

KERNEL

Kernel Holding S.A.

H1 FY2019 results and company presentation

February 2019



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Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

“LTM” and “Last twelve months” throughout this presentation means the period of January 2018 – December 2018, inclusively.

1. H1 FY2019 results and outlook



1.1 Q2 FY2019 highlights

- **Revenue** for the period doubled y-o-y to US\$ 1.1bn, driven by strong grain export volumes and Avere physical trade operations in the reporting period.
- The **EBITDA** of the company stood at US\$ 129m in Q2 FY2019, 68% up y-o-y:
 - **Oilseeds Processing** segment EBITDA doubled y-o-y, reaching US\$ 39m, driven by margin recovery and strong volumes;
 - EBITDA of **Infrastructure and Trading** segment in Q2 FY2019 reduced 16% y-o-y to US\$ 40m, mainly due to weaker margins in silo business;
 - Supported by record crop yields achieved this season, **Farming** segment generated US\$ 62m EBITDA in Oct-Dec 2018, more than 3 times exceeding last year result.
- **Net profit attributable to shareholders** reached US\$ 89m in Q2 FY2019, 32% up y-o-y.
- **Cash outflow from operations** totaled to US\$ 124m, as higher volumes required incremental working capital investments.
- **Net cash outflow from operating activities** in October-December 2018 comprised US\$ 139m, as compared to US\$ 194m outflow in Q2 FY2018.
- Company continued to accumulate grains and oilseeds stocks in Q2 FY2019 right after the harvesting, adding US\$ 311m of **readily-marketable inventories** ("RMI") between 30 Sep and 31 Dec 2018. It triggered the US\$ 189m increase in **net debt** over the same period, driven by higher utilization of short-term working-capital financing facilities.
- **Net-debt-to-EBITDA ratio** as of 31 Dec 2018 (measured on 12 months trailing basis) reached 2.7x, as compared to 2.5x three months ago. **EBITDA-to-interest ratio** improved to 4.4x in 2Q FY2019, remaining well above our 3.0x covenant.

US\$ million except EPS	Q2 FY2018	Q2 FY2019	y-o-y
Income statement highlights			
Revenue	536.1	1,114.9	+2.1x
EBITDA ¹	77.1	129.3	68%
Net profit attributable to equity holders of Kernel Holding S.A.	67.0	88.5	32%
EBITDA margin	14.4%	11.6%	(2.8pp)
Net margin	12.5%	7.9%	(4.6pp)
EPS ² , US\$	0.82	1.08	32.1%
Cash flow highlights			
Operating profit before working capital changes	78.1	115.6	48%
Change in working capital	(264.5)	(240.0)	(9%)
Cash generated from operations	(186.3)	(124.3)	(33%)
Net cash generated by operating activities	(193.9)	(139.4)	(28%)
Net cash used in investing activities	3.5	(49.9)	n/a

Financial year ends 30 June, Q2 ends 31 December

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 for Q2 FY2019 and Q2 FY2018.

Credit metrics					
US\$ million, except ratios	31 Dec 2017	30 Sep 2018	31 Dec 2018	y-o-y	q-o-q
Short-term interest-bearing debt	350	288	494	41%	71%
Long-term interest-bearing debt	499	499	499	0%	0%
Obligations under finance lease	7	10	9	35%	(13%)
Gross interest-bearing debt	855	798	1,002	17%	26%
Cash and cash equivalents	157	112	127	(20%)	13%
Net interest-bearing debt	698	686	875	25%	28%
Readily marketable inventories ³	690	416	727	5%	75%
of which sunflower oil and meal	177	65	106	(40%)	64%
Sunflower seeds	299	212	340	14%	61%
Grains and other RMIs	215	139	280	30%	102%
Adjusted net financial debt	7	270	149	20x	(45%)
Shareholders' equity	1,135	1,177	1,254	10%	7%
Net debt / EBITDA ⁴	2.9x	2.5x	2.7x	-0.3x	+0.2x
Adjusted net debt / EBITDA ⁴	0.0x	1.0x	0.5x	+0.4x	-0.5x
EBITDA / Interest ⁵	3.5x	4.0x	4.4x	+0.9x	+0.3x

Note 3 Commodity-type inventories that could easily be converted into cash.

Note 4 Calculated based on 12-month trailing EBITDA.

Note 5 Calculated based on 12-month trailing EBITDA and net finance costs.

1.2 Segment results Q2 FY2019

Segments results (new format)

	Revenue, US\$ m			EBITDA, US\$ m		
	Q2	Q2	y-o-y	Q2	Q2	y-o-y
	FY2018	FY2019		FY2018	FY2019	
Oilseeds processing	304.2	379.6	25%	20.6	39.4	91%
Infrastructure & trading	257.0	873.7	3.4x	48.3	40.4	(16%)
Farming	198.7	211.1	6%	18.4	61.8	3.4x
Unallocated corporate expenses				(10.3)	(12.3)	20%
Reconciliation	(223.9)	(349.5)	56%			
Total	536.1	1,114.9	2.1x	77.1	129.3	1.7x

- Starting from Q1 FY2019 company moved to three segment disclosure instead of six segment:
 - Sunflower oil sold in bulk** and **Bottled sunflower oil** combined into **Oilseed Processing** segment, as fundamentals driving the performance of two segments are quite similar;
 - Grain trading**, **Export terminals** and **Silo services** segments combined into **Infrastructure and Trading** segment, as we look at the margin through the whole value chain rather than profitability of each separate business, eliminating the need to account for a large number of intragroup transactions among our grain, silo and terminal businesses.
- Operational volumes will be reported as before in our standard quarterly operations updates.
- We believe the proposed changes shall simplify the understanding of the company business by its stakeholders.

Segments results (old format)

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t ²		
	Q2	Q2	y-o-y	Q2	Q2	y-o-y	Q2	Q2	y-o-y	Q2	Q2	y-o-y
	FY2018	FY2019		FY2018	FY2019		FY2018	FY2019		FY2018	FY2019	
Sunflower oil sold in bulk	274.3	344.1	25%	17.5	35.1	2.0x	269.1	349.2	30%	65.1	100.4	54%
Bottled sunflower oil	29.9	35.5	19%	3.1	4.3	40%	27.0	31.7	17%	114.4	136.7	19%
Sunflower oil division	304.2	379.6	25%	20.6	39.4	1.9x						
Grain trading	213.9	836.4	3.9x	8.3	7.1	(14%)	1,181	2,687	2.3x	7.0	2.7	(62%)
Export terminals ³	14.2	13.3	(6%)	10.2	9.9	(3%)	1,125	1,257	12%	9.1	7.9	(14%)
Silo services	44.3	38.7	(13%)	29.8	23.4	(22%)	1,679	2,282	36%	17.8	10.2	(42%)
Grain & infrastructure division	272.4	888.4	3.3x	48.3	40.4	(16%)						
Farming division	198.7	211.1	6%	18.4	61.8	3.4x						
Unallocated corporate expenses				(10.3)	(12.3)	20%						
Reconciliation	(239.3)	(364.3)	52%									
Total	536.1	1,114.9	2.1x	77.1	129.3	1.7x						

Note 1 Million liters for bottled sunflower oil.

Note 2 US\$ per thousand of liters for bottled sunflower oil.

