

KERNEL

Kernel Holding S.A.

FY2020 results and company presentation

October 2020



Disclaimer

The information in this document has not been independently verified and no representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. Neither the Company (as defined below) or any of its affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss whatsoever arising from any use of this document, or its contents, or otherwise arising in connection with this document. Unless otherwise stated, the data in this presentation has been provided by the Company (as defined below) and its fairness, accuracy or completeness has not been verified by or sourced from any third party.

This presentation may not be reproduced, retransmitted or further distributed to the press or any other person or published, in whole or in part, for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws.

This presentation does not constitute or form part of any offer or invitation to sell or purchase, or any solicitation of any offer to sell or purchase any shares or securities in Kernel Holding S.A. (the "Company"). It is not intended to form the basis upon which any investment decision or any decision to purchase any interest in the Company is made. Information in this document relating to the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance.

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities or future projections should not be taken as a representation that such trends or activities will continue or happen in the future. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies that may become apparent in such forward-looking statements.

This presentation is intended only for persons having professional experience in matters relating to investments.

Neither the presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The presentation is not an offer of securities for sale in the United States.

This presentation is made to and is directed only at persons in the United Kingdom having professional experience in matters relating to investments who fall within the definition of 'investment professionals' in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 and to those persons in any other jurisdictions to whom it can otherwise lawfully be distributed (such persons being referred to as "relevant persons").

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.

Content

1. FY2020 results and outlook

2. Kernel today

3. Balanced growth strategy

4. Financials

Appendices



1.1 FY2020 highlights

- **Revenue** ↑ 4% y-o-y to US\$ 4,107m on the back of change in physical trade structure of our Avere subsidiary in the reporting period
- **EBITDA** ↑ 28% y-o-y to US\$ 443m (or US\$ 405m ex IFRS16)
 - **Oilseed Processing** EBITDA ↑ 28% y-o-y to US\$ 152m
 - strong margin driven by record harvest of sunflower seeds in Ukraine and supportive sunflower oil prices;
 - **Infrastructure and Trading** EBITDA ↑ 2.0x y-o-y to US\$ 216m
 - growth in grain export volumes, launch of operations on new grain transshipment terminal, full-year contribution from grain railcar business, and outstanding Avere performance;
 - **Farming** EBITDA of US\$ 134m (or US\$ 96m ex IFRS16, ↓ 47% y-o-y)
 - normalization of corn yields, lower contracted prices, growing production costs on the back of UAH strengthening, and loss from revaluation of biological assets attributable to next season crop.
- **Net profit attributable to shareholders of Kernel Holding S.A.** ↓ 38% y-o-y to US\$ 118m, negatively impacted by:
 - US\$ 46m one-off loss related to Taman transaction
 - US\$ 22m negative impact from IFRS 16 adoption
- **Net debt** as of 30 June 2020 ↑ 41% y-o-y to US\$ 980m, due to IFRS 16 adoption
 - US\$ 302m related lease liabilities recognized
- Key **leverage** metrics for FY2020 ended up at 2.2x Net debt / EBITDA, 1.6x Adjusted net debt / EBITDA, and 3.0x EBITDA / interest coverage.

US\$ million except EPS	FY2019	FY2020	y-o-y
Income statement highlights			
Revenue	3,960	4,107	4%
EBITDA ¹	346	443	28%
Net profit attributable to equity holders	189	118	(38%)
EBITDA margin	8.7%	10.8%	2.1pp
Net margin	4.8%	2.9%	(1.9pp)
EPS ² , US\$	2.31	1.42	(39%)
Cash flow highlights			
Operating profit before working capital changes	368	422	15%
Change in working capital	(94)	(10)	(89%)
Finance costs paid, net	(72)	(135)	86%
Income tax paid	(3)	(8)	144%
Net cash generated by operating activities	199	269	36%
Net cash used in investing activities	(241)	(203)	(16%)
Credit metrics			
US\$ million, except ratios	30 June 2019	30 June 2020	y-o-y
Short-term debt	203	73	(64%)
Long-term debt	64	172	171%
Lease liabilities	8	310	40.2x
Eurobond	496	794	60%
Debt liabilities	770	1,350	75%
Cash and cash equivalents	77	369	4.8x
Net debt	694	980	41%
Readily marketable inventories ³	293	252	(14%)
of which sunflower oil and meal	125	96	(23%)
Sunflower seeds	104	121	17%
Grains and other RMLs	65	34	(48%)
Adjusted net debt	400	729	82%
Shareholders' equity	1,351	1,493	10%
Net debt / EBITDA ⁴	2.0x	2.2x	0.1x
Adjusted net debt / EBITDA ⁴	1.2x	1.6x	0.4x
EBITDA / Interest ⁵	4.2x	3.0x	(0.3x)

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

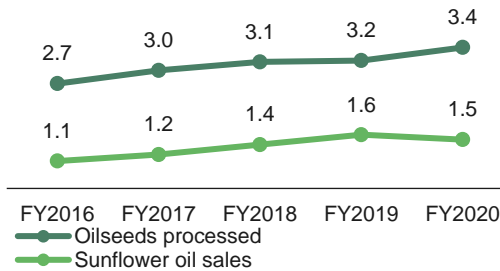
Note 4 Calculated based on 12-month trailing EBITDA.

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

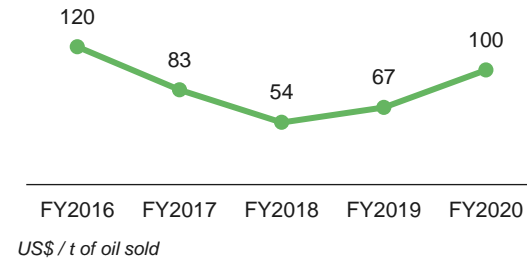
1.2 Segment results

Segment volumes, m tons

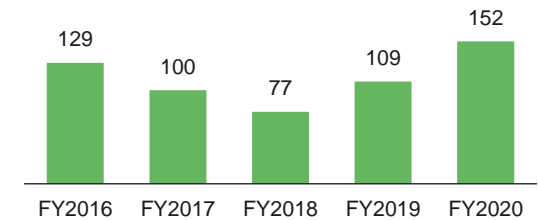
Oilseed Processing



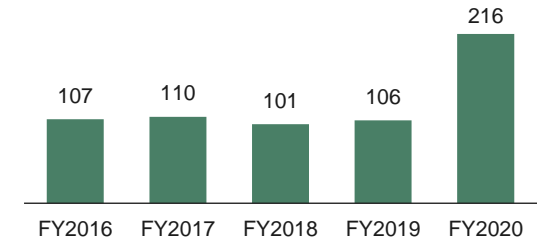
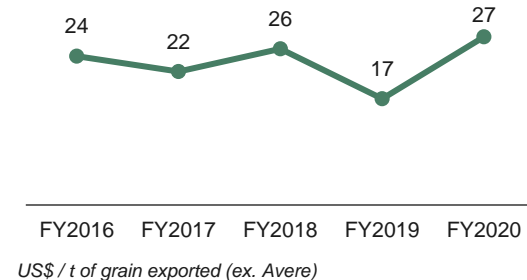
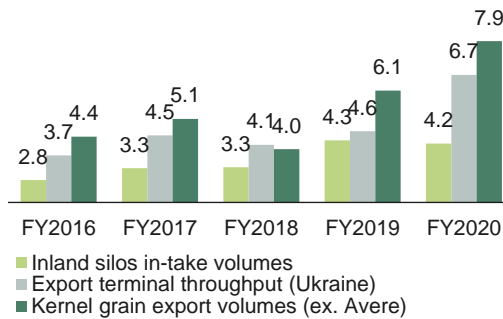
EBITDA margin



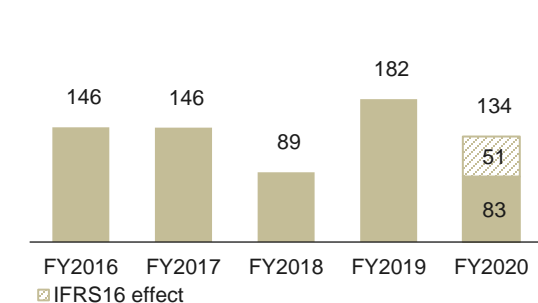
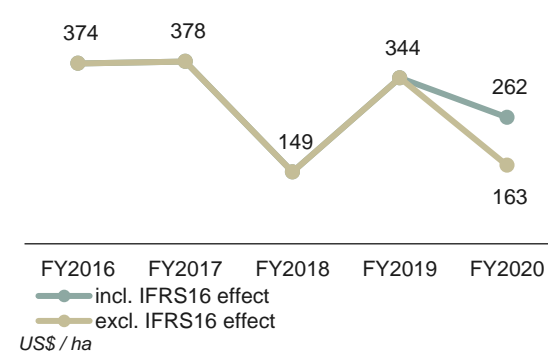
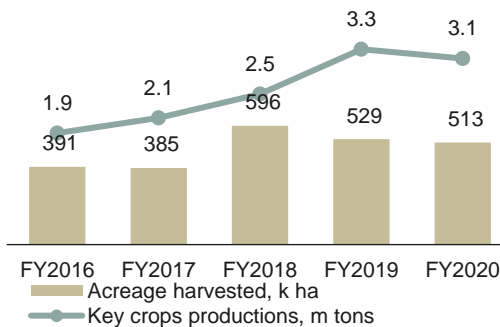
EBITDA, US\$ m



