KERNEL

Kernel Holding S.A.

ANNUAL REPORT

For the year ended 30 June 2022

Kernel is a diversified agricultural business in Ukraine, the leading exporter of agricultural products from the Black Sea region.

We are the world's leading producer and exporter of sunflower oil, the largest grain exporter from Ukraine, operator of an extensive agricultural logistics network and the largest producer of grain and oilseeds in Ukraine. In FY2022, we supplied 10 million tons of agricultural products from Ukraine all over the world.

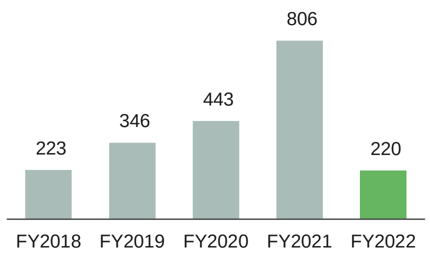
Key Highlights

US$ million except ratios and EPS	FY2021[1]	**FY2022**	y-o-y
Income statement highlights			
Revenue	5,595	**5,332**	*(5%)*
EBITDA [2]	806	**220**	*(73%)*
Net profit attributable to equity holders of Kernel Holding S.A.	513	**(41)**	*n/a*
EBITDA margin	14.4%	**4.1%**	*(10.3pp)*
Net margin	9.2%	**(0.8%)**	*(9.9pp)*
Earnings per share, US$	6.10	**(0.51)**	*n/a*
Cash flow highlights			
Operating profit before working capital changes	649	**677**	*4%*
Change in working capital	(44)	**(794)**	*18x*
Finance costs paid, net	(129)	**(119)**	*(7%)*
Income tax paid	(18)	**(70)**	*3.8x*
Net cash generated by operating activities	460	**(305)**	*n/a*
Net cash used in investing activities	(203)	**(294)**	*45%*
Liquidity and credit metrics			
Net debt	836	**1,488**	*78%*
Commodity inventories [3]	285	**892**	*3.1x*
Adjusted net debt [4]	551	**596**	*8%*
Shareholders' equity	1,946	**1,683**	*(14%)*
Net debt / EBITDA	1.0x	**6.8x**	*+5.7x*
Adjusted net debt / EBITDA	0.7x	**2.7x**	*+2.0x*
EBITDA / Interest	5.7x	**1.8x**	*-3.8x*
Non-financial highlights			
Number of employees (full-time equivalent) as of 30 June[5]	11,256	**10,223**	*(9%)*
Rate of recordable work-related injuries, accidents per million worked hours	0.46	**0.22**	*(52%)*
Social spending, US$ million	3.9	**26.3**	*6.7x*
Greenhouse gas emissions, thousand tons of CO_2 equivalent	1,462	**1,272**	*(13%)*
Total energy consumption, terajoules	7,391	**6,881**	*(7%)*

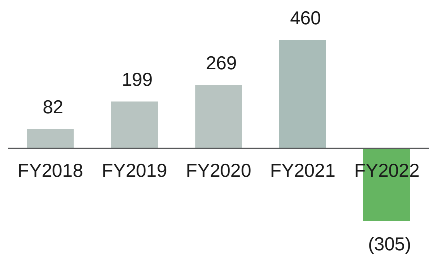
Note: Financial year ends 30 June.
1. Figures for FY2021 were corrected, as explained in detail in the notes to the consolidated financial statements.
2. Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.
3. Commodity inventories are 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.
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. Excluding employees related to assets held for sale as of the reporting date.

Hereinafter differences between totals and sums of the parts are possible due to rounding.
Hereinafter “Kernel”, “Group” or “Company” refers to the Kernel Holding S.A. group of companies.
This Strategic Report together with the “Sustainability” and “Corporate Governance” sections shall be read and perceived as Directors’ Report for the purposes of the Luxembourg legislation.

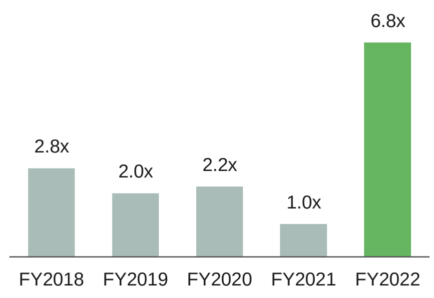
EBITDA
US$ million



Net cash generated by operating activities
US$ million



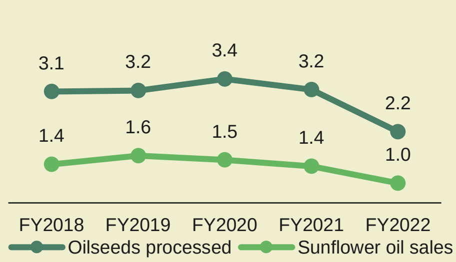
Net debt / EBITDA



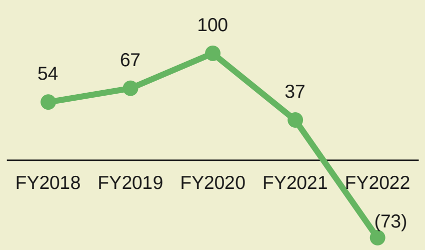
Operating Highlights

Oilseed Processing

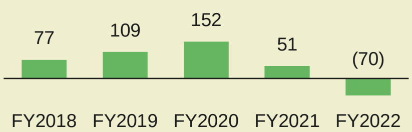
Segment volumes
million tons



EBITDA margin
US$ / ton of sunflower oil sold



EBITDA[1]
US$ millions



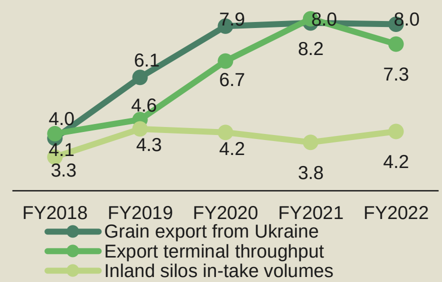
The disruptions in exports due to the war in Ukraine forced Kernel to temporarily suspend oilseed processing operations and resulted in the sales volumes decline. The Group **processed 2.2 million tons of sunflower seeds** in FY2022, down 31% y-o-y, implying 60% capacity utilization. Sunflower oil sales volumes dwindled to 1 million tons.

Segment EBITDA amounted to a negative US$ 70 million, suffering **US$ 185 million losses related to inventories** (reduction of value to the net realizable value, write-off of destroyed inventories and reserve for inventories located on territories occupied by Russia) **and impairment of goodwill and PP&E**.

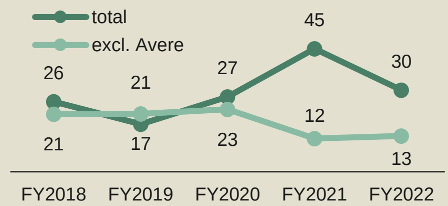
As a result, the **EBITDA margin per ton of oil sold** turned negative to US$ 73.

Infrastructure and Trading

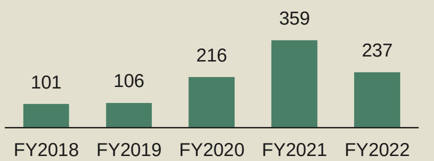
Segment volumes
million tons



EBITDA margin[2]
US$ / ton of grain exported



EBITDA[1,2]
US$ millions



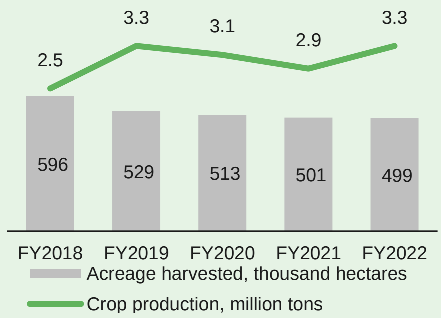
For the second year in a row, decent segment performance in FY2022 is mainly driven by trading profits: the Group recognized US$ 134 million EBITDA attributable to **Avere** activities (or 57% of US$ 237 million total segment EBITDA) in FY2022, as the trading team skillfully exploited the volatility prevailing on the soft commodity markets.

Grain export value chain in Ukraine generated US$ 103 million EBITDA, reflecting:

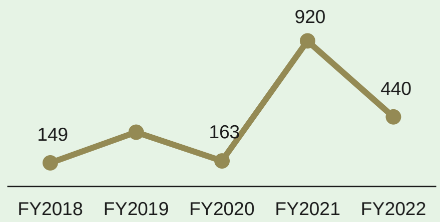
- **Strong pre-war performance** driven by record grain harvest in Ukraine and upscaled Kernel grain export asset base. Practically all FY2022 segment volumes were delivered before 24 February 2022; and
- **Loss-making operations after the war broke out**, negatively impacted also by US$ 82 million losses stemming from the reduction of the inventory value to the net realizable value, the reserve created for the inventories located on territories occupied by Russia, provisions created for receivables and other one-off losses.

Farming

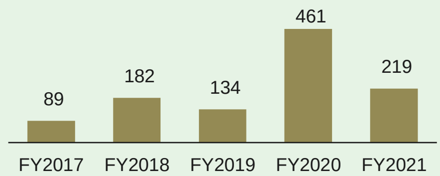
Kernel's production of key crops[2]



EBITDA margin
US$ / ha



EBITDA[1]
US$ millions



Despite **the extremely supportive fundamentals** (record crop yields, strong global grain and oilseed prices), the segment **EBITDA reduced twofold, to US$ 219 million**, accounting for US$ 145 million losses mostly stemming from the reduction of inventory value to the net realizable value and the impairment of right-of-use assets, goodwill, and PP&E.

Adjusting for such losses, the segment EBITDA ended up at US$ 364 million in FY2022, 99% of which was secured in the first half of the year, while in the **H2 FY2022 Farming balanced close to zero EBITDA**.

Given the blurred perspectives of farming business, provided seaports in Ukraine are closed for a long time, the **Group decided to divest farming entities operating 134 thousand hectares of leasehold land**, related infrastructure and working capital to de-risk its operations.

[1] Here and further segment EBITDA is provided before unallocated corporate expenses.
[2] FY2021 EBITDA of Infrastructure and Trading segment was corrected, as explained in detail in the notes to the consolidated financial statements.

Chairman's Statement

Andrii Verevskyi
Chairman of the Board of Directors, Founder

Dear Shareholders,
On behalf of the Board of Directors of Kernel Holding S.A., I would like to present the Group performance for the year ending 30 June 2022, summarizing the negative impact of ongoing war in Ukraine, as well as sharing our view on risks and challenges for the new season.

FY2022 highlights
Group's **EBITDA** in FY2022 plummeted by 73% y-o-y, to US$ 220 million. We recognized US$ 495 million losses related to Russian military aggression against Ukraine and incrementally we spent US$ 26 million on social and military needs to support Ukrainian army and communities impacted by the war. This is just a part of the **war costs we bore**, in addition to lost profits and unplanned capital expenditures. Strong operating results attained prior to 24 February 2022 were destroyed by the war and translated into a **net loss of US$ 41 million attributable to shareholders**. As a result, the **net debt** peaked at US$ 1.5 billion as of 30 June 2022, implying 6.8x net-debt-to-EBITDA, the highest in our history.

Before describing the performance in detail, I will first provide a general context of the situation we live in. The **operating environment** was quite **positive in the first half of our financial year**. Ukraine delivered a record harvest of grain and oilseeds. Soft commodity prices were supportive. We were progressing toward the commissioning of the largest crushing plant in Ukraine and completion of our extensive renewable energy projects. We increased returns to shareholders via share buybacks and dividends and repaid the remaining US$ 213 million of our debut Eurobond. The new ambitious growth Strategy 2026 was announced, and the team was fully focused on its execution.

And **then the war came**. The unprovoked and illegal aggression of Russia completely obscured the peaceful life of all Ukrainians and placed a heavy toll on the business in Ukraine. Military actions unseen in Europe since World War II were progressing in the regions of our operations in the northern and eastern Ukraine. Inventories with a book value of nearly US$ 11 million were destroyed, and inventories with the value of US$ 53 million remained located in the occupied territories. We stopped all but one of our crushing plants due to safety reasons and the uncertainty regarding our ability to export sunflower oil and meal. Two of our crushing plants were occupied by the enemy. Due to force majeure events, we terminated export contracts with a total value of US$ 1.6 billion. Almost 1,300 of our employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units to withstand the Russian aggression. Tragically, 14 our employees died because of the military actions and 51 were injured as of the date of this report.

Our first reaction was to **ensure the safety of our employees and stabilize operations**. We have switched to daily anti-crisis management and launched the strong support campaign for the Ukrainian defenders and people in need of humanitarian aid.

Immediately in March, we initiated the **negotiations with creditors** to postpone the repayment of loan principal amounts.

The **key challenge** for our operations appeared to be the **inability to export goods via Ukrainian Black Sea ports**, which stopped all our export operations through deep-water ports. Alternative export routes via the Ukraine-EU border were not ready to absorb the massive flows of goods for export, so we halted virtually all export activities. With uninspiring progress on the battlefield at the end of March, there was a strong likelihood of keeping exports closed for a long time and even losing the entire south of Ukraine together with all its ports. In such circumstances, farming business would suffer the most, as it eventually becomes loss making without the ability to reach the international marketplace, requiring a lot of working capital to keep operations going, and bearing a significant social burden. Considering also the limited progress achieved back then with creditors on the new debt repayment schedule, in April 2022 the Board decided to sell some farming entities to de-risk the business. But after market sounding there appeared to be no interest, so I decided to step in and offer the price of US$ 210 million for corporate rights of such business. The independent appraisal has confirmed that the offered price is in line with the fair value of disposed assets as of the transaction date. The deal allowed Kernel to de-risk operations and injected some new liquidity.

Despite all the challenges with the deficit of crop inputs and uncertainties around the sale of farming produce, we **decided to proceed with the spring planting campaign** in our farming business, except for 28 thousand hectares of land in the northern regions of Ukraine, which suffered the most from Russia's invasion. We increased the share of acreage under sunflower to compensate for the reduced acreage under corn.

As the war was dragging on, we fully focused our efforts on **establishing alternative export routes**. It was an extremely difficult task, especially for such a giant as Kernel. In Q4 FY2022, our grain export constituted just 4% and sunflower oil only 15% of Q2 level. Logistics costs surged in Q4 FY2022 making grain export operations unprofitable. It became obvious that there is no scalable and economically viable alternative to seaborn exports of

Chairman's Statement continued

soft commodities from Ukraine. Only upon opening of the grain corridor under the UN initiative, did we reached meaningful export volume allowing us to maintain a certain level of our activities. Before that, our operations were lossmaking.

Switching now to segments.

The **Oilseed Processing** activities in FY2022 resulted in a negative EBITDA of US$ 70 million, mostly suffering from enormous US$ 185 million losses related to inventories, mainly from revaluation of the stock as well as a write-off of destroyed inventories, reserve for inventories located on the territories occupied by Russia and the impairment of goodwill and property, which were recognized in the H2 FY2022 because of the Russian invasion of Ukraine. Since the start of the war, our sale volumes reduced though the crush margin elevated, driven by the growing global prices for sunflower oil and suppressed domestic prices for sunflower seeds.

EBITDA of the **Infrastructure and Trading** segment amounted to US$ 237 million in FY2022, down 34% y-o-y. Avere non-Ukrainian trading activities contributed more than half of that, resulting in US$ 134 million EBITDA. Grain export value chain in Ukraine generated US$ 103 million EBITDA, including US$ 82 million losses due to damage and write-off of inventories and provisions created for accounts receivable. Generally, the grain export operations in Ukraine were loss-making in Q4 FY2022, reflecting difficulties in establishing efficient alternative export routes.

The **Farming** segment generated the EBITDA of US$ 219 million in FY2022, down 52% y-o-y, including US$ 145 million losses stemming from the impairment of assets and losses of inventories owing to the ongoing war in Ukraine. Farming earnings were secured in the first half of the year, while in the second half the business was operationally loss-making. On top of that, almost 800 thousand tons of corn and sunflower seeds of in-house produce remained unsold as of 30 June 2022.

Strong performance in FY2021 and in the first half of FY2022 generated a substantial liquidity buffer, so we started returning capital to our investors. In August 2021, we approved a large **share buyback program**, and by February 2022, we purchased over 6.6 million shares on the market, or 7.9% of shares issued, to treasury stock for a total consideration of US$ 97 million. In December 2021, we completed an early redemption of the remaining US$ 213 million of our US$ 500 million **2022 Eurobonds**. All of that was pre-war. No need to say, that our approach has totally changed since 24 February 2022. With stretched liquidity and huge uncertainty prevailing, the Board of Directors decided to recommend shareholders **not to pay dividends** for the year ending 30 June 2022.

Due to liquidity difficulties, our ability to service debt has suffered. While we kept paying interest on all our indebtedness, we were forced to launch the negotiations with banks to obtain **waivers on the repayment of the loan principal** until 30 September 2022, which we managed to achieve. However, due to the continued Russian aggression, we entered again a new round of negotiations. As of the date of publication of this report, the majority of our creditors have signed such waivers, and some of them are still in the process, providing us with “reservation of rights” letters. Based on the progress achieved, we feel a certain comfort that we will manage to reach agreements with all creditors on the postponement of the loan principal repayment until 30 June 2023 subject to other terms and conditions. We are grateful to all our creditors for standing with us during these difficult times.

Next year risks and challenges

FY2023 will probably be **the most challenging season** in our history, and it is likely to be a story not about the profits, but rather about the liquidity management and preserving operations. We do not provide any guidance for volumes or margins, as these components simply cannot be predicted, but rather focus on the **risks we face today**.

We entered the new season with a record brought forward stock of over 2.5 million tons of grains, oilseeds, sunflower oil and sunflower meal worth of nearly US$ 900 million, creating a huge pressure on our storage capacities in the view of the approaching new harvest campaign. Later on, some **relief was provided by the grain deal** signed in July 2022 with the help of UN and Turkey. To some extent, it allowed to avoid a full collapse of grain storage and logistic infrastructure caused by the approaching harvest in Ukraine. However, the recent Russian statements under far-fetched pretext to unilaterally terminate the grain deal create a huge uncertainty regarding its continuation going forward.

While development of the alternative export routes is always on our radar and we have an action plan prepared for that case, it will be very difficult to increase volumes substantially above the levels achieved in Q4 FY2022 if the Black Sea is inaccessible for us for exports. What is more, even if the grain deal is extended, it remains subject to the risk of **sabotage from Russia**. We have already seen that Russian representatives deliberately delayed the inspection of vessels, and the outbound queue waiting to leave the Bosporus in late October exceeded 100 vessels carrying over 2 million tons of agricultural products. Some vessels had to wait for more than 20 days to be inspected. Such delays extend voyages and substantially increase logistics costs, eroding profit margins.

No matter what, we will keep working on establishing the alternative export routes, though a **significant capital expenditure would be required** to increase export volumes. We preliminarily estimate such investment needs at over US$ 170 million, covering rail containers for vegetable oil, grain and meal; rail flatcars; sea and river vessels; trucks; and purchase or construction of overland transshipment facilities allowing us to smooth the connections between the Ukrainian and EU railway. We would like not to overinvest, but we must have plan B considering the size of our own production. Needless to mention the alternative export routes are a way more expensive compared to the transportation via Black Sea.

Even if the grain corridor remains functioning, a big **risk of destruction or severe damage of our key port infrastructure** still exists. We have already observed missile attacks on grain and vegetable oil assets in Mykolaiv port. In that case, we may face an urgent need to acquire some port facilities in neighboring countries or in the other parts of Ukraine.

Besides the investments in the inland logistics and port infrastructure to maintain our export capabilities, we face another challenge – **securing the increased level of working capital,** since soaring soft commodity prices and an extended logistics interval has had an ongoing negative effect on our cash cycle.

In our situation the future is not clear, and, depending on the abovementioned needs, we **might be in urgent search of capital to finance our survival**. Given that the credit market is closed to Ukrainian corporates at the moment, equity funding might be the last and only option available. Acting in advance, the Board of Directors proposed shareholders approve the **creation of the authorized share capital**, which might be used at the Board's discretion to issue equity when such need appears. As a Chairman of the Board, I am thankful to all shareholders who supported such decision at the extraordinary general meeting in September 2022.

In addition to the risks presented above, one additional threat appeared just recently: **rolling blackouts across Ukraine** caused by the recent multiple Russian missile attacks on the Ukrainian civil energy infrastructure. Russia destroyed materially the Ukrainian power stations and damaged the electricity distribution infrastructure. It caused power supply outages. Our most exposed business is Oilseed Processing, which stands for over 70% of the Group's total electricity consumption and is our most important business line

Chairman’s Statement continued

today. The risk is partially mitigated by our recent investments in co-generation heat and power facilities, four of which had been already constructed at our crushing plants and now allow to fully cover the consumption needs of the respective oilseed processing operations. Besides that, any massive power shortages for railways, our export terminals or key silos may disrupt the grain export capabilities as well.

It is probably the first time in our history when **the harvest in Ukraine is not of prime importance to us**. The crop size is expected to drop significantly given the numerous problems farmers faced, including the occupation of territories and military actions, the lack of crop inputs and working capital, a suboptimal crop production technology applied, difficulties with logistics and rising costs, and finally the bad weather in September 2022. But domestic supply will be strengthened by a huge carry-over stock of grain and oilseeds, exceeding 20 million tons of six key commodities (corn, wheat, barley, sunflower, soybean and rapeseeds), while the historical average is closer to 5 million tons.

Many **risks** relate to **our own farming business**. Crop yields will decline this year. We have completed wheat harvesting, reaching 4.7 tons per hectare net yield, down 24% y-o-y. Harvesting for sunflower is nearly completed, and preliminary net yield estimate is 2.5 tons per hectare, down 17% y-o-y. Corn harvesting is substantially delayed due to rainy weather, inability to harvest at nights due to curfew in Ukraine, a deficit of trucks for transportation of corn from field to silo, and problems with silos’ intake caused by electricity shortages and a deficit of natural gas to dry corn. Our preliminary estimate for corn yield is 8.7 tons per hectare, but it has the potential to reduce further. What is more, if corn harvesting is moved to winter or even delays until spring, we may face problems with quality, which will be reflected in price discounts applied. Finally for the farming business, we are far from making the final decision on our crop mix for the next season, and when deciding on that, we will be restricted by crop inputs availability, mostly nitrogen-based fertilizers.

The overall **operating environment does not leave grounds for optimism** as well. Delays with VAT refund when exporting goods result in the depletion of our working capital. Also, discrepancy between the official and market UAH/US$ exchange rates pushes the origination market into shadow, and Kernel being a public, transparent, and diligent company loses competition for oilseed procurement to those players who operate in the grey market.

Update on the Strategy 2026

Last year we announced our new ambitious growth Strategy 2026, but now we need to put it aside and live under the new emergency plan, the key objective of which is the preservation of our operations and the survival of the Company. We are no longer talking about the growth and expansion, but rather about maintaining the minimal required level of exports to cover our expenses, to pay salaries, and to service debt. The appropriateness of the Strategy 2026 will be further evaluated after the stabilization of the situation in Ukraine.

Sustainability progress

Amid the war in Ukraine, Kernel is demonstrating adaptability to extreme challenges, strengthening its leadership in ESG and continuing its support of the UN Global Compact Ten Principles. Over the FY2022 we directed US$ 26 million on social spendings, including support of the defenders of Ukraine and humanitarian aid, but also including social support of our own employees and social projects in the rural regions of our operations.

The Russian war against Ukraine has shown the world that there is an urgent necessity to minimize dependency on fossil fuels and to drive decarbonization – the climate actions are becoming an integral part of energy policy. We as an agribusiness clearly understand our role both in delivering goals of the Paris Agreement and in strengthening national energy security. We are pleased to present in the Sustainability section of this report primary results of our “Climate Corporate Governance and Low-Carbon pathway” project, which we have been implementing in partnership with EBRD and EY. Our work within this project, such as evaluation of climate related risks and opportunities, improved accounting of carbon footprint of our operations and integration of climate agenda in the corporate governance, formed the basis of our very first TCFD disclosure. This year we disclosed information aligned with the EU Taxonomy requirements for the first time as well.

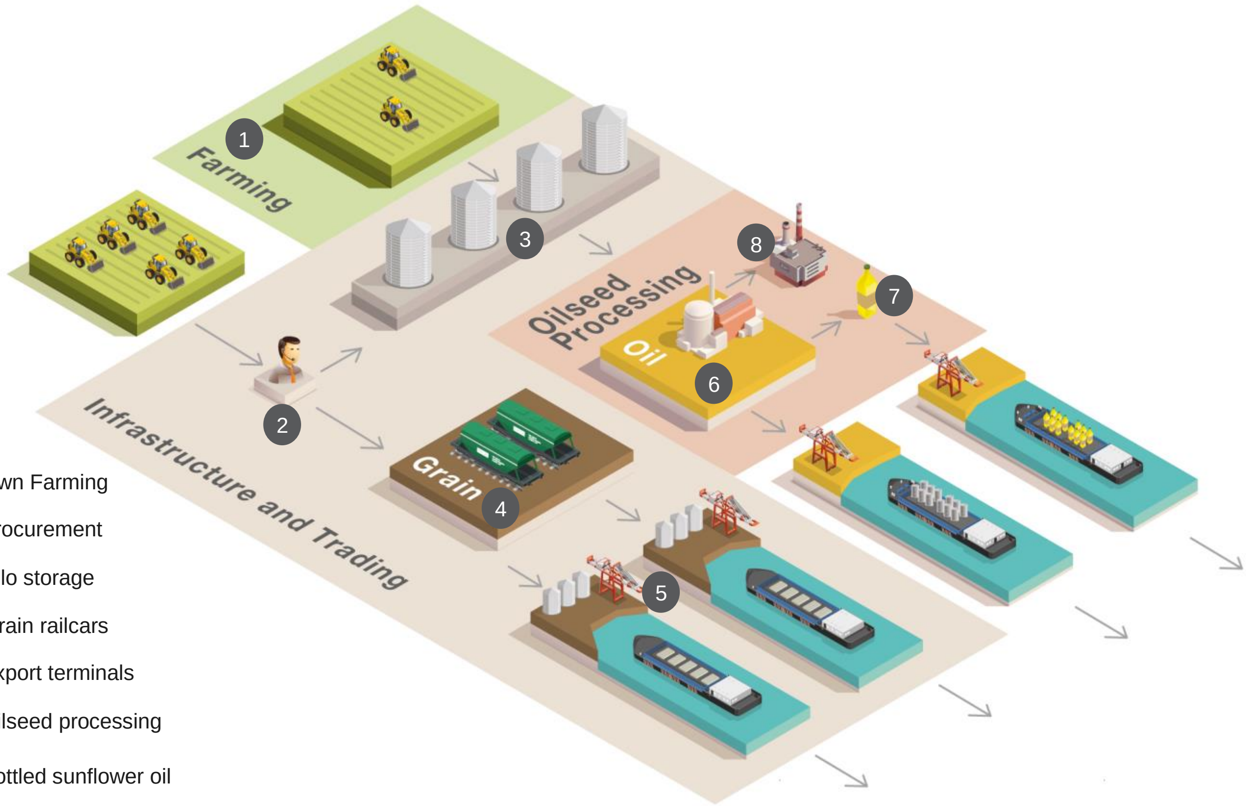
Board composition changes

Over the course of 2022, three Directors decided to resign for different reasons. One of them, being a citizen of Russia, resigned to a conflict of interests, and other resigned due to the inability of Kernel to secure a proper D&O liability insurance policy, as provisioned in service agreements with Directors. Instead, three new Directors strengthened our team, bringing aboard a proper set of skills and positively contributing to the Board’s diversity.

On behalf of the Board of Directors, I would like to express the gratitude to our creditors and shareholders for their support and to thank the whole Kernel team for their dedication and efforts in steering the Group in these very dark days for Ukraine and Kernel, and above all wish them to stay safe and strong. Besides, we are thankful to all countries around the world which assist Ukraine in withstanding the Russian aggression. And our special heartfelt gratitude goes to the defenders of Ukraine, the men and women, who bravely protect our country and people.

Andrii Verevskyi
Chairman of the Board of Directors, Founder

Our Business Model



1. Own Farming
2. Procurement
3. Silo storage
4. Grain railcars
5. Export terminals
6. Oilseed processing
7. Bottled sunflower oil
8. Renewable energy

Topping industry league tables in all segments

Oilseed Processing segment

- Leading sunflower oil producer (~5% of global production) and exporter (~8% of global exports)
- #1 bottled sunflower oil producer and marketer in Ukraine
- 3.5 million tons annual sunflower seed processing capacity
- Producer of renewable energy from biomass

Infrastructure and Trading segment

- #1 grain exporter from Ukraine with 15% share of country's total grain export
- #1 grain export terminal operator with total annual capacity to transship 10 million tons of soft commodities
- #1 private inland grain silo network in Ukraine with 2.3 million tons of one-time grain storage capacity
- #1 private grain railcar fleet in Ukraine (3.2 thousand of accessible own railcars)
- Avere proprietary trading activities

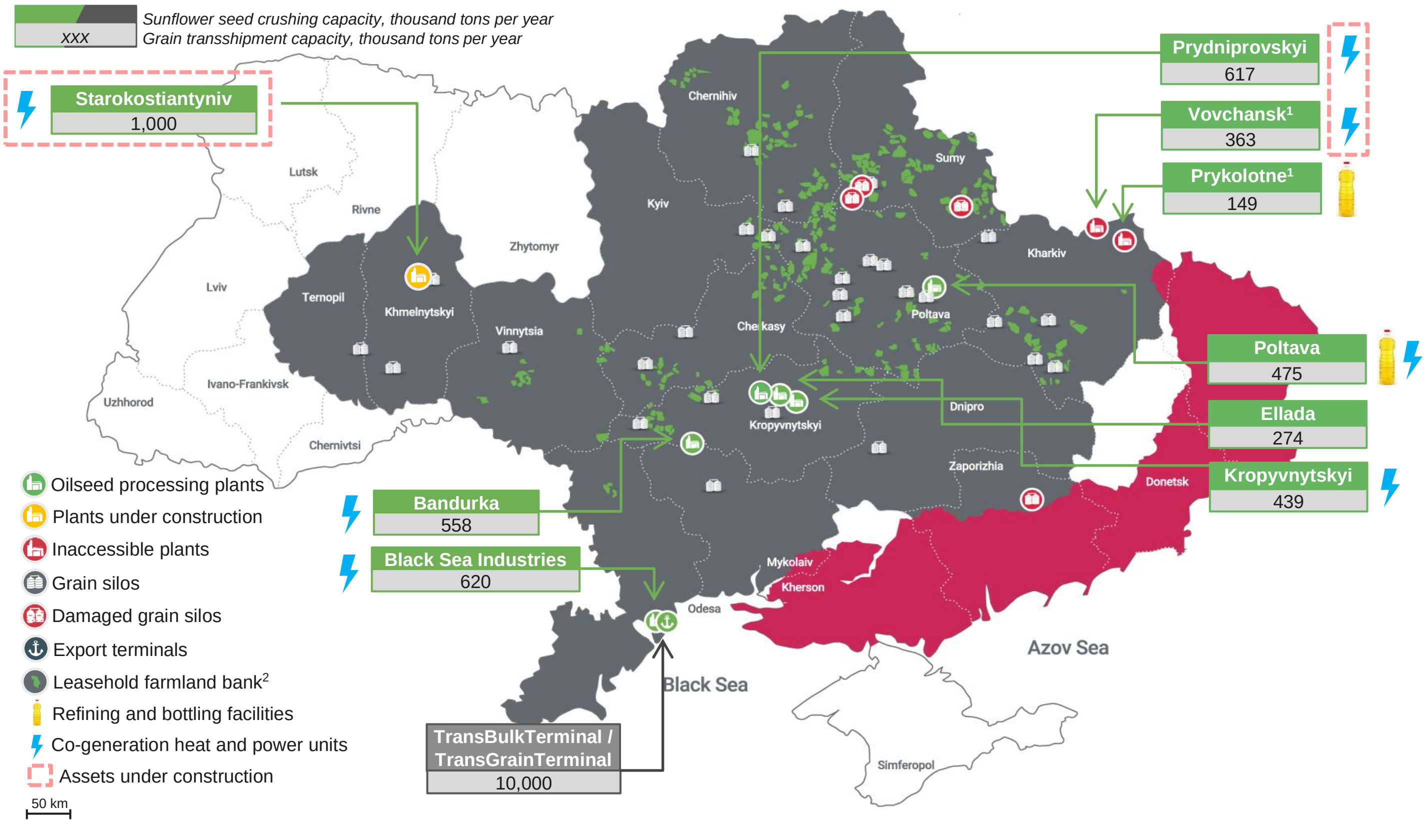
Farming segment

- Leading producer in Ukraine operating 363 thousand hectares[1] of leasehold farmland
- Modern large-scale machinery, sustainable agronomic practices, cluster management system and export-oriented crop mix
- Nearly 100% of sales volumes flows through our Infrastructure and Trading and Oilseed Processing segments, earning incremental profits

Note 1: Excluding assets held for sale.

Kernel at a Glance

Map of the Group's owned assets, as of November 2022



Note 1 Oilseed processing plants which were occupied by Russia during Feb 24th - Sep 13th, 2022. As of November 2022, plants remain inaccessible.
Note 2 The map does not reflect 134 thousand ha of leasehold farmland, which Group operated during FY2022, but decided to divest in April 2022. Such assets were classified as held for sale as of 30 June 2022.

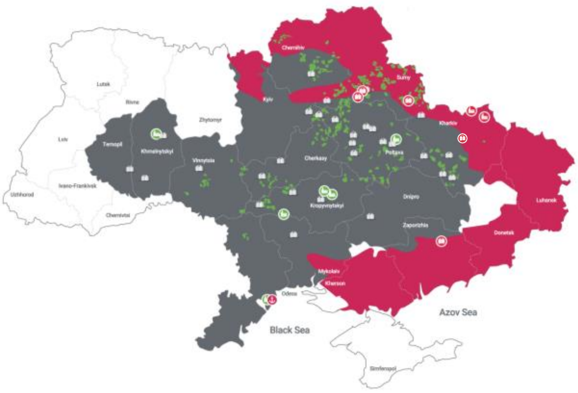
Segment results summary

	Revenue, US$ million[4]			EBITDA, US$ million[4]			Volume, thousand tons[5]			EBITDA margin, US$/t[6]		
	FY2021	**FY2022**	y-o-y	FY2021	**FY2022**	y-o-y	FY2021	**FY2022**	y-o-y	FY2021	**FY2022**	y-o-y
Oilseed Processing	1,747	1,681	*(4%)*	51	(70)	*n/a*	1,367	967	*(29%)*	37	(73)	*n/a*
Infrastructure and Trading	4,857	4,535	*(7%)*	359	237	*(34%)*	8,013	7,969	*(1%)*	45	30	*(34%)*
Farming	657	635	*(3%)*	461	219	*(52%)*	2,869	3,268	*14%*	920	440	*(52%)*
Unallocated corporate expenses				(65)	(166)	*2.5x*						
Reconciliation	(1,666)	(1,519)	*(9%)*									
Total	**5,595**	**5,332**	**(5%)**	**806**	**220**	**(73%)**						

Note 4 FY2021 Revenue and EBITDA were corrected, as explained in detail in the notes to the consolidated financial statements.
Note 5 Physical grain volumes exported from Ukraine (ex. Avere) for Infrastructure and Trading.
Note 6 US$ per ton of oil sold for Oilseed Processing; US$ per ton of grain exported (ex. Avere volumes) for Infrastructure and Trading; US$ per hectare for Farming.

Impact of War

From growth to survival in one day – February 24th, 2022



With the unprovoked, full-scale Russian invasion of Ukraine, Kernel was forced to transform from the absolute growth-oriented leader to a company, the main priority of which is to **survive**.

The Group's survivorship strategy is based on three main pillars: to save our employees, to save our operational activity, to save our country.

Kernel war-related losses
As of 30 June 2022

Recognized war-related losses
US$ 521 million[1]

Losses related to non-current assets	Losses related to inventories	Other corporate losses	Social spending
US$ 219 million[2]	**US$ 162 million[3]**	**US$ 114 million[4]**	**US$ 26 million[5]**

Note 1 *Recognized war losses reflect the losses which were recognized in FY2022 financial statements, including losses in non-current assets, losses in inventories, other corporate losses, and Group's boosted social spending.*
Note 2 *Include goodwill and PP&E impairments caused by the war in Ukraine, impairments of assets held for sale, revaluation of assets.*
Note 3 *Include losses from the reduction of the net realizable value of inventories below costs, created reserves for inventories located at the territories occupied by Russia as of 30 June 2022, write-off of the inventories which were destroyed by military actions.*
Note 4 *Include recognized losses mostly related to the Group's liquidity management exercises, provisions created for accounts receivable, and VAT write-offs.*
Note 5 *Mainly constituted by the financial and material aid directed to support defenders of Ukraine and civilians who suffered from the war.*

Kernel People

The Group's key priority is the **safety and security of its employees** and their families. Since February 24th, the Group has been coordinating the evacuation of employees from regions engaged in active military action and is covering associated relocation costs and providing additional assistance needed.

Since the beginning of the war, **almost 1,300 Group's employees joined various defense units to protect Ukraine**. Kernel is focused on providing the necessary protective equipment and additional financial support to such employees and their families. The Group aims to continuously support the employees until the cancelation of the martial law in Ukraine. Additional financial aid provided by the Group to such employees amounted to US$ 2.3 million. Conducting the evacuation from the high-risk regions, the Group facilitated the relocation of 312 employees, directing US$ 538 thousands for such purpose.

Tragically, Kernel **lost 14 employees**, **who died defending Ukraine**. US$ 400 thousand was provided to support their families. Regretfully, 51 employees were injured as a result of military actions.

Support for defenders and civilians

From the very first day of the full-scale invasion, the **special humanitarian headquarter** was created. The focus of its activities is to finance and procure tactical equipment, medicine, food, and trucks for both **civilians in need and the defenders of Ukraine**.

Driven by such needs, Kernel has directed more than **US$ 26 million for these purposes in FY2022**. Kernel has procured and delivered 23.5 thousand of units of **tactical equipment**, such as protective vests, helmets, drones, communicational devices, and other tools, specifically for the defenders of Ukraine. Alongside with the tactical equipment, the Group provides the Armed Forces with what it the most demands – the off-road vehicles, 577 of which have been already delivered to the frontline.

In conjunction with the military applications, Kernel provided as a humanitarian aid 5 thousand tons of grain, 1 million liters of sunflower oil, and more than 1.8 million units of other **food products,** and over 800 thousand units of **medicines and medical equipment** for free.

Kernel will proceed in such directions with its humanitarian activities until the victory of Ukraine in the war.

Our Strategy 2026

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

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

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

Strategic targets

Oilseed Processing

- 6 million tons of oilseed processing annually with 35% originated via captive supplies[1]

Infrastructure and Trading

- 15 million tons of grain export from Ukraine annually with 50% originated via captive supplies[1]

Farming

- 4 million tons of in-house production annually on 0.7 million hectares of farmland under own operations

Strategic initiatives

Scale increase

- Acquisition via M&A / asset lease / tolling:
  - 1.5 million tons of sunflower seed processing
  - 5.0 million tons of grain transshipment capacity
  - 0.2 million hectares of farmland
- Upscale of CRM and market intelligence system
- Further expansion of the Open Agribusiness project

Efficiency enhancement

- Processes automation and digitalization
- Labor productivity gains
- Adoption of innovative solutions in farming
- Electronic document flow

Sustainability approach

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

[1] Captive supplies include feedstock originated via Kernel's own farming operations, Open Agribusiness, pre-crop financing and pre-season forward contract programs with third-party suppliers.

Financial Performance in FY2022

Mixed results with foggy prospective

Revenue
US$ 5,332 million
-5% y-o-y[1]

EBITDA
US$ 220 million
-73% y-o-y[1]

FY2022 appeared to be the most turbulent season in our history. **Record profits in the first half of the year**, driven by supportive market fundamentals and enhanced by results of our strategic investment initiatives, were offset by **record losses in the second half of the year**, after Russia invaded Ukraine on 24 February 2022.

The Group ended up FY2022 with EBITDA of **US$ 220 million**, down 73% y-o-y, which is the combination of the **highest ever semi-annual EBITDA** (US$ 608 million) in the first half of the year and the **all-time-high losses** (US$ 388 million) in the second half. This result also accounts for US$ 517 million losses related to the reduction in the value of inventory and non-current assets, as well as losses arising from liquidity management exercises, both caused by the war in Ukraine.

Together with US$ 26 million of social spending (primarily stipulated by the war), the **total cost of the war we bore** amounted to US$ 543 million. Furthermore, the total financial impact of war includes additional **expenses caused by** various war-related **business disruptions**, **unearned profits** (both stemming from our regular operations and from delayed commissioning of our new crushing plant and co-generation heat and power facilities) and **extra CapEx** related to de-bottlenecking of new export routes alternative to Black Sea.

Segments performance was following a similar pattern for each of our business line: very strong contribution in the first half of the year (for Farming – the all-time-high semi-annual result) and then the loss-making H2 FY2022, caused by lack of sales and massive war-related losses.

For the second time since FY2014, when Russia annexed Crimea and occupied eastern regions of Ukraine, that we ended the year with a negative bottom line, this time US$ 41 million **loss attributable to the equity holders of Kernel**, and again because of the Russian aggression against Ukraine.

The **invasion** started exactly **at the peak of our working capital cycle** when we had the highest seasonal (and historical) debt level of US$ 1.9 billion and record high commodity inventories of US$ 0.9 billion. Luckily, we entered this turbulent time in a relatively good financial shape, so we kept servicing our debt, but we were forced to negotiate the postponement of the principal repayment with creditors. The first such exercise resulted in the postponement of principal repayments by 30 September 2022, and negotiations to prolong that period to 30 June 2023 are currently undergoing and are close to successful completion. As of the day of this report, we **obtained waivers to extend the terms of repayment of the principal** of US$ 627 million with the lenders and waiving of the debt covenants and some other conditions by 30 June 2023. For the debt liabilities totaling US$ 246 million we are in the process of formalizing similar waivers.

While we completed one of the most challenging years in our history, **perspectives for the future remain unclear** and will heavily depend on the outcome of the war in Ukraine and Group's ability to export products via the Ukrainian Black Sea ports.

Financial Performance in FY2022 continued

Income statement highlights[1]

In FY2022, Kernel achieved the **revenue** of US$ 5,332 million, down 5% y-o-y on the back of lower sunflower oil and meal sales volumes due to the difficulties with exporting produce from Ukraine in March-June 2022.

Kernel recognized a US$ 13 million gain from the **net change in fair value of biological assets and agricultural produce** in FY2022, compared to a US$ 133 million gain a year ago. This component included a gain from revaluing crops in the fields to fair value less costs to sell as of 30 June 2022 and expensing the respective gain booked a year earlier.

Cost of sales in FY2022 contracted by 3% y-o-y, to US$ 4,692 million, and includes US$ 98 million loss from reduction of net realizable value of inventories below cost ("NRV loss"). Adjusting for such loss, the cost of sales declined by 5% y-o-y, in line with the revenue reduction.

Consequently, the **gross profit** for the period contracted by 28% y-o-y, totaling at US$ 652 million. Notably, Q3 FY2022 result ended up at just US$ 27 million, and in the last quarter of the reported period cost of sales exceeded revenue by US$ 51 million.

Other operating income settled at US$ 64 million, comprising primarily gains on contracts wash-out and stock-take, related mostly to Avere trading operations.

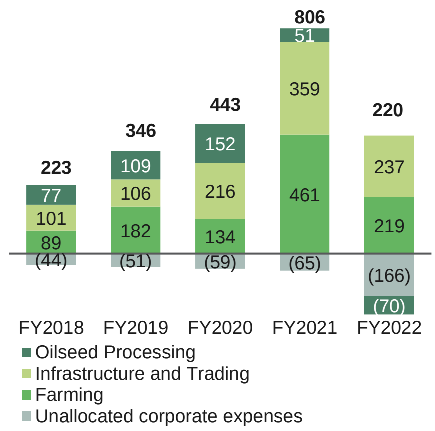
It is necessary to flag that in accounts presented we recognized additional payroll related expenses which reflect the liabilities of Kernel Holding S.A. to purchase shares of Avere from subsidiary's minority shareholders. Such liabilities arose from put option rights granted to Avere minority shareholders by Avere shareholder agreement at the price stemming from net assets value of Avere (as also explained in detail in Note 5 to our financial statements). For each reported period, such liabilities in essence correspond to the net profit attributable to Avere minority shareholders and previously recognized as part of the "net profit attributable to non-controlling interest". As a result, such liabilities are now presented as payroll related expenses within our **general, administrative and selling expenses**, and the net profit attributable to non-controlling interest excludes any balances with Avere minority shareholders. It is worth mentioning, that the Company acquired 40% Avere minority stake in March 2022, so there would be no such liabilities going forward. Anyway, the reduction of Avere earnings in FY2022 vs FY2021 and the resulting decline in the corresponding payroll related expenses was a major factor behind the reduction of Group's **general, administrative and selling expenses** in FY2022 by 28% y-o-y, to US$ 230 million.

Other operating expenses amounted to US$ 45 million, reflecting losses incurred as a result of Group's operations with securities and derivatives.

Income statement highlights
US$ million

	FY2021[1]	FY2022	y-o-y
Revenue	**5,595**	**5,332**	***(5%)***
Net IAS 41 gain	133	13	*(91%)*
Cost of sales	(4,822)	(4,692)	*(3%)*
Gross profit	**906**	**652**	***(28%)***
Other operating income	111	64	*(43%)*
Other operating expenses	-	(45)	*n/a*
Net impairment losses on financial assets	(5)	(33)	*7x*
Loss on impairment of assets	(5)	(317)	*70x*
General, administrative and selling expenses	(318)	(230)	*(28%)*
Operating profit	**689**	**91**	***(87%)***
Finance costs, net	(142)	(119)	*(16%)*
Foreign exchange gain(loss), net	(6)	10	*n/a*
Other (expenses), net	(3)	(25)	*7.7x*
Profit / (loss) before income tax	**538**	**(43)**	***n/a***
Income tax (expenses) / benefit	(32)	3	*n/a*
Profit / (loss) for the period	**506**	**(41)**	***n/a***
Attributable to equity holders of Kernel Holding S.A.	513	(41)	*n/a*
Non-controlling interest	(7)	0.4	*n/a*
EBITDA	**806**	**220**	***(73%)***

Kernel's EBITDA split
US$ million



Additionally, the **net impairment losses on financial assets** reached US$ 33 million, primarily related to provisions created under Group's accounts receivable.

Reflecting the direct impact of war, Kernel recognized the **loss on impairment of assets** of US$ 317 million in FY2022, comprising the impairment of PP&E, goodwill, intangible assets, assets held for sale; write-off of inventories destroyed; allowance created for inventories located at the temporary occupied territories, and liquidity management exercises, impacted by the consequences of the war in Ukraine, among other things.

Subsequently, **operating profit** plummeted by 87% y-o-y, to US$ 91 million.

Finance costs in FY2022 curtailed by 12% y-o-y, to US$ 131 million, primarily driven by the reduced coupon payments following the redemption of our 2022 bonds. Such savings on interest were partially offset by increased interest payments on bank debt as a result of the postponement of the seasonal bank loans principal repayment due to strained situation with sales and liquidity after 24 February 2022. Together with that, the Group generated US$ 11 million **finance income in FY2022.**

The Group also recognized a US$ 10 million **foreign exchange gain** following the Ukrainian hryvnia depreciation against US$ over the reported period.

Other expenses, net, amounted to US$ 25 million, mostly driven by all-time high social spending of US$ 26 million, but also reflects US$ 3 million gain on the disposal of PP&E.

[1] FY2021 figures were corrected, as explained in detail in the notes to the consolidated financial statements.

Financial Performance in FY2022 continued

With the loss before income tax generated, Group recognized corporate income tax benefit of US$ 3 million in FY2022 and ended the year with US$ 41 million **net loss attributable to shareholders of Kernel Holding S.A.** Considering the financial results achieved, uncertainties around the outcome of the war in Ukraine, strained liquidity position, ongoing negotiations with Group's creditors on the postponement of the debt principal repayment, and the presence of restrictive covenants in the additional agreements already signed with the lenders, the Board of Directors recommended the general meeting of shareholders to declare a dividend at nil for the year ended on 30 June 2022.

Cash flow highlights

In FY2022, Kernel generated **operating profit before working capital changes** of US$ 677 million, down 4% y-o-y, reflecting a strong prewar performance and undermined profitability after the war started in Ukraine.

Working capital changes resulted in US$ 793 million cash outflows in FY2022, stemming primarily from the accumulation of inventories by February 2022 at peak of Group's working capital cycle, which Kernel was not able to sell thereafter due to inability to export goods via the Ukrainian Black Sea ports. The amount also includes US$ 32 million advance payment to acquire the 40% stake in Avere from Avere minority shareholders.

Net interest paid in FY2022 amounted to US$ 119 million, down 6% y-o-y. Accounting also for U$ 70 million income tax paid, Kernel ended up with US$ 305 million of **cash used in operating activities**.

Net cash used in investing activities totaled at US$ 294 million in FY2022, primarily comprising US$ 120 million investments in PP&E and US$ 158 million net cash outflow emerged from the operations with intangible and other non-current assets, related in its majority to allocation of the part of the liquidity available to crypto assets in March 2022.

Within the **financing activities**, US$ 131 million were distributed to shareholders by February 2022 in a form of dividend based on FY2021 results (US$ 34 million) and through share buy-back transactions for the total value of US$ 97 million. The Group purchased in total 6,602,000 shares of Kernel Holding S.A., representing 7.86% of total shares issued, to be held as a treasury stock.

The **debt management transactions** during FY2022 resulted in US$ 619 million cash inflow, mostly driven by the seasonal working-capital-related accumulation of debt by February 2022, which was not repaid as usual (by June) due to difficulties with selling the ready produce after the Russian invasion of Ukraine. The total cash generated by financing activities amounted to US$ 476 million. Over the reported period, the Group's **cash position decreased by US$ 126 million**.

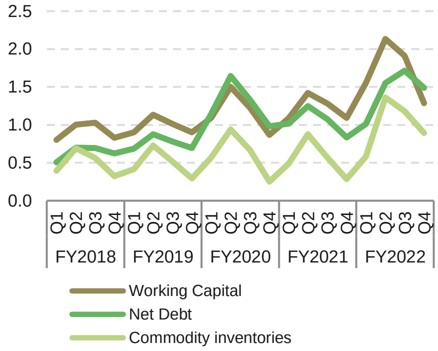
Debt overview

The Group's **debt liabilities** increased by 37% over FY2022, to US$ 1,953 million as of 30 June 2022. The growth was primarily attributable to the spike in the short-term debt related to the working capital financing, which reached its seasonal peak during winter 2021-2022 and was not repaid in line with its typical schedule by summer 2022. In December 2021, the Group also completed the **early redemption of** the remaining US$ 213 million of its US$ 500 million 2022 **bonds outstanding,** reducing the total amount of Eurobonds outstanding to US$ 595 million.

Due to the fact that the Group did not have an unconditional right to defer settlement for 12 months or longer with respect to its bank facilities as at 30 June 2022, the US$ 198 million balances of long-term bank borrowings and US$ 595 million of Eurobonds outstanding were reclassified as short-term as of 30 June 2022. Notwithstanding such classification, management notes that, in view of the effective waivers from banks that were in place as of 30 June 2022, cross-acceleration events of default under the bonds were not triggered as at such date, and the Group remained otherwise in full compliance with the terms of its bonds.

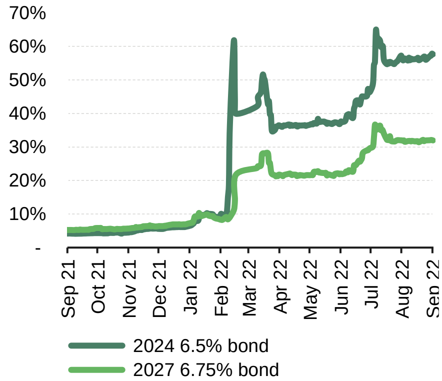
Consequently, the Group's **net debt** climbed by 78% y-o-y, to US$ 1.5 billion at the end of FY2022.

Working capital and debt position
US$ billion



"Working Capital", "Net Debt" and "Commodity inventories" definitions as described in section Alternative Performance Measures.

Kernel Eurobonds mid-YTM



Source: Bloomberg

Liquidity positions and credit metrics
US$ million, except ratios

	30 June 2021	30 June 2022	y-o-y
Short-term interest-bearing debt	51	1,101	*1,050x*
Long-term interest-bearing debt	228	-	*(100%)*
Lease liabilities	324	240	*(26%)*
Eurobonds	806	595	*(26%)*
Debt liabilities	**1,410**	**1,935**	***37%***
Cash and cash equivalents	574	448	*(22%)*
Net debt	**836**	**1,488**	***78%***
Commodity inventories	285	892	*3.1x*
of which sunflower oil and meal	205	207	*1.0x*
Sunflower seeds	43	325	*7.6x*
Grains and other commodity inventories	38	360	*9.5x*
Adjusted net debt	**551**	**596**	***8%***
Shareholders' equity	1,946	1,683	*(14%)*
Net debt / EBITDA	1.0x	6.8x	*+5.7x*
Adjusted net debt / EBITDA	0.7x	2.7x	*+2.0x*
EBITDA / Interest	5.7x	1.8x	*-3.8x*

Financial Performance in FY2022 continued

The **commodity inventories**[1] balance as of 30 June 2022 totaled to US$ 892 million, up 3.1x y-o-y, covering 60% of net debt outstanding. The growth is caused by the seasonal accumulation of grain and sunflower seeds by February 2022, which was not sold or processed thereafter due to disruptions in export activities. The commodity inventories accounted for 94% of all inventories as of 30 June 2022. The value of the commodity inventories was reduced by US$ 184 million of inventory-related losses: the reduction of net realizable value of inventories below cost, write-off of destroyed inventories, allowance created for inventories located at territories temporarily occupied by Russia, and losses related to the deterioration of goods located at vessels stuck in the ports.

The **net debt adjusted** for commodity inventories settled at US$ 596 million as of FY2022 end, adding just US$ 45 million over the reported period.

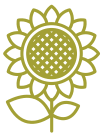
The key leverage metrics as of 30 June 2022 ended up at 6.8x Net debt / EBITDA, 2.7x Adjusted net debt / EBITDA, and 1.8x EBITDA / interest coverage, representing the worst set of such metrics as of 30 June since the Company being listed on the Warsaw Stock Exchange in 2007.

In April 2022, **S&P downgraded Kernel to "CC"**, one notch below the Ukrainian sovereign. Kernel currently also keeps the "CC" rating assigned by Fitch.

[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.

Oilseed Processing

Maintaining margins in challenging times



2.2 million tons of oilseeds processed in FY2022

At the beginning of FY2022, Ukraine produced a record sunflower seeds harvest of 16.9 million tons, up 24%, substantially narrowing the gap between crushing capacities in Ukraine and oilseeds crop size. Sunflower oil prices had been breaking multi-year highs. We expected to crush 3.8 million tons of sunflower seeds in FY2022 and achieved the highest for last six years crushing margin in Q2 FY2022. The season looked promising.

But after the Russian invasion of Ukraine on 24th of February 2022, the industry faced huge challenges. The Black Sea ports, which handled 85-90% of the country's total pre-war sunflower oil export, became not accessible for export operations. With disrupted logistics, many oil-extraction plants ceased operations, being unable to sell the produce.

With the supply shock in the second half of the season, the worldwide sunflower oil prices skyrocketed, since Ukraine historically produced 30-35% of global sunflower oil and stood for 45-55% of world's exports. At the same time, local sunflower seed prices plummeted. With these two impacts, crush margins soared, even despite the largely increased transportation costs. Players able to arrange proper logistics were capturing strong margins.

Besides re-building the logistics for sunflower oil, the same puzzle should also be solved for sunflower meal, as its sales are vital for overall profitability of sunflower seed processing. What is more, sunflower meal has a relatively short shelf life, and a rapid switch to alternative export routes required virtuoso skills from our team.

Notwithstanding that, the oilseed processing business in Ukraine is better positioned to deal with logistics restrictions than the local grain export complex, as 1) much lower volumes of goods are to be moved; 2) higher-added-value product is to be moved; 3) existing crush margins allow to absorb higher logistic costs.

Revenue
US$ 1,681 million
-4% y-o-y

EBITDA
(before unallocated head office expenses)
US$ (70) million

What is more, farmers in Ukraine start switching to sunflower from corn, as the former requires less fertilizers to be applied, and less natural gas to be consumed when drying the crop at silos. It will positively contribute to the domestic supply of oilseeds for the next harvest, pushing crushing margins up.

The Grain Corridor will be detrimental for Oilseed Processing segment performance in FY2023. If the Black Sea ports are not functioning, there still will be likelihood for this business to remain profitable, but not everybody on the market will be able to capture such profits.

Oilseed Processing continued

Market overview

Historically, there were two determinants materially affecting Kernel's oilseed processing business: 1) **supply-demand balance** on epy Ukrainian sunflower seed processing market; and 2) the **global sunflower oil prices**. While the first factor specifies a **split of margins** between farmers and processors in Ukraine, the second is important for the **combined earnings** of local sunflower seed farming and processing.

The war in Ukraine has extended the list with the new factor: 3) **logistics diversification**. Facing the restricted exports, due to the unavailable seaports and infrastructurally undeveloped alternatives, most of the crushing plants in Ukraine suspended processing operations, which, in turn, **distorted the supply-demand balance** of sunflower seed, driving its price on the local market down. Mounting costs of this new logistics eroded margins, while skyrocketing global sunflower oil prices allowing those able to export to remain profitable.

Supply-demand balance

Historically, sunflower seed processing in Ukraine is heavily localized: nearly all sunflower seeds harvested by local farmers were processed domestically. This trend changed in FY2022, when almost **1.6 million tons of sunflower seeds were exported**. High export volume is also expected to remain in FY2023. While combined profitability of farmers (the producers of seeds) and crushers (the processors of seeds) is determined by global prices, the exact split of earnings between farmers and crushers depends on the supply of seeds (the harvest) and the demand for seeds (the processing capacities).

In the pre-war period of FY2022, annual sunflower seed processing capacities in Ukraine increased to 20.8 million tons (including the capacities expansion for some players and re-estimation of the existing capacities for several other players). At the same time, the sunflower seeds harvest in the season peaked to 16.9 million tons, increasing by 24% y-o-y, driven by favorable weather conditions and the highest ever acreage under sunflower. As a result, the gap between crushing capacities and the supply of seeds had shrunk, improving the crushing margin over the season.

