

KERNEL

Kernel Holding S.A.

Q3 FY2019 results and company presentation

May 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 April 2018 – March 2019, inclusively.

Content

1. Q3 FY2019 results and outlook

2. Kernel today

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1.1 Q3 FY2019 highlights

- **Revenue** at US\$ 803m, up 48% y-o-y driven by stronger sales of grain and sunflower oil.
- **EBITDA** at US\$ 55m, 24% down y-o-y:
 - **Oilseeds Processing** EBITDA at US\$ 31m, an 83% y-o-y growth driven by stronger sales volumes and recovery in margins;
 - **Infrastructure and Trading** EBITDA at US\$ 18m, down 64% y-o-y, driven by Avere underperformance;
 - **Farming** EBITDA at US\$ 18m for Q3 FY2019 (flat y-o-y) or US\$ 132m for 9M FY2019 (2.5x growth y-o-y).
- **Net profit attributable to shareholders** at US\$ 26m in Q3 FY2019 (vs. US\$ 39m loss in Q3 FY2018).
- **Net cash inflow from operating activities** at US\$ 243m, 4x growth y-o-y.
- 11% **net debt** reduction over Q3 FY2019 to US\$ 780m
 - 29% **short-term debt** reduction to US\$ 350m following strong quarterly sales of grain and sunflower oil and subsequent reduction of **readily-marketable inventories** (“RMI”)
 - 10% growth in long-term debt to finance our CapEx program
- **Net-debt-to-EBITDA** at 2.5x as of 31 Mar 2019 (measured on 12 months trailing basis) vs. 2.7x three months ago and 3.0x a year ago. **EBITDA-to-interest ratio** improved to 3.9x as of 31 Mar 2019 (measured on 12 months trailing basis) vs 3.7x a year ago, remaining well above our 3.0x covenant.

US\$ million except EPS	Q3 FY18	Q3 FY19	y-o-y	9M FY18	9M FY19	y-o-y
Income statement highlights						
Revenue	541	803	48%	1,614	3,058	89%
EBITDA ¹	73	55	(24%)	196	285	45%
Net profit attributable to equity holders	(39)	26	n/a	51	190	3.7x
EBITDA margin	13.5%	6.9%	(6.6pp)	12.2%	9.3%	(2.8pp)
Net margin	(7.2%)	3.2%	n/a	3.1%	6.2%	3.1pp
EPS ² , US\$	(0.48)	0.32	n/a	0.62	2.32	3.7x
Cash flow highlights						
Operating profit before W/C changes	69	111	61%	185	281	51%
Change in working capital	19	154	8.2x	(184)	(116)	(37%)
Finance costs paid	(26)	(21)	(20%)	(56)	(62)	11%
Income tax paid	(0)	(0)	(69%)	(4)	(2)	(41%)
Net cash generated by operating activities	61	243	4.0x	(58)	100	n/a
Net cash used in investing activities	(51)	(159)	3.1x	(123)	(281)	2.3x

Financial year ends 30 June, Q3 and 9M ends 31 March

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 Q3 and 9M FY2019 and for Q3 and 9M FY2018.

Credit metrics						
US\$ million, except ratios	31 Mar 2018	31 Dec 2018	31 Mar 2019	y-o-y	q-o-q	
Short-term interest-bearing debt	366	494	350	(4%)	(29%)	
Long-term interest-bearing debt	497	499	547	10%	10%	
Obligations under finance lease	9	9	8	(2%)	(9%)	
Gross interest-bearing debt	871	1,002	906	4%	(10%)	
Cash and cash equivalents	175	127	126	(28%)	(1%)	
Net interest-bearing debt	696	875	780	12%	(11%)	
Readily marketable inventories ³	562	727	513	(9%)	(29%)	
of which sunflower oil and meal	239	106	143	(40%)	34%	
Sunflower seeds	187	340	168	(10%)	(51%)	
Grains and other RMIs	136	280	200	47%	(29%)	
Adjusted net financial debt	134	149	268	2.0x	80%	
Shareholders' equity	1,157	1,254	1,296	12%	3%	
Net debt / EBITDA ⁴	3.0x	2.7x	2.5x	(0.5x)	(0.2x)	
Adjusted net debt / EBITDA ⁴	0.6x	0.5x	0.9x	0.3x	0.4x	
EBITDA / Interest ⁵	3.7x	4.4x	3.9x	0.2x	(0.5x)	

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 Q3 FY2019

Segments results (new format)

	Revenue, US\$ m			Revenue, US\$ m		
	Q3 FY2018	Q3 FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y
Oilseeds processing	294	365	24%	968	1,102	14%
Infrastructure & trading	247	629	2.5x	665	2,370	3.6x
Farming	125	157	25%	392	481	23%
Reconciliation	(124)	(348)	2.8x	(412)	(896)	2.2x
Total	541	803	1.5x	1,614	3,058	1.9x

	EBITDA, US\$ m			EBITDA, US\$ m		
	Q3 FY2018	Q3 FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y
Oilseeds processing	16.9	30.8	83%	58.5	86.4	48%
Infrastructure & trading	50.1	18.0	(64%)	116.7	96.7	(17%)
Farming	17.3	17.7	2%	52.2	132.3	2.5x
Unallocated corporate expenses	(11.2)	(11.2)	(0%)	(31.2)	(30.3)	(3%)
Total	73.1	55.3	(24%)	196.2	285.2	1.5x

Segment volumes, k tons	Q3			9M		
	FY2018	FY2019	y-o-y	FY2018	FY2019	y-o-y
Oilseeds processed	849	908	7%	2,302	2,267	(1%)
Sunflower oil sales ^{1, 2}	278	390	40%	996	1,174	18%
Trading volumes	1,088	2,116	95%	3,073	7,972	2.6x
- Ukraine	936	1,527	63%	2,816	4,656	65%
- Russia	-	-	n/m	106	-	(100%)
- Other ^{2, 3}	152	589	3.9x	152	3,317	21.8x
Export terminal's throughput	1,515	1,407	(7%)	4,453	4,713	6%
- Ukraine	1,005	1,171	17%	2,967	3,410	15%
- Russia	510	236	(54%)	1,486	1,303	(12%)
Grain and oilseeds received in inland silos	169	355	2.1x	3,239	4,195	30%

Note 1 Includes sales of sunflower oil in bulk and bottled sunflower oil.

Note 2 Includes 315,813 tons of sunflower oil produced by Kernel plants and sold through Avere in Q3 FY2019 (597,033 tons for 9M FY2019). Margins on that volumes are allocated to both Oilseed Processing and Infrastructure & Trading segments.

Note 3 Physical trading volumes reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading. Differences are possible due to rounding.