Infrastructure & Trading



Farming



1.3 Segments results and harvest update

Segments results

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t ²		
	FY19	FY20	y-o-y	FY19	FY20	y-o-y	FY19	FY20	y-o-y	FY19	FY20	y-o-y
Oilseed Processing	1,493	1,547	4%	109	152	39%	1,619	1,518	(6%)	67.3	100.0	49%
Infrastructure and Trading	3,108	3,426	10%	106	216	2.0x	6,094	7,902	30%	17.4	27.3	57%
Farming	602	604	0%	182	134	(26%)	3,294	3,271	(1%)			
Unallocated corporate expenses				(51)	(59)	15%						
Reconciliation	(1,243)	(1,471)	18%									
Total	3,960	4,107	4%	346	443	28%						

Note 1 Physical grain volumes exported from Ukraine for Infrastructure and Trading

Note 2 US\$ per ton of oil sold for Oilseeds Processing; US\$ per ton of grain exported (ex. Avere volumes) for Infrastructure & Trading;

Segment volumes

thousand metric tons	Q4 FY19	Q4 FY20	y-o-y	FY19	FY20	y-o-y
Oilseeds processed	896	916	2%	3,164	3,436	9%
Sunflower oil sales ¹	445	489	10%	1,619	1,518	(6%)
Grain and oilseeds received in inland silos	81	38	(53%)	4,276	4,158	(3%)
Export terminal throughput (Ukraine)	1,196	1,841	54%	4,606	6,666	45%
Grain export from Ukraine	1,438	1,863	30%	6,094	7,902	30%

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

Note 2 Excluding physical trading volumes reported by Avere, a subsidiary of Kernel involved in physical and proprietary trading.

Oilseed Processing segment

- **EBITDA margin** ↑49% y-o-y to US\$100 per ton of oil sold:
 - Sunflower oil prices in FY2020 ↑7% y-o-y
 - Record sunflower seeds harvest in Ukraine (16.5m tons, ↑9% y-o-y)
 - Minor growth in crushing capacities in Ukraine (↑2% y-o-y)
- **Sunflower oil sales** volumes of 1.5m tons in FY2020
- **EBITDA** ↑39% y-o-y, to US\$ 152m.

Infrastructure and Trading segment

- **EBITDA** ↑2.0x to US\$ 216m:
 - Record grain export volumes at flat y-o-y margin
 - Record grain transshipment volumes (with new Terminal contribution) at flat y-o-y margin
 - Full-year contribution from railcar business acquired in Feb 2019
 - Strong Avere performance

Farming segment

- **EBITDA** ↓26% y-o-y to US\$ 134m
 - US\$ 96m EBITDA if excluding IFRS 16 impact
 - US\$ 128m EBITDA if excluding both IFRS 16 and IAS 41
- Normalization of corn yields to 8.5 t/ha in FY2020
- Lower contracted grain prices.
- Growing production costs: land lease and salary (enhanced by UAH appreciation against US\$), and fertilizers costs.
- US\$ 21m loss from revaluation of biological assets (reflects negative sentiment towards FY2021 harvest).

1.4 IFRS 16 impact

- Starting from Q1 FY2020, Kernel introduced IFRS 16 Leases with application of retrospective approach and did not restate comparatives, as permitted under the transitional provisions of the standard. Given that company leases all the farmlands under operations, introduction of IFRS 16 had significant impact on Company's financials. As a result of IFRS 16 implementation:
 - Company recognized US\$ 347 million right-of-use assets (of which US\$ 334 million rights to lease land) and US\$ 302 million corresponding lease liabilities as of 30 June 2020.
 - Rental payments disappeared and were replaced by amortization of right-of-use assets and finance expenses attached to lease liabilities.
- In FY2020, EBITDA increased by US\$ 51 million, which is roughly 2/3 of the annual effect to be visible going forward, since IFRS 16 was introduced after half of the farming growing season was over.

Effect on Statement of Profit or Loss

In US\$ million	FY2019	FY2020		
		prior to IFRS 16	IFRS 16 effect	with IFRS 16
Revenues	3,960	4,107	-	4,107
Revaluation of biological assets	9	(45)	24	(21)
Cost of sales	(3,636)	(3,634)	10	(3,624)
of which depreciation & amortization	(72)	(83)	(17)	(101)
Rental payments	(72)	(80)	27	(53)
Gross profit	334	428	34	462
Other operating income	42	7	-	7
General and administrative expenses	(107)	(131)	(1)	(132)
Operating profit	269	304	33	337
Finance costs	(82)	(93)	(54)	(147)
Other non-operating items	4	(45)	(1)	(45)
Profit before income tax	190	166	(22)	145
Income tax	(12)	(22)	-	(22)
Net profit	179	144	(22)	123
Net profit attributable to shareholders	189	139	(22)	118
Depreciation and amortization	(76)	(88)	(18)	(106)
EBITDA	346	392	51	443

Effect on Statement of Financial Position

In US\$ million	30 June 2019	30 June 2020		
		prior to IFRS 16	IFRS 16 effect	with IFRS 16
Current assets	1,256	1,533	(2)	1,531
Non-current assets	1,207	1,331	0	1,634
of which right-of-use assets	88	-	347	347
other non-current assets	1,119	1,331	(44)	1,286
Total assets	2,464	2,864	301	3,165
Current liabilities	480	392	21	413
of which current portion of lease liabilities	-	-	45	45
other current liabilities	480	392	(24)	368
Non-current liabilities	638	998	260	1,258
of which lease liabilities	-	-	265	265
other non-current liabilities	638	998	(5)	993
Equity	1,346	1,474	20	1,494
Total liabilities and equity	2,464	2,864	301	3,165

1.5 Outlook for FY2021

Oilseed Processing



- **Crushing margin** in FY2021 is likely to normalize from strong US\$ 100 EBITDA per ton of oil achieved in FY2020:
 - Sunflower seed harvest in Ukraine in FY2021 is expected to decline 14% y-o-y, to 14.2m tons from 16.5m tons in FY2020
 - Sunflower oil prices higher y-o-y at the beginning of the season, but unlikely to compensate the harvest pressure
- **>3.5m tons** expected crushing volumes for the whole FY2021;
 - Operations on third-party owned Chuhuiv oilseed processing plant under the tolling agreement
- Incremental EBITDA: US\$ 10-15 million from renewable energy projects (to soften crush EBITDA decline)

Infrastructure & Trading



- **9.5m tons** target for **grain export** from Ukraine for FY2021 and **9m tons** target for **grain transshipment** via our terminals
 - New terminal to add 2.3 million tons of incremental grain transshipment volumes to FY2020 actuals → incremental EBITDA
- Grain harvest in FY2021 is expected to decline to 67m tons from 73m tons in FY2020 (corn, wheat and barley)
 - Grain trading and transshipment **margins may face a downward pressure** in FY2021.
- **Normalization of railcars business EBITDA**

Farming



- Crop yields decline for all three our major crops: corn, sunflower, and wheat → **Profitability** of farming segment in FY2021 will be suppressed
- Further growth for the **cost side** is not likely; some cost reduction may happen driven by Ukrainian hryvnia weakening and lower energy costs.
- Supportive **prices** at the beginning of the season



Content

1. FY2020 results and outlook

2. Kernel today

3. Balanced growth strategy

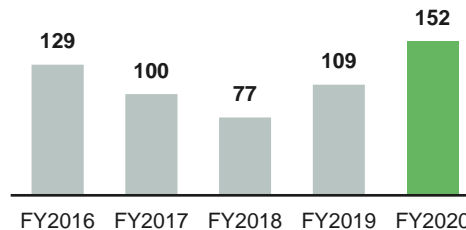
4. Financials

Appendices

2.1 Kernel today

Oilseed Processing segment

- **#1** sunflower oil producer (7% of global production) and exporter (15% of global export) 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
- Export-oriented business model with limited reliance on local economy

EBITDA ¹, US\$ million

Key financials		FY2016	FY2017	FY2018	FY2019	FY2020
Revenue	US\$ m	1,989	2,169	2,403	3,960	4,107
EBITDA	US\$ m	347	319	223	346	443
Net profit ¹	US\$ m	225	176	52	189	118
EBITDA margin	%	17.5%	14.7%	9.3%	8.7%	10.8%
Net margin	%	11.3%	8.1%	2.2%	4.8%	2.9%
EPS	US\$	2.83	2.19	0.64	2.31	1.42

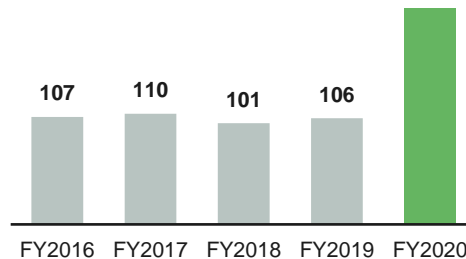
1. Net profit attributable to equity holders of Kernel Holding S.A.