Due to the full-scale war in Ukraine, the plants with combined crushing capacity of 7.1 million tons (34% of the 'pre-war' capacities) ended up on territories either occupied by Russia or close to the frontline, and thus ceased operations. Moreover, a substantial part of the accessible processing plants has partially or entirely suspended operations due to the limited exports.

The reduction in operating capacities has substantially plummeted the supply-demand disbalances, directing the domestic seed prices in further decline.

Global sunflower oil prices

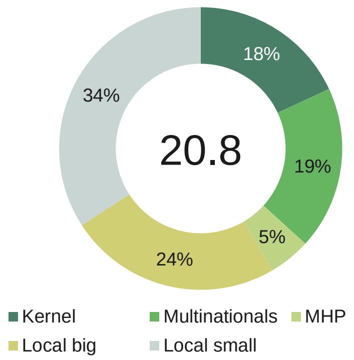
Sunflower oil is the **fourth-largest vegetable oil in terms of global consumption,** with 8.9% market share in the 2021/22 season. The main demand on the global market comes from EU, India, and China, together comprising 42% of global imports, while the **largest global exporter is Ukraine** with 41% share in the total exports. In 2021/22 season, 4.5 million tons of sunflower oil were exported from Ukraine, 17% down y-o-y[1].

With the heightened volatility in the global commodity markets, sunflower oil price showed tremendous growth in FY2022, reaching the new records. Price dynamics followed **four** clearly observable trends:

- **Early FY2022** had begun with the gradual recovery of sunflower oil prices after their tumble in June, which was driven by record harvest entering the markets from the Black Sea, and in the backdrop of US FED commitment to raise interest rates.
- **During the first half** of the observed period the rising trend had been continuing, the market proceeded to gradually recover, and slightly began to price the risks of a possible conflict among Russia and Ukraine.
- **On the 24th of February 2022**, a Russian full-scale invasion of Ukraine threw global commodity markets in turmoil. In the early March 2022 the sunflower oil price peaked at US$ 2,220 per ton, surging by 44% y-o-y reflecting the abrupt loss of access to sunflower oil coming from the Black Sea.
- **In April – June 2022,** limited sunflower oil supply due to difficulties with the export of the Ukrainian produce via the Black Sea and sanctions imposed on Russia had been keeping sunflower oil prices high until June, when slight decreases in prices occurred mainly driven by the market expectations from the "Grain deal" to partially unlock the Ukrainian exports and aggressive FED monetary policy.

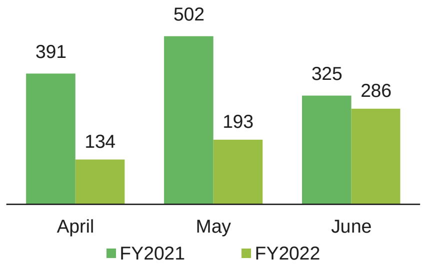
With such changes, the market during the war eventually switched to low-volume high-margin environment.

Processing capacities as at FY2022
million tons



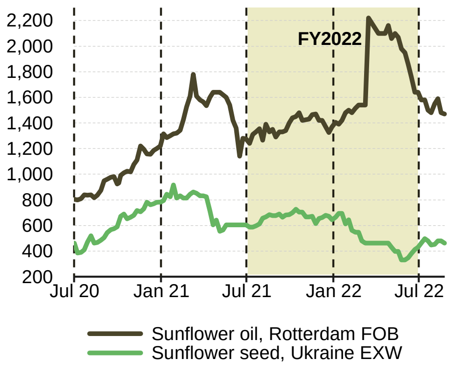
Source: Kernel's estimates

Volumes of sunflower oil exports from Ukraine in Q4 FY2021 and Q4 FY2022
thousand tons



Source: Agrochart, State Statistics Service of Ukraine

Sunflower oil and sunflower seed prices
US$ per ton of unrefined oil sold in bulk
US$ per ton of sunflower seeds



Source: APK-Inform

[1] Source: USDA, September 2022

Oilseed Processing continued

Our business model

Market leader in oilseed processing

Kernel is the leading global sunflower oil producer and exporter. In FY2022, the Group kept 5% of global sunflower oil production and ~8% of global export[1].

Asset base

Kernel owns eight oilseed processing plants in Ukraine with a total annual capacity to process 3.5 million tons of sunflower seeds. Considering also the tolling agreement on the Chuhuiv crushing plant, at the beginning of FY2022, the Group managed the combined capacity of 3.7 million tons, which corresponded to 18% of the country's total industrial crushing capacity.

At the beginning of the war in February 2022, as well as at the end of the reported period, two of Kernel's oilseed processing plants were occupied by Russia, reducing the total crushing capacity of the Group to 3.0 million tons.

Most of the Group's crushing plants are multi-seed and switchable to soybean or rapeseed processing if necessary. The assets are capable of operating year-round, with only a month of maintenance required, usually in summer.

All the assets are located across the sunflower seed production belt in Ukraine in close proximity to farmers, ensuring the high utilization rates and profitability, as the low density of sunflower seed negatively impacts the economics of long-distance seed transportation.

The Group's crushing plants are modern facilities constructed or fully renovated recently, granting Kernel processing cost advantages over most of the other players. The scale also allows to benefit from a more efficient usage of the countrywide origination network and allocation of overheads over larger volumes.

Since February 2019, Kernel has also owned 5.85% stake in ViOil – one of the largest independent sunflower oil producers in Ukraine. A customary shareholder agreement in relation to ViOil grants certain rights, gaining a favorable position to further increase our stake.

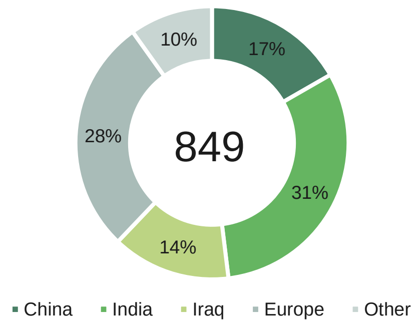
Origination and production

The vast majority of processed sunflower seeds is originated from third-party farmers, while only 17% of volumes processed in FY2022 were produced by our own farming business.

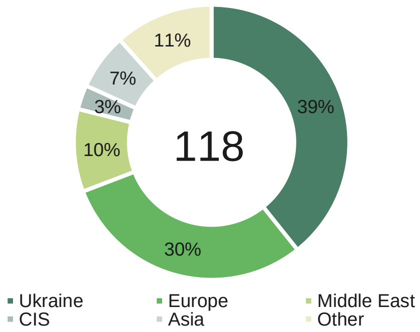
The sunflower seed processing yields two major products: sunflower oil and meal, which are exported globally mostly through third-party terminals, with only a minor portion transshipped through the Group's TransBulkTerminal. Sunflower seed husk, a biomass, is either burned in-house to generate steam for production purposes, or pelletized and sold to third parties.

Four of the Group's plants are already equipped with the co-generation heat and power units, burning all the husk produced and generating electricity. Such facilities, with a 44.2 MW installed turbine capacity, supply the electricity generated to the national grid. A state-owned enterprise "Guaranteed Buyer" is

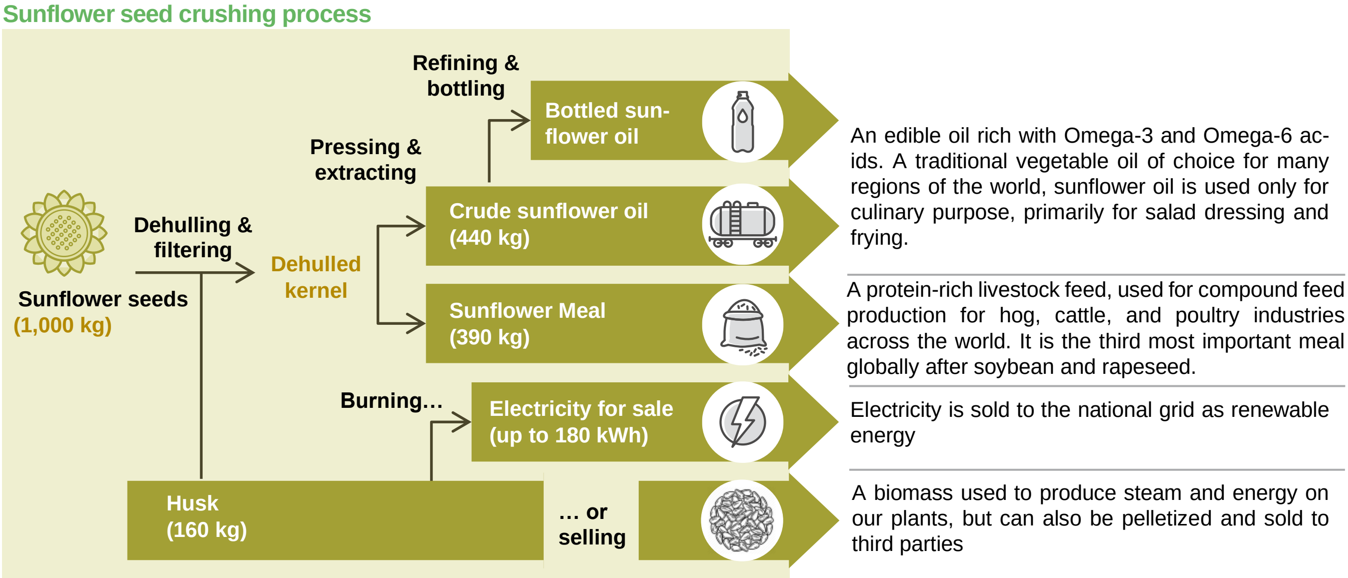
Sunflower oil sold in bulk destinations FY2022
thousand tons



Bottled sunflower oil destinations FY2022
thousand tons



Sunflower seed crushing process



[1] USDA, Kernel analysis.

Oilseed Processing continued

obliged to buy all such renewable energy produced at the feed-in tariff fixed in EUR by 2030. Some co-generation facilities can also supply power directly to the crushing plant.

Up to 12% of produced crude sunflower oil historically is further refined and bottled on Poltava and Prykolotne plants, granting incremental margin for such higher added value product. Since 24 February 2022, the Group does not conduct operations on Prykolotne plant in Kharkiv region.

Approximately 8% of oilseeds processed in FY2022 corresponds to high-oleic sunflower seeds, which historically used to provide higher margin than ordinary seeds.

Sales

Most sunflower oil produced by Kernel plants (79% in FY2022) is sold on the FOB basis to our Avere subsidiary, applying the arm's length principle. Avere then sells it on the CIF-basis in export countries earning extra trading margin, which is accounted in our Infrastructure and Trading segment.

In addition to marketing sunflower oil produced by the Group's plants, Avere also buys sunflower oil from other producers in Ukraine, consolidating exports from Ukraine under its umbrella and building up the scale in global sunflower oil trading.

Sunflower oil is mostly sold through forward contracts. Due to the difficulties with export, we had contractual commitments to sell only 51 thousand tons of sunflower oil for US$ 73 million as of 30 June 2022.

Markets and customers

Oilseed processing is an export-oriented business. Over 85% of produced sunflower oil is exported in bulk, with China, India, Europe and Iraq being our key markets. Kernel's customers mainly include processors of soft commodities who refine and bottle sunflower oil, and big international traders. The largest customer in FY2022 was the Etihad Food Industries refinery in Iraq with a 14% share in our total bulk oil sales. Other big customers include Adani Wilmar, Kaleesuwari, Cargill, and ADM taking 7%, 6%, 6%, and 5% of our bulk oil sales volumes, respectively.

Up to 12% of crude sunflower oil produced on the plants is further refined and bottled. In FY2022, 61% of the produced bottled oil was exported, mostly to Europe, Middle East, former CIS, Asia, and Africa both under the Kernel brands and private labels. The Group has 31% share in total refined bottled sunflower oil export from Ukraine, supplying products to such international retail chains as METRO, Auchan, Walmart, Maxima, and others.

39% of produced bottled oil in FY2022 was sold in Ukraine to 20 nationwide retailers and 29 regional distributors, comprising 80% and 20% of domestic sales, respectively, under well-recognized brands "Schedryi Dar", "Stozhar" (both in TOP-100 brands in Ukraine[1]), "Chumak", and others.

Key developments

The war in Ukraine and related business disruptions were main hardships impacting the segment performance in FY2022.

Pre-war progress

At the inception of the season, the market fundamentals had been supportive for Kernel. Ukraine delivered a record harvest of sunflower seeds, and global prices were rising. The only issue was the reluctance of local farmers to sell crops, as they were expecting a further price increase. It translated into slower than expected procurement of oilseeds at the beginning of the season. Notwithstanding, we generated the largest in the last 6 years EBITDA for the first half of the season, and were working full speed to commission the largest in Ukraine oilseed processing plant and finalize our investments in the renewable energy projects.

War impact

When the war emerged, we immediately stopped all our crushing operations, leaving only the refining and bottling activities functioning. We started to gradually resume operations only in April-May 2022. As a result, our processing volumes on Q4 FY2022 declined by 75% y-o-y, to 157 thousand tons of sunflower seeds.

Besides, we **lost access to two** Group's crushing **plants occupied by Russia** in

Construction site of Kernel new oil-extraction plant in Western Ukraine, February 2022.

[1] Source: MPP

Oilseed Processing continued

Kharkiv region with combined annual crushing capacity of 0.5 million tons of sunflower seeds, one of which has also the refining and bottling capacities. The assets suffered from damages caused by military actions. Many employees were relocated and employed at the other Group's plants. We also ceased tolling operations on Chuhuiv oil-extraction plant in the same region, as the asset was inaccessible due to its high-risk location. As a result, the maximum accessible crushing capacity of the Group reduced to 3 million tons of oilseeds per year.

Since the beginning of the war, the Ukrainian Black Sea ports were unavailable for export operations. As almost all our export before the war was done via such ports, we lost our major part of sales channels and were forced to **cancel sales contracts** for a total value of US$ 786 million, declaring force-majeure. Consequently, we entered the war period with a large stock of unhedged inventories.

Establishing new logistics routes was a challenging task. While railway logistics is better positioned to accommodate the high export volumes compared to trucks, the key problem appeared to be a **different gauge of railways in Ukraine and in neighboring EU countries**: 1520 mm vs 1435 mm.

A part of sunflower oil and meal stock was destroyed, and a part was located on the occupied territories. Moreover, sunflower meal is a perishable product, and a lot of that was spoiled. Finally, being unable to export products and facing the growing logistic costs and declining local prices of sunflower seeds and oil, we recognized losses due to the reduction of the net realizable value of such inventories below cost. For the year ending 30 June 2022, we recognized a respective cumulative **inventory-related loss** of US$ 91 million. Besides that, the impairment of goodwill and PP&E together with the revaluation of the assets attributable to the segment resulted in US$ 88 million **loss related to non-current assets** during the reported period.

Additionally, we were forced to **postpone our historical CapEx program**. In FY2022 we expected to commission the largest oilseed processing plant in Ukraine having capacity to process 1 million ton of sunflower seeds per year, with total expected investments of US$ 279 million. On top of that, we were at the final stage of completion of our investments in the renewable energy projects. But the uncertainty related to the outcome of the war and its consequences, liquidity situation, and difficulties with engaging suppliers at the final stage of the projects in the circumstances of the martial law in Ukraine resulted in freezing the projects for almost a year. The budget for investments is likely to be revised to adjust for elevated costs of construction materials reflecting mounting worldwide inflation.

Our response to war

After the first shock, our team immediately switched to stabilizing operations.

In late April, we **re-launched crushing operations on our Poltava plant**, as refining and bottling capacities on this plant allowed to sell oil locally. In parallel, we started to work out new sales channels, but only in late May we were confident enough to launch oilseed processing at two other plants, despite occasional shutdowns from time to time. The fourth plant was added to operations in June, and two others followed in August-September, when the grain corridor started functioning. While the last two plants were recently de-occupied, we still have limited access to those facilities.

While developing alternative export routes able to accommodate Ukrainian export of sunflower oil is relatively easier than for grain, shipment of sunflower meal is faced with the same problem as grain.

We secured some sunflower oil and meal transshipment capacities in the Ukrainian port Reni at the Danube river and at western border of Ukraine. Observing the skyrocketing freight costs and deficit of fleet, we decided to invest in barges, coasters, and handy-size carriers for grain and oil to make exports via Danube river more efficient. First such investments were already completed in summer 2022.

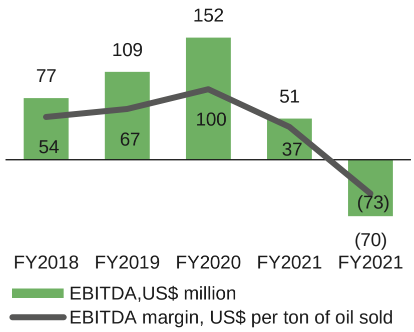
In FY2022, the headcount in the Oilseed Processing segment increased 2% y-o-y, reflecting the 'pre-war' staff hiring for our new crushing plant. No war-related stuff cuts were introduced during FY2022.

Performance overview

In FY2022, Kernel's oilseed processing volumes reduced by 31% y-o-y, to 2.2 million tons, mostly due to war-related disruptions of exports in the second half of the reporting period. Average capacity utilization ended up at 58%, contrary to 86% in FY2021. The **market share of Kernel in Ukraine decreased** from 24% of all processed sunflower seeds in FY2021 to estimated 20% in FY2022.

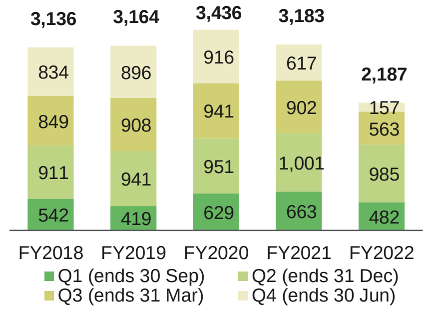
Sunflower oil sales mirrored the decline in processing, getting reduced to 1.0 million tons in FY2022, down 29% y-o-y. Of that, bottled sunflower oil sales amounted to 128 thousand tons, down 21% y-o-y.

Oilseed Processing segment EBITDA



Oilseed processing volumes

thousand tons



Kernel bottled oil selected customers

Kernel bottled oil core brands

Oilseed Processing continued

Oilseed Processing segment performance

		FY2021	FY2022	y-o-y
Oilseeds processed	*thousand tons*	3,183	2,187	*(31%)*
Sunflower oil sales	*thousand tons*	1,367	967	*(29%)*
Revenue	*US$ million*	1,747	1,681	*(4%)*
EBITDA	*US$ million*	51	(70)	*n/a*
EBITDA per ton of oil sold	*US$ / ton*	37	(73)	*n/a*
EBITDA margin	*% of revenue*	9.8%	(4.2%)	*n/a*

In FY2022, we recognized our first-ever annual loss at the EBITDA level, totaling US$ 70 million. The primary reason is the tremendous US$ 185 million losses in value of segment inventories of non-current assets. Making adjustments for such losses, the business generated quite a decent US$ 115 million EBITDA, but such result was secured primarily by the strong pre-war performance.

EBITDA per ton of oil sold in FY2022 resulted in a loss of US$ 73, as compared to US$ 37 profit for the previous year.

FY2023 outlook

While for obvious reasons we cannot provide any guidance for the new season, we would like to highlight some important performance drivers to follow in FY2023.

Exports

As for each agricultural business, with Ukraine being at war, any further performance of the oilseed processing segment is contingent on the Ukrainian deep seaports' availability for the exports. The latter, in turn, relies on the **'Grain deal'** signed by Ukraine, Turkey, and UN in late July 2022 with the expiration date set for November 2022. Without its prolongation, the maintaining exports at its historic levels will be impossible, and we will face a need of new CapEx targeted at expanding the inland export logistics as much as possible. It cannot fully solve the bottleneck problem. Some relief may come from the margin side, considering the soaring global sunflower oil prices and plummeting local feedstock prices.

Crushing plants

Our crushing capacity will stay at 3 million tons, as re-integration of 2 plants in Kharkiv region does not seem feasible in the nearest future. These assets are forced to deal with recurring shelling attacks and workforce shortages. The tolling "take-or-pay" agreement for operations at Chuhuiv crushing plant was not extended for FY2023.

In FY2023 we aim to **commission our fifth co-generation heat and power facility** with 21 MW installed electricity generation capacity. In current circumstances the project is of strategic importance for us, as it contributes to the energy security for our business and for Ukraine. The sixth CHP, 6 MW located at our Vovchansk plant, is not likely to be commissioned in the near future as the asset is located very close to the border with Russia. Commissioning the seventh CHP, 22.5 MW at our new plant in Starokostyantyniv, will depend on the overall progress with the crushing plant construction.

Provided grain deal remains in place, we may face another problem: **tough supply of sunflower seeds in new season**. According to our estimates, the harvest is expected to decline by 30% y-o-y. But another important factor to follow will be the export of sunflower seeds. Historically, it hardly reached 0.2 million tons per annum, but in 2021/22 season it spiked to 1.6 million tons and is likely to exceed this number for FY2023. Local crushers already complain about the potential domestic deficit of seeds and the need to increase export duties. For Kernel, such risk is partially mitigated by our own production of sunflower seeds, but concerns about availability of oilseeds still exist, especially for the second half of the season. While under normal conditions we were actively procuring oilseeds during autumn to secure feedstock for the second

Types of investments required to facilitate inland export of sunflower oil

Due to the deficit of vegetable oil rail tanks, we started to invest in **tank-containers.** Such solution simplifies the multimodal logistics and transshipment from one rail platform to another, and allows to easily organize a temporary storage of sunflower oil if required.

The other solution **is a primitive transshipment facility** with crane equipment at Ukraine / EU borders, granting access to both 1520 mm (Ukrainian) and 1435 mm (EU) railway gauge. Such assets appeared to be in deficit when huge volumes of agri products were redirected for export via EU.

Oilseed Processing continued

half of the season, this year we have a limited capacity to conduct such procurements due to no debt funding available.

Harvest

FY2023 will **lay foundations for FY2024 harvest**, as farmers will be deciding on the crop mix. There are grounds to expect more farmers switching to sunflower from corn, as the former requires less fertilizers to be applied and less natural gas to be consumed when drying the crop at silos. Moreover, while ports were unavailable for export operations, oilseed processing value chain appeared to be more profitable than grain export one, providing additional economic arguments in favor of sunflower.

Power outages

Recent Russian **attacks on Ukrainian energy infrastructure have created another risk for the business**. Since October 10, Russia has destroyed a substantial portion of Ukraine's power generation and distribution infrastructure (30-40% of energy infrastructure according to Ukrainian officials), triggering massive blackouts across the country. Our Oilseed Processing segment is the most exposed to such risk, standing for over 70% of Group's total energy consumption. Abrupt power outages may cause accidents, local fires, damage of equipment and downtime of plants, as minimum 10-12 hours are required in the best case to eliminate the consequences of such outages. The situation is better in the case of planned power outages, since we have time to prepare. We can mitigate such risk partially, as we constructed the co-generation heat and power units at four our crushing plants allowing the plants to be self-sufficient in terms of electricity. But even in such cases, abrupt power outages from the outside may force the emergency shutdowns of turbines, and consequently the full stop of the plant and associated losses. For the other plants, we procured diesel-generators, but we have faced the delay with supply given the huge local demand for such equipment.

Besides the direct power supply, massive blackouts may also restrict the water supply to plants and sewerage, and here we have much less space to maneuver - if such critical infrastructure is broken or de-electrified, it will be extremely difficult for us to keep oilseed processing operations.

Infrastructure and Trading

Performing on the brink of the turmoil

Exported 8.0 million tons of grains from Ukraine in FY2022

During the H1 of FY2022, Infrastructure and Trading segment was enjoying the favorable market environment, namely the mounting global soft commodity prices and rising export volumes of grains supported by the all-time high harvest of 83 million tons of grains collected in Ukraine. In the middle of the year, with the Russian invasion of Ukraine and consequential inability to export goods via Black Sea, the segment experienced a substantial business disruption which resulted in **almost vanished export volumes** in March-June 2022. Despite the enormous amount of efforts, the Group managed to export only 123 thousand tons of grains during Q4 FY2022.

With the experience acquired, it became obvious that **any alternative export routes are not capable of fulfilling the Group's needs in exports on the usual levels**. Moving large volumes of grain via Ukraine-EU borders is impossible, and even tiny volumes are associated with enormous costs, making the whole export value chain (farming-logistics-trading) loss making. The future segment performance is totally contingent on the availability of export channels via the Black Sea, but having Russia among the stakeholders of that process exposes the stability of any future exports to huge risks. In case of the inability to export grain via the Black Sea ports, Ukraine may face changes in the crop mix undermining the long-term farmland productivity and defaults of farmers in Ukraine entailing heavy social consequences.

Update on strategy

Before the Russian invasion of Ukraine, we had a mid-term target to reach the annual export of 15 million tons of grain from Ukraine, up from 8 million reached both in FY2020 and FY2021. Our strategy assumed a business scale increase via M&A, constant growth of the share of captive supplies and efficiencies enhancements which shall allow us to move such huge volumes. But in current circumstances we **put** this **Strategy 2026 on hold** and focus more on the crisis management rather than growth. Depending on the outcome of the war in Ukraine, our growth plans may no longer be relevant. If it becomes impossible to move large volumes of grain from Ukraine, it may face a need to look in more detail at various energy projects and domestic processing instead.

Revenue
US$ 4,535 million
-7% y-o-y[1]

EBITDA
(before unallocated head office expenses)
US$ 237 million
-34% y-o-y[1]

Infrastructure and Trading continued

Market overview

The key market factors important to follow for the Infrastructure and Trading segment performance include the availability of the Ukrainian Black Sea ports for export operations, the harvest of grains in Ukraine, competition among grain traders in Ukraine and competition among grain infrastructure assets, along with other factors.

Grain harvest in Ukraine

In FY2022, Ukrainian farmers collected the record grain harvest of 83 million tons[1], increased by 33% y-o-y. The acreage under grains, namely: corn, wheat, and barley remained relatively unchanged at 15 million hectares.

Due to the all-time-high grain harvest, and despite the war that has cut off Ukraine from the substantial export volumes, in FY2022 the grain exports from Ukraine amounted to 50 million tons, outperforming the previous year by 12%. Ukraine ended up being the third-largest exporter globally in 2021/22 season after the USA and Argentina, keeping 10.2% market share in global grain trade[2].

Looking forward to the 2022/23 season, it is reasonable to expect a substantially lower grain harvest driven by reduced acreage since 20% of Ukrainian land is temporarily occupied by Russia, as well a substantial portion of land remaining inaccessible due to active military actions taking place.

Competition among grain traders

In Ukraine, we compete with established multinational trade houses (Cofco, Cargill, ADM, Bunge, Louis Dreyfus, Glencore) as well as with numerous local peers. While all the largest exporters have their own grain export terminals in ports, most of them lack a sufficient silo network and grain railcars fleet, not to mention the absence of their own farming business.

Grain infrastructure trends

Silo business

With the obstacles to export agriculture products via the Ukrainian Black Sea ports, which grain exports were contingent on by 97%, the vast portion of the record grain harvest has been stuck in Ukraine for an unpredictable period of time. As of 30 June 2022, the amount of grain stored in Ukraine has peaked to ~17 million tons, 5x times in comparison to the previous year's stock. To prevent corn, wheat, and barley from quality deterioration, these commodities must be stored under proper conditions, which, in turn, substantially increases the demand for the silo services in Ukraine.

Nevertheless, such a trend is a rather detrimental factor for the agricultural industry. Facing the shortage of the storage capacities, both farmers and traders either experience contraction in margins due to the mounting costs of storage, or just store the production out of silos within improper conditions, which leads to the write-offs of a substantial amounts of grains due to their unsalable quality.

Grain railcars business

After the historic deficit of railcars in Ukraine had been eliminated in FY2021, the FY2022 had begun with farmers and traders enjoying the normalized lease costs. With the outbreak of the war, the market was forced to seek alternative export routes, railways being the most in-demand solution. Such a pivot has exposed the market to the substantial shortages of railcars fleet, which has dramatically soared the cost of the railway logistics.

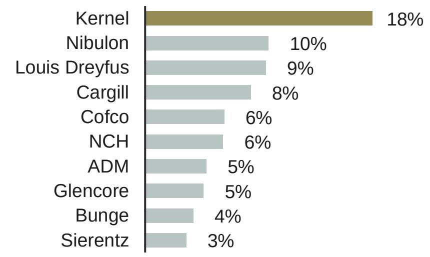
Moreover, Ukrainian railways are constrained with annual export capacity of ~7.8 million tons, which forces agricultural traders to compete not only with each other, but with other industries as well. Before the 'Grain Deal' has partially unlocked the seaports for the exports, during April-June 2022, 2.1 million tons of grains were exported from Ukraine by the railways, comprising 61% of grain exports from Ukraine during the mentioned period.

Status quo and outlook

Considering the 'Grain deal', in August-October 2022, the amount of grain exported from Ukraine via 'Green Corridor' amounted to 5.8 million tons. Such a development is a positive temporary relief for the industry. Nonetheless, due to the lagging ship traffic and limited capacities, alongside with the presence of Russia among the stakeholders, it cannot be considered as a trustworthy solution for the exports.

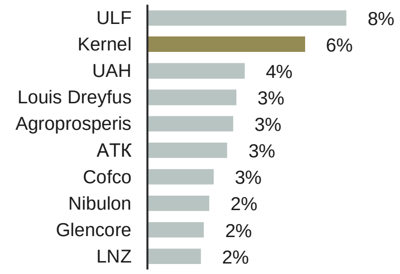
In conjunction with restricted exports, Ukrainian farmers are experiencing several other business disruptions, such as mushrooming costs of export logistics, shortages in grain storage facilities, escalating prices on fertilizers, and other factors, which altogether squeeze out the farmers' margins. In the face of their businesses converging to loss-making, Ukrainian farmers are switching to cost-cutting. Sparing costs on fertilizers, major production inputs and technologies, as well as freezing the CapEx plans, Ukrainian agriculture is on the verge of the most challenging cycle in its history. Such a vast number of issues emerging during the wartime produces harmful long-term implications for Ukrainian farmers and, consequentially, for the traders.

Top-10 grain exporters from Ukraine July - January FY2022
% of total grain export



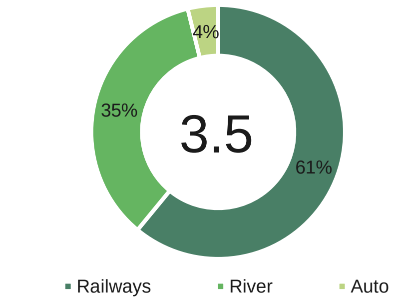
Source: STARK, Kernel

Top-10 grain exporters from Ukraine April - June FY2022
% of total grain export



Source: Agrochart, Kernel

Grain exports from Ukraine by transport April - June 2022
thousand tons



Source: Agrochart, Kernel

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[1] Three key grains: corn, wheat, and barley. Source: Company estimates as of October 2022.
[2] Three key grains: corn, wheat, and barley. Source: USDA, as of October 2022.

Infrastructure and Trading continued

Our business model

The Infrastructure and Trading segment comprises several interdependent business units serving as a supply chain connecting Ukrainian farmers with global markets: silo services, grain railcars, export terminals in the ports, grain origination and export business in Ukraine, and Avere operations (offshore physical and proprietary trading).

Grain export business

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

- **Experienced procurement team** with country-wide presence and deep understanding of local trends and regional peculiarities;
- First-hand access to the unique in Ukraine **own infrastructure** – the largest private silo network, the largest private fleet of grain railcars, as well as the largest deep-water grain transshipment capacity in ports;
- **Prudent risk management**: locking up the margins by selling grain through forward contracts in a similar time frame as purchasing it from farmers on the spot market[1];
- Client-friendly approach allows Kernel to positively differentiate relationships with farmers managing it through the centralized **CRM system IBuyMore** and supporting them with numerous value-added initiatives.

In Ukraine, Kernel holds the title of **one of the largest providers of pre-crop financing to farmers**, investing over US$ 75 million in farmer loans for the harvest 2022 both for grain and sunflower seeds[2]. With the Open Agribusiness initiative, the Group shares know-how and provides various services to third-party farmers. During the reported period, the Group has substantially **increased the scope of our Open Agribusiness project**, which now includes partners with 168 thousand hectares of land, up from 90 thousand hectares a year ago. Finally, Kernel provides advanced IT solutions to the suppliers, including an electronic document flow system (simplifies paperwork for farmers and accelerates deals execution) and the Transithub virtual truck navigation solution for providers of grain and oilseeds logistics.

More than 75% of the grain exported from Ukraine in FY2022 was sold on the FOB-basis in the ports of Black Sea to big international traders like OLAM, COFCO, Viterra, and others. CFR/CIF sales achieved 23% of our grain export volumes in FY2022 – in that case Kernel also organized transportation of goods by the sea to the port of destination.

In FY2022, Kernel **exported** 818 thousand tons of **ISCC-compliant corn**, down 32% y-o-y. Such corn is used for bioethanol production and grants a price premium over conventional corn, as ISCC certification confirms that corn was produced in an environmentally and socially sustainable way.

Silo services

We operate the largest private inland silo network in Ukraine of 29 silos with combined grain storage capacity of 2.3 million tons, and of top of that we secured 0.3 million tons flexi bags storage capacity for FY2023 season. Additionally, one of our silos is located on the territory temporarily occupied by Russia, and we do not envisage this facility being operational in the nearest future. The assets network includes highly productive storages capable of loading shuttle trains (54 railcars) in one day, but also smaller and less efficient floor-type silos.

The silos are located across the key grain producing regions in Ukraine and provide grain in-take, drying, cleaning, storage, and off-loading services to our Farming segment and to third-party farmers countrywide. The silos start grain intake with wheat in July and end with corn in December, thus being able to do more than 1.0x storage capacity turnover over the season.

In addition to the typical services provided, Kernel's **silo network** serves **as an important origination tool**, enabling the procurement team to purchase grain and sunflower seeds from farmers within a 100-kilometer range from the harvested land, thus being the first-choice buyer to consider. The Group's inland silo footprint facilitates the maintenance of close contacts with farmers and provides better visibility on the Ukrainian grain supply.

Grain railcars

Kernel is **the largest private operator of grain railcars in Ukraine**, with 11% market share of total grain hoppers fleet in Ukraine. The Group owns 3.4 thousand railcars used to deliver grain from silos (owned by Kernel, as well as by other players) to the grain transshipment terminals in the ports. Ownership of the railcars allows Kernel to save on lease payments, though still paying for the usage of railway traction and infrastructure. Since the beginning of the war in Ukraine, 8% of the Group's wagons have remained stuck in the territories temporarily occupied by Russia. The remaining railcars serve as a huge support when pioneering the railway export routes.

Export terminals

Kernel owns the **largest grain transshipment port infrastructure in Ukraine** and is the No. 1 grain export terminal operator in Ukraine by transshipment volume. Two grain export terminals (TransBulkTerminal and TransGrainTerminal) allow the Group to handle 10 million tons of grain per annum. Both facilities are in the deep-water Chornomorsk port, Odesa region, and are capable of servicing over-Panamax-sized vessels with deadweight of up to 100,000 tons and maximum loading at berth of up to 80,000 tons.

Kernel's terminals tranship mainly grain (98% of total throughput in FY2022), but also sunflower meal, sunflower oil, and sunflower husk.

The full control over the whole value chain (silo – railcars – port terminal) allows us to make an **advanced long-term planning of logistics**, which significantly simplifies the co-operation with state railway monopoly.

Avere operations

Avere is a research and knowledge platform founded in FY2018 and headquartered in Switzerland, with representative offices in USA, Singapore, and China. Avere employs a highly qualified research, trading, and execution team of 34 professionals. Avere sells sunflower oil produced by Kernel plants (79% of total Kernel sunflower oil sales in bulk in FY2022), purchasing sunflower oil from Kernel at market prices (FOB Black Sea) and paying Kernel a fee for that. Additionally, Avere originates sunflower oil from other counterparties in Ukraine. On top of that, Avere helps to hedge Kernel's growing grain export volumes and farming produce. Finally, leveraging its expertise, Avere is involved in the merchandising and proprietary trading of grains, oilseeds, and related products in the key world markets.

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

[1] Deviations from such approach may appear during the business disruptions caused by the war in Ukraine.
[2] The whole amount of such financing was provided before 24 February 2022, when Russia invaded Ukraine. The approach towards financing of third parties for next season will be revised.

Infrastructure and Trading continued

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

In FY2022, Kernel increased its stake in Avere from 60% to 100%, as minority shareholders of Avere exercised their put options to sell Avere shares to Kernel. The total consideration amounted to US$ 65 million, of which US$ 32 million were paid during the reported period.

Key developments

During the first half of the reported period, the Group was enjoying favorable market environment with surging prices of soft commodities and hiking export volumes driven by the all-time high harvest of grains in Ukraine. We delivered record grain export volume from Ukraine in H1 FY2022 (5.7 million tons) as well as all-time high transshipment volume via our terminals (5.2 million tons). In November 2021, the Group updated its monthly transshipment record**,** handling 1.1 million tons of agricultural products via its terminals in Chornomorsk.

The situation drastically changed on 24 February 2022 with the Russian invasion of Ukraine, which **disrupted the usual way of doing business**. Until the end of the reported period, the Group's port infrastructure was not conducting vessel-loading operations at all, forcing Kernel to switch to the alternative export routes.

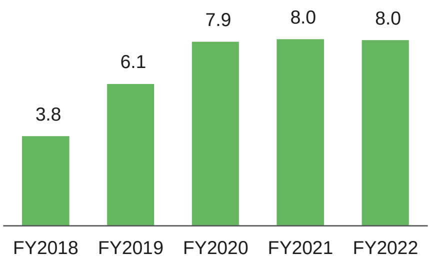
Luckily, our grain export infrastructure has not suffered any severe damage. **Two Group's silos were damaged,** reducing Kernel's storage capacity by 74 thousand tons, and 289 grain railcars remain inaccessible on the occupied territories.

Alternative export routes

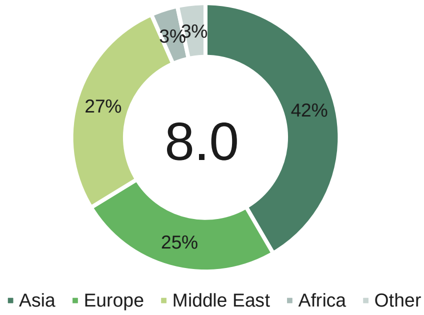
Before the war, we exported the grain only via the Ukrainian Black Sea ports. After the February 2022, Kernel was forced to seek alternative logistics solutions with the railways, auto transport and through the Danube River. The Group faced the infrastructural bottlenecks which could not be solved by Kernel on its own in the short-term:

- **Unmatched with the EU Ukrainian railway system:** Being connected with its Europeans neighbors by 11 railway lines, Ukraine operates the 1520 mm gauges, while the European railways has different 1435mm-width tracks. The discrepancy in the infrastructure does not allow trains coming from Ukraine to directly transship the product further to Europe. The trains must stop at the special facilities, which are located close to the border, to reload its production in bulk or in containers to the EU-standardized wagons and carts or by replacing bogies. Such a bottleneck produces substantial delays in the delivery time and results in the increasing costs. Agricultural products compete not only among themselves, but also with other exports, including metals and iron ore.
- **Undeveloped river logistics:** the main route for the river exports from Ukraine lays through the Danube River, but it suffers from low productivity of the transshipment facilities available there and the deficit of river vessels. As a result, the export volumes of grains through this route in April-June 2022 amounted to just 1.2 million tons.

Kernel grain export from Ukraine
million tons



Kernel grain export from Ukraine destinations
million tons



In addition to problems with crossing the EU border, we faced another one – ports in EU

Agribusiness at war: potential long-term implications for the industry

Difficulties with export of goods via the Ukrainian Black Sea ports may have heavy consequences for Ukrainian agribusiness, including:

- ***Soared costs of logistics:*** switching from the Black Sea export routes to the alternative channels is associated with skyrocketing logistics costs, as such channels cannot absorb all the grain volume exported from Ukraine. The situation is aggravated by worldwide energy inflation. Logistics problems affect not only the sale of the ready produce, but also the supply of crop inputs and crop transportation from field to silo.
- Supply chain distortions also caused a **local deficit and associated price increase for the crop inputs**, specifically fertilizers. Consequently, farmers in Ukraine are forced to apply sub-optimal crop production technology (resulting in subdued crop yields) and change crop structure, which in some cases undermine the mid-term productivity of farmland.
- ***Demographic crisis:*** as of November 2022, ~10 million Ukrainian citizens left the country as refugees. The drain is harmful in two main aspects: contracted domestic consumption and shortages of available workforce.
- ***Reduced planting areas:*** as of November 2022, 20% of the Ukrainian territory is temporarily occupied by Russia. Cultivating such lands is close to impossible. Moreover, some farmlands in the regions which are controlled by Ukraine but which have heavily suffered from military actions were not cultivated this season as well. Besides that, 4.8 million ha of agricultural land in Ukraine where the military actions had occurred, is full of explosives, which will result in additional time and cost required for proper de-mining process. As a result, we can observe for crop 2022 one of the lowest in recent decade harvesting areas in Ukraine, and also huge uncertainty existing for the 2023 harvest.

Combined together, such consequences result in loss-making farming operations under closed-ports scenario and may result in defaults of farmers in the nearest future.

Infrastructure and Trading continued

countries were not ready to absorb increased flows from Ukraine. With great effort we managed to sign several **take-or-pay transshipment agreements with terminals in Romania, Germany, and Lithuania**. Besides, several take-or-pay arrangements were signed with in-land railway transshipment facilities. Such arrangements imply our obligation to pay even if we decide not to conduct transshipment operations, and the term of the contracts in some cases reaches two years. We perceive such take-or-pay arrangements as an insurance for us: if the Black Sea remains open, it will make little sense to use inland export channels, and thus we will be obliged to pay fines. But if Black Sea closes again, such arrangements will allow us to keep the minimum required level of export volumes. In such case, we doubt the export will be profitable, but at least it may help to convert our inventories to cash and support the liquidity position for the Group.

The **headcount of the segment increased 3% y-o-y**, to 2,679 employees as of 30 June 2022. The new hires are mostly associated with the additional employees required for the Group's pioneering of the alternative export routes.

Performance overview

In FY2022, the Group **exported 8.0 million tons of grain from Ukraine**. Corn comprised 61% of exported volumes, wheat – 21%, and the remaining percentage standing for barley and other miscellaneous crops. The Group's own Farming segment produced 12% of grain Kernel exported in FY2022. While full-year grain export volume remained virtually unchanged y-o-y, Kernel's **market share in grain export** has **contracted**, reaching 16% for FY2022, as compared to 18% in the previous season[1]. In FY2022, the Group kept 20% of all corn exported from Ukraine, 13% of wheat, and 12% of barley[1]. For the reported period, Kernel retained its leading positions, but has lost the title of the largest grain exporter from the Black Sea region.

During the reported period, **Kernel transshipped 7.3 million tons of goods** (grain, sunflower meal, oil, and husk) through its port facilities, down by 11% y-o-y. The decline is mainly attributed to the disruptions of exports, which occurred with the war, and have resulted in **no volumes transshipped through the Group's terminal facilities in the fourth quarter**.

At the same time, the volume of grain received in inland silos has amounted to 4.2 million tons, 10% up y-o-y, driven by the record 2021 crop size delivered by Ukraine.

Segment EBITDA in FY2022 amounted to US$ 237 million, down 34% y-o-y[2]. As in the previous year, the major portion of that (namely, US$ 134 million[3], or 57% of segment total) was contributed by **Avere trading operations**, which capitalized on high volatility of global soft commodity prices and advanced capabilities of fundamental S&D analysis of key agricultural markets. While Avere contribution reduced 46% y-o-y, it still remained well above our normalized long-term expectations for Avere performance.

Grain export value chain in Ukraine generated US$ 103 million EBITDA in FY2022, reflecting:

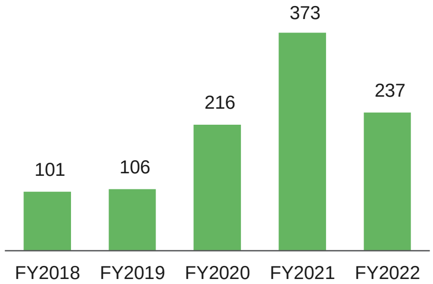
- **Strong pre-war performance** driven by record grain harvest in Ukraine and upscaled Kernel grain export asset base. During H1 FY2022 we reached all-time-high semi-annual export volumes from Ukraine. Practically all FY2022 segment volumes and earnings were delivered before 24 February 2022; and
- **Loss-making operations after the war broke out**, negatively impacted also by US$ 82 million losses stemming from the reduction of inventory net realizable value below the cost, reserve for inventories located on the territories occupied by Russia, and provisions created for accounts receivable. While adjusting for such losses, grain export business in Ukraine was still unprofitable after the 24 February 2022 due to low sales volumes and mounting logistics costs.

FY2023 outlook

Avere outlook

While in the last two years **Avere trading business was the major contributor to segment EBITDA**, we do not expect a sizable contribution from Avere in FY2023. Markets in the new season are primarily dominated by the political agenda, and to a smaller extent by the fundamental factors. Trading in such environment is extremely risky, so our approach is to stick to mild earnings but to minimize potential losses. As a result, Avere's trading team reduced their positions and is acting very cautiously in the current year. As of the day of this report, the business remains profitable, but we do not retain much optimism over the full year performance.

Infrastructure and Trading segment EBITDA
US$ million



Outlook for grain export value chain in Ukraine

The availability of the grain corridor for the seaborn export from Ukraine remains the most important factor for our grain export business in Ukraine for FY2023.

If **the grain deal is extended** beyond November 2022, our business is likely to remain profitable. For sure, there will be numerous deficiencies related to the low speed of passing the grain corridor (including sabotage from Russian representatives), extra freight costs accounting for geopolitical risks, inability of long-term planning of the trade program and so on, but such drawbacks are nothing compared to the outcomes of the "closed ports" scenario.

If the **grain deal is not extended**, our operations are likely to be lossmaking, as it was in Q4 FY2022, or balancing close to break-even. While we have an action plan to minimize such negative consequences, including US$ 170 million CapEx plan to expand our export capacities via the alternative export routes and to reduce costs, it may take time for the

Infrastructure and Trading segment performance

		FY2021	FY2022	y-o-y
Grain export volumes	*thousand tons*	8,013	7,969	*(1%)*
Export terminal's throughput (Ukraine)	*thousand tons*	8,159	7,269	*(11%)*
Grain received in inland silos	*thousand tons*	3,801	4,185	*10%*
Revenue	*US$ million*	4,857	4,535	*(7%)*
EBITDA[2]	*US$ million*	359	237	*(34%)*
EBITDA margin *per ton of grain exported*	*US$*	45	30	*(34%)*

[1] Source: Kernel analysis
[2] FY2021 EBITDA was corrected, as explained in detail in the notes to the consolidated financial statements.
[3] While the total Avere contribution for the Group was US$ 133 million EBITDA in FY2022, it is the result of US$ 190 million Avere trading EBITDA less US$ 57 million payroll related expenses associated with Group's liability to acquire the minority stake in Avere from subsidiary's minority shareholders and mirroring the net profit attributable to Avere minority shareholders during the reporting period.

Infrastructure and Trading continued

impact to materialize.

Another problem for FY2023 will be the **rolling blackouts and power outages** in Ukraine given the recent Russian attacks on the Ukrainian energy infrastructure. The most severe impact for the segment might be the grain railway transportation disruptions, as majority of railways in Ukraine are running on electricity. Additionally, we may face power outages for our silos and export terminals. In case of silos, power deficit will not allow to make in-take/offloading operations and grain cleaning and drying as well. When the port terminal is unexpectedly de-energized, we face commercial losses related to demurrages and the downtime of trucks and railcars. To mitigate such risks for our key silos, we are working on securing emergency power supply via diesel-generators, which we have already purchased and expect to be delivered in December 2022. For our export terminals in Chornomorsk we are working now on establishing the direct power bridge between the port facilities and our co-generation heat and power plant located at our Black Sea Industries oilseed processing facility in Chornomorsk.

Volume-wise, we have some visibility only for our grain silo business, where we **aim to reach 2.5 million tons of grain in-take volume**, implying a 40% decline y-o-y. The primary reason will be a lack of free storage capacity considering the high carry-over stocks. Therefore, we will be obliged to minimize the grain intake from third parties and focus primarily on securing the storage for the crop harvested by Group's own farming operations.

Unlike in all the previous years, **the grain harvest in Ukraine will not be of big importance this season**, as supply will be supported by almost 17 million tons of carry-over grain stocks from the previous season. Anyway, the grain harvest is expected to shrink by 30-40% y-o-y due to both:

- **the reduction in planting area** as a result of the temporary occupation of some Ukrainian territories and active military actions on other territories; and
- **decline in crop yields**, stemming from suboptimal crop production technology applied due to deficit / high cost of crop inputs, problems with logistics and delays with the harvesting caused by the deficit of storage capacities.

Besides, the market will encounter problems with grain quality, as large portion of corn is likely to be harvested during winter.

Notwithstanding, export capacity is likely to remain a key constraint for the market in FY2023.

The 'Grain Deal'

On July 22nd, 2022, the so-called 'Grain deal' was signed among Ukraine, UN, Turkey, and Russia. The main purpose of the agreement was to unlock the exports of agricultural products from Ukraine through the Black Sea ports: Odesa, Chornomorsk and Pivdenny. The parties agreed that the special 'Green corridor' must be created, the corridor is expected not to suffer from any military actions or Russian missile strikes, and each vessel entering the corridor must be registered and inspected near the Bosporus by the special supervisory group constituted by the representatives of each stakeholder, including Russia. As of October 22nd, **5.8[1] million tons of soft commodities were exported** through that corridor, providing a huge relief for Ukrainian agricultural sector.

In August 2022, with the first ship leaving the port, the main risk-factor associated with the deal was that **Russia can potentially break the contract by launching a massive rocket shelling** on the ports' infrastructure and vessels. The Group's experience demonstrated that apart from the real security threat, Russia can harmfully impact the deal in a different way:

- Since the mid of September 2022, **Russian inspectors made a lot of effort to create the delays in the inspection process** through the bureaucratic procedures. Due to the artificially created delays, the queues of vessels have been growing. At the end of October, the size of the queue exceeded to **100 vessels waiting for the inspections.**
- In October, the average waiting time in the corridor had approached **15-16 days**, continuing to grow further. Despite a substantial penalties charterers need to pay owing to the delays, such a significant postponement in further logistics can potentially result in the **termination of export contracts**, reducing the further incentive of the contractors to deal with the Ukrainian traders through this corridor.
- In conjunction with the delayed inspections, a **planning problem** exists, namely: the list of vessels allowed for the next day's inspections becomes available at prior evening. With the one-day planning window, for a trader, it is impossible to operate with any certainty even in the very short-term prospective.

Number of vessels waiting to leave Bosporus

Volume of goods waiting to leave Bosporus, million tons

Source: Joint Coordination Centre of the Black Sea Grain Initiative Vessel Movements, Kernel analysis

Besides, risks associated with the grain corridor negatively affected its functioning: the pace of export was quite slow at the beginning (when market players where cautious about the viability of the solution) and at the end (when grain exporters lacked the confidence in its prolongation).

Russian statements at the end of October regarding their exit from the Grain Deal created additional uncertainties of the availability of the Black Sea for the export of Ukrainian agriproducts. The deal itself terminates on November 19th, and there is no certainty in its prolongation as well.

[1] – *Volume of goods, which have successfully left Bosporus*

Farming

Blurred perspectives on the horizon

Produced 3.2 million tons of corn, wheat and sunflower in FY2022

#DigitalAgriBusiness
Kernel creates future

After enjoying two seasons of strong performance and supportive pricing environment, the Russian invasion of Ukraine acting as a black swan completely turned around the outlook for the business. The farming business – a cash cow, which generated US$ 820 million EBITDA in FY2021 and H1 FY2022 – faced unprecedented challenges related to the ability to secure crop inputs, cultivate the land in temporarily occupied regions and sell agriproduce, which resulted in negative EBITDA for H2 FY2022, and a total US$ 219 million result for the reporting period, down 52% y-o-y.

Update on strategy

The war in Ukraine forced us to **put on hold** the execution of our **mid-term growth Strategy 2026**, assuming the increase of the landbank under operations to 0.7 million hectares and reaching 4 million tons of in-house crop production. In the future, we might be forced to **re-think our strategy** related to the Farming segment, depending on the progress of the war in Ukraine.

There are **uncertainties about the profitability of the Farming segment for the future** related to the outcome of the war in Ukraine. In the worst-case scenario, when Ukraine loses access to the Black Sea ports or such ports are unavailable for export operations for a long time, there will be an oversupply of grain and oilseeds on the local market. And given that 1) alternative export routes have constrained capacity with quite limited possibility to expand; 2) domestic demand is declining due to emigration and falling households' income; and 3) domestic processing capacity is low compared to the harvest size, the oversupply of grain and oilseeds on the local market may keep farming margins depressed. A part of the farmland in Ukraine may consequently turn into fallow land.

Additionally, the business is subject to a **vulnerable social component**, including lease payments to landowners, salaries to employees mostly from rural areas, charity and social expenses to local communities. With undermined profitability, such social commitments significantly increase the fragility of the business.

Revenue
US$ 635 million
-3% y-o-y

EBITDA
(before unallocated head office expenses)
US$ 219 million
-52% y-o-y

Divestment of farming entities

Keeping in mind the potential outcomes of the war between Ukraine and Russia and implications on the Group's operations going forward, we decided to **divest a part of the farming business** consisting of leasehold rights for 134 thousand hectares of farmland, grain storage silo, farming machinery and working capital, with a consolidated net asset value of US$ 230 million as of 30 June 2022, for a consideration of US$ 210 million, to de-risk our business model and secure incremental liquidity. The **transaction will be completed after releasing the entities from obligors' group in some of the banking lines**.

Should the situation with seaborn exports from Ukraine stabilize, divestment will have muted impact on future Group's operations as it represents a small share of net assets of Kernel as of 30 June 2022 and would not have material impact on Group's cash generation capabilities. But under some worst-case scenarios, such a deal might be strongly beneficial for the Group.

Farming continued

Our business model

Large-scale farming

Kernel is one of the largest crop producers in Ukraine. As of 30 June 2022, the total area of leasehold farmlands under Kernel's operations amounted to **363 thousand hectares**[1], including 327 thousand hectares under 2022 crop to be sold, 7 thousand hectares of land under seeds and crops grown for in-house use (cattle business), and 29 thousand hectares of fallow land (unsown this season due to active military actions in Northern Ukraine, inability to ensure safety of employees and difficulties with supply of crop inputs). In FY2022, we harvested 3.2 million tons of corn, wheat, and sunflower[2]. We operate in the central and northern regions of Ukraine with highly fertile chornozem black soils and sufficient precipitation. The land bank is organized into five production clusters, with operational decision-making sufficiently decentralized to allow production teams to react quickly to any form of externalities. The central office is responsible for the overall business strategy, key inputs procurement, and operations oversight. Healthy competition among clusters encourages continuous efficiency improvements.

Kernel cultivates **non-GMO crops**, which is the only legally allowed option in Ukraine.

We adhere to a simple **crop mix dominated by corn and sunflower**, covering in total 80-85% of our farmland bank, and the remaining percentage standing for wheat, rapeseed, soybean, and other minor crops.

The Farming business is characterized by a **long working capital cycle** (~18 months), as seen in the "FY2022 crop production cycle" graph below.

Leasehold land operations

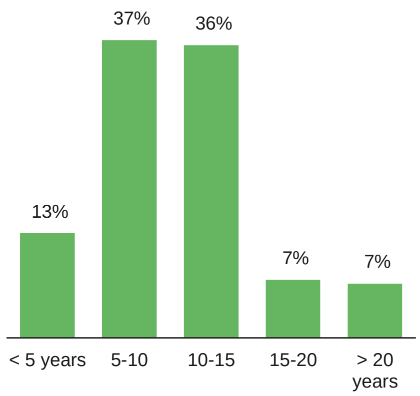
The state, municipalities, and state-owned companies hold about a quarter of Ukraine's agricultural land. Another 75% are tiny land parcels (4-10 ha depending on the region) held by private individuals, who gained the ownership rights during the land distribution process in 1990s when the Soviet Union collapsed.

For the last two decades, all farmland in Ukraine has been under moratorium and was prohibited from being sold. It was first enacted in 2011 and extended by the parliament numerous times, stifling the development of farming business in Ukraine. Therefore, agricultural producers lease lands from current owners, and since 2015, the minimum land lease term for new agreements is seven years, ensuring farmers' business operations. Farmland market opened on 1 July 2021, although with numerous restrictions, the most important of which are as follows:

- The citizens of Ukraine were allowed to acquire agricultural land, but not more than 100 hectares per one individual;
- Beginning 1 January 2024, legal entities incorporated in Ukraine are permitted to buy agricultural land, and the concentration limit increases from 100 hectares to 10,000 hectares both for private individuals and legal entities.
- Foreign individuals and corporations, and legal entities set up under the Law of Ukraine, but with foreigners among the shareholders, are prohibited from buying the land unless the nation-wide referendum decides otherwise.

