

KERNEL

Kernel Holding S.A.

H1 FY2018 results and company presentation

February 2018



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“LTM” and “Last twelve months” throughout this presentation means the period of January 2017 – December 2017, inclusively.

1. H1 FY2018 results



1.1 Q2 FY2018 highlights

- **Revenue** reduced 18.7% y-o-y to US\$ 536 million in Q2 FY2018
 - Shift of sunflower oil sales from Q2 to Q3 caused by changes in term structure of our contractual demand
 - Decline of grain trading topline caused by negligible sales from Russia following the assignment of Taman transshipment quota to a third party.
- Company's **EBITDA** for the reporting period contracted by 41% to US\$ 77 million:
 - **Sunflower oil:** crushing margins remain weak; sales volumes shifted to Q3-Q4 → US\$ 14m y-o-y decline in EBITDA
 - **Grain & infrastructure:**
 - **Grain trading** segment's absolute contribution was undermined by weaker volumes, while margin remain solid
 - **Export terminals** EBITDA contracted primarily due to softer throughput margin
 - Outstanding **silos** in-take volumes and robust profitability boosted segment's EBITDA
 - **Farming** segment performance diluted by lower crop yields caused by adverse weather conditions and declining global soft commodity prices
- Consequently, **net profit** attributable to shareholders stood at US\$ 67 million, down 30% y-o-y.
- **Operating cash flow** pattern in Q2 FY2018 was the same as in Q2 FY2017, but **investing** activities generated a **cash inflow**, as we received an advanced payment for planned suboptimal farmland disposals.
- **Financial leverage** seasonally increased to 2.9x in terms of net-debt-to-EBITDA ratio, in line with accumulation of readily marketable inventories as we were accumulating inventories following the completion of harvesting campaign

US\$ million except ratios and EPS	Q2 FY2017	Q2 FY2018	y-o-y
Income statement highlights			
Revenue	659.3	536.1	(18.7%)
EBITDA ¹	129.8	77.1	(40.6%)
Net profit attributable to equity holders of Kernel Holding S.A.	95.4	67.0	(29.7%)
EBITDA margin	19.7%	14.4%	(5.3pp)
Net margin	14.5%	12.5%	(2.0pp)
EPS, US\$	1.19	0.82	(31.6%)
Cash flow highlights			
Operating profit before W/C changes	129.0	78.1	(39.4%)
Change in W/C	(305.0)	(264.5)	(13.3%)
Cash generated from operations	(176.1)	(186.3)	5.8%
Net cash used in operating activities	(187.9)	(193.9)	3.2%
Net cash used in investing activities	(37.6)	3.5	n/a
Liquidity and credit metrics			
Net interest-bearing debt	554.1	697.9	25.9%
Readily marketable inventories	571.5	690.5	20.8%
Adjusted net debt ²	(17.4)	7.4	n/a
Shareholders' equity	1,088.8	1,134.9	4.2%
Net debt / EBITDA ³	1.6x	2.9x	+1.3x
Adjusted net debt ² / EBITDA ³	(0.1x)	0.0x	+0.1x
EBITDA ³ / Interest	6.3x	3.5x	-2.8x

First quarter ends 30 September

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

Note 2 Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories at cost.

Note 3 12-month trailing EBITDA

1.2 Segment results Q2 and 1H of FY2018

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t		
	Q2	Q2	y-o-y	Q2	Q2	y-o-y	Q2	Q2	y-o-y	Q2	Q2	y-o-y
	FY17	FY18		FY17	FY18		FY17	FY18		FY17	FY18	
Sunflower oil sold in bulk	331	274	(17%)	29.6	17.5	(41%)	341	269	(21%)	86.7	65.1	(25%)
Bottled sunflower oil	37	30	(20%)	5.2	3.1	(41%)	36	27	(25%)	144.4	114.4	(21%)
Sunflower oil division	369	304	(17%)	34.8	20.6	(41%)						
Grain trading	277	214	(23%)	11.0	8.3	(25%)	1,532	1,181	(23%)	7.2	7.0	(2%)
Export terminals ²	16	14	(14%)	13.5	10.2	(24%)	1,245	1,125	(10%)	10.8	9.1	(16%)
Silo services	32	44	38%	23.0	29.8	30%	1,513	1,679	11%	15.2	17.8	17%
Grain & infrastructure division	326	272	(16%)	47.5	48.3	2%						
Farming division	146	199	36%	54.5	18.4	(66%)						
Unallocated corporate expenses				(7.0)	(10.3)	48%						
Reconciliation	(181)	(239)	32%									
Total	659	536	(19%)	129.8	77.1	(41%)						

	Revenue, US\$ m			EBITDA, US\$ m			Volume, k t ¹			EBITDA margin, US\$ / t		
	H1	H1	y-o-y	H1	H1	y-o-y	H1	H1	y-o-y	H1	H1	y-o-y
	FY17	FY18		FY17	FY18		FY17	FY18		FY17	FY18	
Sunflower oil sold in bulk	484	609	26%	40.2	34.3	(15%)	508	662	30%	79.0	51.9	(34%)
Bottled sunflower oil	61	65	8%	7.2	7.3	1%	58	60	3.6%	124.8	122.0	(2.3%)
Sunflower oil division	544	674	24%	47.4	41.6	(12%)						
Grain trading	477	363	(24%)	15.3	9.8	(36%)	2,713	1,986	(27%)	5.7	4.9	(13%)
Export terminals ²	29	26	(11%)	24.0	18.8	(22%)	2,165	1,962	(9.4%)	11.1	9.6	(14%)
Silo services	43	57	33%	30.1	38.0	26%	2,932	3,071	4.7%	10.3	12.4	20.4%
Grain & infrastructure division	548	446	(19%)	69.5	66.6	(4%)						
Farming division	188	267	42%	101.4	34.9	(66%)						
Unallocated corporate expenses				(16.0)	(20.0)	25%						
Reconciliation	(237)	(315)	33%									
Total	1,043	1,072	3%	202.2	123.1	(39%)						

Note 1 Million liters for bottled sunflower oil

Note 2 Excluding Taman. Earnings from the joint venture are accounted for below EBITDA.

Note 3 Includes proceeds from Taman quota assignment and net result from Avere trading operations

Sunflower oil

- **911k t of sunflower seeds processed** in Q2 FY2018 (full crushing capacity utilization)
- **Bulk sales** of sunflower oil **shifted** from Q2 to Q3-Q4
- **Crushing margin** exceeded the level of the two previous quarters, but still **25% below y-o-y**
- Division's EBITDA stood at US\$ 21m
- Target to crush 3.2 million tons of sunflower seeds at around 50 US\$/t of oil EBITDA margin for the full FY2018.

Grain & infrastructure

- **Grain trading** volume contraction due to assignment of a portion of our FY2018 Taman transshipment quota entitlement to a 3rd party
- **Grain segment** EBITDA³ totaled to US\$ 8.3 million, down 25% y-o-y, driven by volume reduction
- **Export terminals** margin softened to 9.1 US\$ / t
- Robust **silo segment** performance driven by growth in grain-in-take volumes and superior profitability

Farming

- EBITDA in H1 FY2018 declined y-o-y to US\$ 34.9m, owing to the decline in yields and the cancellation of VAT subsidy on 1 January 2017.

1.3 FY2018 harvest update

	Acreage, thousand hectares				Net crop yields, tons / hectare ¹				Net tonnage, thousand tons			
	Financial year	2017	2018		2017	2018	2017		2018			
	Calendar year	2016	2017		y-o-y	2016	2017		y-o-y	2016	2017	y-o-y
Combined farmland												
Corn		138.6	201.8	45.6%		8.9	6.7	(24.2%)		1,230.7	1,358.3	10.4%
Wheat		81.9	145.7	77.9%		5.8	4.8	(17.1%)		479.0	706.5	47.5%
Sunflower		81.3	133.6	64.3%		3.0	2.3	(22.9%)		242.8	307.4	26.6%
Soybean		58.0	64.8	11.7%		2.7	1.8	(35.6%)		158.6	114.2	(28.0%)
Rapeseed		2.6	7.0	2.6x		3.0	3.4	14.3%		7.9	24.0	3.0x
Other ²		22.8	40.5	77.6%								
Total		385.3	593.5	54.0%						2,119.1	2,510.4	18.5%
Kernel's old landbank prior to acquisitions												
Corn		138.6	139.1	0.3%		8.9	7.3	(17.7%)		1,230.7	1,016.6	(17.4%)
Wheat		81.9	82.3	0.4%		5.8	5.4	(8.5%)		479.0	440.2	(8.1%)
Sunflower		81.3	80.6	(0.9%)		3.0	2.7	(10.7%)		242.8	214.9	(11.5%)
Soybean		58.0	43.5	(25.1%)		2.7	1.9	(29.7%)		158.6	83.6	(47.3%)
Rapeseed		2.6	7.0	2.6x		3.0	3.4	14.3%		7.9	24.0	3.0x
Other ²		22.8	27.9	22.2%								
Total		385.3	380.3	(1.3%)						2,119.1	1,779.3	(16.0%)

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

Note 2 Other acreage includes barley, rye, pea, sugar beets, buckwheat, forage crops, and land left fallow for crop rotation purposes.

- Following the expected land bank optimization and disposal of suboptimal lands, the **area under cultivation for the 2018 harvest** is planned to be over 560 thousand hectares, with 108 thousands hectares of winter crops already sown in autumn 2017, and the balance to be planted with spring crops in April - May 2018 or left as fallow land for agricultural purposes.
- Warm and snowless weather in November-December 2017 extended the winter crop vegetation period. As of mid-February 2018, a much larger share of acreage under **winter crops is in the optimal conditions** to end up the hibernation period, comparing to the same period a year ago. Out of 108 thousand hectares of winter crops, 75-85% of winter crop acreage is in good condition, 20-25% is in satisfactory conditions, with quite limited risks of crop losses.