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

Differences are possible due to rounding

- For transparency and facilitation purposes, we shall continue to report six segments in MD&A section during each reporting date of FY2019

Comments to reconciliation between old and new format of segments:

- Minor changes in revenue disclosure (to adjust for intragroup transactions in Infrastructure and Trading division)
- EBITDA across three segments is simply a sum of the parts across six segments

1.3 Harvest update and segments volumes

Harvest update

	Acreage thousand hectares			Net yield tons / ha ¹			Net tonnage thousand tons		
	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y
Corn	202	224	11%	6.7	9.9	48%	1,357	2,227	64%
Sunflower	134	135	1%	2.3	3.2	36%	311	426	37%
Wheat	146	100	(31%)	4.9	5.1	5%	709	509	(28%)
Soybean	65	36	(44%)	1.8	3.0	68%	115	108	(6%)
Other ²	50	34	(32%)						
Total	596	529	(11%)				2,493	3,269	31%

Note 1 One ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean

Note 2 Includes pea, rapeseed, barley, forage crops and other minor crops, as well as land left fallow for crop rotation purposes. Differences are possible due to rounding

- Record-breaking yields for key crops owing to:
 - Supportive weather conditions;
 - Quick and successful integration of the landbank acquired a year ago;
 - Constant productivity improvements;
- 2019 harvest winter crops are in a good condition with risks being quite limited as of today. We have planted over 100 thousand hectares under winter wheat and almost 10 thousand hectares under winter rapeseed.

Segments volumes

metric tons	Q2 FY2018	Q2 FY2019	y-o-y
Oilseeds processed	910,517	940,556	3%
Sunflower oil sales ¹	294,463	379,392	29%
Trading volumes	1,181,186	2,857,671	2.4x
- Ukraine	1,137,010	1,745,807	54%
- Russia	44,176	-	n/m
- Other ^{1,2}	-	1,111,864	n/m
Export terminal's throughput	1,648,027	1,718,186	4%
- Ukraine	1,125,041	1,256,723	12%
- Russia	522,986	461,463	(12%)
Grain and oilseeds received in inland silos	1,678,899	2,282,061	36%

Note 1 Includes 171,150 tons of sunflower oil produced by Kernel plants and sold to Avere. Margins on that volumes are allocated to both Oilseeds Processing and Infrastructure & Trading segments.

Note 2 Physical trading volumes (grain, meal, sunflower oil) reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading.

- Our oil-extraction plants operated at full capacity in Q2 FY2019, setting a new production record by crushing 941 thousand tons of sunflower seeds, a 3% growth y-o-y. We maintain our target to process 3.1 million tons of oilseeds in the current season.
- Strong trading volumes driven by grain export volumes from Ukraine and physical trading volumes by Avere.
- Full capacity utilization of our own infrastructure.

1.4 Recent transactions highlights

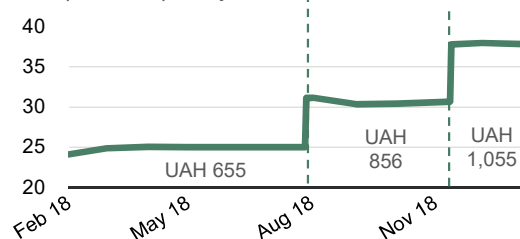
M&A transactions



Acquisition of 100% interest in RTK-Ukraine (Feb 2019)

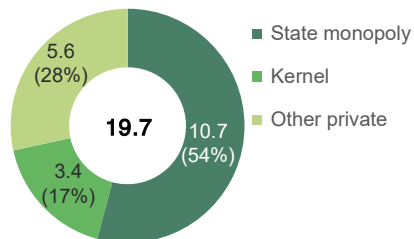
- **Assets acquired:** 2,949 grain railcars (#1 private fleet of grain hopper wagons in Ukraine)
- **Enterprise value:** US\$ 64m
 - US\$ 49m paid at completion, the remaining to be paid upon the achievement of certain conditions
- **Rationale:**
 - Estimated EBITDA contribution of up to US\$ 20m per annum
 - Protection against ever rising logistic costs
 - Securing the smooth and efficient flow of grains from inland silos to the ports as Company's export volumes increase following the commissioning of TransGrainTerminal in the port of Chornomorsk
- 17% Kernel market share (2,949 acquired and 500 own new grain railcars)

State monopoly grain railcars rental rates
US\$ per railcar per day



Source: Ukrainian Railways, Kernel estimates

Grain railcars market structure
thousand grain railcars



Acquisition of 5.85% interest in ViOil (Feb 2019)

- Kernel acquired 5.85% interest in ViOil Holding Ltd and entered into a customary shareholder agreement in relation to ViOil with other shareholders of ViOil.
- **ViOil assets:** two multi-seed oil-extraction plants with annual crushing capacity of 1.1 million tons of sunflower seeds and a network of silos in Western Ukraine.
- **Rationale:** this deal is an important initial step towards the future consolidation of the sector where Kernel shall play a leading role.

Debt transactions



**European
Investment
Bank**

**US\$ 250
million**

Loan from European Investment Bank (Dec 2018)

- **US\$ 250m** project financing from the EIB
- The funds will be used to construct:
 - Greenfield oil-extraction plant in Western Ukraine;
 - Co-generation power plants;
 - Inland grain storage facilities;
 - Grain export terminal in the port of Chornomorsk;
- The amounts will be withdrawn in tranches depending on CapEx needs.
- The loan matures in 10 years, having a grace period of 2 years.



**European Bank
for Reconstruction and Development**

**US\$ 56
million**

Financing arranged by EBRD (Feb 2019)

- **US\$ 56m** financing (US\$ 48m loan from EBRD and US\$ 8m loan from Clean Technology Fund);
- The funds will be used to construct biomass co-generation power plants on Kernel's oil-extraction facilities;
- Loans mature in 8 years.

The beginning of cooperation in long-term funding with such reputable international financial institutions demonstrates transparency and high standards of our business, as well as our proven business strategy.

1.5 Outlook for FY2019

Oilseed Processing



- **Improvement of crushing margin** is expected as a record sunflower seed harvest of around 15.7m tons in FY2019 (up 17% y-o-y) shall improve oilseed supply while the installed crushing capacity remains relatively stable in Ukraine;
- We plan to process **3.1 million tons of sunflower seeds** in FY2019 at **EBITDA margin of 60-65 US\$ per ton of oil sold**.

Infrastructure and Trading



- Record grain harvest in Ukraine shall benefit to our value chain in FY2019:
 - Kernel targets to **export a record 6.0-6.2 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 factors 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\$ 170m EBITDA** contribution (net of IAS41 effect) from farming segment in FY2019.

2. KERNEL TODAY

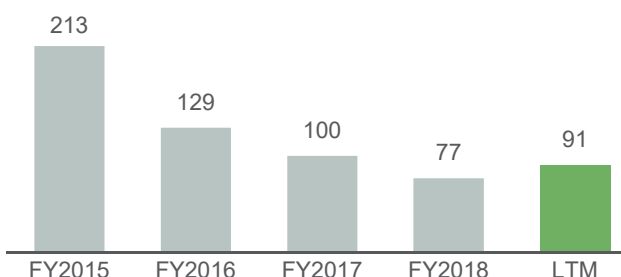


2.1 Kernel today

Oilseed processing 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

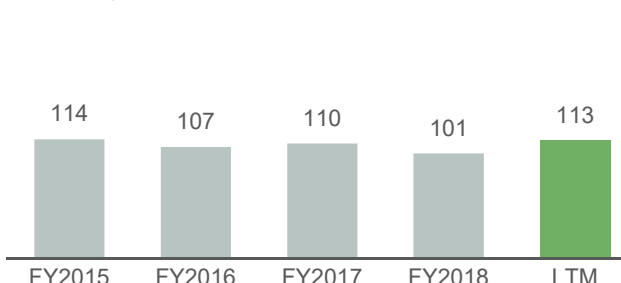
EBITDA ¹, US\$ million



Infrastructure and trading segment

- Leading grain originator and marketer in Ukraine with 11% of country's total grain exports in 1H FY2019
- 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
- **#1** private grain railcars fleet in Ukraine (3.4k hoppers)

