H1 FY2024

KERNEL

Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2023

Condensed Consolidated Interim Financial Statements

for the three and the six months ended 31 December 2023

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Management Discussion and Analysis

for the three and the six months ended 31 December 2023

Income statement highlights

- The consolidated **revenue** of Kernel Holding S.A. group of companies (hereinafter "Kernel", the "Company", or the "Group") in Q2 FY2024 decreased by 16% y-o-y, to USD 1,044 million, attributable to lower grain and sunflower oil prices. At the same time, revenues in October-December 2023 almost doubled as compared to the previous quarter, driven by increased exports via Black Sea ports, which were unavailable for operations during the first three months of FY2024.
- **Net loss arising from changes in the fair value of biological assets** amounted to USD 12 million in Q2 FY2024, on the back of low grain and oilseeds prices.
- Reflecting the revenue dynamics, the Group's **cost of sales** in Q2 FY2024 declined 14% y-o-y (but added 68% q-o-q), to USD 813 million.
- As a result, **gross profit** for the last three months of 2023 decreased by 26% y-o-y but boosted 4.2x q-o-q, landing at USD 218 million.
- **Other operating income** for three months ending 31 December 2023 totaled USD 41 million, primarily consisting of a received one-off insurance payment of USD 33 million for property damage and business interruption.
- **Other operating expenses** during the reporting period amounted to USD 11 million, largely attributed to losses incurred from demurrage, dispatch, and other fines.
- **General and administrative expenses** in Q2 FY2024 decreased by 10% y-o-y, reaching USD 53 million, reflecting lower payroll-related costs.
- **Net impairment losses on financial assets** came to USD 12 million, reflecting the provisions recognized on the Group's accounts receivable.
- The Group also recognized USD 9 million **net loss from impairment of assets**, comprising write-offs of inventories and PP&E due to Russian attacks on Group's port infrastructure, but also reversals from a previously recognized loss.
- Kernel's **EBITDA** in Q2 FY2024 dropped by 26% y-o-y to USD 205 million, with segment contributions being as follows:
  - The **Oilseed Processing** segment generated USD 76 million in EBITDA, marking a 15% growth y-o-y and 30% up q-o-q. This growth was propelled by strong sales volumes of sunflower oil and meal, seasonally strong crush margins, and supported also by the contribution from the renewable energy business line.
  - The **Infrastructure and Trading** segment achieved USD 37 million in EBITDA in Q2 FY2024, marking a remarkable 5x growth compared to the previous quarter. This growth can be attributed to the robust performance of the export terminals and grain trading business, fueled by the re-opening of Ukrainian deep-water Black Sea ports for export operations, and decent result from the Avere prop-trading arm. However, the additional USD 12 million provisions on accounts receivable were recognized given the deterioration of the financial position of counterparties.
  - The **Farming** segment achieved USD 103 million EBITDA in Q2 FY2024, on the back of accelerated sales of crops in the reported period. Specifically, over 1 million tons of grain produced by the

US$ million except ratios and EPS	Q2 FY2023	Q1 FY2024	**Q2 FY2024**	y-o-y	q-o-q	H1 FY2023	**H1 FY2024**	y-o-y
Income statement highlights								
Revenue	1,235	546	**1,044**	*(16%)*	*91%*	1,890	**1,590**	*(16%)*
EBITDA [1]	277	19	**205**	*(26%)*	*11.0x*	446	**223**	*(50%)*
Net profit attributable to equity holders of the Company	207	(31)	**133**	*(36%)*	*n/a*	368	**102**	*(72%)*
EBITDA margin	22.4%	3.4%	**19.6%**	*(2.8pp)*	*16.2pp*	23.6%	**14.1%**	*(9.5pp)*
Net margin	16.7%	(5.6%)	**12.7%**	*(4.0pp)*	*18.4pp*	19.5%	**6.4%**	*(13.0pp)*
Earnings per share [2], US$	2.67	(0.21)	**0.45**	*(83%)*	*n/a*	4.75	**0.46**	*(90%)*
Cash flow highlights								
Operating profit before working capital changes	299	52	**224**	*(25%)*	*4.3x*	479	**277**	*(42%)*
Change in working capital	127	(111)	**4**	*(97%)*	*n/a*	(65)	**(107)**	*65%*
Finance costs paid, net	(39)	(17)	**(37)**	*(6%)*	*2.2x*	(59)	**(54)**	*(9%)*
Income tax paid	(7)	(20)	**1**	*n/a*	*n/a*	(7)	**(19)**	*2.6x*
Net cash generated by / (used in) operating activities	379	(95)	**192**	*(49%)*	*n/a*	348	**97**	*(72%)*
Net cash generated by / (used in) investing activities	82	(68)	**165**	*2.0x*	*n/a*	43	**97**	*2.3x*

	31 Dec 2022	30 Sep 2023	**31 Dec 2023**	y-o-y	q-o-q
Liquidity and credit metrics					
Net debt	1,048	620	**453**	*(57%)*	*(27%)*
Commodity inventories [3]	593	439	**448**	*(24%)*	*2%*
Adjusted net debt [4]	455	181	**4**	*(99%)*	*(98%)*
Shareholders' equity	1,801	1,760	**1,871**	*4%*	*6%*
Net debt / EBITDA [5]	11.0x	1.6x	**1.4x**	*-9.6x*	*-0.2x*
Adjusted net debt / EBITDA [5]	4.8x	0.5x	**0.0x**	*-4.8x*	*-0.4x*
EBITDA / Interest [6]	0.7x	3.5x	**3.1x**	*+2.4x*	*-0.3x*

Note: Financial year ends 30 June, Q1 ends 30 September, and Q2 ends 31 December
1 Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation
2 EPS is measured in US Dollars per share based on 77.4 million for Q2 and H1 FY2023, 147.9 million shares for Q1, 293.4 for Q2 and 220.6 million for H1 FY2024
3 Commodity inventories are inventories such as corn, wheat, sunflower oil, and other products that were easily convertible into cash before the Russian invasion of Ukraine given their commodity characteristics, widely available markets and the international pricing mechanism. The Group used to call such inventories as "Readily marketable inventories", but after the beginning of the war in Ukraine, the Group faced difficulties selling such inventories, and therefore such inventories cannot any longer be considered as readily marketable. When calculating Commodity inventories, the Group does not include inventories which are located on territories occupied by Russia and inventories which are recognized among the assets held for sale.
4 Adjusted debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt, long-term interest-bearing debt and lease liabilities, less cash and cash equivalents and commodity inventories at cost
5 Calculated based on 12-month trailing EBITDA
6 Calculated based on 12-month trailing EBITDA and net finance costs
Hereinafter differences between totals and sums of the parts are possible due to rounding

Segment results summary

	Revenue, USD million			EBITDA, USD million			Volume, thousand tons [1]			EBITDA margin, USD/t [2]		
	Q2 FY2023	Q2 FY2024	y-o-y	Q2 FY2023	Q2 FY2024	y-o-y	Q2 FY2023	Q2 FY2024	y-o-y	Q2 FY2023	Q2 FY2024	y-o-y
Oilseed Processing	687	**518**	*(25%)*	66	**76**	*15%*	345	**388**	*13%*	191	**195**	*2%*
Infrastructure and Trading	1,036	**574**	*(45%)*	62	**37**	*(40%)*	1,522	**1,705**	*12%*	41	**22**	*(47%)*
Farming	324	**147**	*(55%)*	204	**103**	*(49%)*						
Unallocated corporate expenses				(54)	**(11)**	*(79%)*						
Reconciliation	(812)	**(195)**	*(76%)*									
Total	**1,235**	**1,044**	***(16%)***	**277**	**205**	***(26%)***						

	Revenue, USD million			EBITDA, USD million			Volume, thousand tons [1]			EBITDA margin, USD/t [2]		
	H1 FY2023	H1 FY2024	y-o-y	H1 FY2023	H1 FY2024	y-o-y	H1 FY2023	H1 FY2024	y-o-y	H1 FY2023	H1 FY2024	y-o-y
Oilseed Processing	950	**899**	*(5%)*	111	**134**	*21%*	547	**757**	*39%*	202	**177**	*(13%)*
Infrastructure and Trading	1,552	**881**	*(43%)*	122	**43**	*(65%)*	2,254	**1,908**	*(15%)*	54	**23**	*(58%)*
Farming	486	**170**	*(65%)*	285	**80**	*(72%)*						
Unallocated corporate expenses				(73)	**(34)**	*(53%)*						
Reconciliation	(1,098)	**(360)**	*(67%)*									
Total	**1,890**	**1,590**	***(16%)***	**446**	**223**	***(50%)***						

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

Farming segment were sold in Q2 FY2024, capitalizing on the opportunity to export goods via the re-established grain corridor.
- **Unallocated corporate expenses** in Q2 FY2024 settled at USD 11 million, a 79% reduction y-o-y, supported by the reversal of the previously recognized losses not attributable to other segments.

At the same time, Q2 FY2024 EBITDA is 10x above the previous quarter's level, reflecting the substantial improvement in the operating conditions given the availability of the Ukrainian Black Sea ports for export operations. Nevertheless, while the operating environment improved, risks remain high, with key concerns being war-related risks in Ukraine and global low soft commodity prices.

- **Net finance costs** in Q2 FY2024 diminished by 38% y-o-y, standing at USD 19 million. While the Group incurred USD 38 million in finance costs, it also recognized an unusually high USD 19 million finance income (including USD 6 million non-cash gain recognized on the repayment of some of the Group's credit facilities with a discount to par).
- **Net foreign exchange gain** in the reporting period amounted to USD 2 million, primarily reflecting non-cash gains recognized after the revaluation of intra-group balances in local currency.
- **Other expenses** in Q2 FY2024 amounted to USD 14 million, primarily comprising USD 7 million social spending of the Group for the period, and USD 6 million provisions created under legal disputes.
- Accounting also for USD 12 million in income tax expenses, **net profit attributable to shareholders** for Q2 FY2024 amounted to USD 133 million, marking a 36% decline y-o-y but a significant improvement from the USD 31 million loss recognized in the previous quarter, highlighting the Group's earnings volatility dependent on the operating environment.

Cash flow highlights

- **Operating profit before working capital changes** in Q2 FY2024 decreased by 25% y-o-y, to USD 224 million, mirroring the trend observed in EBITDA.
- **Changes in the working capital** resulted in a cash release of USD 4 million in October-December 2023.
- **Cash inflow from investing activities** totaled USD 165 million in Q2 FY2024, primarily consisting of 1) USD 210 million withdrawal of pledged deposits previously used as collateral for certain credit facilities and 2) USD 41 million used for the purchase of property, plant, and equipment (including the purchase of a Supramax-size bulk carrier).
- **Net cash used in financing activities** during the three months ended 31 December 2023 totaled USD 622 million, including USD 644 million repayment of borrowings and USD 32 million proceeds raised from new borrowings.