Oilseed processing

- The highest ever volumes processed in Q3
- Q3 FY2019 EBITDA at US\$ 31m (83% up y-o-y)
 - Sales volumes up 40% y-o-y (low comparison base)
 - EBITDA margin up 30% y-o-y (14% higher y-o-y harvest of sunflower seeds reduced the gap between crushing capacities and supply of oilseeds)

Infrastructure & trading

- Record grain volumes exported by Kernel from Ukraine this season → Kernel became the largest grain exporter from Ukraine in 9M FY2019, outperforming numerous international and local peers
 - Record harvest achieved this season by our farming business
 - Strong volumes originated by our procurement team
 - Full capacity utilization of our own infrastructure
 - Operations via 3rd-party export terminal in the port of Yuzhnyi
- EBITDA down 64% y-o-y in Q3 FY2019 to US\$ 18m
 - Flat silos and export terminal EBITDA (weaker margins but stronger volumes)
 - Positive contribution from grain railcar business, fees for assignment of Taman transshipment quota to a 3rd party, and grain trading in Ukraine
 - Loss-making Avere operations in Q3 FY2019 (vs. strong positive contribution in Q3 FY2018)

Farming

- EBITDA at US\$ 18m for Q3 FY2019 (flat y-o-y) or US\$ 132m for 9M FY2019 (2.5x growth y-o-y)
 - Record-breaking yields for key crops + productivity improvement achieved on lands added to our operations in 2017
 - Guidance to deliver US\$ 160m EBITDA (net of IAS 41 effect) for FY2019
- Successful completion of 2019 planting campaign
 - 513k ha planted (incl. 232k ha of corn, 137k ha of sunflower and 97k ha of wheat)

1.3 Segment results Q3 FY2019 (old format)

Segments results (old format)

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t ²		
	Q3 FY2018	Q3 FY2019	y-o-y	Q3 FY2018	Q3 FY2019	y-o-y	Q3 FY2018	Q3 FY2019	y-o-y	Q3 FY2018	Q3 FY2019	y-o-y
Sunflower oil sold in bulk	265	335	27%	13.6	26.0	91%	253	357	41%	53.8	72.7	35%
Bottled sunflower oil	29	30	2%	3.3	4.8	47%	26	34	31%	125.5	140.8	12%
Sunflower oil division	294	365	24%	16.9	30.8	83%						
Grain trading	236	617	2.6x	34.6	2.7	(92%)	1,088	1,801	66%	31.8	1.5	(95%)
Export terminals ³	13	13	(2%)	9.3	8.4	(10%)	1,005	1,171	17%	9.3	7.2	(23%)
Silo services	11	13	18%	6.2	7.0	13%	169	355	2.1x	36.7	19.6	(47%)
Grain & infrastructure division	259	642	2.5x	50.1	18.0	(64%)						
Farming	125	157	25%	17.3	17.7	2%						
Unallocated corporate expenses				(11.2)	(11.2)	(0%)						
Reconciliation	(137)	(362)	2.6x									
Total	541	803	48%	73.1	55.3	(24%)						

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t ²		
	9M FY2018	9M FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y	9M FY2018	9M FY2019	y-o-y
Sunflower oil sold in bulk	873	1,004	15%	47.9	75.0	56%	915	1,081	18%	52.4	69.3	32%
Bottled sunflower oil	95	98	3%	10.6	11.4	8%	86	98	14%	123.1	116.5	(5%)
Sunflower oil division	968	1,102	14%	58.5	86.4	48%						
Grain trading	599	2,309	3.9x	44.4	33.9	(24%)	3,073	7,375	2.4x	14.4	4.6	(68%)
Export terminals ³	39	37	(5%)	28.1	26.6	(6%)	2,967	3,410	15%	9.5	7.8	(18%)
Silo services	68	65	(5%)	44.2	36.2	(18%)	3,239	4,195	30%	13.6	8.6	(37%)
Grain & infrastructure division	705	2,410	3.4x	116.7	96.7	(17%)						
Farming	392	481	23%	52.2	132.3	2.5x						
Unallocated corporate expenses				(31.2)	(30.3)	(3%)						
Reconciliation	(451)	(935)	2.1x									
Total	1,614	3,058	89%	196.2	285.2	45%						

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.

1.4 Recent transactions highlights

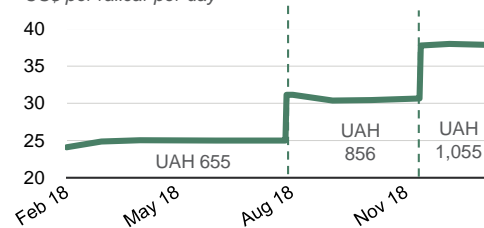


M&A transactions

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

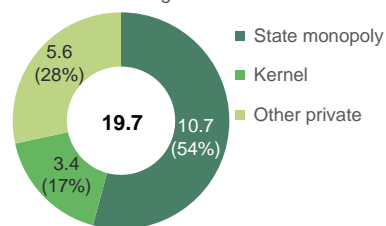
- **Assets acquired:** 2,949 grain railcars (#1 private fleet of grain hopper wagons in Ukraine)
- **Enterprise value:** US\$ 64m
 - US\$ 49m paid at completion, the remaining to be paid upon the achievement of certain conditions
- **Rationale:**
 - Estimated EBITDA contribution of up to US\$ 20m per 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.



European
Investment
Bank

US\$ 250
million

Debt transactions

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 15.3m 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\$ 160m EBITDA** contribution (net of IAS41 effect) from farming segment in FY2019.

Content

1. Q3 FY2019 results and outlook

2. Kernel today

3. Balanced growth strategy

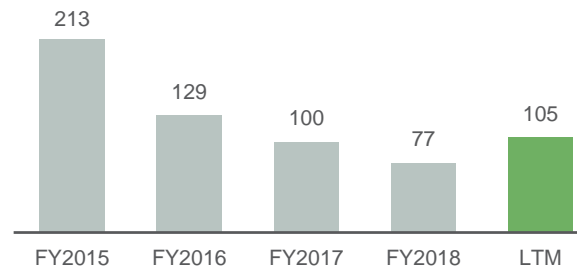
4. Financials

Appendices

2.1 Kernel today

Oilseed processing segment

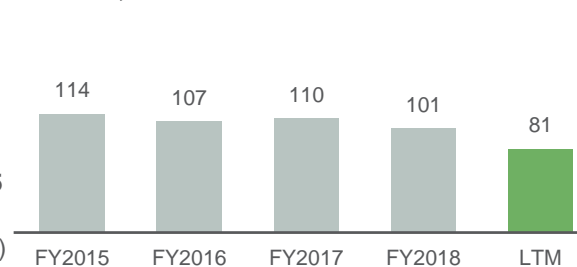
- **#1** sunflower oil producer and exporter in the world
- **Leading** bottled sunflower oil producer and marketer in Ukraine
- **8 oilseed processing plants** located across the sunflower seed belt in Ukraine
- **3.5 million tons** annual sunflower seed processing capacity

