

KERNEL

# Kernel Holding S.A.

Q1 FY2022 results and company presentation

November 2021



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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 October 2020 – September 2021, inclusively.

## Content

**1. Q1 FY2022 results and outlook**

2. Kernel today

3. Mid-term strategy

4. Financials

Appendices

# 1.1 Q1 FY2022 highlights

- **Revenue** ↑ 43% y-o-y to US\$ 1,343m, driven mainly by stronger sunflower oil and grains sales prices
- **EBITDA** ↑ 9% y-o-y to US\$ 315m
  - **Oilseed Processing** EBITDA ↓ 53% y-o-y to US\$ 15m
    - Lower y-o-y **sales volume**, and...
    - ...weaker **EBITDA margin** due to insufficient supply of sunflower seeds on the market at the end of the season following the poor harvest of sunflower seeds in autumn 2020;
  - **Infrastructure and Trading** EBITDA of US\$ 117m EBITDA, up 5% y-o-y
    - Avere trading results as a main growth driver
    - Lower y-o-y EBITDA from trading and infrastructure businesses in Ukraine due to low origination margin for crops procured in the previous season and poor result of silo segment, caused by lower in-take volumes and growing energy costs;
  - **Farming** EBITDA of US\$ 207m in Q1 FY2022, ↑ 29% y-o-y
    - higher contracted prices and sales volumes for July-September 2021 as compared to Q1 FY2021, and
    - ... upward revised yields and prices for crops in the fields contributing to the gain from revaluation of biological assets
- **Net profit attributable to shareholders** of US\$ 211m
- **Operating profit before W/C changes** of US\$ 192m, ↑ 2% y-o-y
- **Strong leverage profile** as of 30 September 2021:
  - **Net debt** almost unchanged y-o-y at US\$ 1,014m
  - Improvement of key leverage metrics:
    - 1.1x Net debt / EBITDA;
    - 0.5x Adjusted net debt / EBITDA
    - 7.0x EBITDA / interest coverage

US\$ million except EPS	Q1 FY2021	Q1 FY2022	y-o-y
<b>Income statement highlights</b>			
Revenue	940	1,343	43%
EBITDA <sup>1</sup>	290	315	9%
Net profit attributable to equity holders	204	211	3%
EBITDA margin	31%	23%	(7pp)
Net margin	22%	16%	(6pp)
EPS <sup>2</sup> , US\$	2.43	2.52	4%

<b>Cash flow highlights</b>			
Operating profit before working capital changes	189	192	2%
Change in working capital	(159)	(158)	(1%)
Finance costs paid, net	(23)	(21)	(9%)
Income tax paid	(7)	(5)	(35%)
Net cash generated by operating activities	(0)	8	n/a
Net cash used in investing activities	(36)	(102)	2.8x

Financial year ends 30 June

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

**Note 2** EPS is measured in US Dollars per share based on 83.8 million shares for Q1 FY2022 and 84.0 million for Q1 FY2021

<b>Credit metrics</b>					
US\$ million, except ratios	30 Sep 2020	30 Jun 2021	30 Sep 2021	q-o-q	y-o-y
Short-term debt	97	51	178	3.5x	84%
Long-term debt	226	228	222	(3%)	(2%)
Lease liabilities	295	324	341	5%	16%
Eurobond	794	806	807	0%	2%
<b>Debt liabilities</b>	<b>1,412</b>	<b>1,410</b>	<b>1,547</b>	<b>10%</b>	<b>10%</b>
Cash and cash equivalents	395	574	534	(7%)	35%
<b>Net debt</b>	<b>1,017</b>	<b>836</b>	<b>1,014</b>	<b>21%</b>	<b>(0%)</b>
Readily marketable inventories <sup>3</sup>	489	285	580	2.0x	19%
of which sunflower oil and meal	92	205	148	(28%)	60%
Sunflower seeds	307	43	182	4.3x	(41%)
Grains and other RMLs	90	38	251	5.7x	2.8x
<b>Adjusted net debt</b>	<b>528</b>	<b>551</b>	<b>433</b>	<b>(21%)</b>	<b>(18%)</b>
Shareholders' equity	1,636	1,946	2,137	10%	31%
Net debt / EBITDA <sup>4</sup>	1.6x	0.9x	1.1x	+0.2x	-0.6x
Adjusted net debt / EBITDA <sup>4</sup>	0.8x	0.6x	0.5x	-0.1x	-0.4x
EBITDA / Interest <sup>5</sup>	4.3x	6.6x	7.0x	+0.4x	+2.7x

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

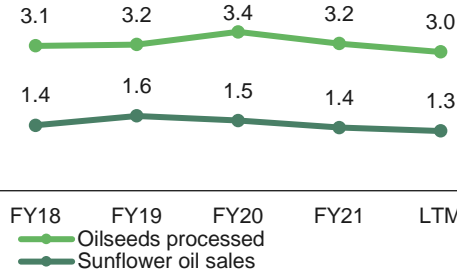
**Note 4** Calculated based on 12-month trailing EBITDA.

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

## 1.2 Segment results

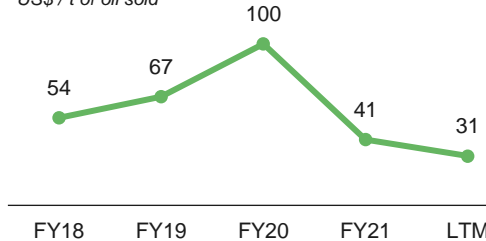
Segment volumes, m tons

### Oilseed Processing

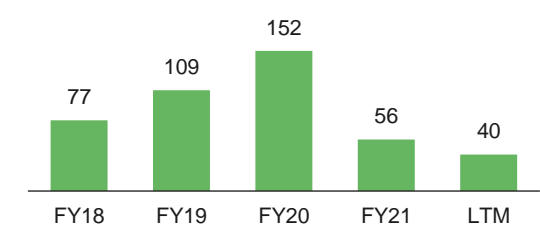


EBITDA margin

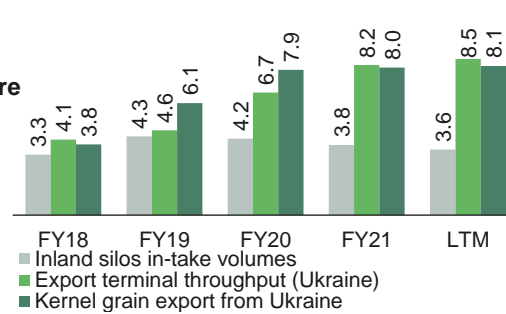
US\$ / t of oil sold



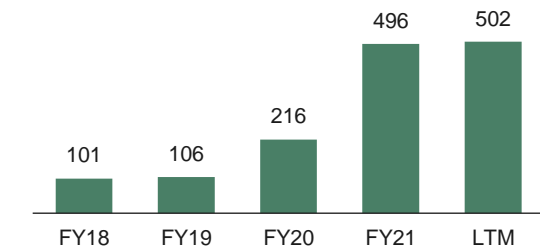
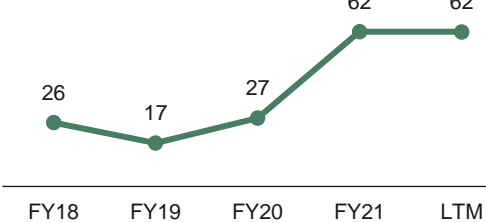
EBITDA, US\$ m



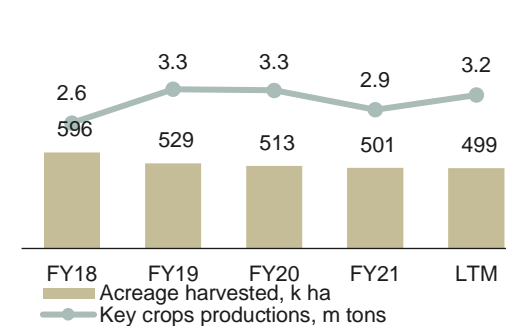
### Infrastructure & Trading



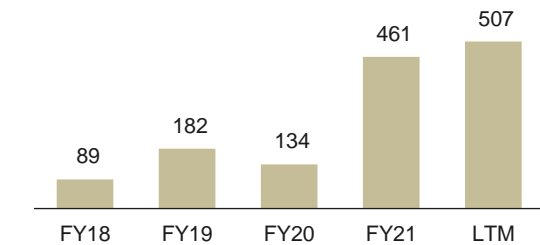
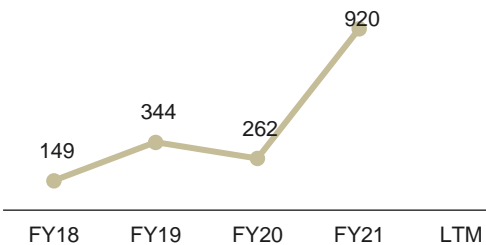
US\$ / t of grain exported from Ukraine



