Q2 FY2014

FINANCIAL RESULTS PRESENTATION

Kernel Holding S.A.
and Subsidiaries

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This presentation should be read in conjunction with the financial statements for 6 months ended 31 December 2013.

Q2 FY2014 results highlights

Key highlights

- Revenues decreased 23.8% y-o-y to USD 725.5 million in Q2 FY2014, driven by lower soft commodity prices and a mix of lower sunflower oil sales volumes and higher grain exports. Compared to Q1 FY2014, revenues increased 75.7% in Q2 FY2014, owing to larger volumes of sunflower oil and grain sales.
- Q2 FY2014 EBITDA is USD 58.1 million, down 28.2% y-o-y, due to lower sunflower volumes delivered during the quarter and the farming segment's negative contribution. At the same time, the crushing margin recovery and strong profits from the infrastructure resulted in material growth in Q2 FY2014 EBITDA versus Q1 FY2014.
- The sunflower oil in bulk segment's EBITDA decreased 23.6% y-o-y to USD 48.7 million in Q2 FY2014 due to lower sales volumes which were down 31.6% y-o-y from unusually high levels in Q2 FY2013. EBITDA margin recovered to 16.2% in Q2 FY2014 versus 12.1% in Q2 FY2013 and 0.7% in Q1 FY2014. The segment's profitability returned to normal levels following the start of crushing new sunflower seed harvested in September–October.
- The bottled oil segment's EBITDA contribution was USD 12.9 million in Q2 FY2014, up 61.3% y-o-y. The EBITDA margin improved substantially to 28.9% in Q2 FY2014 from 14.8% in Q2 FY2013 due to the time lag of the branded bottled oil price adjustment to the declining international sunflower oil price.
- Grain exports increased to 1.3 million tons in Q2 FY2014 from 1.1 million tons in Q2 FY2013, with growth coming from a two-fold increase in exports from the Russian Federation, while Ukrainian volumes grew only slightly in comparison to the previous year, as the most grain exports from Ukraine is expected in the second half of the financial year. The EBITDA margin was 1.2% in Q2 FY2014 vs. 2.2% in Q2 FY2013, with profits carried over to the next quarters due to the mismatch between the trading book margin and the physical delivery margin posted in the quarter under review, as is common in commodity trading.
- Export terminals' throughput increased 3.7% y-o-y to 1.3 million tons in Q2 FY2014, with Russian operations growing almost two-fold while Ukrainian ports' throughput declining y-o-y as grain exports from Ukraine is skewed to the second half of the marketing year. The segments' EBITDA decreased 8.5% y-o-y to USD 9.4 million in H1 FY2014, reflecting Ukrainian volumes, and its share of profit from the joint venture in Russia amounted to USD 3.0 million in Q2 FY2014 versus a USD 1.7 million loss in Q2 FY2013.
- Strong 50.7% y-o-y growth in volumes at the silo services segment in H1 FY2014 reflects the larger harvest of our crop operations and strong harvest volumes in Ukraine overall. The segments' EBITDA increased 3.1x y-o-y to USD 29.7 million in Q2 FY2014, reflecting a higher intake and wet weather during the autumn harvesting period which increased demand for grain drying services.
- The farming segment generated USD 41.7 million of negative EBITDA in Q2 FY2014 versus negative EBITDA of USD 12.5 million in Q2 FY2013, reflecting 20-45% y-o-y lower commodity prices as well as crop yields that fell short of projections.

Major corporate and legislative events

- In October 2013, the company divested the Orzhytskiy sugar plant property for a total gross consideration of USD 5.1 million.
- In October 2013, the company completed the sale of remotely located farming operations in southern Ukraine for a total consideration of USD 7.0 million. Following the deal, the company's farming operations amount to 400,000 hectares of leasehold land.
- In late December 2013, the Ukrainian Parliament approved a bill to reinstate VAT refunds on grain exports, effective 1 January 2014.

