

# KERNEL HOLDING S.A.

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## COMPANY PRESENTATION

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October 2013

KERNEL

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# COMPANY OVERVIEW

# Kernel at a glance

## EDIBLE OIL

**FY2013 EBITDA: US\$ 199 Mio, 62% of total<sup>(1)</sup>**

- Bulk oil segment
  - #1 oilseed crusher and exporter in Ukraine
  - 3 Mio tons/year sunflower seed crushing capacity
- Bottled oil segment
  - #1 bottled sunflower oil producer and marketer in Ukraine with 32% market share

## GRAIN

**FY2013 EBITDA: US\$ 59 Mio, 18% of total<sup>(1)</sup>**

- Grain segment
  - Leading grain originator and marketer with over 10% of Ukraine's total grain exports
  - Emerging player in grain export from Russia
- Export terminals segment
  - 4 Mio tons/year deep-water grain terminal on the Black Sea in Ukraine
  - 3 Mio tons/year deep-water grain terminal on the Black Sea in Russia
  - 1 Mio tons/year oil and meal terminal in Ukraine
- Silo services segment
  - #1 grain silo network with 2.8 Mio tons of grain storage capacity in Ukraine

## FARMING

**FY2013 EBITDA: US\$ 64 Mio, 20% of total<sup>(1)</sup>**

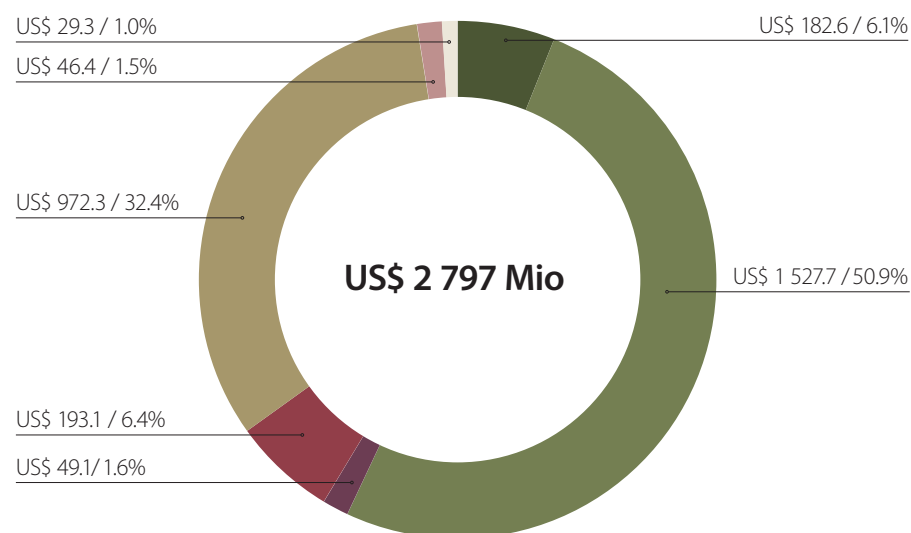
- Farming segment
  - Large scale farming with 405 000 ha of agricultural land in Ukraine
  - Focus on black soil and humidity-rich central and western parts of Ukraine
  - Margin enhancement through utilization across the whole supply chain

(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortisation and depreciation.  
Audited consolidated financial statements for the 12-month period ended 30 June 2013, amounts provided in US\$ Mio prior to certain G&A allocation.

# FY2013 contribution by operating segment

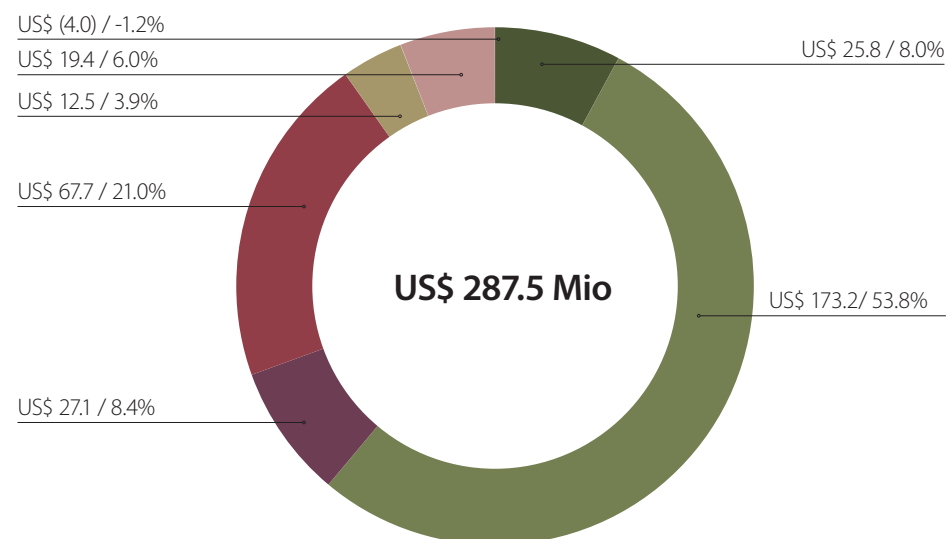
## Revenue by segment <sup>(1)</sup>

(US\$ Mio / % of total revenue)



## EBITDA <sup>(2)</sup>

(US\$ Mio / % of EBITDA)



■ Bottled sunflower oil
 ■ Sunflower oil in bulk
 ■ Export terminals
 ■ Farming
 ■ Grain
 ■ Silo services
 ■ Sugar & Discontinued