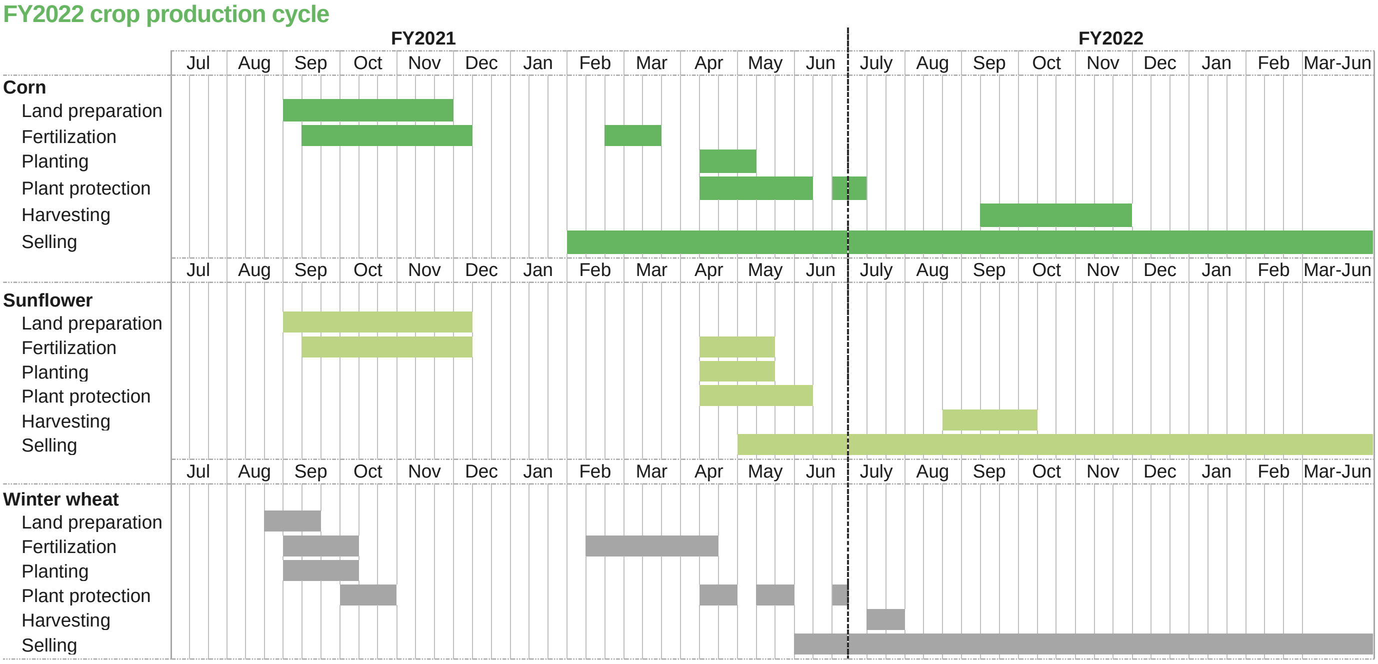
Kernel's farmland lease rights maturity

as % of total landbank



Kernel **leases all the land under operation**, with lease contracts having **average maturity of 13.4 years**. All lease contracts include the right of first refusal to prolong leases or to buy the land in case of being allowed to do so. For 15 thousand hectares of land we operate, we

FY2022 crop production cycle

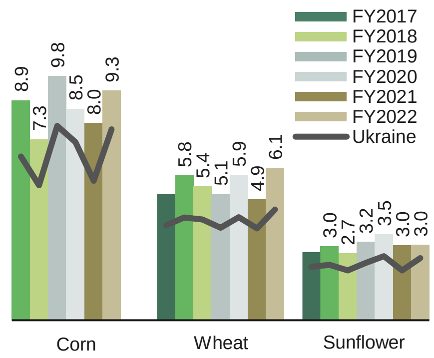


[1] Excluding assets held for sale

[2] The FY2022 crop was harvest on the area of 499 thousand hectares, which Group operated before the divestment of some farming entities in April 2022.

Farming continued

Kernel's crop yields [1]
tons per ha



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

FY2022 harvest results

	Acreage *thousand hectares*			**Net yield** *tons / ha [1]*			**Harvest size** *thousand tons[3]*		
	FY2021	**FY2022**	y-o-y	FY2021	**FY2022**	y-o-y	FY2021	**FY2022**	y-o-y
Corn	255	255	*(0.3%)*	8.0	9.3	*17%*	2,031	2,360	*16%*
Sunflower	149	154	*3.7%*	3.0	3.0	*1%*	449	469	*5%*
Wheat	73	64	*(12%)*	4.9	6.1	*26%*	358	395	*10%*
Other [2]	24	26	*(9.5%)*						
Total	**501**	**499**	***(0.4%)***				**2,838**	**3,225**	***14%***

Note 1. 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.
Note 2 Includes soybean, pea, rapeseed, barley, forage crops and other minor crops, as well as land left fallow for crop rotation purposes.
Note 3 For the three main crops: corn, sunflower and wheat.

signed long-term (up till 2118 year) land lease ('emphyteusis') agreements, whereby we paid all rent payments to the lessor in one installment at the signing of the agreement. It allows us to secure our operations for a much longer period compared to typical farmland lease contracts.

Private individuals own 88% of the landbank that we lease, and 12% is owned by state.

Efficient and sustainable production technology

We take great care to ensure our operations maintain long-term productivity of the soil by applying sustainable agronomy practices.

We do the significant portion of tillage and soil leveling in autumn, thus completing our spring planting campaign within a shorter time frame. We apply mostly differentiated tillage, rotating mini-till and deep-till technologies. We constantly upgrade our fleet with modern highly-productive machinery and equipment with relatively low consumption of fuel and low level of emissions, driving energy efficiency.

Except for 2,800 hectares of irrigated land used for in-house seed production, all our farmland is rain-fed, with all the associated weather risks.

We apply balanced fertilization to enrich our soils, utilizing both organic and mineral fertilizers. Unlike the majority of farmers in Ukraine, we apply most of our fertilizers in autumn, ahead of the spring planting campaign. Autumn application provides a longer time for fertilizers to be absorbed by the ground, allowing us to use liquid fertilizers that are more digestible compared to dry fertilizer, and resulting in faster completion of the spring planting campaign. For several years, we have applied deep fertilizer placement (ca. 15-20 cm under the ground), thus concentrating around the plants' root system ensuring faster absorption and improving nutrient use efficiency.

We use only the highest-quality non-GMO seeds. Most of them are grown in-house from premium parent seeds, sometimes jointly with established global seed producers, and the rest is supplied by recognized global players. Our crop rotation cycle is designed to prevent the expansion of pathogens and pests and improve the soil structure.

We use only crop protection agents produced by established international companies and registered by the Ministry of Ecology and Natural Resources of Ukraine. Before wide application, we observe the pesticides in action on our test fields for at least three years. We widely use drones for crop monitoring to improve the quality of decisions about fertilizing and crop protection.

Nearly entire **our landbank is ISCC-certified**, which proves that crops are produced in an environmentally and socially sustainable way and in compliance with laws and good management practices.

Key developments

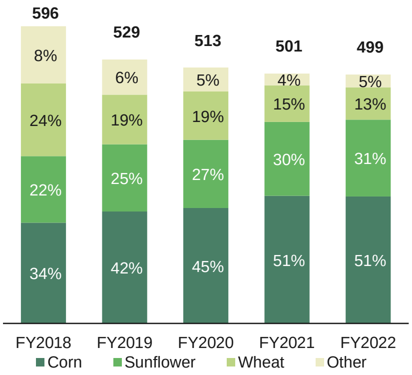
In FY2022, we managed to achieve a **record crop size in our history** of 3.2 million tons for three key crops: corn, sunflower, and wheat. We achieved a largest in our history crop net yield for wheat (6.1 tons per hectare) and a second largest for corn (9.3 tons per hectare), representing 26% and 17% y-o-y increase, respectively, driven by overall supportive weather conditions and applying our best-in-class crop production technology.

Despite the strong in-house supply, the Russia's invasion of Ukraine created substantial problems with selling the crop. As of 30 June 2022, we had almost 800 thousand tons of unsold corn and sunflower seeds – **the highest carry-over stock** in our history.

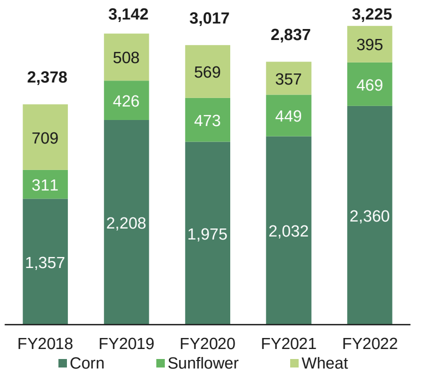
Besides, the war in Ukraine had several other consequences for our farming business:

- *Firstly,* **we reduced the sown acreage** in our northern cluster **by 28 thousand hectares**, being unable to properly complete the spring sowing campaign there due to the lack of crop inputs and given that regions were either temporarily occupied or not properly de-mined after de-occupation.
- *Secondly,* we **revised our crop acreage structure** for the current season. We significantly reduced the share of corn (from 51% to 41%), partially in favor of sunflower (an increase from 31% to 36%) presuming more attractive economics of oilseed processing in Ukraine as compared to grain export for the period of war in Ukraine, and increased the percentage of land kept as fallow to 8% of landbank in operations.
- *Thirdly*, we have **not managed to apply our typical crop production technology**

Kernel's acreage harvested by crops
thousand ha



Kernel's production of key crops
thousand tons



Farming continued

facing the local deficit of some crop inputs and business disruptions caused by difficulties with logistics and mobilization of some of our employees to the Armed Forces of Ukraine. Despite all our efforts to mitigate such factors, the suboptimal farming technology will have a **negative impact on our crop yields**.

- *Finally,* based on huge risks around the profitability of farming business in case Ukraine loses access to Black Sea, we decided to **divest a part of our landbank** to de-risk the business and get extra liquidity. The deal was signed in April 2022, and the completion will happen upon releasing the entities divested from obligors' group in some of the banking lines. Following the divestment, our landbank reduced by 134 thousand hectares to 363 thousand hectares[1].

Performance overview

The Farming segment reported US$ 219 million EBITDA in FY2022, a 52% decline y-o-y, with the key performance factors described below.

Despite weather-related concerns and delays with sowing and harvesting, the **crop size** achieved was the highest in our history. Our advanced farming expertise allowed us to mitigate numerous risks over the season and secure a strong stock of in-house produced goods for sale.

Grain and oilseed prices continued to rally in FY2022, further boosting the performance. We have successfully captured part of that growth, actively selling our own crops in the first half of the season. Part of the price-driven gain was neutralized by the **cost inflation**, primarily due to the energy (transportation expenses and silo services) and land lease costs increase. Nevertheless, we generated record semi-annual segment EBITDA of US$ 359 million in H1 FY2022. But after Russia's invasion of Ukraine started on 24 February 2022, our sales practically stopped, and export contracts were terminated invoking the force-majeure clauses due to our inability to ship goods. Moreover, we recognized US$ 145 million losses stemming from the impairment of assets and reduction of net realizable value of inventories below costs. As a result, we booked a loss of US$ 140 million at EBITDA level in H2 FY2022.

The generated earnings implied US$ 440 **EBITDA per hectare** in FY2022 with 499 thousand hectares harvested in FY2022, but keeping in mind almost 800 thousand tons of corn and sunflower which remained unsold as of 30 June 2022.

FY2023 outlook

A new season brings about **unprecedented challenges** for our Farming business.

The key risk is the **functioning of the grain corridor**. If the grain deal is not extended, we may face the export bottlenecks again, and the domestic prices may decline.

But even the functioning corridor brings a few challenges, namely

- the inability to sell crop via forward contracts. Unusually for this part of the season, we struggle with hedging and remain long for most of the new season crop and the remaining carry-over stocks from the previous season. It substantially **increases our exposure to the volatility of global soft commodity prices**.
- Secondly, the **crop size this year is expected to be lower y-o-y**. The primary reason is the divestment of part of the landbank which we carried out to de-risk our operations. But on top of that, we will face lower yields y-o-y. While there were no major weather shocks, suboptimal crop production technology applied **negatively impacted crop yields**. We have already completed the harvesting of winter crops, achieving a 4.7 tons/hectare net yield, which is 24% decline y-o-y. Sunflower harvesting is almost completed, and preliminary data indicated 2.5 tons/hectare net yield (down 17% y-o-y).Corn harvesting is substantially delayed due to rainy weather in September, inability to harvest at nights due to the curfew in Ukraine, deficit of trucks for transportation of corn from field to silo, and problems with silos' intake caused by electricity shortages and deficit of natural gas to dry corn. Our preliminary estimate for corn yield is 8.7 tons/hectare (down 6% y-o-y), but it has the potential to reduce. What is more, if the harvesting is postponed to winter, we may face **problems with corn quality**, which will be reflected in **price discounts applied**.

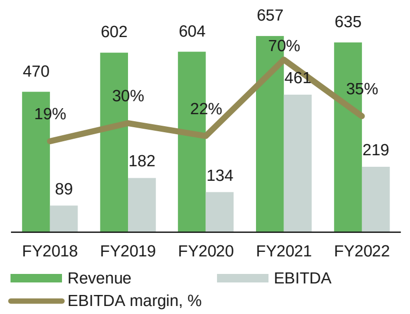
While global prices for grain and oilseeds remain high, there exists a **large spread between the local prices in Ukraine and international benchmarks**. Such spreads are attributable to expensive logistics and rewards for risks of export from Ukraine, encapsuled in the margin of traders.

The **production costs** are expected to keep growing. Corn production costs increased by over 30% y-o-y in FY2022, and are likely to grow further in FY2023, driven mostly by energy, fertilizers and materials inflation, and increased social burden. At the same time, some relief may come from the reduced land lease costs, paid in local currency, considering the depreciation of UAH against US$.

An important decision to be made in FY2023 will be the **crop structure for 2023 harvest**. A difficult mission to accomplish will be to secure all crop inputs for the new sowing campaign, primarily nitrogen-based fertilizers.

Profitability dynamics

US$ million



[1] The entities divested were accounted as assets held for sale and as liabilities associated with assets held for sale in Group's consolidated statement of the financial position as of 30 June 2022.

Risk management

Risk management system

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

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

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

Key roles

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

Risk management cycle

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

Risk categories

The management classifies all risks into five categories:

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

Top-10 risks identified for FY2023 includes risks from Strategic (Business), Financial, and Operational categories.

Key roles and duties in the risk management process

Board of Directors

- supervise the risk management process
- determine and approve the level of risk acceptability and Company's risk appetite
- decide on critical and significant risks
- review the risk related reports

Audit Committee

Assists the Board of Directors in the discharge of its risk management responsibilities

- formulating the description of the risks specific to the Company;
- overseeing adequacy and effectiveness of Kernel's risk management system;
- reviewing the Company's policies on risk assessment and risk management.

Risk Committee of the Executive Management Team

- ensure the introduction and implementation of the risk management policy and procedures;
- develop and continuously improve an effective risk management and monitoring system, spreading the culture of decision-making in terms of risks, their valuation and likelihood of occurrence;
- coordinate roles and participants;
- identify, assess, manage and control key risks;
- coordinate updating and improvement of the internal control system.

CEO

- owner of the risk management process for the Company as a whole;
- responsible for implementing the risk management strategy and functioning of the effective risk management system.

Directors and executives

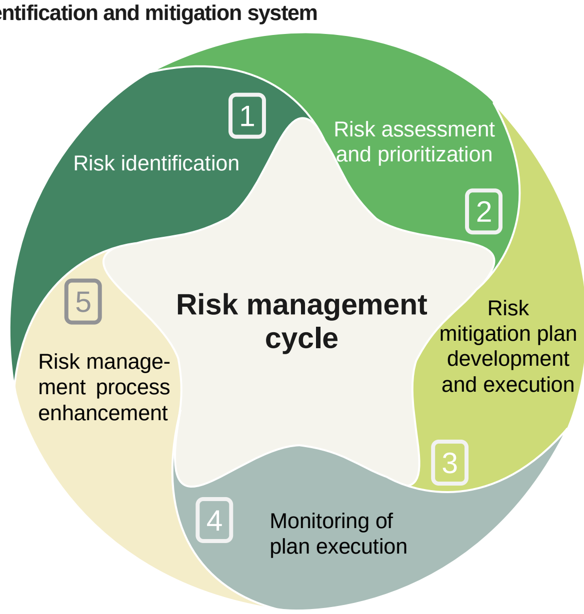
risk owners within their functional duties

- Identification of risks;
- Assessment of risks;
- Making and implementing decisions on risks mitigating actions.

Internal Audit

- assess the adequacy and effectiveness of risk management processes and internal controls in operations;
- assist Directors on operational risk identification, assessment and prioritization in operations;
- implementation, status monitoring, internal controls and mitigation activities of action plan of operational risks;
- assist, advise and consult management in improving the effectiveness of risk management and internal control systems in operations.

Kernel's risk identification and mitigation system



Risk management continued

Top-10 risks

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

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

As a result of the latest review cycle, the Board approved Top-10 risks faced by the Group for FY2023 as depicted on the chart below.

The unexpected challenges which came alongside with the war have absolutely reshaped and disrupted the business environment the Group operates in, resulting in the following **key changes for FY2023 Top-10 risks against FY2022 Top-10 risks:**

- 5 new risks were recognized among top-10 risks, including *Logistics disruption* as a #1 challenge for the entire Ukrainian agriculture sector because of the difficulties with export via the Ukrainian Black Sea ports; *Loss of critical infrastructure* (either occupied by Russia or physically destroyed by missile attacks) and *Loss of inventories* due to quality deterioration, physical loss due to military actions and loss of crops in the fields; *Liquidity associated risks* and *Credit and counterparty risks*.
- The probabilities and possible impact values of five other risks have changed:
  - Risk probability of *Investments project management risks* and *Information security and IT* risks increased reflecting recent developments;
  - Risk impact and probability of *Trade position management risks* increased given the increased volatility of global markets;
  - *Low prices* risk impact elevated (given the increased share of own produce in Group's export and problems with hedging), but the probability is reduced, taking into account the outlook for global commodity markets for FY2023.

Kernel FY2023 Top-10 risks

Strategic (Business) risks:

1. Logistics disruption
2. Loss of critical infrastructure
3. Low global soft commodity prices
4. Loss of inventories
5. Shortfall of proceeds from renewable energy sale

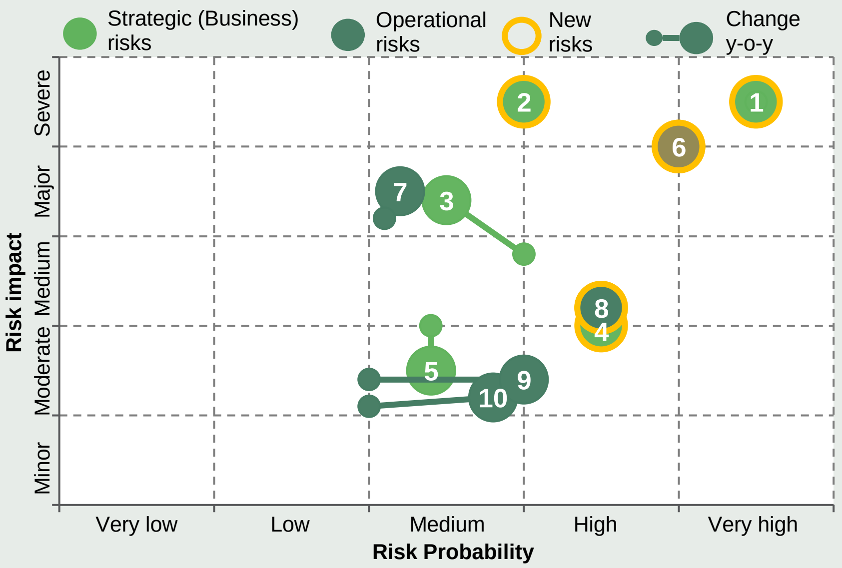
Financial risks:

6. Liquidity associated risks

Operational risks:

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

Top-10 risks matrix



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

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

Risk management continued

Kernel FY2023 Top-10 risks and mitigating factors		
Risk	**Possible impact**	**Mitigating factors**
1. Logistics disruption: closed Ukrainian seaports due to the war	• **Reduction in export volumes** of grain, sunflower oil and meal, in case of continued difficulties with export of agriproduce via the Ukrainian Black Sea ports (a usual and most convenient export route for Ukrainian agricultural products); • **Growing logistics costs** (railway in Ukraine and EU, truck and barges services) caused by substituting cheap sea freight with more expensive auto, railway and river logistics with multi-modal transshipment. It implies negative impact on margins including loss-making grain export business; • **Increase in the shipment time** resulting in more working capital required; quality deterioration of goods due to long-time multi-modal transportation.	→ **Establishing alternative export routes** by the railway/trucks through Ukraine-EU border and by barges/vessels through Ukrainian Danube river ports; → **Acquisition and/or development of new logistics facilities** allowing to transship exported goods from 1520 mm railway gauge track (Ukrainian) to 1435 mm gauge (European) in near-border regions of Ukraine and in neighboring countries; **usage of mobile transshipment systems** for the same purposes; → **Procurement of special containers** for their usage in internal railway shipments and subsequent transshipment on the European logistics facilities; → **Cooperation with international logistics companies** which are capable of providing the Company with complex logistics services by carrying railway freight in Ukraine, as well as in Europe; → **Cooperation with the seaports and terminals** located in the Baltic Sea water area (Poland, Germany, Baltic states) and in the Black Sea region (Romania); → **Securing transshipment capacities in Ukrainian Danube river ports:** extension of the transshipment quotas with local terminals, investments in the development of own river port infrastructure, investments in own fleet expansion (barges, tankers and bulkers).
2. Loss of critical infrastructure	• **Undermined earnings generation capacity** due to potential loss of critical infrastructure (export terminals, oil-extraction plants, key silos)	→ **Diversified asset base** located relatively far from the regions of active military actions; → **Grain and oil transshipment agreements** with third-party export terminals.
3. Low global soft commodity prices: grain and oilseeds	• **Undermined profitability of Group's Farming segment** (which is always in naturally long position as a typical upstream business) in case of low global grain prices and low sunflower seed prices in Ukraine.	→ **Hedging grain prices**: we use various hedging tools, including CME corn and soybean futures and options, forward contracts for the Black Sea origin premium and direct forward contacts (if available). Physical delivery forward contracts (if available) are typically used for shorter duration hedging, normally within six months; → **Longer period of crop sales**: we start selling next year's crop as soon as we have the initial understanding of the next year's production costs, considering also the entire value chain margin. Selling of FY2023 crop is complicated by the uncertainty in the grain corridor functioning; → **Deep analysis of global soft commodity fundamentals**: Avere research and trading unit provides insights into the global soft commodity market, guiding the selection of proper timing and pricing of our hedging operations.
3. Low commodity prices: sunflower oil	• **Compressed margins in Oilseed Processing segment:** low prices for sunflower oil reduce combined earnings shared by farmers and crushers in Ukraine in the short term and discourage farmers from expansion of acreage under sunflower in the long term.	→ **"Balanced book" policy** employed by the Company reduces the impact of the commodities' prices fluctuations by price and volumes hedging. Such a policy presupposes arrangement of the forward contracts for the sunflower seeds sales, alongside with the procurement of the same sunflower seeds from farmers. In such a manner, the Company reduces the risk exposure by ensuring the sales volumes, as well as locking the selling price. Deviations from the balanced book approach may appear during the business disruptions caused by the war in Ukraine; → **More intense procurements at the beginning of the season** (when a huge supply of seeds post-harvest allows for negotiating more attractive sunflower seed prices) to partially mitigate long-term sunflower oil price weakness.
4. Loss of inventories	• **Deterioration of the quality of inventories** (grains, oilseeds, sunflower oil and meal) being 1) stored for the excessively long time period without proper quality maintenance; or 2) transported via new routes with untested quality controls; • **Physical loss of inventories** stored in the	→ **Expanding Group's export capacities** via alternative routes; → **Regular inventory inspection** of the commodities stored in the third-party-owned silos; → **First-priority** relocation and export of inventories stored on the third-party-owned silos or Group assets located in regions with high damage risk. → **Investments into additional storage capacities** (including plastic

Risk management continued

Kernel FY2023 Top-10 risks and mitigating factors		
Risk	**Possible impact**	**Mitigating factors**
	Group-owned and third-parties' storages damaged as a result of the war in Ukraine; • **Loss of crops in the fields and/or deterioration of corn quality** in Group's Farming segment due to delayed/disrupted 2022 harvesting campaign as a result of the grain silo storage deficit in Ukraine given the all-time high carry-over grain stock.	silo bags); signing of long-term contracts with third-party storage service providers.
5. Shortfall of proceeds from sales of renewable energy	• **Extended payback period** of our renewable energy investments due to ○ the reduction in the feed-in tariff for energy produced from biomass; and/or ○ introduction of industry-specific taxation	→ Maintaining direct sales to third parties as an alternative sunflower husk distribution channel; → Investigation of opportunities to **insure against the change in the feed-in tariff**.
	• **Extended payback period** of our renewable energy investments due to delay in receivables collection from the Guaranteed Buyer regarding payments for the supplied renewable energy.	→ Investigation of opportunities on **active claim work against the Guaranteed Buyer** on fulfillment of its obligations.
	• **Extended payback period** of our renewable energy investments due to obligation to sell to the grid only the difference between the produced energy and energy consumed by the whole oilseed-processing plant.	→ Potential **CHP plants assets spin-off** into a separate legal entity not related with subsidiaries engaged in oilseed processing.
6. Liquidity associated risks	• **Lack of liquidity to properly service the outstanding debt →** potential business disruptions caused by creditors in case of hostile actions undertaken, and limited access to the additional credit sources; • **Difficulties** with securing working capital financing for farming and oilseed origination → suboptimal crop production technology applied in Farming; lost margin in Oilseed Processing.	→ **Negotiating** with state-owned banks in Ukraine on securing additional credit lines; → **Discovering options** of new working capital and long-term financing to be provided by International Financial Institutions; → The perfect Group's credit history allowed to **obtain waivers** for principal repayments up to 30 September 2022 for all bank loans maturing in due time together with a cash-sweep mechanism introduced for pre-export facilities; new waivers for postponement of principal repayments for additional 9 months were submitted to the lenders in August 2022. As of the date of publication of this report, we **obtained waivers to extend the terms of repayment of the principal** of US$ 627 million with the lenders and waiving of the debt covenants and some other conditions by 30 June 2023. For the debt liabilities totaling US$ 246 million we are in the process of formalizing similar waivers.
7. Trade position's management issues	• **Losses arising from Group's trade position mismanagement**. For example, an open position in sunflower oil may have adverse effect on the Company's earnings in case of significant movements in sunflower oil price; • Losses arising from **Avere trading business;** • **Invocation of force majeure clauses** under export contracts according to GAFTA rules due to the war in Ukraine.	→ **Trade position control system:** ○ **maximum limits on the position** (long / short) with daily control. Separate limits for various goods (e.g., for sunflower oil produced from own seeds, sunflower oil produced from purchased seeds, and sunflower oil purchased from third parties). Specific limits are set for sunflower seeds procurement not covered by sunflower oil sold. Special approvals are required to exceed the limits. ○ a part of positions is controlled by **restricting Value at Risk and drawdown limits** with daily monitoring. ○ constant monitoring of the impact of change of market prices on existing trade position and improvement of the monitoring system. → **The "Balanced book" policy** as described above; → **Centralized contract execution** and scheduling of shipments;

Risk management continued

Kernel FY2023 Top-10 risks and mitigating factors		
Risk	**Possible impact**	**Mitigating factors**
8. Credit and counterparty risks	• **Defaults** of third-party farmers **under financing received from the Group** (including Open Agribusiness program); • **Losses arising** due to Group's counterparties non-performing their trade obligations.	→ **Constant monitoring** of solvency and business performance of the farmers who received financing from the Group; → **Negotiating** with farmers on extending the obligations repayment period or agreeing on alternative ways of repayments; → **Active restructuring and claim work** against counterparties in default.
9. Investment projects management	• **Extra spending** beyond budgets, associated with the conservation of several projects due to the war in Ukraine; • **Lost profits** due to execution delays caused by unsafe working conditions on the projects' location, associated with active military actions proceeding in Ukraine and constant threat of the air-missile strikes.	→ **Strong in-house expertise** in greenfield projects execution (including Bandurka greenfield processing plant, Balyn, Vesnianka and Lazirky silos etc.) with dedicated team of experienced professionals to manage new projects; → **Rigorous project management.** All projects are carefully analyzed and properly documented. Each project is organized by a charter of the investment project, which defines goals, budget, delivery milestones, schedules, deadlines, project team, definition/evaluation/response to the project risks, assessment of business case and feasibility study. In case of necessity, we organize quality control of project documentation for investment construction projects by an independent expert company. Technical specifications for new construction projects are evaluated, amended and approved by all related business segments; → **Proper oversight** including internal cost benchmarking among various projects, budget control before signing contracts and making payments, deep involvement of the investment committee and supervision from the strategic committee; → Conducting **open and closed tenders** to determine the best offers; → Involvement of **suppliers with high credibility rating**; → Proper **GR management** to interact with state regulatory / permitting authorities at the early project stages to minimize delays; → **Insurance of construction and assembly works**.
10. Information security and IT	• **The loss or disclosure of key information** may threaten business operations and development of the business; • **Interruption of business processes and decisions** which are dependent on the continuity of IT applications and infrastructure. • **Leakage** of the information stored at assets currently occupied by Russia; • **Cyber-attacks** on the Group's IT infrastructure; • **Damage** to the Group's cloud IT infrastructure occurred due to the military actions in Ukraine; lack of access to cloud services provided outside of Ukraine.	→ **Backup data center** was relocated to Lviv (Western Ukraine); → **Access to the IT systems denied at night** for developers and contractors; → Implemented **IT business continuity and data recovery policy**; → **Multifactor authentication** is being implemented to reduce the risk of documents, correspondence, and other confidential data leakage; → **Password policy**, access control for external users to company IT systems; Privileged access management solutions. → **Regular testing of IT recovery plan**; regular vulnerability testing from inside and outside; → **Patch management policy** – regular installations of critical and security patches on servers and workstations; → Special solution to combat the advanced persistent threat **(APT) and 0-day virus** attacks; → Implementation of incident and change management processes in the IT infrastructure; → Improving the maturity of the **access management** process by automating the process of reviewing access rights. → Regular **training and testing of employees** for knowledge and compliance with information security rules.

Alternative Performance Measures

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

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

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

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

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

Before FY2019, the Group used to report such APMs as **Funds from Operations** and **Free Cash Flows**, but since FY2019 the Group consider these metrics as not relevant anymore, being distortive going forward. The first APM included purchases of property, plant and equipment distorting the operating cash generation capacity of the Group given the current heavy CapEx cycle for the Group. The second APM included dividends paid, thus distorting the cash flow available to repay debt and distribute dividends to shareholders. Instead, two additional APM's were introduced (as defined below): **Operating Cash Flows before Working Capital Changes** and **Free Cash Flows to the Firm**.

EBITDA and EBITDA margin

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

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

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

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

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

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

in thousand US$ except the margin	FY2021	FY2022
Profit from operating activities	**689,293**	**90,667**
add back:		
Amortization and depreciation	116,486	129,676
EBITDA	**805,779**	**220,343**
Revenue	**5,594,800**	**5,331,545**
EBITDA margin	**14.4%**	**4.1%**

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

Alternative Performance Measures continued

Segment EBITDA and Segment EBITDA margin

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

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

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand US$	FY2021	FY2022
Oilseed Processing		
Profit from operating activities	27,759	(101,668)
plus Amortization and depreciation	23,424	31,384
Segment EBITDA	**51,183**	**(70,284)**
Segment revenue	1,746,938	1,681,004
Segment EBITDA margin	**3%**	**(4%)**
Trading and Infrastructure		
Profit from operating activities	333,348	213,161
plus Amortization and depreciation	25,961	23,593
Segment EBITDA	**359,309**	**236,754**
Segment revenue	4,857,117	4,534,606
Segment EBITDA margin	**7%**	**5%**
Farming		
Profit from operating activities	395,686	147,214
plus Amortization and depreciation	65,039	72,192
Segment EBITDA	**460,725**	**219,406**
Segment revenue	657,133	635,223
Segment EBITDA margin	**70%**	**35%**
Other		
Loss from operating activities	(67,500)	(168,040)
plus Amortization and depreciation	2,062	2,507
Segment EBITDA	**(65,438)**	**(165,533)**

Investing Cash Flows net of Fixed Assets Investmnets

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

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

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

in thousand US$	FY2021	FY2022
Net cash used in investing activities	(205,143)	**(293,689)**
Adding back:		
Purchase of property, plant and equipment	(178,296)	(119,678)
Proceeds from disposal of property, plant and equipment	5,855	5,876
Investing Cash Flows net of Fixed Assets Investments	**(32,702)**	**(179,887)**

Net Fixed Assets Investments

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

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

in thousand US$	FY2021	FY2022
Purchase of property, plant and equipment	(178,296)	(119,678)
Proceeds from disposal of property, plant and equipment	5,855	5,876
Net Fixed Assets Investments	**(172,441)**	**(113,802)**

Operating Cash Flows before Working Capital Changes

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

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

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

in thousand US$	FY2021	FY2022
Net cash generated by operating activities	**459,842**	**(305,464)**
Less:		
Changes in working capital, including:	(43,967)	(793,842)
Change in trade receivables and other financial assets	(241,282)	232,076
Change in prepayments and other current assets	(13,538)	(58,369)
Change in restricted cash balance	1,819	32
Change in taxes recoverable and prepaid	(52,961)	(58,918)
Change in biological assets	71,909	141,024
Change in inventories	(90,153)	(937,306)
Change in trade accounts payable	64,468	15,126
Change in advances from customers and other current liabilities	215,771	(127,507)
Operating Cash Flows before Working Capital Changes	**503,809**	**488,378**

Alternative Performance Measures continued

Free Cash Flows to the Firm

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

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

in thousand US$	FY2021	FY2022
Net cash generated by operating activities	459,842	(305,464)
Net cash used in investing activities	(205,143)	(293,689)
Free Cash Flows to the Firm	**254,699**	**(599,153)**

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 in the periods indicated:

in thousand US$	As of 30 June 2021	As of 30 June 2022
Sunflower oil & meal	204,623	207,047
Sunflower seed	42,513	324,974
Grains	37,294	358,229
Other	47,597	63,673
Total	**332,027**	**953,922**
of which: ***Commodity Inventories***	284,850	891,718

Debt Liabilities

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

- bonds issued;
- current bond issued
- interest on bonds issued;
- long-term borrowings;
- current portion of long-term borrowings;
- short-term borrowings;
- lease liabilities and
- current portion of lease liabilities.

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

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

in thousand US$	As of 30 June 2021	As of 30 June 2022
Bonds issued	593,942	-
Current bonds issued	212,495	595,038
Interest on bonds issued	15,353	7,612
Long-term borrowings	227,740	-
Current portion of long-term borrowings	21,715	-
Short-term borrowings	13,888	1,093,087
Lease liabilities	287,154	200,441
Current portion of lease liability	37,338	39,111
Debt Liabilities	**1,409,625**	**1,935,289**
less: cash and cash equivalents	574,040	447,625
Net Debt	**835,585**	**1,487,664**
less: commodity inventories	284,850	891,718
Adjusted Net Debt	**550,735**	**595,946**

Adjusted Working Capital

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

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

in thousand US$	As of 30 June 2021	As of 30 June 2022
Total current assets	**2,283,724**	**2,523,156**
less:		
Cash and cash equivalents	574,040	447,625
Assets classified as held for sale	-	287,068
Total current liabilities	916,815	1,643,148
add back:		
Short-term borrowings	13,888	1,093,087
Current portion of long-term borrowings	21,715	-
Current portion of lease liabilities	37,338	39,111
Current bonds issued	212,495	-
Interest on bonds issued	15,353	7,612
Liabilities associated with assets classified as held for sale	-	116,848
Adjusted Working Capital	**1,093,658**	**1,401,973**

Alternative Performance Measures continued

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

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

Sustainability

Low-carbon development becomes an integral pillar of national security

This sustainability report was prepared in accordance with the GRI Standards: Core option

FY2022 performance

The concept of sustainable development or ESG (environment, social, governance) was developed to help businesses navigate turbulence in the modern world and to build their long-term value. Amid the full-scale invasion of Ukraine by Russia, Kernel as well as the whole business community in Ukraine, learned first-hand the value of long-term investment in building strong human capital, developing trusting relationship with the society, agility and transparency of corporate governance. These integral business values are at the core of delivering targets of our survivorship strategy, namely: to save our employees, to save our operational activity and to save our country.

Geopolitical instabilities have also put in perspective the importance of decarbonization and climate resilience as a critical component of the energy independence and, therefore, national security. Over the FY2022, we have been undertaking and in-depth research of Kernel's role in the international climate arena, identifying areas for improving our climate corporate governance and analyzing business opportunities, associated with low-carbon development. This work was driven primarily by the implementation of **the EBRD-financed 'Climate corporate governance and low-carbon pathway'** project in partnership with EY. We remain committed to fulfilling our climate and ESG ambitions and meeting expectations of our stakeholders despite the challenges we face.

Building on the progress we have made within the scope of this project and the overall performance of Kernel's sustainability function in FY2022, one of the key highlights of this section is our first **TCFD** disclosure, outlining:

- our climate **governance approach,** including formal adoption of the **Sustainability committee** at the Board of Directors and introduction of **climate related KPIs**
- assessment of **climate-related physical** and **transitional risks**
- analysis of **business opportunities** associated with low-carbon development
- evaluation of **Scope 3 GHG emissions** across all 15 categories in line with the Greenhouse Gas Protocol

Social spending in FY2022
US$ 26.3 million
6.7x y-o-y

Scope 1&2 GHG emissions in FY2022
1,272 thousand tCO2

This year, for the first time, we have also disclosed information on our sustainable economic activities in line with the **EU Taxonomy** guidelines.

In terms of strengthening our human capital performance, in FY2022 we updated our **Diversity, Equality and Inclusion policy** to be aligned with "The Best Practices for GPW Listed Companies 2021", under which we aspire to reach at least 30% of representation of each gender within the company's corporate bodies, namely the Board of Directors and the Executive Management Team.

Sustainability: Key highlights

ESG Topics		Key indicators in FY2022
ENVIRONMENTAL CAPITAL *Contribution to SDGs:*	**Energy management**	• **6,881.4** TJ – total electricity consumption • **1,966.6** MJ/t – energy intensity of sunflower seed processing in FY2022 • **57.3** MJ/t-% – energy intensity of drying grain • **398.4** MJ/t – energy intensity
	Water and effluents management	• **3,354.7** ML – total volume of water withdrawn • **864.4** ML – total volume water discharged
	Waste management	• **59,263.6** tons – total volume of waste generated • **52,827.8** tons – total volume of treated waste
	Biodiversity management	• UN Global Compact “Partnership for Sustainability” award for collaboration with beekeepers and promotion of payment for ecosystems services principles in pollination
CLIMATE ACTION *Contribution to SDGs:*	**TCFD aligned disclosure**	• **1,193.6** thousand tCO2e – total Scope 1 GHG emissions, excluding 348.9 thousand tCO2 of biogenic emissions • **78.5** thousand tCO2e – total Scope 2 GHG emissions (location based) • **83.3** thousand tCO2e – total Scope 2 GHG emissions (market based) • **773.8** thousand tCO2e – total Scope 3 GHG emissions
HUMAN CAPITAL *Contribution to SDGs:*	**Employment**	• **10,233** – total number of employees • **3,286** – total number of new hires • **1,756** – total number of employee turnover • HR PRO AWARD 2021 for Kernel Employee Data Center • HR-brand Award 2021 • Top-100 rating in categories ‘Best employer’ and ‘Best HR director’
	Training and career advancement	• **152,804** – total number of training hours • **1,777** – total number of employees, receiving regular performance and career reviews
	Occupational health and safety	• **4** – total number of recordable work-related injuries, including 1 fatality • **0.22** – lost time injury frequency rate
	Human rights, diversity, and inclusion	• Updated the Diversity, Equality, and Inclusion policy to be aligned with “The Best Practices for GPW Listed Companies 2021”
SOCIAL CAPITAL *Contribution to SDGs:*	**Economic performance**	• Disclosure in line with the EU Taxonomy
	Support of local communities and society as a whole	• **US$ 26,271 thousand** – total social spendings, including contributions towards support of the Ukrainian Army and humanitarian aid during the military time, as;well as support of employees.

Sustainability: Environmental capital

ENVIRONMENTAL CAPITAL

Energy management

Our management approach to energy resources and efficiency

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

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

Our energy management performance

In FY2022, the overall consumption of energy has decreased mainly due to unevenness of our production operations, namely work of our oilseed crushing plants, over the timeframe between February and June 2022. The reason for such unevenness was a high threat of disruptions as the result of military actions in Ukraine. This was also the reason for a significant decrease in the total volume of processed sunflower seeds, resulting in higher energy intensity indicator in FY2022.

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

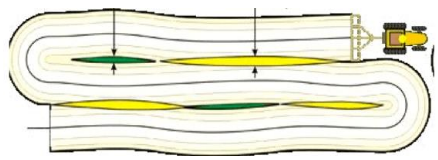
Over the reporting period the company produced and sold to the national energy grid a total of 322,5 terajoules of electricity, produced from biomass by three combined heat and power plants (CHP), namely those operating at Kropyvnytskyi, Poltava and 'Ukrainian Black Sea Industry' oil extraction plants (OEP). A particular value from our 'green' electricity is that we do not produce biomass separately to be combusted on our CHPs; but rather use sunflower seed husk, which is a side product of the main operational activity and is approved as a feedstock for advanced biofuels in accordance with **Annex IX.A. of RED II EU Directive**. These CHPs are a part of our US$ 248 million investment project, the latter aims to result in a total of seven CHPs with a total installed electric capacity of 94MW, making Kernel the largest in Ukraine producer of electricity from biomass.

In addition to selling electricity to the national energy grid, it is also used for own needs, mainly for production steam on our OEPs. For that reason, in FY2022, more than 90% of the total volume of energy consumed by Kernel's Oilseed Processing division was renewable, demonstrating a great potential for our oil extraction operations to become net zero in the future. Our efforts to improve energy efficiency within the **Oilseed Processing** segment are focused primarily on the optimization of steam usage in operations. In FY2022, Kernel launched a **Group-wide "Climate corporate governance and low-carbon pathway" project** aimed to undertake an in-depth analysis of our operations (this included several visits of the team consultants to our assets to evaluate energy-related operations firsthand) from the perspective of possible energy saving and emission reduction measures. Building on the results of this analysis, we are currently researching the potential to save up to 15% of steam and plan to undertake pilot testing of relevant approaches on Poltava OEP in the future.

In our **Farming segment**, our energy efficiency approaches target our agriculture machinery fleet. We constantly research the market and development projects of major global producers of agriculture machines; and upgrade our machines every 5-6 years to replace them with more efficient options in terms of fuel consumption. Under **the "Climate corporate governance and low-carbon pathway" project**, we launched a dialogue with global producers of agriculture machines, namely John Deere and CNH Industrial, to explore low-carbon options available on the market, including machines working on biomethane and biodiesel. We seek to test such solution on our fields in the following years.

In addition, our existing machines, especially fuel-intensive, are equipped with GPS trackers and remote system of monitoring fuel consumption. These help us to optimize usage of fuel and decrease fuel intensity of standard operations. For example, the operation of deep loosening with mineral fertilizers application executed by a machine using RTK-guided autopilot system, which allows to avoid overlaps in application, saving around 4.2% of both fuel and fertilizers. In FY2022, we also increased the area coverage of drone-sprayers to 52,5 thousand hectares.

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



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

Sustainability: Environmental capital

Key energy management indicators[1]

	FY2020	FY2021	FY2022
Energy consumption, *terajoules*			
Non-renewable fuel consumed	**2,574.7**	**3,165.0**	**2,915.1**
Natural gas	840.4	1,373.1	1,578.8
Oilseed Processing	*130.7*	*321.9*	*149.1*
Infrastructure and Trading	*678.2*	*1,007.3*	*1,394.9*
Farming	*31.2*	*44.0*	*34.7*
Other	*0.3*	-	-
Diesel	1,550.8	1,643.5	1,247.3
Oilseed Processing	*24.5*	*10.4*	*8.2*
Infrastructure and Trading	*22.9*	*18.5*	*34.6*
Farming	*1,452.9*	*1,528.4*	*1,198.3*
Other	*50.4*	*86.3*	*6.2*
Petroleum	75.7	58.1	39.7
Oilseed Processing	*2.8*	*2.0*	*1.2*
Infrastructure and Trading	*7.8*	*5.6*	*4.5*
Farming	*53.2*	*39.6*	*25.8*
Other	*12.0*	*10.9*	*8.2*
LNG	107.8	90.2	49.3
Oilseed Processing	*0.7*	*0.6*	*0.3*
Infrastructure and Trading	*4.2*	*3.1*	*2.5*
Farming	*100.9*	*84.9*	*45.3*
Other	*2.0*	*1.7*	*1.2*
Renewable fuel consumed (sunflower seed husk)	**3,627.5**	**3,557.6**	**3,551.5**
Electricity	**902.5**	**894.3**	**736.4**
Oilseed Processing	699.9	668.6	512.3
Infrastructure and Trading	134.7	152.4	171.9
Farming	64.4	69.6	49.7
Other	3.4	3.6	2.5
Heating	**-**	**3.1**	**0.9**
Oilseed Processing	-	-	-
Infrastructure and Trading	-	1.9	-
Farming	-	0.1	0.1
Other	-	1.1	0.7
Electricity sold to the grid	**65,5**	**160,5**	**322,5**
Total energy consumption	**7,039.2**	**7,459.5**	**6,881.4**
Oilseed processing	4,420.3	4,400.1	3,900.1
Infrastructure and Trading	847.9	1,188.9	1,608.6
Farming	1,702.6	1,766.6	1,353.9
Other	68.5	104.0	18.8
Energy intensity indicators, *megajoules*			
Energy consumed per ton of sunflower seed crushed	1,286.3	1,425.6	1,966.6
Energy consumed per ton-% of grain dried	65.1	57.8	57.3
Energy consumed per ton of harvested grain	523.7	589.5	398.4

[1] Discrepancies between data in this and previous reports (FY2021 and FY2020) are associated with clarifications of raw data and alignment of conversion factors

Sustainability: Environmental capital

Water and effluents management

Our management approach to water resources and efficiency

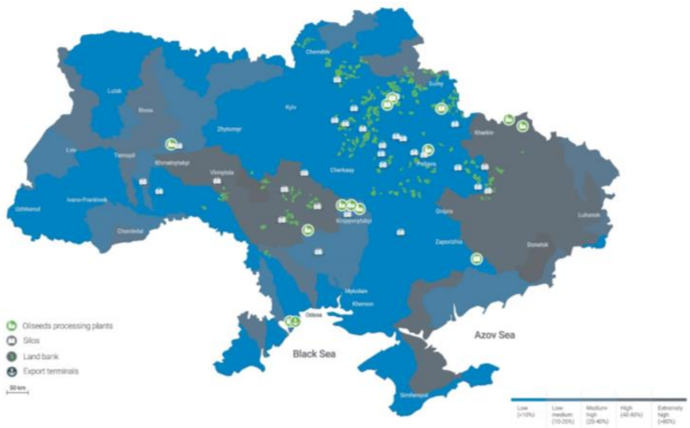
We constantly improve our approaches towards rational water consumption and treatment of wastewater, aiming to both increase water use efficiency and decrease our impact on the environment. Our approach is embedded in the Environmental protection policy. Kernel undertakes water withdrawal in line with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

Kernel closely monitors operations in areas with water stress. Our water use accounting system includes information on assets location in terms of water stress zones: three of our oil extraction plants withdraw water in areas with a high water stress; and three plants operating in areas with medium water stress. In addition, we undertake strict measures to prevent water contamination from our operations, the highest risk of which is associated with farming activities. Specifically, we ensure precise application of fertilizers and pesticides to soil, allowing to control the risk of their runoff to water bodies; in addition, we do not have farming and manure management operations in the protection buffer zones of water bodies.

Our water management performance

In the **Oilseed Processing** segment water is used primarily for technical purposes, namely production of steam, and domestic needs. Each of our OEPs has an emergency water reserve, used in case of fire; and five of our plants have stormwater collection systems allowing to prevent contamination of soil and groundwater with oil residue and solid particles. The collected stormwater is not used in the production processes, due to food safety requirements limitations.

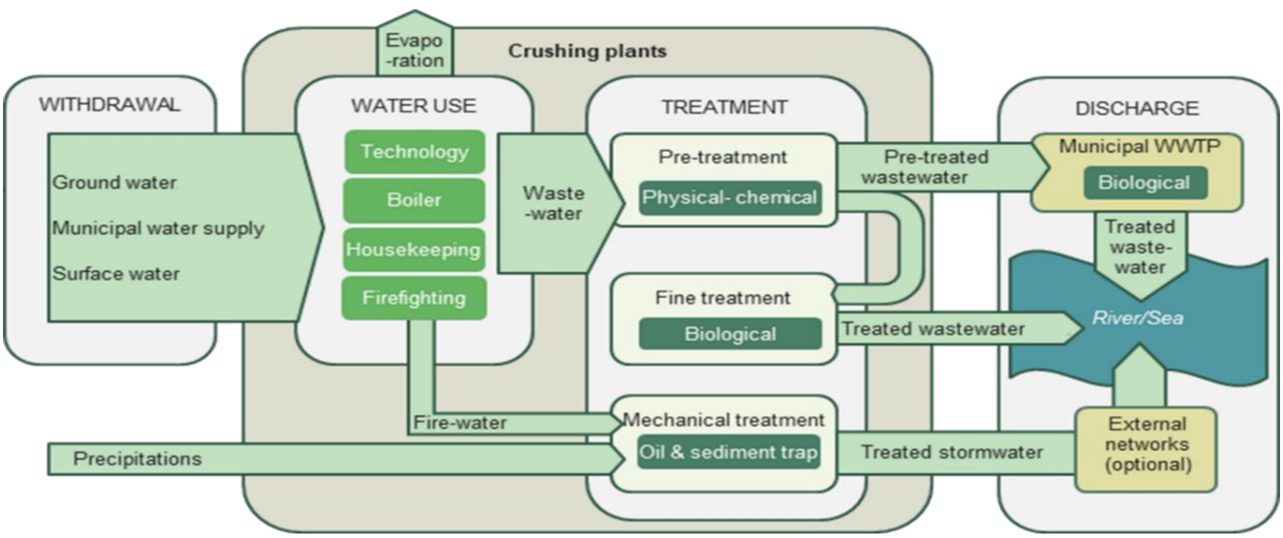
Map of Kernel's presence in areas with water stress in Ukraine



For our crop production operations natural precipitations are the main source of water, and less than 1% of our landbank is irrigated. For that reason, irrigation purposes accounts for the largest share of the total volume of water used by the **Farming segment**. In FY2022, we slightly increased the area coverage of our irrigation operations by 607 ha. We apply advanced monitoring techniques to accurately identify the water needs of our crops and exploit the modern pumping and distribution equipment, allowing minimal technical losses of water. Kernel's irrigation experts have been actively involved in the working group, coordinated by the Ministry of Agriculture Policy of Ukraine, aimed at development of the foundation for implementation of Law of Ukraine "On organization of water users and stimulation of hydrotechnical melioration of land", adopted in March 2022. The Law provides for establishment of **water use organizations (WOUs)**, aiming to drive development of irrigation systems in Ukraine and making them accessible for farmers. In Farming division water is also used for the purposes of animal husbandry and for technological purposes, such as dilution and application of crop protection chemicals and fertilizers. In case of animal husbandry, we reduce water usage, by applying a dry method of removing manure from cowsheds, using conveyor scrappers. We also constantly test and integrate approaches to reduces water use in the process of agrochemicals application.

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

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



Sustainability: Environmental capital

annually.

In FY2022, we continued implementing and evaluating economic effects from the 2-year program, launched in FY2021, on modernization of condensate recovery systems at Kropyvnytskyi oil extraction plant. Such technological approach would allow to save up to 8 megaliters of water annually.

Our management approach to wastewater treatment

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

In FY2022, we purified 411.3 megaliters of wastewater on our own water treatment system. If an oil extraction plant is connected to a municipal wastewater treatment plant (WWTP), wastewater is pre-treated on the site to meet requirements of a WWTP and is directed at a proper treatment externally. The quality of treated wastewater is monitored by our laboratories, that analyze water samples in line with the Ukrainian national regulation on maximum permissible discharges of pollutant, maximum levels of which are specified in a "Special water use" permit.

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

The permitting authority uses information on water use within a watershed or aquifer to set permit conditions in a way that balances interests of all users and keeps cumulative pollution levels within the national water quality standards. The regulatory requirements were the only criteria for setting permit conditions that define the quality of our effluents. Parameters of wastewaters, controlled during laboratory testing, include eight substances, as well as biological (five-day) and chemical demands of oxygen. In FY2022, there were no incidents of non-compliance with quality requirements of wastewater quality.

In FY2022 we launched a procedure of Environmental Impact Assessment for the project on renovation of an onsite wastewater treatment system at Kropyvnytskyi oil extraction plant. Modernization of this system will allow address specific parameter of wastewater, including equalization, correction of pH, reagent flotation and its preparation for dehydration, as well as mechanical dehydration of sludge. The expected treatment capacity of 0.15 megaliters/day.

Waste management

Our management approach to waste generation and treatment

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

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

We expect the same level of responsibility regarding waste management from our contractors, working on Kernel's sites: standard clauses of our agreements oblige contractors to control generation of the waste and prevent mixing of different types of waste. In line with

Key water management indicators

	FY2021		FY2022	
	Total	*Areas with water stress*	*Total*	*Areas with water stress*
Water withdrawal, *megaliters*	**7,069.8**	**844.0**	**3,354.7**	**818.9**
by source				
ground water	1,467.6	50.4	1,025.6	628.2
surface water	4,798.8	716.2	1,481.2	8.2
municipal suppliers (third-party water)	803.5	77.4	847.8	184.4
by business segment				
Oilseed Processing	1,753.2	603.9	1,508.5	777.9
Infrastructure and Trading	21.5	1.8	23.5	1.9
Farming, incl.:	5,295.1	238.4	1,822.7	41.0
Irrigation	*4,410.6*	-	*1,454.9*	-
Animal husbandry	*156.7*	-	*166.0*	-
Water discharge, *megaliters*	**1,121.7**	**361.7**	**864.4**	**329.4**
by types of destination				
surface water	361.7	361.7	259.1	259.1
municipal suppliers (third-party water)	760.0	-	605.3	70.4
by business segment				
Oilseed Processing	1,119.8	361.7	854.4	329.4
Infrastructure and Trading	1.9	-	10.0	-
Discharge of substances, *tons*				
dry residue (mineralization)	526.7	237.6	768.9	160.4
sulfates	108.1	63.1	198.2	98.0
chlorides	92.6	46.5	196.2	71.8
suspended particles	38.6	1.5	131.2	16.6
fats	7.0	0.0	12.8	4.2
other substances	146.8	8.5	105.3	79.7

Sustainability: Environmental capital

such obligation, Kernel may request contractors to provide copies of agreements with providers of waste disposal and recycling services.

Our waste management performance

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

- **Crop residue**, that is normally left distributed on field and might also be incorporated in soil or mulched. Part of straw is used for the purpose of cattle management as a bedding. No crop residue is burned on field, as it is strictly forbidden.
- **Pesticides packaging** is collected separately, depending on the class of hazard and transferred to a licensed provider of waste disposal services.
- **Manure** is the main type of waste from animal husbandry. After manure is removed from cowsheds with scrapper conveyors, it is transported to embanked storages where it undergoes natural composting in piles. All storages are located outside of settlements, in leeward areas; no storage is located in close proximity to water protection buffer zones to avoid contamination. Manure is mainly applied in fields as organic fertilizer, and part of it is distributed among local communities for their gardening purposes. In FY2022, we applied 71 thousand tons of composted manure mixed with straw as a fertilizer.
- **Cows' carcasses** are disposed in registered bio-thermal pits in compliance with requirements of the State Veterinary Committee.

Key waste management indicators

tons

	FY2021	FY2022
Volume of waste generated	**47,568.8**	**59,263.6**
including by class of hazard		
1st class	55.6	283.0
2nd class	160.2	155.5
3d class	710.7	346.7
4th class	46,642.3	58,478.5
Volume of treated waste	**47,568.8**	**52,827.8**
including by management approach		
Sold to 3d parties	30,946.7	36,424.6
Landfilling	9,739.2	9,494.1
Transferred for utilization	1,947.0	972.9
Used at enterprise	4,935.8	980.39
Transferred to other consumers	-	4,955.9

In terms of milk production, this process does not involve generation of waste related to packaging, because final products are sold in bulk.

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

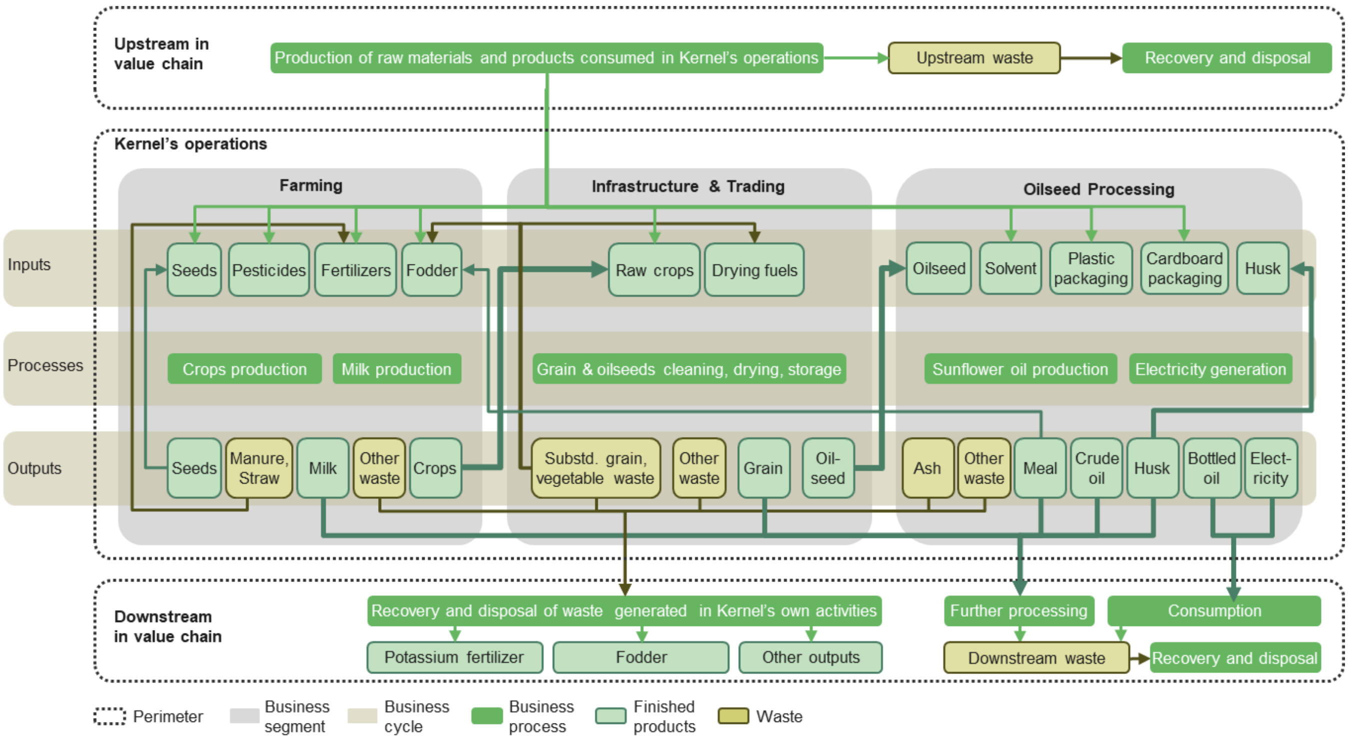
- **Fraction of substandard grain and crop residue**, separated from main products, and used mainly as an input for cattle fodder in our animal husbandry business and is sold to third parties. In addition, we use crop residue as a fuel on one of our drying installations for the generation of steam.

