

KERNEL

# Kernel Holding S.A.

Q1 FY2018 results and company presentation

November 2017



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"LTM" and "Last twelve months" throughout this presentation means the period of October 2016 – September 2017, inclusively.

# 1. Q1 FY2018 results



# 1.1 Q1 FY2018 highlights

- During Q1 FY2018, our revenues increased by 39.6% y-o-y to US\$ 536.1 million, primarily driven by higher sales volumes of sunflower oil
- Reduced crop yields owing to adverse weather conditions in central Ukraine translated into material decline in IAS41 gain from US\$ 33.4 million in Q1 FY2017 to US\$ 2.8 million in the current quarter, being a key driver of aggregate EBITDA compression by 36.5% y-o-y, to US\$ 46 million. At the same time, Q1 FY2018 total EBITDA net of IAS41 effect increased by 11% y-o-y.
- Our finance costs increased by US\$ 4.8 million and FX gain reduced by US\$ 7.7 million, which, together with EBITDA contraction, resulted in 64% y-o-y decline of net profit attributable to shareholders
- The release of working capital owing to reduction of sunflower oil and sunflower seeds inventories generated US\$ 75 million of net operating cash flow, which was entirely consumed by our investing activities. Namely, we spent US\$ 47 million for the acquisition of subsidiaries, and US\$ 17 million as a part of our CapEx program
- Our net debt increased y-o-y as a result of acquisition of subsidiaries in summer 2017. At the same time we keep net-debt-to-EBITDA ratio at a comfortable 1.7x level, with 78% of net debt covered by readily marketable inventories. 12-month trailing EBITDA covers interest expenses at a healthy 4.4 times
  - In October 2017 we entered into a 3-year revolving pre-export credit facility with a syndicate of European banks. With a limit of US\$ 200 million, this facility is used to fund the sunflower oil division working capital needs

USD million except ratios and EPS	Q1 FY2017	Q1 FY2018	y-o-y
<b>Income statement highlights</b>			
Revenue	384.1	<b>536.1</b>	39.6%
EBITDA <sup>1</sup>	72.4	<b>46.0</b>	(36.5%)
EBITDA net of IAS41 effect	39.0	<b>43.2</b>	10.6%
Net profit attributable to equity holders of Kernel Holding S.A.	64.1	<b>22.8</b>	(64.4%)
EBITDA margin	18.9%	<b>8.6%</b>	(10.3pp)
Net margin	16.7%	<b>4.3%</b>	(12.4pp)
EPS, US\$	0.80	<b>0.28</b>	(65.4%)
<b>Cash flow highlights</b>			
Operating profit before W/C changes	41.4	<b>38.4</b>	(7.1%)
Change in W/C	(54.4)	<b>62.2</b>	n/m
Cash generated from operations	(13.0)	<b>100.5</b>	n/m
Net cash used in operating activities	(29.7)	<b>74.9</b>	n/m
Net cash used in investing activities	(12.9)	<b>(75.1)</b>	5.8x
<b>Liquidity and credit metrics</b>			
Net interest-bearing debt	326.2	<b>506.3</b>	55.2%
Readily marketable inventories	402.2	<b>395.7</b>	(1.6%)
Adjusted net debt <sup>2</sup>	(76.1)	<b>110.6</b>	n/m
Shareholders' equity	1,028.5	<b>1,151.5</b>	12.0%
Net debt / EBITDA <sup>3</sup>	0.9x	<b>1.7x</b>	+0.8x
Adjusted net debt <sup>2</sup> / EBITDA <sup>3</sup>	(0.2x)	<b>0.4x</b>	+0.6x
EBITDA <sup>3</sup> / Interest	6.4x	<b>4.4x</b>	-2.0x

First quarter ends 30 September

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

**Note 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 at cost.

**Note 3** 12-month trailing EBITDA

## 1.2 Segment results

	Revenue, US\$ million			EBITDA, US\$ million			Volume, thousand tons <sup>1</sup>			EBITDA margin, US\$ / t		
	Q1 FY17	Q1 FY18	y-o-y	Q1 FY17	Q1 FY18	y-o-y	Q1 FY17	Q1 FY18	y-o-y	Q1 FY17	Q1 FY18	y-o-y
Sunflower oil sold in bulk	152.2	334.3	119.6%	10.6	16.8	58.6%	167.3	392.8	2.3x	63.4	42.8	(32.5%)
Bottled sunflower oil	23.3	35.6	52.4%	2.0	4.2	2.1x	21.3	32.6	53.0%	91.6	128.2	40.0%
<b>Sunflower oil division</b>	<b>175.6</b>	<b>369.9</b>	<b>2.1x</b>	<b>12.6</b>	<b>21.0</b>	<b>67.3%</b>						
Grain trading	199.7	149.2	(25.3%)	4.3	1.5	(65.0%)	1,180.9	804.7	(31.9%)	3.7	1.9	(48.7%)
Export terminals <sup>2</sup>	12.4	11.4	(8.5%)	10.5	8.6	(18.3%)	919.7	837.3	(9.0%)	11.4	10.2	(10.2%)
Silo services	10.5	12.6	19.8%	7.1	8.2	14.4%	1,418.0	1,392.0	(1.8%)	5.0	5.9	16.6%
<b>Grain and infrastructure division</b>	<b>222.7</b>	<b>173.2</b>	<b>(22.2%)</b>	<b>21.9</b>	<b>18.2</b>	<b>(16.9%)</b>						
<b>Farming division (net of IAS41 effect)</b>	<b>41.9</b>	<b>68.3</b>	<b>63.1%</b>	<b>13.5</b>	<b>13.7</b>	<b>1.0%</b>						
IAS41 gain				33.4	2.8	(91.6%)						
Unallocated corporate expenses				(9.4)	(9.7)	8.0%						
Reconciliation	(56.1)	(75.3)	34.2%									
<b>Total</b>	<b>384.1</b>	<b>536.1</b>	<b>39.6%</b>	<b>72.4</b>	<b>46.0</b>	<b>(36.5%)</b>						

Note 1 Million liters for bottled sunflower oil

Note 2 Excluding Taman. Earnings from the joint venture are accounted for below EBITDA.

### Sunflower oil division

- Key growth contributor (through both bulk and bottled oil segments)
- Volumes growth supported by:
  - Reduction of the accumulated carry-over sunflower oil stock to execute the contracted volumes in Q1 FY2018
  - Accumulated stock of sunflower seeds to keep our plants running at full capacity during the weak season
- Decline in margin was anticipated, as crushing profitability usually contracts towards the end of the season on tighter sunflower seed supply
- Target to crush 3.2 million tons of sunflower seeds over FY2018

### Grain and infrastructure division

- Volume contraction due to:
  - Assignment of a portion of our FY2018 Taman transshipment quota entitlement to a 3<sup>rd</sup> party
  - Delayed harvesting campaign in Ukraine
- Grain trading margin compressed due to delayed harvest
- Export terminal margin reduced due to reconstruction of TransBulkTerminal, which caused temporary slowdown of loading rates

### Farming division

- Key performance determinants
  - Delayed harvesting campaign → sales postponed to later periods
  - Yields lower y-o-y → 12x decline in IAS41 gain for the period
  - Limited contribution of the newly acquired land bank to the current year profitability
  - Growing cost base owing to the domestic inflation

## 1.3 Harvest update

### Combined landbank

#### Acreage, thousand hectares

	FY2017	FY2018	y-o-y
Corn	138.6	203.2	46.5%
Wheat	81.9	145.7	77.9%
Sunflower	81.3	134.3	65.1%
Soybean	58.0	65.3	12.6%
Rapeseeds	2.6	7.0	164.7%
Other <sup>2</sup>	22.8	36.7	60.9%
<b>Total</b>	<b>385.3</b>	<b>592.1</b>	<b>53.7%</b>

#### Net yield, tons/ha<sup>1</sup>

	FY2017	FY2018	y-o-y
Corn	8.9	6.5	(26.4%)
Wheat	5.8	4.8	(17.4%)
Sunflower	3.0	2.3	(22.4%)
Soybean	2.7	1.8	(34.7%)
Rapeseeds	3.0	3.4	13.7%

#### Net tonnage, thousand tons

	FY2017	FY2018	y-o-y
Corn	1,230.7	1,327.8	7.9%
Wheat	479.0	704.2	47.0%
Sunflower	242.8	311.1	28.1%
Soybean	158.6	116.7	(26.4%)
Rapeseeds	7.9	23.9	200.9%
<b>Total</b>	<b>2,119.1</b>	<b>2,483.7</b>	<b>17.2%</b>

### Kernel's old landbank prior to acquisitions

#### Acreage, thousand hectares

	FY2017	FY2018	y-o-y
Corn	138.6	139.7	0.8%
Wheat	81.9	82.3	0.4%
Sunflower	81.3	80.6	(0.9%)
Soybean	58.0	43.5	(25.1%)
Rapeseeds	2.6	7.0	164.7%
Other <sup>2</sup>	22.8	27.3	19.9%
<b>Total</b>	<b>385.3</b>	<b>380.3</b>	<b>(1.3%)</b>

#### Net yield, tons/ha

	FY2017	FY2018	y-o-y
Corn	8.9	7.1	(20.1%)
Wheat	5.8	5.3	(8.6%)
Sunflower	3.0	2.7	(9.7%)
Soybean	2.7	1.9	(29.2%)
Rapeseeds	3.0	3.4	13.7%

#### Net tonnage, thousand tons

	FY2017	FY2018	y-o-y
Corn	1,230.7	990.5	(19.5%)
Wheat	479.0	439.8	(8.2%)
Sunflower	242.8	217.1	(10.6%)
Soybean	158.6	84.1	(47.0%)
Rapeseeds	7.9	23.9	200.9%
<b>Total</b>	<b>2,119.1</b>	<b>1,755.4</b>	<b>(17.2%)</b>

**Note 1** Net crop yields are based on 79% of corn acreage harvested and 99% of sunflower and soybean acreage harvested. 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

**Note 2** Other acreage includes barley, rye, pea, sugar beets, buckwheat, forage crops, and land left fallow for crop rotation purposes.

# 1.4 Financial statements

## Balance sheet highlights

US\$ million	30 Sep 2016	30 June 2017	30 Sep 2017
<i>Invested Capital</i>			
Cash & cash equivalents	93.3	143.4	116.8
Net trade accounts receivable	41.8	87.2	81.5
Prepayments to suppliers & other current assets	65.7	82.7	92.9
Prepaid taxes	126.9	143.5	122.1
Inventory	448.3	386.7	470.2
<i>of which: readily marketable inventories</i>	402.2	353.9	395.7
Biological assets	91.6	256.2	156.2
Other currents assets	-	21.0	36.3
Intangible assets and goodwill	155.1	219.0	227.8
Net property, plant & equipment	532.8	569.7	588.0
Other non-current assets	97.0	99.7	99.5
<b>Total assets</b>	<b>1,652.4</b>	<b>2,009.1</b>	<b>1,991.2</b>
<i>Financed by</i>			
Trade accounts payable	46.4	52.8	68.4
Advances from customers & other current liabilities	102.9	88.7	91.1
<b>Interest-bearing debt</b>	<b>415.4</b>	<b>654.5</b>	<b>620.6</b>
Short-term debt	348.2	152.4	118.3
Long-term debt	67.2	8.5	8.4
Corporate bonds issued	-	493.6	493.9
Other liabilities	57.5	55.5	55.2
<b>Total liabilities</b>	<b>622.2</b>	<b>851.5</b>	<b>835.2</b>
<b>Total equity</b>	<b>1,030.2</b>	<b>1,157.6</b>	<b>1,156.0</b>