1. Audited consolidated financial statements for the 12-month period ended 30 June 2013; amounts provided in US\$ Mio and percentage of total revenue, including intersegment sales. Figures may not add up due to rounding.  
 2. Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortisation and depreciation. Audited consolidated financial statements for the 12-month period ended 30 June 2013, amounts provided in US\$ Mio prior certain G&A allocation



# SEGMENTAL REVIEW

# Bulk oil segment

## Kernel – No1 oilseed crusher in Ukraine with 2.6 Mio tons/year sunflower seed crushing capacity

- Kernel – 1/4 of Ukraine `s total crushing capacity
- Main competitors: Cargill – 10%; Creative - 10% (Kernel `s estimate of main competitors' crushing capacity, in percent of Ukraine `s total crushing capacity)

## Strategic location of Kernel's crushing plants in Ukraine

- 7 crushing plants owned and operated by Kernel cover sunflower belt from the Black Sea to the Russian border
- Feedstock origination directly at farm gate

## Bandurka & BSI crushing plants add multiple feedstock processing option

## Good position to access export markets by leveraging the competitive advantages of Ukraine

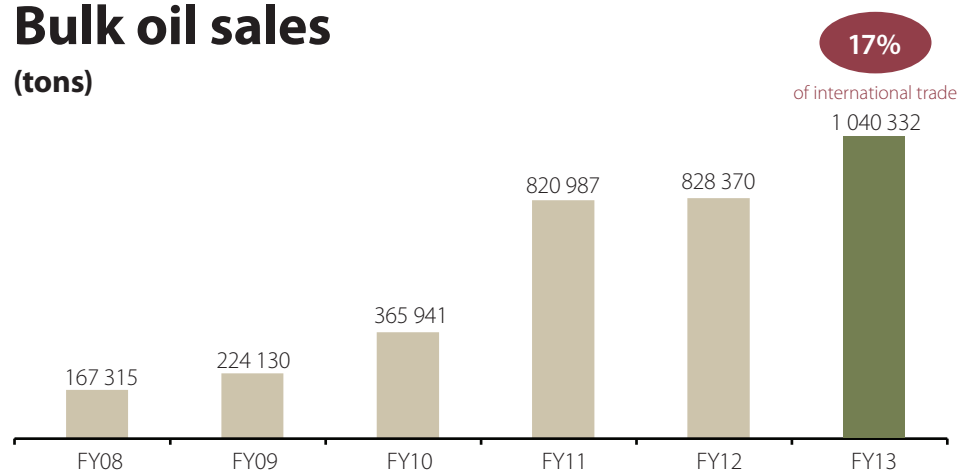
- Large oilseed supply base
- Unique position on the Black Sea

## Expansion in Russia

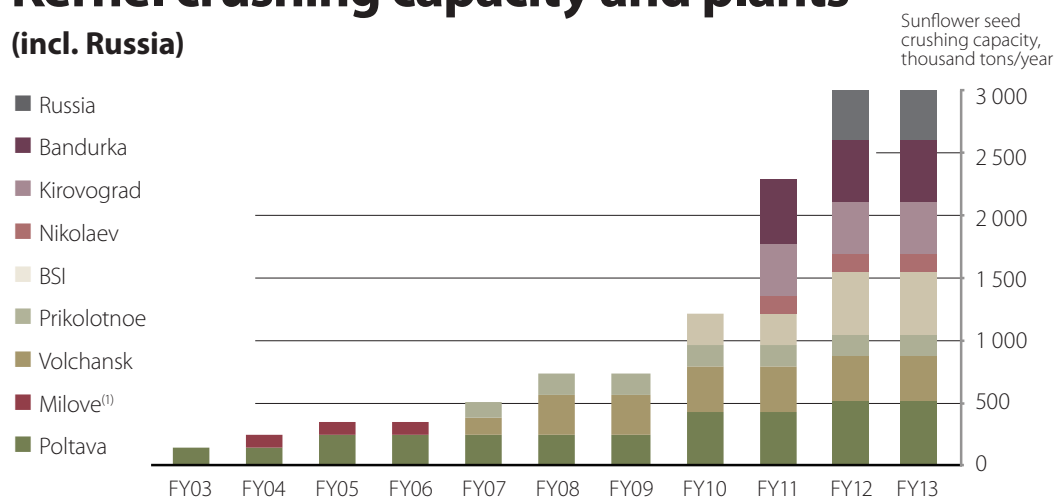
- 410 000 tons/year sunflower seed crushing capacity in Russia acquired in FY2012
- Comparative size market with 8-9 million tons sunflower seed supply

1. Milove crushing plant divested in FY2006

## Bulk oil sales (tons)



## Kernel crushing capacity and plants (incl. Russia)



# Bottled oil segment

## Kernel – leading bottled oil producer and marketer in Ukraine

### Consolidated bottled oil sector

- Kernel and Bunge supply close to half of bottled oil sold in Ukraine
- Kernel and Bunge are the only nationwide marketers of bottled oil

### Seamless seed-to-bottle production process at two production sites with integrated crushing, refining and bottling operations

- 173 000 tons/year refining capacity (excl. Russia)
- 134 000 tons/year bottling capacity (excl. Russia)

