

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

Volume and tonnage	Q1 FY2016	Q1 FY2015	y-o-y
Grain sales, tons	927,446	1,220,855	(24%)
Sunflower oil sales in bulk, tons	158,150	202,592	(22%)
Bottled sunflower oil sales, '000 liters	17,683	22,774	(22%)
Oilseed crush, tons	417,902	506,386	(17%)
Export terminals' throughput, tons ⁽¹⁾	1,167,697	1,212,552	(4%)

(1) Including 594,822 tons transhipped through Taman port in Q1 FY2016 vs. 543,050 tons in Q1 FY2015, which represents 50% of the total throughput volume of the Taman facility. Kernel Holding S.A. owns a 50% stake in the Taman grain transshipment facility.
Note: The financial year ends 30 June.

Key highlights:

- Oilseed crush was down 17% y-o-y to 418 thousand tons in Q1 FY2016 as a result of lower availability of sunflower seed in the end of marketing season. Full year crush is expected at around 2.7 million tons in FY2016, up from 2.5 million tons in FY2015.
- Sunflower oil sales were down 22% y-o-y to 158 thousand tons in Q1 FY2016, in line with lower crushing volumes.
- Weak price environment dampened farmers' selling activity in Ukraine, which resulted in 24% decline of grain sales y-o-y. Full year FY2016 sales are expected at levels comparable to FY2015.
- Export terminal throughput was down 4% y-o-y to 1.2 million tons, reflecting lower grain exports.

Harvest update:

- Draught in August negatively impacted corn and soybean crop yields in the western regions of Ukraine. Consequently, FY2016 corn net yield of 7.3 tons per hectare (estimate based on 54% acreage harvested) and soybean of 1.8 tons per hectare are up y-o-y only marginally, as operational improvements are offset by unfavorable weather.
- Sunflower seed crop net yield is up 8% y-o-y to 2.7 tons per hectare, as sunflower seed is less prone to draught.
- Summer crops – winter wheat and rapeseed – are in line with management expectations.

	Acreage, thousand hectares			Net crop yield ⁽¹⁾ , tons/hectare		
	FY2016	FY2015	y-o-y	FY2016	FY2015	y-o-y
Corn	160.7	183.8	(13%)	7.3	7.1	3%
Wheat	72.5	30.7	2.4x	5.1	5.4	(6%)
Sunflower	62.0	69.5	(11%)	2.7	2.5	8%
Soybean	67.0	66.5	1%	1.8	1.8	0%
Rapeseed	9.6	–	n/m	4.3	n/a	n/a
Other ⁽²⁾	14.5	32.1	(55%)			
Total	383.4	382.6	1%			

(1) Net crop yields are estimated based on 54% of corn acreage harvested as of 21 October 2015, 100% for other crops.

(2) Includes barley, rye, oats, forage crops. Excludes fallow land.

Corporate and regulatory:

- In September 2015, Kernel signed a tolling agreement to crush 200,000 tons of sunflower seed at a third-party plant located in Ukraine. This agreement will allow the company to increase sunflower oil production volumes in FY2016.
- In August 2015, Kernel renewed its pre-export credit facilities, which are being used to finance working capital in the sunflower oil and grain business. With this renewal, Kernel completed its refinancing needs for this marketing season.

Condensed consolidated financial statements for the three months ended 30 September 2015 will be published prior market opening on 25 November 2015.

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