

KERNEL

H1 FY2017

RESULTS



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Q2 FY2017 highlights

Key highlights:

- In Q2 FY2017 revenue increased 6% y-o-y to US\$ 659 million owing primarily to accelerated sales volumes across business lines.
- EBITDA stood at US\$ 130 million in Q2 FY2017, lower 10% y-o-y stemming from high competition among sunflower oil producers for sunflower seeds and changes in sales pattern in farming, however offset by a robust performance of grain and infrastructure business.
- In Q2 FY2017, sunflower oil segment's performance continued to be under pressure from an increased competition and farmers' reluctance to sell their crops, driven by receding demand for the off-farm storage, due to good quality of harvested sunflower seeds, and anticipation of farm-gate price increases. Consequently, EBITDA contribution amounted to US\$ 35 million as compared to US\$ 42 million a year ago. Nevertheless, revenues increased to US\$369 million, 5% y-o-y, as we experienced growth in sales volumes.
- Grain and infrastructure business overall EBITDA contribution in Q2 FY2017 has reached its historical highs – US\$ 48 million, up 24% y-o-y, with silos services being the largest contributor. Double-digit growth in transshipment volumes in Ukraine was weakened by sluggish performance in Taman, resulting in a negligible decline in overall volumes - down 2% y-o-y. Overall, EBITDA contribution from export terminals in Q2 FY2017 grew 16% y-o-y to US\$ 14 million.
- The farming segment's earnings in H1 FY2017 remained comparable to its previous year results with EBITDA at US\$ 134 million vs. US\$ 136 million in H1 FY2016. However, in relative terms, EBITDA margin for H1 FY2017 stood at a record level of 49% vs. 40% a year ago, fueled by 15% increase in crop yields, low cost base due to devaluation of local currency and application of pre-harvesting hedging policy, enabling to contract output at higher than current prices. Although, revenues have decreased from US\$ 342 million in H1 FY2017 to US\$ 271 million owing to changes in sale pattern.
- In Q2 FY2017 net profit attributable to equity holders of Kernel Holding S.A. remained relatively stable in comparison to the previous year at US\$95 million, down 18% y-o-y in Q2 FY2017, reflecting decreased non-operating forex gains and lower VAT benefits received, as a result of recent changes in legislation.

USD million except ratios and EPS	Q2 FY2017	Q2 FY2016	y-o-y	H1 FY2017	H1 FY2016	y-o-y
P&L highlights						
Revenue	659.3	620.9	6.2%	1,043.3	998.8	4.5%
EBITDA ⁽¹⁾	130.2	145.2	(10.3%)	202.2	200.1	1.0%
Net profit	95.4	116.5	(18.1%)	159.5	140.4	13.6%
EBITDA margin	19.7%	23.4%	(3.7pp)	19.4%	20.0%	0.6pp
Net margin	14.5%	18.8%	(4.3pp)	15.3%	14.1%	(1.2pp)
EPS ⁽²⁾ , USD	1.19	1.46	(18.3%)	2.00	1.76	13.4%
Cash flow highlights						
Operating profit before working capital changes	129.0	163.1	(20.9%)	170.3	221.0	(22.9%)
Change in working capital	(305.0)	(216.9)	40.6%	(359.4)	(291.1)	23.5%
Cash (used in)/generated from operations	(176.1)	(53.8)	3.3x	(189.1)	(70.1)	2.7x
Net cash used in operating activities	(187.9)	(71.2)	2.6x	(217.6)	(100.7)	2.2x
Net cash used in investing activities	(37.6)	(5.4)	7.0x	(50.4)	(23.8)	2.1x
Liquidity and credit metrics						
Net interest-bearing debt				554.1	465.8	19.0%
Readily marketable inventories				571.5	392.2	45.7%
Adjusted net debt ⁽³⁾				(17.4)	73.6	n/m
Shareholders' equity				1,088.8	921.0	18.2%
Net debt/EBITDA ⁽⁴⁾				1.6x	1.2x	0.4x
Adjusted net debt/EBITDA ⁽³⁾				(0.1x)	0.2x	(0.2x)
EBITDA/Interest ⁽⁵⁾				6.3x	6.4x	(0.1x)

Note: Differences are possible due to rounding.

(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 79.9 million shares for Q2 FY2017 and 79.7 million shares for Q2 FY2016

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

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

(5) EBITDA to interest coverage ratio is calculated based on 12-month trailing EBITDA.

Source: Kernel. Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2016.

Segment results summary

USD million except ratios	Revenue, USD million			EBITDA, USD million			Volume, thousand tons			EBITDA margin	
	Q2 FY2017	Q2 FY2016	y-o-y	Q2 FY2017	Q2 FY2016	y-o-y	Q2 FY2017	Q2 FY2016	y-o-y	Q2 FY2017	Q2 FY2016
Sunflower oil											
Sunflower oil sold in bulk	331.4	316.9	4.6%	29.6	35.4	(16.4%)	341.1	297.0	14.8%	8.9%	11.2%
Bottled sunflower oil	37.2	34.0	9.4%	5.2	7.0	(25.7%)	36.2	31.0	16.8%	14.0%	20.6%
	368.6	350.9	5.0%	34.8	42.4	(17.9%)				9.4%	12.1%
Grain and infrastructure											
Grain trading	277.1	258.5	7.2%	11.0	11.2	(1.8%)	1,531.9	1,322.9	15.8%	4.0%	4.3%
Export terminals	16.4	17.4	(5.7%)	13.5	11.6	16.4%	1,662.1	1,695.7	(2.0%)	82.3%	66.7%
Silo services	32.2	22.7	41.9%	23.0	15.5	48.4%				71.4%	68.3%
	325.7	298.6	9.1%	47.5	38.3	24.0%				14.6%	12.8%
Farming	124.8	285.3	(56.3%)	55.8	113.1	(50.7%)				44.7%	39.6%
Unallocated corporate expenses				(6.6)	(9.8)	(32.7%)					
Reconciliation	(159.8)	(313.9)	(49.1%)	(1.3)	(38.8)						
Total	659.3	620.9	6.2%	130.2	145.2	(10.3%)				19.7%	23.4%
USD million except ratios	Revenue, USD million			EBITDA, USD million			Volume, thousand tons			EBITDA margin	
	H1 FY2017	H1 FY2016	y-o-y	H1 FY2017	H1 FY2016	y-o-y	H1 FY2017	H1 FY2016	y-o-y	H1 FY2017	H1 FY2016
Sunflower oil											
Sunflower oil sold in bulk	483.6	486.8	(0.7%)	40.2	57.9	(30.6%)	508.4	455.2	11.7%	8.3%	11.9%
Bottled sunflower oil	60.5	54.5	11.0%	7.2	10.4	(30.8%)	57.6	48.7	18.3%	11.9%	19.1%
	544.1	541.3	0.5%	47.4	68.3	(30.6%)				8.7%	12.6%
Grain and infrastructure											
Grain trading	476.8	434.8	9.7%	15.3	21.6	(29.2%)	2,712.8	2,250.3	20.6%	3.2%	5.0%
Export terminals	28.9	26.6	8.6%	24.0	17.0	41.2%	3,055.5	2,863.4	6.7%	83.0%	63.9%
Silo services	42.7	31.2	36.9%	30.1	20.6	46.1%	2,931.7	2,691.9	8.9%	70.5%	66.0%
	548.4	492.6	11.3%	69.4	59.2	17.2%				12.7%	12.0%
Farming	271.2	341.5	(20.6%)	133.6	135.7	(1.5%)				49.3%	39.7%
Unallocated corporate expenses				(16.0)	(17.6)	(9.1%)					
Reconciliation	(320.4)	(376.6)	(14.9%)	(32.2)	(45.5)						
Total	1,043.3	998.8	4.5%	202.2	200.1	1.0%				19.4%	20.0%

Note: Differences are possible due to rounding.

(1) Million liters.

(2) Including 416,882 (976,393) tons transshipped through the Taman port in Q2 FY2017 (H1 FY2017) and 558,268 (1,131,143) tons in Q2 FY2016 (H1 FY2016) - Kernel's share of the joint venture.

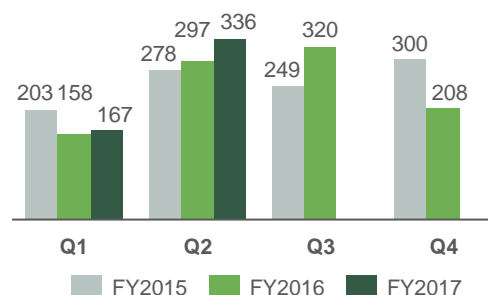
Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2016.

Sunflower oil in Q2 FY2017

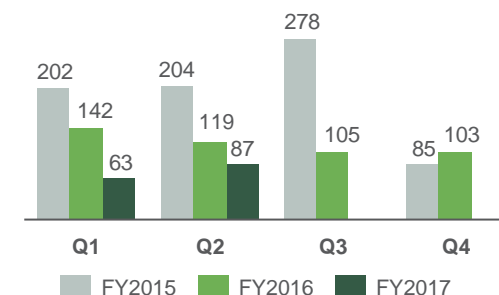
Sunflower oil sold in bulk segment:

- Oilseeds crushing volumes stood negligibly unchanged at 908 thousand tons in Q2 FY2017, down 1% y-o-y, with all crushing plants operating nearly at full capacity utilization.
- Revenue was up 5%, y-o-y to US\$ 331 million in Q2 FY2017, amid accelerated sales volumes, up 15% y-o-y and lower sunflower oil prices, while EBITDA decreased 16% to US\$ 30 million, as margins continued to be under pressure y-o-y, reflecting greater competition for sunflower seeds in Ukraine and farmers' unwillingness to sell their stock in anticipation of farm-gate price increases.
- The market conditions remained supportive for the farmers, as dry weather conditions during harvest allowed crop growers to extend an on-farm sunflower seeds storage, thus evening the pace of new harvest selling across the whole season at virtually no incremental cost. Admittedly, an improved financial position of the farmers also shifts new harvest selling beyond Q2 FY2017, thus leading to an increased competition during the reporting period. Moreover, high volatility of local currency during second half of November and December, combined with anticipation of domestic price elevation and ebbing edible oil market, led to EBITDA margin squeeze in Q2 FY2017.

