

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THREE MONTHS ENDED 30 JUNE 2016

Volume and tonnage	Q4 FY2016	Q4 FY2015	y-o-y	FY2016	FY2015	y-o-y
Grain sales, tons	744,265	788,328	(6%)	4,409,465	4,743,837	(7%)
Sunflower oil sales in bulk, tons	208,804	300,292	(30%)	983,904	1,030,209	(4%)
Bottled sunflower oil sales, '000 liters	16,111	18,134	(11%)	93,382	98,914	(6%)
Oilseed crush, tons	647,333	611,893	6%	2,684,756	2,522,769	6%
Export terminals throughput, tons ⁽¹⁾	1,008,355	949,600	6%	5,343,255	4,821,738	11%
Grain received in inland silos, tons				2,883,087	2,523,124	14%

(1) Including 217,320 tons transhipped through Taman port in Q4 FY2016 vs. 89,580 tons in Q4 FY2015 (1,619,665 tons in FY2016 vs. 1,173,825 tons in FY2015), which represents 50% of the total throughput volume of the Taman facility. Kernel Holding S.A. owns 50% stake in Taman grain transshipment facility.
Note: Financial year ends 30 June.

Key highlights:

- Oilseed crush increased to 647 thousand tons in Q4 FY2016 and 2.7 million tons in FY2016, 6% higher y-o-y as we expanded our production capacities through signing a tolling agreement.
- Sunflower oil sales in bulk amounted to 209 thousand tons in Q4 FY2016, 30% lower y-o-y, as we rebuilt inventories to accommodate stronger demand for deliveries in Q1 FY2017.
- Bottled sunflower oil sales were 11% lower y-o-y in Q4 FY2016 and 6% lower y-o-y in FY2016, with a double digit decrease in domestic demand only partially compensated by increased export deliveries.
- Grain sales stood at 744 thousand tons in Q4 FY2016, a seasonally low amount as our fourth quarter matches the end of the marketing season when farmers' stocks are low. Full-year sales of 4.4 million tons were slightly below management expectations of 4.5 million tons of exports.
- Export terminals' throughput continued to set records, with volumes 6% up y-o-y to 1.0 million tons in Q4 FY2016 and 11% up y-o-y to 5.3 million tons in FY2016. Debottlenecking at our grain transshipment facility in Ukraine and installation of additional storage capacity at grain transshipment facility in Russia were behind the growth in volumes.
- Grains received in inland silos showed strong 14% y-o-y growth to 2.8 million tons in FY2016, with our efforts to attract more third-party farmers to our silos and growth in own harvest being behind utilization increase in what have been generally weak season for grain storage business.

Corporate:

- In April 2016, we finalized divestment of two small oilseed crushing plants located in southern Russia. Two facilities, with a total crushing capacity of 200,000 tons of sunflower seed per year, were divested for RUB 800 million paid in cash.
- On 1 July 2016, we renewed our grain pre-export credit facility with a syndicate of European banks for another year with a limit of USD 215 million to be used to fund the working capital of our grain export business.

Consolidated Financial Statements for the year ended 30 June 2016 will be published before market opening on 24 October 2016.

Q4 FY2016 vs. Q3 FY2016

Volume and tonnage	Q4 FY2016	Q3 FY2016	q-o-q
Grain sales, tons	744,265	1,414,879	(47%)
Sunflower oil sales in bulk, tons	208,804	319,940	(35%)
Bottled sunflower oil sales, '000 liters	16,111	28,553	(44%)
Oilseed crush, tons	647,333	704,144	(8%)
Export terminals throughput, tons ⁽¹⁾	1,008,355	1,471,521	(31%)

(1) Including 217,320 tons transshipped through Taman port in Q4 FY2016 and 271,202 tons in Q3 FY2016, which represents 50% of the total throughput volume of the Taman facility (Kernel Holding S.A. owns 50% of the Taman grain transshipment facility).
Note: Financial year ends 30 June.

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