EBITDA ¹, US\$ million

Infrastructure and trading segment

- Leading grain originator and marketer in Ukraine with 12% of country's total grain exports in 9M 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 **2.5 million tons** of storage capacity
- **#1** private grain railcars fleet in Ukraine (3.4k hoppers)

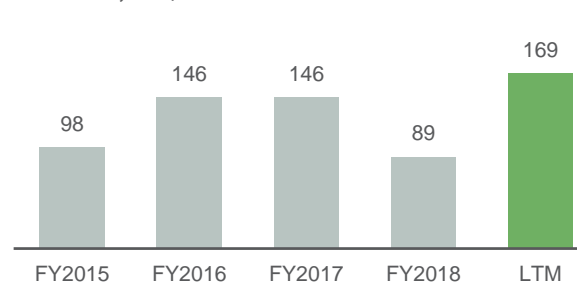
EBITDA, US\$ million



Farming segment

- **#1** crop producer in Ukraine operating 530 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



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 ¹	FY15	FY16	FY17	FY18	LTM
Revenue	2,330	1,989	2,169	2,403	3,847
EBITDA	397	346	319	223	312
Net profit ²	107	225	176	52	191
EBITDA margin	17.0%	17.4%	14.7%	9.3%	8.1%
Net margin	4.6%	11.3%	8.1%	2.2%	5.0%
EPS, US\$	1.34	2.83	2.19	0.64	2.33

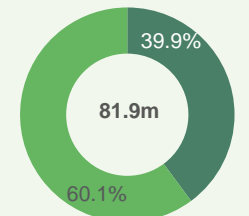
1. Except ratios and EPS

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

Stock information

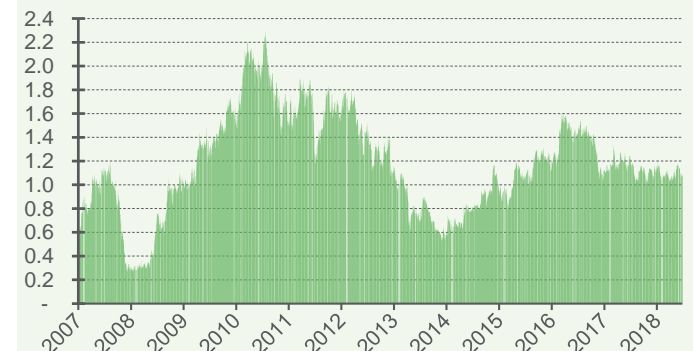
Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	81,941,230
Bloomberg ticker	KER PW
Reuters ticker	KERN.WA
ISIN code	LU0327357389

