

KERNEL

Kernel Holding S.A.

FY2018 results and company presentation

22 October 2018



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1. FY2018 results



1.1 FY2018 highlights

- Revenue totaled US\$ 2.4bn in FY2018, an 11% increase y-o-y
 - Mostly driven by higher sales volumes of sunflower oil
- EBITDA stood at US\$ 223m in FY 2018, a 30% decline y-o-y
 - *Sunflower oil* segment earned US\$ 77m of EBITDA as crushing margins were expectedly weak, contracting to 49 US\$ per ton of oil sold in bulk while sales volumes of sunflower oil sold in bulk increased by 20% y-o-y to a record 1.3 million tons
 - *Grain & infrastructure*:
 - Grain trading segment generated US\$ 17m EBITDA in FY2018 (-23% y-o-y), undermined by weak trading margin in Ukraine and write-off of VAT receivable in Russia, partially offset by a contribution from Avere operations;
 - Silo service earned US\$ 44m EBITDA in FY2018 (+11% y-o-y), driven by strong demand for grain drying services;
 - Export terminals contributed US\$ 39m EBITDA, down 18% y-o-y, stemming from both lower volumes and weaker margin owing to inflating cost base
 - *Farming segment* EBITDA stood at US\$ 89m in FY2018, a 39% decline y-o-y, as unfavorable weather conditions damaged crop yields while acceleration of local cost inflation, and prolonged weakness of global soft commodity prices undermined profitability.
- Driven by weaker operating performance and provision recognized to settle the possible arbitration claim, the net profit attributable to shareholders stood at US\$ 52m (-70% y-o-y)
- Net cash generated from operations amounted to US\$ 152m in FY2018, as compared to US\$ 119m for the same period a year ago, while investing activities cash outflow amounted to US\$ 156m, comprising mostly the capital expenditures related to the execution of Strategy 2021
- Financial leverage increased to 2.8x net-debt-to-EBITDA as of 30 June 2018, and is expected to reach its peak at the end of FY2019

<i>US\$ million except ratios and EPS</i>	FY2017	FY2018	y-o-y
Income statement highlights			
Revenue	2,168.9	2,403.0	10.8%
EBITDA ¹	319.2	222.5	(30.3%)
Net profit / (loss) attributable to equity holders of Kernel Holding S.A.	176.2	52.1	(70.4%)
EBITDA margin	14.7%	9.3%	(5.5pp)
Net margin	8.1%	2.2%	(6.0pp)
EPS ² , US\$	2.19	0.64	(71.0%)
Cash flow highlights			
Operating profit before working capital changes	324.8	183.3	(43.6%)
Change in working capital	(206.2)	(31.2)	(84.9%)
Cash generated from operations	118.5	152.1	28.3%
Net cash provided by / (used in) operating activities	77.4	82.5	6.6%
Net cash used in investing activities	(223.5)	(155.7)	(30.3%)
Liquidity and credit metrics			
Net interest-bearing debt	514.0	622.1	21.0%
Readily marketable inventories	353.9	325.2	(8.1%)
Adjusted net debt ³	160.0	296.9	85.5%
Shareholders' equity	1,153.0	1,170.7	1.5%
Net debt / EBITDA	1.6x	2.8x	1.2x
Adjusted net debt / EBITDA	0.5x	1.3x	0.8x
EBITDA / Interest	5.1x	3.4x	(1.7x)

Financial year ends 30 June

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

Note 2 EPS is measured in US Dollars per share based on 81.9 million shares in FY2018

Note 3 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.

1.2 Segment results FY2018

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t ²		
	FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y	FY2017	FY2018	y-o-y
Sunflower oil sold in bulk	1,068	1,264	18%	83.2	63.3	(24%)	1,084	1,301	20%	76.8	48.7	(37%)
Bottled sunflower oil	141	130	(8%)	16.6	13.4	(19%)	131	119	(10%)	126.0	112.6	(11%)
Sunflower oil division	1,208	1,393	15%	99.8	76.7	(23%)						
Grain trading	923	951	3%	22.7	17.5	(23%)	5,060	4,646	(8%)	4.5	3.8	(16%)
Export terminals ³	59	53	(9%)	47.6	39.1	(18%)	4,456	4,112	(8%)	10.7	9.5	(11%)
Silo services	61	72	19%	40.0	44.2	11%	3,255	3,292	1%	12.3	13.4	9%
Grain & infrastructure division	1,043	1,077	3%	110.2	100.8	(9%)						
Farming division	381	470	23%	145.5	88.7	(39%)	2,074	2,594	25%	377.7	148.9	(61%)
Unallocated corporate expenses				(36.4)	(43.7)	20%						
Reconciliation	(463)	(538)	16%	-	-							
Total	2,169	2,403	11%	319.2	222.5	(30%)						

Note 1 Million liters for bottled sunflower oil

Note 2 US\$ per thousand of liters for bottled sunflower oil; US\$ per hectare for farming

Note 3 Excluding Taman. Earnings from the joint venture are accounted for below EBITDA

Differences are possible due to rounding

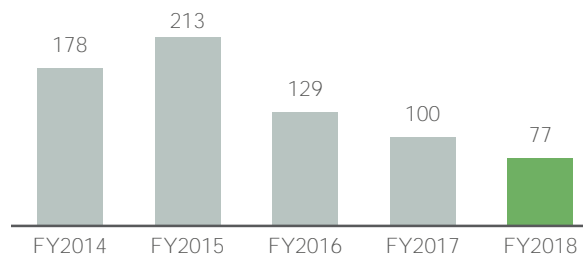
2. KERNEL TODAY



2.1 Kernel today

Sunflower oil segment

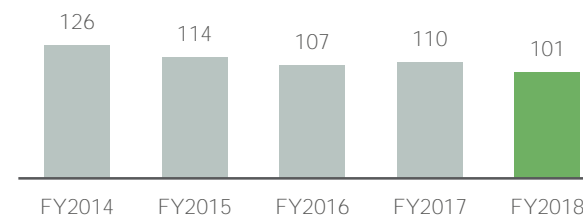
- #1 sunflower oil producer and exporter in the world
- Leading bottled sunflower oil producer and marketer in Ukraine
- 8 oilseed processing plants located across the sunflower seed belt in Ukraine
- 3.5 million tons annual sunflower seed crushing capacity

EBITDA ¹, US\$ million

Grain and infrastructure segment

- Leading grain originator and marketer in Ukraine with 9% of country's total grain exports
- One export terminal in Ukraine and one in Russia (50/50 JV with Glencore) with total annual capacity to transship 6.2 million tons of soft commodities
- #1 private inland grain silo network in Ukraine with 2.8 million tons of storage capacity