Infrastructure and Trading segment

- **#1** grain exporter from Ukraine with 14% of country's total grain exports in FY2020
- 2 export terminals in Ukraine with 8.8 million tons combined annual grain transshipment capacity
- **#1** private inland grain silo network in Ukraine with 2.4 million tons of storage capacity
- **#1** private grain railcars fleet in Ukraine (3.4k hoppers)



EBITDA, US\$ million

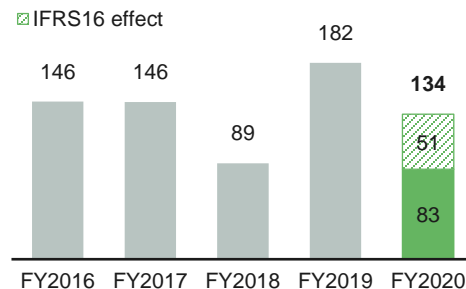


Farming segment

- **#1** crop producer in Ukraine operating 514 thousand 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 Trading** and **Oilseed Processing** segments, earning incremental profits



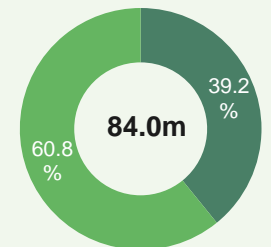
EBITDA, US\$ million



Stock information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Issued shares	84,031,230
Bloomberg ticker	KER PW
Reuters ticker	KERN.WA
ISIN code	LU0327357389

Shareholder structure



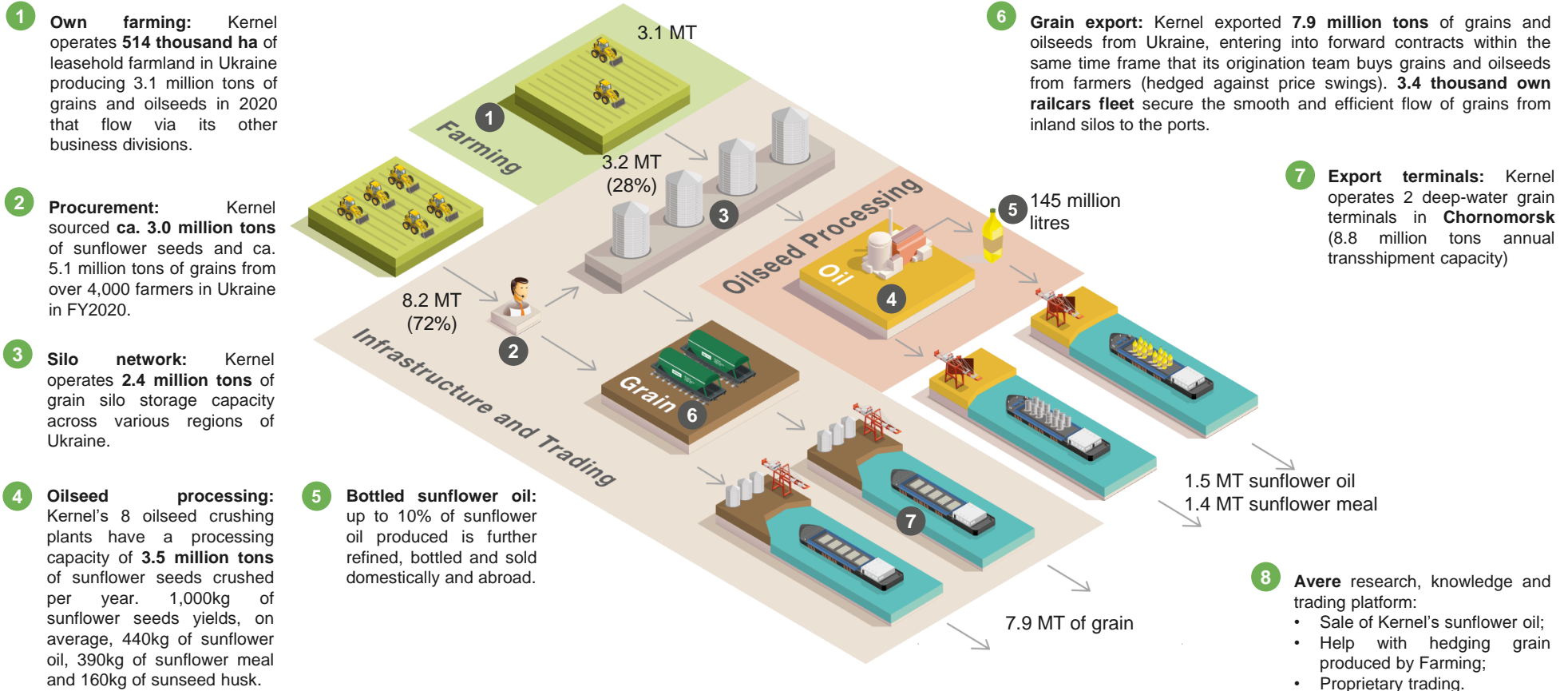
■ Namsen LTD / Andrii Verevskyi ■ Other

Market capitalization, US\$ bn



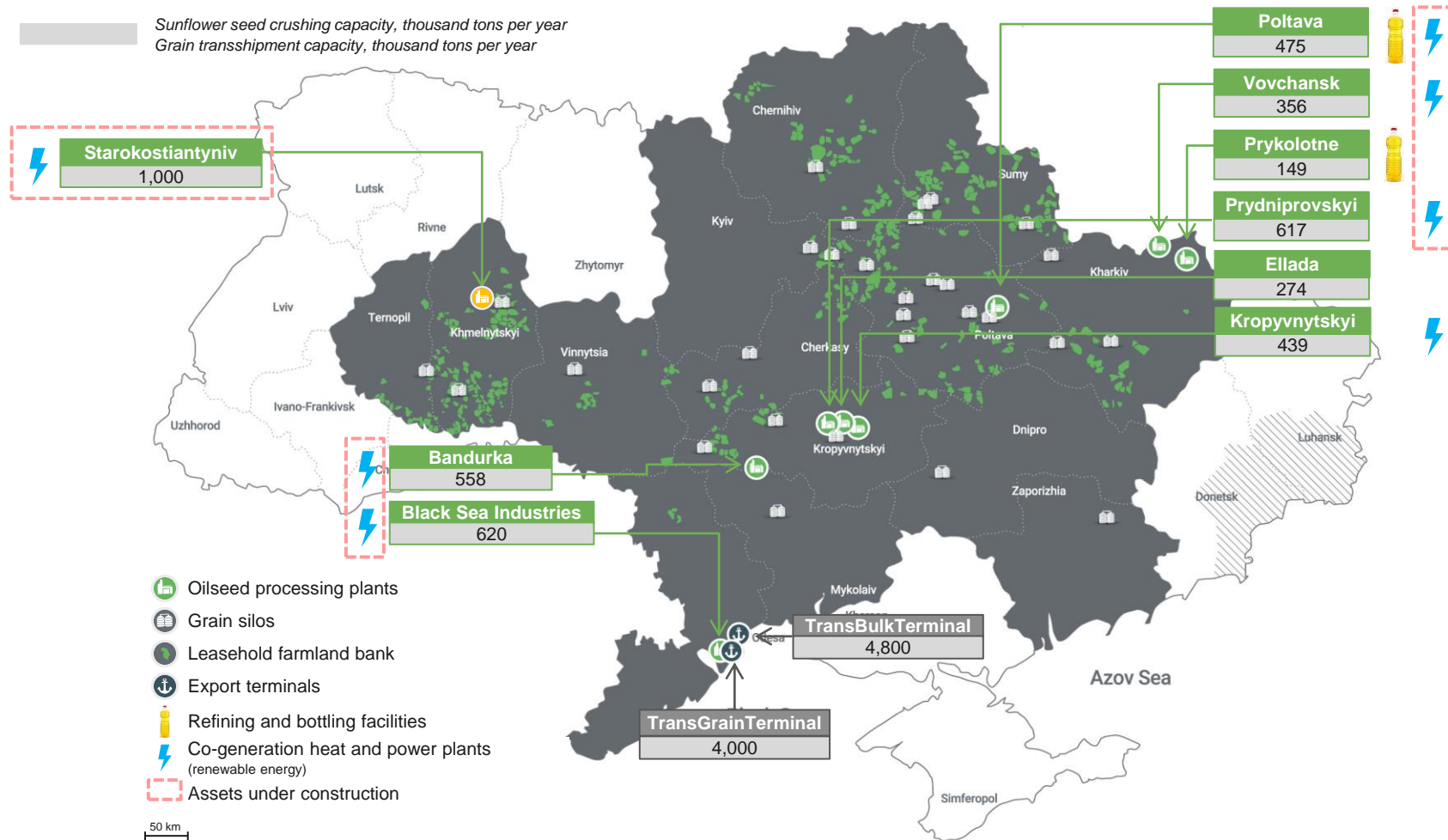
Note 1 Hereinafter, segment EBITDA is presented prior to certain unallocated G&A costs and net of discontinued operations and assets held for sale

