

# KERNEL HOLDING S.A.

## OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2023

### Segment volumes

metric tons	Q3 FY2022	Q3 FY2023	y-o-y	9M FY2022	9M FY2023	y-o-y
Oilseeds processed	562,821	743,984	32%	2,030,559	1,858,078	(8%)
Edible oil sales <sup>1</sup>	269,162	273,190	1%	906,374	819,964	(10%)
Grain and oilseeds received in inland silos	50,936	687,447	13x	4,119,617	2,727,043	(34%)
Export terminal's throughput (Ukraine)	2,077,278	1,067,087	(49%)	7,269,183	3,504,588	(52%)
Grain export from Ukraine <sup>2</sup>	2,136,366	823,869	(61%)	7,846,245	3,077,704	(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 744 thousand tons of sunflower seeds** in Q3 FY2023 (up 32% y-o-y), operating six oilseed processing plants. Two group-owned crushing plants remain inaccessible in high-risk zone of Kharkiv region with regular shelling by Russian invaders. The Group managed to increase the capacity utilization of its plants in January-March 2023 as compared to the previous quarter, given stabilized power supplies in Ukraine and extension of grain corridor.
- Edible oil sales volume** in Q3 FY2023 added a mere 1% y-o-y, to 273 thousand tons, including 20 thousand tons of bottled sunflower oil.
- Driven by the delayed 2022 harvesting campaign which moved to winter 2022/2023, Group's **silos in-take volume** in Q3 FY2023 reached unusually high 687 thousand tons. Nevertheless, volumes for the nine months of the season reduced by 34% y-o-y, to 2.7 million tons, reflecting lower crop size in 2022 as compared to 2021 season.
- Export terminals throughput volume in Ukraine** in Q3 FY2023 practically halved y-o-y, amounting to 1.1 million tons of grain, sunflower oil and meal as compared to 1.7 million tons throughput delivered in the previous quarter.
  - Group's export volumes heavily depend on the functioning of the "grain corridor" – a U.N.-brokered agreement on the safe export of grain, oilseeds and oilseed crush products from Ukrainian Black Sea ports. While the grain corridor deal was extended in March 2023 it remains unclear for how long. Moreover, over the past several days vessels inspections have been halted completely as Russian refused to carry out their duties to interrupt functioning of the initiative. Additionally, severe competition among Ukrainian terminals for quotas to export agricultural products via grain corridor and the existing mechanism of allocation of quotas is unfavourable for market leaders like Kernel, as historically smaller operators handling relatively smaller volumes got disproportionately high allocations, preventing maximization of the exported volumes.
  - Recent import and transit restrictions imposed by neighbouring EU countries further depress the export volumes of agricultural products from Ukraine. Since the beginning of the grain deal initiative, 87% of Group's export volumes were delivered to foreign markets via Ukrainian Black Sea ports, 6% - via Danube ports, and 7% - by inland routes.
- Continued difficulties with the Black Sea grain logistics stipulated decline of **grain export volume from Ukraine** in Q3 FY2023 by 61% y-o-y, to 0.8 million tons. To maximize operational efficiency the Group prioritize vessels for sunflower oil and meal over grain bulkers (given more attractive margins in the Group's oilseed processing business), though such approach undermines grain export volumes, as logistic capabilities remain the key bottleneck.

### Corporate update:

- On 30 March 2023, Namsen Limited announced a delisting tender offer for Company's shares.
- On 13 April 2023, the Board of Directors decided to withdraw the Company's shares from trading on the regulated market operated by the Warsaw Stock Exchange.
- As of the date of this report publication, and since the start of full-scale invasion of Ukraine by aggressor, 1,405 of the Group's employees were mobilized to the Armed Forces of Ukraine or joined the Territorial Defence units. Of them, 558 were demobilized and returned to work. Tragically, Kernel lost 22 lives of its best people, who died defending Ukraine. Regretfully, 70 employees were injured as a result of military actions.

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