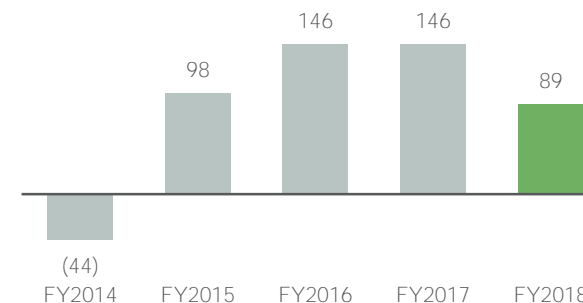
EBITDA, US\$ million



Farming segment

- #1 crop producer in Ukraine operating 550 thousands 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



Key financials, US\$ m ¹	FY14	FY15	FY16	FY17	FY18
Revenue	2,393	2,330	1,989	2,169	2,403
EBITDA	223	397	346	319	223
Net profit/(loss) ²	(98)	107	225	176	52
EBITDA margin	9.3%	17.0%	17.4%	14.7%	9.3%
Net margin	(4.1%)	4.6%	11.3%	8.1%	2.2%
EPS, US\$	(1.23)	1.34	2.83	2.19	0.64

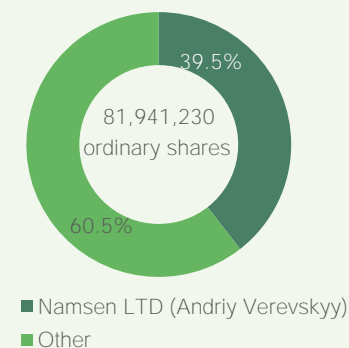
1. Except ratios and EPS

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

Stock information

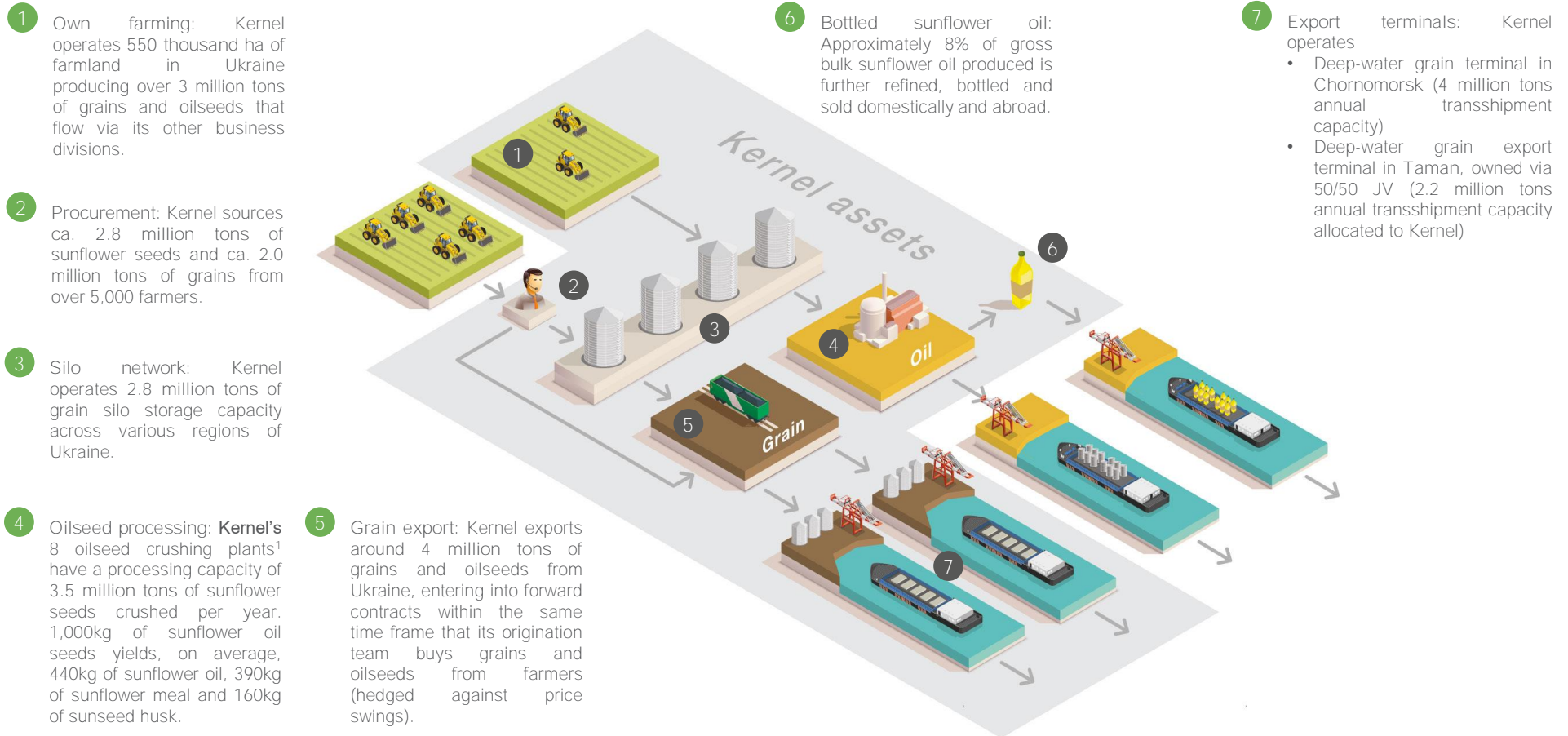
Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	81,941,230
Bloomberg Reuters ticker	KER PW KERN.WA
ISIN code	LU0327357389

