



Leveraging Ukraine's natural advantage in agriculture



C O M P A N Y P R E S E N T A T I O N

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Q2 FY2015 results highlights

Key Highlights:

- Revenue totaled USD 652.5 million in Q2 FY2015, which was 10% lower y-o-y, as agriculture commodity prices declined while sales volumes increased for all segments.
- EBITDA increased 2.5x y-o-y to USD 142.4 million in Q2 FY2015, marking a record quarterly EBITDA for the company, primarily due to a turnaround in the farming division and strong margins in the sunflower oil in bulk segment.
- The sunflower oil sold in bulk segment's contribution to EBITDA amounted to USD 56.7 million in Q2 FY2015, up 16% y-o-y as volumes grew by 6% y-o-y while the EBITDA margin improved to 20%, the highest level in the last four years. The bottled oil segment continued to deliver a premium on profitability to sales in bulk, but its EBITDA contribution decreased 31% to USD 8.9 million in Q2 FY2015 due to unusually high profitability posted a year ago.
- The grain and export terminal segments delivered consistent growth in volumes, driven by growth in our own farming production and a strong crop in Ukraine and Russia. Healthy margins in both segments resulted in an EBITDA contribution of USD 15.2 million from grain segment in Q2 FY2015 (up 4.0x y-o-y) and USD 10.6 million from export terminals (up 13% y-o-y). At the same time, the silo service segment's EBITDA declined 2.2x from an abnormal high last year to a healthy USD 13.4 million in Q2 FY2015, as drier autumn weather reduced demand for grain drying services.
- The farming segment's EBITDA improved to USD 43.6 million in Q2 FY2015 compared to negative USD 42.2 million a year ago. A major shift in production technology improved crop yields by 16-28% y-o-y, while a combination of drier weather during harvesting and Ukrainian hryvnya devaluation decreased production costs per hectare.
- Net profit attributable to the shareholders of Kernel Holding S.A. stood at USD 54.8 million in Q2 FY2015 (compared to a net loss of USD 9.1 million a year ago), reflecting a foreign exchange loss of USD 56.2 million, which was primarily caused by the revaluation of prepaid taxes following 18% Ukrainian hryvnya and 30% Russian ruble devaluation during the quarter.
- Net debt decreased 28% y-o-y to USD 735.2 million as of 31 December 2014 due to a combination of positive cash flow generated during the last twelve months and lower working capital requirements caused by decreases in commodity prices. The net debt to 12-month trailing EBITDA ratio decreased to a healthy 1.9x as of 31 December 2014, while net indebtedness adjusted for readily marketable inventories decreased to only 0.7x of 12-month trailing EBITDA.

USD million except ratios and EPS	Q2 FY2015	Q2 FY2014	y-o-y
P&L highlights			
Revenue	652.5	725.5	(10%)
EBITDA ⁽¹⁾	142.4	57.6	2.5x
Net profit/(loss) ⁽²⁾	54.8	(9.1)	n/m
EBITDA margin	21.8%	7.9%	13.9pp
Net margin	8.4%	(1.3%)	9.7pp
EPS ⁽³⁾ , USD	0.69	(0.11)	n/m
Cash flow highlights			
Operating profit before working capital changes	130.8	62.3	2.1x
Change in working capital	(193.7)	(331.7)	(42%)
Cash from operations before interest & taxes	(62.9)	(269.4)	(77%)
Net cash obtained from operating activities	(80.8)	(292.0)	(72%)
Net cash used in investing activities	(1.2)	(28.8)	(96%)
Credit metrics			
Net interest-bearing debt	735.2	1,017.7	(28%)
Readily marketable inventories	456.9	615.0	(26%)
Adjusted net debt ⁽⁴⁾	278.3	402.7	(31%)
Shareholders' equity	981.9	1,293.0	(24%)
Net debt/EBITDA ⁽⁵⁾	1.9x	5.3x	(3.4x)
Adjusted net debt/EBITDA ⁽⁴⁾	0.7x	2.1x	(1.4x)
EBITDA/Interest ⁽⁶⁾	5.0x	2.9x	2.1x

⁽¹⁾ Hereinafter, EBITDA is calculated as the sum of profit from operating activities plus amortization and depreciation.

⁽²⁾ Net profit/(loss) attributable to equity holders of Kernel Holding S.A.

⁽³⁾ EPS is measured in US Dollars per share, based on 79.7 million shares during the periods under review.

⁽⁴⁾ Adjusted net financial debt is net debt minus readily marketable inventories. Adjusted net debt/EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁵⁾ Net debt/EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁶⁾ EBITDA/Interest is calculated based on 12-month trailing EBITDA and net finance costs.

Note: The financial year ends 30 June. Differences are possible due to rounding.

Q2 FY2015 segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	Q2 FY2015	Q2 FY2014	y-o-y	Q2 FY2015	Q2 FY2014	y-o-y	Q2 FY2015	Q2 FY2014	Q2 FY2015	Q2 FY2014	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	284.8	300.7	(5%)	56.7	48.7	16%	20%	16%	278.1	261.7	6%
Bottled sunflower oil	38.7	44.6	(13%)	8.9	12.9	(31%)	23%	29%	34.2 ⁽¹⁾	30.4 ⁽¹⁾	13%
Grain and infrastructure											
Grain	312.6	328.6	(5%)	15.2	3.8	4.0x	5%	1%	1,403.0	1,335.3	5%
Export terminals ⁽²⁾	15.6	14.6	7%	10.6	9.4	13%	68%	65%	1,437.5	1,268.5	13%
Silo services	24.9	50.7	(51%)	13.4	29.7	(55%)	54%	59%			
Farming											
Farming	144.7	165.0	(12%)	43.6	(42.2)	n/m	30%	(26%)			
Sugar and discontinued operations ⁽³⁾	3.5	10.1	(65%)	0.1	0.1	30%	4%	1%			
Unallocated corporate expenses				(6.2)	(4.9)	28%					
Revenue reconciliation	(172.4)	(188.8)	(9%)								
Total	652.5	725.5	(10%)	142.4	57.6	2.5x	22%	8%			

Note: Differences are possible due to rounding. Segment revenue includes intersegment sales reflected in the item "Reconciliation".

⁽¹⁾ Million liters.

⁽²⁾ Including 403,603 tons transshipped through the Taman port in Q2 FY2015 and 389,787 tons in Q2 FY2014, which represents 50% of the total throughput volume of the Taman facility (Kernel Holding S.A. owns 50% of the Taman grain transshipment facility).

⁽³⁾ Discontinued operations from sugar and assets held for sale.

Sunflower oil in Q2 FY2015

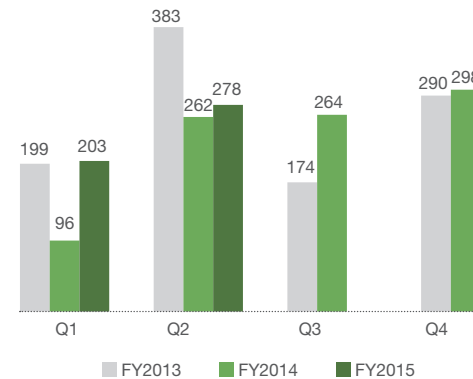
Sunflower oil sales in bulk

- A decrease in competition among Ukrainian crushers improved the sunflower oil in bulk segment's EBITDA margin to 20% in Q2 FY2015, the highest level in the last four years (vs. 16% a year ago).
- Strong margins combined with solid sales volumes (up 6% y-o-y) resulted in EBITDA of USD 56.7 million in Q2 FY2015, up 16% y-o-y. At the same time, revenue decreased 5% y-o-y to USD 284.8 million in Q2 FY2015 as a consequence of lower world prices for edible oils.

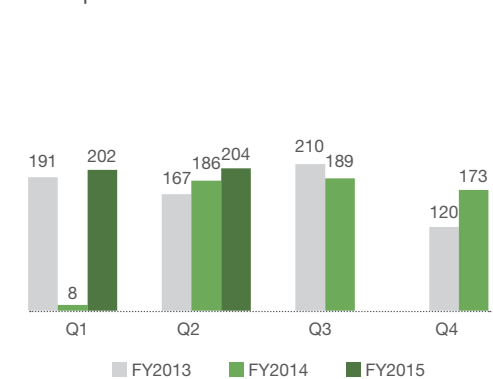
Bottled sunflower oil

- Bottled oil sales increased 13% y-o-y to 34.2 million liters in Q2 FY2015, while the segment's revenues decreased 13% y-o-y as a result of bottled sunflower oil prices following the decline in world prices for sunflower oil.
- The segment's EBITDA decreased 31% y-o-y to USD 8.9 million as a result of abnormally high margins a year ago. The EBITDA margin amounted to strong 23% in Q2 FY2015, with a healthy premium to sales in bulk.