2.2 What we do



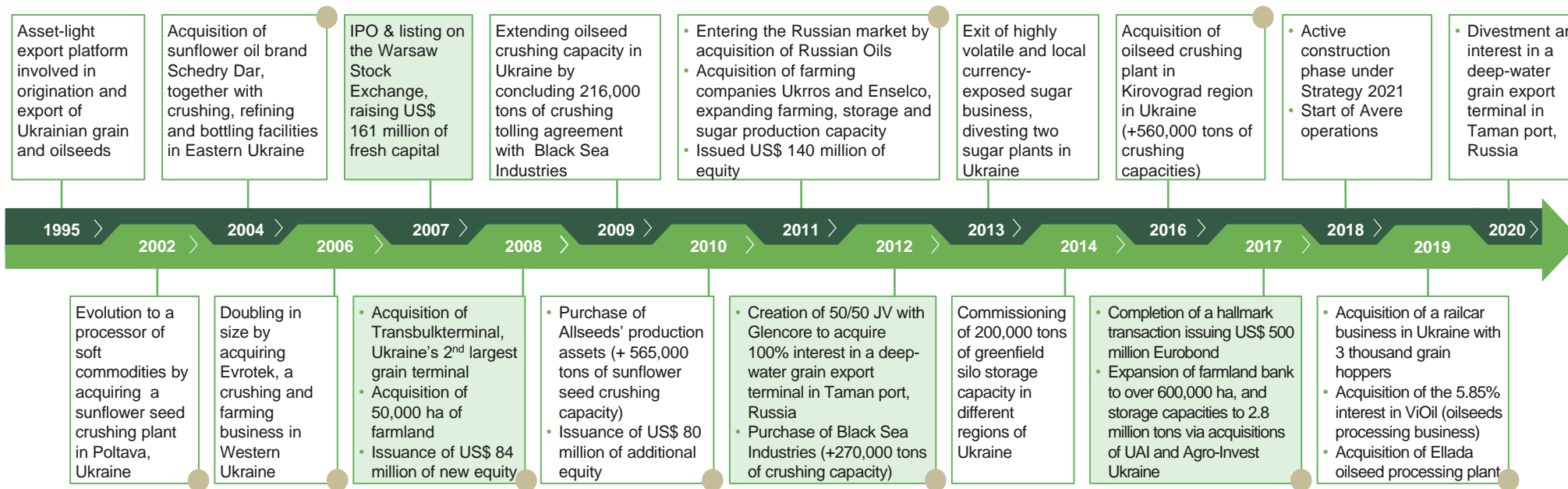
Kernel bridges Ukrainian farmers with the global marketplace using its efficient, scalable and integrated resources and processes

2.3 Efficient and well-invested asset base



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

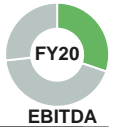
2.4 Kernel's key milestones



● Asset growth through M&A

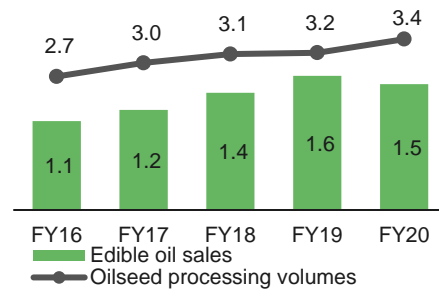
Unparalleled track record of continuous development

2.5 Oilseed Processing segment

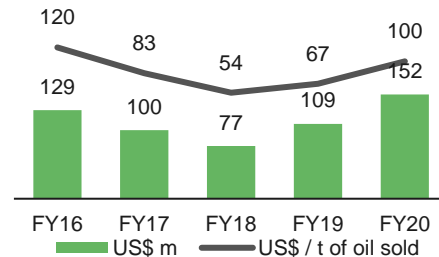


Segment performance

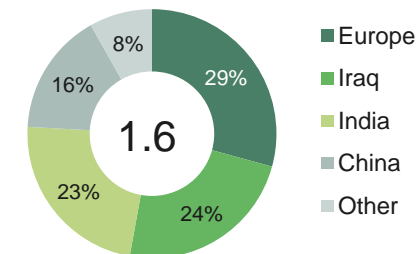
Segment volumes million tons



EBITDA and EBITDA margin



Sunflower oil sales markets in FY2020 million tons



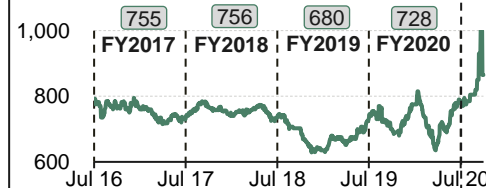
- **Record oilseed processing volumes:** 3.4m t in FY2020 (vs 3.5m t oilseed processing capacities) → 99% capacity utilization level;
- Sunflower oil sales in line with production volumes

- **EBITDA margin** reached the upper limit of estimated long-term sustainable margin range (US\$50-100 per ton of oil)

- Europe, Asia and Middle-East are key sunflower oil sales markets.

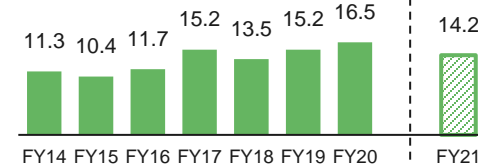
Profitability drivers and FY2021 outlook

1 Sunflower oil price US\$ per ton of unrefined oil sold in bulk, FOB-Chornomorsk



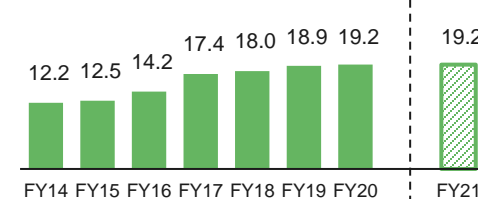
- Strong growth in prices at the beginning of the season, also normalization expected further along the season.

2 Ukraine sunflower seed harvest million tons



- Sunflower seed harvest in Ukraine is expected to reduce by 14% from FY2020 level.

3 Industrial crushing capacities million tons



- No change envisaged for crush capacities for FY2021

Source: Bloomberg, USDA, Kernel's estimates

4 Sales volumes marginally flat

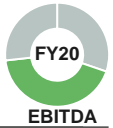
5 Contribution from new business (renewable energy)

FY2021 margin is likely to normalize

US\$ 10-15m expected FY2021 EBITDA

FY2021 EBITDA is likely to decline vs FY2020 level

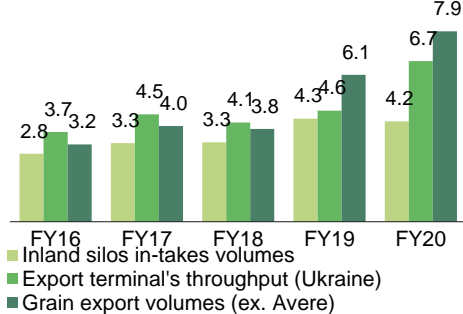
2.6 Infrastructure and Trading segment



Segment performance

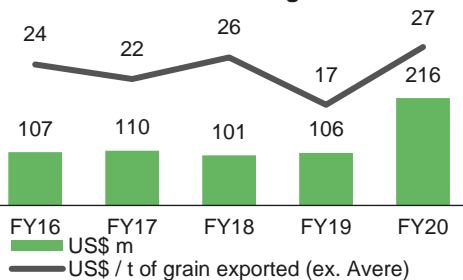
Segments volumes

million tons



- Record grain export volumes from Ukraine
 - #1 grain exporter, 14% share in total country grain export, 67% above the closest competitor
- Record grain transshipment volumes following the launch of operations on our new terminal in Chornomorsk port

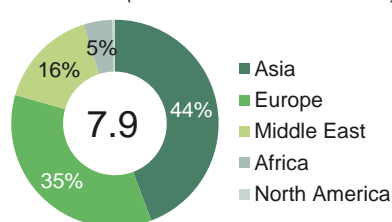
EBITDA and EBITDA margin



- EBITDA doubled, to **US\$ 216m EBITDA**
 - Record grain export volumes at flat y-o-y margin
 - Record grain transshipment volumes (with new Terminal contribution) at flat y-o-y margin
 - Full-year contribution from railcar business acquired in Feb 2019 (
 - Strong Avere performance

Key export markets in FY2020

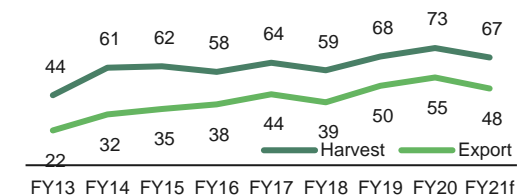
million tons (excl. Avere traded volumes)



Profitability drivers and FY2021 outlook

1 Grain supply in Ukraine

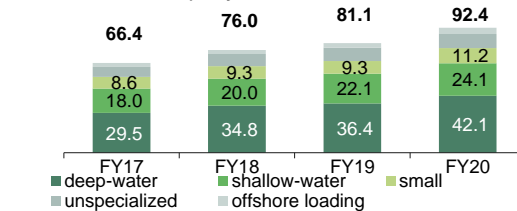
million tons of corn + wheat + barley



- In FY2021 we expect crop size to reduce to 67 million tons.

