Q3 FY2024

KERNEL

Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2024

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Management Discussion and Analysis

for the three months ended 31 March 2024

Income statement highlights

- The consolidated **revenue** of Kernel Holding S.A. group of companies (hereinafter "Kernel", the "Company", or the "Group") in Q3 FY2024 increased by 22% y-o-y, standing at USD 1,005 million, primarily driven by the higher grain exports and sunflower oil sales volumes.
- **Net loss arising from changes in the fair value of biological assets** totaled USD 25 million in January-March 2024, as write-offs of previously recognized gains associated with the sale of respective crops (USD 25.5 million) exceeded the recognized gains from biological transformation of crops in fields as of 31 March 2024 (USD 0.5 million).
- In line with the revenue growth, the Group's **cost of sales** in Q3 FY2024 increased by 24% as compared to the previous year, to USD 773 million.
- Consequently, **gross profit** in Q3 FY2024 increased by 8% y-o-y, standing at USD 207 million, with a 5% decline compared to the previous quarter.
- **Other operating income** for three months ending 31 March 2024 amounted to USD 8 million, primarily comprising gain on foreign exchange trading.
- **Other operating expenses** during the reporting period totaled USD 10 million, reflecting losses on operations with derivatives, demurrage/dispatch fees, and other expenses.
- The Group also recognized a USD 4 million **loss on impairment of assets** (mostly a provision for VAT receivable) and a USD 6 million **net impairment loss on financial assets** (primarily additional provisions recognized for accounts receivable) in Q3 FY2024.
- **General and administrative expenses** in Q3 FY2024 reached USD 63 million, adding 20% compared to the previous quarter due to higher payroll-related accruals.
- In Q3 FY2024 Kernel's **EBITDA** increased by 4% relative to the corresponding period last year, to USD 160 million, with segment contributions being as follows:
  - **Oilseed Processing** segment EBITDA dropped by 34% q-o-q, to USD 50 million, primarily due to the one-off insurance payment for property damage and business interruption received in Q2 FY2024 and attributable to this segment.
  - On the back of the strong grain trading volumes, higher export terminals contribution, decent Avere trading profits, and savings on own railcars fleet in the reporting period, the **Infrastructure and Trading** segment generated USD 112 million EBITDA, a 58% growth y-o-y and 3x growth q-o-q.
  - **The Farming** segment delivered USD 16 million EBITDA in January-March 2024, bringing the EBITDA for the nine months of FY2024 to USD 96 million, down 63% y-o-y. Notwithstanding higher sales volumes of farming produce in the current season, weak sales prices keep the segment earnings depressed.
  - **Unallocated corporate expenses** in the Q3 FY2024 amounted to USD 18 million, up 64% q-o-q.
- **Net finance costs** in the reporting period declined by 50% q-o-q, totaling USD 10 million, reflecting a substantial repayment of debt in December 2023.
- **Net foreign exchange gain** in Q3 FY2024 settled at USD 4 million, being non-cash gains recognized after revaluating intra-group balances in local currency.
- **Other expenses** during January-March 2024 reached USD 10 million, a 25% decrease q-o-q, mainly consisting of USD 9 million in

USD million except ratios and EPS	Q3 FY2023	Q2 FY2024	**Q3 FY2024**	y-o-y	q-o-q	9M FY2023	**9M FY2024**	y-o-y
Income statement highlights								
Revenue	825	1,044	**1,005**	*22%*	*(4%)*	2,715	**2,595**	*(4%)*
EBITDA [1]	155	205	**160**	*4%*	*(22%)*	600	**384**	*(36%)*
Net profit attributable to equity holders of the Company	69	133	**101**	*47%*	*(24%)*	437	**204**	*(53%)*
EBITDA margin	18.7%	19.6%	**15.9%**	*(2.8pp)*	*(3.7pp)*	22.1%	**14.8%**	*(7.3pp)*
Net margin	8.4%	12.7%	**10.1%**	*1.7pp*	*(2.7pp)*	16.1%	**7.8%**	*(8.3pp)*
Earnings per share [2], USD	0.89	0.45	**0.34**	*(61%)*	*(24%)*	5.64	**0.83**	*(85%)*
Cash flow highlights								
Operating profit before working capital changes	155	224	**186**	*20%*	*(17%)*	634	**463**	*(27%)*
Change in working capital	117	4	**108**	*(8%)*	*28.8x*	53	**1**	*(99%)*
Interest paid and received	(18)	(37)	**2**	*n/a*	*n/a*	(77)	**(51)**	*(34%)*
Income tax paid	(19)	1	**(2)**	*(88%)*	*n/a*	(27)	**(21)**	*(21%)*
Net cash generated by operating activities	235	192	**294**	*25%*	*53%*	583	**391**	*(33%)*
Net cash used in investing activities	(3)	165	**(127)**	*36.8x*	*n/a*	39	**(30)**	*n/a*

	31 Mar 2023	31 Dec 2023	**31 Mar 2024**	y-o-y	q-o-q
Liquidity and credit metrics					
Net debt	833	453	**308**	*(63%)*	*(32%)*
Readily marketable inventories [3]	497	448	**367**	*(26%)*	*(18%)*
Adjusted net debt [4]	336	4	**(59)**	*n/a*	*n/a*
Shareholders' equity	1,875	1,871	**1,950**	*4%*	*4%*
Net debt / EBITDA [5]	3.0x	1.4x	**0.9x**	*-2.0x*	*-0.5x*
Adjusted net debt / EBITDA [5]	1.2x	0.0x	**(0.2x)**	*n/a*	*n/a*
EBITDA / Interest [6]	2.2x	3.1x	**4.0x**	*+1.8x*	*+0.9x*

Note: Financial year ends 30 June, Q2 ends 31 December, and Q3 ends 31 March.
1 Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.
2 EPS is measured in US Dollars per share based on 77.4 million shares for Q3 and 9M FY2023, 293.4 million for Q2 and Q3 FY2024, and 244.7 million shares for 9M FY2024.
3 Commodity inventories are inventories such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets and the international pricing mechanism. The Group used to call such inventories as "Readily marketable inventories", but after the beginning of the war in Ukraine, the Group faced difficulties selling such inventories, and therefore such inventories cannot any longer be considered as readily marketable. When calculating Commodity inventories, the Group does not include inventories which are located on territories occupied by Russia and inventories which are recognized among the assets held for sale.
4 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.
5 Calculated based on 12-month trailing EBITDA.
6 Calculated based on 12-month trailing EBITDA and net finance costs.
Hereinafter differences between totals and sums of the parts are possible due to rounding.

Segment results summary

	Revenue, USD millions			EBITDA, USD millions			Volume, thousand tons[1]			EBITDA margin, USD/t[2]		
	Q3 FY2023	**Q3 FY2024**	y-o-y	Q3 FY2023	**Q3 FY2024**	y-o-y	Q3 FY2023	**Q3 FY2024**	y-o-y	Q3 FY2023	**Q3 FY2024**	y-o-y
Oilseed Processing	494	479	*(3%)*	109	50	*(54%)*	273	382	*40%*	399	131	*(67%)*
Infrastructure and Trading	558	609	*9%*	71	112	*58%*	824	1,877	*2.3x*	86	60	*(31%)*
Farming	105	199	*90%*	(24)	16	*n/a*						
Unallocated corporate expenses				(1)	(18)	*15x*						
Reconciliation	(331)	(282)	*(15%)*									
Total	**825**	**1,005**	***22%***	**155**	**160**	***4%***						

	Revenue, USD millions			EBITDA, USD millions			Volume, thousand tons[1]			EBITDA margin, USD/t[2]		
	9M FY2023	**9M FY2024**	y-o-y	9M FY2023	**9M FY2024**	y-o-y	9M FY2023	**9M FY2024**	y-o-y	9M FY2023	**9M FY2024**	y-o-y
Oilseed Processing	1,444	1,378	*(5%)*	220	184	*(16%)*	820	1,090	*33%*	268	169	*(37%)*
Infrastructure and Trading	2,110	1,490	*(29%)*	194	156	*(20%)*	3,078	3,839	*25%*	63	41	*(36%)*
Farming	591	369	*(38%)*	261	96	*(63%)*						
Unallocated corporate expenses				(74)	(53)	*(29%)*						
Reconciliation	(1,430)	(642)	*(55%)*									
Total	**2,715**	**2,595**	***(4%)***	**600**	**384**	***(36%)***						

Note 1 Vegetable oil sales volumes for Oilseed Processing; physical grain volumes exported (ex. Avere) for Infrastructure and Trading.
Note 2 USD per ton of oil sold for Oilseed Processing; USD per ton of grain exported (ex. Avere volumes) for Infrastructure and Trading.

charity and social spending.

- Accounting also for USD 14 million income tax expenses, **net profit attributable to shareholders** in Q3 FY2024 came to USD 101 million, a 47% increase y-o-y and a 24% decline q-o-q.

Cash flow highlights

- The Group generated USD 186 million of **operating profit before working capital changes** during the three months ended 31 March 2024, down 17% q-o-q.
- A seasonal **working capital release** resulted in a USD 108 million cash inflow for the same period, primarily driven by the reduction in inventories and growth in other current liabilities.
- **Cash used in investing activities** constituted USD 127 million in Q3 FY2024, comprising the investment of USD 105 million into highly liquid instruments as a temporary allocation of the seasonally available liquidity in Ukraine, and USD 22 million purchase of machinery and equipment mostly for maintenance purposes.
- **Net cash used in financing activities** in January-March 2024 totaled USD 32 million, reflecting further reduction of the indebtedness.