Credit highlights

- As of 31 December 2023, the Group's **debt liabilities** totaled USD 995 million, marking a 39% decrease q-o-q. In December 2023, the Group made repayments exceeding USD 600 million on PXF and bilateral credit lines, considering the substantially improved export logistics environment, stabilized business outlook, and sufficient accumulated liquidity buffer.
  - Consequently, the Group's debt liabilities as of the reporting date consisted of long-term facilities arranged by EIB and EBRD (USD 181 million)[1], Eurobonds (USD 597 million), USD 32 million due to Ukrainian subsidiary of International bank, and lease liabilities totaling USD 174 million and related to farmland lease agreements and recognized under the IFRS 16 standard.
  - The Group initiated the termination of the existing standstill arrangements to eliminate operating and financing restrictions imposed by waiver letters[2] about all pre-war credit facilities. The Company will revert to the terms outlined in loan agreements with EIB and EBRD assuming the repayment of borrowings according to the originally agreed-upon schedule. This shall ensure that no "potential event of default" status continues under Eurobonds.
- As a result, the Group's **cash balance** squeezed to USD 542 million as of the end of December 2023, a 47% q-o-q decline. **Net debt**

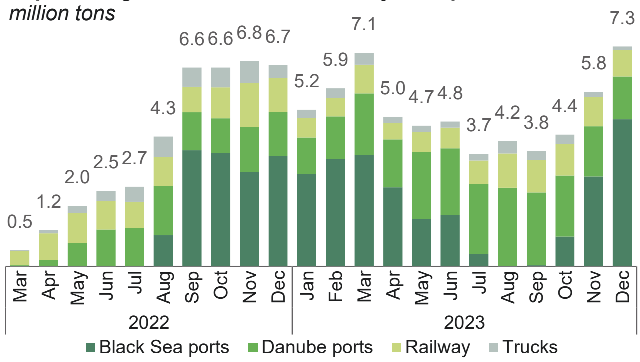
[1] As of 31 December 2023, however, such facilities were treated as short-term because the Group did not possess an unconditional right to defer the settlement of those loans until their initial contractual settlement date.

[2] See current report no 26/2023 dated 22 October 2023 for more details.

totaled USD 453 million, down 27% q-o-q.

- **Commodity Inventories**[1] ("CI") as of 31 December 2023 remained virtually unchanged as compared to the previous quarter, at USD 448 million.
  - While the Group substantially offloaded its stock of sunflower meal during Q2 FY2024, it accumulated the stock of sunflower seeds and kept flat the stock of grain. Consequently, Commodity Inventories included 1.7 million tons of grains (mostly corn and wheat), 97 thousand tons of sunflower oil, 39 thousand tons of sunflower and rapeseed meal, and 492 thousand tons of sunflower seeds as of 31 December 2023.
- As Commodity Inventories fully covered net debt, the **Net debt adjusted for CI** amounted to only USD 4 million as of 31 December 2023, representing a USD 177 million decline during Q2 FY2024.
- Consequently, the Group's **leverage** as of 31 December 2023 dropped to 1.4x Net-debt-to-EBITDA and 0.0x Adjusted-net-debt-to-EBITDA. The interest coverage ratio calculated on the last twelve-month basis remained unchanged as compared to the previous quarter, at 3.1x EBITDA-to-Interest.

Export of agricultural commodities by transport mode
million tons



Source: Ministry of Agrarian Policy and Food of Ukraine

Market environment and operations

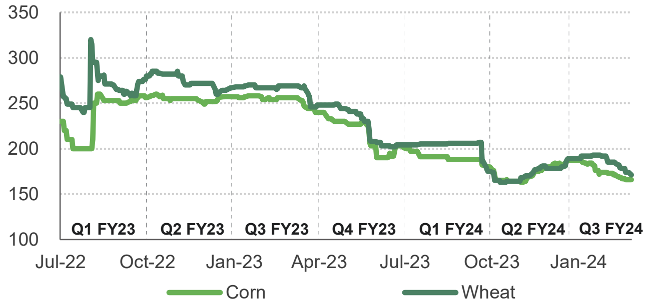
Export logistics

- **Operating environment in Q2 FY2024 substantially improved.** While deep-sea waters were inaccessible for exports from Ukraine in Q1 FY2024 and port infrastructure had been suffering from regular Russian air attacks, a temporary corridor to Ukrainian Black Sea ports established by the Ukrainian Navy in autumn 2023 revitalized export logistics. As a result, Ukrainian agri exports recovered, and Kernel shipped 1.7 million tons of grain for export in October-December 2023, a record quarterly volume since the beginning of the full-scale invasion of Ukraine, as compared to a mere 0.2 million tons of grain export in the previous quarter.
- With stabilized Black Sea exports, the cost of logistics (in-land, freight, and insurance) reduced, leaving room for margins along the grain export value chain, which positively contributed to the Group's Infrastructure and Trading segment EBITDA in Q2 FY2024.

Infrastructure and Trading

- Leveraging the temporary corridor for commercial navigation established by the Ukrainian Navy, Kernel was able to increase **export terminal throughput volume** by 11.2x q-o-q, to 1,805 thousand tons in October-December 2023. This volume covers the transshipment of grains, sunflower oil, and sunflower meal. The growth reflects a modest 5% y-o-y increase, as the Group benefitted from the Black Sea Grain Initiative during the respective period of FY2023. Nevertheless, export terminals operated below the pre-war capacity levels, suffering from damages caused by Russian missile attacks on the Group's port infrastructure in the summer of 2023.
  - During October-December 2023, Kernel also provided transshipment services to third parties, totaling 65 thousand tons handled via Transbulkterminal. To maximize the capacity utilization of our terminals, the Group will continue to offer such services to third parties throughout the season.
- In line with the export terminal throughput volume recovery, the Group's **grain export volume from Ukraine** surged by 8.4x q-o-q in Q2 FY2024, reaching 1,705 thousand tons.
- **Grain prices** remained low during the reporting period and relentlessly continued their downward trend in January-February 2024.
- Segment **EBITDA** in Q2 FY2024 amounted to USD 37 million, reflecting a significant 40% year-on-year decrease, although showing a notable 5x increase compared to the previous quarter. This performance was bolstered by the robust performance of the export terminals business line and grain trading activities, which include prop-trading operations conducted by Avere. However, the segment's earnings were dampened by the need to write off receivables from counterparties and impair assets that were damaged as a consequence of Russian military attacks on the Group's port infrastructure.

Ukraine grain export prices
USD per ton, FOB Ukraine



Source: Agricensus, Kernel

Oilseed Processing

- **Sunflower seed harvest in Ukraine** in 2023 surged by 14% y-o-y, reaching 14 million tons in 2023. However, given that the previous season's supply benefitted from a large carry-over stock**, the supply of sunflower seeds** in the current season remains virtually unchanged y-o-y. At the same time, the demand for the feedstock increased, as smaller market players that had been idle last season resumed their operations. Therefore, a relative tightness in the supply of oilseeds towards the end of the season is anticipated, which is likely to exert a negative impact on margins and capacity utilization closer to the end of the season.
- Approaching the full capacity utilization at its crushing plants**, Kernel processed 811 thousand tons of sunflower seeds in Q2 FY2024**, posing a hefty 24% y-o-y growth for a low comparison base, as operations in last season were undermined by electricity outages

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

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

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

arising from Russia's attacks on Ukraine's energy infrastructure. As before, two of the Group's eight plants remain inaccessible for operations due to the constant missile and artillery strikes, being located in the Kharkiv region near the border with Russia.

- **Sunflower oil sales** in Q2 FY2024 increased by 13% y-o-y, exceeding 388 thousand tons, on the back of the strong sunflower seed processing volumes and supported by multiple export logistics options available, including deep-water Ukrainian Black Sea ports. Bottled sunflower oil sales amounted to 6% of total sales volumes.
- **Oilseed Processing segment EBITDA** increased by 15% y-o-y in Q2 FY2024, amounting to USD 76 million, driven by:
  - disproportionately high sunflower meal export shipments in Q2 FY2024. Due to export logistics restrictions in Q1 FY2024, the Group shifted a significant portion of sunflower meal export shipments from Q1 to Q2 FY2024. As a result, Kernel exported 399 thousand tons of sunflower meal in October-December 2023, compared to 159 thousand tons in the previous quarter;
  - record-high quarterly sunflower oil sales volume since the beginning of Russia's full-scale invasion of Ukraine in February 2022;
  - the segment performance was supported by USD 7 million EBITDA attributable to proceeds from sales of the renewable energy generated at Kernel's crushing plants from the biomass.
- As a result, **EBITDA margin** in Q2 FY2024 increased by 2% y-o-y to USD 195 per ton of oil sold. Pure crush margin in the current season, however, is lower as compared to the previous season, due to depressed global sunflower oil prices and intensified competition among crushers in Ukraine.

Farming

- As of December 2023, Kernel completed the harvesting of 2023 crop. The Group achieved a record corn yield of 10.1 tons per hectare (up 15% y-o-y) on the back of extremely supporting weather conditions during the season. Sunflower yield reached 2.8 tons per hectare (a 10% growth y-o-y), and soybean yield amounted to 2.9 tons per hectare.
- The Segment **EBITDA** for October-December 2023 reached USD 103 million, driven by the expedited sales of crops harvested by the Farming segment in Q2 FY2024. However, the farming business's overall profitability in the current season is diminished compared to FY2023, primarily due to depressed grain and oilseed prices and increased production costs per hectare for all crops except corn. These challenges are unlikely to be offset by higher crop yields.
- Kernel planted 93 thousand hectares of winter wheat and 14 thousand hectares of winter rapeseed for the 2024 harvest. As of the publication date of this report, **crops in the fields** are in normal condition.

Segment volumes

thousand metric tons	Q2 FY2023	Q2 FY2024	*y-o-y*
Oilseeds processed	653,011	811,226	*24%*
Sunflower oil sales	344,710	388,393	*13%*
Grain and oilseeds received in inland silos	1,516,349	1,264,126	*(17%)*
Export terminal throughput (Ukraine)	1,716,416	1,805,173	*5%*
Grain export from Ukraine	1,521,951	1,704,557	*12%*

Differences are possible due to rounding.

Investments and M&A

- In December 2023, Kernel **completed the acquisition of 100% of corporate rights in Reni-Oil LLC**, a sunflower oil transshipment terminal with 15 thousand tons of one-time sunflower oil storage in the Reni port, for USD 24.75 million. Situated along the Danube River, this asset is important for the Group, providing the capability to export sunflower oil even in the event of a blockade of the Black Sea ports.
- In December 2023, the Group **acquired a bulk carrier** with a grain cargo capacity of 50 thousand tons. As the third vessel in Kernel's fleet, the bulker represents a significant addition to enhance the Group's transportation and logistics capabilities.
- In Q2 FY2024, the Group allocated additional investments towards the **rehabilitation of vegetable oils transshipment in the port of Chornomorsk**, which was acquired by the Group in July 2023. The facility had been inactive and inadequately maintained for an extended period. The loading of the first vessel with sunflower oil commenced in January 2024, marking a significant milestone in its operational revival.
- In December 2023, Kernel **launched** the Group's **fifth co-**

Harvest update

	Acreage, thousand hectares			Net yields [1], tons / hectare			Harvest size, thousand tons		
	FY2023	FY2024	y-o-y	FY2023	FY2024	y-o-y	FY2023	FY2024	y-o-y
Corn	149.7	84.4	*(44%)*	8.8	10.1	*15%*	1,324	853	*(36%)*
Sunflower	130.6	119.7	*(8%)*	2.5	2.8	*10%*	332	337	*1%*
Soybean	6.3	65.0	*10x*	2.9	2.9	*0%*	18	187	*10x*
Wheat	34.9	61.1	*75%*	4.6	6.6	*43%*	161	403	*150%*
Other [2]	41.4	28.4	*(32%)*						
Total[3]	**362.9**	**358.7**	***(1%)***				**1,836**	**1,780**	***(3%)***

Note 1 Net crop yields are preliminary figures based on the completed harvesting campaign for the 2023 crop. One ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat.
Note 2 Includes rapeseed, barley, rye, oats, forage crops, and other minor crops, as well as fallow land.
Note 3 The acreage harvested in FY2023 does not reflect 134 thousand ha of the farmland that was recognized among the assets held for sale, as part of the divestiture transaction initiated (commenced) in April 2022 and completed in March 2023.
Differences are possible due to rounding.

generation heat and power facility at one of its oil extraction plants, with 21 MW installed electricity generation capacity. It contributes to the Group's resilience to the risk of potential power outages.
- The Group is progressing as planned toward the **commissioning of its new** cutting-edge **oilseed processing plant** located in the Khmelnytskyi region, slated for spring 2024. As of the date of this report's publication, initial commissioning activities have already commenced. Boasting an annual processing capacity of 1 million tons of sunflower seeds, this facility is poised to become Ukraine's largest of its kind.