Shareholder structure



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

2.2 What we do

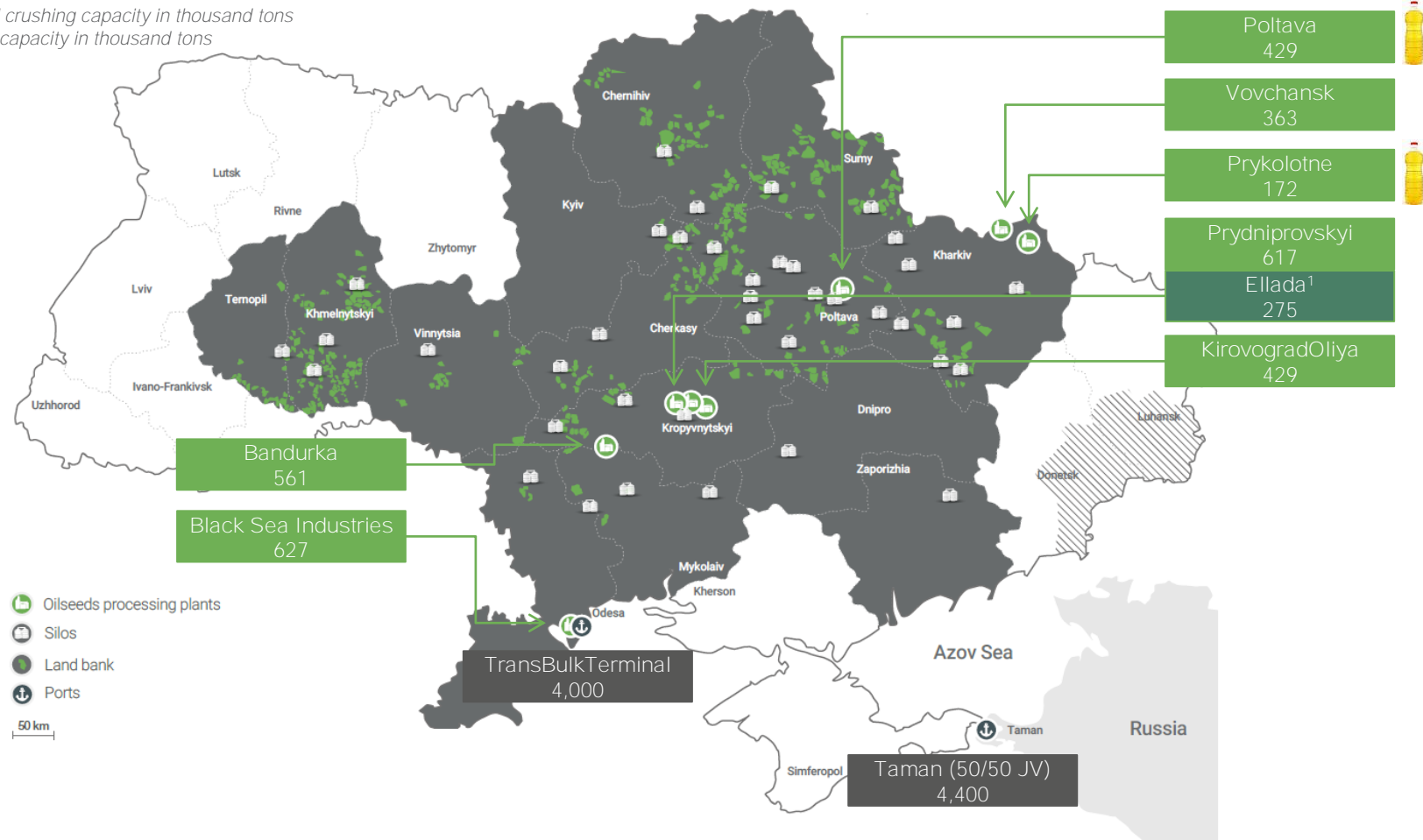


Kernel bridges Ukrainian farmers with the global market place using its efficient, scalable and integrated resources and processes

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

2.3 Efficient and well-invested asset base

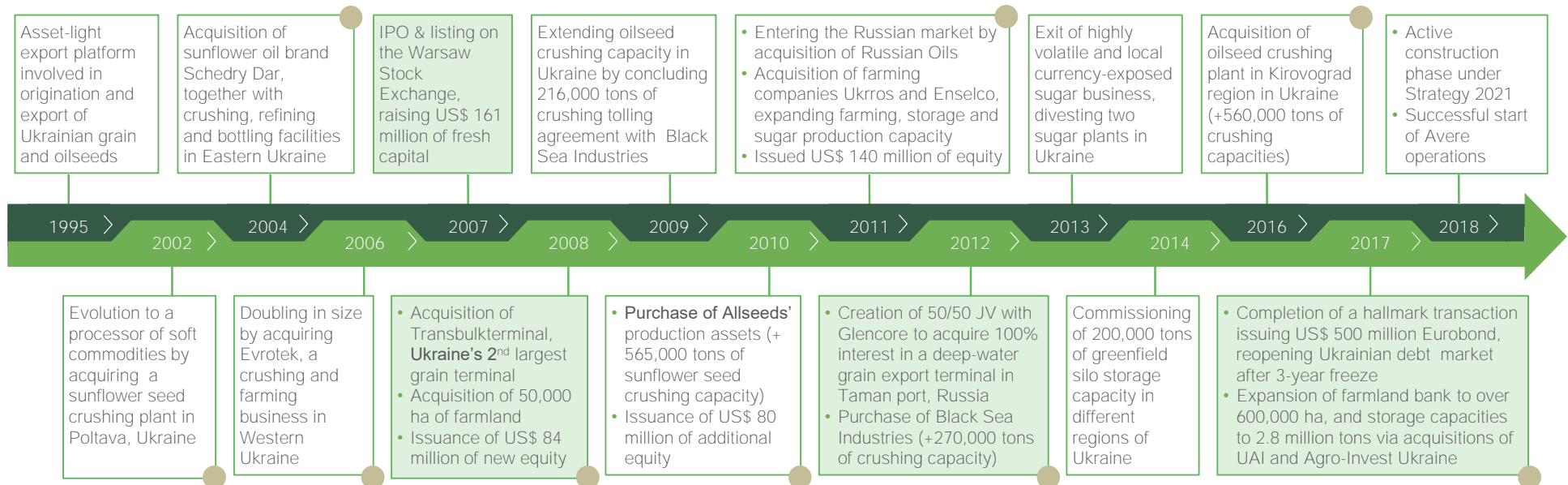
Sunflower seed crushing capacity in thousand tons
Transshipment capacity in thousand tons



Diversified and strategically located world-class asset base provides significant competitive advantages

Note 1 Operated under tolling agreement

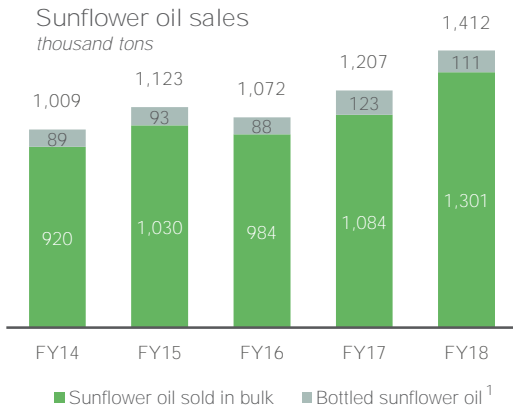
2.4 Kernel's key milestones



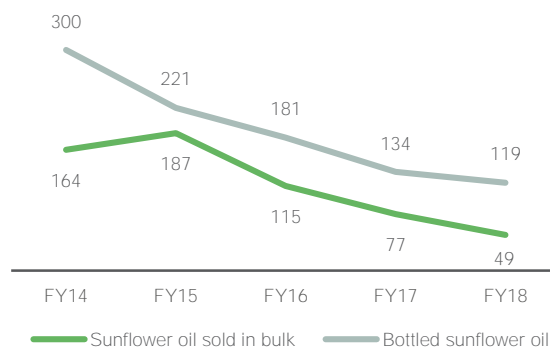
Unparalleled track record of continuous development

