

KERNEL

Q2 FY2016 RESULTS



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Q2 FY2016 highlights

Key highlights:

- Revenues decreased 5% y-o-y to USD 621.0 million in Q2 FY2016, reflecting y-o-y lower grain prices and mixed dynamics in sales volumes across segments.
- EBITDA increased 2% y-o-y to USD 145.1 million in Q2 FY2016, fueled by a strong contribution from the farming segment, consistent profitability in grain and infrastructure, and pressured earnings in the sunflower oil business.
- The sunflower oil sold in bulk segment's profitability was under pressure from increased competition due to slow farmer selling and margin dilution from tolling agreements. At the same time, production volumes reached historic highs. As a result, the sunflower oil business contributed USD 42.4 million in Q2 FY2016, 35% lower than the abnormally high profits observed a year ago.
- The grain and infrastructure business performance was consistent with the previous year's results, with EBITDA down 3% y-o-y to USD 38.2 million. Our grain sales were down 6% y-o-y due to changes in seasonality, while export terminal throughput increased 18% y-o-y following our investments in debottlenecking our Ukrainian facility.
- The farming segment's EBITDA increased 70% y-o-y to USD 74.3 million in Q2 FY2016, as cheaper energy, labor, and land lease drove production costs down while crop yields and prices were comparable to a year ago. The negative effect of the summer drought was compensated by operational improvements.
- Net profit attributable to the equity holders of Kernel Holding S.A. increased 2.1x y-o-y to a record USD 116.5 million in Q2 FY2016 as a result of lower finance costs, depreciation, and foreign exchange losses.
- On 25 February 2016, Kernel entered into binding documentation to acquire the assets, through an assignment agreement with a Ukrainian bank, of an oilseed crushing plant for USD 95.8 million, payable in arrears over five years. Commissioned in 2012, the world-class multi-seed facility has an installed crushing capacity of 560,000 tons of sunflower seed per year. The production plant, where Kernel currently operates through a tolling agreement, is located in Kirovohrad region of Ukraine and fits well into Kernel's existing origination and marketing platform.

Q2 FY2016

Kernel at a glance

Sunflower Oil

Grain and Infrastructure

Farming

Financials

USD million except ratios and EPS

Q2 FY2016

Q2 FY2015

y-o-y

P&L highlights

Revenue	621.0	652.5	(5%)
EBITDA ⁽¹⁾	145.1	142.4	2%
Net profit ⁽²⁾	116.5	54.8	2.1x
EBITDA margin	23.4%	21.8%	1.6pp
Net margin	18.8%	8.4%	10.3pp
EPS ⁽³⁾ , USD	1.46	0.69	2.1x

Cash flow highlights

Operating profit before working capital changes	163.1	130.8	25%
Change in working capital	(205.9)	(193.7)	6%
Cash used in operations	(42.8)	(62.9)	(32%)
Net cash used in operating activities	(60.2)	(80.8)	(26%)
Net cash used in investing activities	(16.4)	(1.2)	13.8x

Credit metrics

Net interest-bearing debt	465.8	735.2	(37%)
Readily marketable inventories	392.2	456.9	(14%)
Adjusted net debt ⁽⁴⁾	73.6	278.3	(74%)
Shareholders' equity	921.0	981.9	(6%)
Net debt/EBITDA ⁽⁵⁾	1.2x	1.9x	(0.7x)
Adjusted net debt/EBITDA ⁽⁴⁾	0.2x	0.7x	(0.5x)
EBITDA/Interest ⁽⁶⁾	6.2x	5.0x	1.2x

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

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

(2) Net profit 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 equal to 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.

Source: Kernel.

Q2 FY2016 segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin, %		Volumes, thousand tons		
	Q2 FY2016	Q2 FY2015	y-o-y	Q2 FY2016	Q2 FY2015	y-o-y	Q2 FY2016	Q2 FY2015	Q2 FY2016	Q2 FY2015	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	316.9	284.8	11%	35.4	56.7	(38%)	11%	20%	297.0	278.1	7%
Bottled sunflower oil	34.0	38.7	(12%)	7.0	8.9	(22%)	21%	23%	31.0 ⁽¹⁾	34.2 ⁽¹⁾	(9%)
Grain and infrastructure											
Grain	258.5	312.6	(17%)	11.2	15.2	(27%)	4%	5%	1,322.9	1,403.0	(6%)
Export terminals	17.4	15.6	12%	11.6	10.6	9%	66%	68%	1,695.7 ⁽²⁾	1,437.5 ⁽²⁾	18%
Silo services	22.7	24.9	(9%)	15.5	13.4	16%	68%	54%			
Farming											
Farming	285.3	144.7	97%	74.3	43.6	70%	26%	30%			
Sugar and discontinued operations	–	3.5	n/m	–	0.1	n/m	–	4%			
Unallocated corporate expenses				(9.8)	(6.2)	58%					
Revenue reconciliation	(313.9)	(172.4)	82%								
Total	621.0	652.5	(5%)	145.1	142.4	2%	23%	22%			

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

(1) Million liters.

(2) Including 558,268 tons transshipped through the Taman port in Q2 FY2016 and 403,603 tons in Q2 FY2015 (Kernel's share in the joint venture).

Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2015.

Sunflower oil in Q2 FY2016

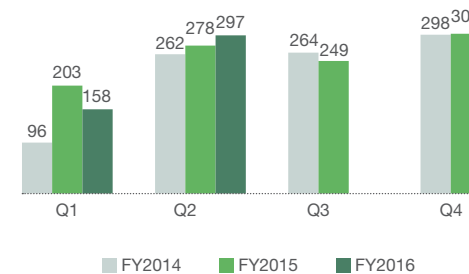
Sunflower oil sold in bulk

- Oilseed crush increased 31% y-o-y to a record 915,377 tons in Q2 FY2016 as we utilized our own facilities at close-to-full utilization levels and additionally contracted a third-party facility through a tolling agreement. The tolling agreement to crush sunflower seed at a third-party plant was signed in September 2015 for 200,000 tons and extended for another 250,000 tons in December. As a result of increased crush, sunflower oil sales in bulk reached 297,048 tons, up 7% y-o-y.
- Revenues were up 11% y-o-y to USD 316.9 million in Q2 FY2016, while EBITDA decreased 38% y-o-y to USD 35.4 million in Q2 FY2016 as margins were lower y-o-y amid higher volumes. The EBITDA margin amounted to USD 119 per ton of oil sold in Q2 FY2016, lower than USD 204 per ton a year ago for two reasons. First, competition increased in Ukraine due to farmers' slow pace of selling the new harvest crop and the absence of the distressed competition environment from a year ago. Second, profitability was diluted by the addition of a tolling agreement which, by its nature, has a lower margin.
- On 25 February 2016, Kernel entered into binding documentation to acquire the assets of an oilseed crushing plant for USD 95.8 million, payable in arrears over five years. Commissioned in 2012, the world-class multi-seed facility has an installed crushing capacity of 560,000 tons sunflower seed per year. The production plant, where Kernel currently operates through a tolling agreement, is located in Kirovohrad region of Ukraine and fits well into Kernel's existing origination and marketing platform.