War impact

- During October-December 2023, Kernel's assets and infrastructure remained intact, with no critical damages resulting from missile or artillery strikes. Therefore, no significant war-related losses were recognized. However, two of the Group's plants remained inoperative due to their proximity to the Russian border and constant missile and artillery strikes, rendering safe operations on these assets impossible.
- Despite the high probability of Russian shelling targeting vital Ukrainian energy infrastructure, as experienced in the previous winter, there were no major power outages in Q2 FY2024. The Group is better prepared to mitigate possible disruptions to its operations in FY2024.
- While **personnel-related challenges** have been manageable so far, the anticipated escalation of conscription efforts in Ukraine heightens operational risks for the Group. In response, Kernel has initiated a specialized training program aimed at empowering women to acquire new skill sets, enabling them to seamlessly step into roles that do not necessitate significant physical exertion, thereby mitigating potential business disruptions.
- As of the date of this report's publication, and since the beginning of the full-scale invasion of Ukraine, 1,521 of the Group's employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units. Among them, 678 have been demobilized and resumed their work. Unfortunately, **Kernel has mourned the loss of 42 of its dedicated employees** who sacrificed their lives in defense of Ukraine. Sorrowfully, because of the ongoing hostilities, 90 employees suffered injuries.

Bulk carrier acquired in December 2023

Principal Risks and Uncertainties

for the three and the six months ended 31 December 2023

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

Strategic (Business) risks:

- Logistics disruption;
- Loss of critical infrastructure;
- Low global soft commodity prices;
- Loss of inventories;

Financial risks:

- Liquidity associated risks;

Operational risks:

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

For a detailed disclosure of the possible impact of most of the key risks and our management approach, please refer to pages 35-40 of the annual report for the year ended 30 June 2023, available at www.kernel.ua.

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

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

Significant Events

for the three and the six months ended 31 December 2023

- On 11 December 2023, Kernel Holding S.A. held its **Annual General Meeting of Shareholders**, which adopted the following resolutions with immediate effect:
  - The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves these reports.
  - The general meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company, approves in their entirety the Consolidated Financial Statements of the Company for the financial year ended on 30 June 2023, with a resulting consolidated net loss attributable to equity holders of the Company of two hundred ninety-nine million one hundred and ninety-two thousand US dollars (USD 299,192,000. -).
  - The general meeting, after having reviewed the management report of the board of directors and the report of the independent auditor of the Company, approves in their entirety the Parent Company's annual accounts (unconsolidated) for the financial year ended on 30 June 2022, with a resulting net profit for Kernel Holding S.A. as parent company of the Kernel Holding S.A. group of one hundred twenty-one million one hundred ninety-eight thousand nine hundred fifty-six US dollars and seventy-five cents (USD 121,198,956.75).
  - The general meeting approves the proposal of the board of directors (i) to carry forward the net profit of the Parent Company annual accounts (non-consolidated) of one hundred twenty-one million one hundred ninety-eight thousand nine hundred fifty-six US dollars and seventy-five cents (USD 121,198,956.75) and (ii) after allocation to the legal reserve of the Company, to declare a dividend at nil for the financial year ended on 30 June 2023.
  - The general meeting decides to grant discharge to the directors of the Company for their management duties and the exercise of their mandates in the course of the financial year ended on 30 June 2023.
  - The general meeting, having acknowledged the end of the mandates of directors and in consideration of the proposal to reappoint Mr. Andrii Miski-Oglu, Mrs. Daria Anna Danilczuk, Mrs. Anastasiia Usachova, Mr. Mykhaylo Mishov, Mr. Yevgen Osypov, Mr. Yuriy Kovalchuk for a one-year term, decides to renew the mandate of Mr. Andrii Miski-Oglu, Mrs. Daria Anna Danilczuk, Mrs. Anastasiia Usachova, Mr. Mykhaylo Mishov, Mr. Yevgen Osypov, Mr. Yuriy Kovalchuk for a one-year term mandate, which shall terminate on the date of the general meeting of shareholders to be held in 2024.
  - Following the resignation letter of Mrs. Viktoriia Lukianenko from her mandate as executive director of the Company on 07 November 2023, the General Meeting of shareholders resolves to acknowledge the resignation of Mrs. Viktoriia Lukianenko from her mandate as executive director of the Company with effect as of 12 December 2023.
    The general meeting of shareholders further decides to grant her full discharge for the exercise of her mandate.
  - The general meeting of shareholders further resolves to appoint Mr. Sergiy Volkov, born on 04 March 1980 in Kyiv, Ukraine, and residing professionally at 49 Obolonskyi Avenue, apartment 71, Kyiv, Ukraine, as executive director of the Company until the next annual General Meeting of shareholders of the Company to be held in 2024.
  - The general meeting acknowledges and, to the extent necessary, ratifies the payment of the annual director fees (tantiemes) paid to Mr Andrii Miski-Oglu and Mr Mykhailo Mishov, as non-executive directors, for their previous term in office, which amounted in total to one hundred sixty thousand US dollars (USD 160,000.-).
    The general meeting acknowledges, approves and, to the extent necessary, ratifies the payment of the attendance fees (jetons de présence) to Mrs. Daria Anna Danilczuk, as non-executive director, for her previous term in office which amounts in total to eighty thousand US dollars (USD 80,000.-).
    The general meeting acknowledges, approves and, to the extent necessary, ratifies the payment of the attendance fees (jetons de présence) to Mrs. Daria Anna Danilczuk, as non-executive director, for the period between 16 September 2022 and 20 December 2022 which amounts in total to twenty thousand nine hundred sixteen US dollars (USD 20,916.-).
    The general meeting approves a total gross annual amount of one hundred sixty thousand US dollars (USD 160,000. -) as the annual director fees (tantiemes) of Andrii Miski-Oglu and Mykhailo Mishov, as non-executive directors, for the new one-year mandate, which shall terminate on the date of the Annual General Meeting of shareholders to be held in 2024.
    The general meeting approves a total of eight thousand US dollars (USD 8,000) per each statutory session of the board of directors, each statutory session of the audit committee, and each statutory session of the sustainability committee, as attendance fees (jetons de présence) for Mrs. Daria Anna Danilczuk, as non-executive director, for the new one-year mandate, which shall terminate on the date of the Annual General Meeting of shareholders to be held in 2024.
  - The general meeting, having acknowledged that fees (tantiemes) paid to the executive directors for their previous term as members of the board of directors amounted in total to two hundred forty thousand US dollars (USD 240,000. -), approves the executive directors' fees for the new one-year mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2024, for a total gross annual amount of two hundred forty thousand US dollars (USD 240,000. -) including two hundred thousand US dollars (USD 200,000. -) to be paid to the chairman of the board of directors.
  - The general meeting grants discharge to the independent auditor of the Company, PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 for the financial year ended on 30 June 2023.
  - The general meeting, following proposal by the board of directors to reappoint PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 as independent auditor of the Company, resolves to reappoint PwC Société cooperative, having its registered office at 2, rue Gerhard Mercator B.P. L-1014 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B 65 477 as independent auditor of the Company for a one-year term mandate, which shall terminate on the date of the annual general meeting of shareholders to be held in 2024.
  - The general meeting acknowledges, approves and, to the extent necessary, ratifies the amendment to the management incentive plan and the respective authorization granted and adopted by the extraordinary General Meeting held on 30 August 2021 (the "**Authorization**"), and the relevant put option agreements, in order to increase the maximum number of ordinary shares of the Company without nominal value that the current beneficiaries and the new beneficiaries of the put option have the right to sell to the Company and to require the Company to purchase, from two million seven hundred ninety-two thousand four hundred thirty-five (2,792,435) up to two million nine hundred six thousand four hundred forty-five (2,906,445), under the same terms and conditions.
  - The General Meeting of shareholders noted that, pursuant to the Article 7bis of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at General Meetings,

as amended, companies must establish a remuneration policy as regards directors and must submit it to the vote of shareholders at the General Meeting.

The general meeting of shareholders further noted that according to the article 5.2.4 of the Company's corporate governance charter (the "**CGC**"), the nomination and remuneration committee (the "**N&R Committee**") of the Company is in charge of the establishment of the remuneration policies and has therefore drawn up an updated remuneration policy of the directors of the Company and has presented such Remuneration Policy to the vote of the shareholders at the present general meeting of the shareholders of the Company.

The general meeting of the shareholders of the Company approves and ratifies the amended Remuneration Policy.

- On 20 February 2024, the Company convened the **extraordinary general meeting of shareholders** with the following agenda: "*Reduction of the share capital of the Company by an amount of one hundred seventy-four thousand three hundred thirty-two US dollars and forty-one cents (USD 174,332.41) so as to reduce it from its current amount of seven million nine hundred twenty-two thousand six hundred twenty-four US Dollars and sixty-four cents (USD 7,922,624.64) represented by three hundred million thirty-one thousand two hundred thirty (300,031,230) shares without nominal value down to seven million seven hundred forty-eight thousand two hundred ninety-two US dollars and twenty-three cents (USD 7,748,292.23) through the cancellation of six million six hundred two thousand (6,602,000) shares held by Etrecom Investments Limited, a wholly-owned subsidiary of the Company and subsequent amendment of article 5 of the articles of association of the Company.*"
- On 20 February 2024, **the Company received two legal summonses** from a group of eight shareholders who together hold 1,210,430 shares, amounting to 0.4% of the Company's total issued shares (the "Claimants"). The details are as follows:
  - **The first summons is for summary proceedings**, requesting the temporary suspension of decisions made by the Company's Board of Directors on August 21, 2023 (regarding the initiation of a share offering), and on September 1, 2023 (pertaining to the issuance of 216,000,000 new shares in the context of the increase in share capital following subscriptions received by certain shareholders in response to the share offering). Additionally, the claimants seek to suspend all actions taken by Namsen Limited, the Company's largest shareholder, following the capital increase, including the suspension of its voting rights related to the shares acquired thereafter. A preliminary hearing is set to take place on March 18, 2024, where the case will be scheduled for a subsequent hearing the date of which is yet to be determined by the court.
  - The purpose of **the second summons** is to request the annulment of the Board of Directors' decisions made on August 21 and September 1, 2023, as mentioned previously. Alternatively, the claimants seek compensation for damages from Namsen Limited. The procedural schedule has not been established yet.
- Furthermore, the Company informs that the aforementioned summons follow **legal action initiated in October 2023** by the same claimants in the District Court in Luxembourg with the objective:
  - To establish that the Company's directors acted against the Company's interests, were conflicted, and lacked the necessary authority at the Board of Directors' meeting on April 13, 2023.
  - To invalidate all decisions made during the aforementioned Board meeting, including the resolution to delist the Company from the Warsaw Stock Exchange.
  - Alternatively, to appoint an expert to assess (i) the fairness of the public tender offer price announced by Namsen Limited on March 30, 2023, compared to the real value of the Company, and (ii) the economic impact of the Board of Directors' decisions, including the delisting, on the Company's corporate interests.
- The Company's management confidently upholds its commitment to act in the best interest of the Company in full compliance with all relevant laws, regulations, and best corporate governance principles throughout its decision-making processes, notably in the delisting from the Warsaw Stock Exchange and the subsequent share offering and capital increase in August and September 2023. The Company is resolutely dedicated to vigorously defending its position.