### Farming



US\$ / ha



# 1.3 Segments results

## Segments results

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t <sup>1</sup>			EBITDA margin, US\$ / t <sup>2</sup>		
	Q1	Q1	y-o-y	Q1	Q1	y-o-y	Q1	Q1	y-o-y	Q1	Q1	y-o-y
	FY21	FY22		FY21	FY22		FY21	FY22		FY21	FY22	
Oilseed Processing	293	365	24%	31	15	(53%)	296	221	(25%)	104	66	(36%)
Infrastructure and Trading	811	1,130	39%	111	117	5%	2,126	2,227	5%	52	53	1%
Farming	90	146	63%	161	207	29%						
Unallocated corporate expenses				(13)	(23)	84%						
Reconciliation	(254)	(298)	17%									
<b>Total</b>	<b>940</b>	<b>1,343</b>	<b>43%</b>	<b>290</b>	<b>315</b>	<b>9%</b>						

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 from Ukraine for Infrastructure & Trading;

## Segment volumes

thousand metric tons	Q1 FY21	Q1 FY22	y-o-y
Oilseeds processed	663	482	(27%)
Sunflower oil sales <sup>1</sup>	296	221	(25%)
Grain and oilseeds received in inland silos	1,255	1,019	(19%)
Export terminal throughput (Ukraine)	1,869	2,207	18%
Grain export from Ukraine	2,126	2,227	5%

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.

## Harvest update

	Acreage thousand hectares			Net yield tons / ha <sup>1</sup>			Harvest size thousand tons		
	FY21	FY22	y-o-y	FY21	FY22	y-o-y	FY21	FY22	y-o-y
Corn	255	255	(0%)	8.0	8.9	12%	2,032	2,266	12%
Sunflower	149	154	4%	3.0	3.0	1%	449	470	5%
Wheat	73	64	(12%)	4.9	6.1	26%	357	395	11%
Other <sup>2</sup>	24	26	9%						
<b>Total</b>	<b>501</b>	<b>499</b>	<b>(0%)</b>				<b>2,837</b>	<b>3,130</b>	<b>10%</b>

Note 1. Net crop yields are projections based on 80% corn, 100% of sunflower, and 100% of wheat acreage harvested as of 15 November 2021. 1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

Note 2 Includes soybean, 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.

## Oilseed Processing segment

■ **EBITDA margin** ↓ 36% y-o-y to US\$ 66 per ton of oil sold driven by unfavourable market fundamentals:

- Poor 13.6m tons FY2021 harvest of sunflower seeds restrained us from securing strong oilseed processing volumes for Q1 FY2022 operations
- The limited supply of oilseeds also kept the crushing margin depressed
- Sunflower oil price rebounded and remained in growing trend for the whole quarter

■ **Sunflower oil sales** volumes ↓ 25% y-o-y to 221k tons

■ **EBITDA** ↓53% y-o-y, to US\$ 15m

## Infrastructure and Trading segment

■ **EBITDA** ↑5% y-o-y to US\$ 117m:

- Outstanding Avere performance
- Grain export value chain results undermined by low origination margin for crops procured in the previous season and poor result of silo segment, caused by lower in-take volumes and growing energy costs

## Farming segment

■ **EBITDA** ↑ 29% y-o-y to US\$ 207m.

- Higher contracted sales prices and volumes for July-September 2021 as compared to Q1 FY2021
- Upward revised yields and prices for crops in the fields as of 30 September 2021 contributed to the substantial gain from revaluation of biological assets

## 1.4 Outlook for FY2022

### Oilseed Processing



- Record **16.8m tons harvest** of sunflower seeds is expected in Ukraine this season
- We target to process **3.8m tons** of oilseeds in FY2022, up 18% y-o-y, accounting for
  - seeds to be processed on the Chuhuiv oil-extraction plant under the tolling agreement
  - expected processing volumes of our new plant in Starokostiantyniv
- The **crushing margin** in FY2022 is likely to recover, assuming the sufficient supply of seeds after the record harvest
- Increased contribution from the renewably energy business unit

### Infrastructure & Trading



- Putting aside Avere, the outlook for the full year **remains blurred**.
- We maintain the intention to **export 11m tons of grain** from Ukraine and **transship 10m tons** of commodities through our terminals, targeting to achieve higher margins across all business lines, but...
- ... we observe challenges of higher magnitude than faced in previous seasons:
  - farmers are extremely slow selling being in a good cash position after the previous season
  - significantly delayed harvesting of corn complicates the execution of previously signed contracts and results in extra losses
  - bumper crop sharpened the problems with state monopolized railway traction in Ukraine during the peak transportation needs
  - and high natural gas costs undermine margins in the silo business

### Farming



- Adjusted for net impact from the revaluation of biological assets, FY2022 Farming EBITDA is anticipated to exceed the previous year result.

## Content

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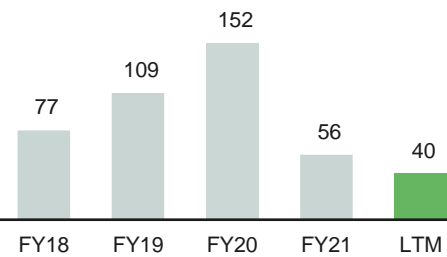
Appendices



## 2.1 Kernel today

### Oilseed Processing segment

- **#1** sunflower oil producer (7% of global production) and exporter (12% of global export) in the world
- **Leading** bottled sunflower oil producer and marketer in Ukraine
- **9 oilseed processing plants<sup>2</sup>** located across the sunflower seed belt in Ukraine
- **3.7m** tons annual existing sunflower seed processing capacity; **1.0m** new capacity will be added in the 2H FY22
- Export-oriented business model with limited reliance on local economy

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

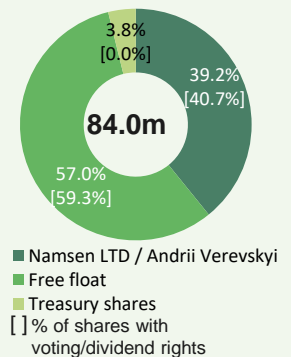
Key financials		FY2018	FY2019	FY2020	FY2021	LTM
Revenue	US\$ m	2,403	3,960	4,107	5,647	6,050
EBITDA	US\$ m	223	346	443	929	954
Net profit <sup>1</sup>	US\$ m	52	189	118	513	519
EBITDA margin	%	9.3%	8.7%	10.8%	16.4%	15.8%
Net margin	%	2.2%	4.8%	2.9%	9.1%	8.6%
EPS	US\$	0.64	2.31	1.42	6.10	6.29

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

### 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

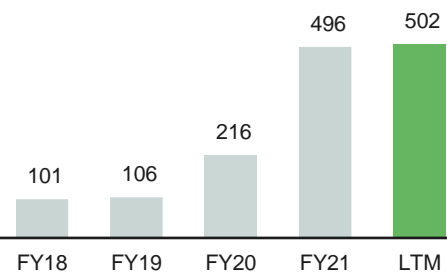


### Infrastructure and Trading segment

- **#1** grain exporter from Ukraine with 16% of country's total grain export on the LTM basis
- 2 export terminals in Ukraine with 10 million tons combined annual grain transshipment capacity
- **#1** private inland grain silo network in Ukraine with **2.3** million tons of storage capacity
- **#1** private grain railcars fleet in Ukraine (3.4k hoppers)
- Avere trading platform