### Three brands strategy + PL

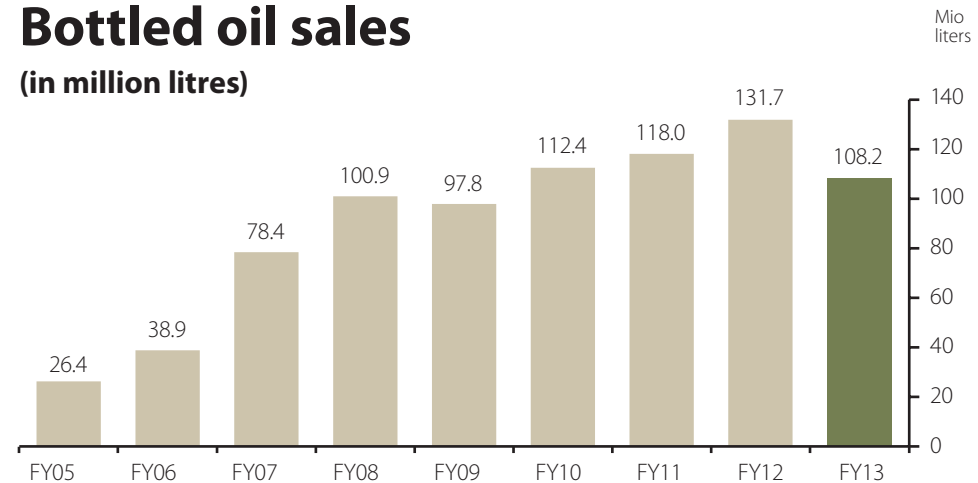
- Schedry Dar
- Stozhar
- Chumak Zolota
- Private label (30% of bottled oil revenue)

### Distribution throughout Ukraine

- Ukraine - Kernel`s primary market for bottled oil (70%-80% of sales)
- Approximately 2/5 sold directly to largest nationwide retailers, 3/5 through 40 regional distributors

## Bottled oil sales

(in million litres)





# Grain segment

**Leading grain supply chain operator in Ukraine with 12% market share of grain & oil-bearing crops export in 2012/13 season**

**Extensive and well-established origination base**

- Origination effected directly at farm level through Kernel's regional office & silo network
- Origination, merchandising and export of wheat, barley, corn, rapeseed & soy
- Widespread farmer supply base throughout Ukraine, with dominant position in Kharkov and Poltava oblasts

**Prudent purchasing policy**

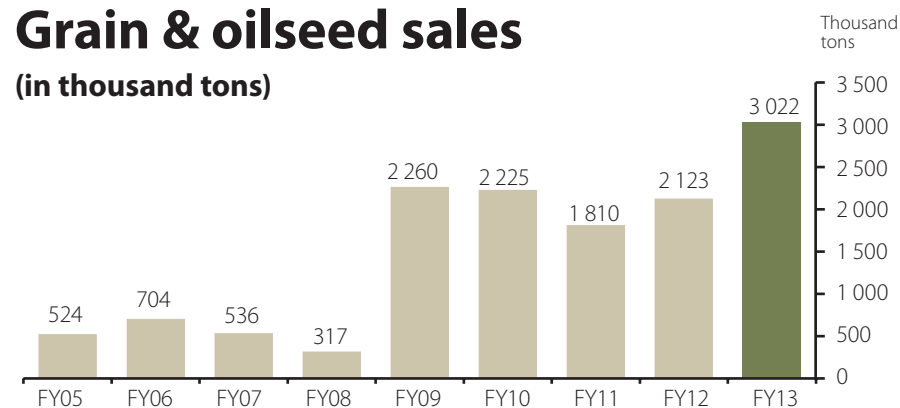
- No crop financing

**Logistics throughout Ukraine fully under Kernel's control and management**  
**Primary market: export**

- 70%+ of grain and oilseed exports through TransBulk Terminal
- Delivery effected to port of discharge in customer's home market

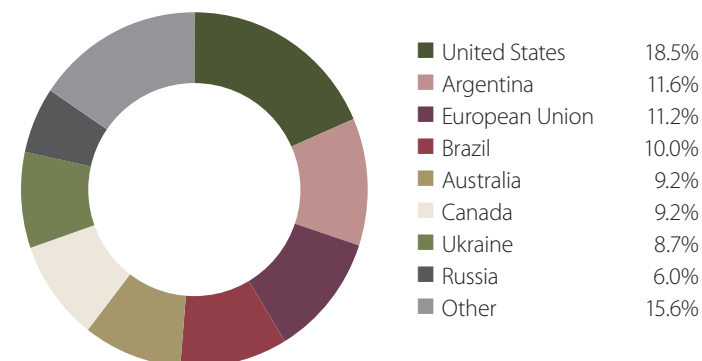
## Grain & oilseed sales

(in thousand tons)

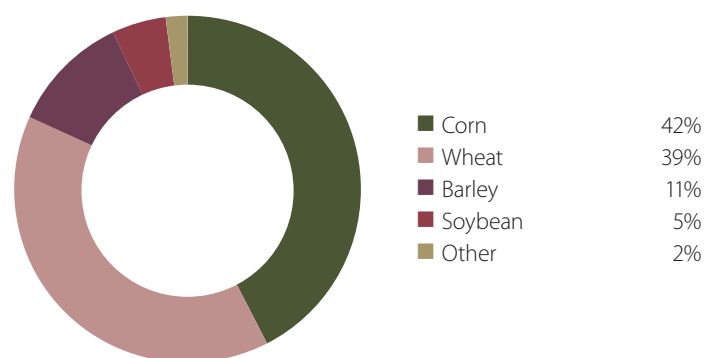


Note: all grains excluding rice  
Source: USDA, September 2013.

