

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

Volumes and tonnage	Units	Q1 FY2017	Q1 FY2018	y-o-y
Grains ⁽¹⁾	tons	1,180,937	804,679	(31.9%)
Sunflower oil sales in bulk	tons	167,267	392,816	2.3x
Bottled sunflower oil	000 liters	21,328	32,640	53.0%
Oilseeds crushed	tons	279,951	542,354	93.7%
Export terminal's throughput ⁽²⁾	tons	1,393,474	1,290,001	(7.4%)

(1) Including 61,500 tons exported from Russia in Q1 FY2018 vs. 326,581 tons in Q1 FY2017.

(2) Including 452,736 tons transshipped through Taman port in Q1 FY2018 vs. 473,779 tons in Q1 FY2017, 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:

- Overall, grain exports reduced by 31.9% during Q1 FY2018. In September 2017, Kernel entered into agreement with 3rd party to assign a portion of its FY 2018 transshipment quota entitlement in Taman terminal on a take-or-pay basis. Owing to quota assignment, Kernel secured significant share of budgeted earnings from Russian operations for FY2018 while grain exports from Russia fell by 81.2% y-o-y for the same reason. Whereas delayed harvesting campaign in Ukraine resulted in 13.0% y-o-y decrease of grain export volumes from Ukraine.
- Accumulated carry over-stock to meet the contractual demand for sunflower oil sales in bulk translated into 2.3x increase in sales volumes during Q1 FY2018.
- Growing export sales of bottled oil fueled the 53% y-o-y surge in sale volumes.
- Significant brought forward inventory of sunflower seeds resulted in a record utilization of our facilities during Q1 FY2018 and nearly doubled of the crushing volumes y-o-y.
- The transshipment volumes stood at 1.3 million tons, down 7.4% y-o-y, on account of weaker pace of grain exports from Black Sea regions.

Corporate update:

- On 5 July 2017, Kernel completed an acquisition of 100% interest in a farming business that manages more than 27,500 hectares of leasehold farmland and over 170,000 tons of grain storage capacity. Total consideration of US\$43.3 million has been paid in cash for the 100% interest in the business, which has a positive net working capital less net debt in excess of US\$4 million. The deal has been approved by the Antimonopoly Committee of Ukraine in May 2017.
- On 16 October 2017, Kernel entered into pre-export credit facility with a syndicate of European banks. The three-year secured revolving facility with a limit of US\$ 200 million will be used by the Company to fund the working capital needs of its sunflower oil production business in Ukraine.

Harvesting update:

- Material decrease in crop yields is due to hot weather conditions in central Ukraine during the pollination period and a delayed sowing campaign. Moreover, the combined yields are diluted with lower productivity of newly acquired farmland bank.

Combined farmland	Acreage, thousand hectares			Net yield ⁽¹⁾ , tons/ha		
	FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y
Corn	138,624	202,858	46.3%	8.9	6.7	(24.1%)
Wheat	81,912	145,867	78.1%	5.8	4.9	(16.5%)
Sunflower	81,341	134,283	65.1%	3.0	2.4	(19.6%)
Soybean	58,001	65,302	12.6%	2.7	1.8	(33.8%)
Rapeseeds	2,639	6,983	2.6x	3.0	3.4	13.6%
Other ⁽²⁾	22,812	36,799	61.3%			
Total	385,329	592,093	1.5x			

Kernel's old landbank prior to acquisitions	Acreage, thousand hectares			Net yield ⁽¹⁾ , tons/ha		
	FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y
Corn	138,624	139,373	0.5%	8.9	7.3	(17.8%)
Wheat	81,912	82,281	0.5%	5.8	5.4	(8.5%)
Sunflower	81,341	80,529	(1.0%)	3.0	2.8	(6.2%)
Soybean	58,001	43,478	(25.0%)	2.7	2.0	(28.7%)
Rapeseeds	2,639	6,983	2.6x	3.0	3.4	13.6%
Other ⁽²⁾	22,812	26,890	17.9%			
Total	385,329	379,535				

(1) Net crop yields are projections based on 31% of corn, 92% sunflower seed, 96% soybean acreage harvested as of 20 October 2017, 100% for other crops.

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

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