EBITDA, US\$ million

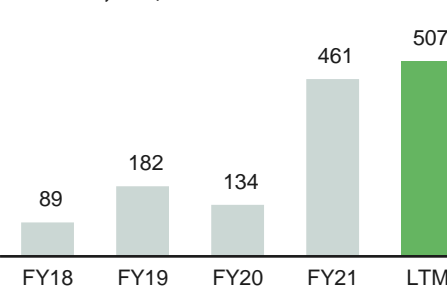


### Farming segment

- **#1** crop producer in Ukraine operating 506 thousand hectares of leasehold farmland
  - The largest global producer of non-GMO corn
- 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



### 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

**Note 2** Including one plant operated under tolling agreement

## 2.2 What we do

### 1 Farming

- **#1 crop producer in Ukraine**, 506k ha of leasehold farmland
- 3.2m tons of grain and oilseeds produced in 2021 (export-oriented crop mix)
- Modern large-scale operations with sustainable agronomic practices

### 2 Procurement

- **8.1m tons of grain and oilseeds procured** from >4k farmers in Ukraine in FY2021
  - 5.6m t of grains
  - 2.5m t of sunflower seeds

### 3 Grain storages

- **#1 private inland grain silo network in Ukraine** with 2.3 million tons of storage capacity

### 4 Grain railcars

- **#1 private grain railcars fleet in Ukraine** (3.4k hoppers)

### 5 Export terminals

- 2 deep-water grain terminals in **Chornomorsk** (Ukraine) with 10m tons annual grain transshipment capacity
- **#1 grain exporter from Ukraine** with 16% of country's total grain export on the LTM basis

### 6 Oilseed processing

- **#1 sunflower oil producer** (7% of global production) and **exporter** (12% of global export) in the world
- **9 oilseed processing plants<sup>1</sup>** with 3.7m t annual existing sunflower seed processing capacity; **1.0m** new capacity will be added in the 2H FY22
- Export-oriented business model with limited reliance on local economy

### 7 Refining and bottling

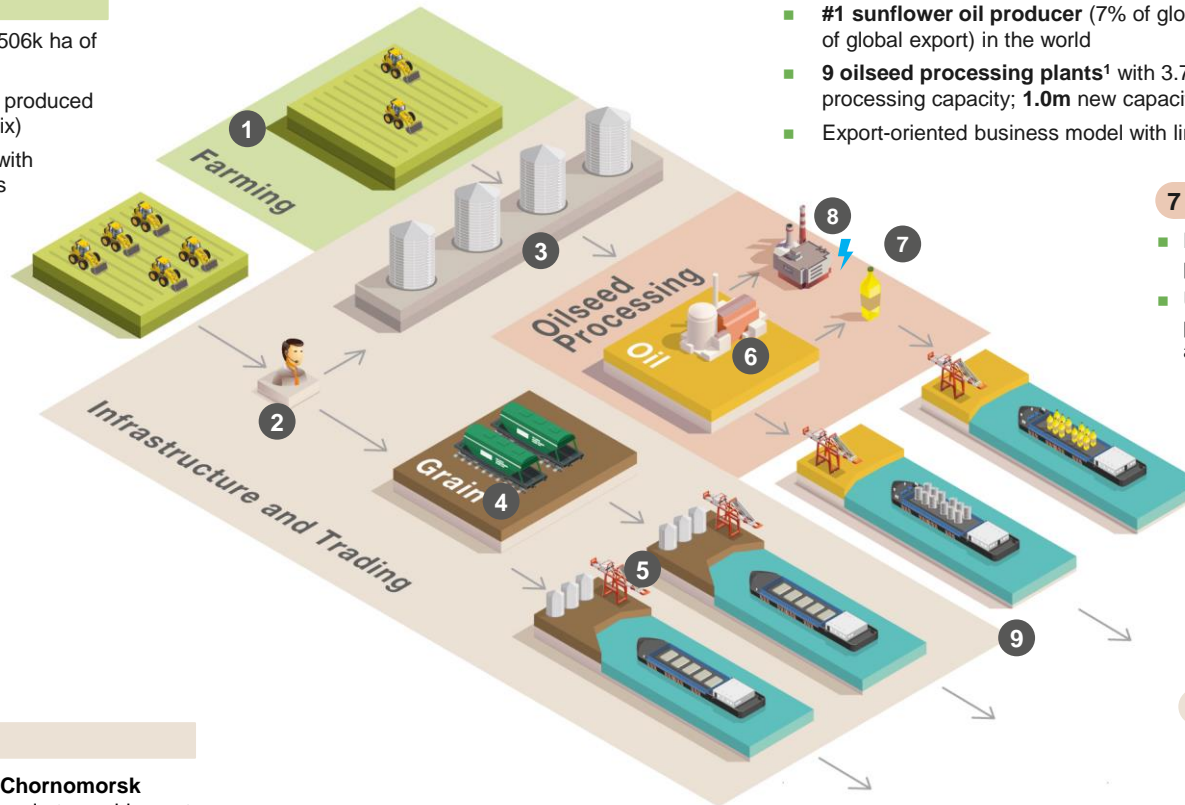
- Leading bottled sunflower oil producer and marketer in Ukraine
- Up to 10% of crude sunflower oil produced is further refined, bottled and sold domestically and abroad

### 8 Renewable energy

- Sunflower husk (biomass) is used to produce renewable energy
- 31.9MW cogeneration heat&power plants currently in operation;
- 94MW total installed capacity by the end of FY2022, producing annually >650 GWh of renewable energy

### 9 Avere operations

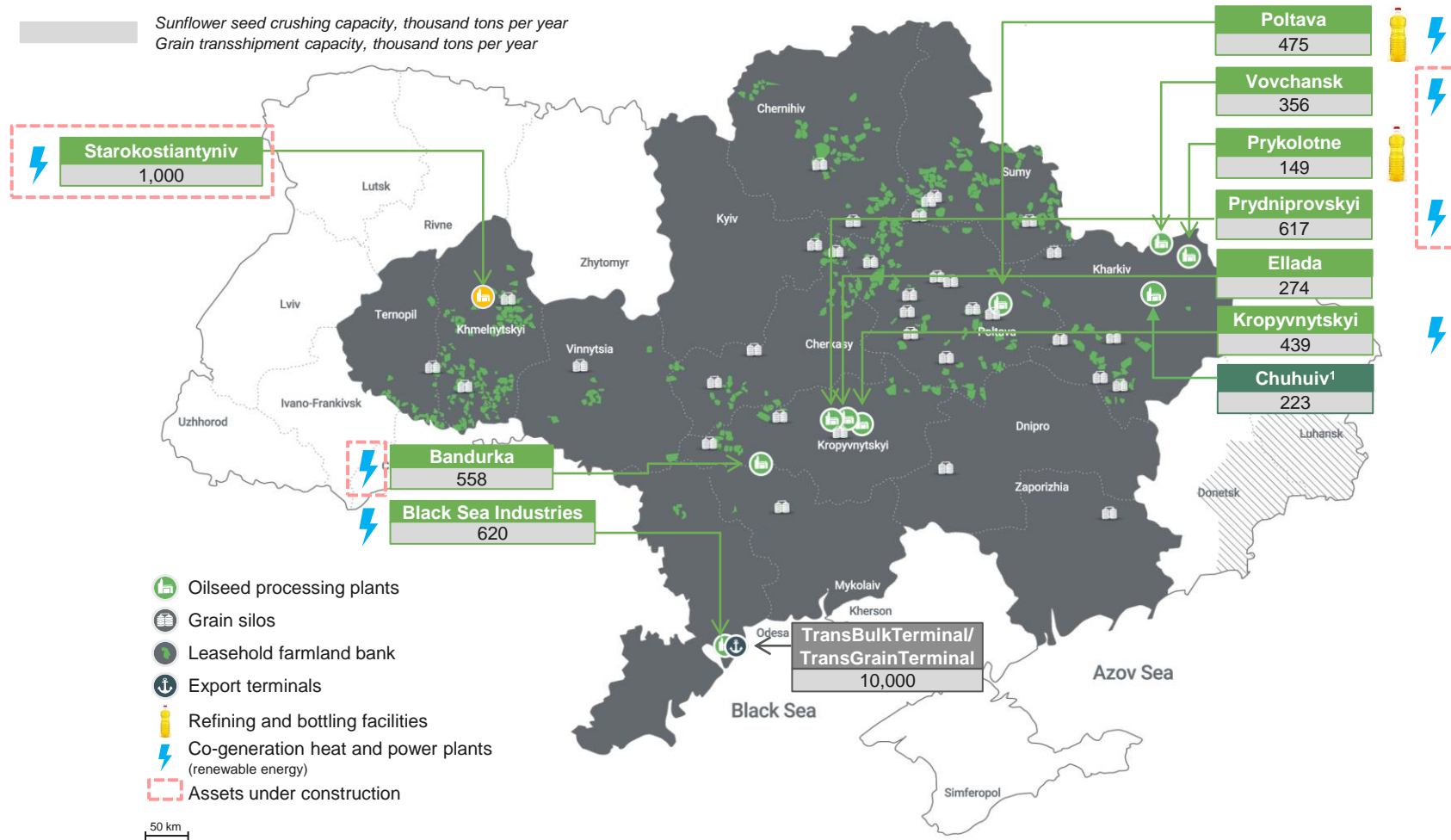
- Research, knowledge and trading platform involved in:
  - the sale of Kernel's sunflower oil;
  - support with hedging of grain produced by farming segment;
  - proprietary trading.