2 Demand: grain export terminals transshipment capacity

million tons per year



Source: USDA, Ports.ua, Zertech, Kernel

- Export terminal capacities increase in FY2020 mostly driven by Kernel's new export terminal launch in the port of Chornomorsk

3 Growing export and transshipment volumes

4 Grain silo busines

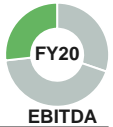
5 Grain railcars

FY2021 margins to decline

- Target to export 9.5m t
- Full-year contribution from new terminal
- More grain drying services to be provided
- Normalization of profitability after market saturation

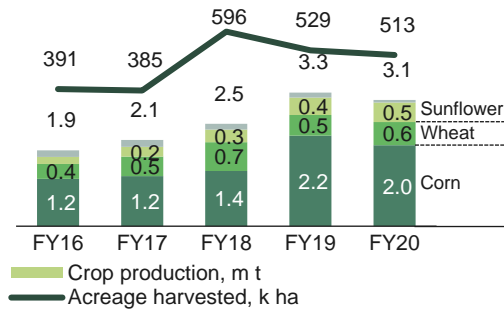
Modest EBITDA decline is expected for this segment in FY2021

2.7 Farming segment



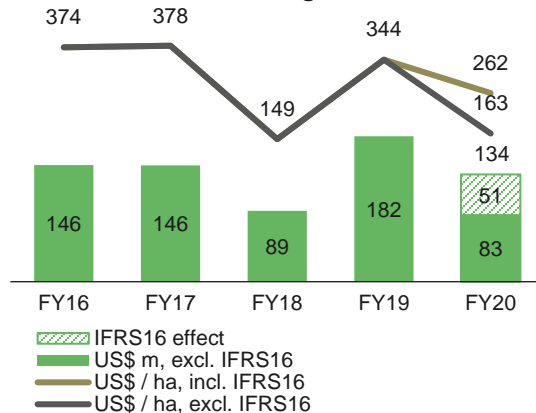
Segment performance

Kernel's key crop production



- 513k ha harvested in FY2020, reaching record ever net yields for wheat (5.9 t/ha, up 15% y-o-y) and sunflower (3.5 t/ha, up 9% y-o-y), while facing normalization of corn yields to 8.5 t/ha (down 14% y-o-y).

EBITDA and EBITDA margin

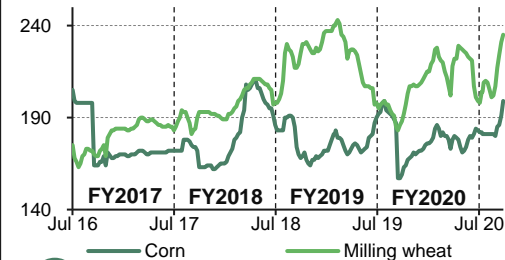


- EBITDA** ↓26% y-o-y to US\$ 134m (US\$ 96m if excl. IFRS 16 impact)
 - Normalization of corn yields to 8.5 t/ha in FY2020
 - Lower contracted grain prices.
 - Growing production costs: land lease and salary (enhanced by UAH appreciation against US\$), and fertilizers costs.
 - US\$ 21m loss from revaluation of biological assets (reflects negative sentiment towards FY2021 harvest).

- US\$ 128m EBITDA if excl. IFRS 16 and revaluation of biological assets (usual level for guidance)

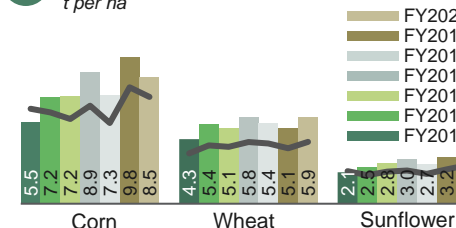
Profitability drivers and FY2021 outlook

1 Ukraine corn and wheat prices, US\$ per ton, FOB-Black Sea



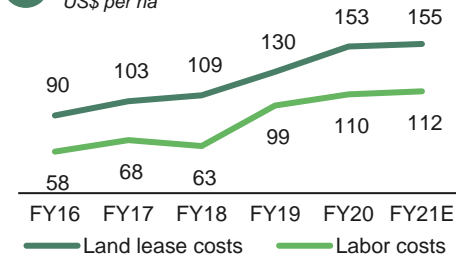
- Supportive prices at the beginning of the season.

2 Crop yields t per ha



- Crop yields decline forecasted for all three our major crops: corn, sunflower, and wheat.

3 Selected farming costs US\$ per ha





- Further growth is not likely, some cost reduction may happen driven by Ukrainian hryvnia weakening and lower energy costs.

FY2021 EBITDA may end up around FY2020 level (if excl. IFRS 16 and revaluation of biological assets); both upside and downside swings are possible

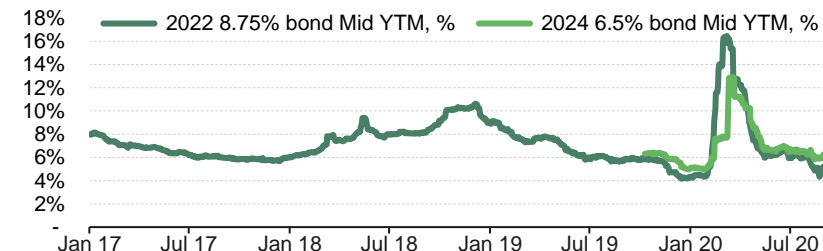
2.8 Credit highlights

Credit portfolio as of 30 June 2020, US\$ m

	Amount outstanding	Undrawn facilities / Limit	Interest rate	Maturity
Eurobond 2022	498		8.75%	Jan 2022
Eurobond 2024	296		6.50%	Oct 2024
 European Investment Bank	122	128	Libor + 1.44% + CoF	2029- 2030
 EBRD / CTF	56	-	Libor + 4.5% Libor + 1.0%	May 2027
Oil PXF	-	267 / 300*	Libor + 3.95%	Aug 2022
Grain PXF	-	115 / 300*	Libor + 3.9%	June 2022
Other bank debt	45	449	Libor + 1.9-4.5%	Mostly short-term debt
Lease liabilities (IFRS 16)	310			
Interest on bond issued and accrued interest	23			
Total	1,350	959		

* Maximum available limits of Oil PXF and Grain PXF depend on the season period and reach US\$ 300m for each in September - February / April

Kernel Eurobonds mid-YTM



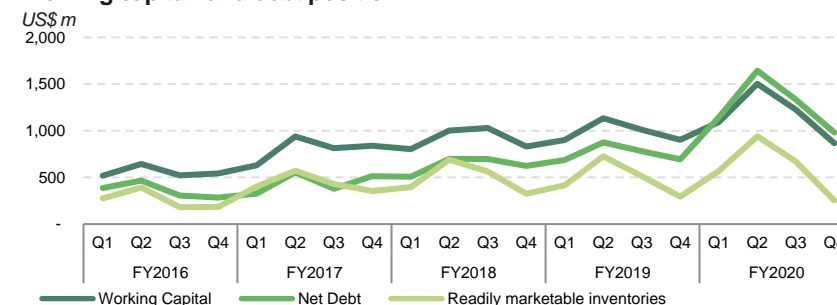
Credit ratings

FitchRatings

S&P Global
Ratings

Rating / Outlook	Date
BB- / Stable	18 Sep 2020
BB- / Stable	30 Sep 2019
B+ / Stable	12 Oct 2018
B+ / Stable	12 Feb 2017
B+ / Stable	5 Oct 2020
B / Stable	17 Apr 2020
B / Stable	30 Sep 2019
B / Stable	31 Oct 2018
B / Stable	20 Feb 2017

Working capital¹ and debt position



Note 1 Defined as current assets (excluding cash and cash equivalents, and assets classified as held for sale) less current liabilities (excluding short-term borrowings, current portion of long-term borrowings, current portion of obligations under finance lease, current portion of lease liabilities and interest on bonds issued).