Q2 FY2014 results highlights

Amounts in USD million, except for EPS and ratios	Q2 FY2014	Q2 FY2013	y-o-y	Q1 FY2014	q-o-q
Revenue	725.5	952.6	(23.8%)	412.9	75.7%
EBITDA(1)	58.1	80.9	(28.2%)	3.0	19.5x
Net profit attributable to equity holders of Kernel Holding S.A.	(9.1)	32.9	n/m	(33.8)	n/m
EBITDA margin	8.0%	8.5%	(0.5pp)	0.7%	7.3pp
Net margin	(1.3%)	3.5%	(4.7pp)	(8.2%)	6.9pp
EPS, USD(2)	(0.11)	0.41	n/m	(0.42)	n/m
Net interest-bearing debt	1 017.7	1 186.6	(14.2%)	711.8	43.0%
of which: readily marketable inventories	615.0	788.3	(22.0%)	276.3	2.2x
Adjusted net debt(3)	402.7	398.3	1.1%	435.5	(7.5%)
Shareholders' equity	1 291.9	1 263.9	2.2%	1 300.3	(0.7%)
Net debt/EBITDA	5.3x	3.6x	+1.7x	3.3	+2.0x
Adjusted net debt/EBITDA(3)	2.1x	1.2x	+0.9x	2.0	+0.1x
EBITDA/Interest	2.9x	4.3x	(1.4x)	3.2	(0.3x)

1. Hereinafter, EBITDA is a non IFRS measure calculated as a sum of the profit from operating activities plus amortization and depreciation.
2. EPS is measured in US Dollars per share, based on 79.7 million shares for the periods under review.
3. 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.

Segment results summary

	Revenue[1], USD million			EBITDA, USD million			EBITDA margin, %	
	Q2 FY2014	Q2 FY2013	y-o-y	Q2 FY2014	Q2 FY2013	y-o-y	Q2 FY2014	Q2 FY2013
Bottled oil	44.6	53.8	(17.2%)	12.9	8.0	61.3%	28.9%	14.8%
Bulk oil	300.7	526.5	(42.9%)	48.7	63.8	(23.6%)	16.2%	12.1%
Export terminal	14.6	15.9	(8.7%)	9.4	10.3	(8.5%)	64.8%	64.6%
Farming	165.0	64.0	158.0%	(41.7)	(12.5)	234.3%	(25.3%)	(19.5%)
Grain	328.6	340.0	(3.4%)	3.8	7.5	(49.7%)	1.2%	2.2%
Silo services	50.7	22.4	126.0%	29.7	9.5	212.2%	58.6%	42.4%
Sugar & Discontinued	10.1	4.3	137.6%	0.1	0.2	(30.9%)	1.1%	3.8%
Other				(4.9)	(5.9)	(17.4%)		
Reconciliation	(188.8)	(74.3)	153.9%					
Total	**725.5**	**952.6**	**(23.8%)**	**58.1**	**80.9**	**(28.2%)**	**8.0%**	**8.5%**

Sales and throughput

	Q2 FY2014	Q2 FY2013	y-o-y	Q1 FY2014	q-o-q
Grain sales, tons	1 335 265	1 089 598	22.5%	884 701	50.9%
Bulk oil sales, tons	261 747	382 680	(31.6%)	95 710	2.7x
Bottled oil sales, '000 liters	30 376	33 770	(10.1%)	22 400	35.6%
Sunflower seed crush, tons	726 087	760 218	(4.5%)	232 249	3.1x
Export terminals throughput, tons	1 268 517	1 223 610	3.7%	778 164	1.6x
Grains received in inland silos, tons [2]	2 447 085	1 623 760	50.7%		

1. Segment revenue includes intersegment sales reflected in item "Other & reconciliation".
2. Six month ended 31 December 2013 and 31 December 2012 respectively.
   Note: Differences are possible due to rounding.