**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 (223 thousand tons of sunflower seed annual crushing capacity).

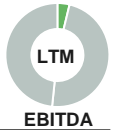
## 2.3 Efficient and well-invested asset base



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

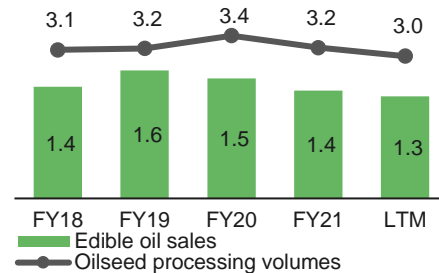
**Note 1** Operated under tolling agreement

## 2.4 Oilseed Processing segment

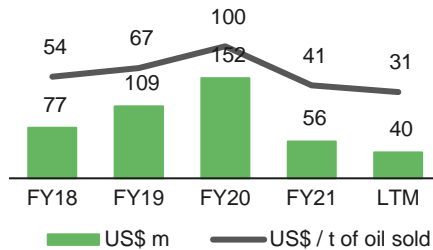


### Segment performance

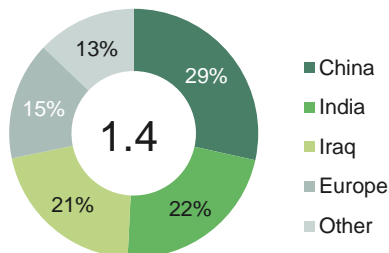
#### Segment volumes million tons



#### EBITDA and EBITDA margin



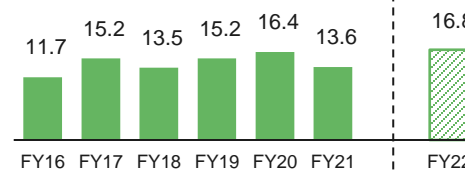
#### Sunflower oil sales markets in FY2021 thousand tons



- **Lower oilseed processing volumes:**
  - Poor 13.6m tons FY2021 sunflower seeds harvest restrained us from securing strong oilseed processing volumes
  - In Q1 FY2022 two of our facilities switched to rapeseed crush to maintain capacities utilization
- Sunflower oil sales correlated with the production pattern
- Weaker crushing margin on the LTM basis due to intense competition for sunflower seeds given the poor harvest in FY2021
- China, India, Iraq and Europe are key sunflower oil sales markets

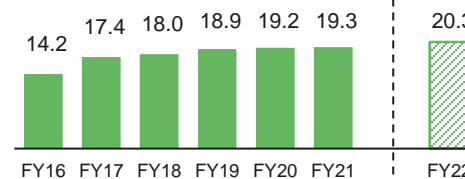
### Profitability drivers and FY2022 outlook

#### 1 Ukraine sunflower seed harvest million tons



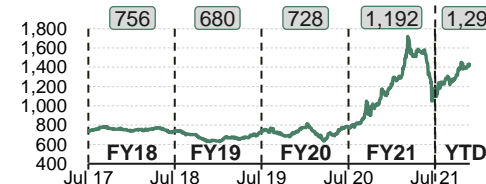
- Record 16.8m tons harvest of sunflower seeds estimated in Ukraine this season
- Farmers are selling seeds very slowly

#### 2 Industrial crushing capacities million tons



- Commissioning of our new Starokostiantyniv facility in western Ukraine in the second half of FY2022

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



- Sunflower oil price rebounded and remained in growing trend

Source: Bloomberg, USDA, Kernel's estimates

#### 4 Sales volumes to increase

- **FY2022 EBITDA margin is likely to recover (incl. contribution from the renewable energy business line)**
- **Higher oilseed processing volumes expected (3.8m tons)**

**FY2022 EBITDA to increase vs FY2021 level**

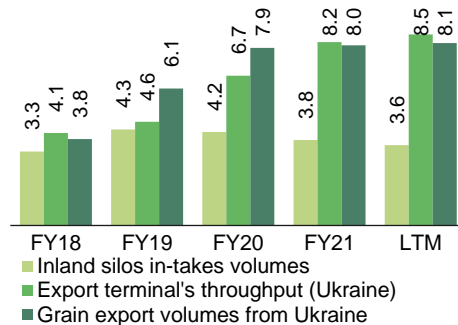
## 2.5 Infrastructure and Trading segment



### Segment performance

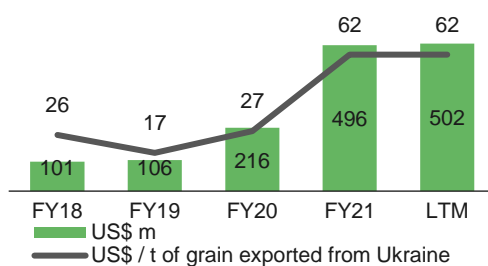
#### Segment volumes

million tons



- Record grain export volume from Ukraine on LTM basis
  - #1 grain exporter, 16% share in total country grain export
- Record grain transshipment volumes driven by incremental volume coming from Company's new grain export terminal in the port of Chornomorsk

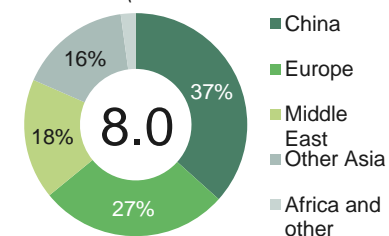
#### EBITDA and EBITDA margin



- LTM EBITDA reached US\$ 502m
  - Outstanding Avere performance
  - Grain export value chain results suffered from lower trading and infrastructure margins, given that weak FY2021 grain harvest in Ukraine

#### Key export markets in FY2021

million tons (excl. Avere traded volumes)

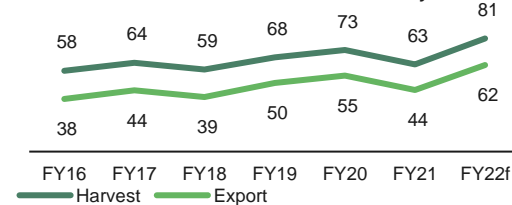


- China, Europe and Middle-East are key grain export markets

### Profitability drivers and FY2022 outlook

#### 1 Grain supply in Ukraine

million tons of corn + wheat + barley

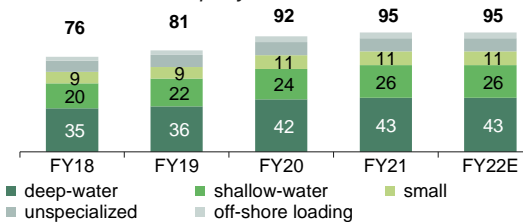


- In FY2022 crop size is estimated to increase to 81m tons.

#### 2 Avere trading operations

#### 3 Demand: grain export terminals transshipment capacity

million tons per year



- Normalization of the Avere results, although swings in global soft commodity prices may play out in both directions.