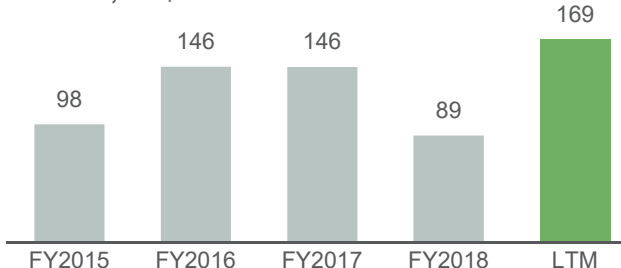
EBITDA, US\$ million



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	FY15	FY16	FY17	FY18	LTM
Revenue	2,330	1,989	2,169	2,403	3,586
EBITDA	397	346	319	223	329
Net profit ²	107	225	176	52	126
EBITDA margin	17.0%	17.4%	14.7%	9.3%	9.2%
Net margin	4.6%	11.3%	8.1%	2.2%	3.5%
EPS, US\$	1.34	2.83	2.19	0.64	1.54

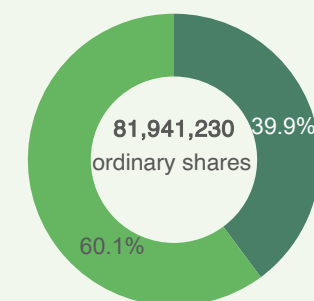
1. Except ratios and EPS

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

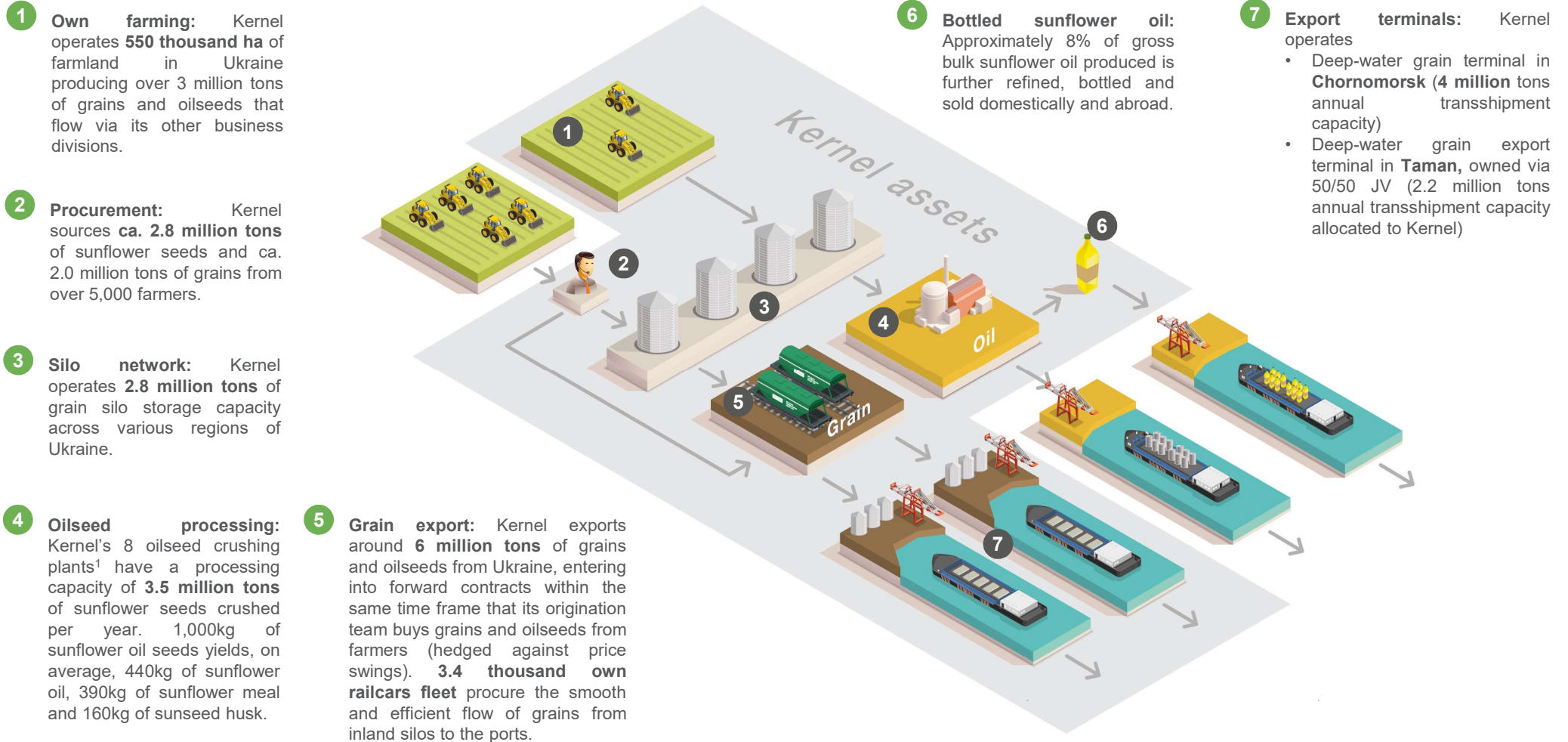
Shareholder structure



■ Namsen LTD / Andriy Verevskyy ■ Other

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

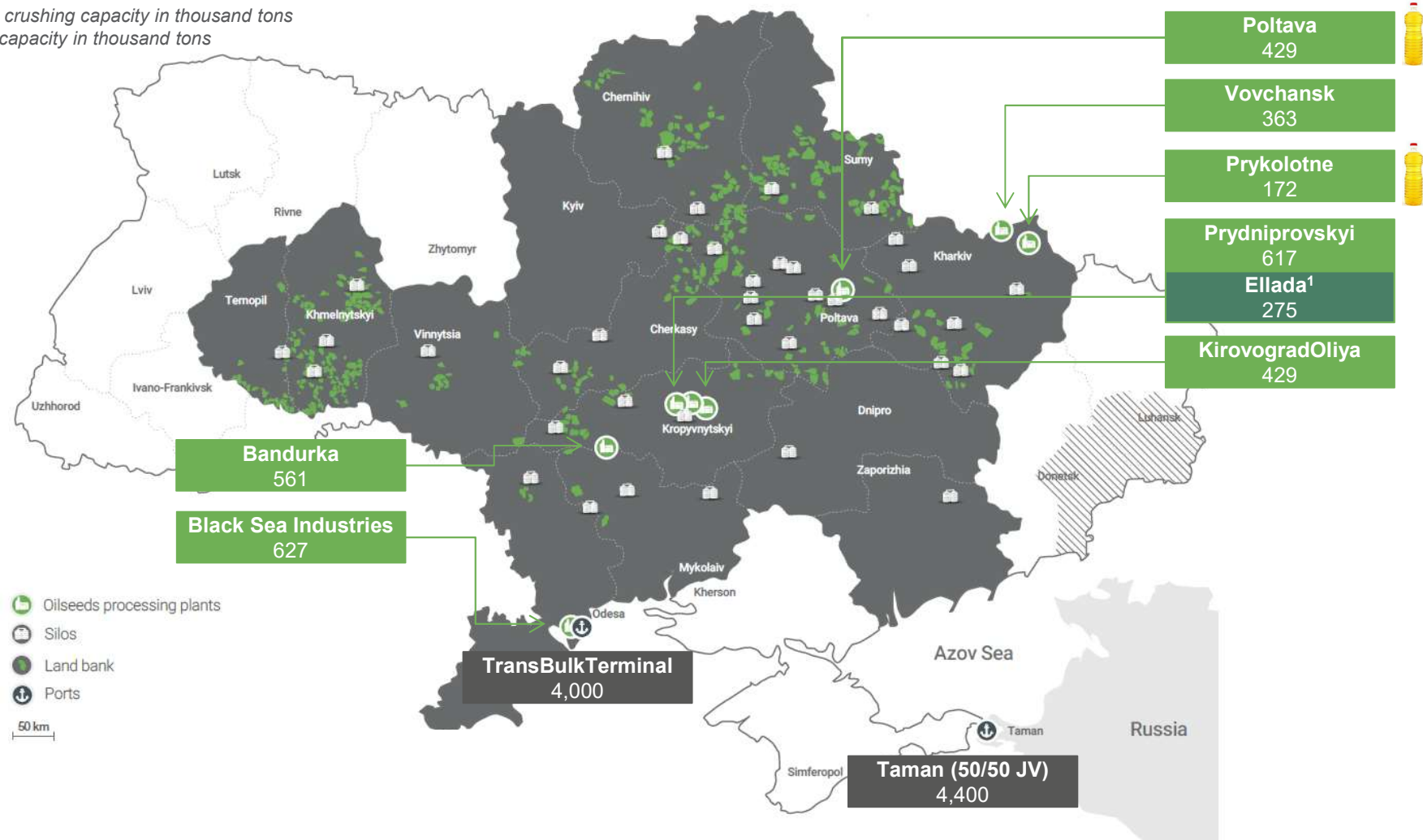


Kernel bridges Ukrainian farmers with the global market place using its efficient, scalable and integrated resources and processes