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

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

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

Scheme of Kernel's waste management cycle



Sustainability: Environmental capital

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

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

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

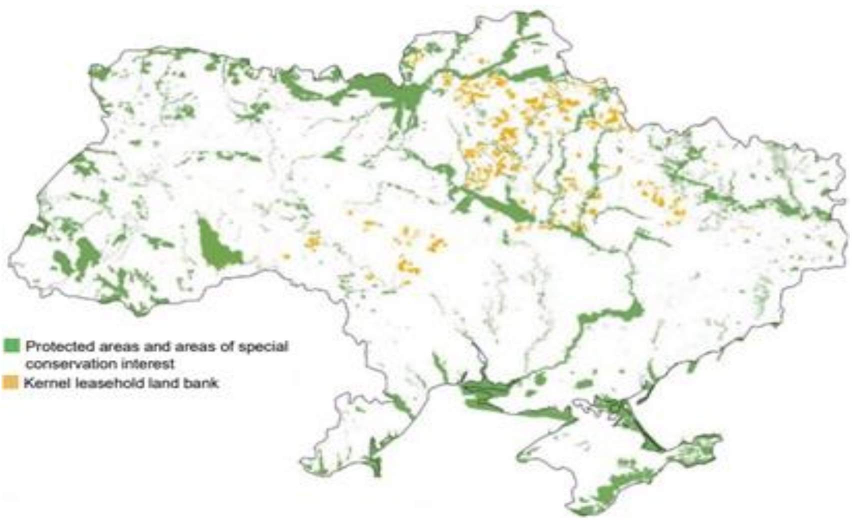
Biodiversity management

Our management approach to biodiversity protection

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

The key principle in delivering this commitment is ensuring a comprehensive and detailed monitoring of our farming activities, which we perform throughout our innovative **DigitalAgribusiness ecosystem**. We apply IT, AI and Big Data solutions to accumulate information on fields and technological operations, allowing us to improve our practices of precise farming, strengthen our risk management approaches, as well as control interactions and impact on natural ecosystems. We exploit RTK-guided autopilot agriculture machinery on all our fields; we collaborate with other companies, sharing the RTK signal, increasing the area coverage where precise farming is applied. We also monitor our fields through **remote sensing technologies** by collecting data, such as **NDVI**[1], from satellites, helicopters, and on-site data collection facilities, which is then synchronized in databases and analyzed with **GIS** (Geographic Information Systems) programs. Additionally, these analytical tools are made accessible in operational activities on the ground: in their everyday work our agronomists use tablets with installed **'Mobile Agronomist' scouting application**, making the process of risk assessment and decision-making more effective. Furthermore, we undertake a thorough due diligence prior to conclusion of the lease, which includes evaluation of physical condition, such as quality of soil and existing vegetation; as well as legal status of land, namely ownership rights, registered land use limitations and legal suitability for farming, which also includes proximity to conservation areas. Therefore, **we do not operate in the areas with high biodiversity value**, specifically in: (1) protected natural zones as defined by the national legislation[2]; and (2) wildlife and natural habitats at the 377 Areas of Specified Conservation Interest (ASCI) that are part of the Ukrainian zone of the Emerald Network, established by the **Bern Convention**. We identified 20,000 hectares of our landbank that border with areas of two national parks, namely Podilski Tovtry and Dniester Canyon, but Kernel's activities are localized strictly within economic zones (which is allowed by the national legislation) not causing negative impact on protected biodiversity.

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



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

Our biodiversity management performance

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

- **Promotion of soil biodiversity.** Kernel actively researches and tests applications of biological fertilizers, including the phosphorus- and nitrogen-fixing bacteria. We are the first agriculture company in Ukraine to establish and run own microbiological laboratory, where we closely evaluate the benefits of biological fertilizers on soil health. We also use biodestructors, namely bacteria and fungi, that contribute to maintaining biodiversity of soil while also intensifying the decomposition or organic crop residues mulched and lefts in fields, leading to subsequent return of nutrients from residue back to the soil. In addition, biodestructors have a fungicidal effect, protecting crops from harmful microorganisms. We have been applying biodestructors on more than 350,000 hectares for several years.
  In addition, under **our 'Climate corporate strategy and low-carbon pathway' project** we are closely researching agriculture technologies that have high potential for reducing GHG emission, associated with farming operations, and have positive impact on biodiversity. Approaches such as reduced tillage, cover and perennial crops not only allow to sequestrate carbon, but also conserve ecosystems of microorganisms in soil, crop residue and plant biomass.
- **Integrated pest management system.** When undertaking pest control actions to reduce crop exposure to diseases, we comply with applicable national and international regulations. We only use authorized plant protection products, listed in the State registry of pesticides and

[1] Normalized Difference Vegetation Index quantifies vegetation by measuring the difference between near-infrared (which vegetation strongly reflects) and red light (which vegetation absorbs). NDVI is a standardized way to measure healthy vegetation – the higher the NDVI, the healthier vegetation.
[2] Law of Ukraine No 2456-XII "On Nature Reserve Fund of Ukraine"

Sustainability: Environmental capital

agrochemicals allowed to be used in Ukraine; we also do not apply chemicals prohibited by **the Stockholm Convention on Persistent Organic pollutants and products**, listed in **Annex 3 of the Rotterdam Convention**[1]. We constantly improve our pest management approaches by adjusting them in line with legislative changes on pesticides in other countries. For example, since 2021 we have been gradually reducing the use of neonicotinoid products. In a few years, their application will be limited with Thiacloprid and Acetamiprid that are used in certain EU countries and have lower toxicity for bees and wild insects. Before using new substance on the operational scale, we test them on our R&D fields (more than 25,000 hectares).

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

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

Key environmental monitoring indicators in FY2022

Scope of monitoring	# of checks	# of sites monitored	# of samples taken
Air quality	**71**	**139**	**1,167**
Conditions of emissions permit	14	54	710
Conditions of EIA	23	16	190
Areas at boarders with SPA[1]	34	69	267
Water quality	**50**	**79**	**248**
Ground water	33	73	181
Surface water	17	6	67
Soil quality	**26**	**89**	**102**
Areas of waste storage	13	68	69
Areas at boarders with SPA	13	21	33
Noise pollution	**27**	**43**	**163**
Vibration pollution	**11**	**16**	**22**

Monitoring of environmental impacts and ecological compliance

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

These priorities are reflected in our Code of Conduct and in Environmental protection policy provisions which account for EBRD's Performance Requirements. We also expect the same level of responsibility regarding control of environmental impact from our suppliers as stated in our Code of interaction with suppliers. Mechanisms of environmental monitoring are practically implemented through a group-wide environmental management system (EMS), which is certified with the **ISO 140001 "Environmental management"** standard[2]. Responsibility for performing environmental monitoring and ensuring compliance with relevant legislation lies on the assets-based team of environmental specialists (11 full-time employees). Given the nature of our business operations we are required to obtain permits for air emissions, water withdrawal and discharge of wastewaters to water bodies. The process of obtaining permits is performed both by Kernel's team of environmental specialists and by involving external contractors. In FY2022 Kernel's assets obtained 16 air emission permits, 5 water withdrawal permits and 1 permit for subsoil use.

Complying with permits obligations we have developed monitoring programs to control the environmental quality of our operations. These include analysis of air, soil and water quality, as well as assessment of levels of noise and vibration pollution. In addition, in FY2022 we passed 5 inspections of environmental compliance on our assets, performed by the State environmental inspectorate of Ukraine.

With regards to legally triggered environmental impact assessments, in FY2022 we successfully completed the EIA procedure at our oil extraction plant 'Ukrainian Black Sea Industry' for the planned activity of groundwater extraction. In FY2022, we spent a total of US$195 thousand on measures, associated with mitigation of environmental impacts and environmental protection.

[1] Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
[2] Certification ISO 14001 covers key trading company Kernel-Trade, six oil crushing plants, two farming clusters, fifteen silos and one trading terminal

Sustainability: TCFD disclosure

CLIMATE ACTIONS (TCFD DISCLOSURE)

Governance

Board oversight of climate-related risks and opportunities

Kernel's **Sustainability Committee** of the Board of Directors was formally established in October 2022. It is the body responsible for: (1) identifying, prioritizing and advising the Board on the company's strategic activities in the areas of decarbonization, climate-related business opportunities, development of environmental, social and human capital, and sustainability governance (hereinafter – 'ESG') and sustainable finance; (2) critically reviewing and considering the ESG Strategy, which will incorporate SBTi aligned climate targets and decarbonization pathway; (3) ensuring the implementation of the ESG Strategy across business operations; (4) connecting ESG and climate corporate agendas with Kernel's business strategy, business objectives and capital allocation decision.

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

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

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

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

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

Executive Management Team: In FY2022 we have launched a multi-stage process of developing specific KPIs oriented at achievement of priorities of the ESG and climate agendas. At the first stage, climate KPIs set a qualitative target to establish a comprehensive system of accounting GHG emissions across the whole production chain. Under Kernel's Performance Appraisal system, relevant climate KPIs would cascade from an executive manager throughout a corporate function. For the first stage climate KPIs are to be assigned to Chief Financial Officer, Heads of Trading, Head of HR department and Head of Communications.

Head of HR department ensures the overall oversight of the development Kernel's sustainability and climate governance. Among specific responsibilities of the Head of HR Department is the development of the system of climate KPIs for the Executive Management Team and their cascading throughout each corporate function. Head of HR Department is also responsible for communicating the importance and benefits of sustainability practices and climate actions within the company and supporting their implementation from the behavioral perspective. Kernel's sustainability manager is in direct subordination to the Head of HR department. The Sustainability manager is responsible for leading the development and improvement of Kernel's sustainability and climate corporate function.

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

Strategy

In September 2021 Kernel launched a project **"Climate corporate governance and low-carbon pathway"**, financed by the EBRD. Kernel became the first agricultural company in Ukraine and the region to embark upon such ambitious project aimed to drive decarbonization in agricultural sector.

The project consists of five tasks:

1. Assessment of climate related risks and opportunities (in line with TCFD recommendations)
2. Assessment of climate governance, management processes, reporting and capacity
3. Setting targets (in line with SBTi guidelines)
4. Assessment of climate change mitigation and adaptation measures
5. Defining Corporate Climate Strategy

Using scenario analysis within this project the company undertook the assessment of climate **physical and transitional risks**, and their financial implications by embedding these risks in the financial modelling. The company developed the methodology for operational accounting of GHG emissions associated with farming practices; and evaluated different scenarios of GHG emissions reduction and sequestration scenarios, using IPCC methodology and **Cool Farm Tool**[1] with the aim of practical realization for operational purposes.

With regards to **business opportunities**, associated with **climate-resilient practices**, Kernel envisions long-term collaboration with key market players as a strategic contribution in the advancement of climate actions agenda in agricultural sector internationally. For that reason, Kernel has launched a dialogue with its key trade-partners to explore mutually beneficial initiatives and opportunities.

In terms of climate governance development, the company developed the first stage for the system **of climate KPIs for the Executive Management Team**, which focuses primarily on qualitative indicator. Kernel also established the Sustainability Board Committee, responsible for the oversight of the sustainability and climate corporate function.

Building on this groundwork, Kernel seeks to set emission reduction targets aligned with the SBTi guidance and agree upon specific measures to achieve such targets in mid- and long-term perspective. These consultations at the executive management level were set to take place in March 2022. However, due to the Russian invasion of Ukraine these decisions were postponed until next year. Nevertheless, Kernel continues preparing the climate corporate strategy, which includes close monitoring of relevant regulatory and guiding developments. For example, during the public consultation period Kernel submitted a suggestion to the **SBTi FLAG**[2] **guidance** to include intensity-based reduction targets for sunflower commodity pathway.

[1] The Cool Farm Tool is an online calculator that allows to account greenhouse gas emissions, associated with farming operations, and analyze various scenarios of emissions reduction. The Tool is recognized by the GHG Protocol Agricultural Guidance and the Gold Standard, climate related certification system

[2] Science Based Target initiative guidance for Forest, Land and Agriculture

Sustainability: TCFD disclosure

Approach to climate risk identification and management

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

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

The risk management framework operates five risk categories: strategic (business), operational, financial, regulatory and sustainability. In terms of climate related risks, strategic (business) and operational categories account for physical climate long-term and short-term risks respectively. Transitional climate risks are covered by the regulatory category and sustainability category covering a broader group of environmental and social risks. For the purpose of annual operational planning, the company re-evaluates and updates the matrix of top-10 risks, which are then approved by the Board of Directors. The risk of acute climate events in the production cycle is embedded in the risk category 'weak harvest in Ukraine', which is included in the matrix of top-10 risk for FY2023. The risk of weak harvest is applied to each business segment of the company: (1) Kernel's own farming operations (direct impact); (2) capacity utilization of Kernel's silos and export terminals due to physical shortage of grain on the market and oil crushing margins due to limited supply of oilseeds (indirect impact); (3) export value chain, because the majority of Kernel's grain export volumes normally originates from third-party suppliers.

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

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

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

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

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

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

Material climate-related risks

Chronic physical risks

For Kernel's operations chronic physical climate risks are relevant from the perspective of long-term strategic impact on location of assets. Analysis of the overall dynamic in climate system across the territory of Ukraine demonstrates gradual shift in the boundaries of natural zones (woodlands, forest-steppe, steppe) towards the north-west over the next 10 years. Shift in climate zones leads to extension of land that falls under the category of risky farming and, therefore, to increased price of lease agreements for agricultural land suitable for growing grain and oilseeds (the so-cold 'corn belt of Ukraine').

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

For the purpose of ongoing monitoring of changes in the vegetation and visualization of climate-related data relevant to the regions of company's operations and potential expansion, Kernel has a subscription to the provider of GIS solutions (geographic information system), **GEOSIS Technologies**. These solutions allow to consolidate and analyse climate related data and relevant patterns obtained from satellite images.

Acute physical risks

The risk of acute climatic events resulting in decreased yields is a basic risk for agricultural business. Within Kernel's risk management framework this risk is reflected in the risk

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category 'Weak harvest in Ukraine', which is normally included in the top-10 company's risks list. Likewise, the company's financial modelling provides for conservative basic assumptions of reduced yields sue to impacts of acute climate impacts. In addition, climate acute physical risks are also applicable to Kernel's infrastructure since extreme weather conditions would impact farming business across the whole country (impacting on Kernel's supply chain and trading operations) leading to decreased capacity operations of the company's silos and oil crushing plants.

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

The company's response to this risk includes organization of strategic session of the Farming segment twice a year, before spring and winter sowing campaign. During this meeting directors of Kernel's farming clusters (cluster is an organizational unit in Kernel's landbank and farming operations; there are a total of 5 clusters), agricultural experts, as well as business and financial analytics undertake broad consultations on results of previous harvest seasons; identify areas for improvement in agriculture practices; analyze available data and projections of weather conditions during the next harvest season; undertake short-term business planning, profound consultation and decision-making on management of climate acute risks and adaptation practices.

Transitional risk: emerging carbon regulation in Ukraine

One of the Kernel's key transitional climate risk is associated with developments in domestic carbon regulations. This group of risks includes two types of regulations: (1) Current Ukraine's tax on GHG emissions (hereinafter - carbon tax), and (2) Ukraine's national emission trading scheme that is currently under development.

In case of Ukraine's carbon tax, it increased from 10 UAH to 30 UAH (approximately 1 EUR) per tonne of CO_2 over the 2021. The company expects that the rate of carbon tax will continue growing over the next years to become aligned with average price of tonne of CO_2 in EU (these expectations are based on Ukraine's commitment under EU Association Agreement and its candidacy to EU, as well as Ukraine's possible response to EU CBAM requirements). Kernel evaluates risk of the expected growth of carbon tax in the following years based on the average carbon tax value in EU member countries (EUR 20-120/tCO_2), which would lead to significant annual expenditures. Ukraine's carbon tax is applicable to Kernel's combined heat and power plants, that produce electricity from sunflower seed husk (side product to the oilseed crushing process, approved as a feedstock to provide advanced biofuels as per Annex IX.A. of RED II Directive). The nature of this risks lies in the fact that such regulation contradicts Ukraine's regulation on Monitoring, Verification and Reporting (MRV) and EU's position on combustion of biomass, production of advanced biofuels GHG emissions from which are considered to be zero.

With regards to Ukraine's national emission trading scheme, the key risk for Kernel's is the significant increase in electricity price, when ETS is finalized and launched. Assumption of potential impact of such risk is based on average wholesale electricity prices in EU, which accounted for up EUR 300/MWh in 2021. In comparison, industry electricity price in Ukraine in 2021 accounted for up to EUR 80/MWh. The company keeps a close monitoring of such risk, despite the fact that development of Ukraine's ETS is at its initial stage and is expected to be finalized not sooner than in seven years.

It was evaluated that at current tax rate, annual expenditures to cover carbon tax could amount up to USD 1.4 million per year, assuming all seven plants work to their fullest capacity (686 GWh per year) generating 538 949,88 tons of CO_2. Potential financial implication is evaluated according to the **NGFS (Network for Greening the Financial System)** climate modelling of carbon price dynamics in Ukraine: under the SSP 2.6-4.5 scenario carbon price in Ukraine is projected to increase up to EUR 65.4/tCO_2, and under the SSP 8.5 the price would reach EUR 1.1/tCO_2 by 2030.

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

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

EU's 'Fit for 55' package (under which EU seeks to cut its emissions by at least 55% before 2030) includes provisions on Emission Trading Scheme, namely the target to reduce the emissions by 61% before 2030 and to reduce the number of free allowances by 4.2% each year. GHG emissions from production of nitric acid, ammonia and hydrogen are covered by the EU ETS. Considering that nitric acid, ammonia and hydrogen are intermediates in the production of NPK fertilizers, it is expected that the price of EU sourced fertilizers will increase following the implementation of Fit for 55 provisions. In FY2022, at least 8% of the total volume of nitrogen fertilizers, purchased by Kernel, were made in the EU

If produced in the EU, the price of fertilizers would reflect price of EU allowances on GHG emissions, which are projected to increase up to EUR 306.1/tCO_2 under the SSP 2.6-4.5 scenario and to EUR 157.7/tCO_2 under the SSP 8.5 scenario by 2030 (according to NGFS climate data projections). In case of domestically produced fertilizers, their price would account for a projected carbon price in Ukraine: EUR 65.4/tCO_2 under SSP 2.6-4.5 scenario and EUR 1.1/tCO_2 under SSP 8.5 scenario by 2030 (according to NGFS climate data projections).

As for now, the company's does not take any specific measures to respond to the risk of increased cost of nitrogen fertilizers. However, the company seeks to undertake a profound screening of its current suppliers of nitrogen fertilizers and identify areas for optimization of the suppliers' portfolio and particular opportunities for bilateral cooperation toward decreasing of purchased fertilizers carbon footprint.

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

EU's Fit for 55 package (under which EU seeks to cut its emissions by at least 55% before 2030) provides for the extension of the Emission Trading Scheme (ETS) and inclusion of emissions from maritime transport, which would cover all CO_2 emissions from large vessel regardless of the flag they fly. It is, therefore, expected that cost of maritime freight will increase significantly since it will also include the cost of ETS emission allowances.

Maritime freight logistics is essential to exercise the company's trading activities to its full extend and around 24% of the total grain sales are related to the supply in the ports of E. The contracts are concluded on both CIF and FOB delivery terms and, thus, the risk might be partially passed on Kernel's trading partners. As a response to this risk Kernel plans to become a signatory of the Sea Cargo Charter in the future, an international framework for assessing and disclosing the alignment with climate actions and GHG emission reduction targets, including the ambition of the

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International Maritime Organization to reduce shipping's total annual GHG emissions by at least 50% by 2050. Under the technical guidance of the Sea Cargo Charter, the company would be able to improve accounting of emissions from maritime freight and establish a rigorous process of their monitoring, which would allow to identify areas for decarbonizing Kernel's chartering activities in a more informed way.

In FY2023, we plan to develop and adopt a comprehensive Climate change risk management policy, which is to provide a detailed outline of responsibilities on risk assessment and management across all business division

Metrics and targets

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

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

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

Within **the 'Climate change strategy and low-carbon pathway' project** Kernel has undertaken detailed calculations of GHG emissions associated with farming operations using the Cool Farm Tool. We are in the process of evaluating discrepancies between results received as a result of our previous approach and the Cool Farm Tool to identify the most applicable and effective accounting approach to be followed on the operational level.

In the reporting period we adjusted our approach towards GHG emission accounting: we included emissions from changes in stock of soil carbon in the total volume of Scope 1 emission, whilst emissions from combustion of biomass remained accounted separately.

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

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

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

- Purchased goods and services: this category of emissions includes three material types of purchased products: (1) purchased grains, (2) purchased agriculture machinery, and (3) purchased fertilizers. In case of emissions associated with the purchased grains, the accounting approach lies in application of carbon intensity factors of Kernel's own crops to the volumes of the purchased grains. In case of the emissions associated with purchased agriculture machinery a spend-based method was used, where emission factors were calculated based on carbon intensity of net revenue of machinery producers (material producers included CNH Industrial, John Deere, MAN, Palfinger). In case of the emissions associated with production of nitrogen fertilizers purchased by Kernel, the content of nitrogen was calculated, and a sector average emission factor was applied (kg CO2e/kg N).
- Capital goods: in this category, Kernel accounted the emissions associated with production of metal and concrete, used for the construction of assets. The company applied material use emission factors for metal and concrete from the UK Department of Environment, Food and Rural Affairs (DEFRA).
- Fuel-and-energy-related activities (not included in Scope 1 or 2): to calculate this

Material climate-related opportunities

Kernel is actively researching the following opportunities, which we assume would meet the growing demands on the market, primarily our key trade partners, associated with decarbonization targets established by companies:

#	Product group	Specification
1.	**Renewable energy**	The opportunity is stemming from the synchronization of Ukraine's energy system with ENTSO-E, which was finalized in March 2022. This opens possibilities of commercial export of our 'green' electricity to European countries, primarily neighboring countries such as Poland, Slovakia, Hungary, Romania, and Moldova. As a producer of electricity from feedstock, namely sunflower seed husk (which is a side product to the oilseed crushing process and therefore is approved as feedstock for advanced biofuels/renewable energy as per Annex IX.A. of RED II Directive), Kernel would potentially be able to produce and export up to 650GWh of electricity annually, when all seven combined heat and power plants are commissioned. The main driver behind this opportunity is growing regional demand in corporate supply of renewable electricity (corporate renewable power purchase agreements, or PPAs) and drastic increase in electricity price in Europe.
2.	**Biofuels**	Kernel explores opportunities associated with the production of biofuels. This opportunity stems from the growing demand for energy sources both in Ukraine and in the EU (i.e. REPowerEU initiative aimed at reduction of dependency on Russian natural gas), amid changes in regional energy geopolitics following Russian invasion of Ukraine. This opportunity is also supported by developments in relevant domestic legislations, for example plans on the establishment of national registry of renewable gas guarantees of origin (RGGO) for biomethane producers.
3.	**Carbon markets**	Kernel explores opportunities associated with the generation of carbon offsets (carbon certificate) as the result of integrating low-carbon agriculture practices (reduced tillage, application of nitrification inhibitors, use of cover crops, sowing of perennial crops).

Sustainability: TCFD disclosure

category of emissions, Kernel used primary data on energy consumption and applied Well-to-tank indicators (Activity A) from DEFRA; transmission and distribution losses data for Ukraine (Activity C); as well as average heat rate of local thermal power plants (Activity B) to calculate emissions across three types of activities: Activity A (43,690.9 tons CO2e), Activity B (12,725.0 tons CO2e), Activity C (10,270.5 tons CO2e).

- Upstream transportation and distribution: this category includes the emissions from transportation of purchased goods and internal logistics (i.e. transportation of grains from fields to silos and from silos to terminals). The company applied the Freighting goods emission factors for vans and HGV from DEFRA. In case of the spend-based method of emission accounting, the emission factors were calculated based on carbon intensity of the net revenue of providers of logistics services.
- Waste generation in services: for this category, Kernel used primary data on waste generation and approaches to waste utilization, including treatment of wastewater discharged to WWTPs. The company applied the Waste disposal emission factors from DEFRA.
- Business travel: This category of emissions is not material in comparison to the total volume of Scope 3 GHG emissions. In the reported period the emissions associated with employee's business travels accounted to only 59,95 tones CO2e. It was calculated using data on the distance travelled, derived from the database of purchased tickets, and Business travel emission factors from DEFRA were applied.
- Employee commuting: for this category, Kernel used data on employees' selected choice of commute to work and distance of their commute to work and back home, calculated based on the database of employees addresses. Respective emission factors from DEFRA were applied.
- Upstream leased assets: Kernel does not have leased assets within its operations. The company, however, lease vehicles for the purposes of internal logistics, but emission associated with them are immaterial and accounted for 91,85 tons CO2e. Emissions were calculated using distance-based method and respective emission factors from DEFRA. This category of emission is considered immaterial in comparison to the total volume of Scope 3 emissions.
- Downstream transportation and distribution: this category includes the emissions associated with marine freight of sold products (grain and oil) – from the combustion of fuel by ships, mostly Panamax class. Respective emission factors from DEFRA for burning of marine fuel oil were applied considering the shipping costs and average fuel spent share.
- Processing of sold products: this category includes emissions associated with refining of sunflower oil. Unrefined sunflower oil purchased from Kernel typically undergoes refining process at the facilities of a buyer. To calculate such emissions the company used average electricity efficiency factor for its own refining process and applied grid emission factors for each country where sunflower oil was exported (The IFI Dataset of Default Grid Factors).
- Use of sold products: Kernel sells final products, including grains, sunflower oil and animal meal. In case the sold products are used in energy sector, sunflower oil related biodiesel component of fuel is considered as zero-carbon.
- End of life treatment of sold products: this category includes the emissions associated with treatment of the sold waste. Kernel used primary data on the sold waste and approaches to its utilization. The relevant Waste disposal emission factors from DEFRA were applied. However, this category of emissions is not material in comparison to the total volume of Scope 3 emissions.
- Downstream leased assets: This category of the emissions is not relevant to Kernel's business, as the company does not provide leased assets.
- Franchises: this category of emissions is not relevant to Kernel's business as the company acts neither as an investor nor does it have shares in emission-related portfolios.
- Investments: This category of emissions is not relevant to Kernel's business as the company acts neither as an investor nor does it have shares in emission-related portfolios.

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

Key GHG emission indicators*

thousand tCO2e

	FY2020	FY2021	FY2022
Scope 1	**1,224.0**	**1,025.9**	**1,193.6**
by GHG			
CO2	445.4	291.7	413.3
CH4	22.3	22.0	22.8
N2O	756.3	712.2	757.4
by business segment			
Oilseed processing	9.5	19.0	9.1
Infrastructure and trading	40.6	58.4	81.3
Farming	1,169.2	941.1	1,102.1
Fuel use	*130.8*	*135.5*	*103.2*
Fertilizers application	*741.6*	*697.3*	*746.2*
Changes in stock of soil carbon	*271.9*	*83.9*	*227.2*
Cattle methane from enteric fermentation	*24.8*	*24.4*	*25.5*
Other	4.8	7.4	1.2
Biogenic (combustion of sunflower husk)	356.4	349.5	348.9
Scope 2 (Location based)	**96.1**	**95.5**	**78.5**
Scope 2 (Market based)	**102.0**	**101.3**	**83.3**
Scope 3		**1,005.8**	**773.8**
Cat.1. Purchased goods and services		466.1	414.2
Cat.2. Capital goods		45.6	22.5
Cat.3. Fuel- and energy-related activities (not incl. in S.1-2)		66.7	52.4
Cat.4. Upstream transportation and distribution		17.0	16.4
Cat.5. Waste generated in operations		5.07	4.99
Cat.6. Business travel		0.059	0.001
Cat.7. Employee commuting		6.4	6.4
Cat.8. Upstream leased assets		-	0.1
Cat.9. Downstream transportation and distribution		350.8	253.5
Cat.10. Processing of sold products		47.4	3.1
Cat.11. Use of sold products		-	-
Cat.12. End-of-life treatment of sold products		0.5	0.1
Cat.13. Downstream leased assets		-	-
Cat.14. Franchises		-	-
Cat.15. Investments		-	-

*- Discrepancies between data in this and previous reports (FY2021 and FY2020) are associated with clarifications of raw data and alignment of relevant conversion factors.

Sustainability: TCFD disclosure

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

Additionally, we apply **nitrification inhibitors**, and cultivate cover crops. To limit CO_2 emissions, we reduce both specific fuel consumption and mileage of the field machinery through regular **modernization of the fleet and optimized routing**, respectively.

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

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

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

To prevent dust emissions associated with grain and oilseeds handling, we apply sophisticated design solutions and techniques that minimize contacts of material flows with the atmosphere. This includes closed type grain and oilseed unloading stations, conveyer lines, and ship loading machines with advanced dust control features. Where prevention is not feasible, treatment equipment is applied.

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

In FY2022 Kernel paid a total of US$ 272 thousand of environmental tax, of which US$ 217 thousand for CO_2 emissions and USD 55 thousand for air polluting emissions from stationary sources.

Emission reduction targets

Kernel seeks to establish targets of GHG emissions per tonne of commodity in line with **SBTi FLAG guidelines**. The company currently works to deeply analyse different scenarios of GHG emission reduction for our key crops (based on calculations of baseline emissions in **the Cool Farm Tool**), which is possible with incorporation and various combinations of low carbon farming practices such as reduced tillage, application of nitrification inhibitors and introduction of cover crops to crop rotations. According to prior estimates such practices can potentially have the following emission reduction capacity: (1) nitrification inhibitors up to 10% reduction, (2) cover crops up to 31% reduction and (3) reduced tillage up to 85% reduction. Building up on these assumptions and considering the company's initial business strategy to increase own land bank by 1.4 times (to 706 000 ha) by 2026, the company may potentially achieve a total of 15% reduction in GHG emissions associated with farming operations over the next five years.

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

One of the tasks of the 'Climate corporate governance and low-carbon pathway' project is to identify the role of agriculture, and specifically Kernel, in the achievement of the Paris Agreement targets; and therefore, to understand what emission reduction targets the company should pursue and what business opportunities can be implemented to empower the company's low-carbon pathway development. As part of this the company's representatives attended the **26-th Conference of Parties to the UN Convention on Climate Change**, where the dialogue with major agriculture commodity companies was initiated following their common statement to strengthen their climate actions and decarbonize their supply chain. The idea behind such long-term dialogue between the companies' sustainability and trade functions is to explore areas for partnership, specifically to identify mutual initiatives where Kernel may contribute to the implementation of climate targets of its trade-partners. These initiatives will be directly reflected in Kernel's own emission reduction targets.

Key GHG emissions intensity indicators (Scope 1&2)

	FY2020	FY2021	FY2022
GHG emissions per volume of harvested crop, *kg CO2e/ t of yields*			
Corn	133.6	144.3	126.6
Sunflower	337.5	393.7	419.9
Wheat	256.7	277.2	264.7
Rapeseed	417.8	532.0	413.3
Soybean	323.7	574.1	450.5
GHG emissions per area of sowed crop, *kg CO2e/ ha*			
Corn	1,145.6	1,147.2	1,173.6
Sunflower	1,175.1	1,189.5	1,281.8
Wheat	1,504.5	1,351.8	1,626.4
Rapeseed	1,457.9	1,603.2	1,642.3
Soybean	829.4	706.5	911.4
GHG emissions per sunflower seeds processed*, *kg CO2e/ t of seeds*	**24.5**	**29.2**	**32.1**

*- Calculation approach was adjusted, namely emissions from combustion of sunflower husk were excluded

Other significant air emissions

	FY2020	FY2021	FY2022
Air pollutants, *thousand tones*	**1.7**	**2.1**	**2.4**
Carbon oxide	0.4	0.9	0.6
Sulfur dioxide	0.1	0.1	0.1
Nitrogen oxides	0.1	0.1	0.4
Solid substances	1.1	1.1	1.3
Ozone-depleting substances, *tCO2e*	**1,603.2**	**1,377.9**	**1,364.2**
R-407C	221.8	105.0	95.8
R-134A	1,195.5	1,195.5	72.9
R-507A	185.9	77.4	1,195.5
Hexane, *tones*	**1,313.3**	**1,259.0**	**942,5**

Sustainability: TCFD disclosure

As per the methodological approach for setting emission reduction targets, Kernel will rely on the SBTi Forest, Land and Agriculture (FLAG) guidance, which is currently under finalization. In line with this guidance Kernel will seek to set two categories of emission reduction targets: an absolute target and specific targets for each key crop. The company closely monitors developments in this area: when SBTi opened public consultations for its FLAG guidance, Kernel submitted its suggestion to include corn in the list of specific targets.

With regards to the timeframe, Kernel originally planned to finalize the work under the EBRD-financed **'Climate corporate governance and low-carbon pathway' project** and make a decision on emission reduction targets by June 2022. However, due to the uncertainty resulting from Russia's invasion of Ukraine and on-going military actions, the company had to postpone any decision-making on emission reduction targets until next two years. Nevertheless, the company continues work on researching business opportunities related to decarbonization of its operations and remains committed to its climate ambitions.

HUMAN CAPITAL

General employment information

Our management approach to employment and human resources

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

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

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

Renumeration approach and benefits

In FY2022 Kernel's total payroll accounted for a total of US$245 million; 973 employees were receiving minimum wage (881 FTE basis).

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

1. **Base compensation and benefits**. The basic level of Kernel's remuneration system including:

- salaries and wage-based bonuses, that match or exceed the benchmark of other industries. It also includes additional payments and compensations, depending on working conditions, as well as fixed payments in case of retirement and financial support in case of an employee's difficult personal circumstances. When personnel optimization takes place resulting in reduction of
- number of employees, the wage fund is not reduced correspondingly, but is distributed

Key human resources indicators

as of June 30, 2022)

	FY2020	FY2021	FY2022
Total number of employees[1]	**11,928**	**11,256**	**10,223**
including by geography:			
Ukraine	11,882	11,208	10,180
Other countries	46	48	43
including by level:			
Managers	908	936	870
Specialists	3,452	3,354	3,020
Workers	7,568	6,966	6,333
including by business segment:			
Oilseed Processing	2,203	2,253	2,291
Infrastructure and Trading	2,718	2,592	2,679
Farming	6,232	5,609	4,366
Head office and other	775	802	887
including by age			
less than 30 years old	6,719	1,686	1,464
up to 50 years old	3,178	6,431	6,271
more than 50 years old	2,030	3,139	2,488
including by employment contract, by region:			
Permanent	**11,440**	**10,614**	**9,647**
Ukraine	*11,394*	*10,566*	*9,604*
Other countries	*46*	*48*	*43*
Seasonal and temporary	**488**	**642**	**576**
Ukraine	*488*	*642*	*576*
Other countries	*0*	*0*	*0*
including by employment contract, by gender:			
Permanent	**11,440**	**10,614**	**9,647**
Male	*8,440*	*7,750*	*6,845*
Female	*3,000*	*2,864*	*2,768*
Seasonal and Temporary	**488**	**642**	**576**
Male	*409*	*581*	*510*
Female	*79*	*61*	*66*
including by employment type, by gender:			
Full-time	**11,641**	**11,162**	**7,262**
Male	*8,538*	*8,279*	*5,430*
Female	*3,103*	*2,883*	*1,832*
Part-time	**287**	**94**	**63**
Male	*196*	*54*	*30*
Female	*91*	*40*	*33*

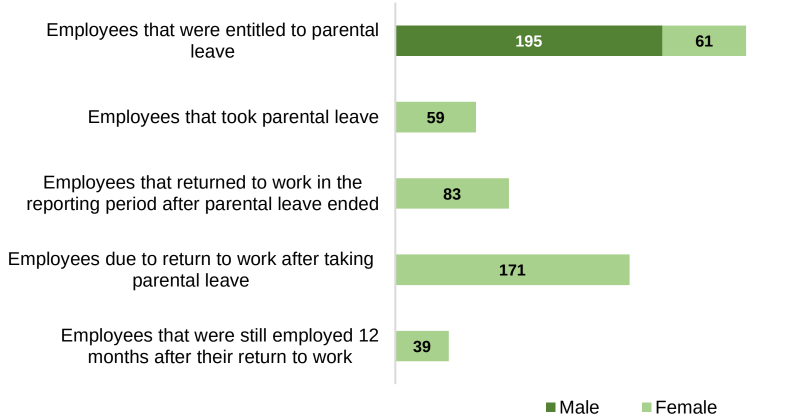
Sustainability: Human capital

among the rest of the team.
- healthcare services, including a voluntary medical insurance for the full-time employees, life insurance for employees, who cover insurance costs, and OHS insurance.
- rewards for improvements in production, both monetary (such as one-time monetary incentives for operational accomplishments) and non-financial recognitions.
- other benefits include sponsorship of educational opportunities and sport activities, provision of food at workplaces, free transportation to work etc.

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

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

Parental leave indicators in FY2022



Support of employees during wartime

Safety and wellbeing of our employees have been the upmost priority amid military actions in Ukraine, resulted from Russia's invasion. Kernel has been providing extensive support to its employees, especially those who are defending the country or are internally displaced people. Despite a high level of turmoil during the first months of war, Kernel has been securing remuneration to its employees in compliance with the legislation.

Special focus was made on employees, who were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units: they were provided with high-quality protective military equipment and additional financial support.

Furthermore, employees who suffered disability as the result of military actions received UAH 150 thousand of additional financial aid (~US$ 6 thousand); and families of employees, who were killed in action, received UAH 500 thousand of financial support (~US$ 19 thousand).

Kernel assisted a total of 312 employees with evacuation from regions in close proximity to active military actions and provided them with temporary housing. In addition, employees whose child was born during the martial law received UAH 10 thousand (~US$ 371) of one-off cash payment.

~1,300 employees were mobilized to defend Ukraine

~US$ 2.3 million of monetary support provided to employees who defend Ukraine

Key employment dynamic indicators in FY2022

Total number of new hires	**3,286**
by geography	
Ukraine	3,280
Other countries	6
by gender	
Male	2,610
Female	676
by age	
less than 30 years old	722
up to 50 years old	721
more than 50 years old	1,843
Total number of employee turnover	**1,756**
by gender	
Male	1,374
Female	382
by age	
less than 30 years old	393
up to 50 years old	365
more than 50 years old	998
Total number of employees that left Kernel due to retirement	**103**

Sustainability: Human capital

Training and career advancement

Our management approach to training and performance review

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

Kernel's key professional competencies are the following:

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

The employees, covered by the competency model undertake annual assessment after which they create an individual development plan. Individual development plan consists of three parts: (1) hard learning, which provides for attraction of internal or external experts and for allocation of individual learning budgets; (2) soft learning, which is realized through Kernel's institute of internal couches; and (3) distance learning, which employees can plan access through an online educational platform, Kernel Hub, which provides more than 1,000 e-books, 155 e-courses and 200 training videos.

The combination of these three categories of learning activities is known as the corporate minimum package, which includes one professional course and minimum three courses on the general development. In terms of employee categories, the competency model covers managers and specialists. Workers receive professional education, which is built on Kernel's inhouse expertise. Professional trainings for workers match their individual development plans and job descriptions, that contain standard skill requirements for each position.

In FY2022, a total of 3,491 employees evaluated their competencies and created individual development plans. Throughout the year Kernel's a total of 6,690 employees benefited from Kernel's educational programs, spending 152,804 hours of training (or average of 22.8 hours per employee), 73% of which were dedicated to improvement of hard skills and 27% - soft skills. In terms of distance learning, 5,751 employees took at least one course on Kernel's Hub in FY2022.

Key training and education indicators

	FY2020	FY2021	FY2022
Average hours of training per employee	**9.4**	**21.6**	**22.8**
by gender:			
Average hours of training per male	10.1	21.2	25.1
Average hours of training per female	7.4	22.7	18.4
by employee category:			
Average hours of training per manager	26.5	76.6	35.8
Average hours of training per specialist	15.7	35.7	32.7
Average hours of training per worker	4.5	7.4	7.9
Total number of training hours	**112,186**	**242,833**	**152,804**
including by skill sets			
Hard skills	95,753	195,868	111,309
Soft skills	24,833	46,965	41,495
including by learning formats			
Full-time training	24,833	41,266	21,964
Distance Learning	87,353	201,567	130,840
including by frequency			
Annual / regular training	46,337	123,420	67,507
One-time training	7,870	109,533	79,417
Modular development programs	57,979	9,880	5,880

In the reported period, the team of the initiative 'Institute of internal trainers' was made of 40 employees, who undertook a special training to become coaches on soft skills. Kernel's overall expenditures on training and education of its employees in FY2022 accounted for USD 341.2 thousand.

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

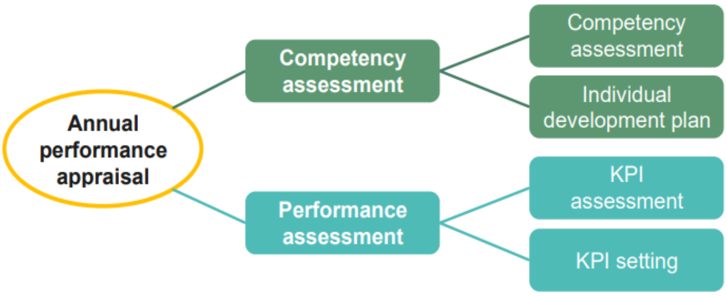
Assistance with career growth and upgrading skills of our employees

Kernel has developed two programs to support employees' professional growth and career advancement, namely Kernel Growth and Kernel Leadership, which are core pillars of **the 'Talent Pool' project**. The idea behind this project is to create two levels for personnel reserve for promotion to top-management positions: (1) under Kernel Leadership heads of departments, who aspire to become top-managers, receive specialized training, mentorship from acting top-managers and assistance from coaches of personal development; whereas (2) Kernel Growth covers middle-level managers and specialists, who are motivated to actively build their career at Kernel.

To become a participant for either program, employees go through several stages of selection, that include analytical tests and business cases. Kernel implements this project in partnership with the Kyiv-Mohyla Business School and upon the completion of these programs our employees receive diplomas of mini-MBA.

In addition, in FY2022 we have launched an initiative **'Re:Industry of Knowledge'**, aimed to upgrade professional skills of our production workers. The training program is semester-based: during the first semester almost 2,000 employees took specialized courses on oilseed crushing technologies, occupational health and safety and compliance through the online platform Kernel Hub. For the second semester we resumed 'Re:Industry of

Kernel's annual performance appraisal system



Sustainability: Human capital

Knowledge' and adapted our education approached to the conditions of wartime in Ukraine. Therefore, participants of the program received micro-learning on professional topics through short educational videos, prepared by Kernel's internal experts.

As of the end of FY2022, participants of this program mastered four out of eight planned professional subjects. There is also a separate subject on technological process of combined heat and power plants, aimed to deepen employees' understanding of their role in the work of oil crushing plants. Furthermore, we have a specialized skill upgrading program for personnel of our combined heat and power plants, that we implement in partnership with Lviv Polytechnic National Institute. This training program consists of six modules and allows for our employees to have professional consultations with experts of the Institute.

Training to adapt to external challenges

We envision training and professional development as one of the integral components of our human capital, which in turn empower out ability to create long-term value and to strengthen our adaptability to external risks and challenges. Amid wartime in Ukraine, Kernel takes active steps to adapt to new conditions; namely, we plan to launch the training on interchangeability of skills, critical for our business operations. The idea behind such approach is for workers to gain additional professional skills and, thus, to ensure that our production assets have an internal pool of expertise which can be exploited to fill gaps if some employees are mobilized into the army.

In addition, since the beginning of Russian invasion of Ukraine, Kernel has launched training on tactical medicine, accessible for all employees. The participant of this training learn how to provide first aid in accordance with the Tactical Combat Casualty Care protocol MARCH (acronym stands for the proper order of treatment, namely massive hemorrhage, airway, respirations, circulation, head injury/hypothermia). Our employees have demonstrated significant success in mastering the training, being able to apply a tourniquet in 45 seconds.

Employees' career development indicators

	FY2020	FY2021	FY2022
Total number of employees, receiving regular performance and career development reviews	**1,736**	**1,779**	**1,777**
including by gender			
Male	1,347	1,385	1,393
Female	389	394	384
including by employee category			
Managers	650	657	664
Specialists	1,086	1,122	1,113

Occupational health and safety

Our management approach to occupational health and safety

The central driver of our approach to manage occupational health and safety (OHS) is the aspiration to have no work-related injuries and fatalities at all Kernel's working sites. Al our employees are provided with appropriate and safe working conditions in line with Ukraine's national labor legislation and provisions of the International Labor Organization's Fundamental Conventions. Our approach is enshrined in the Workplace health and safety policy, which provides for the establishment and continuous improvement of occupational health and safety management system (hereinafter – OHSMS). We expect the same level of responsibility and dedication to ensure occupation health and safety from our suppliers: our agreements include provision on compliance with Kernel's Code of interaction with suppliers, under which our suppliers are obligated to provide their employees with safe working environment and have proper OHS practices implemented. OHSMS covers all employees and contractors, including contractors working on our sites but who we have limited functional control over.

To minimize risks of work-related injuries among our contractors we instruct them on our OHS practices and requirements[1]. There is also a dedicated OHS specialist, responsible for managing an independent system of monitoring implementation of OHS practices and inspecting compliance with safety requirements violations in our investment projects. Therefore, our contractors are evaluated and ranked based on their OHS performance. If violations of OHS requirements reoccur, the contractors are penalized. In FY2022, there were no instances of work-related injuries and fatalities among contractors.

Kernel's OHSMS operates in line with requirements of national regulations and ISO 45001 standard and is led by an OHS corporate manager who annually reports to a management committee, headed by the company's CEO. Within the OHSMS the process of identifying and assessing work-related hazards and safety risks is exercised on a non-routine and annual bases. A non-routine procedure of risk identification takes place for new business operations and assets, and results in a list of hazards and risks. The risk identification on an annual basis is reflected in responsibilities of managers, OHS professionals and other employees to update list of hazards, basing their inputs on results of internal and external labor safety audits, the outcomes of employees' engagement process and feedback, lessons learned from incidents investigations, as well as results of OHS assessments and incorporation of world best practices. OHS assessments include self-assessments and statutory inspections, information on which is consolidated in a special database. Once potential risks and hazards are identified, the OHSMS triggers the procedure of risks management which is organized in line with the ERIC/PD[2] hierarchy of hazard controls and consists of the following steps, taken in the descending priority:

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

If work-related incidents occur, we launch an investigation of each case, using the Ishikawa, or 'fishbone diagram' approach that

[1] Before entering our working sites, any visitor or worker is briefed with description of the OHS risk identification and management system; they are also required to take an OHS e-course.
[2] Acronym stands for Eliminate, Reduce, Isolate, Control, Personal Protective Equipment, Discipline.

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aims: (1) to identify root causes of an incident, (2) to map risks and hazards that materialized, (3) to determine corrective actions in line with the ERIC/PD hierarchy of hazards control, and (4) to integrate lessons learned into required improvements of the OHSMS. This information is diligently recorded in the accident statistics, which also includes the data on the frequency of occupational accidents, subsequent lost workdays, and the severity of injuries.

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

As of the end of FY2022, a total of 25 assets[1] were certified with ISO 45001 standard and by FY2023 we seek to compete certification for the remaining assets. In FY2022, all covered employees were audited internally, whereas 7,358 of them also underwent external audit. Overall, 61 externally certified inspectors spent 85 man-days on the internal labor safety audits. In addition, in the reported period we successfully completed 2 OHS statutory inspections of our assets, demonstrating absence of any incompliances with national labor safety requirements; and 28 independent audits, completed by a third party.

In FY2022, Kernel's total expenditures on occupational health and safety amounted to US$ 1,344 thousand. This amount includes spendings on special working clothes and personal protection equipment, education and trainings, risks management and prevention.

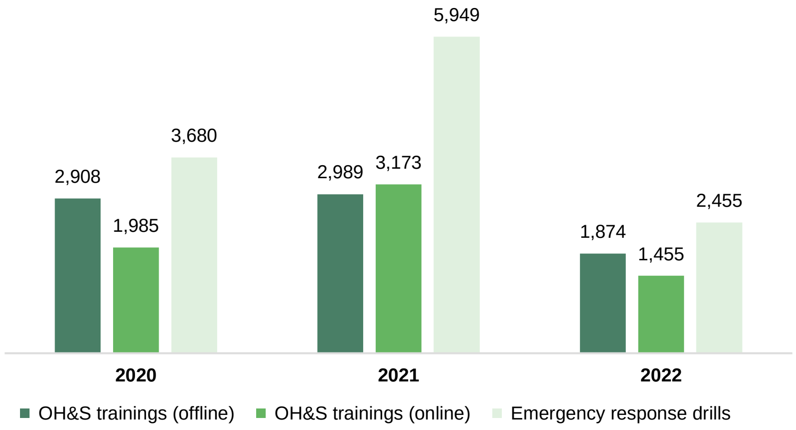
Employees engagement and training on the occupational health and safety

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

We employ proactive methods to engage our employees in the development, implementation and evaluation of the effectiveness of the OHSMS, as well as to communicate OHS information, namely via corporate surveys, 'Gold Safety Rules' initiative and 'Walk the Talk' project[2].

At Kernel any employee can flag and report occupational health and safety risks they observe and report about hazardous situations on a worksite by reaching out to their supervisor, field OHS specialist or the company's corporate manager. They can also raise any OHS issues by submitting a 'Near Miss' and 'Stop card' letterforms or contacting the corporate Hotmail (in FY2022 a total of 10,519 'Near Miss' letter forms were submitted,

Number of participants in occupational health and safety trainings



Key occupational health and safety indicators

	FY2020	FY2021	FY2022
Recordable work-related injuries	**17**	**10**	**4**
including by business segment			
Oilseed processing	2	1	1
Infrastructure and trading	8	1	2
Farming	7	8	1
High-consequence work-related injuries (ex. Fatalities)	**5**	**2**	**3**
including by business segment			
Oilseed processing	1	-	1
Infrastructure and trading	3	-	1
Farming	1	2	1
Fatalities resulted from work-related injuries	**1**	**-**	**1**
including by business segment			
Oilseed processing	-	-	-
Infrastructure and trading	1	-	-
Farming	-	-	1
Rate of recordable work-related injuries (LTIFR)	0.68	0.46	0.22
Rate of fatalities as a result of work-related injury	0.04	0.00	0.06
Rate of high-consequence work-related injuries (excluding fatalities)	0.20	0.09	0.17
Workers covered by OHS management system	-	11,209	10,180
Workers covered by OHS management system, who were audited internally	-	11,209	10,180

[1] These include key trading company Kernel-Trade, six oil extraction plants, two farming clusters, fifteen silos and one grain transshipment terminal.
[2] 'Gold Safety Rules' initiative recognizes best set of labor safety requirements, composed by employees themselves; 'Walk the Talk' projects was launched to allow OHS specialists and manager explore gaps in OHSMS by interviewing employees and discussing their ideas on improvements.

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resulting in elimination of 99% of potential incident). Workplace health and safety policy ensures protection of whistleblowers from any form of retaliation.

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

Over FY2022, a total of 1,455 employees took mandatory e-learning OHS courses and 1,874 employees took specialized offline OHS trainings, spending 8,600 hours. Our employees (2,455) also participated in 234 emergency response drills.

Key diversity and equality indicators

(as of 30 June 2022)

	FY2020	FY2021	FY2022
Percentage distribution of individuals within the Board of Directors			
by gender			
Male	63%	63%	50%
Female	38%	38%	50%
by age			
30-50 years old	75%	75%	75%
more than 50 years old	25%	25%	25%
Percentage distribution of individuals within the Executive Management Team			
by gender			
Male	75%	67%	67%
Female	25%	33%	33%
by age			
30-50 years old	87%	87%	87%
more than 50 years old	13%	13%	13%
Percentage distribution of individuals among employees			
by gender			
Male	74%	74%	72%
Female	26%	26%	28%
by age			
less than 30 years old	56%	15%	14%
up to 50 years old	27%	57%	61%
more than 50 years old	17%	28%	24%

Human rights, diversity, and inclusion

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

As a signatory we are committed to safeguarding human rights and equal opportunities for women, persons with disability, local opportunities, smallholder farmers and workers, including those under temporary contracts, sub-contractors and migrant workers; we are also committed to not undertake any activities that have negative impact on human rights of children and indigenous people. Indeed, there is no forced or child labor involved in any of Kernel's operations; the company was not complicit and did not commit violations of any other human rights in the reported period. We follow the action plan to promote human rights principles and annually report our performance as part of the Communication on Progress on the UN Global Compact.

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

At Kernel we believe in the respect for diversity among our employees as one of the fundamental human rights and freedoms; and its empowerment is integral for ensuing our success, market competitiveness and long-term value for our stakeholders. Our approach to safeguarding equal opportunities and non-discriminatory working environment is guided by Luxembourg Law of 23 July 2016[1] and our Anti-Discrimination and Diversity, Equality and Inclusion (hereinafter – DE&I policy) policies.

In FY2022 we **updated our DE&I policy** to align it with the relevant provisions of the code of corporate governance for issuers of shares listed on the Warsaw Stock Exchange, **"The Best Practices for GPW Listed Companies 2021"**. Under the new edition of the DE&I policy, Kernel aspires to reach at least 30% of representation of each gender within the company's corporate bodies, namely the Board of Directors and the Executive Management Team. We have designated individuals and teams responsible for implementing the DE&I Policy at every corporate level, ensuring the adoption of diversity, equality and inclusion principles in all business activities of Kernel. At the Board of Directors' level, matters related to the integration of diversity principles are overseen by the Nomination and Remuneration Committee, whereas the Chief Executive Officer is responsible for the implementation of the DE&I Policy throughout the company.

Under the Anti-discrimination policy, we are committed to ensuring the equal employment opportunities and non-discriminatory working environment for all the categories of individuals. In FY2022 the share of socially vulnerable employees was 13% out of the total number of employees, and 8% of all employees were individuals with disabilities.

Kernel has a grievance mechanism, through which the company's employees and counterparties have an opportunity to submit complaints related to human rights violations or discriminatory actions, as well as to receive redress if investigation determined that such violations took place[2].
In FY2022, Kernel organized an online lecture for all employees on equal opportunities, in

[1] Luxembourg Law of 23 July 2016 on disclosure of non-financial and diversity information, implementing the European Directive 2014/95/EU.
[2] Submissions to the grievance mechanism can be made via (1) a toll-free round-the-clock hotline, (2) form on Kernel's website, (3) via email by writing to hotline@kernel.lu or compliance@kernel.lu, (4) Telegram chatbot 'KernelHotline'.

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collaboration with the UN Population Fund, where we addressed issues such as gender-based stereotypes, vertical and horizontal gender segregation and a concept of "glass ceiling".

Freedom of association and collective bargaining

At Kernel we believe that every employee has a right to be a part of associations and collective bargaining agreements. Our position is enriched in the Freedom of associations and unions policy, and aligned with the principle of the UN Global Compact to uphold **the freedom of associations and effective recognition of the right to collective bargaining**. As of the end of FY2022, 90% of our employees were covered by collective bargaining; and 9% of all employees were members of trade unions.

Key anti-corruption and compliance indicators

	FY2022
Number of confirmed incidents of corruption	**38**
Number of employees dismissed for corruption	**77**
Number of public legal cases on corruption brought against Kernel	**1**
Number of confirmed incidents of contracts with business partners being terminated due to corruption	**1**
Total number of submissions to Kernel's channels of informing on misconduct	**46**
Total number of managers and specialists who completed the procedure on declaration of conflicts of interest	**2 920**
Total number of employees who took anti-corruption trainings	**3 778**
by employee category	
Managers	638
Specialists under high compliance risks	210
Workers	2 930
Total number of Open Agro University students who took anti-corruption trainings	**102**
Total number of employees who took offline compliance training	**142**

SOCIAL CAPITAL

Anti-corruption and compliance

Our management approach to anti-corruption

At Kernel we have zero tolerance to any fraudulent and corrupt activities, both among our own employees and counterparties. Our position on anti-corruption and approach towards ensuring ethical compliance are embodied in Kernel's Corporate Governance Charter, Code of Conduct, Anti-corruption policy[1] and Code of Interaction with Suppliers. In addition, all our agreements and tendering processes include the Anti-corruption clause. In FY2022, we updated the Anti-corruption clause to reflect changes in national legislation amid Russian military invasion of Ukraine[2]. In line with such changes, we also increased a number of controls and strengthened the process of screening our counterparties. Kernel's standard response to counterparties' incompliance with the provisions of the Anti-corruption clause or Code of Interaction with Suppliers is to cease any cooperation with them.

The requirements to adhere to our anti-corruption rules also covers our partners in the Open Agribusiness project (small farmers cannot participate in our programs if their land lease agreements are not properly registered, their crop sales and business processes are not formalized, as well as if they are found to be involved in shadow operations or avoid paying taxes); and students of Kernel's Open Agro University, who might be employed at the company after graduation. Responsibility to enforce provisions of these documents centrally lies on Kernel's compliance officer, who reports directly to the CEO and the Audit Committee at the Board of Directors; whereas the corporate culture of integrity and compliance is driven by the Tone at the Top principle. There are also regionals compliance coordinators, whose role is to implement anti-corruption and compliance standards, as well as ensure on-going improvement of ethically correct corporate culture on Kernel's operational assets. Compliance officer is also responsible for provision a confidential advice on compliance practices to Kernel's employees at their request.

In FY2022 a frequency of such request increased significantly (125 requests) mainly due to uncertainty amid wartime in Ukraine. Kernel is also a member of several professional associations and international initiatives, under which the company made public commitments to promote transparency and zero tolerance to fraudulent activities. Indeed, Kernel is a member of the Ukrainian **Network of Integrity and Compliance (UNIC)**, and a signatory to the **UN Global Compact** and the **UN Anti-corruption Collective Action Memorandum**. Additionally, for Kernel these platforms are effective ways to exchange best corruption prevention practices between business, and to drive the corporate culture of integrity in the agriculture sector.