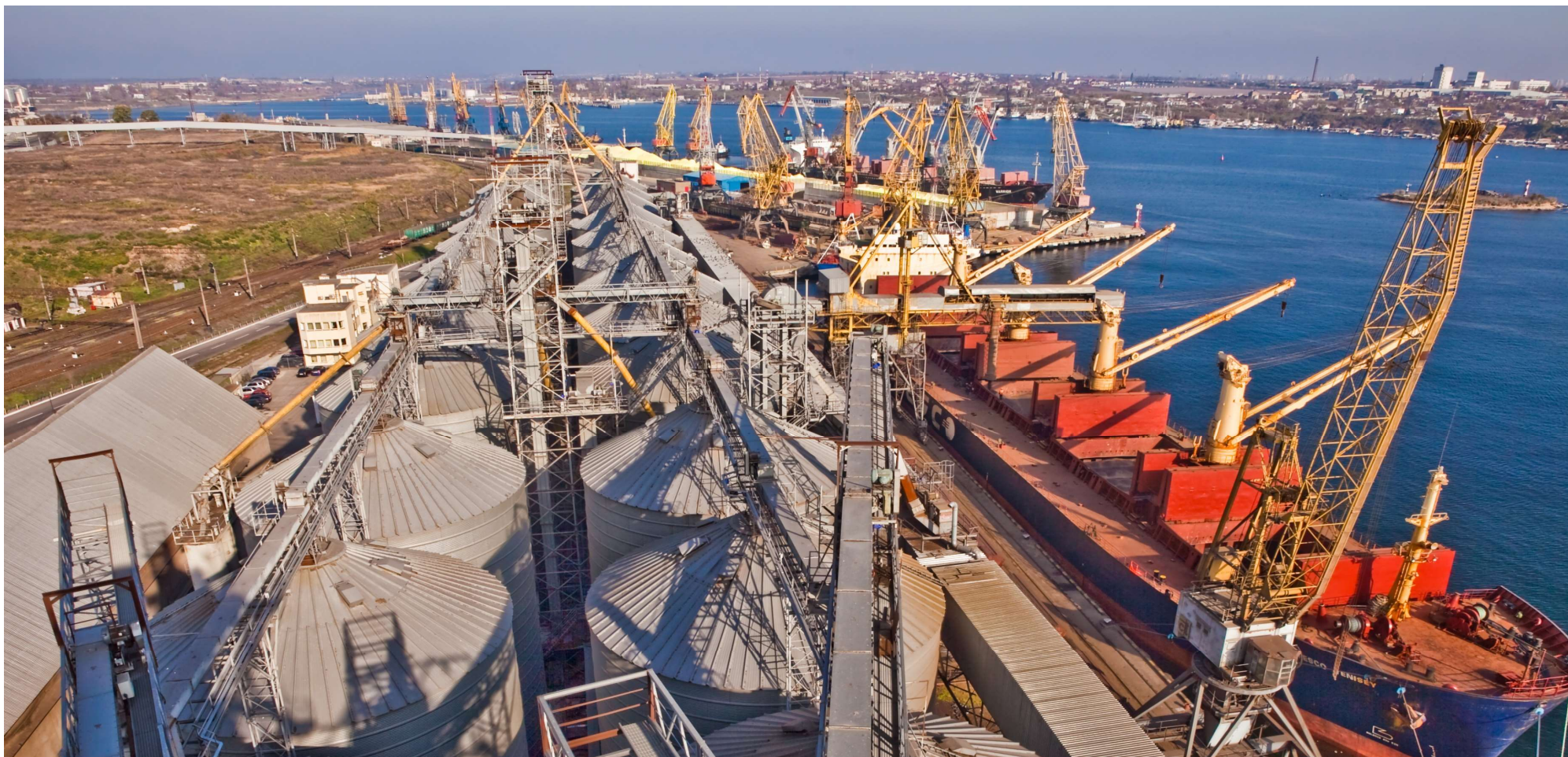
## P&L highlights

US\$ million, except ratios and EPS	Q1 FY2017	Q1 FY2018	y-o-y
<b>Revenue</b>	<b>384.1</b>	<b>536.1</b>	39.6%
Net IAS 41 gain	33.4	2.8	(91.6%)
Cost of sales	(322.8)	(472.9)	46.5%
<b>Gross profit</b>	<b>94.7</b>	<b>66.0</b>	<b>(30.2%)</b>
Other operating income	9.7	5.7	(41.2%)
Distribution costs	(31.9)	(28.6)	(10.4%)
General and administrative expenses	(13.9)	(18.3)	32.2%
<b>Operating profit</b>	<b>58.5</b>	<b>24.8</b>	<b>(57.7%)</b>
Financial costs, net	(11.2)	(16.0)	43.1%
Foreign exchange gain(loss), net	15.1	7.4	(50.9%)
Other income/(expenses), net	5.5	2.0	(63.9%)
Share of profit/(losses) of joint venture	(0.0)	(0.5)	250.5x
<b>Earnings before taxes</b>	<b>67.9</b>	<b>17.7</b>	<b>(74.0%)</b>
Income tax	(3.7)	5.2	n/m
<b>Net profit</b>	<b>64.3</b>	<b>22.8</b>	<b>(64.5%)</b>
<b>EBITDA</b>	<b>72.4</b>	<b>46.0</b>	<b>(36.5%)</b>

## Cash flow highlights

USD million	Q1 FY2017	Q1 FY2018	y-o-y
<b>Operating profit before working capital changes</b>	<b>41.4</b>	<b>38.4</b>	(7.3%)
Changes in working capital	(54.4)	62.2	n/m
<b>Cash obtained from/(used in) operations</b>	<b>(13.0)</b>	<b>100.5</b>	n/m
Finance costs paid	(13.9)	(22.4)	61.8%
Income tax paid	(2.9)	(3.2)	10.6%
<b>Net cash obtained from/(used in) operating activities</b>	<b>(29.7)</b>	<b>74.9</b>	n/m
Net PPE disposals/(purchases)	(17.0)	(16.4)	(3.7%)
Sales/(Purchase) of intangible and other non-current assets	(0.2)	(13.6)	72.0x
Acquisition of subsidiaries and purchase of investment in joint ventures	4.4	(45.1)	n/m
<b>Net cash obtained from/(used in) investing activities</b>	<b>(12.9)</b>	<b>(75.1)</b>	483.6%
Proceeds from short-term and long-term borrowings (incl. Bonds)	115.9	100.8	(13.0%)
Repayment of short-term and long-term borrowings	(55.2)	(88.2)	59.8%
<b>Net cash provided by financing activities</b>	<b>60.6</b>	<b>12.6</b>	(79.2%)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.8)	(0.5)	(43.4%)
<b>Net increase in cash and cash equivalents</b>	<b>17.2</b>	<b>11.9</b>	(30.8%)

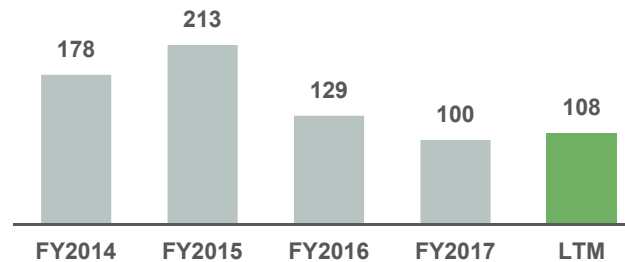
## 2. KERNEL TODAY



## 2.1 Kernel today

### Sunflower oil segment

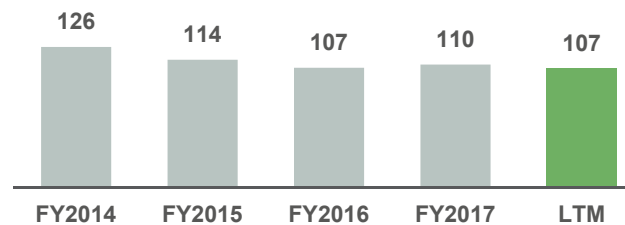
- **#1** sunflower oil exporter in the world
- **#1** sunflower oil producer in Ukraine
- **#1** bottled sunflower oil producer and marketer in Ukraine
- **9 plants** located across the sunflower seed belt in Ukraine
- **3.5 million tons** annual sunflower seed crushing capacity

EBITDA <sup>1</sup>, US\$ million

### Grain and infrastructure segment

- Leading grain originator and marketer in Ukraine with nearly **10%** of country's total grain export
- Two export terminals in Ukraine and one in Russia (50/50 JV with Glencore) with total annual capacity to transship of **6.5 million tons** of soft commodities
- **#1** private inland grain silo network in Ukraine with **2.8 million tons** of storage capacity

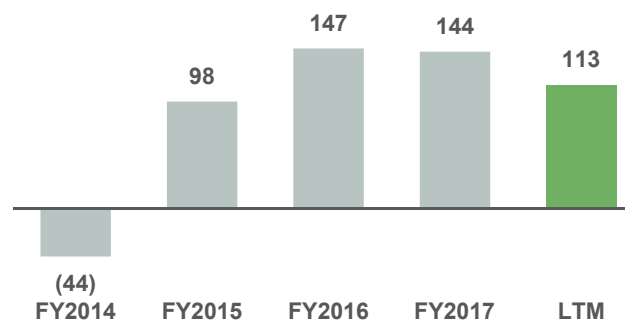
EBITDA, US\$ million



### Farming segment

- **#1** crop producer in Ukraine operating 600,000 hectares of leasehold farmland
- Modern large-scale operations, sustainable agronomic practices, cluster management system and export-oriented crop mix
- Nearly 100% of sales volumes flows through our infrastructure and sunflower oil segments, earning incremental profits

EBITDA, US\$ million



**Note 1** Hereinafter, segment EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations and assets held for sale

Key financials, US\$ m <sup>1</sup>	FY14	FY15	FY16	FY17	LTM
Revenue	2,393	2,330	1,989	2,169	<b>2,321</b>
EBITDA	223	397	346	319	<b>293</b>
Net profit/(loss) <sup>2</sup>	(98)	107	225	176	<b>135</b>
EBITDA margin	9.3%	17.0%	17.4%	14.7%	<b>12.6%</b>
Net margin	(4.1%)	4.6%	11.3%	8.1%	<b>5.8%</b>
EPS, US\$	(1.23)	1.34	2.83	2.19	<b>1.68</b>

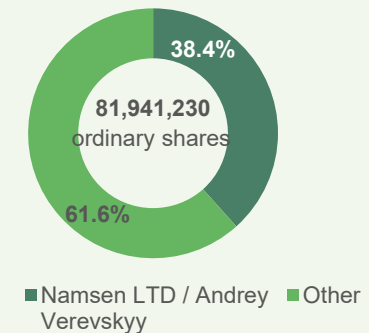
1. Except ratios and EPS

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

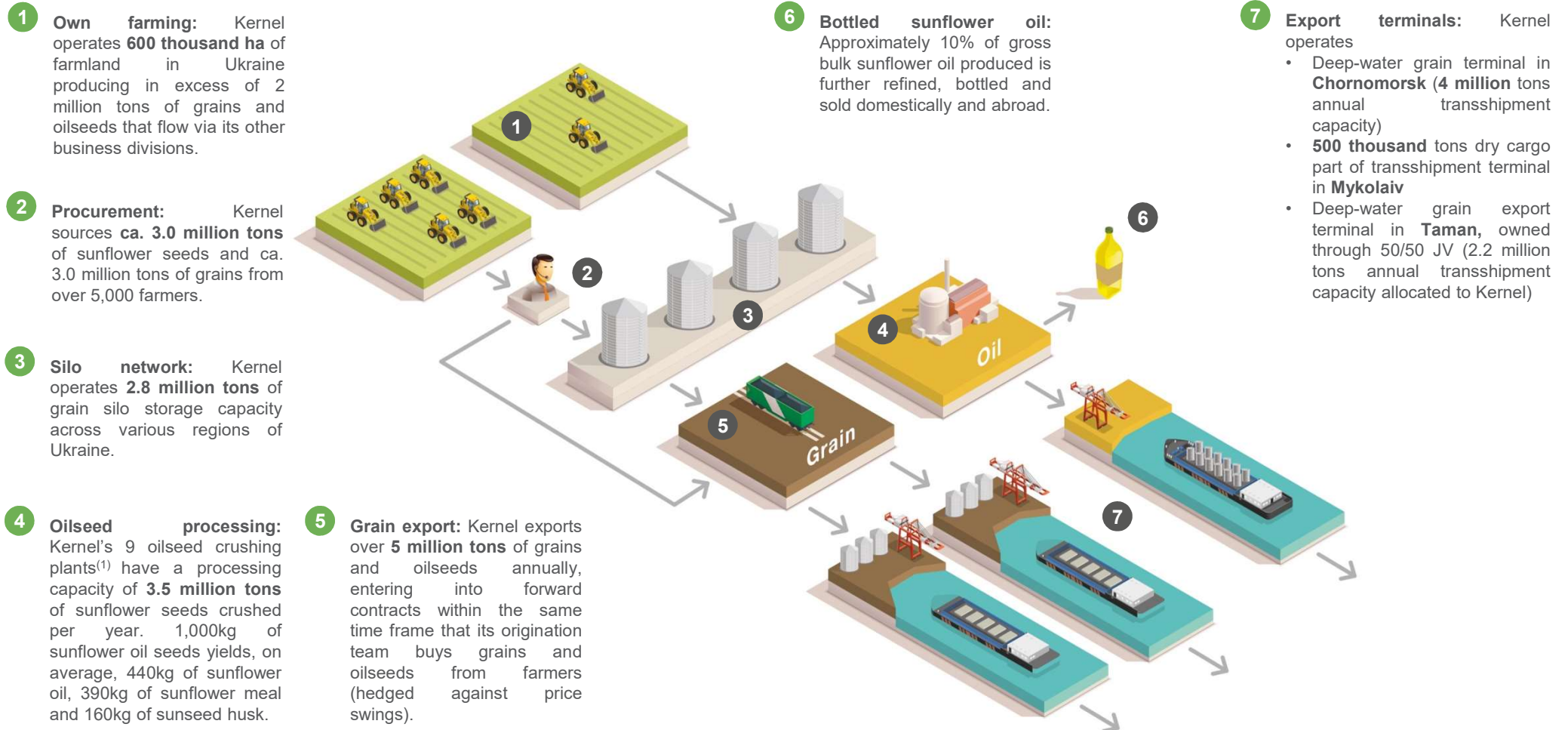
### Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	81,941,230
Bloomberg   Reuters ticker	KER PW   KERN.WA
ISIN code	LU0327357389