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

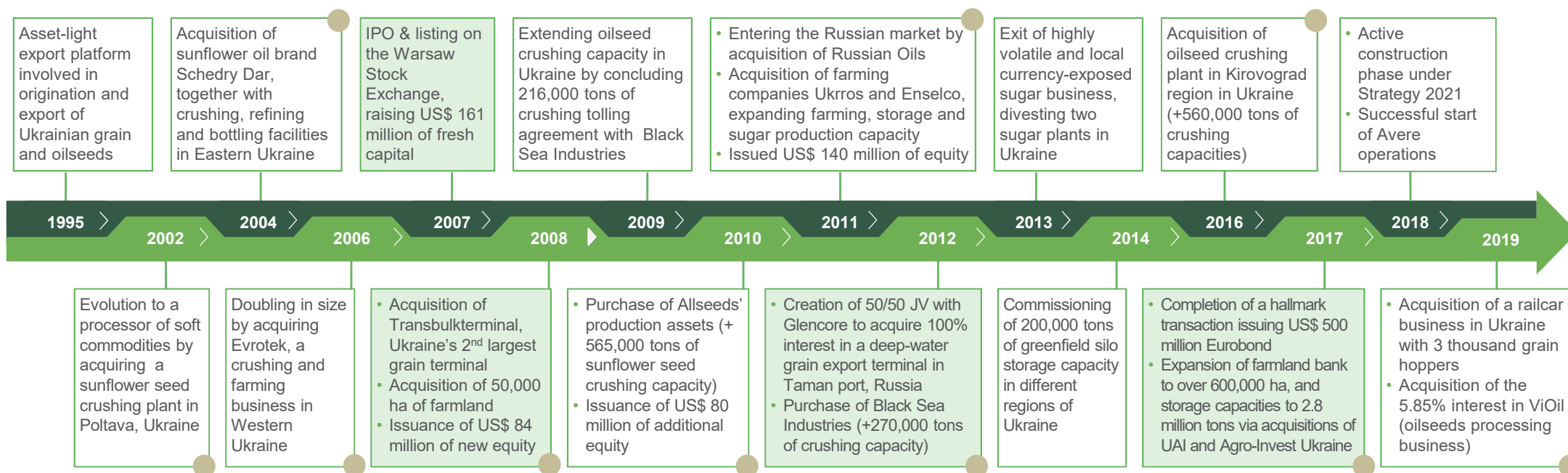
Sunflower seed crushing capacity in thousand tons
Transshipment capacity in thousand tons



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

Note 1 Operated under tolling agreement

2.4 Kernel's key milestones

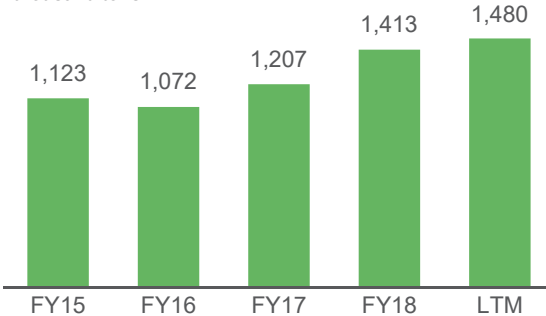


● Asset growth through M&A

Unparalleled track record of continuous development

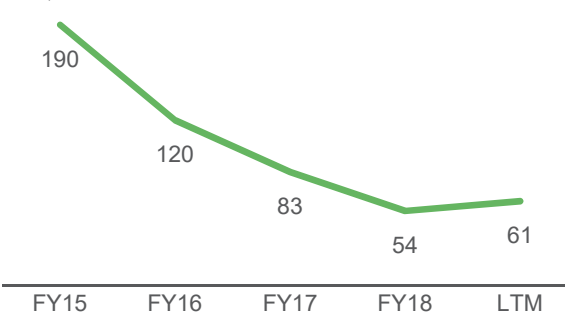
2.5 Oilseeds Processing segment

Sunflower oil sales
thousand tons

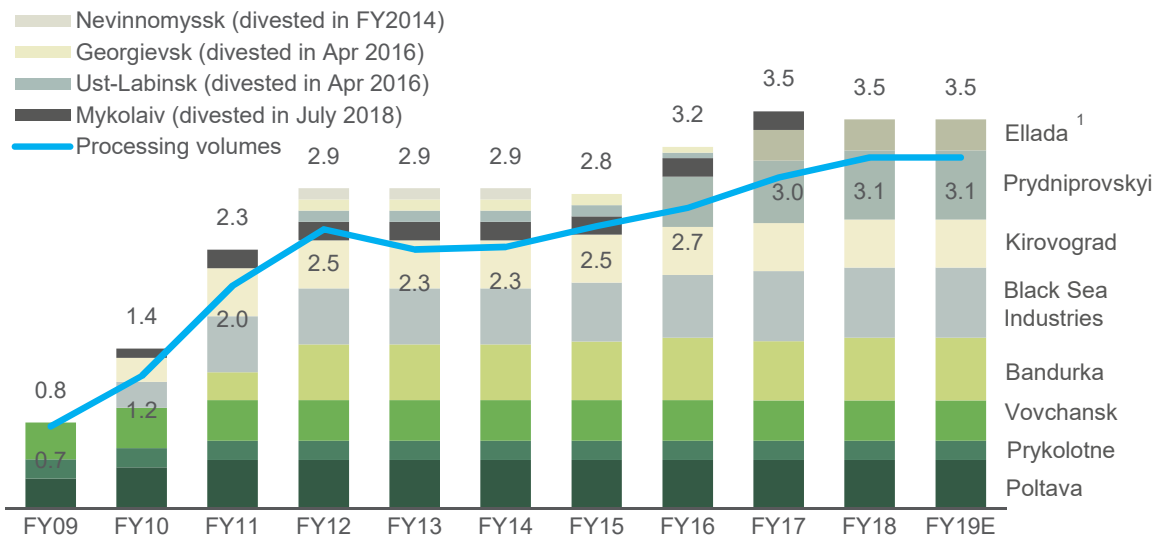


EBITDA margins

US\$ / ton of sunflower oil sold



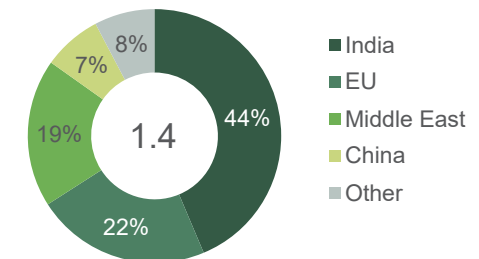
Kernel oilseed processing capacity, million tons per year