Credit highlights

- **Debt liabilities** of the Group during January-March 2024 reduced by 2% as compared to the previous quarter, standing at USD 972 million. It included USD 597 million Eurobonds, USD 172 million of lease liabilities arising from the Group's farmland lease agreements according to IAS 16, and USD 202 million of bank debt and accrued interest, comprising mostly of EIB and EBRD project financing facilities. Certain waivers still remain in place triggering the recognition of the EIB/EBRD lines as a short-term debt, although these loans remain long-term according to its payment schedule.
- Kernel's cash position as of the end of Q3 FY2024 further improved, to USD 664 million, up 22% q-o-q. Given that, **net debt** decreased by 32% over Q3 FY2024, to USD 308 million as of 31 March 2024.
- **Commodity Inventories**[1] during Q3 FY2024 reduced by 18%, to USD 367 million as of 31 March 2024. Inventories associated with the oilseed processing business (sunflower seeds, sunflower oil, and meal) increased in value by 14% q-o-q, to USD 241 million, while grain inventories reduced by 47% q-o-q, to USD 126 million.
- As a result, **Commodity Inventories** exceeded net debt by USD 59 million as of 31 March 2024.
- The Group's **leverage** as of 31 March 2024 decreased to 0.9x Net-debt-to-EBITDA and the interest coverage ratio improved to 4.0x EBITDA-to-Interest, calculated on the last twelve months basis.
- Additionally, the Group had USD 124 million in highly liquid instruments purchased as a part of the Group's liquidity management exercise to allocate the temporarily available liquidity before the beginning of the new season and subsequent deployment into the working capital.
- As of 31 March 2024, the Group signed all the necessary documentation allowing to **exit the debt restructuring mode**, so no "potential event of default" or "event of default" is in place under the Eurobonds issued by the Company.
- Despite having sufficient liquidity in Ukraine, the currency and capital controls imposed by the National Bank of Ukraine present a significant obstacle for the Group in repaying its USD 300 million Eurobonds maturing in October 2024. Concurrently, the Group is exploring various options to accumulate the necessary liquidity and is appealing to Ukrainian authorities to ease currency restrictions to avoid default. If the Group fails to accumulate sufficient liquidity offshore, it may consider discussing with bondholders the possibility of a partial repayment of the Eurobonds and an extension of the remaining balance.
- **Undrawn facilities** as of 31 March 2024 amounted to USD 218 million, primarily comprising short-term bank facilities in Ukraine and Avere's financing. During April and May 2024, the Group withdrew 87 million, and USD 171 million remains undrawn.

[1] Commodity inventories are inventories such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets, and the international pricing mechanism. The Group used to call such inventories as "Readily marketable inventories", but after the beginning of the war in Ukraine the Group faced difficulties selling such inventories, and therefore such inventories cannot any longer be considered as readily marketable. When calculating Commodity inventories, the Group does not include inventories which are located on territories occupied by Russia and inventories which are recognized among the assets held for sale.

Management Discussion and Analysis continued

for the three months ended 31 March 2024

Segment volumes *thousand metric tons*	Q3 FY2023	Q2 FY2024	Q3 FY2024	*y-o-y*	*q-o-q*	9M FY2023	9M FY2024	*y-o-y*
Oilseeds processed	744	811	**816**	*10%*	*1%*	1,858	**2,238**	*20%*
Sunflower oil sales	273	368	**382**	*40%*	*4%*	820	**1,090**	*33%*
Grain and oilseeds received in inland silos	687	1,264	**277**	*(60%)*	*(78%)*	2,727	**2,749**	*1%*
Export terminal throughput (Ukraine)	1,067	1,805	**2,464**	*2.3x*	*36%*	3,505	**4,431**	*26%*
Grain export from Ukraine	824	1,759	**1,877**	*2.3x*	*7%*	3,078	**3,839**	*25%*

Differences are possible due to rounding.

Market environment and operations

Oilseed Processing

- Kernel **processed** 816 thousand tons of **sunflower seeds** in Q3 FY2024, a 10% growth y-o-y and flat q-o-q.
  - By the end of February, the Group embarked on commissioning and startup initiatives at its new oilseed processing plant located in Western Ukraine that crushed 24 thousand tons in the reporting period. As of the date of this report's publication, the facility is approaching its full production capacity.
  - Two of the Group's oilseed processing plants in the Kharkiv region remained idle due to proximity to the Russian border and the war zone. The assets remain under regular attacks sustaining severe damages, and one of the plants is currently at the epicenter of the war actions. Both assets were fully impaired back in 2022.
- **Sunflower oil sales** surged by 40% y-o-y in January-March 2024, reaching 382 thousand tons, contributing to a total of 1,090 thousand tons result for the 9 months of FY2024, up 33% y-o-y. Bottled sunflower oil sales comprised 5% of total sales (19 thousand tons) in Q3 FY2024.
- While the crush margin was relatively stable in Q3 FY2024 compared to the previous quarter, **EBITDA per ton of oil sold** declined by 36% q-o-q, amounting to USD 131, as a previous quarter earnings were inflated by the one-off insurance reimbursement payment related to property damage and business interruption.
- As a result, segment **EBITDA** in Q3 FY2024 decreased by 34% q-o-q, to USD 50 million. For the nine months ended 31 March 2024, Oilseed Processing segment generated USD 184 million EBITDA, down 16% y-o-y.
- As of 31 March 2024, the Group had relatively good coverage by sunflower seeds: 511 thousand tons of **sunflower seeds in stock**. Together with further purchases in April-May 2024, it secures the coverage of operations at the Group's plants till mid-summer, with a subsequent switch to rapeseed processing for some of our facilities, similar to the previous year. Observing the progress of the processing season, we revised our estimates of the 2023 sunflower seed harvest in Ukraine from 14 to 14.5 million tons.
- Since April 2024, the Group has been experiencing **power supply disruptions** caused by Russian attacks on Ukraine's power generation and distribution infrastructure. This has resulted in plants' downtime and reduced productivity, although the impact remains manageable so far.
- In June-July 2024, the Group aims to commission its sixth co-generation heat and power facility with a 22.5 MW installed electricity generation capacity at the recently launched oilseed processing plant located in Western Ukraine. This renewable energy capacity holds immense significance, especially considering the envisaged power outages in Ukraine in the autumn and winter of 2024.

Infrastructure and Trading

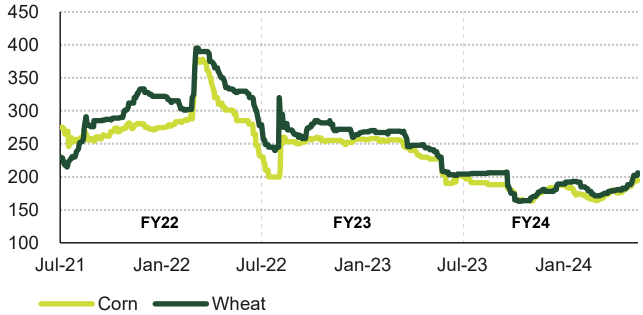
- **The market environment** for this segment remained supportive in Q3 FY2024. Exports via the Black Sea functioned relatively well, and there were no major operational disruptions. Ukraine keeps increasing the export turnover, freight and insurance costs are reducing, and given that, in April 2024 the Group divested one of its bulk carrier vessels being not so important for Group's exports any longer.
  - At the same time, the situation deteriorated in April-May 2024 following Russia's attacks on railway logistics infrastructure in the port of Chornomorsk (vital for the Group's operations), disruptions in power supply, and direct strikes by Russia on the vegetable oil transshipment infrastructure in the Pivdennyi port. Although the Group has managed to cope with the consequences so far, numerous operational risks remain.
- With a stable environment, the Group's **export terminal throughput volume** in Q3 FY2024 surged to 2,464 thousand tons of grain, sunflower oil, and meal, a 2.3x increase y-o-y to a new wartime high. This growth was propelled by consistent export activities via the Black Sea, expanding volumes of sunflower oil transshipment through port terminals acquired earlier in the season, along the provision of transshipment services to third parties. Consequently, volumes for the nine months of FY2024 expanded by 26% y-o-y, to 4.4 million tons, which, however, is still well below the pre-war levels.
- Back on strong terminal throughput volume, **grain export volume from Ukraine** amounted to 1,877 thousand tons in January-March 2024 (up 2.3x y-o-y), of which 1 million tons was originated from

Sunflower oil price
USD per ton of sunflower oil sold in bulk, FOB Six Ports

Source: Agricensus, Kernel[1]

Note 1: the presented chart serves for illustration purposes only and does not necessary reflect prices for the sunflower oil of Black Sea origin.

Ukraine grain export prices
USD per ton, FOB Ukraine



Source: Agricensus, Kernel

external suppliers and the remaining had been produced by the Group's Farming segment.
- In line with seasonal patterns, the Group's **silo intake volume** in Q3 FY2024 remained low at 277 thousand tons, bringing the total to 2.7 million tons for the nine months of FY2024, unchanged y-o-y.
- Driven by strong volumes, improved grain trading and transshipment margins, solid Avere performance and savings from railcars fleet, total segment **EBITDA** in January-March 2024 surged to USD 112 million, up 58% y-o-y and 3x q-o-q.

Farming

- The Farming segment reported an **EBITDA** of USD 16 million for January-March 2024, resulting in a total of USD 96 million for the nine months of FY2024, a 63% decrease y-o-y. Despite higher sales volumes of farming produce this season, low sales prices have kept the segment's earnings subdued.
- The Group successfully completed the spring sowing campaign, and the crop mix for the 2024 crop significantly changed:
  - Firstly, Kernel reduced the acreage under sunflower by 43% y-o-y, to 68 thousand hectares or 19% of total acreage, down from elevated levels of 33-36% in 2022-2023. That was a deviation from normal crop rotation practices and, if sustained longer term, might result in subdued crop yields due to the spread of pests and diseases. However, it was a necessary measure given the uncertainties over export logistics capacity for grain export that were in place.
  - At the same time, Kernel planted more wheat, soybeans, and rapeseeds. Acreage under corn remains virtually unchanged, at 88 thousand hectares. Oilseeds (soybeans, rapeseeds, and sunflower) are expected to be the major profit drivers next season, while the profitability of grains (corn and wheat) is quite uncertain.
- Winter crops (wheat and rapeseeds) are in satisfactory condition, although hot weather in April-May and subsequent nighttime frosts undermine the crops' yield potential.
- As of the end of May 2024, the Group has contracted all the grain of our own 2023 harvest, mitigating the risks associated with commodity price deviations for FY2024 segment earnings.

Planted areas update

	FY2024 harvested area		FY2025 planted area		
	ths hectares	% of total	ths hectares	% of total	y-o-y
Sunflower	119.7	33%	68.4	19%	*(43%)*
Corn	84.4	24%	87.7	25%	*4%*
Soybean	65.0	18%	73.4	21%	*13%*
Wheat	61.1	17%	93.2	26%	*53%*
Rapeseed	10.1	3%	13.7	4%	*35%*
Other	18.2	5%	19.7	6%	*8%*
Total	**358.7**	**100%**	**356.1**	**100%**	***(1%)***

Note 1 Includes forage crops and other minor crops, as well as fallow land.
Differences are possible due to rounding.

