

KERNEL

Q3 FY2015 RESULTS



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Q3 FY2015 results highlights

Key highlights:

- Revenue amounted to USD 607.0 million in Q3 FY2015, 10% lower y-o-y as the result of a decline in international agriculture commodity prices.
- EBITDA increased 54% y-o-y to USD 115.2 million in Q3 FY2015, which was a company record for the third quarter. Excellent profitability from the sunflower oil in bulk division and better results in the farming division were major drivers behind this increase.
- The sunflower oil sold in bulk segment's EBITDA amounted to USD 69.4 million in Q3 FY2015, up 38% y-o-y. The segment's EBITDA margin growth to 25% in Q3 FY2015 compared to 16% a year ago was the key factor behind this, as the Company utilized its established market positions to lock in high margins during the peak of the sunflower seed procurement cycle when many competitors faced a lack of access to working capital financing. The bottled oil segment's contribution decreased to USD 4.3 million in Q3 FY2015 vs. USD 6.6 million a year ago as the result of Ukrainian hryvnya devaluation during the period under review.
- The grain and infrastructure segments continued to deliver growth in volumes, with grain exports up 2% y-o-y and export terminal throughput up 18% y-o-y. Strong exports from Ukraine as a result of the increase in our own farming production compensated for lower volumes in Russia stemming from wheat export restrictions. A strong 8% EBITDA margin in the grain segment and consistent profitability in the export terminals business resulted in a solid USD 34.3 million EBITDA contribution by the grain and infrastructure business, which was lower than the USD 49.1 million booked a year ago because of a one-off hike in grain margins a year ago and a poorer contribution from the silo services segment due to dryer weather in autumn FY2015.
- The farming segment's EBITDA improved to USD 12.4 million in Q3 FY2015 compared to negative USD 21.5 million a year ago. The better performance from the farming segment in FY2015 reflects significant changes in production technology that resulted in 16-28% crop yield growth, while a combination of drier weather during harvesting and Ukrainian hryvnya devaluation decreased production costs per hectare.
- Net operating cash flow increased to a strong USD 253.1 million in Q3 FY2015 (compared to USD 134.4 million a year ago) as a result of solid business performance from most of the segments and a seasonal decrease in working capital.
- Net debt decreased 2x y-o-y to USD 481.9 million as of 31 March 2015 due to a strong USD 494.2 million net operating cash flow generated during the last twelve months, which reflected strong business performance as well as lower working capital requirements caused by lower soft commodity prices. As a result, net debt to 12-month trailing EBITDA decreased to 1.1x as of 31 March 2015, while net debt adjusted for readily marketable inventories was only 0.6x of EBITDA at the end of period. As part of credit diversification strategy, we are considering potential private debt placement of at least USD 100 million, to continue implementation of our growth strategy in capital efficient manner.

USD million except ratios and EPS	Q3 FY2015	Q3 FY2014	y-o-y
P&L highlights			
Revenue	607.0	675.0	(10%)
EBITDA ⁽¹⁾	115.2	74.8	54%
Net (loss)/profit attributable to equity holders of Kernel Holding S.A.	7.2	(25.1)	n/m
EBITDA margin	19.0%	11.1%	7.9pp
Net margin	1.2%	(3.7%)	4.9pp
EPS ⁽²⁾ , USD	0.09	(0.31)	n/m
Cash flow highlights			
Operating profit before working capital changes	92.2	70.8	30%
Change in working capital	180.7	96.5	87%
Cash from operations before interest & taxes	272.9	167.3	63%
Net cash obtained from operating activities	253.1	134.4	88%
Net cash used in investing activities	(3.4)	(26.4)	(87%)
Credit metrics			
Net interest-bearing debt	481.9	916.4	(47%)
Readily marketable inventories	230.7	446.4	(48%)
Adjusted net debt ⁽³⁾	251.2	470.1	(47%)
Shareholders' equity	859.1	1,081.6	(21%)
Net debt/EBITDA ⁽⁴⁾	1.1x	4.1x	(3.0x)
Adjusted net debt ⁽³⁾ /EBITDA	0.6x	2.1x	(1.5x)
EBITDA/Interest ⁽⁵⁾	5.7x	3.5x	2.2x

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

⁽²⁾ EPS is measured in US dollars per share based on 79.7 million shares during the periods under review.

⁽³⁾ Adjusted net financial debt is net debt minus readily marketable inventories. Adjusted net debt/EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁴⁾ Net debt / EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁵⁾ 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.

Q3 FY2015 segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	Q3 FY2015	Q3 FY2014	y-o-y	Q3 FY2015	Q3 FY2014	y-o-y	Q3 FY2015	Q3 FY2014	Q3 FY2015	Q3 FY2014	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	275.1	310.0	(11%)	69.4	50.1	38%	25%	16%	249.2	264.5	(6%)
Bottled sunflower oil	26.8	32.7	(18%)	4.3	6.6	(35%)	16%	20%	23.8	22.6	5%
Grain and infrastructure											
Grain	299.2	308.5	(3%)	22.5	32.8	(31%)	8%	11%	1,331.7	1,310.8	2%
Export terminals	16.7	13.2	26%	11.2	8.2	37%	67%	62%	1,222.0 ⁽²⁾	1,038.5 ⁽²⁾	18%
Silo services	4.8	13.1	(63%)	0.6	8.1	(93%)	12%	62%			
Farming											
Farming	46.7	34.9	34%	12.4	(21.5)	n/m	27%	(62%)			
Sugar and discontinued operations ⁽³⁾	0.7	9.2	(92%)	0.2	0.5	(56%)	29%	5%			
Unallocated corporate expenses				(5.4)	(9.9)	(45%)					
Revenue reconciliation	(63.0)	(46.7)	35%								
Total	607.0	675.0	(10%)	115.2	74.8	54%	19%	11%			

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

⁽¹⁾ Million liters.

⁽²⁾ Including 137,592 tons transshipped through the Taman port in Q3 FY2015 and 221,096 tons in Q3 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 Q3 FY2015

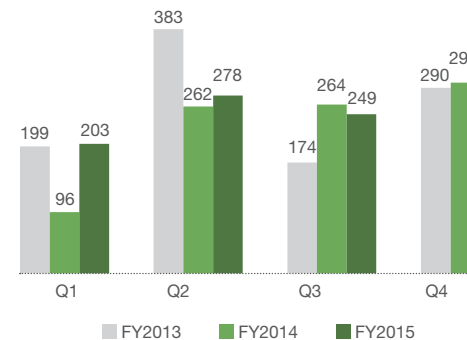
Sunflower oil sales in bulk

- The segment's EBITDA margin reached 25% in Q3 FY2015, up from 16% a year ago, as competition decreased. Third quarter sales predominantly reflected production from sunflower seed bought in December-January, which is the peak of the procurement cycle when working capital requirements are highest during the season. As access to capital remains restricted in Ukraine, several competitors stopped procuring sunflower seed at the peak, which resulted in lower competition and higher lock-in margin. Additionally, an accounting treatment of the difference between the market and official USD/UAH exchange rates resulted in a portion of the profit related to sales contracted for Q4 FY2015 being recognized in Q3 FY2015 accounts.
- Sunflower oil sales volumes in bulk decreased 6% y-o-y to 249.2 thousand tons in Q3 FY2015, which reflected different timing in contract delivery terms. As a result, the segment's EBITDA increased 38% y-o-y to USD 69.4 million in Q3 FY2015, while revenues were down 11% y-o-y to USD 275.1 as international sunflower oil prices decreased y-o-y.