Note 1 Operated under tolling agreement

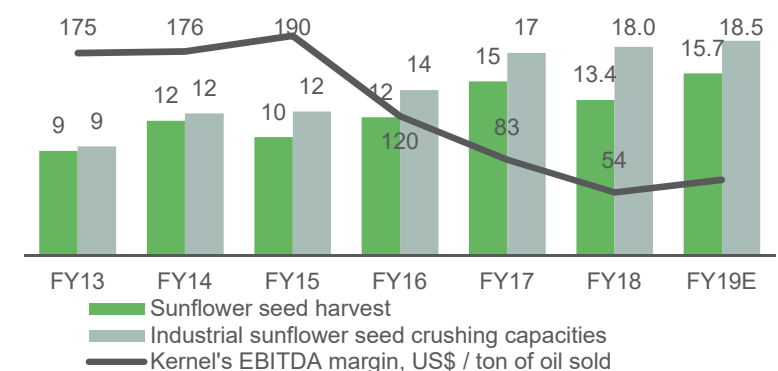
- Segment's EBITDA on the LTM basis down 4% y-o-y, to US\$ 91m

Sunflower oil key sales markets in FY2018, million tons



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

Supply & demand for sunflower seeds in Ukraine, million tons



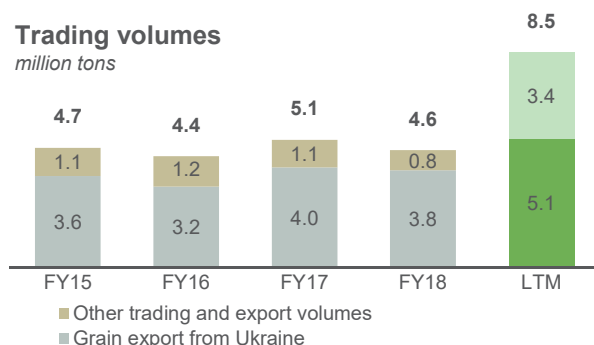
Source USDA, Kernel's estimates

2.6 Infrastructure and Trading segment

Key segment volumes

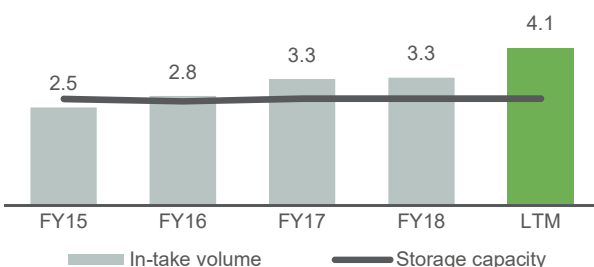
Trading volumes

million tons



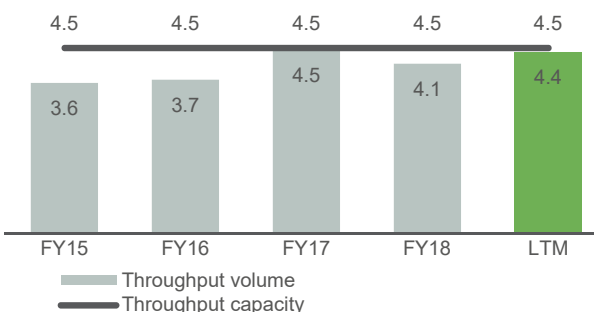
Grain in-take by inland silos

million tons



Export terminals throughput ¹

million tons



Note 1 Not including Taman

Operational highlights

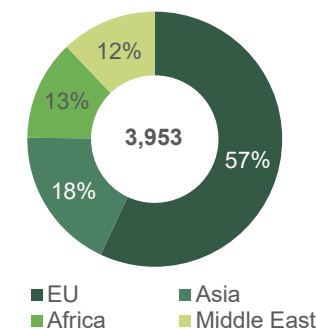
- **5.1m tons of grain exported from Ukraine** on the LTM basis, 33% up y-o-y
 - Record crop yields of our farming division for 2018 crop
 - Strong efforts of our procurement team
 - Full capacity utilization of our infrastructure: 4.1m tons silo in-take volumes and 4.4m tons export terminal throughput in Ukraine on the LTM basis
 - Usage of 3rd-party export terminal in the port of Yuzhnyi
- We became **the largest grain exporter from Ukraine** in 1H FY2019, outperforming numerous international and local peers
- **6.0-6.2m tons expected grain export** from Ukraine in FY2019
- No export volumes from Russia on the LTM basis, as we assigned grain transshipment quota on Taman grain terminal to third party
- EU dominates among export markets, accounting for more than 50% of total export.

Financial highlights

- US\$ 113m EBITDA generated by the segment on the LTM basis, up 5% y-o-y, primarily driven by trading operations (including Avere)
- Normalization of our **silo business performance**, as predominately dry weather conditions translated into limited demand for highly profitable grain drying services
- Decline in transshipment fees slightly undermined the performance of our export terminals business

Key export markets in FY2018

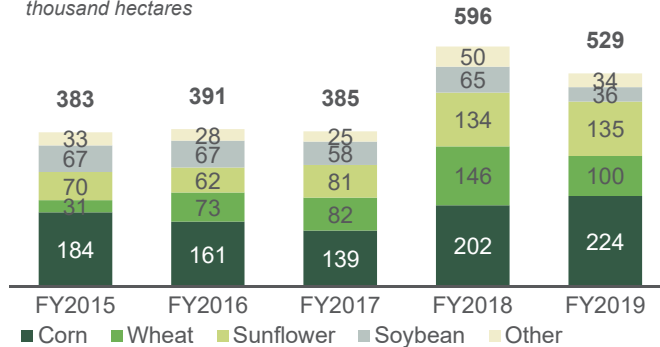
Thousand tons (excl. Avere traded volumes)



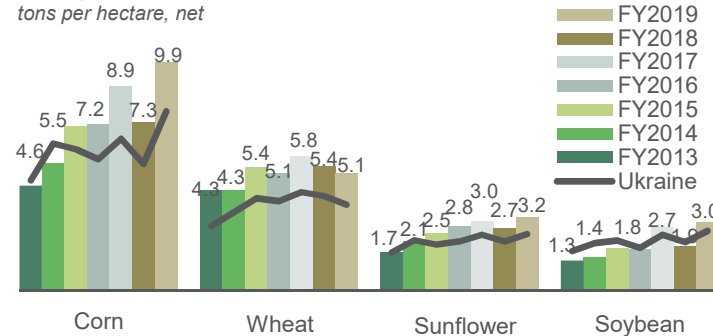
Note 1 3,848k tons exported from Ukraine and 106k t exported from Russia in FY2018