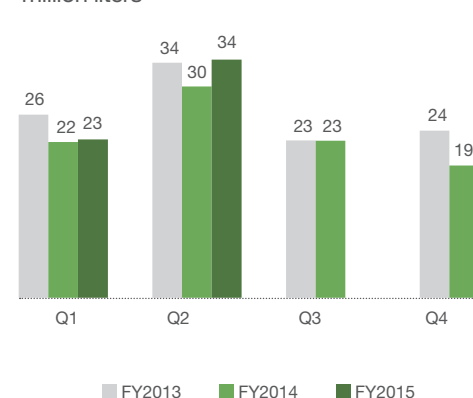
Sunflower oil sales in bulk,
thousand tons



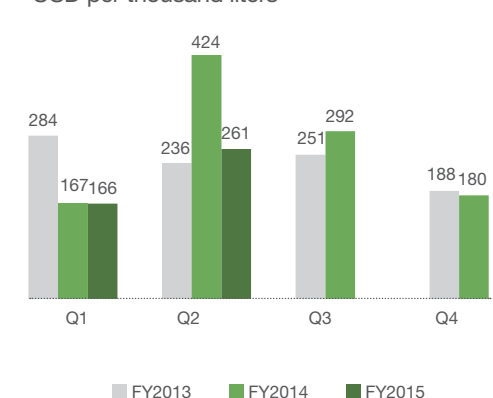
Sunflower oil sold in bulk EBITDA,
USD per ton



Bottled sunflower oil sales,
million liters



Bottled sunflower oil EBITDA,
USD per thousand liters



Source: Company's accounts. Segment EBITDA is presented prior to certain unallocated G&A costs.

Grain and infrastructure in Q2 FY2015

Grain

- Grain export volumes increased to a new record of 1.4 million tons in Q2 FY2015, up 5% y-o-y, with growth being driven by a higher crop from our own farming division and strong growth in exports from Russia.
- The grain segment's EBITDA margin was at a healthy level of 5% in Q2 FY2015, in line with the average levels seen in FY2014 and Q1 FY2015.
- As a result, the segment's EBITDA increased to USD 15.2 million in Q2 FY2015, up 4.0x y-o-y from a low base of USD 3.8 million in Q2 FY2014. At the same time, the segment's revenue fell 5% y-o-y to USD 312.6 million in Q2 FY2015 as a result of international grain prices being down y-o-y.

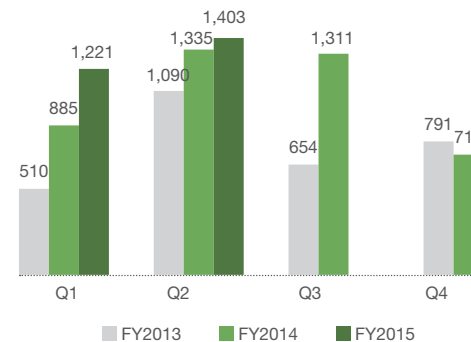
Export terminals

- The export terminals' throughput increased 13% y-o-y to 1.4 million tons in Q2 FY2015, a new quarterly record. While both Ukrainian and Russian operations performed well, the growth mainly came from higher transshipment in Ukraine where the country's strong grain harvest was supported by high supply from our own farming division.
- The segment's EBITDA margin was strong at USD 10.3 per ton in Q2 FY2015 compared to USD 10.7 per ton a year ago, with the segment's total EBITDA growing 13% y-o-y to USD 10.6 million in Q2 FY2015 (reflecting only Ukrainian operations, as income from the grain transshipment joint venture in the Russian Federation is accounted below operating profit). The segment's revenues were up 7% y-o-y to USD 15.6 million in Q2 FY2015.

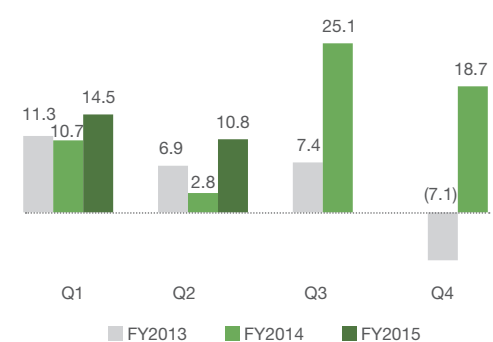
Silo services

- The silo service segment's intake volumes were similar to the previous year (up 1% y-o-y to 2.5 million tons) in H1 FY2015, as a higher in-house harvest was compensated by lower demand from third-party farmers due to dry weather.
- At the same time, below average rainfall during autumn crops harvest-ing decreased demand for grain drying services to below average this year (compared to above average crop moisture levels last year). As a result, the segment's revenues decreased 2x y-o-y to USD 24.9 million in Q2 FY2015, with EBITDA down 55% y-o-y to USD 13.4 million.

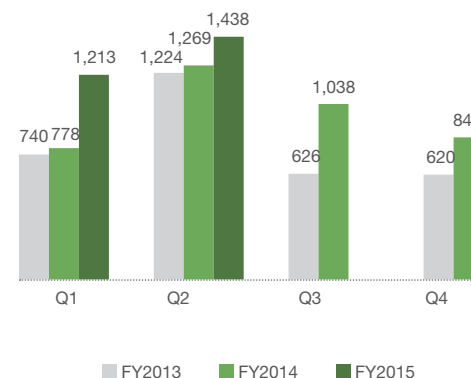
Grain sales,
thousand tons



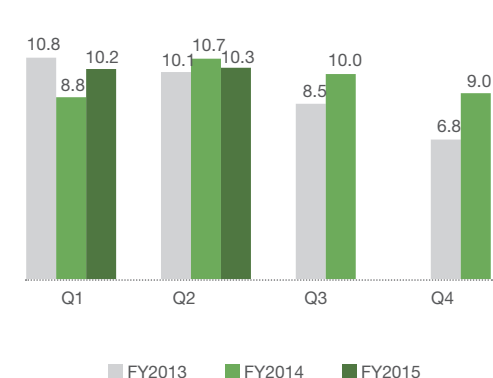
Grain segment EBITDA,
USD per ton



Export terminals throughput,
thousand tons



Export terminals EBITDA,
USD per ton



Source: Company's accounts. Segment EBITDA is presented prior to certain unallocated G&A costs.

Farming in Q2 FY2015

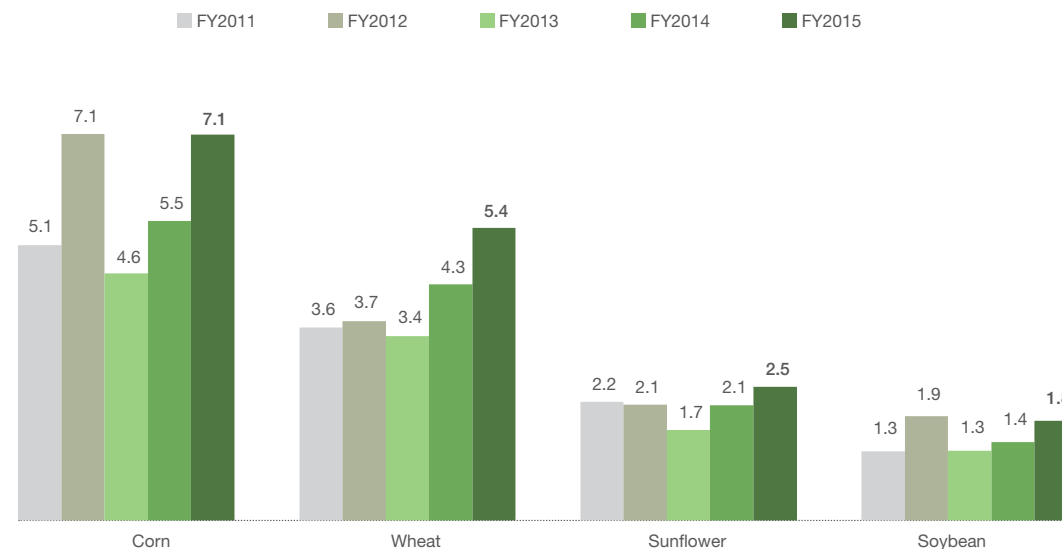
Farming

- The total grain and oilseed harvest increased 29% y-o-y to 1.8 million tons in FY2015 as a result of 16-28% growth in crop yields for major crops, following a major change in our production technology and management system. At the same time, production costs per hectare decreased due to devaluation of the Ukrainian hryvnia and dryer weather conditions during harvesting.
- Q2 FY2015 sales amounted to USD 144.7 million, down 12% y-o-y due to lower prices.
- The segment's EBITDA increased to USD 43.6 million in Q2 FY2015, compared to negative USD 42.2 million a year ago. The improvement in profitability reflects better crop yields, lower production costs per hectare, VAT refunds on grain exports for agricultural producers during the quarter under review, and a lower IAS 41 fair value charge (net gain of USD 3.2 million in Q2 FY2015 vs. a net loss of USD 11.7 million a year ago). At the same time, international grain prices were lower y-o-y.

Sugar

- The company has sold almost all of its remaining stock of sugar, which contributed USD 3.5 million to revenue and USD 0.1 million to EBITDA in Q2 FY2015.