Shareholder structure



## 2.2 What we do

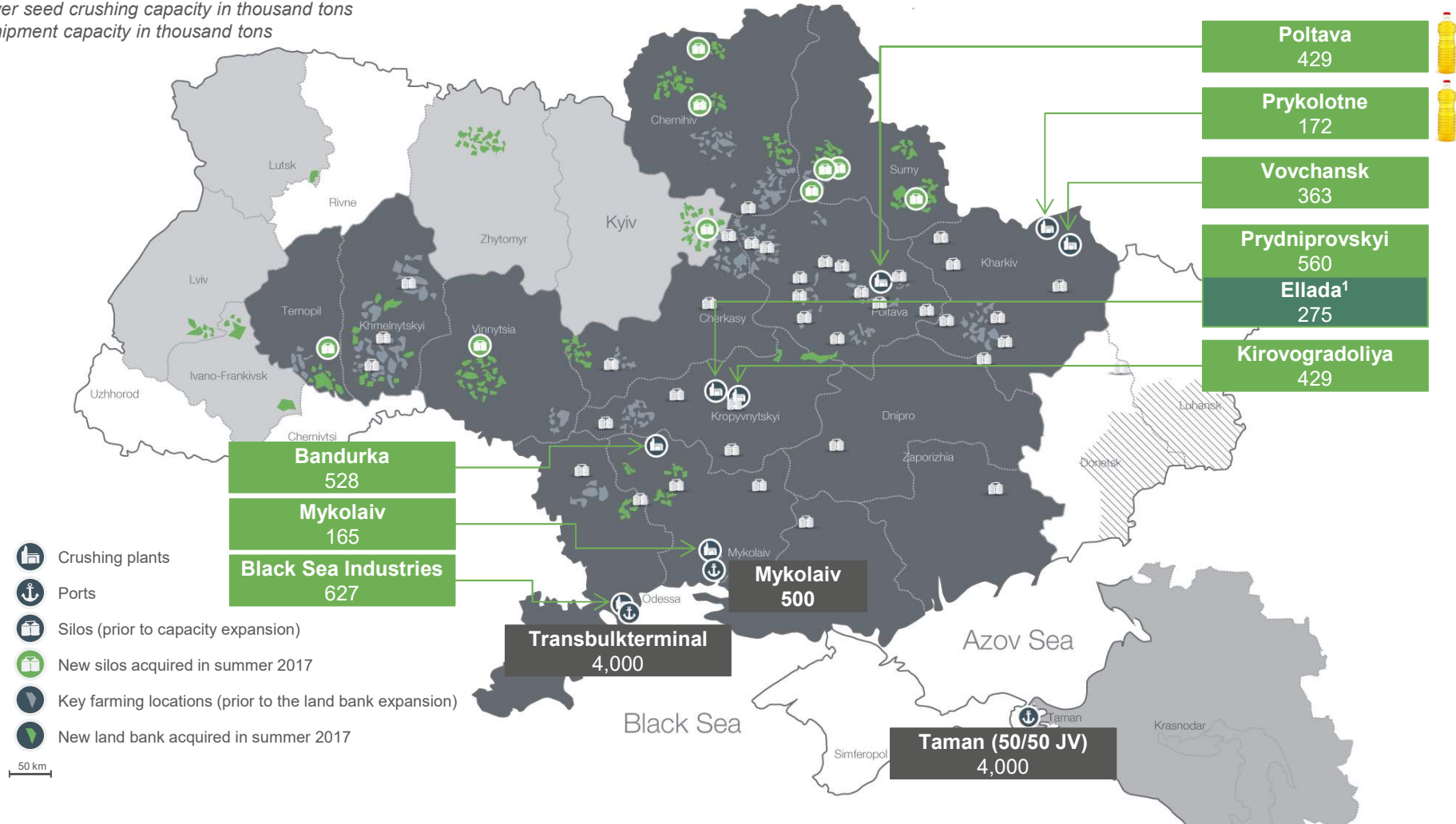


**Kernel operates an integrated, simple and resilient business model**

**Note 1** Including one plant operated under tolling agreement (275 thousand tons of sunflower seed annual crushing capacity)

## 2.3 Unique and well-invested asset base

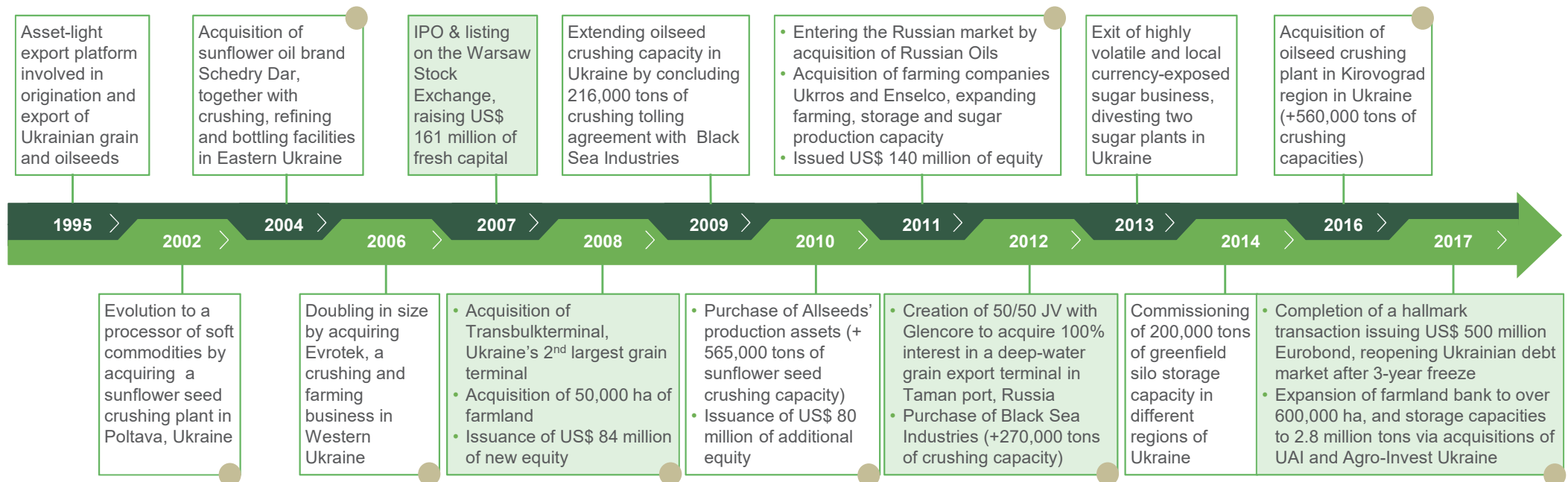
Sunflower seed crushing capacity in thousand tons  
Transshipment capacity in thousand tons



**Diversified and strategically located asset base provides significant competitive advantages**

Note 1 Operated under tolling agreement

## 2.4 Kernel's key milestones



● Asset growth through M&A

Unparalleled track record of continuous development and growth

## 2.5 Low risk platform

- Kernel has significantly deleveraged its balance sheet over recent years and has a current leverage of net debt / EBITDA of 1.7x (as of 30 September 2017)
- During the Ukrainian economy's challenging years, Kernel has successfully relied on pre-export facilities to finance c. 70% of its working capital requirements during its peak periods
- Kernel's export-oriented business model, with a captive origination infrastructure and prudent risk management, limits its exposure to domestic markets and commodity price fluctuations
- Kernel has a well-invested and diversified asset base across Ukraine with strategic access to export routes which represents high barriers to entry
- Kernel's business model enables transferability of c. 95% of its EBITDA to off-shore level, keeping business immune to restrictive capital controls in Ukraine
- Eurobond issue in January 2017 was rated B+ by Fitch and B by S&P, two and one notches above Ukrainian sovereign, respectively, which is an unprecedented achievement for Ukrainian issuers

### Leading credit rating position in Ukraine

- The highest credit rating in Ukraine, 2 (Fitch) and 1 (S&P) notches above the Sovereign, resilient to sovereign stress

Credit ratings	S&P Global	Fitch Ratings	MOODY'S
Kernel	B St	B+ St	n / r
MHP	B St	B	Caa1 Pos
Ukraine	B- St	B- St	Caa2 Pos
Ferrexpo	B- St	B- St	Caa1 St
Metinvest	n / r	B St	Caa1 Pos

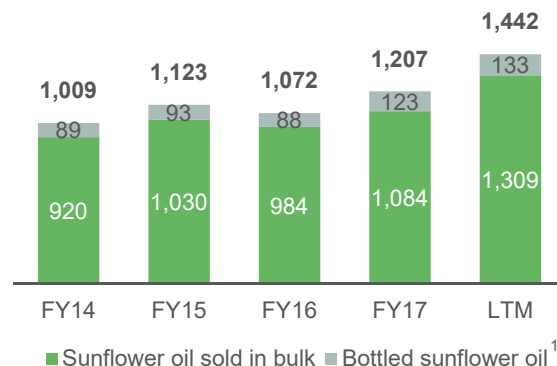
Source: Bloomberg

### Key credit risks and mitigating factors

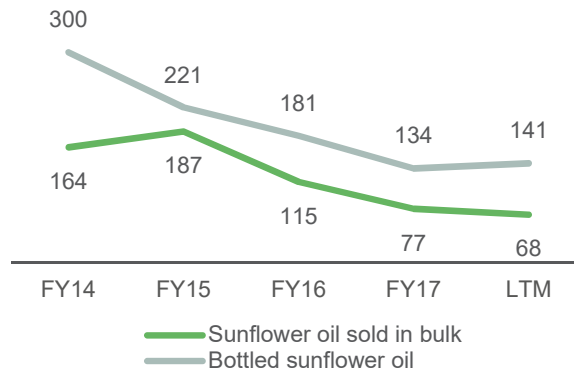
Country risk	<ul style="list-style-type: none"> <li>■ Kernel's export-oriented business model has demonstrated resilience to downturns in the Ukrainian economy</li> </ul>
Sourcing risk	<ul style="list-style-type: none"> <li>■ Ukraine has reached sustainable levels of grain production and Kernel operates a world-class asset base, serving as a captive origination platform which supports growing export volumes</li> </ul>
Counterparty risk	<ul style="list-style-type: none"> <li>■ Diverse customer base (top-10 clients account for 58% of revenues)</li> <li>■ Superb credit default-free track record</li> </ul>
Currency risk	<ul style="list-style-type: none"> <li>■ Kernel is naturally hedged against volatility of local currency, nearly 100% of Kernel's revenue is US\$-denominated</li> </ul>
Regulatory risk	<ul style="list-style-type: none"> <li>■ Kernel's export-driven business is largely immune to the existing regulatory framework and restrictive capital controls</li> </ul>
Liquidity risk	<ul style="list-style-type: none"> <li>■ A significant portion of Kernel's inventories satisfies RMI criteria and the company has significantly deleveraged: Net debt / EBITDA of 1.7x (as of 30 September, 2017)</li> </ul>