Sunflower oil in bulk sales,
thousand tons



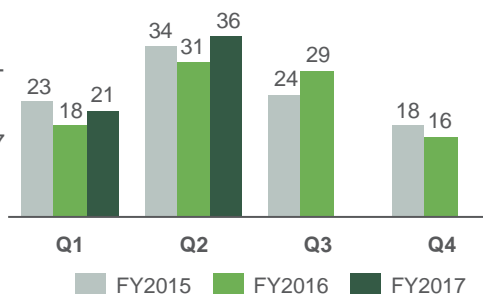
Sunflower oil sold in bulk EBITDA,
USD per ton



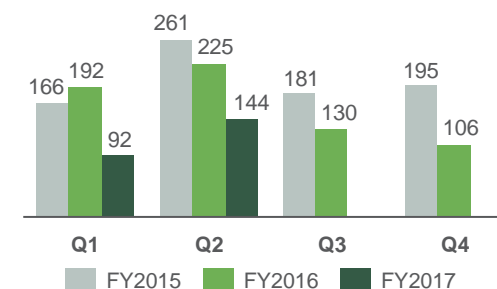
Bottled sunflower oil:

- Bottled oil sales delivered healthy 17% y-o-y growth, amounting to 36 million liters in Q2 FY2017, owing to growth in exports. As a result, the revenues surged by 9% y-o-y to US\$ 37 million.
- The bottled oil segment's EBITDA margin was at US\$ 144 per thousand liters, lower 36% y-o-y, mirroring the performance of the sunflower oil sold in bulk.
- Total EBITDA contribution amounted to US\$ 5 million in Q2 FY2017, as compared to US\$ 7 million during last year.

Bottled sunflower oil sales,
million liters



Bottled sunflower oil EBITDA,
USD per thousand liters



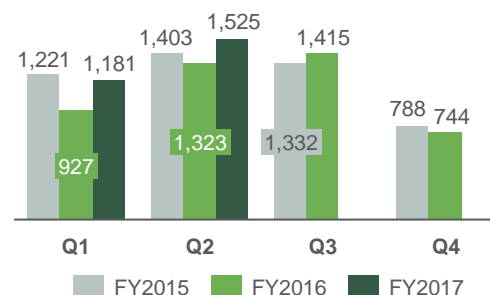
Source: Kernel

Grain and infrastructure in Q2 FY2017

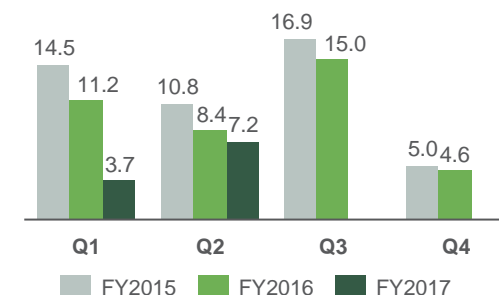
Grain marketing:

- Grain export volumes increased to a record of 1.5 million tons in Q2 FY2017, up 16% y-o-y, with growth being driven by robust performance of our own farming division and record exports from Ukraine.
- Revenues in Q2 FY2017 stood at US\$ 277 million, up 7% y-o-y, reflecting the weakness in international grain prices. Record harvest in Ukraine led to overutilization of our silo capacities, translated into higher storage costs for grain exporters, decreasing EBITDA per ton from US\$ 8.4 in Q2 FY2016 to US\$ 7.2 in Q2 FY2017. The grain segment's EBITDA margin was at a healthy level of 4% in Q2 FY2017, comparable to the 4% average level in Q2 FY2016 and higher than 2% experienced in Q1 FY2017.
- As a consequence, grain exports EBITDA contribution came to US\$ 11.0 million in Q2 FY2017, negligibly unchanged with US\$11.2 million a year ago.

Grain exports,
thousand tons



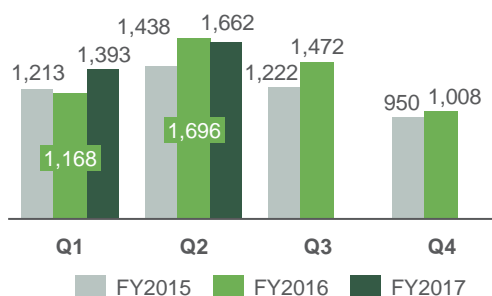
Grain exports EBITDA,
USD per ton



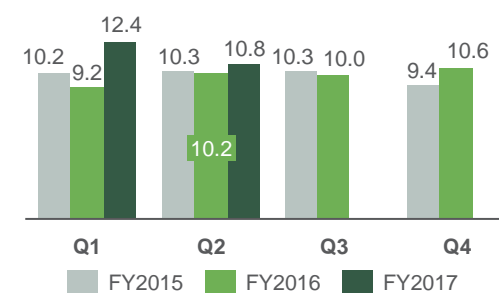
Export terminals and silo services:

- Export terminals segment's throughput remained marginally flat, down 2 % y-o-y, at 1.7 million tons in Q2 FY2017, reflecting 10% y-o-y growth in Ukraine echoing greater grain and sunflower meal exports, offset by a weaker performance in Taman.
- While segment's revenues decreased to US\$ 16 million as compared to US\$ 17 million, on account of lower transshipment fees in Q2 FY2017, the decreasing operating costs fueled EBITDA increase by 16% y-o-y to US\$ 14 million in Q2 FY2017. Net contribution from Taman joint venture amounted to a loss of US\$ 1 million as opposed to a gain of US\$ 0.9 million a year ago.
- In H1 FY2017, silo services segment has delivered an astounding operating results of US\$ 43 million in revenues, up 37% y-o-y, and EBITDA of US\$ 30 million, up 46% y-o-y, as above-average rainfall during November – December 2016 significantly increased the demand for grain drying services, the most profitable service provided by our silo division, and increased third party farmers' use of the off-farm storage, primarily for corn.

Export terminals throughput,
thousand tons



Export terminals EBITDA,
USD per ton



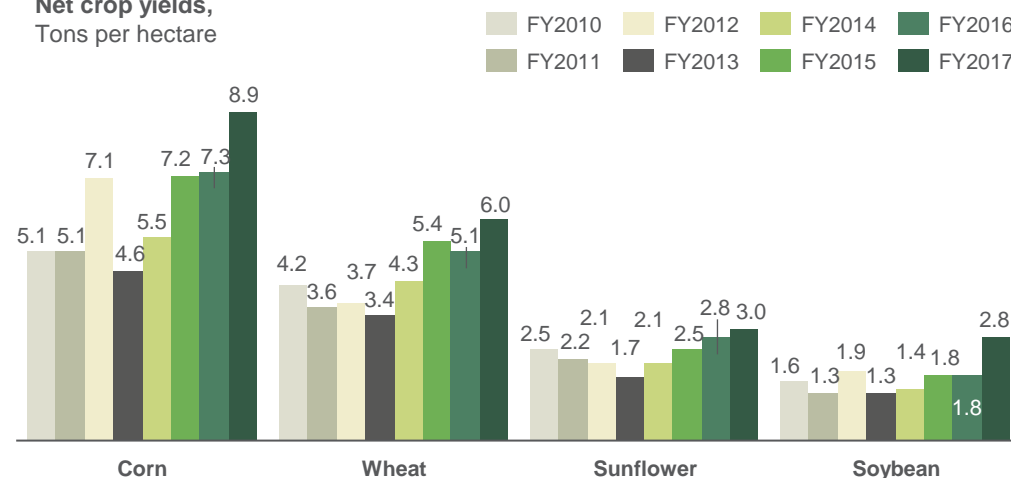
Source: Kernel

Farming in H1 FY2017

Farming:

- In H1 FY2017, the segment's revenues stood at US\$ 271 million, down 21% y-o-y owing to changes in sale pattern y-o-y.
- The total grain and oilseed harvest increased 15% y-o-y to 2.1 million tons in FY2017, as a result of a double-digit growth in crop yields for major crops, following changes in our cultivation and production technologies and supportive weather conditions. As a result, the segment's EBITDA stood at US\$ 133 million in H1 FY2017 with a record EBITDA margin of 49% vs. 40% a year ago.
- Winter crop plantings (24% of total acreage) are in a normal condition as of the date of this report publication.
- H1 FY2017 operating income includes US\$ 35 million of gain vs. US\$ 5 million a year ago, attributable to revaluation of our crops in fields and agricultural produce at the moment of harvest. This gain was driven by the combination of 15% weighted-average growth in crop yields.

Net crop yields,
Tons per hectare



FY2017 harvest results

	Acreage, thousand hectares			Net crop yield ⁽¹⁾ , tons/hectare			Net tonnage ⁽¹⁾ , thousand tons		
	FY2017	FY2016	y-o-y	FY2017	FY2016	y-o-y	FY2017	FY2016	y-o-y
Corn	138.2	160.7	(14.0%)	8.9	7.2	23.6%	1,230.0	1,157.0	6.3%
Wheat	82.4	72.5	13.7%	5.8	5.1	13.7%	477.9	369.8	29.2%
Sunflower	81.4	62.0	31.3%	3.0	2.8	7.1%	244.2	173.6	40.7%
Soybean	58.2	66.9	(13.0%)	2.9	1.8	61.1%	168.8	120.4	40.2%
Rapeseed	2.6	9.6	(72.9%)	3.0	4.4	(31.8%)	7.8	42.2	(81.5%)
Other ⁽²⁾	18.5	14.5	27.6%						
Total	381.3	386.2	(1.3%)				2,128.7	1,863.0	14.3%

Note: Differences are possible due to rounding.

(1) 1 ton per hectare equals of 15.9 bushels per acre of corn, and 14.9 bushels per acre for wheat and soybean.

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

Source: Kernel.