## Grain: major exporters, 2012/13 season



## Kernel's grain export volume by crop, FY2013



Source: Kernel

# Export terminals segment

## TransBulkTerminal (“TBT”)

**2<sup>nd</sup> largest grain terminal in Ukraine, 4 Mio tons/year grain throughput capacity**

### Key features:

- 200 000 tons grain storage capacity in 38 vertical bins directly alongside berth
- Handles all types of grain
- Grain & oilseeds delivery to terminal by train and truck
- Loading and export of grain onto Handy-size and Panamax vessels
- Located in Illichevsk, major Black Sea port and key gateway to international grain markets
- Owned and operated by Kernel since 2008, TBT is a provider of grain handling and transshipment services to Kernel and third parties



## Taman grain terminal

**3 Mio tons/year deep-water grain terminals in Russia**

### Key features:

- 3 Mio tons/year grain throughput capacity with a future increase to 5 Mio tons/year
- Greenfield best-in-class facility commissioned in summer 2011
- The largest truck hub for grains on the Black Sea in Russia
- 55 000 tons deadweight, 12m draft to service Panamax size vessels
- Acquired through a 50/50 joint venture in September 2012

## OilTransTerminal (“OTT”)

**0.5 Mio tons/year oil and meal throughput capacity**

### Key features:

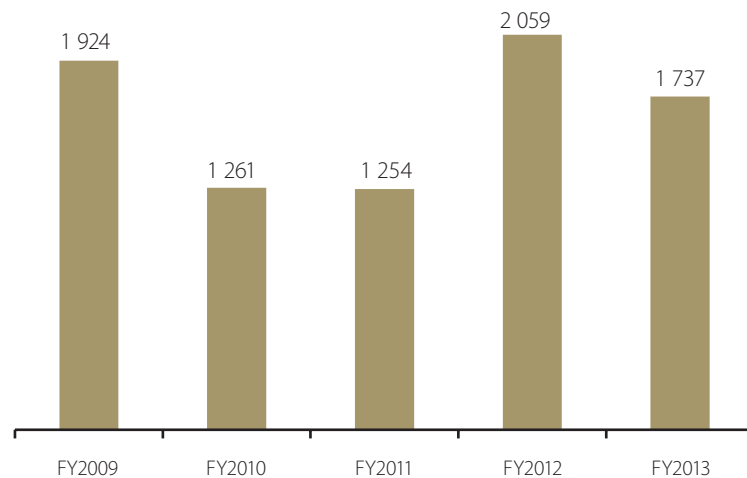
- 30 000 tons oil storage capacity
- Bulk oil delivery by train and truck
- Loading at berth of up to 25 000 tons oil per vessel
- Located in Nika-Terra port, Nikolayev
- Owned and operated by Kernel since 2010

# Silo services segment

## Largest private grain silo network in Ukraine with 2.8 Mio tons grain storage capacity

- Strategic location of silos in key origination areas and close to Kernel's crushing plants
- All silos connected to national railway network, allowing grain shipment to port by railcar
- 160 000 tons grain silos commissioned in FY2012  
300 000 tons grain silos to be commissioned in FY2013

## Grains and oilseed received in Kernel's inland silos (in thousand tons)



Source: Kernel.

