

H1
FY2013

FINANCIAL RESULTS PRESENTATION

February 28, 2013

KERNEL



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This presentation should be read in conjunction with the Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012.

H1 FY2013 results highlights

Key highlights

- 49.5% y-o-y growth in revenues to USD 1 474.1 million in H1 FY2013 driven by record bulk oil and grain sales volumes.
- H1 FY2013 EBITDA is USD 157.7 million, up 6.1% y-o-y, with lower margins in crushing and farming.
- Record bulk oil sales volumes of 582 thousand tons in H1 FY2013, up 73.6% y-o-y driven by the combination of higher crushing volume, an earlier start of the sunflower seed harvesting campaign, and carried-forward, pre-sold inventories from FY2012. The crushing margin fell y-o-y due to the lower sunflower seed harvest.
- The weak autumn crop harvest impacted the farming segment's profitability, resulting in a decreased EBITDA to USD 13.4 million in H1 FY2013 from USD 26.4 million in H1 FY2012. The segment's profitability was adversely impacted by unfavorable weather conditions and delays in the integration of recently acquired farming enterprises and implementation of a new management structure.
- Record grain sales volumes of 1.6 million tons in H1 FY2013 (versus 1.0 million tons in H1 FY2012) largely compensated for the slim EBITDA margin of 2.7% in H1 FY2013 (versus 4.3% in H1 FY2012). Grain export volumes out of the Russian Federation were insignificant in the first year of operations due to the overall decline in production and exports from the country.
- Export terminals' throughput benefited from larger grain sales, as higher utilization positively impacted profitability. The segments' EBITDA tripled y-o-y to USD 18.3 million in H1 FY2013.
- The silo services segment posted EBITDA of USD 12.4 million in H1 FY2013 versus USD 11.7 million in H1 FY2012. 110 000 tons of greenfield silo capacity was commissioned during the first half of the year.

Major corporate events

- Formed a 50-50 joint venture to acquire a newly built deep water terminal in Taman port, Russia on September 27, 2012. The second-largest and one of the few deep water grain transshipment facilities on Russia's Black Sea coast, Taman terminal serves as a key gateway for the rapidly growing grain surplus in the Russian Federation. The facility will serve as a platform for the large-scale deployment of Kernel's grain export business from the Russian Federation.
- The annual general meeting of shareholders appointed Mr. Sergei Shibaev as a new independent director of the company. Following the election, the Board of Directors of Kernel Holding S.A. consists of eight Directors, three of whom are independent Directors.

Financial highlights⁽¹⁾,

Amounts in USD millions, except for EPS and ratios

	H1 FY13	H1 FY12	% change
Revenue	1 474.1	985.9	49.5%
EBITDA ⁽²⁾	157.7	148.6	6.1%
Net profit ⁽³⁾	69.7	101.9	(31.6%)
EPS ⁽⁴⁾	0.88	1.30	(32.3%)
Net debt / EBITDA ⁽⁵⁾	3.4	1.9	
Adjusted net debt / EBITDA ⁽⁶⁾	1.1	0.2	
EBITDA / Interest ⁽⁷⁾	4.2	6.4	

Production, sales and throughput

	H1 FY13	H1 FY12	% change
Grain sales, tons	1 599 107	1 015 181	57.5%
Bulk oil sales, tons	581 674	335 101	73.6%
Bottled oil sales, '000 liters	60 104	78 189	(23.1%)
Sunflower seed crush, tons	1 218 313	1 035 546	17.6%
Refined oil production, tons	58 068	82 563	(29.7%)
Bottled oil production, tons	51 086	72 938	(30.0%)
Export terminals throughput, tons	1 762 693	859 013	105.2%
Grains received in inland silos, tons	1 623 760	1 794 125	(9.5%)
Sugar production, tons	99 323	119 614	(17.0%)

Note: Volumes for six months ended 31 December 2012 and 2011 respectively

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012
2. Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.
3. Net profit attributable to equity holders of Kernel Holding S.A.
4. EPS is measured in US Dollars per share, based on 79.7 million shares for H1 FY2013 and 78.6 million shares for H1 FY12
5. Net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013.
6. 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. Adjusted net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013.
7. EBITDA interest is calculated based on 12 months trailing EBITDA and net finance costs.