Net crop yields, tons per hectare



Harvest update

	Acreage, thousand hectares			Net crop yield, tons/hectare			Net tonnage, thousand tons	
	FY2015	FY2014	% change	FY2015	FY2014	% change	FY2015	FY2014
Corn	183.8	161.6	14%	7.1	5.5	28%	1,297.6	891.2
Wheat	30.7	33.6	(9%)	5.4	4.3	24%	165.1	146.0
Sunflower	69.5	102.8	(32%)	2.5	2.1	16%	170.8	217.9
Soybean	66.5	61.2	9%	1.8	1.4	27%	121.3	88.0
Other ⁽¹⁾	32.1	29.6	8%					
Total	382.6	388.7	(2%)					
incl. grains	223.0	201.1	11%	6.7	5.3	28%	1,488.5	1,056.1
incl. oilseed crops	136.1	169.2	(20%)	2.2	1.9	14%	292.1	319.2

(1) Other acreage includes barley, rye, oats, forage crops and land left fallow for crop rotation purposes.
Note: 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

Balance sheet

Balance sheet highlights

USD million	31 Dec 2014	30 June 2014	31 Dec 2013
Invested capital			
Cash & cash equivalents	77.7	65.4	40.1
Net trade accounts receivable	64.2	99.8	159.7
Inventory	557.0	299.5	742.4
of which: readily marketable inventories	456.9	243.4	615.0
Biological assets	21.3	182.8	20.8
Other currents assets	263.2	225.0	398.1
Net property, plant & equipment	587.5	643.5	736.6
Other non-current assets	363.1	403.0	476.2
Total assets	1,934.0	1,919.0	2,573.8
Financed by			
Short-term liabilities	754.9	597.4	910.2
of which: interest-bearing debt	647.6	489.4	726.0
Long-term liabilities	198.8	291.0	359.1
of which: long-term interest bearing debt	165.3	260.0	331.9
Total liabilities	953.7	888.3	1,269.4

Credit metrics highlights

USD million except ratios	31 Dec 2014	30 June 2014	31 Dec 2013
Gross interest-bearing debt	812.8	749.4	1,057.9
Net interest-bearing debt	735.2	684.0	1,017.7
Readily marketable inventories	456.9	243.4	615.0
Adjusted net financial debt	278.3	440.6	402.7
Net debt / EBITDA	1.9x	3.1x	5.3x
Adjusted net debt / EBITDA	0.7x	2.0x	2.1x
EBITDA / Interest	5.0x	3.1x	2.9x

P&L and cash flow

P&L highlights

USD million except ratios and EPS

	Q2 FY2015	Q2 FY2014	H1 FY2015	H1 FY2014
Revenue	652.5	725.5	1,231.7	1,138.4
Net IAS 41 gain	3.2	(11.7)	1.5	(21.1)
Gross profit	171.7	99.8	283.2	125.5
EBITDA	142.4	57.6	222.8	60.6
EBIT	123.8	31.4	184.2	8.6
Net financial costs	(19.2)	(20.1)	(37.7)	(33.4)
Net profit⁽¹⁾	54.8	(9.1)	78.3	(42.5)
Gross margin	26.3%	13.8%	23.0%	11.0%
EBITDA margin	21.8%	7.9%	18.1%	5.3%
Net margin	8.4%	(1.3%)	6.4%	(3.7%)
EPS, USD	0.69	(0.11)	0.98	(0.53)

Cash flow highlights

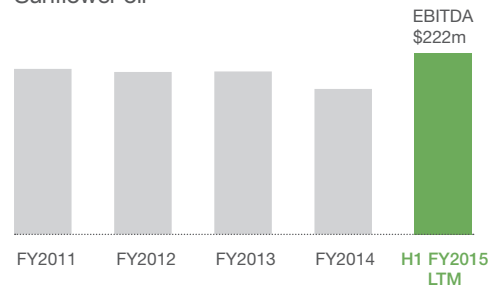
USD million

	Q2 FY2015	Q2 FY2014	H1 FY2015	H1 FY2014
Operating profit before working capital changes	130.8	62.3	205.2	74.6
Changes in working capital	(193.7)	(331.7)	(192.7)	(347.9)
Cash obtained from/(used in) operations	(62.9)	(269.4)	12.4	(273.2)
Finance costs paid	(15.2)	(19.7)	(36.7)	(33.0)
Income tax paid	(2.7)	(2.9)	(10.5)	(21.7)
Net cash obtained from/(used in) operating activities	(80.8)	(292.0)	(34.8)	(327.9)
Net PPE disposals/(purchases)	(5.1)	(2.1)	(13.8)	(19.0)
Sales/(Purchase) of intangible and other non-current assets	2.6	(1.0)	(0.3)	(1.2)
Net cash used in investing activities	(1.2)	(28.8)	(12.8)	(45.9)
Net cash obtained from/(used in) investing & operating activities	(82.0)	(320.8)	(47.6)	(373.7)

⁽¹⁾ Net profit attributable to equity holders of Kernel Holding S.A.

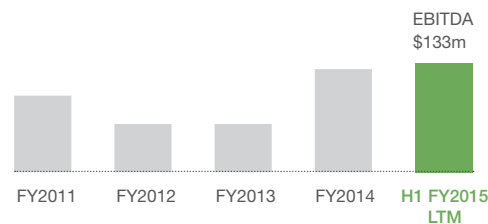
Kernel at a glance

Sunflower oil



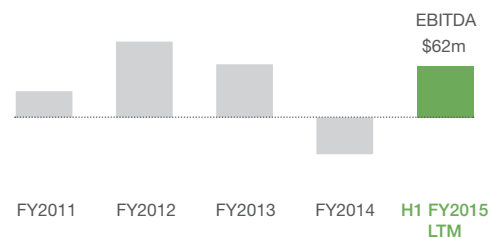
- #1 sunflower oil producer and exporter in Ukraine.
- 2.9 million tons/year sunflower seed crushing capacity.
- #1 bottled sunflower oil producer and marketer in Ukraine with 30% market share.

Grain and infrastructure



- Leading grain originator and marketer with 9-12% of Ukraine's total grain exports.
- Emerging player in grain export from Russia.
- 3 export terminals in Ukraine and Russia with a total annual capacity to transship 6 million tons.
- #1 inland grain silo network with 2.8 million tons of storage capacity in Ukraine.

Farming



- #2 crop producer in Ukraine with 389,000 hectares of leasehold farmland.
- Modern large-scale machinery, sustainable agronomic practices, cluster management system, focused export-oriented crop mix.
- 85-90% of output goes through our grain and infrastructure or sunflower oil segments, earning incremental profits.

Note: Hereinafter, segment EBITDA is presented prior to certain unallocated G&A costs.

Stock information

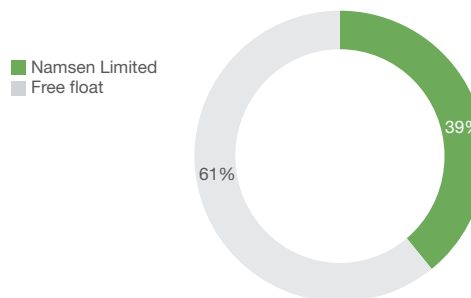
Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	79,683,410
Bloomberg Reuters ticker	KER PW KERN.WA
ISIN code	LU0327357389

Market data as of 26 February 2015

Market capitalization	USD 638.6 million
Closing price	PLN 29.7 / USD 8.0
Lowest/Highest price for last twelve months	USD 6.7 / 11.4
Average daily turnover, twelve months	200,558 shares / USD 1.8 million

USD million except ratios and EPS	FY2014	FY2013	y-o-y
Revenue	2,393.3	2,796.8	(14.4%)
EBITDA	223.0	287.5	(22.4%)
Net (loss)/profit ⁽¹⁾	(98.3)	111.6	n/m
EBITDA margin	9.3%	10.3%	(1.0pp)
Net margin	(4.1%)	4.0%	(8.1pp)
EPS, USD	(1.23)	1.40	n/m