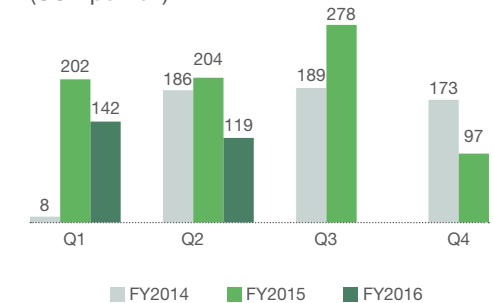
Bottled sunflower oil

- Bottled oil sales amounted to 31.0 million liters in Q2 FY2016, down 9% y-o-y, as domestic sales declined amid falling household purchasing power. The segment's revenue declined 12% y-o-y to USD 34.0 million in Q2 FY2016, in line with sales volume dynamics and virtually unchanged prices (in US dollar terms).
- The bottled oil segment's EBITDA margin was at solid 21% in Q2 FY2016, though lower than last year's high base of 23% (Q2 FY2015 reflected a decrease in international sunflower oil prices that typically leads to a profitability boost in the bottled oil segment).

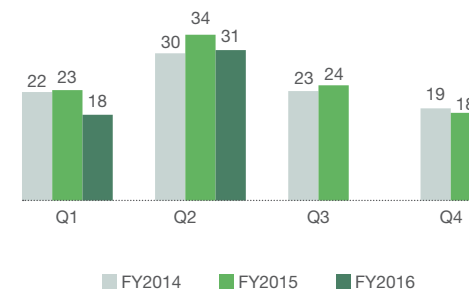
Sunflower oil sales in bulk
(thousand tons)



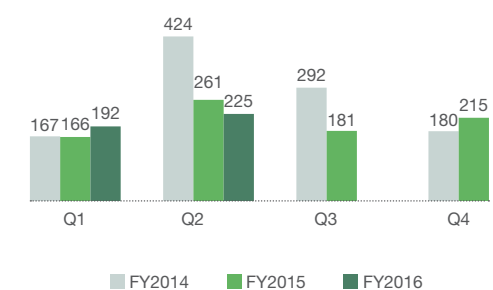
Sunflower oil sold in bulk EBITDA
(USD per ton)



Bottled sunflower oil sales
(million liters)



Bottled sunflower oil EBITDA
(USD per thousand liters)



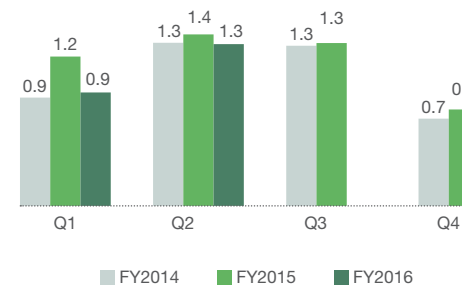
Source: Kernel.

Grain and infrastructure in Q2 FY2016

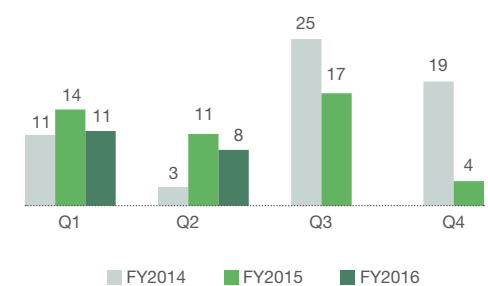
Grain

- Grain sales were at strong 1.3 million in Q2 FY2016, though 6% lower y-o-y because of a change in the seasonality of grain exports from Ukraine.
- As international grain prices decreased y-o-y, the grain segment's revenues were down 17% y-o-y to USD 258.5 million in Q2 FY2016. The segment's EBITDA decreased 27% y-o-y to USD 11.2 million in Q2 FY2016, reflecting EBITDA of USD 8 per ton in Q2 FY2016 compared to USD 11 a year ago.
- In December 2015, the Ukrainian parliament approved a change to the tax code, which reinstated VAT refunds on grain exports starting from 1 January 2016. The change is expected to expand the grain segment's profitability going forward.

Grain sales
(million tons)



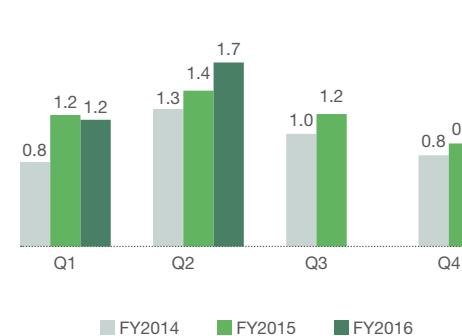
Grain segment EBITDA
(USD per ton)



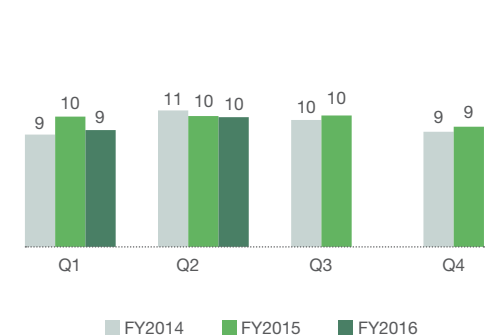
Export terminals and silo services

- The export terminals segment's throughput increased 18% y-o-y to 1.7 million tons in Q2 FY2016, including 10% y-o-y growth in Ukraine, driven by debottlenecking at the Illichevsk facility, and 38% y-o-y growth in Russia, where the Taman facility operated at expanded capacity.
- The export terminal segment's revenue was up 12% y-o-y to USD 17.4 million in Q2 FY2016, and EBITDA increased 9% y-o-y to USD 11.6 million, in line with the growth in Ukraine's volumes as the contribution from the Taman joint venture was accounted for according to the equity method below operating profit. The net contribution from the Taman joint venture was USD 0.9 million in Q2 FY2016 vs. USD 2.0 million a year ago, because of Russian ruble depreciation.
- The silo services segment's revenue declined 9% y-o-y to USD 22.7 million in Q2 FY2016, as drier autumn weather resulted in a 10% y-o-y decline in the volume of drying services provided. At the same time, the cumulative grain and oilseed intake at inland silos increased 9% y-o-y and reached 2.7 million tons in H1 FY2016 as we improved the turnover of our storage facilities and attracted more third-party farmers. The silo services' EBITDA increased 16% y-o-y to USD 15.5 million, as costs deflated, driven by lower prices of natural gas and the depreciated Ukrainian hryvnya.

Export terminals throughput
(million tons)



Export terminals EBITDA
(USD per ton)



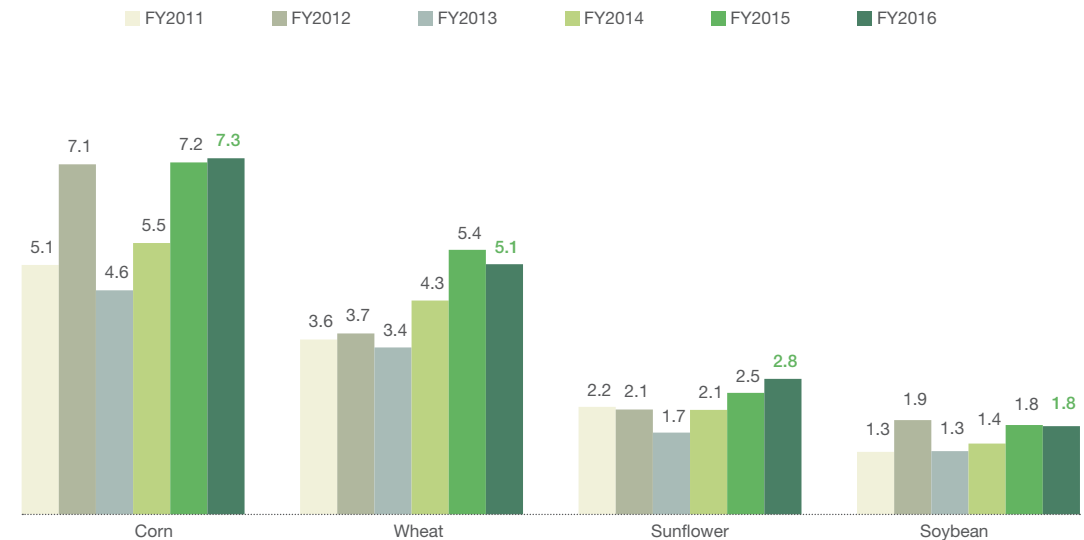
Source: Kernel.