## 2.6 Sunflower oil segment

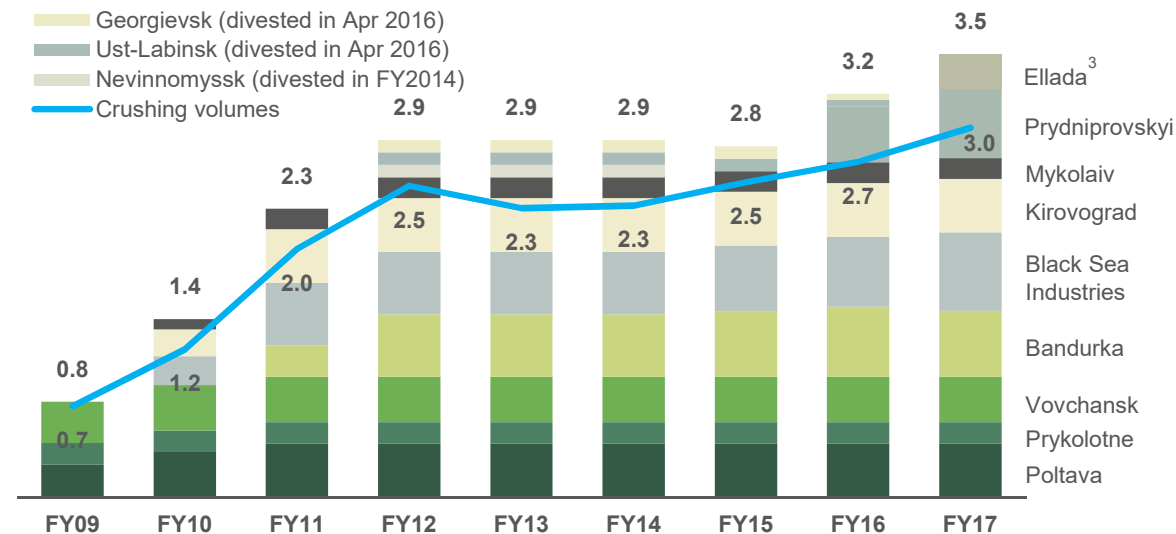
**Sunflower oil sales**  
thousand tons



**EBITDA margins**  
US\$ / ton of sunflower oil sold



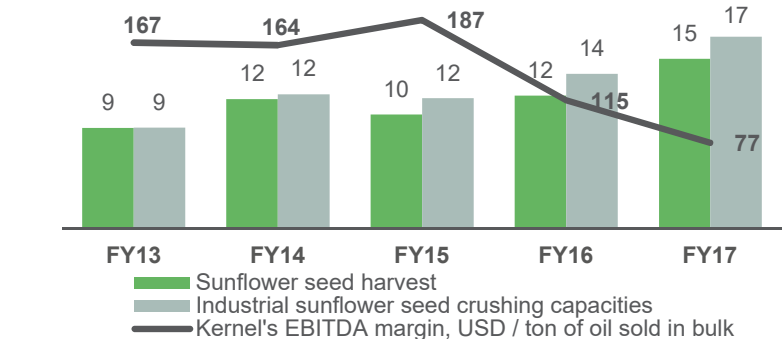
**Kernel oilseed crushing capacity, million tons per year**



Note 1 One ton of sunflower oil is equivalent to 1.065 thousand liters of sunflower oil

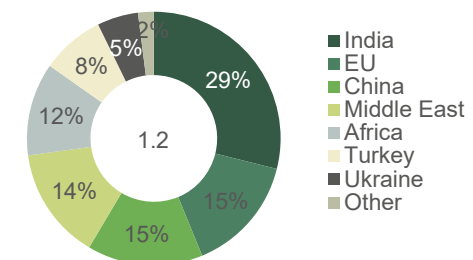
- Widening S&D gap keeps crushing margins under pressure, opening doors for market consolidation and streamlining of demand
- Focus on capacity utilization. With 3.2 million tons of sunflower seeds crushed in Oct'16-Sep'17, Kernel operated at nearly full capacity utilization<sup>2</sup>, well above Ukrainian average
- Kernel exported a record high volume of sunflower oil in bulk on the LTM basis, up 33% y-o-y
- **Overall, sunflower oil business contributed EBITDA of US\$ 108m on the LTM basis, 6% less than a year ago**

**Supply & demand for sunflower seeds in Ukraine, million ton**



Source National Academy of Agricultural Sciences of Ukraine, USDA, Kernel

**Sunflower oil key sales markets in FY2017, million tons**

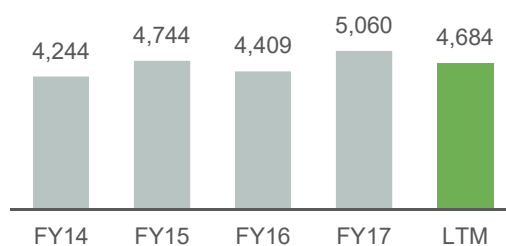


Note 2 Mykolaiv crushing plant has been rented out to 3<sup>rd</sup> party since August 2016

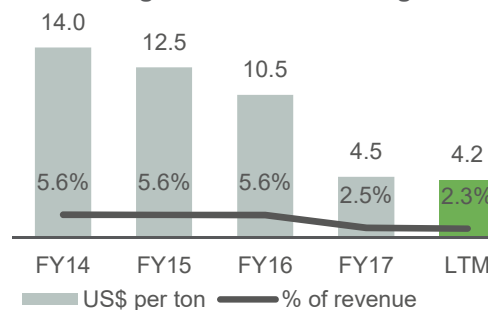
Note 3 Operated under tolling agreement

## 2.7 Grain and infrastructure segment

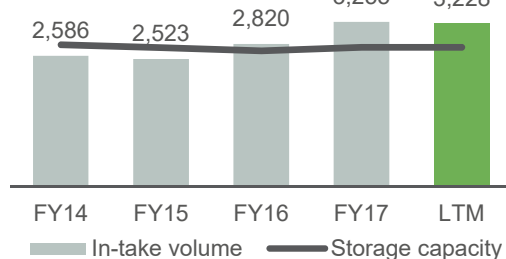
Grain exports,  
thousand tons



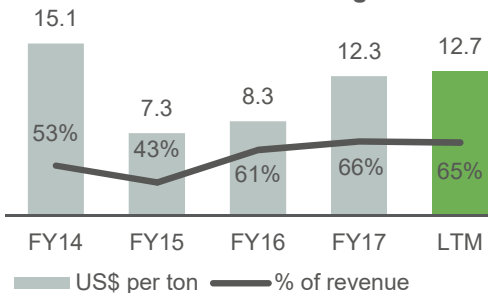
Grain segment's EBITDA margin



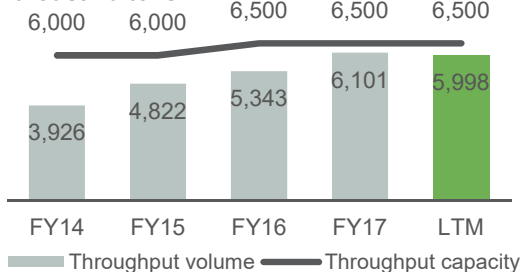
Grain in-take by inland silos,  
thousand tons



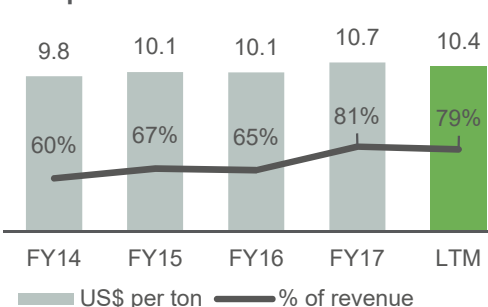
Silo services EBITDA margin



Export terminals throughput <sup>1</sup>,  
thousand tons



Export terminal EBITDA <sup>2</sup>



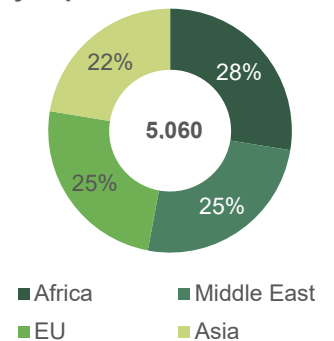
Note 1 Including Taman

Note 2 Taman is not included as its operating results are accounted below Kernel's operating profit

### Grain:

- A record Ukrainian harvest, along with strong in-house production, translated into a historical high grain export **volumes** in FY2017
- Margins** declined due to intensified competition as farmers remained slow sellers in low price environment

Key export markets in FY2017



### Silo services:

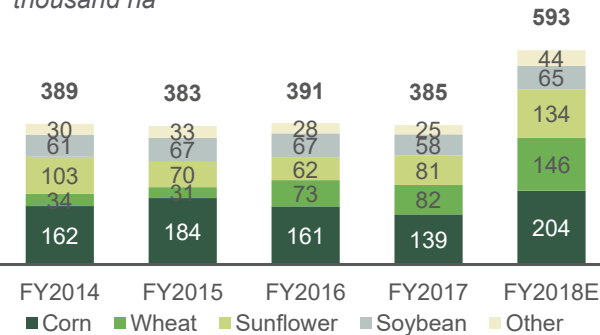
- Solid crop production and above-average rainfalls during the harvesting campaign kept demand for grain drying and storage services high, resulting in a record in-take volumes at our silos in FY2017, amplified by operational optimization with a turnover increase above 1.0x storage capacity
- Strong demand for drying services, which is a the key profit driver, fueled silo services profitability

### Export terminals:

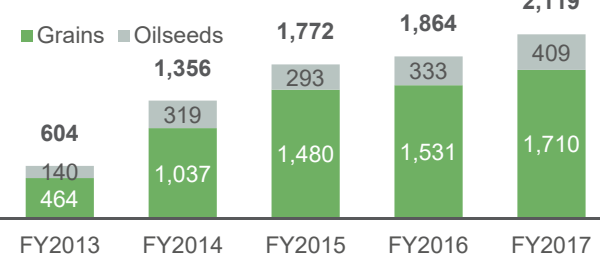
- Robust grain supply in the region and debottlenecking of our existing deep-water transshipment facilities supported a record high grain & oilseed transshipment **volumes** in our export terminals FY2017
- Margins** stay stable, which is natural for capital-intensive infrastructure assets
- Overall, grain and infrastructure business contributed US\$ 110 million of EBITDA in FY2017, up 3% y-o-y, and US\$ 107 million on the LTM basis.**

## 2.8 Farming segment

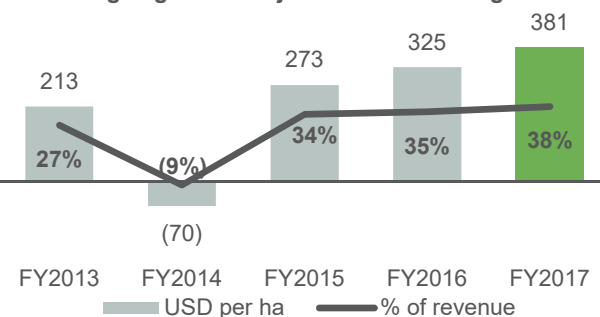
**Acreage harvested by crop,**  
thousand ha



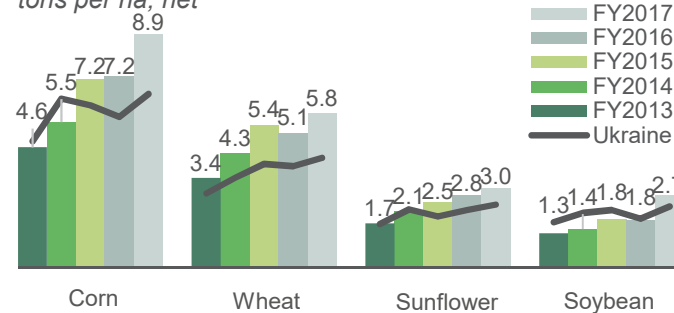
**Kernel's crop production,**  
thousand tons



