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As of 30 June 2023, the Group has current biological assets comprising mainly winter and spring crops of the 2022/23 season, which were not yet harvested in the amount of USD 148 million.

The Group calculates the fair value less costs to sell on the basis of the discounted cash flow forecasts, applying the following key assumptions:

- crop yields;
- grain sales prices net of transportation costs.

Taking into account significant management judgements and magnitude of the amounts involved, we considered this to be a key audit matter.

Refer to Note 5 and 13 to the consolidated financial statements for the related disclosure.

Our audit procedures included the following:

- Gaining an understanding of management's process for development of key assumptions used by management in the valuation and assessing the appropriateness of valuation methodology applied;
- Evaluating and challenging significant assumptions used in the valuation, such as crop yields and grain sales prices net of transportation costs, based on the internal and external data which supports these assumptions;
- Checking the sensitivity analysis over significant assumptions used;
- Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 13 to the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the Directors Report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the "Basis for qualified opinion" section above, we were unable to obtain sufficient appropriate audit evidence to verify the opening balance and transactions in crypto assets during the year ended 30 June 2023. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

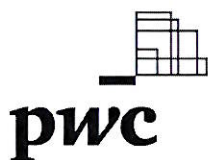
Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;



- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

We assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Report on other legal and regulatory requirements

The Directors Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the Director's Report . The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 20 December 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.



We have checked the compliance of the consolidated financial statements of the Group as at 30 June 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to the requirement that:

- the consolidated financial statements are prepared in a valid XHTML format;
- the XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 30 June 2023 have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 October 2023

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke.

Andrei Chizhov

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

for the year ended 30 June 2023

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

In preparing the consolidated 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 consolidated financial statements of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the consolidated statements of comprehensive income, changes in equity and cash flows for the year that ended, and notes to the consolidated financial statements, including a summary of significant accounting policies; and
- The Directors Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

27 October 2023

On behalf of the Board of Directors



Andrii Verevskyi
Chairman of the Board of Directors



Anastasiia Usachova
Director



Sergiy Volkov
Chief Financial Officer of Kernel Holding S.A.
group of companies

Selected Financial Data

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

	USD ¹		PLN		EUR	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
I. Revenue	3,455,121	5,331,545	15,483,636	21,848,138	3,306,205	4,734,412
II. Profit from operating activities	439,460	90,667	1,969,378	371,544	420,519	80,512
III. Profit/(Loss) before income tax	367,824	(43,481)	1,648,351	(178,181)	351,971	(38,611)
IV. Profit/(Loss) for the period	298,774	(40,700)	1,338,913	(166,785)	285,897	(36,142)
V. Net cash generated by/(used in) operating activities	716,132	(305,464)	3,209,245	(1,251,761)	685,267	(271,252)
VI. Net cash generated by/(used in) investing activities	9,576	(293,689)	42,913	(1,203,508)	9,163	(260,796)
VII. Net cash (used in)/generated by financing activities	(219,181)	472,869	(982,229)	1,937,770	(209,734)	419,908
VIII. Total net cash flow	506,527	(126,284)	2,269,929	(517,499)	484,696	(112,140)
IX. Total assets	3,885,169	4,185,612	15,954,835	18,762,006	3,585,234	4,008,561
X. Current liabilities	1,898,804	2,238,186	7,797,629	10,032,669	1,752,216	2,143,511
XI. Non-current liabilities	242,370	261,205	995,316	1,170,851	223,659	250,156
XII. Issued capital	2,219	2,219	9,113	9,947	2,048	2,125
XIII. Total equity	1,743,995	1,686,221	7,161,890	7,558,486	1,609,359	1,614,894
XIV. Weighted average number of shares	77,429,230	80,187,230	77,429,230	80,187,230	77,429,230	80,187,230
XV. Profit/(Loss) per ordinary share (in USD/PLN/EUR)	3.86	(0.51)	17.32	(2.10)	3.70	(0.46)
XVI. Diluted number of shares	77,429,230	80,187,230	77,429,230	80,187,230	77,429,230	80,187,230
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	3.86	(0.51)	17.32	(2.10)	3.70	(0.46)
XVIII. Book value per share (in USD/PLN/EUR)	22.50	21.74	92.40	97.45	20.76	20.82
XIX. Diluted book value per share (in USD/PLN/EUR)	22.50	21.74	92.40	97.45	20.76	20.82

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

Consolidated Statement of Financial Position

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2023	As of 30 June 2022
Assets			
Current assets			
Cash and cash equivalents	9, 37	954,103	447,625
Trade accounts receivable	10, 34, 37	321,579	142,738
Prepayments to suppliers	34	135,044	107,167
Corporate income tax prepaid		3,595	12,228
Taxes recoverable and prepaid	11	162,280	204,686
Inventory	12	341,543	953,922
Biological assets	13	147,895	161,911
Other financial assets	14, 34, 37	376,063	205,811
Assets classified as held for sale	8	—	287,068
Total current assets		2,442,102	2,523,156
Non-current assets			
Property, plant and equipment	15	1,020,411	1,018,073
Right-of-use assets	16	205,644	247,740
Intangible assets	17	36,334	124,198
Goodwill	18	71,632	71,620
Deferred tax assets	25	21,353	41,568
Non-current financial assets	34	25,524	52,532
Other non-current assets	19	62,169	106,725
Total non-current assets		1,443,067	1,662,456
Total assets		3,885,169	4,185,612
Liabilities and equity			
Current liabilities			
Trade accounts payable	34, 37	158,567	161,342
Advances from customers and other current liabilities	20, 34	153,770	89,200
Corporate income tax liabilities		12,943	7,411
Short-term borrowings	22	869,933	1,093,087
Current portion of lease liabilities	23	31,160	39,111
Current bonds issued	24	596,211	595,038
Interest on bonds issued	37	7,612	7,612
Other financial liabilities	21, 37	68,608	128,537
Liabilities associated with assets classified as held for sale		—	116,848
Total current liabilities		1,898,804	2,238,186
Non-current liabilities			
Lease liabilities	23	166,735	200,441
Deferred tax liabilities	25	20,557	21,893
Other non-current liabilities	37	55,078	38,871
Total non-current liabilities		242,370	261,205
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital	2	2,219	2,219
Share premium reserve	2	500,378	500,378
Additional paid-in capital	2	39,944	39,944
Treasury shares	2	(96,897)	(96,897)
Revaluation reserve		104,303	104,303
Translation reserve		(932,089)	(816,490)
Retained earnings		2,123,999	1,949,731
Total equity attributable to Kernel Holding S.A. equity holders		1,741,857	1,683,188
Non-controlling interests		2,138	3,033
Total equity		1,743,995	1,686,221
Total liabilities and equity		3,885,169	4,185,612
Book value		1,741,857	1,683,188
Number of shares	2, 38	77,429,230	77,429,230
Book value per share (in USD)		22.50	21.74
Diluted number of shares	38	77,429,230	77,429,230
Diluted book value per share (in USD)		22.50	21.74

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors

Anastasiia Usachova

Director

Sergiy Volkov

Chief Financial Officer of Kernel
Holding S.A. group of companies

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

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Kernel Holding S.A. Annual Report and Accounts for the year ended 30 June 2023

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2023	For the year ended 30 June 2022
Revenue	26, 34	3,455,121	5,331,545
Net change in fair value of biological assets and agricultural produce	13	(114,705)	12,537
Cost of sales	27, 34	(2,704,014)	(4,691,973)
Gross profit		636,402	652,109
Other operating income	28	53,547	63,694
Other operating expenses	28	(34,867)	(44,710)
General, administrative and selling expenses	29, 34	(205,019)	(230,405)
Net reversal/(impairment) losses on financial assets	10	4,130	(32,993)
Loss on impairment of assets	30	(14,733)	(317,028)
Profit from operating activities		439,460	90,667
Finance costs	31	(153,249)	(130,549)
Finance income	31, 34	30,792	11,322
Foreign exchange gain, net	32	62,650	10,140
Other expenses, net	33, 34	(11,829)	(25,061)
Profit/(Loss) before income tax		367,824	(43,481)
Income tax (expenses)/benefit	25	(69,050)	2,781
Profit/(Loss) for the period		298,774	(40,700)
Profit/(Loss) for the period attributable to:			
Equity holders of Kernel Holding S.A.		299,192	(41,102)
Non-controlling interests		(418)	402
Earnings per share			
Weighted average number of shares	38	77,429,230	80,187,230
Profit/(loss) per ordinary share (in USD)		3.86	(0.51)
Diluted number of shares	38	77,429,230	80,187,230
Diluted profit/(loss) per ordinary share (in USD)		3.86	(0.51)

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors



Anastasiia Usachova

Director



Sergiy Volkov

Chief Financial Officer of Kernel
Holding S.A. group of companies



Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2023	For the year ended 30 June 2022
Profit/(Loss) for the period		298,774	(40,700)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Increase in revaluation reserve	15	—	57,334
Income tax related to components of other comprehensive income	25	—	(10,321)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations ¹		(241,000)	(111,241)
Gain arising on cash flow hedge	4, 36	—	1,736
Income tax related to cash flow hedge	25	—	(243)
Other comprehensive loss		(241,000)	(62,735)
Total comprehensive income/(loss) for the period		57,774	(103,435)
Total comprehensive income/(loss) attributable to:			
Equity holders of Kernel Holding S.A.		58,669	(106,649)
Non-controlling interests		(895)	3,214

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors



Anastasiia Usachova
Director



Sergiy Volkov
Chief Financial Officer of Kernel
Holding S.A. group of companies



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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023 (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	2,219,500	378,394	39,944	1,850	—	57,290	(896)	(703,034)	2,048,399	1,946,150	2,756	1,948,906
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	(41,102)	(41,102)	402	(40,700)
Other comprehensive (loss)/income	—	—	—	—	—	47,013	896	(113,456)	—	(65,547)	2,812	(62,735)
Total comprehensive (loss)/income for the period	—	—	—	—	—	47,013	896	(113,456)	(41,102)	(106,649)	3,214	(103,435)
Distribution of dividends	—	—	—	—	—	—	—	—	(34,069)	(34,069)	—	(34,069)
Effect of changes on non-controlling interest	—	—	—	—	—	—	—	—	18,728	18,728	(2,937)	15,791
Recognition of share-based payments (Note 34)	—	—	—	(1,850)	—	—	—	—	(44,282)	(46,132)	—	(46,132)
Repurchase of treasury shares	—	—	—	—	(96,897)	—	—	—	—	(96,897)	—	(96,897)
Transfer of revaluation reserve upon disposal of property, plant and equipment	—	—	—	—	—	—	—	—	2,057	2,057	—	2,057
Balance as of 30 June 2022	2,219,500	378,394	39,944	—	(96,897)	104,303	—	(816,490)	1,949,731	1,683,188	3,033	1,686,221
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	299,192	299,192	(418)	298,774
Other comprehensive loss	—	—	—	—	—	—	—	(115,599)	(124,924)	(240,523)	(477)	(241,000)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	(115,599)	174,268	58,669	(895)	57,774
Balance as of 30 June 2023	2,219,500	378,394	39,944	—	(96,897)	104,303	—	(932,089)	2,123,999	1,741,857	2,138	1,743,995

On behalf of the Board of Directors

Andrii Verevskyi

Chairman of the Board of Directors



Anastasiia Usachova

Director



Sergiy Volkov

Chief Financial Officer of Kernel Holding S.A. group of companies



Consolidated Statement of Cash Flows

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2023	As of 30 June 2022
Operating activities:			
Profit/(Loss) before income tax		367,824	(43,481)
Adjustments for:			
Amortization and depreciation		104,786	129,676
Finance costs	31	153,249	130,549
Finance income	31	(30,792)	(11,322)
Net (reversal)/impairment losses on financial assets		(4,130)	32,993
Other accruals		(1,089)	4,518
Gain on disposal of property, plant and equipment	33	(621)	(2,570)
Net foreign exchange gain		(61,201)	(7,266)
Loss on impairment of assets	30	14,733	317,028
Net change in fair value of biological assets and agricultural produce	13	114,705	(12,537)
Net loss arising on financial instruments		29,656	41,333
Write-downs of inventories to net realisable value	12	65,690	98,229
Operating profit before working capital changes		752,810	677,150
Changes in working capital:			
Change in trade receivable		(177,380)	217,613
Change in other financial assets		(265,846)	14,463
Change in prepayments and other current assets		(70,235)	(58,369)
Change in restricted cash balance		58	32
Change in taxes recoverable and prepaid		2,733	(58,918)
Change in biological assets		73,662	141,024
Change in inventories		508,182	(937,306)
Change in trade accounts payable		1,063	15,126
Change in advances from customers and other current liabilities		55,396	(127,507)
Cash generated from/(used in) operations		880,443	(116,692)
Interest paid		(148,436)	(130,576)
Interest received		28,128	11,321
Income tax paid		(44,003)	(69,517)
Net cash generated by/(used in) operating activities		716,132	(305,464)
Investing activities:			
Purchase of property, plant and equipment		(77,093)	(119,678)
Proceeds from disposal of property, plant and equipment		2,720	5,876
Payment for lease agreements		(1,825)	(1,927)
Purchase of intangible and other non-current assets		(10,223)	(178,678)
Proceeds from disposal of intangible and other non-current assets		123,436	21,132
Acquisition of subsidiaries, net of cash acquired	8	(12,031)	—
Disposal of subsidiaries	8	89,705	—
Placement of pledge deposits	14	(122,703)	—
Advances received for disposal of subsidiaries	8	—	22,867
Loans provided to related parties		—	(20,065)
Proceeds from return of loans by related parties		—	15,203
Proceeds from disposal of/(Payment to acquire) financial assets		17,590	(38,419)
Net cash generated by/(used in) investing activities		9,576	(293,689)
Financing activities:			
Proceeds from borrowings		54,905	1,073,642
Repayment of borrowings		(247,717)	(230,240)
Payment of dividends	2	—	(34,069)
Proceeds from/(Financing) for farmers		193	(11,475)
Repayment of lease liabilities		(23,179)	(9,671)
Repurchase of treasury shares		—	(96,897)
Repayment of corporate bonds		—	(213,110)
Premium for early repayment of bonds		—	(1,888)
Net cash (used in)/generated by financing activities		(215,798)	476,292
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,383)	(3,423)
Net increase/(decrease) in cash and cash equivalents		506,527	(126,284)
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	954,093	447,566

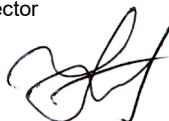
For non-cash financing activities please see Note 9.

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors



Anastasiia Usachova
Director



Sergiy Volkov
Chief Financial Officer of Kernel
Holding S.A. group of companies



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

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Kernel Holding S.A. Annual Report and Accounts for the year ended 30 June 2023

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for the year ended 30 June 2023 (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. Kernel Holding S.A. made an announcement on 13 April 2023, indicating that their Board of Directors had decided to withdraw the company's shares from trading on the Warsaw Stock Exchange's regulated market. However, as of 30 June 2023, the delisting process has not been completed.

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine. As of 30 June 2023, the Group employed 10,733 people (10,223 people as of 30 June 2022).

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

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

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

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest and voting rights as of	
			30 June 2023	30 June 2022
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0%	100.0% ¹
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%
Prykolotne OEP LLC		Ukraine	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services	Cyprus	100.0%	100.0%
Transbulkterminal LLC		Ukraine	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%
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%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%
Enselco Agro LLC		Ukraine	— ²	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 26 October 2023.

¹ 40% were repurchased by the Company on 9 March 2022

² The company was disposed on 3 March 2023.

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 30 June 2023 and 2022, consisted of 84,031,230 ordinary electronic shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends (except of own shares purchased).

The shares were distributed as follows:

	As of 30 June 2023		As of 30 June 2022	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen Limited Liability Company registered under the legislation of Cyprus	62,222,460	74.05%	31,974,011	38.05%
Free float	15,206,770	18.10%	45,455,219	54.09%
Own shares purchased	6,602,000	7.85%	6,602,000	7.86%
Total	84,031,230	100.00%	84,031,230	100.00%

As of 30 June 2023, the Company's immediate majority shareholder was Namsen Limited Liability Company ('Namsen LLC') and the Company was ultimately controlled by Mr. Andrii Verevskyi (30 June 2022: no ultimately controlling party). As of 30 June 2023 and 2022, 100% of the beneficial interest in Namsen LLC was held by Mr. Andrii Verevskyi.

As of 12 May 2023, the Company had received notification from Namsen LLC, a notification of major holding about crossing the 66 2/3% threshold of voting rights, pursuant to the provisions of articles 8 and 9 of the Law of 11 January 2008 on Transparency Requirements for Issuers of Grand Duchy of Luxembourg. This event stemmed from share purchase transactions executed by Namsen LLC on 9 May 2023 (subsequently settled on 12 May 2023), when Namsen LLC acquired 30,248,449 shares of the Company, representing approximately 36.00% shares in the share capital of the Company, and gained control over the Group.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 221 thousand as of 30 June 2023 and 2022, may not be distributed as dividends.

3. Operating Environment

The Ukrainian economy has features inherent in emerging markets, and its development is heavily influenced by the fiscal and monetary policies adopted by the Ukrainian government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine. As a response, Ukraine declared martial law which is still in place as of the date of signing of these consolidated financial statements as the military actions are still ongoing in the Eastern and Southern parts of Ukraine along the frontline, some towns and cities in these regions remain temporarily occupied while Russia conducts sporadic bombardments throughout the whole Ukrainian territory.

Given the fast-moving nature of the situation and the unpredictability of war, it will likely take time to assess the economic fallout. For now, the government has prioritised defence and social spending. From January to September 2023, annual inflation in Ukraine had reached 3%. The Ukrainian economy experienced significant challenges and the government heavily relied on international financial support. This decrease in inflation, along with other factors, allowed the National Bank of Ukraine ('NBU') to start easing its monetary policy by decreasing the policy rate by 3 percentage points to 22% from 28 July 2023 and 20% from 15 September 2023 onwards.

From the start of the war, the Ukrainian budget experiences a deficit, which is financed by international financial assistance, national borrowings, and direct deficit monetisation by the NBU as a measure of last resort. Since the beginning of the full-scale invasion by Russia and till 30 June 2023, the total amount of funds received by Ukraine from international partners amounted to USD 54.8 billion, approximately half out of which were in the grant format. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments. As of 1 September 2023, Ukraine's international reserves reached USD 40.4 billion.

It is noteworthy that since April 2022, economic activity has been steadily recovering. Businesses and the Ukrainian population have demonstrated resilience and adaptation to the new conditions. According to the latest reports from the National Bank of Ukraine ('the NBU'), as of September 2023, the percentage of enterprises that remained idle from those that were operational before the conflict has significantly decreased, with only 7% of such enterprises still not fully active.