Identification and prevention of corruption risks

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

In terms of identification of corruption incidents among counterparties, Kernel's security department conducts an in-depth documented KYC (Know Your Customer) procedure before any interaction. A compliance officer is involved in this process to undertake additional verification if a counterparty poses medium or high risks of corruption, or conflict of interests or might be a subject to international sanctions (152 cases in FY2022). Additional verification of contracts by a compliance manager also takes place when a counterparty suggests changes to our Anti-corruption clause (163 cases in FY2022). In FY2022 we improved the system of screening our counterparties for the risks of corruption and incompliance: if the system identifies any red flags, it generates automatic notifications and suspends the process until the compliance officer and legal department evaluate risks.

Furthermore, any corruption risks and potential incidents of misconduct are also identified through dedicated channels of informing, including anonymous ones which are open for Kernel's employees, suppliers and third

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

[2] Resolution of the Cabinet of Ministers of Ukraine No. 187 dated 03.03.2022 "On Protection of National Interests in Future Claims of the State of Ukraine in Connection with Military Aggression of the Russian Federation"; and the Law of Ukraine No. 2116-IX dated 03.03.2022 "On Basic Principles of Forcible Seizure of Objects of Property Rights of the Russian Federation and its Residents in Ukraine"

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parties[1]. All submissions are examined and addressed by the compliance officer. Kernel has established a mechanism to protect whistleblowers from retaliation.

Mandatory education, awareness-raising and continuous enhancement of ethically correct corporate culture are main pillars of our approach to prevent unethical behavior among our employees. According to the company-wide survey, conducted in FY2022, 99.9% of our employees are familiar with Kernel's internal policies on corruption prevention and anti-corruption provisions of the Code of Conduct.

Our Executive Management team is regularly informed about changes in anti-corruption legislation, introduction of new sanctions and key compliance measures integrated in the company's operational activities.

Our anticorruption practices and approaches to enhancement of the culture or transparency and integrity are demonstrating positive results. Over the last four years occurrence of corruption has been following a strong declining trend. In FY2022, a total of 38 cases of corruption were confirmed, which is 14% lower than that of last year. Incidents of theft by employees have also decreased by 14% in FY2022 and accounted for 63 cases (79 employees were involved).

Our actions on gender-based violence

In FY2022 Kernel continued taking proactive steps towards raising awareness on prevention of gender-based and domestic violence as a signatory of the Declaration on gender equality and preventing domestic violence (initiated by the UN Population Fund). We organized an informative campaign on provisions of **the Council of Europe Convention** on preventing and combating violence (also known as Istanbul Convention) ratified by Ukraine in June 2022. In addition, we participated in an annual international campaign "16 Days of Activism against Gender-based Violence" when the company organized a series of measures aimed at recognition and prevention of gender-based and domestic violence, as well as first aid techniques if such cases occur. Another achievement in this area was the development of a new training course on countering sexual harassment in the workplace in line with recommendations of the **IFC's Performance Standards.**

Economic performance and impact

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

EU Taxonomy

Starting from FY2022 Kernel will be reporting its contribution to the European Union's environmental objectives of climate change mitigation and climate change adaptation in line with the guidelines laid down in the **EU Taxonomy** regulations. In response to these requirements, we have undertaken a comprehensive analysis of our economic activities, revenue they generate as well as our capital (CapEx) and operational (OpEx) expenditures; and identified the share of activities that meet the EU Taxonomy criteria or, in other words, are considered 'environmentally sustainable'.

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

A particular value from our 'green' electricity is that we do not produce biomass separately to be combusted on CHPs; but rather use sunflower seed husk, which is a side product of the main operational activity and is approved as a feedstock to provide advanced biofuels in accordance with **Annex IX.A. of RED II EU Directive**. When sold to the national energy

Taxonomy-eligible share of Kernel's economic activities

	FY2021		FY2022	
US$ thousand	Amount	Share	Amount	Share
Revenue, including	**5,595.0**	**100.00%**	**5,332.0**	**100.00%**
taxonomy-eligible	6.5	0.12%	13.4	0.25%
taxonomy non-eligible	5,588.5	99.88%	5,318.6	99.75%
Capital expenditure, including	**174.6**	**100.00%**	**110.0**	**100.00%**
taxonomy-eligible	38.9	22.25%	21.5	19.58%
taxonomy non-eligible	135.7	77.75%	88.4	80.42%
Operational expenditure, including	**5,149.0**	**100.00%**	**5,317.0**	**100.00%**
taxonomy-eligible	2.2	0.04%	9.5	0.18%
taxonomy non-eligible	5,146.8	99.96%	5,307.5	99.82%

Key economic performance indicators

US$ million

	FY2020	FY2021	FY2022
Direct economic value generated	**4,093**	**5,839**	**5,408**
Revenue	4,107	5,595	5,332
Net IAS 41 effect	(21)	133	13
Other operating income	7	111	64
Economic value distributed			
Operating costs, of which	(3,756)	(5,149)	(5,317)
employee wages and benefits	(164)	(351)	(245)
Finance costs	(147)	(142)	(119)
Community investments	(8)	(4)	(26)
Other costs	(38)	(6)	11
Total charges	**(3,948)**	**(5,301)**	**(5,451)**
Income tax	(22)	(32)	3
Dividends paid	(21)	(35)	(34)
Total economic value distributed	**(3,991)**	**(5,368)**	**(5,483)**
Economic value retained	**102**	**470**	**(75)**

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

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grid, electricity produced at our CHPs substitutes electricity produced from fossil fuels. When fully implemented, our taxonomy-eligible activity will be able to save up to 700,000 tCO2e of national emissions every year, contributing significantly to Ukraine's transition to a net-zero emissions economy. As of FY2022 Kernel has been operating three CHPs with the remaining four to be commissioned in the following periods.

Support of local communities and society as a whole

Our management approach towards social impact

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

Additionally, in FY2022 we updated our Stakeholder engagement policy to make it aligned with the IFC's performance standard, which includes an extensive plan of our interactions with key stakeholders like local communities. The responsibility for identification and practical interaction with stakeholders lies on a team of assets-based public relations managers, who act as Kernel's representatives in regions, communicating with landowners, local officials, and media. They also reach out to communities in rural regions, helping them with employment on Kernel's assets, as well as coordinating our regional social projects and initiatives. Communication with representatives of local communities and other stakeholders is also performed via dedicated channels of informing, grievance mechanism, through which they can submit their inquiries and receive extensive feedback (in FY2022 we received a total of 1,214 calls via a toll-free hotline).

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

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

Social projects and charity spendings

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

- **Infrastructure investments:** maintenance and repairs of roads, bridges, street lighting, waterpipes, bus stops and other.
- **Education:** maintenance and repairs of schools, kindergartens, and playgrounds; providing necessary equipment to educational institutions.
- **General charity:** targeted support of landowners in need, orphanages and nursing homes, severely ill people, and cash donations to other charity organization.
- **Sport and culture:** building and repairs of libraries, athletic fields, community cultural centers, sacral building; supplying equipment for gyms, sponsorship of sport and cultural events.
- **Healthcare:** maintenance and renovation of rural health posts, purchases of medical equipment.

Educating the next generation of agriculture specialists

In FY2022 Kernel established an educational project, Open Agro University (hereinafter – 'the University'), aimed to prepare the future employees of the company and Ukraine's agriculture sector in general. The project was developed with the involvement of EBRD and experts of Deloitte Ukraine's Human Capital Advisory Services team and Deloitte Ukraine's Academy. The program targets university students of final years, who are motivated to undertake specific courses, developed by Kernel, which provide theoretical knowledge and unique practical expertise on agriculture technologies, food processing and corporate management. The project participants who have successfully undertaken all trainings and demonstrated dedications become employed at Kernel upon completion.

The University offers education by seven specialties, namely:

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

The team of experts and lecturers includes more than 100 Kernel's in-house experts, professors of Ukraine's leading universities, external partners (global producers of agriculture machinery, fertilizers and crop protection agents) and international experts. For the first stage of the project implementation, we received applications from 900 candidates, of which 122 students were accepted. The process of selection is inclusive and diversity-based, providing equal opportunities for candidates of different gender, from different regions, cities, and universities.

Amid outbreak of military action, the project was paused for several months, reopening again in May 2022. By that time, the remaining number of the University's student exceeded our expectations and amounted for a total of 88 participants. We adapted our teaching approaches to the needs of the time by switching most learning sessions to online formats, maximized the involvement of in-house experts as lecturers, transferred all practical courses to the safest regions in Ukraine and included the possibility for student to receive psychological support. Nevertheless, the pilot season of the project was considered successful – upon the completion of the studies, 13 participants became full-time employees at Kernel. The company plans to continue implementing the Open Agro University project next year.

Sharing our expertise with farmers

In 2018 Kernel launched Open Agribusiness project, designed to help framers in Ukraine sustainably increase their yields, as well as improve technological and business management approaches to reduce cost, maximize income and build resilience to risks and volatilities. We share our expertise and provide practical assistance to Open Agribusiness partners. In return, they supply minimum 80% of their yields to Kernel. As of the end of the reported period, the Open Agribusiness has more than 50 partners, which cover a total of 168 thousand hectares of landbank.

Kernel's contribution towards the support of Ukraine during wartime

Social spending in FY2022 *US$ thousand*	**26,348**
Support of the defenders of Ukraine	12,752
Humanitarian aid	9,072
Social projects	1,880
Other aid	2,644
Non-material support of the Army, *pcs*	
Body armor	5,446
Military uniform sets	7,933
Military helmets	2,005
Thermal imagers	1,171
Quadrocopters	26
Means of communication sets	565
Other equipment	1,133
Humanitarian aid	
Milling wheat, *tones*	5,562
Sunflower oil, *liters*	1,021,310
Canned food, *liters*	57,626
Other food, *pcs*	1,805,730
Medical aid	
Medicine and medical equipment, *pcs*	485,445

Sustainability: Social capital

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

Interactions with suppliers

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

Building on our progress under **the "Climate corporate governance and low-carbon pathway" project**, in FY2022 we launched a series of dialogues with our trading partners (major agriculture commodity traders in the world), specifically with their sustainability and trading functions. The idea behind such communication is to establish the process of ongoing exchanges of knowledge and experience on low-carbon development and implementation of mutual initiatives, that would contribute to climate actions. The long-term goal of this process is to identify Kernel's specific role in the international climate change agenda and in the delivery of the Paris Agreement goals, from the perspective of agriculture sector, supporting of low **ILUC (Indirect Land Use Change)** practices and SBTi sectoral pathways (Science-Based Targets initiative). An interim result of our dialogue with global agriculture majors is a consensus on a market-wide necessity to establish a standard approach to accounting carbon footprint of the key agriculture commodities and to ensure its traceability throughout the value chain. Additionally, we initiated a dialogue with global producers of agriculture machinery, such as John Deere and CNH Industrial, to explore available on the market low-carbon options, including machines working on biomethane and biodiesel.

Also, we have been working to expand the scope of our expertise and advisory that we provide to participants of our Open Agribusiness program, by including knowledge on the low-carbon agriculture practices (also known as carbon farming). The overarching goal is to extrapolate our own practices on carbon farming across our partners, local farmers, and align them with the SBTi emission reduction pathways. This initiative also seeks to train farmers on possibilities of voluntary carbon offsets markets and, therefore, might potentially create new channels of revenues for them.

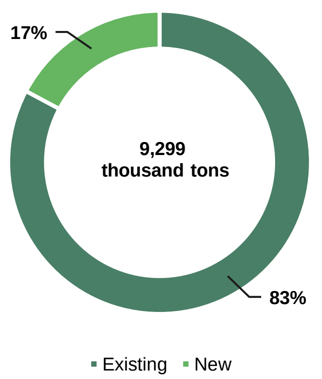
Finally, in the next reported period we plan to launch a profound screening of our suppliers of nitrogen fertilizers, particularly those produced in the EU. The purpose of this exercise is to identify ways to optimize portfolio of suppliers with regards towards the reduction of carbon footprint of purchased fertilizers. This would be an initial step in addressing potential climate transitional risk, associated with the target of the **EU's 'Fit for 55' package** to reduce emissions by 61% before 2030. Given that production of intermediates for nitrogen fertilizers, namely nitric acid, ammonia and hydrogen, are covered by the scope of the EU Emission Trading Scheme, it is expected that cost of EU originated fertilizers would increase significantly in the following years.

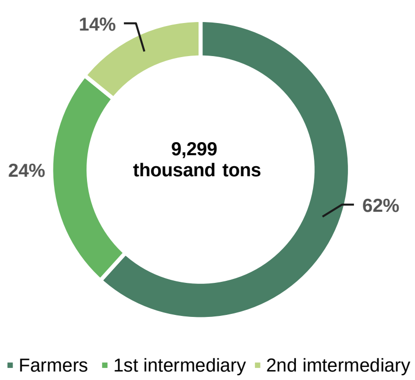
In FY2022 Kernel continued implementation of the supply chain sustainability management program initiated last year. The program aims to improve traceability of sustainability matters in the supply chain by evaluating suppliers' social and environmental performance, as well as potential risks in these areas. The process consists of four stages:

Key supplier E&S assessment indicators

	FY2021	FY2022
Total number of suppliers	**14,679**	**15,094**
by type of interaction		
screened for anti-corruption provisions	14,679	15,094
assessed for E&S issues via questionnaires	54	58
assessed for E&S issues via audits	13	1
identified as non-compliant with E&S provisions	-	-
Total number of onsite contractors evaluated	**578**	**258**
by type of interaction		
assessed for OHS risks before entering a site	578	258
assessed for OHS risks during onsite works	439	260
identified as non-compliant with OHS provisions	172	100
assessed for environmental risks during onsite works	4	-
assessed for environmental risks entering a site	9	2
identified as non-compliant with environmental provisions	6	-
Total number of suppliers of grain and oilseeds	**3,989**	**4,151**
screened for anti-corruption provisions	3,989	4,151
assessed for E&S issues via questionnaires	11	5
assessed for E&S issues via audits	3	-
identified as non-compliant with E&S provisions	-	-

Volumes of purchased grains and oilseeds by types of suppliers





Sustainability: Social capital

- **Setting E&S standards.** Our expectations on suppliers' environmental and social performance are enriched in relevant provisions of the Code of interaction with suppliers and Anti-corruption clause, which reflect Kernel's commitments to principles of the UN Global Compact and Sustainable Development Goals. They include requirements on ethics, fair business practices, human rights, occupational health and safety, and environmental protection.

- **Ensuring obligatory E&S compliance.** Before entering business relationships, all counterparties are obligated to sign Kernel's Anti-corruption clause of a contract. Kernel is entitled to verify compliance with relevant provisions and terminate contracts if non-compliance is identified.

- **Compliance verification.** The procedure of conforming suppliers' compliance with Kernel's E&S requirements is of two level. First, all potential counterparties undergo initial screening by the corporate Economic Security Service. Environmental and social criteria are included in the scope of initial screening, focusing on analysis of location and nature of suppliers' operations, certification by relevant E&S standards, such as **ISCC, ISO14001** and **ISO18001**, as well as the outcomes of environmental inspections etc. The second level of verification is audit that involves of visits to suppliers

- Production facilities, interviews with management and personnel, and review of relevant documentation. In the process of verification, we provide feedback to suppliers regarding possible ways to improve their E&S performance, if required.

- **Application of business consequences.** Based on the results of audits Kernel either continues cooperation with counterparties or suggests corrective measures if non-compliance with our E&S requirements is identified and monitors their implementation. Another possible consequence of suppliers' non-observance is termination of business relationship.

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

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

Matrix of Kernel's product quality certification

Standard	Oilseed processing plants								Terminals		Trading				
	Bandurka	*Vovchansk*	*Kropyvnytskyi*	*Poltava*	*Prykolotne*	*BSI*	*Prydniprovksyi*	*Starokostiantyniv*	TransBulkTerminal	TransGrainTerminal	Kernel-Trade	Inerco	Avere	**Farming**	**Total**
ISO 9001	✓	✓	✓	✓	✓	✓	✓		✓						**8**
ISO 22000	✓	✓	✓	✓	✓	✓	✓								**7**
GMP+B1	✓	✓	✓	✓	✓	✓	✓	✓							**8**
GMP+B3									✓	✓	✓	✓	✓	**5**	**10**
GMP+B4												✓			**1**
BSCI				✓	✓										**2**
Kosher	✓	✓	✓	✓	✓		✓								**6**
Kosher Passover				✓	✓										**2**
Badatz				✓	✓										**2**
Badatz Passover				✓	✓										**2**
Halal	✓	✓	✓	✓	✓		✓								**6**
FDA registration			✓	✓	✓		✓								**4**
ISCC EU	✓			✓	✓	✓	✓				✓	✓	✓		**8**
ISCC PLUS	✓					✓	✓				✓	✓			**5**
IFS				✓	✓										**2**
Gafta									✓						**1**
China (meal sunflower)	✓	✓	✓	✓	✓	✓	✓								**7**
China (oil sunflower)	✓	✓	✓	✓	✓	✓	✓								**7**
China (meal rapeseed)	✓					✓	✓								**3**
China (oil rapeseed)	✓					✓	✓								**3**
Belarus (meal)		✓	✓	✓	✓		✓								**5**
ISO 14001											✓				**1**
ISO 45001											✓				**1**
Total	**11**	**8**	**9**	**15**	**15**	**9**	**13**		**1**	**3**	**1**	**5**	**4**	**2**	**101**

✓ certificates that are to be terminated due to lost value significance
✓ certificates obtained in FY2022

Product quality and customer safety

Our management approach to product quality and customer safety

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

We adhere to highest standard of quality both of the final goods and production processes throughout the whole value chain. Our oil-extraction plants are certified with ISO 9001 "Quality management system" and ISO 22000 "Food safety management" standard, that integrates the principles of the Hazard Analysis and Critical Control Point (HACCP) system and application of procedures developed by the Codex Alimentarius Commission. The ISO 9001 standard also covers our export terminal. In addition, most of our assets are certified with ISO 14001 "Environmental management" and ISO 45001 "Occupational health and safety", namely key trading company Kernel-Trade, six oil crushing plants, two farming clusters, fifteen silos and one trading terminal.

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

In FY2022, a total of

80 independent audits were successfully passed, that were performed throughout

199 days.

A total number of audits decreased (102 audits in FY2021) amid safety concerns associated with the martial law in Ukraine; some planned audits were postponed until later periods while the certification status of assets

Sustainability: Social capital

remained. For the same reason, there was an increase in the overall time spent on audits (138 days in FY2021), as audits were performed online. There were no instances of in-compliance with regulations or voluntary codes, which would have resulted in fines, penalties, or warnings.

Quality of sunflower oil

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

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

In addition, oil extracting plants with bottling facilities are certified in accordance with IFS, which allows us to sell bottled sunflower oil and sunflower oil in flexi-tanks to European countries; one of our plants obtained a country-specific license to sell sunflower oil to South Korea. We supply bottled sunflower oil to reputable international retail chains (Metro, Walmart, Maxima etc.).

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

Quality of meals

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

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

Quality of crop production and storage

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

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

[1] Excluding assets held for sale

Sustainability: About the report

ABOUT THE REPORT

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

This report is prepared in line with the Global Reporting Initiative (GRI) standard, Core option; it also reflects recommendations of GPW's (Warsaw Stock Exchange) 'ESG reporting Guidelines' and 'Best corporate governance practice 2021'. When identifying the content of the report we also ensure compliance with relevant regulations, including the Luxembourg Law of 23 July 2016 on disclosure of non-financial and diversity information (the "Law of 23 July 2016"), implementing the European Directive 2014/95/EU.

Stakeholder engagement

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

Our approaches towards interactions with stakeholders are governed by the Stakeholder Engagement Policy, which we updated in FY2022 to make it aligned with relevant IFC's Performance Standards.

Methods of engagement with key stakeholder groups

Stakeholder groups	Engagement method
Employees	→ Learning and development programs → Internal communications → Corporate social media and the company's website → Corporate hotline for submitting compliance related inquiries → HR Conference and Strategic sessions for each business division
Shareholders, creditors, bondholders	→ Annual reports, three quarterly reports; Annual General Meetings → Corporate social media and the company's website → Online/offline one-to-one meetings → Online communication via email and investors' questionnaires → Roadshows and site visits; Investment conferences
Local communities	→ Environmental and social impact assessments → Online/offline one-to-one meetings → Dedicated channels of corporate social media and the company's website → Hot line for submitting compliance related inquiries → Printed material distributed among communities
National and local government	→ Online/offline one-to-one meetings → Corporate social media, the company's website and the website of the charitable foundation "Together with Kernel" → Local and national media → Corporate hotline for submitting compliance related inquiries
Civil society organizations/NGOs	→ Online/offline one-to-one meetings → Corporate social media and the company's website; Annual reports → Corporate hotline for submitting compliance related inquiries
Local and national media	→ Corporate social media and the company's website → Online/offline one-to-one meetings → Email communications
Customers	→ Corporate social media; website of Company and company's brand names → Brand exhibitions and specialized events; annual reports → Corporate hotline for submitting compliance related inquiries → Costumer research and brand health tracking
Partners (Open Agribusiness)	→ Online/offline one-to-one meetings → Online communication via email → Brand exhibitions and specialized events
Suppliers	→ Supply Chain Sustainability Program → Online/offline one-to-one meetings Corporate social media and the company's website
Certification bodies	→ Online/offline one-to-one meetings; site visits → Disclosure/application requirements for certification bodies

Material topics and report content

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

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

- **Human rights and Labor** (chapter 'Human capital');
- **Environment** (chapter 'Environmental capital');
- **Anti-corruption** (chapter 'Social capital').

Matrix of Kernel's material ESG topics

Category of impact	Material topic	Topic boundary
Social capital	→ Economic performance and impact	All business segments
	→ Anti-corruption and compliance	All business segments
	→ Support of local communities and society as a whole	All business segments
	→ Product quality and customer safety	All business segments
	→ Interactions with suppliers	All business segments
Environmental capital	→ Energy management	All business segments
	→ Water and effluents management	All business segments
	→ Waste management	All business segments
	→ Biodiversity management	Farming
	→ Climate actions	All business segments
	→ Monitoring of environmental impacts and ecological compliance	All business segments
Human capital	→ Employment	All business segments
	→ Training and career advancement	All business segments
	→ Human rights, diversity, and inclusion	All business segments
	→ Freedom of associations and collective bargaining	All business segments

Sustainability: GRI Content Index

GRI CONTENT INDEX

Material topic	Disclosure number	Disclosure title	References and comments
GRI 102: General Disclosures 2016. Organizational profile	102-1	Name of the organization	Kernel Holding S.A
	102-2	Activities, brands, products, and services	Our business model (p.7), Kernel's corporate website
	102-3	Location of headquarters	Kyiv, Ukraine
	102-4	Location of operations	Key Kernel's assets are located in Ukraine (p.8)
	102-5	Ownership and legal form	Group structure (p.69), Share capital and significant shareholders (p.69)
	102-6	Markets served	Geographic locations: sunflower oil sold in bulk (p.17) bottled sunflower oil (p.17), grain export markets (p.17) Sectors served: food and agriculture Types of customers and beneficiaries: global soft commodity traders and processors of agricultural commodities, feed compounders, retail chains and distributors
	102-7	Scale of the organization	Total number of employees: (p.56) Total number of operations: three business segments: Oilseed Processing, Infrastructure and Trading, Farming (p.6, 7, 105). Net revenues: key highlights (p.2) Total capitalization: market capitalization (; for updated figures please see Kernel profile on Warsaw Stock Exchange website); credit metrics (p.13) Quantity of products or services provided: Kernel a Glance (p.8)
	102-8	Information on employees and other workers	General employment information (p.56) Workers who are not employees perform insignificant portion of activities. Significant variations in the numbers includes only seasonal variations of employees in Kernel farming business, which does not exceed 6% of total headcount. Data compiled by Kernel employee accounting system; General employment information
	102-9	Supply chain	Our Business Model (p.7), Interactions with suppliers (p.65) Types of suppliers: independent farmers-suppliers of grain and oilseeds, suppliers of inputs to crop production (seeds, fertilizers, crop protection agents, fuel), suppliers of other inputs (natural gas, energy)
	102-10	Significant changes to the organization and its supply chain	There were no significant changes to Kernel supply chain in FY2022.
	102-11	Precautionary Principle or approach	The Group's entities apply the Precautionary Principle through maintaining compliance with the Law of Ukraine on Environmental Impact Assessment (p.49). The law requires a promoter to provide scientific evidence of no threats of serious or irreversible environmental damage associated with the planned development and activities. Unless such evidence is presented, no statutory authorization can be granted to the development and activities in question. The same principle works for environmental permitting. No emission or water use permit can be granted unless an applicant presented evidence of impacts staying below

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			established thresholds (environmental quality standards). Kernel's subsidiaries hold all applicable environmental permits (p.49)
	102-12	External initiatives	Kernel endorses the following externally-developed economic, environmental and social charters, principles, and other initiatives: International Labour Organization's Fundamental Principles and Rights at Work; United Nations Global Compact (UNGC); United Nations Universal Declaration of Human Rights; Carbon Disclosure Project (CDP); Task Force on Climate-Related Financial Disclosures (TCFD); Global Reporting Initiative (GRI).
	102-13	Membership of associations	Kernel, through its subsidiaries, is a member of several industry associations in Ukraine, including: European Business Association (incl. Logistics Committee); American Chamber of Commerce; Ukrainian Grain Association; Ukrainian Agrarian Association; U.S.-Ukraine Business Council; Federation of Oils, Seeds and Fats Associations; Grain and Feed Trade Association; UkrOliyaProm; Ukrainian Network of Integrity and Compliance; UN Global Compact
GRI 102: General Disclosures 2016. Strategy	102-14	Statement from senior decision-maker	Chairman's statement (p.4)
GRI 102: General Disclosures 2016. Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	Business ethics and compliance section on Kernel's corporate website Sustainability section on Kernel's corporate website
	102-17	Mechanisms for advice and concerns about ethics	Anti-corruption and compliance (p.62)
GRI 102: General Disclosures 2016. Governance	102-18	Governance structure	Governance structure of the organization (p.74) In FY2022 the Company established a Sustainability committee at the Board of Directors, responsible for overseeing the development of the ESG and climate corporate governance agenda.
GRI 102: General Disclosures 2016. Stakeholder engagement	102-40	List of stakeholder groups	Stakeholder engagement (p.68)
	102-41	Collective bargaining agreements	Freedom of association and collective bargaining (p. 62)
	102-42	Identifying and selecting stakeholders	Stakeholder engagement (p.68)
	102-43	Approach to stakeholder engagement	Stakeholder engagement (p.68)
	102-44	Key topics and concerns raised	Stakeholder engagement (p.68)
GRI 102: General Disclosures 2016. Reporting practice	102-45	Entities included in the consolidated financial statements	Notes 1 to the Consolidated Financial Statements (p. 97)
	102-46	Defining report content and topic Boundaries	Material topics and report content (p.68)
	102-47	List of material topics	Material topics and report content (p.68)
	102-48	Restatements of information	No restatements of information took place in FY2022
	102-49	Changes in reporting	There were no changes in the list of material topics and topic boundaries
	102-50	Reporting period	Financial year 2022 ended 30 June 2022. See also Note 1 to the Consolidated Financial Statements

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
	102-51	Date of most recent report	4 October 2021 is the date of the most recent previous report, as a sustainability section of the FY2021 annual report
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	sustainability@kernel.ua; ir@kernel.ua
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
	102-55	GRI content index	p.69-73
	102-56	External assurance	The Company does not have a policy regarding external assurance. FY2022 Sustainability report was not externally assured
GRI 201: Economic Performance 2016	*GRI 103: Management Approach 2016*		*Economic performance and impact (p. 63)* *Material topics and report content (p.68)* *About the Report (p.68)*
	201-1	Direct economic value generated and distributed	Economic performance and impact (p. 63)
	201-2	Financial implications and other risks and opportunities due to climate change	Approach to climate risk identification and management (p.51) Material climate-related risks (p.51)
	201-4	Financial assistance received from government	Economic performance and impact (p. 63)
GRI 203: Indirect Economic Impacts 2016	*GRI 103: Management Approach 2016*		*Support of local communities and society as a whole (p.64)* *About the Report (p.68)*
	203-1	Infrastructure investments and services supported	Social projects and charity spendings (p.64)
	203-2	Significant indirect economic impact	Support of local communities and society as a whole (p.64)
GRI 205: Anti-corruption 2016	*GRI 103: Management Approach 2016*		*Anti-corruption and compliance (p.62)* *About the Report (p.68)*
	205-1	Operations assessed for risks related to corruption	Anti-corruption and compliance (p.62)
	205-2	Communication and training about anti-corruption policies and procedures	*Anti-corruption and compliance (p.62)*. We do not provide a breakdown of communication and training by regions, as all such activities happen in Ukraine
	205-3	Confirmed incidents of corruption and actions taken	Anti-corruption and compliance (p.62)
GRI 302: Energy 2016	*GRI 103: Management Approach 2016*		*Energy management (p.43)* *About the Report (p.68)*
	302-1	Energy consumption within the organization	Energy management (p.43)
	302-3	Energy intensity	Energy management (p.43)
GRI 303: Water and Effluents 2018	*GRI 103: Management Approach 2016*		*Water and effluents management (p. 45)* *About the Report (p.68)*
	303-1	Interactions with water as a shared resource	Water and effluents management (p. 45), Environmental Protection Policy
	303-2	Management of water discharge-related impacts	Water and effluents management (p. 45)
	303-3	Water withdrawal	Water and effluents management (p. 45)
	303-4	Water discharge	Water and effluents management (p. 45)
GRI 304: Biodiversity 2016	*GRI 103: Management Approach 2016*		*Biodiversity management (p.48)* *About the Report (p.68)*
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas	Biodiversity management (p.48) Reason for omission - Confidentiality constrains. We omit disclosure of details of each separate site falling within the territory of a national park, as all such sites are lands, we lease from third parties, and detailed list of

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			such sites constitutes a commercial information, as we compete for leasing land with other players in Ukraine
GRI 305: Emissions 2016	*GRI 103: Management Approach 2016*		*Climate actions (TCFD disclosure) (p.50)* *About the Report (p.68)*
	305-1	Direct (Scope 1) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.53)
	305-2	Energy indirect (Scope 2) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.53)
	305-3	Other indirect (Scope 3) GHG emissions	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.53)
	305-4	GHG emissions intensity	Kernel's Scope 1, Scope 2, Scope 3 greenhouse gas emissions and other air emissions (p.53)
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	
GRI 306: Waste 2020	*GRI 103: Management Approach 2016*		*Waste management (p.46)* *About the Report (p.68)*
	306-1	Waste generation and significant waste-related impacts	Waste management (p.46)
	306-2	Management of significant waste-related impacts	Waste management (p.46)
	306-3	Waste generated	Waste management (p.46)
GRI 307: Environmental compliance	*GRI 103: Management Approach 2016*		*Monitoring of environmental impact and ecological compliance (p.49)* *About the Report (p.68)*
	307-1	Non-compliance with environmental laws and regulations	Monitoring of environmental impact and ecological compliance (p.49)
GRI 308: Supplier Environmental Assessment 2016	*GRI 103: Management Approach 2016*		*Interaction with suppliers (p.65)* *About the Report (p.68)*
	308-2	Negative environmental impacts in the supply chain and actions taken	Interaction with suppliers (p. 65)
GRI 401: Employment 2016	*GRI 103: Management Approach 2016*		*General employment information (p.56)* *About the Report (p.68)*
	401-1	New employee hires and employee turnover	General employment information (p.56)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Renumeration approach and benefits (p.56)
	401-3	Parental leave	General employment information (p.56)
GRI 403: Occupational Health and Safety 2018	*GRI 103: Management Approach 2016*		*Occupational health and safety (p.59)* *About the Report (p.68)*
	403-1	Occupational health and safety management system	Occupational health and safety (p.59)
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational health and safety (p.59)
	403-3	Occupational health services	Occupational health and safety (p.59)
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety (p.59). Company does not have a formal joint management–worker health and safety committee.
	403-5	Worker training on occupational health and safety	Occupational health and safety (p.59)
	403-6	Promotion of worker health	Occupational health and safety (p.59), Renumeration approach and benefits (p.56)
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety (p.59)
	403-8	Workers covered by an occupational health and safety management system	Occupational health and safety (p.59). No workers have been excluded from this disclosure. OHSMS covers all Group's entities and, respectively, all Groups workers.
	403-9	Work-related injuries	Occupational health and safety (p.59). Main

Sustainability: GRI Content Index

Material topic	Disclosure number	Disclosure title	References and comments
			types of work-related injuries include slips, trips, and falls. No workers have been excluded from this disclosure.
GRI 404: Training and Education 2016	*GRI 103: Management Approach 2016*		*Training and career advancement (p.58)* *About the Report (p.68)*
	404-1	Average hours of training per year per employee	Training and career advancement (p.58)
	404-2	Programs for upgrading employee skills and transition assistance programs	Training and career advancement (p.58). We do not provide any specific transition assistance programs to facilitate management of career endings resulting from retirement or termination of employment, apart from one-off severance payment or retirement benefit.
	404-3	Percentage of employees receiving regular performance and career development reviews	Training and career advancement (p.58)
GRI 405: Diversity and Equal Opportunity 2016	*GRI 103: Management Approach 2016*		*Human rights, diversity and inclusion (p.61)* *About the Report (p.68)*
	405-1	Diversity of governance bodies and employees	Human rights, diversity and inclusion (p.61)
GRI 407: Freedom of Association and Collective Bargaining 2016	*GRI 103: Management Approach 2016*		*Freedom of association and collective bargaining (p. 62)* *About the Report (p.68)*
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of association and collective bargaining (p. 62). We have no operations in which workers' rights to exercise freedom of association may be violated or at significant risk. We have not identified suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated.
GRI 412: Human Rights Assessment 2016	*GRI 103: Management Approach 2016*		*Human rights, diversity and inclusion (p.61)* *About the Report (p.68)*
	412-2	Employee training on human rights policies or procedures	Human rights, diversity and inclusion (p.61)
GRI 413: Local Communities 2016	*GRI 103: Management Approach 2016*		*Support of local communities and society as a whole (p.64)*
	413-1	Operations with local community engagement, impact assessments, and development programs	Support of local communities and society as a whole (p.64) 100% of operations in our Farming segment are involved in local community engagement, impact assessments and/or development programs
	413-2	Operations with significant actual and potential negative impacts on local communities	Kernel is not aware of any significant negative impacts on local communities as a result of its activities
GRI 414: Supplier Social Assessment 2016	*GRI 103: Management Approach 2016*		*Interaction with suppliers (p. 65)* *About the Report (p.68)*
	414-2	Negative social impacts in the supply chain and actions taken	Interaction with suppliers (p. 65)
GRI 416: Customer Health and Safety 2016	*GRI 103: Management Approach 2016*		*Product quality and customer safety (p.66)* *About the Report (p.68)*
	416-1	Assessment of the health and safety impacts of product and service categories	Product quality and customer safety (p.66) We assess health and safety impacts for improvement for all our significant products
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product quality and customer safety (p.66)

Corporate Governance

Main characteristics of Kernel

Group structure

Kernel Holding S.A. is a public limited liability company (société anonyme) incorporated on 15 June 2005 under the laws of the Grand Duchy of Luxembourg (RCS Luxembourg B109173) and has its registered address 9 Rue de Bitbourg, L-1273 Luxembourg. Kernel Holding S.A. is a holding entity for the group of companies (altogether 'the Group' or 'the Company' or 'Kernel') and has its shares listed on the main market of the Warsaw Stock Exchange (Bloomberg ticker: KER PW) since November 2007. The list of primary subsidiaries is disclosed on page 98 of this report.

Share capital and significant shareholdings

The issued capital of the Kernel Holding S.A. as of 30 June 2022 consisted of 84,031,230 fully paid ordinary electronic single class shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends (except of own shares purchased).

According to notifications received by the Company, three shareholders owned more than 5% of Company's voting shares as of 30 June 2022:

- Namsen Limited (hereinafter "Namsen"), a legal entity directly controlled by the Chairman of the Board of Directors and founder of the business, Mr. Andrii Verevskyi, owning 41.29% of voting shares;
- Lind Invest, holding between 5% and 10% of voting shares;
- Kopernik Global Investors, LLC, holding between 5% and 10% of voting shares.

Ownership structure as of 30 June 2022

	Shares owned	% owned	% in voting and dividend
Namsen	31,974,011	38.05%	41.29%
Other[1]	45,455,219	54.09%	58.71%
Treasury	6,602,000	7.86%	
Total	**84,031,230**	**100.00%**	**100.00%**

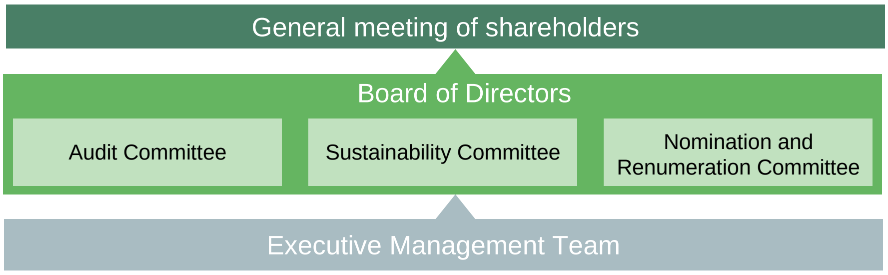
Note 1: including two shareholders controlling between 5% and 10% of total shares: Lind Invest and Kopernik Global Investors, LLC.

In FY2022, the Company received two notifications about shareholder's crossing the significant threshold of 5% from Lind Invest and Kopernik Global Investors, LLC, each controlling above 5% of the voting rights.

The Company is not aware of any other shareholders except Namsen Limited, Lind Invest, and Kopernik Global Investors, LLC, who keep more than 5% of the share capital and total votes.

As of 30 June 2022, the Company held no

Governance structure



treasury shares directly, but the Company's subsidiary Etrecom Investments Limited held 6,602,000 Company's shares purchased over the course of FY2022. Such shares are disclosed as treasury shares in the consolidated financial statements and have no dividend and voting rights.

As of 30 June 2022, there were no outstanding options granting rights to acquire shares of the Company.

On 30 August 2021, the Extraordinary General Meeting of shareholders (the "EGM") approved a 2-year **share buyback program** for US$ 250 million size, authorizing the Board of Directors to purchase a maximum of 19.2 million Company's shares within a PLN 50-65 price range. Following that, the Company announced three invitations for shareholders to tender for sale of Company's shares

- On 3 September 2021, the Company announced an **invitation to tender for sale** in a form of the modified Dutch auction of up to 3,872,400 shares in the Company for a maximum total consideration of PLN 193,620,000, assuming a price range of PLN 50-65. On 20 September 2021, the Company announced that **as a result of the auction its subsidiary purchased 3,227,000 Company's shares at PLN 60 buyback price**, with a settlement date being 24 September 2021.
- On 26 October 2021, the Company announced an **invitation to tender for sale** in a form of the modified Dutch auction of up to 3,575,818 shares in the Company for a maximum total consideration of PLN 196,670,000, assuming a price range of PLN 55-60. On 10 November 2021, the Company announced that **no offers to sell Company shares were received as a result of the invitation.**
- On 19 January 2022, the Company announced an **invitation to tender for sale** in a form of the modified Dutch auction of up to 3,780,000 shares in the Company for a maximum total consideration of PLN 189,000,000, assuming a price range of PLN 50-60. On 31 January 2022, the Company announced that **as a result of the auction its subsidiary purchased 3,375,000 Company's shares at PLN 56 buyback price**, with a settlement date being 3 February 2022.

As a result, the subsidiary of the Company purchased 6,602,000 Company's shares for the total consideration equivalent to US$ 97 million. The shares will be kept on the account of the Company's subsidiary, being treated as treasury shares for the consolidation purposes without any dividend and voting rights, until the Board of Directors decides about the purpose of the bought-back Shares, including in particular cancellation of Shares, sale or other legitimate purpose. After the settlement, **the number of shares having voting and dividend rights reduced to 77,429,230**.

Corporate governance framework

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

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

Key internal documents laying out the principles of corporate governance are Kernel Holding S.A. Articles of Association and Corporate Governance Charter. On 30 August 2021, the EGM also approved the Remuneration Policy, which is applicable to the Board of Directors and the Executive Management

Corporate Governance continued

Team. All these documents are available on the Company's website.

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

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

General Meeting of Shareholders

General Meeting of Shareholders is the highest governance body of the Company, having the broadest power to order, carry out or ratify all acts relating to the operations of the Company. All the details about organizing and functioning of the general meeting of shareholders are listed in the Articles of Association and Corporate Governance Charter. Both documents are published on the Company's website.

The annual general meeting held on 10 December 2021:

- approved the management report of the Board of Directors, consolidated financial statements of the Company and standalone annual accounts of the Kernel Holding S.A., and the report of the independent auditor for the year ended 30 June 2021;
- granted discharge to the directors of the Company for the exercise of their mandates in FY2021;
- renewed the mandates of all directors and approved the fees of executive and non-executive directors for the year ended 10 December 2021;
- approved the diversity, equality and inclusion policy of the Company and its subsidiaries.

The next annual general meeting of shareholders is scheduled for 12 December 2022. Extraordinary general meeting of shareholders held on 30 August 2021:

- approved new long-term management incentive plan;
- approved the 2-year share buyback program for US$ 250 million size, authorizing the Board of Directors to purchase a maximum of 19.2 million Company's shares within a PLN 50-65 price range;
- approved and ratified the remuneration policy of the Company;
- appointed Mrs. Pieternel Boogaard as a new non-executive independent director of the Company and approved her remuneration;
- appointed PwC as a new independent auditor of the Company.

Extraordinary general meeting of shareholders held on 1 July 2022:

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

Extraordinary general meeting of shareholders held on 23 September 2022:

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

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

All the documents and resolutions adopted by the shareholder meetings are available on the Company's website.

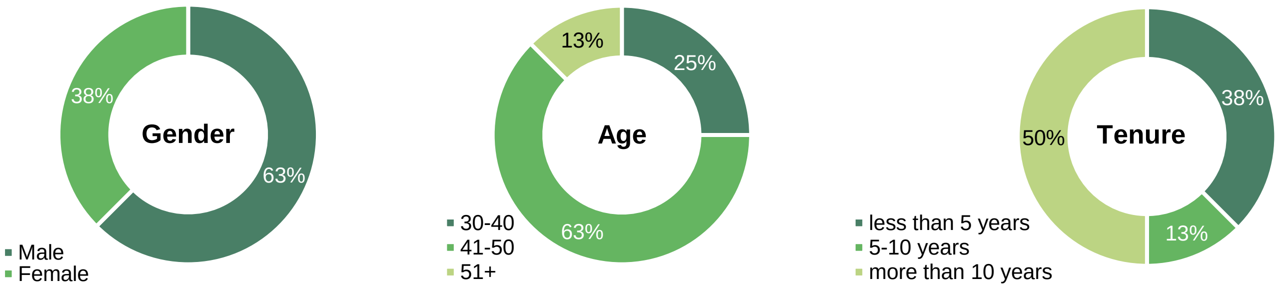
Board of Directors

The Company is managed by the Board of Directors ("the Board"), which is the ultimate decision-making body, except for the powers reserved for the general meeting of shareholders by law, the Articles of Association and the Corporate Governance Charter. The Board is vested with the broadest powers to perform all acts of administration and disposition in compliance with the Company's corporate purpose. The Board resolves to take its decisions objectively, in the best corporate interest of the Company. The Board is collectively responsible and accountable to the shareholders for the proper conduct of the business, the long-term success of the Company, the effectiveness of the reporting system and the corporate governance framework.

The responsibilities of the Board include approval and review of strategies and policies, governance of the Company and management supervision. More detailed responsibilities are specified in the Company's Corporate Governance Charter.

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

Composition of the Board of Directors as of 10 November 2022



Corporate Governance continued

Effective and experienced leadership

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

Andrii Verevskyi, 47
Chairman of the Board, Founder

Tenure: 15 years
Skills and experience:
Founded the Group's business in 1995, holding various executive positions within the Group. Presently, he oversees the strategic development and overall management of the Group.

Board Committee:
Nomination & Remuneration Committee

Andrii Miski-Oglu, 45
Independent non-executive director

Tenure: <1 year
Skills and experience:
20 years' experience in public accounting and audit in EY, involved in major EY Global audit-related initiatives. Andrii is Certified Public Accountant in the US since 2011 and a member of The American Institute of Certified Public Accountants (AICPA).
Board Committee: Chairman of the Audit Committee, Nomination & Remuneration Committee

Daria Danilczuk, 35
Non-executive director

Tenure: <1 year
Skills and experience:
Agricultural commodity broker, specialized in Black Sea commodity markets, experienced in international trade and biofuels trade and regulatory framework.

Board Committee:
Chairwoman of the Sustainability Committee, Audit Committee

Mykhaylo Mishov, 40
Independent non-executive director

Tenure: <1 year
Skills and experience:
Mr. Mishov has over 17 years' experience in consulting, including Ernst & Young, Deloitte and KPMG, leading numerous strategy and performance improvement projects for agribusiness clients.

Board Committee:
Chairman of the Nomination & Remuneration Committee, Audit Committee, Sustainability Committee

Viktoriia Lukianenko, 46
Chief Legal Officer

Tenure: 15 years
Skills and experience:
Mrs. Lukianenko is responsible for providing legal advice and counseling in all aspects of Kernel's business operations.

Board Committee:
None

Yevgen Osypov, 46
Chief Executive Officer

Tenure: 5 year
Skills and experience:
Mr. Osypov is responsible for the day-to-day management of the Company's subsidiaries, execution of strategy, budgets, and Board decisions. He completed several educational programs in Harvard Business School.

Board Committee: Sustainability Committee

Anastasiia Usachova, 51
Chief Financial Officer

Tenure: 15 years
Skills and experience:
Mrs. Usachova is responsible for the overall financial management of Kernel. She holds an MBA degree from IMD (Switzerland).

Board Committee:
None

Yuriy Kovalchuk, 41
Corporate Investment Director

Tenure: 11 years
Skills and experience:
Mr. Kovalchuk contributes to strategy formulation and is responsible for the execution of investment projects. Yuriy has been a Fellow with Association of Chartered Certified Accountants (FCCA), since September 2013.

Board Committee: None

Corporate Governance continued

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

Board composition

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

There were two changes in the composition of the Board in FY2022. Specifically:

- Mr. Sergei Shibaev being a Russian citizen resigned due to potential and / or perceived conflict of interest associated with his role as an independent non-executive director of the Company, considering the recent developments in Ukraine. On 15 April 2022, the Board of Directors of Kernel Holding S.A. approved the resignation of Mr. Sergei Shibaev from the Board of Directors of Kernel Holding S.A. with effect as of 15 April 2022 and approved the co-optation of Mr. Andrii Miski-Oglu as a new non-executive director of Kernel Holding S.A. in replacement of Mr. Sergei Shibaev. Andrii Miski-Oglu is an experienced professional with 20 years' experience in accounting and audit and took a chair over the Audit Committee from Mr. Sergei Shibaev.
- The Board also acknowledged the resignation of Mrs. Nathalie Bachich with effect as of 22 May 2022. Together with that, the Board also approved the co-optation of Mrs. Daria Anna Danilczuk as a new non-executive director of the Kernel Holding S.A. in replacement of Mrs. Nathalie Bachich. Daria Anna Danilczuk has experience in commodity markets and renewable fuels and took a chair over the Nomination & Remuneration Committee from Mrs. Nathalie Bachich.

The general meeting of shareholders held on 1 July 2022 approved the co-optation of Mr. Andrii Miski-Oglu and Mrs. Daria Anna Danilczuk and appointed them as non-executive directors of the Company.

After the end of the reporting period, Mrs. Pieternel Boogaard, resigned from the Board due to the lack of availability of D&O insurance, which Company was not able to extend considering the lack of offers from insurers to take Ukrainian risks. The Board acknowledged the resignation of Mrs. Pieternel Boogaard with effect as of 14 September 2022 and approved the co-optation of Mr. Mykhaylo Mishov as a new non-executive director of Kernel Holding S.A. as the replacement of Mrs. Pieternel Boogaard. Mr. Mykhaylo Mishov has experience in consulting, including Ernst & Young, Deloitte and KPMG, leading numerous strategy and performance improvement projects for agribusiness clients.

New appointments bring new expertise and fresh views to the governance of the Company, which shall positively contribute to the Company's growth and expansion. Additionally, new appointments positively contribute to the Board diversity.

The non-executive directors are experienced and influential individuals from a range of industries and countries with an appropriate mix of skills and business experience to contribute to the proper functioning of the Board and its Committees.

The mandate of the Chairman expires at the annual general shareholder meeting in December 2025. The co-optation of Mr. Mykhaylo Mishov shall be ratified by the next general meeting of shareholders of the Company. The mandates of all other directors expire at the annual general shareholder meeting in December 2022.

N&R Committee regularly review the composition of the Board to ensure that the Board has an appropriate, diverse and balanced mix of competences, skills, experience, background and knowledge of the Company's affairs. Key principles governing the processes of nomination, appointment and re-election of Directors are described in the Company's Corporate Governance Charter, published on the Kernel's website.

Board diversity

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

The Company benefits from diversity in:

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

The Directors consider the diversity among Board members while evaluating the Board's effectiveness. During the annual Board self-evaluation process conducted in FY2022, most directors recognized the sufficient range of expertise, attitudes, and external relationships within the Board members.

Directors' independence

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

As per statements received in 2022, all three non-executive directors met the independence criteria. Later on in 2022, one non-executive director lost the status of the independent director.

Conflict of interest

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

Members of the Board shall refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the Company, and where a conflict of interest arises, immediately disclose it.

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

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

There were two cases of conflict of interest declared by Directors in FY2022:

- the Chairman of the Board declared conflict of interest and abstained from voting on the decision to divest selected farming enterprises to the investment vehicle associated with the Chairman of the Board;
- After submitting his resignation notice, Mr. Sergei Shibaev refrained from voting on the

Corporate Governance continued

Board and Audit Committee agendas due to potential or perceived conflict of interest stemming from his Russian citizenship.

As of October 2022, non-executive directors occupied the following positions in companies outside Kernel:

- Mr. Andrii Miski-Oglu is business analysis lead (data analytics, EY technology) at EY Chicago office, United States.
- Mrs. Daria Danilczuk is commodities broker and trading expert at JDI Brokers, Switzerland.
- Mr. Mykhaylo Mishov is Supply Chain Strategy Lead at SC Johnson, Chicago, United States.

Board committees

The Board has three committees appointed amongst its members:

- Audit Committee;
- Nomination & Remuneration Committee (hereinafter "N&R Committee");
- Sustainability Committee.

The Board believes this structure is sufficient to ensure its efficient performance of duties and tasks, as certain specific matters are discussed first by specialized bodies with explicit professional experience, and only then considered by the Board.

The Board regularly reviews the necessity to establish new committees, striving to adapt to changing needs of the business. Following the regular annual review in FY2022, the Board decided to establish a new Sustainability committee, with such decision being effective since the amendment of the Corporate Governance Charter of the Company reflecting all the necessary changes regarding the new Sustainability Committee. Such amendments were adopted in October 2022.

Board self-evaluation

Following the best standards of corporate governance, the Board regularly undertakes a formal self-evaluation of its performance and effectiveness as a collective body, operating efficiency, composition, organizational structure, compliance with the rules of good government and relationship with the executive management and other stakeholders. The survey conducted in FY2022 identified no major issues with regards to the items mentioned above. The Board recognized the quality and timeliness of the information provided to the Board, the quality of the Board practices and meetings, appropriate composition of the Board, adequate Board roles and responsibilities, proper established committee practices etc.

Independent advice

All directors can consult with the corporate secretary, who is available to provide assistance and information on governance, corporate administration and legal matters as appropriate. The Directors may also seek advice on such matters, or on the other business-related matters relating to the performance of their duties, directly from independent professional advisors, if so desired, at the Company's expense.

Board activity report

The Board held eleven meetings in FY2022, all of which via teleconference. The average attendance rate for all directors was 95% for the reporting period.

Typically, at each meeting, the Chairman of the Board, together with the Chief Financial Officer, report on the strategy implementation, present recent developments and management accounts. The workplan of the Board for FY2022 included, among others, the following items:

- review of the impact of the Russian war against Ukraine on the Company's operations
- review of Company's mid-term strategy and approval of budget;
- review and approval of annual, semi-annual and quarterly accounts; review of operations updates;
- review of management accounts and financing transactions;
- review of corporate-governance-related questions;
- supervision of the risk management process: approval of top risks for the Company and mitigation plan, review of reports on top risks mitigation activities; update on implementing the risk management system; review of risk limits; review of outstanding legal cases;
- updates from Audit Committee and N&R Committee;
- review of the performance of the Group sustainability function;
- selection and nomination of new independent non-executive directors;
- various ad-hoc items (M&A updates, updates on market situation, Avere performance review, approval of the share buyback transactions).

Over the course of FY2022, the Board also approved financing and investment transactions, share buyback transactions and took other corporate decisions via circular resolutions.

Executive Management Team

The Executive Management Team is responsible for the overall financial and operating results of the Company's subsidiaries, heading operating segments and providing support functions on a daily basis. The Executive Management Team focuses on strategy implementation, financial and competitive performance, commercial and technological developments, succession planning and organizational development.

The Executive Management Team is headed by the Chief Executive Officer (the "CEO"), who is appointed and removed by the Board and report directly to the latter. The CEO is responsible for the day-to-day management of the Company's subsidiaries, execution of strategy, budgets, and Board decisions. The CEO delegates his/her responsibilities to the other members of the Executive Management Team.

The Executive Management Team consists of 15 professionals including CEO, benefitting from the diversity among its members. All the members of the Executive Management Team other than CEO are appointed and removed, as applicable, by the Board upon proposal by the N&R Committee after prior consultation with the CEO, save where he is subject of the procedure. The full list of the members of the Executive Management Team, including short biographies for each member is available on the Company's website.

Responsibilities of the Executive Management Team are described in more detail in the Company's Corporate Governance Charter, available on the Company's website.

There are various committees operating on the Executive Management Team level, including the Strategic Committee, the Investment Committee, the Trade Committee, and the Risk Committee.

Remuneration report

This remuneration report is published in accordance with the article 7ter of the same law, the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended.

The compensation principles for the Board and the Executive Management Team are specified in the Remuneration Policy of the Company. The Group pays remuneration to the Board and to the Executive Management Team only in the accordance with the Remuneration Policy. The Remuneration Policy must be submitted to a vote by the general meeting at every material change and, in any case, at least every four years.

The EGM held on 30 August 2021:

- approved a new long-term management incentive plan in a form of share put option agreements; and
- approved the Remuneration Policy, following the requirements of the Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings, as amended.

ESG-linked KPIs are not integrated into the compensation schemes of the Board and the

Corporate Governance continued

Compensation structure of the Executive Management Team

Fixed remuneration	Members of the Executive Management Team receive a base salary determined at the discretion of the Board of Directors, commensurate with the respective position and the individual profile of the relevant members in terms of qualifications, skill set, and experience. All amounts are fixed and shall be paid monthly. In FY2022, the aggregated base salary for 15 members of the Executive Management Team amounted to US$ 2,949 thousand paid by the subsidiaries of the Company.
Variable remuneration	An annual variable monetary bonus (if applicable) is paid as well. Such bonus is determined by the formula approved by the Board of Directors upon the recommendation of the N&R Committee. The bonus shall reward the members of the Executive Management team for the financial performance of the Group, which derives from the financial performance of each of its subsidiaries where each respective member of the Executive Management Team is employed or has contractual obligations. The structure of the variable remuneration is as follows: • The bonus pool for 13 members of the Executive Management Team (the “Bonus Pool”) is expressed as a percentage of the consolidated EBITDA of the Group less the consolidated financial costs of the Group (“EBITDA Less Finance Costs”), with a minimum threshold level of US$ 123 million required to activate the pay-out. The Bonus Pool as a percentage of EBITDA Less Finance Costs is gradually increasing starting from 0.46% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds US$ 123 million and reaching 3.66% of EBITDA Less Finance Costs in case EBITDA Less Finance Costs exceeds US$ 443 million. The exact allocation of the Bonus Pool between the relevant members of the Executive Management Team is determined by the N&R Committee. • Two members of the Executive Management Team have different metrics determining their variable remuneration, including the financial results of the business divisions they lead, the Group EBITDA and personal key performance indicators. The variable remuneration is paid by the subsidiaries of the Company for duties and services provided by members of the Executive Management Team to subsidiaries of the Company. In FY2022, the aggregated variable remuneration for 15 members of the Executive Management Team amounted to US$ 5,543 thousand to be paid by the subsidiaries of the Company.
Long-term management incentive plan	Seven members of the Executive Management Team are subject to the long-term management incentive plan which shall reward such members of the Executive Management Team for accomplishing individual performance goals related to the duties and services provided by such individuals to subsidiaries of the Company, altogether contributing to the better financial and non-financial results of the group of companies to which the Company belongs over the long-term period and aligning the interests of the Executive Management Team with those of the shareholders of the Company. The long-term management incentive plan is duly reviewed by the N&R Committee and approved by the Board of Directors after the generic terms thereof having been approved by the general meeting of shareholders. Seven members of the Executive management team are granted with put options providing the right but not the obligation to sell a fixed number of Company’s shares owned by management at the moment at Put Price during the exercise period: • exercise period shall commence on 1 November 2024 and end on 31 December 2025, if no put options are exercised during Exercise Period, then such put options shall lapse. Put option also provides for acceleration events which dictate that the put options may be exercised before the commencement of the exercise period if the following events occur: 1) the cessation of trading of Company's shares at the Warsaw Stock Exchange or any other recognized stock exchange; or 2) a change of control event where the shareholding of Namsen Limited or its ultimate beneficial owner in Kernel's total votes falls below twenty five percent (25%) • Put Price is determined as lower of (1) US$ 23.80; or (2) operating profit before working capital changes minus interest paid plus interest received minus interest tax paid, minus maintenance capital expenditures in the fixed amount of US$ 155,000,000, where all amounts, except for the maintenance capital expenditures, are specified in US$ in the relevant paragraph of the consolidated statement of cash flows of the audited annual consolidated accounts of the Company and its subsidiaries for the Financial Years 2022-2024, divided by 3 divided by 12% and divided by 84,031,230. Some members of the Executive Management Team also keep in total 1,200,000 phantom share options which are fully vested and lapse on 4 November 2036. Each option grants the beneficiary the right to receive the phantom payment determined as a difference between: • the price of Company’s share traded on the Warsaw Stock Exchange and exercise price. The exercise price is equal to the PLN 67.71 less specified leakage value per share; or • US$ 23.80 and exercise price, if Company’s shares cease to be traded on the Warsaw Stock Exchange or any other recognized stock exchange, or if specified change of control in relation to the Company occurs.