Shareholding structure

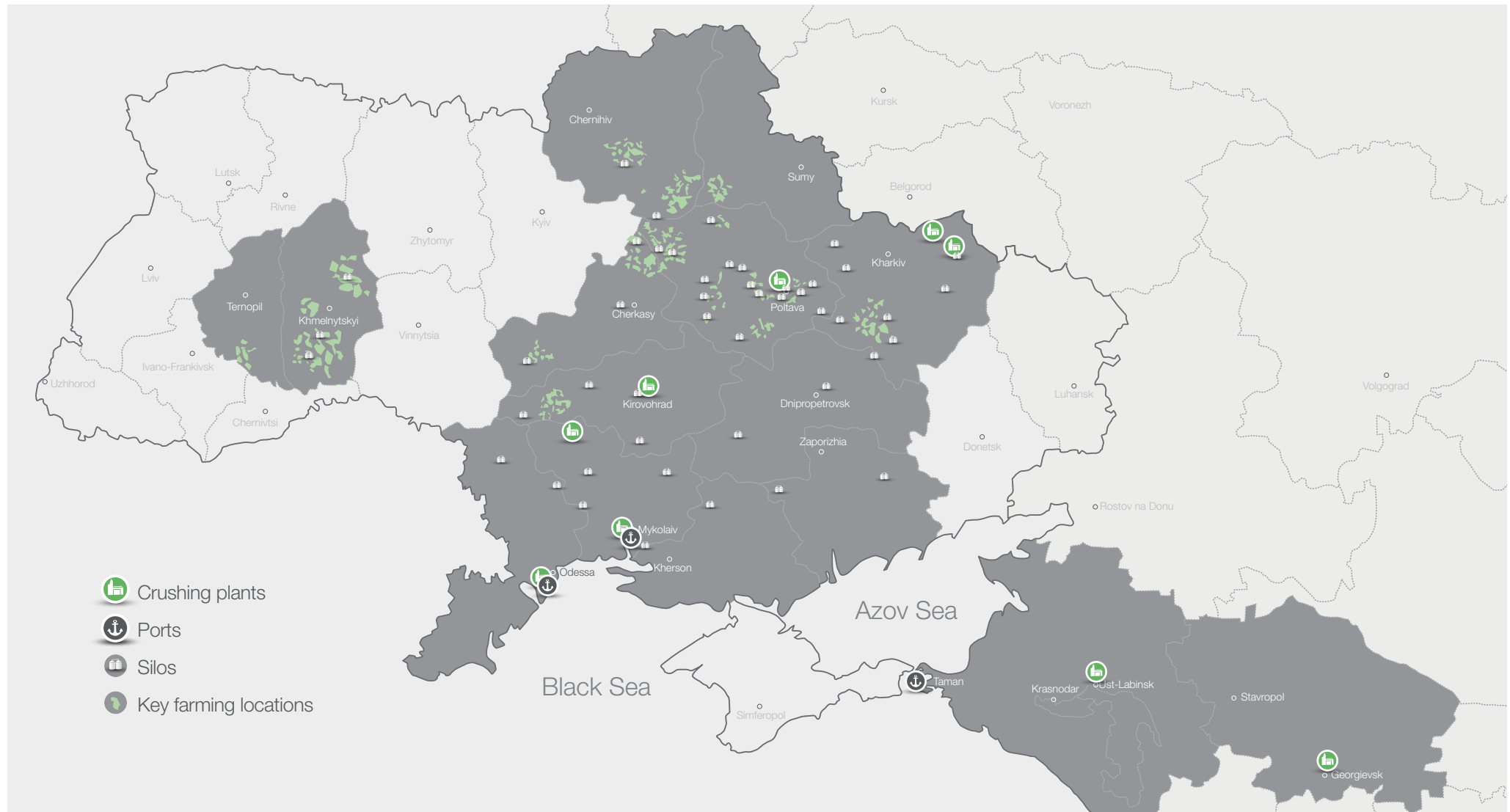


⁽¹⁾ Net (loss)/profit attributable to equity holders of Kernel Holding S.A.
Source: Bloomberg, Kernel.

Our business model



Asset map



Sunflower Oil

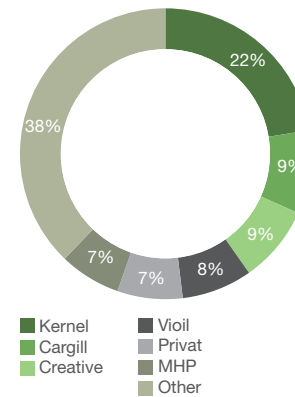


Our business model

- #1 oilseed crusher in Ukraine; total capacity of 2.9 million tons of sunflower seed per year.
- Diversified asset base: 7 plants located across the sunflower seed belt in Ukraine, 2 plants in southern Russia.
- Diversified supplier base: 5,000+ suppliers annually. Own farming contributes 6-9% of total volumes.
- 'Balanced book' policy of locking into margins at the moment of sunflower seed procurement.
- 90% volumes exported in bulk; 10% sold domestically via three brands and private labels.

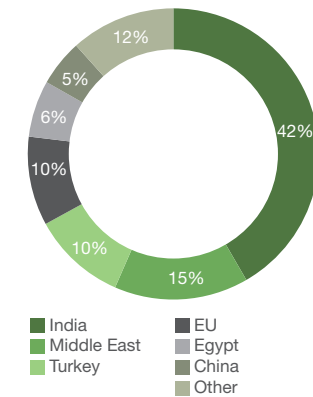


Sunflower seed industrial crushing capacity in Ukraine



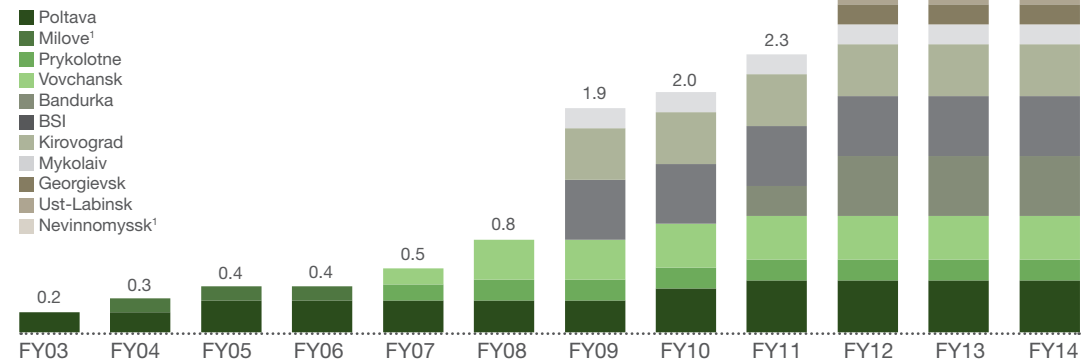
Source: Kernel.

Kernel's sunflower oil export by destination (FY2014)



Source: Kernel.

Kernel oilseed crushing capacity (million tons per year)



(1) Milove oilseed crushing plant divested in FY2006. Nevinnomyssk oilseed crushing plant divested in FY2014.
Source: Kernel.

FY2014 performance

Sunflower oil sold in bulk:

- › Volumes down 12% y-o-y due to poor Q1 (low carry-over sunflower seed and oil inventories because of inferior 2012 harvest in Ukraine).
- › Strong margin in Q2-Q4 FY2014 (16% EBITDA, driven by strong sunflower seed harvest in Ukraine in 2013), negligible contribution in Q1 FY2014, resulting in full year EBITDA at 14%, up 3 pp y-o-y.

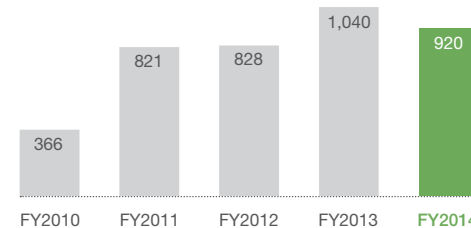
Bottled sunflower oil:

- › Volumes down 13% y-o-y because of Q1 and lower branded sales, as we increased our price premium vs. private labels.
- › EBITDA margin up to 20% (from 14%) as a result of lower sunflower seed prices and an increased price premium.

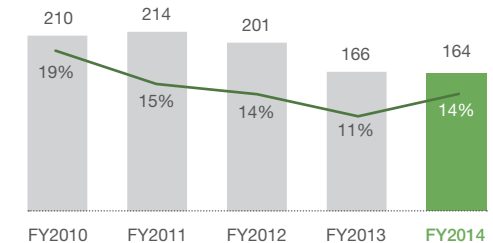
Key market trends in 2013/14:

- › Global edible oil prices, including for sunflower oil, declined by 20-35% y-o-y in 2013/14, resulting in a decrease in sunflower seed prices.
- › The sunflower seed harvest in Ukraine was 11.1 million tons in 2013/14, up from 8.4 million tons in 2012/13.
- › The strong harvest in Ukraine improved the sunflower seed crushing margin and the industry's capacity utilization in 2013/14.
- › Abundant stock of sunflower seed at yearend ensures strong utilization in Q1 FY2015.

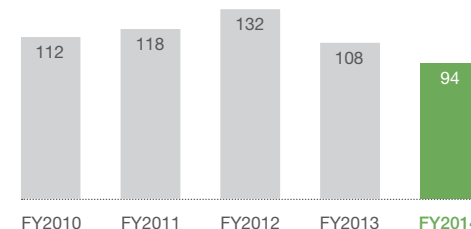
Sunflower oil sold in bulk
(thousand tons)



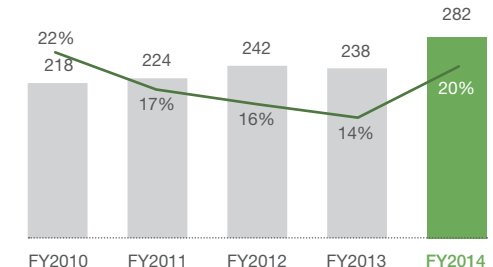
Sunflower oil sold in bulk EBITDA
(USD/ton, %)



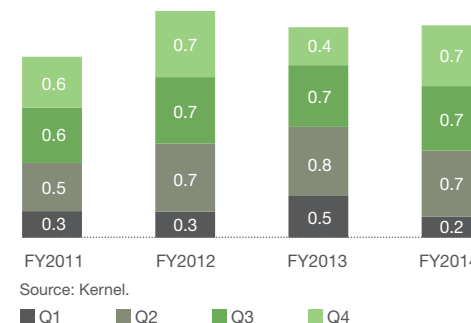
Sunflower oil sold bottled
(thousand tons)