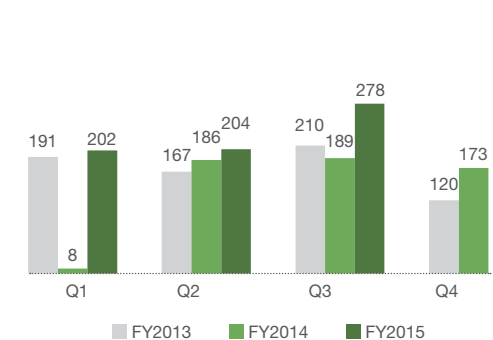
Bottled sunflower oil

- Bottled oil sales increased 5% y-o-y to 23.8 million liters in Q3 FY2015, as the Company continued to increase export sales of branded products. The average price declined since most sales were domestic and the Ukrainian hryvnia was devalued 33% during the quarter under review.
- The segment's EBITDA margin amounted to a healthy 16% in Q3 FY2015 (compared to 20% a year ago), which was above management's expectations given the magnitude of local currency devaluation. As a result, the segment's revenues decreased 18% y-o-y to USD 26.8 million in Q3 FY2015, while EBITDA decreased to USD 4.3 million, down 35% y-o-y.

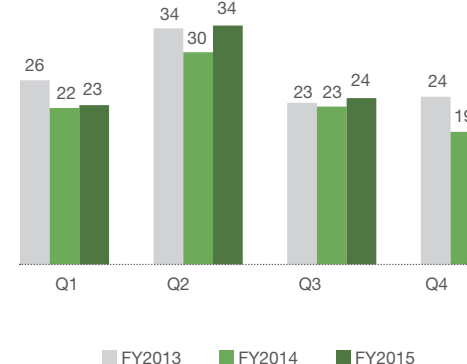
Sunflower oil sales in bulk,
thousand tons



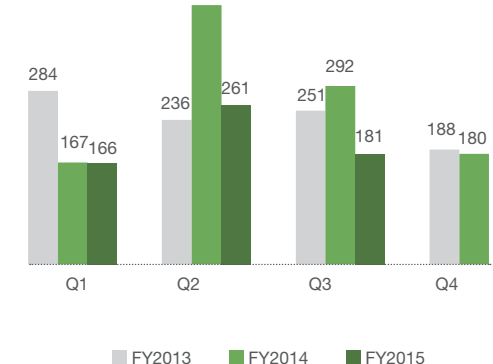
Sunflower oil sold in bulk EBITDA,
USD per ton



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 Q3 FY2015

Grain

- Grain export volumes increased 2% y-o-y to 1.3 million tons in Q3 FY2015, regardless of wheat export restrictions introduced in Russia. The increase in production volumes from our own farming division and higher grain export pace in Ukraine were the major drivers behind the underlying growth. Q3 FY2015 sales decreased 3% y-o-y due to lower international grain prices.
- The grain segment's EBITDA margin was at above average levels of 8% in Q3 FY2015 but lower than last year's one-off hike to 11%. Devaluation of the Ukrainian hryvnya during the period decreased the cost of grain delivery to ports, which translated into higher profitability. The segment's EBITDA amounted to a solid USD 22.5 million in Q3 FY2015, down 31% y-o-y as last year's numbers reflected a carry-over effect from previous quarter results.

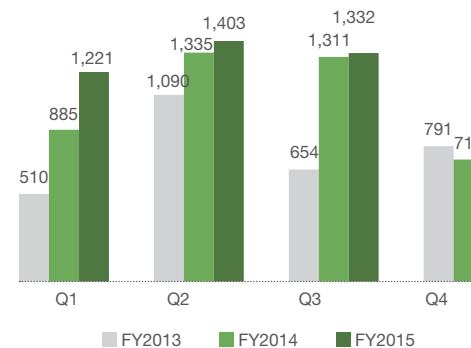
Export terminals

- The export terminals' throughput increased 18% y-o-y to 1.2 million tons in Q3 FY2015, which reflected strong growth in grain exports from Ukraine and a higher share of volumes being transshipped through our own terminal. Transshipment volumes in Russia decreased y-o-y due to restrictions on wheat exports and were only slightly compensated by the first export deliveries of corn through the Taman terminal.
- The segment's EBITDA margin was strong at USD 10.3 per ton in Q3 FY2015 (compared to USD 10.0 a year ago), which resulted in a USD 11.2 million contribution to the Company's EBITDA in the quarter under review, up 37% y-o-y and reflected 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 26% y-o-y to USD 16.7 million in Q3 FY2015.

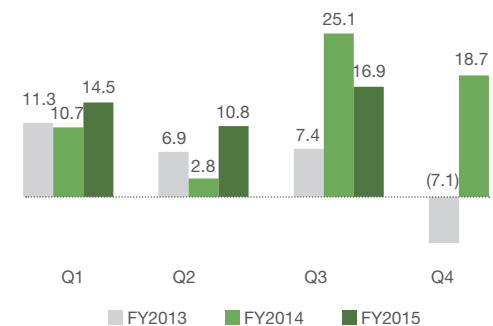
Silo services

- The silo service segment's contribution was negligible in Q3 FY2015 and amounted to USD 0.6 million in EBITDA (vs. USD 8.1 million a year ago) and USD 4.8 million in revenues (down 2.7x y-o-y). Drier weather conditions during the autumn harvesting campaign resulted in lower demand for grain drying services and the earlier completion of harvesting in FY2015.

