

# KERNEL HOLDING S.A.

## OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2022

### Segment volumes of Kernel Holding S.A. group of companies (hereinafter "the Group")

metric tons	Q4 FY2021	Q4 FY2022	y-o-y	FY2021	FY2022	y-o-y
Oilseeds processed	617,499	156,622	(75%)	3,183,022	2,187,181	(31%)
Edible oil sales <sup>1</sup>	273,142	60,821	(78%)	1,366,661	967,196	(29%)
Grain and oilseeds received in inland silos	58,221	65,494	12%	3,801,278	4,185,111	10%
Export terminal's throughput (Ukraine)	1,850,979	-	(100%)	8,159,212	7,269,183	(11%)
Grain export from Ukraine <sup>2</sup>	1,667,979	123,115	(93%)	8,013,158	7,969,361	(1%)

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

**Note 2** Excluding 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.

### Business environment update:

- **The operating environment remains challenging**, as the Group's usual business processes have been disrupted by a Black Sea ports blockade caused by the war in Ukraine. It results in low export volumes of grain and sunflower oil achieved since 24 February 2022.
  - The Group keeps working to establish **alternative export routes** by trucks, railways and via Ukrainian Danube river ports, but such logistics is very challenging, with numerous bottlenecks along the road making it impossible to recover any sizable export volumes, as well as with vast amount of capital expenditures required to establish the efficient logistics infrastructure on new export routes. While the Group is engaged in many projects and initiatives to increase sales volumes, it will take time for the impact to materialize. Alongside, **numerous issues regularly arise**: discriminatory railway regulations in Ukraine, new harvest coming in neighboring countries, barges and vessels deficit when exporting via Danube ports of Ukraine, product quality deterioration due to long multimodal transportation, demurrages and fines due to impossibility to plan and execute traffic properly. After several months of operations in new environment there are substantial risks that **there could be no meaningful options to establish efficient alternative export channels** compared to blocked deep-water ports of Ukraine on the Black Sea.
  - Despite the **emerging perspectives of the lifting of the blockade of seaports**, there is a limited visibility on when it can happen, how long it may take to renew the export operations via the Black Sea ports of Ukraine, and what could be the associated costs.
- The export relaunch procedures, alongside with the soaring inflation, are substantially increasing logistics costs, which makes Group's own agriproduce loss making. In conjunction with the current shortages in the group's revenues, the liquidity position of Kernel remains very sensitive to export volumes and related costs forecasts. In this way, various cost savings measures were introduced, including **salaries cut**.
- As of end of June 2022, the Group has received **waivers on principal payments** for bank loans by 30 September 2022. In case export via Black Sea ports is not resumed in the nearest future, additional negotiations with creditors might be required.
- **The situation with the Group's critical infrastructure remains unchanged**. Two Group's crushing plants in Kharkiv region, located on the temporarily occupied territory, remain inaccessible. No new grain silos were affected in addition to those 2 silos with a combined one-time storage capacity of 74 thousand tons which were heavily damaged in spring 2022.
- As of 22 July 2022, approximately **5% of commodities owned by Group are stored in regions temporarily controlled by Russia**.
- Since the 24 Feb 2022, over **1,150 of Kernel employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units**. Of them, 460 were demobilized and returned to work. Unfortunately, **11 Kernel employees died** because of the military actions. The company continues the special support policy to its employees who defend Ukraine and who suffered from military actions.
- Kernel proceeds with its social program to support defenders of Ukraine, hospitals, people in regions heavily impacted by war and others in need. In total, USD 23 million was spent for such purposes from 22 Feb 2022 to 22 Jul 2022.
- On 15 July 2022, the Board of Directors of Kernel Holding S.A. announced that **Mrs. Pieternel Boogaard submitted a written notice of resignation from the Board of Directors** due to the inability of the Company to extend Directors' and Officers' liability insurance policy. The resignation will become effective within 60 days following the receipt.

### Key operations highlights for Q4 FY2022:

- Kernel **processed 157 thousand tons of oilseeds** in Q4 FY2022, down 75% y-o-y, with the decline being primarily driven by the suspension of crushing operations starting from 24 February 2022 due to the Russian invasion of Ukraine. Currently, four out of nine of the group's plants operate. Two plants renewed oilseed processing in April and May, respectively, while the other two recommenced their operating activities in June.
- **Edible oil sales volume** in Q4 FY2022 reduced by 78% y-o-y, to 61 thousand tons, including 22 thousand tons of bottled sunflower oil. Such a decline is mainly caused by the export volumes collapse due to the seaports blockade.
- Group's **silos in-take volume** in April-June 2022 were seasonally immaterial at 65 thousand tons, resulting in 4.2 million tons total in-take during FY2022, up 10% y-o-y.
- **Grain export volume from Ukraine** in Q4 FY2022 amounted to 123 thousand tons, 93% down y-o-y. The sharp decline was caused by the blockade of the group's core grain export routes during the entire reporting period. Still, due to the strong volumes of grain exports in Q1-Q3 2022, in FY2022 the group exported 7.9 million of tons of grain, down only 1% y-o-y.
- **Export terminals in Ukraine had no transshipment** in Q4 FY2022, being blocked for such operations.

**Note on communications:** Please, be informed that management decided to suspend any investor relations' communication with stakeholders other than via Company website and regulatory channels of communication until the termination of the martial law enacted in Ukraine. Considering fast-changing environment any information communicated SEPARATELY either orally or in writing to any individual stakeholder may lead to unequal and unfair dissemination of sensitive information. At the same time, we assure investors that any material information impacting the company's operations which is required to be disclosed will be disclosed in writing in due course on our website and via official regulatory communication channels.

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