Sunflower oil segments performance

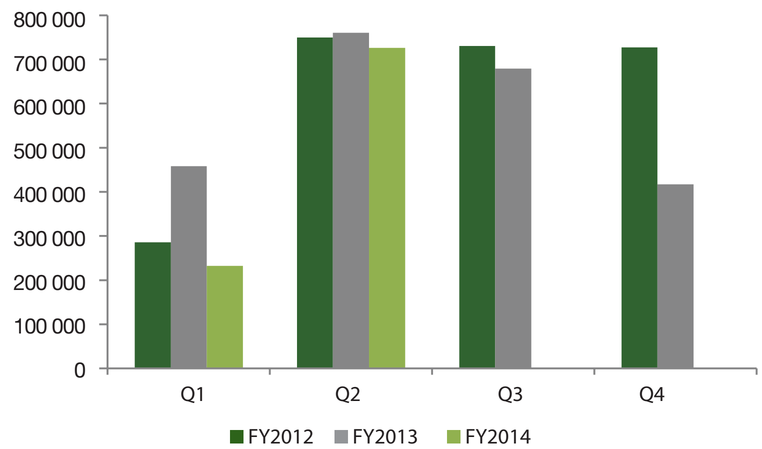
Sunflower oil in bulk

- Sunflower oil sales in bulk were in line with production levels: 262 thousand tons in Q2 FY2014, down 31.6% y-o-y from unusually high levels in Q2 FY2013. Compared to Q1 FY2014, sales increased by 2.7x q-o-q, as production in Q1 FY2014 was low due to delayed sunflower seed harvesting campaign across the country and low carry-over stock of oil and sunflower seed.
- The segment's EBITDA decreased 23.6% y-o-y to USD 48.7 million in Q2 FY2014 due to lower sales while the EBITDA margin recovered to 16.2% in Q2 FY2014 versus 12.1% in Q2 FY2013 and 0.7% in Q1 FY2014. The segment's profitability returned to normal levels following the start of crushing new sunflower seed harvested in September-October.
- H1 FY2014 revenues down 49.0% y-o-y to USD 417.2 million, EBITDA down 51.4% y-o-y to USD 49.5 million.

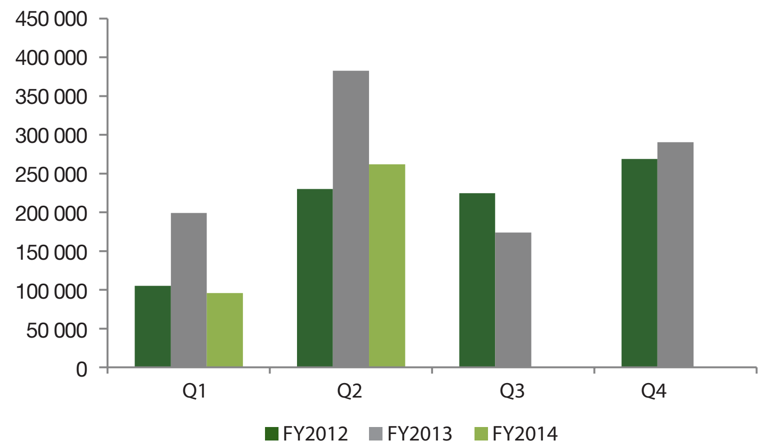
Bottled oil

- Bottled oil sales amounted to 30.4 million liters in Q2 FY2014, down 10.1% y-o-y but up 35.6% q-o-q.
- The bottled oil segment's EBITDA contribution at USD 12.9 million in Q2 FY2014, up 61.3% y-o-y, with the EBITDA margin improving to a strong 28.9% in Q2 FY2014 versus 14.8% in Q2 FY2013, reflecting the relative stickiness of branded bottled oil prices following the decline of the global sunflower oil price.
- H1 FY2014 revenues fell 20.0% y-o-y to USD 77.9 million, EBITDA up 7.5% y-o-y to USD 16.6 million.