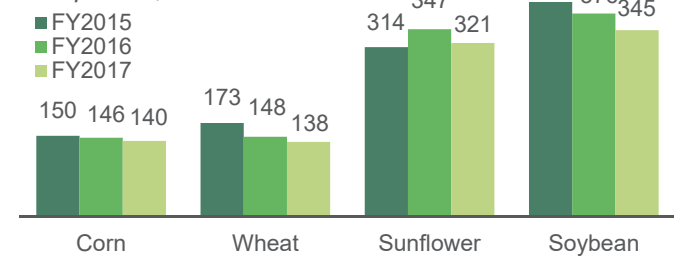
**Farming segment's adjusted EBITDA margin<sup>1</sup>**



**Crop yields,**  
tons per ha, net



**Kernel's farm-gate prices,**  
US\$ per ton, excl. VAT



- Consistent application of modern farming technologies, along with the favorable weather conditions, led to the record crop yields achieved in FY2017, consistently higher than Ukrainian averages
- Declining soft commodity prices were offset by reduced field costs as devaluation of local currency and energy cost deflation contributed to a record high EBITDA per hectare in FY2017
- Squeezing crushing margins kept sunflower seed as the most profitable crop in the production mix
- Acquisition of Ukrainian Agrarian Investments and Agro-Invest Ukraine in summer 2017 expanded the leasehold farmland bank by more than 200,000 hectares
- Overall, farming division contributed US\$ 144 million EBITDA in FY2017, down mere 2% y-o-y**
  - At the same time, our adjusted EBITDA (net of IAS41 effect) grew by 16% y-o-y
  - LTM EBITDA was US\$ 113 million

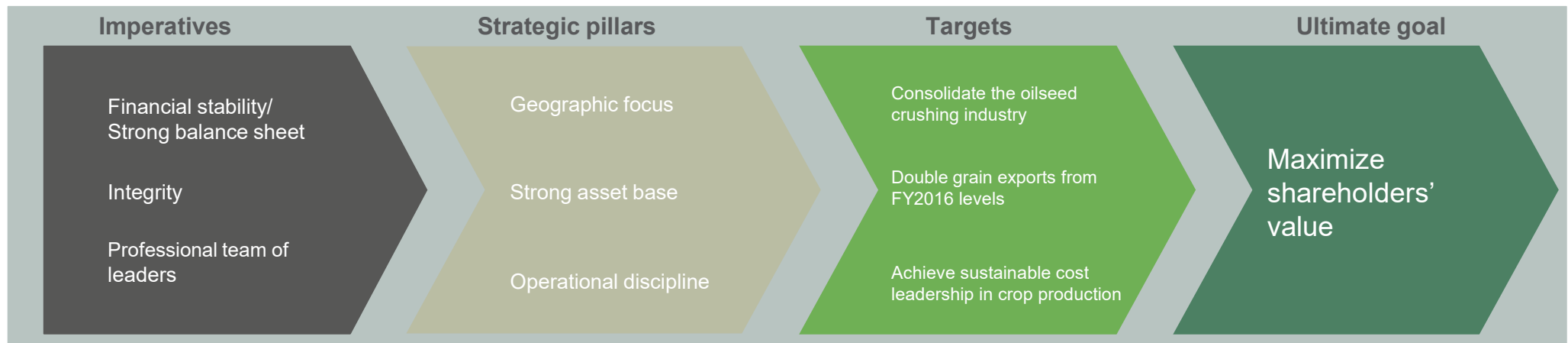
Note 1 Farming segment EBITDA net of IAS41, divided by the acreage harvested

### 3. Kernel 2021: a road to US\$ 500 million EBITDA



## 3.1 Kernel's mid-term strategy

We aim to profitably double export volumes by FY2021, providing unique complex solutions to our clients (customers and suppliers), with balanced development of our business segments resulting from an efficient use of our asset base, investment in technology and innovation, strategic acquisitions, continuous development of our employees and strengthening of our operations.



### Sunflower oil

#### Key deliverables in 2017

- Design and preparation works on greenfield crushing plant in Western Ukraine
- Ongoing M&A dialogue with local producer

#### Mid-term targets in detail

- Construction of 1-million-ton per year greenfield crushing plant in Western Ukraine
- Alternatively, acquisition of 1.0-1.5 million tons of additional crushing capacities in Western Ukraine



### Grain and infrastructure

- Active construction phase on our 2<sup>nd</sup> 4-million-ton deep-water grain transshipment terminal in Chornomorsk
- Launched Avere – a knowledge and research platform to effectively hedge the expected increase of Kernel's exports to 12 million tons a year

- Double grain exports in FY2021 through greenfield construction of up to 4.0 million tons deep-water transshipment facility in Ukraine
- Expand and streamline silo network to serve growing in-house production and export volumes



### Farming

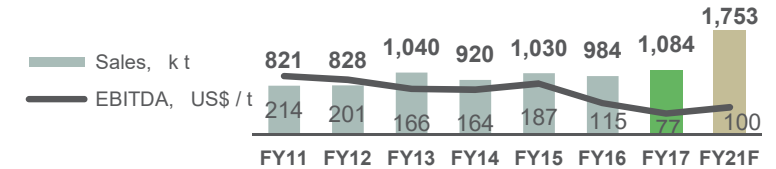
- Acquisition of Ukrainian Agrarian Investments and AgroInvestUkraine expanded leasehold farmland bank by 200,000 hectares

- Achieve sustainable low-cost crop production through investments in technology
- Smooth integration of recently acquired assets to uplift the operational efficiency and productivity levels to Kernel's high standard

## 3.2 Road to US\$ 500m EBITDA by 2021 (1/2)

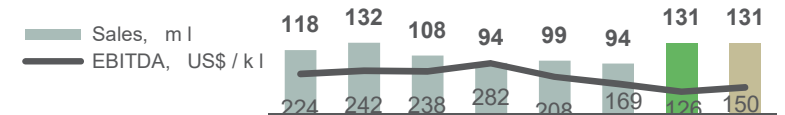
			FY17	FY21F
Sunflower oil (bulk)	Production	k t	1,328	1,877 <sup>1</sup>
	Sales	k t	1,084	1,753
	EBITDA	US\$ / t <sup>2</sup>	77	100
		US\$ m	83	176

- Volumes** ↑ due to greenfield construction of new crushing plant or acquisition of local player in Western Ukraine
- Margins** ↑ due to increased sunflower seeds supply coming primarily from Western Ukraine improving S&D fundamentals



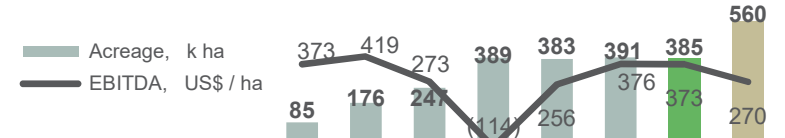
Sunflower oil (bottled)	Sales	m l	131	131
	EBITDA	US\$ / k l	126	150
		US\$ m	17	20

- Volumes stable:** almost maximum capacity utilization reached
- Margins** ↑ in line with bulk oil segment dynamics



Farming	Acreage	k t	385	560
	EBITDA	US\$ / ha	373	270
		US\$ m	144	151

- Acreage** ↑ following the acquisition of land bank in 2017 & following-up landbank streamlining
- Margins** ↓: OpEx up due to pick up in domestic inflation and rising energy costs, elimination of farming subsidies



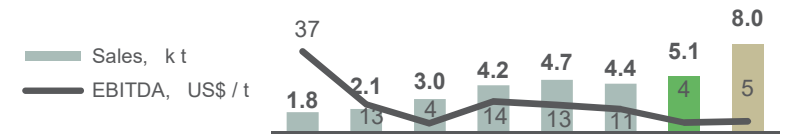
Terminals <sup>3</sup>	Throughput	m t	4.5	8.9
	EBITDA	US\$ / t	11	10
		US\$ m	48	90

- Volume** ↑ following commissioning of new terminal in 2019 and debottlenecking of TransBulkTerminal
- Margins** ↓ due to higher market competition



Grain trading	Sales	m t	5.1	8.0
	EBITDA	US\$ / t	4.5	5.0
		US\$ m	23	40

- Volume** ↑ following commissioning of new terminal
- Margins** ↑ normalization of profitability at relatively low level



Silo	Grain in-take	m t	3.3	5.0
	EBITDA	US\$ / t	12.3	12.0
		US\$ m	40	60

- Volume** ↑ due to construction of new modern silos (320k t storage capacity) and streamlining of the existing network
- Margins** almost flat as countrywide growth in capacities will be offset with growth in harvested volumes



Unallocated overheads	US\$ m	(35)	(42)
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- Marginal growth of head office costs due to expansion of business scale

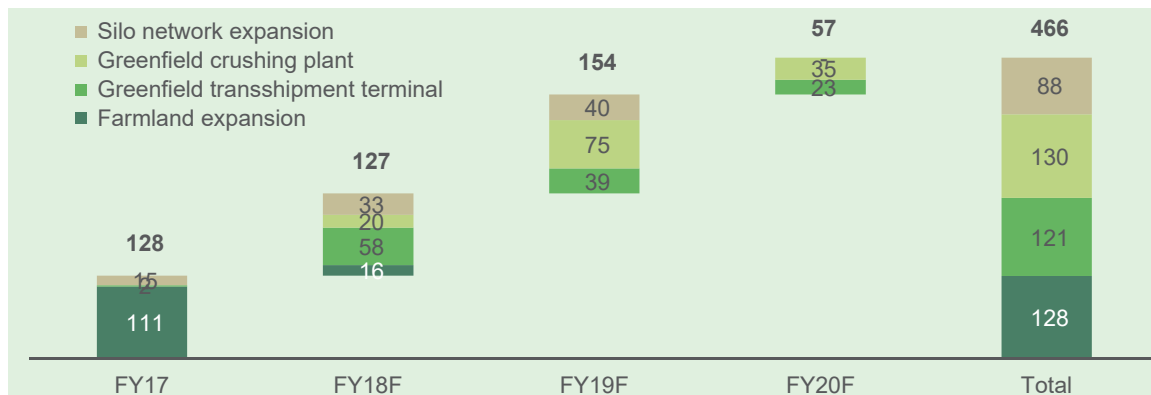
<b>Total</b>	<b>EBITDA</b>	<b>319</b>	<b>495</b>
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Note 1 Bulk oil inventory level normalization Note 2 Per ton of bulk oil  
Note 3 Excluding Taman

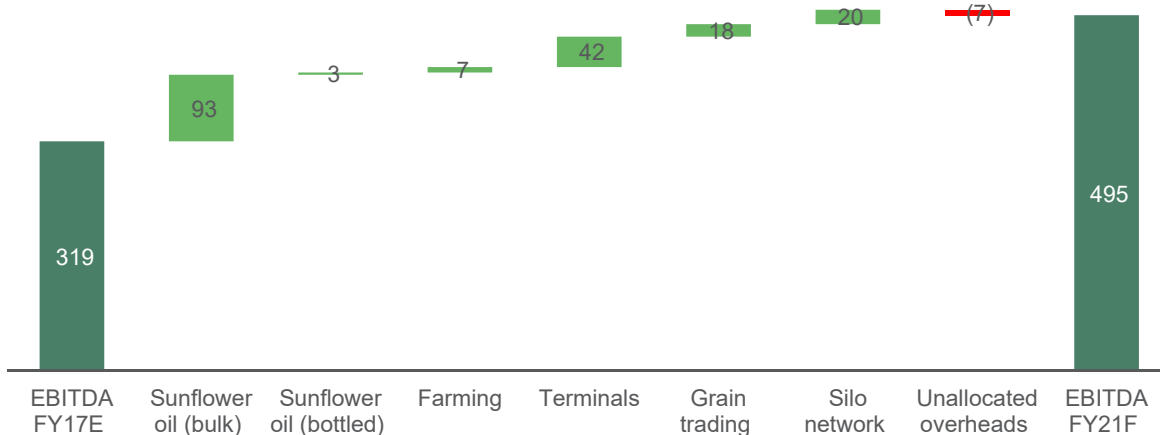
**Conservative assumptions underpin US\$ 500m EBITDA target in FY2021**