Alternative Performance Measures

for the three and the six months ended 31 December 2023

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

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

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

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

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

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

EBITDA and EBITDA margin

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

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

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

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

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

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

in thousand USD except the margin	Q2 FY2023	Q2 FY2024	H1 FY2023	H1 FY2024
Profit from operating activities	**244,359**	**175,308**	**386,826**	**173,926**
add back:				
Amortization and depreciation	32,787	29,529	58,696	49,545
EBITDA	**277,146**	**204,837**	**445,522**	**223,471**
Revenue	**1,235,227**	**1,043,597**	**1,889,784**	**1,589,860**
EBITDA margin	**22.4%**	**19.6%**	**23.6%**	**14.1%**

[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

Segment EBITDA and Segment EBITDA margin

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

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

Calculation of Segment EBITDA and Segment EBITDA margin:

in thousand USD	Q2 FY2023	Q2 FY2024	H1 FY2023	H1 FY2024
Oilseed Processing				
Profit from operating activities	58,025	68,027	95,665	118,580
plus Amortization and depreciation	7,702	7,863	15,040	15,584
Segment EBITDA	**65,727**	**75,890**	**110,705**	**134,164**
Segment revenue	686,668	517,671	949,979	899,342
Segment EBITDA margin	**10%**	**15%**	**12%**	**15%**
Trading and Infrastructure				
Profit from operating activities	55,631	30,177	110,549	29,895
plus Amortization and depreciation	6,537	7,049	11,784	13,365
Segment EBITDA	**62,168**	**37,226**	**122,333**	**43,260**
Segment revenue	1,035,731	573,722	1,552,473	881,037
Segment EBITDA margin	**6%**	**6%**	**8%**	**5%**
Farming				
Profit from operating activities	186,040	89,300	254,774	61,556
plus Amortization and depreciation	17,493	13,664	30,285	18,618
Segment EBITDA	**203,533**	**102,964**	**285,059**	**80,174**
Segment revenue	324,455	147,423	485,775	169,842
Segment EBITDA margin	**63%**	**70%**	**59%**	**47%**
Other				
Loss from operating activities	(55,338)	(12,196)	(74,162)	(36,105)
plus Amortization and depreciation	1,055	953	1,587	1,978
Segment EBITDA	**(54,283)**	**(11,243)**	**(72,575)**	**(34,127)**

Investing Cash Flows less Net Fixed Assets Investments

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

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

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

in thousand USD	Q2 FY2023	Q2 FY2024	H1 FY2023	H1 FY2024
Net cash generated by investing activities	**82,086**	**164,898**	**42,636**	**96,804**
Adding back:				
Purchase of property, plant and equipment	(26,029)	(40,722)	(56,058)	(87,751)
Proceeds from disposal of property, plant and equipment	264	410	264	690
Investing Cash Flows net of Fixed Assets Investments	**107,851**	**205,210**	**98,430**	**183,865**

Net Fixed Assets Investments

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

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

in thousand USD	Q2 FY2023	Q2 FY2024	H1 FY2023	H1 FY2024
Purchase of property, plant and equipment	(26,029)	(40,722)	(56,058)	(87,751)
Proceeds from disposal of property, plant and equipment	264	410	264	690
Net Fixed Assets Investments	**(25,765)**	**(40,312)**	**(55,794)**	**(87,061)**

Operating Cash Flows before Working Capital Changes

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

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

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

in thousand USD	Q2 FY2023	Q2 FY2024	H1 FY2023	H1 FY2024
Net cash generated by operating activities	**379,485**	**191,962**	**348,122**	**96,927**
Less:				
Changes in working capital, including:	126,954	3,743	(64,841)	(107,230)
Change in trade receivable and other financial assets	(54,694)	(54,307)	(247,974)	(25,831)
Change in prepayments and other current assets	(53,598)	6,461	(36,339)	(20,544)
Change in restricted cash balance	-	-	58	-
Change in taxes recoverable and prepaid	63,633	(994)	(16,001)	78,387
Change in biological assets	115,058	53,941	74,875	126,956
Change in inventories	108,320	(12,490)	181,849	(231,109)
Change in trade accounts payable	(37,138)	(2,173)	(42,169)	(20,980)
Change in advances from customers and other current liabilities	(14,627)	13,305	20,860	(14,109)
Operating Cash Flows before Working Capital Changes	**252,531**	**188,219**	**412,963**	**204,157**

Alternative Performance Measures continued

for the three and the six months ended 31 December 2023

Free Cash Flows to the Firm

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

Commodity Inventories

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

Debt Liabilities

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

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

The Group defines **Net Debt** as **Debt Liabilities** less cash and cash equivalents and cash deposits pledged under credit facilities. Finally, the Group defines **Adjusted Net Debt**, as Net Debt less commodity inventories.

Adjusted Working Capital

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

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

in thousand USD	Q2 FY2023	**Q2 FY2024**	H1 FY2023	**H1 FY2024**
Net cash generated by operating activities	379,485	191,962	348,122	96,927
Net cash generated by investing activities	82,086	164,898	42,636	96,804
Free Cash Flows to the Firm	**461,571**	**356,860**	**390,758**	**193,731**

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

in thousand USD	As of 31 December 2022	As of 30 September 2023	**As of 31 December 2023**
Sunflower oil & meal	99,099	111,875	72,109
Sunflower seed	189,736	94,985	138,696
Grains	302,167	231,269	236,915
Other	107,860	122,807	91,393
Total	**698,862**	**560,936**	**539,113**
of which: ***Commodity Inventories***	592,945	438,608	448,282

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

in thousand USD	As of 31 December 2022	As of 30 September 2023	**As of 31 December 2023**
Bonds issued	-	-	-
Current bonds issued	595,782	596,708	596,995
Interest on bonds issued	7,612	17,440	7,612
Long-term borrowings	-	-	-
Current portion of long-term borrowings	-	-	-
Short-term borrowings	937,012	837,197	216,360
Lease liabilities	148,591	168,091	137,234
Current portion of lease liabilities	38,145	22,573	36,492
Debt Liabilities	**1,727,142**	**1,642,009**	**994,693**
less: cash and cash equivalents	679,223	1,022,148	542,083
Net Debt	**1,047,919**	**619,861**	**452,610**
less: readily marketable inventories	592,945	438,608	448,282
Adjusted Net Debt	**454,974**	**181,253**	**4,328**

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

in thousand USD	As of 31 December 2022	As of 30 September 2023	**As of 31 December 2023**
Total current assets	**2,555,883**	**2,325,569**	**1,794,571**
less:			
Cash and cash equivalents	679,223	812,339	542,083
Assets classified as held for sale	228,227	-	-
Total current liabilities	2,021,025	1,807,841	1,261,049
add back:			
Short-term borrowings	937,012	837,197	216,360
Current portion of long-term borrowings	-	-	-
Current portion of lease liabilities	38,145	22,573	36,492
Current bonds issued	595,782	596,708	596,995
Interest on bonds issued	7,612	17,440	7,612
Adjusted Working Capital	**1,205,959**	**1,179,307**	**848,898**

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

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

Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of
Kernel Holding S.A.

We have reviewed the accompanying condensed consolidated interim financial statements of Kernel Holding S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position as at 31 December 2023, the condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and the related notes to the condensed consolidated interim financial statements.

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

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

Basis for Qualified Conclusion

During the six-month period ended 31 December 2022 the Group disposed of all of its crypto assets recording a loss on transactions with crypto assets of USD 2,412 thousand disclosed in line Loss on impairment of assets in the condensed consolidated interim statement of profit or loss.

We have not obtained sufficient appropriate evidence to verify the opening balance of crypto assets as at 30 June 2022 and transactions in crypto assets during the six-month period ended 31 December 2022 due to the lack of formalised controls around the authenticity of digital records. Consequently, we were unable to determine whether any adjustments to the crypto asset balances as at 30 June 2022 or loss recorded on transactions during the six-month period ended 31 December 2022 were necessary. Our review report for the six-month period ended 31 December 2022 was qualified for this matter.

Our conclusion on the current period's condensed consolidated interim financial statements for the six-month period ended 31 December 2023 is qualified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Conclusion

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

Emphasis of Matter

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

Other Matter

The accompanying condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of profit or loss and other comprehensive income for the three-months ended 31 December 2023 and 31 December 2022 and related explanatory information, were neither audited in accordance with International Standards on Auditing nor reviewed in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” and accordingly we do not express any form of assurance on it.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 1 March 2024

Electronically signed by:
Andrei Chizhov

Andrei Chizhov

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

for the three and the six months ended 31 December 2023

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

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

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

- the Condensed Consolidated Interim Financial Statements of Kernel Holding S.A. prepared and established in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted by the European Union;
- the Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

1 March 2024

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

Selected Financial Data

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

		USD[1]		PLN[1]		EUR[1]	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
I.	Revenue	1,589,860	1,889,784	6,553,087	8,836,441	1,456,630	1,865,595
II.	Profit from operating activities	173,926	386,826	716,888	1,808,760	159,351	381,875
III.	Profit before income tax	112,968	386,376	465,632	1,806,656	103,501	381,430
IV.	Profit for the period	101,969	370,308	420,296	1,731,523	93,424	365,568
V.	Net cash generated by operating activities	96,927	348,122	399,514	1,627,783	88,804	343,666
VI.	Net cash generated by investing activities	96,804	42,636	399,007	199,362	88,692	42,090
VII.	Net cash used in financing activities	(605,746)	(159,104)	(2,496,765)	(743,954)	(554,984)	(157,067)
VIII.	Total net cash flow	(412,015)	231,654	(1,698,244)	1,083,191	(377,488)	228,689
IX.	Total assets	3,293,411	4,029,217	12,959,573	17,735,808	2,980,537	3,781,823
X.	Current liabilities	1,261,049	2,021,025	4,962,228	8,896,148	1,141,249	1,896,934
XI.	Non-current liabilities	159,790	202,590	628,774	891,761	144,610	190,151
XII.	Issued capital	7,923	2,219	31,177	9,768	7,170	2,083
XIII.	Total equity	1,872,572	1,805,602	7,368,571	7,947,899	1,694,678	1,694,738
XIV.	Weighted average number of shares	220,646,621	77,429,230	220,646,621	77,429,230	220,646,621	77,429,230
XV.	Profit per ordinary share (in USD/PLN/EUR)	0.46	4.75	1.91	22.23	0.42	4.69
XVI.	Diluted number of shares	220,646,621	77,429,230	220,646,621	77,429,230	220,646,621	77,429,230
XVII.	Diluted profit per ordinary share (in USD/PLN/EUR)	0.46	4.75	1.91	22.23	0.42	4.69
XVIII.	Book value per share (in USD/PLN/EUR)	6.38	23.26	25.11	102.39	5.77	21.83
XIX.	Diluted book value per share (in USD/PLN/EUR)	6.38	23.26	25.11	102.39	5.77	21.83