After the commencement of the Russian invasion, the NBU abandoned its inflation targeting policy and effective from 14 September 2023 decreased its key policy rate to 20%.

In August 2023, the NBU improved its real GDP growth forecast for 2023 to 2.9%.

In order to stabilize the Ukrainian financial system during the war, the NBU fixed the official hryvnia exchange at UAH 36.57 per USD from 21 July 2022. In July 2023 the NBU announced the plans regarding easing of foreign currency restrictions and the return to a floating exchange rate and inflation targeting, which will be done gradually and subject to some preconditions being in place. At the date of this consolidated financial statement, the official NBU exchange rate of Hryvnia against the US dollar remained at the level of UAH 36.57 per USD 1. In September 2023, the NBU announced that the economy and financial system of Ukraine return to normal operation regime therefore 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

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

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. Starting from 3 October 2023, the NBU is transitioning to a managed exchange rate regime, in which the official exchange rate will be determined based on market transactions in the interbank market, rather than being set directly by the NBU.

Starting in late 2022 and in early 2023, the situation in the energy market was substantially affected by Russia's extensive campaign of illegal aerial bombardment, which targeted Ukraine's power generation and transmission facilities, stabilized due to the measures implemented such as the balancing of the energy system, the increase in the production of electricity by nuclear power and the establishment of electricity imports from abroad as well as a decrease of the intensity of the attacks on the energy infrastructure by Russia.

On 6 June 2023, the Russian occupying forces blew up the dam of the Kakhovska Hydroelectric Power Plant, which led to the flooding of the floodplains of the Kherson region and a critical drop in the water level in the Kakhovska reservoir, which, amongst others, is used for supplying water to surrounding regions.

During March - July 2022 the Black Sea and Azov Sea ports in Ukraine suspended their operations being blocked or occupied by Russia as a result of military actions while limited railway capacity with Western countries has restricted the ability to replace seaborne throughput. This has prevented most seaborne imports and exports. On 22 July 2022, the representatives of Ukraine, Turkey and the UN Secretary-General signed in Istanbul the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian Ports, which allowed only for exports of grain and related food products from the ports of Odesa, Chornomorsk, and Pivdennyi ("Grain deal"). On 17 July 2023, the Grain deal was not renewed, following the refusal of Russia to extend the agreement. Since then, Russia has launched a series of air attacks on Ukraine, focused, among others, on destroying Danube ports infrastructure as well as Black Sea ports infrastructure.

As of October 2023, the full-scale military attack continues. Russian attacks are targeted for destroying civilian infrastructure all over Ukraine. 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.

In May 2023, the World Health Organization declared the end of the pandemic status effective since early 2020 for the coronavirus disease Covid-19, which emerged and rapidly spread all over the world. Starting from 1 July 2023, the government of Ukraine lifted the quarantine and the state of emergency related to COVID-19. The Management assesses that COVID-19 had a low effect on the Group's business during the year ended 30 June 2023.

4. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated 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 consolidated financial statements have been prepared on a going concern basis.

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

Going concern

On 24 February 2022, the Russian Federation started a military invasion of Ukraine, leading to significant disruption within Ukraine and triggering both economic and humanitarian crises. The business activities of Kernel Group have been changed and focused on continuity and safekeeping.

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 1,478 employees joined Ukrainian military forces and territorial defence, and approximately 634 of them were demobilized. Personnel mostly work in the same place as before the war.
- Several of the Group's facilities and infrastructure have suffered from missile and drone attacks. Since 19 July 2023, immediately following the termination of the Grain Deal, Russia intensified missile and drone attacks on Ukrainian ports, transshipment, and agricultural infrastructure in the Odesa and Danube River regions aiming to suspend the export of agricultural products from Ukraine. These attacks caused significant damage to the grain export infrastructure at Ukrainian ports, specifically Odesa and Chornomorsk, including critical assets owned by the Group. The attacks resulted in substantial harm to storage facilities, intake capacities, and loading equipment, with a total estimated value of equipment loss of USD 11.2 million and a total value of commodity inventories loss of USD 10.3 million, respectively (described in Note 39 Subsequent events).
- The Vovchansk and Prykolotne oil extraction plants are currently inaccessible. Ukraine regained control over this part of the Kharkiv region in September 2022, but it is still a high-risk zone due to the proximity to the border with Russia and regular artillery attacks.
- Two of the Kernel crushing plants reduced operations from November 2022 to January 2023 due to electricity outages caused by the Russian

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

missile strikes targeting the Ukrainian electricity generation and distribution system. Four remaining crushing plants of the Group are equipped with cogeneration heat and power units, which enables them to function relatively stable. The Ukrainian officials assume that Russia will also intensify attacks on the Ukrainian electricity generation and distribution system during the winter of 2023/2024.

- During the second and third quarters of the 2023 financial year the Grain Deal achieved relatively high volumes of grain export, which allowed the Group to secure cash inflows from a decrease of working capital. The Group resumed grain trading activity at a minimum level to ensure a stable flow of commodities at the Group's export terminals. Since the middle of spring, the Grain corridor had been operating unreliably and inefficiently. However, despite these, the Group managed to export products through alternative routes including the Danube River, railways, and trucks. On 17 July 2023, the Grain Deal was not renewed due to Russia's refusal to extend the agreement. The Group is developing alternative export channels though with significantly higher logistics costs compared to the Black Sea ports routes.
- Closer to the end of the 2023 financial year, the European Commission enacted temporary import restrictions within its five member states on selected agricultural commodities originating from Ukraine, encompassing wheat, maize, rapeseed, and sunflower seed. These measures defined that these products of Ukrainian origin could solely pass through EU member states via a unified customs transit process or when en route to a non-EU territory. Nevertheless, on 15 September 2023, the European Commission lifted the previously enforced restrictions in response to Ukraine's commitment to enhancing its oversight of agricultural exports.
- Procurement of grain remains at low levels as Kernel continues to focus on exporting its own harvest and maintaining low inventories while the availability of the export channels remains limited.
- Group's liquidity position is under continuous pressure due to the reduction of export volumes and revenue and the growth of logistic costs for alternative ways of export.
- Considering the disruptions described above, the Group's ability to service debt still suffers and the availability of new facilities is extremely limited. The Group successfully negotiated with its lenders' waivers on the repayment of the loan principal with the requirement to make a certain portion of cash-sweep from the export revenue for the period ending 30 June 2024, while interest payments are settled in a timely manner. As of the date of issue of these consolidated financial statements, the Group obtained waivers to extend the terms of repayment of the principal of USD 777,909 thousand with the lenders and waiving of the debt covenants and some other conditions by 30 June 2024.
- The repayment of the bonds issued with a nominal value of USD 300,000 thousand scheduled on October 2024, together with the repayment of the loan facilities mentioned above put significant pressure on the liquidity position of the Group in the upcoming twelve months. The Group is scheduled to settle over USD 313 million of financial obligations during June-October 2024.
- As of 30 June 2023, the Group continued to classify its bank borrowings with long-term initial contractual maturity as short-term because the Group did not possess an unconditional right to defer the settlement of those loans until their initial contractual settlement date. The extension of the waivers for the long-term loan facilities depends on the results of further negotiations with the lenders and the conditions of the extension. In case waivers are not extended upon expiration, it may trigger ability of bondholders to exercise their right for cross-acceleration event of default under the Group's outstanding bonds. As the Group did not have an unconditional right to defer the settlement of its bonds for 12 months or longer it classified its long-term bonds as short-term in these financial statements.

The management has undertaken a restructuring of the business processes in response to the impacts of the abovementioned events:

- Given the uncertain outlook for the reopening of Ukrainian Black Sea ports for agricultural product exports in FY2024, the Group relies on Danube River ports and inland routes. While the Group has successfully secured some capacity for exporting sunflower oil and meal, the increased logistics costs do not provide economically viable alternatives for handling grain shipments at the current level of global commodities prices. The Group is analysing additional investments to expand its grain export capabilities and simultaneously decrease logistics expenses.
- Management set up logistics routes for grain and oil export through Danube River ports to Constanca, Romania by vessels and barges, as well as through Poland, Romania, and Lithuania by trucks and railway including using own railway wagons. This application of new logistic routes via land borders and Reni port started when the Black Sea ports closed after 18 July 2023. The creation of alternative logistics chains for export makes it possible to export approximately 100,000 tons of grain/oilseeds, 100,000 tons of sunflower oil, and 100,000 of sunflower meal processing products per month. However, high logistic costs and low selling prices may result in some of such operations being loss-making.
- The export sales volume is limited by slow railway logistics through land borders due to technical differences between the Ukrainian and European railway networks. Therefore, during the 2023 financial year, the management has invested USD 38,486 thousand in the purchase of one bulk carrier vessel for grain shipments, one oil tanker for sunflower oil shipments, 2 barges, 99 rail flatcars, 100 grain containers and 400 tank-containers to increase logistic capacity, and 30 trucks with trailers for grain transportation.
- The Group currently operates a land bank comprising 359 thousand hectares, including 340 thousand hectares under 2022 crop to be sold, 7 thousand hectares of land under seeds and crops grown for in-house use (cattle business), and 12 thousand hectares of fallow land. As of the date of publication of this report, the Group completed the harvesting of winter crops, sunflower seeds, and soybeans, and is progressing with corn harvesting.
- To maintain liquidity and manage the uncertainty the Group decided to continue waiver and standstill arrangements with the lenders and entered into new negotiations with the Lenders in May 2023 in respect of the commercial terms for the new standstill period till 30 June 2024. As a result, the Group obtained waivers for the pre-war borrowings of USD 777,909 thousand to defer repayment until 30 June 2024.
- The restructuring negotiations with the lenders resulted in the complex solution of the restructuring terms accepted by the lenders including the provisions regarding the Group's shareholders support in the amount of up to USD 60,000 thousand which was deemed necessary and equitable by the lenders. To satisfy the restructuring terms, on 1 September 2023, the Group announced an additional issue of 216,000,000 shares raising USD 59,983 thousand in proceeds. In addition, the Group repaid USD 20,264 thousand as part of the restructuring conditions and pledged deposit as the collateral of USD 122,703 thousand.
- Additionally, conditions of the restructuring allowed the Group to settle borrowings of USD 25,319 thousand, which were repaid by the Group in October 2023.
- Despite the disruptions caused by the war in Ukraine, as of 30 June 2023 the Group's current assets exceeded current liabilities and the Group generated profit for the period of USD 298,774 thousand and operating cash flow of USD 595,839 thousand.
- The Group is exploring alternative sources of financing, such as loans from international and Ukrainian banks and financial institutions that have committed to providing financial support to businesses in Ukraine.

Considering the above management has assessed the going concern assumption based on which the consolidated financial statements have been

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

prepared.

The management prepared two scenarios of cash flow forecasts for the next 12 months from the date of the approval of these consolidated financial statements, assuming full operation of the Grain Corridor from January 2024 or July 2024. The following key assumptions were made by management:

- no further significant progression of Russian troops into the territory of Ukraine and escalation of military actions that could severely affect the Group's assets;
- no critical damages to the Group's infrastructure or Ukraine's critical transport and energy infrastructure;
- "Grain Corridor" deal or similar arrangement will be in force since 1 January or 1 July 2024 and will be prolonged further;
- Deep water ports in Ukraine will be closed until the abovementioned dates and will continue to operate with significant disruption afterward, allowing the Group to export only by alternative routes, which amounts to roughly 50% capacity utilization;
- postponement of capital expenditures, which are non-essential for the operations and are not committed in the contracts;
- pre-war investment loan facilities' principal amounts will be settled in the amounts not higher than the initial contractual schedule and neither of these lenders will exercise their rights to request early settlement of the outstanding borrowings;
- the Group will be able to arrange for additional financing to refinance existing indebtedness or extend the repayment schedules and/or return to the initial contractual maturity of the existing loan facilities or bonds issued;
- the shareholders will continue to support the Group.

If significant assumptions and judgments made by management are not realized, management will continue seeking alternative ways to meet its financial obligations during 2024, including requesting additional support from shareholders.

Management acknowledges that future development of military actions, their duration represent a material uncertainty that 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. These events may adversely affect the Group's ability to repay its debt as it falls due. Despite the 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 the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Adoption of New and Revised Standards

The Group has adopted all new and revised IFRS standards that became effective for annual periods beginning on or after 1 July 2022. The changes are as follows:

Amendments to IFRS 3, IAS 37, IAS 16, IFRS 7 and Annual Improvements to IFRS Standards 2018–2020 (IFRS 1, IFRS 9, IFRS 16, IAS 41)

Reference to the Conceptual Framework (Amendments to IFRS 3) became effective for year ends beginning on or after 1 January 2022. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16) became effective for year ends beginning on or after 1 January 2022. The amendments enable entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing those assets to the location and conditions for its intended use. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

Agriculture – Taxation in fair value measurements (Amended by Annual Improvements to IAS 41) became effective for annual periods beginning on or after 1 January 2022. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

Annual Improvements to IFRS Standards 2018–2020 introduced amendments to clarify the application of the paragraphs of such standards as IFRS 1, IFRS 9, IFRS 16, IAS 41.

The amendments did not have a material impact on the consolidated financial position or performance of the Group in the Group's consolidated financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

Standards and Interpretations Issued but not Effective

At the date of authorization of these consolidated financial statements, the following standards, and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
Initial Application of IFRS 17 and IFRS 9—Comparative Information	1 January 2023
IFRS 17: Insurance Contracts	1 January 2023
IFRS 1, IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	1 January 2023

Management anticipates that the adoption of these standards and interpretations will not have a material effect on the consolidated financial statements of the Group in future periods.

Functional and Presentation Currency

The Group's presentation currency is the United States dollar ('USD'). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil and export 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'.

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

Currency	Closing rate as of 30 June 2023	Average rate for the year ended 30 June 2023	Closing rate as of 30 June 2022	Average rate for the year ended 30 June 2022
USD/UAH	36.5686	36.1678	29.2549	27.8426
USD/EUR	0.9228	0.9569	0.9577	0.8880
USD/PLN	4.1066	4.4814	4.4825	4.0979

As disclosed in Note 3, rates established by National Bank of Ukraine ('NBU') might differ from the commercial rates. Therefore, these rates might not be the ones at which the assets could be realized or liabilities could be settled. Additionally, certain NBU restrictions on the transactions with foreign currency continued in 2023 and until the date of these consolidated financial statements issue, 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.

As of 26 June 2023, the NBU has published the Strategy to Ease FX Restrictions, Transition to Greater Flexibility of the Exchange Rate, and Return to Inflation Targeting (Strategy). The development of this strategy will allow economy to be more adaptive to the exchange rate flexibility and restore monetary transmission.

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

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

Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Holding ('Subsidiaries') as of 30 June 2023.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

the Company and its Subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a Subsidiary begins when the Company obtains control over the Subsidiary and ceases when the Company loses control of the Subsidiary. Specifically, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the over Subsidiary.

All inter-company transactions and balances between the Group's enterprises are eliminated for the consolidation purpose. Unrealized gains and losses resulting from inter-company transactions are also eliminated, except for unrealized losses that cannot be recovered.

Non-controlling interests in Subsidiaries are identified separately from the Group's equity therein. Non-controlling interests as of the reporting date represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of acquisition. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. The total comprehensive income of Subsidiaries is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquire. Acquisition costs are expensed when incurred and included in general, administrative and selling expenses.

At the acquisition date, identifiable assets acquired, and liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- The Group shall recognise right-of-use assets and lease liabilities for leases identified in accordance with IFRS 16 in which the acquiree is the lessee. The Group shall measure the lease liability at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired lease were a new lease at the acquisition date. The Group shall measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market;
- The acquirer shall measure the value of a reacquired right recognized as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets and liabilities that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at a proportionate share of the acquirer's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during a measurement period of 12 months after the acquisition date.

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Holding.

Goodwill

Goodwill arising from a business combination is recognized as an asset at the date that control is acquired (acquisition date). Goodwill is measured

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) ('CGU') that are expected to benefit from the synergies of the combination. The cash generated units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the legal entity, which represents a production site of the Group, except for the Farming segment where the whole segment is determined as one CGU and two grain export terminals which represent a single CGU.

Non-current assets held for sale and Discontinued Operations

In compliance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable within one year, and the asset or disposal group is available for immediate sale in its present condition. Non-current assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control, and there is sufficient evidence that the Group remains committed to its plan to sell the asset. In such circumstances, the asset is measured at its fair value less costs to sell at each reporting date. Any impairment loss arising subsequent to reclassification as held for sale is recognized in the Consolidated Statement of Profit or Loss. Non-current assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

Non-current assets are not depreciated or amortized while they are classified as held for sale.

If criteria for classification of the asset as held for sale are no longer met at the reporting date, the Group ceases to classify the asset as held for sale.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a Subsidiary acquired exclusively with a view to resale.

The result from discontinued operations is presented in the Consolidated Statement of Profit or Loss as a separate item after the profit from continuing operations. If the criteria for classification of the disposal group held for sale are met after the reporting date, the disposal group is not presented as held for sale in those consolidated financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the consolidated financial statements for issue, the Group discloses the relevant information in the notes to the consolidated financial statements.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

Notes to the Consolidated Statements continued

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For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

Inventories are stated at a lower cost or net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological Assets and Agricultural Produce

The Group classifies crops in fields and cattle as biological assets.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the Consolidated Statement of Profit or Loss. Costs of selling include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell estimated at the point of harvest. A gain or loss arising from the initial recognition of agricultural produce at fair value less costs to sell is included in the Consolidated Statement of Profit or Loss. The Group presents gain/(loss) on revaluation attributable to the agricultural produce sold during the year in the line Net change in fair value of biological assets and agricultural produce.

Biological assets for which quoted market prices are not available are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding, the cost of field preparation is recognized as biological assets held at fair value less costs to sell.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets except non-current cattle were classified as current, as their average useful life is less than one year.

Property, Plant, and Equipment

Buildings, constructions, production machinery and equipment (Oilseed Processing segment) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation reserve in equity. However, such an increase is recognized in the Consolidated Statement of Profit or Loss to the extent that it reverses an impairment of the same asset previously recognized in the Consolidated Statement of Profit or Loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the Consolidated Statement of Profit or Loss. However, such a decrease is debited directly to the Other Comprehensive Income or Loss to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

Depreciation on revalued assets is charged to the Consolidated Statement of Profit or Loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

Useful lives of property, plant, and equipment are as follows:

Buildings and constructions	20 - 50 years
Production machinery and equipment	10 - 20 years
Agricultural equipment and vehicles	3 - 10 years
Other fixed assets	5 - 20 years
Construction in progress (CIP) and uninstalled equipment	not depreciated

Except for land, building and constructions and production machinery and equipment of Oilseed Processing segment, all other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are presented in the

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

Consolidated Statement of Profit or Loss as incurred.