Farming in Q2 FY2016

Farming

- The segment's revenue reached USD 285.3 million, 2x higher y-o-y, as we sold a significant part of our grain and oilseed crops intragroup to our trading company during the period under review, while a year ago we were selling evenly through our farming companies during the whole season.
- The segment's EBITDA increased 70% y-o-y USD 74.3 million in Q2 FY2016, because of cost-driven growth in the segment's profitability. Production costs per hectare declined y-o-y, driven by lower land lease, labor, and energy costs.
- FY2016 crop yields were slightly better y-o-y for corn and sunflower seed (58% of acreage planted), but had a single-digit decrease for winter wheat and soybean (36% of acreage). At the same time, the weather was materially worse y-o-y in the western regions of Ukraine. As a result of the drought, our across-the-board improvements were off-set by burnt out corn and soybean crops in half of our operations. Overall, FY2016 crop yields show a 22% acreage-weighted premium to Ukraine's average crop yields.
- FY2017 winter crops (23% of total acreage) are in good condition as of this report's publication.

Net crop yields
(tons per hectare)



Harvest update

	Acreage, thousand hectares			Net crop yield, tons/hectare			Net tonnage, thousand tons		
	FY2016	FY2015	y-o-y	FY2016	FY2015	y-o-y	FY2016	FY2015	y-o-y
Corn	159.8	183.8	(13%)	7.3	7.2	2%	1,165	1,315	(12%)
Wheat	72.5	30.7	2.4x	5.1	5.4	(5%)	369	165	2.2x
Sunflower	61.9	69.5	(11%)	2.8	2.5	12%	171	172	(1%)
Soybean	67.2	66.5	1%	1.8	1.8	(1%)	121	121	(1%)
Rapeseed	9.6	–	n/m	4.4	n/a	n/a	41	–	n/m
Other ⁽¹⁾	15.3	32.1	(52%)						
Total	386.2	382.6	1%						

Note: Differences are possible due to rounding. 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

(1) Other acreage includes barley, rye, oats, forage crops, and land left fallow for crop rotation purposes.

Source: Kernel.

Q2 FY2016 balance sheet

Balance sheet highlights

USD million	31 Dec 2015	30 Jun 2015	31 Dec 2014
Invested capital			
Cash & cash equivalents	116.1	129.1	77.7
Net trade accounts receivable	88.7	56.1	64.2
Inventory	443.1	158.8	557.0
of which: readily marketable inventories	392.2	140.1	456.9
Biological assets	20.0	146.6	21.3
Other currents assets	219.4	168.0	263.2
Net property, plant & equipment	507.5	535.2	587.5
Other non-current assets	253.1	271.9	363.1
Total assets	1,648.0	1,465.6	1,934.0
Financed by			
Short-term liabilities	634.8	458.1	754.9
of which: interest-bearing debt	509.2	373.3	647.6
Long-term liabilities	90.6	116.7	198.8
of which: long-term interest bearing debt	72.7	95.2	165.3
Total liabilities	725.4	574.8	953.7

Credit metrics highlights

USD million except ratios	31 Dec 2015	30 June 2015	31 Dec 2014
Gross interest-bearing debt	581.9	468.5	812.8
Net interest-bearing debt	465.8	339.4	735.2
Readily marketable inventories	392.2	140.1	456.9
Adjusted net financial debt	73.6	199.3	278.3
Net debt / EBITDA	1.2x	0.9x	1.9x
Adjusted net debt / EBITDA	0.2x	0.5x	0.7x
EBITDA / Interest	6.2x	5.8x	5.0x

Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2015.

Q2 FY2016 P&L and cash flow

P&L highlights

USD million except ratios and EPS	Q2 FY2016	Q2 FY2015
Revenue	621.0	652.5
Net IAS 41 gain	3.1	3.2
Gross profit	166.3	171.7
EBITDA	145.1	142.4
Profit from operating activities	129.9	123.8
Net financial costs	(18.2)	(19.2)
Net profit⁽¹⁾	116.5	54.8
Gross margin	26.8%	26.3%
EBITDA margin	23.4%	21.8%
Net margin	18.8%	8.4%
EPS, USD	1.46	0.69

Cash flow highlights

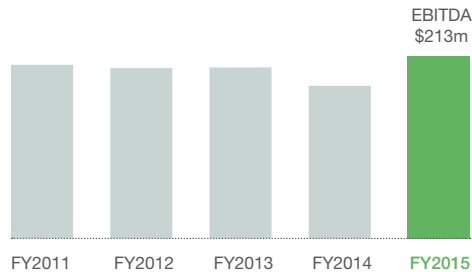
USD million	Q2 FY2016	Q2 FY2015
Operating profit before working capital changes	163.1	130.8
Changes in working capital	(205.9)	(193.7)
Cash used in operations	(42.8)	(62.9)
Finance costs paid	(17.2)	(15.2)
Income tax paid	(0.2)	(2.7)
Net cash used in operating activities	(60.2)	(80.8)
Net PPE purchases	(9.7)	(5.1)
Sales of non-current assets	0.1	2.6
Acquisition/sale of subsidiaries, net	(6.8)	1.2
Net cash used in investing activities	(16.4)	(1.2)
Net cash used in investing & operating activities	(76.6)	(82.0)

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

Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2015.

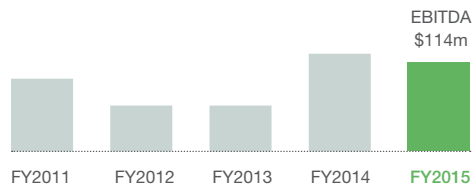
Kernel at a glance

Sunflower oil



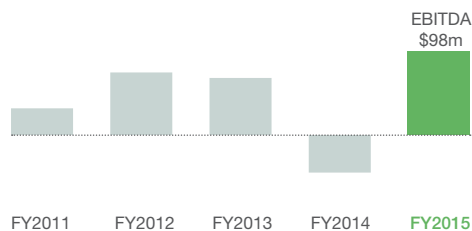
- > #1 sunflower oil producer and exporter in Ukraine.
- > 3.0 million tons/year sunflower seed crushing capacity.
- > #1 bottled sunflower oil producer and marketer in Ukraine with 30% market share.