Q2 FY2017 balance sheet

Balance sheet highlights

USD million	31 Dec 2016	30 Jun 2016	31 Dec 2015
<i>Invested Capital</i>			
Cash & cash equivalents	68.9	60.4	116.1
Net trade accounts receivable	125.4	75.2	88.7
Inventory	616.1	200.2	443.1
<i>of which: readily marketable inventories</i>	571.5	183.7	392.2
Biological assets	28.0	190.3	20.0
Other currents assets	287.4	194.4	219.4
Net property, plant & equipment	522.6	538.7	507.5
Other non-current assets	242.9	250.2	253.1
Total assets	1,891.3	1,509.4	1,648.0
<i>Financed by</i>			
Short-term liabilities	721.5	373.3	634.8
<i>of which: interest-bearing debt</i>	573.2	259.0	509.2
Long-term liabilities	107.1	139.0	90.6
<i>of which: long-term interest bearing debt</i>	49.9	84.1	72.7
Total liabilities	828.6	512.3	725.4
Total equity	1,062.7	997.1	922.6

Credit metrics highlights

USD million, except ratios	31 Dec 2016	30 Jun 2016	31 Dec 2015
Gross interest-bearing debt	623.0	343.1	581.9
Cash	68.9	60.4	116.1
Net interest-bearing debt	554.1	282.8	465.8
Readily marketable inventories	571.5	183.7	392.2
Adjusted net financial debt	(17.4)	99.1	73.6
Shareholders' equity	1,088.8	995.3	921.0
Net debt / EBITDA	1.6x	0.8x	1.2x
Adjusted net debt / EBITDA	(0.1x)	0.3x	0.2x
EBITDA / Interest	6.3x	6.1x	6.4x

Note: Differences are possible due to rounding.

Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2016.

Q2 FY2017 P&L and cash flows

P&L highlights

USD million, except ratios and EPS

	Q2 FY2017	Q2 FY2016	y-o-y
Revenue	659.3	620.8	6.2%
Net IAS 41 gain	1.7	3.1	0.6x
Gross profit	157.1	166.3	(5.5%)
EBITDA⁽¹⁾	129.8	145.2	(10.6%)
EBIT	116.1	130.3	(10.9%)
Net profit⁽²⁾	95.4	116.5	(18.1%)
Gross margin	23.8%	26.8%	(2.9pp)
EBITDA margin	19.7%	23.4%	(3.7pp)
Net margin	14.5%	18.8%	(4.3pp)
EPS	1.19	1.46	(18.3%)

Cash flow highlights

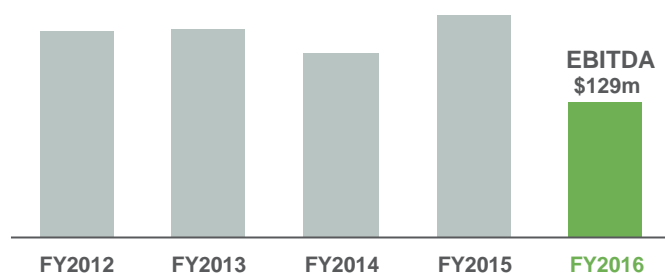
	Q2 FY2017	Q2 FY2016	y-o-y
Operating profit before working capital changes	129.0	163.1	(20.9%)
Changes in working capital	(305.0)	(216.9)	40.6%
Cash obtained from/(used in) operations	(176.1)	(53.8)	227.4%
Finance costs paid	(11.6)	(17.2)	(32.9%)
Income tax paid	(0.3)	(0.2)	30.8%
Net cash obtained from/(used in) operating activities	(187.9)	(71.2)	163.9%
Net PPE disposals/(purchases)	(4.4)	1.3	(435.7%)
Sales/(Purchase) of intangible and other non-current assets	(0.2)	0.1	(282.5%)
Acquisition of subsidiaries and purchase of investment in joint ventures	3.4	(6.8)	(149.1%)
Net cash obtained from/(used in) investing activities	(1.2)	(5.4)	(77.1%)
Net cash obtained from/(used in) investing & operating activities	(189.1)	(76.6)	146.9%

Note: Differences are possible due to rounding.

Source: Condensed Consolidated Interim Financial Statements for the 6 months ended 31 December 2016.

Kernel at a glance

Sunflower oil

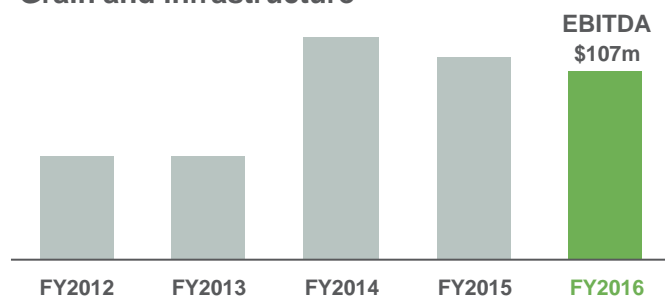


- #1 sunflower oil producer and exporter in Ukraine
- 3.5 million tons/ year sunflower seed crushing capacity
- #1 bottled sunflower oil producer and marketer in Ukraine with 35% market share

Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	80,701,230
Bloomberg Reuters ticker	KER PW KERN.WA
ISIN code	LU0327357389

Grain and infrastructure

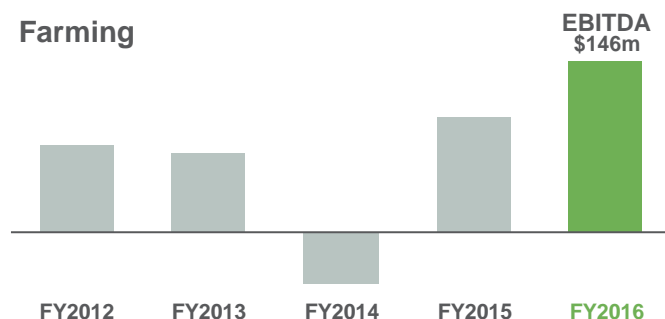


- Leading grain originator and marketer with ca. 10% of Ukraine's total grain exports
- #3 grain exporter from Russia
- 2 export terminals in Ukraine and Russia with total annual capacity to transship of 6 million tons.
- #1 private inland grain silo network with 2.4 million tons of storage capacity in Ukraine

Market data as of 29 November 2016

Market capitalization	US\$ 1,210.5 million
Closing price	PLN 63.5 / US\$ 15.19
Low est/Highest price for last twelve months	US\$ 9.83 / 16.71
Average daily turnover, twelve months	17,380 shares / US\$ 1.6 million

Farming



- #2 crop producer in Ukraine with 385,000 hectares of leasehold farmland
- Modern large-scale machinery, sustainable agronomic practices, cluster management system and focused export-oriented crop mix
- ca. 90% of output goes through our grain and infrastructure or sunflower oil segments, earning incremental profits

USD million, except ratios and EPS	FY2016	FY2015	FY2014
Revenue	1,988.5	2,329.5	2,393.3
EBITDA	346.4	396.6	223.0
Net profit/(loss) ⁽¹⁾	225.2	106.9	(98.3)
EBITDA margin	17.4%	17.0%	9.3%
Net margin	11.3%	4.6%	(4.1%)
EPS, USD	2.83	1.34	(1.23)

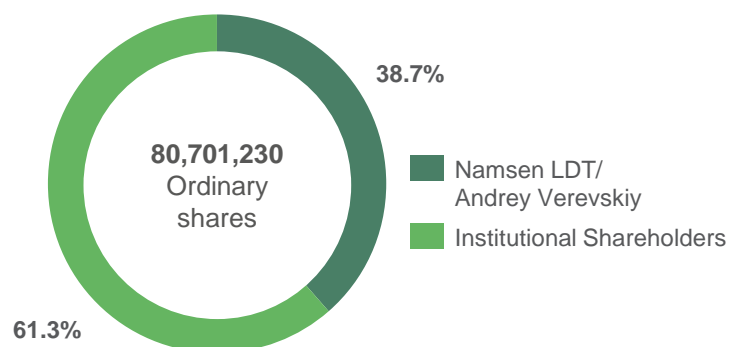
Note: Differences are possible due to rounding. Hereinafter, segment EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations from sugar and assets held for sale
Source: Kernel.

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

Kernel's key milestones and shareholder overview

Began with asset-light crop export platform, dealing with origination, transport and final sale of Ukrainian crops	Acquired the oil brand Schedry Dar, together with crushing, refining and bottling facilities in Eastern Ukraine	Listed on the Warsaw Stock Exchange on November 23rd, raising USD 161 million of primary proceeds	Extended oilseed crushing capacity in Ukraine by concluding 216,000 crushing tolling agreement with Black Sea Industries	Entered the Russian market by acquiring Russian Oils. Acquired farming companies Ukrros and Enselco, expanding farming, storage and sugar production capacity. Issued USD 140 million of equity	Exited highly volatile and local currency-exposed sugar business, divesting two sugar plants in Ukraine for USD 100 million	Acquired oilseed crushing plant in Kirovograd region in Ukraine, adding 560,00 tons of crushing capacities							
1995 >	2002 >	2004 >	2006 >	2007 >	2008 >	2009 >	2010 >	2011 >	2012 >	2013 >	2014 >	2016 >	2017 >
Evolved to a processor of agricultural commodities by acquiring a sunflower seed crushing plant in Poltava, Ukraine	Doubled in size by acquiring Evrotek, which substantially grew oil, grain and farming operations	Acquired Transbulk, Ukraine's second largest grain terminal and acquired 50,000ha of prime farmland. Issued USD 84 million of new equity.	Acquired Allseeds' production assets, adding 565,000 tons of sunflower seed crushing capacity. Issued USD 80 million of additional equity	Formed 50/50 JV to acquire 100% interest in a deep-water grain export terminal in Taman port, Russia. Acquired Black Sea Industries, adding 270,000 tons of crushing capacity	Launched 200,000 tons of greenfield silo storage capacity in different regions of Ukraine	Completed a landmark transaction issuing USD 500 million Eurobond, thus reopening Ukrainian debt market after 3-year freeze							

Kernel's shareholder structure



Top shareholders

TFI PZU SA ⁽¹⁾	10.10%
Nationale-Nederlanden OFE ⁽²⁾	5.20%
Cascade Investment Fund	4.94%
Aviva Plc	3.78%
Capital Group	3.26%
AXA OFE	2.52%
Dimensional Funds Advisors	2.10%
NN Investment Partners	1.76%
Aegon PTE	1.41%
Vanguard Group	1.32%
Other	24.89%