Construction in progress consists of costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overhead incurred during construction. Depreciation of these assets commences when the assets are put into operation.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit or Loss.

Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group recognizes right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

For the short-term leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. The incremental borrowing rate is determined as reference interest rates which were derived from the yields of corporate bonds in the currency similar to the lease contracts, for a period up to 10 years.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.
- To determine the incremental borrowing rate, the Group:
 - where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
 - uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
 - makes adjustments specific to the lease, e.g., term, country, currency and collateral

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any lease incentives received and any initial direct costs. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets and lease liabilities are presented as separate lines in the consolidated statement of financial position.

Finance costs, which represent the difference between the total lease payments included in the measurement of the lease liability and the initial amount of the lease liability, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization is primarily recognized within "Cost of Sales" on a straight-line basis over their estimated useful lives. The amortization method and estimated useful life are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately shall not be amortized and are carried at cost less accumulated impairment loss.

Notes to the Consolidated Statements continued

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Trademarks

The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' are separately acquired trademarks that have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Crypto Assets

The Group owned crypto assets which meet the definition of an intangible asset in accordance with IAS 38 Intangible Assets. The following inherent characteristics were considered to classify crypto assets as intangible assets:

- Assets are identifiable;
- Assets have a lack of physical substance;
- Groups has control over the resource; and
- Future economic benefits exist.

The crypto assets are carried initially at a cost comprised of purchase price and transaction costs. The Group considers that the crypto assets do not have a foreseeable limit to the period over which it is expected to generate net cash inflows for the Group, as a result no amortization is required. The Group applies the cost model: crypto assets are measured at cost on initial recognition and are subsequently measured at cost less impairment losses, if any.

Impairment of tangible and intangible assets, except Goodwill

On each reporting date, the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The cash generating unit represents the lowest level within the Group at which the goodwill is monitored by management and which is not larger than a segment. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents.

Cash and cash equivalents include cash in hand, deposits held with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Financial Instruments

Financial asset and financial liability are recognized in the Group's Consolidated Statement of Financial Position when, and only when, the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets are classified to the following categories financial assets at amortized cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). The classification depends on the business model and contractual cash flow characteristics of the financial assets or financial liabilities and is determined at the time of initial recognition.

The Group does not have financial instruments carried at FVTOCI. The Group measures derivative instruments and investments made in equity instruments at FVTPL, all other financial instruments are measured at amortized cost.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables and trade payables that do not have a significant financing component which are measured at transaction price. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Notes to the Consolidated Statements continued

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Amortized cost and effective interest method

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss. The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below the market is recognized net of the tax effect as an income or expense, except for financial assets and liabilities with shareholders or entities under control of the Beneficial Owner, whereby the effect is recognized through equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Consolidated Statement of Profit or Loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in the Consolidated Statement of Profit or Loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on a financial asset, other than those at FVTPL, at the end of each reporting period. The amount of ECL and other current assets is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies a simplified approach permitted by IFRS to measuring ECL which uses a lifetime expected loss allowance for trade receivables. The ECL on trade receivables and other current assets is estimated using a provision matrix, based on historical credit loss experience and credit rating of customers, adjusted on observable and reasonable information.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Consolidated Statements continued

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The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

1. the carrying amount of the liability before the modification; and
2. the present value of the cash flows after modification should be recognized in the statement profit or loss as the modification gain or loss within other operating income and expenses.

Commodity derivatives

Notes to the Consolidated Statements continued

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The Group enters into a variety of derivative financial instruments including futures, options and physical contracts to buy or sell commodities, which do not meet the own use exemption. These derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the profit or loss within Cost of sales (for the derivative purchase contracts) or Revenue (for settled forward sales contracts) unless the derivative is designated and effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Fair values are determined using quoted market prices, broker quotations or using models and other valuation techniques.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Other financial assets include margin accounts that are represented by variation margin and initial margin held in respect of open exchange-traded futures and forwards contracts. Margin accounts are measured at amortized cost.

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis (Note 37). In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Derivatives expected to be settled within a year after the end of the reporting period are classified as current liabilities or current assets.

The Group utilizes derivatives to hedge market risk exposures related to commodity price movements in relation to its sales. Those derivatives qualifying and designated as cash flow hedge of the exposure to variability in cash flows that is attributable to a risk or a highly probable forecast sale transaction. The gains and losses, the effective portion of changes in the fair value of derivatives is recognized in the cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge and recycled to profit or loss as the hedged transaction occurs. Amounts deferred in equity are transferred to the statement of profit or loss and classified as income or expense in the same periods during which the cash flows, such as hedged highly probable sales, affect the statement of profit or loss. Derivatives that do not qualify for hedge accounting have a gain or loss recognized in the income statement at the time of the transaction.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the Revenue line.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The risk management objective is to hedge commodity price risk exposure arising from the changes in sunflower oil market price. In order to comply with its risk management strategy, the Group enters into sunflower oil commodity sales agreements with counterparties matching the highly probable forecasted sale quantity per time bucket in the end destination to hedge the identified commodity price exposure for its future sales at end destination. There is an economic relationship between the hedged items and the hedging instruments as the designated hedged items and hedging instruments' quantities and timing of the cash flows is matching and there is high correlation in movement of prices for hedged item and hedging instrument. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To quantify the hedge ineffectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Share-based payments

Equity-settled share-based payments with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date the relevant employees become fully entitled to the award.

Fair value is calculated using the Monte Carlo Simulation model. No expense is recognized for awards that do not ultimately vest.

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense from the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a

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corresponding entry in equity.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Treasury shares

Own equity instruments held by the Group ('Treasury shares') shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments. These treasury shares may be acquired and held by the entity or by other members of the Group. Any difference between the carrying amount and the consideration, if reissued, will be recognized in the share premium reserve.

Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Revenue recognition

Revenue is derived principally from the sale of goods and finished products, farming and rendering services. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The point of revenue recognition for sale of commodity goods is dependent upon contract sales terms (Incoterms). When goods are sold on a Cost and freight (CFR) or Cost, insurance, and freight (CIF) basis, the Group is responsible for providing services such as carriage and freight to the customer. The Group recognizes revenue from each separate performance obligation and allocates part of the transaction price to carriage and freight services incorporated in some contracts that the Group undertakes to perform. The Group allocates the transaction price based on the relative stand-alone selling prices of the commodities and supporting services. The revenue from these carriage and freight services is recognized over time.

A receivable is recognized by the Group when the control over goods is transferred to the wholesaler as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Timing of billing is generally close to the timing of performance obligation satisfaction, respectively, amount of contract assets and contract liabilities is not material. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay.

Rendering of Services

Revenue is recognized over time for services provided by the Group. The main type of services provided by the Group a crop cleaning, drying and storage services by the Group's silos. Revenue from grain cleaning, drying and storage services is recognized on an accrual basis, based on the fees for the specific service, volumes of crops under service and days of storage.

Employee benefits

Wages, salaries, contributions to the pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group recognizes a liability and an expense for short-term bonuses and other short-term profit-sharing arrangements when the reporting entity has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate can be made of the amount payable.

Share based options

The Group recognizes a compound financial instrument if an entity has granted the counterparty the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). The Group measures the debt component of the compound financial instrument first, and then measures the fair value of the equity component—taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is determined as the sum of the fair values of the two components.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

Taxation

Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in the legal jurisdictions where the operating entities are located. Income tax expense represents the sum of the tax currently payable and deferred tax expense.

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for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

Current and deferred tax for the year

Current and deferred tax are recognized in the Consolidated Statement of Profit or Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

The current income tax charge is the amount expected to be paid to, or recovered from, taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted or substantially enacted by the reporting date in the countries where the Holding and its Subsidiaries operate and generate taxable income. Taxable profit differs from 'profit before tax' because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible taxes other than income tax are recorded within operating expenses. Some of the Group's companies that are involved in agricultural production are exempt from income taxes and pay the Unified Agricultural Tax instead.

Deferred tax

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences will reverse, or the tax loss carried forward will be utilized. Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities for taxable temporary differences associated with investments in Subsidiaries and joint ventures are recognized, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has the intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Corrections and reclassifications

Certain corrections and reclassifications were made in the comparatives to conform to the current year's presentation in the Notes 17, 34, 36 and 37. The Group believes that the change provides reliable and more relevant information.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of IFRS requires management to make reasonable 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 consolidated financial statements. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revaluation of Property, Plant and Equipment

The Group recognizes the buildings, constructions, production machinery and equipment used in the Oilseed Processing segment at the fair value, and assesses the carrying amount of items of property, plant and equipment through the revaluation model to determine whether the carrying amount differs materially from fair value. All other classes of property, plant and equipment are recognized at historical cost less depreciation.

The most recent valuation of the Group's buildings, constructions, production machinery and equipment used in the Oilseed Processing segment was performed as of 30 June 2022 by an independent appraiser in accordance with International Valuation Standards. Some machinery and equipment were valued using the market approach, which is within level 3 of the fair value hierarchy. Other items of buildings, constructions, machinery and equipment were valued using the depreciated replacement cost approach, which is within level 3 of the fair value hierarchy. The results of the depreciated replacement cost and market approach were then compared with results of income approach (Level 3 of unobservable inputs) for corresponding assets to test whether impairment exists.

Notes to the Consolidated Statements continued

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As of 30 June 2023 the Group's analysis did not reveal that the fair value of the categories of property, plant and equipment carried at fair value may be significantly different from their carrying amount. Therefore, revaluation of buildings, constructions, production machinery and equipment used in the Oilseed Processing segment was not carried out as of 30 June 2023.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment Testing of Property, Plant and Equipment

The Group performs impairment testing of non-financial assets whenever there is an indicator those assets might be impaired.

Full-scale Russian invasion of Ukraine caused the following events which might indicate impairment:

- temporarily breakouts of the operations;
- breaches of supply/purchase contracts;
- limitation of market for product delivery;
- limitation of export routes; and
- decline in profitability and physical damage as a result of the invasion.

As a result of the above-mentioned triggering events, the Group tested non-current assets for recoverability by comparing the net carrying value of the assets and their recoverable amount (higher in their value in use or fair value less cost to sell).

The Group performed the impairment test at CGU level, for all CGUs of all segments, covering property, plant and equipment, intangible assets, right of use assets and goodwill. The recoverable amount of each CGU was determined based on the higher amount of value-in-use and fair value less costs to sell. In a case of impairment, the Group firstly allocates impairment to goodwill, then proportionally other intangible assets, property, plant and equipment and rights of use the assets.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

During the year ended 30 June 2023, the Group combined two CGUs into one for the purposes of terminals' impairment test. Historically, CGU was determined at the level of separate legal entities, each holding one export terminal. The Group considered that CGU which includes both export terminals (i.e. combines both legal entities) better presents a pattern of assets utilization and management hence providing more reliable results for impairment test.

The value in use is based on estimated future cash flows that are discounted to their present value applying the appropriate discount rate. Estimated future cash flows require management to make a number of assumptions including (but not limited to) production volumes, prices for goods, lease and transshipment rates, and future growth rates. Cash flow forecasts used in the value in use approach were based on financial budgets approved by management covering a five-year period and extrapolated using the estimated growth rates for periods over 5 years.

To capture the increased risk and uncertainty in the cash flows, management used probability-based discounted cash flow scenarios, which, according to their opinion, better estimates the recoverable amount of the asset or cash-generating unit than a single predicted outcome.

The Group used three probability-weighted scenarios, derived mostly from the date of Ukrainian Black Sea ports operation at full capacity, which influenced the main assumptions used in value in use calculation, like: prices for its goods, transportation costs and working capital. Probability of scenarios was calculated based on three-point estimation technique.

Scenario	Assumption	Probability
Basic	Ukrainian Black Sea ports operation at full capacity by the second half of the financial year 2024	66.66%
Optimistic	Ukrainian Black Sea ports operation at full capacity in the first half of the financial year 2024	16.67%
Pessimistic	Ukrainian Black Sea ports operation at full capacity in the financial year 2025	16.67%

The logistics routes and transportation costs per unit of production, as well as the distance to the point of sale, undergo significant changes depending on when ports reach full operational capacity each year. These alterations in transportation costs have a direct impact on the selling prices of goods in each situation. Furthermore, the working capital ratio fluctuates in accordance with the scenario, as it is closely tied to sales volume and the corresponding inventory balance at the close of each year.

While calculating the discount rate, the Group incorporated the risks associated with the Russian invasion in scenarios of cash flows, hence such components of discount rate, as country risk and debt risk were taken at the pre-war level. The discount rate is disclosed in Note 15. Should the Group take these factors at the post-war levels, the discount rate would have been 24.4% for UAH-denominated cash flows and 17.1% for USD-denominated cashflow.

Other key assumptions used in the discounted cash flow forecasts and their sensitivities are disclosed in Note 15.

Impairment of Right of Use Assets

The Group allocated the right of use assets to a cash generating unit, for impairment test within the respective CGU. The majority of the Group's

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right of use assets relate to leasehold land for agricultural purposes, being part of the Farming segment.

Details of the management assumptions used to assess the recoverable amount of cash-generating units which right of use assets were allocated to are provided in Note 5 under Impairment Testing of Property, Plant and Equipment section and Note 15.

Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

The Group assesses CGU, for impairment whenever events or changes circumstances indicate that the carrying amount of assets or CGU may be impaired. Individual assets are grouped into CGU for representing the lowest level within the entity at which the goodwill is monitored by management.

Determining whether goodwill is impaired requires an estimation of the value in use or fair value less costs to sell of the cash-generating units to which goodwill has been allocated. Where the carrying amount of a CGU exceeds its recoverable, The CGU is considered impaired and is written down to its recoverable amount. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value.

Details of the management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Note 5 under Impairment Testing of Property, Plant, and Equipment section and Notes 15, 17 and 18.

Functional currencies of different entities of the Group

Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue and risks associated with activities, denomination of currencies of operations of different entities and degree of independence of subsidiaries' business model. Specifically, in determination of the functional currencies of Kernel Trade LLC, the Group based its judgement on the fact that the company operates internationally on the markets mainly influenced by the US Dollar (not Ukrainian Hryvnia) and its major activities include the sale of goods to foreign customers. Moreover, the majority of its operations are denominated in US Dollars and also, the US Dollar is the currency in which their business risks and exposures are managed, and the performance of their business is measured. In determining the functional currency of the oil-processing plants and transshipment terminals, the Group based its judgement on the degree of independence of those companies' business model of Kernel Trade LLC.

Crypto assets

The Group's cryptocurrency assets are recognized as intangible assets carried at cost less impairment, if any. Assessment of impairment is a key source of estimation due to volatility of prices in the market. The Group performs an analysis each quarter to identify if events or changes in circumstances, such as decreases in quoted prices on active exchanges, indicated that it is more likely than not that any of the assets is impaired. In determining if an impairment has occurred, the Group considers the lowest market price of one unit of digital asset quoted on the active exchange since acquiring the digital asset. If the current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the price determined. As of 30 June 2023, the Group did not own any crypto assets.

Net realizable value of inventory

As of 30 June 2023 and 2022, the Group encountered a situation where reliable, directly observable price inputs for inventory were unavailable. The Group analysed data from independent broker agencies and market data and factored in the costs associated with alternative export routes, particularly because Ukrainian Black Sea ports were not operational at the time these consolidated financial statements were issued. As the result, the Group recognized USD 65,690 thousand (30 June 2022: USD 98,229 thousand) to decrease the cost of certain inventories to their net realizable value (Note 12). As of 30 June 2023, the decrease in price by 10% will lead to a decrease in inventory balance by USD 25,214 thousand, while the increase in transportation costs by 10% will lead to a reduction in inventory balance by USD 9,488 thousand (30 June 2022: a decrease in price by 10 % USD 105,995 thousand and an increase in transportation cost by 10% decrease in inventory balance by USD 32,052 thousand, respectively).

Fair Value of Biological Assets and Agricultural Produce

Biological assets are recorded at fair value less costs to sell. The fair value of growing crops is determined using a discounted cash flow model based on the expected crops' yield by sowing area size, the market price for respective crops, and after allowing for harvesting costs, contributory asset charges for the land and sowing areas and other costs yet to be incurred in getting the harvest to maturity.

The Group estimates the fair values of biological assets and agricultural produce based on the following key assumptions:

- Expected crop yields (for crops in fields);
- Average weight and quality of animals;
- Productive life of one milk cow;
- Estimated future sales prices;
- Projected production costs and costs to sell; and
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results (Note 13).

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Fair value measurements

Derivative instruments are reported at their fair value, and the Group assesses the reliability and quality of the assumptions and data used for fair value measurement in accordance with the three hierarchy levels as outlined in IFRS 13 Fair Value Measurement. Fair values are determined through the following methods: firstly, they are externally verified by comparing them to quoted market prices in active markets (Level 1); secondly, they are calculated using models that rely on externally verifiable inputs (Level 2); or thirdly, they are established using alternative procedures, such as comparing them to similar instruments and/or utilizing models that involve unobservable market inputs, which necessitate the Group to make assumptions based on market conditions (Level 3). It's worth noting that Level 3 inputs involve the highest degree of estimation uncertainty. Further details regarding the management's estimates can be found in Note 36 of these consolidated financial statements.

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 consolidated financial statements are defined in accordance with the type of activity, products sold or services provided. Segmentation presented in these consolidated financial statements is consistent with the structure of financial information regularly reviewed by the Group's executive management, including Chief Executive Officer. 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. In 2023 and 2022, 100% of the Group's export terminals capacity and majority of grain storage capacity were 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 corn, wheat, soybean, sunflower seed and rapeseed on the leasehold land, as well as some minor crops and small cattle farming operations.

Presentation of the operating segments' activities is as follows:

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

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

The measures of profit and loss, and assets and liabilities are based on the Group accounting policies, which are in compliance with IFRS, as adopted by the European Union.

Reconciliation eliminates intersegment items. The segment data is calculated as follows:

- Intersegment sales reflect intergroup transactions effected on an arm's length basis.
- Capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to segments when possible.

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

Since financial management of the Group's companies is carried out centrally, borrowings, bonds, deferred taxes and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' column. Consequently, the assets and liabilities shown for individual segments do not include borrowings, bonds, deferred taxes and some other assets and liabilities.