Update on the legal proceedings

- The Company is currently a party to five legal cases in the District Court in Luxembourg, all initiated by eight shareholders who together held 1,210,430 shares as of February 2024, amounting to 0.4% of the Company's total issued shares:
  - **summons for merits proceedings** initiated in October 2023 with the objective: 1) To establish that the Company's directors acted against the Company's interests, were conflicted, and lacked the necessary authority at the Board of Directors' meeting on April 13, 2023; 2) To invalidate all decisions made during the aforementioned Board meeting, including the resolution to delist the Company from the Warsaw Stock Exchange; 3) Alternatively, to appoint an expert to assess (i) the fairness of the public tender offer price announced by Namsen Limited on March 30, 2023, compared to the real value of the Company, and (ii) the economic impact of the Board of Directors' decisions, including the delisting, on the Company's corporate interests. Kernel is currently preparing its written submissions in order to take a position on the claimants' allegations.
  - **summons for summary proceedings** served on 20 February 2024 related to the temporary suspension of decisions made by the Company's Board of Directors on August 21, 2023 (regarding the initiation of a share offering), and on September 1, 2023 (pertaining to the issuance of 216,000,000 new shares in the context of the increase in share capital following subscriptions received by certain shareholders in response to the share offering). Additionally, the claimants seek to suspend all actions taken by Namsen Limited, the Company's largest shareholder, following the capital increase, including the suspension of its voting rights related to the shares acquired thereafter. A preliminary hearing held on 18 March 2024 set a hearing date for 13 May 2024, and the hearing that took place on that date further postponed the case for oral pleadings to 17 June 2024.
  - **summons for merits proceedings** served on 20 February 2024 related to the annulment of the Board of Directors' decisions made on August 21 and September 1, 2023, as mentioned above. Alternatively, the claimants seek compensation for damages from Namsen Limited. Kernel is currently preparing its written submissions in order to take a position on the claimants' allegations.
  - **summons for summary proceedings** served on 29 March 2024 (re-served on 3 April 2024) related to the suspension of the decisions taken on the AGM held on 11 December 2023. A preliminary hearing held on 13 May 2024 set a hearing for oral pleadings on 13 June 2024.
  - **summons for merits proceedings** served on 26 April 2024 related to the annulment of the decisions taken on the AGM held on 11 December 2023. Kernel is currently preparing its written submissions in order to take position on the claimants' allegations.
- The Company's management confidently upholds its commitment to act in the best interest of the Company in full compliance with all relevant laws, regulations, and best corporate governance principles throughout its decision-making processes, notably in the delisting from the Warsaw Stock Exchange, the subsequent share offering and capital increase in August and September 2023, and the subsequent annual general meeting of shareholders held on 11 December 2023. The Company is resolutely dedicated to vigorously defending its position.

Alternative Performance Measures

for the three months ended 31 March 2024

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

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

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

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

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

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

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

EBITDA and EBITDA margin

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

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

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

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

- **EBITDA** and **EBITDA margin** do not reflect the impact of finance costs, significance of which reflects macroeconomic conditions and have little effect on the Group's operating performance;
- **EBITDA** and **EBITDA margin** do not reflect the impact of taxes on the Group's operating performance;
- **EBITDA** and **EBITDA margin** do not reflect the impact of depreciation and amortization on the Group's performance. The assets of the Group, which are being depreciated and/or amortized, will need to be replaced in the future and such depreciation and amortization expenses may approximate the cost of replacing these assets in the future. By excluding this expense from **EBITDA** and **EBITDA margin**, such measures do not reflect the Group's future cash requirements for these replacements;
- **EBITDA** and **EBITDA margin** do not reflect the impact of share of income / loss of joint ventures, which are accounted under equity method;
- **EBITDA** and **EBITDA margin** do not reflect the impact of foreign exchange gain/(loss), which the Group does not consider to be part of its core operating performance because the main difference arises on transactions between entities of the Group with different functional currencies;
- **EBITDA** and **EBITDA margin** do not reflect the impact of other expenses; as such expenses are not a part of Group's core operations.

Reconciliation of profit from operating activities to **EBITDA** and **EBITDA margin**:

in thousand USD except the margin	Q3 FY2023	**Q3 FY2024**	9M FY2023	**9M FY2024**
Profit from operating activities	**131,026**	**131,223**	**517,852**	**305,149**
add back:				
Amortization and depreciation	23,540	28,927	82,236	78,472
EBITDA	**154,566**	**160,150**	**600,088**	**383,621**
Revenue	**825,071**	**1,005,062**	**2,714,855**	**2,594,922**
EBITDA margin	**19%**	**16%**	**22%**	**15%**

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

Alternative Performance Measures continued

for the three months ended 31 March 2024

Segment EBITDA and Segment EBITDA margin

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

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

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand USD	Q3 FY2023	**Q3 FY2024**	9M FY2023	**9M FY2024**
Oilseed Processing				
Profit from operating activities	101,561	41,601	197,226	160,181
plus Amortization and depreciation	7,355	8,473	22,395	24,057
Segment EBITDA	**108,916**	**50,074**	**219,621**	**184,238**
Segment revenue	493,985	479,048	1,443,964	1,378,390
Segment EBITDA margin	**22%**	**10%**	**15%**	**13%**
Infrastructure and Trading				
Profit from operating activities	64,890	104,455	175,439	134,350
plus Amortization and depreciation	6,317	7,871	18,101	21,236
Segment EBITDA	**71,207**	**112,326**	**193,540**	**155,586**
Segment revenue	557,658	608,530	2,110,131	1,489,567
Segment EBITDA margin	**13%**	**18%**	**9%**	**10%**
Farming				
Profit from operating activities	(33,280)	4,585	221,494	66,141
plus Amortization and depreciation	8,975	11,625	39,260	30,243
Segment EBITDA	**(24,305)**	**16,210**	**260,754**	**96,384**
Segment revenue	104,842	198,986	590,617	368,828
Segment EBITDA margin	**(23%)**	**8%**	**44%**	**26%**
Other				
Loss from operating activities	(2,145)	(19,418)	(76,307)	(55,523)
plus Amortization and depreciation	893	958	2,480	2,936
Segment EBITDA	**(1,252)**	**(18,460)**	**(73,827)**	**(52,587)**

Investing Cash Flows less Net Fixed Assets Investments

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

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

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

in thousand USD	Q3 FY2023	**Q3 FY2024**	9M FY2023	**9M FY2024**
Net cash used in investing activities	(3,460)	**(127,243)**	39,176	**(30,439)**
Adding back:				
Purchase of property, plant and equipment	(11,991)	(21,547)	(68,049)	(109,298)
Proceeds from disposal of property, plant and equipment	295	226	559	916
Investing Cash Flows net of Fixed Assets Investments	**8,236**	**(105,922)**	**106,666**	**77,943**

Net Fixed Assets Investments

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

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

in thousand USD	Q3 FY2023	**Q3 FY2024**	9M FY2023	**9M FY2024**
Purchase of property, plant and equipment	(11,991)	(21,547)	(68,049)	(109,298)
Proceeds from disposal of property, plant and equipment	295	226	559	916
Net Fixed Assets Investments	**(11,696)**	**(21,321)**	**(67,490)**	**(108,382)**

Operating Cash Flows before Working Capital Changes

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

- change in trade receivable 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.

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

in thousand USD	Q3 FY2023	**Q3 FY2024**	9M FY2023	**9M FY2024**
Net cash generated by operating activities	**234,506**	**293,952**	**582,628**	**390,879**
Less:				
Changes in working capital, including:	117,408	107,985	52,567	755
Change in trade receivable and other financial assets	(25,793)	(7,653)	(273,767)	(33,484)
Change in prepayments and other current assets	(71,540)	25,020	(107,879)	4,476
Change in restricted cash balance	-	-	58	-
Change in taxes recoverable and prepaid	22,674	(453)	6,673	77,934
Change in biological assets	38,332	(17,545)	113,207	109,411
Change in inventories	43,611	61,837	225,460	(169,272)
Change in trade accounts payable	29,627	(13,059)	(12,542)	(34,039)
Change in advances from customers and other current liabilities	80,497	59,838	101,357	45,729
Operating Cash Flows before Working Capital Changes	**117,098**	**185,967**	**530,061**	**390,124**

Free Cash Flows to the Firm

The Group uses **Free Cash Flows to the Firm** as a measure of the cash generation of its core business operations and which is defined as sum of net cash generated by operating activities and net cash used in investing activities**.**

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

in thousand USD	Q3 FY2023	Q3 FY2024	9M FY2023	9M FY2024
Net cash generated by operating activities	234,506	293,952	582,628	390,879
Net cash used in investing activities	(3,460)	(127,243)	39,176	(30,439)
Free Cash Flows to the Firm	**231,046**	**166,709**	**621,804**	**360,440**

Commodity Inventories

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

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

in thousand USD	As of 31 March 2023	As of 31 December 2023	As of 31 March 2024
Sunflower oil & meal	152,119	72,109	69,785
Sunflower seed	79,789	138,696	170,909
Grains	261,605	236,915	125,905
Other	143,333	91,393	91,538
Total	**636,845**	**539,113**	**458,137**
of which: ***Commodity Inventories***	496,932	448,282	366,990

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:

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

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

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

in thousand USD	As of 31 March 2023	As of 31 December 2023	As of 31 March 2024
Current bonds issued	596,047	596,995	597,393
Interest on bonds issued	17,440	7,612	17,440
Short-term borrowings	909,129	216,360	184,371
Lease liabilities	154,024	137,234	139,884
Current portion of lease liabilities	37,295	36,492	32,495
Debt Liabilities	**1,713,935**	**994,693**	**971,583**
less: cash and cash equivalents	880,822	542,083	663,693
Net Debt	**833,113**	**452,610**	**307,890**
less: readily marketable inventories	496,932	448,282	366,990
Adjusted Net Debt	**336,181**	**4,328**	**(59,100)**

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) less current liabilities (excl. short-term borrowings, current bond issued, current portion of lease liabilities, and interest on bonds issued).