2.5 Sunflower oil division

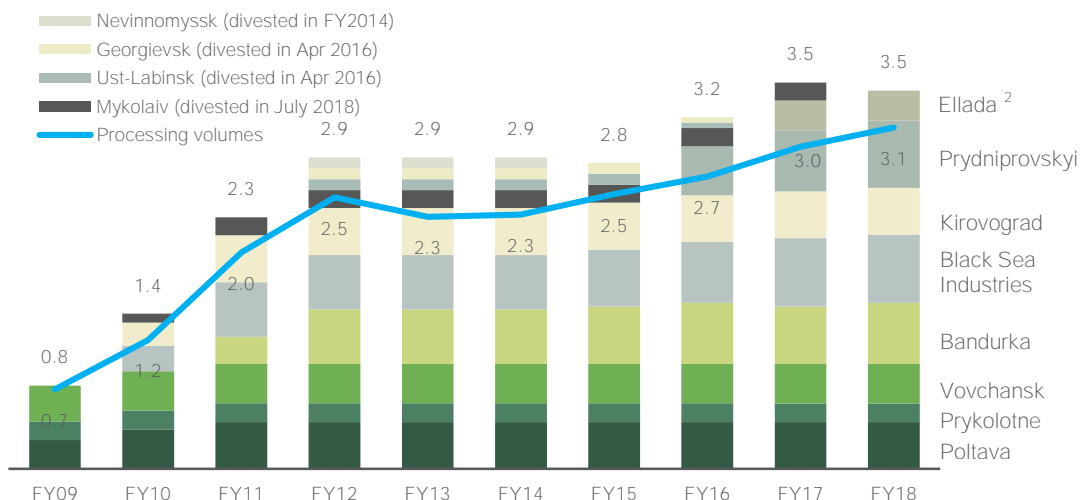
Sunflower oil sales
thousand tons



EBITDA margins
US\$ / ton of sunflower oil sold



Kernel oilseed processing capacity, million tons per year

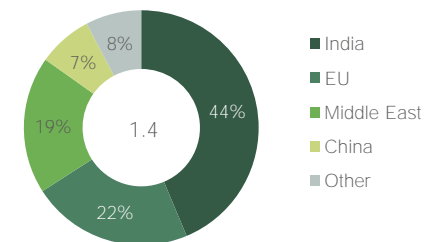


Note 1 One ton of sunflower oil is equivalent to 1.065 thousand liters of sunflower oil

Note 2 Operated under tolling agreement

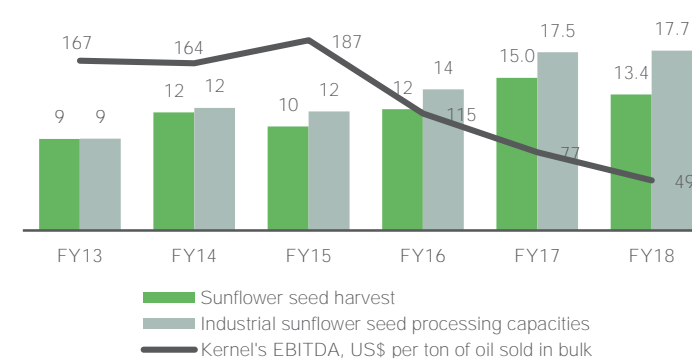
- **Division's EBITDA declined 22% y-o-y in FY2018**, to US\$ 77m
- Record sunflower seeds processing volumes (3.1m tons) and sales of sunflower oil (1.4m tons) → focus on full capacity utilization in low-cycle business environment

Sunflower oil key sales markets in FY2018, million tons



- Weak EBITDA margin due to increased misbalance between sunflower seed processing capacities and harvested volumes

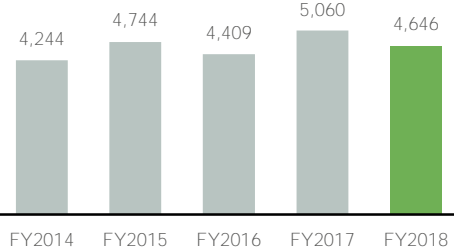
Supply & demand for sunflower seeds in Ukraine, million tons



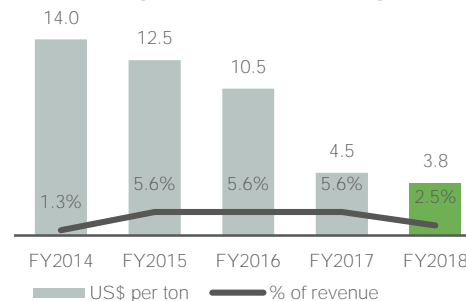
Source National Academy of Agricultural Sciences of Ukraine, USDA, Kernel

2.6 Grain and infrastructure division

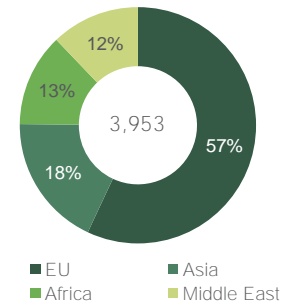
Grain volumes traded
thousand tons



Grain segment's EBITDA margin



Key export markets in FY2018
Thousand tons (excl. Avere traded volumes)



Grain:

- The assignment of Taman grain transshipment quota entitlement to a 3rd party for FY2018 led to decline in export volumes
- Margins reduction in FY2018
 - Lower y-o-y grain harvest led to the increased competition
 - Turbulence on domestic railway carriage market stipulated logistic cost inflation
 - Write-off of US\$ 13m VAT credit in Russia
 - Positive contribution from Avere operations

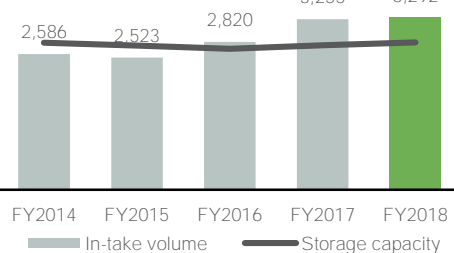
Silo services:

- Strong grain in-take volumes driven by the de-bottlenecking of our silo network and acquisition of new modern silos in summer 2017
- Healthy EBITDA margin supported by strong demand for grain drying services due to a rainy harvesting campaign in 2017

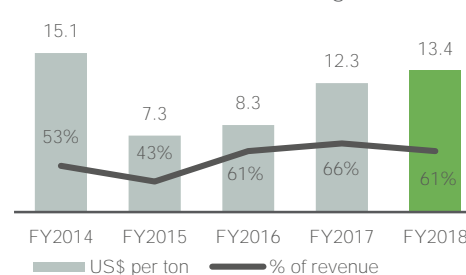
Export terminals:

