

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

Volumes and tonnage	Units	Q2		y-o-y	H1		y-o-y
		FY2017	FY2018		FY2017	FY2018	
Grain sale:	tons	1,531,887	1,180,452	(22.9%)	2,712,824	1,985,131	(26.8%)
- Ukraine	tons	1,153,161	1,136,276	(1.5%)	2,007,517	1,879,455	(6.4%)
- Russia	tons	378,726	44,176	(88.3%)	705,307	105,676	(85.0%)
Oilseeds crushed	tons	908,541	910,517	0.2%	1,188,492	1,452,871	22.2%
Sunflower oil sales in bulk	tons	341,122	265,128	(22.3%)	508,389	657,944	29.4%
Bottled sunflower oil	000 liters	36,227	27,000	(25.5%)	57,555	59,640	3.6%
Export terminal's throughput:	tons	1,662,072	1,648,026	(0.8%)	3,055,546	2,938,027	(3.8%)
- Ukraine	tons	1,245,189	1,125,041	(9.6%)	2,164,884	1,962,306	(9.4%)
- Russia (Taman)	tons	416,883	522,986	25.5%	890,662	975,722	9.6%
Grain and oilseeds received in inland silos	tons	1,513,067	1,678,899	11.0%	2,931,703	3,070,878	4.7%

Note: The financial year ends 30 June

Key highlights:

- In Q2 FY2018 grain export volumes from Ukraine remained nearly flat y-o-y while total grain export volumes decreased by 23% y-o-y, owing to reduced shipments from Russia, where we assigned a sizable portion of our FY2018 transshipment quota entitlement in Taman terminal to a 3rd party, securing budgeted level of earnings from Russian operations for FY2018.
- All crushing plants operated at full capacity during Q2 FY2018 with 910 thousand tons of sunflower seeds processed, flat y-o-y.
- Notwithstanding the 100% utilization of our crushing plants, volumes of sunflower oil sold in bulk declined 22% y-o-y in Q2 FY2018, reflecting our contractual demand, which moved the sales from Q2 to next quarters. As a result, we built up a sizable stock of sunflower oil over the reporting period, which will be shipped in Q3 FY2018.
- Sales of bottled oil reduced in Q2 FY2018 y-o-y due to the expiration of one-year export contract with a customer, which accounted for a sizable part of our bottled sunflower oil sales in Q2 FY2017 – Q1 FY2018.
- Execution of investment project in our TransBulkTerminal (Ukraine) partially contributed to the 9.6% y-o-y decline in export terminal's throughput (excl. Taman) in Q2 FY2018.
- De-bottlenecking and expansion of inland grain storage capacities resulted in material increase of grain in-take volumes in Q2 FY2018, up 11% y-o-y.

Corporate update:

- An AGM held on 11 December 2017 approved dividend of USD 0.25 per share for the financial year ended June 30, 2017. The board is due to set up ex and payout dates for the dividend.
- AGM appointed Mr. Yevgen Osyrov as a new director of the Company.

Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2017 will be published before market opening on 28 February 2018.

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