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

in thousand USD	As of 31 March 2023	As of 31 December 2023	As of 31 March 2024
Total current assets	**2,565,360**	**1,794,571**	**1,938,201**
less:			
Cash and cash equivalents	880,822	542,083	663,693
Total current liabilities	1,938,594	1,261,049	1,309,443
add back:			
Short-term borrowings	909,129	216,360	184,371
Current bonds issued	596,047	596,995	597,393
Current portion of lease liabilities	37,295	36,492	32,495
Interest on bonds issued	17,440	7,612	17,440
Adjusted Working Capital	**1,305,855**	**848,898**	**796,764**

Alternative Performance Measures continued

for the three months ended 31 March 2024

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

APM	Calculation	Why APM is the most important for management
EBITDA	Profit from operating activities adding back amortization and depreciation.	**EBITDA** is the main metric used by the management of the Group to measure operating performance. It is also widely used by investors when evaluating businesses, and by rating agencies and creditors to evaluate the leverage.
EBITDA margin	**EBITDA** divided by revenue during the reported period.	**EBITDA margin** is a metric widely used to measure profitability of Group's operations.
Segment EBITDA	Segment profit from operating activities adding back amortization and depreciation.	**EBITDA** is the main metric used by management of the Group to measure segment operating performance.
Segment EBITDA margin	**Segment EBITDA** divided by segment revenue during the reporting period.	**Segment EBITDA margin** is the metric widely used to measure profitability of Group's segment operations.
Investing Cash Flows net of Fixed Assets Investments	Net cash used in investing activities adding back purchase of property, plant and equipment, and proceeds from disposal of property, plant and equipment.	As the Group has grown and developed through acquisitions, this APM helps to monitor the M&A and other investing activities of the Group.
Net Fixed Assets Investments	Net cash used in investing activities less **Investing Cash Flows net of Fixed Assets Investments**.	The Group is executing a solid investment program, and fixed assets investment is an important measure to monitor capital expenditure as a part of the execution of investment program.
Operating Cash Flows before Working Capital Changes	Net cash generated by operating activities less changes in working capital activities, including: • change in trade receivables and other financial assets; • change in prepayments and other current assets; • change in restricted cash balance; • change in taxes recoverable and prepaid; • change in biological assets; • change in inventories; • change in trade accounts payable; and • change in advances from customers and other current liabilities.	The Group uses this APM as a pre-working capital measure that reflects Group's ability to generate cash for investment, debt servicing and distributions to shareholders.
Free Cash Flows to the Firm	Sum of net cash generated by operating activities and net cash used in investing activities**.**	The Group uses this APM as it reflects the cash generating capability of the Group to repay debt and distribute dividends to shareholders.
Commodity Inventories	Agricultural inventories, such as corn, wheat, barley, soybean, sunflower seed, meal and oil.	The Group uses this APM as an additional measure of its liquidity, which the Group uses to provide a supplemental tool to assist management and investors in evaluating current business performance and in calculating credit ratios under certain of the Group's financing arrangements.
Debt Liabilities	Sum of current bonds issued, interest on bonds issued, short-term borrowings; lease liabilities and current portion of lease liabilities.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit investors and rating agencies.
Net Debt	**Debt Liabilities** less cash and cash equivalents.	The Group uses this APM, as it is a useful measure of the leverage of the Group, which is widely used by credit and equity investors and rating agencies.
Adjusted Net Debt	**Net Debt** less commodity inventories.	The Group uses this APM as a supplemental measure of the Group's liquidity, which shows the amount of Debt Liabilities not covered by cash and commodity inventories.
Adjusted Working Capital	Current assets (excluding cash and cash equivalents) less current liabilities (excluding short-term borrowings, current portion of lease liabilities, current bonds issued, and interest on bonds issued).	The indicator of working capital is important for the Group, as the Group is involved in trading and processing activities and hold large volumes of inventories on the balance. The Group also invests in business expansion, which needs working capital investments to increase efficiency. It is useful for users and investors because it measures both a Group's efficiency and its short-term financial health. It also helps management to keep a business operating smoothly and meet all its financial obligation within the coming year.

Selected Financial Data

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

		USD[1]		PLN[1]		EUR[1]	
		31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
I.	Revenue	1,005,062	825,071	4,011,604	3,622,474	925,763	769,131
II.	Profit from operating activities	131,223	131,026	523,763	575,270	120,870	122,142
III.	Profit before income tax	115,751	97,636	462,009	428,671	106,618	91,016
IV.	Profit for the period	101,286	66,491	404,273	291,929	93,295	61,983
V.	Net cash generated by operating activities	293,952	234,506	1,173,280	1,029,598	270,760	218,606
VI.	Net cash used in investing activities	(127,243)	(3,460)	(507,878)	(15,191)	(117,204)	(3,225)
VII.	Net cash used in financing activities	(45,101)	(29,452)	(180,016)	(129,309)	(41,543)	(27,455)
VIII.	Total net cash flow	121,608	201,594	485,386	885,098	112,013	187,926
IX.	Total assets	3,425,233	4,040,547	13,661,884	17,347,684	3,176,561	3,710,434
X.	Current liabilities	1,309,443	1,938,594	5,222,844	8,323,159	1,214,377	1,780,211
XI.	Non-current liabilities	163,746	224,308	653,117	963,044	151,858	205,982
XII.	Issued capital	7,749	2,219	30,908	9,527	7,186	2,038
XIII.	Total equity	1,952,044	1,877,645	7,785,923	8,061,481	1,810,326	1,724,241
XIV.	Weighted average number of shares	293,429,230	77,429,230	293,429,230	77,429,230	293,429,230	77,429,230
XV.	Profit per ordinary share (in USD/PLN/EUR)	0.34	0.89	1.38	3.91	0.32	0.83
XVI.	Diluted number of shares	293,429,230	77,429,230	293,429,230	77,429,230	293,429,230	77,429,230
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	0.34	0.89	1.38	3.91	0.32	0.83
XVIII.	Book value per share (in USD/PLN/EUR)	6.65	24.22	26.52	103.99	6.17	22.24
XIX.	Diluted book value per share (in USD/PLN/EUR)	6.65	24.22	26.52	103.99	6.17	22.24

[1] Please see Note 4 for the exchange rates used for conversion.

Condensed Consolidated Interim Statement of Financial Position

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 March 2024	As of 31 December 2023	As of 30 June 2023	As of 31 March 2023
Assets					
Current assets					
Cash and cash equivalents	8	663,693	542,083	954,103	880,822
Trade accounts receivable	17	323,136	322,056	321,579	298,933
Prepayments to suppliers	17	123,312	145,033	135,044	185,622
Corporate income tax prepaid		6,744	5,106	3,595	2,001
Taxes recoverable and prepaid		72,472	79,498	162,280	149,490
Inventory	9	458,137	539,113	341,543	636,845
Biological assets	10	27,115	11,856	147,895	23,645
Other financial assets	11, 17	263,592	149,826	376,063	388,002
Total current assets		**1,938,201**	**1,794,571**	**2,442,102**	**2,565,360**
Non-current assets					
Property, plant and equipment		1,065,697	1,063,773	1,020,411	1,024,792
Right-of-use assets		178,700	187,270	205,644	203,441
Intangible assets		60,024	59,916	36,334	36,030
Goodwill		71,632	71,632	71,632	68,993
Deferred tax assets		27,045	24,743	21,353	35,932
Non-current financial assets	17	26,534	29,849	25,524	30,622
Other non-current assets		57,400	61,657	62,169	75,377
Total non-current assets		**1,487,032**	**1,498,840**	**1,443,067**	**1,475,187**
Total assets		**3,425,233**	**3,293,411**	**3,885,169**	**4,040,547**
Liabilities and equity					
Current liabilities					
Trade accounts payable	17	122,716	137,704	158,567	140,918
Advances from customers and other current liabilities	17	195,046	129,415	153,770	153,191
Corporate income tax liabilities		24,230	8,789	12,943	15,235
Short-term borrowings	12	184,371	216,360	869,933	909,129
Current portion of lease liabilities		32,495	36,492	31,160	37,295
Current bonds issued	13	597,393	596,995	596,211	596,047
Interest on bonds issued	13	17,440	7,612	7,612	17,440
Other financial liabilities	17	135,752	127,682	68,608	69,339
Total current liabilities		**1,309,443**	**1,261,049**	**1,898,804**	**1,938,594**
Non-current liabilities					
Lease liabilities		139,884	137,234	166,735	154,024
Deferred tax liabilities		21,835	21,080	20,557	25,036
Other non-current liabilities	17	2,027	1,476	55,078	45,248
Total non-current liabilities		**163,746**	**159,790**	**242,370**	**224,308**
Equity attributable to Kernel Holding S.A. equity holders					
Issued capital	2	7,749	7,923	2,219	2,219
Share premium reserve	2	457,935	554,658	500,378	500,378
Additional paid-in capital		39,944	39,944	39,944	39,944
Treasury shares	2	—	(96,897)	(96,897)	(96,897)
Revaluation reserve		104,303	104,303	104,303	104,303
Translation reserve		(987,168)	(965,401)	(932,089)	(936,464)
Retained earnings		2,327,523	2,226,295	2,123,999	2,261,887
Total equity attributable to Kernel Holding S.A. equity holders		**1,950,286**	**1,870,825**	**1,741,857**	**1,875,370**
Non-controlling interests		1,758	1,747	2,138	2,275
Total equity		**1,952,044**	**1,872,572**	**1,743,995**	**1,877,645**
Total liabilities and equity		**3,425,233**	**3,293,411**	**3,885,169**	**4,040,547**
Book value		1,950,286	1,870,825	1,741,857	1,875,370
Number of shares	2	293,429,230	293,429,230	77,429,230	77,429,230
Book value per share (in USD)		6.65	6.40	22.50	24.22
Diluted number of shares		293,429,230	293,429,230	77,429,230	77,429,230
Diluted book value per share (in USD)		6.65	6.40	22.50	24.22