Content

1. FY2020 results and outlook

2. Kernel today

3. Balanced growth strategy

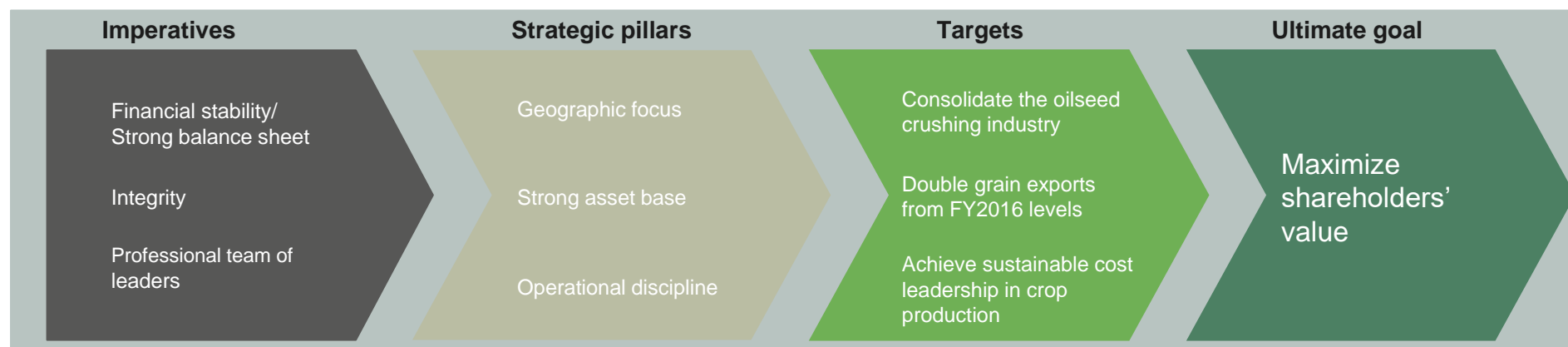
4. Financials

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 FY2019

- Substantially **progressed on the construction** of our new processing plant in Western Ukraine and co-generation heat and power units adjacent to our crushing plants;
- **Acquired Ellada** oil-extraction plant
- Entered an exclusive **tolling agreement with Chuhuiv** oil-extraction plant, which has the capacity to process 0.2 million tons of sunflower seeds per annum



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

- **Achieved the target ahead of time:** exported 7.9 million tons of grain from Ukraine, 2.0x growth vs FY2016;
- **Launched grain transshipment on our new 4.0-million-ton deep-water export terminal** in the port of Chornomorsk, which contributed with 1 million tons to our transshipment volumes in FY2020;
- **Further optimized our silo network** by divesting 5 silos;










Farming

- Achieve sustainable cost-efficient crop production via investment in technology
- Smooth integration of recently acquired assets to lift operational efficiency and productivity levels to Kernel's high standard

- **Increased labor productivity** to the highest level ever
- **Streamlined crop production mix** with more focus on corn and sunflower (including high-oleic)
- Achieved the **highest ever crop yields** for sunflower and wheat

3.2 Strategy 2021 serves as a solid basis for future growth across all business segments

Strategy 2021 investments pipeline overview:

US\$ million		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Total	Status (as of September 2020)	Segment
I	Leasehold farmland bank expansion (+ 200k ha)	152	47	-	-	-	-	199		Farming
II	Construction of greenfield oilseed processing plant in Western Ukraine with co-generation heat and power unit ■ Annual sunflower seed processing capacity: 1 million tons	-	52	10	39	73	6	180		Oilseed Processing
III	Construction of co-generation heat and power units (renewable energy) on 6 our plants throughout (FY2019-2020)	0	12	30	64	63	-	169		Oilseed Processing
IV	Construction of new grain export terminal in the port of Chornomorsk ■ Annual throughput capacity: 4 million tons of grain ■ Commissioned in FY2020 ■ Intake capacity expansion in FY2021	1	3	46	45	42	-	137		Infrastructure and Trading
V	Grain railcars investments (500 brand-new + 2,949 used)	-	16	65	8	-	-	89		Infrastructure and Trading
VI	Construction and upgrade of silo facilities (FY2019-2020)	-	19	36	7	2	-	63		Infrastructure and Trading
VII	Acquisition of assets of Ellada oilseed processing plant	24			21			45		Oilseed Processing
Total key expansion investments		177	150	186	184	179	6	881		
Maintenance and other CapEx		35	61	72	68	92	60			
Total investments		211	211	258	252	270	66			

- The major portion of FY2021 investments will be financed by debt attracted from the European Investment Bank