- No major changes in the transshipment capacities in FY2022

#### 4 Growing export and transshipment volumes

#### 5 Grain silo business

#### 6 Grain railcars

#### Higher FY2022 margins in value chain of grain export from Ukraine

- Target to export 11m t
- High natural gas costs undermine margins in the silo business
- Strong contribution from grain railcars business

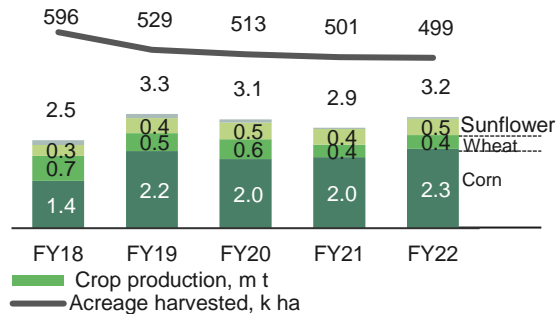
Outlook for the full year remains blurred

## 2.6 Farming segment

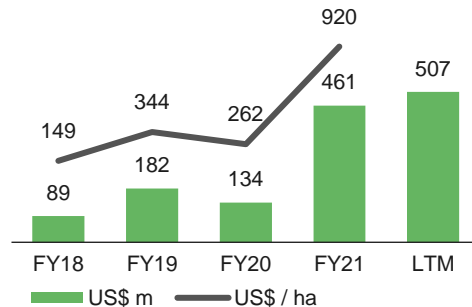


### Segment performance

#### Kernel's key crop production



#### EBITDA and EBITDA margin



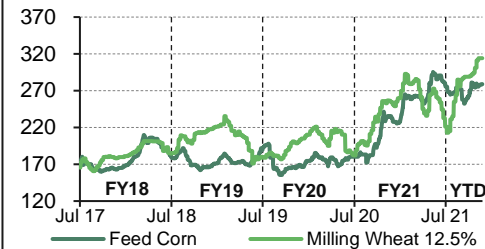
- 499k ha harvested in FY2022
- Weather conditions in Ukraine were supportive for crop yields generally in Ukraine and for Kernel fields in particular.
- We achieved the highest ever net yield for wheat (6.1 t/ha, up 26% y-o-y), unchanged yield for sunflower seeds (3.0 t/ha, up 1% y-o-y), and expect to end up with above-average yield for corn (8.9 t/ha, up 12% y-o-y)

- Segment **EBITDA** on LTM basis amounted to US\$ 507m driven primarily by recent grain and oilseeds price rally.

### Profitability drivers and FY2022 outlook

#### 1 Ukraine corn and wheat prices

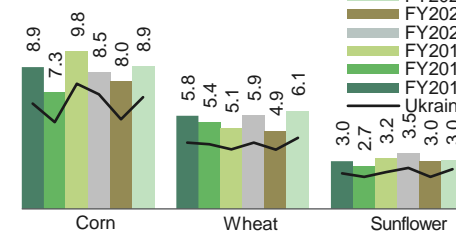
US\$ per ton, FOB-Black Sea



- Global grain and oilseed prices stay high

#### 2 Crop yields

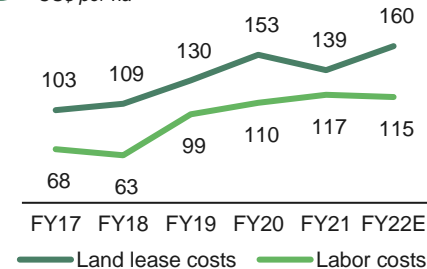
t per ha



- Weather conditions in Ukraine were supportive for Kernel crop yields

#### 3 Selected farming costs

US\$ per ha





- Growing production costs (grain drying services given the high natural gas prices, land lease cost and cost for 3rd party services used during the harvesting) further inflated by local currency appreciation.

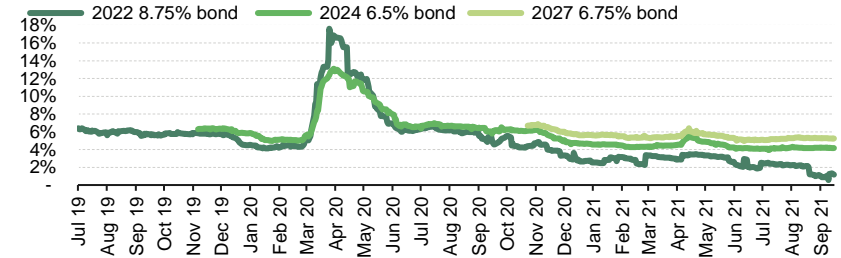
**Adjusted for revaluation of biological assets, FY2022 Farming EBITDA is anticipated to exceed the previous year result**

## 2.7 Credit highlights

### Credit portfolio as of 30 September 2021, US\$ m

	Amount outstanding	Undrawn facilities	Interest rate	Maturity
Eurobond 2022	213		8.75%	Jan 2022
Eurobond 2024	297		6.50%	Oct 2024
Eurobond 2027	297		6.75%	Oct 2027
 European Investment Bank	194	51	Libor + 1.44% + CoF	2029- 2030
 EBRD / CTF	52	-	Libor + 4.5% Libor + 1.0%	May 2027
Oil PXF (pre-export facility)	-	300		Aug 2022 Aug 2023
Grain PXF (pre-export facility)	-	200		June 2022 June 2023
Other bank debt	133	478	Libor + 1.9-8.5%	Short-term debt
Lease liabilities (IFRS 16)	317			
Accrued interest	45			
<b>Total debt liabilities</b>	<b>1,547</b>	<b>1,029</b>		
Cash and cash equivalents	534			
<b>Net debt</b>	<b>1,014</b>			
Readily marketable inventories	580			
of which sunflower oil and meal	148			
Sunflower seeds	182			
Grains and other RMIs	251			
<b>Adjusted net debt</b>	<b>433</b>			
Net debt / EBITDA	1.1x			
Adjusted net debt / EBITDA	0.5x			
EBITDA / Interest	7.0x			

### Kernel Eurobonds mid-YTM, %



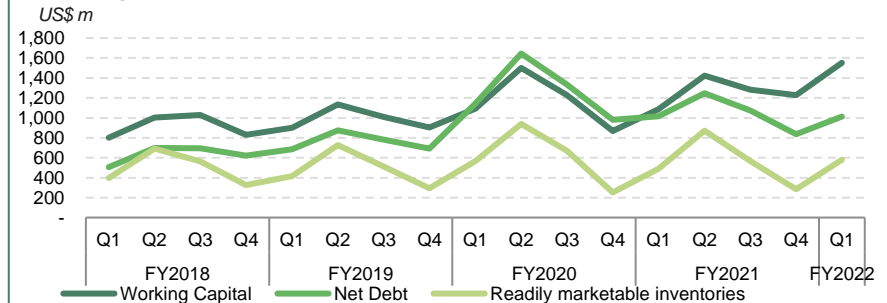
### Credit ratings

**FitchRatings**

Rating / Outlook	Date
BB- / Positive	15 Sep 2021
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

**S&P Global  
Ratings**

### Working capital<sup>1</sup> and debt position



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

## Content

1. Q1 FY2022 results and outlook

2. Kernel today

**3. Mid-term strategy**

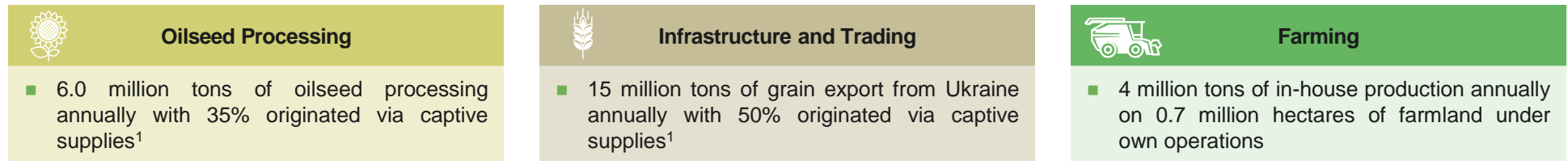
4. Financials

Appendices

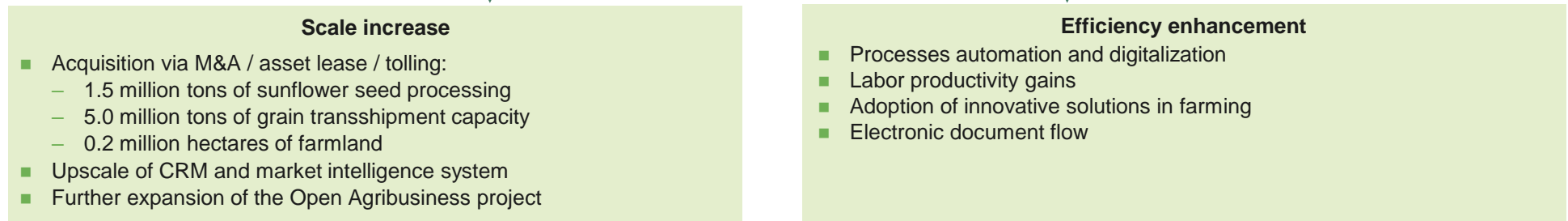
## 3.1 Kernel's mid-term strategy

We aim to sustainably increase the scale and efficiency of our low-cost business system to export annually 20 million tons of soft commodities from Ukraine by strategic acquisitions, fostering loyal relations with local farmers and constant development of our people.