1.4 Financial statements

Balance sheet highlights

US\$ million	31 Dec 2017	30 Sep 2017	31 Dec 2017
<i>Invested Capital</i>			
Cash & cash equivalents	68.9	116.8	157.5
Net trade accounts receivable	125.4	81.5	118.0
Prepayments to suppliers & other current assets	81.2	92.9	75.1
Prepaid taxes	206.2	122.1	136.2
Inventory	616.1	470.2	768.8
of which: readily marketable inventories	571.5	395.7	690.5
Biological assets	28.0	156.2	32.7
Other currents assets	29.3	36.3	34.4
Intangible assets and goodwill	151.6	227.8	217.3
Net property, plant & equipment	522.6	588.0	577.1
Other non-current assets	91.2	99.5	93.4
Total assets	1,920.5	1,991.2	2,210.4
<i>Financed by</i>			
Trade accounts payable	41.7	68.4	41.4
Advances from customers & other current liabilities	110.5	91.1	120.5
Interest-bearing debt	619.2	620.6	853.3
Short-term debt	569.3	118.3	350.1
Long-term debt	49.9	8.4	8.8
Corporate bonds issued	-	493.9	494.4
Other liabilities	57.2	55.2	56.6
Total liabilities	828.6	835.2	1,071.8
Total equity	1,092.0	1,156.0	1,138.6

P&L highlights

US\$ million, except ratios and EPS	Q2 FY2017	Q2 FY2018	y-o-y
Revenue	659.3	536.1	(19%)
Net IAS 41 gain	1.7	1.0	(43%)
Cost of sales	(503.8)	(441.3)	(12%)
Gross profit	157.1	95.8	(39%)
Other operating income	21.0	13.8	(35%)
Distribution costs	(49.3)	(33.4)	(32%)
General and administrative expenses	(12.8)	(20.3)	58%
Operating profit	116.1	55.9	(52%)
Financial costs, net	(14.7)	(15.9)	8.2%
Foreign exchange gain(loss), net	1.0	29.9	30x
Other income/(expenses), net	(0.0)	(5.0)	2,490x
Share of profit/(losses) of joint venture	(2.3)	0.1	n/a
Earnings before taxes	100.1	64.9	(35.1%)
Income tax	(3.0)	2.4	n/a
Net profit	97.0	67.4	(30.6%)
EBITDA	129.8	77.1	(40.6%)

Cash flow highlights

US\$ million	Q2 FY2017	Q2 FY2018	y-o-y
Operating profit before working capital changes	129.0	78.1	(39.4%)
Changes in working capital	(305.0)	(264.5)	(13.3%)
Cash obtained from/(used in) operations	(176.1)	(186.3)	5.8%
Finance costs paid	(11.6)	(7.1)	(38.3%)
Income tax paid	(0.3)	(0.5)	83.5%
Net cash obtained from/(used in) operating activities	(187.9)	(193.9)	3.2%
Net PPE disposals/(purchases)	(4.4)	(7.8)	78.1%
Acquisition of subsidiaries and purchase of investment in joint ventures	(1.9)	-	n/a
Other investing cash flow	(31.3)	11.3	n/a
Net cash obtained from/(used in) investing activities	(37.6)	3.5	n/a
Proceeds from short-term and long-term borrowings (incl. bonds)	206.3	326.7	58.4%
Repayment of short-term and long-term borrowings	(0.2)	(144.9)	873x
Other financing cash flow	6.3	-	n/a
Net cash provided by financing activities	212.4	181.8	(14.4%)
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.1	(3.0)	n/a
Net increase in cash and cash equivalents	(12.9)	(11.6)	n/a

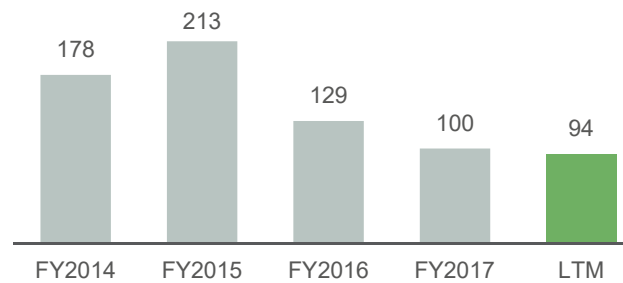
2. KERNEL TODAY



2.1 Kernel today

Sunflower oil segment

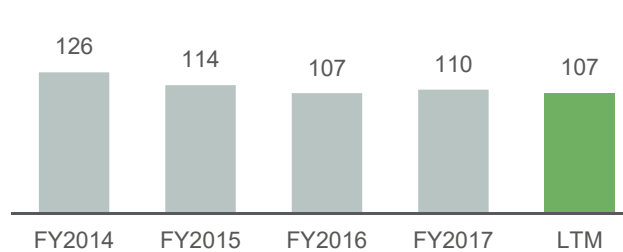
- **#1** sunflower oil exporter in the world
- **#1** sunflower oil producer in Ukraine
- **Leading** bottled sunflower oil producer and marketer in Ukraine
- **9 crushing plants** located across the sunflower seed belt in Ukraine
- **3.5 million tons** annual sunflower seed crushing capacity

EBITDA ¹, US\$ million

Grain and infrastructure segment

- Leading grain originator and marketer in Ukraine with nearly **10%** of country's total grain export
- Two export terminals in Ukraine and one in Russia (50/50 JV with Glencore) with total annual capacity to transship of **6.7 million tons** of soft commodities
- **#1** private inland grain silo network in Ukraine with **2.8 million tons** of storage capacity

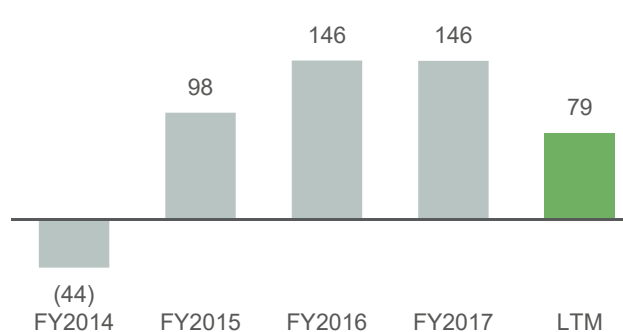
EBITDA, US\$ million



Farming segment

- **#1** crop producer in Ukraine operating 600 thousands hectares of leasehold farmland
- Modern large-scale operations, sustainable agronomic practices, cluster management system and export-oriented crop mix
- Nearly 100% of sales volumes flows through our infrastructure and sunflower oil segments, earning incremental profits

EBITDA, US\$ million



Key financials, US\$ m ¹	FY14	FY15	FY16	FY17	LTM
Revenue	2,393	2,330	1,989	2,169	2,198
EBITDA	223	397	346	319	240
Net profit/(loss) ²	(98)	107	225	176	107
EBITDA margin	9.3%	17.0%	17.4%	14.7%	10.9%
Net margin	(4.1%)	4.6%	11.3%	8.1%	4.8%
EPS, US\$	(1.23)	1.34	2.83	2.19	1.30

