

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2018

Volumes and tonnage ¹	Units	Q3			9M		
		FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y
Grain sales	tons	1,390,180	1,087,631	(21.8%)	4,103,004	3,073,496	(25.1%)
- Ukraine	tons	1,098,906	935,660	(14.9%)	3,106,423	2,815,849	(9.4%)
- Russia	tons	291,274	-	n/m	996,581	105,676	(89.4%)
- Other ²	tons	-	151,971	n/m	-	151,971	n/m
Export terminal's throughput	tons	1,614,092	1,514,982	(6.1%)	4,669,638	4,453,010	(4.6%)
- Ukraine	tons	1,175,977	1,004,645	(14.6%)	3,340,861	2,966,951	(11.2%)
- Russia	tons	438,115	510,337	16.5%	1,328,777	1,486,059	11.8%
Grain and oilseeds received in inland silos	tons	270,549	168,530	(37.7%)	3,201,576	3,239,408	1.2%
Oilseeds crushed	tons	860,632	848,861	(1.4%)	2,049,124	2,301,732	12.3%
Sunflower oil sales in bulk	tons	293,753	252,740	(14.0%)	802,142	914,684	14.0%
Bottled sunflower oil	000 liters	34,622	26,164	(24.4%)	92,177	85,804	(6.9%)

Note 1 Preliminary figures; financial year ends 30 June

Note 2 Physical grain trading volumes reported by Avere – a recently established subsidiary of Kernel involved in proprietary trading

Key highlights:

- Kernel's **grain export volumes from Ukraine** declined 15% y-o-y in Q3 FY2018, or 9.4% y-o-y for 9 months FY2018, stemming from a countrywide harvest decline, delayed harvesting campaign, and low willingness of farmers to sell crops waiting for better prices. Nevertheless, given the recent spike in prices for corn, we expect to export 3.8 million tons of grain from Ukraine for the full FY2018, implying a 5% decline y-o-y.
- In Q3 FY2018 we were not exporting **grain from Russia**, as 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.
- In line with grain sales decline in Ukraine, the **throughput** volumes at our **export terminals in Ukraine** reduced by 15% y-o-y in Q3 FY2018, to 1 million tons.
- For 9 months ended 31 March 2018, grain and oilseeds **intake volumes at our silos** were 1.2% higher than for the same period a year ago. Since the season for silo services is already completed, intake volumes in Q3 FY2018 were negligible.
- Crushing plants continued to operate at full capacity during Q3 FY2018, with **crushing volumes** only marginally declining by 1.4% y-o-y and standing at 849 thousand tons of oilseeds processed.
- Sunflower oil sales in bulk** in Q3 FY2018 amounted to 253 thousand tons, or 14% down y-o-y, and we continued to accumulate a stock of sunflower oil. Nonetheless, we expect to sell ca. 360 thousand tons of sunflower oil in bulk in Q4 FY2018, out of which 95% was already contracted at the date of this report.
- Similar to a previous quarter, **our bottled sunflower oil sales** in Q3 FY2018 declined 24% y-o-y, to 26 million liters, as last year we experienced a material contribution to our volumes sold due to a one-year export contract which expired in Q1 FY2018.

Corporate update:

- As of 22 February 2018, Kernel has finalized the execution of pre-export credit facility with a syndicate of European banks. The two-and-a-half-year secured revolving facility with a limit of US\$ 100 million will be used by the Company to fund the working capital needs of its grain export business in Ukraine.
- In Q3 FY2018 Kernel completed the disposal of corporate rights in subsidiaries leasing in total 34 thousand hectares of farmland in Ukraine, which were suboptimal for company's operations. Combined proceeds are expected to be US\$ 19 million.

Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2018 will be published before market opening on 25 May 2018.

For further information, please contact:

Michael Iavorskyi, IR Manager
+38 044 461 88 01, ext. 72-75
ir@kernel.ua

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