Sunflower seed crush, tons



Bulk oil sales, tons



Grain, silo and export terminals segments performance

Grain

- Sales volumes increased to a record 1.3 million tons in Q2 FY2014 versus 1.1 million tons in Q2 FY2013. Exports from the Russian Federation increased two-fold, reflecting our first full season of operations at the Taman grain terminal owned via joint venture since FY2013. Exports from Ukraine grew only slightly from previous year volumes as a major increase in volumes is expected in the second half of the financial year. Revenues decreased 3.4% y-o-y due to a significant y-o-y grain price decline.
- The EBITDA margin was 1.2% in Q2 FY2014 versus 2.2% in Q2 FY2013, with profits carried over to the next quarters due to the mismatch between the trading book margin and the physical delivery margin posted in the quarter under review, which is common for commodity trading. As a result, the segment's EBITDA decreased 49.7% y-o-y to USD 3.8 million in Q2 FY2014.

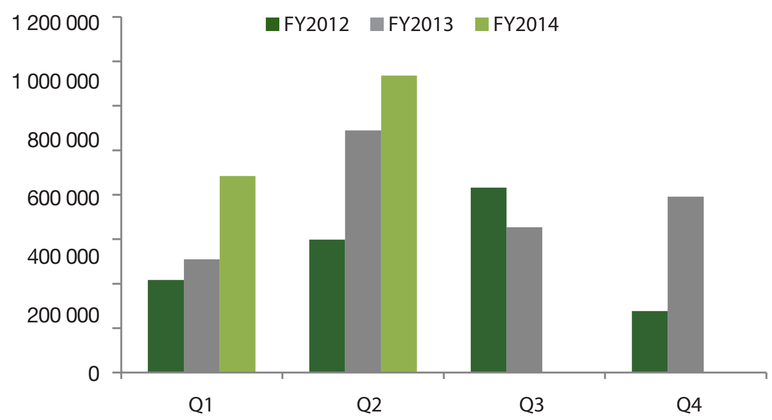
Export terminals

- The export terminals' throughput increased 3.7% y-o-y to 1.3 million tons in Q2 FY2014, with Russian operations growing almost two-fold to reflect our premier year of operations, while Ukrainian ports' throughput is declining y-o-y as major increase in the company's grain exports is contracted for the second half of the financial year.
- The segments' EBITDA decreased 8.5% y-o-y to USD 9.4 million in Q2 FY2014, reflecting Ukrainian volumes. The EBITDA per ton amounted to USD 10.7 in Q2 FY2014 versus USD 10.1 in Q2 FY2013.
- The share of the profit from joint venture in Russia amounted to USD 3.0 million in Q2 FY2014 versus USD 1.7 million loss in Q2 FY2013, due to 2x y-o-y growth in throughput.

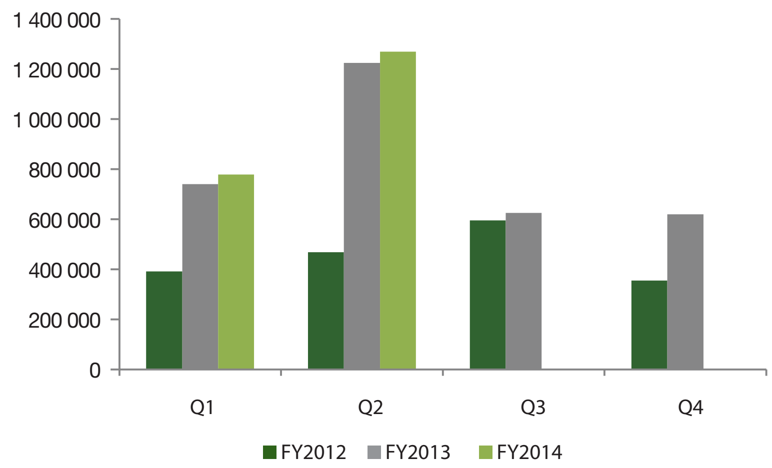
Silo services

- Intake at our silo storage facilities increased 50.7% y-o-y to 2.5 million tons during the six months ended 31 December 2013, benefitting from the larger harvest at our farming division and our continuous investments in greenfield silo storage capacity.
- The segments' EBITDA increased 3.1x y-o-y to USD 29.7 million in Q2 FY2014, reflecting higher intake and wet weather during the autumn harvesting period which increased demand for grain drying services.