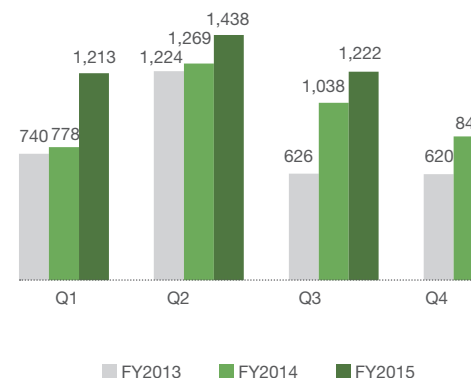
Grain sales,
thousand tons



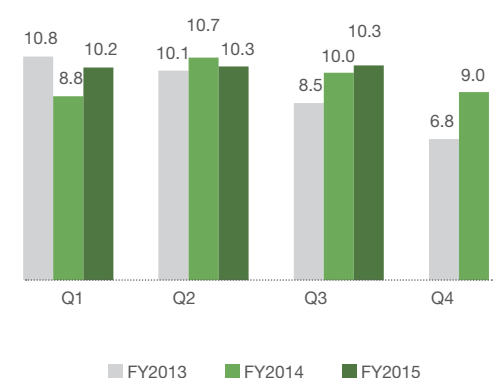
Grain segment EBITDA,
USD per ton



Export terminals throughput,
thousand tons



Export terminals EBITDA,
USD per ton



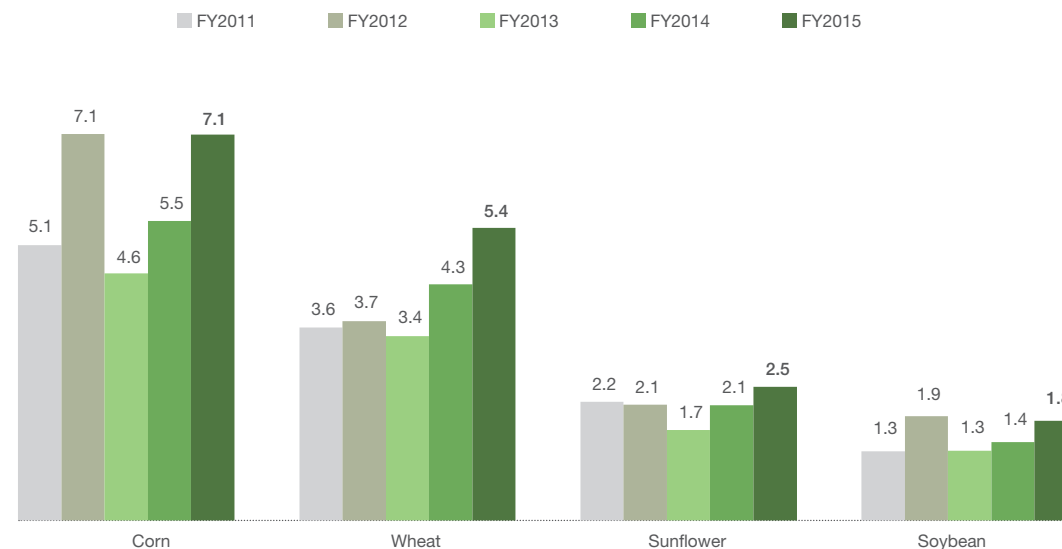
Source: Company's accounts. Segment EBITDA is presented prior to certain unallocated G&A costs.

Farming in Q3 FY2015

Farming

- Q3 FY2015 sales amounted to USD 46.7 million, up 34% y-o-y, and EBITDA increased to USD 12.4 million in Q3 FY2015 compared to a negative EBITDA of USD 21.5 million a year ago. The increase in sales and profitability reflected better operational performance from our farming division, as crop yields increased 16-28% y-o-y following a major shift in production technology and management system. Ukrainian hryvnia devaluation and dryer weather conditions during the harvesting campaign also decreased our production costs. The net change in the fair value of biological assets and agricultural produce was seasonally negative and amounted to USD 11.4 million in Q3 FY2015 compared to USD 15.3 million a year ago.
- In mid-May, the Company completed its spring planting campaign in favorable weather conditions. Total FY2016 planted acreage stands at 384 thousand hectares, up 3% y-o-y. Corn is the key crop with 41% of total acreage (vs. 48% last year), while soybean accounts for 17% (17% last year), sunflower seed for 16% (18% last year), winter wheat for 19% (8% last year) and winter rapeseed for 2% (nil last year). Fertilizer application for the FY2016 harvest is up by 8-43% y-o-y while seed quality continues to improve following the launch of our own seed facility a year ago.

Net crop yields, tons per hectare



FY2015 harvest

	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 as of 31 March 2015

Balance sheet highlights

USD million	31 Mar 2015	30 June 2014	31 Mar 2014
Invested capital			
Cash & cash equivalents	113.0	65.4	99.0
Net trade accounts receivable	80.2	99.8	168.9
Inventory	317.8	299.5	554.5
of which: readily marketable inventories	230.7	243.4	446.4
Biological assets	20.9	182.8	67.0
Other currents assets	187.8	225.0	283.4
Net property, plant & equipment	532.6	643.5	662.2
Other non-current assets	314.6	403.0	430.9
Total assets	1,566.9	1,919.0	2,265.8
Financed by			
Short-term liabilities	553.4	597.4	837.7
of which: interest-bearing debt	468.7	489.4	685.9
Long-term liabilities	154.6	291.0	350.5
of which: long-term interest bearing debt	126.2	260.0	329.5
Total liabilities	708.0	888.3	1,188.2

Credit metrics highlights

USD million except ratios	31 Mar 2015	30 June 2014	31 Mar 2014
Gross interest-bearing debt	594.9	749.4	1,015.4
Net interest-bearing debt	481.9	684.0	916.4
Readily marketable inventories	230.7	243.4	446.4
Adjusted net financial debt	251.2	440.6	470.1
Net debt / EBITDA	1.1x	3.1x	4.1x
Adjusted net debt / EBITDA	0.6x	2.0x	2.1x
EBITDA / Interest	5.7x	3.1x	3.5x

Q3 FY2015 P&L and cash flow

P&L highlights

USD million except ratios and EPS

	Q3 FY2015	Q3 FY2014	9M FY2015	9M FY2014
Revenue	607.0	675.0	1,838.7	1,813.4
Net IAS 41 gain	(11.4)	(15.3)	(9.9)	(36.4)
Gross profit	122.1	138.9	405.3	264.4
EBITDA	115.2	74.8	338.0	135.4
EBIT	99.5	54.5	283.7	63.1
Net financial costs	(18.0)	(20.4)	(55.7)	(53.9)
Net profit attributable to equity holders of Kernel Holding S.A.	7.2	(25.1)	85.5	(67.6)
Gross margin	20.1%	20.6%	22.0%	14.6%
EBITDA margin	19.0%	11.1%	18.4%	7.5%
Net margin	1.2%	(3.7%)	4.6%	(3.7%)
EPS, USD	0.09	(0.31)	0.27	(0.85)

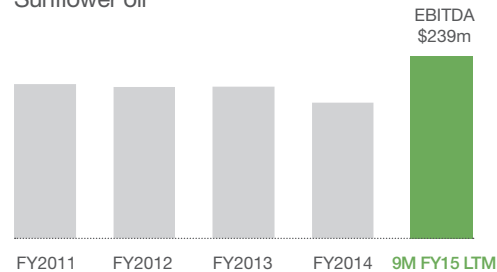
Cash flow highlights

USD million

	Q3 FY2015	Q3 FY2014	9M FY2015	9M FY2014
Operating profit before working capital changes	92.2	70.8	297.3	145.4
Changes in working capital	180.7	96.5	(12.0)	(251.4)
Cash obtained from/(used in) operations	272.9	167.3	285.3	(106.0)
Finance costs paid	(18.1)	(20.6)	(54.7)	(53.5)
Income tax paid	(1.8)	(12.3)	(12.3)	(33.9)
Net cash obtained from/(used in) operating activities	253.1	134.4	218.3	(193.4)
Net PPE disposals/(purchases)	(3.2)	(14.2)	(17.0)	(33.2)
Sales/(Purchase) of intangible and other non-current assets	(0.2)	(2.9)	(0.5)	(4.1)
Disposal/(Acquisition) of subsidiaries	—	(9.4)	1.2	(35.0)
Net cash used in investing activities	(3.4)	(26.4)	(16.3)	(72.3)
Net cash obtained from/(used in) investing & operating activities	249.6	108.0	202.0	(265.7)

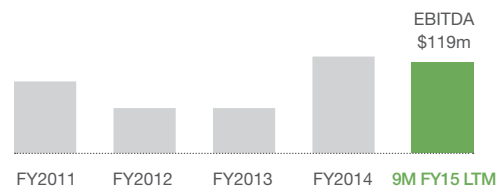
Kernel at a glance

Sunflower oil



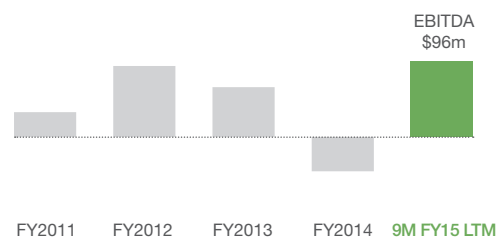
- #1 sunflower oil producer and exporter in Ukraine.
- 2.9 million tons/year sunflower seed crushing capacity.
- #1 bottled sunflower oil producer and marketer in Ukraine with 30% market share.