## 3.2 Road to US\$ 500m EBITDA by 2021 (2/2)

### Expansion CapEx, US\$ m



### EBITDA bridge, US\$ m



- In October 2016 Kernel declared an extensive US\$ 500m investment program to support Strategy 2021, reinforced with long-term capital via issuance of debut US\$ 500m Eurobond in January 2017

#### Expansion CapEx in detail:

- ✓ US\$ 121m investment into 4-million-tons per year deep-water **grain transshipment terminal** in Chornomorsk. Commission due in 2019.
- ✓ US\$ 166m deployed into **land bank and silo network expansion** in summer 2017 (+200k ha of land, +370k t of grain storages)
- ✓ US\$ 50m investment into **expansion and streamlining of silo network** to serve growing needs of farming and grain export divisions
- ✓ US\$ 130m greenfield **construction of 1-million-ton per year crushing plant** in Western Ukraine; land plot secured, ongoing design & preparatory works. Commission due in 2020
  - **Alternative option:** acquisition of **local sunflower oil producer** in Western Ukraine

#### Successful execution of Strategy 2021 shall transform Kernel into US\$ 500m EBITDA business under conservative assumption

- Sunflower oil segment with US\$ 96m of incremental EBITDA shall be a major earnings contributor (both due to capacity expansion and slight crushing margins recovery)
- Commissioning of new grain transshipment terminal to add US\$ 42m EBITDA in transshipment and US\$ 16m EBITDA in grain export business
- Incremental EBITDA contribution from the newly acquired leasehold land bank shall be offset by market-wide field cost inflation and global weakness of soft commodity prices
- Marginal contribution from silo division following capacity extension and streamlining of existing network

## 3.3 Sunflower oil

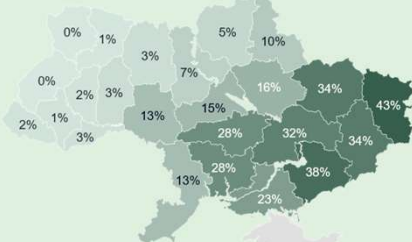
### Strong case for the construction of greenfield crushing plant in Western Ukraine

- Extremely high crushing margins over the past 5-6 years drove substantial investment into the sector and resulted in overcapacity, pushing the margins to historically low level.
- We expect the gradual recovery and stabilization of margins at around US\$ 100 per ton of oil within next few seasons, following the rationalization of demand along with the supply growth, primarily from Western Ukraine

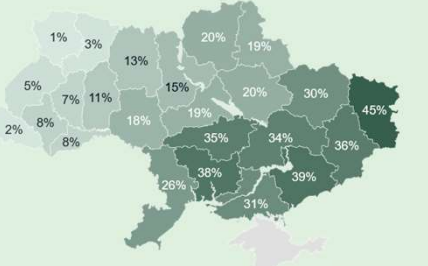
#### Western Ukraine has the capabilities to increase sunflower seed production by nearly 2 million tons over the next few years

- Ideal weather conditions for sunflower seeds production → yields above Ukrainian average, higher oil content
- Historically long transportation leg to the area of installed crushing capacity prohibited mass production of sunflower seeds in Western Ukraine
- Falling crushing margins along with sunflower seed record profitability enables longer transportation distances, incentivizing oilseed production in Western Ukraine

% of harvested areas under sunflower in MY2010/11



% of harvested areas under sunflower in MY2016/17



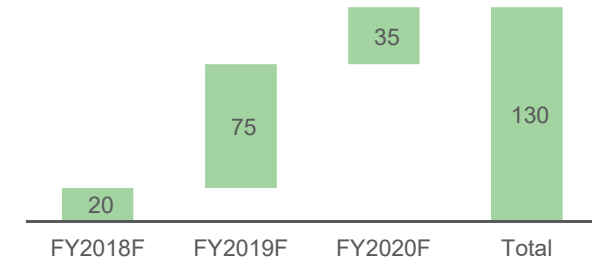
West	MY15	MY17	MY21E
Acreage under sunflower, %	3.8%	7.7%	14%
Yield, t/ha	2.3	2.7	3.0
Production, k t	394	963	2,367
Surplus (shortage), k t	190	629	2,033

Center	MY15	MY17	MY21E
Acreage under sunflower, %	15%	18%	20%
Yield, t/ha	2.6	2.7	2.9
Production, k t	2,765	3,699	4,685
Surplus (shortage), k t	552	729	1,716

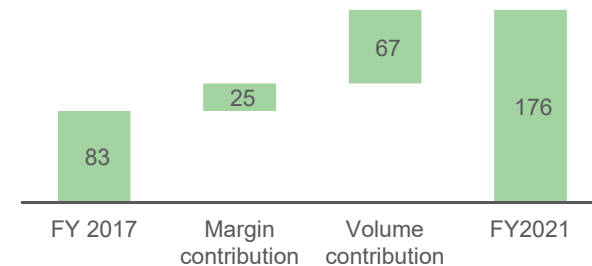
South-East	MY15	MY17	MY21E
Acreage under sunflower, %	30%	33%	31%
Yield, t/ha	1.8	2.1	2.3
Production, k t	6,975	8,965	8,643
Surplus (shortage), k t	(2,227)	(4,925)	(5,247)

- Lack of established players in Western Ukraine → low level of competition for sunflower seeds → higher margins
- Long distance to sunflower seed deficit area is a natural cushion to protect margins
- Kernel aims to enter Western Ukraine regions via greenfield construction of 1-million-ton per year crushing plant or, as an alternative, through the acquisition of local producer in the region

Timeline for capital deployment  
US\$ millions



EBITDA bridge (sunflower oil sold in bulk)  
US\$ millions



Underlying assumptions  
US\$ millions

		FY15	FY16	FY17	FY21F
Crushing volumes (initial)	k t	2,523	2,685	2,959	3,335
Crushing volumes (additional)	k t				931
Oil yield	%	44%	44%	45%	44%
Sunflower oil production	k t	1,110	1,181	1,328	1,877
Sunflower oil sales in bulk (initial)	k t	1,030	984	1,084	1,344
Sunflower oil sales in bulk (additional)	k t				409
EBITDA	US\$ / t	187	115	77	100
EBITDA	US\$ m	193	113	83	176

#### Summary:

- Investments: **US\$ 130 million**
- Incremental working capital: **US\$ 80 million**
- Target EBITDA contribution: **US\$ 41 million**

## 3.4 Grain and infrastructure

### Construction of TransGrainTerminal and new silos

#### TransGrainTerminal highlights

- Construction started in 2017
- Commissioning date: autumn 2019
- Transshipment capacity: 4m t per annum

#### Grain silos construction highlights

- Construction of new silos with 320k t storage capacity to support growth in grain export volumes

#### Underlying assumptions

Grain transshipment		FY14	FY15	FY16	FY17	FY21F
Throughput (initial) <sup>1</sup>	k t	2,782	3,648	3,724	4,456	4,900
Throughput (TGT)	k t					4,000
EBITDA	US\$ / t	10	10	10	11	10
EBITDA	US\$ m	27	37	37	48	90

#### Grain trading

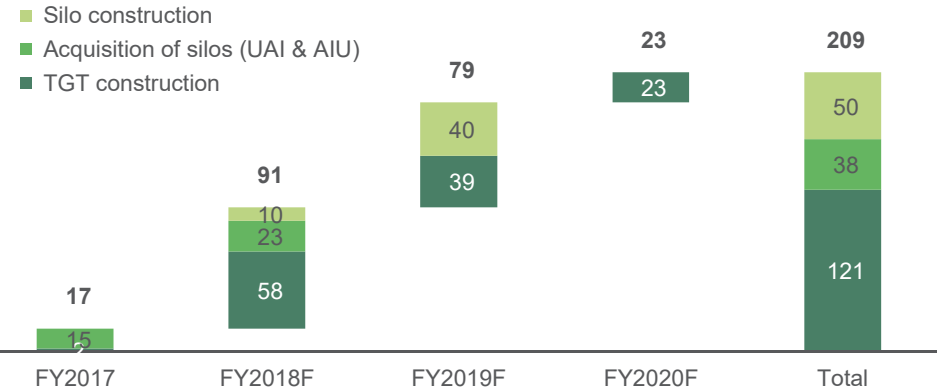
Volumes (initial)	k t	4,244	4,744	4,409	5,060	4,000
Volumes (TGT)	k t					4,000
EBITDA	US\$ / t	14.0	12.5	10.5	4.5	5.0
EBITDA	US\$ m	59	59	46	23	40

#### Silo services

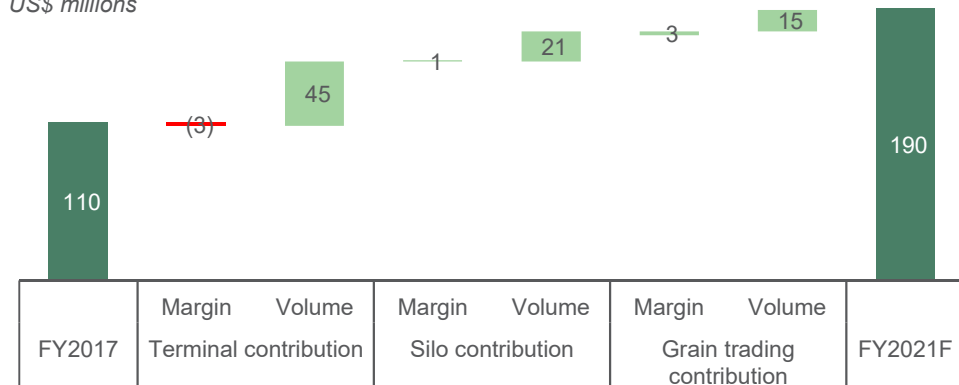
Volumes (initial)	k t	2,586	2,523	2,820	3,257	4,360
Volumes (new)	k t					640
EBITDA	US\$ / t	15.1	7.3	8.3	12.3	12.0
EBITDA	US\$ m	39	18	23	40	60

<b>Total EBITDA</b>	<b>US\$ m</b>	<b>126</b>	<b>114</b>	<b>107</b>	<b>110</b>	<b>190</b>
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#### Timeline for capital deployment US\$ millions



#### EBITDA contributions US\$ millions



#### Summary:

- Investments: **US\$ 209 million**
- Incremental working capital: **US\$ 30 million**
- Target EBITDA contribution: **US\$ 80 million**

Note 1 Excluding Taman

## 3.5 Farming

### Integration of acquired leasehold land bank to uplift productivity to Kernel's standard

- US\$ 128 million (adjusted for storage capacity and net working capital) has been invested into leasehold farm landbank expansion, increasing the acreage under management to 600,000 hectares
- Following the disposal of suboptimal acreage, Kernel shall operate 560,000 hectares
- Currently management focus is on the smooth integration of newly acquired businesses and uplifting the productivity to Kernel's standard
- We envisage the reduction of margins in farming business due to accelerating inflation of field costs, cancellation of VAT subsidies and prolonged weakness of global soft commodity prices

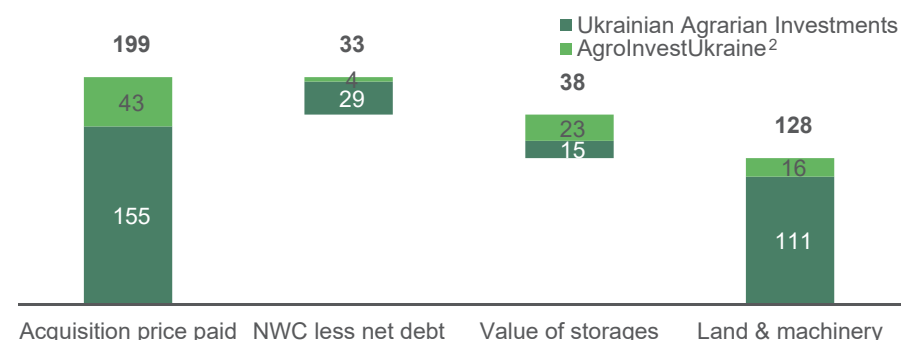
#### Underlying assumptions

		FY14	FY15	FY16	FY17	FY21F
<b>Acreage harvested</b>	k ha	<b>389</b>	<b>383</b>	<b>391</b>	<b>385</b>	<b>560</b> <sup>1</sup>
	Corn	5.5	7.2	7.2	8.9	8.5
	Wheat	4.3	5.4	5.1	5.8	5.4
<b>Net crop yields</b>	Sunflower	2.1	2.5	2.8	3.0	2.9
	Soybean	1.4	1.8	1.8	2.7	2.4
	Rapeseed	2.5	-	4.4	3.0	3.2
<b>EBITDA</b>	<b>US\$ m</b>	<b>(44)</b>	<b>98</b>	<b>147</b>	<b>144</b>	<b>151</b>
EBITDA	US\$ / ha	n/m	256	376	373	270