Executive Management Team.

Remuneration of the Board

Compensation of the Directors of the Company is comprised only of the fixed fees paid for the services provided by the Directors in their capacity as members of the Board of Directors of the Company. There is no performance-based variable component, pension, retirement, or similar benefits provided by the Company. This ensures a certain degree of independence when it comes to fulfilling the Board’s duties towards the Executive Management Team. On top of that, Directors are reimbursed for certain travel, hotel and other expenses related to the exercise of their duties. The fees paid to the independent directors and the fees paid to executive directors are approved at the annual general shareholders’ meeting. See more details on the remuneration of the Board in the Remuneration Policy of the Company.

Four executive Directors in their capacity as members of the Executive Management Team also receive compensation for their services provided to subsidiaries of the Company, with such compensation being paid by the subsidiaries of the Company.

Corporate Governance continued

Remuneration of the Executive Management Team

Compensation of the members of the Executive Management Team (15 people in total) is based on a pay-for-performance principle, rewarding sustainable growth and long-term value creation for shareholders of the Company. A significant portion of the remuneration comes from a variable part depending on the Group's consolidated financial performance.

For details, please see the figure above.

The principles of the remuneration of the Executive Management Team are specified in the Remuneration Policy.

Members of the executive management team are not granted any pension, retirement or similar benefits provided by the Company, apart from those required by the law.
The Company believes that the Remuneration Policy strongly contributes to the long-term shareholder value creation and the Company's stability.

Remuneration of the Board of Directors

US$ thousands

	FY2018	FY2019	FY2020	FY2021	FY2022
Chairman of the Board	250	200	200	200	**200**
Other executive Directors	50	40	40	40	**40**
Non-executive Directors	268	260	260	260	**275**
Total Board of Directors	**568**	**500**	**500**	**500**	**515**

Excluding reimbursement of travelling expenses incurred by Directors in performing their duties

Remuneration of the Executive Management Team

US$ thousands

	FY2018	FY2019	FY2020	FY2021	FY2022
Total remuneration	**3,294**	**5,518**	**8,834**	**29,334**	**8,492**
Base salary	2,467	2,419	2,508	2,834	**2,949**
Short-term variable bonus	827	3,099	6,326	26,500	**5,543**
Number of executive managers	**12**	**12**	**12**	**15**	**15**

Nomination and Remuneration Committee

The Nomination and Remuneration committee is a continuously operating collective body of the Board. It is established from amongst the members of the Board and consists of three members, including a chairman elected by the members of the N&R Committee amongst themselves. The majority of the members of the N&R Committee (including the chairman) are nonexecutive independent Directors.

The role of the N&R Committee is to assist the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board, the Chairman and the CEO on the nomination to the Board and Executive Management Team and their remuneration. The N&R Committee assists the Board in nominating and assessing candidates for both directorship and managerial positions, establishing and reviewing the compensation principles specified in the Remuneration Policy. The N&R Committee ensures that only persons with the adequate competences, experience and skills are appointed to the Board. The N&R Committee also supports the Board in preparing the Board's remuneration proposals to the shareholders' general meeting. A detailed list of N&R Committee responsibilities is available in Corporate Governance Charter, published on the Company's website.

Nomination and Remuneration Committee's activity report

The N&R Committee held two scheduled meetings during the reporting period, discussing the composition of the Board, performance of the CEO and the Executive Management Team, changes within key management personnel. Additionally, the Nomination and Remuneration Committee had two ad-hoc meetings discussing the nomination of the new independent non-executive directors.

On the additional meeting held in October 2022, the N&R Committee settled on the Executive Management Team compensation for FY2022 standing at US$ 8,492 thousand (including a bonus of US$ 25,842) for 15 key executives, as compared to the total compensation of US$ 29,334 thousand (including a bonus of US$ 25,842) a year ago for 15 executives.

Accountability and audit

Going concern

The Group's business activities, together with the factors affecting its performance, position and future development are set out in the strategic report on pages 1-40. The financials of the group, its liquidity position, borrowing facilities and applicable terms are described in the financial statement's accounts.

Current economic conditions have fostered the development of a number of risks and uncertainties for the Company, in particular related to the war in Ukraine (see details in the Risks and Uncertainties section of this report).

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading and production performance, as well as the debt requirements. The results show that the **Company should be able to operate within the levels of its available capital**. Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the annual report and accounts.

Takeover disclosure

The Company's shares are in electronic form and are freely transferable, subject only to the provisions of law and the Company's Articles of Association. There are no agreements between the Company and its employees or directors providing for compensation of the loss of office or employment (whether through resignation, purported redundancy, or otherwise) that would occur because of a takeover bid. Put options and phantom options granted under management incentive plans incorporate accelerated vesting in the event of a takeover.

The Company in the ordinary course of business has entered into various agreements with customers and suppliers around the world. Some of the Company's borrowing agreements, which either by their nature or value may represent significant agreements, do provide for the right of termination upon a change of control of the Company. The commercial sensitivity of these agreements prevents their details from being disclosed.

Except for the preceding disclosure, there are no other significant agreements to which the Company is a party that take effect, alter, or terminate upon a change of control following a takeover of the Company.

Audit Committee

The Audit Committee is a continuously operating collective body of the Board. It consists of three members including a chairman, all of whom are non-executive independent directors. The members have competence in accounting and audit, and the competence relevant to the sector in which the company is operating. The Audit Committee is fully capable of overseeing the affairs of the Company in the areas of adequacy and effectiveness of the Kernel's system of financial reporting, corporate governance, internal controls, and risk management.

The functioning and key responsibilities of the Audit Committee are described in the Articles of Association, and further specified in the Corporate Governance Charter.

Corporate Governance continued

Audit Committee activity report

The Audit Committee had eleven meetings in FY2022, all of which via teleconference.

All the members of the Audit Committee attended all the meetings of the committee in FY2022. Chief Financial Officer, head of internal audit and compliance officer were invited and attended all the scheduled meetings of the Audit Committee (four such during FY2022). Since the war started in Ukraine, the Audit Committee also had six ad-hoc meetings with the executive management to review the impact of Russia's invasion of Ukraine and to review 12-months cash flow forecast. The representatives of external auditor (Deloitte, and thereafter PwC) were invited and attended five meetings of the Audit Committee. During its meetings, Audit Committee had one closed session with the external auditor and one session with the internal auditor to communicate without the presence of executives. Additionally, the decisions of the Audit Committee were taken via two circular resolutions signed over the course of FY2022.

To execute its key functions and discharge its responsibilities as outlined in the Corporate Governance Charter, the Audit Committee, during FY2022:

- assisted the Board in **monitoring the reliability and integrity of the financial information provided.** The committee reviewed the consolidated quarterly, semi-annual and annual financial reports of the Group, standalone annual accounts of the Company, Avere financial statements, reviewed critical accounting policies and management estimates, among other things;
- conducted **oversight over the performance of the internal audit function**, including the review of the internal audit activities and action plans and reports;
- conducted **oversight over the performance of the external audit function** including review of the annual audit plan and scope of semiannual accounts review and areas of focus, review of auditor reports, presentations and additional auditors report, management letter review. The Audit Committee had one face-to-face discussion with the external auditors in the absence of executives. The Audit Committee monitored the fee cap of non-audit services, and reviewed the contract with auditors (including review of expected fees for the audit and consulting services) and independence of external auditor. Additionally, given the duration of Deloitte mandate as an independent auditor of the Company reached 10 years, and PwC was appointed as a new external auditor, the Audit Committee conducted the oversight over the **transition period from one auditor to another**;
- conducted **oversight over the risk management function**. The Audit Committee assisted the Board in the discharge of its risk management responsibilities, monitoring and examining the effectiveness of the Company's internal control and risk monitoring system; reviewing top risks, risk mitigation plans and results of risk mitigation activities, overseeing group risk management procedures; reviewing trade management position risk mitigation activities (including Avere). The Audit Committee also reviewed Kernel group-wide business continuity plan;
- conducted **oversight over the compliance function**, including implementation of the Corporate Governance Charter provisions, compliance with good corporate governance practices with respect to the functioning of the Audit Committee, and reviewing reports from Kernel Compliance Officer on the progress achieved in the enhancement of Company's compliance function;
- **discussed various ad-hoc items**.

After each meeting, the chairman of the Audit Committee reports to the Board on key matters.

Over the course of FY2022 Audit Committee conducted annual self-evaluation procedure, which indicated potential areas of Audit Committee performance and activities improvement and resulted in a clear action plan based on results of the self-evaluation procedure.

Additionally in 2022, the Audit Committee conducted the assessment of the efficiency of internal control, risk management and compliance systems, and internal audit function. The Audit Committee agreed that the overall assessment of the internal control and risk management system is rather effective, the overall assessment of the compliance system is effective, and the overall assessment of the internal audit function is effective.

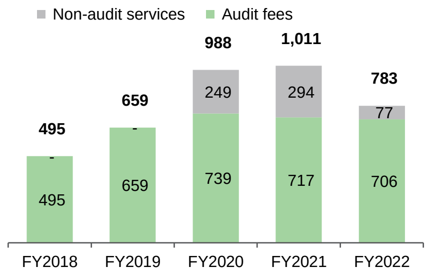
Internal audit

As an integral part of the system of the internal control, the Company has an internal audit division headed by an experienced professional reporting directly to the Board of Directors via Audit Committee and to the CEO of the Company as a chairman of the Risk Committee within the Executive Management Team, and working closely with the Board. Internal audit is a separate independent unit in Kernel's organizational structure.

The Internal Audit provides independent and objective assurance and consulting services in the areas of corporate governance, internal controls, and risk management, aimed at improving the operations and performance of the Company and its subsidiaries. Efficient internal audit function is adequate to the size of the Company and the type of and scale of Company's activities.

Firstly, in FY2022 internal audit executed the integrated assessment of the efficiency of internal control, risk management and

External auditor's fees
US$ thousand



compliance systems of the Company in accordance with the requirements of the Best Practice of WSE Listed Companies 2021. Additionally, internal audit presented a self-assessment of the internal audit function, approved the "Roadmap for preparation to Independent Review of internal audit" and as a result updated the internal audit regulations.

The Independence rules defined in generally accepted international standards of the professional internal audit practice apply to members of the internal audit division.

The main responsibilities of internal audit are:

- to maintain continuous support for the Directors on the risk management, internal controls and mitigation activities by undertaking regular or ad hoc reviews;
- to provide independent and objective evaluation of effectiveness and efficiency of corporate governance, internal control and risk-management systems within operational framework of the Company;
- to assist personnel and management of the Company in improving the effectiveness of risk identification and internal control systems in operations; advise and consult them regarding how to effectively execute their responsibilities, including recommendations on specific improvements in policies and procedures; and
- to assist in open and two-way communication among internal and external auditors, management and personnel, Audit Committee, and the Board.

The Head of internal audit regularly presents the results of its work to the Audit Committee, including the communication with the members of committee in the absence of executives.

External audit

PwC *Société cooperative* ("PwC"), with its registered office at 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg and register number B 65 477 with the Luxembourg Trade and Companies' Register, acts as an external auditor of Kernel's consolidated and standalone accounts since FY2022, having been appointed by the extraordinary general meeting of shareholders of the Company held

Corporate Governance continued

on 31 August 2021 in respect to the audit of the consolidated and unconsolidated annual accounts of the Company for a one-year term, which shall begin on 10 December 2021 and which shall terminate on 12 December 2022.

PwC attended five meetings of the Audit Committee in FY2022, presenting the review of the semi-annual accounts, audit plan for FY2022, and presenting to the Audit Committee the approach to accounting and audit of various business operations, among other things. The Audit Committee review and monitor the level of fees paid by the Company to external auditor, preapprove permissible non-audit services and monitor the cap on non-audit fees.

Additionally, Deloitte Audit S.a.r.l ("Deloitte"), with its registered office at 560 rue du Neudorf, L 2220, Luxembourg, and register number B 65477 with the Luxembourg Trade and Companies' Register, attended two meetings of the Audit Committee in FY2022 as a previous auditor of the Company, presenting the results of the annual audit for FY2021, the respective additional auditor's report, and the management letter. The Audit Committee also had one meeting with Deloitte without presence of the executives.

Remuneration to auditors in FY2022 amounted to US$ 783 thousand, as compared to US$ 1,011 thousand in FY2021. No non-audit services for FY2022 amounted to US$ 77 thousand. Non-audit services for FY2021 amounted to US$ 294 thousand, mainly related to issuing Eurobonds in October 2020.

Sustainable development

Sustainability function at Kernel is governed by the Board via a special Sustainability Committee, which has a purpose to oversee the overall performance of the sustainability corporate function of the Company and the Group; ensure the implementation of the environment, social and sustainability governance agendas across all business operations; and connect these agendas with the Group's strategy, business objectives and capital allocation decisions.

Sustainability committee was created in October 2022 and had no meetings by the date of issuing of this report.

Buthiness ethics and compliance

Kernel has embedded strong ethical standards in Company's everyday operations, as outlined in the Code of Conduct. Additionally, the AGM held on 10 December 2021 approved the Diversity, Equality and Inclusion Policy of the Company and its subsidiaries

In December 2016, Kernel initiated a **Corporate Compliance Program** ("**CCP**") – an action plan of bringing the Company's compliance system in accordance with best international standards. Progress on CCP implementation was monitored each quarter by Baker Tilly, with final report presented in summer 2019, after completion of the CCP in June 2019. Baker Tilly recognized a significant progress achieved in the implementation of Kernel's Compliance Program due to the actual execution of both internal and external control activities, also highlighting the aspects for further continuous improvement.

Since 2017, compliance function within Kernel is headed by a dedicated Compliance Officer, who reports directly to CEO and Board of Directors via Audit Committee of the Board, as well as attends all Audit Committee meetings and reports on the functioning of compliance system and compliance controls not less than twice per year.

The compliance at Kernel is focused on the following areas:

- **preventing fraud, corruption and other misconduct** (see details in section Anti-corruption)**;**
- **managing risk of cooperation with unreliable counterparties and international sanctions**. Compliance officer and security department check business partners for compliance risks: sanctions, corruption, money-laundering, terrorism financing;
- making company activities **compliant with** various **external initiatives** (GDPR, United Nations Global Compact, equality, diversity, and inclusion initiatives, etc.);
- **compliance** by employees **with internal documents**, including the Code of Conduct, Policy for managing conflicts of interests, combating fraud and corruption, and the other internal documents on compliance. Compliance officer leads the compliance incident management processes for all interested parties.

We have a compliance risk management system. We assessed compliance risks in 19 risk areas and introduced the necessary compliance controls in business processes to mitigate the most significant risks. We regularly assess our compliance with internal standards of conduct and take corrective actions accordingly.

To increase employee awareness of business ethics, we have a special e-learning course on the Code of Conduct. All new employees shall reach a minimum 80% pass rate when onboarding.

In FY2021, we **created an Ethics Committee** within the Executive Management Team. The committee is chaired by the CEO, and Compliance officer acts as a secretary. The focus of the committee is on business ethics management and control, including:

- ensuring the development of programs for the implementation and promotion of ethical standards in accordance with the principles and values of the Company;
- approval of the register of compliance risks and identification of the most significant risks for ongoing monitoring and management;
- consideration of issues related to the application of the rules and principles of the Code of Conduct and the Policy for managing conflicts of interests, combating fraud and corruption. The harmonization of disciplinary sanctions;
- assessment of the status of the Supply Chain management. The implementation of risk response measures, monitoring of supplier performance, risk assessment;
- consideration of the situations presented by the Security Department based on the results of internal investigations. The harmonization of disciplinary sanctions;
- approval of the changes and additions to policies and procedures for managing compliance risks, risks of corruption and fraud;
- approval of the measures to minimize / eliminate the consequences of the implementation of the risk (incident), appointment of those responsible for their implementation, and deadlines;
- consideration of the recommendations of the external auditors, the Compliance, the Internal Audit Service, the Economic Security Service on risk management to control the implementation of measures to minimize them;
- monitoring the implementation of the decisions of the Committee.

Additionally, questions related to business ethics and compliance are discussed on the risk committee of the Executive management team.

Our efforts in enhancing corporate governance and compliance practices were recognized by such reputable institutions as European Investment Bank and EBRD, which provided Kernel with financing in FY2019 after a very granular inspection of corporate governance, compliance and environmental practices adopted by the company.

Audit report

To the Shareholders of
Kernel Holding S.A.

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Kernel Holding S.A. (the "Company") and its subsidiaries (the "Group"), as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

As at 30 June 2022 the Group had a balance of 100,195 thousand USD of crypto assets accounted for within the intangible asset line in its consolidated statement of financial position (Note 18) and incurred a loss of 34,075 thousand USD on transactions with crypto assets disclosed within loss on impairment of assets in its consolidated statement of profit and loss (Note 31). We have not obtained sufficient audit evidence to verify the balance as at 30 June 2022 and transactions in crypto assets during the year then ended due to the lack of formalised controls around the authenticity of digital records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation № 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended are disclosed in Note 30 to the consolidated financial statements.

Material Uncertainty Related to Going Concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Basis for qualified opinion" section and in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be key audit matters to be communicated in our report.

Key audit matter	**How our audit addressed the key audit matter**
Fair valuation of classes of property, plant and equipment within the oilseeds processing segment carried under the revaluation model. As disclosed in Note 5 to the consolidated financial statements, management engaged an external independent valuer to perform a fair valuation of specific classes of property, plant and equipment of oilseeds processing segment carried under the revaluation model as at 30 June 2022.	Our audit procedures included the following: • Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the external independent valuer in determination of the fair value of assets; • Verifying input data used by external independent valuer in determination of the fair value of assets;

Key audit matter	How our audit addressed the key audit matter
The fair value was determined in accordance with IFRS 13 Fair Value Measurement, by applying depreciated replacement cost method, considering the cost to reproduce or replace the assets. The valuation is highly judgemental which requires use of unobservable inputs and, taking into account the significant management judgements and complexity of the valuation, we considered this to be a key audit matter. Refer to Notes 5 and 16 to the consolidated financial statements for the related disclosures.	• Evaluating and challenging significant assumptions used in determination of the fair value of assets based on the internal and external data which supports these assumptions; • Carrying out audit procedures on sensitivity analysis over significant assumptions used; • Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 16 to the consolidated financial statements.
Impairment of property, plant and equipment carried under the cost model and of right of use assets. During the reporting period, management identified impairment indicators, and therefore performed impairment test of property, plant and equipment carried under the cost model and of right of use assets, as required by IAS 36 Impairment of Assets. Impairment was tested by comparing the carrying amount of the relevant Cash-generating unit ("CGU") with its recoverable amount, which was determined for each CGU as higher of value in use and fair value less cost of disposal. The assumptions with the most significant impact on the recoverable amount calculations were discount rates, lease and transhipment rates and transhipment volumes. Taking into account significant management judgements, complexity of the valuation and magnitude of the amounts involved, we considered this to be a key audit matter. Refer to Notes 5, 16 and 17 to the consolidated financial statements for the related disclosures.	Our audit procedures included the following: • Analysing judgement in determining the CGUs; • Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the Group in calculating the GGU recoverable amount and to assess reasonableness of the discount rates used; • Assessing the reasonability of various cash flow scenarios developed by management and the probability of each scenario; • Evaluating management's ability to reasonably estimate cash flow forecasts by comparing actual results to management's historical forecasts; • Evaluating and challenging significant assumptions used by management in CGUs recoverable amount calculations, such as the discount rate, lease and transhipment rates and transhipment volumes, based on the internal and external data which supports these assumptions; • Carrying out audit procedures on sensitivity analysis over significant assumptions used; • Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5, 16 and 17 to the consolidated financial statements.
Impairment of goodwill	Our audit procedures included the following: • Analysing judgement in determining the CGUs;

Key audit matter	How our audit addressed the key audit matter
As required by IAS 36 Impairment of Assets, management performed an impairment test for goodwill. For the purpose of an impairment test, management calculated the recoverable amount of each CGU to which goodwill is allocated, as a higher of value in use and fair value less cost of disposal. The assumptions with the most significant impact on the cash flow forecasts were discount rate, selling price for sunflower oil and purchase price for sunflower seeds. Taking into account significant management judgements, complexity of the valuation model and magnitude of the amounts involved, we considered this to be a key audit matter. Refer to Notes 5 and 19 to the consolidated financial statements for the related disclosures.	• Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the Group in calculating the GGU recoverable amount and to assess the reasonableness of the discount rates used; • Assessing the reasonability of various cash flow scenarios developed by management and probability of each scenario; • Evaluating management's ability to reasonably estimate cash flow forecasts by comparing actual results to management's historical forecasts; • Evaluating and challenging significant assumptions used by management in CGUs recoverable amount calculations, such as the discount rate, selling price for sunflower oil and purchase price for sunflower seeds, based on the internal and external data which supports these assumptions; • Carrying out audit procedures on sensitivity analysis over significant assumptions used; • Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 19 to the consolidated financial statements.
Valuation of the disposal group As disclosed in Notes 5 and 15, the Group decided to divest a significant part of its farming assets and associated liabilities (together referred to as "disposal group") and therefore presented this disposal group in accordance with IFRS 5 Non-current assets held for sale and Discontinued operations. During the year, the Group identified an acquirer (a related party) of the disposal group and entered into a legally binding contract with this party to sell the disposal group for the consideration of 210 million USD. This consideration has been determined by an external independent valuer engaged by management. The valuation has been performed on the basis of cash flow forecasts for the disposal group.	Our audit procedures included the following: • Reviewing and analysing the signed sale agreement; • Engaging our internal valuation experts to assess the appropriateness of the methodology applied by the external independent valuer in determination of the fair value of the disposal group and to assess the reasonableness of the discount rate used; • Assessing the reasonableness of various cash flow scenarios developed by management and the probability assigned to each scenario; • Evaluating management's ability to reasonably estimate cash flow forecasts by comparing actual results to management's historical forecasts;

Key audit matter	How our audit addressed the key audit matter
The valuation is highly judgemental as it is based on a number of significant assumptions, such as discount rate, selling prices for agricultural produce and yields. Taking into account significant management judgements, complexity of the valuation, magnitude of the amounts involved and the fact that the transaction involves a related party, we considered this to be a key audit matter. Refer to Notes 5 and 15 to the consolidated financial statements for the related disclosures.	• Evaluating and challenging significant assumptions used in the valuation model, such as the discount rate, yields and selling prices for agricultural produce based on the internal and external data which supports these assumptions; • Carrying out audit procedures on sensitivity analysis over significant assumptions used; • Verifying mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 15 to the consolidated financial statements.
Measurement of inventory at the lower of cost and net realisable value As disclosed in Note 3 and Going concern section of Note 4, significant geopolitical and macroeconomic events took place in 2022. As a result, normal inventory shipping routes have been interrupted and estimated selling prices and costs to sell have significantly increased. The Group calculated the net realisable value of inventory taking into account the alternative shipping routes, the estimate of selling prices and the respective costs to sell. Taking into account significant management judgements and magnitude of the amounts involved, we considered this to be a key audit matter. Refer to Note 5 and 12 to the consolidated financial statements for the related disclosures.	Our audit procedures included the following: • Assessing the reasonableness of management's plans for export of the inventory and the volume capacity of alternative shipping channels; • Evaluating and challenging significant assumptions used by management for net realisable value calculation such as selling prices at different points of sale, based on internal and external data which supports these assumptions; • Verifying mathematical accuracy of the calculations and the adequacy of the Group's disclosures in Notes 5 and 12 to the consolidated financial statements.
Valuation of current biological assets The Group measures biological assets at the fair value less costs to sell in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. The Group calculates the fair value less cost to sell on the basis of the discounted cash flow forecasts, applying the following key assumptions: • expected crops yields; • estimated future sales prices; • projected production costs; and • discount rate.	Our audit procedures included the following: • Gaining an understanding of management's process for development of key assumptions used by management in the valuation and assessing the appropriateness of valuation methodology applied; • Evaluating and challenging significant assumptions used in the valuation, such as discount rate, expected crops yields, estimated future sales prices and projected production costs on the basis of internal and external data;

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Key audit matter	How our audit addressed the key audit matter
Taking into account significant management judgements and magnitude of the amounts involved, we considered this to be a key audit matter. Refer to Note 5 and 13 to the consolidated financial statements for the related disclosure.	• Engaging our internal valuation experts to assess the reasonableness of the discount rate; • Carrying out audit procedures on sensitivity analysis over significant assumptions used; • Verifying the mathematical accuracy and integrity of calculations and the adequacy of the Group's disclosures in Notes 5 and 13 to the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the Directors' Report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the "Basis for qualified opinion" section above, we were unable to obtain sufficient appropriate evidence over crypto assets balances included into intangible assets line in the consolidated financial statements and loss on transactions with crypto assets dislosed within loss on impairment of assets in the consolidated statement of profit and loss. Accordingly, we are unable to conclude whether or not the other information is materilally misstated with respect to this matter.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

We assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Report on other legal and regulatory requirements

The Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the Directors' Report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 30 August 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

We have checked the compliance of the consolidated financial statements of the Group as at 30 June 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to the requirement that:

- the consolidated financial statements are prepared in a valid XHTML format;
- the XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 30 June 2022, identified as kernel-conso-2022-06-30, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 15 November 2022

Andrei Chizhov

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

for the year ended 30 June 2022

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

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

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

- The consolidated financial statements of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the consolidated statements of comprehensive income, changes in equity and cash flows for the year that ended, and notes to the consolidated financial statements, including a summary of significant accounting policies; and

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

15 November 2022

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

Selected Financial Data

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

		USD[1]		PLN		EUR	
		30 June 2022	**30 June 2021[2]**	**30 June 2022**	**30 June 2021[2]**	**30 June 2022**	**30 June 2021[2]**
I.	Revenue	**5,331,545**	5,594,800	**21,848,138**	21,147,168	**4,734,412**	4,691,799
II.	Profit from operating activities	**90,667**	689,293	**371,544**	2,605,383	**80,512**	578,041
III.	(Loss)/Profit before income tax	**(43,481)**	537,974	**(178,181)**	2,033,429	**(38,611)**	451,145
IV.	(Loss)/Profit for the period	**(40,700)**	505,722	**(166,785)**	1,911,523	**(36,142)**	424,098
V.	Net cash (used in)/generated by operating activities	**(305,464)**	459,842	**(1,251,761)**	1,738,105	**(271,252)**	385,624
VI.	Net cash used in investing activities	**(293,689)**	(205,143)	**(1,203,508)**	(775,397)	**(260,796)**	(172,033)
VII.	Net cash generated by/(used in) financing activities	**472,869**	(48,053)	**1,937,770**	(181,630)	**419,908**	(40,297)
VIII.	Total net cash flow	**(126,284)**	206,646	**(517,499)**	781,078	**(112,140)**	173,294
IX.	Total assets	**4,185,612**	3,996,579	**18,762,006**	15,200,988	**4,008,561**	3,362,322
X.	Current liabilities	**2,238,186**	916,815	**10,032,669**	3,487,106	**2,143,511**	771,316
XI.	Non-current liabilities	**261,205**	1,130,858	**1,170,851**	4,301,218	**250,156**	951,391
XII.	Issued capital	**2,219**	2,219	**9,947**	8,440	**2,125**	1,867
XIII.	Total equity	**1,686,221**	1,948,906	**7,558,486**	7,412,664	**1,614,894**	1,639,615
XIV.	Weighted average number of shares	**80,187,230**	84,031,230	**80,187,230**	84,031,230	**80,187,230**	84,031,230
XV.	(Loss)/profit per ordinary share (in USD/PLN/EUR)	**(0.51)**	6.10	**(2.10)**	23.06	**(0.46)**	5.12
XVI.	Diluted number of shares	**80,187,230**	84,031,230	**80,187,230**	84,031,230	**80,187,230**	84,031,230
XVII.	Diluted (loss)/ profit per ordinary share (in USD/PLN/EUR)	**(0.51)**	6.10	**(2.10)**	23.06	**(0.46)**	5.12
XVIII.	Book value per share (in USD/PLN/EUR)	**21.74**	23.16	**97.45**	88.09	**20.82**	19.48
XIX.	Diluted book value per share (in USD/PLN/EUR)	**21.74**	23.16	**97.45**	88.09	**20.82**	19.48

[1] Please see Note 3 for the exchange rates used for conversion
[2] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Consolidated Statement of Financial Position

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2022	As of 30 June 2021[1]
Assets			
Current assets			
Cash and cash equivalents	9, 37	447,625	574,040
Trade accounts receivable	10, 34, 37	142,738	381,124
Prepayments to suppliers	34	107,167	127,726
Corporate income tax prepaid		12,228	12,041
Taxes recoverable and prepaid	11	204,686	185,966
Inventory	12	953,922	332,027
Biological assets	13	161,911	376,644
Other financial assets	14, 34, 37	205,811	294,156
Assets classified as held for sale	15	287,068	—
Total current assets		**2,523,156**	**2,283,724**
Non-current assets			
Property, plant and equipment	16	1,018,073	1,065,205
Right-of-use assets	17	247,740	364,699
Intangible assets	18	124,198	62,144
Goodwill	19	71,620	120,925
Deferred tax assets	26	41,568	15,098
Non-current financial assets	20, 34	52,532	46,322
Other non-current assets	11, 34	106,725	38,462
Total non-current assets		**1,662,456**	**1,712,855**
Total assets		**4,185,612**	**3,996,579**
Liabilities and equity			
Current liabilities			
Trade accounts payable	37, 34	161,342	150,061
Advances from customers and other current liabilities	21, 34	89,200	140,543
Corporate income tax liabilities		7,411	46,504
Short-term borrowings	23	1,093,087	13,888
Current portion of long-term borrowings	23	—	21,715
Current portion of lease liabilities	24	39,111	37,338
Current bonds issued	25	595,038	212,495
Interest on bonds issued	37	7,612	15,353
Other financial liabilities	22, 37	128,537	278,918
Liabilities associated with assets classified as held for sale	15	116,848	—
Total current liabilities		**2,238,186**	**916,815**
Non-current liabilities			
Long-term borrowings	23	—	227,740
Lease liabilities	24	200,441	287,154
Deferred tax liabilities	26	21,893	20,806
Bonds issued	25	—	593,942
Other non-current liabilities	37	38,871	1,216
Total non-current liabilities		**261,205**	**1,130,858**
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital	2	2,219	2,219
Share premium reserve	2	500,378	500,378
Additional paid-in capital	2	39,944	39,944
Treasury shares	2	(96,897)	—
Equity-settled employee benefits reserve	2	—	1,850
Revaluation reserve		104,303	57,290
Other reserves	4	—	(896)
Translation reserve		(816,490)	(703,034)
Retained earnings		1,949,731	2,048,399
Total equity attributable to Kernel Holding S.A. equity holders		**1,683,188**	**1,946,150**
Non-controlling interests		3,033	2,756
Total equity		**1,686,221**	**1,948,906**
Total liabilities and equity		**4,185,612**	**3,996,579**
Book value		1,683,188	1,946,150
Number of shares	2, 38	77,429,230	84,031,230
Book value per share (in USD)		21.74	23.16
Diluted number of shares	38	77,429,230	84,031,230
Diluted book value per share (in USD)		21.74	23.16

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Consolidated Statement of Profit or Loss

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2022	For the year ended 30 June 2021[1]
Revenue	27, 34	5,331,545	5,594,800
Net change in fair value of biological assets and agricultural produce	13	12,537	132,631
Cost of sales	28, 34	(4,691,973)	(4,821,872)
Gross profit		**652,109**	**905,559**
Other operating income	29	63,694	111,268
Other operating expenses	29	(44,710)	—
General, administrative and selling expenses	30, 34	(230,405)	(318,284)
Net impairment losses on financial assets	10	(32,993)	(4,689)
Loss on impairment of assets	31	(317,028)	(4,561)
Profit from operating activities		**90,667**	**689,293**
Finance costs	32	(130,549)	(147,709)
Finance income	32, 34	11,322	5,950
Foreign exchange gain/(loss), net		10,140	(6,306)
Other expenses, net	33, 34	(25,061)	(3,254)
(Loss)/Profit before income tax		**(43,481)**	**537,974**
Income tax benefit/(expenses)	26	2,781	(32,252)
(Loss)/Profit for the period		**(40,700)**	**505,722**
(Loss)/Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		**(41,102)**	**512,708**
Non-controlling interests		402	(6,986)
Earnings per share			
Weighted average number of shares	38	80,187,230	84,031,230
Profit per ordinary share (in USD)		(0.51)	6.10
Diluted number of shares	38	80,187,230	84,031,230
Diluted profit per ordinary share (in USD)		(0.51)	6.10

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	For the year ended 30 June 2022	For the year ended 30 June 2021[1]
(Loss)/Profit for the period		**(40,700)**	**505,722**
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Increase/(decrease) in revaluation reserve	16	57,334	(6,048)
Income tax related to components of other comprehensive income	26	(10,321)	1,089
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations[2]		(111,241)	(2,569)
Gain arising on cash flow hedge	4, 36	1,736	3,908
Income tax related to cash flow hedge	26	(243)	(542)
Other comprehensive loss		**(62,735)**	**(4,162)**
Total comprehensive (loss)/income for the period		**(103,435)**	**501,560**
Total comprehensive (loss)/income attributable to:			
Equity holders of Kernel Holding S.A.		(106,649)	503,553
Non-controlling interests		3,214	(1,993)

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.
[2] Exchange differences on translating foreign operations increased mostly as a result of foreign exchange rate change.

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders											
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Treasury shares	Revaluation reserve	Other reserves	Translation reserve	Retained Earnings	**Total**	Non-controlling interests	**Total equity**
Balance as of 30 June 2020	**2,219**	**500,378**	**39,944**	**4,624**	**—**	**62,249**	**(3,523)**	**(697,555)**	**1,584,331**	**1,492,667**	**1,456**	**1,494,123**
Profit for the period (restated)	—	—	—	—	—	—	—	—	512,708	**512,708**	(6,986)	**505,722**
Other comprehensive (loss)/income (restated)	—	—	—	—	—	(4,959)	1,283	(5,479)	—	**(9,155)**	4,993	**(4,162)**
Total comprehensive (loss)/income for the period (restated)	**—**	**—**	**—**	**—**	**—**	**(4,959)**	**1,283**	**(5,479)**	**512,708**	**503,553**	**(1,993)**	**501,560**
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	—	(35,293)	**(35,293)**	—	**(35,293)**
Effect of changes on non-controlling interest	—	—	—	—	—	—	1,344	—	(4,637)	**(3,293)**	3,293	**—**
Repurchase of share options (Note 2)	—	—	—	(2,774)	—	—	—	—	(8,710)	**(11,484)**	—	**(11,484)**
Balance as of 30 June 2021 (restated)[1]	**2,219**	**500,378**	**39,944**	**1,850**	**—**	**57,290**	**(896)**	**(703,034)**	**2,048,399**	**1,946,150**	**2,756**	**1,948,906**
Loss for the period	—	—	—	—	—	—	—	—	(41,102)	**(41,102)**	402	**(40,700)**
Other comprehensive (loss)/income	—	—	—	—	—	47,013	896	(113,456)	—	**(65,547)**	2,812	**(62,735)**
Total comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**	**—**	**47,013**	**896**	**(113,456)**	**(41,102)**	**(106,649)**	**3,214**	**(103,435)**
Distribution of dividends (Note 2)	—	—	—	—	—	—	—	—	(34,069)	**(34,069)**	—	**(34,069)**
Effect of changes on non-controlling interest	—	—	—	—	—	—	—	—	18,728	**18,728**	(2,937)	**15,791**
Recognition of share-based payments (Note 2)	—	—	—	(1,850)	—	—	—	—	(44,282)	**(46,132)**	—	**(46,132)**
Repurchase of treasury shares (Note 2)	—	—	—	—	(96,897)	—	—	—	—	**(96,897)**	—	**(96,897)**
Transfer of revaluation reserve upon disposal of property, plant and equipment	—	—	—	—	—	—	—	—	2,057	**2,057**	—	**2,057**
Balance as of 30 June 2022	**2,219**	**500,378**	**39,944**	**—**	**(96,897)**	**104,303**	**—**	**(816,490)**	**1,949,731**	**1,683,188**	**3,033**	**1,686,221**

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 30 June 2022	As of 30 June 2021[1]
Operating activities:			
(Loss)/Profit before income tax		(43,481)	537,974
Adjustments for:			
Amortization and depreciation		129,676	116,486
Finance costs, net	32	119,227	141,759
Change in loss allowance for expected credit losses on trade and other receivables	30	32,993	4,689
Other accruals		4,518	1,762
Gain on disposal of property, plant and equipment	33	(2,570)	(2,628)
Net foreign exchange loss/(gain)		(7,266)	3,483
Loss on impairment of assets	18, 19, 33	317,028	3,286
Net change in fair value of biological assets and agricultural produce	13	(12,537)	(132,631)
(Gain)/Loss on sales of subsidiaries and joint ventures	8, 33	—	(1,891)
Net loss/(gain) arising on financial assets classified as at fair value through profit or loss		41,333	(20,575)
Write-downs of inventories to net realisable value		98,229	—
Other gain		—	(2,323)
Operating profit before working capital changes		**677,150**	**649,391**
Changes in working capital:			
Change in trade receivable and other financial assets		232,076	(241,282)
Change in prepayments and other current assets		(58,369)	(13,538)
Change in restricted cash balance		32	1,819
Change in taxes recoverable and prepaid		(58,918)	(52,961)
Change in biological assets		141,024	71,909
Change in inventories		(937,306)	(90,153)
Change in trade accounts payable		15,126	64,468
Change in advances from customers and other current liabilities		(127,507)	215,771
Cash (used in)/generated from operations		**(116,692)**	**605,424**
Interest paid		(130,576)	(133,442)
Interest received		11,321	5,950
Income tax paid		(69,517)	(18,090)
Net cash (used in)/generated by operating activities		**(305,464)**	**459,842**
Investing activities:			
Purchase of property, plant and equipment		(119,678)	(178,296)
Proceeds from disposal of property, plant and equipment		5,876	5,855
Payment for lease agreements		(1,927)	(2,157)
Purchase of intangible and other non-current assets		(178,678)	(3,306)
Proceeds from disposal of intangible and other non-current assets		21,132	—
Acquisition of subsidiaries, net of cash acquired	8	—	(46,898)
Disposal of subsidiaries	8	—	2,505
Advances received for disposal of subsidiaries		22,867	4,289
Loans provided to related parties		(20,065)	(7,184)
Proceeds from return of loans by related parties		15,203	20,321
Payment to acquire financial assets		(38,419)	(272)
Net cash used in investing activities		**(293,689)**	**(205,143)**
Financing activities:			
Proceeds from borrowings		1,073,642	296,125
Repayment of borrowings		(230,240)	(257,392)
Payment of dividends	2	(34,069)	(35,293)
Financing for farmers		(11,475)	(1,053)
Repayment of lease liabilities		(9,671)	(32,712)
Repurchase of treasury shares		(96,897)	—
Repurchase of share options		—	(11,484)
Proceeds from bonds issued		—	299,286
Transactions costs related to corporates bonds issue		—	(2,428)
Repayment of corporate bonds		(213,110)	(286,890)
Premium for early repayment of bonds		(1,888)	(16,108)
Net cash generated/ (used in) by financing activities		**476,292**	**(47,949)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,423)	(104)
Net increase in cash and cash equivalents		(126,284)	206,646
Cash and cash equivalents, at the beginning of the year	9	573,850	367,204
Cash and cash equivalents, at the end of the year	9	447,566	573,850

For non-cash financing activities please see Note 9.

On behalf of the Board of Directors
Andrii Verevskyi
Chairman of the Board of Directors

Anastasiia Usachova
Director, Chief Financial Officer

[1] During the year ended 30 June 2022, the Group made certain corrections and reclassifications, please see Note 4 for more details.

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

Kernel Holding S.A. (hereinafter referred to as the 'Holding' or the 'Company') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group' or the 'Kernel Group').

Kernel Holding S.A. has been a publicly traded company since 2007. Its ordinary shares are traded on the Warsaw stock exchange.

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine. As of 30 June 2022, the Group employed 10,223 people (11,256 people as of 30 June 2021).

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

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

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

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

These consolidated financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 15 November 2022.

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

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of the Holding as of 30 June 2022 and 2021, consisted of 84,031,230 ordinary electronic shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends (except of own shares purchased).

The shares were distributed as follows:

	As of 30 June 2022		As of 30 June 2021	
Equity holders	**Shares allotted and fully paid**	**Share owned**	**Shares allotted and fully paid**	**Share owned**
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,974,011	38.05%	32,903,278	39.16%
Free float	45,455,219	54.09%	51,127,952	60.84%
Own shares purchased	6,602,000	7.86%	—	—
Total	**84,031,230**	**100.00%**	**84,031,230**	**100.00%**

As of 30 June 2022 and 2021, 100% of the beneficial interest in the Major Equity Holder was held by Andrii Mykhailovych Verevskyi (hereinafter the 'Beneficial Owner').

On 10 December 2021, the annual general meeting of shareholders approved an annual dividend of USD 0.44 per share, which were paid in full in the amount of USD 34,069[1] thousand on 14 February 2022.

On 10 December 2020, the annual general meeting of shareholders approved an annual dividend of USD 0.42 per share, which were paid in full in the amount of USD 35,293[1] thousand on 14 January 2021.

During the year ended 30 June 2021, the Group decided to settle the fully vested equity-settled share-based payments in cash at a price below the fair value of the phantom share options repurchased, measured at this date. As a result of share-options repurchase, equity-settled employee benefits reserve and retained earnings decreased by USD 2,774 thousand and USD 8,710 thousand, respectively.

On 24 September 2021 and 3 February 2022, as the result of a share buy-back program, the Group purchased the Company's equity instruments (3,227,000 shares constituting 3.84% and 3,375,000 shares constituting 4.02% of the total share capital, respectively) paying the consideration equal USD 96,897 thousand, including any directly attributable incremental costs. Shares held by the Group are disclosed as Treasury shares and deducted from Equity. The purchased shares will be retained by the Group without any voting or dividend rights.

During the year ended 30 June 2022, a new management incentive plan was introduced, according to which the Company shall grant to the management of the put options the right to sell to the Company and the obligation to the Company to purchase in total up to 2,792,435 ordinary shares of the Company. The consideration for each share will be a minimum of (i) USD 23.80 and (ii) operating profit before working capital changes minus interest paid plus interest received minus interest tax paid minus maintenance capital expenditures in the fixed amount of USD 155,000,000, where all amounts, except for the maintenance capital expenditures, are specified in United States Dollars (USD) as appropriately classified and disclosed in the consolidated statement of cash flows of the audited annual consolidated accounts of the Company and its subsidiaries for the Financial Years 2022-2024, divided by three divided by 12% and divided by 84,031,230. The option exercise period is set for a period commencing on 1 November 2024 and expiring on 31 December 2025. Fair value of the put options were calculated using a Monte Carlo model and at the grant date amounted USD 44,830 thousand, out of which USD 44,282 thousand were recognized through Retained earnings and USD 548 thousand expensed in General, administrative and selling expenses (part of Payroll and payroll related expenses). As of 30 June 2022, fair value of the put options equaled to USD 35,370 thousand.

During the year ended 30 June 2022, the fair value of the share-based options granted previously to the management in the amount of USD 1,850 thousand and fully vested as of 30 June 2021, was reclassified to liabilities according to call options phantom arrangement according to which the consideration for each option (out of 1,200,000) would be the difference between the average market price of shares for the last 6 months before the date of exercise and PLN 67.71 (minus leakage value per share). The option period will expire on 4 November 2036. As of 30 June 2022, fair value of call options amounted USD 2,600 thousand (recognized as a part of non-current liabilities) and during the year ended 30 June 2022, related expenses in the amount of USD 750 thousand was recognized as a part of payroll and payroll related expenses (as of and during the year ended 30 June 2021: USD 1,850 thousand as a part of equity-settled employee benefits reserve and no expenses were recognized, since all the existing options have been already vested).

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

3. Operating Environment

On 24 February 2022 the Russian Federation started a full-scale military invasion of Ukraine which, due to broad security concerns, became challenging for the further stable development of economical and finance segments in Ukraine, and the operating environment remains risky and with high levels of uncertainty since then.

Given the fast-moving nature of the situation and the unpredictability of war, it will likely take time to assess the economic fallout. For now, the government has prioritized defense and social spending. In June 2022, annual inflation in Ukraine had reached 21.5%. The Ukrainian economy experienced significant challenges and the government heavily relied on international financial support.

[1] Includes withholding tax levied in Luxembourg

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The Ukrainian government received financing and donations from international organizations and various countries to support financial stability and to finance social related payments and military needs (International Monetary Fund, European Union, and directly from numerous countries).

It should be noted that starting from April 2022, economic activity began to restore itself: businesses and the Ukrainian population showed adaptation to the new conditions. According to the National Bank of Ukraine ('the NBU') reports, at the end of spring only 14% of enterprises working before the war remained idle.

The NBU increased the key policy rate to 25% in June 2022. According to its most recent forecast, the real GDP of Ukraine is expected to fall by 33% for the calendar year 2022.

The NBU has imposed certain restrictions regarding withdrawals hryvnia by customers and since 24 February 2022 switched from a flexible to a fixed exchange rate regime at UAH 29.25 for 1 USD (UAH 36.57 for 1 USD starting from 21 July 2022) on the foreign currency exchange market to ensure the sound and stable operation of the country's financial system. As a result, commercial interbank quotes remained close to the officially imposed by the NBU, and bid rate was fixed as UAH 29.25 for USD 1, at a maximum point. The NBU stated that as soon as the economy and financial system of Ukraine return to normal operation regime, the floating exchange rate will be restored. Moreover, the NBU has determined that the ban on transactions in Ukraine using the accounts of residents of Russia or Belarus and legal entities whose ultimate beneficial owners are based in Russia or Belarus, does not apply to social benefits, wages, utilities, taxes, fees, and other required payments. Despite the current unstable situation, the banking system remains stable, with sufficient liquidity even as martial law continues, and all banking services are available to its customers, both legal entities and individuals. Companies operating in Ukraine are paying taxes and money is still flowing through its financial system.

Months after the initial full-scale military attack, fighting continues in and around several major Ukrainian cities in the East and South of Ukraine, causing tens of thousands of civilian casualties. Russian attacks are targeted for destroying civilian infrastructure all over Ukraine, including hospitals and residential complexes. At the same time, logistics routes in occupied territories were damaged and there is no access to them. Other railway and car logistic routes are available for usage as Ukraine has an extensive road and railway network. Assets belonging to different businesses, except those located on temporary occupied territory, were not destroyed materially, based on available information, as air attacks and missile strikes primarily destroyed military infrastructures, objects, airfields, and civilian buildings.

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

In the face of the invasion, the Ukrainian government has imposed export restrictions for meat and livestock, rye, oats, millet, buckwheat, sugar and dietary salt. Furthermore, the Ukrainian Ministry of Economy will issue export permits for the group of products, subjected for licensing: wheat, chicken meat and eggs.

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

In 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world, resulting in the announcement of the pandemic status by the World Health Organization in March 2020. The Management assesses that COVID-19 had low effect on the Group's business during the year ended 30 June 2022, as Group's business model of supplying food commodities to global markets is resilient to some extent to COVID-19-related risks and disruptions given the consistent demand for food and feed worldwide.

4. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

The Group's Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's Subsidiaries' accounts under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Going concern

On 24 February 2022 Russian Federation launched a full-scale military invasion of Ukraine, which had a disruptive affect in Ukraine, causing an economical and humanitarian crisis.

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

- For the period after the Russian invasion of Ukraine 1150 employees joined Ukrainian military forces and territorial defense, approximately 350 of them were demobilized. Personnel of oil plant production activities and farming business remained in their working area.

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

- The Group's critical facilities or infrastructure have not suffered any significant damage. The amount of partially or fully damaged fixed assets is USD 592 thousand. Two oilseed crushing plants (Vovchansk and Prykolotne), one district of the farming company with the total land bank 1.5 thousand hectares and 290 railcars were in the occupied parts of Kharkiv region, with the book value equal to USD 50,300 thousand, as at 30 June 2022. However, as the result of successful counter actions of Ukrainian military forces, Ukraine regained control over this territory. The Group recognized the write-off of inventories, due to the suspension of export and subsequent expiration date of the goods as well as destruction as a result of military actions (Note 31).
- Export sales of the company consist of 97 % of total external sales, but due to the war, export flow via Ukrainian ports was reduced significantly. Alternative export routes are limited by the capacity of the railways and are significantly more expensive in comparison with sea. Domestic sales significantly increased, driven by the moderate availability to export goods in ordinary way.
- On 22 July 2022, Ukraine together with Turkey and UNN signed the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian ports (ISTGFUP), but huge uncertainty remains over its continuation.
- Logistics difficulties and a restriction of access to the market led to the lack of crops protection, fuel, fertilizers.
- Oil extraction plants operated partially due to the temporary inability to export sunflower oil via Ukrainian Black Sea ports; two of them, Vovchansk and Prykolotne, ceased production due to the occupation as of 30 June 2022.
- Military activity in the southern part of Ukraine remains too risky for resuming export operations through seaports, operations of which are partially opened and, consequently, the Group stopped procurement of grain and oilseeds from farmers.
- Group's liquidity position is under the pressure due to the reduction of revenue and growth of logistic cost for alternative ways of export.
- Bank facilities appeared to be limited.
- Considering the disruptions described above, the Group's ability to service debt suffered. The Group successfully negotiated with the banks waivers on the repayment of the loan principal for the period ending 30 September 2022. Respective waivers were obtained prior to 30 June 2022 and the Group settled interest payments in a timely manner. As of the date of issue of these consolidated financial statements issue, the Group obtained waivers to extend the terms of repayment of the principal of USD 626,694 thousand with the lenders and waiving of the debt covenants and some other conditions by 30 June 2023 and USD 246,353 thousand are in the process of formalizing their waivers.
- As of 30 June 2022, the Group classified its long-term bank borrowings as short-term. As at 30 June 2022 (being the relevant covenant testing date), the Group had exceeded certain ratios for purposes of financial covenants in certain of its bank facilities. Although an effective waiver was in place, such waiver had an expiry date within 12 months of 30 June 2022, and, accordingly, the Group did not have an unconditional right to defer settlement for 12 months or longer with respect to its bank facilities as at 30 June 2022 (Note 23). Accordingly, there was a risk that such loans would be accelerated and become due and payable at a future date within 12 months of the end of the reporting period, which could in turn trigger a cross-acceleration event of default under the Group's outstanding bonds. As a result, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 "Presentation of Financial Statements" to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term. (Note 25).

Management has reorganized the business process in response to abovementioned impacts:
- The Group's key priority is the safety and security of its employees and their families. The Group is coordinating, to the extent possible, the evacuation of employees from regions engaged in active military action and is covering associated relocation costs and providing additional assistance needed. The business processes have been reorganized to adjust to the existing challenges and to provide continuity to the Group's activities.
- The Group's land bank accounts 494 thousand hectare and the Group managed to plant 95% of its land bank. The Group finished harvesting of winter crops, and started harvesting of sunflower seeds; the other crops can be harvested in due course.
- In autumn sowing, the Group plans to change the crop structure and increase the area of wheat and soybeans in order to reduce costs for the production of grain crops. As usual, corn production requires more fertilizes to grow and more natural gas to dry after harvest.
- Management set up new logistics routes for grain and oil export through Poland, Romania, Lithuania by truck and railway including usage of own railway wagons (accessible quantity is 2,8 thousand). Applying new logistic routes via land borders for the period when the Black Sea ports were closed till 30 June 2022, the Group exported goods for amount USD 120 million for 4th quarter of FY 2022.
- Moreover, on July 22 an Initiative was signed in Istanbul to create a humanitarian corridor for the safe transportation of grain and food products from Ukrainian ports. The Group exported through the corridor 930 thousand tons of grain and 153 thousand tons of meal through 20th of October 2022.
- The Group is fully compliant with all sanction's rules and regulations against Russia and Belarus, including those imposed or published by various countries and organizations. Besides, the Group refrains from dealing with persons or organizations in the list of sanctions. In this situation the Group does not expect any influence on the supplying chain and payments flow.
- The Group suspended the implementation of several investment projects and reduced the investments in non-current assets.
- The Group's subsidiary Avere keeps operating in the usual mode.
- The Group intends to continue paying interests to its lenders while there will not be the repayment of principal amount due to renegotiated terms and continue paying coupons to the bondholders.

The management prepared two scenarios of cash flow forecasts for the next 12 months from the date of the approval of these consolidated financial statements, assuming full operation of the "Grain Corridor" and its suspension from November 2022. The following assumptions were used in the scenarios:
- the "Grain Corridor" deal will continue to be in force until the end of November 2022 and neither of the parties will withdraw from the deal. Respectively, selling prices and transportation costs will be kept at the current level. Under the second scenario, selling prices will be increased as well as transportation cost due to reliance largely on the overland's means of transportation;
- availability of alternative export routes via land borders and other ports;
- availability of railway roads and roads;
- spring sowing and harvesting campaigns will be successful;
- maintaining minimum sales level domestically and export to cover minimum operational expenses level and debt servicing.
- repayment of the loans principal occurs according to the renegotiated terms;
- purchase of grains from the market to maximize its trading margins;
- under the second scenario, released cash flows will be used to cover increased transportation costs.

Although the Group's financial performance was strong in the 2021 calendar year, military actions occurring after 24 February 2022 create material

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

uncertainty for the Group in the future, including the risk of damage of assets (and insurance unlikely to meet the replacement costs), loss of inventory as a result of military actions, the ability of Black Sea ports to continue its operations, availability of alternative export routes and disruptions of the farming and oilseed processing business for the Group and for Ukraine in general. The full extent of the impact of further development of military actions on the Group's business is unknown, but its magnitude might be severe.

Management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Despite the single material uncertainty relating to the war in Ukraine, management is continuing to take actions to minimize the impact on the Group and thus believes that application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Adoption of New and Revised Standards

The Group has adopted all new and revised IFRS standards that became effective for annual periods beginning on or after 1 July 2021. The material changes are as follows:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16: Interest Rate Benchmark Reform — Phase 2 and Covid-19-Related Rent Concessions – amendments to IFRS 16

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs), to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

These amendments did not have a material impact on the consolidated financial position or performance of the Group in the Group's consolidated financial statements.

Standards and Interpretations Issued but not Effective

At the date of authorization of these consolidated financial statements, the following standards, and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
Annual Improvements to IFRS Standards 2018–2020 (IFRS 1, IFRS 9, IFRS 16, IAS 41)	1 January 2022
Amendment to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendment to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendment to IFRS 3: Reference to the Conceptual Framework	1 January 2022
Initial Application of IFRS 17 and IFRS 9—Comparative Information	1 January 2023
IFRS 17: Insurance Contracts	1 January 2023
Amendments to IFRS 17 and Amendment to IFRS 4	1 January 2023
IFRS 1, IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendment to IAS 1: Classification of Liabilities as Current or Non-current — Deferral of Effective Date	1 January 2023

Management anticipates that the adoption of these standards and interpretations will not have a material effect on the consolidated financial statements of the Group in future periods.

Functional and Presentation Currency

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

The Group decided to change the functional currency for subsidiaries that provide transshipment services from UAH to USD starting from 1 July 2021. Based on IAS 21 The Effects of Changes in Foreign Exchange Rates, the Group determined that the changes in Group's strategy limited the degree of autonomy of subsidiaries' operations making them dependent on activities of Kernel Trade LLC, whose functional currency is USD. Autonomy of these subsidiaries is limited by the Group management through the centralized decision-making in terms of terminals loading, transshipment volume and rates in order to fit the Group strategy of maximizing sales volumes and other primary and secondary factors for determining the functional currency. Management also considered other primary and secondary indicators such as sales prices, infrastructure costs and currency of cash flows and financing operations.

Foreign Currencies

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

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

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

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

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

Currency	Closing rate as of 30 June 2022	Average rate for the year ended 30 June 2022	Closing rate as of 30 June 2021	Average rate for the year ended 30 June 2021
USD/UAH	29.2549	27.8426	27.1763	27.8571
USD/EUR	0.9577	0.8880	0.8413	0.8386
USD/PLN	4.4825	4.0979	3.8035	3.7798

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Holding (Subsidiaries) as of 30 June 2022.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its Subsidiaries. Control is achieved when the Company:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a Subsidiary begins when the Company obtains control over the Subsidiary and ceases when the Company loses control of the Subsidiary. Specifically, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the over Subsidiary.

All inter-company transactions and balances between the Group's enterprises are eliminated for the consolidation purpose. Unrealized gains and losses resulting from inter-company transactions are also eliminated, except for unrealized losses that cannot be recovered.

Non-controlling interests in Subsidiaries are identified separately from the Group's equity therein. Non-controlling interests as of the reporting date represent the non-controlling equity holders' portion of the fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date and the non-controlling equity holders' portion of movements in equity since the date of acquisition. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. The total comprehensive income of Subsidiaries is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquire. Acquisition costs are expensed when incurred and included in general, administrative and selling expenses.

At the acquisition date, identifiable assets acquired, and liabilities assumed are recognized at their fair value, except that:

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- The Group shall recognise right-of-use assets and lease liabilities for leases identified in accordance with IFRS 16 in which the acquiree is the lessee. The Group shall measure the lease liability at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired lease were a new lease at the acquisition date. The Group shall measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market;
- The acquirer shall measure the value of a reacquired right recognized as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets and liabilities that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at a proportionate share of the acquirer's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during a measurement period of 12 months after the acquisition date.

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Holding.

Goodwill

Goodwill arising from a business combination is recognized as an asset at the date that control is acquired (acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The cash generated units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the legal entity of the Group.

Non-current assets held for sale and Discontinued Operations

In compliance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable within one year, and the asset or disposal group is available for immediate sale in its present condition. Non-current assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control, and there is sufficient evidence that the Group remains committed to its plan to sell the asset. In such circumstances, the asset is measured at its fair value less costs to sell at each reporting date. Any impairment loss arising subsequent to reclassification as held for sale is recognized in the Consolidated Statement of Profit or Loss. Non-current assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

Non-current assets are not depreciated or amortized while they are classified as held for sale.

If criteria for classification of the asset as held for sale are no longer met at the reporting date, the Group ceases to classify the asset as held for sale.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a Subsidiary acquired exclusively with a view to resale.