### Strategic targets



### Strategic initiatives



### Sustainability approach

- Contributing to relevant **UN Sustainable Development Goals**
- Supporting the objectives of the European Green Deal through **rigorous climate action**
- Acting as a **sustainable farming ambassador** in Ukraine through dissemination of resource-efficient, environmentally and socially responsible production practices among our partners in supply chains
- Providing fair and safe working conditions, proper resources and environment for learning, and equal opportunities for self-realization to remain an **ethical employer of choice**
- Actively contributing to the **improvement of local communities' well-being**

**Note 1** Captive supplies include feedstock originated via Kernel's own farming operations, Open Agribusiness, pre-crop financing and pre-season forward contract programs with third-party suppliers.

## Content

1. Q1 FY2022 results and outlook

2. Kernel today

3. Mid-term 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	FY21	LTM
<b>Revenue</b>	<b>215</b>	<b>350</b>	<b>663</b>	<b>1,047</b>	<b>1,020</b>	<b>1,899</b>	<b>2,072</b>	<b>2,797</b>	<b>2,393</b>	<b>2,330</b>	<b>1,989</b>	<b>2,169</b>	<b>2,403</b>	<b>3,960</b>	<b>4,107</b>	<b>5,647</b>	<b>6,050</b>
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	19	9	(21)	133	110
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)	(4,877)	(5,209)
<b>Gross profit</b>	<b>21</b>	<b>44</b>	<b>106</b>	<b>174</b>	<b>177</b>	<b>289</b>	<b>258</b>	<b>213</b>	<b>145</b>	<b>314</b>	<b>302</b>	<b>284</b>	<b>160</b>	<b>334</b>	<b>462</b>	<b>903</b>	<b>951</b>
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	59	42	7	95	73
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(80)	(107)	(132)	(186)	(195)
<b>Profit from operating activities</b>	<b>12</b>	<b>39</b>	<b>112</b>	<b>167</b>	<b>167</b>	<b>277</b>	<b>257</b>	<b>201</b>	<b>129</b>	<b>328</b>	<b>287</b>	<b>265</b>	<b>140</b>	<b>269</b>	<b>337</b>	<b>812</b>	<b>828</b>
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(65)	(82)	(147)	(142)	(137)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	5	13	(1)	(6)	(17)
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(30)	(9)	(44)	11	12
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	6	(12)	(22)	(32)	(31)
<b>Net profit from continuing operations</b>	<b>0</b>	<b>19</b>	<b>82</b>	<b>132</b>	<b>152</b>	<b>226</b>	<b>206</b>	<b>115</b>	<b>(102)</b>	<b>101</b>	<b>244</b>	<b>179</b>	<b>56</b>	<b>179</b>	<b>123</b>	<b>643</b>	<b>655</b>
Profit / (loss) from discontinued operations	-	-	-	-	-	-	5	(10)	(6)	(5)	(17)	-	-	-	-	-	-
<b>Net profit</b>	<b>0</b>	<b>19</b>	<b>82</b>	<b>132</b>	<b>152</b>	<b>226</b>	<b>211</b>	<b>105</b>	<b>(107)</b>	<b>96</b>	<b>227</b>	<b>179</b>	<b>56</b>	<b>179</b>	<b>123</b>	<b>643</b>	<b>655</b>
Net profit/(loss) attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	52	189	118	513	519
<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	6.1	6.2
<i>ROE<sup>1</sup></i>		37%	36%	36%	32%	29%	19%	9%	(8%)	11%	24%	16%	5%	15%	8%	32%	28%
<i>ROIC<sup>2</sup></i>		21%	25%	26%	22%	23%	17%	9%	(1%)	11%	21%	15%	10%	13%	11%	26%	7%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	(5%)	6%	17%	13%	4%	9%	5%	20%	6%
<b>EBITDA, incl.</b>	<b>17</b>	<b>46</b>	<b>123</b>	<b>190</b>	<b>190</b>	<b>310</b>	<b>319</b>	<b>288</b>	<b>223</b>	<b>397</b>	<b>346</b>	<b>319</b>	<b>223</b>	<b>346</b>	<b>443</b>	<b>929</b>	<b>954</b>
Oilseeds Processing	-	-	81	89	101	202	198	199	178	213	129	100	77	109	152	56	40
Infrastructure and Trading	-	-	40	112	80	94	59	59	126	114	107	110	101	106	216	496	502
Farming	-	-	20	7	23	32	74	67	(44)	98	146	146	89	182	134	461	507
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(36)	(44)	(51)	(59)	(84)	(95)
<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>16%</i>	<i>16%</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>16%</i>	<i>16%</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>	<i>9%</i>	<i>9%</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