Seasonality of operations

The Oilseed Processing segment normally has seasonally lower sales in the first quarter of the financial year, which corresponds to the end of the crushing season and lower production levels. The operations of the Farming segment reflect seasonality in the context of seeding and harvesting campaigns, which are conducted mainly in November-May and June-November, respectively. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn). In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to fair value less costs to sell and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

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7. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2023:

	Oilseed Processing	Infrastruc- ture and Trading	Farming	Other	Reconcilia- tion	Total
Revenue (external)	966,517	2,445,638	42,966	—	—	3,455,121
Intersegment sales	941,164	156,209	652,189	—	(1,749,562)	—
Total revenue	1,907,681	2,601,847	695,155	—	(1,749,562)	3,455,121
Net change in fair value of biological assets and agricul- tural produce	—	—	(114,705)	—	—	(114,705)
Cost of sales	(1,674,132)	(2,412,481)	(366,963)	—	1,749,562	(2,704,014)
Other operating income	19,801	17,211	12,326	4,209	—	53,547
Other operating expenses	(23,481)	—	(28)	(11,358)	—	(34,867)
General, administrative and selling expenses	(11,656)	(70,226)	(25,234)	(97,903)	—	(205,019)
Net reversal on financial assets	557	941	(465)	3,097	—	4,130
Loss on impairment of assets	21,923	(8,143)	(26,027)	(2,486)	—	(14,733)
Profit/(Loss) from operating activities	240,693	129,149	174,059	(104,441)	—	439,460
Amortization and depreciation	29,651	24,608	47,068	3,459	—	104,786
EBITDA	270,344	153,757	221,127	(100,982)	—	544,246
Reconciliation:						
Finance costs						(153,249)
Finance income						30,792
Foreign exchange gain, net						62,650
Other expenses, net						(11,829)
Income tax expense						(69,050)
Profit for the period						298,774
Total assets	1,859,659	1,207,011	585,219	233,280	—	3,885,169
Capital expenditures	45,523	52,100	4,436	1,566	—	103,625
Liabilities	113,473	188,527	239,979	1,599,195	—	2,141,174

Key data by operating segment for the year ended 30 June 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Reconcilia- tion	Total
Revenue (external)	862,114	4,428,749	40,682	—	—	5,331,545
Intersegment sales	818,890	105,857	594,541	—	(1,519,288)	—
Total revenue	1,681,004	4,534,606	635,223	—	(1,519,288)	5,331,545
Net change in fair value of biological assets and agricultural produce	—	—	12,537	—	—	12,537
Cost of sales	(1,642,200)	(4,222,311)	(344,412)	(2,338)	1,519,288	(4,691,973)
Other operating income	14,870	41,592	6,833	399	—	63,694
Other operating expenses	—	—	—	(44,710)	—	(44,710)
General, administrative and selling expenses	(16,356)	(142,010)	(28,294)	(43,745)	—	(230,405)
Net impairment losses on financial assets	2,826	10,391	(3,666)	(42,544)	—	(32,993)
Loss on impairment of assets	(141,812)	(9,107)	(131,007)	(35,102)	—	(317,028)
Profit/(Loss) from operating activities	(101,668)	213,161	147,214	(168,040)	—	90,667
Amortization and depreciation	31,384	23,593	72,192	2,507	—	129,676
EBITDA	(70,284)	236,754	219,406	(165,533)	—	220,343
Reconciliation:						
Finance costs						(130,549)
Finance income						11,322
Foreign exchange gain, net						10,140
Other expenses, net						(25,061)
Income tax benefit						2,781
Profit for the period						(40,700)
Total assets	1,605,543	1,457,637	908,828	213,604	—	4,185,612
Capital expenditures	61,907	23,623	93,907	210,422	—	389,859
Liabilities	63,564	215,734	310,590	1,909,503	—	2,499,391

As of 30 June 2022, Assets classified as held for sale and Liabilities associated with assets classified as held for sale were presented in the Farming segment until their disposal as describe in Note 8.

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for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

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

	For the year ended 30 June 2023				For the year ended 30 June 2022			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	813,095	2,282,563	42,966	3,138,624	805,977	4,210,649	40,682	5,057,308
Freight and other services	153,422	163,075	—	316,497	56,137	218,100	—	274,237
Total external revenue from contracts with customers	966,517	2,445,638	42,966	3,455,121	862,114	4,428,749	40,682	5,331,545

During the year ended 30 June 2023, revenues of approximately USD 228,327 thousand (2022: USD 470,127 thousand) were derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 91.9% of total external sales (2022: 95.4%).

For the year ended 30 June 2023, revenue from the Group's top five customers accounted for approximately 22.1% of total revenue (for the year ended 30 June 2022, revenue from the top five customers accounted for 27.6% 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.

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			Non-current assets		
	For the year ended 30 June 2023	For the year ended 30 June 2022		As of 30 June 2023	As of 30 June 2022
Asia	1,731,439	2,676,356	Ukraine	1,366,659	1,463,772
of which India	586,894	672,760	Switzerland	18,264	2,624
China	275,451	265,912	USA	669	1,215
Hong Kong	270,103	276,644	Other locations	10,598	100,745
Singapore	262,818	1,002,150			
Europe	1,512,780	2,302,727			
of which Switzerland	418,794	829,785			
Ukraine	292,560	340,717			
Netherlands	203,975	405,117			
Belgium	155,120	226,322			
Other locations	210,902	352,462			
Total	3,455,121	5,331,545	Total	1,396,190	1,568,356

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.

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for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

8. Acquisition and Disposal of Subsidiaries

As of 3 March 2023, the Group completed the disposal of its several farming entities to a related party. The assets of the disposed entities are mainly composed of 134 thousand hectares of farmland, along with the accompanying farming infrastructure, machinery, and working capital.

The carrying amounts of assets and liabilities as at the date of sale were:

	As of 3 March 2023
Current assets	
Cash and cash equivalents	10,295
Trade accounts receivable	84,624
Prepayments to suppliers	35,716
Taxes recoverable and prepaid	9,566
Inventory	119,138
Biological assets	20,798
Other financial assets	30,493
Total current assets	310,630
Non-current assets	
Property, plant and equipment	18,455
Right-of-use assets	32,680
Intangible assets	955
Other non-current assets	3,591
Total non-current assets	55,681
Total assets	366,311
Current liabilities	
Trade accounts payable	7,606
Advances from customers and other current liabilities	51,346
Current portion of lease liabilities	17,530
Other financial liabilities	13,352
Total current liabilities	89,834
Non-current liabilities	
Lease liabilities	66,464
Other non-current liabilities	13
Total non-current liabilities	66,477
Total liabilities	156,311
Net assets	210,000

The complete amount of the consideration to be paid by the buyer is USD 210,000 thousand. As of 30 June 2023, the outstanding unpaid consideration stood at USD 90,000 thousand in the Other Financial Assets line (Note 14, 39), taking into account that during the 2022-2023 financial years the buyer has made a payment in the total amount of USD 120,000 thousand. Disposal of subsidiaries did not result in any material effects on the Group's profit or losses.

Following the disposal of its subsidiaries, the Group maintained arm's length relationships with these entities, engaging in sales and purchase transactions in the normal course of business. This approach ensured the appropriate separation of interests and allowed for an unbiased and fair business environment.

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 equaled to USD 19,819 thousand (fully settled), out of which USD 7,750 thousand is a non-cash consideration.

As a result of the optimization process of the logistic assets, the Group disposed of two grain elevators located in Poltava and Odesa regions during the 2023 financial year. 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 year ended 30 June 2022.

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

9. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2023	As of 30 June 2022
Cash in banks in USD	906,676	404,279
Cash in banks in UAH	39,560	3,403
Cash in banks in other currencies	7,863	39,938
Cash on hand	4	5
Total	954,103	447,625
Less restricted and blocked cash on security bank accounts	—	(58)
Less bank overdrafts (Note 22)	(10)	(1)
Cash for the purposes of cash flow statement	954,093	447,566

In accordance with the international rating agency of Fitch, credit ratings of the banks with which the Group had the accounts opened as of 30 June were as follows:

	As of 30 June 2023	As of 30 June 2022
International bank with F1+ rating	175,465	57,364
International bank with F1 rating	306,435	165,512
International bank with F2 rating	8,617	131,362
Banks with lower medium grade	160,047	19,895
Banks without international ratings	303,539	73,492
Total	954,103	447,625

As of 30 June 2023, the majority of balances presented in banks without international ratings were bank accounts held in Ukrainian subsidiaries of international banks, totalling USD 299,414 thousand (as of June 30, 2022: USD 12,519 thousand), where international banks were primarily rated F2 or above by Fitch or similar rating agencies.

As of 30 June 2023 and 2022, the identified expected credit loss on cash and cash equivalents was immaterial.

The reconciliation in the table below presents changes in the Group's liabilities arising from financing activities by incorporating cash flows and non-cash changes over the reporting period.

	Bank borrowings (Note 22)	Lease liabilities (Note 23)	Bonds issued	Total
As of 30 June 2021	263,343	324,492	821,790	1,409,625
Cash flow from proceeds/ (repayments)	803,232	(51,733)	(269,613)	481,886
Non-cash movements				
Additions and change of terms of lease liabilities	—	69,259	—	69,259
Disposals of lease liabilities	—	(8,831)	—	(8,831)
Non-cash settlement of lease liabilities	—	(8,870)	—	(8,870)
Amortization of one-off and transaction cost (Note 31)	—	—	2,856	2,856
Interest expense accrued (Note 31)	34,048	42,074	47,617	123,739
Interest expense capitalized (Note 15)	4,131	—	—	4,131
Foreign exchange movements	(9,959)	(601)	—	(10,560)
Classified as held for sale	—	(101,922)	—	(101,922)
Other changes	(1,708)	—	—	(1,708)
Translation difference	—	(24,316)	—	(24,316)
As of 30 June 2022	1,093,087	239,552	602,650	1,935,289
Cash flow from proceeds/ (repayments)	(269,391)	(48,579)	(39,750)	(357,720)
Non-cash movements				
Additions and change of terms of lease liabilities	—	38,904	—	38,904
Disposals of lease liabilities	—	(9,386)	—	(9,386)
Non-cash settlement of lease liabilities	—	(2,366)	—	(2,366)
Amortization of one-off and transaction cost (Note 31)	—	—	1,173	1,173
Interest expense accrued (Note 31)	75,605	27,294	39,750	142,649
Interest expense capitalized (Note 15)	5,504	—	—	5,504
Foreign exchange movements	(29,443)	(2,189)	—	(31,632)
Other changes	(5,429)	—	—	(5,429)
Translation difference	—	(45,335)	—	(45,335)
As of 30 June 2023	869,933	197,895	603,823	1,671,651

Notes to the Consolidated Statements continued

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10. Trade Accounts Receivable

The balances of trade accounts receivable were as follows:

	As of 30 June 2023	As of 30 June 2022
Trade accounts receivable	335,493	162,419
Allowance for expected credit losses	(13,914)	(19,681)
Total	321,579	142,738

No interest is charged on the outstanding balances of trade accounts receivable.

The average credit period on sales of goods is 26 days (2022: 19 days). The carrying value of trade receivables approximates the fair value.

As of 30 June 2023, receivable balance of USD 271,465 thousand was due from international customers and the remaining USD 50,113 thousand being receivable from Ukrainian buyers (30 June 2022: USD 121,580 thousand and USD 21,158 thousand accordingly).

The Group applies the simplified approach of measuring expected credit loss which uses a lifetime expected loss allowance. This estimate for lifetime expected credit losses on trade receivables is determined through a provision matrix, which takes into account the historical default patterns of the debtor, their credit rating, and is further modified by evaluating current and future data related to overall economic conditions that might impact customers' capacity to repay the receivables. Trade receivables are collectively assessed, except for certain receivables that have differing credit risk characteristics. There has been no change in the estimation techniques during the current reporting period.

The changes in expected credit loss provisions are recognized in the line Net reversal/(impairment) losses on financial assets. For the year ended 30 June 2023, a decrease in loss allowance was USD 5,264 thousand (for the period ended 30 June 2022: increase USD 15,058 thousand). Subsequent recoveries of amounts previously written off are credited against the same line item.

On this basis, the loss allowance as of 30 June was determined for trade accounts receivables as follows:

	As of 30 June 2023				As of 30 June 2022			
	Current	Less than 90 days past due	More than 90 days past due	Total	Current	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate ¹	0.1%	1.1%	94.6%		0.1%	6.3%	91.0%	
Gross carrying amount – trade accounts receivables	288,747	32,625	14,121	335,493	104,098	39,577	18,744	162,419
Loss allowance	(185)	(374)	(13,355)	(13,914)	(146)	(2,475)	(17,060)	(19,681)

The movement in allowance for credit loss relating to trade accounts receivables as of 30 June is presented below:

	Trade accounts receivables		
	Lifetime ECL	Individually assessed	Total
Closing loss allowance as of 30 June 2021	4,113	1,381	5,494
Increase in loss allowance recognized in profit or loss during the year	9,600	5,458	15,058
Trade receivables written off during the year as uncollectible	—	(871)	(871)
Loss allowance as of 30 June 2022	13,713	5,968	19,681
Decrease in loss allowance recognized in profit or loss during the year	(3,854)	(1,410)	(5,264)
Trade receivables written off during the year as uncollectible	—	(503)	(503)
Closing loss allowance as of 30 June 2023	9,859	4,055	13,914

11. Taxes Recoverable and Prepaid

The balances of taxes recoverable and prepaid were as follows:

	As of 30 June 2023	As of 30 June 2022
Value added tax recoverable and prepaid	161,967	204,599
Other taxes recoverable and prepaid	313	87
Total	162,280	204,686

Value added tax ("VAT") recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances will be recovered in full within 12 months after the reporting date through cash collection or set-off with respective VAT liabilities. For the year ended 30 June 2023, the amount of VAT refunded by the government in cash was USD 124,152 thousand (30 June 2022: USD 271,299 thousand). VAT refund pace decreased in 2023 due to the changes in tax regulations in the period of martial law in Ukraine.

¹ Differences in expected loss rate are possible due to rounding

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12. Inventory

The balances of inventories were as follows:

	As of 30 June 2023	As of 30 June 2022
Finished products	105,323	154,954
Products of agriculture	87,502	121,863
Goods for resale	76,249	292,479
Raw materials	46,496	346,961
Fuel	10,338	20,292
Work in progress	4,372	5,252
Packaging materials	1,617	2,474
Other inventories	9,646	9,647
Total	341,543	953,922

As of 30 June 2022, the Group accumulated a significant amount of inventory due to the war disruptions in the usual export routes through the Black Sea caused by the war. Nevertheless, starting from 22 July 2022, with the launch of the Black Sea Grain Initiative, until 30 June 2023, the Group successfully managed to sell most of its stock from previous periods.

As of 30 June 2023, inventories with a carrying amount of USD 191,186 thousand have been pledged as security for short-term borrowings (Note 22) (30 June 2022: USD 566,902 thousand).

As of 30 June 2023, write-downs of inventories to the net realizable value amounted to USD 65,690 thousand (30 June 2022: USD 98,229 thousand) recognised within Cost of Sales (Note 5).

13. Biological Assets

The balances of biological assets were as follows:

	As of 30 June 2023	As of 30 June 2022
Non-current assets		
Non-current cattle	5,924	5,937
Total	5,924	5,937
Current assets		
Crops in fields	146,239	160,158
Current cattle	1,656	1,753
Total	147,895	161,911

For the year ended 30 June 2023, the Group incurred a loss of USD 114,705 thousand due to changes in the fair value of biological assets (2022: gain of USD 12,537 thousand). The primary reason for this loss was the revaluation of agricultural products in the amount of USD 86,769 thousand, at the point of harvest. Additionally, the Group incurred a loss of USD 26,763 thousand from the revaluation of crop-bearing fields. This loss was triggered by lower market prices anticipated for future harvests and increased selling costs at the end of the current period, deviating from the trend observed in the previous year.

The balances of crops in fields were as follows:

	As of 30 June 2023		As of 30 June 2022	
	Hectares	Value	Hectares	Value
Sunflower seed	119,589	38,144	130,680	61,732
Wheat	61,009	35,471	35,633	16,386
Corn	83,685	34,588	148,795	75,795
Soybean	64,996	33,970	6,331	2,118
Rapeseed	10,151	3,980	4,727	3,611
Other	1,880	86	1,155	516
Total	341,310	146,239	327,321	160,158

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The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2023 and 2022:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2021	205,424	169,671	375,095
Expenditures capitalized in biological assets (harvest 2021)	191,889	—	191,889
Decrease due to harvest (harvest 2021)	(397,313)	(169,671)	(566,984)
Expenditures capitalized in biological assets (harvest 2022)	234,293	—	234,293
Gain arising from changes in fair value of biological assets (sowing under harvest 2022)	—	38,327	38,327
Decrease due to transfer to assets held for sale	(66,714)	(32,587)	(99,301)
Translation difference	(11,311)	(1,850)	(13,161)
As of 30 June 2022	156,268	3,890	160,158
Expenditures capitalized in biological assets (harvest 2022)	89,784	—	89,784
Decrease due to harvest (harvest 2022)	(246,052)	(3,890)	(249,942)
Expenditures capitalized in biological assets (harvest 2023)	174,609	—	174,609
Loss arising from changes in fair value of biological assets (sowing under harvest 2023)	—	(26,763)	(26,763)
Translation difference	(1,900)	293	(1,607)
As of 30 June 2023	172,709	(26,470)	146,239

Farming costs such as expenses for seeds, fertilizers, plant protecting means, energy and fuel, costs for growing and harvesting, silos services, rent, payroll and other are expensed as incurred and further are capitalized as part of biological assets based on sowing areas and types of costs allocated to particular crops.

The fair value of agricultural produce was estimated based on market prices as at the date of harvest and is within level 2 of the fair value hierarchy. Crops in fields and non-current cattle of the Group are measured using discounted cash flow technique and are within level 3 of the fair value hierarchy. Current cattle are measured based on market prices of livestock of similar age, breed and genetic merit, which is within level 2 of the fair value hierarchy. The change in the balances of livestock is represented by an increase in heads of milk cows within regular transfer from young calves to mature herd and the variation in prices and exchange rates between reporting dates.

In the table below biological assets are classified into the three levels prescribed under the accounting standards:

		As of 30 June 2023				As of 30 June 2022				
	Measure	Quantity	Level 2	Level 3	Total	Quantity	Level 2	Level 3	Total	
Livestock										
	Mature – Milk cows	Heads	5,052	—	5,922	5,922	5,178	—	5,934	5,934
	Immature – Milk cows	Heads	2,480	998	—	998	2,288	1,007	—	1,007
	Immature – Calves	Heads	2,469	623	—	623	2,221	714	—	714
	Beehives	Hives	1,104	35	—	35	1,101	32	—	32
	Horses	Heads	2	2	—	2	7	3	—	3
	Crops in fields	Hectares	341,310	—	146,239	146,239	327,485	—	160,158	160,158
Total			1,658	152,161	153,819		1,756	166,092	167,848	

There were no changes in valuation technique since the previous year. There were no transfers between any levels during the year.