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 390,000 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

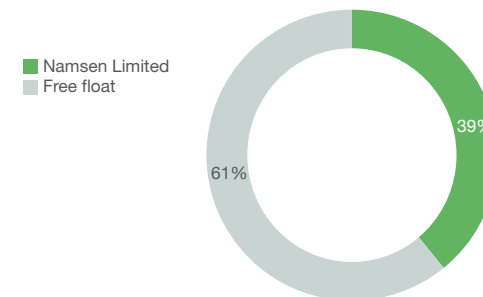
Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	79,683,410
Bloomberg Reuters ticker	KER PW KERN.WA
ISIN code	LU0327357389

Market data as of 25 February 2016

Market capitalization	USD 970.6 million
Closing price	PLN 48.2 / USD 12.2
Lowest/Highest price for last twelve months	USD 8.0 / 14.7
Average daily turnover, twelve months	160,986 shares / USD 1.8 million

USD million except ratios and EPS	FY2015	FY2014	FY2013
Revenue	2,329.5	2,393.3	2,796.8
EBITDA	396.6	223.0	287.5
Net profit/(loss) ⁽¹⁾	106.9	(98.3)	111.6
EBITDA margin	17.0%	9.3%	10.3%
Net margin	4.6%	(4.1%)	4.0%
EPS, USD	1.34	(1.23)	1.40

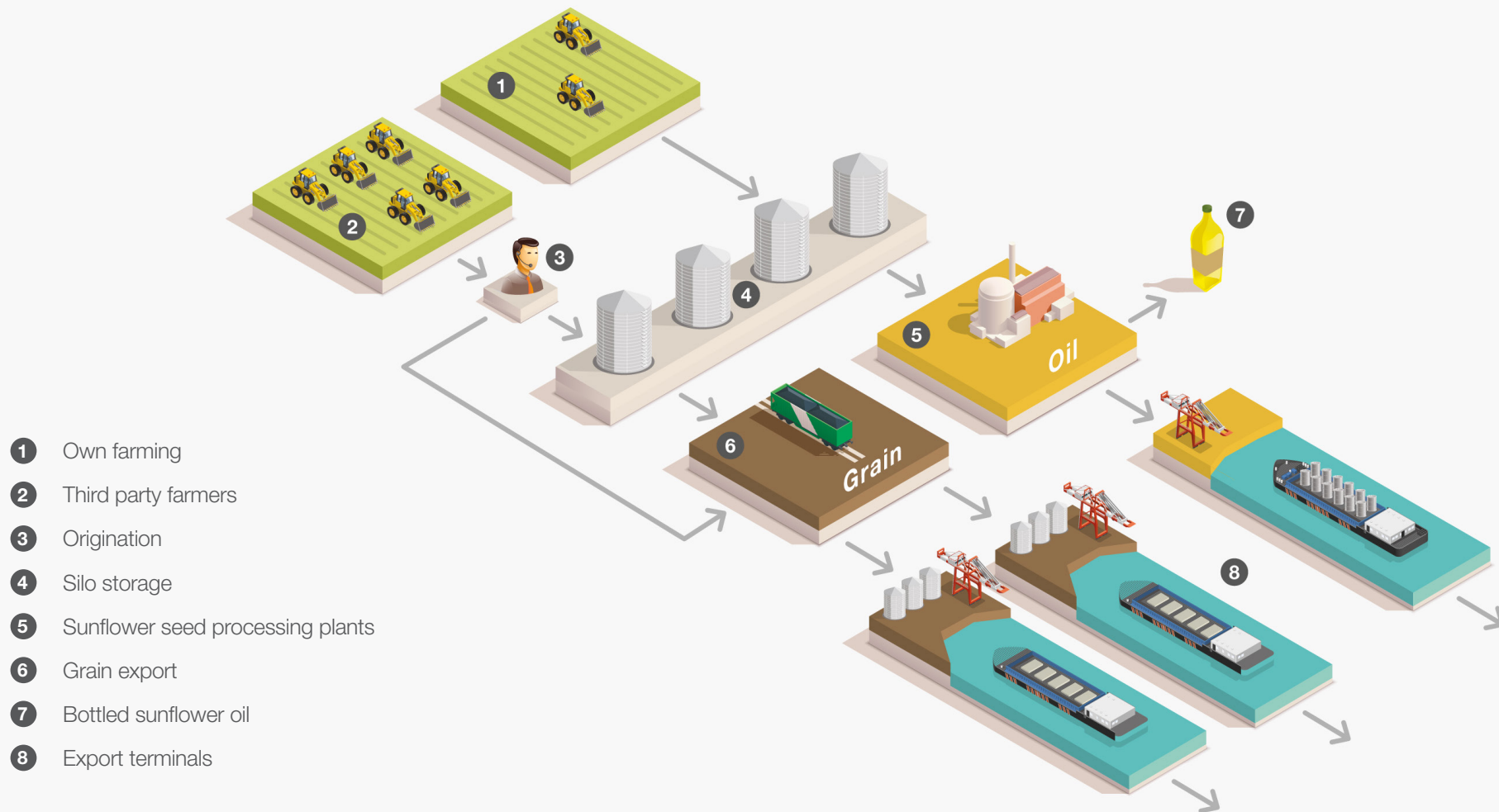
Shareholding structure



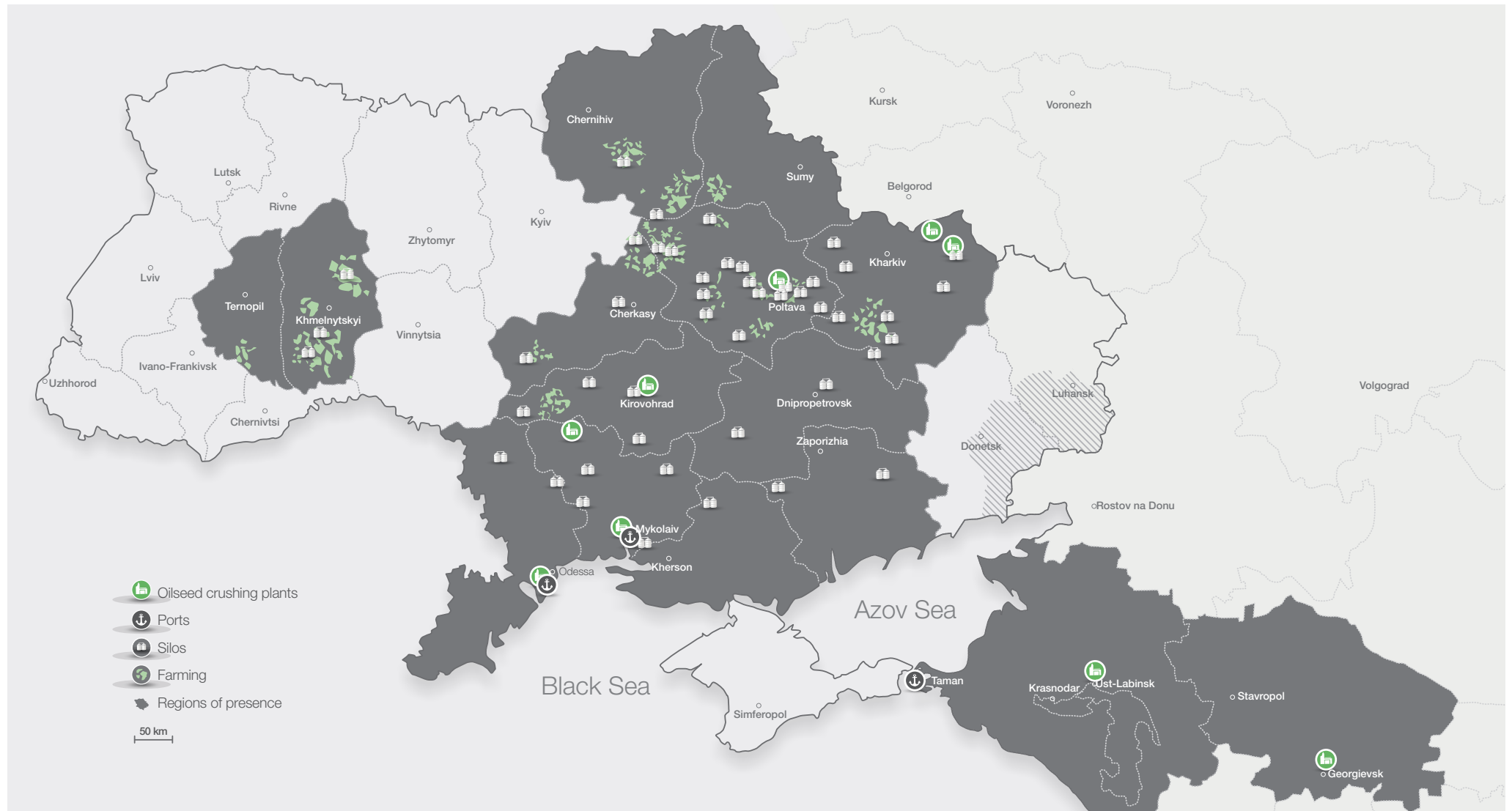
Source: Bloomberg, Kernel.

