

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THREE MONTHS ENDED 30 SEPTEMBER 2013

Production, sales and throughput:

Volume and tonnage	Q1 FY2014	Q1 FY2013	yoy
Grain sales, tons	884,838	509,509	73.7%
Bulk oil sales, tons	98,710	198,994	(50.4%)
Bottled oil sales, '000 liters	22,400	26,344	(15.0%)
Sunflower seed crush, tons	232,249	458,095	(49.3%)
Refined oil production, tons	15,888	24,283	(34.6%)
Bottled oil production, tons	15,209	20,313	(25.1%)
Export terminal throughput, tons	778,164 ⁽¹⁾	740,126	5.1%

(1) Including 359,209 tons volumes transhipped through Taman port, which represents 50% of the total throughput volume of the Taman facility. Taman port is owned through a 50%-50% joint venture between Kernel Holding S.A. and a subsidiary of Glencore International Plc

Key highlights:

- 49.3% yoy decrease in crushing volumes due to (1) lower carry-over stocks of sunflower seed from the previous season, as below average sunflower seed harvest in 2012/13 resulted in the low availability of sunflower seed at the end of the marketing year and downwardly affected crushing plants utilization in Q4 FY2013 and Q1 FY2014, and (2) the rainy weather in September 2013 which delayed the supply of seed for the new season.
- 50.4% yoy decrease in bulk oil sales due to a combination of (1) lower crushing and (2) lower bulk oil stocks as of 30 June 2013 compared to 30 June 2012.
- 73.7% yoy increase in grain sales driven by the ramp up of grain exports from the Russian Federation through the Taman port, while the pace of exports from Ukraine is comparably slower due to: (1) lagging autumn crop harvesting, (2) farmers' unwillingness to accept low grain prices, and (3) the anticipation of the VAT reimbursement on grain exports to begin on January 1, 2014.
- 5.1% yoy increase in export terminal throughput, with addition of Taman port throughput in the Russian Federation largely offset by the lower pace of grain exports from Ukraine.

Corporate:

- On July 18, 2013, the board of directors of Kernel Holding S.A. announced the approval of the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY 2014 results announcement, Kernel Holding S.A. intends to maintain a sustainable annual dividend of USD 0.25 per share. The proposed dividend will be declared and paid in US dollars and will be subject to shareholder approval at the general meeting of the shareholders.
- In September 2013, Kernel Holding S.A. sold, via its subsidiaries, the Orzhytsa sugar plant property.
- In October 2013, Kernel Holding S.A., in accordance with the previously announced strategy to divest remotely located farmland, completed, via its subsidiary, the sale of the farming operations located in southern Ukraine for a total consideration of USD 7.0 million.

Selected average commodity prices, USD/ton	Q1 FY2014	Q1 FY2013	yoy
Sunflower oil, Ukraine FOB, Black Sea	947	1,191	(20.5%)
Wheat, Ukraine FOB, Black Sea	249	300	(17.1%)
Corn, Ukraine FOB, Black Sea	200	290	(31.0%)
Barley, Ukraine FOB, Black Sea	245	297	(17.5%)

Source: APK-Inform. Prices could differ from those realized by Kernel.

HARVEST UPDATE
Key highlights:

- Crop yields up 22% – 48% yoy driven by operational improvements and better weather conditions.
- Total crop production estimated to increase 2.6x yoy to 1.6 million tons.

	Acreage, '000 hectares			Net crop yield ⁽¹⁾ , tons/hectare			Production, '000 tons			Crop mix	
	FY2014	FY2013	yoy	FY2014	FY2013	yoy	FY2014 ⁽²⁾	FY2013	yoy	FY2014	FY2013
Corn	162.9	57.0	2.9x	6.7	4.6	47.8%	1,095.8	259.5	4.2x	41.7%	23.1%
Wheat	33.6	60.4	(44.4%)	4.4	3.4	28.5%	146.3	204.7	(28.5%)	8.6%	24.5%
Sunflower	103.2	37.8	2.7x	2.1	1.7	25.1%	214.6	62.7	3.4x	26.4%	15.3%
Soybean	61.2	54.0	13.4%	1.6	1.3	22.3%	96.1	69.3	38.7%	15.7%	21.9%
Rapeseed	5.2	4.6	12.0%	2.5	1.8	43.8%	13.3	8.2	61.1%	1.3%	1.9%
Other ⁽³⁾	24.5	33.0	(25.8%)							6.3%	13.4%
Total	390.6	246.8	58.3%				1,585.2	613.6	2.6x		
Grains	202.4	121.0	67.2%	6.2	3.9	59.3%	1,261.2	473.3	2.7x	51.8%	49.0%
Oilseeds	169.6	96.4	76.1%	1.9	1.5	31.2%	323.9	140.2	2.3x	43.4%	39.0%
Other	18.6	29.4	(36.8%)							4.8%	11.9%

(1) Net crop yields are estimated based on 22% of corn acreage harvested as of 17 October 2013, 65% of sunflower seed and 58% of soybean.

(2) FY2014 production estimated based on current harvest progress.

(3) Includes sugar beets, barley, rye, oats, forage crops.

Condensed consolidated financial statements for the three months ended 30 September 2013 will be published prior the market opening on 29 November 2013.

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