Content

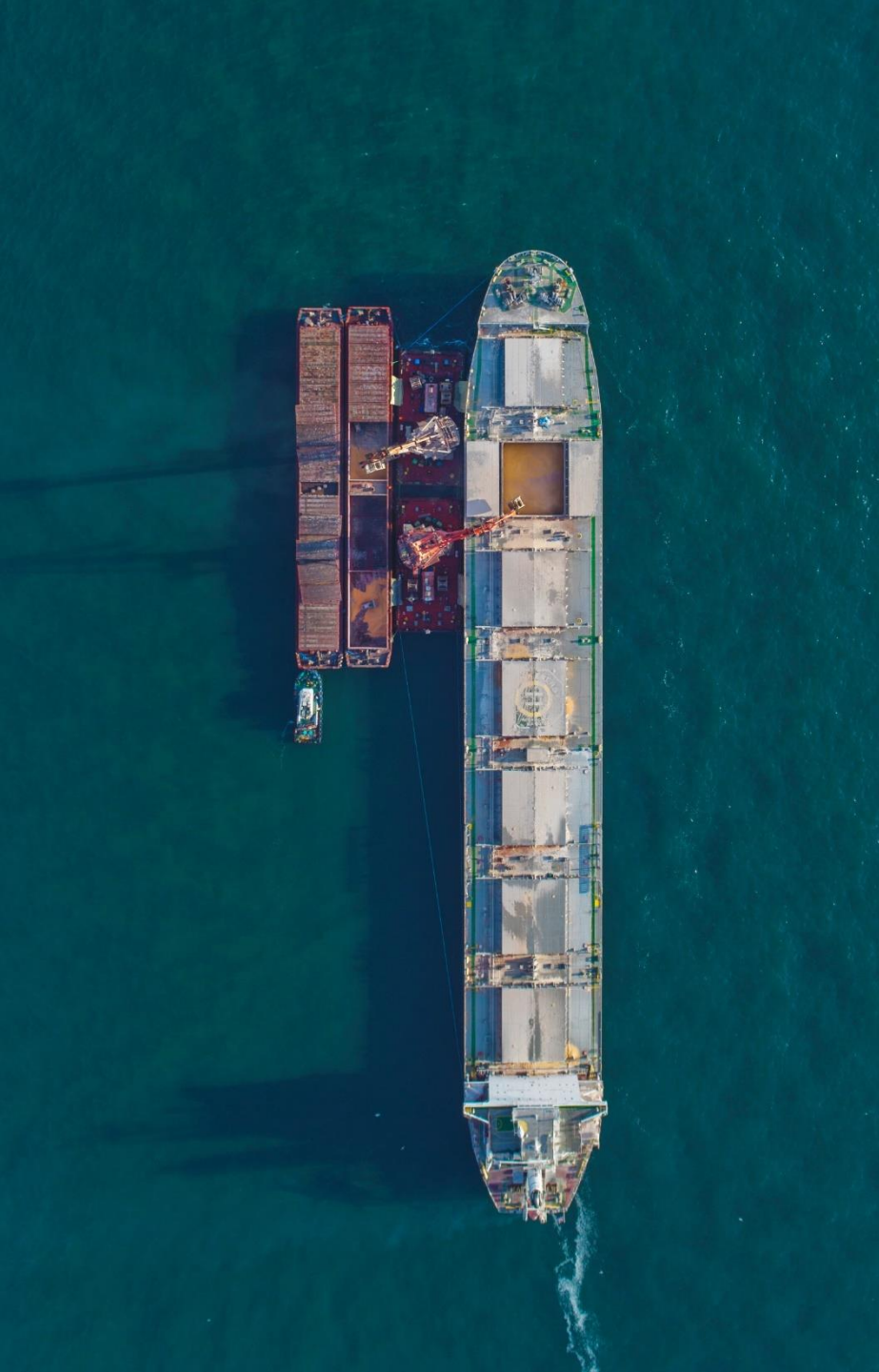
1. FY2020 results and outlook

2. Kernel today

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	FY19	FY20
Revenue	215	350	663	1,047	1,020	1,899	2,072	2,797	2,393	2,330	1,989	2,169	2,403	3,960	4,107
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	19	9	(21)
Cost of sales	(194)	(306)	(557)	(874)	(844)	(1,610)	(1,814)	(2,599)	(2,231)	(2,009)	(1,707)	(1,882)	(2,261)	(3,636)	(3,624)
Gross profit	21	44	106	174	177	289	258	213	145	314	302	284	160	334	462
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	59	42	7
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(80)	(107)	(132)
Profit from operating activities	12	39	112	167	167	277	257	201	129	328	287	265	140	269	337
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(65)	(82)	(147)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	5	13	(1)
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(30)	(9)	(44)
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	6	(12)	(22)
Net profit from continuing operations	0	19	82	132	152	226	206	115	(102)	101	244	179	56	179	123
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	179	123
Net profit/(loss) attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	52	189	118
<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	2.3	1.4
<i>ROE ¹</i>		37%	36%	36%	32%	29%	19%	9%	(8%)	11%	24%	16%	5%	15%	8%
<i>ROIC ²</i>		21%	25%	26%	22%	23%	17%	9%	(1%)	11%	21%	15%	10%	13%	11%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	(5%)	6%	17%	13%	4%	9%	5%
EBITDA, incl.	17	46	123	190	190	310	319	288	223	397	346	319	223	346	443
Oilseeds Processing	-	-	81	89	101	202	198	199	178	213	129	100	77	109	152
Infrastructure and Trading	-	-	40	112	80	94	59	59	126	114	107	110	101	106	216
Farming	-	-	20	7	23	32	74	67	(44)	98	146	146	89	182	134
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(36)	(44)	(51)	(59)
<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>11%</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>11%</i>
<i>Net margin</i>	<i>1%</i>	<i>6%</i>	<i>13%</i>	<i>13%</i>	<i>15%</i>	<i>12%</i>	<i>10%</i>	<i>4%</i>	<i>(4%)</i>	<i>5%</i>	<i>11%</i>	<i>8%</i>	<i>2%</i>	<i>5%</i>	<i>3%</i>

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

US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	132	77	369
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	92	183	215
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	113	130	149
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	122	127	133
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	368	358	303
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	325	293	252
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	289	309	252
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	87	73	109
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	208	223	192
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	588	765	984
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	210	220	110
Total assets	156	275	756	700	1,125	1,573	2,116	2,362	1,919	1,466	1,509	2,009	2,211	2,464	3,165
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	74	136	88
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	105	105	171
Debt liabilities	93	157	256	295	345	422	693	725	743	463	339	655	751	768	1,350
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	246	203	73
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	11	69	172
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	495	496	794
Lease liabilities	5	3	7	11	8	3	13	19	12	6	2	3	8	5	310
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	104	109	63
Total liabilities	108	190	315	342	520	575	906	1,009	888	575	512	851	1,033	1,118	1,671
Total equity	48	85	440	357	605	997	1,211	1,352	1,031	891	997	1,158	1,178	1,346	1,494
<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	0.6x	0.9x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	34%	31%	43%

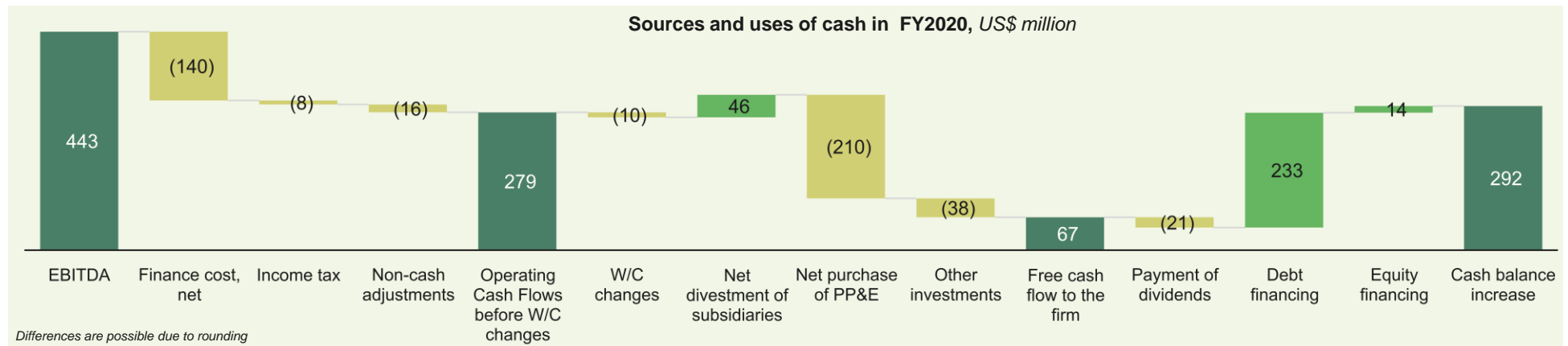
Liquidity position and credit metrics

Debt liabilities	94	158	259	300	350	428	698	734	749	469	343	657	754	770	1,350
Cash	6	25	89	129	59	116	83	79	65	129	60	143	132	77	369
Net debt	88	133	170	170	291	312	616	655	684	339	283	514	622	694	980
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325	293	252
Adjusted net debt	58	95	32	79	148	170	280	498	441	199	99	160	297	400	729
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	2.0x	2.2x
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	1.2x	1.6x
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	4.2x	3.0x

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	FY19	FY20
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	223	346	443
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(64)	(72)	(140)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(5)	(3)	(8)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	(40)	23	(16)
Operating Cash Flow before Working Capital changes	7	26	99	124	179	235	218	169	70	245	268	283	113	293	279
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(31)	(94)	(10)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(30)	(141)	(24)	(41)	46
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(140)	(157)	(210)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	(1)	(42)	8	(43)	(38)
Free cash flow to the Firm	(34)	(46)	(281)	4	(44)	(71)	(253)	38	(14)	369	71	(146)	(74)	(43)	67
Debt financing	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	98	50	233
Equity financing	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	-	-	14
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)	(20)	(21)
Financing cash flow	31	64	315	36	4	124	225	(48)	7	(310)	(134)	173	77	30	226
Cash at the year end	6	25	59	98	58	110	83	73	65	124	60	87	90	76	367
Cash conversion cycle	n/a	66	86	79	117	91	117	90	85	67	63	84	83	49	51
Payment period, days	n/a	(4)	(4)	(3)	(4)	(4)	(5)	(5)	(7)	(6)	(7)	(9)	(10)	(10)	(11)
Inventories processing, days	n/a	43	61	51	53	38	60	48	47	42	38	57	61	36	33
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	14	13	18
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	19	11	11



IR contact and investor calendar

Michael Iavorskyi

Investor Relations Manager

ir@kernel.ua

Tel.: +38 (044) 461 88 01, ex. 7275

3 Tarasa Shevchenka Lane,
Kyiv Ukraine, 01001

Investor calendar

Q1 FY2021 Operations Update	26 October 2020
Q1 FY2021 Financial Report	27 November 2020
Annual general shareholders' meeting	10 December 2020
Q2 FY2021 Operations Update	21 January 2021
H1 FY2021 Financial Report	26 February 2021
Q3 FY2021 Operations Update	23 April 2021
Q3 FY2021 Financial Report	28 May 2021
Q4 FY2021 Operations Update	22 July 2021
FY2021 Financial Report	4 October 2021

