

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

Segment volumes <i>metric tons</i>	Q2 FY2018	Q2 FY2019	y-o-y	H1 FY2018	H1 FY2019	y-o-y
Oilseeds processed	910,517	940,556	3.3%	1,452,871	1,359,138	(6.5%)
Sunflower oil sales ^{1, 2}	294,463	371,611	26.2%	718,018	776,545	8.2%
Trading volumes	1,181,186	2,857,671	141.9%	1,985,865	5,855,971	194.9%
- Ukraine	1,137,010	1,745,807	53.5%	1,880,189	3,128,560	66.4%
- Russia	44,176	-	n/m	105,676	-	n/m
- Other ^{2, 3}	-	1,111,864	n/m	-	2,727,411	n/m
Export terminal's throughput	1,648,027	1,718,186	4.3%	2,938,028	3,306,888	12.6%
- Ukraine	1,125,041	1,256,723	11.7%	1,962,306	2,239,360	14.1%
- Russia	522,986	461,463	(11.8%)	975,722	1,067,528	9.4%
Grain and oilseeds received in inland silos	1,678,899	2,282,061	35.9%	3,070,878	3,840,351	25.1%

Note 1 Includes sales of sunflower oil in bulk and bottled sunflower oil.

Note 2 Includes 190,950 tons of sunflower oil produced by Kernel plants and sold through Avere in Q2 FY2019 (301,020 tons for H1 FY2019). Production margin on that volumes is allocated to Oilseeds Processing segment, and trading margin is allocated to Infrastructure and Trading segment.

Note 3 Physical trading volumes reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading.

Preliminary figures; financial year ends 30 June.

Differences are possible due to rounding.

Key highlights:

- Kernel **processed** 941 thousand tons of **sunflower seeds** in Q2 FY2019, up 3% y-o-y, setting a new production record and utilizing oil-extraction plants at full capacity in the reporting period.
- Sunflower oil sales volumes in October-December 2018 increased 26% y-o-y, to 372 thousand tons. Bottled sunflower oil sales amounted to 8% (29.8 thousand tons) of that volumes, up 18% y-o-y, and flat as compared to the previous quarter.
- The company **exported** a highest ever 1.7 million tons of **grain from Ukraine** in a single quarter, benefiting from a record grain harvest in Ukraine, expanded infrastructure capabilities and reach. Successful execution of grain origination program enabled full capacity utilization of own infrastructure along with limited usage of third-party export terminals.
- Kernel was **not exporting grain from Russia**, where the company assigned its FY2019 Taman transshipment quota entitlement to a 3rd party, in line with previous business practice.
- **Avere physical trading volumes** in Q2 FY2019 totaled to 1,112 thousand tons of grain, oilseeds, meals and vegetable oils, presented in "Other" trading volumes. The amount includes 191 thousand tons of sunflower oil produced by Kernel oil-extraction plants and reported also under "Sunflower oil sales".
- Driven by abundant grain supplies, Q2 FY2019 was also a record quarter for Kernel's infrastructure: **export terminals** in Ukraine handled a highest ever 1,257 thousand tons of cargo, up 12% y-o-y, and **silos intake volumes** amounted to 2.3 million tons, a 36% increase y-o-y.

Corporate update:

- An AGM held on 10 December 2018 approved a dividend of USD 0.25 per share for the financial year ended June 30, 2018. The Board of Directors of Kernel Holding S.A. is due to set up ex and payout dates for the dividend.
- In December 2018 Kernel attracted project financing from the European Investment Bank amounting to US\$ 250 million to be used by the company to upgrade the existing oilseed processing plants and construct a new one in Western Ukraine, build inland grain storage facilities and construct grain handling and storage terminal in the port of Chornomorsk. The Company also extended the tenor of its US\$ 100 million grain pre-export credit facility until 30 June 2021 and marginally reduced the interest rate for tranches.
- On 29 December 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/>.

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