Descrip- tion	Valuation techniques	Fair value		Unobservable Inputs	Range of unobservable inputs (average)		Relationship of unobservable inputs to fair value
		As of 30 June 2023	As of 30 June 2022		As of 30 June 2023	As of 30 June 2022	
Crops in field	Discounted cash flows	146,239	160,158	Crop yields	2.34 – 8.82 (4.78) tons per hectare	2.01 – 7.57 (5.15) tons per hectare	The higher the crop yield, the higher the fair value
				Grain sales prices net of transportation costs	144 – 446 (273) USD per ton	178 – 476 (301) USD per ton	The higher the market price, the higher the fair value
				Discount rate	24.40% (in UAH)	28.75% (in UAH)	The higher the discount rate, the lower the fair value
Milk cows	Discounted cash flows	5,922	5,934	Milk yield – liter per cow	19.22 – 22.21 (21.22) liters per cow per day	17.71 – 21.74 (20.34) liters per cow per day	The higher the milk yield, the higher the fair value
				Weight of 1 calf	29 – 32 (31) kg	29 – 32 (31) kg	The higher the weight, the higher the fair value
				Average yield of calves from 100 cows per year	55 – 64 (59) calves	35 – 89 (62) calves	The higher the yield, the higher the fair value
				Discount rate, %	24.40% (in UAH)	28.75% (in UAH)	The higher the discount rate, the lower the fair value

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If the above unobservable inputs to the valuation model were 5 per cent higher/lower while all other variables were held constant, as of 30 June 2023, the carrying amount of the current and non-current biological assets would increase/decrease by USD 31,014 thousand and USD 29,653 thousand, respectively (30 June 2022: by USD 16,059 thousand and USD 16,179 thousand, respectively).

14. Other Financial Assets

The balances of other financial assets were as follows:

	As of 30 June 2023	As of 30 June 2022
Pledge deposits	122,703	—
Receivables from disposal of subsidiaries (Note 8, 34, 39)	90,000	—
Margin account with brokers (Note 37)	65,993	77,136
Loans granted	41,092	43,760
Corporate and government bonds	16,058	33,205
Derivative financial instruments (Note 37)	13,842	48,879
Short-term bank deposits	7,127	—
Other financial assets	19,248	2,831
Total	376,063	205,811

As of 30 June 2023, the Group pledged deposits of USD 122,703 thousand as collateral for credit facilities extended by the lenders (30 June 2022: nil). These pledge deposits are restricted and cannot be used for general operating purposes until the credit lines are repaid or other conditions specified in the credit agreement are met. The terms and conditions of the credit lines, including any financial covenants, are detailed in the credit agreement with Banks (Note 22).

As of 30 June 2023, other financial assets with a total value of USD 7,999 thousand were pledged for short-term borrowings (Note 22) (30 June 2022: Ukrainian government bonds with a total value of USD 6,077 thousand and deposit previously presented in Cash and cash equivalents line of USD 8,000 thousand).

The Group's exposure to credit risks associated with other financial assets is disclosed in Note 36.

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15. Property, Plant and Equipment

The following table represents movements in property, plant and equipment for the year ended 30 June 2023:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as of 30 June 2022	603,677	327,502	63,665	23,229	1,018,073
Land	266	502	45	1,048	1,861
Buildings and Constructions	281,955	152,231	15,187	17,540	466,913
Production machinery and equipment	141,285	83,424	1,378	1,588	227,675
Agricultural equipment and vehicles	4,745	70,774	44,222	1,702	121,443
Other fixed assets	2,125	1,596	—	647	4,368
CIP and uninstalled equipment	173,301	18,975	2,833	704	195,813
Additions in CIP and uninstalled equipment	44,946	51,796	3,819	591	101,152
Reclassification	24	(310)	656	(370)	—
Buildings and Constructions	375	(315)	370	—	430
Production machinery and equipment	(104)	(373)	270	(40)	(247)
Agricultural equipment and vehicles	(10)	10	(30)	(1)	(31)
Other fixed assets	(17)	6	46	66	101
CIP and uninstalled equipment	(220)	362	—	(395)	(253)
Additions from acquisition of subsidiaries	—	8,507	—	—	8,507
Land	—	632	—	—	632
Buildings and Constructions	—	6,387	—	—	6,387
Production machinery and equipment	—	915	—	—	915
Agricultural equipment and vehicles	—	29	—	—	29
Other fixed assets	—	28	—	—	28
CIP and uninstalled equipment	—	516	—	—	516
Transfers	—	—	—	—	—
Land	—	2	—	—	2
Buildings and Constructions	2,263	3,026	1,823	39	7,151
Production machinery and equipment	6,077	4,684	308	33	11,102
Agricultural equipment and vehicles	3,999	44,439	1,795	100	50,333
Other fixed assets	525	815	995	446	2,781
CIP and uninstalled equipment	(12,864)	(52,966)	(4,921)	(618)	(71,369)
Disposals (at NBV)	(1,042)	(348)	(416)	(17)	(1,823)
Land	—	—	(5)	—	(5)
Buildings and Constructions	—	—	(275)	—	(275)
Production machinery and equipment	(69)	(34)	(3)	(3)	(109)
Agricultural equipment and vehicles	(30)	(45)	(58)	(11)	(144)
Other fixed assets	(6)	(8)	(43)	(3)	(60)
CIP and uninstalled equipment	(937)	(261)	(32)	—	(1,230)
Disposal of Subsidiaries (at NBV)	—	(276)	—	—	(276)
Buildings and Constructions	—	(173)	—	—	(173)
Production machinery and equipment	—	(80)	—	—	(80)
Agricultural equipment and vehicles	—	(15)	—	—	(15)
Other fixed assets	—	(8)	—	—	(8)
Transfers from Right-of-Use Assets	—	—	703	—	703
Agricultural equipment and vehicles	—	—	703	—	703
Transfers to Assets classified as held for sale (at NBV)	(1,052)	—	—	—	(1,052)
CIP and uninstalled equipment	(1,052)	—	—	—	(1,052)
Depreciation expense	(29,056)	(23,708)	(14,194)	(1,851)	(68,809)
Buildings and Constructions	(12,525)	(6,254)	(1,297)	(583)	(20,659)
Production machinery and equipment	(14,475)	(7,288)	(329)	(614)	(22,706)
Agricultural equipment and vehicles	(1,347)	(9,497)	(12,256)	(486)	(23,586)
Other fixed assets	(709)	(669)	(312)	(168)	(1,858)
Impairment of assets	—	(1,439)	—	—	(1,439)
Agricultural equipment and vehicles	—	(1,439)	—	—	(1,439)
Translation difference	(870)	(20,725)	(12,674)	(356)	(34,625)
Land	—	(101)	(10)	—	(111)
Buildings and Constructions	—	(15,550)	(3,041)	(49)	(18,640)
Production machinery and equipment	—	(3,912)	(276)	—	(4,188)
Agricultural equipment and vehicles	(816)	(222)	(8,533)	(28)	(9,599)
Other fixed assets	(12)	(202)	(11)	—	(225)
CIP and uninstalled equipment	(42)	(738)	(803)	(279)	(1,862)
Net Book Value as of 30 June 2023	616,627	340,999	41,559	21,226	1,020,411
Land	266	1,035	30	1,048	2,379
Buildings and Constructions	272,068	139,352	12,767	16,947	441,134
Production machinery and equipment	132,714	77,337	1,348	964	212,363
Agricultural equipment and vehicles	6,541	104,034	25,843	1,276	137,694
Other fixed assets	1,906	1,557	675	988	5,126
CIP and uninstalled equipment	203,132	17,684	896	3	221,715

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The following table represents movements in property, plant and equipment for the year ended 30 June 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as of 30 June 2021	564,775	339,590	138,193	22,647	1,065,205
Land	967	440	78	1,048	2,533
Buildings and Constructions	215,058	156,149	18,548	18,117	407,872
Production machinery and equipment	87,636	88,368	2,113	1,539	179,656
Agricultural equipment and vehicles	4,403	74,183	69,124	1,119	148,829
Other fixed assets	2,544	1,804	3,836	704	8,888
CIP and uninstalled equipment	254,167	18,646	44,494	120	317,427
Additions in CIP and uninstalled equipment	59,175	18,944	29,161	2,686	109,966
Reclassification	—	46,574	(46,568)	(6)	—
Land	—	13	(13)	—	—
Buildings and Constructions	1,101	(250)	323	1	1,175
Production machinery and equipment	(1,118)	490	(34)	(8)	(670)
Agricultural equipment and vehicles	170	1	(72)	—	99
Other fixed assets	(153)	(405)	(232)	1	(789)
CIP and uninstalled equipment	—	46,725	(46,540)	—	185
Transfers	—	—	—	—	—
Land	1	83	19	—	103
Buildings and Constructions	43,081	38,645	2,951	22	84,699
Production machinery and equipment	76,200	20,074	356	705	97,335
Agricultural equipment and vehicles	1,817	2,667	13,558	1,061	19,103
Other fixed assets	1,059	1,709	1,884	270	4,922
CIP and uninstalled equipment	(122,158)	(63,178)	(18,768)	(2,058)	(206,162)
Revaluation	59,393	—	—	—	59,393
Buildings and Constructions	53,517	—	—	—	53,517
Production machinery and equipment	5,876	—	—	—	5,876
Disposals (at NBV)	(316)	(289)	(2,689)	(12)	(3,306)
Buildings and Constructions	(1)	(9)	(422)	—	(432)
Production machinery and equipment	(126)	(115)	(33)	(3)	(277)
Agricultural equipment and vehicles	(68)	(97)	(617)	(9)	(791)
Other fixed assets	(12)	(4)	(39)	—	(55)
CIP and uninstalled equipment	(109)	(64)	(1,578)	—	(1,751)
Transfers to Assets classified as held for sale (at NBV)	—	(42,905)	(20,483)	—	(63,388)
Land	—	—	(34)	—	(34)
Buildings and Constructions	—	(26,409)	(2,987)	—	(29,396)
Production machinery and equipment	—	(14,131)	(349)	—	(14,480)
Agricultural equipment and vehicles	—	(117)	(12,672)	—	(12,789)
Other fixed assets	—	(253)	(631)	—	(884)
CIP and uninstalled equipment	—	(1,995)	(3,810)	—	(5,805)
Depreciation expense	(30,809)	(22,820)	(24,633)	(2,005)	(80,267)
Buildings and Constructions	(13,116)	(7,490)	(1,792)	(580)	(22,978)
Production machinery and equipment	(15,487)	(8,464)	(534)	(643)	(25,128)
Agricultural equipment and vehicles	(1,207)	(5,749)	(20,517)	(463)	(27,936)
Other fixed assets	(999)	(1,117)	(1,790)	(319)	(4,225)
Impairment of assets and reversal of impairment loss of the previous period (Note 30)	(48,275)	(110)	(2,780)	—	(51,165)
Land	(702)	—	—	—	(702)
Buildings and Constructions	(17,685)	(72)	—	—	(17,757)
Production machinery and equipment	(11,696)	(15)	—	—	(11,711)
Agricultural equipment and vehicles	(105)	(3)	(16)	—	(124)
Other fixed assets	(313)	(20)	(2,764)	—	(3,097)
CIP and uninstalled equipment	(17,774)	—	—	—	(17,774)
Translation difference	(266)	(11,482)	(6,536)	(81)	(18,365)
Land	—	(34)	(5)	—	(39)
Buildings and Constructions	—	(8,333)	(1,434)	(20)	(9,787)
Production machinery and equipment	—	(2,783)	(141)	(2)	(2,926)
Agricultural equipment and vehicles	(265)	(111)	(4,566)	(6)	(4,948)
Other fixed assets	(1)	(118)	(264)	(9)	(392)
CIP and uninstalled equipment	—	(103)	(126)	(44)	(273)
Net Book Value as of 30 June 2022	603,677	327,502	63,665	23,229	1,018,073
Land	266	502	45	1,048	1,861
Buildings and Constructions	281,955	152,231	15,187	17,540	466,913
Production machinery and equipment	141,285	83,424	1,378	1,588	227,675
Agricultural equipment and vehicles	4,745	70,774	44,222	1,702	121,443
Other fixed assets	2,125	1,596	—	647	4,368
CIP and uninstalled equipment	173,301	18,975	2,833	704	195,813

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Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2023 and 2022 were as follows:

	Cost as of 30 June 2023	Accumulated depreciation as of 30 June 2023	Cost as of 30 June 2022	Accumulated depreciation as of 30 June 2022
Land	2,380	—	1,861	—
Buildings and constructions	500,723	(59,590)	542,212	(75,299)
Production machinery and equipment	283,782	(71,419)	314,313	(86,638)
Agricultural equipment and vehicles	289,229	(151,535)	266,085	(144,642)
Other fixed assets	23,161	(18,035)	22,497	(18,129)
CIP and uninstalled equipment	221,715	—	195,813	—
Total	1,320,990	(300,579)	1,342,781	(324,708)

Had the Group's buildings and constructions and production machinery and equipment (Oilseed Processing segment) been measured on a historical cost basis, their carrying amount would have been as follows:

	As of 30 June 2023	As of 30 June 2022
Buildings and constructions	210,976	224,047
Production machinery and equipment	122,655	134,257
Total	333,631	358,304

For the year ended 30 June 2023, the Group capitalized interest totalling USD 5,504 thousand (2022: USD 4,131 thousand) (Note 9) and there were no borrowing costs eligible for capitalization from project-specific borrowings during this period.

As of 30 June 2023, prepayments for property, plant and equipment were in the amount USD 21,268 thousand (30 June 2022: USD 45,098 thousand).

As of 30 June 2023, property, plant and equipment with a carrying amount of USD 406,731 thousand (30 June 2022: USD 393,782 thousand) were pledged by the Group as collateral against short-term and long-term bank borrowings (Note 22).

Considering the uncertainties attached to operating environment in Ukraine and disruptions to the export of goods via various routes through the Black Sea, the Group carried out impairment test for all material CGUs.

The recoverable amount of each CGU was determined based on value-in-use calculations. This method was based on the probability-weighted scenarios disclosed in Note 5. Management determined budgeted gross margin based on expectations of market developments. The weighted average growth rate used was consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

Oilseed Processing segment

The key assumptions used in the value-in-use and income approach calculations by segment are as follows:

	Growth rate, %	Discount rate, %	Price of sunflower oil, USD per ton	Transportation costs, USD per ton	Price of sunflower seeds, USD per ton
Oilseed processing					
As of 30 June 2023	2.1%	10.6%	813 - 1,050	15 - 108	335 - 517
As of 30 June 2022	2.0%	10.2%	1,001 - 1,190	16 - 139	372 - 499

The price of sunflower oil and sunflower seeds are interdependent and the effect from their changes are offset within a relatively short period of time. Should the price of sunflower oil decrease by 5 per cent while all other variables were held constant, as of 30 June 2023, the recoverable amount of the group of CGUs would be lower than carrying amount by USD 344,757 thousand. Should the price of sunflower seeds increase by 5 per cent while all other variables were held constant, as of 30 June 2023, the recoverable amount of the group of CGUs would be lower than carrying amount by USD 380,645 thousand. These effects are expected to offset each other. Should the price of sunflower oil and seeds decrease by 5 per cent while all other variables were held constant, as of 30 June 2022, the headroom would increase by USD 48,914 thousand.

As of 30 June 2023, the sensitivity analysis impairment test did not identify the recoverable amount of the CGUs in the Oilseeds processing segment as being sensitive to the reasonably possible changes of assumptions other than disclosed in table above.

Farming segment

As of 30 June 2023, the market selling prices of agricultural commodities have been taken into consideration while determining the assumptions for Farming CGU. The key assumptions used in the value in use and income approach calculations by segment are as follows:

	Growth rate, %	Discount rate, %	Crop yields, tons per hectare	Sales price of crops, USD per ton	Transportation cost, USD per ton
Farming					
As of 30 June 2023	5.1%	17.5%	2 - 9	213 - 552	28 - 108

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Sensitivity to the mentioned above key assumptions, as of 30 June 2023, is presented in the table below:

Inputs	Change in input by:	
Crop yields, tons per hectare	Decrease by 0.53%	Recoverable amount equals carrying amount
	Decrease by 1.00%	Impairment of USD 23,748 required
Sales price of crops, USD per ton	Decrease by 0.43%	Recoverable amount equals carrying amount
	Decrease by 1.00%	Impairment of USD 35,243 required
Transportation cost, USD per ton	Increase by 4.24%	Recoverable amount equals carrying amount
	Increase by 10.00%	Impairment of USD 36,076 required

As of 30 June 2023, the sensitivity analysis did not identify recoverable amount of Farming CGU as being sensitive to the reasonably possible changes of assumptions other than disclosed in table above.

As of 30 June 2022, as the result of the test, the recoverable amount of assets within the Farming segment was significantly below their carrying value. Hence, the Group determined a recoverable amount based on the fair value less cost to sell method, using the adjusted market approach (level 2 of the fair value hierarchy).

Infrastructure and Trading segment

As of 30 June 2023 and 2022, the Infrastructure and Trading segment's CGU assumptions rely on transshipment rates and suggested proceeded volumes. The key assumptions used in the value in use and income approach calculations by segment are as follows:

Infrastructure and Trading	Growth rate, %	Discount rate, %	Transshipment rate, USD per ton	Transshipment volume, thousand ton
As of 30 June 2023	2.1%	10.6%	9 - 15	0 - 9,840
As of 30 June 2022	2.0%	10.2%	8 - 12	720 - 10,383

The assumptions above vary from optimistic to pessimistic scenarios and periods covered by the cash flow forecast.

As of 30 June 2023 and 2022, the impairment test did not identify the CGUs in the Infrastructure and Trading segments as being sensitive to reasonably possible changes in key assumptions.

As of 30 June 2023 and 2022, the Group recognized a full impairment of USD 50,300 thousand for those assets located at the temporary non-controlled territories (Note 30) which was charged to the line Loss on impairment of assets for the year ended 30 June 2022.

The discount rate used depends on the functional currency of the CGU and whether scenario approach or expected cash flow method is used.