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Profit or Loss

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2024	9 months ended 31 March 2024	3 months ended 31 March 2023	9 months ended 31 March 2023
Revenue	14, 17	1,005,062	2,594,922	825,071	2,714,855
Net change in fair value of biological assets and agricultural produce	10	(25,467)	(47,953)	(10,651)	(12,505)
Cost of sales	15, 17	(773,053)	(2,070,579)	(623,731)	(2,044,254)
Gross profit		**206,542**	**476,390**	**190,689**	**658,096**
Other operating income	17	8,029	59,349	30,654	62,070
Other operating expenses		(9,803)	(45,659)	(8,448)	(28,293)
General, administrative and selling expenses	16, 17	(63,478)	(147,547)	(65,451)	(168,447)
Net (impairment)/reversal of losses on financial assets	17	(5,725)	(26,398)	3,958	5,751
Loss on impairment of assets		(4,342)	(10,986)	(20,376)	(11,325)
Profit from operating activities		**131,223**	**305,149**	**131,026**	**517,852**
Finance costs	17	(20,591)	(94,873)	(39,210)	(115,533)
Finance income	17	11,058	39,551	8,955	19,395
Foreign exchange gain/(loss), net		4,405	5,324	(2,305)	64,286
Other expenses, net		(10,344)	(26,432)	(830)	(1,988)
Profit before income tax		**115,751**	**228,719**	**97,636**	**484,012**
Income tax expenses		(14,465)	(25,464)	(31,145)	(47,213)
Profit for the period		**101,286**	**203,255**	**66,491**	**436,799**
Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		**101,228**	**203,524**	**68,964**	**437,080**
Non-controlling interests		58	(269)	(2,473)	(281)
Earnings per share					
Weighted average number of shares		293,429,230	244,731,048	77,429,230	77,429,230
Profit per ordinary share (in USD)		0.34	0.83	0.89	5.64
Diluted number of shares		293,429,230	244,731,048	77,429,230	77,429,230
Diluted profit per ordinary share (in USD)		0.34	0.83	0.89	5.64

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

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

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

	3 months ended 31 March 2024	9 months ended 31 March 2024	3 months ended 31 March 2023	9 months ended 31 March 2023
Profit for the period	**101,286**	**203,255**	**66,491**	**436,799**
Other comprehensive (loss)/ income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences in translating foreign operations[1]	(21,814)	(55,190)	5,552	(245,375)
Other comprehensive (loss)/income	**(21,814)**	**(55,190)**	**5,552**	**(245,375)**
Total comprehensive income for the period	**79,472**	**148,065**	**72,043**	**191,424**
Total comprehensive income/ (loss) attributable to:				
Equity holders of Kernel Holding S.A.	79,461	148,445	74,518	192,182
Non-controlling interests	11	(380)	(2,475)	(758)

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

[1] Exchange differences originated on different presentation currency of the Group and functional currencies of the subsidiaries.

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

Condensed Consolidated Interim Statement of Changes in Equity

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders									
	Issued capital	Share premium reserve	Additional paid-in capital	Treasury shares	Revaluation reserve	Translation reserve	Retained Earnings	**Total**	Non-controlling interests	**Total equity**
Balance as of 31 December 2022	**2,219**	**500,378**	**39,944**	**(96,897)**	**104,303**	**(1,066,942)**	**2,317,847**	**1,800,852**	**4,750**	**1,805,602**
Profit for the period	—	—	—	—	—	—	68,964	**68,964**	(2,473)	66,491
Other comprehensive income/(loss)	—	—	—	—	—	130,478	(124,924)	**5,554**	(2)	5,552
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**—**	**130,478**	**(55,960)**	**74,518**	**(2,475)**	**72,043**
Balance as of 31 March 2023	**2,219**	**500,378**	**39,944**	**(96,897)**	**104,303**	**(936,464)**	**2,261,887**	**1,875,370**	**2,275**	**1,877,645**
Balance as of 31 December 2023	**7,923**	**554,658**	**39,944**	**(96,897)**	**104,303**	**(965,401)**	**2,226,295**	**1,870,825**	**1,747**	**1,872,572**
Profit for the period	—	—	—	—	—	—	101,228	**101,228**	58	**101,286**
Other comprehensive loss	—	—	—	—	—	(21,767)	—	**(21,767)**	(47)	**(21,814)**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**—**	**(21,767)**	**101,228**	**79,461**	**11**	**79,472**
Cancellation of treasury shares (Note 2)	(174)	(96,723)	—	96,897	—	—	—	**—**	—	**—**
Balance as of 31 March 2024	**7,749**	**457,935**	**39,944**	**—**	**104,303**	**(987,168)**	**2,327,523**	**1,950,286**	**1,758**	**1,952,044**

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Cash Flows

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

	Notes	3 months ended 31 March 2024	9 months ended 31 March 2024	3 months ended 31 March 2023	9 months ended 31 March 2023
Operating activities:					
Profit before income tax		**115,751**	**228,719**	**97,636**	**484,012**
Adjustments for:					
Amortization and depreciation		28,927	78,472	23,540	82,236
Finance costs		20,591	94,873	39,210	115,533
Finance income		(11,058)	(39,551)	(8,955)	(19,395)
Net impairment/(reversal) of losses on financial assets		5,725	26,398	(3,958)	(5,751)
Other accruals		1,211	14,978	(16,953)	(11,110)
Net foreign exchange (gain)/loss, net		(4,250)	(4,922)	2,624	(62,477)
Loss on impairment of assets		4,342	10,986	20,376	11,325
Net change in fair value of biological assets and agricultural produce	10	25,467	47,953	10,651	12,505
Net loss/(gain) arising on financial instruments		3,124	(6,439)	(27,526)	436
Write-downs of inventories to net realizable value	9	(3,834)	233	18,292	27,063
Operating profit before working capital changes		**185,996**	**451,700**	**154,937**	**634,377**
Changes in working capital:					
Change in trade receivable and other financial assets		(7,653)	(33,484)	(25,793)	(273,767)
Change in prepayments and other current assets		25,020	15,601	(71,540)	(107,879)
Change in the restricted cash balance		—	—	—	58
Change in taxes recoverable and prepaid		(453)	77,934	22,674	6,673
Change in biological assets		(17,545)	109,411	38,332	113,207
Change in inventories		61,837	(169,272)	43,611	225,460
Change in trade accounts payable		(13,059)	(34,039)	29,627	(12,542)
Change in advances from customers and other current liabilities		59,838	45,729	80,497	101,357
Cash generated from operations		**293,981**	**463,580**	**272,345**	**686,944**
Interest paid		(8,731)	(79,984)	(25,408)	(92,177)
Interest received		11,058	28,572	7,052	14,753
Income tax paid		(2,356)	(21,289)	(19,483)	(26,892)
Net cash generated by operating activities		**293,952**	**390,879**	**234,506**	**582,628**
Investing activities:					
Purchase of property, plant and equipment		(21,547)	(109,298)	(11,991)	(68,049)
Proceeds from disposal of property, plant and equipment		226	916	295	559
Payment for lease agreements		(243)	(1,200)	(158)	(1,192)
Purchase of intangible and other non-current assets		(697)	(1,828)	(241)	(9,639)
Proceeds from disposal of intangible and other non-current assets		—	—	—	111,311
Acquisition of subsidiaries, net of cash acquired		—	(24,745)	(13)	(6,427)
Amount advanced for subsidiary		—	(442)	—	—
Proceeds from disposal of subsidiaries		—	90,711	—	—
Pledge deposits withdrawal		—	122,703	—	—
Purchase of/Proceeds from financial assets		(104,982)	(107,256)	8,648	12,613
Net cash (used in)/generated by investing activities		**(127,243)**	**(30,439)**	**(3,460)**	**39,176**
Financing activities:					
Proceeds from borrowings		8,942	41,325	—	54,906
Repayment of borrowings		(41,130)	(716,862)	(29,487)	(208,624)
Financing for farmers		—	—	—	196
Repayment of lease liabilities		—	(17,510)	—	(32,931)
Issued capital		—	5,704	—	—
Proceeds from share premium reserve increase		—	54,280	—	—
Net cash used in financing activities		**(32,188)**	**(633,063)**	**(29,487)**	**(186,453)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(12,913)	(17,784)	35	(2,103)
Net increase/(decrease) in cash and cash equivalents		121,608	(290,407)	201,594	433,248
Cash and cash equivalents, at the beginning of the period	8	542,078	954,093	679,220	447,566
Cash and cash equivalents, at the end of the period	8	663,686	663,686	880,814	880,814

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

for the three months ended 31 March 2024 (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. announced 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 31 March 2024, 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. Most the Group's manufacturing facilities is primarily based in Ukraine.

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.

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

			Group's effective ownership interest and voting rights as of			
Subsidiary	**Principal activity**	**Country of incorporation**	**31 March 2024**	**31 December 2023**	**30 June 2023**	**31 March 2023**
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0%	100.0%	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%	99.4%
Prykolotne OEP LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services	Cyprus	100.0%	100.0%	100.0%	100.0%
Transbulkterminal LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Oilexportterminal LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.1%	94.1%	94.1%	94.1%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 27 May 2024.

for the three months ended 31 March 2024 (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 Kernel Holding S.A. as of 31 March 2024, consisted of 293,429,230 ordinary electronic shares without indication of the nominal value (31 December 2023: 300,031,230; 31 March 2023: 84,031,230). Ordinary shares have equal voting rights and rights to receive dividends (except for own shares purchased).

The shares were distributed as follows:

	As of 31 March 2024		As of 31 December 2023		As of 31 March 2023	
Equity holders	**Shares allotted and fully paid**	**Share owned**	**Shares allotted and fully paid**	**Share owned**	**Shares allotted and fully paid**	**Share Owned**
Namsen Limited is registered under the legislation of Cyprus (hereinafter the ‘Major Equity Holder’)	276,914,889	94.37%	276,914,889	92.30%	31,974,011	38.05%
Free float	16,514,341	5.63%	16,514,341	5.50%	45,455,219	54.09%
Own shares purchased	—	—	6,602,000	2.20%	6,602,000	7.86%
Total	**293,429,230**	**100.00%**	**300,031,230**	**100.00%**	**84,031,230**	**100.00%**

As of 31 March 2024 and 31 December 2023, the Company’s immediate majority shareholder was Namsen Limited and the Company was ultimately controlled by Mr. Andrii Verevskyi (31 March 2023: no ultimately controlling party). As of 31 March 2024, 31 December 2023, and 31 March 2023, 100% of the beneficial interest in Namsen Limited was held by Mr. Andrii Verevskyi.

On 21 March 2024, the Group decreased its share capital by USD 174 thousand through the cancellation of 6,602,000 shares held in treasury by its wholly-owned subsidiary.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 221 thousand as of 31 December 2023 and 2022, and 30 June 2023, may not be distributed as dividends.

3. Operating Environment

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 condensed consolidated interim 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.

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.

Inflation will accelerate moderately in 2024 to 8.2% but will decline to 6% next year and 5% thereafter according to the inflation report of the National Bank of Ukraine (hereafter “NBU”). The NBU predicts that economic growth will slow to 3% in 2024, including due to the loss of energy infrastructure and expected electricity shortages (about 5%, according to the NBU's assumptions). In 2025–2026, GDP growth will speed up thanks to a more rapid normalization of the business environment, to 5.3% and 4.5% respectively. This will be facilitated by improved consumer and investment sentiment, the gradual return of migrants, and progress in European integration reforms. As a result, real GDP will approach its potential level by the end of 2026.