Grain sales, tons



Export terminals throughput, tons

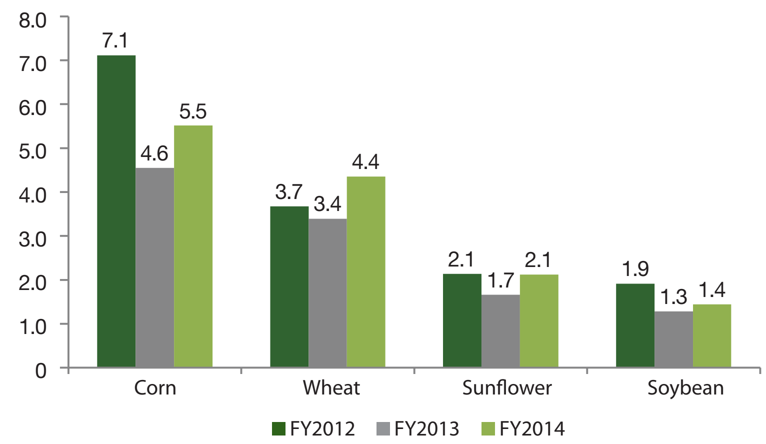


Farming segment performance

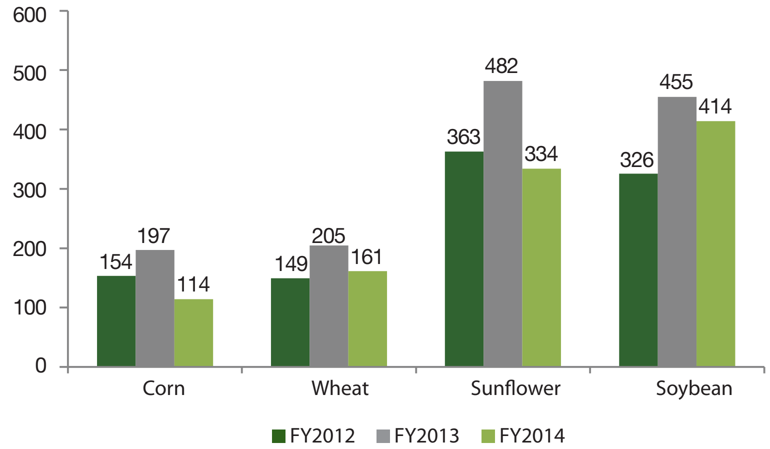
Farming

- A total of 1.1 million tons of grains and 0.3 million tons of oilseeds harvested in FY2014 from 387 thousand hectares (up 56.8% y-o-y). Autumn crop yields (83.8% of acreage) are significantly below management's expectations due to a mix of weather-related and operational factors.
- Crop prices declined by 20-45% at farm-level, following the move of global prices.
- The farming segment's EBITDA loss of USD 41.7 million in Q2 FY2014 versus a loss of USD 12.5 million in Q2 FY2013, reflecting lower prices and low crop yields.
- Farmland was prepared in autumn for the spring sowing campaign, with fertilizer application for 80% of landbank shifted from spring to autumn and fertilizer intensity increased by 15-25%.
- H1 FY2014 revenues up 55.7% y-o-y to USD 234.9 million, EBITDA loss at USD 48.1 million in H1 FY2014 compared to a profit of USD 13.4 million in H1 FY2013.

