

QUESTIONS AND ANSWERS

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 12 AUGUST 2024

When referring to the Company, Kernel Holding S.A. is meant, and when referring to the Group, it includes the Company and its subsidiaries.

According to Article 7(1) of the Law of 24 May 2011 on the exercise of certain shareholders’ rights at general meetings of listed companies (the “Shareholder Rights’ Law”) *“Every shareholder shall have the right to ask questions related to items on the agenda of the general meeting. The Company shall answer the questions put to it by shareholders within the limits of the measures it can take to ensure [...] the good order of general meetings”*. Consequently, the Shareholder Rights’ Law only entitles shareholders with a right to ask questions strictly related to items on the agenda of the general meeting and insofar as necessary for the proper assessment of the item on the agenda. Furthermore, questions must be asked prior to (if in writing) or during the course of the relevant general meeting of the shareholders. Questions that are asked after the general meeting has been closed are belated because, in the meantime, the meeting has voted on the agenda items and has adopted corresponding resolutions. Questions related to the events not having to be reflected in the annual report for the financial year ended 30 June 2023 are not relevant to the agenda of the general meeting of shareholders and will not be answered.

A. QUESTIONS RELATING TO THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY:

1. Why an extraordinary general meeting of shareholders of the Company has been convened?

Answer:

Certain minority shareholders holding approximately 0,4% of the share capital of the Company have initiated legal proceedings against all the resolutions passed at the annual general meeting of shareholders of the Company held on 11 December 2023. The legal proceedings are based on alleged formal deficiencies of the annual general meeting of shareholders of the Company held on 11 December 2023. In the unlikely event, the proceedings would be successful, they could result in the invalidation of the resolutions passed at the annual general meeting of shareholders of the Company held on 11 December 2023 . The resolutions passed at the annual general meeting of shareholders of the Company held on 11 December 2023, which were all supported by a very large majority of the shareholders present or represented at that meeting, related among other things to appointments to the board of directors, the appointment of the independent auditor for the current financial year and the approval of the annual accounts as at 30 June 2023. These resolutions are crucial to the effective decision-making and the financial viability of the Company, particularly in the current geopolitical and economic context, as Company at all times must be able to rely on a validly appointed board of directors, independent auditor and approved historical financial statements. The suspension of the validity of the resolutions passed at the annual general meeting of shareholders of the Company held on 11 December 2023 could irreversibly undermine this stability. By convening this extraordinary general meeting, the Company gives the shareholders the opportunity to reconfirm their approval expressed on 11 December 2023, ensuring that these key decisions remain valid for the benefit of the Company and all its stakeholders.

2. Why are the agenda items of the extraordinary general meeting of shareholders to be held on 12 August 2024 identical to the ones of the annual general meeting of shareholders held on 11 December 2023?

Answer:

The purpose of the extraordinary general meeting of shareholders to be held on 12 August 2024 is merely to confirm, ratify or, to the extent necessary, approve all the decisions previously taken during the annual general meeting of shareholders held on 11 December 2023 by a very large majority of the shareholders present or represented, pending the full resolution of the legal actions. The convening of the extraordinary general meeting of shareholders to be held on 12 August 2024 is thus of a purely precautionary nature and no additional items have been added to the agenda of the meeting. The confirmation and ratification or, to the extent necessary, approval of the decisions previously taken during the annual general meeting of shareholders held on 11 December 2023 will ensure that the Company has at all times, *inter alia*, a validly appointed and functioning board of directors, an independent auditor and approved annual accounts (i.e. ensuring continuous accounting prior to the forthcoming approval of the 2023/2024 financial statements, both on a standalone and consolidated basis).