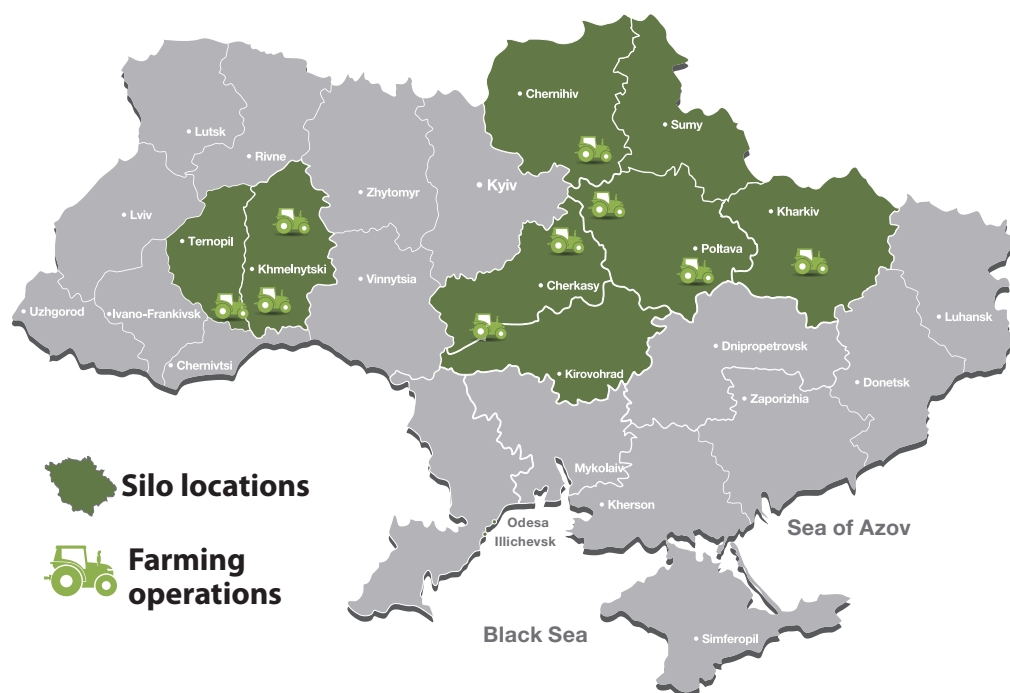


# Farming segment

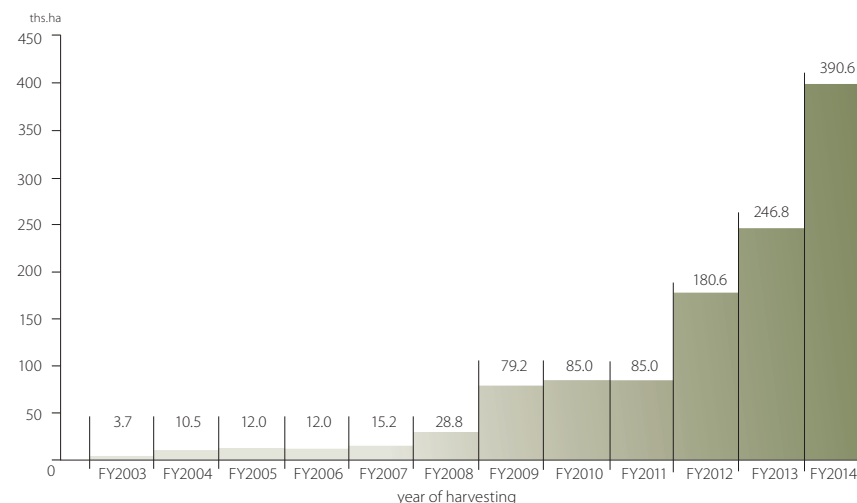
## Prime location of farms in grain and sunflower belt of Ukraine

- Kernel has been active in farming since 2002
- Farms benefit from close location to Kernel's grain silos and processing plants
- Largest landbank among listed Ukrainian companies
- FY2013 crop yields below management expectations

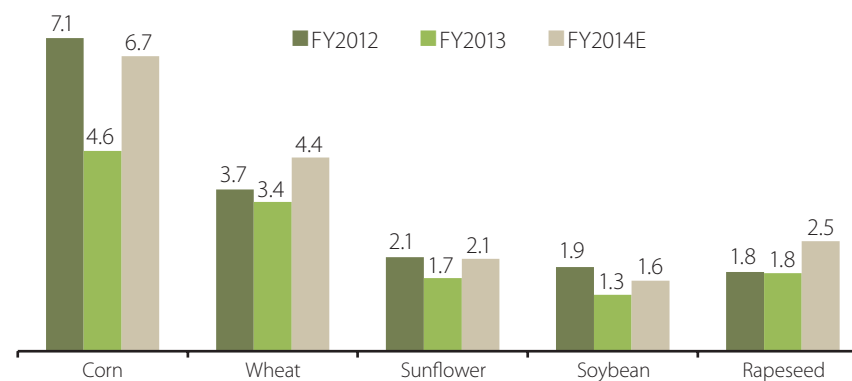
## Kernel's farming operations



## Kernel's farming acreage



## Crop yields (tons/hectare, net weight)





# FINANCIAL HIGHLIGHTS FY2013

# FY2013 financial highlights

## USD million except ratios and EPS

### Income statement highlights

	FY2013	FY2012	y-o-y
Revenue	2 796.8	2 071.8	35.0%
EBITDA	287.5	318.8	(9.8%)
Net profit attributable to equity holders of Kernel Holding S.A.	111.3	206.7	(46.2%)
EBITDA margin	10.3%	15.4%	(4.9pp)
Net margin	4.0%	10.0%	(5.6pp)
EPS, USD	1.40	2.61	(46.5%)

### Cash flow highlights

Operating profit before working capital changes	260.4	291.4	(10.6%)
Changes in working capital	156.9	(242.1)	n/m
Cash obtained from/(used in) operations	417.3	49.3	8.5
Net cash obtained from/(used in) operating activities	297.7	(24.0)	n/m
Net cash obtained from/(used in) investing activities	(259.9)	(229.2)	13.4%

### Liquidity position and credit metrics

Net interest-bearing debt	655.4	615.8	6.4%
of which: readily marketable inventories	175.1	385.1	(54.5%)
Adjusted net financial debt	480.3	230.7	2.1x
Shareholders' equity	1 334.8	1 179.7	13.2%
Net debt/EBITDA	2.3x	1.9x	+0.3x
Adjusted net debt/EBITDA	1.7x	0.7x	+0.9x
EBITDA/Interest	3.8x	5.1x	(1.3x)

Note: Financial year ends 30 June.

1. Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.
2. Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.

# Segmental results

	Revenue <sup>(1)</sup>			EBITDA <sup>(2)</sup>			EBITDA <sup>(2)</sup> margin		Tonnage <sup>(3)</sup>		
	FY2013	FY2012	y-o-y	FY2013	FY2012	y-o-y	FY2013	FY2012	FY2013	FY2012	y-o-y
Bottled sunflower oil	182.6	203.0	(10.0%)	25.8	31.8	(19.0%)	14.1%	15.7%	108 227	131 694	(17.8%)
Sunflower oil in bulk	1 527.7	1 191.6	28.2%	173.2	166.6	3.9%	11.3%	14.0%	1 040 332	828 370	25.6%
Export terminals	49.1	28.9	69.8%	27.1	13.7	98.2%	55.2%	47.3%	2 910 365	1 809 346	60.9%
Farming	193.1	171.0	12.9%	67.7	73.8	(8.3%)	35.0%	43.1%	613 551 <sup>(4)</sup>	549 991 <sup>(4)</sup>	11.6%
Grain	972.3	598.7	62.4%	12.5	27.0	(53.7%)	1.3%	4.5%	3 021 704	2 123 229	42.3%
Silo services	46.4	51.0	(9.1%)	19.4	18.3	5.8%	41.8%	35.9%	1 736 625	2 058 909	(15.7%)
Sugar & Discontinued	29.3	13.4	118.3%	(4.0)	16.9	n/m	(13.6%)	n/m	101 292	129 985	(22.1%)
Other				(34.1)	(29.3)	16.4%					
Reconciliation	(203.7)	(185.8)	9.6%								
<b>Total</b>	<b>2 796.8</b>	<b>2 071.8</b>	<b>35.0%</b>	<b>287.5</b>	<b>318.8</b>	<b>(9.8%)</b>	<b>10.3%</b>	<b>15.4%</b>			

Source: Audited consolidated financial statements for the 12-month period ended 30 June 2013; figures may not add up due to rounding.