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

Condensed Consolidated Interim Statement of Financial Position

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Assets				
Current assets				
Cash and cash equivalents	9	542,083	954,103	679,223
Trade accounts receivable	22	322,056	321,579	392,417
Prepayments to suppliers	22	145,033	135,044	149,567
Corporate income tax prepaid		5,106	3,595	3,893
Taxes recoverable and prepaid		79,498	162,280	170,696
Inventory	10	539,113	341,543	698,862
Biological assets	11	11,856	147,895	66,383
Other financial assets	12, 22	149,826	376,063	166,615
Assets classified as held for sale		—	—	228,227
Total current assets		**1,794,571**	**2,442,102**	**2,555,883**
Non-current assets				
Property, plant and equipment	13	1,063,773	1,020,411	1,025,630
Right-of-use assets		187,270	205,644	202,338
Intangible assets		59,916	36,334	35,985
Goodwill		71,632	71,632	68,993
Deferred tax assets		24,743	21,353	33,429
Non-current financial assets	14, 22	29,849	25,524	31,751
Other non-current assets		61,657	62,169	75,208
Total non-current assets		**1,498,840**	**1,443,067**	**1,473,334**
Total assets		**3,293,411**	**3,885,169**	**4,029,217**
Liabilities and equity				
Current liabilities				
Trade accounts payable	22	137,704	158,567	114,570
Advances from customers and other current liabilities	15, 22	129,415	153,770	155,225
Corporate income tax liabilities		8,789	12,943	18,488
Short-term borrowings	16	216,360	869,933	937,012
Current portion of lease liabilities		36,492	31,160	38,145
Current bonds issued	17	596,995	596,211	595,782
Interest on bonds issued		7,612	7,612	7,612
Other financial liabilities	22	127,682	68,608	59,820
Liabilities associated with assets classified as held for sale		—	—	94,371
Total current liabilities		**1,261,049**	**1,898,804**	**2,021,025**
Non-current liabilities				
Lease liabilities		137,234	166,735	148,591
Deferred tax liabilities		21,080	20,557	6,789
Other non-current liabilities	22	1,476	55,078	47,210
Total non-current liabilities		**159,790**	**242,370**	**202,590**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		7,923	2,219	2,219
Share premium reserve		554,658	500,378	500,378
Additional paid-in capital		39,944	39,944	39,944
Treasury shares	2	(96,897)	(96,897)	(96,897)
Revaluation reserve		104,303	104,303	104,303
Translation reserve		(965,401)	(932,089)	(1,066,942)
Retained earnings		2,226,295	2,123,999	2,317,847
Total equity attributable to Kernel Holding S.A. equity holders		**1,870,825**	**1,741,857**	**1,800,852**
Non-controlling interests	4	1,747	2,138	4,750
Total equity		**1,872,572**	**1,743,995**	**1,805,602**
Total liabilities and equity		**3,293,411**	**3,885,169**	**4,029,217**
Book value		1,870,825	1,741,857	1,800,852
Number of shares	2	293,429,230	77,429,230	77,429,230
Book value per share (in USD)		6.40	22.50	23.26
Diluted number of shares		293,429,230	77,429,230	77,429,230
Diluted book value per share (in USD)		6.40	22.50	23.26

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Profit or Loss

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2023	3 months ended 31 December 2023	6 months ended 31 December 2022	3 months ended 31 December 2022
Revenue	18, 22	1,589,860	1,043,597	1,889,784	1,235,227
Net change in fair value of biological assets and agricultural produce	11	(22,486)	(12,006)	(1,854)	336
Cost of sales	19, 22	(1,297,526)	(813,472)	(1,420,523)	(941,499)
Gross profit		**269,848**	**218,119**	**467,407**	**294,064**
Other operating income	22	51,320	41,611	31,416	12,398
Other operating expenses		(24,731)	(11,266)	(19,845)	(16,947)
General, administrative and selling expenses	20, 22	(84,069)	(52,758)	(102,996)	(58,715)
Net (impairment)/reversal of losses on financial assets	22	(31,798)	(11,840)	1,793	8,301
(Loss)/reversal of impairment losses on assets		(6,644)	(8,558)	9,051	5,258
Profit from operating activities		**173,926**	**175,308**	**386,826**	**244,359**
Finance costs	22	(74,282)	(37,809)	(76,323)	(37,953)
Finance income	22	28,493	18,625	10,440	6,861
Foreign exchange gain, net	21	919	2,190	66,591	8,417
Other expenses, net		(16,088)	(13,878)	(1,158)	(1,887)
Profit before income tax		**112,968**	**144,436**	**386,376**	**219,797**
Income tax expenses		(10,999)	(11,602)	(16,068)	(11,083)
Profit for the period		**101,969**	**132,834**	**370,308**	**208,714**
Profit for the period attributable to:					
Equity holders of Kernel Holding S.A.		**102,296**	**133,025**	**368,116**	**206,581**
Non-controlling interests		(327)	(191)	2,192	2,133
Earnings per share					
Weighted average number of shares		220,646,621	293,429,230	77,429,230	77,429,230
Profit per ordinary share (in USD)		0.46	0.45	4.75	2.67
Diluted number of shares		220,646,621	293,429,230	77,429,230	77,429,230
Diluted profit per ordinary share (in USD)		0.46	0.45	4.75	2.67

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

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

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

	6 months ended 31 December 2023	3 months ended 31 December 2023	6 months ended 31 December 2022	3 months ended 31 December 2022
Profit for the period	**101,969**	**132,834**	**370,308**	**208,714**
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences in translating foreign operations[1]	(33,376)	(22,058)	(250,927)	(8,434)
Other comprehensive loss	**(33,376)**	**(22,058)**	**(250,927)**	**(8,434)**
Total comprehensive income for the period	**68,593**	**110,776**	**119,381**	**200,280**
Total comprehensive income attributable to:				
Equity holders of Kernel Holding S.A.	68,984	111,031	117,664	198,061
Non-controlling interests	(391)	(255)	1,717	2,219

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

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

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders									
	Issued capital	Share premium reserve	Additional paid-in capital	Treasury shares	Revaluation reserve	Translation reserve	Retained Earnings	**Total**	Non-controlling interests	**Total equity**
Balance as of 30 June 2022	**2,219**	**500,378**	**39,944**	**(96,897)**	**104,303**	**(816,490)**	**1,949,731**	**1,683,188**	**3,033**	**1,686,221**
Profit for the period	—	—	—	—	—	—	368,116	**368,116**	2,192	**370,308**
Other comprehensive loss	—	—	—	—	—	(250,452)	—	**(250,452)**	(475)	**(250,927)**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**—**	**(250,452)**	**368,116**	**117,664**	**1,717**	**119,381**
Balance as of 31 December 2022	**2,219**	**500,378**	**39,944**	**(96,897)**	**104,303**	**(1,066,942)**	**2,317,847**	**1,800,852**	**4,750**	**1,805,602**
Balance as of 30 June 2023	**2,219**	**500,378**	**39,944**	**(96,897)**	**104,303**	**(932,089)**	**2,123,999**	**1,741,857**	**2,138**	**1,743,995**
Profit for the period	—	—	—	—	—	—	102,296	**102,296**	(327)	**101,969**
Other comprehensive loss	—	—	—	—	—	(33,312)	—	**(33,312)**	(64)	**(33,376)**
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**—**	**—**	**(33,312)**	**102,296**	**68,984**	**(391)**	**68,593**
Increase of share capital (Note 2)	5,704	54,280	—	—	—	—	—	**59,984**	—	**59,984**
Balance as of 31 December 2023	**7,923**	**554,658**	**39,944**	**(96,897)**	**104,303**	**(965,401)**	**2,226,295**	**1,870,825**	**1,747**	**1,872,572**

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

	Notes	6 months ended 31 December 2023	6 months ended 31 December 2022
Operating activities:			
Profit before income tax		**112,968**	**386,376**
Adjustments for:			
Amortization and depreciation		49,545	58,696
Finance costs		74,282	76,323
Finance income		(28,493)	(10,440)
Change in loss allowance for expected credit losses on trade and other receivables		31,798	(1,793)
Other accruals		13,767	5,843
Net foreign exchange gain		(672)	(65,101)
(Loss)/reversal of impairment losses on assets		6,644	(9,051)
Net change in fair value of biological assets and agricultural produce	11	22,486	1,854
Net (gain)/loss arising on financial instruments		(9,563)	27,962
Write-downs of inventories to net realizable value	10	4,067	8,771
Operating profit before working capital changes		**276,829**	**479,440**
Changes in working capital:			
Change in trade receivable and other financial assets		(25,831)	(247,974)
Change in prepayments and other current assets		(20,544)	(36,339)
Change in restricted cash balance		—	58
Change in taxes recoverable and prepaid		78,387	(16,001)
Change in biological assets		126,956	74,875
Change in inventories		(231,109)	181,849
Change in trade accounts payable		(20,980)	(42,169)
Change in advances from customers and other current liabilities		(14,109)	20,860
Cash generated from operations		**169,599**	**414,599**
Interest paid		(71,253)	(66,769)
Interest received		17,514	7,701
Income tax paid		(18,933)	(7,409)
Net cash generated by operating activities		**96,927**	**348,122**
Investing activities:			
Purchase of property, plant and equipment		(87,751)	(56,058)
Proceeds from disposal of property, plant and equipment		690	264
Payment for lease agreements		(957)	(1,034)
Purchase of intangible and other non-current assets		(1,131)	(9,398)
Proceeds from disposal of intangible and other non-current assets		—	111,311
Acquisition of subsidiaries, net of cash acquired	8	(24,745)	(6,414)
Amount advanced for subsidiary	8	(442)	—
Proceeds from disposal of subsidiaries	8, 12, 22	90,711	—
Pledge deposits withdrawal		122,703	—
Proceeds from financial assets		(2,274)	3,965
Net cash generated by investing activities		**96,804**	**42,636**
Financing activities:			
Proceeds from borrowings		32,383	54,906
Repayment of borrowings		(675,732)	(179,137)
Financing for farmers		—	196
Repayment of lease liabilities		(17,510)	(32,931)
Issued capital	2	5,704	—
Proceeds from share premium reserve increase	2	54,280	—
Net cash used in financing activities		**(600,875)**	**(156,966)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,871)	(2,138)
Net (decrease)/increase in cash and cash equivalents		(412,015)	231,654
Cash and cash equivalents, at the beginning of the period	9	954,093	447,566
Cash and cash equivalents, at the end of the period	9	542,078	679,220

On behalf of the Board of Directors

Andrii Verevskyi
Chairman of the Board of Directors

Sergiy Volkov
Director, Chief Financial Officer

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

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

1. Corporate Information

Kernel Holding S.A. (hereinafter referred to as the 'Holding' or the 'Company') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group' or the 'Kernel Group').

Kernel Holding S.A. has been a publicly traded company since 2007. Kernel Holding S.A. made an announcement on 13 April 2023, indicating that their Board of Directors had decided to withdraw the company's shares from trading on the Warsaw Stock Exchange's regulated market. However, as of 31 December 2023, the delisting process has not been completed.

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine.

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

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

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

			Group's effective ownership interest and voting rights as of		
Subsidiary	**Principal activity**	**Country of incorporation**	**31 December 2023**	**30 June 2023**	**31 December 2022**
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Kernel-Trade LLC		Ukraine	100.0%	100.0%	100.0%
Avere Commodities SA		Switzerland	100.0%	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotne OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kropyvnytskyi OEP PJSC		Ukraine	99.2%	99.2%	99.2%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi OEP LLC		Ukraine	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services	Cyprus	100.0%	100.0%	100.0%
Transbulkterminal LLC		Ukraine	100.0%	100.0%	100.0%
Transgrainterminal LLC		Ukraine	100.0%	100.0%	100.0%
Oilexportterminal LLC		Ukraine	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.1%	94.1%	94.1%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Agro Logistics Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Bilovodskyi KHP PJSC		Ukraine	91.12%	91.12%	91.12%
Hliborob LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, soybean, sunflower seed, rapeseed, forage, pea and barley.	Ukraine	100.0%	100.0%	100.0%
Prydniprovskyi Kray ALLC		Ukraine	100.0%	100.0%	100.0%
Enselco Agro LLC		Ukraine	—[1]	—[1]	100.0%
Druzhba-Nova ALLC		Ukraine	100.0%	100.0%	100.0%
Druzhba 6 PE		Ukraine	100.0%	100.0%	100.0%
AF Semerenky LLC		Ukraine	100.0%	100.0%	100.0%
Hovtva ALLC		Ukraine	100.0%	100.0%	100.0%

These condensed consolidated interim financial statements were authorized for release by the board of directors of Kernel Holding S.A. on 1 March 2024.