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

Our business model



Asset map



Sunflower Oil

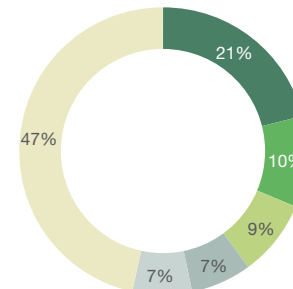


Our business model

- #1 oilseed crusher in Ukraine; total capacity of 3.0 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.



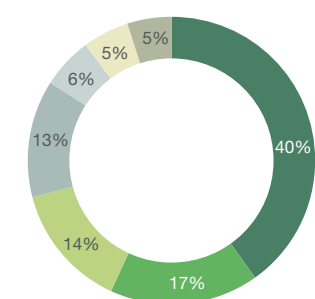
Sunflower seed industrial crushing capacity in Ukraine



Kernel
Creativ
Vioil
MHP
Optimus
Other

Source: Kernel.

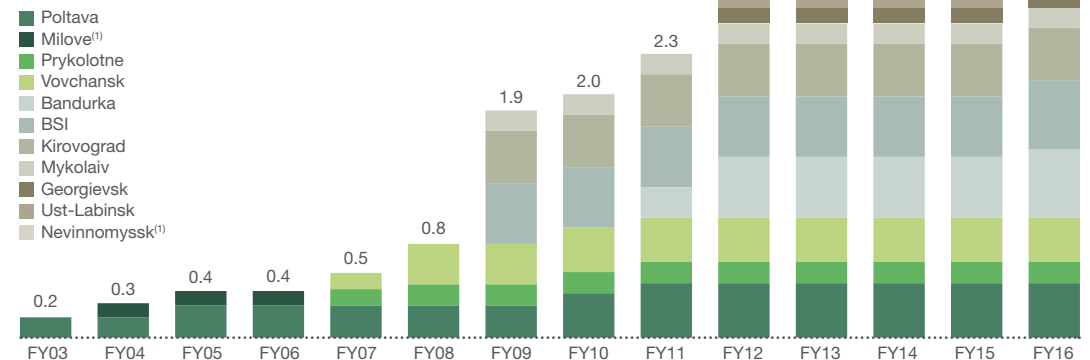
Kernel's sunflower oil export by destination (FY2015)



India
China
Middle East
EU
Egypt
Turkey
Other

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.

Sunflower oil in FY2015

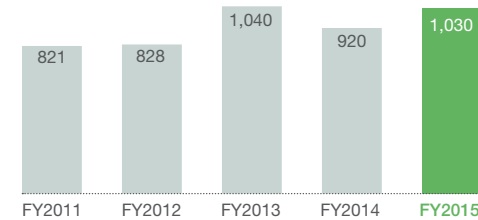
Sunflower oil sold in bulk

- 12% y-o-y growth in the volumes of sunflower oil sold in bulk reflected higher crush during the season. First quarter volumes were higher than the previous year's because of solid carryover stocks of sunflower seed harvested in 2013/14, when Ukraine's harvest was a high 11.1 million tons. The second to fourth quarters' crush also was firm, despite a y-o-y lower harvest in the country, as we utilized our leadership position on the market in times when smaller competitors lacked full access to working capital.
- Even though Ukraine's sunflower seed harvest declined, overall competition between crushers decreased, because smaller processors lacked full access to working capital. As a result, our crushing margin improved to 18% vs. 14% a year ago.

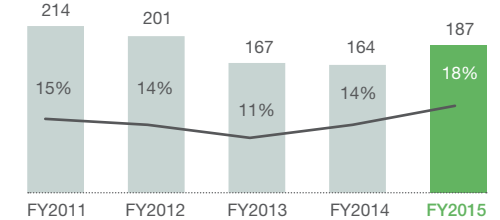
Bottled sunflower oil

- Our domestic sales of sunflower oil faced a dramatic decrease in purchasing power in Ukraine: local currency devalued against the US dollar by 48% on average compared to the previous year. Nonetheless, we increased our bottled oil sales slightly as we opened new markets and saw our exports of bottled sunflower oil grow compared to the previous year.
- Ukrainian hryvnia devaluation negatively affected our bottled oil sales' profitability as raw material prices are linked to US dollars. However, we managed to pass through the devaluation onto consumers and achieved an 18% EBITDA margin, comparable to our sales of sunflower oil for export.

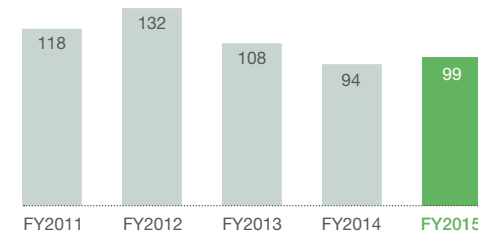
Sunflower oil sold in bulk
(thousand tons)



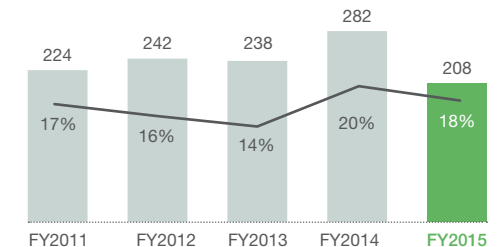
Sunflower oil sold in bulk EBITDA
(USD/ton, %)



Sunflower oil sold bottled
(million liters)



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



Source: Kernel.