3. Why is the new extraordinary general meeting of shareholders convened now?

Answer:

On 09 July 2024, the board of directors of the Company received a request from Namsen Limited, a shareholder holding more than 10% of the Company’s share capital, to convene an extraordinary general meeting of shareholders. This request was made in accordance with Article 450-8, paragraph 2 of the Luxembourg law of 10 August 1915 regarding commercial companies, as amended, and Article 14.4 of the Company’s articles of association. The board of directors acknowledged this request and noted its statutory obligation to convene the general meeting. The general meeting was convened with a notice period of not less than 30 days in accordance with prevailing Luxembourg law provisions.

Additionally, legal proceedings initiated by certain shareholders holding approximately 0,4% of the share capital of the Company with the purpose of suspending the resolutions of the annual general meeting of shareholders held on 11 December 2023 are currently pending before the Luxembourg courts. The holding of the extraordinary general meeting of shareholders on 12 August 2024 will ensure the continuity of the Company’s activity and management irrespective of the outcome of such proceedings, including, in the unlikely event, where the proceedings initiated by certain minority shareholders were successful.

4. What is the link between the legal proceedings initiated by the minority shareholders and the extraordinary general meeting of shareholders to be held on 12 August 2024?

Answer:

There is no link between the legal proceedings initiated by the minority shareholders and the extraordinary general meeting of shareholders to be held on 12 August 2024 other than as explained in Q&A1 through Q&A3 above. The extraordinary general meeting of shareholders to be held on 12 August 2024 is ultimately the fullest expression of attention and vigilance to the interest of the Company considering the multiple legal actions brought by minority shareholders.

5. Was the annual general meeting of shareholders held on 11 December 2023 organized in accordance with all applicable regulations?

Answer:

Yes, the annual general meeting has been held physically at the Company’s registered office at 9, rue de Bitbourg L-1273 Luxembourg, as indicated in the convening notice published on 11 November 2023. As no shareholders have declared their intention to participate in person within the legal deadline, all the votes at the meeting were expressed by shareholders through a proxy designated by the Company or directly via voting instructions submitted by the shareholders. There was no public broadcasting of that general meeting, as 1) such broadcasting is not required by the applicable legislation; and 2) such a

practice is in line with the way of arranging of all previous general meetings of the shareholders of the Company. Nevertheless, legal advisors of the Company and the corporate secretary joined the meeting virtually (at the invitation of the General Meeting Bureau).

6. Are the votes cast at the annual general meeting of shareholders held on 11 December 2023 remain valid?

Answer:

The votes cast at the annual general meeting of shareholders held on 11 December 2023 remain valid, except in the unlikely event, where the proceedings initiated by certain minority shareholders were successful. Therefore, shareholders are invited to vote again on each of the agenda items of such annual general meeting to maintain the effect to their vote cast at such meeting (if a vote was cast) or to cast a vote on each of these agenda items (in case no vote was cast) irrespective of the legal proceedings initiated by certain minority shareholders. Shareholders should therefore be aware that, in the unlikely event, where the proceedings initiated by certain minority shareholders were successful, failure to vote at the extraordinary general meeting to be held on 12 August 2024 may result in the invalidation of the resolutions passed on 11 December 2023 by a very large majority of the shareholders present or represented.

7. Can shareholders participate in the meeting without having registered in accordance with the procedures set out in the convening notice?

Answer:

The provisions of Article 5(3) of the Shareholder Rights' Law expressly require shareholders to indicate their intention to participate no later than on the record date. Registration for the general meeting by no later than on the record date is thus a statutory requirement that is distinct from the obligation to provide proof of record over shares on the record date. The same registration requirement has been prominently stated in the convening notice for the meeting as for all previous general meetings of shareholders. The purpose of this requirement for shareholders is to allow the company to make requisite arrangements regarding logistics, organization, venue availability, ensure the presence of senior management, board members, and/or the statutory auditor at the meeting to answer questions, etc. Those shareholders who do not complete proper registration for the general meeting have no right to attend the general meeting in person.