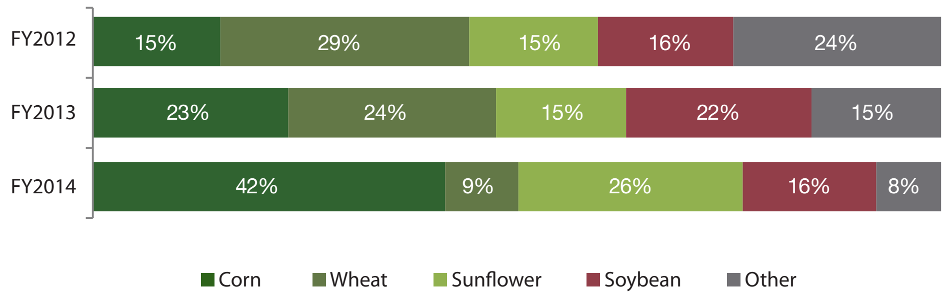
Crop yields, t/ha[1], net



Grain and oilseed prices[2], EXW, net of VAT



Crop structure



1. 1 t/ha equals to 15.9 bu/acre for corn, 14.9 bu/acre for wheat and soybean
2. APK-Inform average prices from the beginning of the marketing season (July for wheat, September for other) until the end of February. Prices might differ from those realized by Kernel.

Balance sheet highlights

Amounts in USD millions	31 December 2013	30 June 2013	30 December 2012
Invested Capital			
Cash & cash equivalents	40.1	78.8	45.9
Net trade accounts receivable	161.8	149.6	223.4
Inventory	742.5	270.2	907.7
of which: readily marketable inventories	615.0	175.1	788.3
Biological assets	21.2	247.3	17.3
Other currents assets	404.7	351.5	404.8
Net property, plant & equipment	739.9	767.3	727.3
Other non-current assets	471.0	502.1	367.0
Total assets	**2 581.2**	**2 366.9**	**2 693.3**
Financed by			
Short-term liabilities	917.8	705.3	1 083.3
of which: interest-bearing debt	726.0	458.5	932.0
Long-term liabilities	359.2	309.3	329.1
of which: long-term interest bearing debt	331.9	275.7	300.5
Total liabilities	**1 277.0**	**1 014.6**	**1 412.4**
Total equity	**1 304.2**	**1 352.4**	**1 281.0**

Note: Differences are possible due to rounding.

Cash flow highlights

Amounts in USD millions	Q2 FY2014	Q2 FY2013
Operating profit before working capital changes	62.8	87.1
Changes in working capital	(331.2)	(299.4)
Cash obtained from/ (used in) operations	**(268.4)**	**(212.3)**
Finance costs paid	(19.7)	(22.1)
Income tax paid	(2.9)	(10.9)
Net cash obtained from/ (used in) operating activities	**(291.0)**	**(245.3)**
Net PPE disposals/ (purchases)	(2.9)	(34.9)
Sales/(Purchase) of intangible and other non-current assets	(1.0)	3.2
Acquisition of subsidiaries and purchase of investment in joint ventures	(25.7)	0.5
Net cash obtained from / (used in) investing activities	**(29.7)**	**(31.2)**
Net cash obtained from / (used in) investing & operating activities	**(320.6)**	**(276.5)**

Note: Differences are possible due to rounding.

Liquidity position & credit metrics

Amounts in USD millions, except ratios	31 December 2013	30 June 2013	30 December 2012
Gross interest-bearing debt	1 057.9	734.2	1 232.5
Cash	40.1	78.8	45.9
Net interest-bearing debt	**1 017.7**	**655.4**	**1 186.6**
Readily marketable inventories	615.0	175.1	788.3
Adjusted net financial debt (1)	**402.7**	**480.3**	**398.3**
Shareholders' equity (2)	1 291.9	1 334.8	1 263.9
Net debt / EBITDA(3)	5.3x	2.3x	3.6x
Adjusted net debt / EBITDA(4)	2.1x	1.7x	1.2x
EBITDA / Interest(5)	2.9x	3.8x	4.2x

1. 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.
2. Total equity attributable to Kernel Holding S.A. shareholders.
3. Net debt/EBITDA is calculated based on trailing 12-month EBITDA.
4. Adjusted net debt / EBITDA is calculated based on trailing 12-month EBITDA.
5. EBITDA / Interest is calculated based on trailing 12-month EBITDA and net finance costs.

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