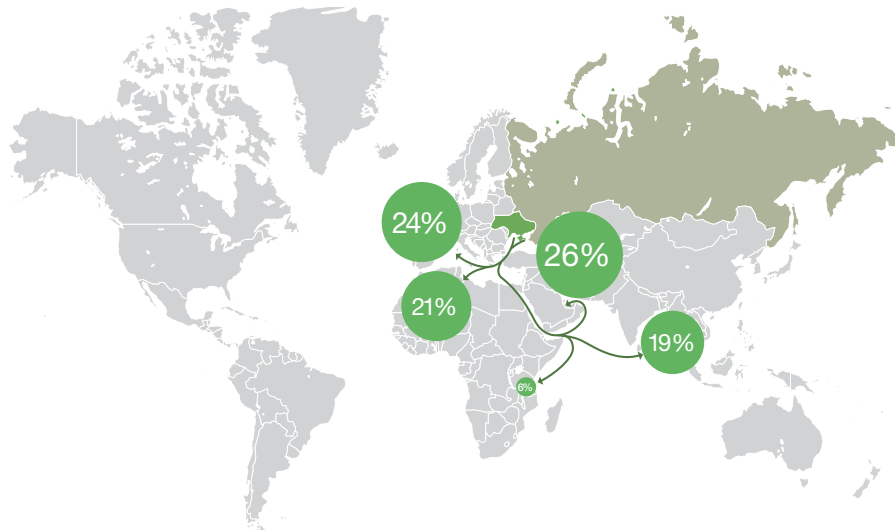
Grain and Infrastructure



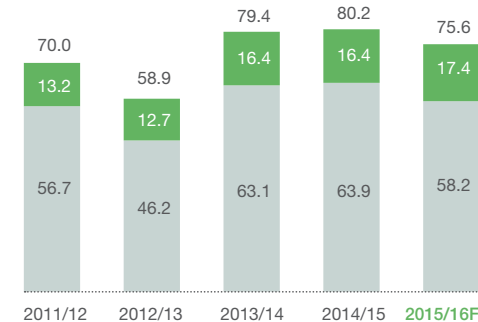
Our business model

- › 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
(2014/15)



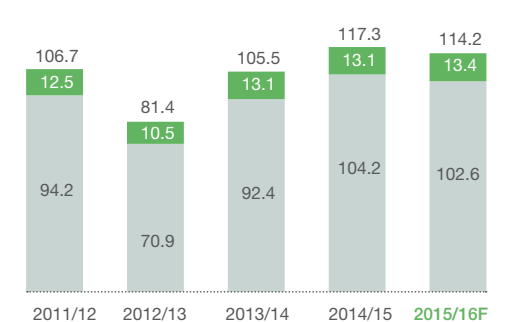
Ukraine's grain and oilseed production
(million tons)



Oilseeds
Grains

Source: State Statistics Service of Ukraine,
APK-Inform forecasts.

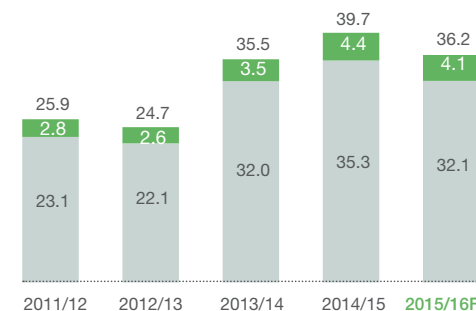
Russia's grain and oilseed production
(million tons)



Oilseeds
Grains

Source: Russian Federation Federal State Statistics
Service, APK-Inform forecasts.

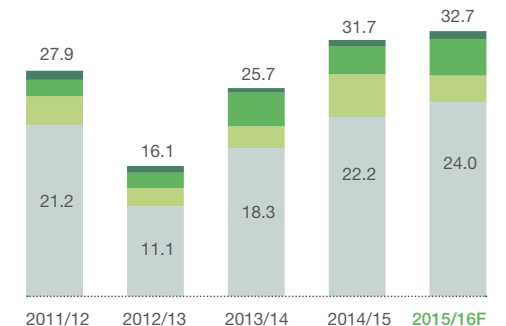
Ukraine's grain and oilseed exports
(million tons)



Oilseeds
Grains

Source: APK-Inform.

Russia's grain and oilseed exports, by crop
(million tons)



Other
Corn
Barley
Wheat

Source: APK-Inform.

(1) Sunflower seed harvest data by the State Statistics Service of Ukraine.
(2) Sunflower oil production and export data by APK-Inform.

Grain and infrastructure in FY2015

Grain export:

- The combination of a 400,000-ton increase in our own grain and oilseed production, and a record total crop of 64 million tons in Ukraine (vs. 63 a year ago) allowed us to export 12% more grain than in the previous year. Exports from Russia were similar to last year's volumes, as Russian government restricted overall grain exports in the second half of the season.
- An abundant supply of grain for export ensured the strong profitability of our merchandizing activities, with our EBITDA margin at a firm 6% in FY2015.

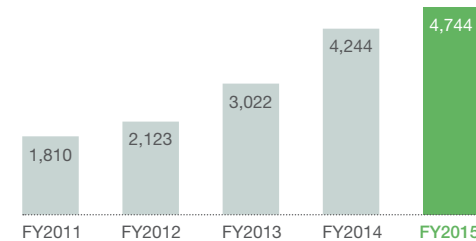
Silo services:

- Volumes of grain and oilseed crop received for storage at our silo services division were almost the same as a year ago (down 2%). This was due to a mix of lower demand for off-farm storage because some grain was harvested dry enough to allow for on-farm storage and an increase in our storage capacity.
- Since grain drying is the most profitable of our silo services, our EBITDA fell below our average levels and amounted to USD 7 per ton of silo throughput.

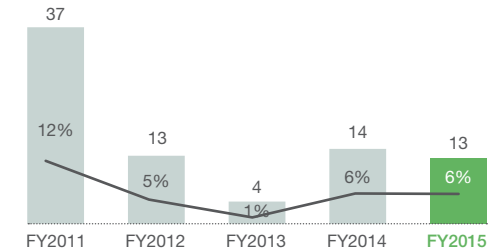
Export terminals:

- Our strong growth in grain exports, increase in the share of exports going through our own port facilities, and growth in sunflower meal production resulted in strong 23% y-o-y growth in volumes transshipped by our three transshipment facilities.
- Growth in volumes and Ukrainian hryvnia devaluation allowed us to retain our EBITDA of USD 10 per ton of grain transshipped, regardless of the decline in average fee earned per ton.

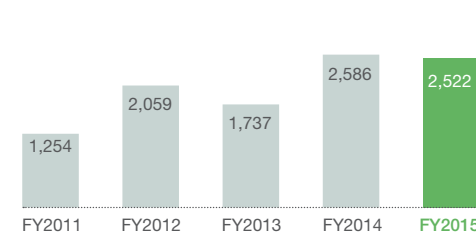
Grain sales
(thousand tons)



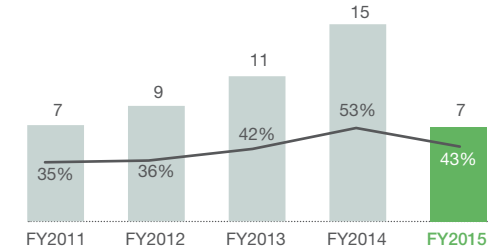
Grain segment's EBITDA
(USD/ton, %)



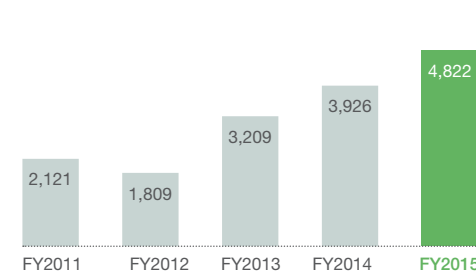
Grain received in inland silos
(million tons)



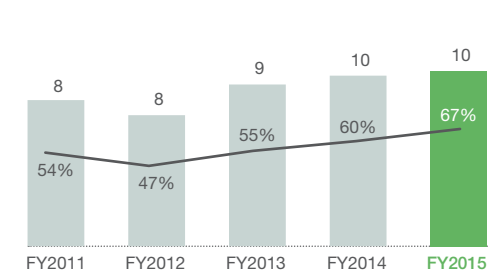
Silo services EBITDA
(USD/ton, %)