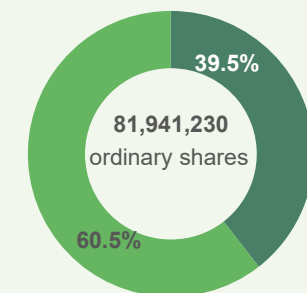
1. Except ratios and EPS

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

Stock information

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

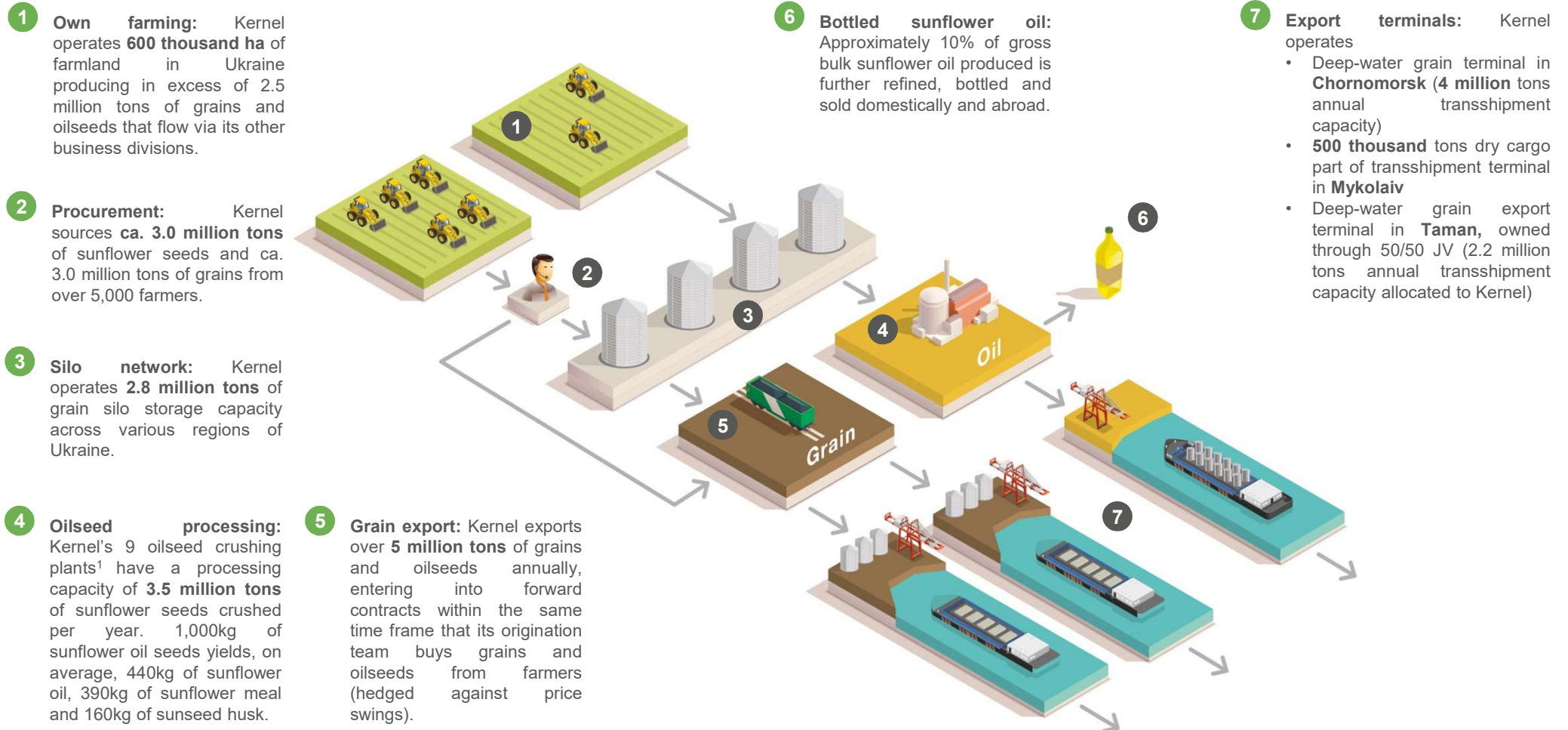
Shareholder structure



- Namsen LTD (Andriy Verevskyy)
- Other

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

2.2 What we do

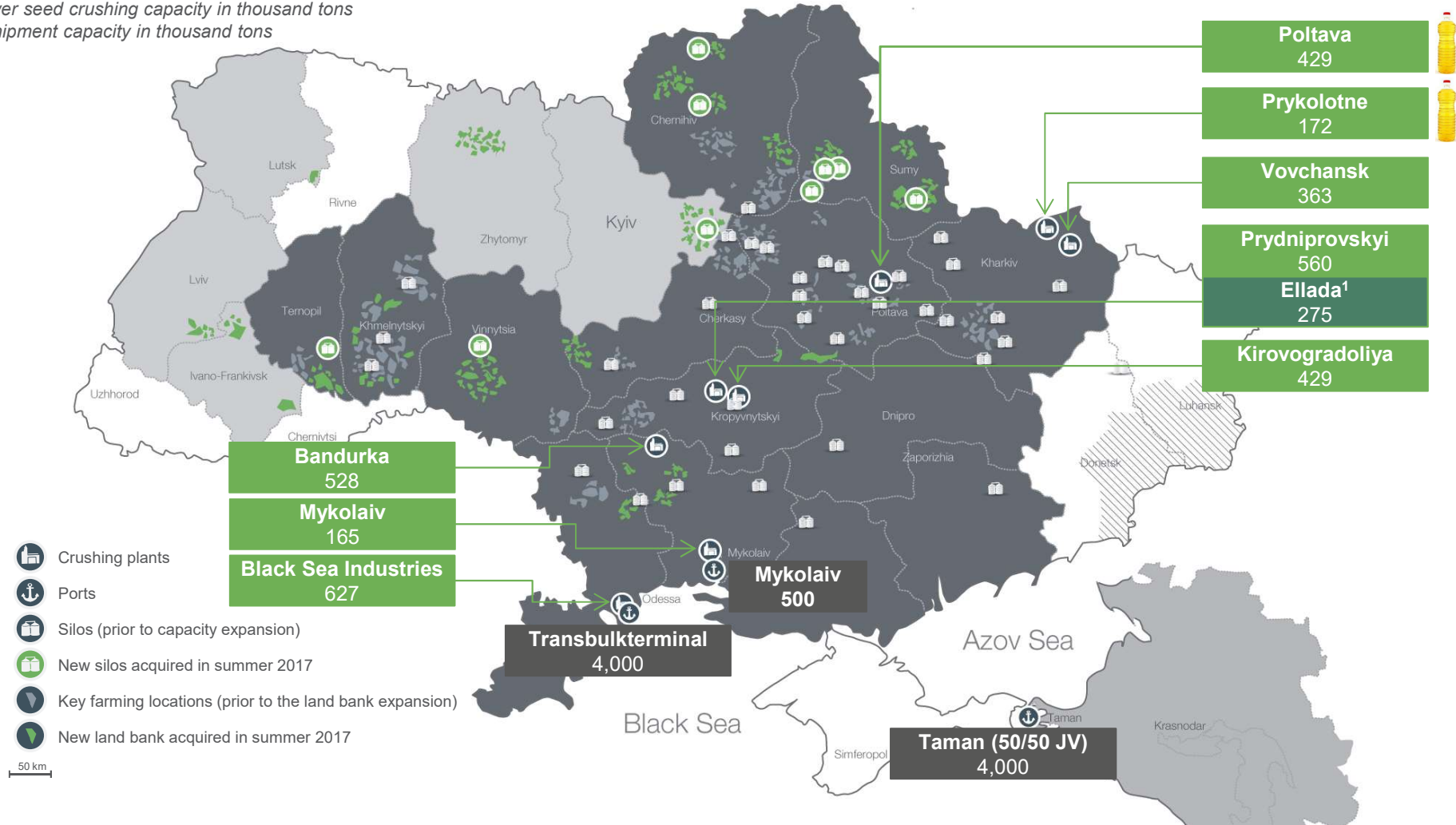


Kernel operates an integrated, simple and resilient business model

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

2.3 Unique and well-invested asset base

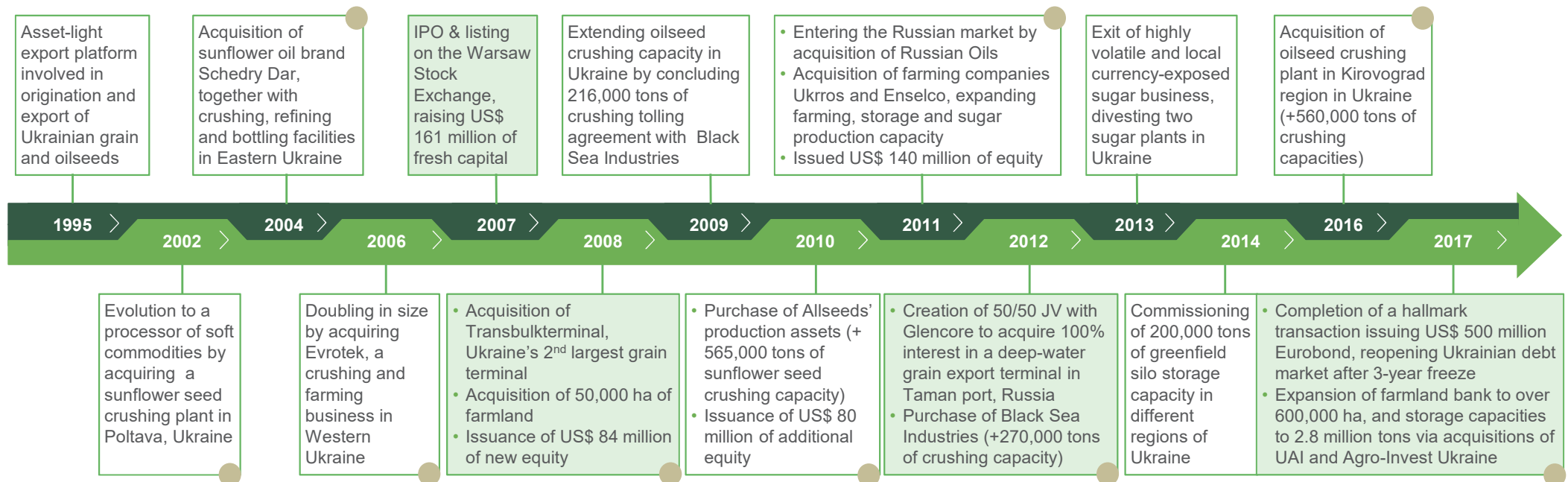
Sunflower seed crushing capacity in thousand tons
Transshipment capacity in thousand tons



Diversified and strategically located asset base provides significant competitive advantages

Note 1 Operated under tolling agreement

2.4 Kernel's key milestones

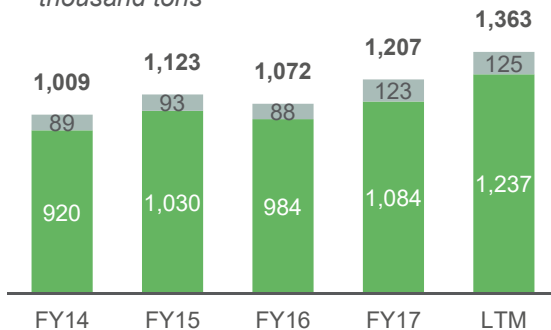


● Asset growth through M&A

Unparalleled track record of continuous development and growth

2.6 Sunflower oil segment

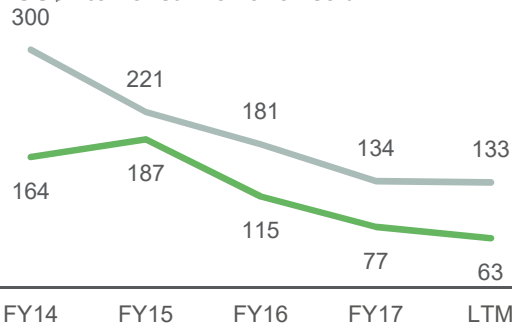
Sunflower oil sales
thousand tons



■ Sunflower oil sold in bulk ■ Bottled sunflower oil¹

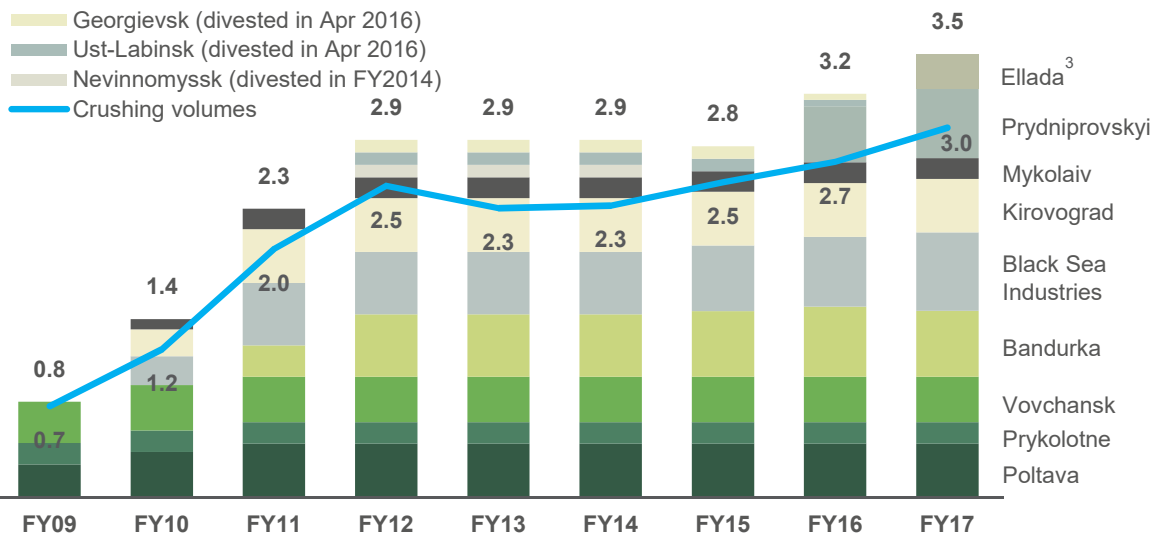
EBITDA margins

US\$ / ton of sunflower oil sold



— Sunflower oil sold in bulk
— Bottled sunflower oil

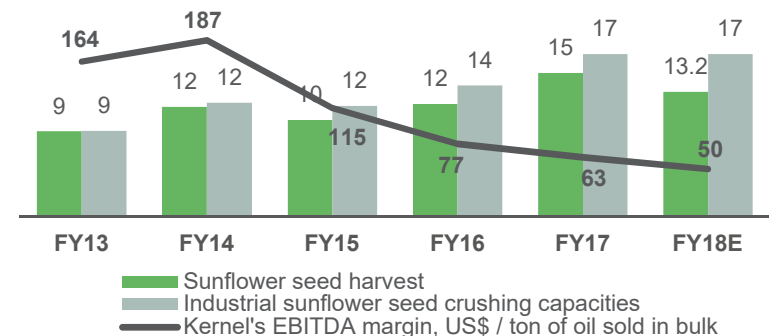
Kernel oilseed crushing capacity, million tons per year



