

# KERNEL HOLDING S.A.

## OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

Volumes and tonnage <sup>1</sup>	Units	Q1 FY2018	Q1 FY2019	y-o-y
Grain sales	tons	804,679	2,675,442	232.5%
- Ukraine	tons	743,179	1,382,783	86.1%
- Russia	tons	61,500	-	n/m
- Other <sup>2</sup>	tons	-	1,292,659	n/m
Export terminal's throughput	tons	1,290,001	1,588,702	23.2%
- Ukraine	tons	837,265	982,637	17.4%
- Russia	tons	452,736	606,065	33.9%
Grain and oilseeds received in inland silos	tons	1,391,979	1,559,511	12.0%
Oilseeds processed	tons	542,354	418,582	(22.8%)
Sunflower oil sales in bulk	tons	392,816	391,492	(0.3%)
Bottled sunflower oil	'000 liters	32,640	31,100	(4.7%)

Note 1 Preliminary figures; financial year ends 30 June

Note 2 Physical grain trading volumes reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading

### Key highlights:

- Kernel **exported** 1.4 million tons of **grain from Ukraine** in Q1 FY2018, up 86% y-o-y, driven by extensive efforts of our origination team to secure supply of wheat and barley harvested in summer 2018, as well as sales of leftover stocks of corn from a previous year crop.
- The Company was **not exporting grain from Russia** in the reported period, assigning its FY2019 transshipment quota entitlement in Taman terminal to a 3<sup>rd</sup> party.
- Avere traded 1.3 million tons of physical grain in Q1 FY2019, reflected in **other grain sales**.
- Export terminals throughput volumes in Ukraine** increased to 983 thousand tons, up 17% y-o-y, stemming from a hefty growth of grain exports from Ukraine.
- Company's silo in-take volumes increased by 12% y-o-y, to 1.6 million tons.
- Lower availability of last year sunflower seeds at the end of the marketing season resulted in 23% y-o-y decline in the volume of **oilseeds processed** in Q1 FY2019.
- Sizable brought forward sunflower oil stock procured stable y-o-y **sales of sunflower oil in bulk** in Q1 FY2019 totaling 391 thousand tons.
- Bottled sunflower oil** sale volumes amounted to 31 million liters, down 5% y-o-y.

### Harvesting update:

- We expect a rebound in farming division performance in FY2019. Supportive weather conditions and smooth integration of the recently acquired farmland shall translate into material improvement of crop yields in FY2019 compared to the last season. Harvested acreage will be lower y-o-y due to disposal of several remotely located farms, which were suboptimal for our operations.

	Acreage, thousand hectares			Net yield <sup>(1)</sup> , tons / hectare		
	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y
Corn	201.8	223.8	10.9%	6.7	9.4	39.8%
Wheat	145.7	99.5	(31.7%)	4.9	5.2	6.0%
Sunflower	133.6	134.5	0.7%	2.3	3.2	37.5%
Soybean	64.8	36.3	(44.0%)	1.8	3.0	69.4%
Other <sup>(2)</sup>	49.9	34.6	(30.7%)			
Total	595.9	528.6	(11.3%)			

(1) Net crop yields are projections based on 25% of corn, 88% sunflower seed, 91% soybean and 100% of wheat acreage harvested as of 11 October 2018. Differences are possible due to rounding.

(2) Includes rapeseed, barley, rye, oats, forage crops and other minor crops, as well as fallow land.

### Corporate update:

- In September 2018 Kernel published a Corporate Governance Charter of the Company, determining the system of the corporate governance of Kernel Holding S.A. The Charter resembles on the Company's articles of association and complies with the "Best Practices of WSE Listed Companies 2016" corporate governance code of the Warsaw Stock Exchange and with most of the principles of the "X Principles of Corporate Governance of the Luxembourg Stock Exchange".
- On 11 October 2018 Kernel received a notification of major holdings about crossing the 5% threshold of voting rights, pursuant to the provisions of articles 8 and 9 of the Law of 11 January 2008 on Transparency Requirements for Issuers of Grand Duchy of Luxembourg. The respective notice is published and available on Company's website: <https://www.kernel.ua/investor-relations/ownership-structure/>.

For further information, please contact:

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

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