Shareholder structure

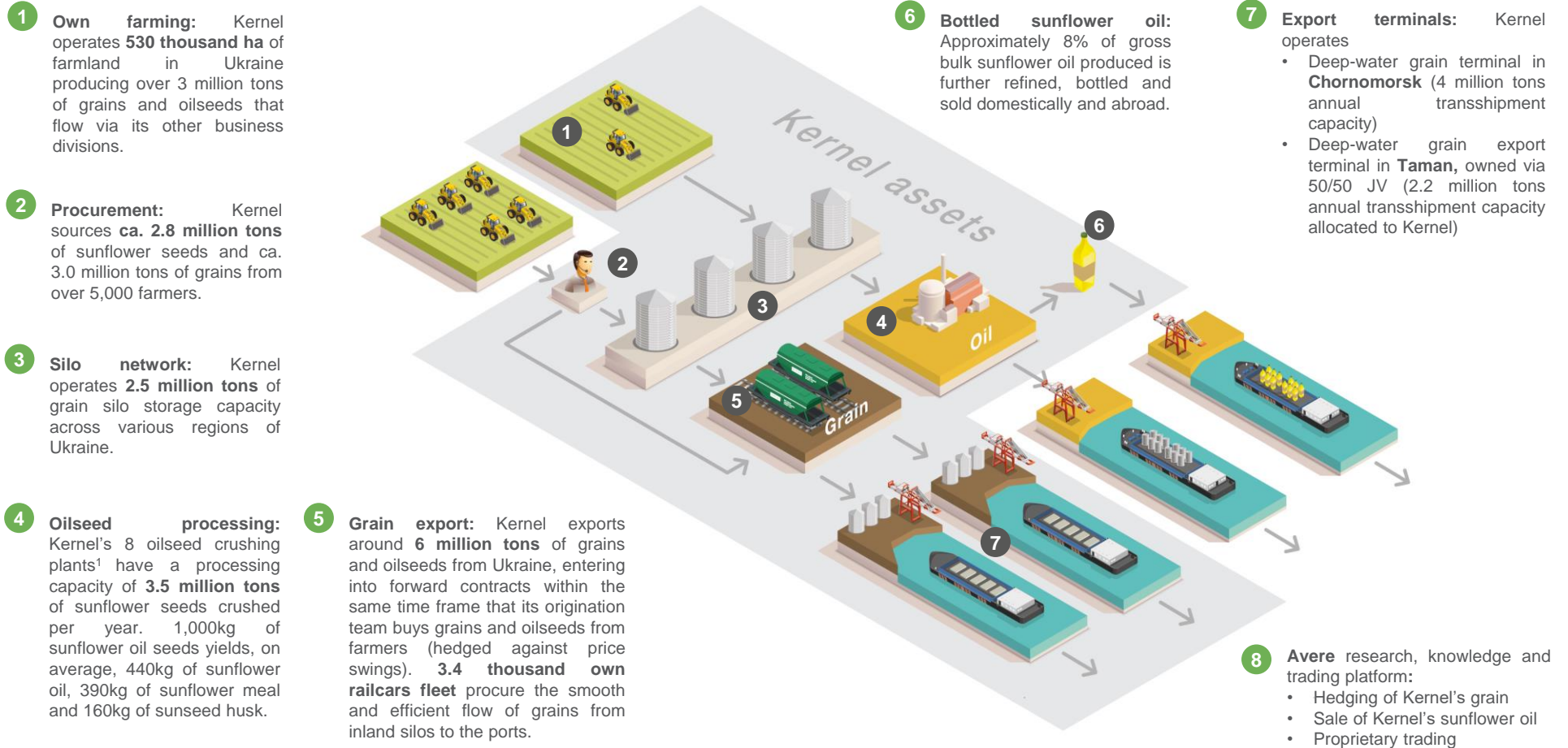


■ Namsen LTD / Andriy Verevskyy
■ Other

Market capitalization, US\$ bn



2.2 What we do

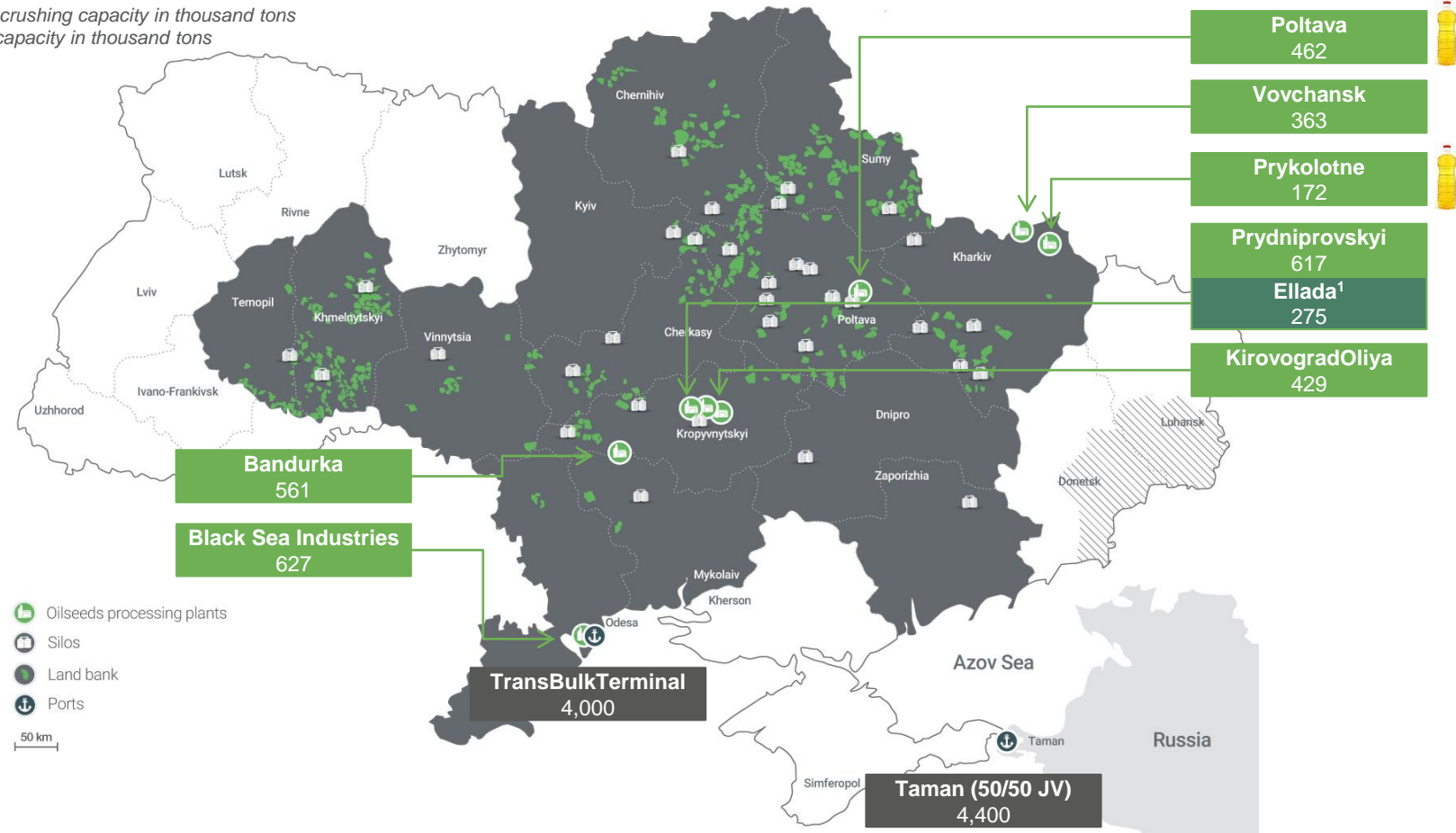


Kernel bridges Ukrainian farmers with the global marketplace using its efficient, scalable and integrated resources and processes

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

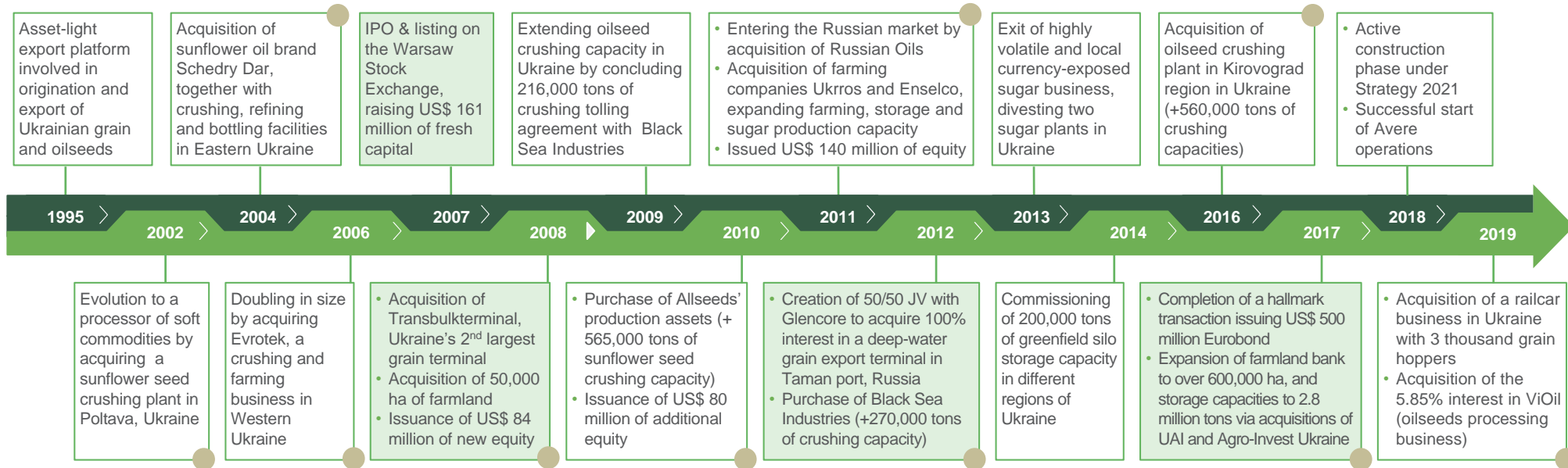
Sunflower seed crushing capacity in thousand tons
Transshipment capacity in thousand tons



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

Note 1 Operated under tolling agreement

2.4 Kernel's key milestones

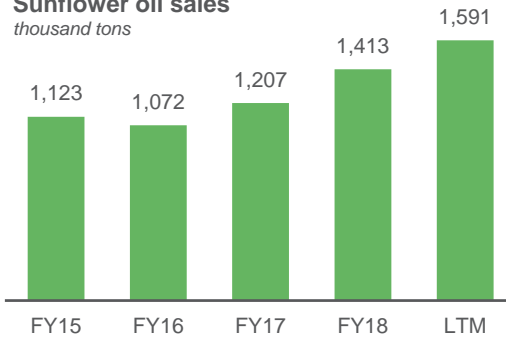


● Asset growth through M&A

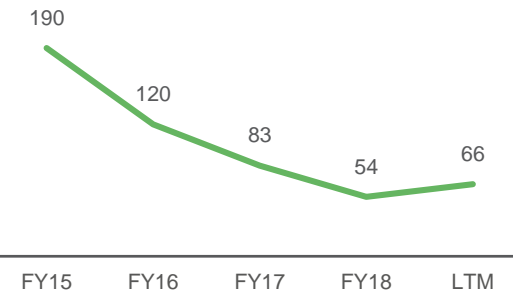
Unparalleled track record of continuous development