- Lower export terminals throughput volumes, partially driven by the execution of investment project in our TransBulkTerminal in Chornomorsk
- Weaker margin, slightly pressured with growing overheads and direct costs inflation

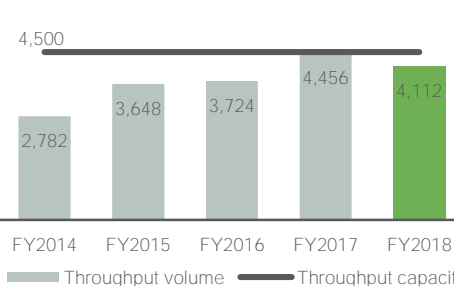
Grain in-take by inland silos
thousand tons



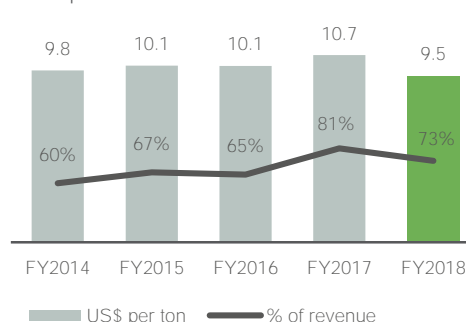
Silo services EBITDA margin



Export terminals throughput ¹
thousand tons



Export terminal EBITDA ²

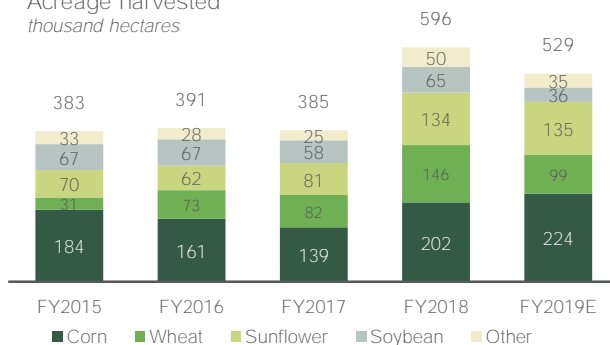


Note 1 Not including Taman

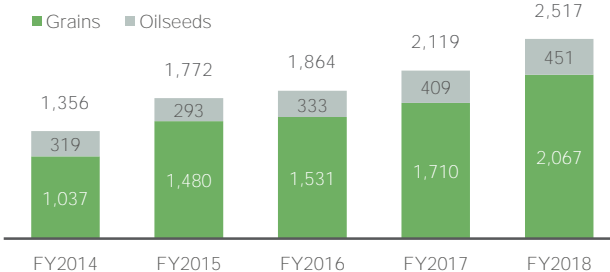
Note 2 Taman is not included as its operating results are accounted below Kernel's operating profit

2.7 Farming division

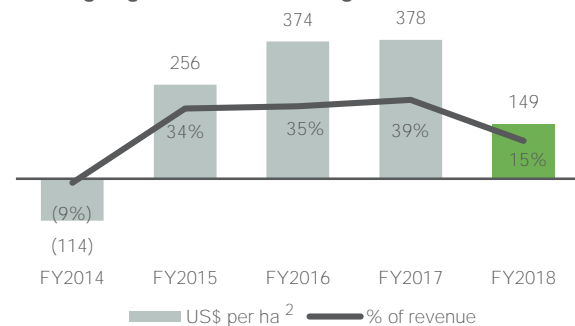
Acreage harvested
thousand hectares



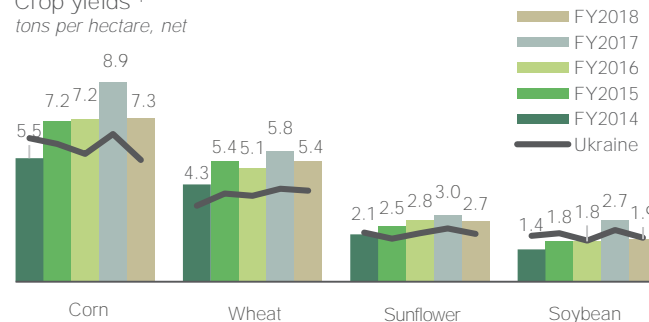
Kernel's crop production
thousand tons



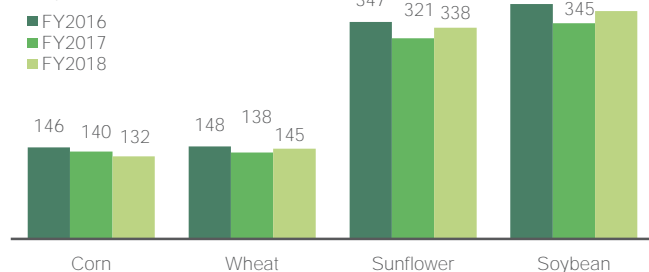
Farming segment's EBITDA margin



Crop yields¹
tons per hectare, net



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



Note 1 For comparison purposes, yields for FY2018 are provided for Kernel's initial lands (prior to land bank expansion in summer 2017).
Note 2 Farming segment EBITDA for the period, divided by the acreage harvested in corresponding year.

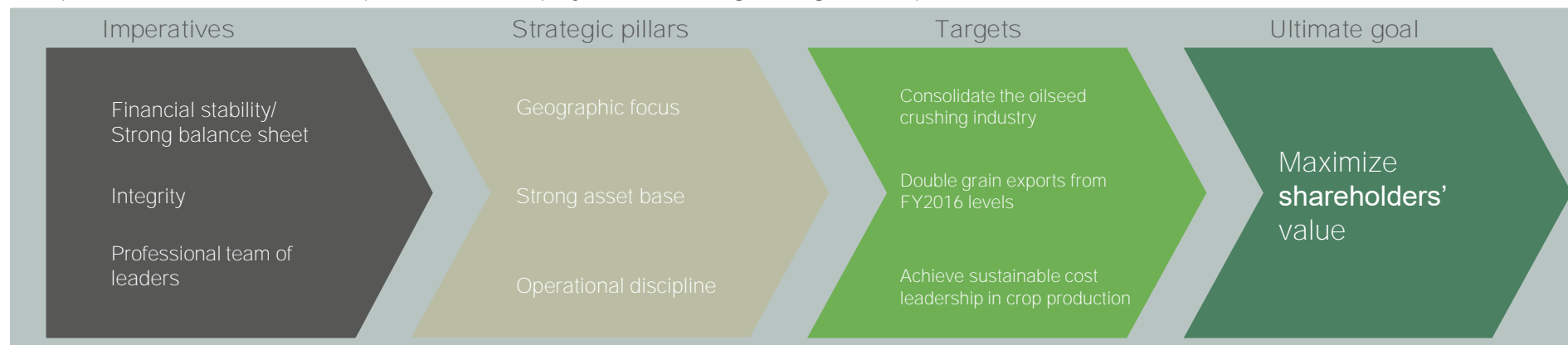
- US\$ 88 million EBITDA in FY2018, down 40% y-o-y
 - Unfavorable weather conditions. As a result of a drought in Ukraine during the spring crop pollination period, our yields on initial landbank reduced by 9-30% depending on the crop
 - Limited contribution from the lease-hold farmland bank acquired. Weaker operating performance of recently acquired farmland further diluted the contribution from our farming business.
 - Cost inflation of 6% (or approximately 40 US\$/ha), primarily driven by land lease and payroll costs growth.
- Acquisition of Ukrainian Agrarian Investments and Agro-Invest Ukraine in summer 2017 expanded the leasehold farmland bank by more than 200 thousand hectares. Several distant land blocks were immediately disposed, being suboptimal for our operations