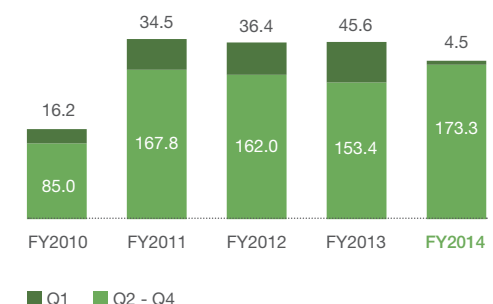
Bottled sunflower oil EBITDA
(USD/thousand liters, %)



Sunflower seed crushing volumes
(million tons)



Sunflower oil segments' EBITDA
split by quarters (USD million)



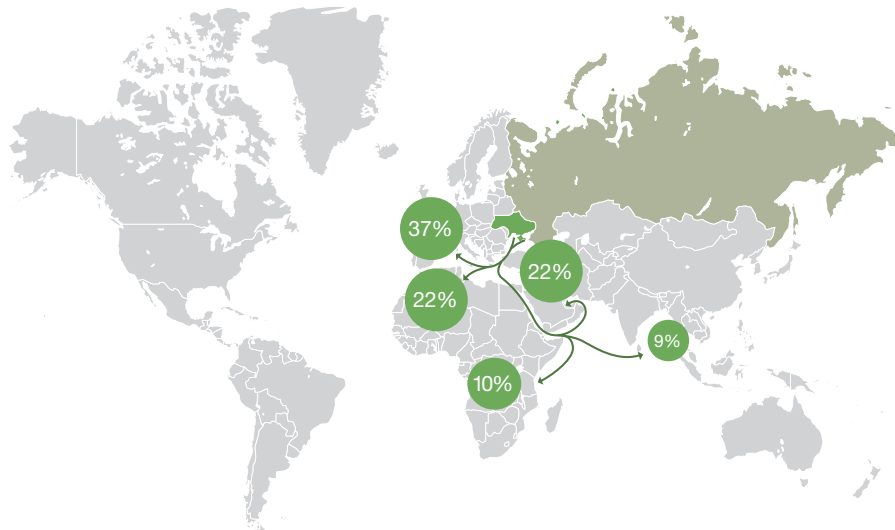
Grain and Infrastructure



Our business model

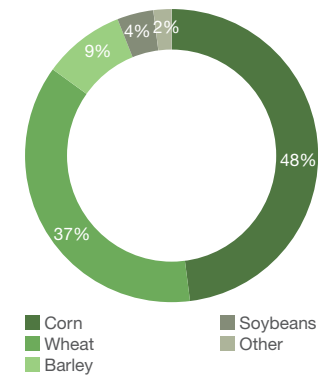
- › Top grain exporter from the Black Sea region, with a market share in Ukraine of 9-12% and in Russia of about 4%.
- › 'Balanced book' policy of locking in margins at the moment of grain purchase from farmer.
- › Our origination team buys from thousands of farmers at their farm-gate or inland silos.
- › Our own 2.8 million ton silo storage capacity serves as captive for our origination platform.
- › Three export terminals with a total capacity of 6 million tons per year.
- › Our own crop production in Ukraine secures 20-30% of the total grain export and transshipment volumes and 40-50% of silo throughput.

Kernel's grain sales by destination
(2013/14)



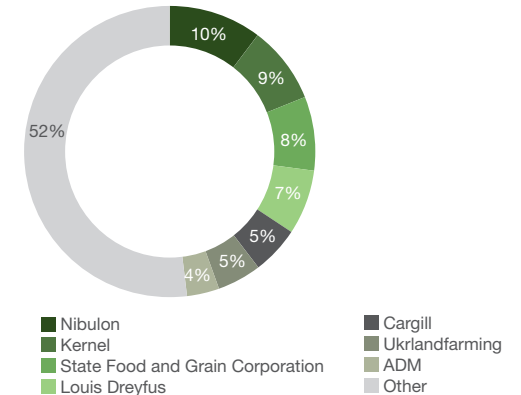
Source: Kernel.
→ Trade flows

Kernel grain sales by crop
(FY2012-FY2014)



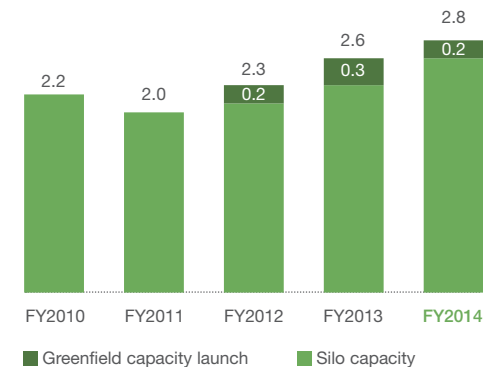
Source: Kernel.

Grain exports from Ukraine
(2013/14)



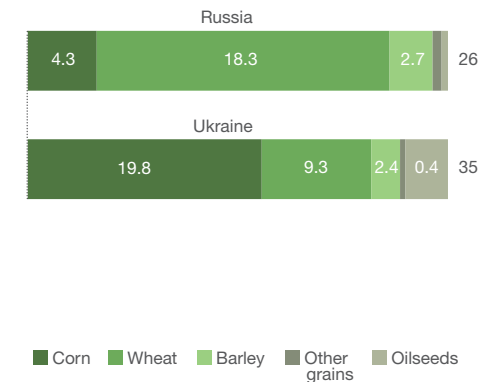
Source: Forbes Ukraine.

Kernel's silo storage capacity
(million tons)



Source: Kernel.

Ukraine's and Russia's total export
structure by crop, 2013/14, million tons



Source: APK-Inform.

FY2014 performance

Grain:

- 40% volume growth driven by an upsurge in exports from Russia (first full year of operations at Taman) and growth in Ukraine.
- EBITDA margin improved to USD 14/ton, with particularly strong amounts in H2 due to uncertainty over the government's renewal of VAT refunds and farmers' active selling during the spring planting campaign.

Silo services:

- Volumes grew 49% y-o-y, driven by capacity expansion and stronger internal crop and national harvests.
- EBITDA margin increased to a high of USD 15/ton as wet weather during harvesting increased demand for grain drying services.

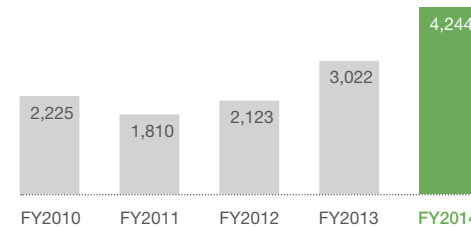
Export terminals:

- 22% y-o-y growth in throughput as we utilized our Taman capacity for the first full year.
- EBITDA profitability increased marginally to USD 9.8/ton.

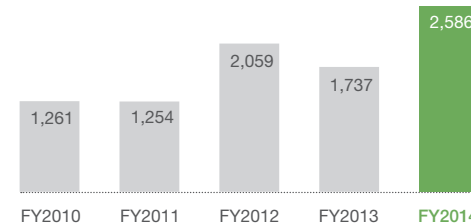
Key market trends in 2013/14:

- Global grain overproduction caused world prices to slump 17-35%, which was fully reflected in domestic prices in Ukraine and Russia.
- Ukraine's farmers produced a strong grain crop of 63 million tons, resulting in the country's grain exports reaching an all-time high of 32 million tons and improving infrastructure utilization.
- Russia's grain exports were up 1.6x y-o-y to 26 million tons in 2013/14, driving up infrastructure throughput.

Grain sales
(thousand tons)



Grain received in inland silos
(thousand tons)

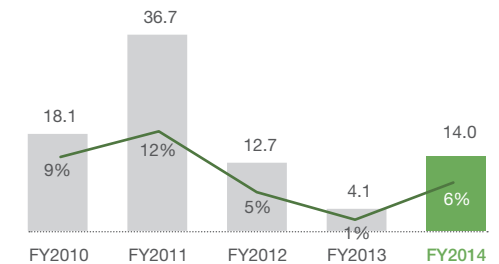


Export terminal throughput
(thousand tons)

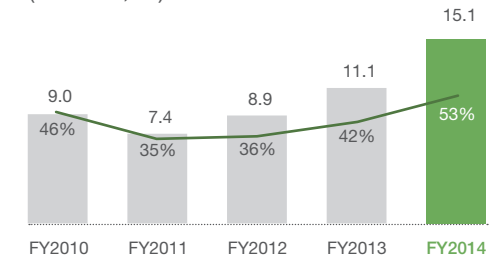


Source: Kernel.