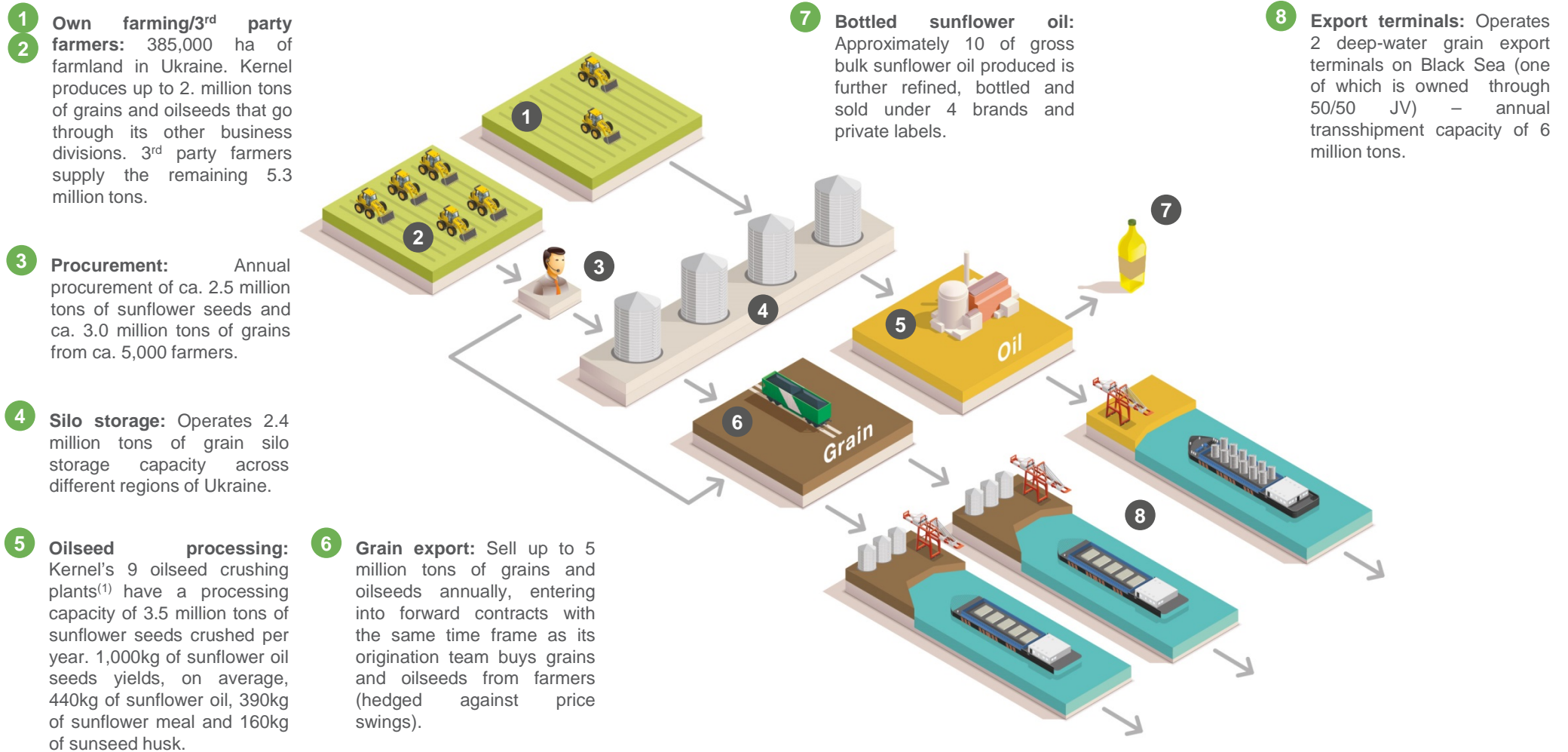
(1) As per notification received on 23 January 2017

(2) As per AGM attendance list as of 12 December 2016

Source: based on FactSet and Stooq.pl as of November 2016

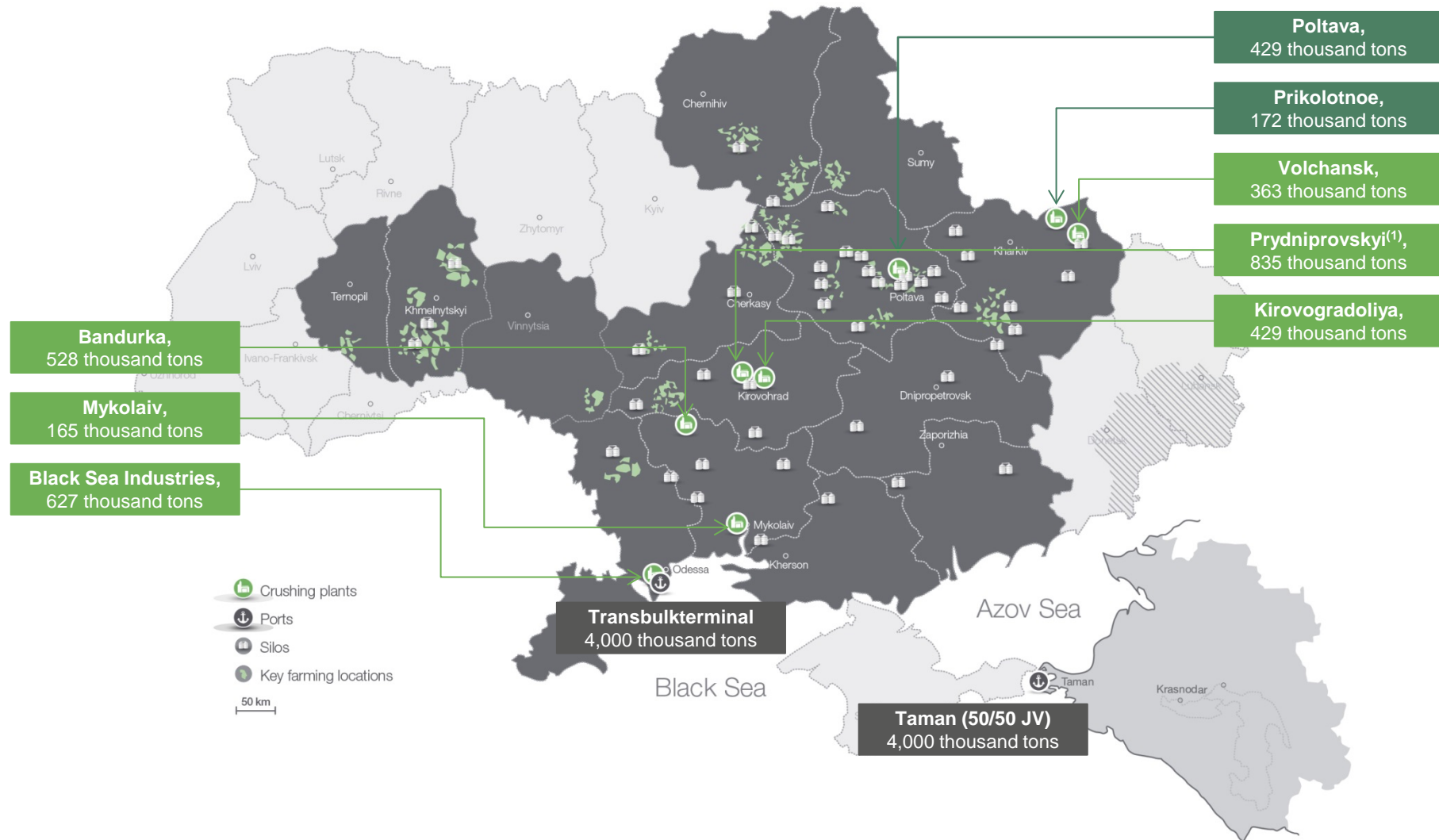


Kernel operates a fully integrated business model



(1) Including Ellada under tolling agreement.

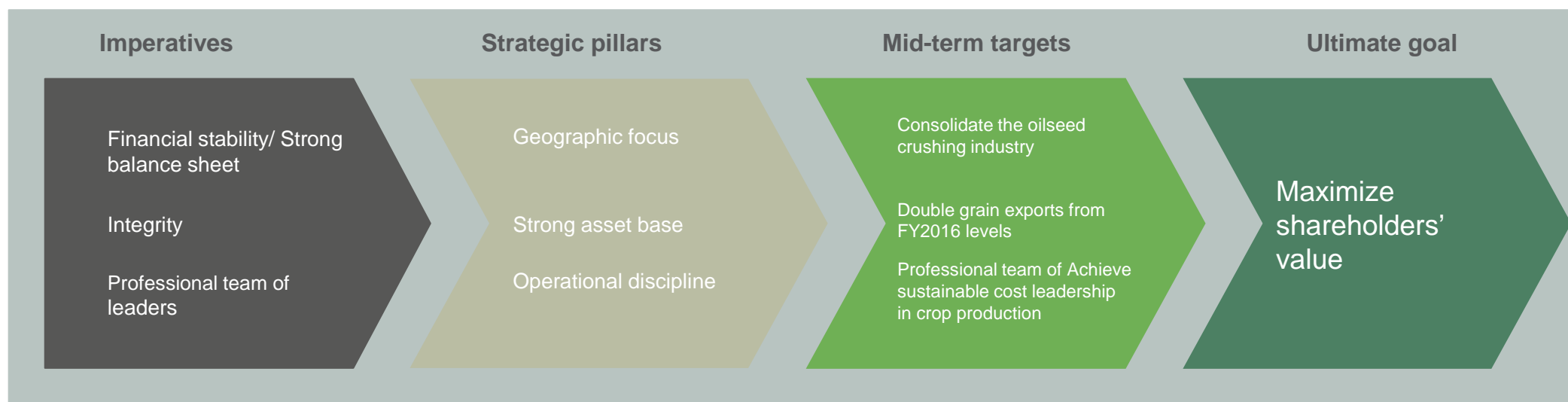
Kernel has a well-invested and strategic asset base representing high barrier to entry



(1) Including Ellada under tolling agreement.

Kernel's mid-term strategy

We aim to profitably double export volumes, providing unique complex solutions to our clients: customers and suppliers, by balanced development of our business segments as a result of efficient use of our asset base, investment in technology and innovation, strategic acquisitions, continuous development of our employees and strengthening of our operations.