Segment results summary⁽¹⁾

	Revenue ⁽²⁾ , USD million			EBITDA, USD million			EBITDA margin, %	
	H1 FY13	H1 FY12	% change	H1 FY13	H1 FY12	% change	H1 FY13	H1 FY12
Bulk oil	818.2	487.8	67.7%	101.9	74.5	36.7%	12.5%	15.3%
Farming	150.8	104.9	43.8%	13.4	26.4	(49.3%)	8.9%	25.2%
Grain	494.4	310.8	59.1%	13.3	13.2	0.5%	2.7%	4.3%
Bottled oil	97.4	123.5	(21.1%)	15.5	22.5	(31.2%)	15.9%	18.2%
Export terminal	29.9	13.5	121.8%	18.3	6.7	172.9%	61.2%	49.7%
Silo services	31.7	28.0	13.3%	12.4	11.7	6.1%	39.1%	41.8%
Sugar	14.4	27.8	(48.1%)	0.9	5.4	(83.1%)	6.4%	19.6%
Other & reconciliation	(162.6)	(110.3)	47.4%	(17.9)	(11.8)	51.2%		
Total	1 474.1	985.9	49.5%	157.7	148.6	6.1%	10.7%	15.1%

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012

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

Note: Differences are possible due to rounding.

Bulk and bottled oil segments performance

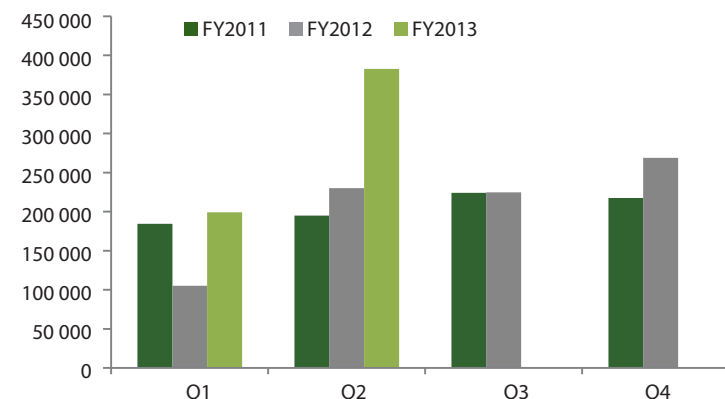
Bulk oil

- Record sales volumes of 582 thousand tons of sunflower oil in bulk in H1 FY2013, up 73.6% from the same season a year ago. This growth resulted from a combination of a shorter maintenance period for the crushing plants this year, an earlier start of the sunflower seed harvesting campaign, and deliveries of contracted oil produced and pre-sold in the fourth quarter of the previous financial year.
- Reduced margins, as expected, due to a lower sunflower seed harvest versus the last year.
- We expect further acreage growth for sunflower seed both in Ukraine and the Russian Federation, as sunflower seed proved to be the most profitable crop across a majority of the regions in 2012/13.

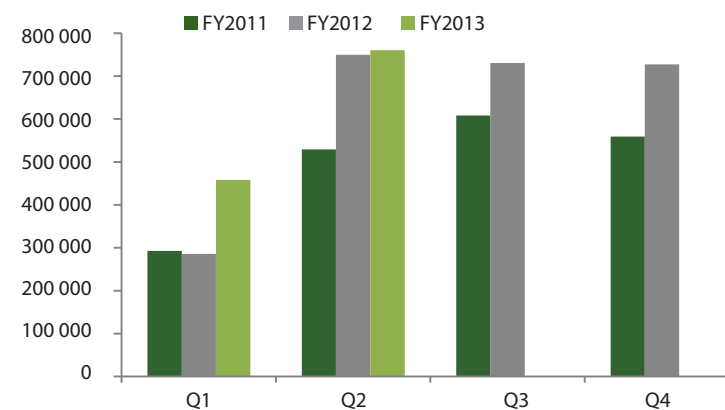
Bottled oil

- EBITDA decreased 31.2% y-o-y to USD 15.5 million in H1 FY2013, along with a 23.1% y-o-y decline in volumes sold through the bottled oil channel in the period under review.

Bulk oil sales, tons



Sunflower seed crush, tons



Grain, silo and export terminals segments performance

Grain

- Sales volumes increased to 1.6 million tons in H1 FY2013 from 1.0 million tons in H1 FY2012; the EBITDA margin was 2.7% in H1 FY2013 vs. 4.3% in H1 FY2012.
- We have changed the way we approach our grain export activities in FY2013. Historically, management has targeted an EBITDA margin of 6%-8%. This season, facing continuously strong competition for the volumes in Ukraine and margins being under pressure, we have moved our focus to the volumes and combined contribution from the whole value chain including export terminals and silo services in order to assure maximum utilization of our highly profitable infrastructural assets. We trust that this strategy worked especially well for this season when Ukraine's harvest fell short of its normal level.
- In the Russian Federation, we completed a landmark deal to acquire the deep-water transshipment terminal at the Black Sea coast of the Russian Federation through a 50/50 joint venture. This acquisition secures our access to a major bottleneck in the grain export value chain in Russia and paves the way for developing sizable grain export operations in the Russian Federation.

