

# KERNEL HOLDING S.A.

## OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2022

### Segment volumes

metric tons	Q2 FY2022	Q2 FY2023	y-o-y	H1 FY2022	H1 FY2023	y-o-y
Oilseeds processed	985,472	653,011	(34%)	1,467,738	1,114,094	(24%)
Edible oil sales <sup>1</sup>	416,504	344,710	(17%)	637,212	546,774	(14%)
Grain and oilseeds received in inland silos	3,049,497	1,516,349	(50%)	4,068,681	2,039,596	(50%)
Export terminal's throughput (Ukraine)	2,984,992	1,716,416	(42%)	5,191,905	2,437,501	(53%)
Grain export from Ukraine <sup>2</sup>	3,483,124	1,521,961	(56%)	5,709,879	2,253,835	(61%)

**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 operational highlights:

- Kernel **processed 653 thousand tons of sunflower seeds** in Q2 FY2023, plummeting by 34% y-o-y. A year ago, the Group operated nine oil-extraction plants, as compared to six facilities in operation in the reporting period, given that two group-owned crushing plants are inaccessible at high-risk zone in Kharkiv region, and the Group also ceased tolling operations at another crushing plant in the same area. In addition to that, the assets were not operating at full capacity due to constant electricity outages which had been caused by the Russian missile strikes targeting Ukrainian electricity generation and distribution system. Owing to regular blackouts, Kernel had to temporarily suspend crushing operations at two of its oilseed processing plants during November-December 2022, while the remaining four crushing plants were functioning relatively stable being equipped with the co-generation heat and power units.
- Edible oil sales volume** in Q2 FY2023 reduced 17% y-o-y, to 345 thousand tons, including 26 thousand tons of bottled sunflower oil.
- Group's **silos in-take volume** in H1 FY2023 slumped by 50% y-o-y, to 1.5 million tons for a half-year period, caused by lower harvested size, large carry-over stock from the previous season, disruptions of operations caused by power outages and related delays in the harvesting campaign.
- Export terminals throughput volume in Ukraine** in Q2 FY2023 amounted to 1.7 million tons of grain, sunflower oil and meal, down 42% y-o-y, as the flow of vessels to Ukrainian deep-water Black Sea ports was substantially undermined by 1) overall slow inspections of vessels creating queues in the "grain corridor"; and 2) uncertainties about the extension of the "Grain Deal" in November 2022 and the related difficulties in planning the freight. The Group faces a similar problem also nowadays, related to the uncertainties caused by the termination of the "Grain Deal" in March 2023, which makes the Group's counterparties reluctant to actively enter into new export contracts.
- Caused by difficulties with the Black Sea logistics, the **grain export volume from Ukraine** in Q2 FY2023 reduced 56% y-o-y, to 1.5 million tons. Negligibly low volume of grains was exported by alternative channels: railways, river, and trucks.

### Harvest update:

- While the Group is progressing with the corn harvesting, 13% of acreage under corn still remains to be harvested as of the date of this report publication. The harvesting of all other crops is completed.
- The corn yield was revised from 7.9 tons / hectare envisaged in the Group's Q1 FY2023 interim financial report to 8.5 tons / hectare, driven by more favourable weather conditions when harvesting in December 2022 – January 2023.
- The net yield for wheat was revised to 4.5 tons / hectare as compared to the 4.7 tons / hectare reported in December 2022.

	Acreage, thousand hectares <sup>2</sup>			Net yield, tons / hectare		
	FY2022	FY2023	y-o-y	FY2022	FY2023	y-o-y
Corn	254.6	149.7	(41%)	9.3	8.5	(9%)
Sunflower	154.0	130.6	(15%)	3.0	2.5	(17%)
Wheat	64.3	34.9	(46%)	6.1	4.5	(26%)
Other <sup>1</sup>	26.2	47.8	82%			
<b>Total</b>	<b>499.1</b>	<b>362.9</b>	<b>(27%)</b>			

**Note 1** Includes rapeseed, soybean, barley, rye, oats, forage crops and other minor crops, as well as fallow land.

**Note 2** The acreage harvested in FY2023 does not reflect 134 thousand ha of the farmland currently recognized among the assets held for sale, as part of the divestiture transaction initiated (commenced) in April 2022.

Differences are possible due to rounding.

### Corporate update:

- As of the date of this report publication, and since the beginning of the war in Ukraine, 1,333 of the Group's employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defense units. Of them, 532 were demobilized and returned to work. Tragically, **Kernel lost 18 employees, who died defending Ukraine**. Regretfully, 61 employees were injured as a result of military actions.
- In December 2022, one of the Group's oilseed processing plants located in Kharkiv region was hit by the Russian **missile attack**. Due to the high-risk location and constant shelling happening in the region, as of the date of this report publication, it is currently impossible to properly assess and evaluate the damages occurred on the site. During the reporting period, no other Kernel's infrastructure was damaged.
- As of 11 January 2023, the Group has fully **completed negotiations with the banks on the principal repayments' postponement**. Kernel obtained waiver letters in relation to, *inter alia* the Natixis PXF Facility, the ING PXF Facility, EBRD Facility and EIB Facilities, and other credit agreements in each case, with respect to the period ending 30 June 2023. Kernel keeps servicing interest payments on the entire portfolio of its outstanding corporate debt, as well as keeps paying coupons due under the bonds issued.
- In December 2022, Kernel has successfully completed the **acquisition of 100% stake in the edible oil transshipment terminal** located in the port of Pivdennyi (Odesa region, Black Sea). The transaction valuation implied the Enterprise Value of US\$ 19.8 million. The terminal has 49.4 thousand tons of sunflower oil storage capacity.



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