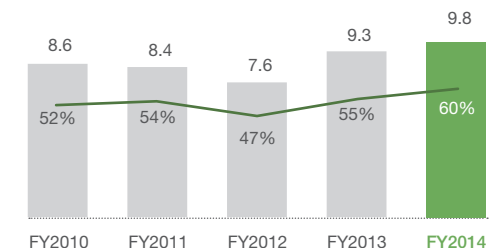
Grain segment's EBITDA
(USD/ton, %)



Silo services EBITDA
(USD/ton, %)



Export terminal EBITDA
(USD/ton, %)

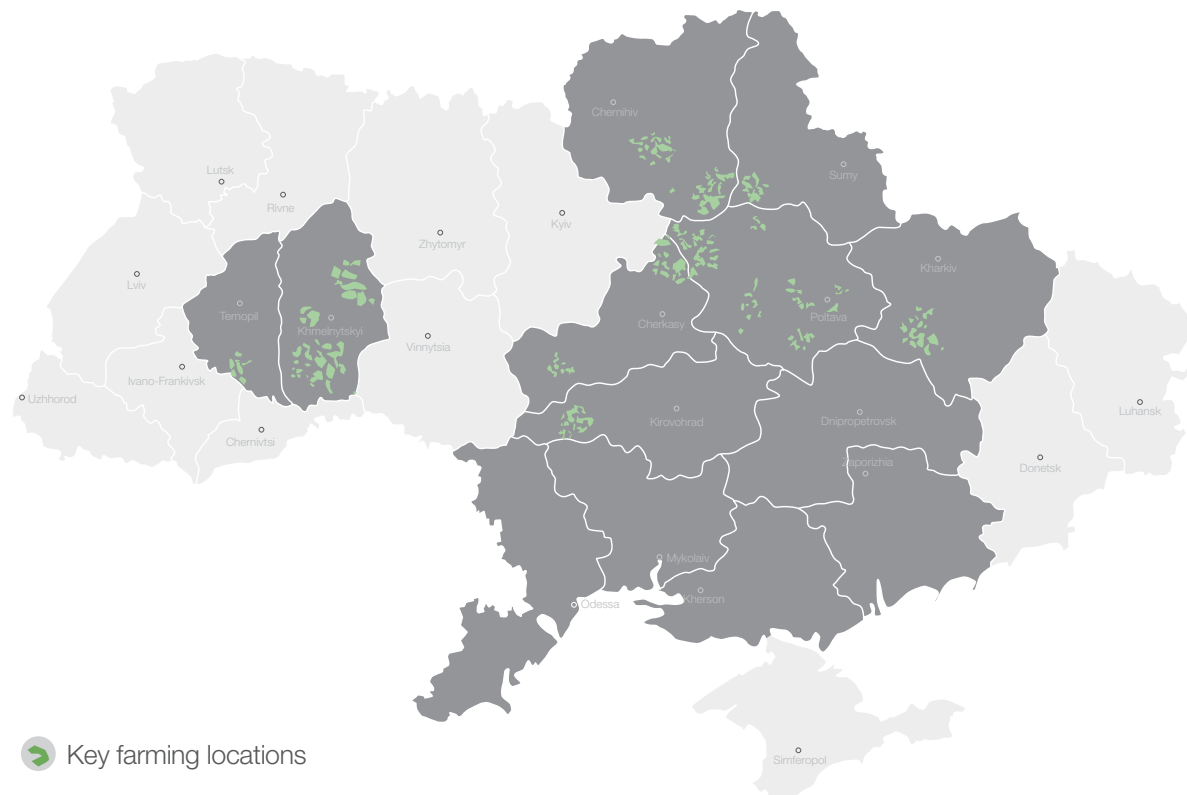


Farming

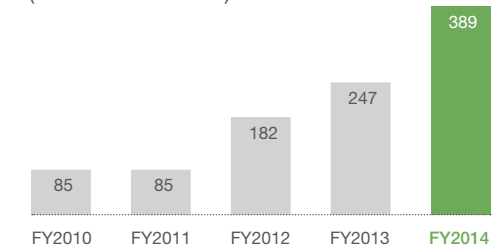


Our business model

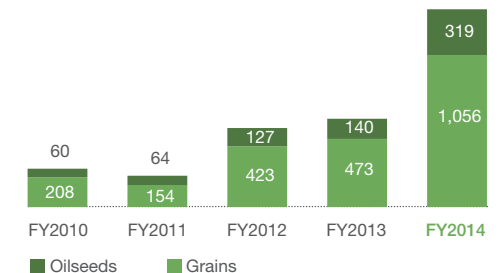
- Large-scale crop production on 389,000 hectares of leasehold farmland in Ukraine.
- A crop mix based on four crops allows us to focus on profits and technology while keeping sufficient flexibility.
- We utilize modern large-scale machinery, sustainable agronomic practices, and a cluster management system.
- 85-90% of output goes through our grain and infrastructure or sunflower oil segments, earning incremental profits.



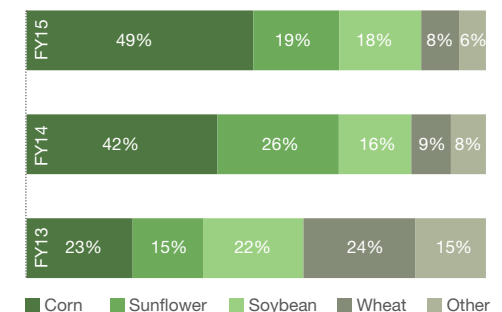
Kernel's farmed acreage
(thousand hectares)



Kernel's crop production
(thousand tons)



Kernel's farmed acreage crop mix



Source: Kernel.

FY2014 performance

Farming segment's EBITDA contribution was negative in FY2014 due to:

- 8-34% y-o-y drops in crop prices.
- Yields significantly below management expectations.
- Grain drying costs that were higher than expected due to heavy rains in autumn.

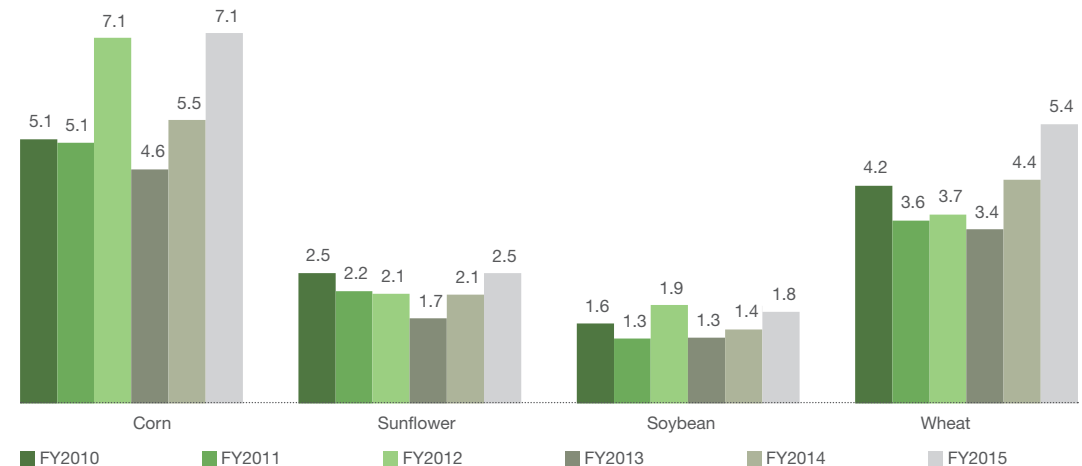
Low corn & soybean yields were the keys behind the underperformance due to:

- Inefficient fertilizer application.
- Improper seed structure for corn.
- Use of mini-till for corn cultivation instead of deep tillage.
- Poor quality seeds for soybeans.
- Use of generic plant protection products instead of name brand products.

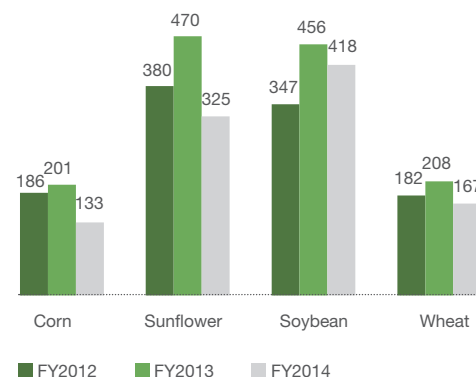
Key market trends:

- Strong production globally caused a decline in international grain prices in 2013/14. As prices in Ukraine are derived net-back from global prices, they declined as well, decreasing by 8-34% y-o-y.
- US farmers are currently having their most favorable weather in the last 30 years, leading to expectations of a second consecutive year of global grain production exceeding consumption. As a result, global prices further declined at the start of 2014/15. However, as Ukraine reinstated VAT refunds on grain exports from 1 October 2014, the global price decline should be partially offset by lower taxation of farming businesses in Ukraine.

Net crop yields
(tons per hectare)

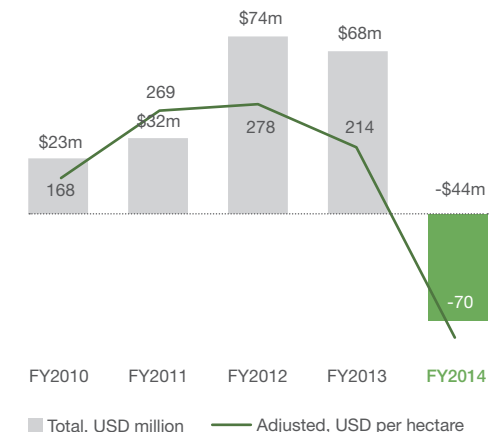


Average farm gate prices in Ukraine
(USD per ton)



Source: Kernel.

Farming segment's EBITDA



Source: Kernel.