The result from discontinued operations is presented in the Consolidated Statement of Profit or Loss as a separate item after the profit from continuing operations. If the criteria for classification of the disposal group held for sale are met after the reporting date, the disposal group is not presented as held for sale in those consolidated financial statements when issued. However, when those criteria are met after the reporting date but before the authorization of the consolidated financial statements for issue, the Group discloses the relevant information in the notes to the consolidated financial statements.

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological Assets and Agricultural Produce

The Group classifies crops in fields and cattle as biological assets.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the Consolidated Statement of Profit or Loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell estimated at the point of harvest. A gain or loss arising from the initial recognition of agricultural produce at fair value less costs to sell is included in the Consolidated Statement of Profit or Loss.

Biological assets for which quoted market prices are not available are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding, the cost of field preparation is recognized as biological assets held at fair value less costs to sell.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets except non-current cattle were classified as current, as their average useful life is less than one year.

Property, Plant, and Equipment

Buildings, constructions, production machinery and equipment (Oilseed Processing segment) are accounted for at revalued amounts, being the fair value, which is determined using external professional expert evaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation reserve in equity. However, such an increase is recognized in the Consolidated Statement of Profit or Loss to the extent that it reverses a impairment of the same asset previously recognized in the Consolidated Statement of Profit or Loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the Consolidated Statement of Profit or Loss. However, such a decrease is debited directly to the Other Comprehensive Income or Loss to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

Depreciation on revalued assets is charged to the Consolidated Statement of Profit or Loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Useful lives of property, plant, and equipment are as follows:	
Buildings and constructions	20 - 50 years
Production machinery and equipment	10 - 20 years
Agricultural equipment and vehicles	3 - 10 years
Other fixed assets	5 - 20 years
Construction in progress (CIP) and uninstalled equipment	not depreciated

Except for land, building and constructions and production machinery and equipment of Oilseed Processing segment, all other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses and is not depreciated.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of assets or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are presented the Consolidated Statement of Profit or Loss as incurred.

Construction in progress consists of costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overhead incurred during construction. Depreciation of these assets commences when the assets are put into operation.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit or Loss.

Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group recognizes right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

For the short-term leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. Incremental borrowing rate is determined as reference interest rates which were derived from the yields of corporate bonds in the currency similar to the lease contracts, for a period up to 10 years.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable:
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.
- To determine the incremental borrowing rate, the Group:
  - where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
  - uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
  - makes adjustments specific to the lease, e.g., term, country, currency and collateral

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets and lease liabilities are presented as separate lines in the consolidated statement of financial position.

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Finance costs, which represent the difference between the total lease payments included in the measurement of the lease liability and the initial amount of the lease liability, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization is primarily recognized within “Cost of Sales” on a straight-line basis over their estimated useful lives. The amortization method and estimated useful life are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately shall not be amortized and are carried at cost less accumulated impairment loss.

Trademarks

The ‘Schedry Dar’, ‘Stozhar’, ‘Zolota’ and ‘Domashnya’ are separately acquired trademarks that have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Crypto Assets

The Group owned crypto assets which meet the definition of an intangible asset in accordance with IAS 38 Intangible Assets. The following inherent characteristics were considered to classify crypto assets as intangible assets:

- Assets are identifiable
- Assets have a lack of physical substance,
- Groups has control over the resource; and
- Future economic benefits exist.

The crypto assets are carried initially at cost comprised of purchase price and transaction costs. The Group considers that the crypto assets do not have a foreseeable limit to the period over which it is expected to generate net cash inflows for the Group, as a result no amortization is required. The Group applies the cost model: crypto assets are measured at cost on initial recognition and are subsequently measured at cost less impairment losses, if any.

Land Lease Rights

Land lease rights acquired in a business combination are recognized separately from goodwill at their fair value at the acquisition date (which is subsequently regarded as their cost).

Amortization of land lease rights is calculated on a straight-line basis during the term of a lease contract. For land lease rights acquired in business combination, the amortization period varies from 1 to 22 years.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the Consolidated Statement of Profit or Loss when the asset is derecognized.

Impairment of tangible and intangible assets, except Goodwill

At each reporting date, the Group reviews the carrying amounts of the Group’s non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Cash generating unit represents the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents.

Cash and cash equivalents include cash in hand, deposits held with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Financial Instruments

Financial asset and financial liability are recognized in the Group's Consolidated Statement of Financial Position when, and only when, the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets are classified to the following categories financial assets at amortized cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). The classification depends on the business model and contractual cash flow characteristics of the financial assets or financial liabilities and is determined at the time of initial recognition.

The Group does not have financial instruments carried at FVTOCI. The Group measures derivative instruments and investments made in equity instruments at FVTPL, all other financial instruments are measured at amortized cost.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables and trade payables that do not have a significant financing component which are measured at transaction price. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Amortized cost and effective interest method

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss. The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below the market is recognized net of the tax effect as an income or expense, except for financial assets and liabilities with shareholders or entities under control of the Beneficial Owner, whereby the effect is recognized through equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Consolidated Statement of Profit or Loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in the Consolidated Statement

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

of Profit or Loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on a financial asset, other than those at FVTPL, at the end of each reporting period. The amount of ECL and other current assets is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies a simplified approach permitted by IFRS to measuring ECL which uses a lifetime expected loss allowance for trade receivables. The ECL on trade receivables and other current assets is estimated using a provision matrix, based on historical credit loss experience and credit rating of customers, adjusted on observable and reasonable information.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

(1) the carrying amount of the liability before the modification; and
(2) the present value of the cash flows after modification should be recognized in the statement profit or loss as the modification gain or loss within other operating income and expenses.

Commodity derivatives

The Group enters into variety of derivative financial instruments including futures, options and physical contracts to buy or sell commodities, which do not meet the own use exemption. These derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the profit or loss within Cost of sales (for the derivative purchase contracts) or Revenue (for settled forward sales contracts) unless the derivative is designated and effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Fair values are determined using quoted market prices, broker quotations or using models and other valuation techniques.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Other financial assets include margin accounts that are represented by variation margin and initial margin held in respect of open exchange-traded futures and forwards contracts. Margin accounts are measured at amortized cost.

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis (Note 37). In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Derivatives expected to be settled within a year after the end of the reporting period are classified as current liabilities or current assets

The Group utilizes derivatives to hedge market risk exposures related to commodity price movements in relation to its sales. Those derivatives qualifying and designated as cash flow hedge of the exposure to variability in cash flows that is attributable to a risk or a highly probable forecast sale transaction. The gains and losses, the effective portion of changes in the fair value of derivatives is recognized in the cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge and recycled to profit or loss as the hedged transaction occurs. Amounts deferred in equity are transferred to the statement of profit or loss and classified as income or expense in the same periods during which the cash flows, such as hedged highly probable sales, affect the statement of profit or loss. Derivatives that do not qualify for hedge accounting have a gain or loss recognized in the income statement at the time of the transaction.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the Revenue line.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The risk management objective is to hedge commodity price risk exposure arising from the changes in sunflower oil market price. In order to comply with its risk management strategy, the Group enters into sunflower oil commodity sales agreements with counterparties matching the highly probable forecasted sale quantity per time bucket in the end destination to hedge the identified commodity price exposure for its future sales at end destination. There is an economic relationship between the hedged items and the hedging instruments as the designated hedged items and hedging instruments' quantities and timing of the cash flows is matching and there is high correlation in movement of prices for hedged item and hedging instrument. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To quantify the hedge ineffectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Taxes Recoverable and Prepaid

Taxes recoverable and prepaid are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

Share-based payments

Equity-settled share-based payments with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date the relevant employees become fully entitled to the award.

Fair value is calculated using the Monte Carlo Simulation model. No expense is recognized for awards that do not ultimately vest.

At each reporting date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Treasury shares

Own equity instruments held by the Group ('treasury shares') shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments. These treasury shares may be acquired and held by the entity or by other members of the Group. Any difference between the carrying amount and the consideration, if reissued, will be recognized in the share premium reserve.

Provisions

A provision is recognized in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Revenue recognition

Revenue is derived principally from the sale of goods and finished products, farming and rendering services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services**.**

The point of revenue recognition for sale of commodity goods is dependent upon contract sales terms (Incoterms). When goods are sold on a Cost and freight (CFR) or Cost, insurance, and freight (CIF) basis, the Group is responsible for providing services such as carriage and freight to the customer. The Group recognizes revenue from each separate performance obligation and allocates part of the transaction price to carriage and freight services incorporated in some contracts that the Group undertakes to perform. The Group allocates the transaction price based on the relative stand-alone selling prices of the commodities and supporting services. The revenue from these carriage and fright services is recognized over time.

A receivable is recognized by the Group when the control over goods is transferred to the wholesaler as this represents the point of time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Timing of billing is generally close to the timing of performance obligation satisfaction, respectively, amount of contract assets and contract liabilities is not material. When the Group obtains a contract from a customer, the Group enters into a contract with one of those service providers, directing the service provider to render freight and other services for the customer. The Group is obliged to pay the service provider even if the customer fails to pay.

Rendering of Services

Revenue is recognized over time for services provided by the Group. The main type of services provided by the Group a crop cleaning, drying and storage services by the Group's silos. Revenue from grain cleaning, drying and storage services is recognized on an accrual basis, based on the fees for the specific service, volumes of crops under service and days of storage.

Employee benefits

Wages, salaries, contributions to the pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group recognizes a liability and an expense for short-term bonuses and other short-term profit sharing arrangements when the reporting entity has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate can be made of the amount payable.

Share based options

The Group recognizes a compound financial instrument if an entity has granted the counterparty the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). The Group measures the debt component of the compound financial instrument first, and then measures the fair value of the equity component—taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is determined as the sum of the fair values of the two components.

Borrowing Costs

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

Taxation

Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in the legal jurisdictions where the operating entities are located. Income tax expense represents the sum of the tax currently payable and deferred tax expense.

Current and deferred tax for the year

Current and deferred tax are recognized in the Consolidated Statement of Profit or Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

The current income tax charge is the amount expected to be paid to, or recovered from, taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted or substantially enacted by the reporting date in the countries where the Holding and its Subsidiaries operate and generate taxable income. Taxable profit differs from ‘profit before tax’ because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible taxes other than income tax are recorded within operating expenses. Some of the Group’s companies that are involved in agricultural production are exempt from income taxes and pay the Unified Agricultural Tax instead.

Deferred tax

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences will reverse, or the tax loss carried forward will be utilized. Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities for taxable temporary differences associated with investments in Subsidiaries and joint ventures are recognized, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has the intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Corrections and reclassifications

Certain corrections have been made to the comparative financial data (i.e. as of 30 June 2021 and for the year then ended) of the consolidated financial statements as of 30 June 2022 in accordance with IAS 8. In addition, reclassifications were made in the comparatives to conform to the current year’s presentation and in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 30 June 2022 and for the better understanding of users of the financial and non-financial assets and liabilities.

As a result of identified corrections, the Group made changes to the presentation of consolidated statement of financial position as of 30 June 2021 by presenting separately corporate income tax liabilities in the amount of USD 46,504 thousand that was previously presented as Advances from customers and other current liabilities. Corporate income tax liabilities were USD 11,876 thousand as of 30 June 2020.

Additionally, as a result of reclassifications to conform to the current year’s presentation, the Group made changes to the presentation of consolidated statement of profit and loss as of 30 June 2021 by presenting gains and losses from cash flow hedge results of USD 52,354 thousand in revenue instead of cost of sales, decreasing both of them for the same amount.

The Group corrected the accounting of profit-sharing arrangements which directors, being also non-controlling shareholders of the Group’s subsidiary Avere Commodities SA, were entitled to. Previously, as at 30 June 2021 and 31 December 2021 the Group recognized non-controlling interest in the amount of USD 136,558 thousand and USD 146,294 thousand respectively as part of Total equity on the face of consolidated statement of financial position and presented the share of total comprehensive income for the year ended 30 June 2021 attributable to non-controlling interest of USD 131,809 thousand. However, based on the arrangements set by shareholders agreement for Avere Commodities SA, the Group should have presented the amount of USD 136,558 thousand as Other current liabilities and the amount of USD 131,809 thousand , being in substance a short term employee benefit expense, as part of General, administrative and selling expenses. Therefore, in these consolidated financial statements the Group corrected the amounts of non-controlling interest in other financial liabilities in the amount of USD 133,802 thousand and provided reassessment of the corresponding liability for the year ended 30 June 2021, recognizing USD 136,867 thousand in the consolidated statement of profit and loss as General and administrative expenses and remaining USD 3,065 thousand of gain recognized within

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

Notes to the Consolidated Statements continued

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Other comprehensive income. In these consolidated financial statements, the Group did not provide reassessed figures as of 30 June 2020 and for the year then ended as the effect is immaterial.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of IFRS requires the use of reasonable judgments, assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

In the normal course of business, the Group engages in sale and purchase transactions for the purpose of exchanging grain in various locations to fulfill the Group's production and trading requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of a similar nature and value. The Group's management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying commodity is of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying commodity indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transactions involving goods of a similar nature amounted to USD 54,592 thousand and USD 40,010 thousand for the years ended 30 June 2022 and 2021, respectively.

Revaluation of Property, Plant and Equipment

The Group recognizes classes of buildings, constructions, production machinery and equipment used in the Oilseed Processing segment at fair value, which is valued by external independent valuers, at least triennially or more often, depending on the external and internal factors. A revaluation surplus is credited to Revaluation reserve within equity. All other classes of property, plant and equipment are recognized at historical cost less depreciation.

Valuation is conducted in accordance with International Valuation Standards and International Financial Reporting Standard 13 "Fair Value Measurement". While performing valuation the following techniques were used:
- Cost approach (depreciated replacement cost);
- Market approach (comparable analysis);
- Income approach (discounted cash flow models).

Using these methods, the following key estimates and judgments were applied by the independent valuers, in discussion with the Group's internal valuation team and technicians:
- Physical, functional and economic depreciation;
- Liquidation amount;
- Market price for comparable assets.

Key assumptions used in depreciated replacement cost and market approach as well as their sensitivities are outlined as follows:

Description	Fair value as of 30 June 2022	Value techniques	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Buildings and constructions	278,241	Depreciated replacement cost	Level 3	Index of physical depreciation	0 - 80% (38%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	139,424	Depreciated replacement cost	Level 3	Index of physical depreciation	0 - 82 (69%)	The higher the index of physical depreciation, the lower the fair value
Production machinery and equipment	1,500	Market comparables	Level 3	Index of physical depreciation	0 - 82 (66%)	The higher the index of physical depreciation, the lower the fair value

If the above unobservable inputs to the valuation model were 5 p. p. higher/lower while all other variables were held constant, the carrying amount of the buildings and constructions and production machinery and equipment would decrease/increase by USD 28,141 thousand and USD 32,179 thousand, respectively.

The results of revaluation using the depreciated replacement cost and market approach were then compared with results of income approach (Level 3 of unobservable inputs) for corresponding assets to test whether impairment exists.

To capture the increased risk and uncertainty in the cash flows, management used probability-based discounted cash flow scenarios, which, according to their opinion, better estimates the recoverable amount of the asset or cash-generating unit than a single predicted outcome.

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

Notes to the Consolidated Statements continued

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The Group used three probability-weighted scenarios, derived mostly from the date of Ukrainian Black Sea ports operation at full capacity, which influenced the main assumptions used in value in use calculation, like: prices for its goods, transportation costs and working capital. Probability of scenarios was calculated based on three-point estimation technique.

Scenario	Assumption	Probability
Basic	Ukrainian Black Sea ports operation at full capacity in the financial year 2024	66.66%
Optimistic	Ukrainian Black Sea ports operation at full capacity in the financial year 2023	16.67%
Pessimistic	Ukrainian Black Sea ports operation at full capacity in the financial year 2025	16.67%

Depending on the year when ports start operation at full capacity, the combination of logistic routes significantly varies, impacting transportation costs per unit of production and distance to the point of sale. The change in transportation costs directly affects selling prices for goods in each scenario. Working capital ratio changes by scenario as it is linked to the volume of sales and related balance of inventory at the end of each year.

While calculating the discount rate, the Group incorporated the risks associated with the Russian invasion in scenarios of cash flows, hence such components of discount rate, as country risk and debt risk were taken at the pre-war level. Discount rate is disclosed in Note 16. Should the Group take these factors at the post-war levels, the discount rate would have been 24%.

Cash flow forecasts used in the income approach were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates.

Other key assumptions used in the discounted cash flow forecasts and their sensitivities are disclosed in Note 16.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment Testing of Property, Plant and Equipment

The Group performs impairment testing of non-financial assets whenever there is an indicator those assets might be impaired.

Full-scale Russian invasion of Ukraine in February 2022 caused the following events which might indicate impairment:

- temporarily ceasing operations;
- breaches of supply/purchase contracts;
- limitation of market for product delivery; and
- decline in profitability and physical damage as a result of the invasion.

As a result of the above-mentioned triggering events, the Group tested non-financial assets for recoverability by comparing the net carrying value of the assets and their recoverable amount (higher of their value in use or fair value less cost to sell).

The Group performed the impairment test at CGU level, for all CGUs of all segments, covering property, plant and equipment, intangible assets, right of use assets and goodwill. Recoverable amount of each CGU was determined based on the higher amount of value-in-use and fair value less costs to sell. In a case of impairment, the Group firstly allocates impairment to goodwill, then other intangible assets, property, plant and equipment and rights of use the assets.

In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

The value in use is based on estimated future cash flows that are discounted to their present value applying the appropriate discount rate. Estimated future cash flows require management to make a number of assumptions including (but not limited to) production volumes, prices for goods, lease and transshipment rates and future growth rates. Cash flow forecasts used in the value in use approach were based on financial budgets approved by management covering a five-year period and extrapolated using the estimated growth rates for periods over 5 years.

Management used probability-based future cash flows scenarios as disclosed in section “Revaluation of Property, Plant and Equipment” in this Note. Key assumptions and their sensitivities are disclosed in Note 16.

Impairment of Right of Use Assets

The Group allocated the right of use assets to a cash generating unit, for impairment test within the respective CGU. Majority of the Group’s right of use assets relate to leasehold land for agricultural purposes, being part of the Farming segment. To deter-mine value in use of the respective CGU the Group excluded the lease liabilities from the carrying amount of the CGU and cash outflows from lease payments because it is financing activity. The cash outflows to replace leased assets which are essential to the ongoing operation of the CGU were included in the impairment test. Further, while allocating impairment, the Group estimated fair value less cost to sell of the right of use assets.

Management used the following key assumptions for impairment test of right of use assets:

- the average residual term of the lease contract of 11 years;
- discount rate being incremental borrowing rate of 26.6%; and
- lease rate in the amount of USD 221 for 1 ha of the leased land annually.

Impairment testing within the Farming segment for the year ended 30 June 2022 has not identified right of use assets being impaired. The impairment model was not identified as being sensitive to reasonably possible changes in key assumptions.

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

Notes to the Consolidated Statements continued

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Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives

The Group assesses cash-generated units (CGU), for impairment whenever events or changes circumstances indicate that the carrying amount of assets or CGU may be impaired. Individual assets are grouped into CGU for representing the lowest level within the entity at which the goodwill is monitored by management.

Determining whether goodwill is impaired requires an estimation of the value in use or fair value less costs to sell of the cash-generating units to which goodwill has been allocated. Where the carrying amount of a CGU exceeds its recoverable, The CGU is considered impaired and is written down to its recoverable amount. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value.

Details of the management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Notes 16, 18 and 18.

Functional currencies of different entities of the Group

Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue and risks associated with activities, denomination of currencies of operations of different entities and degree of independence of subsidiaries' business model. Specifically, in determination of the functional currencies of Kernel Trade LLC, the Group based its judgement on the fact that the company operates internationally on the markets mainly influenced by the US Dollar (not Ukrainian Hryvnia) and its major activities include the sale of goods to foreign customers. Moreover, the majority of its operations are denominated in US Dollars and also, the US Dollar is the currency in which their business risks and exposures are managed, and the performance of their business is measured. In determining the functional currency of the oil-processing plants and transshipment terminals, the Group based its judgement on the degree of independence of those companies' business model of Kernel Trade LLC.

Crypto assets

The Group's cryptocurrency assets are recognized as intangible assets carried at cost less impairment, if any. Assessment of impairment is a key source of estimation due to volatility of prices in the market. The Group performs an analysis each quarter to identify if events or changes in circumstances, such as decreases in quoted prices on active exchanges indicated that it is more likely than not that any of the assets is impaired. In determining if an impairment has occurred, the Group considers the lowest market price of one unit of digital asset quoted on the active exchange since acquiring the digital asset. If the then current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the price determined.

Net realizable value of inventory

Due to absence of reliable observable inputs in terms of prices for inventory as at 30 June 2022 the Group analyzed alternative sources of the information such as data obtained from independent broker agencies and market data and considered cost of different ways of alternative export routes given the Ukrainian Black Sea ports did not operate normally as at 30 June 2022 and until the issue of these consolidated financial statements. As the result, the Group recognized USD 98,229 thousand to decrease the cost of certain inventories to their net realizable value. The decrease in price by 10% will lead to a decrease in inventory balance by USD 105,995 thousand, while the increase in transportation costs by 10% will lead to a reduction in inventory balance by USD 32,052 thousand.

Disposal group held for sale and discontinued operations

In 2022, the Group entered into a legally binding agreement on divestment of part of its assets and directly associated liabilities (disposal group).

Management classified divesting disposal group as held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use:

- It is ready for immediate sale in its present condition and its sale is highly probable;
- Sale price is reasonable in relation to its current fair value (according to the independent appraiser's report fair value of the disposal group is close to the sale price).

At the same time operations performed by the disposal group weren't classified by Management as discontinued since:

- The disposal group doesn't represent a separate major line of business or geographical area of operations (it's only a part of a separate segment, located in geographical area, where other assets of the Group are presented as well);
- It's not a subsidiary acquired with a view to resale (the disposal group was acquired about ten years ago as a part of business which is active and still under the control of the Group);

Valuation of the assets held for sale was performed by the independent valuer based on discounted cash flow model. For the valuation purposes, management used three probability-weighted scenarios, as disclosed in section "Revaluation of Property, Plant and Equipment" in this Note 16. Key assumptions used in the valuation and their sensitivities are disclosed in Note 15.

Fair Value of Biological Assets and Agricultural Produce

Biological assets are recorded at fair value less costs to sell. The fair value of growing crops is determined using a discounted cash flow model based on the expected crops' yield by sowing area size, the market price for respective crops, and after allowing for harvesting costs, contributory asset charges for the land and sowing areas and other costs yet to be incurred in getting the harvest to maturity.

The Group estimates the fair values of biological assets and agricultural produce based on the following key assumptions:

- Expected crop yields (for crops in fields);
- Expected future inflows from livestock;

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

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- Average weight and quality of animals;
- Productive life of one milk cow;
- Estimated future sales prices;
- Projected production costs and costs to sell; and
- Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results (Note 13).

Fair value measurements

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 three hierarchy levels, Level 1, 2 and 3, 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); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Group to make market-based assumptions (Level 3). Level 3 inputs therefore include the highest level of estimation uncertainty. Details of the management's estimates are presented in Note 37 of this consolidated financial statement.

6. Operating Segments

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

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

The Group is presenting its segment results within three operating segments: Oilseed Processing, Infrastructure and Trading, and Farming.

In Oilseed Processing segment, the Group combines oilseed origination, edible oil production and sales of bottled sunflower oil. Sunflower oil in bulk is mostly sold further to the Infrastructure and Trading segment for the global marketing.

In Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminals operations. These parts of the business form an integrated supply chain which is managed jointly. Under current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently uses a combined throughput margin to evaluate performance of Infrastructure and Trading business. In FY2022, 100% of the Group's export terminals capacity and majority of grain storage capacity were used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, Avere).

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

Presentation of the operating segments' activities is as follows:

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

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

The measures of profit and loss, and assets and liabilities are based on the Group accounting policies, which are in compliance with IFRS, as adopted by the European Union.

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

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

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

Seasonality of operations

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

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

7. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	862,114	4,428,749	40,682	—	—	5,331,545
Intersegment sales	818,890	105,857	594,541	—	(1,519,288)	—
Total revenue	**1,681,004**	**4,534,606**	**635,223**		**(1,519,288)**	**5,331,545**
Net change in fair value of biological assets and agricultural produce	—	—	12,537	—	—	12,537
Cost of sales	(1,642,200)	(4,222,311)	(344,412)	(2,338)	1,519,288	(4,691,973)
Other operating income	14,870	41,592	6,833	399	—	63,694
Other operating expenses	—	—	—	(44,710)	—	(44,710)
General, administrative and selling expenses	(16,356)	(142,010)	(28,294)	(43,745)	—	(230,405)
Net impairment losses on financial assets	2,826	10,391	(3,666)	(42,544)	—	(32,993)
Loss on impairment of assets	(141,812)	(9,107)	(131,007)	(35,102)	—	(317,028)
Profit/(Loss) from operating activities	**(101,668)**	**213,161**	**147,214**	**(168,040)**	—	**90,667**
Amortization and depreciation	31,384	23,593	72,192	2,507	—	129,676
EBITDA	**(70,284)**	**236,754**	**219,406**	**(165,533)**	**—**	**220,343**
Reconciliation:						
Finance costs						(130,549)
Finance income						11,322
Foreign exchange gain, net						10,140
Other expenses, net						(25,061)
Income tax benefit						2,781
Loss for the period						**(40,700)**
Total assets	1,605,543	1,457,637	908,828	213,604	—	4,185,612
Capital expenditures	61,907	23,623	93,907	210,422	—	389,859
Liabilities	63,564	215,734	310,590	1,909,503	—	2,499,391

Key data by operating segment for the year ended 30 June 2021:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	782,940	4,784,961	26,899	—	—	5,594,800
Intersegment sales	963,998	72,156	630,234	—	(1,666,388)	—
Total revenue	**1,746,938**	**4,857,117**	**657,133**	**—**	**(1,666,388)**	**5,594,800**
Net change in fair value of biological assets and agricultural produce	—	—	132,631	—	—	132,631
Cost of sales	(1,704,213)	(4,407,429)	(372,003)	(4,615)	1,666,388	(4,821,872)
Other operating income	2,516	88,281	6,996	13,475	—	111,268
General, administrative and selling expenses	(9,427)	(204,460)	(28,137)	(76,260)	—	(318,284)
Net impairment losses on financial assets	(3,504)	(268)	(934)	17	—	(4,689)
Loss on impairment of assets	(4,561)	—	—	—	—	(4,561)
Profit/(Loss) from operating activities	**27,759**	**333,241**	**395,686**	**(67,383)**	**—**	**689,293**
Amortization and depreciation	23,424	25,961	65,039	2,062	—	116,486
EBITDA	**51,173**	**359,202**	**460,725**	**(65,321)**	**—**	**805,779**
Reconciliation:						
Finance costs						(147,709)
Finance income						5,950
Foreign exchange loss, net						(6,306)
Other expenses, net						(3,254)
Income tax expenses						(32,252)
Profit for the period						**505,722**
Total assets	1,329,914	1,569,620	1,003,146	93,899	—	3,996,579
Capital expenditures	79,836	47,380	121,567	2,654	—	251,437
Liabilities	37,782	490,709	369,731	1,149,451	—	2,047,673

Revenue from sales of goods and services allocated by operating segment for the year ended 30 June under requirements of IFRS 15 was as

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

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

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

follows:

	For the year ended 30 June 2022				For the year ended 30 June 2021			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	805,977	4,210,649	40,682	5,057,309	735,771	4,591,757	26,899	5,354,427
Freight and other services	56,137	218,100	—	274,236	47,169	193,204	—	240,373
Total external revenue from contracts with customers	**862,114**	**4,428,749**	**40,682**	**5,331,545**	**782,940**	**4,784,961**	**26,899**	**5,594,800**

Assets held for sale are presented in the Farming segment.

During the year ended 30 June 2022, revenues of approximately USD 470,127 thousand (2021: USD 474,069 thousand) are derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 95.4% of total external sales (2021: 97.0%).

For the year ended 30 June 2022, revenue from the Group's top five customers accounted for approximately 27.6% of total revenue (for the year ended 30 June 2021, revenue from the top five customers accounted for 28.1% of total revenue).

Among the other, intersegment sales between Oilseed Processing segment and Infrastructure and Trading segment comprise of sunflower oil which is marketed by Avere, the activities of which are included in Infrastructure and Trading segment results.

The Group's revenue from external customers (based on the country of incorporation of the sales counterparty) and information about its segment assets (non-current assets excluding non-current financial assets and deferred tax assets) by geographical location are detailed below:

	Revenue from external customers	
	For the year ended 30 June 2022	For the year ended 30 June 2021
Asia	2,676,356	2,950,802
of which Singapore	1,002,150	894,786
India	672,760	878,482
China	542,556	395,176
Europe	2,302,727	1,850,617
of which Switzerland	829,785	748,531
Netherland	405,117	376,919
Other locations	352,462	793,381
Total	**5,331,545**	**5,594,800**

	Non-current assets	
	As of 30 June 2022	As of 30 June 2021
Ukraine	1,463,772	1,647,512
Switzerland	2,624	3,012
USA	1,215	471
Other locations	100,745	440
Total	**1,568,356**	**1,651,435**

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 Infrastructure and Trading segment.

8. Acquisition and Disposal of Subsidiaries

No entities were acquired or disposed during the year ended 30 June 2022 as well as no entities were acquired during the year ended 30 June 2021.

During the year ended 30 June 2021, as a result of the optimization process of the logistic assets, the Group disposed of four grain elevators located in Kharkiv, Chernihiv and Mykolayiv regions, one of which was previously classified as assets held for sale. The net assets of the disposed entities as of the date of disposal were equal to USD 1,100 thousand (including USD 351 thousand classified as assets held for sale) and the cash consideration received was USD 2,991 thousand (out of which USD 2,505 thousand was received during that reporting period). Gain on disposal comprised to USD 1,891 thousand.

During the year ended 30 June 2021, settlements for acquired Subsidiaries, which was connected with the acquisition of 560,000 tons oilseed crushing plant located in Kirovograd region, completed as of 30 June 2016, was repaid in full in the amount of USD 46,898 thousand.

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

9. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 30 June 2022	As of 30 June 2021
Cash in banks in USD	404,279	554,493
Cash in banks in UAH	3,403	2,821
Cash in banks in other currencies	39,938	16,717
Cash on hand	5	9
Total	**447,625**	**574,040**
Less restricted and blocked cash on security bank accounts	(58)	(90)
Less bank overdrafts (Note 23)	(1)	(100)
Cash for the purposes of cash flow statement	**447,566**	**573,850**

In accordance with the international rating agency of Fitch, credit ratings of the banks with which the Group had the accounts opened as of 30 June were as follows:

	As of 30 June 2022	As of 30 June 2021
International bank with F1 rating	165,512	388,361
International bank with F2 rating	131,362	1,599
Banks without international ratings	73,492	56,961
International bank with F1+ rating	57,364	51,796
Banks with lower medium grade	19,895	75,323
Total	**447,625**	**574,040**

As of 30 June 2022, cash deposit in amount of USD 8,000 thousand (30 June 2021: nil) have been pledged as security for short-term borrowings (Note 23).

As of 30 June 2022 and 2021, the identified impairment loss arising on cash and cash equivalents was immaterial.

The reconciliation in the table below presents changes in the Group's liabilities arising from financing activities by incorporating cash flows and non-cash changes over the reporting period.

	Bank borrowings, (Note 23)	Lease liabilities (Note 24)	Bonds issued (Note 25)	Total
As of 1 July 2020	**223,855**	**310,000**	**815,722**	**1,349,577**
Cash flow from proceeds/ (repayments)	17,868	(77,515)	(69,630)	(129,277)
Transactions costs paid related to corporates bonds issue paid	—	—	(2,428)	(2,428)
Non-cash movements				
Additions and change of terms of lease liabilities	—	70,618	—	70,618
Disposals of lease liabilities	—	(11,293)	—	(11,293)
Non-cash settlement of lease liabilities	—	(7,790)	—	(7,790)
Amortization of one-off and transaction cost (Note 32)	—	—	17,628	17,628
Interest expense accrued (Note 32)	16,548	44,803	60,498	121,849
Interest expense capitalized (Note 16)	5,103	—	—	5,103
Foreign exchange movements	2,379	315	—	2,694
Other changes	(2,410)	(4,646)	—	(7,056)
As of 30 June 2021	**263,343**	**324,492**	**821,790**	**1,409,625**
Cash flow from proceeds/ (repayments)	803,232	(51,733)	(269,613)	481,886
Non-cash movements				
Additions and change of terms of lease liabilities	—	69,259	—	69,259
Disposals of lease liabilities	—	(8,831)	—	(8,831)
Non-cash settlement of lease liabilities	—	(8,870)	—	(8,870)
Amortization of one-off and transaction cost (Note 32)	—	—	2,856	2,856
Interest expense accrued (Note 32)	34,048	42,074	47,617	123,739
Interest expense capitalized (Note 16)	4,131	—	—	4,131
Foreign exchange movements	(9,959)	(601)	—	(10,560)
Classified as held for sale (Note 15)	—	(101,922)	—	(101,922)
Other changes	(1,708)	(24,316)	—	(26,024)
As of 30 June 2022	**1,093,087**	**239,552**	**602,650**	**1,935,289**

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

10. Trade Accounts Receivable

The balances of trade accounts receivable were as follows:

	As of 30 June 2022	As of 30 June 2021
Trade accounts receivable	162,419	386,618
Allowance for expected credit losses	(19,681)	(5,494)
Total	**142,738**	**381,124**

No interest is charged on the outstanding balances of trade accounts receivable.

As of 30 June 2022, receivable balance of USD 121,580 thousand was due from international customers and the remaining USD 21,158 thousand being receivable from Ukrainian buyers.

The Group measures the loss allowance for trade account receivables at an amount equal to lifetime ECL. The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and credit rating, adjusted for an assessment of current and forward-looking information based on general economic conditions affecting the ability of the customers to settle the receivables. Trade receivables are collectively assessed, except for certain receivables that have differing credit risk characteristics. There has been no change in the estimation techniques during the current reporting period.

Expected credit loss provisions are recognized in the line Net impairment losses on financial and contract assets, for the year ended 30 June 2022 an increase of USD 15,058 thousand (for the period ended 30 June 2021: decrease USD 864 thousand) of such losses were recognized.

On this basis, the loss allowance as at 30 June was determined for trade accounts receivables as follows:

	As at 30 June 2022				As at 30 June 2021			
	Current	Less than 90 days past due	More than 90 days past due	Total	Current	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate[1]	0.1%	6.3%	91.0%		0.1%	0.6%	94.4%	
Gross carrying amount – trade accounts receivables	104,098	39,577	18,744	162,419	324,568	56,776	5,274	386,618
Loss allowance	**(146)**	**(2,475)**	**(17,060)**	**(19,681)**	**(157)**	**(358)**	**(4,979)**	**(5,494)**

The movement in allowance for credit loss relating to trade accounts receivables is presented below:

	Trade accounts receivables		
	Collectively assessed	Individually assessed	Total
Opening loss allowance as of 30 June 2020	**4,240**	**3,248**	**7,488**
Decrease in loss allowance recognized in profit or loss during the year	(127)	(737)	(864)
Trade receivables written off during the year as uncollectible	—	(1,122)	(1,122)
Unused amount reversed	—	(8)	(8)
Closing loss allowance as of 30 June 2021	**4,113**	**1,381**	**5,494**
Increase in loss allowance recognized in profit or loss during the year	9,600	5,458	15,058
Trade receivables written off during the year as uncollectible	—	(871)	(871)
Closing loss allowance as of 30 June 2022	**13,713**	**5,968**	**19,681**

11. Taxes Recoverable and Prepaid

The balances of taxes recoverable and prepaid were as follows:

	As of 30 June 2022	As of 30 June 2021
VAT ('value added tax') recoverable and prepaid	204,599	185,592
Other taxes recoverable and prepaid	87	374
Total	**204,686**	**185,966**

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances will be recovered in full within 12 months after the reporting date through cash collection or set-off with respective VAT liabilities. For the year ended 30 June 2022, the amount of VAT refunded by the government in cash was USD 271,299 thousand (30 June 2021: USD 373,160 thousand). VAT refund pace decreased in March-June 2022 due to the changes in tax regulations in the period of martial law in Ukraine.

As of 30 June 2022, the portion of tax recoverable in the amount of USD 51,771 thousand was presented in line Other non-current assets considering that the planned utilization period of this amount is more than 12 months.

[1] Differences in expected loss rate are possible due to rounding

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

12. Inventory

The balances of inventories were as follows:

	As of 30 June 2022	As of 30 June 2021
Raw materials	346,961	68,829
Goods for resale	292,479	64,733
Finished products	154,954	173,003
Products of agriculture	121,863	7,647
Fuel	20,292	3,700
Work in progress	5,252	2,448
Packaging materials	2,474	1,631
Other inventories	9,647	10,036
Total	**953,922**	**332,027**

As of 30 June 2022, raw materials mostly consisted of sunflower seed stock in the amount of USD 323,689 thousand (30 June 2021: USD 42,513 thousand).

As of 30 June 2022, goods for resale mostly consisted of corn in the amount of USD 179,092 thousand (30 June 2021: USD 7,739 thousand) and sunflower oil in the amount of USD 53,366 thousand (30 June 2021: USD 32,140 thousand).

As of 30 June 2022, agricultural products mostly consisted of corn in the amount of USD 120,682 thousand (30 June 2021: USD 6,204 thousand).

As of 30 June 2022, finished products mostly consisted of sunflower oil in bulk in the amount of USD 120,713 thousand (30 June 2021: USD 129,562 thousand).

As of 30 June 2022, inventories with a carrying amount of USD 566,902 thousand (30 June 2021: USD 92,382 thousand) have been pledged as security for short-term borrowings (Note 23), out of which USD 5,678 thousand are included into Assets classified as held for sale.

The Group utilizes Ukrainian seaports for export of agricultural commodities and oil but due to difficulties with export of agriproduce via Ukrainian Black Sea ports the Group have been using the alternative export routes. Increased logistic cost for delivery had a negative impact on the value of certain inventories, as the result, the Group recognized write-downs of inventories to the net realizable value amounting to USD 98,229 thousand (30 June 2021: nil).

Expenses related to the write downs, creation of a reserve for the inventories which are destroyed, damaged, or located on temporary occupied areas are recognized in Loss on impairment of assets (Note 31).

13. Biological Assets

The balances of biological assets were as follows:

	As of 30 June 2022	As of 30 June 2021
Non-current assets		
Non-current cattle	5,937	7,225
Total	**5,937**	**7,225**
Current assets		
Crops in fields	160,158	375,095
Current cattle	1,753	1,549
Total	**161,911**	**376,644**

For the year ended 30 June 2022, the net gain arising from changes in the fair value of biological assets in the amount of USD 12,537 thousand (2021: gain of USD 132,631 thousand) includes a USD 2,835 thousand loss on changes in current and non-current cattle's fair value (2021: loss of USD 1,445 thousand).

The balances of crops in fields were as follows:

	As of 30 June 2022		As of 30 June 2021	
	Hectares	Value	Hectares	Value
Corn	148,795	75,795	254,068	187,323
Sunflower seed	130,680	61,732	154,003	120,988
Wheat	35,633	16,386	64,655	48,104
Rapeseed	4,727	3,611	8,885	14,306
Soybean	6,331	2,118	4,533	3,602
Other	1,155	516	1,590	772
Total	**327,321**	**160,158**	**487,734**	**375,095**

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2022 and 2021:

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2020	**210,135**	**40,537**	**250,672**
Expenditures capitalized in biological assets (harvest 2020)	108,099	—	108,099
Decrease due to harvest (harvest 2020)	(318,234)	(40,537)	(358,771)
Expenditures capitalized in biological assets (harvest 2021)	200,330	—	200,330
Gain arising from changes in fair value of biological assets (sowing under harvest 2021)	—	165,525	165,525
Translation difference	5,094	4,146	9,240
As of 30 June 2021	**205,424**	**169,671**	**375,095**
Expenditures capitalized in biological assets (harvest 2021)	191,889	—	191,889
Decrease due to harvest (harvest 2021)	(397,313)	(169,671)	(566,984)
Expenditures capitalized in biological assets (harvest 2022)	234,293	—	234,293
Gain arising from changes in fair value of biological assets (sowing under harvest 2022)	—	38,327	38,327
Decrease due to transfer to assets held for sale (Note 15)	(66,714)	(32,587)	(99,301)
Translation difference	(11,311)	(1,850)	(13,161)
As of 30 June 2022	**156,268**	**3,890**	**160,158**

Farming costs such as expenses for seeds, fertilizers, plant protecting means, energy and fuel, costs for growing and harvesting, silos services, rent, payroll and other are expensed as incurred and further are capitalized as part of biological assets based on sowing areas and types of costs allocated to particular crops.

The fair value of agricultural produce was estimated based on market prices as at the date of harvest and is within level 2 of fair value hierarchy. Crops in fields and non-current cattle of the Group are measured using discounted cash flow technique and are within the level 3 of the fair value hierarchy. Current cattle are measured based on market prices of livestock of similar age, breed and genetic merit, which is within level 2 of the fair value hierarchy. The change in the balances of livestock is represented by an increase in heads of milk cows within regular transfer from young calves to mature herd and the variation in prices and exchange rates between reporting dates.

In the table below biological assets are classified into the three levels prescribed under the accounting standards:

		As of 30 June 2022					As of 30 June 2021				
	Measure	**Quantity**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Quantity**	**Level 1**	**Level 2**	**Level 3**	**Total**
Livestock											
Mature – Milk cows	Heads	5,178	—	—	5,934	**5,934**	5,002	—	—	7,220	**7,220**
Immature – Milk cows	Heads	2,288	—	1,007	—	**1,007**	2,167	—	866	—	**866**
Immature – Calves	Heads	2,221	—	714	—	**714**	2,089	—	656	—	**656**
Beehives	Hives	1,101	—	32	—	**32**	952	—	27	—	**27**
Horses	Heads	7	—	3	—	**3**	8	—	5	—	**5**
Crops in fields	Hectares	327,485	—	—	160,158	**160,158**	487,734	—	—	375,095	**375,095**
Total			**—**	**1,756**	**166,092**	**167,848**		**—**	**1,554**	**382,315**	**383,869**

There were no changes in valuation technique since previous year. There were no transfers between any levels during the year.

Description	Valuation techniques	Fair value As of 30 June 2022	Fair value As of 30 June 2021	Unobservable Inputs	Range of unobservable inputs (average) As of 30 June 2022	Range of unobservable inputs (average) As of 30 June 2021	Relationship of unobservable inputs to fair value
Crops in field	Discounted cash flows	160,158	375,095	Crops yield	2.01 – 7.57 (5.15) tons per hectare	2.21 – 6.80 (5.20) tons per hectare	The higher the crop yield, the higher the fair value
				Grain price	178 – 476 (301) USD per ton	193 – 570 (383) USD per ton	The higher the market price, the higher the fair value
				Discount rate	28.75% (in UAH)	16.47% (in UAH)	The higher the discount rate, the lower the fair value
Milk cows	Discounted cash flows	5,934	7,220	Milk yield – liter per cow	17.71 – 21.74 (20.34) liters per cow per day	17.63 – 23.05 (20.34) liters per cow per day	The higher the milk yield, the higher the fair value
				Weight of 1 calf	29 – 32 (31) kg	29 – 32 (31) kg	The higher the weight, the higher the fair value
				Average yield of calves from 100 cows per year	35 – 89 (62) calves	66 – 74 (70) calves	The higher the yield, the higher the fair value
				Discount rate, %	28.75% (in UAH)	12.40% (in UAH)	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 5 per cent higher/lower while all other variables were held constant, as of 30 June 2022, the carrying amount of the current and non-current biological assets would increase/decrease by USD 16,059 thousand and USD 16,179 thousand, respectively (30 June 2021: by USD 58,006 thousand and USD 55,431 thousand, respectively).

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

Notes to the Consolidated Statements continued

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14. Other Financial Assets

The balances of other financial assets were as follows:

	As of 30 June 2022	As of 30 June 2021
Margin account with brokers	77,136	119,376
Derivative financial instruments	48,879	130,480
Loans granted	43,760	27,535
Corporate and government bonds	33,205	6,532
Short-term bank deposits	—	3,680
Other financial assets	2,831	6,553
Total	**205,811**	**294,156**

As of 30 June 2022, 370,000 Ukrainian government bonds in amount of USD 6,077 thousand (30 June 2021: nil) were pledged as security for short-term borrowings (Note 23).

The Group performs credit risk assessment of counterparties individually. If counterparties are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by counterparty is regularly monitored by line management.

As of 30 June 2022, 77% of Margin Account with Brokers and Derivative financial instruments balances are conducted with the financial institutions rated at F1-B by Fitch (or analogue).

The entity is also exposed to credit risk in relation to debt investments in corporate and government bonds that are measured at fair value through profit or loss. Government bonds are represented by bonds issued by the Ukrainian government and the credit rating of Ukraine has been downgraded since the beginning of war. The corporate bonds are not rated by the international rating agencies. Other instruments are considered to be low credit risk where they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

15. Assets Classified as Held for Sale

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

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

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

The associated assets and liabilities were consequently presented as held for sale as of 30 June 2022.

As of 30 June 2022, the carrying amounts of assets and liabilities held for sale at consolidated basis were:

	As of 30 June 2022
Cash and cash equivalents	571
Trade accounts receivable	1,082
Prepayments to suppliers	4,329
Taxes recoverable and prepaid	16,979
Inventory	79,237
Biological assets (Note 13)	99,301
Other financial assets	600
Property, plant and equipment (Note 16)	29,317
Right-of-use assets	49,053
Intangible assets (Note 15)	1,584
Non-current financial assets	1,317
Other non-current assets	3,698
Total assets	**287,068**
Trade accounts payable	7,200
Advances from customers and other current liabilities	5,499
Current portion of lease liabilities (Note 9)	15,077
Other financial liabilities	2,211
Lease liabilities (Note 9)	86,845
Other non-current liabilities	16
Total liabilities	**116,848**
Net assets (at consolidated basis)	**170,220**

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The assets classified as held for sale and associated liabilities are presented in this Note after elimination of intercompany balances. As disclosed in Note 31 the Group has recognized an impairment of assets classified as held for sale in the amount of USD 92,920 thousand.

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

Key assumptions to determine the fair value less cost to sell of the non-current assets held for sale and biological assets included in the table above were the following:

Crop	Yield, t/ha	Price for agriproduce, USD/t
Corn	8.7 - 10.3	168 - 222
Sunflower seeds	2.9 - 3.3	303 - 524
Wheat	5.6 - 6.1	191 - 277
Rapeseed	3.6 - 3.7	400 - 550

If the price for agriproduce would be 5 per cent higher/lower while all other variables were held constant, as of 30 June 2022, the carrying amount of the non-current assets held for sale would have increased/decreased by USD 60,778 thousand and USD 67,454 thousand, respectively.

If the yield would be 5 per cent higher/lower while all other variables were held constant, as of 30 June 2022, the carrying amount of the non-current assets held for sale would have increased/decreased by USD 55,744 thousand and USD 55,791 thousand, respectively.

Crops in fields for such legal entities held for sale were measured using discounted cash flow technique applying 40.42% discount rate.

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

16. Property, Plant and Equipment

The following table represents movements in property, plant and equipment for the year ended 30 June 2022:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2021	**564,775**	**339,590**	**138,193**	**22,647**	**1,065,205**
Land	967	440	78	1,048	2,533
Buildings and Constructions	215,058	156,149	18,548	18,117	407,872
Production machinery and equipment	87,636	88,368	2,113	1,539	179,656
Agricultural equipment and vehicles	4,403	74,183	69,124	1,119	148,829
Other fixed assets	2,544	1,804	3,836	704	8,888
CIP and uninstalled equipment	254,167	18,646	44,494	120	317,427
Additions in CIP and uninstalled equipment	**59,175**	**18,944**	**29,161**	**2,686**	**109,966**
Reclassification	**—**	**46,574**	**(46,568)**	**(6)**	**—**
Land	—	13	(13)	—	—
Buildings and Constructions	1,101	(250)	323	1	1,175
Production machinery and equipment	(1,118)	490	(34)	(8)	(670)
Agricultural equipment and vehicles	170	1	(72)	—	99
Other fixed assets	(153)	(405)	(232)	1	(789)
CIP and uninstalled equipment	—	46,725	(46,540)	—	185
Transfers	**—**	**—**	**—**	**—**	**—**
Land	1	83	19	—	103
Buildings and Constructions	43,081	38,645	2,951	22	84,699
Production machinery and equipment	76,200	20,074	356	705	97,335
Agricultural equipment and vehicles	1,817	2,667	13,558	1,061	19,103
Other fixed assets	1,059	1,709	1,884	270	4,922
CIP and uninstalled equipment	(122,158)	(63,178)	(18,768)	(2,058)	(206,162)
Revaluation	**59,393**	**—**	**—**	**—**	**59,393**
Buildings and Constructions	53,517	—	—	—	53,517
Production machinery and equipment	5,876	—	—	—	5,876
Disposals (at NBV)	**(316)**	**(289)**	**(2,689)**	**(12)**	**(3,306)**
Buildings and Constructions	(1)	(9)	(422)	—	(432)
Production machinery and equipment	(126)	(115)	(33)	(3)	(277)
Agricultural equipment and vehicles	(68)	(97)	(617)	(9)	(791)
Other fixed assets	(12)	(4)	(39)	—	(55)
CIP and uninstalled equipment	(109)	(64)	(1,578)	—	(1,751)
Transfers to Assets classified as held for sale (at NBV) (Note 15)	**—**	**(42,905)**	**(20,483)**	**—**	**(63,388)**
Land	—	—	(34)	—	(34)
Buildings and Constructions	—	(26,409)	(2,987)	—	(29,396)
Production machinery and equipment	—	(14,131)	(349)	—	(14,480)
Agricultural vehicles and equipment	—	(117)	(12,672)	—	(12,789)
Other fixed assets	—	(253)	(631)	—	(884)
CIP and uninstalled equipment	—	(1,995)	(3,810)	—	(5,805)
Depreciation expense	**(30,809)**	**(22,820)**	**(24,633)**	**(2,005)**	**(80,267)**
Buildings and Constructions	(13,116)	(7,490)	(1,792)	(580)	(22,978)
Production machinery and equipment	(15,487)	(8,464)	(534)	(643)	(25,128)
Agricultural equipment and vehicles	(1,207)	(5,749)	(20,517)	(463)	(27,936)
Other fixed assets	(999)	(1,117)	(1,790)	(319)	(4,225)
Impairment of assets and reversal of impairment loss of the previous period	**(48,275)**	**(110)**	**(2,780)**	**—**	**(51,165)**
Land	(702)	—	—	—	(702)
Buildings and Constructions	(17,685)	(72)	—	—	(17,757)
Production machinery and equipment	(11,696)	(15)	—	—	(11,711)
Agricultural vehicles and equipment	(105)	(3)	(16)	—	(124)
Other fixed assets	(313)	(20)	(2,764)	—	(3,097)
CIP and uninstalled equipment	(17,774)	—	—	—	(17,774)
Translation difference	**(266)**	**(11,482)**	**(6,536)**	**(81)**	**(18,365)**
Land	—	(34)	(5)	—	(39)
Buildings and Constructions	—	(8,333)	(1,434)	(20)	(9,787)
Production machinery and equipment	—	(2,783)	(141)	(2)	(2,926)
Agricultural equipment and vehicles	(265)	(111)	(4,566)	(6)	(4,948)
Other fixed assets	(1)	(118)	(264)	(9)	(392)
CIP and uninstalled equipment	—	(103)	(126)	(44)	(273)
Net Book Value as at 30 June 2022	**603,677**	**327,502**	**63,665**	**23,229**	**1,018,073**
Land	266	502	45	1,048	1,861
Buildings and Constructions	281,955	152,231	15,187	17,540	466,913
Production machinery and equipment	141,285	83,424	1,378	1,588	227,675
Agricultural equipment and vehicles	4,745	70,774	44,222	1,702	121,443
Other fixed assets	2,125	1,596	—	647	4,368
CIP and uninstalled equipment	173,301	18,975	2,833	704	195,813

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The following table represents movements in property, plant and equipment for the year ended 30 June 2021:

	Oilseed Processing	Infrastructure and Trading	Farming	Other	Total
Net Book Value as at 30 June 2020	**517,624**	**321,662**	**120,858**	**24,224**	**984,368**
Land	967	380	70	1,089	2,506
Buildings and Constructions	227,099	98,486	18,677	18,379	362,641
Production machinery and equipment	99,118	43,612	12,675	1,759	157,164
Agricultural equipment and vehicles	4,209	82,273	57,139	1,097	144,718
Other fixed assets	3,353	3,920	7,773	901	15,947
CIP and uninstalled equipment	182,878	92,991	24,524	999	301,392
Additions in CIP and uninstalled equipment	**79,049**	**46,953**	**47,667**	**930**	**174,599**
Reclassification	**(10)**	**179**	**(214)**	**45**	**—**
Buildings and Constructions	(29)	2,042	(406)	1	1,608
Production machinery and equipment	587	86	(8,152)	(27)	(7,506)
Agricultural equipment and vehicles	9	59	11,913	49	12,030
Other fixed assets	(577)	(2,008)	(3,569)	22	(6,132)
Transfers	**—**	**—**	**—**	**—**	**—**
Land	—	65	9	—	74
Buildings and Constructions	3,059	63,291	3,116	884	70,350
Production machinery and equipment	2,341	52,210	429	408	55,388
Agricultural equipment and vehicles	1,288	2,981	21,323	307	25,899
Other fixed assets	981	1,205	2,536	207	4,929
CIP and uninstalled equipment	(7,669)	(119,752)	(27,413)	(1,806)	(156,640)
Disposals (at NBV)	**(386)**	**(416)**	**(2,273)**	**(126)**	**(3,201)**
Buildings and Constructions	(49)	254	(716)	—	(511)
Production machinery and equipment	(200)	49	(38)	(3)	(192)
Agricultural equipment and vehicles	(35)	(24)	(1,309)	—	(1,368)
Other fixed assets	(12)	(3)	(72)	(84)	(171)
CIP and uninstalled equipment	(90)	(692)	(138)	(39)	(959)
Disposal of Subsidiaries (at NBV)	**—**	**(780)**	**—**	**—**	**(780)**
Buildings and Constructions	—	(593)	—	—	(593)
Production machinery and equipment	—	(143)	—	—	(143)
Other fixed assets	—	(44)	—	—	(44)
Depreciation expense	**(22,971)**	**(25,167)**	**(26,032)**	**(1,786)**	**(75,956)**
Buildings and constructions	(9,772)	(6,182)	(1,792)	(524)	(18,270)
Production machinery and equipment	(10,998)	(6,809)	(2,166)	(592)	(20,565)
Agricultural equipment and vehicles	(1,001)	(11,060)	(19,518)	(327)	(31,906)
Other fixed assets	(1,200)	(1,116)	(2,556)	(343)	(5,215)
Impairment loss	**(8,462)**	**—**	**—**	**—**	**(8,462)**
Buildings and constructions	(5,250)	—	—	—	(5,250)
Production machinery and equipment	(3,212)	—	—	—	(3,212)
Translation difference	**(69)**	**(2,841)**	**(1,813)**	**(640)**	**(5,363)**
Land	—	(5)	(1)	(41)	(47)
Buildings and Constructions	—	(1,149)	(331)	(623)	(2,103)
Production machinery and equipment	—	(637)	(635)	(6)	(1,278)
Agricultural equipment and vehicles	(67)	(46)	(424)	(7)	(544)
Other fixed assets	(1)	(150)	(276)	1	(426)
CIP and uninstalled equipment	(1)	(854)	(146)	36	(965)
Net Book Value as at 30 June 2021	**564,775**	**339,590**	**138,193**	**22,647**	**1,065,205**
Land	967	440	78	1,048	2,533
Buildings and Constructions	215,058	156,149	18,548	18,117	407,872
Production machinery and equipment	87,636	88,368	2,113	1,539	179,656
Agricultural equipment and vehicles	4,403	74,183	69,124	1,119	148,829
Other fixed assets	2,544	1,804	3,836	704	8,888
CIP and uninstalled equipment	254,167	18,646	44,494	120	317,427

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

Notes to the Consolidated Statements continued

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Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2022 and 2021 were as follows:

	Cost as of 30 June 2022	Accumulated depreciation as of 30 June 2022	Cost as of 30 June 2021	Accumulated depreciation as of 30 June 2021
Land	1,861	—	2,533	—
Buildings and constructions	542,212	(75,299)	464,711	(56,839)
Production machinery and equipment	314,313	(86,638)	243,855	(64,199)
Agricultural equipment and vehicles	266,085	(144,642)	307,768	(158,939)
Other fixed assets	22,497	(18,129)	25,022	(16,134)
CIP and uninstalled equipment	195,813	—	317,427	—
Total	**1,342,781**	**(324,708)**	**1,361,316**	**(296,111)**

Had the Group's buildings and constructions and production machinery and equipment (Oilseed Processing segment) been measured on a historical cost basis, their carrying amount would have been as follows:

	As of 30 June 2022	As of 30 June 2021
Buildings and constructions	224,047	196,047
Production machinery and equipment	134,257	72,237
Total	**358,304**	**268,284**

During the year ended 30 June 2022, the Group has made reclassification between classes of property, plant and equipment. Most reclassifications were made within a segment for more consistent presentation as a result of adoption of the unique property, plant and equipment classification module.

During the year ended 30 June 2022, the Group has made reclassification between segment Farming and Infrastructure and Trading. Construction in progress and uninstalled equipment consisted mainly of silos were reallocated from the Farming segment to the Infrastructure and Trading segment in the amount USD 46,540 thousand since silos are going to be used not only for the Farming segment, but also for Infrastructure and Trading sourcing.

For the year ended 30 June 2022, interest was capitalized in the amount of USD 4,131 thousand (2020: USD 5,103 thousand) (Note 9). For the year ended 30 June 2022, there were no borrowing costs eligible for capitalization apart from project specific borrowings.

As of 30 June 2022, prepayments for property, plant and equipment were in the amount USD 45,098 thousand (30 June 2021: USD 31,237 thousand).

As of 30 June 2022, property, plant and equipment with a carrying amount of USD 393,782 thousand (30 June 2021: USD 311,684 thousand) were pledged by the Group as collateral against short-term and long-term bank borrowings (Note 23).