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

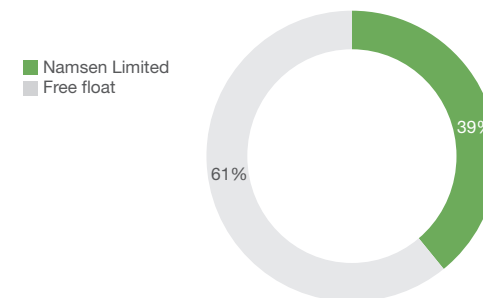
Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	79,683,410
Bloomberg Reuters ticker	KER PW KERN.WA
ISIN code	LU0327357389

Market data as of 27 May 2015

Market capitalization	USD 784.3 million
Closing price	PLN 37.3 / USD 9.8
Lowest/Highest price for last twelve months	USD 6.7 / 11.3
Average daily turnover, twelve months	170,111 shares / USD 1.5 million

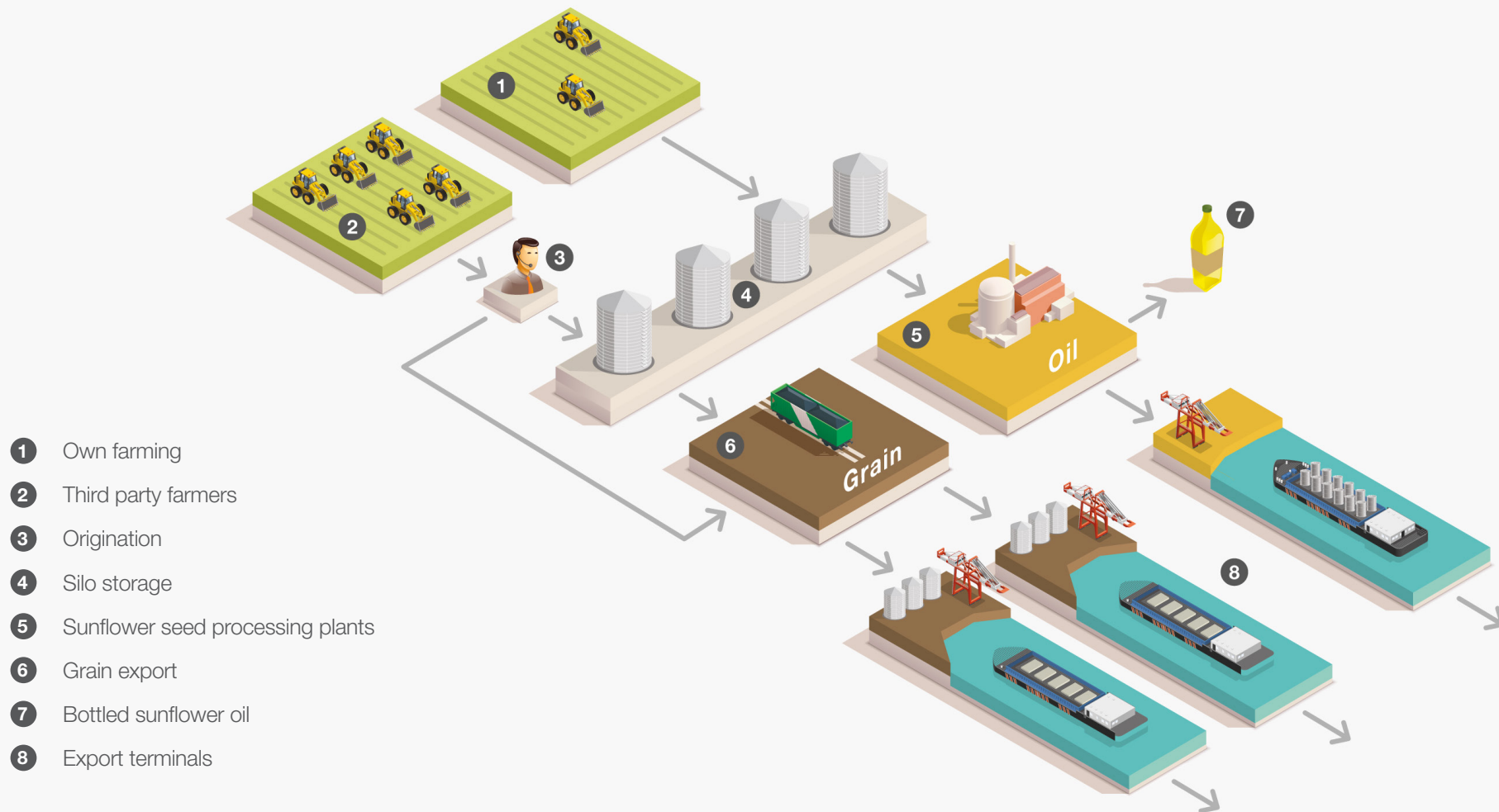
USD million except ratios and EPS	9M FY15 LTM	FY2014	FY2013
Revenue	2,418.5	2,393.3	2,796.8
EBITDA	425.6	223.0	287.5
Net (loss)/profit ⁽¹⁾	54.7	(98.3)	111.6
EBITDA margin	17.6%	9.3%	10.3%
Net margin	2.3%	(4.1%)	4.0%
EPS, USD	0.69	(1.23)	1.40