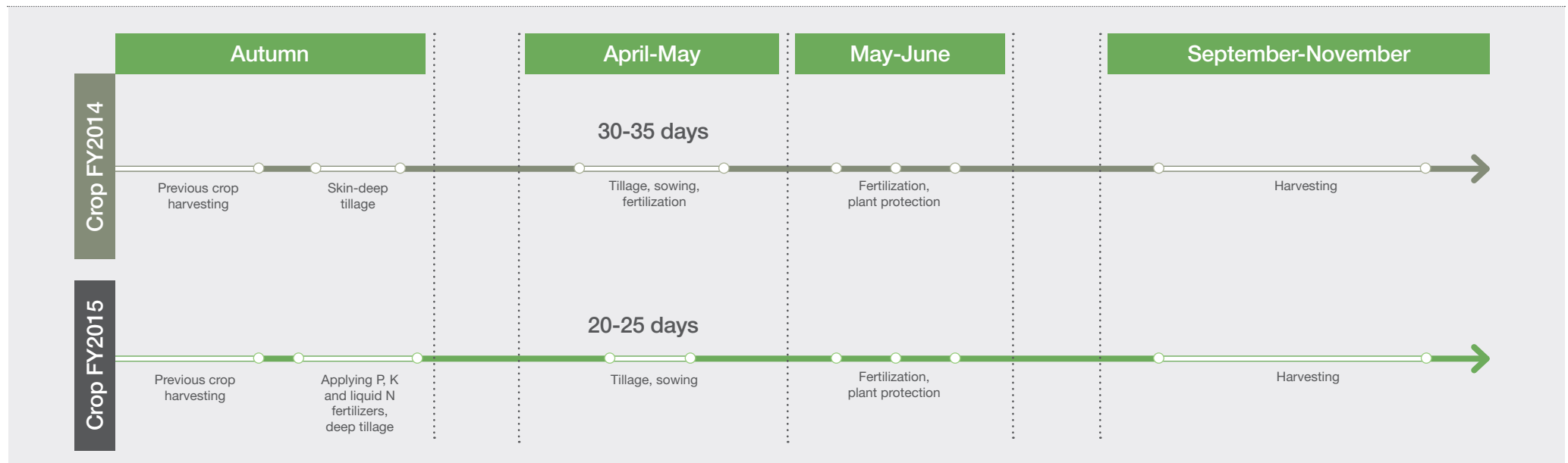
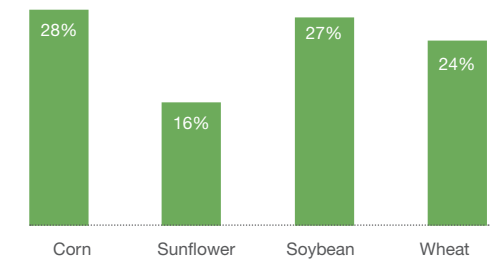
Operational improvements for FY2015

Key operational changes for crops in FY2015:

- › Shifting fertilizer application to autumn.
- › Increasing fertilizer intensity, shifting to liquid nitrogen fertilizers.
- › Procuring higher quality soybean and corn seeds.
- › Launching our own seed plant in March 2014.
- › Moving to higher quality plant protection products.
- › Shift to deep tillage vs. mini-till for corn growing.
- › Delegating cluster-level management with more flexibility and power to act within a reasonable band from the budget.



Crop yield growth in FY2015,
y-o-y



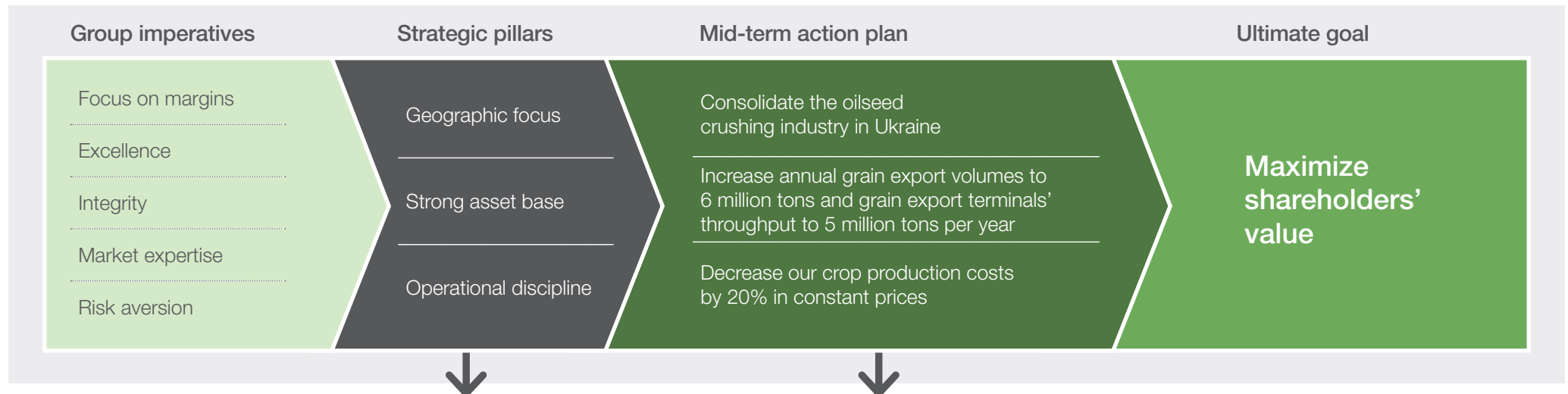
Crop production cycle in Ukraine



Strategy and Outlook



Strategy



Our strategic pillars in detail

Geographic focus

Our belief is that the Black Sea region, with Ukraine and Russia playing the principal roles, is one of the world's fastest-growing suppliers of soft commodities. We utilize our local footprint and experience to profit from this growth.

Strong asset base

We aim to control critical assets throughout the food export value chain that serve as the backbone for building export flows of different agricultural commodities and improve our earnings quality.

Operational discipline

Our 'balanced book' policy of locking in the margin as we sell agricultural commodities through forward contracts within the same time frame as we buy them from farmers ensures our risk exposure to commodity price volatility is minimized. We are also averse to counterparty risk.

FY2014 strategic deliverables

Our oilseed crushing arm's operational team successfully identified low CapEx capacity expansion opportunities at two of our crushing plants this year. With implementation to be completed in the middle of FY2015, these projects are expected to increase our crushing capacity by 5%.

Grain exports reached 4.2 million tons in FY2014, up 40% y-o-y. Most of this growth was the result of our investment into a 50/50 joint venture to acquire one of the largest deep-water grain export terminals in Russia, which we made in FY2013 in line with our strategy to control critical assets in the value chain.

The reorganization of our crop production operations to achieve better production costs by improving crop yields reached the peak stage in FY2014. Under new management, technology was altered to apply fertilizer in autumn, reduce the planting campaign window and improve seed and plant protection products' quality. With a goal of reaching our peers' best operational results within three years, a leap in progress is already visible already in autumn 2014 crop yields, which are up by 20-30% y-o-y.

FY2015 outlook

Sunflower oil

- Crush of 2.4-2.5 million tons of sunflower seed in FY2015 vs. 2.3 million tons in FY2014.
- Healthy margins.

Grain and infrastructure

- Grain exports to increase to 4.5-5.0 million tons in FY2015 vs. 4.2 million tons in FY2014.
- Export terminals throughput is expected to grow by a similar degree, silo services throughput flat.

Farming

- Crop yields up 16-28% y-o-y:
 - corn at 7.1 t/ha vs. 5.5 t/ha in year earlier;
 - sunflower seed at 2.5 t/ha vs. 2.2 t/ha year earlier;
 - soybean at 1.8 t/ha vs. 1.4 t/ha year earlier;
 - winter wheat at 5.4 t/ha vs. 4.3 t/ha year earlier.
- Costs per hectare to post a double-digit decline.

Outlook is provided as of 27 February 2015.
The Company does not intend to update outlook provided herein.

This discussion contains forward-looking statements, which by their nature are uncertain and involve risk as they depend on the events or circumstances that will or may occur in the future and are outside the control of the Company. We urge you to read the related statement on page 2.

Financials



FY2014 results highlights

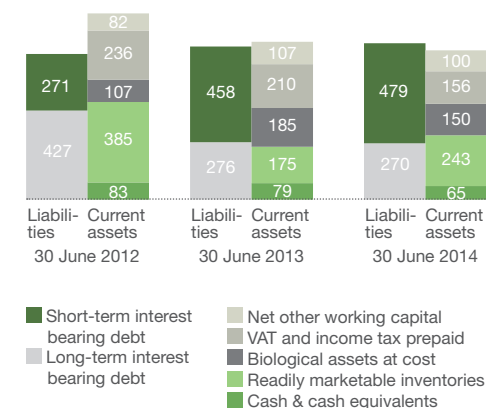
USD million except ratios and EPS	FY2014	FY2013	y-o-y
P&L highlights			
Revenue	2,393.3	2,796.8	(14.4%)
EBITDA ⁽¹⁾	223.0	287.5	(22.4%)
Net (loss)/profit attributable to equity holders of Kernel Holding S.A.	(98.3)	111.6	n/m
EBITDA margin	9.3%	10.3%	(1.0pp)
Net margin	(4.1%)	4.0%	(8.1pp)
EPS, USD	(1.23)	1.40	n/m
Cash flow highlights			
Operating profit before working capital changes	195.5	288.0	(32.1%)
Change in working capital	(0.9)	135.4	n/m
Cash obtained from operations	194.7	423.5	(54.0%)
Net cash obtained from operating activities	82.5	303.9	(72.9%)
Net cash used in investing activities	(83.2)	(266.1)	(68.7%)
Liquidity position and credit metrics			
Net interest-bearing debt	684.0	655.3	4.4%
Readily marketable inventories	243.4	175.1	39.0%
Adjusted net debt ⁽²⁾	440.6	480.2	(8.2%)
Shareholders' equity	1,029.7	1,335.5	(22.9%)
Net debt/EBITDA	3.1x	2.3x	+0.8x
Adjusted net debt ⁽²⁾ /EBITDA	2.0x	1.7x	+0.3x
EBITDA/Interest	3.1x	3.8x	(0.7x)

Note: Our financial year ends 30 June.