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

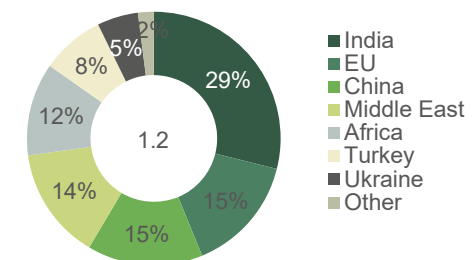
- Widening S&D gap keeps crushing margins under pressure, opening doors for market consolidation and streamlining of demand
- Focus on capacity utilization. With 3.2 million tons of sunflower seeds crushed in Jan'17-Dec'17, Kernel operated at nearly full capacity utilization², well above Ukrainian average
- Kernel exported a record 1.3m t of sunflower oil on the LTM basis, up 33% y-o-y
- Overall, sunflower oil business contributed EBITDA of US\$ 94m on the LTM basis, 13% less than a year ago

Supply & demand for sunflower seeds in Ukraine, million ton



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

Sunflower oil key sales markets in FY2017, million tons

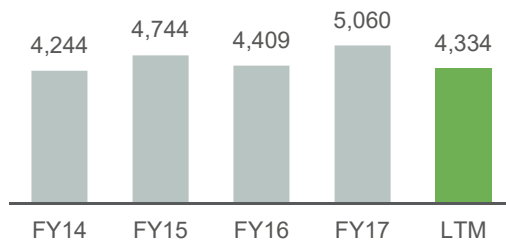


Note 2 Mykolaiv crushing plant has been rented out to 3rd party since August 2016

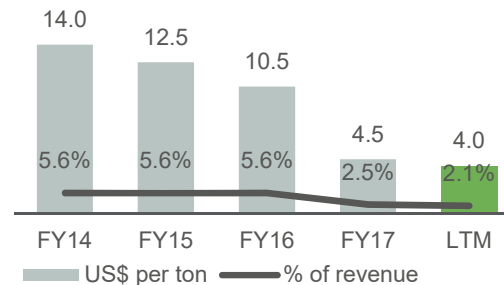
Note 3 Operated under tolling agreement

2.7 Grain and infrastructure segment

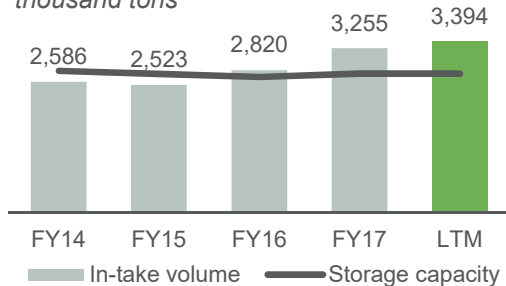
Grain exports,
thousand tons



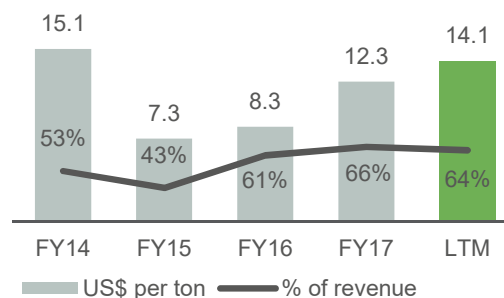
Grain segment's EBITDA margin



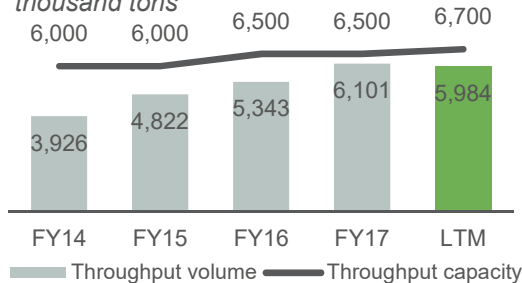
Grain in-take by inland silos,
thousand tons



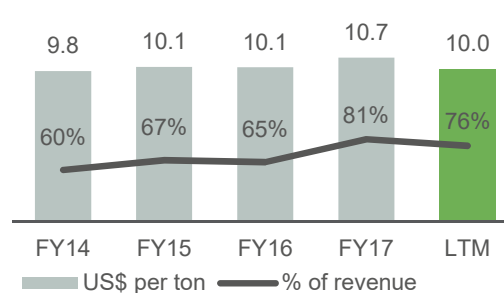
Silo services EBITDA margin



Export terminals throughput ¹,
thousand tons



Export terminal EBITDA ²



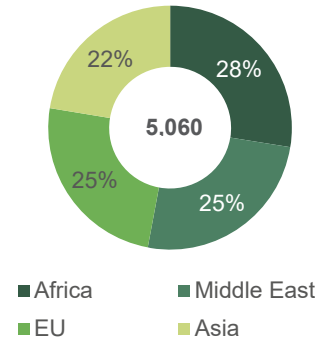
Note 1 Including Taman

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

Grain:

- Decline in **grain export volumes** following the assignment of Taman grain transshipment quota entitlement to a 3rd party for FY2018
- Margins** declined due to intensified competition

Key export markets in FY2017



Silo services:

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

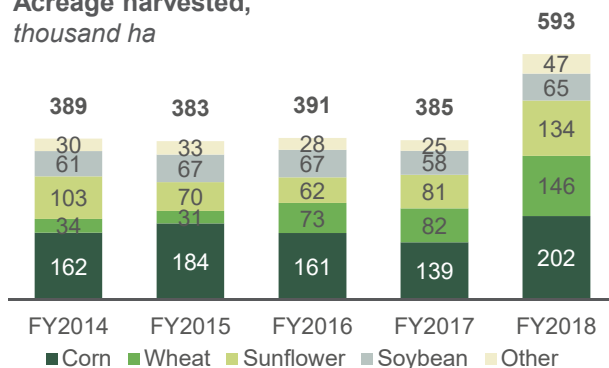
Export terminals:

- Strong **export terminals throughput volumes** due to robust grain supply in the region and debottlenecking of our existing deep-water transshipment facilities
- Margins** stay stable, which is natural for capital-intensive infrastructure assets

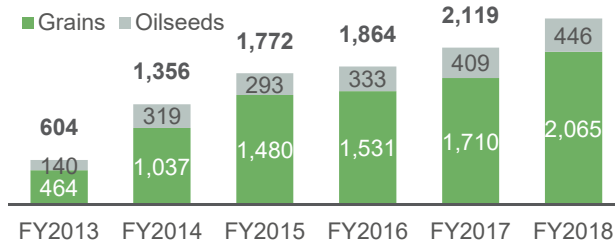
- Overall, grain and infrastructure business contributed US\$ 110m of EBITDA in FY2017, up 3% y-o-y, and US\$ 107m on the LTM basis.

2.8 Farming segment

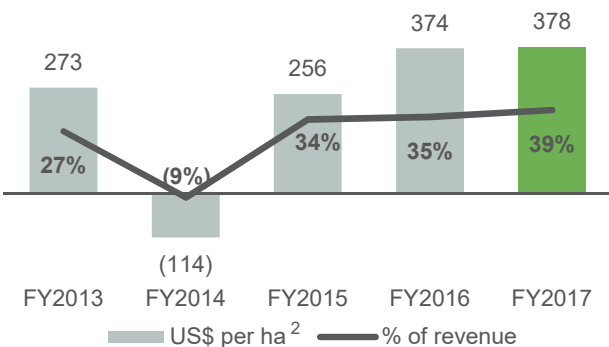
Acreage harvested,
thousand ha



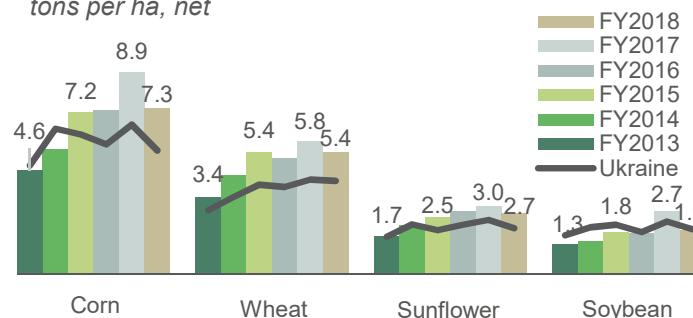
Kernel's crop production,
thousand tons



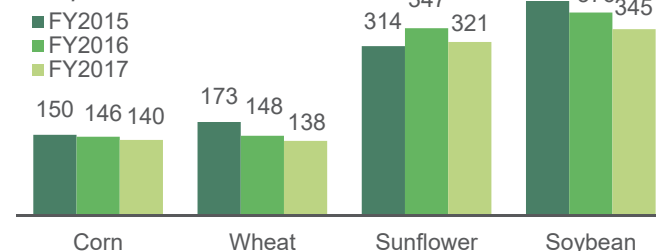
Farming segment's EBITDA margin



Crop yields¹,
tons per ha, net



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



Note 1 For comparison purposes, yields for FY2018 are provided for Kernel's initial lands (prior to land bank expansion in summer 2017). Yield's for Kernel combined land bank are provided on page 5.

Note 2 Farming segment EBITDA for the period, divided by the acreage harvested in corresponding year.