3. Balanced growth strategy



3.1 Kernel's mid-term strategy

We aim to profitably double export volumes by FY2021, providing comprehensive solutions to our clients (customers and suppliers), with balanced development of our businesses by the 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



Grain and
infrastructure



Farming

Mid-term targets in detail

- Construction of 1-million-ton per year greenfield crushing plant in western Ukraine
- Substantial upgrade of the remaining crushing plants to drive efficiency
- Double grain exports in FY2021 through greenfield construction of 4.0-million-ton deep-water transshipment facility in Ukraine
- Expand and streamline silo network to serve growing in-house production and export volumes
- Achieve sustainable low-cost crop production via investment in technology
- Smooth integration of recently acquired assets to lift operational efficiency and productivity levels to **Kernel's** high standard

Key deliverables in FY2018

- Construction phase kick off for our processing plant in western Ukraine and roll-out of upgrade program in other crushing facilities
- Key equipment contracted for both projects
- Active construction phase on TransGrainTerminal, a 4-million-ton deep-water grain transshipment facility in Chornomorsk port
- Launched Avere – a knowledge and research platform to effectively hedge the expected increase of **Kernel's** export volumes
- Start of construction of two silos
- Successful integration of Ukrainian Agrarian Investments and Agro-Invest Ukraine acquired in summer 2017

3.2 Strategy 2021 serves as a solid basis for future growth

Strategy 2021 pipeline overview:

		Approximate CapEx budgets, US\$ m (excl. VAT)
I	Construction of greenfield oilseed processing plant in Western Ukraine <ul style="list-style-type: none"> ■ Annual sunflower seed processing capacity: 1 million tons ■ Expected commissioning date: early 2021 	180
II	Upgrade of most of our oilseed processing plants to significantly improve the performance of sunflower oil business throughout (FY2019-2020)	150
III	Construction of new grain export terminal in the port of Chornomorsk <ul style="list-style-type: none"> ■ Annual throughput capacity: 4 million tons of grain ■ Expected commissioning date: <ul style="list-style-type: none"> - First stage (up to 1.0m tons of incremental transshipment capacity): Jan 2019 - Final commissioning: autumn 2019 	120
IV	Construction and de-bottlenecking of silos (FY2019-2020)	65
V	Acquisition of 500 railcars (FY2019)	25
Total		540

- The major portion of investments is expected to be financed by debt attracted from international financial institutions
- Over US\$ 100m out of US\$ 540m has been deployed as of 30 June 2018

4. FINANCIALS AND OUTLOOK



4.1 Consolidated statement of profit or loss

US\$ million, except ratios and EPS

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Revenue	215	350	663	1,047	1,020	1,899	2,072	2,797	2,393	2,330	1,989	2,169	2,403
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	19
Cost of sales	(173)	(267)	(505)	(730)	(709)	(1,440)	(1,614)	(2,361)	(1,968)	(1,810)	(1,548)	(1,723)	(2,108)
Gross profit	42	83	159	317	311	460	457	451	408	512	460	443	314
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	59
Distribution costs	(20)	(39)	(52)	(143)	(134)	(170)	(199)	(238)	(263)	(199)	(158)	(159)	(154)
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(80)
EBIT	12	39	112	167	167	277	257	201	129	328	287	265	140
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(65)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	5
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(30)
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	6
Net profit from continuing operations	0	19	82	132	152	226	206	115	(102)	101	244	179	56
Profit / (loss) from discontinued operations	-	-	-	-	-	-	5	(10)	(6)	(5)	(17)	-	-
Net profit	0	19	82	132	152	226	211	105	(107)	96	227	179	56
Net profit attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	52
EPS, US\$		-	2.1	2.0	2.2	3.0	2.6	1.4	(1.2)	1.3	2.8	2.2	0.6
ROE ¹		37%	36%	36%	32%	29%	19%	9%	(8%)	11%	24%	16%	5%
ROIC ²		21%	25%	26%	22%	23%	17%	9%	(1%)	11%	21%	15%	10%
Net Income / Invested Capital		14%	36%	21%	23%	24%	15%	6%	-5%	6%	17%	13%	4%
EBITDA, incl.	17	46	123	190	190	310	319	288	223	397	346	319	223
Sunflower oil	-	-	81	89	101	202	198	199	178	213	129	100	77
Grain and infrastructure	-	-	40	112	80	94	59	59	126	114	107	110	101
Farming	-	-	20	7	23	32	74	67	(44)	98	146	144	89
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(35)	(44)
Gross margin	19%	24%	24%	30%	30%	24%	22%	16%	17%	22%	23%	20%	13.1%
EBITDA margin	8%	13%	19%	18%	19%	16%	15%	10%	9%	17%	17%	15%	9.3%
Net margin	0.0%	5.3%	12.4%	12.6%	14.9%	11.9%	10.2%	3.8%	(4.5%)	4.1%	11.4%	8.2%	2.2%

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

<i>US\$ million</i>	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	132
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	92
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	113
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	368
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	325
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	289
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	87
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	208
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	210
Total assets	156	275	756	700	1,125	1,573	2,116	2,362	1,919	1,466	1,509	2,009	2,211
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	74
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	105
Interest-bearing debt	93	157	256	295	345	422	693	725	743	463	339	655	751
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	246
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	11
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	495
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	104
Total liabilities	108	190	315	342	520	575	906	1,009	888	575	512	851	1,033
Total equity	48	85	440	357	605	997	1,211	1,352	1,031	891	997	1,158	1,178
<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	0.6x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	34%