16. Right-of-Use Assets

The following table represents movements in right-of-use assets for the year ended 30 June 2023:

	Land	Agricultural equipment and vehicles	Buildings	Total
Cost as of 30 June 2022	299,661	10,726	8,056	318,443
Additions and modifications	37,923	3,169	128	41,220
Transfer of assets to Property, Plant and Equipment	—	(3,995)	—	(3,995)
Disposals	(15,165)	(861)	(570)	(16,596)
Translation difference	(58,630)	(1,518)	(100)	(60,248)
Cost as of 30 June 2023	263,789	7,521	7,514	278,824
Accumulated depreciation as of 30 June 2022	(61,041)	(8,144)	(1,518)	(70,703)
Depreciation	(23,103)	(2,398)	(523)	(26,024)
Disposals	5,758	861	236	6,855
Transfer of assets to Property, Plant and Equipment	—	3,292	—	3,292
Translation difference	12,353	996	51	13,400
Accumulated depreciation as of 30 June 2023	(66,033)	(5,393)	(1,754)	(73,180)
Net book value as of 30 June 2023	197,756	2,128	5,760	205,644

Notes to the Consolidated Statements continued

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

The following table represents movements in right-of-use assets for the year ended 30 June 2022:

	Land	Agricultural equip- ment and vehicles	Buildings	Total
Cost as of 30 June 2021	416,277	13,942	7,794	438,013
Additions and modifications	67,146	470	701	68,317
Transfers to Assets classified as held for sale	(133,205)	(1,960)	(240)	(135,405)
Disposals	(19,382)	(1,055)	(173)	(20,610)
Translation difference	(31,175)	(671)	(26)	(31,872)
Cost as of 30 June 2022	299,661	10,726	8,056	318,443
Accumulated depreciation as of 30 June 2021	(64,631)	(7,552)	(1,131)	(73,314)
Depreciation	(40,884)	(2,416)	(635)	(43,935)
Disposals	10,950	179	173	11,302
Transfers to Assets classified as held for sale	28,021	1,282	42	29,345
Translation difference	5,503	363	33	5,899
Accumulated depreciation as of 30 June 2022	(61,041)	(8,144)	(1,518)	(70,703)
Net book value as of 30 June 2022	238,620	2,582	6,538	247,740

The impairment testing of the value right of use assets along with the test of property, plant and equipment of Farming segment was done by internal specialists. The recoverable amount of assets is determined based on the value-in-use method which is based on estimated future cash flows that are discounted to their present value by applying the appropriate discount rate. Cash flow forecasts used in the value-in-use approach were based on financial budgets approved by management covering a five-year period and extrapolated using the estimated growth rates for periods over 5 years. The calculation of the discount rate relies on the assumptions belonging to the Group and the operating segments in which they are applied.

The impairment testing for the year ended 30 June 2023 has not identified right-of-use assets being impaired. The impairment model level of sensitivity disclosed in Note 15 was not identified as being sensitive to reasonably possible changes in key assumptions.

17. Intangible Assets

The following table represents movements in intangible assets for the year ended 30 June 2023:

	Trade- marks	Land lease rights	Crypto assets	Other intangible assets	Total
Cost as of 1 July 2022	22,036	94,486	100,195	17,254	233,971
Additions	—	—	7,750	2,473	10,223
Additions from acquisition of subsidiaries	—	—	—	11,631	11,631
Disposals	—	—	(125,745)	(720)	(126,465)
Transfer from current assets	—	—	17,800	—	17,800
Translation difference	—	(13,715)	—	(5,826)	(19,541)
Cost as of 30 June 2023	22,036	80,771	—	24,812	127,619
Accumulated amortization and impairment losses as of 1 July 2022	(8,769)	(92,256)	—	(8,748)	(109,773)
Amortization charge	—	(225)	—	(1,168)	(1,393)
Disposals	—	—	2,412	617	3,029
Impairment loss recognized in the Statement of Profit or Loss	(82)	—	(2,412)	—	(2,494)
Translation difference	—	15,664	—	3,682	19,346
Accumulated amortization and impairment losses as of 30 June 2023	(8,851)	(76,817)	—	(5,617)	(91,285)
Net book value as of 30 June 2023	13,185	3,954	—	19,195	36,334

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for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

The following table represents movements in intangible assets for the year ended 30 June 2022:

	Trade- marks	Land lease rights	Crypto assets	Other intangible assets	Total
Cost as of 1 July 2021	22,036	125,724	—	13,259	161,019
Additions	—	—	173,100	5,488	178,588
Disposals	—	—	(55,105)	(102)	(55,207)
Transfers to Assets classified as held for sale (Note 15)	—	(22,769)	—	(695)	(23,464)
Transfer to other financial assets	—	—	(17,800)	—	(17,800)
Translation difference	—	(8,469)	—	(696)	(9,165)
Cost as of 30 June 2022	22,036	94,486	100,195	17,254	233,971
Accumulated amortization and impairment losses as of 1 July 2021	(8,318)	(86,366)	—	(4,191)	(98,875)
Amortization charge	—	(8,632)	—	(1,333)	(9,965)
Disposals	—	—	34,075	90	34,165
Transfers to Assets classified as held for sale (Note 15)	—	20,024	—	14	20,038
Impairment loss recognized in the Statement of Profit or Loss	(451)	(23,698)	(34,075)	(3,409)	(61,633)
Translation difference	—	6,416	—	81	6,497
Accumulated amortization and impairment losses as of 30 June 2022	(8,769)	(92,256)	—	(8,748)	(109,773)
Net book value as of 30 June 2022	13,267	2,230	100,195	8,506	124,198

As of 30 June 2022, crypto assets consisted only of stable coins, cost of which directly connected to the exchange rate of the fiat currency (USD). During the year ended 30 June 2023 the Group converted USD 110,700 thousands of its crypto assets into cash with the bank.

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with net book values of USD 4,567 thousand, USD 5,459 thousand, USD 2,980 thousand and USD 179 thousand, respectively, in 2023 (USD 4,546 thousand, USD 5,553 thousand, USD 2,989 thousand and USD 179 thousand, respectively, in 2022). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market.

According to management's perspective, there is no identifiable limit to the duration during which the trademarks are anticipated to generate positive net cash inflows for the Group.

The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, the market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them for an indefinite period of time.

Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

The impairment testing of the value of trademarks as of 30 June 2023 was performed by an independent appraiser. The recoverable amount of the trademarks was based on the fair value less costs to sell method using the royalty approach of valuation and is classified within level 3 of the fair value hierarchy. This calculation uses cash flow projections based on financial budgets approved by management and covering a five-year period. The total amount of the trademarks was allocated to the Oilseed Processing segment (as one cash-generating unit).

As a result of testing performed, as of 30 June 2023, impairment loss for the trademarks 'Stozhar', 'Zolota' in the amount of USD 94 thousand, USD 9 thousand, respectively, was recognized, and impairment loss 'Schedry Dar' recognized in prior periods was reversed in the amount of USD 21 thousand (30 June 2022: impairment loss for the trademarks 'Schedry Dar', 'Stozhar' and 'Zolota' recognized in prior periods in the amount of USD 21 thousand, USD 377 thousand and USD 53 thousand respectively). It was recognized as loss on impairment of intangible assets within Loss on impairment of assets (Note 30). Impairment was caused primarily by shrinkage of consumer demand for bottled sunflower oil.

18. Goodwill

The following table represents movements in goodwill for the year:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Cost at beginning of the year	132,281	133,909
Additions	12	—
Translation differences	—	(1,628)
Cost at the end of the year	132,293	132,281
Accumulated impairment losses at the beginning of the year	(60,661)	(12,984)
Impairment losses recognized in the year	—	(47,677)
Accumulated impairment losses at the end of the year	(60,661)	(60,661)
Balance at the end of the year	71,632	71,620

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A summary of goodwill allocated to individual entities or group of entities as separate CGU, were aggregated at the segment level and presented below:

Segment	CGU	Goodwill carrying value	
		As of 30 June 2023	As of 30 June 2022
Oilseed Processing	Kropyvnytskyi OEP PJSC	28,978	28,978
	Prydniprovskyi OEP LLC	29,446	29,446
Infrastructure and Trading	Transbulkterminal and Transgrainterminal	9,594	9,594
	RTK-Ukraine	3,602	3,602
	Oilexportterminal	12	—
Total		71,632	71,620

The Group tests whether goodwill has suffered on impairment at the level of the operating segments. The recoverable amount of a CGU was determined based on the higher value from value-in-use or fair value less cost of disposal. Impairment test of goodwill was based on the same assumptions as impairment test for property, plant and equipment (Note 15). Sensitivity to the mentioned above key assumptions, as of 30 June 2023, is presented in the table below:

CGU	Inputs	Change in input by:	
Kropyvnytskyi OEP PJSC	Sales price of sunflower oil, USD per ton	Decrease by 2.33%	Recoverable amount equals carrying amount
		Decrease by 5.00%	Impairment of USD 43,540 required
	Purchase price of sunflower seeds, USD per ton	Increase by 2.20%	Recoverable amount equals carrying amount
Prydniprovskyi OEP LLC		Increase by 5.00%	Impairment of USD 47,826 required
	Sales price of sunflower oil, USD per ton	Decrease by 1.38%	Recoverable amount equals carrying amount
		Decrease by 5.00%	Impairment of USD 119,397 required
	Purchase price of sunflower seeds, USD per ton	Increase by 1.30%	Recoverable amount equals carrying amount
		Increase by 5.00%	Impairment of USD 127,912 required

As of 30 June 2023, as a result of the test no impairment was identified.

As of 30 June 2022, the Group recognised an impairment charge against goodwill in the amount of USD 47,677 thousand attributable to the Oilseed Processing and Farming CGUs and included within the line Loss on impairment of assets.

19. Other non-current assets

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

	As of 30 June 2023	As of 30 June 2022
Value added tax recoverable and prepaid	34,958	51,771
Prepayments for property, plant and equipment	21,268	41,405
Non-current biological assets	5,924	5,937
Other non-current assets	19	7,612
Total	62,169	106,725

As of 30 June 2023, the portion of VAT recoverable and prepaid, amounting to USD 34,958 thousand, was presented in the line Other non-current assets, considering that the planned utilization period for this amount is more than 12 months (30 June 2022: USD 51,771 thousand). As of 30 June 2023, an allowance for VAT in the amount of USD 8,530 thousand was recognized in the line Loss on impairment of assets (30 June 2022: nil) (Note 30).

20. Advances from Customers and Other Current Liabilities

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

	As of 30 June 2023	As of 30 June 2022
Accrued payroll, payroll related taxes and bonuses	87,773	44,236
Contract liabilities	49,042	11,528
Provision for unused vacations and other provisions	7,274	6,106
Taxes payable and provision for tax liabilities	4,284	3,499
Advances for assets classified as held for sale (Note 8)	—	20,000
Other current liabilities	5,397	3,831
Total	153,770	89,200

During the year ended 30 June 2023, the Group recognized USD 11,528 thousands of revenue related to the contract liabilities as of 30 June 2022 (2022: USD 29,206 thousand), which related to advances.

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21. Other Financial Liabilities

The balances of other financial liabilities were as follows:

	As of 30 June 2023	As of 30 June 2022
Payable for legal claims (Note 35, 37)	40,558	38,387
Derivative financial instruments (Note 37)	18,327	23,130
Accounts payable for property, plant and equipment	5,587	7,884
Payable from profit-sharing arrangement	—	32,626
Other current liabilities	4,136	26,510
Total	68,608	128,537

22. Borrowings

The balances of borrowings were as follows:

	As of 30 June 2023	As of 30 June 2022
Bank credit lines	652,273	854,828
Short-term borrowings	211,261	234,429
Interest accrued on short-term borrowings	6,389	3,829
Bank overdrafts (Note 9)	10	1
Total	869,933	1,093,087

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

	Interest rate in range	Currency	Amount due 30 June 2023	Amount due 30 June 2022
European bank	from 2.30% to 3.50% plus LIBOR	USD	194,952	348,870
Ukrainian subsidiary of European bank	from 1.90% to 10.00%	USD	151,781	175,271
European bank	from 2.90% to 4.00% plus SOFR	USD	123,870	157,042
European bank	from 3.50% to 4.00% plus LIBOR	UAH	63,063	—
Ukrainian subsidiary of European bank	from 13.50% to 22.00%	USD	32,182	53,430
European bank	from 2.50% to 4.00% plus COF	USD	25,721	12,000
Ukrainian bank	7.00%	UAH	19,142	—
Ukrainian bank	6.00% plus UIRD	UAH	18,230	—
Ukrainian bank	from 17.00% to 23.73%	USD	16,435	43,753
European bank	from 2.20% to 2.97%	USD	6,907	8,000
Ukrainian subsidiary of European bank	21%	USD	—	56,463
Total			652,283	854,829

As of 30 June 2023, the Group continued to classify its bank borrowings with long-term initial contractual maturity as short-term as the Group did not have an unconditional right to defer settlement of those loans until the initial contractual settlement date. Previously, as of 30 June 2022, the Group classified its long-term bank borrowings as short-term because the Group had exceeded certain ratios for the purposes of financial covenants in certain of its bank loans and effective waivers had an expiry date within 12 months ending 30 June 2023. Upon expiry of those waivers the Group obtained waivers and reservation of rights covering the period until 31 July 2023 which were further extended after the reporting date in August-September. In September-October 2023, the Group obtained waivers which waived compliance with financial and some of non-financial covenants effective until 30 June 2024 for the borrowings in the amount of USD 777,909 thousand.

The balance of the borrowings with initial contractual maturity more than 12 month of 30 June 2023 is disclosed in the table below by tranches:

	Initial contractual maturity	Interest rate in range	Currency	Amount due 30 June 2023	Amount due 30 June 2022
European bank	2030	from 2.77% to 2.84% plus LIBOR	USD	85,871	91,421
European bank	2029	from 2.77% to 2.84% plus LIBOR	USD	84,846	95,968
European bank	2027	from 1.00% to 4.50% plus LIBOR	USD	34,751	40,320
European bank	2027	1.00%	USD	5,793	6,720
Total				211,261	234,429

As of 30 June 2023, the undrawn amount of bank borrowings amounted to USD 130,620 thousand including available facility amounts upon bank credit lines and long-term financing (30 June 2022: USD 10,938 thousand).

For Libor-based borrowings that were exposed to 1M and 3M Libor, the Group's management has reached an agreement with the Lenders to determine SOFR as an alternative benchmark. Respective changes to the facilities documentation were signed prior to 30 June 2023. In accordance with the management's expectation, the impact of alternative benchmark is not expected to be material to the Group.

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As of 30 June, bank borrowings were secured as follows:

	As of 30 June 2023	As of 30 June 2022
Property, plant and equipment (Note 15)	406,731	393,782
Inventory (Note 12)	191,186	566,902
Pledge deposits (Note 14)	122,703	—
Future sales receipts	49,165	—
Cash deposit (Note 14)	6,907	8,000
Ukrainian government bonds (Note 14)	1,092	6,077
Total	777,784	974,761

As of 30 June 2023, there were no inventories pledged as security for short-term borrowings included in Assets classified as held for sale (30 June 2022 USD 5,678).

23. Lease liabilities

The following is the maturity analysis of lease payments under the lease agreements as of 30 June:

Maturity	As of 30 June 2023	As of 30 June 2022
Payable within one year	33,594	41,720
Payable in the second to fifth years	163,332	179,191
Payable after five years	247,574	301,134
Total	444,500	522,045
less		
Future finance charges	(246,605)	(282,493)
Present value of lease obligations	197,895	239,552
less		
Current portion	(31,160)	(39,111)
Lease obligations, long-term portion	166,735	200,441

24. Bonds issued

The balances of bonds issued were as follows:

	Maturity	As of 30 June 2023	As of 30 June 2022
US 300,000 thousand 6.75% coupon bonds (issued October 2020)	October 2027	297,660	297,314
US 300,000 thousand 6.50% coupon bonds (issued October 2019)	October 2024	298,551	297,724
Total		596,211	595,038

As of 30 June 2023, the bonds are rated CCC by S&P (30 June 2022: CC), one notch below the Ukrainian sovereign. Also, the bonds kept the CC rating assigned by Fitch.

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.

As of 30 June 2023 and 2022, the Group did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 Presentation of Financial Statement) to defer settlement of its bonds for 12 months or longer as effective bank waivers relating to its loans and reservation of rights cover period of 1 month only (Note 22). The Group therefore classified its long-term bonds as short-term. Notwithstanding such classification, management notes that, in view of the effective waivers from banks that were in place as of 30 June 2023, 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.

25. Income Tax

The Group operates globally and is subject to the tax laws and regulations of numerous tax jurisdictions and authorities as well as tax agreements and treaties among these jurisdictions. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2023 and 2022.

The majority of the Group's companies that are involved in agricultural production pay the Unified Agricultural Tax ('UAT') in accordance with the Tax Code of Ukraine. The UAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. The UAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The UAT does not constitute an income tax and, as such, is recognized in the Consolidated Statement of Profit or Loss in cost of

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sales.

The tax rate for agricultural producers is calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land resulting in substantially lower tax charges compared to corporate income tax. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

- The share of the entity's revenue from agricultural production (i.e., sale of the entity's cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
- These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered.

The components of income tax (expenses)/benefit were as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Current income tax charge	(49,626)	(32,957)
Deferred tax (expenses)/benefit relating to origination and reversal of temporary differences	(19,424)	35,738
Total income tax (expenses)/benefit recognized in the reporting period	(69,050)	2,781

The income tax (expenses)/benefit is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

	As of 30 June 2023	As of 30 June 2022
Profit/(Loss) before income tax	367,824	(43,481)
Tax (expenses)/benefit at Ukrainian statutory tax rate of 18%	(66,208)	7,827
Effect of income that is exempt from taxation (farming)	(18,225)	28,771
Effect of different tax rates of Subsidiaries operating in other jurisdictions	(18,459)	1,874
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(4,900)	(6,269)
Other expenditures not allowable for income tax purposes and non-taxable income, net	38,742	(29,422)
Income tax (expenses)/benefit	(69,050)	2,781

For the year ended 30 June 2023, income tax benefit recognized in other comprehensive income were nil (for the year ended 30 June 2022: USD 10,564 thousand income tax loss).

The primary components of the deferred tax assets and deferred tax liabilities were as follows:

	As of 30 June 2023	As of 30 June 2022
Tax losses carried forward	17,112	14,564
Valuation of property, plant and equipment	2,390	13,843
Valuation of inventories	10,257	19,229
Others	1,757	2,088
Deferred tax assets	31,516	49,724
Valuation of property, plant and equipment	(26,032)	(27,754)
Valuation of intangible assets	(1,525)	(1,753)
Others	(3,163)	(542)
Deferred tax liabilities	(30,720)	(30,049)
Net deferred tax assets	796	19,675

As of 30 June 2023, deferred tax assets in the amount of USD 29,126 thousand are expected to be recovered or settled within twelve months after the reporting period (30 June 2022: USD 35,881 thousand).

As of 30 June 2023, based upon projections for future taxable income over the periods in which the taxable temporary differences are anticipated to reverse, management believes it is probable that the Group will realize the benefits of deferred tax assets of USD 17,112 thousand (2022: USD 14,564 thousand) recognized with respect to tax losses carried forward by the subsidiaries. The amount of future taxable income required to be generated by the Subsidiaries to utilize the tax benefits associated with the tax loss carried forward is approximately USD 95,067 thousand (2022: USD 80,911 thousand). However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

As of 30 June 2023, unrecognized deferred tax assets arising from tax losses carried forward by the Group's subsidiaries amounted to USD 11,170 thousand (30 June 2022: USD 5,529 thousand).

