

KERNEL HOLDING S.A.

OPERATIONS UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2014

Production, sales and throughput:

Volume and tonnage	Q1 FY2015	Q1 FY2014	y-o-y
Grain sales, tons	1,220,855	884,701	38%
Sunflower oil sales in bulk, tons	202,592	95,710	2.1x
Bottled sunflower oil sales, '000 liters	22,774	22,400	2%
Sunflower seed crush, tons	506,386	232,249	2.2x
Export terminals' throughput, tons	1,212,552	778,164	56%

Key highlights:

- Ukraine's good wheat and barley harvests (up 5% and 19% y-o-y, respectively) and Russia's overall strong crop harvest (up 25% y-o-y to date) have driven our grain exports by 38% y-o-y in Q1 FY2015 to 1.2 million tons.
- 2.2x y-o-y growth in sunflower seed crush as a result of solid carry-over stock of sunflower seed and an earlier start of the crushing campaign.
- 2.1x y-o-y increase in sunflower oil sales as a result of production growth and higher brought forward sunflower oil stock.
- Export terminal throughput rose 56% y-o-y to 1.2 million tons, reflecting growth in grain exports.

Harvest update:

- Crop yields up 20-32% y-o-y, driven by operational improvements.
- Total crop production estimated to increase 1.3x y-o-y to 1.8 million tons.
- Winter crop planting campaign finished, with 82.1 thousand hectares of winter wheat and rapeseed reported in good condition.

	Acreage, thousand hectares			Net crop yield ⁽¹⁾ , tons/hectare		
	FY2015	FY2014	y-o-y	FY2015	FY2014	y-o-y
Corn	184.1	161.6	14%	7.2	5.5	31%
Wheat	30.7	33.6	(9%)	5.4	4.3	25%
Sunflower	69.8	102.8	(32%)	2.5	2.1	20%
Soybean	66.6	61.2	9%	1.9	1.4	32%
Other ⁽²⁾	21.7	29.6	(27%)			
Total	372.9	388.7	(4%)			

(1) Net crop yields are estimated based on 53% of corn acreage harvested as of 20 October 2014, 100% for other crops.

(2) Includes sugar beets, barley, rye, oats, forage crops. Excludes fallow land.

Corporate and regulatory:

- In August 2014, Kernel renewed its pre-export credit facilities, which are being used to finance working capital in the sunflower oil and grain business. With this renewal, the Company completed its refinancing needs for this marketing season.
- In July 2014, the Ukrainian parliament adopted changes to the Tax Code that are effective from 1 October 2014, reinstating VAT refunds on grain exports for farming companies that directly export agricultural products. VAT on grain exports was not refunded from 1 July 2011 to 1 January 2014 and from 1 April 2014 to 1 October 2014.

Condensed consolidated financial statements for the three months ended 30 September 2014 will be published prior market opening on 26 November 2014.

For further information, please contact:

Investors & Analysts:

Yegor Samusenko

+38 044 461 88 01, ext. 70-88

y.samusenko@kernel.ua

Yuriy Kovalchuk

+38 044 461 88 01

y.kovalchuk@kernel.ua

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