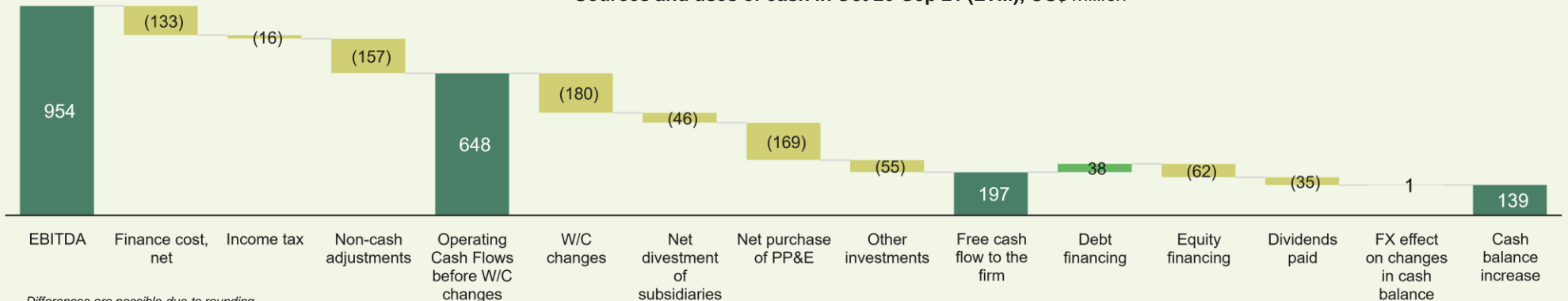
<b>Balance sheet highlights</b>																	30 Sep 2021
<i>US\$ million</i>	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	132	77	369	574	534
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	92	183	215	381	217
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	113	130	116	128	122
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	122	127	133	198	225
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	368	358	303	332	697
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	325	293	252	285	580
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	289	309	252	377	384
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	87	73	142	294	381
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	208	223	192	183	183
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	588	765	984	1,065	1,107
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347	365	382
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	210	220	110	100	123
<b>Total assets</b>	<b>156</b>	<b>275</b>	<b>756</b>	<b>700</b>	<b>1,125</b>	<b>1,573</b>	<b>2,116</b>	<b>2,362</b>	<b>1,919</b>	<b>1,466</b>	<b>1,509</b>	<b>2,009</b>	<b>2,211</b>	<b>2,464</b>	<b>3,165</b>	<b>3,997</b>	<b>4,354</b>
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	74	136	88	150	200
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	105	105	68	187	161
<b>Debt liabilities</b>	<b>93</b>	<b>157</b>	<b>256</b>	<b>295</b>	<b>345</b>	<b>422</b>	<b>693</b>	<b>725</b>	<b>743</b>	<b>463</b>	<b>339</b>	<b>655</b>	<b>751</b>	<b>768</b>	<b>1,350</b>	<b>1,410</b>	<b>1,547</b>
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	246	203	73	51	178
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	11	69	172	228	222
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	495	496	794	806	807
Lease liabilities	5	3	7	11	8	3	13	19	12	6	2	3	8	5	310	324	341
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	104	109	165	167	139
<b>Total liabilities</b>	<b>108</b>	<b>190</b>	<b>315</b>	<b>342</b>	<b>520</b>	<b>575</b>	<b>906</b>	<b>1,009</b>	<b>888</b>	<b>575</b>	<b>512</b>	<b>851</b>	<b>1,033</b>	<b>1,118</b>	<b>1,671</b>	<b>1,914</b>	<b>2,047</b>
<b>Total equity</b>	<b>48</b>	<b>85</b>	<b>440</b>	<b>357</b>	<b>605</b>	<b>997</b>	<b>1,211</b>	<b>1,352</b>	<b>1,031</b>	<b>891</b>	<b>997</b>	<b>1,158</b>	<b>1,178</b>	<b>1,346</b>	<b>1,494</b>	<b>2,083</b>	<b>2,307</b>
<i>Debt / equity ratio</i>	2.0x	1.8x	0.6x	0.8x	0.6x	0.4x	0.6x	0.5x	0.7x	0.5x	0.3x	0.6x	0.6x	0.6x	0.9x	0.7x	0.7x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	34%	31%	43%	35%	36%
<b>Liquidity position and credit metrics</b>																	
Debt liabilities	94	158	259	300	350	428	698	734	749	469	343	657	754	770	1,350	1,410	1,547
Cash	6	25	89	129	59	116	83	79	65	129	60	143	132	77	369	574	534
<b>Net debt</b>	<b>88</b>	<b>133</b>	<b>170</b>	<b>170</b>	<b>291</b>	<b>312</b>	<b>616</b>	<b>655</b>	<b>684</b>	<b>339</b>	<b>283</b>	<b>514</b>	<b>622</b>	<b>694</b>	<b>980</b>	<b>836</b>	<b>1,014</b>
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	325	293	252	285	580
<b>Adjusted net debt</b>	<b>58</b>	<b>95</b>	<b>32</b>	<b>79</b>	<b>148</b>	<b>170</b>	<b>280</b>	<b>498</b>	<b>441</b>	<b>199</b>	<b>99</b>	<b>160</b>	<b>297</b>	<b>400</b>	<b>729</b>	<b>551</b>	<b>433</b>
Net debt / EBITDA	5.2x	2.9x	1.4x	0.9x	1.5x	1.0x	1.9x	2.3x	3.1x	0.9x	0.8x	1.6x	2.8x	2.0x	2.2x	0.9x	1.1x
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	0.6x	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	4.2x	3.0x	6.6x	7.0x

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	FY21	LTM
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	223	346	443	929	954
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(64)	(72)	(140)	(133)	(133)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(5)	(3)	(8)	(18)	(16)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	(40)	23	(16)	(136)	(157)
<b>Operating Cash Flow before Working Capital changes</b>	<b>7</b>	<b>26</b>	<b>99</b>	<b>124</b>	<b>179</b>	<b>235</b>	<b>218</b>	<b>169</b>	<b>70</b>	<b>245</b>	<b>268</b>	<b>283</b>	<b>113</b>	<b>293</b>	<b>279</b>	<b>641</b>	<b>648</b>
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(31)	(94)	(10)	(181)	(180)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(30)	(141)	(24)	(41)	46	(44)	(46)
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(140)	(157)	(210)	(172)	(169)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	(1)	(42)	8	(43)	(38)	12	(55)
<b>Free cash flow to the Firm</b>	<b>(34)</b>	<b>(46)</b>	<b>(281)</b>	<b>4</b>	<b>(44)</b>	<b>(71)</b>	<b>(253)</b>	<b>38</b>	<b>(14)</b>	<b>369</b>	<b>71</b>	<b>(146)</b>	<b>(74)</b>	<b>(43)</b>	<b>67</b>	<b>255</b>	<b>197</b>
Debt financing	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	98	50	233	(1)	38
Equity financing	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	-	-	14	(11)	(62)
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)	(20)	(21)	(35)	(35)
<b>Financing cash flow</b>	<b>31</b>	<b>64</b>	<b>315</b>	<b>36</b>	<b>4</b>	<b>124</b>	<b>225</b>	<b>(48)</b>	<b>7</b>	<b>(310)</b>	<b>(134)</b>	<b>173</b>	<b>77</b>	<b>30</b>	<b>226</b>	<b>(48)</b>	<b>(59)</b>
Cash at the year end	6	25	59	98	58	110	83	73	65	124	60	87	90	76	367	574	534
<b>Cash conversion cycle</b>	n/a	<b>66</b>	<b>86</b>	<b>79</b>	<b>117</b>	<b>91</b>	<b>117</b>	<b>90</b>	<b>85</b>	<b>67</b>	<b>63</b>	<b>84</b>	<b>83</b>	<b>49</b>	<b>51</b>	<b>42</b>	<b>57</b>
Payment period, days	n/a	(4)	(4)	(3)	(4)	(4)	(5)	(5)	(7)	(6)	(7)	(9)	(10)	(10)	(11)	(9)	(12)
Inventories processing, days	n/a	43	61	51	53	38	60	48	47	42	38	57	61	36	33	25	45
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	14	13	18	17	14
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	19	11	11	9	11