2.7 Farming segment

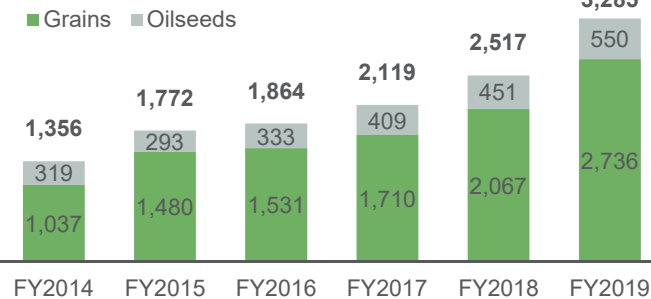
Acreage harvested
thousand hectares



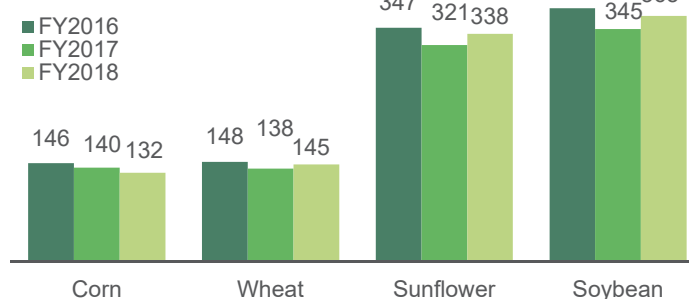
Crop yields ¹
tons per hectare, net



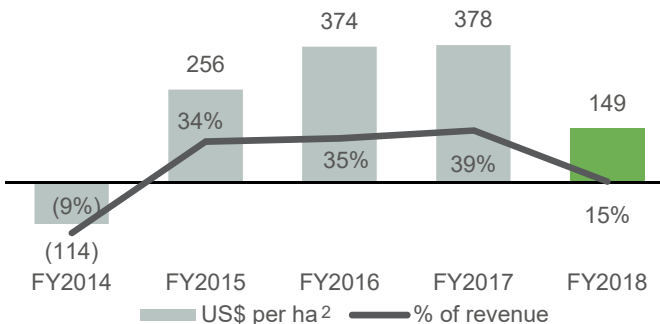
Kernel's key crop production
thousand tons



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



Farming segment's EBITDA margin



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.

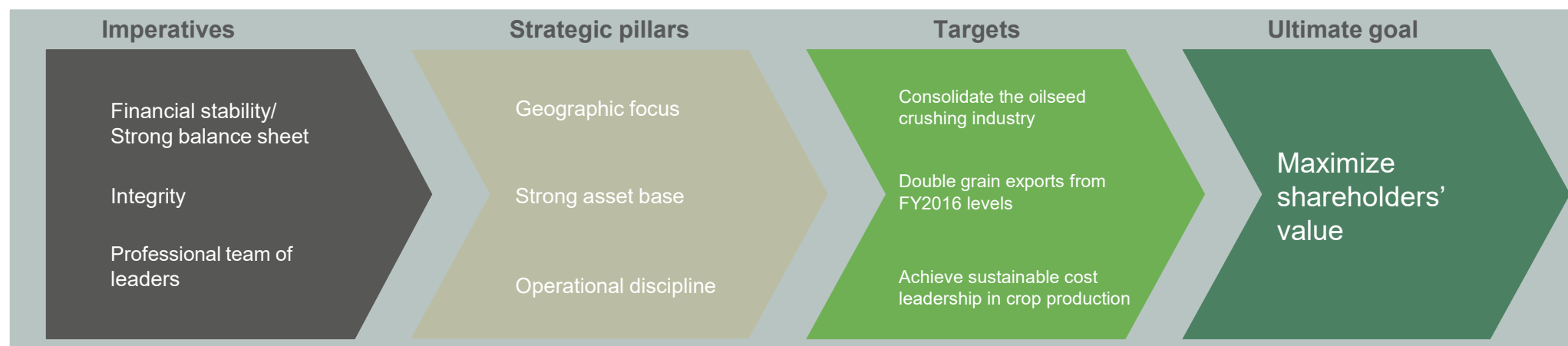
- **LTM EBITDA of US\$ 169m, 113% up y-o-y**
 - Supportive weather conditions in FY2019, driving the overall country harvest increase to a record level
 - Quick and successful integration of the landbank acquired a year ago
 - Constant productivity improvements
- **US\$ 170 million EBITDA** (net of IAS 41 effect) expected for the whole FY2019
- **2019 harvest winter crops** are in a good condition with risks being quite limited as of today. We have planted over 100 thousand hectares under winter wheat and almost 10 thousand hectares under winter rapeseed
- 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

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

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



Grain and infrastructure

- 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

- 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



Farming

- 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

- 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 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 will be financed by debt attracted from international financial institutions (European Investment Bank and EBRD)
- Over US\$ 100m out of US\$ 540m has been deployed as of 30 June 2018

4. FINANCIALS



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	FY18	LTM
Revenue	215	350	663	1,047	1,020	1,899	2,072	2,797	2,393	2,330	1,989	2,169	2,403	3,586
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	19	51
Cost of sales	(194)	(306)	(557)	(874)	(844)	(1,610)	(1,814)	(2,599)	(2,231)	(2,009)	(1,707)	(1,882)	(2,261)	(3,357)
Gross profit	21	44	106	174	177	289	258	213	145	314	302	284	160	280
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	59	58
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(80)	(86)
EBIT	12	39	112	167	167	277	257	201	129	328	287	265	140	252
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(65)	(75)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	5	(15)
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(30)	(26)
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	6	(5)
Net profit from continuing operations	0	19	82	132	152	226	206	115	(102)	101	244	179	56	130
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	130
Net profit attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	52	126
<i>EPS, US\$</i>		-	2.1	2.0	2.2	3.0	2.6	1.4	(1.2)	1.3	2.8	2.2	0.6	1.54
<i>ROE ¹</i>		37%	36%	36%	32%	29%	19%	9%	-8%	11%	24%	16%	5%	11%
<i>ROIC ²</i>		21%	25%	26%	22%	23%	17%	9%	-1%	11%	21%	15%	10%	10%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	-5%	6%	17%	13%	4%	6%
EBITDA, incl.	17	46	123	190	190	310	319	288	223	397	346	319	223	329
Oilseeds Processing	-	-	81	89	101	202	198	199	178	213	129	100	77	91
Infrastructure and Trading	-	-	40	112	80	94	59	59	126	114	107	110	101	113
Farming	-	-	20	7	23	32	74	67	(44)	98	146	146	89	169
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(36)	(44)	(43)
<i>Gross margin</i>	<i>10%</i>	<i>13%</i>	<i>16%</i>	<i>17%</i>	<i>17%</i>	<i>15%</i>	<i>12%</i>	<i>8%</i>	<i>6%</i>	<i>13%</i>	<i>15%</i>	<i>13%</i>	<i>7%</i>	<i>8%</i>
<i>EBITDA margin</i>	<i>8%</i>	<i>13%</i>	<i>19%</i>	<i>18%</i>	<i>19%</i>	<i>16%</i>	<i>15%</i>	<i>10%</i>	<i>9%</i>	<i>17%</i>	<i>17%</i>	<i>15%</i>	<i>9%</i>	<i>9%</i>
<i>Net margin</i>	<i>0%</i>	<i>5%</i>	<i>12%</i>	<i>13%</i>	<i>15%</i>	<i>12%</i>	<i>10%</i>	<i>4%</i>	<i>(4%)</i>	<i>4%</i>	<i>11%</i>	<i>8%</i>	<i>2%</i>	<i>4%</i>

- **Change in accounting policy** relating to the classification of distribution expenses charged to its customers starting from 1 July 2018: carriage and freight, storage and dispatch costs and other distribution expenses have been previously presented cumulative as distribution costs, but starting from 1 July 2018 Group decided to present distribution costs within Cost of sales. For the purposes of this presentation, the distribution costs are included in Cost of sales retrospectively.