Shareholding structure

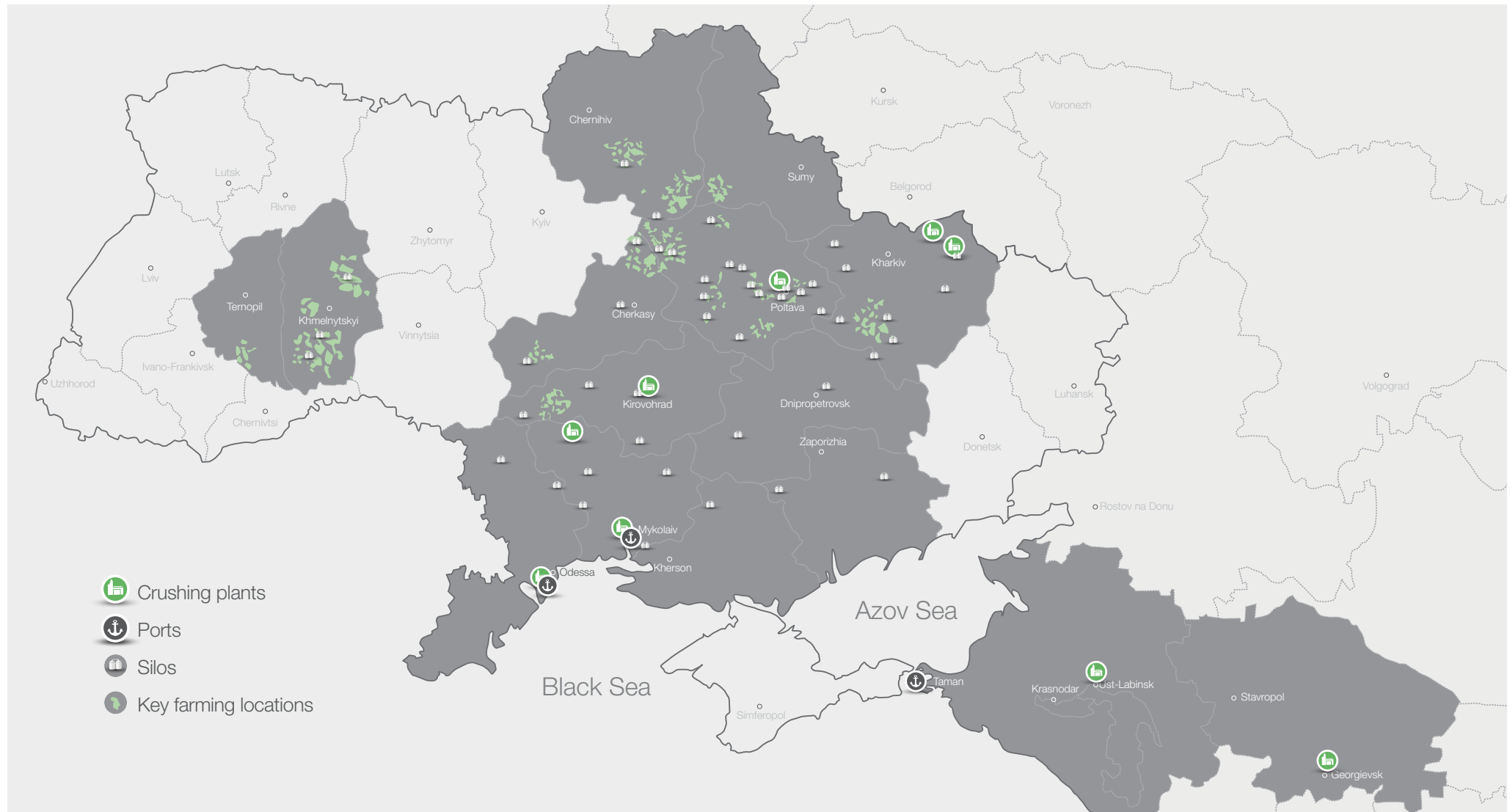


⁽¹⁾ Net (loss)/profit attributable to equity holders of Kernel Holding S.A.
Source: Bloomberg, Kernel.

Our business model



Asset map



Sunflower Oil

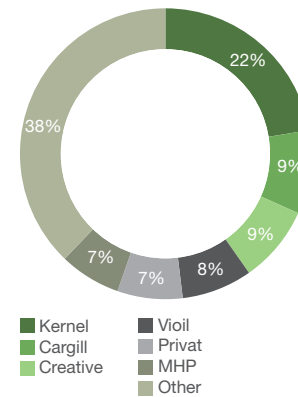


Our business model

- #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.

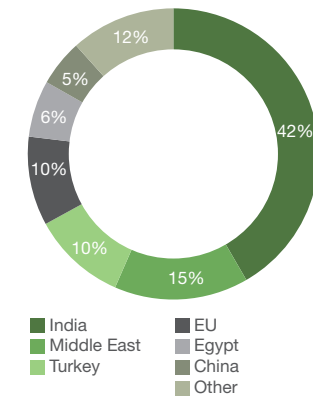


Sunflower seed industrial crushing capacity in Ukraine



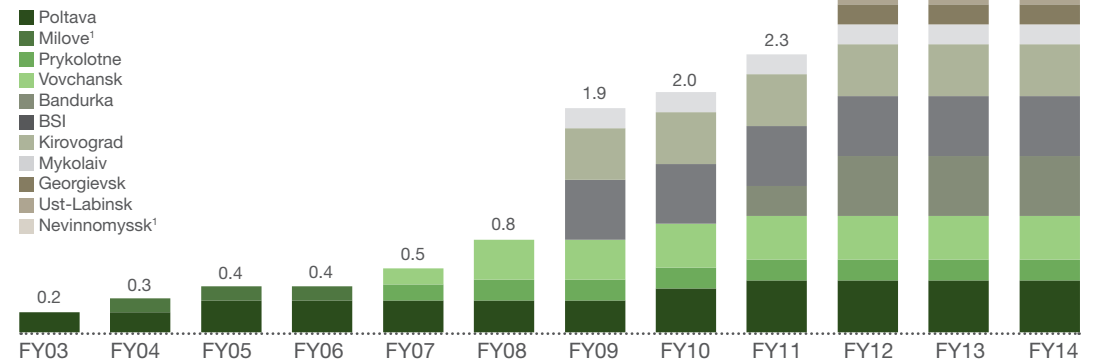
Source: Kernel.

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.

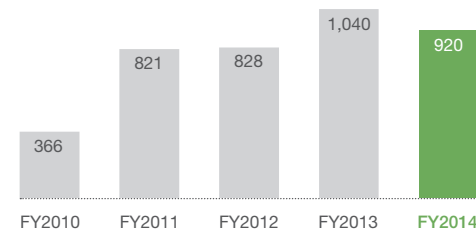
Bottled sunflower oil:

- › 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.

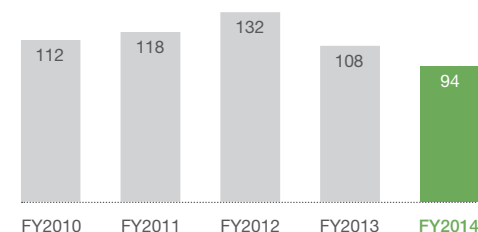
Key market trends in 2013/14:

- › 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.

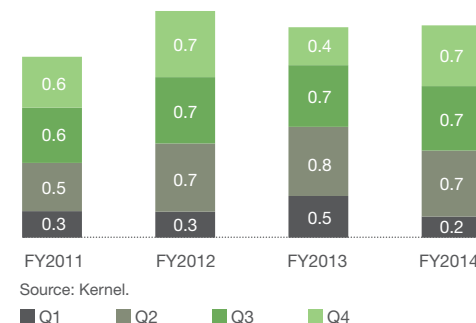
Sunflower oil sold in bulk
(thousand tons)



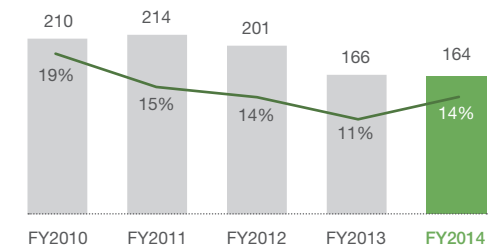
Sunflower oil sold bottled
(thousand tons)



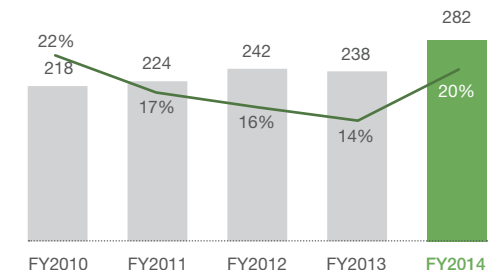
Sunflower seed crushing volumes
(million tons)



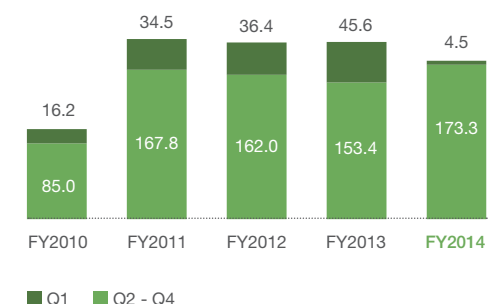
Sunflower oil sold in bulk EBITDA
(USD/ton, %)