Liquidity position and credit metrics

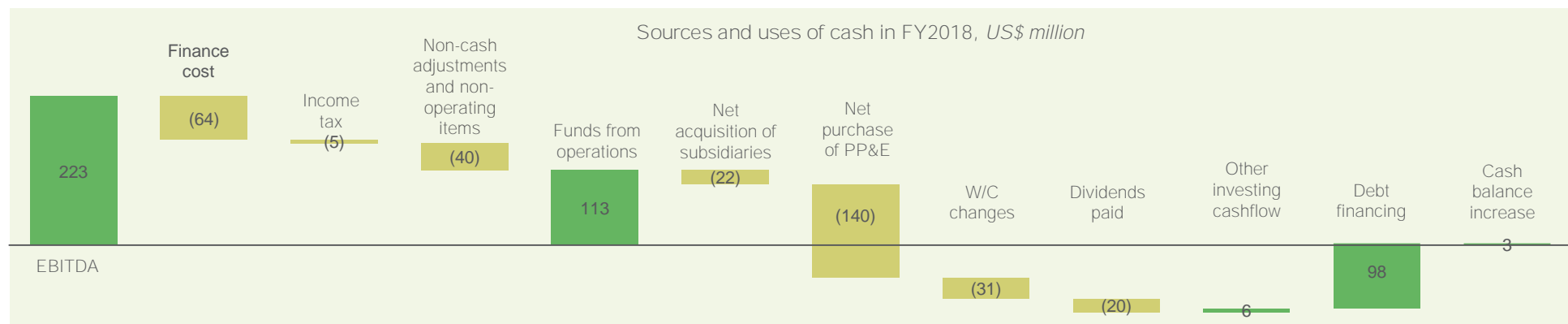
Gross interest-bearing debt	94	158	259	300	350	428	698	734	749	469	343	657	754
Cash	6	25	89	129	59	116	83	79	65	129	60	143	132
Net interest-bearing debt	88	133	170	170	291	312	616	655	684	339	283	514	622
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325
Adjusted net financial debt	58	95	32	79	148	170	280	498	441	199	99	160	297
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	2.8x
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	1.3x
EBITDA / Interest	1.8x	2.5x	4.4x	5.9x	8.3x	7.3x	5.1x	3.8x	3.1x	5.8x	6.1x	5.1x	3.4x

Note: financial year ends 30 June.

Source: Consolidated audited financial accounts for 12 months, periods ending 30 June 2006 to 2018

4.3 Cash flow statement

US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	223
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(64)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(5)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	(40)
Funds from operations	7	26	99	124	179	235	218	169	70	245	268	283	113
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(31)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(36)	(146)	(22)
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(140)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	6	(37)	6
Free cash flow	(34)	(46)	(281)	4	(44)	(71)	(253)	38	(14)	369	71	(146)	(74)
Debt financing	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	98
Equity financing	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	-
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)
Financing cash flow	31	64	315	36	4	124	225	(48)	7	(310)	(134)	173	77
Cash at the year end	6	25	59	98	58	110	83	73	65	124	60	87	90
Cash conversion cycle	n/a	71	91	89	126	95	124	94	90	71	66	88	69
Payment period, days	n/a	(5)	(4)	(3)	(5)	(5)	(6)	(6)	(7)	(6)	(8)	(10)	(8)
Inventories processing, days	n/a	49	67	61	64	42	67	53	53	46	42	62	48
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	12
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	18



4.4 Outlook for FY2019

Sunflower Oil



- Improvement of crushing margin is expected as a record sunflower seed harvest of 15.5-16.0m tons in FY2019 (up 18% y-o-y) shall improve oilseed supply while the install crushing capacity remains relatively stable in Ukraine
- Kernel plans to process 3.1 million tons of sunflower seeds in FY2019

Grain and Infrastructure



- Record grain harvest in Ukraine shall benefit to our value chain in FY2019:
 - Kernel targets to export a record 5.4 million tons of grains from Ukraine at better margins y-o-y
 - Silo network and export terminals throughput volumes are envisaged to increase materially. Export terminal margin is expected to gradually reduce given more intense competition, and silo business margins are expected to normalize following last **year's** abnormally high base and inflating costs.

Farming



- Improved weather conditions and successful integration of acquired farming assets are supportive factor for farming business
- Enhanced by Avere support with hedging, we managed to pre-sell grain this year at higher prices as compared to last year
- As a result, we expect around US\$ 160m EBITDA contribution from farming division in FY2019

IR contact and investor calendar

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Investor calendar

- | | |
|---|------------------|
| ▪ Q1 FY2019 Operations Update | 22 October 2018 |
| ▪ Q1 FY2019 Financial Report | 29 November 2018 |
| ▪ Annual general shareholders' meeting | 10 December 2018 |
| ▪ Q2 FY2019 Operations Update | 21 January 2019 |
| ▪ H1 FY2019 Financial Report | 28 February 2019 |
| ▪ Q3 FY2019 Operations Update | 19 April 2019 |
| ▪ Q3 FY2019 Financial Report | 27 May 2019 |
| ▪ Q4 FY2019 Operations Update | 17 July 2019 |
| ▪ FY2019 Financial Report | 23 October 2019 |

APPENDICES



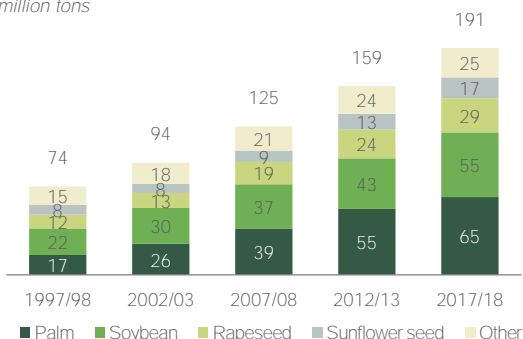
A1. Key highlights

- 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
- **Reversion of low commodity cycle and forthcoming farmland market reform in Ukraine are free options imbedded into Kernel's business model**

A2. Markets and business environment

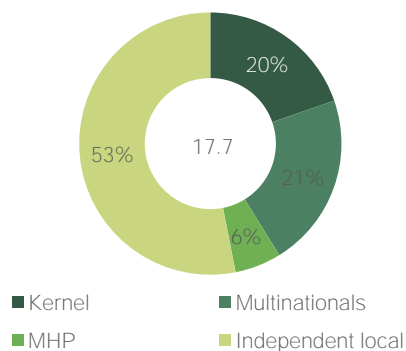
Sunflower oil

Global consumption of vegetable oils
million tons



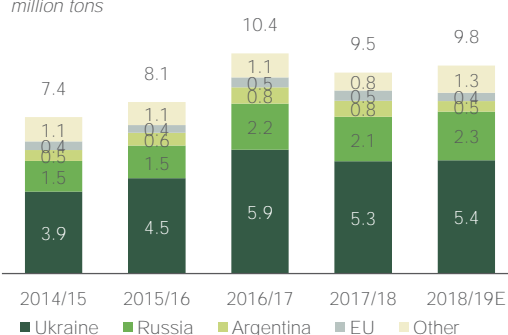
Source: USDA

Sunflower seed industrial crushing capacity in Ukraine (2018)
million tons



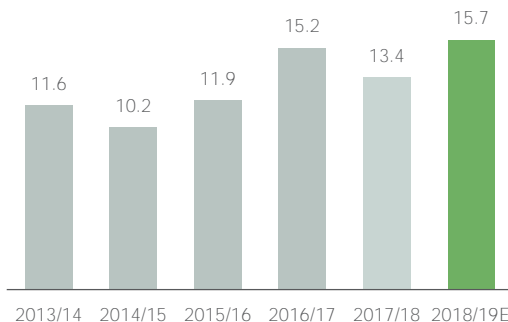
Source: National Academy of Agricultural Sciences of Ukraine, Kernel's estimates