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries as it is able to control the timing of the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

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Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (after offset) as they are presented in the Consolidated Statement of Financial Position:

	As of 30 June 2023	As of 30 June 2022
Deferred tax assets	21,353	41,568
Deferred tax liabilities	(20,557)	(21,893)
Net deferred tax assets	796	19,675

26. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Revenue from edible oils sold in bulk, meal and cake	1,891,335	2,314,603
Revenue from agriculture commodities merchandizing	1,347,681	2,743,079
Revenue from bottled sunflower oil	139,652	209,475
Revenue from farming	35,074	38,967
Revenue from transshipment services	34,904	16,999
Revenue from grain silo services	6,475	8,422
Total	3,455,121	5,331,545

Revenue is obtained principally from the sale of commodities, recognized once the control of the goods has transferred from the Group to the customer. Revenue derived from freight, storage and other services, presented in the line Revenue from edible oils sold in bulk, meal and cake, 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 outstanding performance obligations as of 30 June 2023 is USD 17,554 thousand (30 June 2022: USD 434 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in July 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 30 June 2023.

27. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Cost of goods for resale and raw materials used	1,941,524	4,139,354
Shipping and handling costs	596,855	366,778
Amortization and depreciation	100,378	120,790
Payroll and payroll related costs	65,257	65,051
Total	2,704,014	4,691,973

For the year ended 30 June 2023 result on operations with commodity futures, options, and unrealized forwards, included within Cost of goods for resale and raw materials used line, decreased Cost of sales for the amount of USD 65,095 thousand (2022: USD 204,835 thousand decrease).

28. Other Operating Income and Expenses

Other operating income/(expenses), net was as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Other operating income		
Gain on sale of foreign currency	15,884	2,965
Insurance reimbursement	13,982	—
Stock-take	9,224	8,481
Contracts wash-out (price difference settlement)	5,791	48,258
Gain on operations with securities	4,190	—
Other operating income	4,476	3,990
Total	53,547	63,694
Other operating expenses		
Other dispatch fees and fines	(24,185)	—
Loss on operations with derivatives	(10,682)	(11,483)
Loss on operations with securities	—	(33,227)
Total	(34,867)	(44,710)
Net other operating income	18,680	18,984

The Group enters into wash-out contracts in order to reduce administrative time and costs, these contracts can be offset based on a mutual

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agreement with the same partners who sold or purchased commodities.

For the year ended 30 June 2023, there has been an increase in other dispatch fees and other fines due to extended waiting times during the loading and unloading of ships in ports. The primary driver behind this surge in fines is the instability within the Black Sea Grain Initiative. A significant part of this amount is fines related to the sale of sunflower oil and meal.

29. General, administrative and selling expenses

General, administrative and selling expenses were as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Payroll and payroll related costs	163,417	180,206
Audit, legal and other professional fees	12,096	11,392
Repairs and material costs	7,271	7,639
Amortization and depreciation	4,409	8,500
Business trip expenses	3,957	3,686
Taxes other than income tax	2,319	4,611
Expense relating to leases of low-value assets	1,967	2,532
Insurance	1,953	1,130
Bank services	1,398	2,644
Communication expenses	1,003	1,693
Other expenses	5,229	6,372
Total	205,019	230,405

Audit, legal and other professional fees for the year ended 30 June 2023 included the auditor's remuneration in the amount of USD 585 thousand and remuneration for non-audit services were USD 196 thousand (for the year ended 30 June 2022: USD 526 thousand and USD 257 thousand, respectively). No consultancy services were provided by the auditors for the years ended 30 June 2023 and 2022.

30. Loss on Impairment of Assets

Loss on impairment of assets were as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Impairment of assets classified as held for sale	26,039	92,920
Allowance for VAT (Note 19)	8,530	—
Allowance for inventories and write-offs of inventories and of property, plant and equipment	7,198	64,084
Impairment loss on crypto assets	2,412	34,075
Property, plant and equipment impairment (Note 15)	—	51,165
Goodwill impairment (Note 18)	—	47,677
Intangible assets impairment (Note 17)	82	27,107
Reversal of loss on impairment of assets	(29,528)	—
Total	14,733	317,028

During the year ended 30 June 2023, the Group reversed the previously created allowance for inventories located at the temporary occupied territories was reversed in the amount of USD 27,604 thousand since the Group relocated those inventories. Hence, the Group was able to use those inventories in its operating activities during the year ended 30 June 2023. Respective amount of reversal is presented in line Reversal of loss on impairment of assets in the table above.

However, during the current reporting period, in addition to the previous allowance a new part in amount of USD 2,240 thousand was recognized through Loss on impairment of assets (2022: USD 53,127 thousand).

During the year ended 30 June 2023, the Group recognized write-offs for destroyed inventories totalling USD 3,520 thousand and reversed a portion of previous year written-off inventories, amounting to USD 1,924 thousand, (during the year ended 30 June 2022: total write-off of inventories in the amount of USD 10,838 thousand due to the suspension of export and subsequent expiration date of the goods as well as destruction as a result of military actions).

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31. Finance Costs and Income

Net finance costs were as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Finance costs expensed		
Interest expense on bank loans (Note 9)	(75,605)	(34,048)
Interest on corporate bonds (Note 9)	(39,750)	(50,473)
Interest on lease liabilities (Note 9)	(35,180)	(42,074)
Other finance costs	(2,714)	(3,954)
Total	(153,249)	(130,549)
Finance income		
Interest received on financial assets held for cash management	28,128	10,732
Other financial income	2,664	590
Total	30,792	11,322
Net finance costs	(122,457)	(119,227)

32. Foreign exchange gain, net

For the year ending 30 June 2023, the net foreign exchange gain amounted to USD 62,650 thousand (30 June 2022: USD 10,140 thousand). This result is primarily attributed to the fluctuations in exchange rates, impacting the revaluation of balances denominated in currencies other than the functional currency. These balances include trade balances, VAT and borrowings (including intra-group balances where the Company's subsidiaries operate with different functional currencies and engage in intercompany financing, which, upon revaluation, can result in foreign exchange gains or losses for one of the Company's subsidiaries if they use different functional currencies).

33. Other Expenses, net

Other (expenses)/income, net was as follows:

	For the year ended 30 June 2023	For the year ended 30 June 2022
Social spending	(12,279)	(26,271)
Fines and penalties	(3,020)	(1,360)
(Loss)/gain on disposal of property, plant and equipment	(621)	2,570
Gain on disposal of Subsidiaries (Note 8)	4,091	—
Total	(11,829)	(25,061)

34. Transactions with Related Parties

As of 30 June 2023, the Group is controlled by the Namsen LLC (Note 2).

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

Related party	Statement of Financial Position line	Related party balances as of 30 June 2023	Related party balances as of 30 June 2022
Entities under Common control	Trade accounts receivable, net	13,776	—
	Prepayments to suppliers and other current assets	41,798	—
	Other financial assets	104,319	—
	Trade accounts payable	26,922	—
Entities under Beneficial Owner control	Trade accounts receivable, net	—	1,763
	Other financial assets	—	8,849
	Non-current financial assets	—	19,552
	Trade accounts payable	—	768
	Advances from customers and other current liabilities	—	20,000
Key management	Other financial assets	3,546	93
	Non-current financial assets	124	2,099
	Advances from customers and other current liabilities	20,345	5,545
	Other financial liabilities	—	964
	Other non-current liabilities	54,278	37,970
Entities under Key Management control	Other financial assets	18,250	18,304
	Non-current financial assets	—	1,325
Other related parties	Trade accounts receivable, net	39,563	44,333
	Prepayments to suppliers and other current assets	747	6,590
	Other financial assets	4,419	4,433
	Non-current financial assets	8,563	11,324
	Trade accounts payable	18,746	13,468
	Other financial liabilities	—	15,015

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As of 30 June 2023, consideration receivable for disposal of the farming entities of USD 90,000 thousand is presented within the line Other financial assets and it is due from the Entities under Common control (Note 14).

During the year ended 30 June 2022, a new management incentive plan was introduced, according to which the Company granted to management the options to sell to the Company 2,792,435 of its ordinary shares. 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 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 2026. As of 30 June 2023, fair value of liability recognised in terms of share options amounted to USD 54,278 thousand (30 June 2022: USD 35,370 thousand) and presented within Other non-current liabilities. Upon initial recognition, in December 2021, fair value of 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).

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.

Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	Related party transactions for the year ended 30 June 2023	Related party transaction for the year ended 30 June 2022
Entities under common control	Revenue	7,010	—
	Purchases of various goods and services	35,977	—
Entities under Beneficial Owner control	Revenue	16,161	2,786
	Purchases of various goods and services	56,694	34,184
	Cost of sales	(10,356)	(7)
	Finance income	164	1,246
Key management	General, administrative and selling expenses	(40,151)	(378)
Entities under Key Management control	General, administrative and selling expenses	(820)	(145)
	Finance income	55	1,017
Other related parties	Revenue	72,300	43,945
	Cost of sales	(611)	(686)
	Purchases of various goods and services	3,621	22,893
	Other operating income	8,045	66
	General, administrative and selling expenses	(1,639)	(704)
	Finance income	1,687	1,876

Remeasurement of liability related to options provided to key management as of 30 June 2023 resulted in loss recognized in General, administrative and selling expenses in the amount of USD 18,158 thousand (30 June 2022: gain USD 8,912 thousand recognised as decrease in General, administrative and selling expenses).

The Group key management personnel are the members of the Board of Directors and management team. The remuneration of Directors and other members of key management personnel recognized in the Consolidated Statement of Profit and Loss and Other Comprehensive Income including salaries and other current employee benefits amounted to USD 21,065 thousand (for the year ended 30 June 2022: USD 9,007 thousand).

35. Commitments and Contingencies

Retirement and Other Benefit Obligations

Employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 30 June 2023 were USD 15,395 thousand (2022: USD 17,511 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance some post-retirement benefits of its former employees. The only obligation of the Group with respect to this pension plan is to make the specified contributions. As of 30 June 2023 and 2022, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 30 June 2023, the Group had commitments under contracts with a group of suppliers for a total amount of USD 21,749 thousand, mostly for construction of the oil-crushing plant (30 June 2022: USD 32,595 thousand, mostly for the construction of an oilseed crushing plant).

Contractual Commitments on Sales

As of 30 June 2023, the Group had entered into commercial contracts for the export of 103,000 tons of grain, 157,545 tons of sunflower oil and 129,373 tons of sunflower meal and other related products, corresponding to an amount of USD 25,751 thousand, USD 149,280 thousand and

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USD 43,838 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.

Taxation and Legal Issues

The international tax environment is becoming more complex in terms of tax administration, which could increase tax pressure on taxpayers. In particular, a key part of the OECD/G20 BEPS Project is addressing the tax challenges arising from the digitalization of the economy. The Global Anti-Base Erosion Rules (GloBE) are a key component of this plan and ensure large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. More specifically, the GloBE Rules provide for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate. It is expected that the final legislation will be enacted before 31 December 2023, in line with the requirements of the EU Directive, and will be effective for the Group from 1 July 2024. The Kernel Group estimates that the introduction of Pillar 2 could potentially result in an increase in income tax at the level of the parent company, which may be obliged to pay the top-up tax on low-taxed income of the Group companies. In general, the increase in the tax burden will depend on the actual level of the effective tax rate in the jurisdictions in which the Group operates.

Tax risk management is embedded in overall Group risk management. As of 30 June 2023, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 65,803 thousand (as of 30 June 2022: USD 89,796 thousand). Out of this amount, USD 6,638 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: USD 4,787 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

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

Key aspects of the Ukrainian tax system are the following:

- Ukraine operates a classic corporate income tax system, under which taxable profit of companies (i.e., financial profit adjusted by tax differences) is subject to 18% corporate income tax ("CIT").
- Transfer pricing rules apply to transactions with related non-residents and "low-tax" non-residents (i.e., non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company's minimum income threshold of UAH 150 million and turnover threshold with each separate non-resident of UAH 10 million.
- Domestic supply of goods and services, as well as the import of goods and certain services, are subject to value-added tax at the standard rate of 20%. Reduced tax rate of 0% applies to the export of goods from Ukraine. Starting from March 2021, also 14% tax rate applies to the domestic supply and import of certain agricultural commodities.
- Payment of passive income (i.e., interest, royalties, dividends etc.) to non-residents is subject to withholding tax at a standard 15% rate unless double tax treaties or the Tax Code of Ukraine provide another tax rate.
- Agricultural producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies.
- In March 2022 significant changes to the Tax Code of Ukraine have been introduced as a result of the war and adoption of Martial Law in Ukraine. Amongst others, these changes released the taxpayers from financial liability for any tax and other violations of legislation, the compliance with which is monitored by the customs and tax authorities, if such violations occur as a result of the force majeure circumstances (the war following the military aggression of the Russian Federation). At the same time, such obligations must be fulfilled immediately after the termination of the force majeure circumstances. The Law has also temporarily suspended certain types of tax audits, including transfer pricing audits. In May 2022 and August 2023 other Laws have been adopted partially reinstating the taxpayers' obligations and the tax authorities' right to initiate tax audits.
- During some periods of Martial Law, taxpayers had the right to voluntarily transfer from general taxation regime to the special tax regime whereby the tax rate of 2% from revenue is applied. The temporary 2% unified tax regime is abolished starting from 1 August 2023 and taxpayers having chosen the special regime was obliged to return to the general taxation regime.
- In February 2022 the National Bank of Ukraine imposed restrictions on the purchase of foreign currency and cross-border cash transfers in import transactions. Temporarily it has been prohibited to purchase foreign currency for executing the payments for the import of certain goods, services, work, intellectual property rights, apart from the payments for goods from the so called "critical import" list. In 2022-2023 these restrictions have been eased, but still continue to apply to certain transactions.
- Taxpayers may apply for VAT refund. The respective application is the ground for the tax audit. After the confirmation of the respective amount of VAT refund by tax authorities, the taxpayer may receive VAT refund in cash. It should be noted that in practice due to martial law tax authorities apply a fiscal approach to estimation of the amount of VAT refund.
- The Ukrainian resident individuals or legal entities controlling CFCs are obliged to submit notifications to the tax authorities in case of an acquisition / alienation of a share in a CFC, set up of new CFC or liquidation of the existing CFC, commencement / termination of actual control over the CFC and in some other cases.
- Starting from 4 June 2022, the tariff restrictions provided in the EU-Ukraine Association Agreement have been suspended, namely all tariff quotas for agricultural products; antidumping duties; global safeguards actions against Ukrainian goods. However, some European countries continue to keep some restrictions for Ukrainian agricultural products.
- Diia City regime providing for special tax benefits for IT companies was adopted in Ukraine. Among other novelties, this regime introduces certain protection from excessive interference from state bodies and control over IT business, simplification of formalities with hiring IT specialists

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(including special “gig-contracts”), reduced income tax and payroll tax rates for qualifying IT businesses.

36. Financial risk management

Capital Risk Management

The Group manages its capital, which is attributable to equity holders to ensure that entities in the Group will be able to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. Management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the payment of dividends, new share issues, repurchase of own shares as well as the issue of new debt or the redemption of existing debt. The Group monitors capital based on the carrying amount of equity, borrowings less cash and cash equivalents as presented in the statement of financial position.

The Group is not subject to any externally imposed capital requirements, except for bank borrowing covenants imposed by external lenders.

Gearing Ratio

During 2023, the group's strategy, which was unchanged from 2022, Management reviews the capital structure of the Group, taking into consideration the seasonality of the activity of the Group. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's management considers that the gearing ratio should not exceed 150%.

	As of 30 June 2023	As of 30 June 2022
Equity ¹	1,741,857	1,683,188
Debt liabilities ² (Notes 22, 23, 24)	1,671,651	1,935,289
Less cash and cash equivalents (Note 9)	(954,103)	(447,625)
Net debt	717,548	1,487,664
Net debt liabilities to capital	41.2%	88.4%

The net debt liabilities to capital ratio decreased from 88.4% to 41.2% as a result of an increase in operating cash flows and cash held by the Group at the end of the year.

Financial Risk

The Group is exposed to financial risk in the result of normal course of business and include following risks:

- Credit risk
- Liquidity risk
- Market risk

Risk management policies have been established to identify, assess, and analyse the risks faced by the Group, to manage and continuously improve an effective risk management and monitoring system, spreading the culture of decision-making in terms of risks, their valuation and likelihood of occurrence. The Group coordinates roles and participants through training, management standards and procedures.

Credit Risk

Credit risk is the risk of financial loss to the Group if counterparties may not be able to settle their contractual obligations due to the Group within their agreed payment terms.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country in which the major customers operate, have less of an influence on credit risk.

The management of the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales limits are established for each customer, which represent the maximum open amount without requiring approval from the management of the Group. These limits are reviewed annually. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit, insurance arrangements and bank guarantees. The Group holds collaterals against loans provided to farmers in the form of future harvest and immovable property in the quantity that covers loans provided according to market price. The Group's applied policy about expected credit losses which is disclosed in Note 10 for all trade receivables. Other financial assets at amortized cost include loans to related parties, key management personnel and other receivables have a low credit risk.

The Group's most significant customer is an international customer, who accounted for USD 39,440 thousand out of total trade accounts receivable as of 30 June 2023 (30 June 2022: one international customer accounted for USD 43,708 thousand).

The Group performs credit risk assessment of counterparties individually. If counterparties are independently rated, these ratings are used.

¹ Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings, other reserve and translation reserve attributable to Kernel Holding S.A. shareholders.

² Debt includes short-term and long-term borrowings, obligations under finance leases, bonds issued and accrued interest. Debt liabilities do not include the liabilities associated with assets held for sale.

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Otherwise, if there is no independent rating, risk control assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by counterparty is regularly monitored by line management.

The entity is also exposed to credit risk in relation to debt investments in corporate and government bonds that are measured at fair value through profit or loss. Government bonds are represented by bonds issued by the Ukrainian government and the credit rating of Ukraine has been downgraded since the beginning of war. The corporate bonds are not rated by the international rating agencies. Other instruments are considered to be low credit risk where they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

As of 30 June 2023, 81% (30 June 2022: 77%) of margin account with brokers and derivative financial instruments balances are conducted with the financial institutions rated at F1-B by Fitch (or analogue), and all pledge deposits held by the Group in the international banks with a F1+ rating.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, as well as availability of funding through the adequacy of the banking facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Management diversifies funding sources to ensure that sufficient liquidity is maintained to meet liquidity requirements.