Content

1. FY2020 results and outlook

2. Kernel today

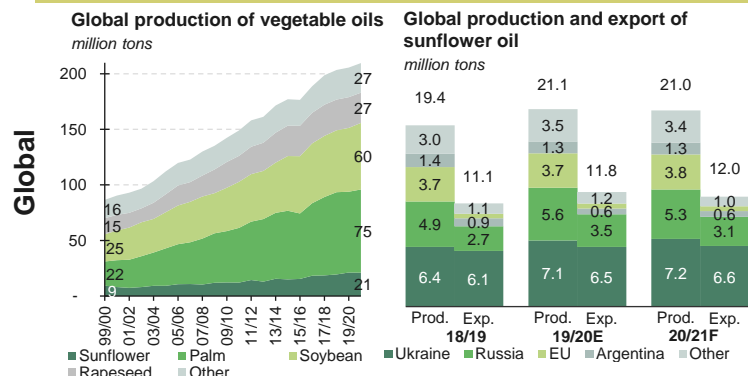
3. Balanced growth strategy

4. Financials

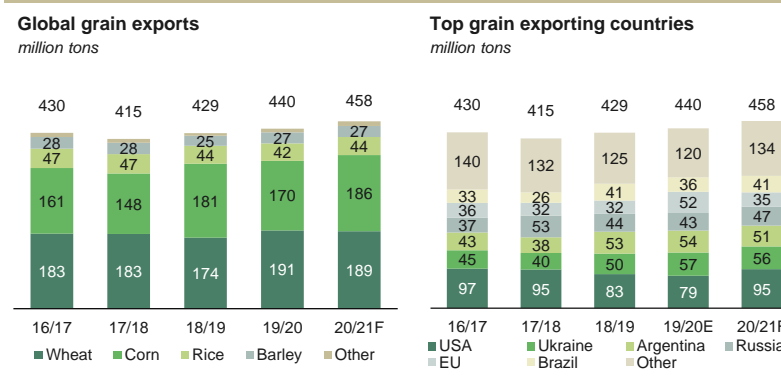
Appendices

A1. Markets and business environment

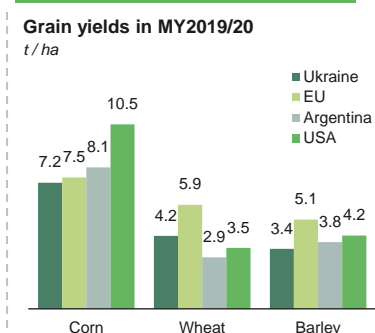
Oilseed Processing



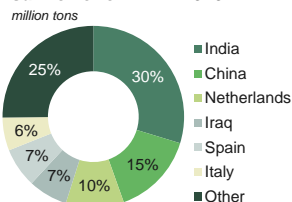
Infrastructure and Trading



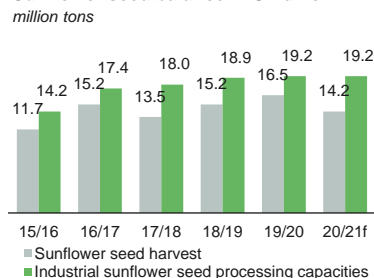
Farming



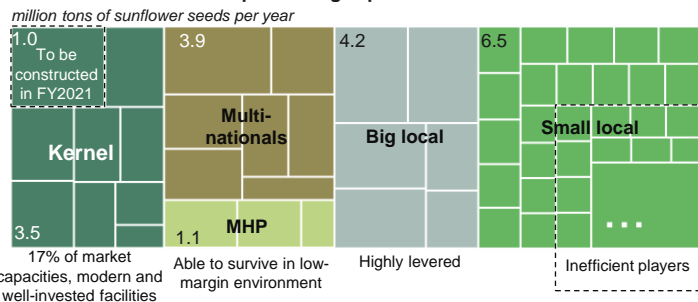
Destinations of Ukrainian sunflower oil in MY2020



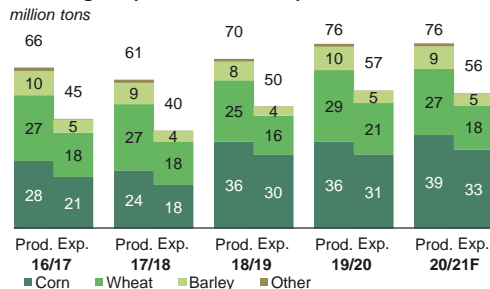
Sunflower seed balance in Ukraine



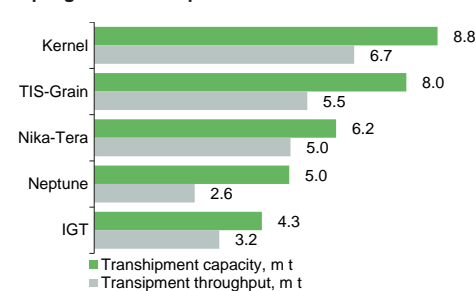
Industrial sunflower seed processing capacities in Ukraine in FY2020



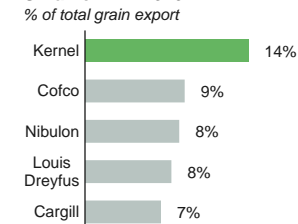
Ukraine grain production and export



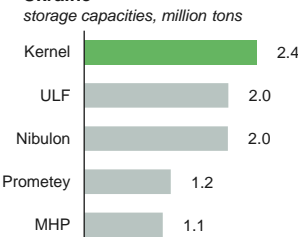
Top 5 grain transshipment terminals in Ukraine in FY2020



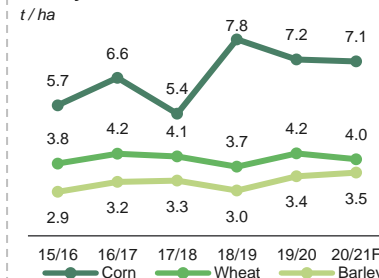
Top grain exporters from Ukraine in FY2020



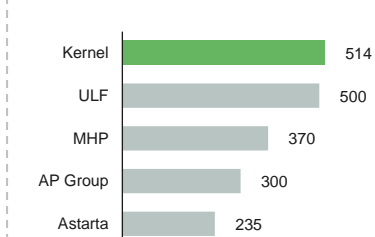
Top 5 private silo networks in Ukraine



Grain yields in Ukraine



Top 5 agricultural holdings in Ukraine



Sources: USDA, Ukrstat, Stark Research, Agrochart, Elevatorist, Latifundist, Kernel analysis

A2. Kernel sustainability approach

We aim to unlock the Ukrainian food production potential to feed the growing world population in a sustainable manner

- Proper set of internal policies and procedures to drive sustainable development: [Code of Conduct](#), [Corporate Social Responsibility and Sustainable Development Policy](#), [Environmental Protection Policy](#), [The Code of Interaction with Suppliers](#), [Anti-Corruption Clause](#), [the Equality, Diversity, and Inclusion Policy](#), [Good Neighborhood Policy](#)
- Independent assurance of Sustainability disclosure by Baker Tilly
- Extensive US\$ 169 million investment program in renewable energy generation is ongoing

Commitments

- Kernel is a signatory of **UN Global Compact** (the world's largest corporate sustainability initiative)
- First ESG-related goal was set in FY2020: to reduce energy and GHG emissions intensity by 5% over a 5-year horizon in Oilseed Processing.
- Sustainability progress is regularly reviewed by the Board of Directors
- Zero-tolerance to corruption
- Kernel signed a [Declaration on gender equality and preventing domestic violence](#).

Recognitions

- **Top-3 corporate** in the Sustainable Ukraine – first professional integrated rating of corporate sustainability in Ukraine:
 - #1 corporate in Ukraine in resource efficiency, HR management and development;
 - #2 in corporate governance quality, health and safety, biodiversity approach, labor relations.
- Top employer in Ukraine (Vlast Deneg business magazine, [Best Employer Survey](#) by EY Ukraine)
- Shares in [WIG ESG index](#) (since Sep 2019).
- Kernel ESG approach was included in the first [Voluntary business progress review of achieving sustainable development goals in Ukraine](#), prepared by UN Global Compact Network in Ukraine

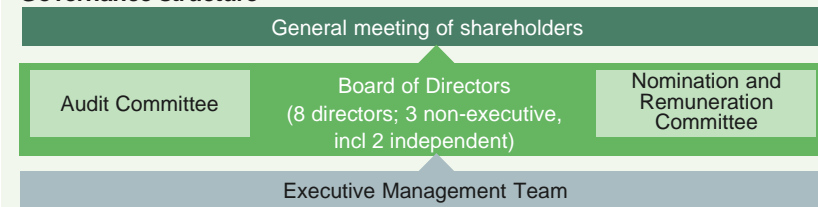
Key non-financial KPIs

Environment		FY16	FY17	FY18	FY19	FY20
Total GHG emission	ths t CO ₂ e	1,074	1,439	1,417	1,783	1,679
Direct (Scope 1)	ths t CO ₂ e	662	748	922	980	955
Biogenic (Scope 1)	ths t CO ₂ e	339	587	401	712	628
Gross indirect (Scope 2)	ths t CO ₂ e	73	104	94	90	96
GHG emissions per ton of seeds crushed	kg CO ₂ e	147	146	134	131	128
GHG emissions per ton of grain grown	kg CO ₂ e	375	419	343	386	365
Total energy consumption (net)	ths Gj	5,049	6,743	7,282	7,139	6,998
Energy spent per ton of seed crushed	MJ	1,455	1,517	1,446	1,420	1,285
Energy spent per ton-% of grain dried	MJ	62	68	61	67	63
Energy spent per ton of grain grown	MJ	708	618	662	538	524

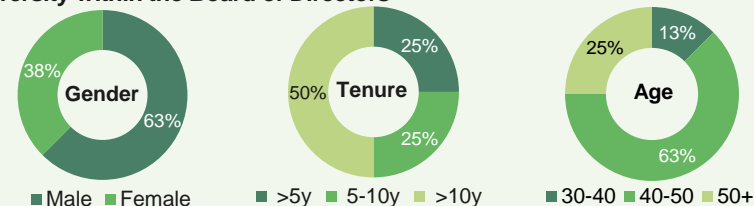
Social

Total number of full-time employees	ths	14	16	15	13	12
Total injury accidents	#	16	14	16	25	17
Injury frequency rate	x	0.53	0.45	0.55	0.88	0.68
Total training expenditures	ths US\$	194	445	474	456	637
Total social spending	ths US\$	1,668	2,616	2,440	2,303	7,714

Governance structure



Diversity within the Board of Directors



Adherence to high standards of corporate governance

- Ten Principles of Corporate Governance of the Luxembourg Stock Exchange
- [Best Practices of Warsaw Stock Exchange Listed Companies 2016](#)