[1] The company was disposed on 3 March 2023.

for the six months ended 31 December 2023 (in thousands of US dollars, unless otherwise stated)

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg). The issued capital of Kernel Holding S.A. as of 31 December 2023, consisted of 300,031,230 ordinary electronic shares without indication of the nominal value. Ordinary shares have equal voting rights and rights to receive dividends (except of own shares purchased).

The shares were distributed as follows:

	As of 31 December 2023		As of 30 June 2023		As of 31 December 2022	
Equity holders	**Shares allotted and fully paid**	**Share owned**	**Shares allotted and fully paid**	**Share owned**	**Shares allotted and fully paid**	**Share owned**
Namsen Limited registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	276,914,889	92.30%	62,222,460	74.05%	31,974,011	38.05%
Free float	16,514,341	5.50%	15,206,770	18.10%	45,455,219	54.09%
Own shares purchased	6,602,000	2.20%	6,602,000	7.85%	6,602,000	7.86%
Total	**300,031,230**	**100.00%**	**84,031,230**	**100.00%**	**84,031,230**	**100.00%**

As of 31 December 2023, the Company's immediate majority shareholder was Namsen Limited and the Company was ultimately controlled by Mr. Andrii Verevskyi (31 December 2022: no ultimately controlling party). As of 31 December 2023, 30 June 2023, and 31 December 2022, 100% of the beneficial interest in Namsen Limited was held by Mr. Andrii Verevskyi.

As of 1 September 2023, the Company increased its share capital by USD 5,704 thousand, through the issuance of 216,000,000 new Ordinary Shares, each without indication of a nominal value. The total offering of USD 59,984 thousand was raised from qualified investors, with USD 54,280 thousand allocated to share premium.

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

3. Operating Environment

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine. As a response, Ukraine declared martial law which is still in place as of the date of signing of these condensed consolidated interim financial statements as the military actions are still ongoing in the Eastern and Southern parts of Ukraine along the frontline. Some towns and cities in these regions remain temporarily occupied while Russia conducts sporadic bombardments throughout the whole Ukrainian territory.

The Ukrainian economy has features inherent in emerging markets, and its development is heavily influenced by the fiscal and monetary policies adopted by the Ukrainian government, together with developments in the legal, regulatory, and political environment which changes rapidly.

Consumer inflation eased to 5.1% year-on-year at the end of 2023 due to the significant supply of food products, less pressure on business costs, and continuous exchange rate stability. In the first months of 2024, consumer inflation is likely to remain close to current levels but is expected to edge higher in the second half of 2024 to reach 8.6% at the end of the year. This will primarily be driven by the fading effect of extremely favorable weather on the supply of foods and by the growth in business costs, including the compensation of employees. As security risks recede, it is expected that inflation will slow to 5.8% in 2025 and return to the 5% target only in 2026.

For 2023, Ukraine has received about USD 42.6 billion in aid. International financing is expected to decline in the coming years, but only gradually, without posing risks to the sustainability of public finances. The easing of security risks and the strengthening of the domestic funding base amid an economic revival will make it possible to reduce the budget deficit in 2025 – 2026 to 13.5% and 7.5% of GDP, respectively. External support in 2024 will also fully make up for the still-high foreign currency outflows from the private sector. Investment and borrowing by the private sector will increase as security risks die down going forward, and households' demand for foreign currency will subside. As a result, Ukraine's international reserves are projected to fluctuate within the USD 37 – 42 billion range in 2024 – 2026 and will be sufficient to ensure exchange rate sustainability.

As of 1 February 2024, Ukraine had USD 38,525 million in international reserves, preliminary data show. In January 2024, international reserves fell by 4.9%. These dynamics were driven by NBU foreign interventions to preserve the sustainability of the exchange rate, by Ukraine's foreign debt repayments, and by lower international aid inflows than in previous months.

Starting from 25 January 2024, the NBU has decided to keep its key policy rate at 15% per annum. This decision comes along with the need to maintain exchange rate sustainability and keep inflation moderate in 2024.

In February 2024, the NBU upgraded its estimate of real GDP growth in 2023 to 5.7% from 4.9%. In 2024, real GDP will continue to grow, albeit at a slower pace (3.6%). The recovery will be driven by loose fiscal policy, a further strengthening of domestic demand, and an expansion of supply chain capacity. In 2025-2026, economic growth will accelerate to 5.8% and 4.5%, respectively.

After the termination of the Grain Initiative, a new sea corridor was established with strong support from Ukraine's defense forces and international partners. Its performance in December 2023 surpassed that of the Black Sea Grain Initiative's best months. In addition, the sea routes have been conveying not only food products but also other exports and test deliveries of imported goods. The available transport capacity will be sufficient to handle exports of harvests gathered in 2023-2024 and ramp up physical volumes of exports of other commodities, including those made by the metals-and-mining sector. What is more, the sea corridor will expand the geography and type of goods for trade and revive production in certain branches of the economy. Diversification of transportation routes will reduce logistical risks and facilitate a rerouting of supply chains. This will help drive down the cost of logistics and improve the competitive edge of Ukrainian goods in foreign markets.

The objects of Ukraine's energy infrastructure remain in the sights of the Russians and require investment for restoration and repairs. Throughout the past year, the situation with electricity has been volatile. During the heating seasons of 2022-2023, the supply of resources to external markets was completely prohibited by the government due to a sharp reduction in generation capacity due to massive attacks by Russians on the energy infrastructure. However, with the start of the new heating season in 2024, the energy system again demanded significant volumes of imported resources, and therefore the problem of electricity and resource shortages in Ukraine remains unresolved.

The continuous missile attacks conducted by Russia in the 2024 financial year have caused significant damage to the port infrastructure, notably affecting the Group's grain transshipment terminals' assets – resulting in the loss of 40 thousand tons of storage capacity and damaged loading equipment.

As of March 2024, the full-scale military attack continues. Russian attacks are targeted for destroying civilian infrastructure all over Ukraine. At the same time, logistics routes in occupied territories were damaged and there was no access to them. Other railway and car logistic routes are available for usage as Ukraine has an extensive road and railway network. Assets belonging to different businesses, except those located on temporarily occupied territory, were not destroyed materially, based on available information, as air attacks and missile strikes primarily destroyed military infrastructures, objects, airfields, and civilian buildings.

4. Basis of preparation

Basis of Preparation and Accounting

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

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

Going concern

On 24 February 2022, the Russian Federation started a military invasion of Ukraine, leading to significant disruption within Ukraine and triggering both economic and humanitarian crises. The business activities of Kernel Group have been changed and focused on continuity and safekeeping.

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

- For the period after the Russian invasion of Ukraine 1,521 employees joined Ukrainian military forces and territorial defense and approximately 678 of them were demobilized. Personnel mostly work in the same place as before the war.
- The Group managed to export products through the Black Sea and alternative routes including the Danube River, railways, and trucks.
- Procurement of grain on the Ukrainian market remains at low levels as Kernel continues to focus on exporting its harvest with the ability to maintain inventory at a sufficient or lower level.
- The short-term borrowings of USD 643 million were repaid by the end of December 2023. The Group expects to renew some of the existing facilities or to sign the new facilities for the working capital needs. The Group plans to revert to the pre-war repayment schedule for long-term credit lines from European banks starting from 1 January 2024.
- As of 31 December 2023, the Group continued to classify its bank borrowings with long-term initial contractual maturity and bonds with maturity in 2027 as short-term because the Group did not possess an unconditional right to defer the settlement of those loans until their initial contractual settlement date. The extension of the waivers for the long-term loan facilities or return to the initial payment schedule depends on the results of further negotiations with the lenders and the conditions of the extension. In case waivers are not extended upon expiration, it may trigger the ability of bondholders to exercise their right for the cross-acceleration event of default under the Group's outstanding bonds. As the Group did not have an unconditional right to defer the settlement of its bonds for 12 months or longer it classified its long-term bonds as short-term in these condensed consolidated interim financial statements.

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

- Starting from October 2023, the establishment of the temporary Black Sea corridor for commercial navigation by the Ukrainian Navy, the Group has started to export through Ukrainian Black Sea ports.
- The Management continues to use the logistics routes for grain and oil export through Danube River ports to Constanta, Romania by vessels and barges, as well as through Poland, Romania, and Lithuania by trucks and railway including using own railway wagons. Despite such alternative export channels successfully securing some export capacity, they suffered from high logistic costs which, in combination with low

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global grain prices, undermined export volumes.
- The Group has the ability to renew existing short-term credit limits from local banks and/or arranging new facilities and available limits. The Group continues to service Eurobonds and lines obtained after the war escalation and pay its liabilities under the contract terms.

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

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

If significant assumptions and judgments made by management are not realized, management will continue seeking alternative ways to meet its financial obligations during 2024, including requesting additional support from shareholders.

Management acknowledges that future development of military actions, and their duration represents a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. These events may adversely affect the Group's ability to repay its debt as it falls due. Despite the material uncertainty relating to the war in Ukraine, management is continuing to take actions to minimize the impact on the Group and thus believes that the application of the going concern assumption for the preparation of these condensed consolidated interim financial statements is appropriate.

Functional and Presentation Currency

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

Foreign Currencies

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

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

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

Currency	Closing rate as of 31 December 2023	Average rate for the 6 months ended 31 December 2023	Average rate for the 3 months ended 31 December 2023	Closing rate as of 30 June 2023	Closing rate as of 31 December 2022	Average rate for the 6 months ended 31 December 2022	Average rate for the 3 months ended 31 December 2022
USD/UAH	37.9824	36.5814	36.5942	36.5686	36.5686	35.7736	36.5686
USD/EUR	0.9050	0.9245	0.9297	0.9228	0.9386	0.9872	0.9824
USD/PLN	3.9350	4.1218	4.1075	4.1066	4.4018	4.6759	4.6461

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 Condensed Consolidated Interim Statement of Profit or Loss.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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

6. Operating Segments

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

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

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

In the Infrastructure and Trading segment, the Group combines results of grain trading, silo services and export terminals operations. These parts of the business form an integrated supply chain which is managed jointly. Under the current framework, the management considers export terminals and grain storage facilities as production assets which serve grain merchandizing business and consequently use a combined throughput margin to evaluate the performance of the Infrastructure and Trading business. 100% of the Group's export terminals' capacity and the majority of grain storage capacity are used for the Group's own export volumes. The results of the Infrastructure and Trading segment incorporate savings achieved by acquiring and employing the Company's own railcar park. Also, the Infrastructure and Trading segment include the results of the Avere Commodities S.A. and its subsidiaries (hereinafter, 'Avere').