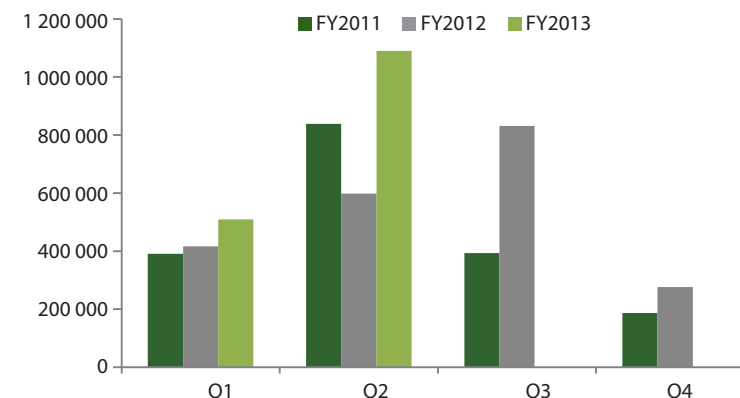
Silo services

- Grains and oilseed received in inland silos amounted to 1.6 million tons during the first half of the year, down 9.5% y-o-y. EBITDA stood at USD 12.4 million for H1 FY2013, up 6.1% y-o-y.
- 110 000 tons of greenfield silo capacity commissioned during the period.

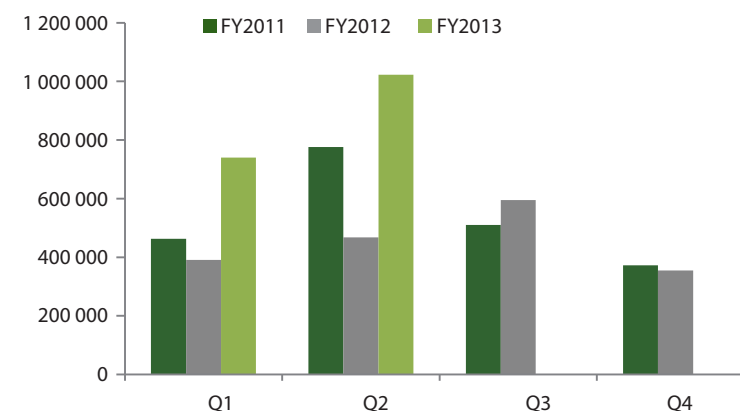
Export terminals

- The 2.1x y-o-y increase in transshipment volumes in Ukraine to 1.8 million tons was driven by a significant increase in our grain sales volumes. EBITDA tripled y-o-y to USD 18.3 million in H1 FY2013 from USD 6.7 million in H1 FY2012. Additionally, the recently acquired Taman grain transshipment terminal in the Russian Federation contributed another 0.2 million tons.
- EBITDA per ton increased to USD 10.4 per ton in H1 FY2013 from USD 7.8 per ton in H1 FY2012, driven by higher turnover of infrastructure.

Grain sales, tons



Export terminals throughput, tons



Farming and sugar segments performance

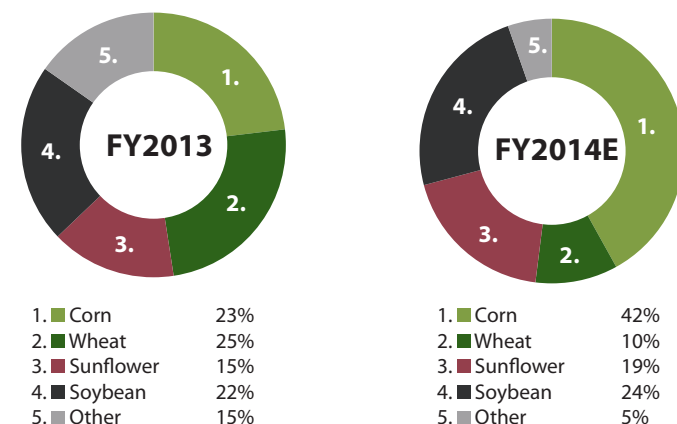
Farming

- A low autumn crop harvest impacted our profitability in the farming segment – our EBITDA stood at a mere USD 13.4 million during H1 FY2013 versus USD 26.4 million in H1 FY2012. The second quarter loss attributable to the lower autumn crop yields came in below management's expectations.
- Our performance reflects unfavorable weather conditions and the prolonged integration of the newly added landbank.
- We are gradually implementing the new management structure and strengthening management control. Along the way, we are looking to optimize the fields, stripping out land parcels in risky regions and those outside of our clusters, while adding weight to our existing operations.

Sugar

- 99 thousand tons of white sugar was produced in H1 FY2013, down 17.0% y-o-y, in line with management's strategy to decrease production in response to a prolonged sugar oversupply and depressed market prices.