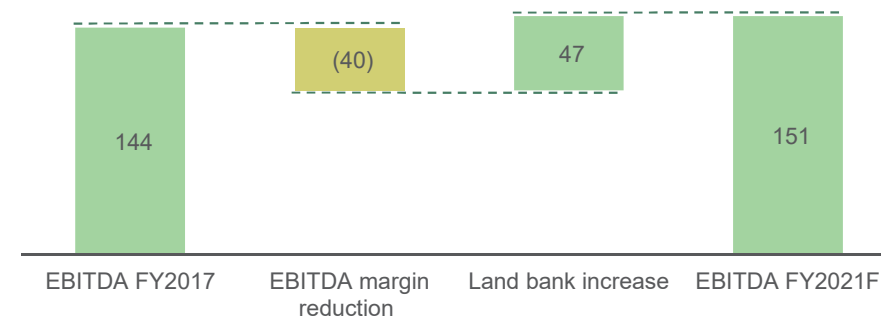
Note 1 After land bank streamlining flowing recent acquisitions

Note 2 Preliminary figures

#### Expansion CapEx US\$ millions



#### EBITDA contributions US\$ millions



#### Summary:

- Investments: **US\$ 128 million**
- Incremental working capital: **US\$ 100 million**
- Target EBITDA contribution: **US\$ 47 million**

## 4. FINANCIALS AND OUTLOOK



## 4.1 Consolidated statement of profit or loss

<i>US\$ million, except ratios and EPS</i>	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	LTM
<b>Revenue</b>	<b>215</b>	<b>350</b>	<b>663</b>	<b>1,047</b>	<b>1,020</b>	<b>1,899</b>	<b>2,072</b>	<b>2,797</b>	<b>2,393</b>	<b>2,330</b>	<b>1,989</b>	<b>2,169</b>	<b>2,321</b>
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	(33)
Cost of sales	(173)	(267)	(505)	(730)	(709)	(1,440)	(1,614)	(2,361)	(1,968)	(1,810)	(1,548)	(1,723)	(1,873)
<b>Gross profit</b>	<b>42</b>	<b>83</b>	<b>159</b>	<b>317</b>	<b>311</b>	<b>460</b>	<b>457</b>	<b>451</b>	<b>408</b>	<b>512</b>	<b>460</b>	<b>443</b>	<b>415</b>
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	37
Distribution costs	(20)	(39)	(52)	(143)	(134)	(170)	(199)	(238)	(263)	(199)	(158)	(159)	(156)
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(64)
<b>EBIT</b>	<b>12</b>	<b>39</b>	<b>112</b>	<b>167</b>	<b>167</b>	<b>277</b>	<b>257</b>	<b>201</b>	<b>129</b>	<b>328</b>	<b>287</b>	<b>265</b>	<b>231</b>
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(67)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	(10)
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(7)
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	(10)
<b>Net profit from continuing operations</b>	<b>0</b>	<b>19</b>	<b>82</b>	<b>132</b>	<b>152</b>	<b>226</b>	<b>206</b>	<b>115</b>	<b>(102)</b>	<b>101</b>	<b>244</b>	<b>179</b>	<b>137</b>
Profit / (loss) from discontinued operations	-	-	-	-	-	-	5	(10)	(6)	(5)	(17)	-	-
<b>Net profit</b>	<b>0</b>	<b>19</b>	<b>82</b>	<b>132</b>	<b>152</b>	<b>226</b>	<b>211</b>	<b>105</b>	<b>(107)</b>	<b>96</b>	<b>227</b>	<b>179</b>	<b>137</b>
Net profit attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	135
<i>EPS, US\$</i>		-	2.1	2.0	2.2	3.0	2.6	1.4	(1.2)	1.3	2.8	2.2	1.7
<i>ROE<sup>1</sup></i>		37%	36%	36%	32%	29%	19%	9%	(8%)	11%	24%	16%	12%
<i>ROIC<sup>2</sup></i>		21%	25%	26%	22%	23%	17%	9%	(1%)	11%	21%	15%	13%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	-5%	6%	17%	13%	8%
<b>EBITDA, incl.</b>	<b>17</b>	<b>46</b>	<b>123</b>	<b>190</b>	<b>190</b>	<b>310</b>	<b>319</b>	<b>288</b>	<b>223</b>	<b>397</b>	<b>346</b>	<b>319</b>	<b>293</b>
Sunflower oil	-	-	81	89	101	202	198	199	178	213	129	100	108
Grain and infrastructure	-	-	40	112	80	94	59	59	126	114	107	110	107
Farming	-	-	20	7	23	32	74	67	(44)	98	146	144	113
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(35)	(35)
<i>Gross margin</i>	19%	24%	24%	30%	30%	24%	22%	16%	17%	22%	23%	20%	17.9%
<i>EBITDA margin</i>	8%	13%	19%	18%	19%	16%	15%	10%	9%	17%	17%	15%	12.6%
<i>Net margin</i>	0.0%	5.3%	12.4%	12.6%	14.9%	11.9%	10.2%	3.8%	(4.5%)	4.1%	11.4%	8.2%	5.9%

**Note 1** Net profit attributable to shareholders divided by average equity attributable to shareholders over the period

**Note 2** Sum of net profit attributable to shareholders and financial costs, divided by average over the period sum of the debt and equity

## 4.2 Balance sheet

Balance sheet highlights	30 Sep												
US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	2017
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	117
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	81
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	93
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	122
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	470
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	396
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	156
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	36
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	228
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	588
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	100
<b>Total assets</b>	<b>156</b>	<b>275</b>	<b>756</b>	<b>700</b>	<b>1,125</b>	<b>1,573</b>	<b>2,116</b>	<b>2,362</b>	<b>1,919</b>	<b>1,466</b>	<b>1,509</b>	<b>2,009</b>	<b>1,991</b>
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	68
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	91
<b>Interest-bearing debt</b>	<b>93</b>	<b>157</b>	<b>256</b>	<b>295</b>	<b>345</b>	<b>422</b>	<b>693</b>	<b>725</b>	<b>743</b>	<b>463</b>	<b>339</b>	<b>655</b>	<b>621</b>
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	118
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	8
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	494
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	55
<b>Total liabilities</b>	<b>108</b>	<b>190</b>	<b>315</b>	<b>342</b>	<b>520</b>	<b>575</b>	<b>906</b>	<b>1,009</b>	<b>888</b>	<b>575</b>	<b>512</b>	<b>851</b>	<b>835</b>
<b>Total equity</b>	<b>48</b>	<b>85</b>	<b>440</b>	<b>357</b>	<b>605</b>	<b>997</b>	<b>1,211</b>	<b>1,352</b>	<b>1,031</b>	<b>891</b>	<b>997</b>	<b>1,158</b>	<b>1,156</b>
<i>Debt / equity ratio</i>	2.0x	1.8x	0.6x	0.8x	0.6x	0.4x	0.6x	0.5x	0.7x	0.5x	0.3x	0.6x	0.5x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	31%
<b>Liquidity position and credit metrics</b>													
Gross interest-bearing debt	94	158	259	300	350	428	698	734	749	469	343	657	624
Cash	6	25	89	129	59	116	83	79	65	129	60	143	117
<b>Net interest-bearing debt</b>	<b>88</b>	<b>133</b>	<b>170</b>	<b>170</b>	<b>291</b>	<b>312</b>	<b>616</b>	<b>655</b>	<b>684</b>	<b>339</b>	<b>283</b>	<b>514</b>	<b>507</b>
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	396
<b>Adjusted net financial debt</b>	<b>58</b>	<b>95</b>	<b>32</b>	<b>79</b>	<b>148</b>	<b>170</b>	<b>280</b>	<b>498</b>	<b>441</b>	<b>199</b>	<b>99</b>	<b>160</b>	<b>111</b>
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	1.6x	1.7x
Adjusted net debt / EBITDA	3.4x	2.0x	0.3x	0.4x	0.8x	0.5x	0.9x	1.7x	2.0x	0.5x	0.3x	0.5x	0.4x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x	5.8x	6.1x	5.1x	4.4x

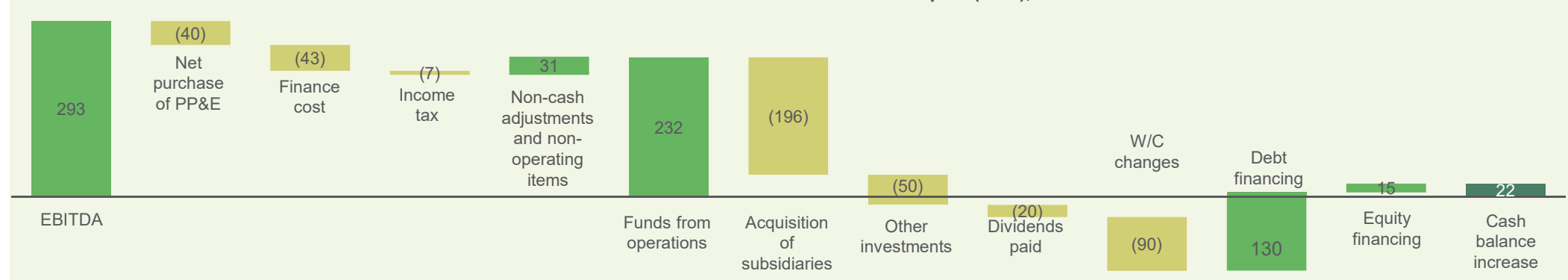
Note: financial year ends 30 June.

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

## 4.3 Cash flow statement

US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	LTM
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	293
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(40)
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(43)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(7)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	31
<b>Funds from operations</b>	<b>1</b>	<b>28</b>	<b>75</b>	<b>35</b>	<b>123</b>	<b>187</b>	<b>125</b>	<b>78</b>	<b>28</b>	<b>223</b>	<b>237</b>	<b>243</b>	<b>232</b>
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(90)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(36)	(146)	(196)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	6	(37)	(50)
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)
<b>Free cash flow</b>	<b>(34)</b>	<b>(46)</b>	<b>(281)</b>	<b>4</b>	<b>(44)</b>	<b>(71)</b>	<b>(253)</b>	<b>38</b>	<b>(14)</b>	<b>349</b>	<b>51</b>	<b>(166)</b>	<b>(124)</b>
<b>Financing</b>	<b>31</b>	<b>64</b>	<b>315</b>	<b>36</b>	<b>4</b>	<b>124</b>	<b>225</b>	<b>(48)</b>	<b>7</b>	<b>(290)</b>	<b>(115)</b>	<b>193</b>	<b>145</b>
Debt	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	130
Equity	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	15
Cash EoP	6	25	59	98	58	110	83	73	65	124	60	87	99
<b>Cash conversion cycle</b>	<b>n/a</b>	<b>71</b>	<b>91</b>	<b>89</b>	<b>126</b>	<b>95</b>	<b>124</b>	<b>94</b>	<b>90</b>	<b>71</b>	<b>66</b>	<b>88</b>	<b>106</b>
Payment period, days	n/a	(5)	(4)	(3)	(5)	(5)	(6)	(6)	(7)	(6)	(8)	(10)	(11)
Inventories processing, days	n/a	49	67	61	64	42	67	53	53	46	42	62	90
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	10
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	18

Sources and uses of cash in Oct'16-Sep'17 (LTM), US\$ million



# IR contact

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## **Investor calendar**

- |                                        |                         |
|----------------------------------------|-------------------------|
| ▪ Annual general shareholders' meeting | <b>11 December 2017</b> |
| ▪ Q2 FY2018 Operations Update          | <b>20 January 2018</b>  |
| ▪ H1 FY2018 Financial Report           | <b>28 February 2018</b> |
| ▪ Q3 FY2018 Operations Update          | <b>18 April 2018</b>    |
| ▪ Q3 FY2018 Financial Report           | <b>25 May 2018</b>      |
| ▪ Q4 FY2018 Operations Update          | <b>17 July 2018</b>     |
| ▪ FY2018 Financial Report              | <b>22 October 2018</b>  |