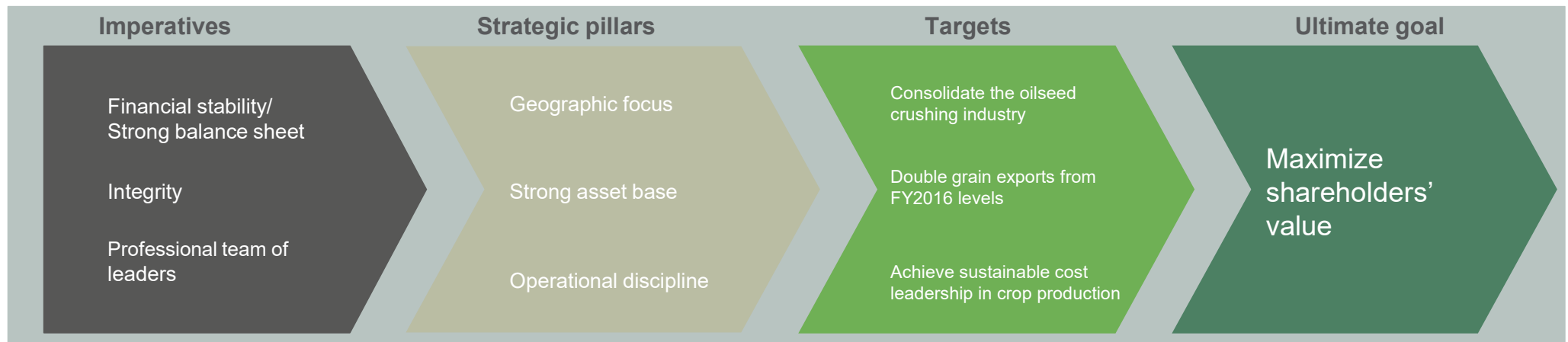
- Acquisition of Ukrainian Agrarian Investments and Agro-Invest Ukraine in summer 2017 expanded the leasehold farmland bank by more than 200 thousand hectares, but part of land will be disposed, being suboptimal for our operations.
- Total net tonnage of the five key crops harvested by Kernel increased by 18% y-o-y, as a decline in Company's crop yields was more than compensated for by the land bank expansion in summer 2017. Crop yields on Kernel's initial lands (prior to expansion) are above the country averages, and we are working at full speed to replicate our production technology on the newly acquired land bank.
- Overall, farming division contributed US\$ 146 million EBITDA in FY2017, down mere 0.3% y-o-y**
 - LTM EBITDA was US\$ 79 million

3. Kernel 2021: a road to US\$ 500 million EBITDA



3.1 Kernel's mid-term strategy

We aim to profitably double export volumes by FY2021, providing unique complex solutions to our clients (customers and suppliers), with balanced development of our business segments resulting from an 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

Key deliverables in 2017

- Design and preparation works on greenfield crushing plant in Western Ukraine
- Ongoing M&A dialogue with local producer

Mid-term targets in detail

- Construction of 1-million-ton per year greenfield crushing plant in Western Ukraine
- Alternatively, acquisition of 1.0-1.5 million tons of additional crushing capacities in Western Ukraine



Grain and infrastructure

- Active construction phase on our 2nd 4-million-ton deep-water grain transshipment terminal in Chornomorsk
- Launched Avere – a knowledge and research platform to effectively hedge the expected increase of Kernel's exports to 12 million tons a year

- Double grain exports in FY2021 through greenfield construction of up to 4.0 million tons deep-water transshipment facility in Ukraine
- Expand and streamline silo network to serve growing in-house production and export volumes



Farming

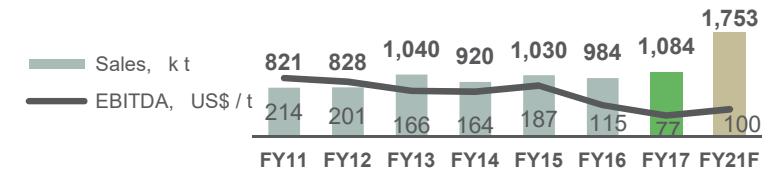
- Acquisition of Ukrainian Agrarian Investments and AgroInvestUkraine expanded leasehold farmland bank by 200,000 hectares

- Achieve sustainable low-cost crop production through investments in technology
- Smooth integration of recently acquired assets to uplift the operational efficiency and productivity levels to Kernel's high standard

3.2 Road to US\$ 500m EBITDA by 2021

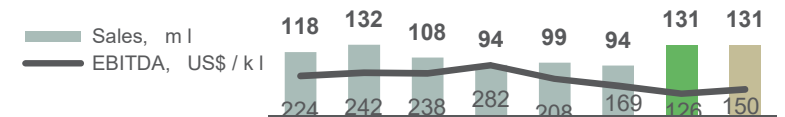
			FY17	FY21F
Sunflower oil (bulk)	Production	k t	1,328	1,877 ¹
	Sales	k t	1,084	1,753
	EBITDA	US\$ / t ²	77	100
		US\$ m	83	176

- Volumes** ↑ due to greenfield construction of new crushing plant or acquisition of local player in Western Ukraine
- Margins** ↑ due to increased sunflower seeds supply coming primarily from Western Ukraine improving S&D fundamentals



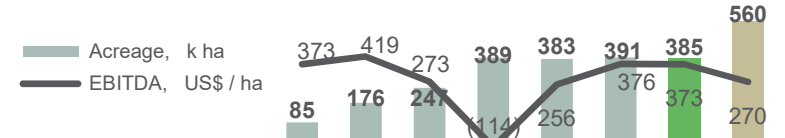
Sunflower oil (bottled)	Sales	m l	131	131
	EBITDA	US\$ / k l	126	150
		US\$ m	17	20

- Volumes stable:** almost maximum capacity utilization reached
- Margins** ↑ in line with bulk oil segment dynamics



Farming	Acreage	k t	385	560
	EBITDA	US\$ / ha	373	270
		US\$ m	144	151

- Acreage** ↑ following the acquisition of land bank in 2017 & following-up landbank streamlining
- Margins** ↓: OpEx up due to pick up in domestic inflation and rising energy costs, elimination of farming subsidies



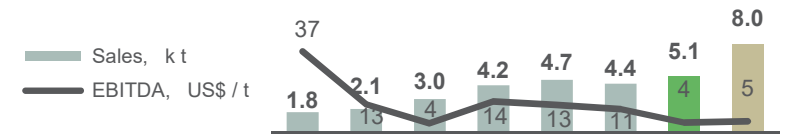
Terminals ³	Throughput	m t	4.5	8.9
	EBITDA	US\$ / t	11	10
		US\$ m	48	90

- Volume** ↑ following commissioning of new terminal in 2019 and debottlenecking of TransBulkTerminal
- Margins** ↓ due to higher market competition



Grain trading	Sales	m t	5.1	8.0
	EBITDA	US\$ / t	4.5	5.0
		US\$ m	23	40

- Volume** ↑ following commissioning of new terminal
- Margins** ↑ normalization of profitability at relatively low level



Silo	Grain in-take	m t	3.3	5.0
	EBITDA	US\$ / t	12.3	12.0
		US\$ m	40	60

- Volume** ↑ due to construction of new modern silos (320k t storage capacity) and streamlining of the existing network
- Margins** almost flat as countrywide growth in capacities will be offset with growth in harvested volumes



Unallocated overheads	US\$ m	(35)	(42)
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- Marginal growth of head office costs due to expansion of business scale

Total	EBITDA	319	495
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Conservative assumptions underpin US\$ 500m EBITDA target in FY2021

Note 1 Bulk oil inventory level normalization Note 2 Per ton of bulk oil
Note 3 Excluding Taman

3.3 Sunflower oil

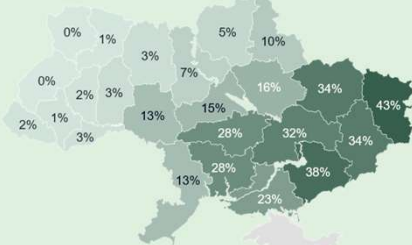
Strong case for the construction of greenfield crushing plant in Western Ukraine

- Extremely high crushing margins over the past 5-6 years drove substantial investment into the sector and resulted in overcapacity, pushing the margins to historically low level.
- We expect the gradual recovery and stabilization of margins at around US\$ 100 per ton of oil within next few seasons, following the rationalization of demand along with the supply growth, primarily from Western Ukraine

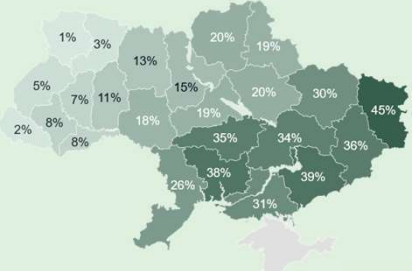
Western Ukraine has the capabilities to increase sunflower seed production by nearly 2 million tons over the next few years

- Ideal weather conditions for sunflower seeds production → yields above Ukrainian average, higher oil content
- Historically long transportation leg to the area of installed crushing capacity prohibited mass production of sunflower seeds in Western Ukraine
- Falling crushing margins along with sunflower seed record profitability enables longer transportation distances, incentivizing oilseed production in Western Ukraine

% of harvested areas under sunflower in MY2010/11



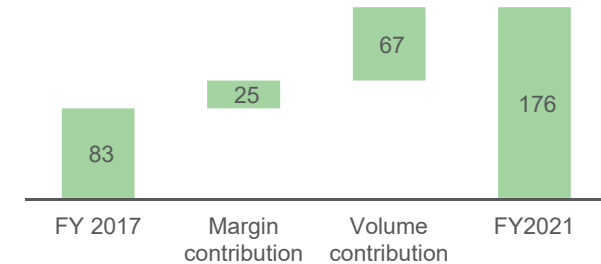
% of harvested areas under sunflower in MY2016/17



West	MY15	MY17	MY21E
Acreage under sunflower, %	3.8%	7.7%	14%
Yield, t/ha	2.3	2.7	3.0
Production, k t	394	963	2,367
Surplus (shortage), k t	190	629	2,033
Center			
Acreage under sunflower, %	15%	18%	20%
Yield, t/ha	2.6	2.7	2.9
Production, k t	2,765	3,699	4,685
Surplus (shortage), k t	552	729	1,716
South-East			
Acreage under sunflower, %	30%	33%	31%
Yield, t/ha	1.8	2.1	2.3
Production, k t	6,975	8,965	8,643
Surplus (shortage), k t	(2,227)	(4,925)	(5,247)

- Lack of established players in Western Ukraine → low level of competition for sunflower seeds → higher margins
- Long distance to sunflower seed deficit area is a natural cushion to protect margins
- Kernel aims to enter Western Ukraine regions via greenfield construction of 1-million-ton per year crushing plant or, as an alternative, through the acquisition of local producer in the region

EBITDA bridge (sunflower oil sold in bulk)
US\$ million



Underlying assumptions
US\$ million

		FY15	FY16	FY17	FY21F
Crushing volumes (initial)	k t	2,523	2,685	2,959	3,335
Crushing volumes (additional)	k t				931
Oil yield	%	44%	44%	45%	44%
Sunflower oil production	k t	1,110	1,181	1,328	1,877
Sunflower oil sales in bulk (initial)	k t	1,030	984	1,084	1,344
Sunflower oil sales in bulk (additional)	k t				409
EBITDA	US\$ / t	187	115	77	100
EBITDA	US\$ m	193	113	83	176

Summary:

- Investments: **US\$ 130 million**
- Incremental working capital: **US\$ 80 million**
- Target EBITDA contribution: **US\$ 41 million**

3.4 Grain and infrastructure

Construction of TransGrainTerminal and new silos

TransGrainTerminal highlights

- Construction started in 2017
- Commissioning date: autumn 2019
- Transshipment capacity: 4m t per annum

Grain silos construction highlights

- Construction of new silos with 320k t storage capacity to support growth in grain export volumes

Underlying assumptions

Grain transshipment		FY14	FY15	FY16	FY17	FY21F
Throughput (initial) ¹	k t	2,782	3,648	3,724	4,456	4,900
Throughput (TGT)	k t					4,000
EBITDA	US\$ / t	10	10	10	11	10
EBITDA	US\$ m	27	37	37	48	90

Grain trading

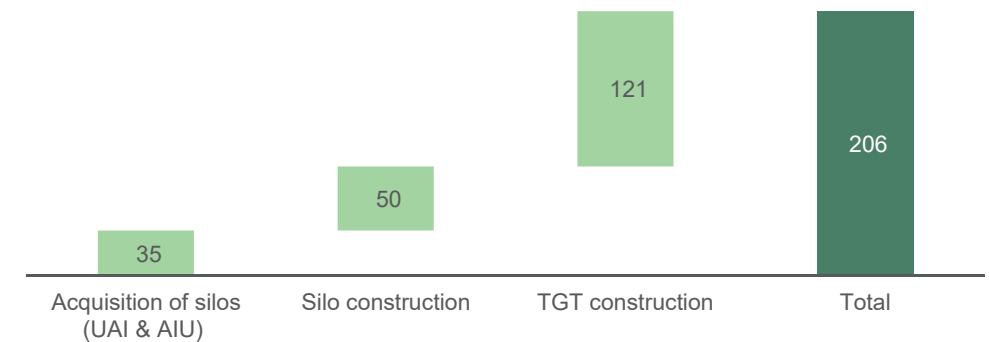
Volumes (initial)	k t	4,244	4,744	4,409	5,060	4,000
Volumes (TGT)	k t					4,000
EBITDA	US\$ / t	14.0	12.5	10.5	4.5	5.0
EBITDA	US\$ m	59	59	46	23	40

Silo services

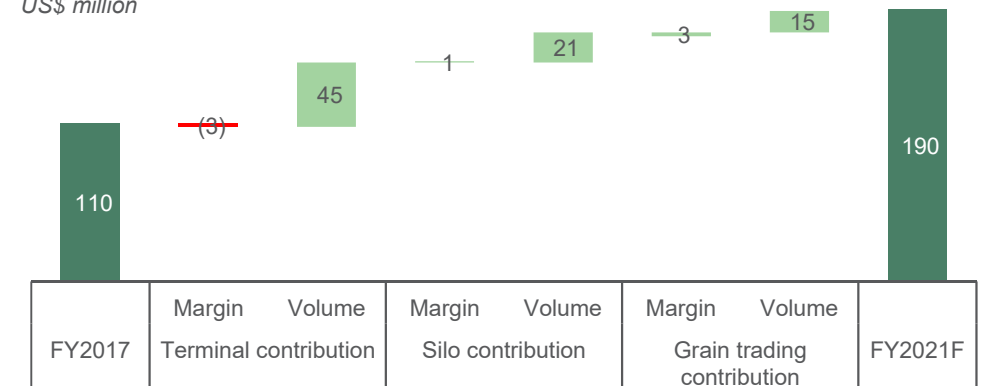
Volumes (initial)	k t	2,586	2,523	2,820	3,257	4,360
Volumes (new)	k t					640
EBITDA	US\$ / t	15.1	7.3	8.3	12.3	12.0
EBITDA	US\$ m	39	18	23	40	60

Total EBITDA	US\$ m	126	114	107	110	190
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Capital deployment US\$ million



EBITDA contributions US\$ million



Summary:

- Investments: **US\$ 206 million**
- Incremental working capital: **US\$ 30 million**
- Target EBITDA contribution: **US\$ 80 million**

Note 1 Excluding Taman

3.5 Farming

Integration of acquired leasehold land bank to uplift productivity to Kernel's standard

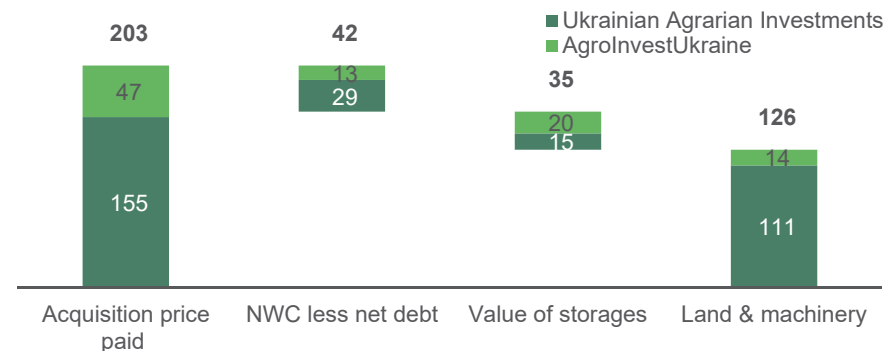
- US\$ 128 million (adjusted for storage capacity and net working capital) has been invested into leasehold farm landbank expansion, increasing the acreage under management to 600,000 hectares
- Following the disposal of suboptimal acreage, Kernel shall operate 560,000 hectares
- Currently management focus is on the smooth integration of newly acquired businesses and uplifting the productivity to Kernel's standard
- We envisage the reduction of margins in farming business due to accelerating inflation of field costs, cancellation of VAT subsidies and prolonged weakness of global soft commodity prices

Underlying assumptions

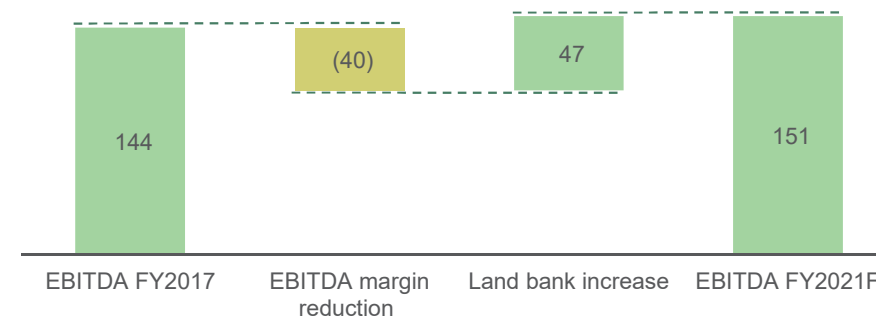
		FY14	FY15	FY16	FY17	FY21F
Acreage harvested	k ha	389	383	391	385	560 ¹
Net crop yields	Corn	t / ha	5.5	7.2	7.2	8.9
	Wheat	t / ha	4.3	5.4	5.1	5.8
	Sunflower	t / ha	2.1	2.5	2.8	3.0
	Soybean	t / ha	1.4	1.8	1.8	2.7
	Rapeseed	t / ha	2.5	-	4.4	3.0
EBITDA	US\$ m	(44)	98	147	144	151
EBITDA	US\$ / ha	n/m	256	376	373	270

Note 1 After land bank streamlining flowing recent acquisitions

Expansion CapEx US\$ million



EBITDA contributions US\$ million



Summary:

- Investments: **US\$ 126 million**
- Incremental working capital: **US\$ 100 million**
- Target EBITDA contribution: **US\$ 47 million**

4. FINANCIALS AND OUTLOOK



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	LTM
Revenue	215	350	663	1,047	1,020	1,899	2,072	2,797	2,393	2,330	1,989	2,169	2,198
Net IAS 41 gain / (loss)	-	-	-	-	-	-	-	15	(17)	(7)	20	(3)	(34)
Cost of sales	(173)	(267)	(505)	(730)	(709)	(1,440)	(1,614)	(2,361)	(1,968)	(1,810)	(1,548)	(1,723)	(1,810)
Gross profit	42	83	159	317	311	460	457	451	408	512	460	443	353
Other operating income	1	8	25	17	18	26	66	67	60	83	45	41	29
Distribution costs	(20)	(39)	(52)	(143)	(134)	(170)	(199)	(238)	(263)	(199)	(158)	(159)	(140)
G&A expenses	(11)	(13)	(20)	(24)	(27)	(38)	(67)	(78)	(77)	(68)	(59)	(60)	(72)
EBIT	12	39	112	167	167	277	257	201	129	328	287	265	171
Financial costs, net	(9)	(19)	(28)	(32)	(23)	(42)	(63)	(75)	(72)	(69)	(57)	(62)	(68)
FX gain(loss), net	(1)	(1)	3	(3)	11	2	5	3	(99)	(153)	30	(3)	18
Other non-operating items	(2)	(2)	5	(4)	(4)	(28)	(3)	(8)	(48)	(5)	(13)	(3)	(10)
Income tax	0	2	(9)	5	0	18	9	(6)	(11)	(0)	(4)	(19)	1
Net profit from continuing operations	0	19	82	132	152	226	206	115	(102)	101	244	179	112
Profit / (loss) from discontinued operations	-	-	-	-	-	-	5	(10)	(6)	(5)	(17)	-	-
Net profit	0	19	82	132	152	226	211	105	(107)	96	227	179	112
Net profit attributable to shareholders	1	20	83	136	152	226	207	112	(98)	107	225	176	107
<i>EPS, US\$</i>		-	2.1	2.0	2.2	3.0	2.6	1.4	(1.2)	1.3	2.8	2.2	1.30
<i>ROE¹</i>		37%	36%	36%	32%	29%	19%	9%	(8%)	11%	24%	16%	10%
<i>ROIC²</i>		21%	25%	26%	22%	23%	17%	9%	(1%)	11%	21%	15%	9%
<i>Net Income / Invested Capital</i>		14%	36%	21%	23%	24%	15%	6%	-5%	6%	17%	13%	5%
EBITDA, incl.	17	46	123	190	190	310	319	288	223	397	346	319	240
Sunflower oil	-	-	81	89	101	202	198	199	178	213	129	100	94
Grain and infrastructure	-	-	40	112	80	94	59	59	126	114	107	110	107
Farming	-	-	20	7	23	32	74	67	(44)	98	146	144	79
Unallocated expenses and other	-	-	(18)	(18)	(14)	(18)	(12)	(38)	(36)	(29)	(36)	(35)	(40)
<i>Gross margin</i>	19%	24%	24%	30%	30%	24%	22%	16%	17%	22%	23%	20%	16.1%
<i>EBITDA margin</i>	8%	13%	19%	18%	19%	16%	15%	10%	9%	17%	17%	15%	10.9%
<i>Net margin</i>	0.0%	5.3%	12.4%	12.6%	14.9%	11.9%	10.2%	3.8%	(4.5%)	4.1%	11.4%	8.2%	5.1%

