

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THREE MONTHS ENDED 31 DECEMBER 2013

Production, sales and throughput:

Volume and tonnage	Q2 FY2014 ⁽¹⁾	Q2 FY2013 ⁽²⁾	yoy
Grain sales, tons	1,335,265	1,089,598	22.5%
Bulk oil sales, tons	261,747	382,680	(31.6%)
Bottled oil sales, '000 liters	30,375	33,760	(10.0%)
Sunflower seed crush, tons	726,087	760,218	(4.5%)
Refined oil production, tons	34,572	33,785	2.3%
Bottled oil production, tons	31,487	30,773	2.3%
Export terminals throughput, tons ⁽³⁾	1,268,516	1,223,610	3.7%
Grain and oilseeds received in inland silos, tons ⁽⁴⁾	2,447,085	1,623,760	50.7%

(1) Three months ended 31 December 2013.

(2) Three months ended 31 December 2012.

(3) Including 389,787 tons transhipped through Taman port in Q2 FY2014 (201,043 tons in Q2 FY2013), which represents 50% of the total throughput volume of the Taman facility. Kernel Holding S.A. owns a 50% stake in the Taman grain transshipment facility.

(4) Six months ended 31 December 2013 and 2012, respectively.

Key highlights:

- 22.5% yoy growth in grain sales to a record 1.3 million tons in Q2 FY2014, stemming from a notable increase in grain exports from the Russian Federation and the overall advance of exports from Ukraine following a record high harvest.
- Bulk oil sales of 261,747 tons in Q2 FY2014 approximately matched production volumes, with a decline of 31.6% yoy reflecting unusually high volumes delivered in second quarter last year.
- Crushing plants were running at nearly full utilization, processing sizeable new harvest.
- Record-high quarterly throughput at the export terminals of 1.3 million tons, up 3.7% yoy, reflecting higher utilization at the Taman grain transshipment facility and solid utilization of the Ukrainian ports.
- Grain silo infrastructure benefitting from Ukraine's record high harvest, with grain and oilseeds received in inland silos up 50.7% yoy reaching a record 2.5 million tons as of 31 December 2013.

Corporate & Legislative:

- In late December, the Ukrainian parliament approved a bill to reinstate VAT refunds on grain exports, effective 1 January 2014.
- In October, Kernel Holding S.A. completed, via its subsidiary, 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 amounted to 405,000 hectares of leasehold land.

Selected average commodity prices, US\$/t	3 months ended 31 December		
	2013	2012	yoy
Sunflower oil, Ukraine FOB, Black Sea	902	1,152	(21.8%)
Wheat, Ukraine FOB, Black Sea	284	340	(16.6%)
Corn, Ukraine FOB, Black Sea	202	299	(32.5%)
Barley, Ukraine FOB, Black Sea	243	312	(22.0%)

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

The Reviewed Consolidated Financial Statements for the 6 months ended 31 December 2013 will be published before the market opening on 28 February 2013.

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Appendix 1 – H1 FY2014 vs. H1 FY2013

Volume and tonnage	H1 FY2014⁽¹⁾	H1 FY2013⁽²⁾	yoy
Grain sales, tons	2,219,966	1,599,107	38.8%
Bulk oil sales, tons	357,457	581,674	(38.5%)
Bottled oil sales, '000 liters	52,776	60,104	(12.2%)
Sunflower seed crush, tons	958,336	1,218,313	(21.3%)
Refined oil production, tons	50,460	58,068	(13.1%)
Bottled oil production, tons	46,696	51,086	(8.6%)
Export terminals throughput, tons ⁽³⁾	2,046,681	1,762,693	16.1%
Grain and oilseeds received in inland silos, tons	2,447,085	1,623,760	50.7%

(1) Six months ended 31 December 2013.

(2) Six months ended 31 December 2012.

(3) Including 748,996 tons transshipped through the Taman port in H1 FY2014 (201,043 tons in Q2 FY2013, n/a in Q1 FY2013), which represents 50% of the total throughput volume of the Taman facility.

Selected average commodity prices, US\$/t	H1 FY2014⁽¹⁾	H1 FY2013⁽²⁾	yoy
Sunflower oil, Ukraine FOB, Black Sea	924	1,172	(21.1%)
Wheat, Ukraine FOB, Black Sea	266	320	(16.8%)
Corn, Ukraine FOB, Black Sea	201	295	(31.8%)
Barley, Ukraine FOB, Black Sea	244	304	(19.8%)

(1) Six months ended 31 December 2013.

(2) Six months ended 31 December 2012.

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

Appendix 2 – Q2 FY2014 vs. Q1 FY2014

Volume and tonnage	Q2 FY2014⁽¹⁾	Q1 FY2014⁽²⁾	qoq
Grain sales, tons	1,335,265	884,701	50.9%
Bulk oil sales, tons	261,747	95,710	173.5%
Bottled oil sales, '000 liters	30,375	22,400	35.6%
Sunflower seed crush, tons	726,087	232,249	212.6%
Refined oil production, tons	34,572	15,888	117.6%
Bottled oil production, tons	31,487	15,209	107.0%
Export terminals throughput, tons	1,268,516	778,164	63.0%

(1) Three months ended 31 December 2013.

(2) Three months ended 30 September 2013.

(3) Including 389,787 tons transshipped through the Taman port in Q2 FY2014 (359,209 tons in Q1 FY2014), which represents 50% of total throughput volume at the Taman facility.

Selected average commodity prices, US\$/t	Q2 FY2014⁽¹⁾	Q1 FY2014⁽²⁾	qoq
Sunflower oil, Ukraine FOB, Black Sea	902	947	(4.8%)
Wheat, Ukraine FOB, Black Sea	284	249	14.1%
Corn, Ukraine FOB, Black Sea	202	200	0.9%
Barley, Ukraine FOB, Black Sea	243	245	(0.9%)

(1) Three months ended 31 December 2013.

(2) Three months ended 30 September 2013.

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