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

Presentation of the operating segments' activities is as follows:

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

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

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

Seasonality of operations

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

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7. Key Data by Operating Segment

Key data by operating segment for the six months ended 31 December 2023:

	Oilseed Processing	Infrastructure and Trading	Farming	Other[1]	Reconciliation	Total
Revenue (external)	740,165	816,547	33,148	—	—	1,589,860
Intersegment sales	159,177	64,490	136,694	—	(360,361)	—
Total revenue	**899,342**	**881,037**	**169,842**	—	**(360,361)**	**1,589,860**
Net change in fair value of biological assets and agricultural produce	—	—	(22,486)	—	—	(22,486)
Cost of sales	(803,091)	(776,528)	(78,268)	—	360,361	(1,297,526)
Other operating income	36,888	5,022	3,077	6,333	—	51,320
Other operating expenses	(7,389)	(5,849)	—	(11,493)	—	(24,731)
General, administrative and selling expenses	(5,929)	(39,766)	(9,877)	(28,497)	—	(84,069)
Net impairment losses on financial assets	(4,304)	(24,314)	(732)	(2,448)	—	(31,798)
(Loss)/reversal of impairment losses on assets	3,063	(9,707)	—	—	—	(6,644)
Profit/(Loss) from operating activities	**118,580**	**29,895**	**61,556**	**(36,105)**	—	**173,926**
Amortization and depreciation	15,584	13,365	18,618	1,978	—	49,545
EBITDA	**134,164**	**43,260**	**80,174**	**(34,127)**	—	**223,471**
Reconciliation:						
Finance costs						(74,282)
Finance income						28,493
Foreign exchange gain, net						919
Other expenses, net						(16,088)
Income tax expenses						(10,999)
Profit for the period						**101,969**
Total assets	1,459,487	1,183,449	525,307	125,168	—	3,293,411
Capital expenditures	29,068	54,949	6,516	1,056	—	91,589
Liabilities	74,970	188,062	223,137	934,670	—	1,420,839

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

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

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

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

	For the 6 months ended 31 December 2023				For the 6 months ended 31 December 2022			
	Oilseed Processing	Infrastructure and Trading	Farming	Total	Oilseed Processing	Infrastructure and Trading	Farming	Total
Revenue from sales of commodities	634,623	742,085	33,148	1,409,856	382,825	1,323,378	19,622	1,670,441
Freight and other services	105,542	74,462	—	180,004	71,933	92,026	—	219,343
Total external revenue from contracts with customers	**740,165**	**816,547**	**33,148**	**1,589,860**	**454,758**	**1,415,404**	**19,622**	**1,889,784**

During the six months ended 31 December 2023, revenue of approximately USD 92,944 thousand (the six months ended 31 December 2022: USD 96,567 thousand) were derived from a single external customer. These revenues are attributed to Oilseeds processing and Infrastructure and Trading segments. Also, during that period, export sales amounted to 88.6% of total external sales (the six months ended 31 December 2022: 90.9%).

During the six months ended 31 December 2023, revenue from the Group's top five customers accounted for approximately 25.7% of total revenue (for the six months ended 31 December 2022, revenue from the top five customers accounted for 22.0% 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	
	6 months ended 31 December 2023	6 months ended 31 December 2022
Asia	802,838	951,796
of which India	300,431	294,270
China	154,827	166,462
Hong Kong	148,230	126,442
Singapore	97,633	143,149
Europe	736,728	820,023
of which Switzerland	275,659	177,508
Ukraine	130,264	176,409
Netherland	85,546	137,070
Spain	75,936	41,755
Other locations	50,294	117,965
Total	**1,589,860**	**1,889,784**

	Non-current assets		
	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Ukraine	1,416,486	1,366,659	1,375,129
Switzerland	17,686	18,264	15,311
USA	687	669	678
Other locations	9,389	10,598	17,036
Total	**1,444,248**	**1,396,190**	**1,408,154**

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

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

8. Acquisition and Disposal of Subsidiaries

On 22 December 2023, the Group acquired 100% shares in an oil terminal. This transaction represented a business acquisition. The acquisition has increased the Group's export capacity of sunflower oil through the Danube River. As of the date of acquisition, the provisional amount of acquired net assets was USD 24,750 thousand. The assets of the acquired companies consist of property, plant, and equipment preliminary valued at USD 1,290 thousand and intangible assets preliminary valued at USD 23,505 thousand. The Group will finalize the valuation and purchase price allocation for this acquisition within next 12 months.

The total consideration equaled to USD 24,750 thousand and was fully settled during August-December 2023.

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

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

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

9. Cash and Cash Equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Cash in banks in USD	394,160	906,676	612,334
Cash in banks in UAH	131,129	39,560	39,634
Cash in banks in other currencies	16,789	7,863	27,251
Cash on hand	5	4	4
Total	**542,083**	**954,103**	**679,223**
Less bank overdrafts (Note 16)	(5)	(10)	(3)
Cash for the purposes of cash flow statement	**542,078**	**954,093**	**679,220**

As of 31 December, 30 June 2023 and 31 December 2022, the identified expected credit loss on cash and cash equivalents was immaterial.

10. Inventory

The balances of inventories were as follows:

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Raw materials	177,839	46,496	243,014
Products of agriculture	175,774	87,502	183,616
Goods for resale	96,282	76,249	153,200
Finished products	49,693	105,323	78,111
Work in progress	25,218	4,372	20,364
Fuel	5,620	10,338	11,292
Packaging materials	1,442	1,617	2,424
Other inventories	7,245	9,646	6,841
Total	**539,113**	**341,543**	**698,862**

As of 31 December 2023, write-downs of inventories to the net realizable value amounted to USD 4,067 thousand (31 December 2022: USD 8,771 thousand) recognized within Cost of Sales.

As of 31 December 2023, no inventories were pledged as security for short-term borrowings (30 June 2023: USD 191,186 thousand; 31 December 2022: USD 376,969 thousand) (Note 16).

11. Biological Assets

As of 31 December 2023, current biological assets included 108,027 hectares sown under winter crops in the amount of USD 10,089 thousand (31 December 2022: 72,738 hectares in the amount of USD 9,070 thousand) with no spring crops remained unharvested (31 December 2022: 43,287 hectares in the amount of USD 55,812 thousand).

For the six months ended 31 December 2023, the Group recognized USD 8,399 thousand loss due to the revaluation of winter crops in fields to its fair value (for the six months ended 31 December 2022: loss of USD 3,658 thousand due to revaluation of winter crops in fields to its fair value and gain of USD 23,643 thousand due to revaluation of remaining un-harvested corn to its fair value). The rest of Net change in fair value of biological assets and agricultural produce is attributed to transactions with crops of 2022-2023 harvests and livestock.

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12. Other Financial Assets

The balances of other financial assets were as follows:

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Margin account with brokers	64,263	65,993	87,058
Short-term bank deposits	22,760	7,127	—
Corporate and government bonds	20,806	16,058	15,239
Derivative financial instruments (Note 24)	20,206	13,842	10,303
Loans granted	7,316	41,092	37,297
Pledge deposits	—	122,703	—
Receivables from disposal of subsidiaries	—	90,000	—
Other financial assets	14,475	19,248	16,718
Total	**149,826**	**376,063**	**166,615**

As of 31 December 2023, no other financial assets were pledged as security for short-term borrowings (30 June 2023: USD 130,702 thousand; 31 December 2022: USD 22,516 thousand) (Note 16).

13. Property, Plant and Equipment

During the six months ended 31 December 2023, the Group acquired property, plant and equipment in the amount of USD 90,458 thousand (31 December 2022: USD 70,056 thousand). These purchases were mainly for expansion of infrastructure and trading facilities, such as vegetable oil storage facilities, vessels and barges (31 December 2022: for expansion of infrastructure and trading facilities, such as vessels, railway carriages and containers).

The decrease in property, plant and equipment in the amount of USD 4,899 thousand resulted from the devaluation of the Ukrainian hryvnia during the six months ended 31 December 2023 (31 December 2022: decrease USD 34,479 thousand).

During the six months ended 31 December 2023, depreciation of property, plant and equipment amounted to USD 35,102 thousand (31 December 2022: USD 34,316 thousand).

During the six months ended 31 December 2023, fixed assets of Infrastructure and Trading, damaged as a result of military operations, were written off in the amount of USD 7,426 thousand.

The Group assessed indicators of impairment since the most recent impairment test which was carried out as of 30 June 2023. As there were no indicators for impairment of any of the cash generating units ('CGUs'), management has not updated any of the impairment calculations, as of 31 December 2023.

14. Non-current Financial Assets

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

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Loans provided to related parties (Note 22)	21,826	8,717	9,491
Loans to farmers	4,384	7,858	7,858
Investments in financial assets	—	—	7,513
Other non-current assets	3,639	8,949	6,889
Total	**29,849**	**25,524**	**31,751**

15. Advances from Customers and Other Current Liabilities

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

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Accrued payroll, payroll related taxes and bonuses	67,629	87,773	78,996
Contract liabilities	39,338	49,042	43,304
Provision for unused vacations and other provisions	8,528	7,274	6,028
Taxes payable and provision for tax liabilities	6,267	4,284	3,892
Advances for assets classified as held for sale	—	—	20,000
Other current liabilities	7,653	5,397	3,005
Total	**129,415**	**153,770**	**155,225**

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16. Borrowings

The balances of borrowings were as follows:

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Current liabilities			
Short-term borrowings	180,674	211,261	221,811
Bank credit lines	32,383	652,273	710,298
Interest accrued on short-term borrowings	3,298	6,389	4,900
Bank overdrafts (Note 9)	5	10	3
Total	**216,360**	**869,933**	**937,012**

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

	Interest rate in range	Currency	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Ukrainian subsidiary of European bank	from 11.25% to 23.73%	UAH	32,383	32,182	33,128
European bank	from 2.90% to 4.50% plus SOFR	USD	5	123,870	130,032
European bank	from 2.30% to 3.50% plus LIBOR	USD	—	194,952	204,648
Ukrainian subsidiary of European bank	from 5.50% to 10.00%	USD	—	151,781	159,980
European bank	from 3.50% to 4.00% plus LIBOR	USD	—	63,063	66,200
European bank	4.00% plus COF	USD	—	25,721	27,000
Ukrainian bank	7.00%	USD	—	19,142	19,142
Ukrainian bank	6.00% plus UIRD	UAH	—	18,230	43,967
Ukrainian bank	from 15.60% to 23.73%	UAH	—	16,435	18,953
European bank	2.20%	USD	—	6,907	—
European bank	2.20% plus LIBOR	USD	—	—	7,251
Total			**32,388**	**652,283**	**710,301**

As of 31 December 2023, the Group continued to classify its bank borrowings with long-term initial contractual maturity as short-term as the Group did not have an unconditional right to defer settlement of those loans until the initial contractual settlement date.

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

	Initial contractual maturity year	Interest rate in range	Currency	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
European bank	2030	from 3.03% to 3.10% plus SOFR	USD	76,852	—	—
European bank	2029	from 3.03% to 3.10% plus SOFR	USD	72,462	—	—
European bank	2027	4.50% plus SOFR	USD	26,880	—	—
European bank	2027	1.00%	USD	4,480	5,793	6,080
European bank	2030	from 2.77% to 2.84% plus LIBOR	USD	—	85,871	90,543
European bank	2029	from 2.77% to 2.84% plus LIBOR	USD	—	84,846	88,708
European bank	2027	4.50% plus LIBOR	USD	—	34,751	36,480
Total				**180,674**	**211,261**	**221,811**

As of 31 December 2023, the undrawn amount of bank borrowings amounted to USD 162,605 thousand including available facility amounts upon bank credit lines (30 June 2023: USD 130,620 thousand; 31 December 2022: USD 12,365 thousand).

The bank borrowings were secured as follows:

	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
Property, plant and equipment	393,253	406,731	399,193
Inventory (Note 10)	—	191,186	376,969
Pledge deposits (Note 12)	—	122,703	—
Future sales receipts	—	49,165	148,836
Short-term bank deposits (Note 12)	—	6,907	7,277
Ukrainian government bonds (Note 12)	—	1,092	15,239
Total	**393,253**	**777,784**	**947,514**

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17. Bonds issued

The balances of bonds issued were as follows:

	Initial contractual maturity	As of 31 December 2023	As of 30 June 2023	As of 31 December 2022
US 300,000 thousand 6.75% coupon bonds (issued October 2020)	October 2027	297,925	297,660	297,568
US 300,000 thousand 6.50% coupon bonds (issued October 2019)	October 2024	299,070	298,551	298,214
Total		**596,995**	**596,211**	**595,782**

As of 31 December 2023, the bonds are rated CC by S&P (30 June 2023: CC, 31 December 2022: CC), one notch higher the Ukrainian sovereign. Also, the bonds keep the CC rating assigned by Fitch.