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



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



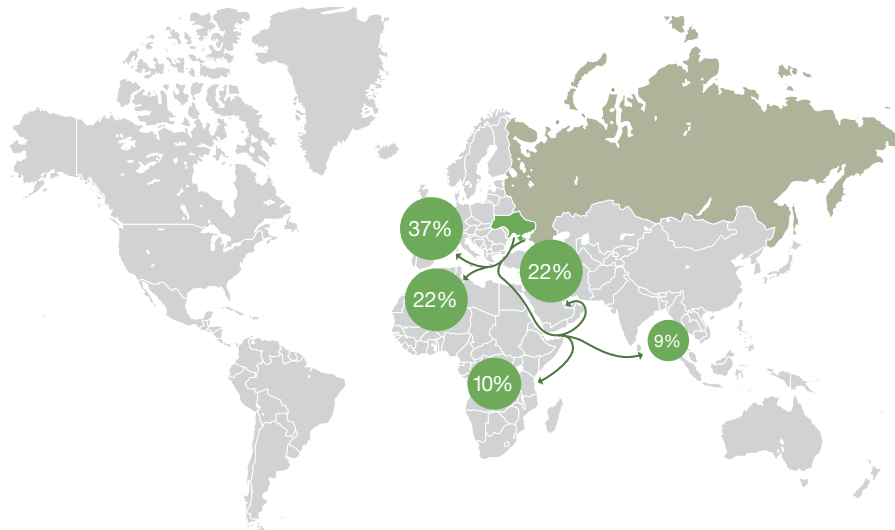
Grain and Infrastructure



Our business model

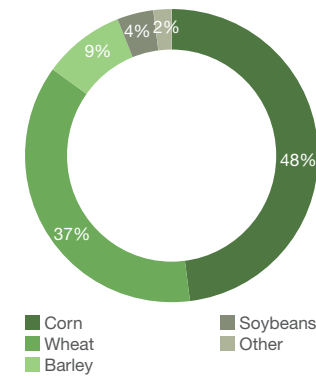
- › Top grain exporter from the Black Sea region, with a market share in Ukraine of 9-12% and in Russia of about 4%.
- › 'Balanced book' policy of locking in margins at the moment of grain purchase from farmer.
- › Our origination team buys from thousands of farmers at their farm-gate or inland silos.
- › 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)



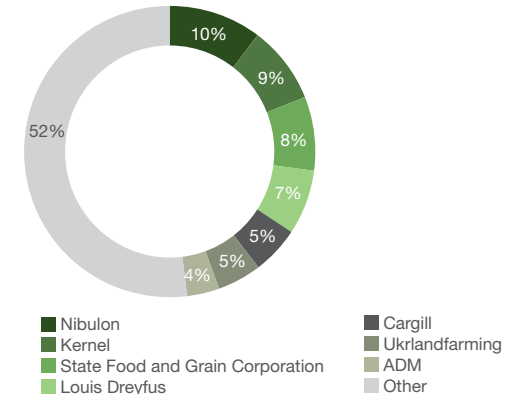
Source: Kernel.
→ Trade flows

Kernel grain sales by crop
(FY2012-FY2014)



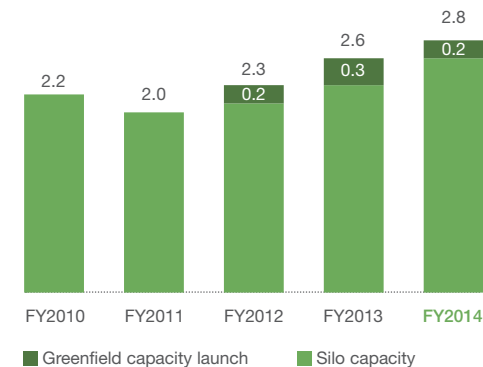
Source: Kernel.

Grain exports from Ukraine
(2013/14)



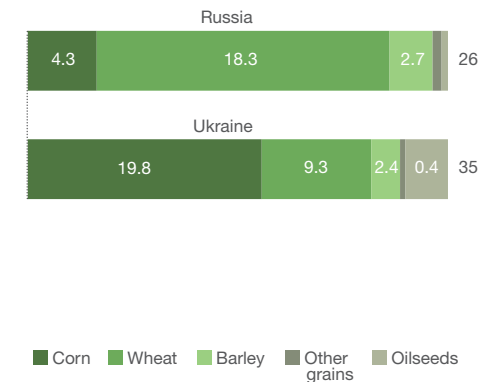
Source: Forbes Ukraine.

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.

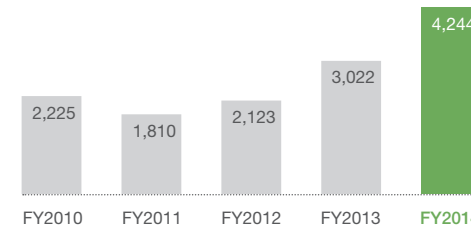
Export terminals:

- 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.

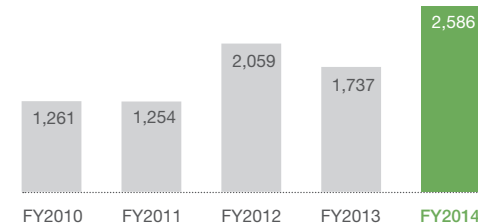
Key market trends in 2013/14:

- 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.

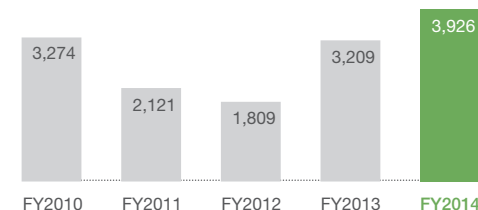
Grain sales
(thousand tons)



Grain received in inland silos
(thousand tons)

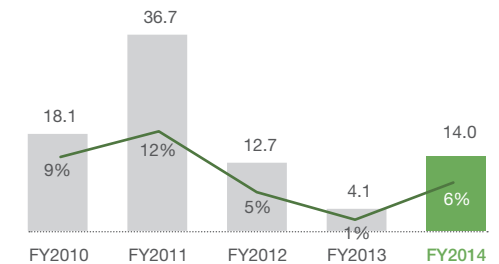


Export terminal throughput
(thousand tons)

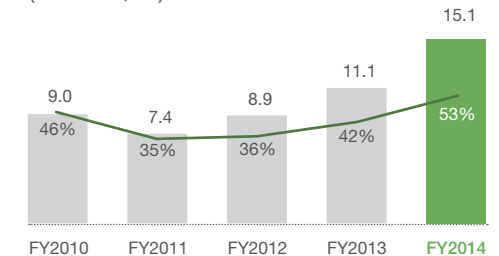


Source: Kernel.