Note 1 Net profit attributable to shareholders divided by average equity attributable to shareholders over the period

Note 2 Sum of net profit attributable to shareholders and financial costs, divided by average over the period sum of the debt and equity

4.2 Balance sheet

Balance sheet highlights													31 Dec
US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	2017
Cash & cash equivalents	6	25	89	129	59	116	83	79	65	129	60	143	157
Net trade accounts receivable	9	10	49	32	65	112	146	151	100	56	75	87	118
Prepayments to suppliers & other current assets	7	9	30	26	94	81	90	110	57	61	53	83	75
Prepaid taxes	9	22	23	73	206	221	236	210	156	105	138	143	136
Inventory	32	40	145	99	148	184	410	270	300	159	200	387	769
<i>of which: readily marketable inventories</i>	29	38	139	91	143	141	336	157	243	140	184	354	690
Biological assets	3	10	42	19	26	96	153	247	183	147	190	256	33
Other current assets	-	-	-	-	-	-	-	23	12	2	4	21	34
Intangible assets and goodwill	10	28	103	81	118	152	228	321	233	172	159	219	217
Net property, plant & equipment	72	128	232	222	379	503	728	763	643	535	539	570	577
Other non-current assets	5	3	43	19	29	109	41	187	170	100	91	100	93
Total assets	156	275	756	700	1,125	1,573	2,116	2,362	1,919	1,466	1,509	2,009	2,210
Trade accounts payable	1	6	6	8	11	27	25	47	33	27	42	53	41
Advances from customers & other current liabilities	5	9	22	26	131	102	155	202	80	63	77	89	120
Interest-bearing debt	93	157	256	295	345	422	693	725	743	463	339	655	853
Short-term debt	29	44	127	160	210	266	266	450	483	367	254	152	350
Long-term debt	54	102	98	133	135	156	427	276	260	95	84	8	9
Corporate bonds issued	10	10	31	2	-	-	-	-	-	-	-	494	494
Other liabilities	9	18	32	14	32	24	33	35	32	21	55	56	57
Total liabilities	108	190	315	342	520	575	906	1,009	888	575	512	851	1,072
Total equity	48	85	440	357	605	997	1,211	1,352	1,031	891	997	1,158	1,139
<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	0.7x
<i>Debt / assets ratio</i>	60%	57%	34%	42%	31%	27%	33%	31%	39%	32%	22%	33%	39%
Liquidity position and credit metrics													
Gross interest-bearing debt	94	158	259	300	350	428	698	734	749	469	343	657	855
Cash	6	25	89	129	59	116	83	79	65	129	60	143	157
Net interest-bearing debt	88	133	170	170	291	312	616	655	684	339	283	514	698
Readily marketable inventories	29	38	139	91	143	141	336	157	243	140	184	354	690
Adjusted net financial debt	58	95	32	79	148	170	280	498	441	199	99	160	7
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	2.9x
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	0.0x
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	3.5x

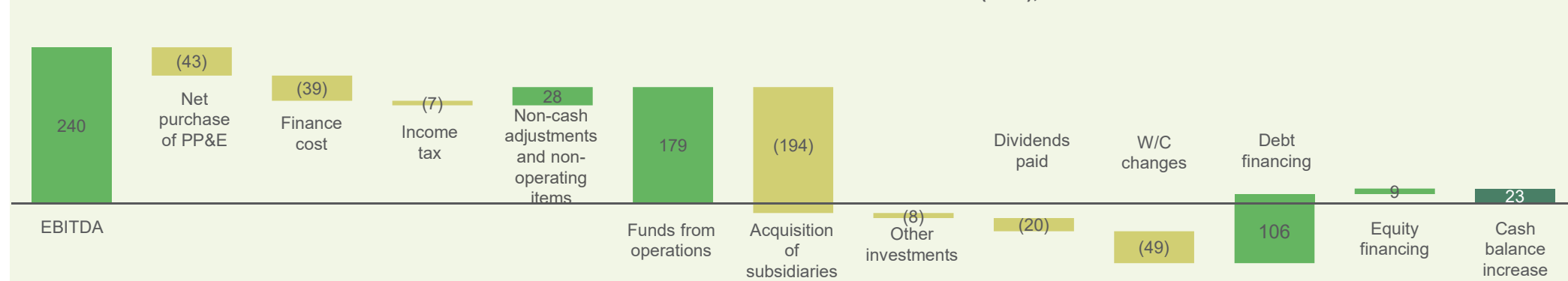
Note: financial year ends 30 June.

Source: Consolidated audited financial accounts for 12 months, periods ending 30 June 2006 to 2017

4.3 Cash flow statement

US\$ million	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	LTM
EBITDA	17	46	123	190	190	310	319	288	223	397	346	319	240
Net purchase of PP&E	(6)	2	(24)	(89)	(56)	(48)	(93)	(91)	(42)	(23)	(30)	(40)	(43)
Finance cost paid	(9)	(18)	(28)	(32)	(23)	(36)	(67)	(76)	(72)	(68)	(58)	(35)	(39)
Income tax paid	(0)	(1)	(3)	(2)	(1)	(3)	(7)	(43)	(40)	(13)	(3)	(6)	(7)
Non-cash adjustments and non-operating items	(0)	(1)	7	(32)	12	(36)	(27)	1	(41)	(70)	(18)	5	28
Funds from operations	1	28	75	35	123	187	125	78	28	223	237	243	179
Change in working capital	(36)	(15)	(210)	(25)	(97)	(180)	(242)	135	(1)	147	(136)	(206)	(49)
Acquisition of subsidiaries and JVs, net	-	(60)	(97)	(5)	(70)	(11)	(136)	(152)	(41)	2	(36)	(146)	(194)
Other investments	1	0	(49)	(1)	1	(66)	(0)	(23)	(1)	(4)	6	(37)	(8)
Dividends paid	-	-	-	-	-	-	-	-	-	(20)	(20)	(20)	(20)
Free cash flow	(34)	(46)	(281)	4	(44)	(71)	(253)	38	(14)	349	51	(166)	(92)
Financing	31	64	315	36	4	124	225	(48)	7	(290)	(115)	193	115
Debt	32	62	81	36	(77)	(18)	220	(45)	7	(289)	(115)	178	106
Equity	(1)	3	235	-	81	141	5	(2)	-	(1)	-	15	9
Cash EoP	6	25	59	98	58	110	83	73	65	124	60	87	87
Cash conversion cycle	n/a	71	91	89	126	95	124	94	90	71	66	88	179
Payment period, days	n/a	(5)	(4)	(3)	(5)	(5)	(6)	(6)	(7)	(6)	(8)	(10)	(8)
Inventories processing, days	n/a	49	67	61	64	42	67	53	53	46	42	62	140
Receivables collection, days	n/a	10	16	14	18	17	23	19	19	12	12	14	20
VAT receivables, days	n/a	17	13	17	50	41	40	28	26	18	20	22	27

Sources and uses of cash in Jan'17-Dec'17 (LTM), US\$ million



4.4 Outlook for FY2018

- Market environment this season remains challenging and we don't expect any major positive surprises until the beginning of new harvesting campaign. Along with that, we believe that most of the setbacks we face this year have already been materialized and further deterioration of market conditions is limited.
- We are progressing on our target to crush 3.2 million tons of sunflower seeds in FY2018, and this target looks achievable. Notwithstanding some temporary recovery in profitability, we maintain our guidance for crushing margin for the full FY2018 at the level of 50 US\$/t of oil sold in bulk.
- For our grain and infrastructure division we are more optimistic. While some margin softening is expected in export terminals segment this year, silo services and grain trading activities should keep the overall division's EBITDA in FY2018 at quite comparable level y-o-y.
- Farming division's performance this season was negatively affected by dry weather conditions in summer 2017, followed by adversely affected crop yields taking a toll on financial performance. As a result, our profitability substantially declined, and we maintain our full year farming EBITDA guidance at US\$ 85 million (prior to IAS41 effect).

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Investor calendar

- | | |
|-------------------------------|------------------------|
| ▪ Q3 FY2018 Operations Update | 18 April 2018 |
| ▪ Q3 FY2018 Financial Report | 25 May 2018 |
| ▪ Q4 FY2018 Operations Update | 17 July 2018 |
| ▪ FY2018 Financial Report | 22 October 2018 |

APPENDICES



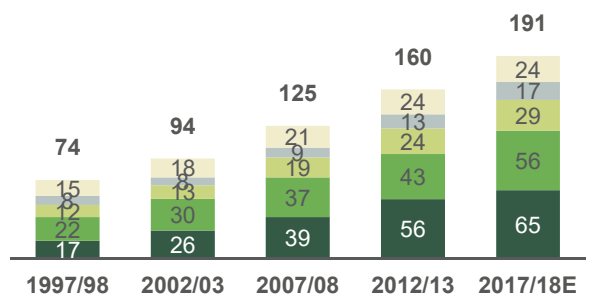
A1. Key highlights

- Kernel operates in globally competitive growing Ukrainian agri sector
- Integrated, resilient and simple business model built around scale & global reach
- Leader across all market segments supported by unparalleled world-class asset base with high barriers to entry
- Top standard of corporate governance
- Solid financial performance and position
- Clear 2021 strategy reinforced with unmatched track record
- Financial performance target of US\$ 500m EBITDA in FY2021 is based on conservative assumptions and investments under management control
- Reversion of low commodity cycle and farmland market reform in Ukraine are free options imbedded into Kernel's business model