During the year ended 30 June 2022, the Group performed revaluation of buildings, constructions, production machinery and equipment used in the Oilseed Processing segment and impairment test for its other classes of property, plant and equipment.

The key assumptions for the revaluation and related sensitivity are disclosed in Revaluation of Property, Plant and Equipment (Note 5).

As of 30 June 2022, the Group recognized a revaluation surplus of USD 53,517 for the buildings and constructions in the Oil processing segment as the result of increased costs to reproduce such assets. The fair value of these assets was further tested for economic impairment by income method. Income method is based on the current capacity and ability to export irrespectively of Black Sea ports operation. In addition, the majority of these assets have potential for alternative usage as storage facilities, which are of a demand in Ukraine.

For the property, plant and equipment other than the ones carried at fair value, the Group performed an impairment test. As the result of the test, the recoverable amount of assets within the Farming segment was significantly below their carrying value. Hence, the Group determined a recoverable amount based on the fair value less cost to sell method, using the adjusted market approach (level 2 of the fair value hierarchy).

The recoverable amount of the other CGUs apart from the Farming segment was determined based on the value-in-use method. This method was based on the probability-weighted scenarios and key assumptions disclosed in Note 5. Management determined budgeted gross margin based on expectations of market developments. The weighted average growth rate used was consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. As of 30 June 2022, the assumptions for the EBITDA margin are based on average purchase prices of sunflower seeds and selling sunflower oil and equal to the margin amount from 75 to 185 USD per one metric ton of oil (2021: EBITDA margin 78 to 100 USD per one metric ton of oil).

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The key assumptions used in the value in use and income approach calculations by segment are as follows:

Oilseed processing	Growth rate, %	Discount rate, %	Price of sunflower oil, USD	Price of sunflower seeds, USD	EBITDA margin
As of 30 June 2022	0-5%	10.2%	1,001-1,190	372-499	3-13%
As of 30 June 2021	2-5%	9.9%	842-1,070	402-533	5-13%

Price of sunflower oil and the price of sunflower seeds are interdependent and the effect from their changes are offset within a relatively short period of time. Should the price of sunflower oil and seeds decrease by 5 per cent while all other variables were held constant, as of 30 June 2022, the headroom would increase by USD 48,914 thousand.

Infrastructure and Trading	Growth rate, %	Discount rate, %	Transshipment rate, USD/t	Transshipment volume, thousand t	EBITDA margin
As of 30 June 2022	2-5%	10.2%	7.93-11.86	720-10,383	66-93%
As of 30 June 2021	2%	9.9%	7.42-8.26	4,783-5,528	59-83%

Impairment test as at 30 June 2022 did not identify the cash-generating units in Infrastructure and Trading segments as being sensitive to reasonably possible changes in key assumptions.

The Group recognized a full impairment of USD 50,300 thousand for those assets located at the temporary non-controlled territories (Note 31).

Information about occupied, damaged or destroyed as a result of military actions property, plant and equipment is disclosed in going concern (Note 4).

17. Right-of-Use Assets

The following table represents movements in right-of-use assets for the year ended 30 June 2022:

	Land	Agricultural equipment and vehicles	Buildings	Total
Cost as of 30 June 2021	**416,277**	**13,942**	**7,794**	**438,013**
Additions and modifications	67,146	470	701	68,317
Transfers to Assets classified as held for sale (Note 15)	(133,205)	(1,960)	(240)	(135,405)
Disposals	(19,382)	(1,055)	(173)	(20,610)
Translation difference	(31,175)	(671)	(26)	(31,872)
Cost as of 30 June 2022	**299,661**	**10,726**	**8,056**	**318,443**
Accumulated depreciation as of 30 June 2021	**(64,631)**	**(7,552)**	**(1,131)**	**(73,314)**
Depreciation	(40,884)	(2,416)	(635)	(43,935)
Disposals	10,950	179	173	11,302
Transfers to Assets classified as held for sale (Note 15)	28,021	1,282	42	29,345
Translation difference	5,503	363	33	5,899
Accumulated depreciation as of 30 June 2022	**(61,041)**	**(8,144)**	**(1,518)**	**(70,703)**
Net book value as of 30 June 2022	**238,620**	**2,582**	**6,538**	**247,740**

The following table represents movements in right-of-use assets for the year ended 30 June 2021:

	Land	Agricultural equipment and vehicles	Buildings	Total
Cost as of 30 June 2020	**368,869**	**10,672**	**7,777**	**387,318**
Additions and modifications	70,056	3,424	24	73,504
Disposals	(17,305)	(152)	—	(17,457)
Translation difference	(5,343)	(2)	(7)	(5,352)
Cost as of 30 June 2021	**416,277**	**13,942**	**7,794**	**438,013**
Accumulated depreciation as of 30 June 2020	**(34,420)**	**(4,973)**	**(629)**	**(40,022)**
Depreciation	(36,913)	(2,732)	(506)	(40,151)
Disposals	6,024	152	—	6,176
Translation difference	678	1	4	683
Accumulated depreciation as of 30 June 2021	**(64,631)**	**(7,552)**	**(1,131)**	**(73,314)**
Net book value as of 30 June 2021	**351,646**	**6,390**	**6,663**	**364,699**

Approach to impairment test and the key assumptions used in the calculations are presented in Note 5.

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

18. Intangible Assets

The following table represents movements in intangible assets for the year ended 30 June 2022:

	Trademarks	Land lease rights	Crypto assets	Other intangible assets	Total
Cost as of 1 July 2021	**22,036**	**125,724**	**—**	**13,259**	**161,019**
Additions	—	—	173,100	5,488	178,588
Disposals	—	—	(21,030)	(102)	(21,132)
Transfers to Assets classified as held for sale (Note 15)	—	(22,769)	—	(695)	(23,464)
Transfer to other financial assets	—	—	(17,800)	—	(17,800)
Translation difference	—	(8,469)	—	(696)	(9,165)
Cost as of 30 June 2022	**22,036**	**94,486**	**134,270**	**17,254**	**268,046**
Accumulated amortization and impairment losses as of 1 July 2021	**(8,318)**	**(86,366)**	**—**	**(4,191)**	**(98,875)**
Amortization charge	—	(8,632)	—	(1,333)	(9,965)
Disposals	—	—	—	90	90
Transfers to Assets classified as held for sale (Note 15)	—	20,024	—	14	20,038
Impairment loss recognized in the Statement of Profit or Loss	(451)	(23,698)	(34,075)	(3,409)	(61,633)
Translation difference	—	6,416	—	81	6,497
Accumulated amortization and impairment losses as of 30 June 2022	**(8,769)**	**(92,256)**	**(34,075)**	**(8,748)**	**(143,848)**
Net book value as of 30 June 2022	**13,267**	**2,230**	**100,195**	**8,506**	**124,198**

As of 30 June 2022, crypto assets consisted only of stable coins, cost of which directly connected to the exchange rate of the fiat currency (USD). Subsequently to the year end, the Group converted USD 91,600 thousand of its crypto assets into cash with the bank and remaining amount was left in fiat money, accounted within other financial assets.

The following table represents movements in intangible assets for the year ended 30 June 2021:

	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 1 July 2020	**22,036**	**130,186**	**8,293**	**160,515**
Additions	—	—	3,334	3,334
Disposals	—	—	(568)	(568)
Other movements	—	(2,204)	2,204	—
Translation difference	—	(2,258)	(4)	(2,262)
Cost as of 30 June 2021	**22,036**	**125,724**	**13,259**	**161,019**
Accumulated amortization and impairment loss as of 1 July 2020	**(9,593)**	**(78,717)**	**(4,120)**	**(92,430)**
Amortization charge	—	(8,802)	(637)	(9,439)
Disposals	—	—	540	540
Reduction of loss on impairment recognized in the Statement of Profit or Loss	1,275	—	—	1,275
Translation difference	—	1,153	26	1,179
Accumulated amortization and impairment loss as of 30 June 2021	**(8,318)**	**(86,366)**	**(4,191)**	**(98,875)**
Net book value as of 30 June 2021	**13,718**	**39,358**	**9,068**	**62,144**

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with net book values of USD 4,546 thousand, USD 5,553 thousand, USD 2,989 thousand and USD 179 thousand, respectively, in 2022 (USD 4,567 thousand, USD 5,929 thousand, USD 3,043 thousand and USD 179 thousand, respectively, in 2021). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market.

In management's view, there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, the market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them for an indefinite period of time.

Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

The impairment testing of the value of trademarks as of 30 June 2022 was performed by an independent appraiser. The recoverable amount of the trademarks was based on the fair value less costs to sell method using the royalty approach of valuation and is classified within level 3 of the fair value hierarchy. This calculation uses cash flow projections based on financial budgets approved by management and covering a five-year period. The total amount of the trademarks was allocated to the Oilseed Processing segment (as one cash-generating unit).

Key assumptions used for the calculation were as follows:

- The royalty rate used was determined at the weighted average market level of 5.00%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2022, management believed that the market for bottled oil was saturated and for a period of five years no cumulative growth is expected; and
- As bottled oil is predominantly sold within Ukraine, the discount rate used was based on the weighted average cost of capital rate of 16.01% for

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

Notes to the Consolidated Statements continued

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UAH denominated cash flow projections.

As a result of testing performed, as of 30 June 2022, impairment loss for the trademarks 'Schedry Dar', 'Stozhar' and 'Zolota' in the amount of USD 21 thousand, USD 377 thousand and USD 53 thousand, respectively, was recognized (30 June 2021: impairment loss for the trademarks 'Schedry Dar', 'Stozhar' and 'Zolota' recognized in in prior periods was partly reversed in the amount of USD 110 thousand, USD 808 thousand and USD 357 thousand respectively). It was recognized as loss on impairment of intangible assets within Loss on impairment of assets (Note 31). Impairment was caused primarily by shrinkage of consumer demand for bottled sunflower oil.

19. Goodwill

The following table represents movements in goodwill for the year:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Cost at beginning of the year	**133,909**	**134,324**
Translation differences	(1,628)	(415)
Cost at the end of the year	**132,281**	**133,909**
Accumulated impairment losses at the beginning of the year	**(12,984)**	**(10,837)**
Impairment losses recognized in the year	(47,677)	(2,147)
Accumulated impairment losses at the end of the year	**(60,661)**	**(12,984)**
Balance at the end of the year	**71,620**	**120,925**

A summary of goodwill allocated to individual entities or group of entities as separate cash-generating units (CGU), were aggregated at the segment level and presented below:

		Goodwill carrying value	
Segment	**Cash-generating unit**	**As of 30 June 2022**	**As of 30 June 2021**
Oilseed Processing	BSI LLC	—	35,331
	Kropyvnytskyi OEP PJSC	28,978	31,334
	Prydniprovskyi OEP LLC	29,446	29,446
	Vovchansk OEP LLC	—	1,906
Infrastructure and Trading	Transbulkterminal LLC	9,594	10,328
	RTK-Ukraine	3,602	3,877
Farming	Druzhba-Nova Group and other agricultural farms	—	8,703
Total		**71,620**	**120,925**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a CGU was determined based on the higher of value from value-in-use or fair value less cost of disposal. Impairment test of goodwill was based on, the same assumptions as impairment test for property, plant and equipment (Note 16).

As of 30 June 2022, the Group recognized an impairment charge against goodwill in the amount of USD 47,677 thousand belonging to the Oilseed Processing and Farming CGUs and included within 'Loss on impairment of assets' line (30 June 2021: USD 2,147 thousand in Oilseed Processing segment). That happened as a result of full-scale Russian military invasion of Ukraine, since the Group suffered operational and logistic difficulties, namely temporarily suspension of export through Ukrainian ports which resulted in the absence of active procurement, processing and export of grain and sunflower oil.

20. Non-current Financial Assets

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

	As of 30 June 2022	As of 30 June 2021
Loans provided to related parties (Note 34)	26,564	37,684
Loans to farmers	10,060	616
Investments in financial assets	7,513	7,513
Other non-current assets	8,395	509
Total	**52,532**	**46,322**

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

Notes to the Consolidated Statements continued

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21. Advances from Customers and Other Current Liabilities

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

	As of 30 June 2022	As of 30 June 2021
Accrued payroll, payroll related taxes and bonuses	44,236	88,393
Advances for assets classified as held for sale	20,000	—
Contract liabilities	11,528	29,206
Provision for unused vacations and other provisions	6,106	8,239
Taxes payable and provision for tax liabilities	3,499	5,545
Other current liabilities	3,831	9,160
Total	**89,200**	**140,543**

USD 29,206 thousand of revenue was recognized in the current reporting period related to the contract liabilities as at 30 June 2022 (2021: USD 10,500 thousand), which related to advances.

22. Other Financial Liabilities

The balances of other financial liabilities were as follows:

	As of 30 June 2022	As of 30 June 2021
Payable for legal claims (Note 35)	38,387	36,217
Payable from profit-sharing arrangement	32,626	133,802
Derivative financial instruments	23,130	93,758
Accounts payable for property, plant and equipment	7,884	13,199
Other current liabilities	26,510	1,942
Total	**128,537**	**278,918**

23. Borrowings

The balances of borrowings were as follows:

	As of 30 June 2022	As of 30 June 2021
Current liabilities		
Bank credit lines	854,828	12,424
Short-term borrowings	234,429	—
Interest accrued on short-term borrowings	3,829	294
Bank overdrafts (Note 9)	1	100
Current portion of long-term borrowings	—	21,715
Interest accrued on long-term borrowings	—	1,070
Total	**1,093,087**	**35,603**
Non-current liabilities		
Long-term borrowings	—	227,740
Total	**—**	**227,740**

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

	Due through	Interest rate in range	Currency	Amount due 30 June 2022	Amount due 30 June 2021
European bank	September 2022	from 2.30% to 3.50% plus LIBOR	USD	348,870	—
European bank	September 2022	from 2.90% to 4.00% plus SOFR	USD	157,042	—
Ukrainian subsidiary of European bank	September 2022	from 13.50% to 22.00%	UAH	109,894	—
Ukrainian subsidiary of European bank	September 2022	from 3.00% to 3.80%	USD	93,243	—
Ukrainian subsidiary of European bank	September 2022	from 5.75% to 7.00%	USD	45,000	—
Ukrainian bank	May 2023	from 17.00% to 23.73%	UAH	43,753	—
Ukrainian subsidiary of European bank	September 2022	from 2.20% to 2.97%	USD	37,027	—
European bank	September 2022	COF+2.50%	USD	12,000	—
European bank	September 2022	from 2.20% to 2.97%	USD	8,000	—
European bank	July 2021	Libor+2.45%	USD	—	6,329
Ukrainian subsidiary of European bank	July 2021	6.50%	UAH	—	5,887
Ukrainian subsidiary of European bank	August 2021	Libor+4.50%	USD	—	308
Total				**854,829**	**12,524**

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

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As of 30 June 2022, the Group classified its long-term bank borrowings as short-term. As at 30 June 2022 (being the relevant covenant testing date), the Group had exceeded certain ratios for the purposes of financial covenants in certain of its bank loans. Although effective waivers were in place, such waivers had an expiry date within 12 months of 30 June 2022, and, accordingly, the Group did not have an unconditional right to defer settlement for 12 months or longer with respect to its bank loans as at 30 June 2022.

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

	Initial contractual maturity	Interest rate in range	Currency	Amount due 30 June 2022	Amount due 30 June 2021
European bank	2029	from 2.77% to 2.84% plus LIBOR	USD	95,968	103,835
European bank	2030	from 2.77% to 2.84% plus LIBOR	USD	91,421	91,860
European bank	2027	from 1.00% to 4.50% plus LIBOR	USD	47,040	53,760
Total				**234,429**	**249,455**

As of 30 June 2022, the undrawn amount of bank borrowings amounted to USD 10,938 thousand including available facility amounts upon bank credit lines and long-term financing (30 June 2021: USD 855,482 thousand).

Libor-based borrowings are exposed to 3M USD Libor, which is due to be discontinued in mid-2023. During the year ended 30 June 2022, the Group established a LIBOR transition plan in course of Interest Rate Benchmark Reform. The Group's management remains in discussions with the banks to determine both the alternative benchmark and the timing of the further transition. In accordance with the management's expectation, the impact of alternative benchmark, once determined, is not expected to be material to the Group.

As of 30 June, bank borrowings were secured as follows:

	As of 30 June 2022	As of 30 June 2021
Inventory (Note 12)	566,902	92,382
Property, plant and equipment (Note 16)	393,782	316,867
Cash and cash equivalents (Note 9)	8,000	—
Other financial assets (Note 14)	6,077	—
Future sales receipts	—	106,691
Total	**974,761**	**515,940**

24. Lease liabilities

The following is the maturity analysis of lease payments under the lease agreements as of 30 June:

Maturity	As of 30 June 2022	As of 30 June 2021
Payable within one year	41,720	38,652
Payable in the second to fifth years	179,191	282,430
Payable after five years	301,134	442,828
Total	**522,045**	**763,910**
less		
Future finance charges	(282,493)	(439,418)
Present value of lease obligations	**239,552**	**324,492**
less		
Current portion	(39,111)	(37,338)
Lease obligations, long-term portion	**200,441**	**287,154**

25. Bonds issued

The balances of bonds issued were as follows:

	Initial contractual maturity	As of 30 June 2022	As of 30 June 2021
US 300,000 thousand 6.75% coupon bonds	October 2027	297,314	296,991
US 300,000 thousand 6.50% coupon bonds	October 2024	297,724	296,951
US 500,000 thousand 8.75% coupon bonds	January 2022	—	212,495
Total		**595,038**	**806,437**

In October 2020, the Group issued USD 300,000 thousand bonds priced at par, that will mature on 27 October 2027. The bonds bear interest at the rate of 6.75% per annum payable semi-annually in arrears starting from 27 April 2021.

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

In October 2019, the Group issued USD 300,000 thousand unsecured notes, that will mature on 17 October 2024. These notes bear interest at the rate of 6.5% per annum payable semi-annually in arrears starting from 17 April 2020.

In January 2017 the Group issued USD 500,000 thousand unsecured notes, that matured on 31 January 2022. These notes bore interest at the

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

rate of 8.75% per annum payable semi-annually in arrears on 31 January and 31 July each year commencing from 31 July 2017.

All the notes are unsecured, ranking equally with all existing and future senior unsecured indebtedness of the Company and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several basis to the maximum extent permitted by law.

All the bonds contain certain restrictive covenants that limit the ability of the Company and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates.

On 5 November 2020, as a result of partial early redemption of its USD 500,000 thousand 8.75% coupon bonds, which were due in 2022, the Group repaid premium in the amount of USD 16,108 thousand and interest amounting to USD 6,207 thousand, both of which were recognized within Finance costs, net (Interest on corporate bonds line).

On 20 December 2021, according to the announced early redemption of its USD 500,000 thousand 8.75% coupon bonds which were due in 2022, the Company redeemed these notes, plus the Make Whole Premium (the premium) on the Company, plus accrued and unpaid interest (the interest).

As a result of early redemption of these notes, the Group repaid the premium in the amount of USD 1,888 thousand and the interest amounting to USD 7,252 thousand, both of which were recognized within Finance costs, net (Interest on corporate bonds line).

As of 30 June 2022, although effective bank waivers relating to its loans were in place, such waivers had an expiry date within 12 months of 30 June 2022, and, accordingly, the Group did not have an unconditional right to defer settlement of its bank loans for 12 months or longer (Note 23). Accordingly, there was a risk that such loans would be accelerated and become due and payable at a future date within 12 months of the end of the reporting period, which could in turn trigger a cross-acceleration event of default under the Group's outstanding bonds. As a result, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 "Presentation of Financial Statements") to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term. Notwithstanding such classification, management notes that, in view of the effective waivers from banks that were in place as of 30 June 2022, cross-acceleration events of default under the bonds were not triggered as at such date, and the Group remained otherwise in full compliance with the terms of its bonds.

26. Income Tax

The Group operates globally and is subject to the tax laws and regulations of numerous tax jurisdictions and authorities as well as tax agreements and treaties among these jurisdictions. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2022 and 2021.

The majority of the Group's companies that are involved in agricultural production pay the Unified Agricultural Tax (UAT) in accordance with the Tax Code of Ukraine. The UAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. The UAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. The UAT does not constitute an income tax and, as such, is recognized in the Consolidated Statement of Profit or Loss in cost of sales.

The tax rate for agricultural producers is calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land resulting in substantially lower tax charges compared to corporate income tax. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

- The share of the entity's revenue from agricultural production (i.e., sale of the entity's cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
- These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered.

The components of income tax expense were as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Current income tax charge	(32,957)	(41,105)
Deferred tax benefit relating to origination and reversal of temporary differences	35,738	8,853
Total income tax benefit/(expenses) recognized in the reporting period	**2,781**	**(32,252)**

The income tax expense is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

	As of 30 June 2022	As of 30 June 2021
(Loss)/ Profit before income tax	(43,481)	674,841
Tax benefit/(expense) at Ukrainian statutory tax rate of 18%	7,827	(121,471)
Effect of income that is exempt from taxation (farming)	28,771	85,600
Effect of different tax rates of Subsidiaries operating in other jurisdictions	1,874	21,710
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(6,269)	740
Other expenditures not allowable for income tax purposes and non-taxable income, net	(29,422)	(18,831)
Income tax benefit/(expenses)	**2,781**	**(32,252)**

For the year ended 30 June 2022, USD 10,564 thousand income tax loss were recognized in other comprehensive income (for the year ended 30

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

June 2021: USD 547 thousand income tax benefit).

The primary components of the deferred tax assets and deferred tax liabilities were as follows:

	As of 30 June 2022	As of 30 June 2021
Tax losses carried forward	14,564	11,810
Valuation of property, plant and equipment	13,843	13,166
Valuation of inventories	19,229	354
Others	2,088	406
Deferred tax assets	**49,724**	**25,736**
Valuation of property, plant and equipment	(27,754)	(28,445)
Valuation of intangible assets	(1,753)	(1,827)
Others	(542)	(1,172)
Deferred tax liabilities	**(30,049)**	**(31,444)**
Net deferred tax assets/(liabilities)	**19,675**	**(5,708)**

As of 30 June 2022, deferred tax assets in the amount of USD 35,881 thousand are expected to be recovered or settled within twelve months after the reporting period (30 June 2021: USD 12,570 thousand).

As of 30 June 2022, based upon projections for future taxable income over the periods in which the taxable temporary differences are anticipated to reverse, management believes it is probable that the Group will realize the benefits of deferred tax assets of USD 14,564 thousand (2021: USD 11,810 thousand) recognized with respect to tax losses carried forward by the subsidiaries. The amount of future taxable income required to be generated by the Subsidiaries to utilize the tax benefits associated with the tax loss carried forward is approximately USD 80,911 thousand (2021: USD 65,611 thousand). However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

As of 30 June 2022, unrecognized deferred tax assets arising from tax losses carried forward by the Group's subsidiaries amounted to USD 5,529 thousand (30 June 2021: USD 5,694 thousand).

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries as it is able to control the timing of the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (after offset) as they are presented in the Consolidated Statement of Financial Position:

	As of 30 June 2022	As of 30 June 2021
Deferred tax assets	41,568	15,098
Deferred tax liabilities	(21,893)	(20,806)
Net deferred tax assets/(liabilities)	**19,675**	**(5,708)**

27. Revenue

The Group's revenue was as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Revenue from agriculture commodities merchandizing	2,743,079	2,672,636
Revenue from edible oils sold in bulk, meal and cake	2,314,603	2,704,993
Revenue from bottled sunflower oil	209,475	172,495
Revenue from farming	38,967	26,899
Revenue from transshipment services	16,999	14,087
Revenue from grain silo services	8,422	3,690
Total	**5,331,545**	**5,594,800**

Revenue is obtained principally from the sale of commodities, recognized once the control of the goods has transferred from the Company to the customer. Revenue derived from freight, storage and other services is recognized over time as the service is rendered. Disaggregated revenue for each reportable segment is presented in the Note 6.

The transaction price allocated to unsatisfied performance obligations as of 30 June 2022 is USD 434 thousand (30 June 2021: USD 7,607 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in July 2022, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 30 June 2022.

For the year ended 30 June 2022, hedge accounting realized result decreased Revenue from edible oils sold in bulk, meal and cake by USD 23,952 thousand (30 June 2021: USD 52,354 thousand).

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

28. Cost of Sales

Cost of sales was as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Cost of goods for resale and raw materials used	4,117,421	4,245,339
Shipping and handling costs	366,778	365,389
Amortization and depreciation	120,790	111,419
Payroll and payroll related costs	65,051	74,384
Rental payments	1,818	10,656
Other operating costs	20,115	14,685
Total	**4,691,973**	**4,821,872**

For the year ended 30 June 2022 result on operations with commodity futures, options and unrealized forwards, included within Cost of goods for resale and raw materials used line, decreased Cost of sales for the amount of USD 204,835 thousand (2021: USD 281,799 thousand decrease). For details, please refer to Note 4.

29. Other Operating Income/(Expenses), net

Other operating income/(expenses), net was as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Other operating income		
Contracts wash-out (price difference settlement)	48,258	77,063
Stock-take	8,481	9,894
Demurrage, dispatch fees and other fines	4,979	2,464
Gain on operations with derivatives	—	10,552
Gain on operations with securities	—	5,387
Other operating income	1,976	5,908
Total	**63,694**	**111,268**
Other operating expenses		
Loss on operations with securities	(33,227)	—
Loss on operations with derivatives	(11,483)	—
Total	**(44,710)**	**—**
Net other operating income	**18,984**	**111,268**

The Group enters wash-out contracts in order to reduce administrative time and cost, these contracts can be offset based on a mutual agreement with the same partners who sold or purchased commodities.

30. General, administrative and selling expenses

General, administrative and selling expenses were as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Payroll and payroll related costs	180,206	276,937
Audit, legal and other professional fees	11,392	9,874
Amortization and depreciation	8,500	5,012
Repairs and material costs	7,639	7,372
Taxes other than income tax	4,611	2,399
Business trip expenses	3,686	3,875
Bank services	2,644	2,577
Expense relating to leases of low-value assets	2,532	1,219
Communication expenses	1,693	1,663
Insurance	1,130	1,333
Other expenses	6,372	6,023
Total	**230,405**	**318,284**

Audit, legal and other professional fees for the year ended 30 June 2022 include the auditor's remuneration in the amount of USD 706 thousand and remuneration for non-audit services of USD 77 thousand (for the year ended 30 June 2021: USD 717 thousand and USD 294 thousand, respectively). No consultancy services were provided by the auditors for the respective period.

31. Loss on Impairment of Assets

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

As the result of testing, the Group has recognized an impairment charge against goodwill, property, plant and equipment and intangible assets in the amount of USD 47,677 thousand, USD 51,165 thousand and USD 27,107 thousand, respectively, belonging to the Oilseed Processing and Farming CGUs (Note 19).

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Besides, the Group has recognized an impairment of assets classified as held for sale in the amount of USD 92,920 thousand (Note 15).

Also, the Group suffered impairment loss on cryptocurrency in the amount USD 34,075 thousand.

The Group recognized the write-off of inventories in the amount of USD 10,838 thousand, due to the suspension of export and subsequent expiration date of the goods as well as destruction as a result of military actions.

Also, the Group created allowance for inventories located at the temporary occupied territories in the amount of USD 53,127 thousand.

32. Finance Costs and Income

Net finance costs were as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Finance costs expensed		
Interest on corporate bonds	(50,473)	(78,126)
Interest on lease liabilities	(42,074)	(44,803)
Interest expense on bank loans	(34,048)	(16,548)
Other finance costs	(3,954)	(8,232)
Total	**(130,549)**	**(147,709)**
Finance income		
Interest received on financial assets held for cash management	10,732	4,908
Other financial income	590	1,042
Total	**11,322**	**5,950**
Net finance costs	**(119,227)**	**(141,759)**

33. Other Expenses, net

Other (expenses)/income, net was as follows:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Gain on disposal of property, plant and equipment	2,570	2,628
Fines and penalties (Note 35)	(1,360)	(1,959)
Social spending	(26,271)	(3,923)
Total	**(25,061)**	**(3,254)**

34. Transactions with Related Parties

Related parties are the Beneficial Owner and companies under control of the Beneficial Owner, the Group's key management personnel, entities under Key Management control and other related parties, which has significant influence over the reporting entity.

The Group had the following balances outstanding with related parties from sales or purchases of goods and services:

Related party	Statement of Financial Position line	Related party balances as of 30 June 2022	Related party balances as of 30 June 2021
Entities under Beneficial Owner control	Trade accounts receivable, net	1,763	7
	Other financial assets	8,849	12,037
	Non-current financial assets	19,552	11,460
	Trade accounts payable	768	9,644
	Advances from customers and other current liabilities	20,000	998
Key management	Non-current financial assets	2,099	189
	Advances from customers and other current liabilities	5,545	27,383
	Other financial liabilities	964	—
	Other non-current liabilities	37,970	—
Entities under Key Management control	Other financial assets	18,304	769
	Non-current financial assets	1,325	19,704
Other related parties	Trade accounts receivable, net	44,333	762
	Prepayments to suppliers	6,590	—
	Other financial assets	4,433	3,277
	Non-current financial assets	11,324	6,331
	Trade accounts payable	13,468	297
	Advances from customers and other current liabilities	308	1,090
	Other financial liabilities	15,015	3

The management of the Group has been provided with options to sale shares of the Holding to the Company according to a management incentive plan adopted at the Extraordinary General Meeting of Shareholders held on 30 August 2021, which was initially recognized in equity and fair value of which as of 30 June 2022 amounted to USD 35,370 thousand and were recognized in Other non-current liabilities (Note 2).

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

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for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

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

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

Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	Related party transactions for the year ended 30 June 2022	Related party transaction for the year ended 30 June 2021
Entities under Beneficial Owner control	Revenue	2,786	1,838
	Cost of sales	(7,716)	(28,458)
	Finance income	1,246	1,074
Key management	General, administrative and selling expenses	(378)	(29,423)
Entities under Key Management control	Finance income	1,017	706
Other related parties	Revenue	43,945	137
	Cost of sales	(690)	(402)
	Finance income	1,876	529
	General, administrative and selling expenses	(704)	(704)
	Other income/(expenses), net	559	499

Change of fair value of options provided to key management as of 30 June 2022 resulted in gain recognized in General, administrative and selling expenses in the amount of USD 8,912 thousand.

The Group key management personnel are the members of the Board of Directors and management team. The remuneration of Directors and other members of key management personnel recognized in the Consolidated Statement of Profit and Loss including salaries and other current employee benefits amounted to USD 9,007 thousand (for the year ended 30 June 2021: USD 29,834 thousand). Members of the Board of Directors and management team are not granted any pensions, retirement, or other long-term benefits by the Group.

35. Commitments and Contingencies

Retirement and Other Benefit Obligations

Employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 30 June 2022 were USD 17,511 thousand (2021: USD 20,901 thousand).

The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance some post-retirement benefits of its former employees. The only obligation of the Group with respect to this pension plan is to make the specified contributions. As of 30 June 2022 and 2021, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 30 June 2022, the Group had commitments under contracts with a group of suppliers for a total amount of USD 32,595 thousand, mostly for the construction of an oilseed crushing plant (30 June 2021: USD 50,062 thousand, mostly for the construction of an oilseed crushing plant).

Contractual Commitments on Sales

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

As of 30 June 2021, the Group had entered into commercial contracts for the export of 3,296,959 tons of grain, 198,077 tons of sunflower oil and 305,642 tons of sunflower meal and other related products, corresponding to an amount of USD 784,281 thousand, USD 220,702 thou-sand and USD 112,012 thousand, respectively, in contract prices as of the reporting date.

Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 June 2022, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers (the "Stiomi Sellers") in respect of the non-fulfilment of the Stiomi Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiomi Sellers in which the Stiomi Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the Stiomi Sellers an aggregate amount of approximately USD 30,300 thousand.

The Stiomi Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding

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to USD 5,944 per day since the date of the initial arbitral award in late February 2019), and have initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, as well as took actions to enforce the payment of the arbitral award. The Group disputes the Stiomi Seller's claims for interest due.

In Switzerland, the Stiomi Sellers have obtained attachment orders against certain bank accounts of the Group. The proceeds of these attachments were allocated to the Stiomi Sellers by the debt collection office. The amount frozen, however, did not exceed some tens of thousands Swiss Francs. The Stiomi Sellers have also obtained an attachment on intergroup receivables. Furthermore, former counsel to the Stiomi Sellers has also obtained a Swiss attachment order against one of the Stiomi Sellers on the basis of unpaid fees in an amount of close to EUR 6,000 thousand.

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

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

Facing such uncertainty as to the identity of its creditors, the Group filed a request for discharge payment in March 2020 before the Swiss courts. After having heard all the parties involved, the Swiss court have rendered a judgement in June 2021 granting the Group's prayers for relief. Following an appeal launched by the third party, the above-mentioned judgement has been confirmed and became enforceable in late January 2022.

On 16 December 2020, the Stiomi Sellers filed a bankruptcy petition against Kernel in Luxembourg. The judgment was rendered on 15 January 2021 in favor of Kernel as the Luxembourg court agreed that the conditions of bankruptcy were not fulfilled in the case at hand.

Meanwhile, criminal investigations have been conducted in Ukraine against this third-party. In this context, it appears that the investigators have come to the conclusion that the signature of Mrs. Stadnyk on the power of attorney used for the alleged assignment was genuine. The Stiomi Sellers challenge this finding.

On the other hand, the Group has discovered, in September 2021, that some of the Stiomi Sellers initiated criminal proceedings against the third party, claiming that the assignment agreement is a forged document. Kernel also discovered that the Stiomi Sellers have extended their complaint against Kernel and possibly Kernel officers. Swiss jurisdiction has been confirmed and the investigation appears to be ongoing. So far, Kernel has not been auditioned and has no possibility to access the file. Kernel has provided to the Public Prosecutor of Geneva a spontaneous letter with the purpose of clarifying facts and to demonstrate that accusations against the Group are unfounded/contradicted by robust evidence.

From a civil perspective, as of 30 June 2018, the Group recognized a provision regarding the arbitral and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The carrying amount of the payables for legal claims was USD 38,387 thousand as of 30 June 2022 (2021: USD 36,217 thousand), and related expenses in the amount of USD 2,170 thousand were recognized within the year ended 30 June 2022 (2021: USD 2,170 thousand) and included within the line "Other expenses, net".

As of 30 June 2022, one of the Group's subsidiaries in Switzerland has uncertain tax positions which may result in economic outflow although timing of this is uncertain due to early stage of this matter.

As of 30 June 2022, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 97,287 thousand (30 June 2021: USD 101,601 thousand), from which USD 82,260 thousand related to VAT recoverability (30 June 2021: USD 87,687 thousand), USD 14,777 thousand related to corporate income tax (30 June 2021: USD 13,578 thousand) and USD 250 thousand related to other tax issues (30 June 2021: USD 328 thousand).

As of 30 June 2022, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 89,796 thousand (30 June 2021: USD 21,702 thousand), included in the abovementioned amount. Out of this amount, USD 4,787 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2021: USD 4,507 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

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

Key aspects of the Ukrainian tax system are the following:

- Ukraine operates a classic corporate income tax system, under which taxable profit of companies (i.e., financial profit adjusted by tax differences) is subject to 18% corporate income tax ("CIT").
- Transfer pricing rules apply to transactions with related non-residents and "low-tax" non-residents (i.e., non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company's minimum income threshold of UAH 150 million and turnover threshold with each separate non-resident of UAH 10 million.
- Domestic supply of goods and services, as well as the import of goods and certain services, are subject to value-added tax at the standard rate of 20%. Reduced tax rate of 0% applies to the export of goods from Ukraine. Starting from March 2021, also 14% tax rate applies to the domestic supply and import of certain agricultural commodities.
- Payment of passive income (i.e., interest, royalties, dividends etc.) to non-residents is subject to withholding tax at a standard 15% rate unless

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double tax treaties or the Tax Code of Ukraine provide another tax rate.
- Agricultural producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies.
- In March 2022 significant changes to the Tax Code of Ukraine have been introduced as a result of the war and adoption of Marital Law in Ukraine. Amongst others, these changes released the taxpayers from financial liability for any tax and other violations of legislation, the compliance with which is monitored by the customs and tax authorities, if such violations occur as a result of the force majeure circumstances (the war following the military aggression of the Russian Federation). At the same time, such obligations must be fulfilled immediately after the termination of the force majeure circumstances. The Law has also temporarily suspended certain types of tax audits, including transfer pricing audits. In May 2022 another Law has been adopted partially reinstating the taxpayers' obligations and the tax authorities' right to initiate tax audits.

- During Martial Law, taxpayers may opt to voluntarily transfer from general taxation regime to the special tax regime whereby the tax rate of 2% from revenue is applied. Once Marital Law is no longer in force, taxpayers having chosen the special regime will be obliged to return to the general taxation regime.
- In February 2022 the National Bank of Ukraine imposed restrictions on the purchase of foreign currency and cross-border cash transfers in import transactions. Temporarily it has been prohibited to purchase foreign currency for executing the payments for the import of certain goods, services, work, intellectual property rights, apart from the payments for goods from the so called "critical import" list. In July 2022 these restrictions have been eased, but still continue to apply to certain transactions.
- On 18 January 2022 the Ministry of Finance of Ukraine introduced the new Order "On the approval of procedures of determining "arm's length" principle in transactions with commodities". In particular, the Order set the priority of application of the comparable uncontrolled price method to related party transactions in soft commodities, including various agriproducts. It was also specified that the taxpayers trading in soft commodities are obliged to use the so called "quoted prices" taken from the sources of information recommended by the fiscal authorities. Certain clarifications have also been provided on the performance of functional analysis, the determination of the tested party for other transfer pricing methods, comparability adjustments, etc. New rules will take effect from 1 January 2023.
- Starting from 7 March till 21 July 2022 the special rules which determine the procedures of VAT refund in Ukraine were suspended. During this period the taxpayers were unable to declare and obtain VAT refund. The process is still difficult due to the shortage of funds in the state budget.
- The earlier adopted CFC rules came into force from 1 January 2022. In particular, from this date the Ukrainian resident individuals or legal entities controlling CFCs are obliged to submit notifications to the tax authorities in case of an acquisition / alienation of a share in a CFC, set up of new CFC or liquidation of the existing CFC, commencement / termination of actual control over the CFC and in some other cases. The calendar year 2022 is the first period for the submission of the CFC report declaring its profits.
- Starting from 4 June 2022, the tariff restrictions provided in the EU-Ukraine Association Agreement have been suspended, namely all tariff quotas for agricultural products; antidumping duties; global safeguards actions against Ukrainian goods.
- Ukraine ratified the Protocol amending the double tax treaty with United Arab Emirates. The Protocol entered into force on January 1, 2022 and, among other changes, modified withholding tax rates applied to the payments of royalties (with the increase from zero rate on certain IP rights to 5-10%) and interest income (5% instead of 3%). Also, the Protocol introduces the principal purpose test.
- Diia City regime providing for special tax benefits for IT companies was adopted in Ukraine. Among other novelties, this regime introduces certain protection from excessive interference from state bodies and control over IT business, simplification of formalities with hiring IT specialists (including special "gig-contracts"), reduced income tax and payroll tax rates for qualifying IT businesses.

36. Financial risk management

Capital Risk Management

The Group manages its capital, which is attributable to equity holders to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. Management considers the cost of capital and risks associated with each class of capital. Based on recommendations from management, the Group balances its overall capital structure through the payment of dividends, new share issues, repurchase of own shares as well as the issue of new debt or the redemption of existing debt. The Group monitors capital based on the carrying amount of equity, borrowings less cash and cash equivalents as presented in the statement of financial position

The Group is not subject to any externally imposed capital requirements, except for bank borrowing covenants imposed by external lenders

Gearing Ratio

Management reviews the capital structure of the Group, taking into consideration the seasonality of the activity of the Group. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Following its listing on the WSE, the Group's management considers that the gearing ratio should not exceed 150%.

	As of 30 June 2022	As of 30 June 2021
Equity [1]	1,683,188	1,946,150
Debt liabilities [2] (Notes 23, 24, 25)	1,935,289	1,409,625
Less cash and cash equivalents (Note 9)	(447,625)	(574,040)
Net debt	1,487,664	835,585
Net debt liabilities to capital	**88.4%**	**42.9%**

Financial Risk

The Group is exposed to financial risk in the result of normal course of business and include following risks:
- Credit risk

[1] Equity includes issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings, other reserve and translation reserve attributable to Kernel Holding S.A. shareholders.
[2] Debt includes short-term and long-term borrowings, obligations under finance leases, bonds issued and accrued interest. Debt liabilities do not include the liabilities associated with assets held for sale.

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- Liquidity risk
- Market risk

Risk management policies have been established to identify, assess and analyze the risks faced by the Group, to manage and continuously improve an effective risk management and monitoring system, spreading the culture of decision-making in terms of risks, their valuation and likelihood of occurrence. The Group coordinates roles and participants through training, management standards and procedures.

Credit Risk

Credit risk is the risk of financial loss to the Group if counterparties may not be able to settle its contractual obligations due to the Group within their agreed payment terms.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which the major customers operate, has less of an influence on credit risk.

The management of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales limits are established for each customer, which represent the maximum open amount without requiring approval from the management of the Group. These limits are reviewed annually. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit, insurance arrangements and bank guarantees. The Group holds collaterals against loans provided to farmers in the form of future harvest and immovable property in the quantity that covers loans provided according to market price. The Group's applied policy about expected credit losses which is disclosed in the Note 9 for all trade receivables. Other financial assets at amortized cost include loans to related parties, key management personnel and other receivables have a low credit risk.

The Group's most significant customer is an international customer, who accounted for USD 43,708 thousand out of total trade accounts receivable as of 30 June 2022 (30 June 2021: one international customer accounted for USD 88,428 thousand).

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, as well as availability of funding through the adequacy of the banking facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Management diversifies funding sources to ensure that sufficient liquidity is maintained to meet liquidity requirements

As of 30 June 2022, the carrying amount of the Group's maximum exposure to financial obligations (including lease liabilities) was USD 2,369,576 thousand (30 June 2021: USD 1,706,018 thousand).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2022 and 2021. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
30 June 2022						
Non-derivative financial liabilities						
Trade accounts payable	161,342	(161,342)	(161,342)	—	—	—
Borrowings (Note 23)	1,093,087	(1,115,820)	(1,115,820)	—	—	—
Bonds issued (Note 25)	602,650	(760,125)	(760,125)	—	—	—
Other financial liabilities	105,407	(105,407)	(105,407)	—	—	—
Other non-current liabilities	38,871	(38,871)	—	(451)	(35,820)	(2,600)
Total	**2,001,357**	**(2,181,565)**	**(2,142,694)**	**(451)**	**(35,820)**	**(2,600)**
Derivatives						
Derivative financial instruments	23,130	(23,130)	(23,130)	—	—	—
Total	**23,130**	**(23,130)**	**(23,130)**	**—**	**—**	**—**
30 June 2021						
Non-derivative financial liabilities						
Trade accounts payable	150,061	(150,061)	(150,061)	—	—	—
Short-term borrowings (Note 23)	13,888	(13,903)	(13,903)	—	—	—
Long-term borrowings (Note 23)	249,455	(281,555)	(29,745)	(36,747)	(113,242)	(101,821)
Bonds issued (Note 25)	821,790	(1,031,632)	(271,507)	(39,750)	(390,000)	(330,375)
Other financial liabilities	185,160	(185,160)	(185,160)	—	—	—
Other non-current liabilities	1,216	(1,216)	—	(608)	(608)	—
Total	**1,421,570**	**(1,663,527)**	**(650,376)**	**(77,105)**	**(503,850)**	**(432,196)**
Derivatives						
Derivative financial instruments	93,758	(93,758)	(93,758)	—	—	—
Total	**93,758**	**(93,758)**	**(93,758)**	**—**	**—**	**—**

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The concentration of liquidity risk is limited due to different repayment terms of financial liabilities and sources of borrowing facilities.

Market Risk

The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency Risk

The functional currency of the majority of the Group's Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil and transshipment services, for which USD was selected as the functional currency.

Currency risk is a risk of financial impact due to exchange rate fluctuations related to transactions and balances in currency other than functional currency. The Group enters into such transactions denominated in other currencies, which include capital expenditures, operating expenses, certain sales of goods and recognized assets and liabilities denominated in a currency that is not the functional currency of entity. Exposure of currency risk are managed by utilizing currency forward contracts and fulfill comparative analysis between subsidiaries.

Management of the Group mitigates the influence of currency risk in Ukrainian hryvnia through export sales expressed in USD and EUR: for the year ended 30 June 2022, out of total sales USD-denominated sales stated USD 4,804,274 thousand, and EUR-denominated sales were in the amount of USD 308,052 thousand. Export sales represented 95.4% of the total sales volume.

Interest and principal on borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in USD. This provides the Group with a natural hedge against currency risk and no derivatives are required to cover such risk.

The table below covers UAH and USD denominated assets and liabilities carried by Subsidiaries having balances in currencies other than functional currencies.

The Group's exposure to foreign currency risk including the balances outstanding between the Group's companies as of 30 June 2022 and 2021 was as follows:

	30 June 2022		30 June 2021	
	UAH	**USD**	**UAH**	**USD**
Cash and cash equivalents	2,594	2,551	1,395	5,333
Trade accounts receivable	74,149	116,267	33,436	62,706
Other financial assets	14,506	—	54,010	—
Trade accounts payable	(59,423)	(2)	(123,359)	(920)
Other financial liabilities	(312,053)	—	(429,078)	(214)
Current portion of lease liabilities (Note 24)	(1,226)	(828)	(302)	(1,070)
Other non-current liabilities	(417)	—	(458)	—
Borrowings from Ukrainian subsidiary of European bank (Note 23)	(110,762)	—	(5,915)	—
Borrowings from Ukrainian bank (Note 23)	(44,069)	—	—	—
Borrowings European Bank (Note 23)	—	(18,358)	—	(87,230)
Lease liabilities (Note 24)	(12,147)	(114)	(1,959)	(803)
Net exposure	**(448,848)**	**99,516**	**(472,230)**	**(22,198)**

The following table details the Group's sensitivity to a 10 % change of the UAH against the USD would prompt a fluctuation in the equity and profit and loss account by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis includes only outstanding monetary items denominated in currency other than functional currency.

A strengthening/depreciation of the Ukrainian hryvnia against US dollar at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss before income tax by the amounts shown below:

	30 June 2022		30 June 2021	
	Strengthening	**Depreciation**	**Strengthening**	**Depreciation**
UAH (10% movement)	(53,932)	55,942	(45,205)	44,757

Interest Rate Risk

The Group's main interest rate risk arises from bank borrowings and lease liabilities with variable rates, which expose the group to cash flow interest rate risk.

The sensitivity analysis below has been determined based on exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point ('bp') increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of reasonably possible changes in interest rates.

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The interest rate profile of the Group's interest-bearing financial instruments and its sensitivity to increase or decrease of variable interest rate was as follows:

	Carrying amount as of 30 June 2022	Gain/(loss) on profit for the year (before income tax) due to change of variable rate		Carrying amount as of 30 June 2021	Gain/(loss) on profit for the year (before income tax) due to change of variable rate	
		100 bp higher	100 bp lower		100 bp higher	100 bp lower
Fixed rate	1,288,027	—	—	1,149,104	—	—
Variable rate	755,510	(7,555)	7,555	260,521	(2,605)	2,605
LIBOR	585,920	(5,859)	5,859	260,521	(2,605)	2,605
SOFR	157,118	(1,571)	1,571	—	—	—
COF	12,472	(125)	125	—	—	—
Total	**2,043,537**	**(7,555)**	**7,555**	**1,409,625**	**(2,605)**	**2,605**

The Group does not use any derivatives to manage interest rate risk exposure. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Commodity Price Risk

The Group exposes price volatility of the sunflower oil, agricultural products produced and agricultural commodities. The Group manages a significant part of this exposure through derivative transaction to limit this risk. The Group hedged commodity price risk exposure arising from the changes in sunflower oil market price using forward contracts till the beginning of full-scale military actions and ceasing of delivery through Ukrainian Black Sea ports. The Group also enters into the other forward contracts in relation to mitigate risk for the next 12 month that do not satisfies the requirements for the hedge accounting. They are subject to the management risk policy and accounted as held for trading, with gain and loss recognized in profit or loss.

As of the year ended 30 June 2022, accumulated loss resulted from change in fair value of hedging instruments under cash flow hedge accounting was fully absorbed due to interruption of hedge accounting mostly as a result of full-scale Russian invasion into Ukraine (30 June 2021: USD 1,736 thousand). The Other reserves included cash flow hedge reserve representing the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges, which is attributable to the shareholders of the Group. The remaining part of cash flow hedge reserve is included in non-controlling interests. There were no derivative financial instruments outstanding as at 30 June 2022. The fair value of expired commodity price contract as well the hedged item is recorded in Revenue.

The Group's risk management strategies are aligned with the requirements of IFRS 9 and are thus the designated derivatives are treated as cash flow hedges under IFRS:

	Year ended 30 June 2022	Year ended 30 June 2021
Cash flow hedge reserve at the beginning of the period	**(1,736)**	**(5,644)**
Gain arising on changes in fair value of hedging instruments during the period	57,797	55,713
(Loss)/Gain arising on hedges ineffective-ness	(21,790)	220
Loss reclassified to profit or loss – hedged item has affected profit or loss	(23,952)	(52,353)
(Loss)/Gain reclassified to profit or loss – forecast transaction no longer expected to occur	(10,319)	328
Cash flow hedge reserve at the end of the period	**—**	**(1,736)**

The Group measures and limit price risk using a Value at Risk measure for physical marketing exposures and related derivatives instruments.

Value at Risk (VaR) is a statistical estimate of the potential loss in value of positions due to adverse market movements. The companies use VaR approach based on a one-day time horizon with 95 percent confidence level utilizing a Log-Normal assumption of Returns. Parameters are estimated using an Exponentially Weighted Moving Average over a 75 days period with a weight of 0.94. Market risk VaR was USD 6,897 thousand as of 30 June 2022 (30 June 2021: USD 5,538 thousand).

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR model does not capture the liquidity of different risk positions and therefore does not estimate potential losses if the company liquidates large positions over a short period of time.
- VaR is based on historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

37. Financial Instruments

The following tables gives information on the carrying and fair values of the financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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As at 30 June 2022 and 2021, the financial assets and liabilities are presented by class in the tables below at their carrying values:

	As at 30 June 2022			As at 30 June 2021		
	Amortized cost	**FVTPL [1]**	**Total**	**Amortized cost**	**FVTPL [1]**	**Total**
Assets						
Cash and cash equivalents (Note 9)	447,625	—	**447,625**	574,040	—	**574,040**
Trade accounts receivable (Note 0)	142,738	—	**142,738**	381,124	—	**381,124**
Other financial assets (Note 14) of which	123,727	—	**123,727**	157,144	—	**157,144**
Margin account with brokers	77,136	—		119,376	—	
Loans granted	43,760			27,535	—	
Short-term bank deposits	—	—		3,680	—	
Other financial assets	2,831	—		6,553	—	
Other financial assets (Note 14) of which	—	82,084	**82,084**	—	137,012	**137,012**
Derivative financial instruments	—	48,879		—	130,480	
Corporate and government bonds	—	33,205		—	6,532	
Non-current financial assets	45,019	7,513	**52,532**	38,809	7,513	**46,322**

	As at 30 June 2022			As at 30 June 2021		
	Amortized cost	**FVTPL [1]**	**Total**	**Amortized cost**	**FVTPL [1]**	**Total**
Liabilities						
Trade accounts payable	161,342	—	**161,342**	150,061	—	**150,061**
Borrowings (Note 23)	1,093,087	—	**1,093,087**	263,343	—	**263,343**
Bonds issued and interest accrued (Note 25)	602,650	—	**602,650**	821,790	—	**821,790**
Other financial liabilities (Note 22) of which	105,407	—	**105,407**	185,160	—	**185,160**
Payable for legal claims	38,387	—		36,217	—	
Payable from profit-sharing arrangement	32,626	—		133,802	—	
Accounts payable for property, plant and equipment	7,884	—		13,199	—	
Other current liabilities	26,510	—		1,942	—	
Other financial liabilities (Note 22) of which	—	23,130	**23,130**	—	93,758	**93,758**
Derivative financial instruments	—	23,130		—	93,758	
Other non-current liabilities	38,871	—	**38,871**	1,216	—	**1,216**

Information about the gains and losses on derivatives within Other financial assets and liabilities at FVTPL is recognized within Revenue and Cost of sales and disclosed in Notes 27 and 28. There were no gains and losses related to other assets and liabilities at FVTPL during the year ended 30 June 2022 and 2021.

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

	As of 30 June 2022		As of 30 June 2021	
Financial liabilities [2]	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Bonds issued (Note 25)	602,650	319,800	821,790	869,180

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

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

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

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

[1] FVTPL – Fair value through profit and loss.
[2] Including accrued interests

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

The following table below represents the fair values of the derivative financial instruments including trade related financial and physical forward purchase as at 30 June 2022 and 2021:

	As at 30 June 2022			As at 30 June 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Other financial assets						
Forwards	—	10,448	**10,448**	—	63,257	**63,257**
Futures/Options	38,431	—	**38,431**	61,901	—	**61,901**
Derivatives held for hedging	—	—	**—**	—	5,322	**5,322**
Other financial liabilities						
Forwards	—	22,185	**22,185**	—	92,592	**92,592**
Futures/Options	945	—	**945**	913	—	**913**
Derivatives held for hedging	—	—	**—**	—	253	**253**

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

Cash and cash equivalents and short-term borrowings are classified as level 2 fair values in the fair value hierarchy due to the inclusion of directly and indirectly observable inputs. Trade receivables, other current assets and trade accounts payable, other current liabilities are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

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

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

There were no transfers between levels of fair value hierarchy.

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

Offsetting of financial assets and liabilities

As of 30 June 2022, other financial assets include collaterals for derivatives in the amount of USD 53,985 thousand (30 June 2021: USD 72,995 thousand). The cash collateral does not meet the offsetting criteria in IAS 32, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and in accordance with associated collateral arrangements.

The derivative asset and liability meet the offsetting criteria per IAS 32. Consequently, the gross derivative liability is set off against the gross derivative asset, on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognized amounts and intention either to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

The financial assets and liabilities, which meet the criteria of offsetting as at 30 June 2022 were as follows:

	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets	144,029	(105,598)	38,431	—	10,448	48,879
Derivative liabilities	1,717	(2,662)	(945)	—	(22,185)	(23,130)
Margin account with brokers	—	—	—	77,136	—	77,136
Payable to brokers	—	—	—	—	—	—
Total	**145,746**	**(108,260)**	**37,486**	**77,136**	**(11,737)**	**102,885**

The financial assets and liabilities, which meet the criteria of offsetting as at 30 June 2021 were as follows:

	Amounts set off in the statement of financial position			Amounts not set off in the statement of financial position		Total as presented in the consolidated statements of financial position
	Gross amount of financial assets	Gross amount of financial liabilities	Net amount	Margin account with brokers	Not under master netting agreements	
Derivative assets	164,084	(102,190)	61,894	—	68,586	130,480
Derivative liabilities	1,195	(2,108)	(913)	—	(92,845)	(93,758)
Margin account with brokers	—	—	—	119,376	—	119,376
Payable to brokers	—	—	—	(1,131)	—	(1,131)
Total	**165,279**	**(104,298)**	**60,981**	**118,245**	**(24,259)**	**154,967**

38. Earnings per Share

Basic earnings per share are computed by dividing net income from continuing and discontinued operations available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (as of 30 June 2022 and 2021, 77,429,230 and 84,031,230, respectively shares and weighted average number of ordinary shares in the number of 80,187,230 and 84,031,230 shares for the periods then ended, respectively),

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

Notes to the Consolidated Statements continued

for the year ended 30 June 2022 (in thousands of US dollars, unless otherwise stated)

excluding any dilutive effects of stock options. Diluted earnings per share are computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such an exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, an average number of 80,187,230 ordinary shares is taken into account (30 June 2021: 84,031,230).

39. Subsequent Events

In addition to the subsequent events disclosed in Notes 3 and 4 there were the following subsequent events.

On 15 July 2022, the Company received a written notice from Mrs. Pieternel Boogaard, a non-executive director, about her resignation from the Board of Directors of the Company, which was approved by the Board of Directors on 14 September 2022.

On 14 September 2022, the Board of Directors also approved the co-optation of Mr. Mykhaylo Mishov as a new non-executive director of the Company in replacement of Mrs. Pieternel Boogaard until ratification thereto by the next general meeting of shareholders of the Company.

On 23 September 2022, the Extraordinary General Meeting of Shareholders was held. According to one of the adopted resolutions, the Company approved the creation of an authorized share capital of the Company, excluding the current issued share capital, of an amount of USD 5,704 thousand consisting of 216,000,000 shares without nominal value.

During July-October 2022, the Group settled the current portion of capital expenditure financing in the amount of USD 12,744 thousand and part of the working capital financing in the amount of USD 145,760 thousand. Additionally, the Group obtained USD 32,564 thousand from Ukrainian banks within new loan agreements.

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

Corporate information

Headquarters
3 Tarasa Shevchenka Lane,
Kyiv, Ukraine, 01001
Tel.: +38044 4618801
Fax: +38044 4618864

Registered office
Kernel Holding S.A.
9, rue de Bitbourg
L-1273 Luxembourg

Registered number
B109173

Auditors
PwC Société cooperative,
2, rue Gerhard Mercator B.P.
L-1014 Luxembourg

Investor relations
Mr. Yuriy Kovalchuk,
Corporate Investments Director
Mr. Michael Iavorskyi,
IR Manager
Mr. Illia Ishchenko,
IR Manager
ir@kernel.ua

3 Tarasa Shevchenka Lane,
Kyiv, Ukraine, 01001
Tel.: +38044 4618801, ext. 72-75

Kernel Holding S.A. Investor Calendar

Q1 FY2023 Operations Update	16 November 2022
Q1 FY2023 Financial Report	30 November 2022
Annual general shareholders' meeting	16 December 2022
Q2 FY2023 Operations Update	20 January 2023
H1 FY2023 Financial Report	28 February 2023
Q3 FY2023 Operations Update	21 April 2023
Q3 FY2023 Financial Report	31 May 2023
Q4 FY2023 Operations Update	21 July 2023
FY2023 Financial Report	25 October 2023

Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Shares issued as of 30 June 2022	84,031,230[1]
Bloomberg	KER PW
Refinitiv Eikon ticker	KER.WA
ISIN code	LU0327357389

Cautionary statement

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

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[1] Including 6,602,000 of treasury shares.