Ukraine received USD 9 billion from international partners in March, which allowed the country to increase its international reserves to almost USD 44 billion. Moreover, in the past few days, Ukraine received positive news from the United States about the approval of the military and financial assistance package. Ukraine also received another tranche from the EU in the amount of EUR 1.5 billion. In such a way, Ukraine can count on receiving USD 38 billion in external budgetary support this year.

As of 1 May 2024, Ukraine’s international reserves stood at USD 42,399.5 million. In April, international reserves declined by 3.1%. Such dynamics were driven by the NBU’s FX interventions aimed at preserving the sustainability of the exchange rate and by Ukraine’s FX debt repayments, which were partially offset by funding from international partners.

The Board of the National Bank of Ukraine has decided to cut the key policy rate from 14.5% to 13.5% effective 26 April 2024. Considering a decline in actual and expected price pressures and lower risks to inflows of international financial support, the NBU continues the easing cycle of its interest rate policy.

During the first half of 2024 year, the border blockade had a tangible impact on Ukraine’s foreign trade, primarily on imports. In the first month of the blockage, the country sustained USD 500 million in outright losses of goods imports and USD 160 million in losses of goods exports. Later, it became possible to partially make up for the loss of imports by ramping up deliveries via different routes, and for the loss of exports, by increasing the capacity of the new maritime corridor. Its full operation will make it possible not only to compensate for the losses from the border blockade and the imposition of grain licensing but also to return to conventional markets for Ukrainian exports. Such developments have already been observed in recent months.

After the termination of the Grain Initiative, a new sea corridor was established with strong support from Ukraine's defense forces and international partners. Its performance in December 2023 surpassed that of the Black Sea Grain Initiative's best months. As of March 2024, more than 1,100 vessels passed through the corridor, exporting 33.8 million tons of cargo, of which 23.1 million tons were Ukrainian agricultural products. Preliminary results for April 2024 indicate that Ukrainian export volumes reached a record high of over 13 million tons since the start of the war. The Ministry of Economy noted that this surpassed not only the figures for March 2024 but also those for February 2022. This brought the country USD 3.3 billion. In the first three months of 2024, out of 17 million tons of agricultural exports, about 12 million tons were shipped through the ports of Greater Odesa, nearly 3 million tons via the Danube, and only 2 million tons by land transport, mainly by rail, through neighboring EU countries.

Due to Russia's massive attacks against the energy infrastructure, the NBU forecasts an electricity deficit of around 5% for 2024-2025. This was caused by the high intensity of shelling from March to May 2024, which led to significant losses in the generating capacities of thermal and hydroelectric power plants. The electricity deficit may increase with rising consumption in summer and the heating season. However, the risks of new destruction and consequently higher deficits remain. Further integration of Ukraine's energy system with the European system allows for the import of 1.7 GW of power, which currently compensates for the temporary deficit of generating capacities during peak consumption hours and helps balance the energy system.

As of May 2024, 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 was 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 temporarily 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.

4. Basis of preparation

Basis of Preparation and Accounting

The condensed consolidated interim financial statements of the Group for the three months ended 31 March 2024 have been prepared by International Accounting Standard ('IAS') 34 Interim Financial Reporting, as adopted by the European Union, and do not include all the information and disclosures required in the annual consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2023, except for the estimation of income tax which is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year and the adoption of new and amended standards, which have become effective from 1 July 2023. The adoption of these standards and amendments did not have a material effect on the condensed consolidated interim financial statements of the Group.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant, and equipment for the oilseeds processing segment, biological assets, agricultural produce and certain financial assets and liabilities measured at fair value. The condensed consolidated interim financial statements have been prepared on a going concern basis.

Going concern

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 impact arising from the war on the business, as mentioned below:

- For the period after the Russian invasion of Ukraine 1,549 employees joined Ukrainian military forces and territorial defense and approximately 715 of them were demobilized. Personnel mostly work in the same place as before the war.
- The Group managed to export products through the Black Sea and alternative routes including the Danube River, railways, and trucks.
- Procurement of grain on the Ukrainian market corresponds to the available capacity of its deep-water grain terminals subject to Ukraine's harvest export surplus availability.
- The Group expects no limitations to finance its working capital requirements.
- As of 31 March 2024, the Group continued to classify its bank borrowings with long-term initial contractual maturity and bonds with maturity in 2027 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 or return to the initial payment schedule 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 the ability of bondholders to exercise their right for the 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 condensed consolidated interim financial statements.

In addition, as a response to the unfavorable war events the Group considers the following:

- Starting from October 2023, the establishment of the temporary Black Sea corridor for commercial navigation by the Ukrainian Navy, the Group has started to export through Ukrainian Black Sea ports.
- While the Management focuses its export logistics through the deep-water export terminals at the Black Sea, the Group retains access to some of the transshipment capacity at Danube river ports which are expected to be underutilized as long as deep water export remains operational. Minor amounts of oil are exported by railcars via overland channels.
- The Group is finalizing the spring sowing campaign on 235 thousand hectares, in addition to 108 thousand hectares already being under the winter crops. The Group maintained sufficient volumes of crop inputs (seeds, fertilisers, fuel pesticides and other inputs), required for the sowing season, as well as prepared respective transportation and equipment and allocated required human resources.
- The Group can renew existing short-term credit limits from local banks and/or arranging new facilities and available limits. The Group continues to service Eurobonds and lines obtained after the war escalation and pay its liabilities under the contract terms.

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

- Starting from January 2024, the Group returned to the pre-war repayment schedule for long-term credit lines from European banks.

Considering the above management has assessed the going concern assumption based on which the condensed consolidated interim financial statements have been prepared.

The management prepared forecasts and scenarios of cash flow for the next 12 months from the date of the approval of these condensed consolidated interim financial statements, assuming the factors described above.

Management acknowledges that future development of military actions, and their duration represents 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 condensed consolidated interim financial statements is appropriate.

Functional and Presentation Currency

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

Foreign Currencies

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

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

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

Currency	Closing rate as of 31 March 2024	Average rate for the 3 months ended 31 March 2024	Average rate for the 9 months ended 31 March 2024	Closing rate as of 31 December 2023	Closing rate as of 31 March 2023	Average rate for the 3 months ended 31 March 2023	Average rate for the 9 months ended 31 March 2023
USD/UAH	39.2214	38.1727	37.1080	37.9824	36.5686	36.5686	36.0348
USD/EUR	0.9274	0.9211	0.9234	0.9050	0.9183	0.9322	0.9692
USD/PLN	3.9886	3.9914	4.0786	3.9350	4.2934	4.3905	4.5821

The average exchange rates for each period are calculated as the arithmetic means 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 Condensed Consolidated Interim Statement of Profit or Loss.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

There were no significant changes in the accounting judgments, estimates and assumptions applied in preparing these condensed consolidated interim financial statements compared to consolidated financial statements for the year ended 30 June 2023.

6. Operating Segments

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

Segments in the condensed consolidated interim financial statements are defined by the type of activity, products sold, or services provided. Segmentation presented in these condensed consolidated interim financial statements is consistent with the structure of financial information regularly reviewed by the Group's management, including the Chief Executive Officer. The operating segments' performance is assessed based on a measure of EBITDA.

The Group is presenting its segment results within three operating segments: Oilseed Processing, Infrastructure and Trading, and Farming.
In the Oilseed Processing segment, the Group combines oilseed origination, edible oil production and sales of bottled sunflower oil. Sunflower oil in bulk is mostly sold further to the Infrastructure and Trading segment for global marketing.

In the Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminal 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 that serve the grain merchandising business and consequently uses a combined throughput margin to evaluate the performance of the Infrastructure and Trading business. 100% of the Group's export terminals' capacity and the majority of grain storage capacity are used for the Group's export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's railcar park. Also, the Infrastructure and Trading segment includes 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, grain handling and transshipment services.
Farming	Agricultural farming. Production of corn, wheat, soybean, sunflower seed and rapeseed.

Reconciliation eliminates intersegment items. The segment data is calculated as follows:
- Intersegment sales reflect intergroup transactions effected on an arm's length basis.
- Capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to segments when possible.

Since financial management of the Group's companies is carried out centrally, borrowings, bonds, deferred taxes and some other assets and liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' column. Consequently, the assets and liabilities shown for individual segments do not include borrowings, bonds, deferred taxes and some other assets and liabilities.

Seasonality of operations

The Oilseed Processing segment normally has seasonally lower sales in the first quarter of the financial year, which corresponds to the end of the crushing season and lower production levels. The operations of the Farming segment reflect seasonality in the context of seeding and harvesting campaigns, which are conducted mainly in November-May and June-November, respectively. The Infrastructure and Trading segment usually experiences somewhat higher volumes in the several months after the commencement of the harvesting campaign (July for early grains and September for crops harvested in autumn). In addition, the farming segment usually reflects a higher effect from the IAS 41 valuation of biological assets in the last quarter of the financial year when more acreage is revalued to fair value less costs to sell and a higher effect from the IAS 41 valuation of agricultural produce in the first half of the financial year due to the completion of the harvesting campaign.