As of 30 June 2023, the carrying amount of the Group's maximum exposure to financial obligations (including lease liabilities) was USD 1,953,904 thousand (30 June 2022: USD 2,231,413 thousand).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2023 and 2022. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
30 June 2023						
Non-derivative financial liabilities						
Trade accounts payable	158,567	(158,567)	(158,567)	—	—	—
Borrowings (Note 22)	869,933	(869,933)	(869,933)	—	—	—
Bonds issued (Note 24)	603,823	(603,823)	(603,823)	—	—	—
Other financial liabilities (Note 21)	50,281	(50,281)	(50,281)	—	—	—
Other non-current liabilities	55,078	(55,078)	—	(54,678)	(400)	—
Total	1,737,682	(1,737,682)	(1,682,604)	(54,678)	(400)	—
Derivatives						
Derivative financial instruments (Note 21)	18,327	(18,327)	(18,327)	—	—	—
Total	18,327	(18,327)	(18,327)	—	—	—
30 June 2022						
Non-derivative financial liabilities						
Trade accounts payable	161,342	(161,342)	(161,342)	—	—	—
Borrowings (Note 22)	1,093,087	(1,093,087)	(1,093,087)	—	—	—
Bonds issued (Note 24)	602,650	(602,650)	(602,650)	—	—	—
Other financial liabilities (Note 21)	105,407	(105,407)	(105,407)	—	—	—
Other non-current liabilities	38,871	(38,871)	—	(451)	(35,820)	(2,600)
Total	2,001,357	(2,001,357)	(1,962,486)	(451)	(35,820)	(2,600)
Derivatives						
Derivative financial instruments (Note 21)	23,130	(23,130)	(23,130)	—	—	—
Total	23,130	(23,130)	(23,130)	—	—	—

The concentration of liquidity risk is limited due to different repayment terms of financial liabilities and sources of borrowing facilities.

Market Risk

The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency Risk

The functional currency of the majority of the Group's Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil and transshipment services, for which USD was selected as the functional currency.

Currency risk is a risk of financial impact due to exchange rate fluctuations related to transactions and balances in currency other than functional

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currency. The Group enters into such transactions denominated in other currencies, which include capital expenditures, operating expenses, certain sales of goods and recognized assets and liabilities denominated in a currency that is not the functional currency of entity. Exposure of currency risk are managed by utilizing currency forward contracts and fulfilling comparative analysis between subsidiaries.

Management of the Group mitigates the influence of currency risk in Ukrainian hryvnia through export sales expressed in USD and EUR: for the year ended 30 June 2023, out of total sales USD-denominated sales stated USD 3,070,642 thousand, and EUR-denominated sales were in the amount of USD 87,156 thousand (2022: USD 4,804,274 thousand and USD 308,052 thousand, respectively).

Interest and principal on borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in USD. This provides the Group with a natural hedge against currency risk and no derivatives are required to cover such risk.

The table below covers UAH and USD denominated assets and liabilities carried by Subsidiaries having balances in currencies other than functional currencies.

The Group's exposure to foreign currency risk including the balances outstanding between the Group's companies as of 30 June 2023 and 2022 was as follows:

	30 June 2023		30 June 2022	
	UAH	USD	UAH	USD
Cash and cash equivalents	36,175	37,353	2,594	2,551
Trade accounts receivable	75,764	61,198	74,149	116,267
Other financial assets	14,966	—	14,506	—
Trade accounts payable	(24,546)	(519)	(59,423)	(2)
Other financial liabilities	(188,250)	—	(312,053)	—
Current portion of lease liabilities (Note 23)	(739)	(121)	(1,226)	(828)
Other non-current liabilities	(369)	—	(417)	—
Borrowings from Ukrainian subsidiary of European bank (Note 22)	(27,654)	—	(110,762)	—
Borrowings from Ukrainian bank (Note 22)	(16,760)	—	(44,069)	—
Borrowings European Bank (Note 22)	—	(15,720)	—	(18,358)
Lease liabilities (Note 23)	(7,333)	—	(12,147)	(114)
Net exposure	(138,746)	82,191	(448,848)	99,516

The following table details the Group's sensitivity to a 10 % change of the UAH against the USD would prompt a fluctuation in the equity and profit and loss account by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis includes only outstanding monetary items denominated in currency other than functional currency.

A strengthening/depreciation of the UAH against USD on 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss before income tax by the amounts shown below:

	30 June 2023		30 June 2022	
	Strengthening	Depreciation	Strengthening	Depreciation
UAH (10% movement)	(21,347)	23,007	(53,932)	55,942

Interest Rate Risk

The Group's main interest rate risk arises from bank borrowings and lease liabilities with variable rates, which expose the group to cash flow interest rate risk.

The sensitivity analysis below has been determined based on exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point ("bp") increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of reasonably possible changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments and its sensitivity to increase or decrease of variable interest rate was as follows:

	Carrying amount as of 30 June 2023	Gain/(loss) on profit for the year (before income tax) due to change of variable rate		Carrying amount as of 30 June 2022	Gain/(loss) on profit for the year (before income tax) due to change of variable rate	
		100 bp higher	100 bp lower		100 bp higher	100 bp lower
Fixed rate	1,034,904	—	—	1,294,757	—	—
Variable rate	636,752	(6,369)	6,369	748,780	(7,488)	7,488
LIBOR	467,454	(4,675)	4,675	579,190	(5,792)	5,792
SOFR	124,074	(1,241)	1,241	157,118	(1,571)	1,571
COF	26,558	(266)	266	12,472	(125)	125
UIRD	18,666	(187)	187	—	—	—
Total	1,671,656	(6,369)	6,369	2,043,537	(7,488)	7,488

The Group does not use any derivatives to manage interest rate risk exposure. The Group manages its interest rate risk by having a balanced

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portfolio of fixed and variable rate loans and borrowings.

Commodity Price Risk

The Group is naturally exposed to fluctuations in commodity prices. Following the Russian military invasion of Ukraine in February 2022, the Group undertook a several-months assessment to mitigate both operational and commercial risks. This also involved exploring alternative channels for selling our existing inventory. The war-induced volatility in prices and disruptions in supply chains led to a meaningful long exposure in our oilseeds processing business unit at the start of the 2022-2023 marketing year. However, this was successfully managed through forward sales to international markets, facilitated by the introduction of the Black Sea Grain Initiative with the assistance of the UN and Turkey.

Over the course of the 11 months during which the Black Sea Grain Initiative has been operational, we have worked on establishing logistical routes via Danube River ports for our oilseed products. This ensured a sufficient spare export capacity and allowed the Group to manage commercial exposure in vegetable oils and meals effectively.

Naturally, since sunflower products are not commonly traded on international exchanges, the Group can position itself for hedging purposes in futures and options on CBOT bean complex, as well as other exchange-traded futures and options for rapeseeds, soy, and palm. While these financial instruments remain in our risk management arsenal, they typically don't offer the same level of hedging effectiveness as our forward over-the-counter book. Therefore, the Group may employ these tools selectively, based on the specific risk profile and market conditions.

As of the year ended 30 June 2022, accumulated loss resulted from change in fair value of hedging instruments under cash flow hedge accounting was fully absorbed due to interruption of hedge accounting mostly as a result of full-scale Russian invasion into Ukraine (30 June 2021: USD 1,736 thousand). The Other reserves included cash flow hedge reserve representing the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges, which is attributable to the shareholders of the Group. The remaining part of the cash flow hedge reserve is included in non-controlling interests. There were no derivative financial instruments outstanding as of 30 June 2022. The fair value of expired commodity price contract as well as the hedged item is recorded in Revenue.

The Group's risk management strategies are aligned with the requirements of IFRS 9 and are thus the designated derivatives are treated as cash flow hedges under IFRS:

	Year ended 30 June 2023	Year ended 30 June 2022
Cash flow hedge reserve at the beginning of the period	—	(1,736)
Gain arising on changes in fair value of hedging instruments during the period	—	57,797
(Loss)/Gain arising on hedges ineffective-ness	—	(21,790)
Loss reclassified to profit or loss – hedged item has affected profit or loss	—	(23,952)
(Loss)/Gain reclassified to profit or loss – forecast transaction no longer expected to occur	—	(10,319)
Cash flow hedge reserve at the end of the period	—	—

The Group measures and limit price risk using a Value at Risk measure for physical marketing exposures and related derivatives instruments.

Value at Risk (VaR) is a statistical estimate of the potential loss in value of positions due to adverse market movements. The Group calculates VaR approach based on over a one-day time horizon with 95 percent confidence level utilizing a Log-Normal assumption of Returns. Parameters are estimated using an Exponentially Weighted Moving Average over a 75 days period with a weight of 0.94. The VaR model does not capture the liquidity of different risk positions and therefore does not estimate potential losses if the companies liquidate large positions over a short period of time. The VaR is based on statistical analysis of historical market data which might not reflect futures market prices. Market risk VaR was USD 5,063 thousand as of 30 June 2023 (30 June 2022: USD 6,897 thousand).

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR model does not capture the liquidity of different risk positions and therefore does not estimate potential losses if the company liquidates large positions over a short period of time.
- VaR is based on historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

37. Financial Instruments

The following tables gives information on the carrying and fair values of the financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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As of 30 June 2023 and 2022, the financial assets and liabilities are presented by class in the tables below at their carrying values:

	As of 30 June 2023			As of 30 June 2022		
	Amortized cost	FVTPL ¹	Total	Amortized cost	FVTPL ¹	Total
Assets						
Cash and cash equivalents (Note 9)	954,103	—	954,103	447,625	—	447,625
Trade accounts receivable (Note 10)	321,579	—	321,579	142,738	—	142,738
Other financial assets (Note 14) of which						
Pledge deposits	122,703	—	122,703	—	—	—
Receivables from disposal of subsidiary	90,000	—	90,000	—	—	—
Margin account with brokers	65,993	—	65,993	77,136	—	77,136
Loans granted	41,092	—	41,092	43,760	—	43,760
Other financial assets	19,248	—	19,248	2,831	—	2,831
Short-term bank deposits	7,127	—	7,127	—	—	—
Other financial assets (Note 14) of which						
Corporate and government bonds	—	16,058	16,058	—	33,205	33,205
Derivative financial instruments	—	13,842	13,842	—	48,879	48,879
Non-current financial assets	25,524	—	25,524	45,019	7,513	52,532

	As of 30 June 2023			As of 30 June 2022		
	Amortized cost	FVTPL ¹	Total	Amortized cost	FVTPL ¹	Total
Liabilities						
Trade accounts payable	158,567	—	158,567	161,342	—	161,342
Borrowings (Note 22)	869,933	—	869,933	1,093,087	—	1,093,087
Bonds issued and interest accrued (Note 24)	603,823	—	603,823	602,650	—	602,650
Other financial liabilities (Note 21) of which						
Payable for legal claims	40,558	—	40,558	38,387	—	38,387
Accounts payable for property, plant and equipment	5,587	—	5,587	7,884	—	7,884
Other current liabilities	4,136	—	4,136	26,510	—	26,510
Payable from profit-sharing arrangement	—	—	—	32,626	—	32,626
Other financial liabilities (Note 21) of which						
Derivative financial instruments	—	18,327	18,327	—	23,130	23,130
Other non-current liabilities	800	54,278	55,078	901	37,970	38,871

Information about the gains and losses on derivatives within Other financial assets and liabilities at FVTPL is recognized within Revenue and Cost of sales and disclosed in Notes 26 and 27, respectively. There were no gains and losses related to other assets and liabilities at FVTPL during the year ended 30 June 2023 and 2022.

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

Financial liabilities ²	As of 30 June 2023		As of 30 June 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued (Note 24)	603,823	365,250	602,650	319,800

Due to the defined short-term nature of the borrowings, as of 30 June 2023, their carrying amount is considered to be approximately the same as their fair value. The fair value was calculated based on cash flows discounted using a current lending rate that is within level 2 of the fair value hierarchy.

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

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

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

¹ FVTPL – Fair value through profit and loss.

² Including accrued interests

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The following table below represents the fair values of the derivative financial instruments including trade related financial and physical forward purchase as of 30 June 2023 and 2022:

	As of 30 June 2023			As of 30 June 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Other financial assets						
Forwards	—	10,994	10,994	—	10,448	10,448
Futures/Options	2,848	—	2,848	38,431	—	38,431
Other financial liabilities						
Forwards	—	13,302	13,302	—	22,185	22,185
Futures/Options	5,025	—	5,025	945	—	945

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

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

For the year ended 30 June 2023, 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 year ended 30 June 2022, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

There were no transfers between levels of fair value hierarchy.

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

Offsetting of financial assets and liabilities

As of 30 June 2023, other financial assets include collaterals for derivatives in the amount of USD 49,693 thousand (30 June 2022: USD 53,985 thousand). The cash collateral does not meet the offsetting criteria in IAS 32, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and in accordance with associated collateral arrangements.

The derivative asset and liability meet the offsetting criteria per IAS 32. Consequently, the gross derivative liability is set off against the gross derivative asset, on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognized amounts and intention either to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

The financial assets and liabilities, which meet the criteria of offsetting as of 30 June 2023 were as follows:

	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets (Note 14)	66,633	(63,785)	2,848	—	10,994	13,842
Derivative liabilities (Note 21)	7,281	(12,306)	(5,025)	—	(13,302)	(18,327)
Margin account with brokers (Note 14)	—	—	—	65,993	—	65,993
Total	73,914	(76,091)	(2,177)	65,993	(2,308)	61,508

The financial assets and liabilities, which meet the criteria of offsetting as of 30 June 2022 were as follows:

	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets (Note 14)	144,029	(105,598)	38,431	—	10,448	48,879
Derivative liabilities (Note 21)	1,717	(2,662)	(945)	—	(22,185)	(23,130)
Margin account with brokers (Note 14)	—	—	—	77,136	—	77,136
Total	145,746	(108,260)	37,486	77,136	(11,737)	102,885

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

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38. Earnings per Share

Basic earnings per share are computed by dividing net income from continuing and discontinued operations available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (as of 30 June 2023 and 2022, 77,429,230 and 77,429,230 shares, respectively, and weighted average number of ordinary shares in the number of 77,429,230 and 80,187,230 shares for the periods then ended, respectively), excluding any dilutive effects of stock options. Diluted earnings per share are computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such an exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, as of 30 June 2023, an average number of 77,429,230 ordinary shares is taken into account (30 June 2022: 80,187,230).

39. Subsequent Events

In addition to the subsequent events disclosed in Notes 3 and 4, there were the following subsequent events.

As of 19 July 2023, immediately following the termination of the Grain Deal, a sequence of destructive events unfolded. A Russian missile attacks severely damaged the grain export infrastructure at Ukrainian ports Odesa and Chornomorsk, including vital Group assets. This, coupled with the Grain Deal cancellation, rendered the export of soft commodities via Ukrainian Black Sea ports unfeasible. The attack inflicted considerable harm to storage facilities, intake capacities, loading equipment in the estimated amount of USD 11,177 thousand, and stocks in the amount of USD 10,313 thousand.

Subsequently, on 24 July 2023, another missile attack by Russia targeted the port of Reni on the Danube River. The attack inflicted damage on port infrastructure, impacting the Group's vegetable oil transshipment terminal assets – resulting in the loss of 6 thousand tons of storage capacity, and damage to railway intake capacity and piping equipment, which amounted to USD 171 thousand. In addition, almost one thousand tons of sunflower oil was spilled and lost in total amount of USD 260 thousand.

In July 2023, the Group received the remaining consideration of USD 90,000 thousand for the disposal of farming entities (Note 8 and 14). As of the date of this consolidated financial statements issue, the purchaser's obligations are deemed fulfilled, as full consideration has been provided to the Group.

As of 6 August 2023, an elevator in the Khmelnytskyi region was damaged due to shelling. Warehouses with a simultaneous storage capacity of 21 thousand tons and automatic unloading equipment were destroyed. In addition, damage was inflicted on storage facilities with a capacity of 44 thousand tons, dryers, and administrative buildings. The total amount of losses incurred on this day amounted to USD 2,406 thousand.

On 16 August 2023, as Russian drones targeted and inflicted severe damage upon all grain storages belonging to the Group's grain transshipment terminal in the Reni port. This assault also resulted in the destruction of valuable loading equipment in the total amount of USD 603 thousand.

On 2 September 2023, Russia once again targeted key Danube port infrastructure in Ukraine, vital to the operations of the Company's subsidiaries involved in sunflower oil exports from the region. Russian drones inflicted damage to multiple critical assets, including storage tanks used for vegetable oil accumulation, equipment essential for transshipment activities (including pipelines), railway intake capabilities, rail tanks awaiting unloading, and an administrative building.

On 3 September 2023, Russia also targeted grain flat storages operated by a port operator in the Danube region, which provides crucial grain transshipment services to Kernel. This resulted in the complete destruction of two flat storages with a combined storage capacity of 5 thousand tons, while another two flat storages with the same capacity suffered damage and temporarily cannot be used for grain accumulation. These relentless airstrikes are severely disrupting the export of agricultural products from Ukraine.

As part of loans restructuring negotiations the Group's lenders requested shareholders support of USD 60,000 thousand to be provided to the Company. In response to the lenders' requests, on 4 September 2023, the Company increased its share capital by USD 5,704 thousand, through the issuance of 216,000,000 new Ordinary Shares, each without indication of a nominal value. The total offering of USD 59,983 thousand was raised from qualified investors, with USD 54,279 thousand allocated to share premium.

Additionally, on 6 September 2023, another strike occurred, targeting, among other locations, the Company's assets in the Danube ports. Fortunately, there was no significant damage, although the operational activity of such assets was disrupted during hostile shelling.

During July - September 2023, the Group settled the current portion of capital expenditure financing in the amount of USD 850 thousand and part of the working capital financing in the amount of USD 19,414 thousand.

On 28 July 2023, the Group entered into an agreement to acquire 100% of corporate rights in Reni-Oil LLC (a vegetable oil transshipment terminal in the port of Reni in the port of Chornomorsk) for USD 24,750 thousand. The deal is expected to be completed by 31 December 2023.

Corporate information

for the year ended 30 June 2023 (in thousands of US dollars, unless otherwise stated)

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Kernel Holding S.A. Investor Calendar

Q1 FY2024 Operations Update	27 October 2023
Annual general shareholders' meeting	11 December 2023
Q1 FY2024 Financial Report	22 December 2023
Q2 FY2024 Operations Update	22 January 2024
H1 FY2024 Financial Report	22 March 2024
Q3 FY2024 Operations Update	22 April 2024
Q3 FY2024 Financial Report	21 June 2024
Q4 FY2024 Operations Update	22 July 2024
FY2024 Financial Report	28 October 2024

Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Shares issued as of 30 June 2023	84,031,230 ¹
Shares issued as of 27 October 2023	300,031,230 ¹
Bloomberg	KER PW
Refinitiv Eikon ticker	KER.WA
ISIN code	LU0327357389

Cautionary statement

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¹ Including 6,602,000 of treasury shares.