Mid-term targets in detail:



Sunflower oil

- Consolidate the oilseed crushing industry in the Black Sea region by acquiring up to 1.5 million tons of additional crushing capacity in Ukraine



Grain and infrastructure

- Double grain exports by 2019 through greenfield construction of up to 4.0 million tons deep-water transshipment facility in Ukraine



Farming

- Optimize silo network for expansion of trading and farming operations
- Achieve sustainable low-cost crop production through investment in technology and acquisition of leasehold rights for additional 150,000 ha of farmland

FY2016 strategy achievements:

Sunflower oil

- Increased crushing capacity through the acquisition of a state-of-the-art 560,000 tons crushing facility and entered into a tolling agreement for additional 275,000 tons, while strategically divesting 200,000 idle capacity

Grain and infrastructure

- Achieved record 11% growth in volumes of grain transshipped, debottlenecking Transbulk terminal facility and increasing of storage capacity at Taman

Farming

- Delivering another year of strong profitability, offsetting other segments drawbacks
- Fully exited from sugar business by divesting remaining idle assets

SUNFLOWER OIL

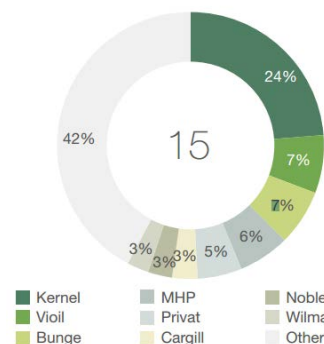


Our business model

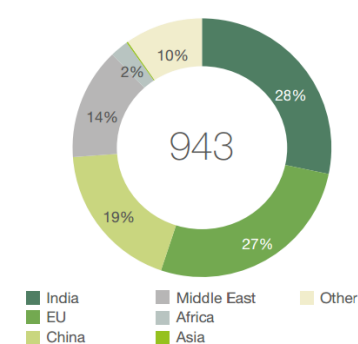
- #1 oilseed crusher in Ukraine; total capacity of 3.5 million tons of sunflower seed per year.
- Diversified asset base: 8 plants located across the sunflower seed belt in Ukraine.
- Diversified supplier base: 5,000+ suppliers annually. Own farming contributes 6-9% of total volumes.
- 'Balanced book' policy of locking into margins at the moment of sunflower seed procurement.
- 90% volumes exported in bulk; 10% sold domestically via several brands and private labels.



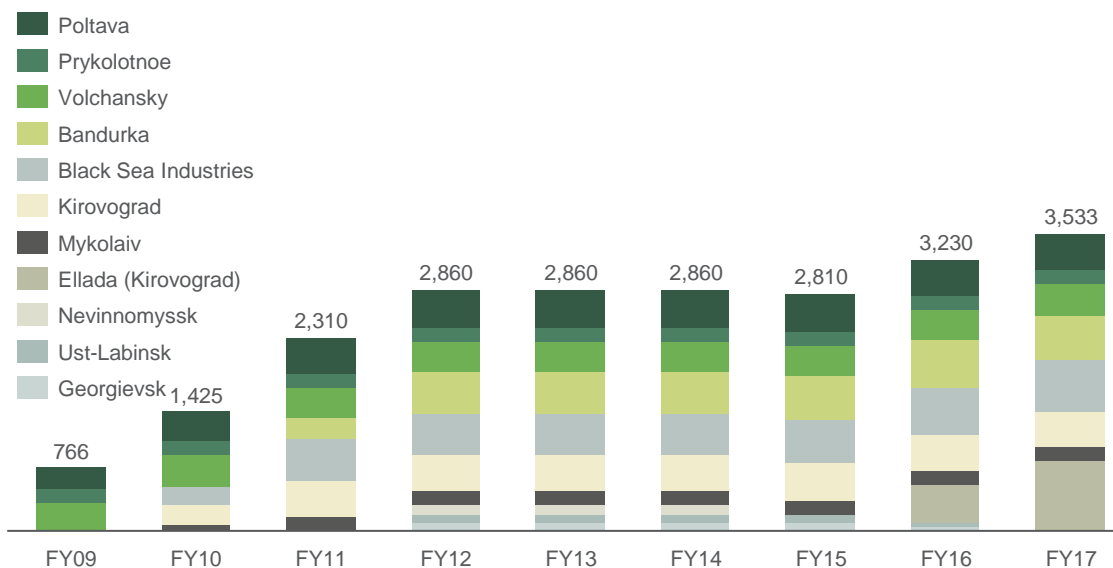
Sunflower seed industrial crushing capacity in Ukraine, million tons



Sunflower oil sold in bulk exports by destination, thousand tons



Kernel oilseed crushing capacity, thousand tons per year



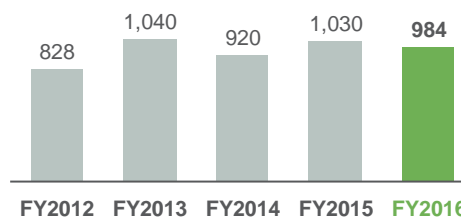
(1) Nevinnomysk oilseed crushing plant was divested in FY2014, Georgievsk and Ust-Lubinsk were divested in April 2016
Source: Kernel.

Sunflower oil in FY2016

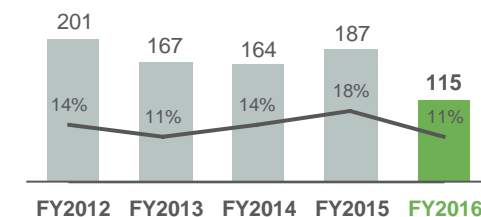
Sunflower oil sold in bulk segment:

- While the supply of sunflower seed recovered to a normalized level in 2015/16, the crushing capacities in Ukraine were underutilized. During the year, the crushing margins experienced a market-wide contraction stemming from an imbalance between supply and demand of sunflower seeds, as new crushing facilities have been commissioned. Hence, our EBITDA margin declined to 11% from 18% a year ago.

Sunflower oil in bulk sales,
thousand tons



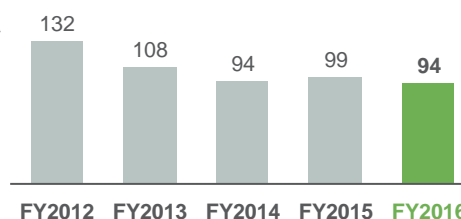
Sunflower oil sold in bulk EBITDA,
USD per ton



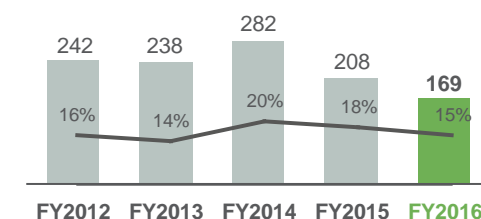
Bottled sunflower oil:

- In FY2016, we shifted volumes from domestic to export market with no currency and limited counterparty risks. Therefore, we managed to retain EBITDA margins during the period of intensified competition, thus posting a material premium over bulk oil segment's EBITDA of 11% in FY2016.

Bottled sunflower oil sales,
million liters

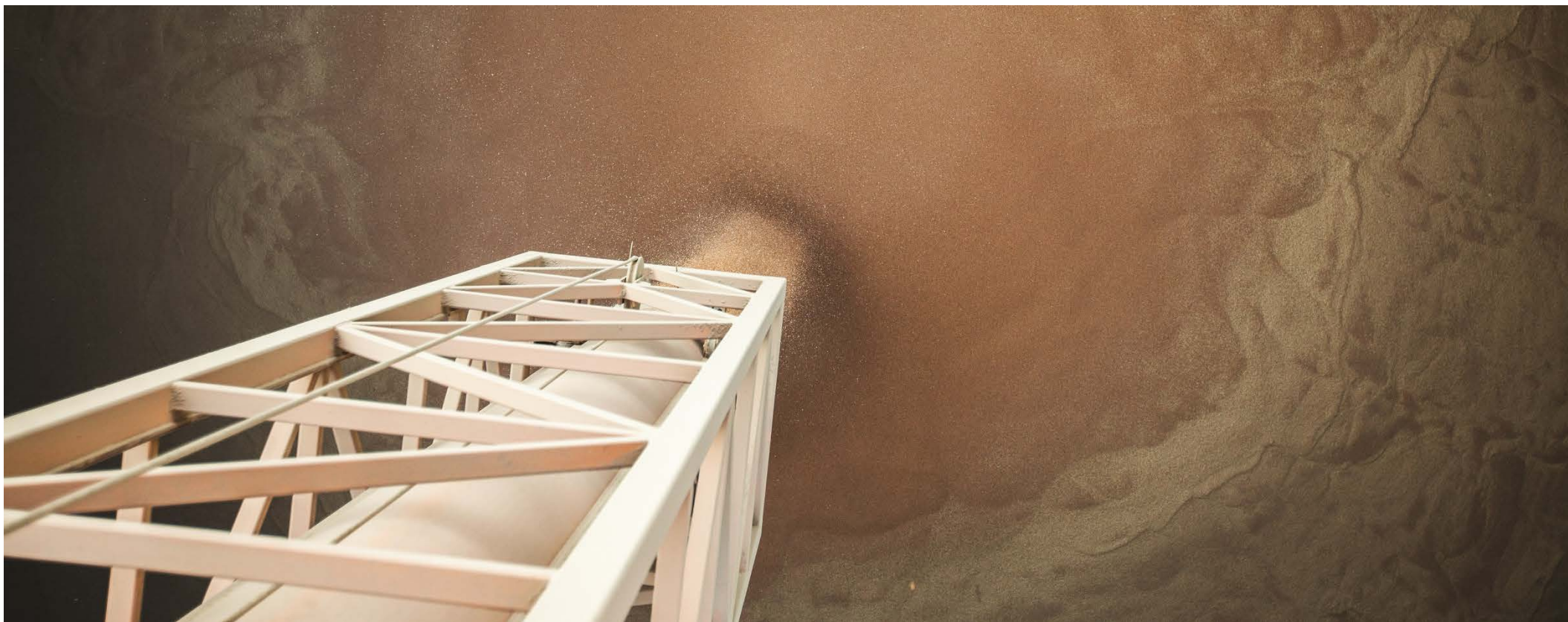


Bottled sunflower oil EBITDA,
USD per thousand liters



Source: Kernel

GRAIN AND INFRASTRUCTURE



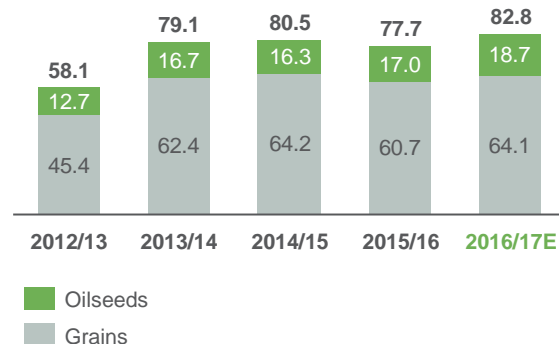
Our business model

- 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 2.4 million ton silo storage capacity serves as captive for our origination platform.
- Two 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 in FY2016