Crop structure, FY2013-FY2014



	Acreage (ths ha)			Gross yield (ton/ha)		
	FY2012	FY2013	yoy	FY2012	FY2013	yoy
Wheat	53.4	60.4	13%	3.8	3.5	(8%)
Barley	11.5	3.1	(73%)	2.6	2.7	5%
Corn	27.5	57.0	107%	8.1	5.2	(36%)
Sunflower	27.7	37.8	36%	2.3	1.8	(23%)
Soybean	29.1	54.0	86%	2.1	1.4	(32%)
Rapeseed	6.8	4.6	(32%)	2.0	1.9	(5%)
Sugar beet	17.6	16.0	(9%)	30.0	47.8	59%
Other	8.6	13.0				
Total	182	247				

Income Statement Highlights⁽¹⁾

Amounts in USD millions	H1 FY2013	H1 FY2012	% change
Revenue	1 474.1	985.9	49.5%
Gross profit	233.4	218.9	6.6%
Profit from operating activities	119.0	116.4	2.2%
Net profit attributable to equity holders of Kernel Holding S.A.	69.7	101.9	(31.6%)
EBITDA	157.7	148.6	6.1%
EPS ⁽²⁾	0.88	1.30	
EBITDA margin	10.7%	15.1%	
Gross margin	15.8%	22.2%	
EBIT margin	8.1%	11.8%	
Net margin	4.7%	10.3%	

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012

2. EPS is measured in US Dollars per share, based on 79.7 million shares for H1 FY2013 and 78.6 million shares for H1 FY2012.

Balance Sheet Highlights⁽¹⁾

Amounts in USD millions

	31 December 2012	31 December 2011
Invested capital		
Cash & cash equivalents	45.9	129.8
Net trade accounts receivable	223.4	116.1
Inventory	907.7	561.3
of which: readily marketable inventories	788.3	531.3
Other currents assets	422.1	373.5
Net property, plant & equipment	727.3	678.2
Other non-current assets	367.0	350.1
Total assets	2 693.3	2 208.8
Financed by		
Short-term liabilities	1 083.3	741.1
of which: interest-bearing debt	932.9	457.3
Long-term liabilities	329.1	313.4
of which: long-term interest bearing debt	300.5	279.2
Total equity	1 281.0	1 154.4

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012

Cash Flow Highlights⁽¹⁾

Amounts in USD millions

	H1 FY2013	H1 FY2012
Operating profit before working capital changes	151.6	147.0
Changes in working capital	(521.7)	(175.3)
Cash obtained from/ (used in) operations	(370.2)	(28.4)
Finance costs paid	(37.6)	(25.2)
Income tax paid	(19.8)	(1.0)
Net cash obtained from/ (used in) operating activities	(427.6)	(54.6)
Net PPE disposals/ (purchases)	(43.3)	(36.4)
Sales/(Purchase) of intangible and other non-current assets	(4.1)	(24.1)
Purchase of investment in joint ventures	(94.9)	-
Disposal/(Acquisition) of subsidiaries, net	0.4	(128.7)
Net cash obtained from / (used in) investing activities	(141.8)	(189.3)
Net cash obtained from / (used in) investing & operating activities	(569.4)	(243.8)

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012

Liquidity position & credit metrics⁽¹⁾

Amounts in USD millions, except ratios

	31 December 2012	31 December 2011
Cash	45.9	129.8
Inventory	907.7	561.3
of which: readily marketable inventories	788.3	531.3
RMI / Inventories	86.8%	94.7%
Gross interest-bearing debt	1 233.4	736.5
Net interest-bearing debt	1 187.5	606.7
Adjusted net financial debt ⁽²⁾	399.2	75.4
Shareholders' equity ⁽³⁾	1 263.9	1 081.4
Net debt / EBITDA ⁽⁴⁾	3.4	1.9
Adjusted net debt / EBITDA ⁽⁵⁾	1.1	0.2
EBITDA / Interest ⁽⁶⁾	4.2	6.4

1. Condensed Consolidated Interim Financial Statements for 6 months ended 31 December 2012

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

3. Total equity attributable to Kernel Holding S.A. shareholders

4. Net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013.

5. Adjusted net debt / EBITDA is calculated based on FY2012 EBITDA and EBITDA guidance for FY2013.

6. EBITDA interest is calculated based on 12 months trailing EBITDA and net finance costs.

Revised FY2013 guidance

- **Revenue: USD 2 800 million**
- **EBITDA: USD 350 million**
- **Net Income: USD 200 million**

IR Contact

- **Yuriy Kovalchuk**
Investor Relations Director
investor_relations@kernel.ua
- **Yegor Samusenko**
Investor Relations Manager
y.samusenko@kernel.ua
Tel.: (+38-044) 461-88-01

