

# KERNEL HOLDING S.A.

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

### Segment volumes

metric tons	Q1 FY2022	Q4 FY2022	Q1 FY2023	y-o-y	q-o-q
Oilseeds processed	482,266	156,622	461,083	(4%)	2.9x
Edible oil sales <sup>1</sup>	220,708	60,821	189,144	(14%)	3.1x
Grain and oilseeds received in inland silos	1,019,184	65,494	523,247	(49%)	8.0x
Export terminal's throughput (Ukraine)	2,206,913	-	721,085	(67%)	n/a
Grain export from Ukraine <sup>2</sup>	2,226,755	123,115	709,832	(68%)	5.8x

**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.

### Key operations highlights for Q1 FY2023:

- Kernel oil-extraction plants **processed 461 thousand tons of oilseeds** in Q1 FY2023, which is down 4% y-o-y, but is 2.9x above the previous quarter result. The main reason is the re-opening of Ukrainian Black Sea ports for export operations, which started in August 2022 under the Black Sea Grain Initiative brokered by UN to resume Ukrainian seaborne foodstuff export, which remained blocked since Russian invasion of Ukraine in February 2022. By 30 September 2022, six Group's oilseed processing plants resumed their operations. Two plants in Kharkiv region remained occupied by Russians by mid-September. We do not envisage the resumption of oilseed processing at such plants in the nearest future, as they are located very close to the frontline and to the border with Russia, and remain subject to the very high risk of Russian attacks.
- Edible oil sales volume** in Q1 FY2023 totaled at 189 thousand tons, a 14% decrease y-o-y, but a 3.1x increase as compared to the previous quarter, reflecting resumed export shipment via Ukrainian Black Sea ports.
- Group's **silos in-take volume** in Q1 FY2023 decreased by 49% y-o-y, to 0.5 million tons. This decline is explained by two factors. *Firstly*, our storage capacities for FY2023 season will be limited, as a large carry-over stock from the previous year is still in storages. Therefore, the intake will be primarily related to the crop harvested by Group's own farming business, minimizing the third-parties' volumes. *Secondly*, low in-take volumes specifically in the reporting period occurred as a result of a substantial weather-related delays with harvesting campaign in Group's own Farming segment.
- Export terminals throughput volume in Ukraine** amounted to 0.7 million tons of grain, sunflower meal and oil in July-September 2022, down 67% y-o-y. The Group had no transshipment volumes in July 2022, as ports remained blocked since February 2022. While the grain deal was signed in late July, it took a lot of time to arrange the first shipments from Ukraine, so the first vessel departed from Ukraine only in August. During the first half of August, only the vessels blocked with grain in Ukrainian ports since February were departing. New vessels started to arrive to Ukraine only in the second half of August. Besides that, the grain corridor was not very effective, as it looked quite risky, and market players were observing with caution the voyages of first vessels. Anyway, grain deal provided a huge support to Ukrainian agribusiness in general and to Kernel in particular.
- As a result of the de-blocking of Ukrainian Black Sea ports and re-launch of grain transshipment operations, **we exported 0.7 million tons of grain from Ukraine** in Q1 FY2023, down 68% y-o-y, but 5.8x up q-o-q.

### Harvesting update

- Group's **land bank in operations** in FY2023 reduced by 27% y-o-y following the divestment of several farming entities. Harvested acreage will also reduce by 28 thousand hectares of land kept fallow (accounted within the "Other" in the table below), as Kernel was not able to cultivate those lands because of the military actions in western Ukraine, deficit of crop inputs and problems with logistics in spring 2022.
- Crop yields** in Group's Farming segment in FY2023 will reduce for all crops due to: 1) suboptimal crop production technology applied during the season due to the deficit of crop inputs; 2) rainy weather conditions in September which disrupted the harvesting of sunflower and corn; 3) other factors negatively impacting the harvesting campaign (deficit of trucks, power outages for silos accepting the grain, curfew in Ukraine and the resulting restrictions on conduction harvesting operations during night time, etc.). While harvesting of the sunflower is almost completed, the vast majority of corn is still in fields, bearing risks of additional yields decline in case the harvesting is substantially delayed and moved to winter. Crop quality is under risk to suffer as well.

	Acreage, thousand hectares			Net yield <sup>1</sup> , tons / hectare		
	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y
Corn	254.6	149.5	(41%)	9.3	8.7	(6.1%)
Sunflower	154.0	130.9	(15%)	3.0	2.5	(17%)
Wheat	64.3	34.8	(46%)	6.1	4.7	(24%)
Other <sup>2</sup>	26.2	47.8	82%			
<b>Total</b>	<b>499.1</b>	<b>363.0</b>	<b>(27%)</b>			

**Note 1** Net crop yields are projections based on 40% of corn, 100% of sunflower, and 100% of wheat acreage harvested as of 15 November 2022.

**Note 2** Includes rapeseed, soybean, barley, rye, oats, forage crops and other minor crops, as well as fallow land.

Preliminary figures; differences are possible due to rounding.

### Corporate update:

- Extraordinary general meeting of shareholders held on 23 September 2022:
  - approved the creation of an authorized share capital of the Company, excluding the current issued share capital, of an amount of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696) consisting of two hundred sixteen million (216,000,000) shares without nominal value.
  - granted an authorization to the board of directors of the Company for a period of five (5) years to, from time to time, issue shares, to grant options to subscribe for shares and to issue any other instruments giving access to shares within the limits of the authorized capital to such persons and on such terms as they shall see fit and specifically to proceed with such issue without reserving a preferential right to subscribe to the shares issued for the existing shareholders and it being understood, that any issuance of such instruments will reduce the available authorized capital accordingly.

- In Q1 FY2022, the Board of Directors of Kernel Holding S.A. acknowledged the resignation of Mrs. Pieternel Boogaard with effect as of 14 September 2022 and approved the co-optation of Mr. Mykhaylo Mishov as a new non-executive director of Kernel Holding S.A. in replacement of Mrs. Pieternel Boogaard. Mr. Mykhaylo Mishov has experience in consulting, including Ernst & Young, Deloitte and KPMG, leading numerous strategy and performance improvement projects for agribusiness clients.

**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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