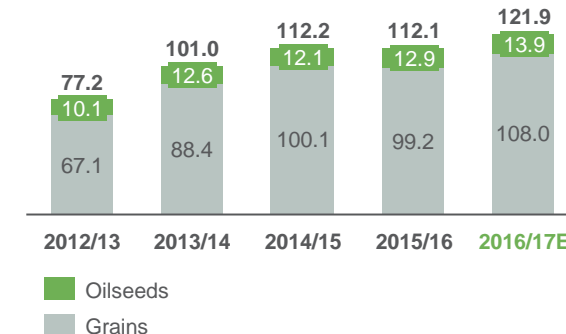


Grain and oilseed production in Ukraine, million tons



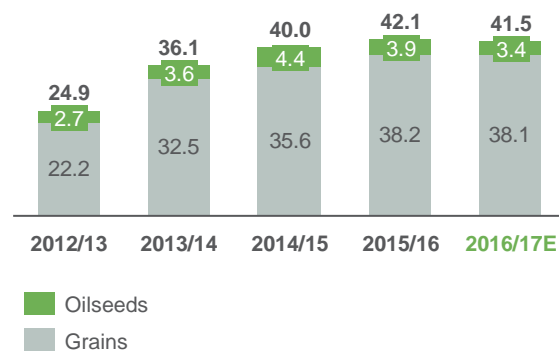
Source: State Statistics Services of Ukraine, APK-Inform estimates. January 2017

Grain and oilseed production in Russia, million tons



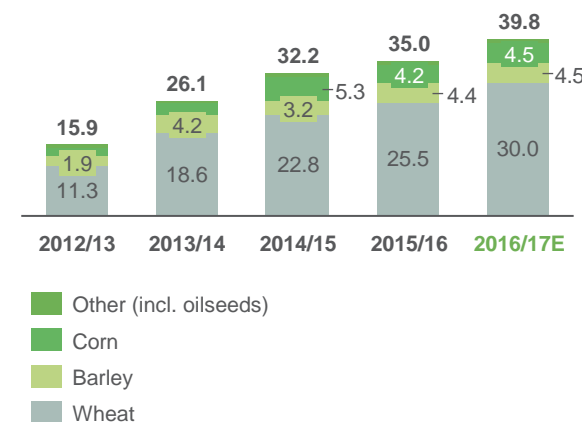
Source: Russian Federal State Statistics, APK-Inform estimates. January 2017

Ukraine's grain and oilseeds exports, million tons



Source: APK-Inform estimates. January 2017

Russia's grain and oilseeds exports by crop, million tons



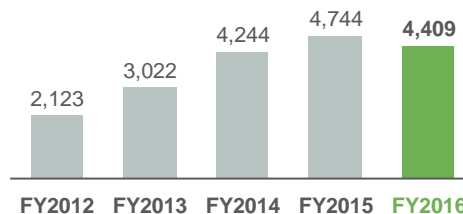
Source: APK-Inform estimates. January 2017

Grain and infrastructure in FY2016

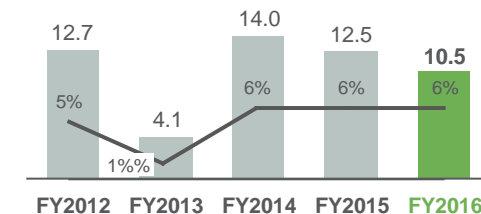
Grain exports:

- Grain sales volumes stood at 4.4 million tons, down 7% y-o-y, due to the change in seasonality of grain exports from Ukraine and the accumulation of pre-sold stock to meet stronger demand for deliveries in Q1 FY2017. Weaker grain trading margins of the first half of the season were offset with expanded margins in the second half following the reinstatement of VAT refunds on grain exports on 1 January 2016.

Grain sales,
thousand tons



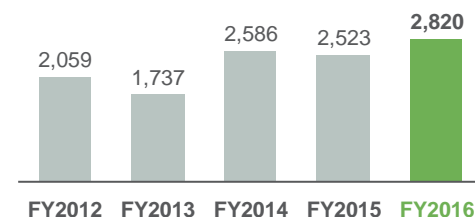
Grain segment's EBITDA,
USD per ton



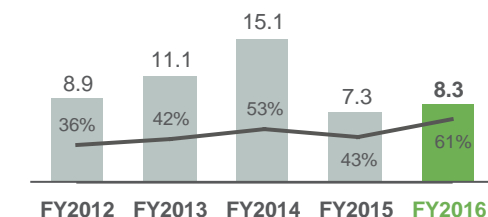
Silo services:

- The silo services segment's performance prospered in FY2016, delivering 2.8 million tons of cumulative grain and oilseed intake at inland silos – a strong 12% y-o-y increase, caused by improving turnover of our storage facilities and streamlining the customer base. At the same time, revenues reached USD 38.2 million, down 10% y-o-y, as drier weather conditions during harvesting resulted in a 10% y-o-y decline in the volume of drying services provided. Overall, the segment's EBITDA contribution surged 28% y-o-y, reaching USD 23.4 million in FY2016.

Grain received in inland silos,
thousand tons



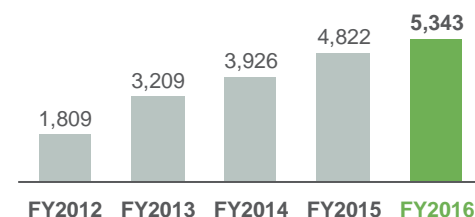
Silo services EBITDA,
USD per ton



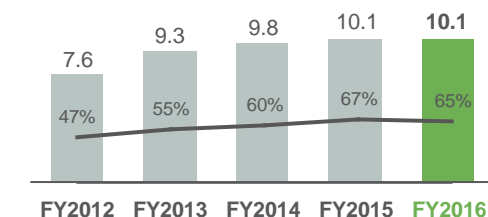
Export terminals:

- Export terminals' performance continued to set records, transshipping 5.3 million tons in FY2016, a healthy 11% y-o-y increase, largely attributable to the debottlenecking of our Chornomorsk (formerly Illichevsk) facility and capacity expansion at Taman, our joint venture deepwater grain transshipment terminal in Russia. The overall contribution to consolidated EBITDA of the segment was USD 37.5 million, up 2% y-o-y.

Export terminals throughput,
thousand tons



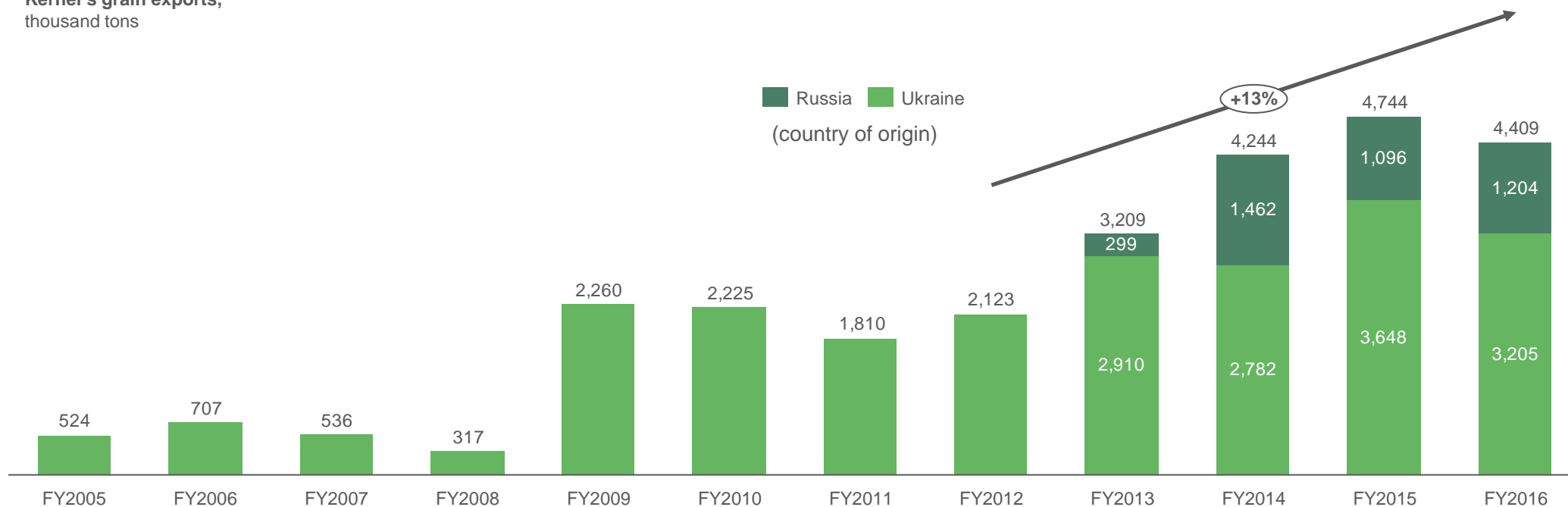
Export terminal EBITDA,
USD per ton



Source: Kernel

Kernel's infrastructure is a captive origination platform, supporting growing export volumes, 13% CAGR over the past three years

Kernel's grain exports,
thousand tons



Acquisition of Transbulkterminal in early FY2009

- Facilitated a rapid transformation of Kernel into one of the largest grain traders in Ukraine
- Raised trading volumes fourfold from typical 0.5 million tons before acquisition to 2 million tons by FY2009
- Enabled to benefit from increasing grain exports in Ukraine