A2. Markets and business environment

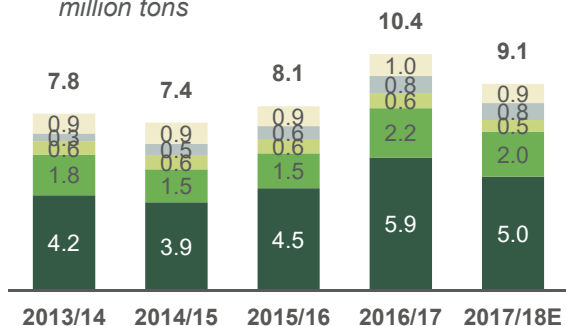
Sunflower oil

Global consumption of vegetable oils
million tons



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

Global sunflower oil exports
million tons

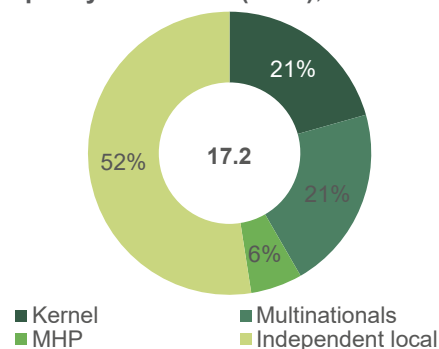


■ Ukraine ■ Russia ■ Turkey ■ Argentina ■ Other
Source: USDA

Global edible oils market trends

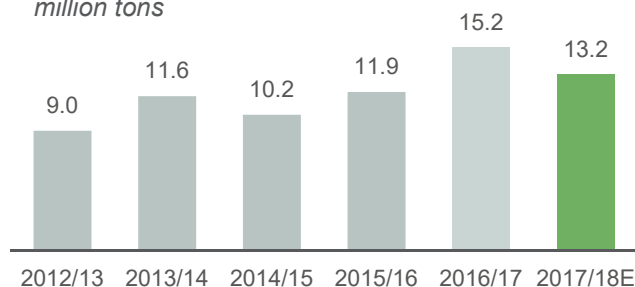
- Following the global demographic trends, world consumption of vegetable oils is expected to achieve healthy 3.5% y-o-y growth in 2017/18 marketing season to 191 million tons. Sunflower oil was the fastest growing market segment in 2016/17 (10.0% up y-o-y) thanks to changes in dietary patterns in India, EU and Northern Africa, but is expected to slow down in 2017/18, reaching 17 million tons.
- Global production of vegetable oil is expected to increase 4.3% y-o-y to 197 million tons, and sunflower oil segment seems to be the only declining segment, driven by lower sunflower seed harvest in Ukraine
- At the same time, Ukraine remains the largest producer and exporter of sunflower oil globally

Sunflower seed industrial crushing capacity in Ukraine (2017), million tons



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

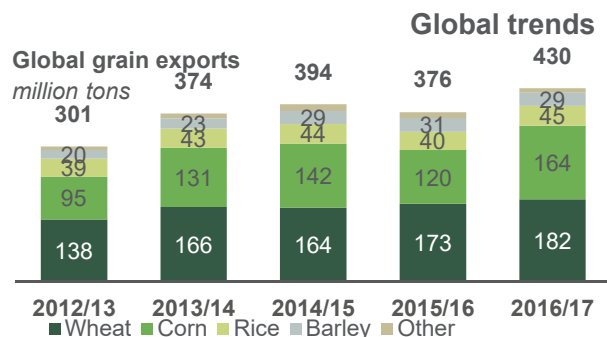
Sunflower seed harvest in Ukraine
million tons



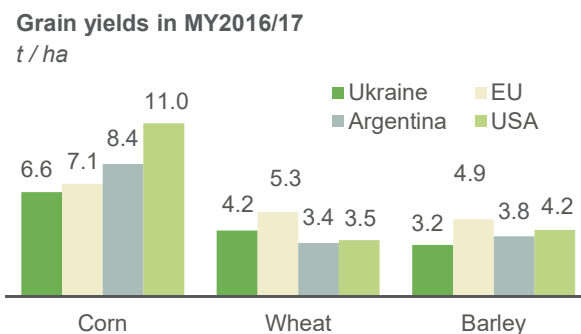
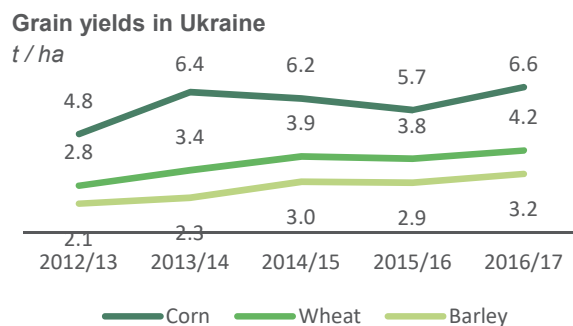
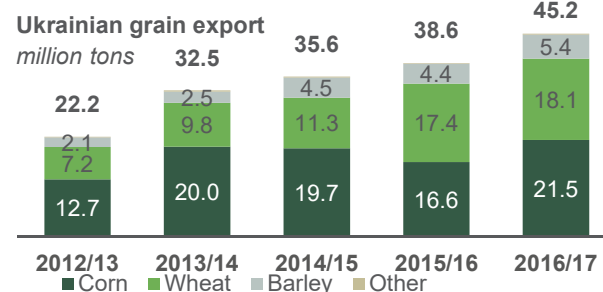
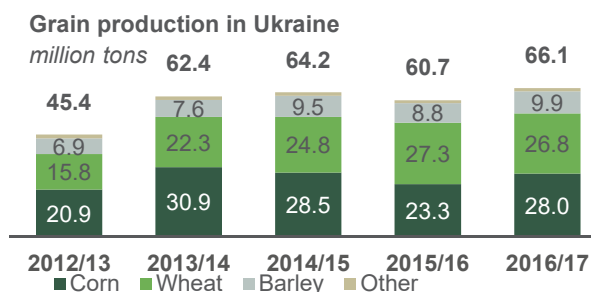
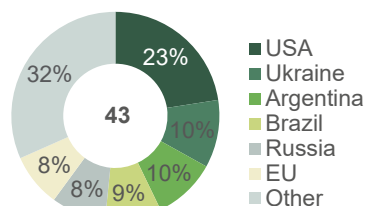
Source: USDA for historical data, forecast as per Kernel's estimates

A2. Markets and business environment

Grain and infrastructure



Top grain exporting countries
million tons

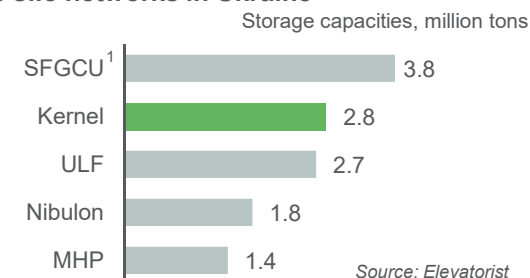


Top 5 grain exporters from Ukraine

2013/14	2014/15	2015/16	2016/17
Nibulon	Nibulon	SFGCU	Nibulon
Louis Dreyfus	SFGCU	Kernel	Kernel
A. Toepfer	Kernel	Nibulon	SFGCU
Kernel	Louis Dreyfus	Cargill	ADM
SFGCU	Cofco	ULF	Cargill

Source: Agrochart, Ukrainian Agrarian Confederation, Kernel

Top 5 silo networks in Ukraine

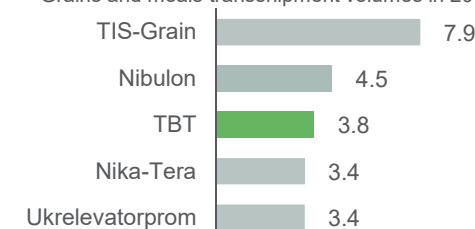


Source: Elevatorist

(1) State Food and Grain Company of Ukraine

Top 5 grain transshipment terminals in Ukraine

Grains and meals transshipment volumes in 2016/17, million tons



Source: Agrochart, Kernel

- Being the 2nd largest grain exporter in the world, Ukraine still has a significant potential to increase grain production by applying more efficient crop production techniques and reaching higher yields, which are currently 20-40% lower than those of developed producers
- With stable domestic consumption, productivity gains shall directly translate into export volumes growth

- Having leading positions in grain trading and infrastructure segments, Kernel is **the best positioned platform in Ukraine** to benefit from future growth of export volumes from Ukraine.

A2. Markets and business environment

Low cycle of soft commodity prices

Index of soft commodity prices, US\$-inflation adjusted



Note

1. **Corn:** U.S. No. 2 Yellow, FOB Gulf of Mexico, U.S. price, US\$ per metric ton
2. **Wheat:** No.1 Hard Red Winter, ordinary protein, FOB Gulf of Mexico, US\$ per metric ton
3. **Sunflower oil:** crude, bid, FOB Black Sea, Ukraine, US\$ per metric ton

Source: USDA, APK-inform

- Soft commodity **prices** (inflation adjusted) continue to be **depressed for the 5th consecutive year**
- **Price recovery will have a direct positive impact on profitability**

Kernel, with >40% of its EBITDA being generated by the farming (upstream) business, is best positioned to benefit from the global recovery of soft commodity prices

A3. Low risk platform

- Kernel has significantly deleveraged its balance sheet over recent years and has a current leverage of net debt / EBITDA of 1.6x (as of 30 June 2017)
- During the Ukrainian economy's challenging years, Kernel has successfully relied on pre-export facilities to finance c. 70% of its working capital requirements during its peak periods
- Kernel's export-oriented business model, with a captive origination infrastructure and prudent risk management, limits its exposure to domestic markets and commodity price fluctuations
- Kernel has a well-invested and diversified asset base across Ukraine with strategic access to export routes which represents high barriers to entry
- Kernel's business model enables transferability of c. 95% of its EBITDA to off-shore level, keeping business immune to restrictive capital controls in Ukraine
- Eurobond issue in January 2017 was rated B+ by Fitch and B by S&P, two and one notches above Ukrainian sovereign, respectively, which is an unprecedented achievement for Ukrainian issuers

Leading credit rating position in Ukraine

- The highest credit rating in Ukraine, 2 (Fitch) and 1 (S&P) notches above the Sovereign, resilient to sovereign stress

Key credit risks and mitigating factors

Country risk	<ul style="list-style-type: none"> ■ Kernel's export-oriented business model has demonstrated resilience to downturns in the Ukrainian economy
Sourcing risk	<ul style="list-style-type: none"> ■ Ukraine has reached sustainable levels of grain production and Kernel operates a world-class asset base, serving as a captive origination platform which supports growing export volumes
Counterparty risk	<ul style="list-style-type: none"> ■ Diverse customer base (top-10 clients account for 58% of revenues) ■ Superb credit default-free track record
Currency risk	<ul style="list-style-type: none"> ■ Kernel is naturally hedged against volatility of local currency, nearly 100% of Kernel's revenue is US\$-denominated
Regulatory risk	<ul style="list-style-type: none"> ■ Kernel's export-driven business is largely immune to the existing regulatory framework and restrictive capital controls
Liquidity risk	<ul style="list-style-type: none"> ■ A significant portion of Kernel's inventories satisfies RMI criteria and the company has significantly deleveraged: Net debt / EBITDA of 1.6x (as of 30 June 2017)