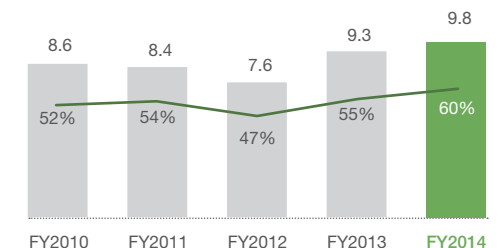
Grain segment's EBITDA
(USD/ton, %)



Silo services EBITDA
(USD/ton, %)



Export terminal EBITDA
(USD/ton, %)

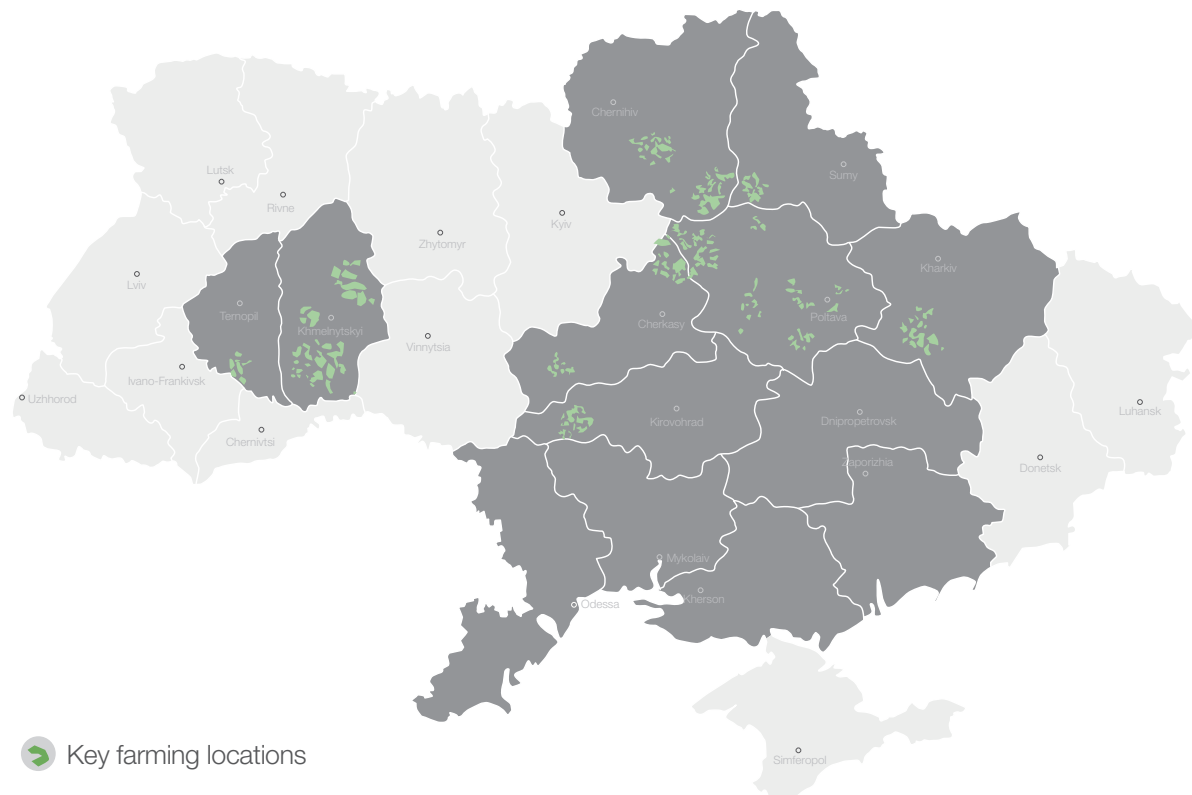


Farming

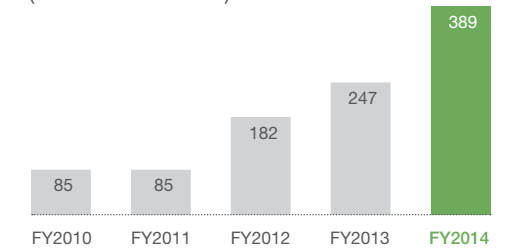


Our business model

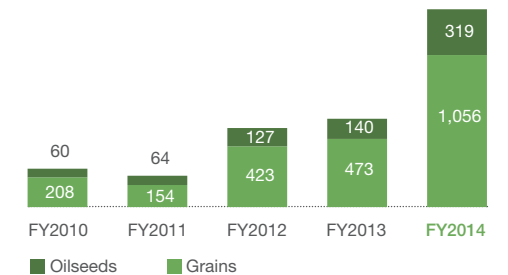
- › Large-scale crop production on 389,000 hectares of leasehold farmland in Ukraine.
- › A crop mix based on four crops allows us to focus on profits and technology while keeping sufficient flexibility.
- › We utilize modern large-scale machinery, sustainable agronomic practices, and a cluster management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



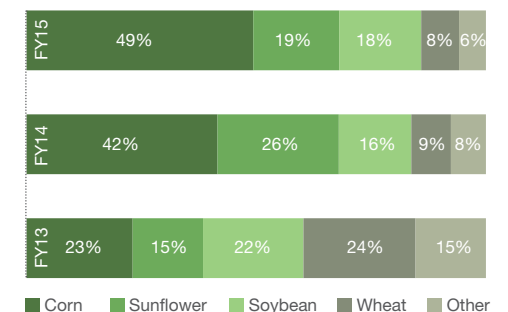
Kernel's farmed acreage
(thousand hectares)



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.

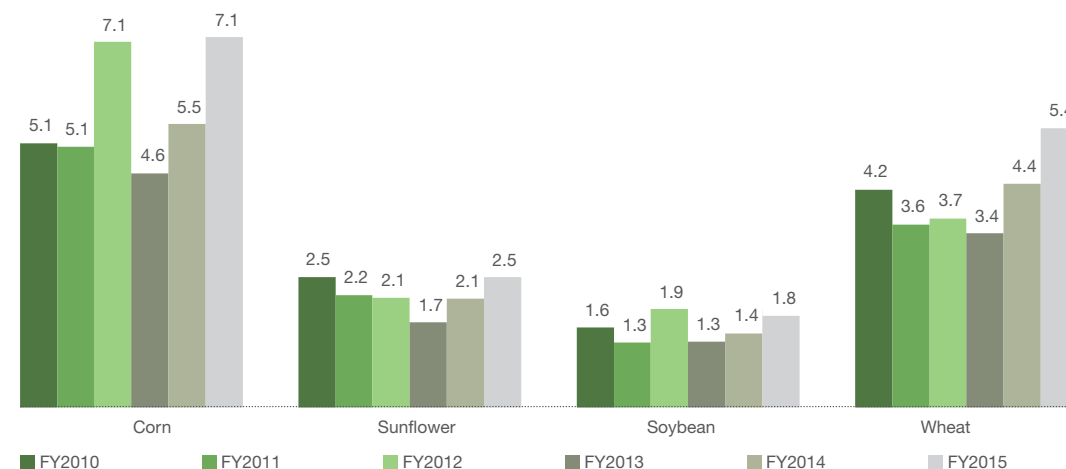
Low corn & soybean yields were the keys behind the underperformance due to:

- 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.

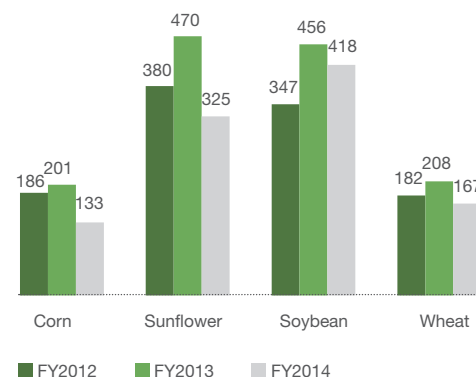
Key market trends:

- 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)

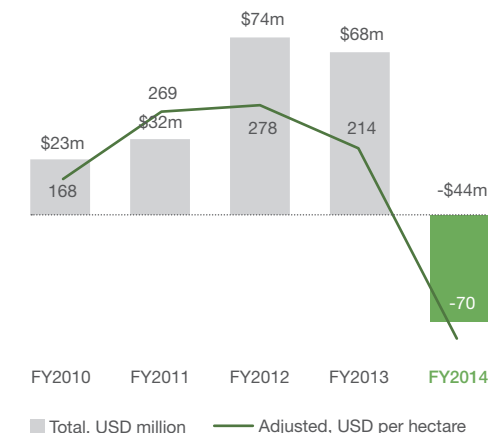


Average farm gate prices in Ukraine
(USD per ton)



Source: Kernel.