Acquisition of interest in Taman in early FY2013

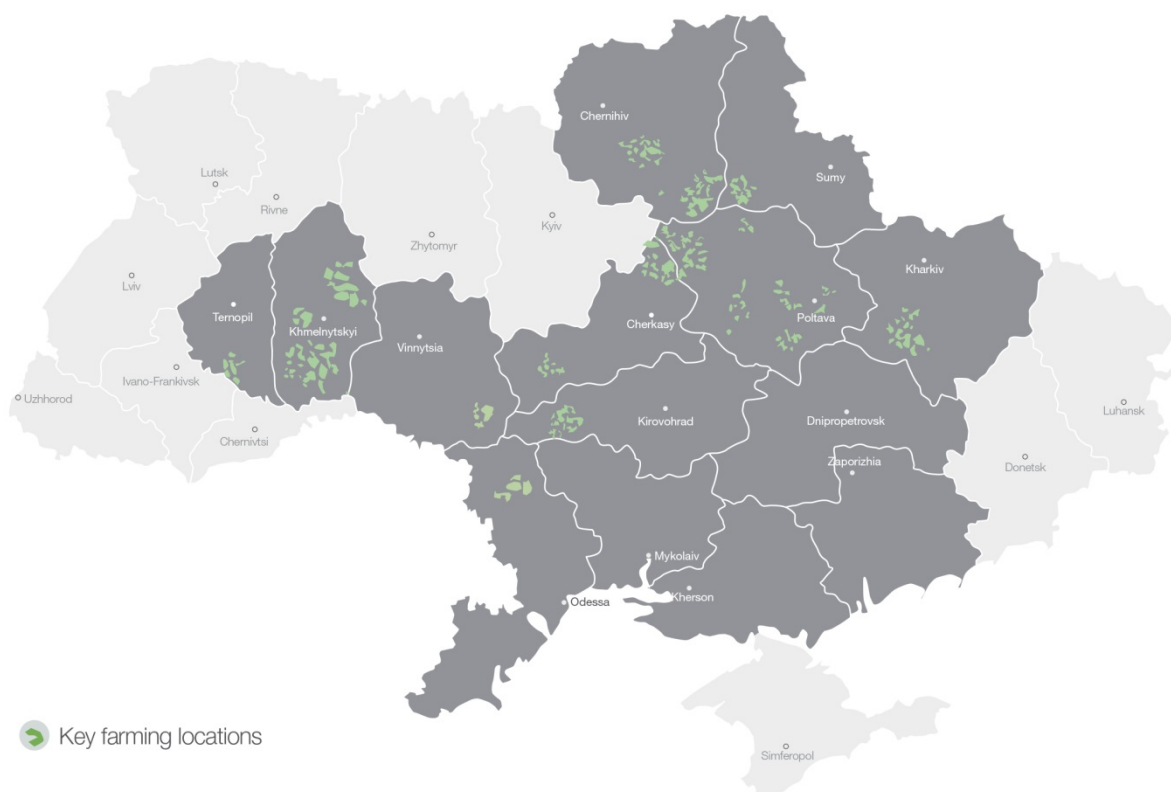
- 50/50 joint venture with Glencore, installed throughput capacity of 3 million tons of grains per annum, further increased to 4 million tons as of FY2017
- Russia is a large global grain exporter with potential to double its grain export in the long term perspective
- A key element in gaining significant and captive market share in Russian grain exports

FARMING

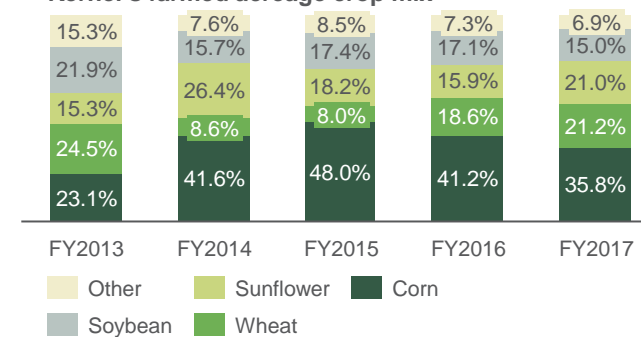


Our business model

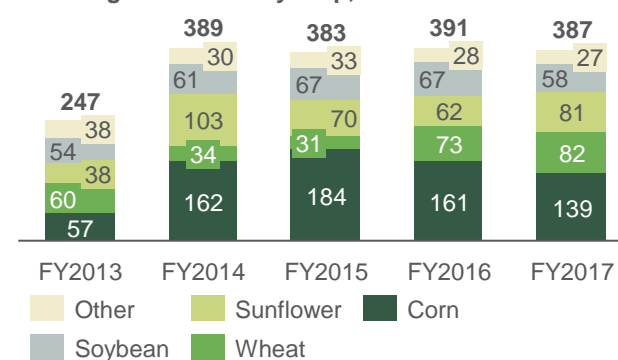
- Large-scale crop production on 385,000 hectares of leasehold farmland in Ukraine.
- A crop mix based on four crops allows us to focus on profits and technology while keeping sufficient flexibility.
- We utilize modern large-scale machinery, sustainable agronomic practices, and a cluster management system.
- 85-90% of output goes through our grain and infrastructure or sunflower oil segments, earning incremental profits.



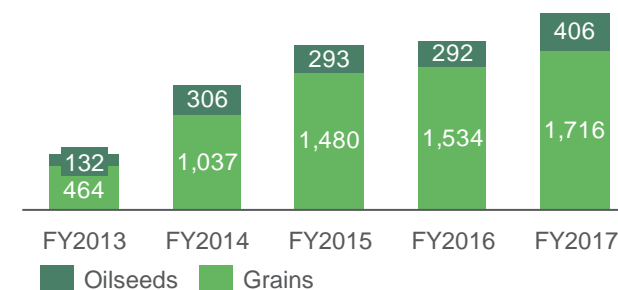
Kernel's farmed acreage crop mix



Acreage harvested by crop, thousand ha



Kernel's crop production, thousand ha

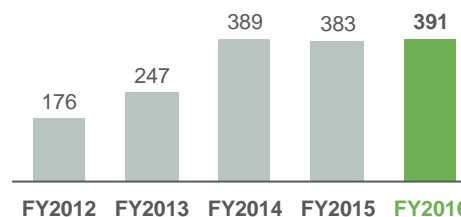


Farming in FY2016

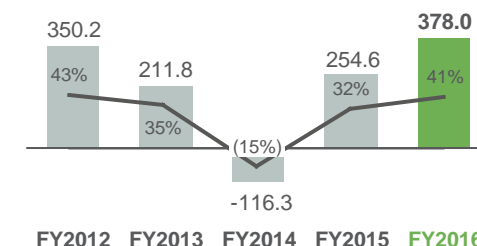
Farming:

- In FY2016, our farming division contributed 38% of the Group EBITDA, thus having another year of stellar performance, as we continued to implement changes of our production technology to deliver growth in crop yields.
- For the second consecutive year, our crop production costs per hectare continue to decline as energy costs and the Ukrainian hryvnia depreciated further. Additionally, reinstatement of VAT refunds on grain exports increased farm gate prices.

Acreage harvested,
thousand ha



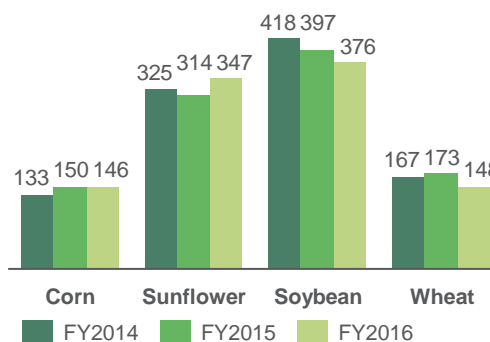
Farming segment's EBITDA,
USD per ton



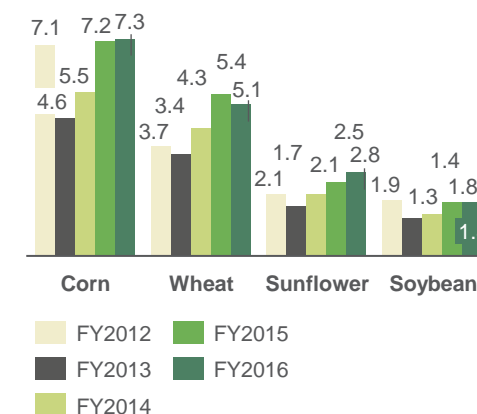
Key market trends in FY2016:

- Continued prevalence of grain production over consumption is expected to keep international prices under pressure.
- Devaluation of currencies in emerging markets reduced the USD denominated cost base of crop production supporting profitability of farmers.
- Changes in tax legislation effective from 1 January 2016 had a net positive contribution to farming earnings.

Average farm-gate prices in Ukraine,
USD per ton, excl. VAT



Crop yields,
ton per ha, net



Source: Kernel

FINANCIALS AND OUTLOOK



Kernel has a track record of strong financial performance

Income statement highlights

USD million, except multiples	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
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	1,988.5
EBITDA, incl.	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5	223.0	396.6	346.4
<i>Sunflower oil</i>	-	-	81.1	89.4	101.2	202.3	198.5	199.3	177.8	213.1	128.8
<i>Grain and infrastructure</i>	-	-	39.9	111.6	79.8	93.6	59.0	59.0	125.8	114.5	107.1
<i>Farming</i>	-	-	19.9	6.9	23.1	31.5	73.8	67.3	(44.3)	97.9	145.9
<i>Unallocated corporate expenses</i>	-	-	(17.7)	(17.8)	(14.0)	(17.8)	(12.4)	(38.1)	(36.3)	(29.0)	(35.5)
Net profit	1.3	19.5	83.2	135.5	152.0	226.3	206.7	111.6	(98.3)	106.9	225.2
EBITDA margin	7.9%	13.2%	18.6%	18.2%	18.6%	16.3%	15.4%	10.3%	9.3%	17.0%	17.4%
Net margin	0.6%	5.6%	12.6%	12.9%	14.9%	11.9%	10.0%	4.0%	(4.1%)	4.6%	11.3%

- Management made a span review of strategy in 2014, focusing on cash accumulation and deleveraging
- Meaningful cut of expansion capital expenditure in FY2015 and FY2016
- Cumulative effect of these actions, alongside enhanced profitability in FY2015 and FY2016, was more than US\$ 400 million cash inflow