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

7. Key Data by Operating Segment

Key data by operating segment for the three months ended 31 March 2024:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	441,863	543,021	20,178	—	—	1,005,062
Intersegment sales	37,185	65,509	178,808	—	(281,502)	—
Total revenue	**479,048**	**608,530**	**198,986**	**—**	**(281,502)**	**1,005,062**
Net change in fair value of biological assets and agricultural produce	—	—	(25,467)	—	—	(25,467)
Cost of sales	(437,996)	(447,377)	(169,182)	—	281,502	(773,053)
Other operating income	3,890	138	3,834	167	—	8,029
Other operating expenses	(42)	(9,717)	(44)	—	—	(9,803)
General, administrative and selling expenses	(2,890)	(35,395)	(3,629)	(21,564)	—	(63,478)
Net impairment losses on financial assets	(300)	(7,489)	85	1,979	—	(5,725)
(Loss)/reversal of impairment losses on assets	(109)	(4,235)	2	—	—	(4,342)
Profit/(Loss) from operating activities	**41,601**	**104,455**	**4,585**	**(19,418)**	**—**	**131,223**
Amortization and depreciation	8,473	7,871	11,625	958	—	28,927
EBITDA	**50,074**	**112,326**	**16,210**	**(18,460)**	**—**	**160,150**
Reconciliation:						
Finance costs						(20,591)
Finance income						11,058
Foreign exchange gain, net						4,405
Other expenses, net						(10,344)
Income tax expenses						(14,465)
Profit for the period						**101,286**
Total assets	1,522,836	1,252,232	547,976	102,189	—	3,425,233
Capital expenditures	9,484	3,716	11,718	1,458	—	26,376
Liabilities	103,408	230,039	227,194	912,548	—	1,473,189

Key data by operating segment for the three months ended 31 March 2023:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	270,186	541,511	13,374	—	—	825,071
Intersegment sales	223,799	16,147	91,468	—	(331,414)	—
Total revenue	**493,985**	**557,658**	**104,842**	**—**	**(331,414)**	**825,071**
Net change in fair value of biological assets and agricultural produce	—	—	(10,651)	—	—	(10,651)
Cost of sales	(383,219)	(475,364)	(96,591)	29	331,414	(623,731)
Other operating income	13,428	554	2,357	14,315	—	30,654
Other operating expenses	(7,649)	—	—	(799)	—	(8,448)
General, administrative and selling expenses	(2,579)	(33,787)	(10,017)	(19,068)	—	(65,451)
Net (impairment)/reversal of losses on financial assets	(19,523)	17,179	511	5,791	—	3,958
(Loss)/reversal of impairment losses of assets	7,118	(1,350)	(23,731)	(2,413)	—	(20,376)
Profit/(Loss) from operating activities	**101,561**	**64,890**	**(33,280)**	**(2,145)**	**—**	**131,026**
Amortization and depreciation	7,355	6,317	8,975	893	—	23,540
EBITDA	**108,916**	**71,207**	**(24,305)**	**(1,252)**	**—**	**154,566**
Reconciliation:						
Finance costs						(39,210)
Finance income						8,955
Foreign exchange loss, net						(2,305)
Other expenses, net						(830)
Income tax expenses						(31,145)
Profit for the period						**66,491**
Total assets	1,671,818	1,367,211	617,326	384,192	—	4,040,547
Capital expenditures	7,497	6,823	1,043	211	—	15,574
Liabilities	73,659	191,326	237,450	1,660,467	—	2,162,902

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

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

	For the 3 months ended 31 March 2024				For the 3 months ended 31 March 2023			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	384,168	471,009	20,178	875,355	231,517	505,360	13,374	750,251
Freight and other services	57,695	72,012	—	129,707	38,669	36,151	—	74,820
Total external revenue from contracts with customers	**441,863**	**543,021**	**20,178**	**1,005,062**	**270,186**	**541,511**	**13,374**	**825,071**

During the three months ended 31 March 2024, revenue of approximately USD 71,643 thousand (the three months ended 31 March 2023: USD 117,897 thousand) was 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 93.7% of total external sales (the three months ended 31 March 2023: 93.1%).

During the three months ended 31 March 2024, revenue from the Group's top five customers accounted for approximately 31.5% of total revenue (for the three months ended 31 March 2023: 35.5%).

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	
	3 months ended 31 March 2024	3 months ended 31 March 2023
Asia, of which	517,618	424,933
India	166,513	118,461
Hong Kong	113,964	71,908
China	106,415	78,620
Singapore	57,132	87,489
Europe, of which	436,980	373,959
Switzerland	122,587	175,862
Other locations	50,464	26,179
Total	**1,005,062**	**825,071**

	Non-current assets		
	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Ukraine	1,408,633	1,416,486	1,380,481
Switzerland	15,418	17,686	16,274
USA	610	687	688
Other locations	8,792	9,389	11,190
Total	**1,433,453**	**1,444,248**	**1,408,633**

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

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

8. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Cash in banks in USD	455,386	394,160	833,440
Cash in banks in UAH	186,701	131,129	34,455
Cash in banks in other currencies	21,602	16,789	12,923
Cash on hand	4	5	4
Total	**663,693**	**542,083**	**880,822**
Less bank overdrafts (Note 12)	(7)	(5)	(8)
Cash per statement of cash flows	**663,686**	**542,078**	**880,814**

As of 31 March, 31 December 2023 and 31 March 2023, the identified expected credit loss on cash and cash equivalents was immaterial.

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

9. Inventory

The balances of inventories were as follows:

	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Raw materials	203,616	177,839	150,156
Products of agriculture	70,932	175,774	163,470
Finished products	60,569	49,693	139,196
Goods for resale	60,144	96,282	116,979
Work in progress	45,731	25,218	45,696
Fuel	6,573	5,620	11,016
Packaging materials	1,556	1,442	2,144
Other inventories	9,016	7,245	8,188
Total	**458,137**	**539,113**	**636,845**

As of 31 March 2024, write-downs of inventories to the net realizable value amounted to USD 233 thousand (31 March 2023: USD 27,063 thousand) recognized within the Cost of Sales.

As of 31 March 2024, no inventories were pledged as security for short-term borrowings (31 December 2023: nil; 31 March 2023: USD 263,833 thousand) (Note 12).

10. Biological Assets

As of 31 March 2024, the Group maintained 108,048 hectares planted with winter crops, which were valued in the amount of USD 25,419 thousand (31 December 2023: 108,027 hectares of USD 10,089 thousand; 31 March 2023: 72,570 hectares of USD 22,072 thousand).

For the three months ended 31 March 2024, the Group incurred loss due to a change in the fair value of biological assets in the total amount of USD 25,467 thousand, of which USD 25,915 thousand loss was attributed to the revaluation of agriproducts, specifically the reversal of revaluation for sold goods of 2022 and 2023 harvests, and gain in the amount of USD 448 thousand related to the revaluation of crop-bearing fields due to their biological transformation and the revaluation of livestock.

11. Other Financial Assets

The balances of other financial assets were as follows:

	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Government bonds	124,400	20,806	16,105
Margin account with brokers	72,027	64,263	92,808
Derivative financial instruments (Note 19)	33,365	20,206	31,218
Short-term bank deposits	12,753	22,760	—
Loans granted	5,274	7,316	42,330
Receivables from disposal of subsidiaries	—	—	190,000
Other financial assets	15,773	14,475	15,541
Total	**263,592**	**149,826**	**388,002**

As of 31 March 2024, no other financial assets were pledged as security for short-term borrowings (31 December 2023: nil; 31 March 2023: USD 16,105 thousand) (Note 12).

12. Borrowings

The balances of borrowings were as follows:

	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Current liabilities			
Short-term borrowings	172,326	180,674	214,165
Bank credit lines	8,935	32,383	688,461
Interest accrued on short-term borrowings	3,103	3,298	6,495
Bank overdrafts (Note 8)	7	5	8
Total	**184,371**	**216,360**	**909,129**

for the three months ended 31 March 2024 (in thousands of US dollars, unless otherwise stated)

The balances of bank credit lines and bank overdrafts in detail by tranches were as follows:

	Interest rates in the range	Currency	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
European bank	2.50% plus COF	USD	6,942	—	—
Ukrainian bank	7.25%	USD	2,000	—	—
Ukrainian subsidiary of European bank	from 11.25% to 23.73%	UAH	—	32,383	—
European bank	from 2.90% to 4.50% plus SOFR	USD	—	5	125,661
European bank	from 2.50% to 4.00% plus LIBOR	USD	—	—	261,742
Ukrainian subsidiary of European bank	from 5.70% to 10.00%	USD	—	—	148,037
Ukrainian bank	6.00% plus UIRD	UAH	—	—	43,967
Ukrainian subsidiary of European bank	from 7.00% to 21.00%	UAH	—	—	28,024
European bank	from 2.50% to 4.00% plus COF	USD	—	—	26,092
Ukrainian bank	7.00%	USD	—	—	19,142
Ukrainian bank	from 15.60% to 23.73%	UAH	—	—	18,239
European bank	from 1.50% to 2.3% plus LIBOR	USD	—	—	7,007
Ukrainian subsidiary of European bank	from 1.90% to 5.50%	USD	—	—	6,000
Ukrainian subsidiary of European bank	from 21.00% to 23.00%	UAH	—	—	4,558
Total			**8,942**	**32,388**	**688,469**

As of 31 March 2024, 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.

The balance of the borrowings with an initial contractual maturity of more than 12 months is disclosed in the table below by tranches:

	Initial contractual maturity year	Interest rate in range	Currency	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
European bank	2030	from 3.03% to 3.10% plus SOFR	USD	73,995	76,852	—
European bank	2029	from 3.03% to 3.10% plus SOFR	USD	69,211	72,462	—
European bank	2027	4.50% plus SOFR	USD	24,960	26,880	—
European bank	2027	1.00%	USD	4,160	4,480	5,875
European bank	2030	from 2.77% to 2.84% plus LIBOR	USD	—	—	87,578
European bank	2029	from 2.77% to 2.84% plus LIBOR	USD	—	—	85,459
European bank	2027	4.50% plus LIBOR	USD	—	—	35,253
Total				**172,326**	**180,674**	**214,165**

As of 31 March 2024, the undrawn amount of bank borrowings amounted to USD 218,129 thousand including available facility amounts upon bank credit lines (31 December 2023: USD 162,605 thousand; 31 March 2023: USD 91,866 thousand).

The bank borrowings were secured as follows:

	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
Property, plant and equipment	422,969	393,253	401,805
Inventory (Note 9)	—	—	263,833
Future sales receipts	—	—	63,197
Ukrainian government bonds (Note 11)	—	—	16,105
Short-term bank deposits	—	—	7,039
Total	**422,969**	**393,253**	**751,979**

13. Bonds issued

The balances of bonds issued were as follows:

	Initial contractual maturity	As of 31 March 2024	As of 31 December 2023	As of 31 March 2023
US 300,000 thousand 6.75% coupon bonds (issued October 2020)	October 2027	298,087	297,925	297,667
US 300,000 thousand 6.50% coupon bonds (issued October 2019)	October 2024	299,306	299,070	298,380
Total		**597,393**	**596,995**	**596,047**

As of 31 March 2024, the bonds are rated CC by S&P (31 December 2023: CC, 31 March 2023: CC), consistent with the rating of the Ukrainian sovereign. Also, the bonds keep the CC rating assigned by Fitch.

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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 bases to the maximum extent permitted by law.