1. Segment revenue includes intersegment sales reflected in item "Other & reconciliation".

2. EBITDA is calculated as a sum of the profit from operating activity and amortisation and depreciation. Segment EBITDA calculated prior to certain non-allocated G&A expenses reflected in the item "Other & reconciliation".

3. Tonnage in thousand tons, except for bottled oil expressed in thousand liters. Export terminals volume excludes Taman joint-venture operations.

4. Includes grains and oilseed.



# FINANCIAL HIGHLIGHTS FY2006 – FY2013



# Income statement FY2006 – FY2013 <sup>(1)</sup>

Amounts in USD million, except for EPS and margins	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	215.2	350.4	663.1	1 047.1	1 020.5	1 899.1	2 071.8	2 796.8
EBITDA <sup>(2)</sup>	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5
EBIT	12.0	38.6	111.6	166.6	167.5	277.3	257.3	200.9
Net financial costs	(9.3)	(18.9)	(28.1)	(32.2)	(22.8)	(42.5)	(63.1)	(74.9)
Net profit attributable to equity holders of Kernel Holding S.A.	1.3	19.5	83.2	135.5	152.0	226.3	206.7	111.3
EBITDA margin	7.9%	13.2%	18.6%	18.2%	18.6%	16.3%	15.4%	10.3%
Net margin	0.6%	5.6%	12.6%	12.9%	14.9%	11.9%	10.0%	4.0%
EPS, USD			2.08	1.97	2.20	3.03	2.61	1.40

1. Consolidated audited accounts for 12-month periods ending 30 June 2006 to 2013.
2. EBITDA is a non-audited result calculated by adding amortization and depreciation to operating profit.

# Balance sheet FY2006 – FY2012 <sup>(1)</sup>

Amounts in USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
<b>Invested Capital</b>								
Cash & cash equivalents	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8
Net trade accounts receivable	9.1	9.8	48.7	32.4	65.5	111.6	146.4	149.6
Inventory	32.3	40.2	144.7	99.1	147.8	183.7	410.2	270.2
of which: readily marketable inventories <sup>(2)</sup>	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1
Other currents assets	20.2	40.7	95.4	117.6	325.9	398.6	479.3	598.8
Net property, plant & equipment	72.5	127.9	231.6	221.8	379.0	502.8	728.4	767.3
Other non-current assets	15.4	31.2	146.7	99.6	147.0	260.1	269.6	502.1
<b>Total assets</b>	<b>155.8</b>	<b>275.1</b>	<b>755.6</b>	<b>699.7</b>	<b>1 124.8</b>	<b>1 572.6</b>	<b>2 116.4</b>	<b>2 366.9</b>
<b>Financed by</b>								
Short-term liabilities	34.5	59.2	185.1	195.1	352.2	395.0	446.2	705.3
of which: interest-bearing debt	28.9	44.4	126.7	159.7	209.9	265.9	271.4	458.5
Long-term liabilities	73.8	130.6	130.1	147.2	167.7	180.3	459.5	309.3
of which: long-term interest bearing debt	64.4	119.9	98.1	132.9	135.3	156.1	426.9	275.7
Total equity	47.6	77.8	440.4	357.5	604.9	997.3	1 210.7	1 352.4

1. Consolidated audited accounts for 12-month periods ending 30 June 2006 to 2013; figures may not add up due to rounding.
2. Readily marketable inventories are agricultural inventories readily convertible into cash because of their commodity characteristics, widely available markets and international pricing mechanisms.

# Cash flow FY2006 – FY2012 <sup>(1)</sup>

Amounts in USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
<b>Operating profit before working capital changes</b>	<b>16.6</b>	<b>45.4</b>	<b>116.1</b>	<b>188.2</b>	<b>205.7</b>	<b>275.2</b>	<b>291.4</b>	<b>260.4</b>
Changes in working capital	(35.8)	(14.7)	(210.3)	(25.0)	(97.4)	(180.1)	(242.1)	156.9
<b>Cash obtained from/(used in) operations</b>	<b>(19.3)</b>	<b>30.7</b>	<b>(94.1)</b>	<b>163.2</b>	<b>108.4</b>	<b>95.1</b>	<b>49.3</b>	<b>417.3</b>
Finance costs paid	(9.4)	(18.4)	(28.1)	(32.2)	(22.8)	(36.0)	(66.8)	(76.2)
Income tax paid	(0.4)	(0.7)	(3.4)	(1.7)	(0.8)	(3.0)	(6.5)	(43.4)
<b>Net cash obtained from/(used in) operating activities</b>	<b>(29.0)</b>	<b>11.6</b>	<b>(125.6)</b>	<b>129.3</b>	<b>84.8</b>	<b>56.1</b>	<b>(24.0)</b>	<b>297.7</b>
Net PPE disposals/(purchases)	(6.0)	2.2	(24.4)	(88.6)	(56.2)	(48.1)	(93.1)	(85.6)
Sales/(Purchase) of intangible and other non-current assets	0.6	0.3	(48.5)	(1.2)	0.8	(66.5)	(1.6)	(22.2)
Acquisition of subsidiaries and purchase of investment in joint ventures	-	(59.7)	(97.2)	(5.5)	(70.2)	(11.5)	(134.5)	(152.1)
<b>Net cash obtained from/(used in) investing activities</b>	<b>(5.4)</b>	<b>(57.2)</b>	<b>(170.1)</b>	<b>(95.3)</b>	<b>(125.6)</b>	<b>(126.1)</b>	<b>(229.2)</b>	<b>(259.9)</b>
<b>Net cash obtained from/(used in) investing &amp; operating activities</b>	<b>(34.4)</b>	<b>(45.7)</b>	<b>(295.7)</b>	<b>34.0</b>	<b>(40.9)</b>	<b>(69.9)</b>	<b>(253.2)</b>	<b>37.8</b>