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														31 Dec
US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	2018
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	132	127
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	92	203
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	113	77
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	122	151
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	368	831
of which: readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325	743
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	289	30
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	87	82
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	208	213
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	588	625
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	210	217
Total assets	156	275	756	700	1,125	1,573	2,116	2,362	1,919	1,466	1,509	2,009	2,211	2,556
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	74	97
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	105	118
Interest-bearing debt	93	157	256	295	345	422	693	725	743	463	339	655	751	999
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	246	494
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	11	10
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	495	496
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	104	79
Total liabilities	108	190	315	342	520	575	906	1,009	888	575	512	851	1,033	1,293
Total equity	48	85	440	357	605	997	1,211	1,352	1,031	891	997	1,158	1,178	1,263
Debt / equity ratio	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	0.8x
Debt / assets ratio	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	34%	39%
Liquidity position and credit metrics														
Gross interest-bearing debt	94	158	259	300	350	428	698	734	749	469	343	657	754	1,002
Cash	6	25	89	129	59	116	83	79	65	129	60	143	132	127
Net interest-bearing debt	88	133	170	170	291	312	616	655	684	339	283	514	622	875
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325	727
Adjusted net financial debt	58	95	32	79	148	170	280	498	441	199	99	160	297	149
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	2.7x
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	1.3x	0.5x
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	4.4x

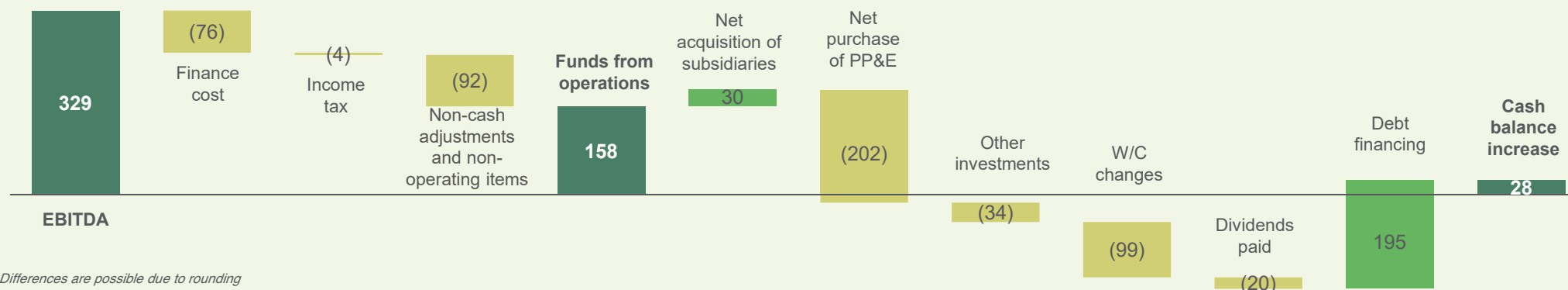
Note: financial year ends 30 June.

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	LTM
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	223	329
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(64)	(76)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(5)	(4)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	(40)	(72)
Funds from operations	7	26	99	124	179	235	218	169	70	245	268	283	113	178
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(31)	(99)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(36)	(146)	(22)	30
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(140)	(202)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	6	(37)	6	(34)
Free cash flow	(34)	(46)	(281)	4	(44)	(71)	(253)	38	(14)	369	71	(146)	(74)	(127)
Debt financing	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	98	195
Equity financing	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)	(20)
Financing cash flow	31	64	315	36	4	124	225	(48)	7	(310)	(134)	173	77	175
Cash at the year end	6	25	59	98	58	110	83	73	65	124	60	87	90	135
Cash conversion cycle	n/a	66	86	79	117	91	117	90	85	67	63	84	67	89
Payment period, days	n/a	(4)	(4)	(3)	(4)	(4)	(5)	(5)	(7)	(6)	(7)	(9)	(8)	(9)
Inventories processing, days	n/a	43	61	51	53	38	60	48	47	42	38	57	45	71
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	12	14
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	18	13

Sources and uses of cash in Jan'18-Dec'18 (LTM), US\$ million



IR contact and investor calendar

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Investor calendar

- | | |
|-------------------------------|-------------------------|
| ▪ 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

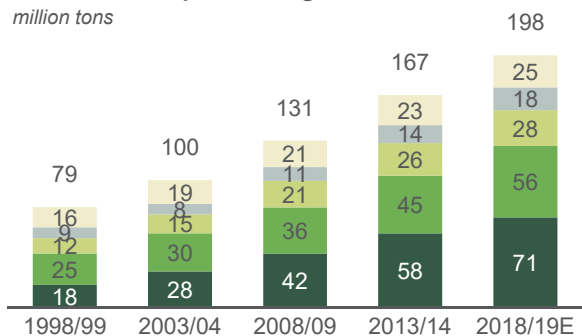
- Kernel operates in globally competitive growing Ukrainian agri sector
- Integrated, resilient and simple business model built around scale & global reach
- Leader across all market segments supported by unparalleled world-class asset base with high barriers to entry
- Top standard of corporate governance
- 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

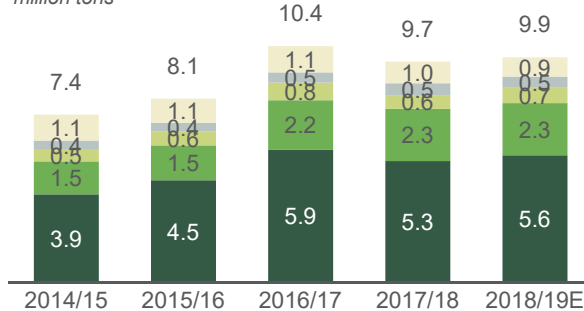
million tons



■ Palm ■ Soybean ■ Rapeseed ■ Sunflower seed ■ Other
Source: USDA

Global sunflower oil exports

million tons



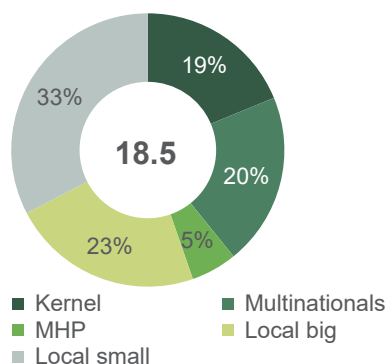
■ Ukraine ■ Russia ■ Argentina ■ EU ■ Other
Source: USDA

Global edible oils market trends

- Consumption of edible oils increased by 4.0% y-o-y in marketing year 2017/18, versus 3.3% growth a year ago, reaching 192 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 198 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 7% y-o-y in global production, driven by strong demand from India and China.
- The share of sunflower oil in total vegetable oil global consumption stood at 9%, the same as a year ago.
- Ukraine remained the largest producer and exporter of sunflower oil in the world, delivering to export markets 5.3 million tons in 2017/18 season.