Farming segment's EBITDA



Source: Kernel.

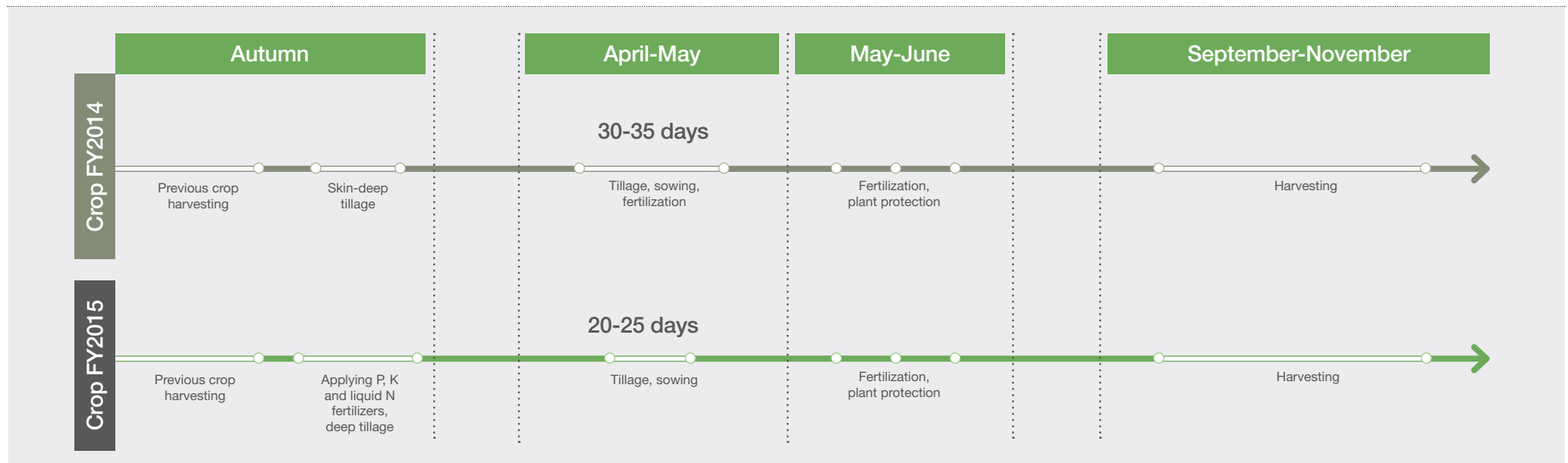
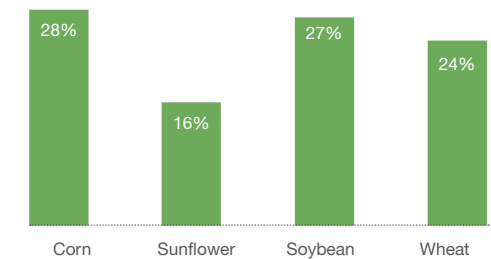
Operational improvements for FY2015

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



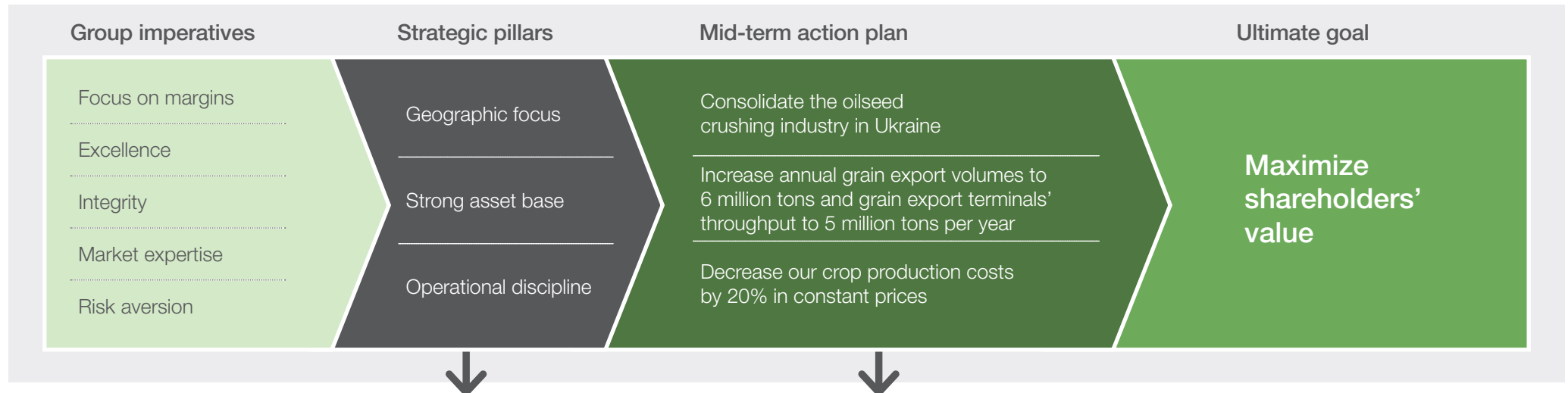
Crop production cycle in Ukraine



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.

Capital structure

- › Considering private debt placement of USD 100 million+ to continue implementation of growth strategy in capital efficient manner.

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

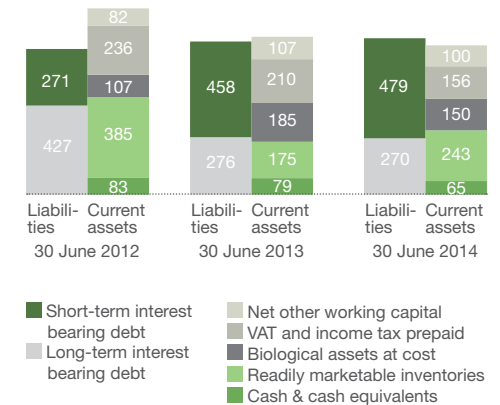
USD million except ratios and EPS	FY2014	FY2013	y-o-y
P&L highlights			
Revenue	2,393.3	2,796.8	(14.4%)
EBITDA ⁽¹⁾	223.0	287.5	(22.4%)
Net (loss)/profit attributable to equity holders of Kernel Holding S.A.	(98.3)	111.6	n/m
EBITDA margin	9.3%	10.3%	(1.0pp)
Net margin	(4.1%)	4.0%	(8.1pp)
EPS, USD	(1.23)	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.

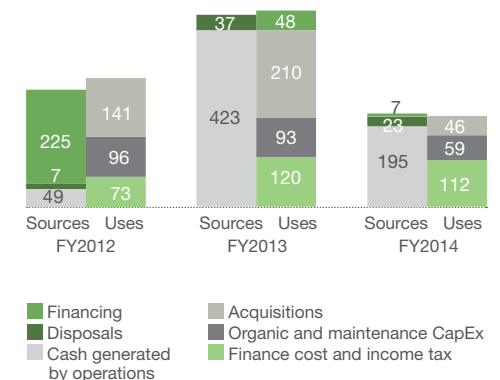
(1) Hereinafter, EBITDA is calculated as a sum of the profit from operating activities plus amortization and depreciation.

(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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