1. Consolidated audited accounts for 12-month periods ending 30 June 2006 to 2013; figures may not add up due to rounding.

# Credit metrics FY2006 – FY2012 <sup>(1)</sup>

Amounts in USD million, except ratios	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Gross interest-bearing debt	93.3	164.3	224.8	292.6	345.1	422.0	698.3	734.2
Cash	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8
<b>Net interest-bearing debt</b>	<b>87.0</b>	<b>139.1</b>	<b>136.2</b>	<b>163.3</b>	<b>285.6</b>	<b>306.1</b>	<b>615.8</b>	<b>655.4</b>
Readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1
<b>Adjusted net financial debt</b>	<b>57.7</b>	<b>101.0</b>	<b>(2.4)</b>	<b>68.4</b>	<b>142.7</b>	<b>133.4</b>	<b>230.7</b>	<b>480.3</b>
Shareholders' equity	41.7	64.6	396.8	355.8	601.9	971.6	1 179.7	1 334.8
Net debt / EBITDA	5.1	3.0	1.1	0.9	1.5	1.0	1.9	2.3
Adjusted net debt / EBITDA	3.4	2.2	(0.0)	0.4	0.8	0.4	0.7	1.7
EBITDA / Interest	1.8	2.5	4.4	5.9	8.3	7.3	5.1	3.8

1. Consolidated audited accounts for 12-month periods ending 30 June 2006 to 2013; figures may not add up due to rounding.

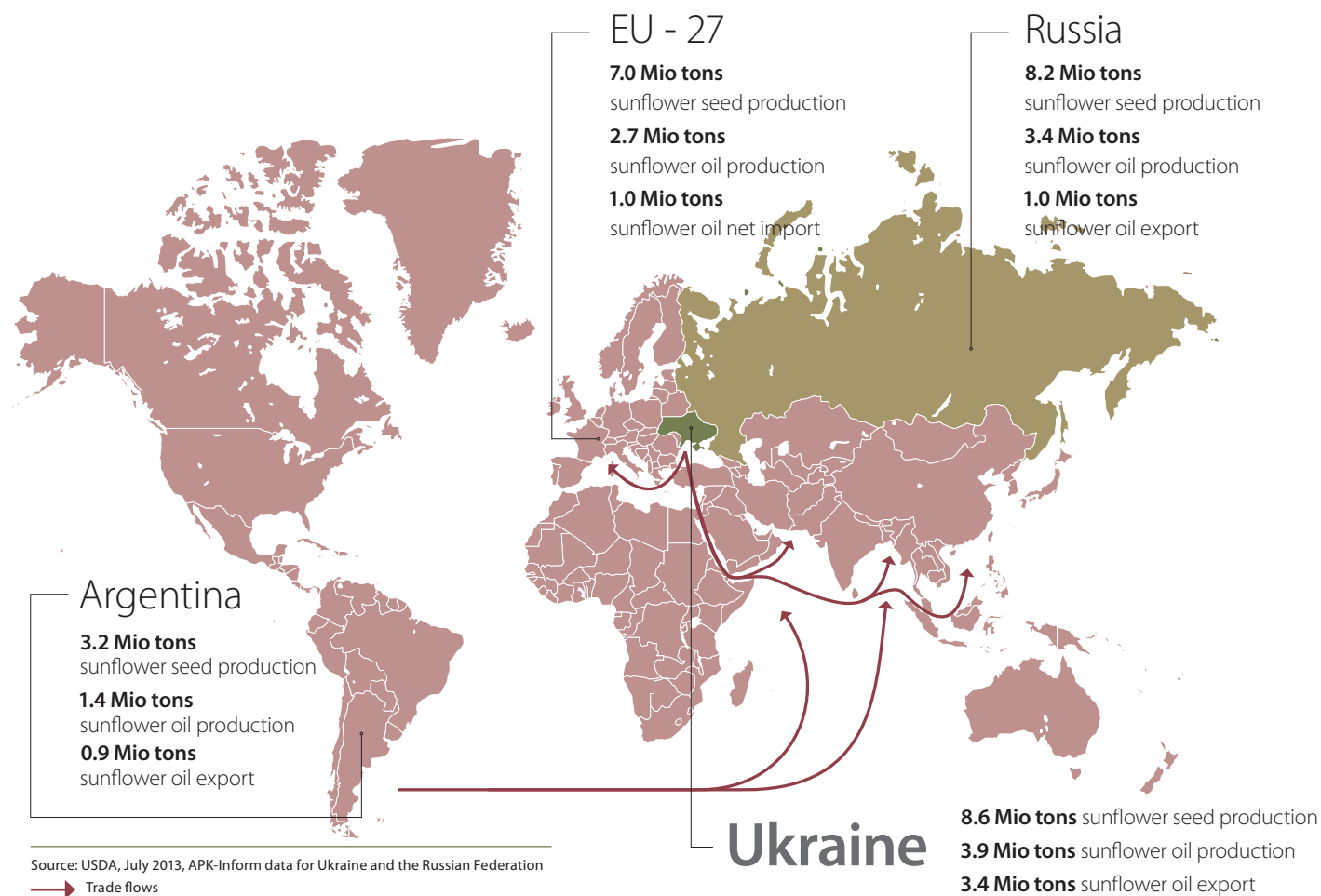
2. Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.