All the notes are unsecured, ranking equally with all existing and future senior unsecured indebtedness of the Company and have been unconditionally and irrevocably guaranteed by designated Group subsidiaries on the joint and several bases to the maximum extent permitted by law.

All the bonds contain certain restrictive covenants that limit the ability of the Issuer and, where applicable, its restricted subsidiaries to create or incur certain liens, make restricted payments, engage in amalgamations, mergers or consolidations, or combination with other entities; make certain disposals and transfers of assets; and enter into transactions with affiliates.

As of 31 December 2023, the Group also did not have an unconditional right (within the meaning of paragraph 69 d) of IAS 1 ‘Presentation of Financial Statements’) to defer settlement of its bonds for 12 months or longer. The Group therefore classified its long-term bonds as short-term. Notwithstanding such classification, management notes that because of the effective waivers from banks that were in place as of 31 December 2023, cross-acceleration events of default under the bonds were not triggered as at such date, and the Group remained otherwise in full compliance with the terms of its bonds.

18. Revenue

The Group’s revenue was as follows:

	6 months ended 31 December 2023	6 months ended 31 December 2022
Revenue from edible oils sold in bulk, meal and cake	967,554	997,152
Revenue from agriculture commodities merchandizing	521,420	786,844
Revenue from bottled sunflower oil	56,798	80,390
Revenue from farming	19,433	15,346
Revenue from transshipment services	16,374	7,775
Revenue from grain silo services	8,281	2,277
Total	**1,589,860**	**1,889,784**

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

The transaction price allocated to unsatisfied performance obligations as of 31 December 2023 is USD 20,993 thousand (31 December 2022: USD 19,277 thousand). This amount represents revenue from carriage, freight and insurance services under CIF/CFR Incoterms contracts which are to be executed in January 2024, when the goods are delivered to the point of destination and under which the Group has already recognized revenue from sale of goods at a point in time as of 31 December 2023.

19. Cost of Sales

Cost of sales was as follows:

	6 months ended 31 December 2023	6 months ended 31 December 2022
Cost of goods for resale and raw materials used	911,959	980,564
Shipping and handling costs	300,147	347,155
Amortization and depreciation	46,780	56,695
Payroll and payroll related costs	38,640	36,109
Total	**1,297,526**	**1,420,523**

For the six months ended 31 December 2023 result on operations with commodity futures, options and unrealized forwards, included within Cost of goods for resale and raw materials used line, decreased Cost of sales in the amount of USD 64,590 thousand (31 December 2022: USD 35,241 thousand decrease).

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20. General, administrative and selling expenses

General, administrative and selling expenses were as follows:

	6 months ended 31 December 2023	6 months ended 31 December 2022
Payroll and payroll related costs G&A	67,100	84,721
Audit, legal and other professional fees	5,062	6,108
Repairs and material costs	3,192	3,917
Amortization and depreciation	2,765	2,400
Business trip expenses	1,669	351
Taxes other than income tax	1,172	1,364
Rental payments	1,159	890
Bank services	693	508
Communication expenses	638	582
Insurance	472	349
Other expenses G&A	147	1,806
Total	**84,069**	**102,996**

21. Foreign Exchange Gain/(Loss), net

For the six months ended 31 December 2023, foreign exchange gain, net amounted to USD 919 thousand (for the six months ended 31 December 2022: foreign exchange gain, net amounted to 66,591 thousand). The result is mostly connected with the devaluation of Ukrainian hryvnia and fluctuation of exchange rates, which influenced on translation of balances denominated in other than functional currencies, namely trade balances and borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's subsidiaries if they had different functional currencies).

22. Transactions with Related Parties

As of 31 December 2023, the Group is controlled by the Namsen Limited (Note 2).

The Group had the following balances outstanding with related parties from sales or purchases of goods and services:

Related party	Statement of Financial Position line	Related party balances as of 31 December 2023	Related party balances as of 30 June 2023	Related party balances as of 31 December 2022
Entities under Common Control	Trade accounts receivable	22,513	13,776	—
	Prepayments to suppliers	38,986	41,798	—
	Other financial assets	1,917	104,319	—
	Non-current financial assets	12,711	29	—
	Trade accounts payable	13,766	26,922	—
	Other financial liabilities	2,142	142	—
Entities under Beneficial Owner control	Trade accounts receivable	—	—	6,014
	Prepayments to suppliers	—	—	11,261
	Other financial assets	—	—	12,435
	Trade accounts payable	—	—	6,208
	Advances from customers and other current liabilities	—	—	20,000
Key management	Other financial assets	1,516	3,546	1,931
	Non-current financial assets	1,406	124	230
	Advances from customers and other current liabilities	12,941	20,345	19,390
	Other financial liabilities	64,438	—	—
	Other non-current liabilities	—	54,278	46,400
Entities under Key Management control	Other financial assets	997	18,250	18,585
	Non-current financial assets	7,546	—	338
Other related parties	Trade accounts receivable	1,878	39,563	261
	Prepayments to suppliers	999	747	9,124
	Other financial assets	630	4,419	4,314
	Non-current financial assets	163	8,563	8,923
	Trade accounts payable	7	18,746	1,034

In July 2023, the Group received the remaining consideration of USD 90,000 thousand from a related party for the disposal of farming entities, completed as of 3 March 2023.

During the year ended 30 June 2022, a new management incentive plan was introduced, according to which the Company granted management the options to sell to the Company 2,792,435 of its ordinary shares. As of 31 December 2023, the fair value of the liability from share options amounted to USD 61,005 thousand presented within Other financial liabilities (30 June 2023 and 31 December 2022: USD 54,278 thousand and USD 44,495 thousand, respectively, presented within Other non-current liabilities).

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

Transactions with related parties were as follows:

Related party	Statement of Profit and Loss line	Related party turnovers for the 6 months ended 31 December 2023	Related party turnovers for the 6 months ended 31 December 2022
Entities under Common Control	Revenue	16,119	—
	Purchases of various goods and services	(169,090)	—
	Cost of sales	(5,691)	—
	Other operating income	960	—
Entities under Beneficial Owner control	Revenue	—	6,214
	Purchases of various goods and services	—	(8,113)
	Cost of sales	—	(11,782)
Key management	General, administrative, and selling expenses	(17,868)	(26,304)
	Finance costs	(593)	—
Entities under Key Management control	General, administrative, and selling expenses	—	—
	Finance costs	(3,265)	—
Other related parties	Revenue	20,030	20,991
	Purchases of various goods and services	(505)	(3,621)
	Cost of sales	(39)	(1,057)
	Other operating income	—	3,963
	Net impairment losses on financial assets	(11,802)	—
	Finance income	825	867

Change of fair value of liability for management incentive plan provided to key management as of 31 December 2023 resulted in loss recognized in General, administrative and selling expenses in the amount of USD 6,758 thousand.

The Group's key management personnel are the members of the Board of Directors and management team. The remuneration of Directors and other members of key management personnel recognized in the Condensed Consolidated Interim Statement of Profit and Loss including salaries and other current employee benefits amounted to USD 9,632 thousand (for the six months ended 31 December 2022: USD 17,985 thousand).

23. Commitments and Contingencies

Capital Commitments

As of 31 December 2023, the Group had commitments under contracts with a group of suppliers for a total amount of USD 26,322 thousand, mostly for construction of the oil-crushing plant (30 June 2023 and 31 December 2022: USD 21,749 thousand and USD 23,872 thousand, mostly for construction of the oil-crushing plant).

Contractual Commitments on Sales

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

As of 30 June 2023, the Group had entered into commercial contracts for the export of 103,000 tons of grain, 157,545 tons of sunflower oil, and 129,373 tons of sunflower meal and other related products, corresponding to an amount of USD 25,751 thousand, USD 149,280 thousand and USD 43,838 thousand, respectively, in contract prices as of the reporting date.

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

Taxation and Legal Issues

The international tax environment is becoming more complex in terms of tax administration, which could increase tax pressure on taxpayers. The management is currently reviewing the impact of those changes on the financial statements. In particular, a key part of the OECD/G20 BEPS Project is addressing the tax challenges arising from the digitalization of the economy. The Global Anti-Base Erosion Rules (GloBE) are a key component of this plan and ensure large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. More specifically, the GloBE Rules provide for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate. It was determined in terms of Pillar 2 rules that Namsen Limited residing in Cyprus should be considered as the Ultimate Parent Entity of the Kernel Group and should be therefore have the obligation to apply the Income Inclusion Rule and charged with the top-up tax (TUT) due on any low-taxed profits of itself and its low-taxed subsidiaries. The global minimum tax rules set out in the Directive were expected to be transposed into the domestic legislation of the EU Member States and be in effect as of 31 December 2023. Cyprus has not yet transposed the rules into the domestic legislation but is expected to do so in the course of 2024 with retroactive effect. It is therefore expected that the final legislation will be enacted with retroactive effect as of 31 December 2023, in line with the requirements of the EU Directive, and will be effective for the Group from 1 July 2024.

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Tax risk management is embedded in overall Group risk management. As of 31 December 2023, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 73,653 thousand (as of 30 June 2023 and 31 December 2022: USD 65,803 thousand and USD 71,408 thousand, respectively). Management believes that based on the previous history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's condensed consolidated interim financial statements as of the reporting date.

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

In October 2023, the Group received a claim from the minority shareholders challenging the decision taken by the Board of Directors to delist the Company's shares and requesting to invalidate the Board of Directors' decision to delist the Company or alternatively, to appoint an expert to assess the fairness of the public tender offer price announced by Namsen Limited on 30 March 2023. It is an early stage of the proceedings, and the outcome of the litigation cannot be assessed at the moment. However, the management of the Group believes there was no non-compliance with laws and regulations with regard to the facts appealed by the claimants. As disclosed in Note 25, on 20 February 2024 the Group received another summons from the same group of minority shareholders.

24. Financial Instruments

Due to the defined short-term nature of the borrowings as of 31 December 2023, their carrying amount is approximately the same as their fair value. The fair value was calculated based on cash flows discounted using a current lending rate that is within level 2 of the fair value hierarchy.

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

	As of 31 December 2023		As of 30 June 2023		As of 31 December 2022	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Bonds issued (Note 17)	604,607	397,050	603,823	365,250	603,394	205,680

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

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

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

	As of 31 December 2023			As of 30 June 2023			As of 31 December 2022		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Other financial assets (Note 12)									
Forwards	—	7,308	**7,308**	—	10,994	**10,994**	—	1,141	**1,141**
Futures/Options	12,898	—	**12,898**	2,848	—	**2,848**	9,162	—	**9,162**
Other financial liabilities									
Forwards	—	3,506	**3,506**	—	13,302	**13,302**	—	4,442	**4,442**
Futures/Options	1,497	—	**1,497**	5,025	—	**5,025**	800	—	**800**

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

For the six months ended 31 December 2023, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For the six months ended 31 December 2022, the fair value of other non-current assets recognized at amortized cost was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 5-10% that is within level 3 in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

There were no transfers between levels of the fair value hierarchy. There have been no changes in the valuation technique since the previous period.

25. Subsequent Events

Following the events outlined in Notes 3 and 4, the subsequent events described below occurred.

In January 2024, the Group settled the working capital financing of USD 32,777 thousand and obtained a new tranche of USD 2,000 thousand through a new loan agreement with another Ukrainian bank.

On 20 February 2024, it was announced that the Group is going to hold an Extraordinary General meeting of shareholders on 21 March 2024 to vote on the cancellation of 6,602,000 treasury shares of the Company wholly owned by the Group's subsidiary.

On 20 February 2024, the Company received two legal summonses from a group of minority shareholders requesting the temporary suspension of decisions made by the Company's Board of Directors on 21 August 2023 (regarding the initiation of a share offering) and on 1 September 2023 (pertaining to the increase in share capital following the share offering) and annulment of this decisions.