Sunflower seed industrial crushing capacity in Ukraine (2019)

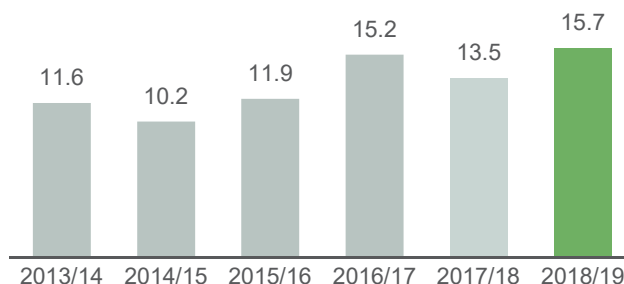
million tons



Source: Kernel's estimates

Sunflower seed harvest in Ukraine

million tons



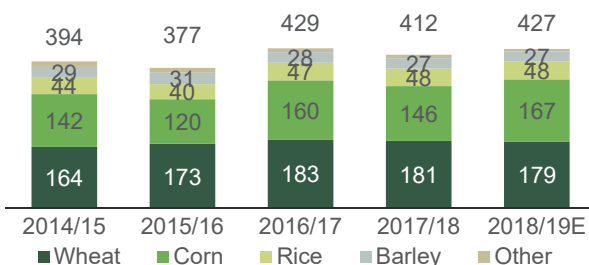
Source: USDA, Kernel's estimates

A3. Markets and business environment

Infrastructure and Trading

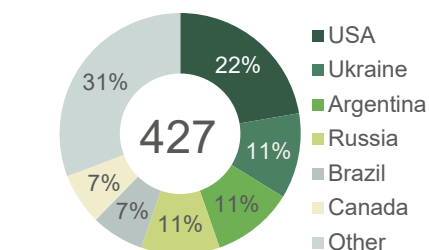
Global grain exports

million tons



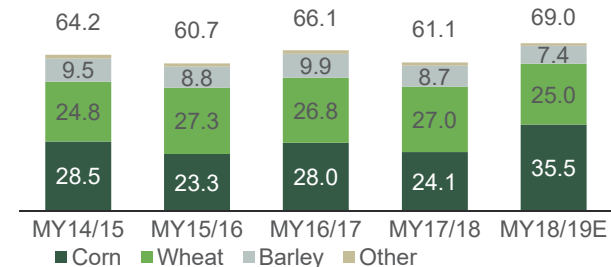
Top grain exporting countries

million tons



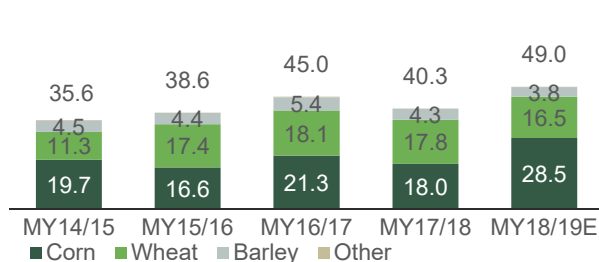
Grain production in Ukraine

million tons



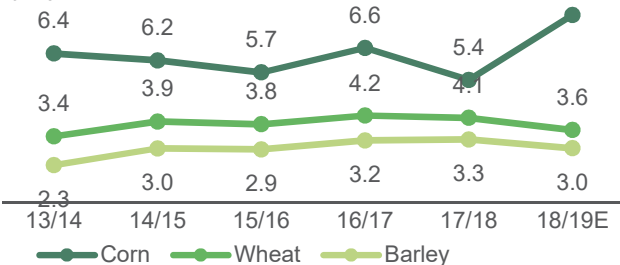
Grain export in Ukraine

million tons



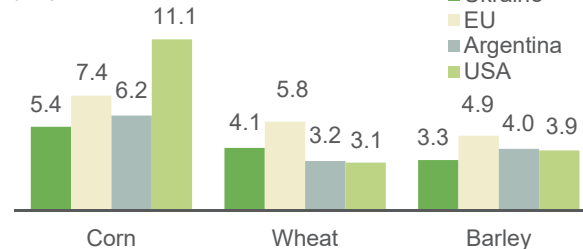
Grain yields in Ukraine

t / ha



Grain yields in MY2017/18

t / ha



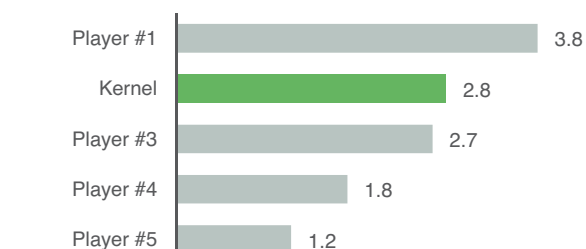
Top 5 grain exporters from Ukraine

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

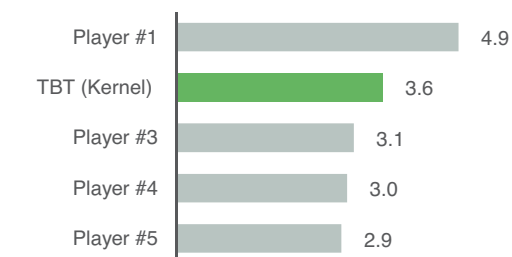
Storage capacities, million tons



Source: Elevatorist

Top 5 grain transshipment terminals in Ukraine

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



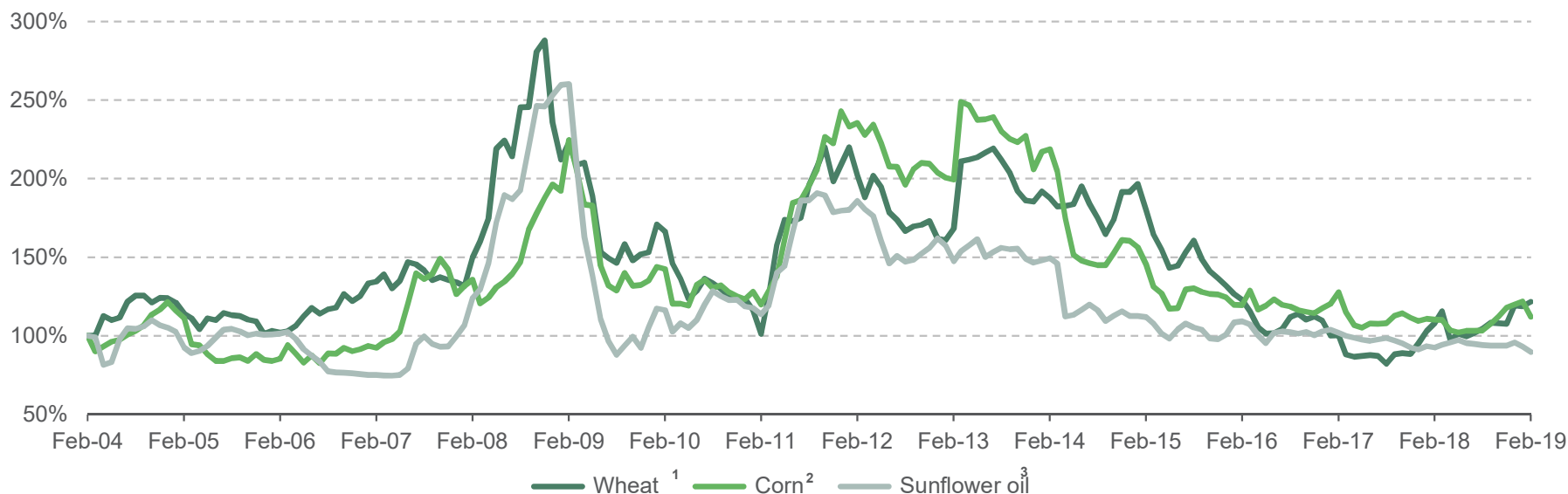
Source: Stark Research, Kernel

- 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.

A4. 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