2.5 Oilseeds Processing segment

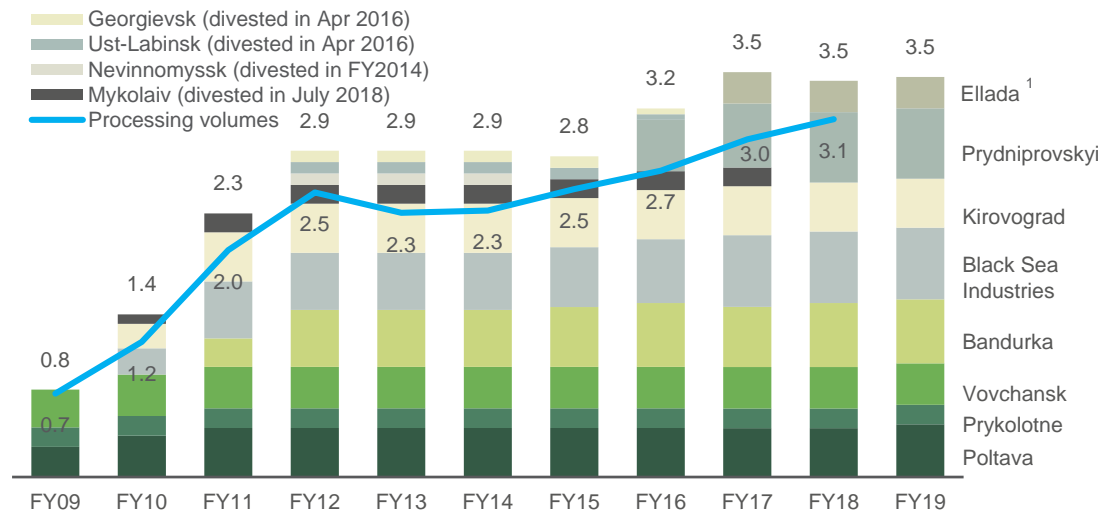
Sunflower oil sales
thousand tons



EBITDA margin
US\$ / ton of sunflower oil sold



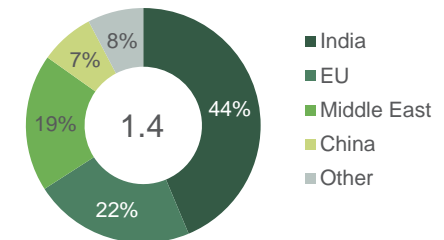
Kernel oilseed processing capacity, million tons per year



Note 1 Operated under tolling agreement

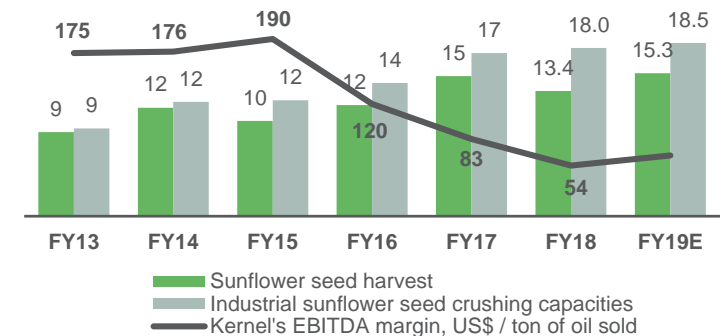
- Segment's EBITDA on the LTM basis up 30% y-o-y, to US\$ 105m

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

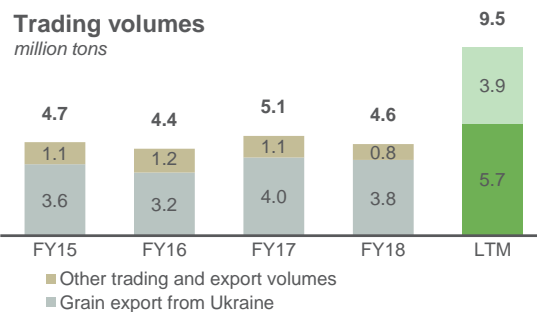


Source USDA, Kernel's estimates

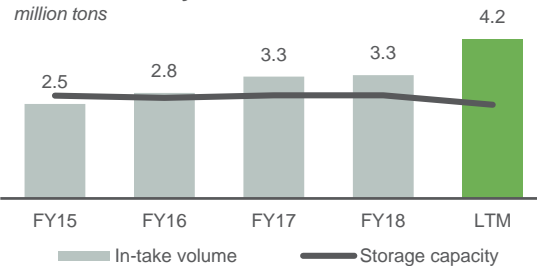
2.6 Infrastructure and Trading segment

Key segment volumes

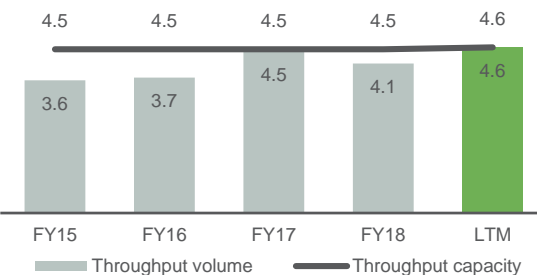
Trading volumes million tons



Grain in-take by inland silos million tons



Export terminals throughput ¹ million tons



Note 1 Not including Taman

Operational highlights

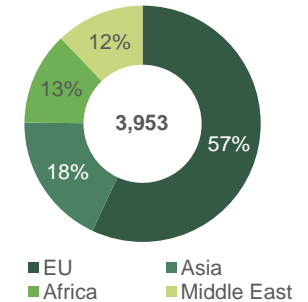
- **5.7m tons of grain exported from Ukraine** on the LTM basis, 55% up y-o-y
 - Record crop yields of our farming division for 2018 crop
 - Strong efforts of our procurement team
 - Full capacity utilization of our infrastructure: 4.2m tons silo in-take volumes and 4.6m tons export terminal throughput 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 9M 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 a third party
- EU dominates among export markets, accounting for more than 50% of total export.