Export terminal throughput
(million tons)



Export terminal EBITDA
(USD/ton, %)



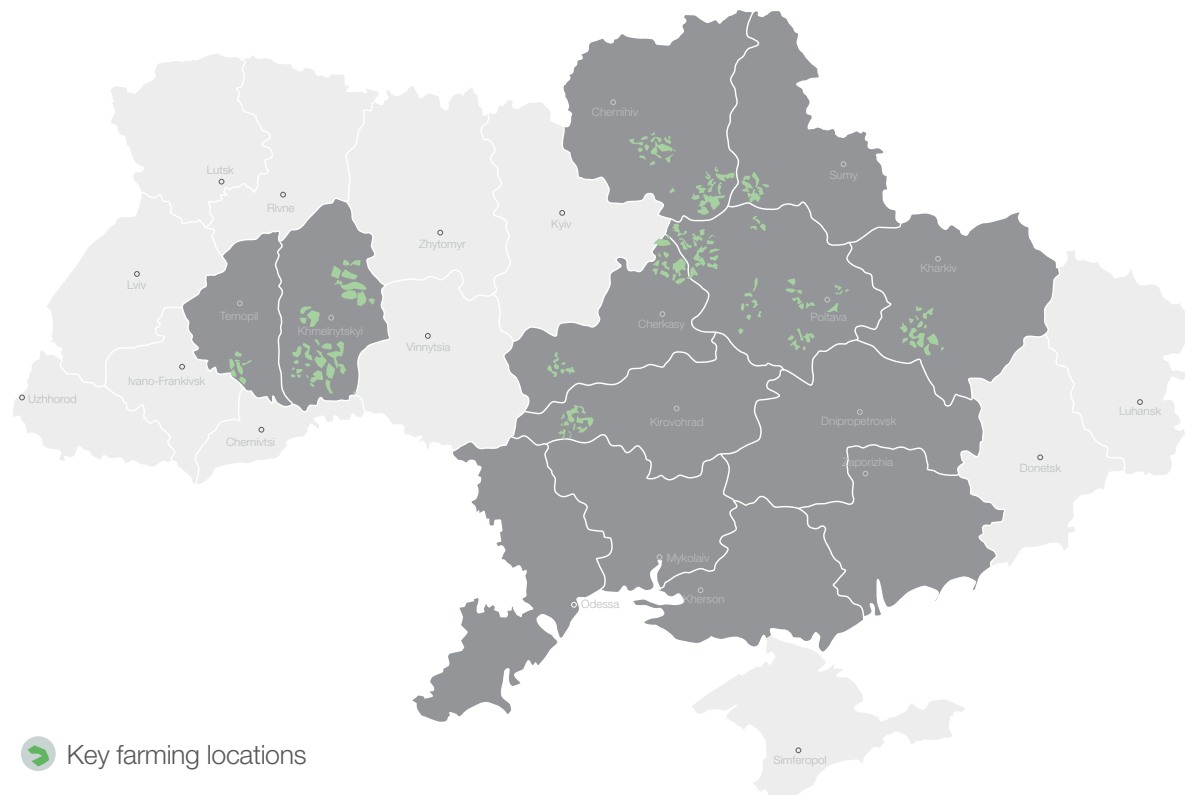
Source: Kernel.

Farming

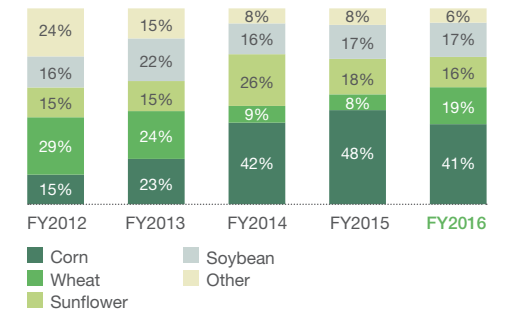


Our business model

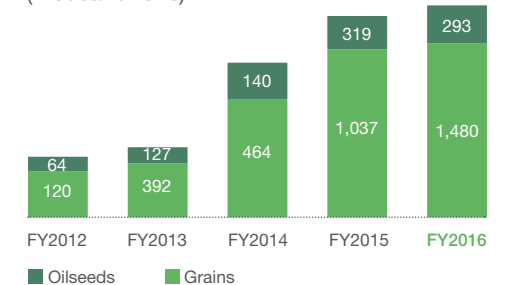
- › Large-scale crop production on 390,000 hectares of leasehold farmland in Ukraine.
- › A crop mix based on four crops allows us to focus on profits and technology while keeping sufficient flexibility.
- › We utilize modern large-scale machinery, sustainable agronomic practices, and a cluster management system.
- › 85-90% of output goes through our grain and infrastructure or sunflower oil segments, earning incremental profits.



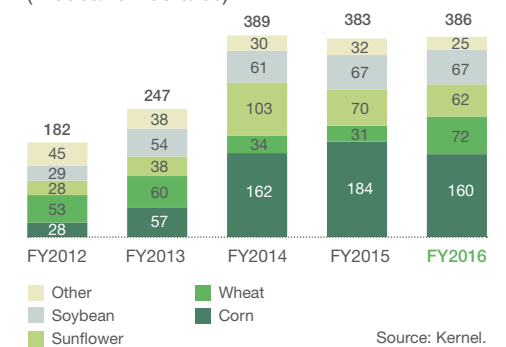
Kernel's farmed acreage crop mix



Kernel's crop production
(thousand tons)



Acreage harvested by crop
(thousand hectares)



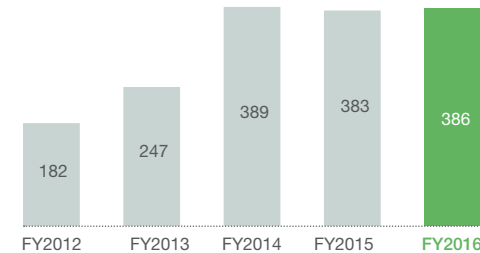
Source: Kernel.

Farming in FY2015

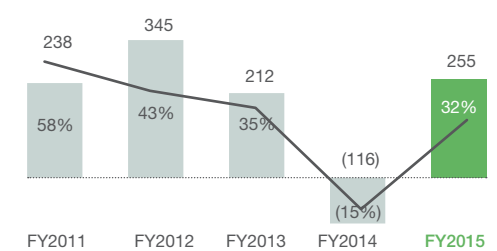
Farming:

- Our total grain and oilseed tonnage was up 31% y-o-y to 1.8 million in FY2015, as improvements in our technology resulted in better crop yields.
- Improvements in technology, which we have been implementing during the last two years, led to 18-28% increases in crop yields. Combined with a decline in production costs caused by Ukrainian hryvnia devaluation, this led to a boost in profitability: our EBITDA improved to USD 255 per hectare in FY2015, compared to negative USD 116 per hectare a year ago.