# APPENDICES



# A1. Key highlights

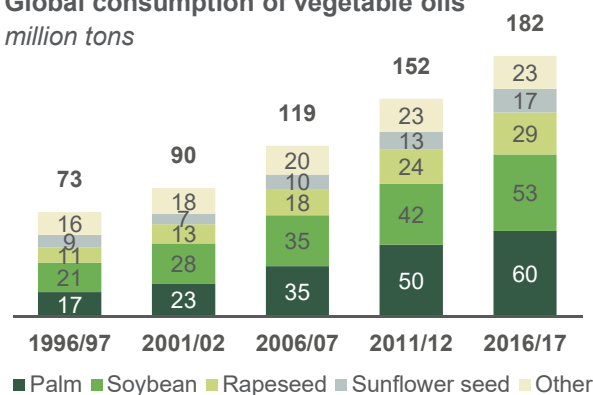
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- Kernel operates in globally competitive growing Ukrainian agri sector
- Integrated, resilient and simple business model built around scale & global reach
- Leader across all market segments supported by unparalleled world-class asset base with high barriers to entry
- Top standard of corporate governance
- Solid financial performance and position
- Clear 2021 strategy reinforced with unmatched track record
- Financial performance target of US\$ 500m EBITDA in FY2021 is based on conservative assumptions and investments under management control
- Reversion of low commodity cycle and farmland market reform in Ukraine are free options imbedded into Kernel's business model

## A2. Markets and business environment

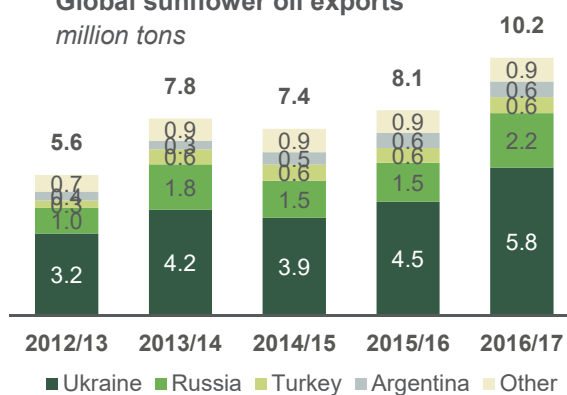
### Sunflower oil

**Global consumption of vegetable oils**  
million tons



Source: USDA

**Global sunflower oil exports**  
million tons



Source: USDA

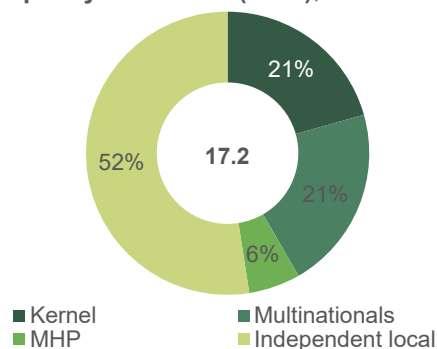
#### Global edible oils market trends

- Following the global demographic trends, world consumption of vegetable oils achieved healthy 2.5% y-o-y growth in 2016/17 marketing season to 182 million tons. Sunflower oil was the fastest growing market segment, adding up 9.0% y-o-y and reaching a record 16.5 million tons worldwide, thanks to changes in dietary patterns in India, EU and Northern Africa. As a result, share of sunflower oil in global consumption of vegetable oils increased to 9.1% in 2016/17 from 8.5% year ago
- Global production of vegetable oil increased 5.3% y-o-y to 186 million tons, and sunflower oil segment demonstrated 18.2% y-o-y growth to record high 18.2 million tons, mainly due to the record harvest of sunflower seeds in Ukraine and Russia, which both account for 58% of global sunflower seeds production. As a result, sunflower oil market felt the largest relative misbalance, which put a downward pressure on prices, with Black Sea's sunflower oil FOB prices descending from US\$800 to US\$720 per ton during 2016/17 marketing year.
- Ukraine remained the largest supplier of sunflower oil globally and exported to international markets 5.8 million tons of sunflower oil, or 57% of total international export.

#### Sunflower seed processing in Ukraine

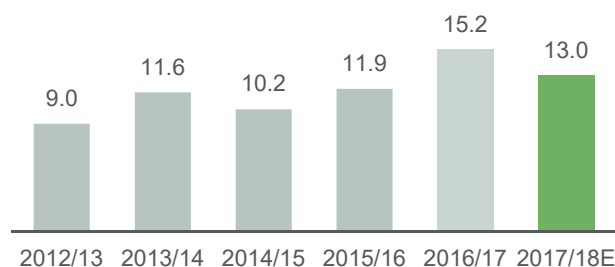
- In the 2016/17 marketing season, farmers in Ukraine produced a record harvest of sunflower seeds, due to both the largest ever harvested areas and unprecedented yields supported by favorable weather conditions.
- With negligible amounts of export and import and virtually unchanged stocks, 96% of the harvested seed was crushed domestically to produce 6.4 million tons of sunflower oil, of which 5.8 million tons were exported.
- Effective crushing capacities continued to increase due to commissioning of brand new crushing facilities and modernization of existing capacities (done both by foreign and local players) and a return to the market of producers who were not operating during previous seasons. On top of that, small producers became more active due to better access to working capital financing, thus increasing demand for sunflower seed. As a result, the gap between supply (sunflower seed harvested) and demand (crushing capacity) widened, shifting the bargaining power to farmers, depressing margins for processors and resulting in underutilization of crushing capacities.

**Sunflower seed industrial crushing capacity in Ukraine (2017), million tons**



Source: National Academy of Agricultural Sciences of Ukraine, Kernel's estimates

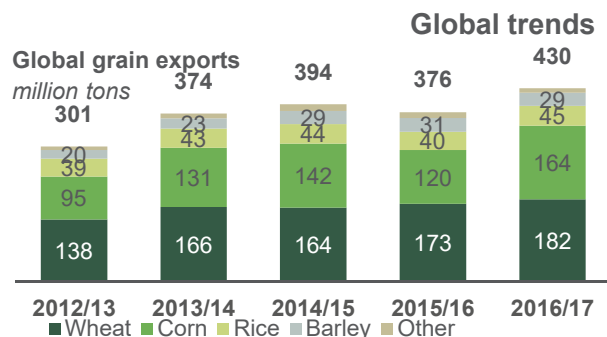
**Sunflower seed harvest in Ukraine**  
million tons



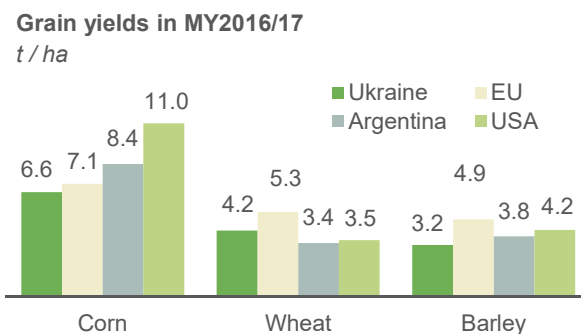
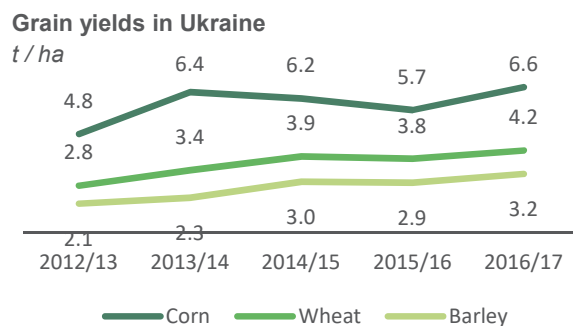
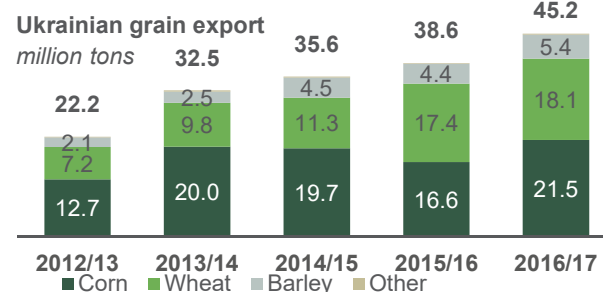
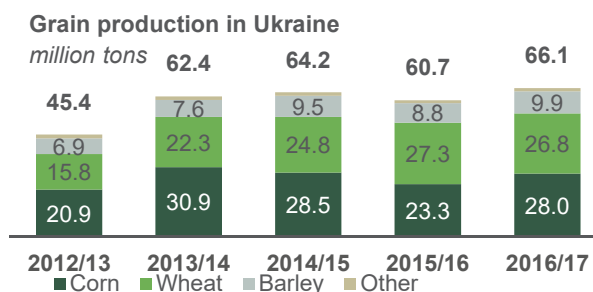
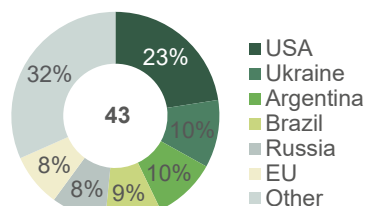
Source: USDA for historical data, forecast as per Kernel's estimates

## A2. Markets and business environment

### Grain and infrastructure



**Top grain exporting countries**  
million tons



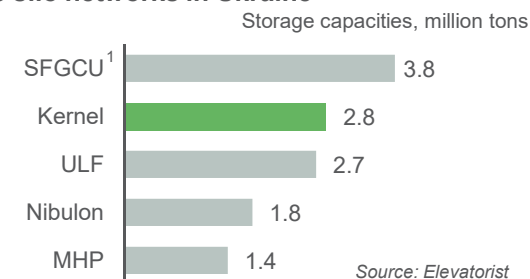
- Being the 2<sup>nd</sup> largest grain exporter in the world, Ukraine still has a significant potential to increase grain production by applying more efficient crop production techniques and reaching higher yields, which are currently 20-40% lower than those of developed producers
- With stable domestic consumption, productivity gains shall directly translate into export volumes growth

#### Top 5 grain exporters from Ukraine

2013/14	2014/15	2015/16	2016/17
Nibulon	Nibulon	SFGCU	Nibulon
Louis Dreyfus	SFGCU	<b>Kernel</b>	<b>Kernel</b>
A. Toepfer	<b>Kernel</b>	Nibulon	SFGCU
<b>Kernel</b>	Louis Dreyfus	Cargill	ADM
SFGCU	Cofco	ULF	Cargill

Source: Agrochart, Ukrainian Agrarian Confederation, Kernel

#### Top 5 silo networks in Ukraine

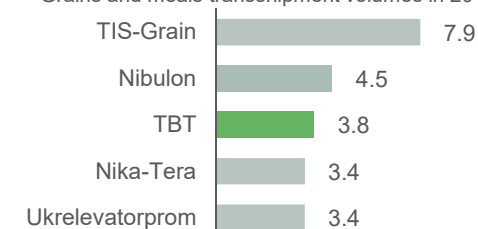


Source: Elevatorist

(1) State Food and Grain Company of Ukraine

#### Top 5 grain transshipment terminals in Ukraine

Grains and meals transshipment volumes in 2016/17, million tons



Source: Agrochart, Kernel

- Having leading positions in grain trading and infrastructure segments, Kernel is **the best positioned platform in Ukraine** to benefit from future growth of export volumes from Ukraine.

## A2. Markets and business environment

### Low cycle of soft commodity prices

Index of soft commodity prices, US\$-inflation adjusted



**Note**

1. **Corn:** U.S. No. 2 Yellow, FOB Gulf of Mexico, U.S. price, US\$ per metric ton
2. **Wheat:** No.1 Hard Red Winter, ordinary protein, FOB Gulf of Mexico, US\$ per metric ton
3. **Sunflower oil:** crude, bid, FOB Black Sea, Ukraine, US\$ per metric ton

Source: USDA, APK-inform

- Soft commodity **prices** (inflation adjusted) continue to be **depressed for the 5<sup>th</sup> consecutive year**
- **Price recovery will have a direct positive impact on profitability**

**Kernel, with >40% of its EBITDA being generated by the farming (upstream) business, is best positioned to benefit from the global recovery of soft commodity prices**