Financial highlights

- US\$ 81m EBITDA generated by the segment on the LTM basis, down 38% 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

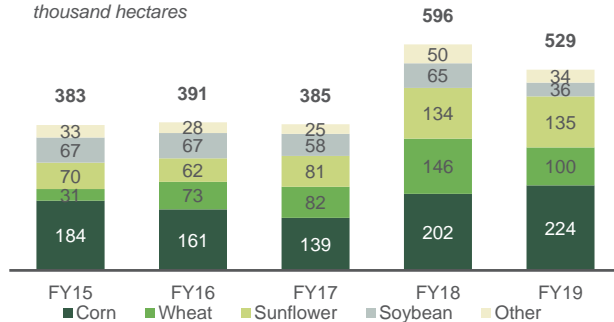
Thousand tons (excl. Avere traded volumes)



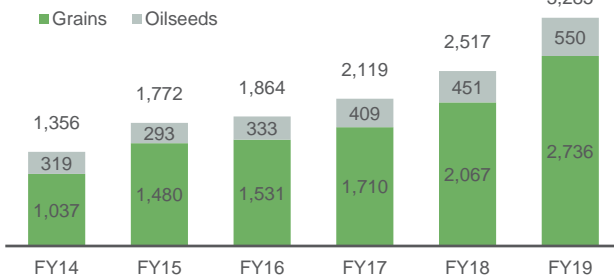
Note 1 3,848k tons exported from Ukraine and 106k t exported from Russia in FY2018

2.7 Farming segment

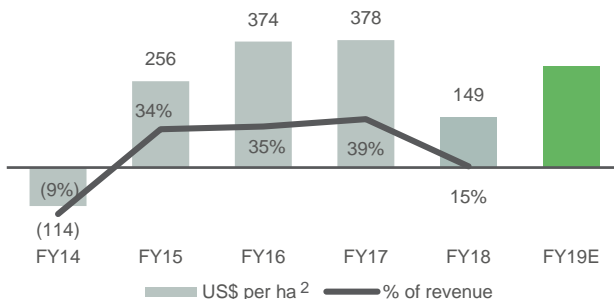
Acreage harvested
thousand hectares



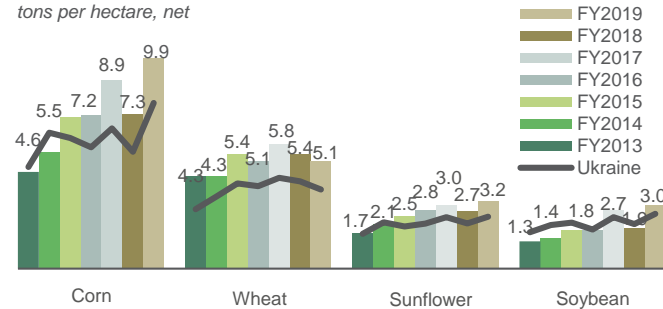
Kernel's key crop production
thousand tons



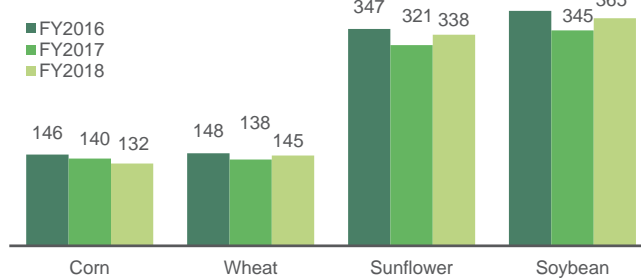
Farming segment's EBITDA margin



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.

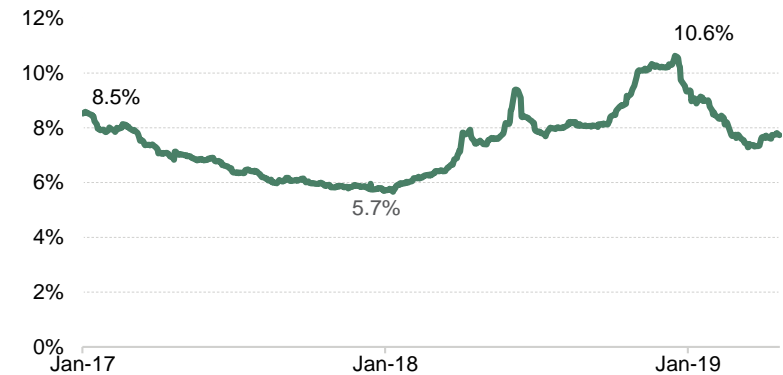
- **LTM EBITDA of US\$ 169m, 113% up y-o-y**
 - Supportive weather conditions in FY2019, driving the overall country harvest increase to a record level
 - Quick and successful integration of the landbank acquired a year ago
 - Constant productivity improvements
- **Above US\$ 160 million EBITDA** (net of IAS 41 effect) expected for the whole FY2019
- **Successful completion of 2019 planting campaign**
 - 513k ha planted (incl. 232k ha of corn, 137k ha of sunflower and 97k ha of wheat)
- **Favorable recent** (as of May-end) **weather conditions** were supportive both for winter and spring crops.
 - It makes us expect relatively strong harvest of wheat, barley and rapeseed for country overall and for Kernel in particular
 - Some uncertainty still remains for spring crops (corn, sunflower and soybean).
- 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

2.8 Credit highlights

Credit portfolio as of 31 March 2019, US\$ m

	Amount outstanding	Interest rate	Maturity
Eurobonds	496	8.75%	Jan 2022
 European Investment Bank	50 / 250 limit	Libor + 2.78%	Dec 2028
 EBRD / CTF	- / 56 limit	Libor + 4.5% / 1%	Feb 2027
Oil PXF	147 / 290 limit	Libor + 4.2% Libor + 3.95%	Aug 2021
Grain PXF	38 / 100 limit	Libor + 4%	June 2021
Other bank debt, obligations under finance lease and accrued interest	175		
Total	906		

Kernel-2022 Eurobonds mid-YTM



Credit ratings

FitchRatings
S&P Global
Ratings

Rating / Outlook	Date
B+ / Stable	12 Oct 2018
B+ / Stable	12 Feb 2017
B / Stable	31 Oct 2018
B / Stable	20 Feb 2017



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1. Q3 FY2019 results and outlook