Acreage harvested
(thousand hectares)



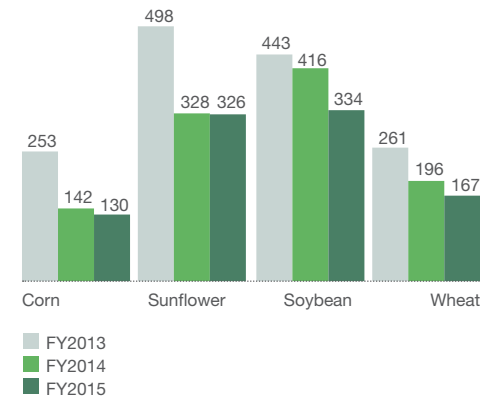
Farming segment EBITDA
(USD/hectare, %)



Key market trends:

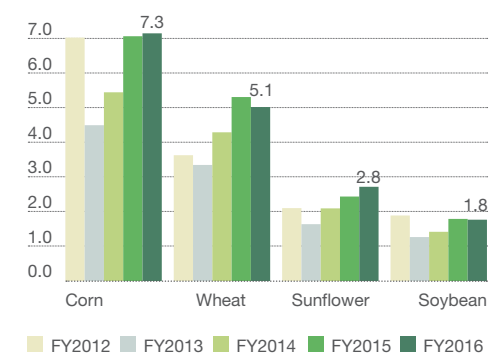
- The second consecutive year of strong global grain production resulted in a further decrease in international grain prices in 2014/15, which was translated into domestic prices in Ukraine. In addition, the robust global soybean harvest pushed down soybean prices in Ukraine.
- While in 2015/16 global grain and oilseed production is expected to decrease, strong carryover stocks and US dollar strengthening against the currencies of major food exporters will keep international prices at low levels.

Average farm gate prices in Ukraine
(USD per ton, ex VAT)



Source: Kernel.

Crop yields,
(tons per hectare, net)



Crop production cycle in Ukraine



Source: Kernel.

Financials



Balance sheet

Balance sheet highlights

USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Q2 FY2016
Invested capital											
Cash & cash equivalents	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8	65.4	129.1	116.1
Net trade accounts receivable	9.1	9.8	48.7	32.4	65.5	111.6	146.4	150.8	99.8	56.1	88.7
Inventory	32.3	40.2	144.7	99.1	147.8	183.7	410.2	270.2	299.5	158.8	443.1
of which: readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4	140.1	392.2
Biological assets	3.4	9.7	42.4	18.9	26.1	96.0	153.3	247.0	182.8	146.6	20.0
Other currents assets	16.8	31.1	53.0	98.7	299.8	302.6	326.0	343.3	225.0	168.0	219.4
Net property, plant & equipment	72.5	127.9	231.6	221.8	379.0	502.8	728.4	763.3	643.5	535.2	507.5
Other non-current assets	15.4	31.2	146.7	99.6	147.0	260.1	269.6	508.2	403.0	271.9	253.1
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	1,465.6	1,648.0
Financed by											
Short-term liabilities	34.5	59.2	185.1	195.1	352.2	395.0	446.2	700.1	587.4	458.1	634.8
of which: interest-bearing debt	28.9	44.4	126.7	159.7	209.9	265.9	271.4	458.4	479.4	373.3	509.2
Long-term liabilities	73.8	130.6	130.1	147.2	167.7	180.3	459.5	309.3	301.0	116.7	90.6
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	95.2	72.7
Total liabilities	108.3	189.8	315.2	342.2	519.9	575.3	905.7	1,009.4	888.3	574.8	725.4
Total equity	47.6	77.8	440.4	357.5	604.9	997.3	1,210.7	1,352.3	1,030.7	890.8	922.6

Net debt and credit metrics

USD million except ratios	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Q2 FY2016
Gross interest-bearing debt	93.3	164.3	224.8	292.6	345.1	422.0	698.3	734.1	749.4	468.5	581.9
Net interest-bearing debt	87.0	139.1	136.2	163.3	285.6	306.1	615.8	655.3	684.0	339.4	465.8
Readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4	140.1	392.2
Adjusted net financial debt	57.7	101.0	(2.4)	68.4	142.7	133.4	230.7	480.2	440.6	199.3	73.6
Net debt / EBITDA	5.1x	3.0x	1.1x	0.9x	1.5x	1.0x	1.9x	2.3x	3.1x	0.9x	1.2x
Adjusted net debt / EBITDA	3.4x	2.2x	(0.0x)	0.4x	0.8x	0.4x	0.7x	1.7x	2.0x	0.5x	0.2x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x	5.8x	6.2x

Note: Our financial year ends 30 June. Source: Consolidated audited accounts for 12-months periods ending 30 June 2006 to 2015, reviewed accounts for the 6 months ended 31 December 2015.

P&L and cash flow

P&L highlights

USD million except ratios and EPS	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
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	2,329.5
Net IAS 41 gain ¹								14.9	(17.1)	(6.8)
Gross profit	41.8	83.0	158.6	316.8	311.1	459.5	457.4	450.6	408.2	512.2
EBITDA	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5	223.0	396.6
EBIT	12.0	38.6	111.6	166.6	167.5	277.3	257.3	200.9	128.7	328.3
Net financial costs	(9.3)	(18.9)	(28.1)	(32.2)	(22.8)	(42.5)	(63.1)	(74.9)	(72.5)	(68.6)
Net profit²	1.3	19.5	83.2	135.5	152.0	226.3	206.7	111.6	(98.3)	106.9
Gross margin	19.4%	23.7%	23.9%	30.3%	30.5%	24.2%	22.1%	16.1%	17.1%	22.0%
EBITDA margin	7.9%	13.2%	18.6%	18.2%	18.6%	16.3%	15.4%	10.3%	9.3%	17.0%
Net margin	0.6%	5.6%	12.6%	12.9%	14.9%	11.9%	10.0%	4.0%	(4.1%)	4.6%
EPS, USD			2.08	1.97	2.20	3.03	2.61	1.40	(1.23)	1.34

Cash flow highlights

USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Operating profit before working capital changes	16.6	45.4	116.1	188.2	205.7	275.2	291.4	288.0	195.5	338.7
Changes in working capital	(35.8)	(14.7)	(210.3)	(25.0)	(97.4)	(180.1)	(242.1)	135.4	(0.9)	147.4
Cash obtained from/(used in) operations	(19.3)	30.7	(94.1)	163.2	108.4	95.1	49.3	423.5	194.7	486.1
Finance costs paid	(9.4)	(18.4)	(28.1)	(32.2)	(22.8)	(36.0)	(66.8)	(76.2)	(72.0)	(68.4)
Income tax paid	(0.4)	(0.7)	(3.4)	(1.7)	(0.8)	(3.0)	(6.5)	(43.4)	(40.2)	(13.0)
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	404.7
Net PPE disposals/(purchases)	(6.0)	2.2	(24.4)	(88.6)	(56.2)	(48.1)	(93.1)	(90.9)	(41.7)	(22.7)
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)	(1.6)
Net cash used in investing activities	(5.4)	(57.2)	(170.1)	(95.3)	(125.6)	(126.1)	(229.2)	(266.1)	(83.2)	(24.3)
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)	380.4

(1) The amount is calculated for FY2013-FY2015 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.

Note: Our financial year ends 30 June.

Source: Consolidated audited accounts for 12-months periods ending 30 June 2006 to 2015, reviewed accounts for the 6 months ended 31 December 2015.

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Investor calendar

- | | |
|-------------------------------|-----------------|
| › Q3 FY2016 Operations Update | 20 April 2016 |
| › Q3 FY2016 Financial Report | 26 May 2016 |
| › Q4 FY2016 Operations Update | 20 July 2016 |
| › FY2016 Annual Report | 24 October 2016 |

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