Cash flow highlights

EBITDA	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5	223.0	396.6	346.4
Maintenance CAPEX ⁽¹⁾	(6.0)	2.2	(24.4)	(88.6)	(56.2)	(48.1)	(93.1)	(90.9)	(41.7)	(22.7)	(30.4)
Finance cost paid	(9.4)	(18.4)	(28.1)	(32.2)	(22.8)	(36.0)	(66.8)	(76.2)	(72.0)	(68.4)	(57.6)
Income tax paid	(0.4)	(0.7)	(3.4)	(1.7)	(0.8)	(3.0)	(6.5)	(43.4)	(40.2)	(13.0)	(2.8)
Other non-cash items ⁽²⁾	(0.4)	(1.0)	(7.1)	(1.9)	15.7	(34.4)	(27.4)	0.5	(27.5)	(57.8)	(15.9)
Funds from Operations	0.8	28.5	60.2	65.6	126.0	188.2	125.0	77.6	41.6	234.6	239.7
Dividends paid	-	-	-	-	-	-	-	-	-	(19.9)	(19.9)
Change in working capital	(35.8)	(14.7)	(210.3)	(25.0)	(97.4)	(180.1)	(242.1)	135.4	(0.9)	147.4	(136.3)
Expansion CAPEX ⁽³⁾	0.6	(59.4)	(145.7)	(6.7)	(69.4)	(78.0)	(136.1)	(175.2)	(41.5)	(1.6)	(30.4)
Free cash flow	(34.4)	(45.7)	(295.7)	34.0	(40.9)	(69.9)	(253.2)	37.8	(0.7)	360.5	53.1

Liquidity position and credit metrics

Gross interest-bearing debt	94.2	158.2	258.8	299.5	350.4	427.5	698.3	733.9	749.4	468.5	343.1
Cash	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8	65.4	129.1	60.4
Net interest-bearing debt	87.8	132.9	170.3	170.3	290.9	311.6	615.8	655.1	684.0	339.4	282.8
Readily marketable inventories ⁽⁴⁾	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4	140.1	183.7
Adjusted net financial debt	58.5	94.8	31.7	75.4	148.0	138.9	230.7	480.0	440.6	199.3	99.1
Net debt / EBITDA	5.2x	2.9x	1.4x	0.9x	1.5x	1.0x	1.9x	2.3x	3.1x	0.9x	0.8x
Adjusted net debt / EBITDA	3.4x	2.0x	0.3x	0.4x	0.8x	0.4x	0.7x	1.7x	2.0x	0.5x	0.3x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x	5.8x	6.1x

Note: Differences are possible due to rounding.

Source: Kernel financial reports

(1) Committed CAPEX

(2) Changes in fair value of bioassets, movements in allowance for doubtful debt, losses on disposal of PPE, impairment, etc.

(3) Acquisitions and other related investments of existing capacities

(4) Including financial lease

(5) Profitably pre-sold stock of sunflower oil/meal, etc. no price risk

Balance sheet

Balance sheet highlights

USD million	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
<i>Invested Capital</i>											
Cash & cash equivalents	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8	65.4	129.1	60.4
Net trade accounts receivable	9.1	9.8	48.7	32.4	65.5	111.6	146.4	150.8	99.8	56.1	75.2
Inventory	32.3	40.2	144.7	99.1	147.8	183.7	410.2	270.2	299.5	158.8	200.2
<i>of which: readily marketable inventories</i>	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4	140.1	183.7
Biological assets	3.4	9.7	42.4	18.9	26.1	96.0	153.3	247.0	182.8	146.6	190.3
Other currents assets	16.8	31.1	53.0	98.7	299.8	302.6	326.0	343.3	225.0	168.0	194.4
Net property, plant & equipment	72.5	127.9	231.6	221.8	379.0	502.8	728.4	763.3	643.5	535.2	538.7
Other non-current assets	15.4	31.2	146.7	99.6	147.0	260.1	269.6	508.2	403.0	271.9	250.2
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	1,509.4
<i>Financed by</i>											
Short-term liabilities	34.5	59.2	185.1	195.1	352.2	395.0	446.2	700.1	597.4	458.1	373.3
<i>of which: interest-bearing debt</i>	29.8	45.8	160.8	166.7	215.1	271.4	271.4	458.2	489.4	373.3	259.0
Long-term liabilities	73.8	130.6	130.1	147.2	167.7	180.3	459.5	309.3	291.0	116.7	139.0
<i>of which: long-term interest bearing debt</i>	64.4	112.4	98.1	132.9	135.3	156.1	426.9	275.7	260.0	95.2	84.1
Total liabilities	108.3	189.8	315.2	342.2	519.9	575.3	905.7	1,009.4	888.3	574.8	512.3
Total equity	47.6	85.3	440.4	357.5	604.9	997.3	1,210.7	1,352.3	1,030.7	890.8	997.1

Credit metrics highlights

USD million, except ratios	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Gross interest-bearing debt	94.2	158.2	258.8	299.5	350.4	427.5	698.3	733.9	749.4	468.5	343.1
Cash	6.4	25.3	88.5	129.3	59.5	115.9	82.5	78.8	65.4	129.1	60.4
Net interest-bearing debt	87.8	132.9	170.3	170.3	290.9	311.6	615.8	655.1	684.0	339.4	282.8
Readily marketable inventories	29.3	38.1	138.6	94.9	142.9	172.7	385.1	175.1	243.4	140.1	183.7
Adjusted net financial debt	58.5	94.8	31.7	75.4	148.0	138.9	230.7	480.0	440.6	199.3	99.1
Shareholders' equity											
Net debt / EBITDA	5.2x	2.9x	1.4x	0.9x	1.5x	1.0x	1.9x	2.3x	3.1x	0.9x	0.8x
Adjusted net debt / EBITDA	3.4x	2.0x	0.3x	0.4x	0.8x	0.4x	0.7x	1.7x	2.0x	0.5x	0.3x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x	5.8x	6.1x

Note: our financial year ends 30 June.

Source: Consolidated audited financial accounts for 12 months, periods ending 30 June 2006 to 2016

P&L and cash flow

P&L highlights

USD million, except ratios and EPS

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
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	1,988.5
Net IAS 41 gain	-	-	-	-	-	-	-	14.9	(17.1)	(6.8)	20.1
Gross profit	41.8	83.0	158.6	316.8	311.1	459.5	457.4	450.6	408.2	512.2	460.2
EBITDA⁽¹⁾	17.0	46.4	123.2	190.1	190.0	309.6	318.8	287.5	223.0	396.6	346.4
EBIT	12.0	38.6	111.6	166.6	167.5	277.3	257.3	200.9	128.7	328.3	287.2
Net profit⁽²⁾	1.3	19.5	83.2	135.5	152.0	226.3	206.7	111.6	(98.3)	106.9	225.2
Gross margin	19.4%	23.7%	23.9%	30.3%	30.5%	24.2%	22.1%	16.1%	17.1%	22.0%	23.1%
EBITDA margin	7.9%	13.2%	18.6%	18.2%	18.6%	16.3%	15.4%	10.3%	9.3%	17.0%	17.4%
Net margin	0.6%	5.6%	12.6%	12.9%	14.9%	11.9%	10.0%	4.0%	(4.1%)	4.6%	11.3%
EPS			2.08	1.97	2.20	3.03	2.61	1.40	(1.23)	1.34	2.83

Cash flow highlights

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
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	330.5
Changes in working capital	(35.8)	(14.7)	(210.3)	(25.0)	(97.4)	(180.1)	(242.1)	135.4	(0.9)	147.4	(136.3)
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	194.1
Finance costs paid	(9.4)	(18.4)	(28.1)	(32.2)	(22.8)	(36.0)	(66.8)	(76.2)	(72.0)	(68.4)	(57.6)
Income tax paid	(0.4)	(0.7)	(3.4)	(1.7)	(0.8)	(3.0)	(6.5)	(43.4)	(40.2)	(13.0)	(2.8)
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	133.7
Net PPE disposals/(purchases)	(6.0)	2.2	(24.4)	(88.6)	(56.2)	(48.1)	(93.1)	(90.9)	(41.7)	(22.7)	(30.4)
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)	(4.1)	(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)	2.5	(29.9)
Net cash obtained from/(used in) investing activities	(5.4)	(57.2)	(170.1)	(95.3)	(125.6)	(126.1)	(229.2)	(266.1)	(83.2)	(24.3)	(60.7)
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	73.0

Note: our financial year ends 30 June.

Source: Consolidated audited financial accounts for 12 months, periods ending 30 June 2006 to 2016

FY2017 outlook

Sunflower oil:

- In preparation for the upcoming marketing year, our Black Sea Industries, a crushing plant located in Chornomorsk (formerly Illichevsk), underwent improvements in its storage and precrush facilities, which together with the renegotiated tolling agreement, adding approximately 275,000 tons of crushing capacities, raised the total installed capacity to a record 3.5 million tons of sunflower seeds, up 30% y-o-y .
- Our mid-term strategy targets remain unchanged: consolidation of the oilseed crushing industry in Ukraine and continuous operational excellence. .

Grain and infrastructure:

- As Ukraine's total grain exports are forecasted to increase by 7% y-o-y in 2016/17, we also expect to maintain our market share, which should be in line with the overall trend in exports pattern and solid production in our farming division. Following the debottlenecking of our Chernomorsk facility in Ukraine and the expansion of the Taman storage capacity, both facilities are well-positioned to accommodate the expected growth in grain exports from the region to drive throughput volumes up in FY2017.
- Looking further, we continue to believe that Ukraine and Russia are one of the few regions in the world that could materially increase grain production, and that most of this incremental crop will be exported. Through continued development of existing port capacity, we aim to nearly double our grain export within several years.

Farming:

- In FY2017, contribution from Farming division is expected to be comparable to the previous year's levels, which reflects our committed approach to sustainable efficiency and increasing productivity.
- The weather was favorable during the pollination periods for our major crops and the yields are expected to increase on average by double digit percentage, reflecting the changes in cultivation and tillage technology.
- Looking forward, we have successfully launched an ambitious project, #DigitalAgriBusiness, which, through big data analytics and machine learning, shall transform the traditional way of thinking about large-scale farming and its operations to streamline processes and result in prompt decision-making.

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Investor calendar

➤ H1 FY2017 financial report	28 February 2017
➤ Q3 FY2017 operations update	20 April 2017
➤ Q3 FY2017 financial report	30 May 2017
➤ Q4 FY2017 operations update	13 July 2017
➤ FY2017 financial report	23 October 2017

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