2. Kernel today

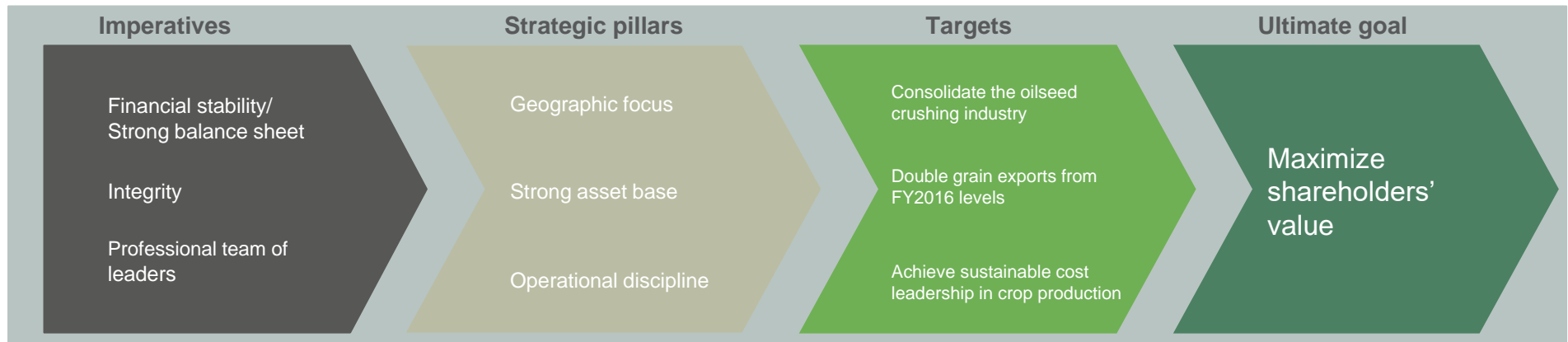
3. Balanced growth strategy

4. Financials

Appendices

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

Content

1. Q3 FY2019 results and outlook

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3. Balanced growth strategy

4. Financials

Appendices

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	3,847
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	19	35
Cost of sales	(194)	(306)	(557)	(874)	(844)	(1,610)	(1,814)	(2,599)	(2,231)	(2,009)	(1,707)	(1,882)	(2,261)	(3,547)
Gross profit	21	44	106	174	177	289	258	213	145	314	302	284	160	335
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	59	(15)
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(80)	(84)
EBIT	12	39	112	167	167	277	257	201	129	328	287	265	140	236
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(65)	(78)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	5	11
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(30)	10
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	174
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	174
Net profit attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	52	191
<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	2.33
<i>ROE ¹</i>		37%	36%	36%	32%	29%	19%	9%	-8%	11%	24%	16%	5%	16%
<i>ROIC ²</i>		21%	25%	26%	22%	23%	17%	9%	-1%	11%	21%	15%	10%	13%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	-5%	6%	17%	13%	4%	9%
EBITDA, incl.	17	46	123	190	190	310	319	288	223	397	346	319	223	312
Oilseeds Processing	-	-	81	89	101	202	198	199	178	213	129	100	77	105
Infrastructure and Trading	-	-	40	112	80	94	59	59	126	114	107	110	101	81
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>9%</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>8%</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>5%</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

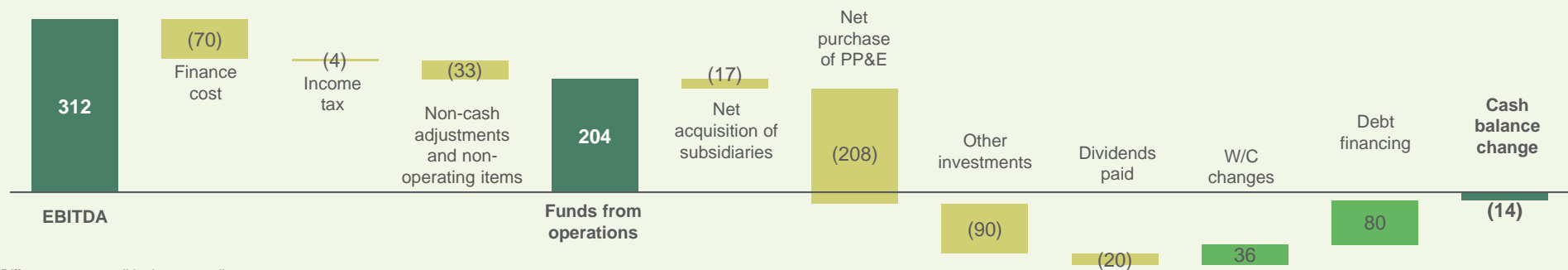
Balance sheet highlights														31 Mar
US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	2019
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	132	126
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	92	202
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	113	78
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	122	111
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	368	695
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	325	513
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	289	56
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	87	160
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	208	216
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	588	690
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	210	228
Total assets	156	275	756	700	1,125	1,573	2,116	2,362	1,919	1,466	1,509	2,009	2,211	2,561
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	74	132
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	105	122
Interest-bearing debt	93	157	256	295	345	422	693	725	743	463	339	655	751	903
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	246	350
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	11	58
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	109
Total liabilities	108	190	315	342	520	575	906	1,009	888	575	512	851	1,033	1,266
Total equity	48	85	440	357	605	997	1,211	1,352	1,031	891	997	1,158	1,178	1,295
<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	0.7x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	34%	35%
Liquidity position and credit metrics														
Gross interest-bearing debt	94	158	259	300	350	428	698	734	749	469	343	657	754	906
Cash	6	25	89	129	59	116	83	79	65	129	60	143	132	126
Net interest-bearing debt	88	133	170	170	291	312	616	655	684	339	283	514	622	780
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325	513
Adjusted net financial debt	58	95	32	79	148	170	280	498	441	199	99	160	297	268
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	2.5x
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	0.9x
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	4.0x

Note: financial year ends 30 June.

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	312
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(64)	(70)
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)	(33)
Funds from operations	7	26	99	124	179	235	218	169	70	245	268	283	113	204
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(31)	36
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(36)	(146)	(22)	(17)
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(140)	(208)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	6	(37)	6	(90)
Free cash flow	(34)	(46)	(281)	4	(44)	(71)	(253)	38	(14)	369	71	(146)	(74)	(74)
Debt financing	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	98	80
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	60
Cash at the year end	6	25	59	98	58	110	83	73	65	124	60	87	90	115
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)	(11)
Inventories processing, days	n/a	43	61	51	53	38	60	48	47	42	38	57	45	73
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	12	16
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	18	10

Sources and uses of cash in April'18-March'19 (LTM), US\$ million



Differences are possible due to rounding

IR contact and investor calendar

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Investor calendar

- Q3 FY2019 Financial Report **27 May 2019**
- Q4 FY2019 Operations Update **17 July 2019**
- FY2019 Financial Report **23 October 2019**

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A1. Key highlights

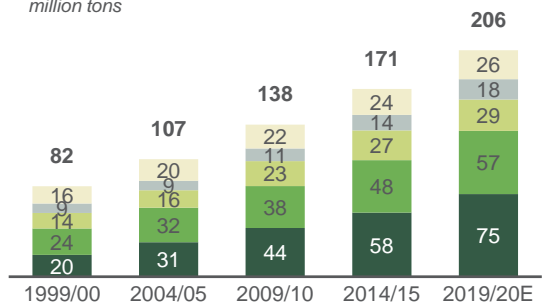
- Kernel operates in globally competitive growing Ukrainian agri sector
- Integrated, resilient and simple business model built around scale & global reach
- Leader across all market segments supported by unparalleled world-class asset base with high barriers to entry
- Top standard of corporate governance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