Global sunflower oil exports
million tons



Source: USDA

Sunflower seed harvest in Ukraine
million tons



Source: USDA, Kernel's estimates

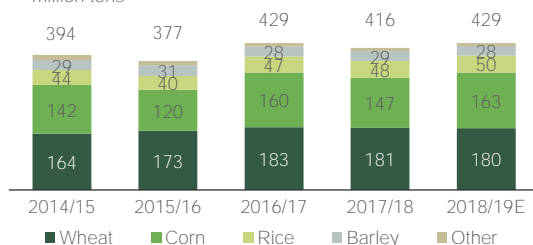
Global edible oils market trends

- Consumption of edible oils increased by 3.6% y-o-y in marketing year 2017/18, versus 3.3% growth a year ago, reaching 191 million tons. It is spurred by strong demand coming from Asia, driven by income and population growth and rapidly expanding food processing industries. Production of vegetable oils exceeded 197 million tons, resulting in a downward pressure on vegetable oil prices.
- The sunflower oil category remained one of the fastest growing segments of the international vegetable oil market, adding 5.0% y-o-y in global consumption, driven by strong demand from India and China.
- The share of sunflower oil in total vegetable oil global consumption stood at 9.1%, the same as a year ago. Production of sunflower oil increased by 1.1% y-o-y, to 18.4 million tons, exceeding consumption by 1 million tons.
- Ukraine remained the largest producer and exporter of sunflower oil in the world, delivering to export markets 5.4 million tons in 2017/18 season.
- A USA-China trade war created opportunities for other countries in supplies of soybean meal and its substitutes (including sunflower meal) to China.

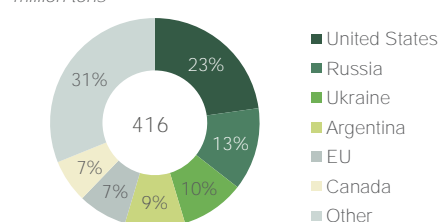
A2. Markets and business environment

Grain and infrastructure

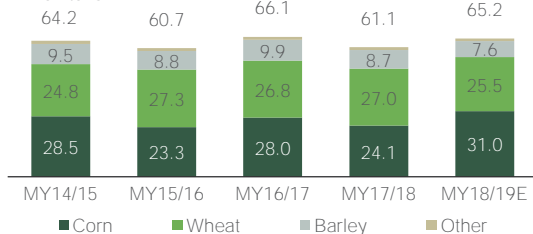
Global grain exports
million tons



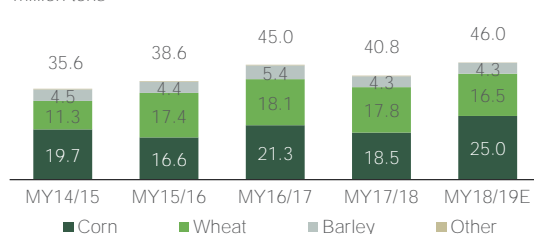
Top grain exporting countries
million tons



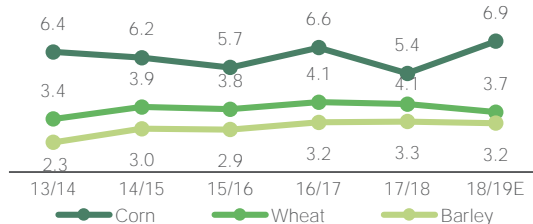
Grain production in Ukraine
million tons



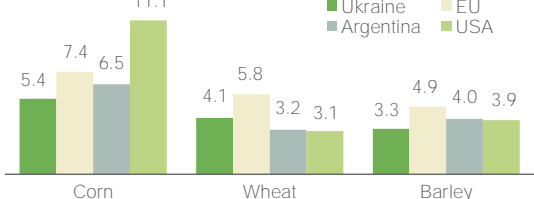
Grain export in Ukraine
million tons



Grain yields in Ukraine
t / ha



Grain yields in MY2017/18
t / ha



- Being the 3rd 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

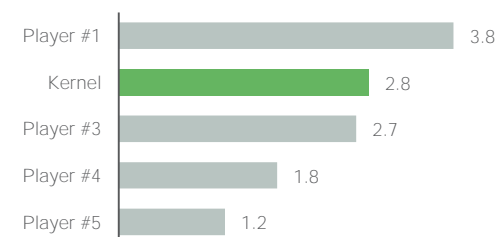
Top 5 grain exporters from Ukraine

2014/15	2015/16	2016/17	2017/18
Nibulon	SFGCU	Nibulon	Nibulon
SFGCU	Kernel	Kernel	Kernel
Kernel	Nibulon	SFGCU	ADM
Louis Dreyfus	Cargill	ADM	Bunge
Cofco	ULF	Cargill	Louis Dreyfus

Source: Stark Research, Kernel vessel lineup

Top 5 silo networks in Ukraine

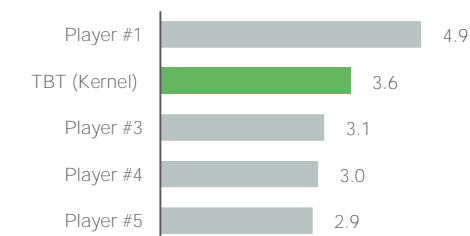
Storage capacities, million tons



Source: Elevatorist

Top 5 grain transshipment terminals in Ukraine

Grains and meals transshipment volumes in 2017/18, million tons



Source: Stark Research, 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. Wheat: No.1 Hard Red Winter, ordinary protein, FOB Gulf of Mexico, US\$ per metric ton

2. Corn: U.S. No. 2 Yellow, FOB Gulf of Mexico, U.S. price, 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 5th consecutive year
- Slight signs of soft commodity prices rebound observed during last several months

Kernel, with >30% of its EBITDA being generated by the farming (upstream) business, is best positioned to benefit from the global recovery of soft commodity prices