Sources and uses of cash in Oct'20-Sep'21 (LTM), US\$ million



# IR contact and investor calendar

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## **Investor calendar**

Annual general shareholders' meeting

Q2 FY2022 Operations Update

H1 FY2022 Financial Report

Q3 FY2022 Operations Update

Q3 FY2022 Financial Report

Q4 FY2022 Operations Update

FY2022 Financial Report

**10 December 2021**

**21 January 2022**

**28 February 2022**

**22 April 2022**

**27 May 2022**

**22 July 2022**

**3 October 2022**

## Content

1. Q1 FY2022 results and outlook

2. Kernel today

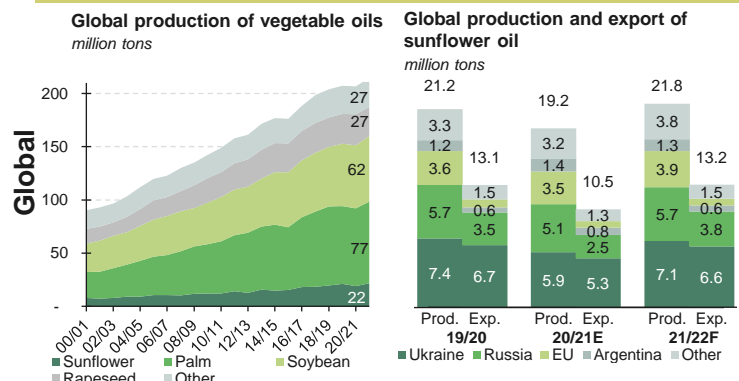
3. Mid-term strategy

4. Financials

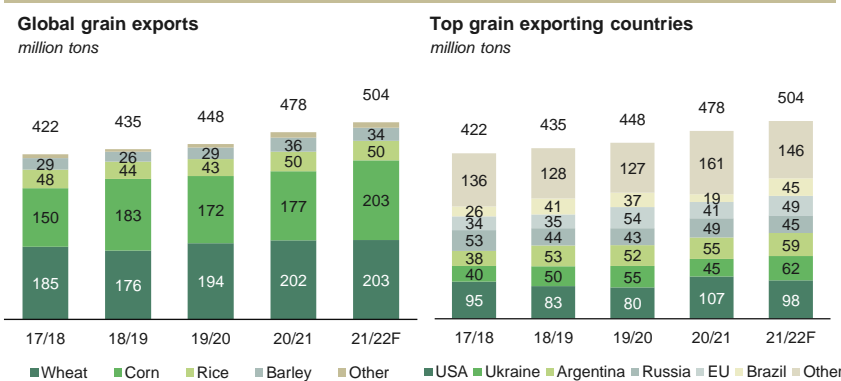
**Appendices**

# A1. Markets and business environment

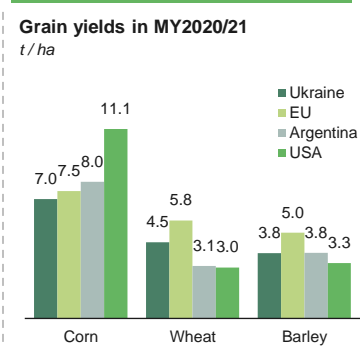
## Oilseed Processing



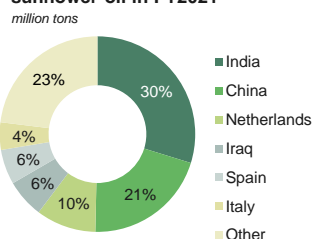
## Infrastructure and Trading



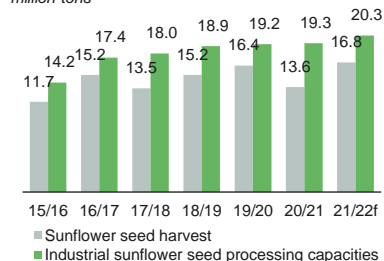
## Farming



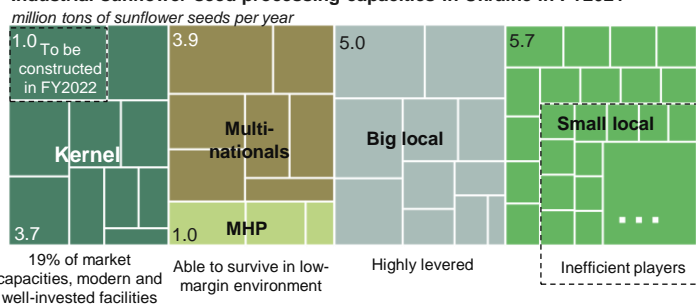
### Destinations of Ukrainian sunflower oil in FY2021



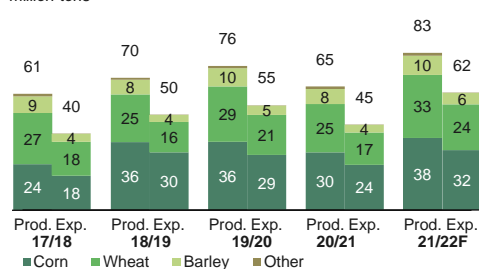
### Sunflower seed balance in Ukraine



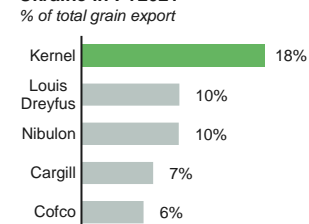
### Industrial sunflower seed processing capacities in Ukraine in FY2021



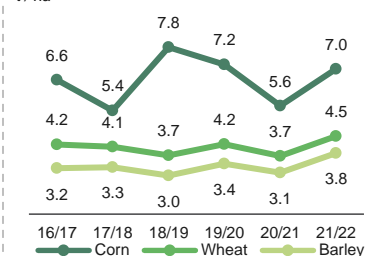
### Ukraine grain production and export



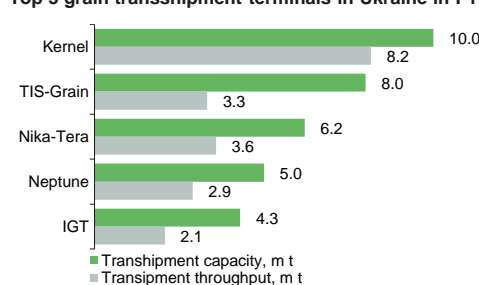
### Top grain exporters from Ukraine in FY2021



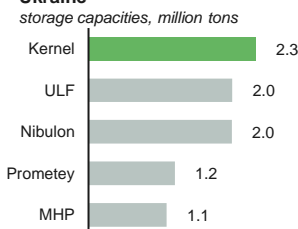
### Grain yields in Ukraine



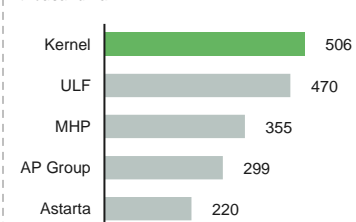
### Top 5 grain transshipment terminals in Ukraine in FY2021



### Top 5 private silo networks 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*

### Achievements

- **Proper set of internal policies and procedures** to drive sustainable development<sup>1</sup>:
- Certified Environmental and OHS management systems (ISO 14001, 45001) at all but one of our OEPs, grain export terminal, 2 farming clusters, 15 silos and trading company Kernel-Trade.
- Robust sustainability disclosures: Sustainability Report (GRI + Independent assurance), CDP, TCFD
- US\$ 248m **investment program in renewable energy** generation
- ~50% of energy consumed is received from renewable sources
- Sustainability progress is regularly reviewed by the Board of Directors
- Kernel has started reporting Scope 3 of GHG emissions
- In partnership with EY and Syngenta, Kernel launched a Climate Corporate Governance and Low-Carbon Pathway project, financed by EBRD and Clean Technology Fund
- Kernel launched a voluntary medical insurance program for all our permanent employees and their children
- To strengthen our ESG governance, a new board member with a sustainability background was appointed, and a sustainability professional headed the execution of the sustainability function.

### Commitments

- Kernel is a signatory of **UN Global Compact** (the world's largest CSR 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.
- ISO 14001, 45001 (EMS and OHSMS) certification for all Kernel's assets until 2022.
- Zero-tolerance to corruption

### Recognitions

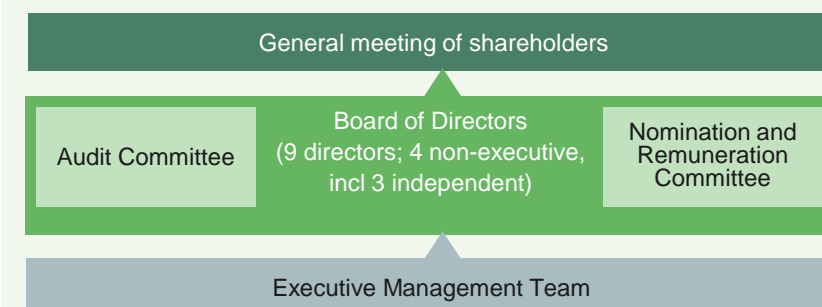
- Kernel ranked **#4** in the Forbes Ukraine top-50 employers in Ukraine rating, and **#1** employer in agriculture;
- Our sustainability approach was awarded by the local Ukrainian "EcoTransformation" project;
- Shares in **WIG ESG index** (since Sep 2019).

Note 1 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

### Key non-financial KPIs

Environment		FY17	FY18	FY19	FY20	FY21
Total GHG emission	ths t CO <sub>2</sub> e	1,439	1,443	1,805	1,679	1,462
Direct (Scope 1)	ths t CO <sub>2</sub> e	748	922	981	955	942
Biogenic (Scope 1)	ths t CO <sub>2</sub> e	587	401	710	628	433
Gross indirect (Scope 2)	ths t CO <sub>2</sub> e	104	120	114	96	87
GHG emissions per ton of seeds crushed	kg CO <sub>2</sub> e	146	143	139	128	142
GHG emissions per ton of grain grown	kg CO <sub>2</sub> e	419	343	386	365	318
Total energy consumption (net)	ths Gj	6,741	7,282	7,139	6,998	7,391
Energy spent per ton of seed crushed	MJ	1,517	1,446	1,420	1,285	1,421
Energy spent per ton-% of grain dried	MJ	68	61	67	63	56
Energy spent per ton of grain grown	MJ	618	662	538	524	586
<b>Social</b>						
Total number of FTE employees	ths	16	15	13	12	11
Total injury accidents	#	14	16	25	17	10
Injury frequency rate	x	0.45	0.55	0.88	0.68	0.46
Total training expenditures	ths US\$	445	474	456	637	589
Total social spending	ths US\$	2,616	2,440	2,303	7,714	3,923

### Governance structure



- 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 2021](#)