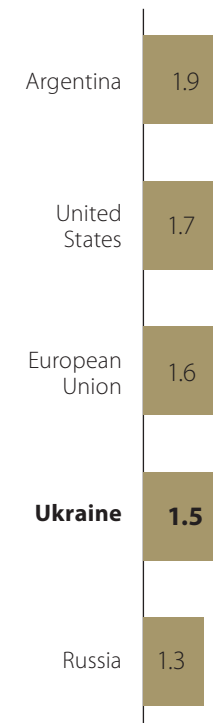
# APPENDICES

# Ukraine: market leader in production and export of sunflower oil

Major producing regions, season 2012/13



Average sunflower seed yields (t/ha), 2012/13



Source: USDA

# Ukraine: global leader in sunflower oil trade and major exporter of grain

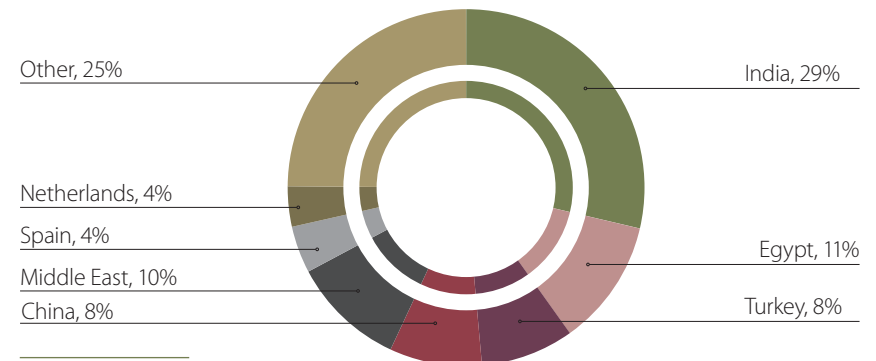
## Ukraine accounts for half of global sunflower oil export

- Ukraine is the world's largest exporter of sunflower oil, accounting for half of global sunflower oil exports
- Ukraine is well positioned to increase supply thanks to large agricultural resources and logistical advantages to supply EU, North Africa and Middle East markets
- Sunflower seed yield in Ukraine expected to increase to 2.0-2.5 tons/ha, driven by industrialization of Ukrainian farming sector and global demand for vegetable oils
- Global long-term demand for edible oil is well supported by population growth and changing dietary patterns
- CIS, and Ukraine in particular, will remain key consumer markets with sunflower oil a basic ingredient in the region's diet

## Major grain producer and exporter

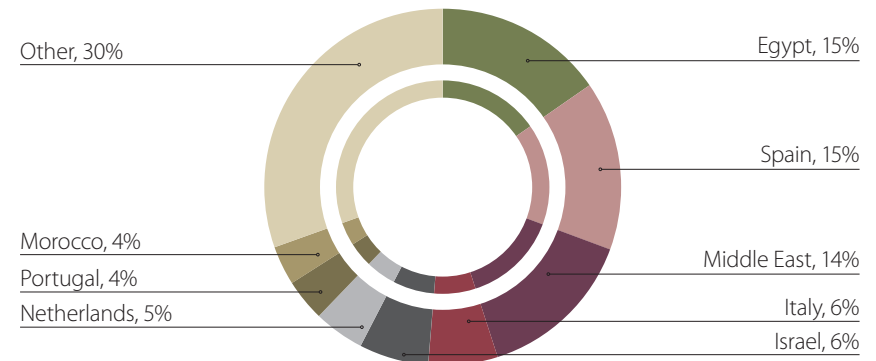
- 57 Mio tons grain production in 2011, 46 Mio tons in 2012
- 23 Mio tons grain export in 2011/12, 22 Mio tons in 2012/13
- Grain production is strategically important to Ukraine, with approximately 1/5 of Ukraine's hard currency earnings provided by grain and food exports
- Emerging third largest corn exporter after the USA and Argentina in 2011/2012
- Ukraine benefits from a strategic location on the Black Sea to supply EU, North Africa and Middle East markets
- Ukraine is one of the few countries in the world with substantial growth potential to be unlocked by adding farm land into production and by increasing production yields per ha

## Ukrainian sunflower oil exports by destination, season 2012/13



Source: State Statistics Service of Ukraine

## Ukrainian grain<sup>(1)</sup> exports by destination, season 2012/13



Source: State Statistics Service of Ukraine  
(1) Wheat, corn and barley

# IR Contact

- **Yuriy Kovalchuk**  
Investor Relations Director  
[investor\\_relations@kernel.ua](mailto:investor_relations@kernel.ua)
- **Yegor Samusenko**  
Investor Relations Manager  
[y.samusenko@kernel.ua](mailto:y.samusenko@kernel.ua)  
Tel.: (+38-044) 461-88-01, ext. 70-88