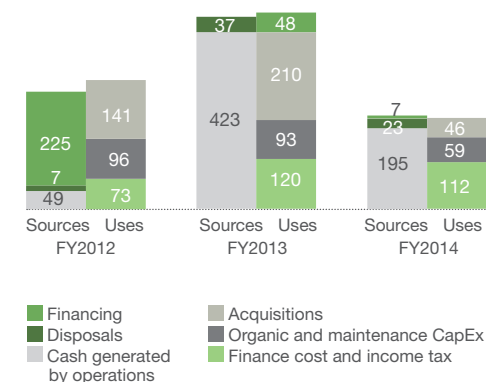
(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.

(2) 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.

Kernel's debt vs. working capital
(USD million)



Cash sources and uses
(USD million)



Source: Kernel.

Segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	FY2014	FY2013	y-o-y	FY2014	FY2013	y-o-y	FY2014	FY2013	FY2014	FY2013	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	1,079.0	1,527.7	(29.4%)	151.2	173.2	(12.7%)	14.0%	11.3%	920.3	1,040.3	(11.5%)
Bottled sunflower oil	132.6	182.6	(27.4%)	26.6	25.8	3.3%	20.1%	14.1%	94.4 ¹	108.2 ¹	(12.8%)
Grain and infrastructure											
Grain	1,053.6	972.3	8.4%	59.4	12.5	4.7x	5.6%	1.3%	4,243.5	3,021.7	40.4%
Export terminals	45.5	49.1	(7.3%)	27.3	27.1	0.8%	60.1%	55.2%	3,926.4	3,209.2	22.3%
Silo services	74.5	46.4	60.6%	39.2	19.4	2.0x	52.6%	41.8%	2,584.3	1,736.6	48.8%
Farming											
Farming	290.1	193.1	50.2%	(44.3)	67.7	n/m	(15.3%)	35.0%	1,375.3	613.6	2.2x
Sugar and discontinued operations ²	34.9	29.3	19.2%	0.3	(4.0)	n/m	1.0%	(13.6%)	57.8	46.1	25.6%
Unallocated corporate expenses				(36.7)	(34.1)	7.6%					
Revenue reconciliation	(317.0)	(203.7)	55.6%								
Total	2,393.3	2,796.8	(14.4%)	223.0	287.5	(22.4%)	9.3%	10.3%			

Note: Differences are possible due to rounding.

(1) Million liters.

(2) Discontinued operations from sugar and assets held for sale.

Balance sheet

Balance sheet highlights

USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Invested capital									
Cash & cash equivalents	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8	65.4
Net trade accounts receivable	9.1	9.8	48.7	32.4	65.5	111.6	146.4	150.8	99.8
Inventory	32.3	40.2	144.7	99.1	147.8	183.7	410.2	270.2	299.5
of which: readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4
Biological assets	3.4	9.7	42.4	18.9	26.1	96.0	153.3	247.0	182.8
Other currents assets	16.8	31.1	53.0	98.7	299.8	302.6	326.0	343.3	225.0
Net property, plant & equipment	72.5	127.9	231.6	221.8	379.0	502.8	728.4	763.3	643.5
Other non-current assets	15.4	31.2	146.7	99.6	147.0	260.1	269.6	508.2	403.0
Total assets	155.8	275.1	755.6	699.7	1,124.8	1,572.6	2,116.4	2,361.6	1,919.0
Financed by									
Short-term liabilities	34.5	59.2	185.1	195.1	352.2	395.0	446.2	700.1	587.4
of which: interest-bearing debt	28.9	44.4	126.7	159.7	209.9	265.9	271.4	458.4	479.4
Long-term liabilities	73.8	130.6	130.1	147.2	167.7	180.3	459.5	309.3	301.0
of which: long-term interest bearing debt	64.4	119.9	98.1	132.9	135.3	156.1	426.9	275.7	270.0
Total liabilities	108.3	189.8	315.2	342.2	519.9	575.3	905.7	1,009.4	888.3
Total equity	47.6	77.8	440.4	357.5	604.9	997.3	1,210.7	1,352.3	1,030.7

Net debt and credit metrics

USD million except ratios	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Gross interest-bearing debt	93.3	164.3	224.8	292.6	345.1	422.0	698.3	734.1	749.4
Net interest-bearing debt	87.0	139.1	136.2	163.3	285.6	306.1	615.8	655.3	684.0
Readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4
Adjusted net financial debt	57.7	101.0	(2.4)	68.4	142.7	133.4	230.7	480.2	440.6
Net debt / EBITDA	5.1x	3.0x	1.1x	0.9x	1.5x	1.0x	1.9x	2.3x	3.1x
Adjusted net debt / EBITDA	3.4x	2.2x	(0.0x)	0.4x	0.8x	0.4x	0.7x	1.7x	2.0x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x

P&L and cash flow

P&L highlights

USD million except ratios and EPS	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Revenue	215.2	350.4	663.1	1,047.1	1,020.5	1,899.1	2,071.8	2,796.8	2,393.3
Net IAS 41 gain ¹								14.9	(17.1)
Gross profit	41.8	83.0	158.6	316.8	311.1	459.5	457.4	450.6	408.2
EBITDA	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5	223.0
EBIT	12.0	38.6	111.6	166.6	167.5	277.3	257.3	200.9	128.7
Net financial costs	(9.3)	(18.9)	(28.1)	(32.2)	(22.8)	(42.5)	(63.1)	(74.9)	(72.5)
Net profit²	1.3	19.5	83.2	135.5	152.0	226.3	206.7	111.6	(98.3)
Gross margin	19.4%	23.7%	23.9%	30.3%	30.5%	24.2%	22.1%	16.1%	17.1%
EBITDA margin	7.9%	13.2%	18.6%	18.2%	18.6%	16.3%	15.4%	10.3%	9.3%
Net margin	0.6%	5.6%	12.6%	12.9%	14.9%	11.9%	10.0%	4.0%	(4.1%)
EPS, USD			2.08	1.97	2.20	3.03	2.61	1.40	(1.23)

Cash flow highlights

USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Operating profit before working capital changes	16.6	45.4	116.1	188.2	205.7	275.2	291.4	288.0	195.5
Changes in working capital	(35.8)	(14.7)	(210.3)	(25.0)	(97.4)	(180.1)	(242.1)	135.4	(0.9)
Cash obtained from/(used in) operations	(19.3)	30.7	(94.1)	163.2	108.4	95.1	49.3	423.5	194.7
Finance costs paid	(9.4)	(18.4)	(28.1)	(32.2)	(22.8)	(36.0)	(66.8)	(76.2)	(72.0)
Income tax paid	(0.4)	(0.7)	(3.4)	(1.7)	(0.8)	(3.0)	(6.5)	(43.4)	(40.2)
Net cash obtained from/(used in) operating activities	(29.0)	11.6	(125.6)	129.3	84.8	56.1	(24.0)	303.9	82.5
Net PPE disposals/(purchases)	(6.0)	2.2	(24.4)	(88.6)	(56.2)	(48.1)	(93.1)	(90.9)	(41.7)
Sales/(Purchase) of intangible and other non-current assets	0.6	0.3	(48.5)	(1.2)	0.8	(66.5)	(1.6)	(23.1)	(0.5)
Acquisition of subsidiaries and purchase of investment in joint ventures	-	(59.7)	(97.2)	(5.5)	(70.2)	(11.5)	(134.5)	(152.1)	(41.0)
Net cash used in investing activities	(5.4)	(57.2)	(170.1)	(95.3)	(125.6)	(126.1)	(229.2)	(266.1)	(83.2)
Net cash obtained from/(used in) investing & operating activities	(34.4)	(45.7)	(295.7)	34.0	(40.9)	(69.9)	(253.2)	37.8	(0.7)

(1) The amount is calculated for FY2014 and FY2013 only, as the Company started presenting IAS 41 gain as a separate line in its P&L statement only starting from FY2014. Prior to that, components were allocated to COGS and Other Operating Income. For more details, please refer to the disclosures in FY2014 annual report.

(2) Net profit attributable to equity holders of Kernel Holding S.A.

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Investor calendar

- | | |
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| › Q3 FY2015 operations update | 20 April 2015 |
| › Q3 FY2015 financial report | 28 May 2015 |
| › Q4 FY2015 operations update | 20 July 2015 |
| › FY2015 financial report | 30 October 2015 |

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