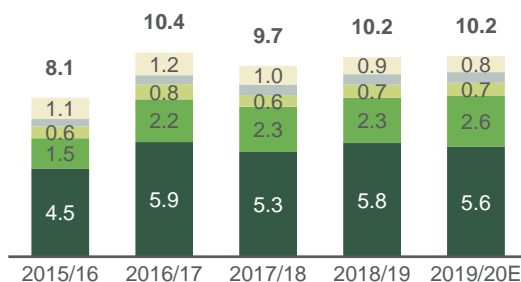
million tons



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

Global sunflower oil exports

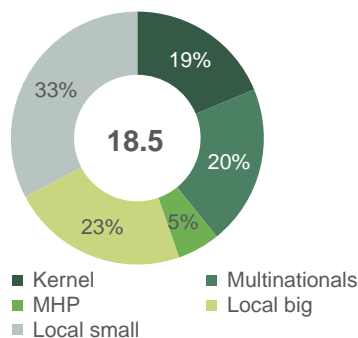
million tons



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

Sunflower seed industrial crushing capacity in Ukraine (2019)

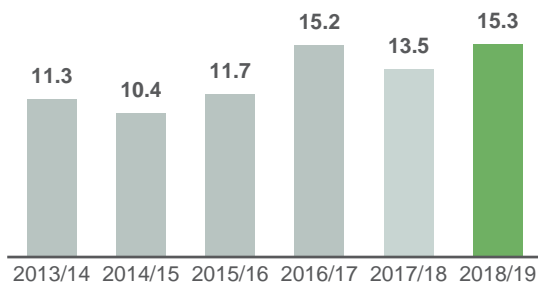
million tons



Source: Kernel's estimates

Sunflower seed harvest in Ukraine

million tons



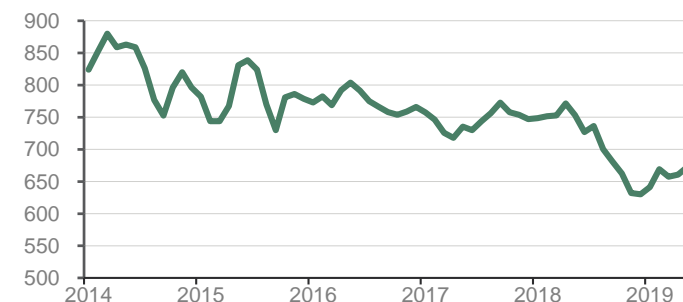
Source: USDA, Kernel's estimates

Global edible oils market trends

- Consumption of edible oils increased by 4.3% y-o-y in marketing year 2018/19, versus 4.8% growth a year ago, reaching 200 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 203 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 6% 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 6.2 million tons in 2018/19 season.

Crude sunflower oil prices

FOB Black Sea, US\$/t



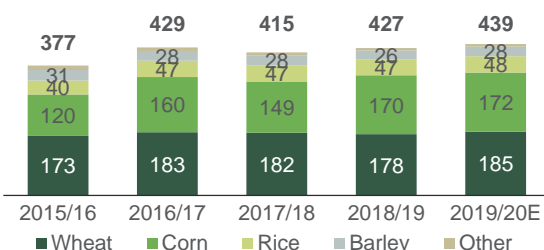
Source: APK inform

A3. Markets and business environment

Infrastructure and Trading

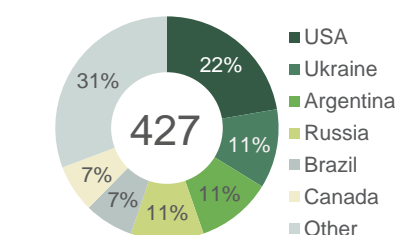
Global grain exports

million tons



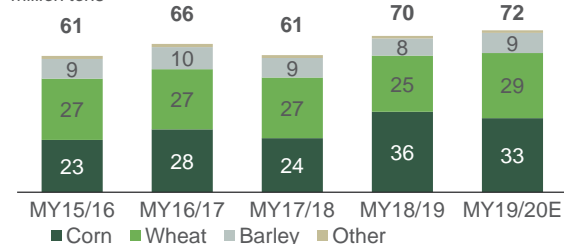
Top grain exporting countries

million tons



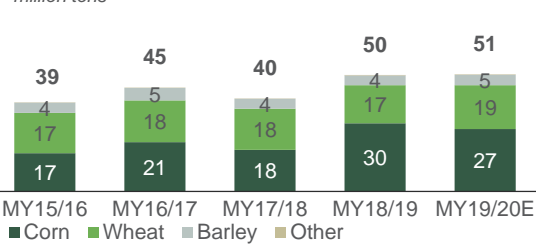
Grain production in Ukraine

million tons



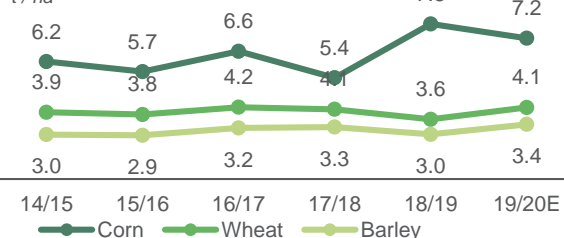
Grain export in Ukraine

million tons



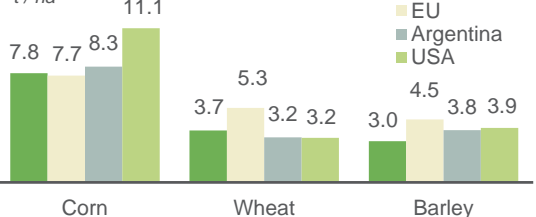
Grain yields in Ukraine

t / ha



Grain yields in MY2018/19

t / ha



- Being the 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

Source: USDA

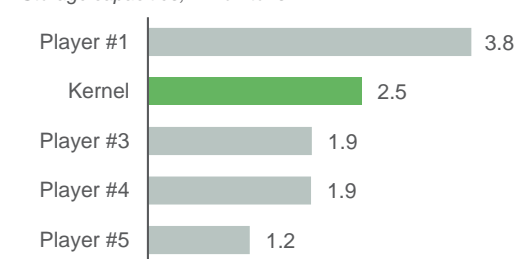
Top 5 grain exporters from Ukraine

2014/15	2015/16	2016/17	2017/18	2018/19
Nibulon	SFGCU	Nibulon	Nibulon	Kernel
SFGCU	Kernel	Kernel	Kernel	Nibulon
Kernel	Nibulon	SFGCU	ADM	Coco
Louis Dreyfus	Cargill	ADM	Bunge	Cargill
Cofco	ULF	Cargill	Louis Dreyfus	ADM

Source: Stark Research, Kernel vessel lineup

Top 5 silo networks in Ukraine

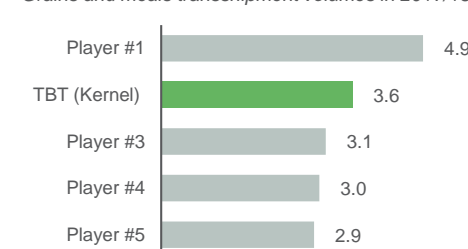
Storage capacities, million tons



Source: Elevatorist, Kernel estimates

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

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