All the bonds contain certain restrictive covenants that limit the ability of the Issuer 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 31 March 2024, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 'Presentation of Financial Statements') to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term. Notwithstanding such classification, management notes that because of the effective waivers from banks that were in place as of 31 March 2024, 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.

As of 31 March 2024, accrued interest on bonds issued was USD 17,440 thousand (31 December 2023 and 31 March 2023: USD 7,612 thousand and USD 17,440 thousand, respectively).

14. Revenue

The Group's revenue was as follows:

	3 months ended 31 March 2024	**3 months ended 31 March 2023**
Revenue from agriculture commodities merchandising	510,035	325,983
Revenue from edible oils sold in bulk, meal, and cake	440,233	447,553
Revenue from bottled sunflower oil	23,341	31,008
Revenue from transshipment services	17,579	6,596
Revenue from farming	12,609	11,304
Revenue from grain silo services	1,265	2,627
Total	**1,005,062**	**825,071**

Revenue is obtained principally from the sale of commodities, recognized once the control of the goods has transferred from the Company to the customer. Revenue derived from freight, storage and other services is recognized over time as the service is rendered. Disaggregated revenue for each reportable segment is presented in Note 7.

The transaction price allocated to unsatisfied performance obligations as of 31 March 2024 is USD 10,543 thousand (31 March 2023: USD 16,340 thousand). This amount represents revenue from the carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in April 2024, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from the sale of goods at a point in time as of 31 March 2024.

15. Cost of Sales

The cost of sales was as follows:

	3 months ended 31 March 2024	**3 months ended 31 March 2023**
Cost of goods for resale and raw materials used	543,762	444,980
Shipping and handling costs	179,606	136,361
Amortization and depreciation	27,319	22,454
Payroll and payroll related costs	22,366	19,936
Total	**773,053**	**623,731**

For the three months ended 31 March 2024 result of operations with commodity futures, options and unrealized forwards, included within the Cost of goods for resale and raw materials used line, decreased Cost of sales in the amount of USD 58,216 thousand (31 March 2023: USD 29,388 thousand decrease).

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16. General, administrative and selling expenses

General, administrative and selling expenses were as follows:

	3 months ended 31 March 2024	3 months ended 31 March 2023
Payroll and payroll-related costs	53,444	55,852
Audit, legal and other professional fees	3,126	3,063
Amortization and depreciation	1,608	1,086
Repairs and material costs	1,426	2,486
Taxes other than income tax	971	117
Business trip expenses	808	171
Bank services	247	180
Other expenses	1,848	2,496
Total	**63,478**	**65,451**

17. Transactions with Related Parties

As of 31 March 2024, the Group is controlled by the Namsen Limited (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 31 March 2024	Related party balances as of 31 December 2023	Related party balances as of 31 March 2023
Entities under Common Control	Trade accounts receivable	23,485	22,513	—
	Prepayments to suppliers	54,516	38,986	—
	Other financial assets	3,103	1,917	—
	Non-current financial assets	12,837	12,711	—
	Trade accounts payable	8,420	13,766	—
	Advances from customers and other current liabilities	51,546	—	—
	Other financial liabilities	—	2,142	—
Entities under Beneficial Owner control	Trade accounts receivable	—	—	12,805
	Prepayments to suppliers	—	—	72,948
	Other financial assets	—	—	204,957
	Trade accounts payable	—	—	55,127
	Advances from customers and other current liabilities	—	—	331
	Other financial liabilities	—	—	15,257
Key management	Other financial assets	1,503	1,516	2,146
	Non-current financial assets	2,341	1,406	129
	Advances from customers and other current liabilities	15,699	12,941	28,262
	Other financial liabilities	61,089	64,438	—
	Other non-current liabilities	—	—	44,438
Entities under Key Management control	Other financial assets	60	997	20,325
	Non-current financial assets	6,954	7,546	—
Other related parties	Trade accounts receivable	277	1,878	21,534
	Prepayments to suppliers	1,593	999	1,624
	Other financial assets	749	630	4,205
	Non-current financial assets	255	163	8,618

During the year ended 30 June 2022, a new management incentive plan was introduced, under which the Company granted management options to sell 2,792,435 of its ordinary shares. As of 31 March 2024, the fair value of the liability from share options amounted to USD 61,005 thousand presented within Other financial liabilities (31 December 2023: USD 61,005 thousand; 31 March 2023: USD 44,438 thousand presented within Other non-current liabilities).

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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 are 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 turnovers for the 3 months ended 31 March 2024	Related party turnovers for the 3 months ended 31 March 2023
Entities under Common Control	Revenue	14,204	—
	Purchases of various goods and services	(18,794)	—
	Cost of sales	(4,816)	—
	Net impairment losses on financial assets	(573)	—
	Other expenses	(846)	—
Entities under Beneficial Owner control	Revenue	—	5,212
	Purchases of various goods and services	—	(9,551)
	Cost of sales	—	(1,128)
	Other income	—	2,813
Key management	General, administrative and selling expenses	(6,903)	(9,124)
Entities under Key Management control	General, administrative and selling expenses	(967)	(770)
Other related parties	Revenue	557	32,610
	Purchases of various goods and services	(896)	—
	Other operating income	—	4,082
	Net impairment losses on financial assets	(2,853)	—

The Group's 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 Condensed Consolidated Interim Statement of Profit and Loss including salaries and other current employee benefits amounted to USD 6,881 thousand (for the 3 months ended 31 March 2023: USD 8,782 thousand).

18. Commitments and Contingencies

Capital Commitments

As of 31 March 2024, the Group had commitments under contracts with a group of suppliers for a total amount of USD 21,062 thousand, mostly for construction of the oil-crushing plant (31 December 2023 and 31 March 2023: USD 26,322 and USD 23,769 thousand, mostly for construction of the oil-crushing plant).

Contractual Commitments on Sales

As of 31 March 2024, the Group had entered into commercial contracts for the export of 937,757 tons of grain, 371,738 tons of vegetable oil, and 224,401 tons of sunflower meal and other related products, corresponding to an amount of USD 214,775 thousand, USD 344,074 thousand and USD 67,348 thousand, respectively, in contract prices as of the reporting date.

As of 31 December 2023, the Group had entered into commercial contracts for the export of 582,983 tons of grain, 300,775 tons of sunflower oil, and 179,020 tons of sunflower meal and other related products, corresponding to an amount of USD 163,114 thousand, USD 283,261 thousand and USD 57,279 thousand, respectively, in contract prices as of the reporting date.

As of 31 March 2023, the Group had entered into commercial contracts for the export of 555,598 tons of grain, 175,823 tons of sunflower oil and 151,015 tons of sunflower meal and other related products, corresponding to an amount of USD 160,498 thousand, USD 198,631 thousand and USD 56,345 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. The management is currently reviewing the impact of those changes on the financial statements. 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. Kernel Holding belongs to the Kernel Group that is withing the scope of the OECD Pillar Two Model Rules. Pillar Two legislation was enacted in Luxembourg, the jurisdiction in which Kernel Holding is incorporated, which has come into effect for fiscal years starting on or after 31 December 2023. However, it was determined in terms of Pillar 2 rules that Namsen Limited residing in Cyprus should be considered as the Ultimate Parent Entity of the Kernel Group and should therefore have the obligation to apply the Income Inclusion Rule and be charged with the top-up tax (TUT) due on any low-taxed profits of itself and its low-taxed subsidiaries. Cyprus has not yet transposed the rules into the domestic legislation but is expected to do so in the course of 2024 with retroactive effect as of 31 December 2023, in line with the requirements of the EU Directive, and will therefore be effective for the Kernel Group from 1 July 2024. Since the Pillar Two legislation will not be effective at the closing date of the financial year, Kernel Group will not have related current tax exposure. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted legislation cannot yet be reasonably estimated. Kernel Group is currently engaged with advisors to confirm the modalities of the application of the legislation.

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Tax risk management is embedded in overall Group risk management. As of 31 March 2024, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 73,079 thousand (as of 31 December 2023 and 31 March 2023: USD 73,653 thousand and USD 69,212 thousand, respectively). In April, the Group received a favorable decision from the appeal court concerning a legal case involving value-added tax refunds totaling USD 51,525 thousand. However, since a further appeal to a higher court is possible, the outcome remains uncertain. Management believes that based on the previous history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's condensed consolidated interim financial statements as of the reporting date.

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

The Company received five legal summonses from a group of minority shareholders. These summonses request a temporary suspension of the Board of Directors' decisions made on August 21, 2023, concerning the initiation of a share offering, and on September 1, 2023, regarding the increase in share capital following the share offering, as well as the annulment of these decisions. Additionally, the minority shareholders are requesting the temporary suspension and annulment of the resolutions adopted at the Company's Annual General Meeting held on December 11, 2023. It is an early stage of the proceedings, and the outcome of the litigation cannot be assessed now. However, the management of the Group believes there was no non-compliance with the laws and regulations concerning the facts appealed by the claimants.

19. Financial Instruments

Due to the defined short-term nature of the borrowings as of 31 March 2024, their carrying amount is approximately the same as their fair value. The fair value was calculated based on cash flows discounted using a current lending rate that is within level 2 of the fair value hierarchy.

The following table below represents a comparison of carrying amounts and fair value of the bonds issued for which they differ:

	As of 31 March 2024		As of 31 December 2023		As of 31 March 2023	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Bonds issued (Note 13)	614,833	461,520	604,607	397,050	613,487	321,570

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 markups derived from observable quotations representing differentials, as required, including geographic location and local supply and demand.

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

	As of 31 March 2024			As of 31 December 2023			As of 31 March 2023		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Other financial assets (Note 11)									
Forwards	—	14,399	**14,399**	—	7,308	**7,308**	—	10,201	**10,201**
Futures/Options	18,966	—	**18,966**	12,898	—	**12,898**	21,017	—	**21,017**
Other financial liabilities									
Forwards	—	7,760	**7,760**	—	3,506	**3,506**	—	3,890	**3,890**
Futures/Options	8,251	—	**8,251**	1,497	—	**1,497**	4,790	—	**4,790**

A 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, and other current liabilities are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the three months ended 31 March 2024, 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 the fair value hierarchy. There have been no changes in the valuation technique since the previous period.

20. Subsequent Events

During April and May 2024, the Group withdrew new tranches totaling USD 87,294 thousand through new loan agreements with Ukrainian banks. Undrawn facilities as of 23 May 2024 amount to USD 171,299 thousand, primarily related to bank facilities in Ukraine and Avere financing.