8. What are the key changes proposed in the amended Remuneration Policy?

Answer:

Key changes proposed in the amended Remuneration Policy include:

- the updated remuneration structure for one of the non-executive directors (in the form of *jetons de presence*);
- the updated description of the basis for the calculation of the variable remuneration for the Executive Management Team;
- reflecting the fact that some members of the Executive Management Team may have other key performance indicators determining their variable remuneration, including the ESG targets;
- reflecting the fact that one of the Executive Directors has an employment contract with the Company;
- elimination of outdated information that is no longer relevant.

9. Where can we find the additional information about the conflicts of interest mentioned in the agenda of the general meeting?

Answer:

The additional information about the conflicts of interest is disclosed in the [FY2023 annual report](#), page 82 (Section "Corporate Governance").

10. What does confirmation of and, to the extent necessary, acknowledgment of certain conflicts of interest mean?

Answer:

The confirmation and acknowledgment of certain conflicts of interest refer to the formal recognition and documentation of situations where a member of the board of directors of the Company or Company officer may have interests that could potentially conflict with their duties to the Company. This process ensures transparency and accountability by:

- **Identifying Conflicts:** Clearly identifying any relationships, financial interests, or other circumstances that could influence the decision-making of members of the board of directors or company officers.
- **Documenting Conflicts:** Officially recording these conflicts of interest in company records to maintain transparency.
- **Managing Conflicts:** Establishing procedures to manage these conflicts, which might include recusal from specific decisions or activities where a conflict exists.
- **Ensuring Compliance:** Ensuring that all actions are in line with the applicable laws and the Company's policies on conflicts of interest.

By confirming and acknowledging these conflicts, the Company aims to uphold the integrity of its governance practices and ensure that all decisions are made in the best interests of the Company and its shareholders.

11. Why is it being proposed not to distribute dividends for FY2023?

Answer:

In light of the significant uncertainties and risks facing the Group's future, the board of directors has decided to recommend shareholders not distribute dividends for the financial year ending on 30 June 2023. In addition, after Russia's full-scale invasion of Ukraine on 24 February 2022, the Company received the status of the potential event of default by its creditors which prohibited any dividend distributions, buy-backs, and other forms of distributions of accumulated reserves to its shareholders.

12. Where can we find more details about the candidates proposed to be appointed as directors of the Company?

Answer:

Additional details about the candidates proposed to be appointed as directors of the Company are available on the [Company's website](#), as well as in the corporate governance section of the most recent [annual report](#).

13. What do the following items on the agenda of the extraordinary general meeting of shareholders mean:

- 1. Confirmation and ratification or, to the extent necessary, approval of the management report of the board of directors and the report of the independent auditor of the Company;**
- 2. Confirmation and ratification or, to the extent necessary, approval of the consolidated financial statements of the Company for the financial year ended on 30 June 2023;**
- 3. Confirmation and ratification or, to the extent necessary, approval of the Parent Company's annual accounts (unconsolidated) for the financial year ended on 30 June 2023.**

Answer:

The items on the agenda of the extraordinary general meeting of shareholders refer to the formal processes required to ensure that the shareholders acknowledge, confirm, and, if necessary, approve critical reports and financial statements of the Company. Here's what each item means:

1. Confirmation and Ratification or, to the Extent Necessary, Approval of the Management Report of the board of directors and the Report of the Independent Auditor of the Company:

- Management Report of the board of directors: This is a report prepared by the board of directors detailing the Company's performance, strategic direction, and significant activities during the financial year. It also includes non-financial information which must be mandatorily disclosed.
- Report of the Independent Auditor: This report is provided by an independent external auditor who has reviewed the Company's financial statements and practices to ensure accuracy and compliance with accounting standards.

Purpose: The shareholders are being asked to formally acknowledge and confirm that they have reviewed these reports, and if any issues arise that necessitate further action, they are to approve these reports officially.

2. Confirmation and Ratification or, to the Extent Necessary, Approval of the Consolidated Financial Statements of the Company for the Financial Year Ended on 30 June 2023:

- Consolidated Financial Statements: These statements provide a comprehensive overview of the financial performance and position of the entire group of companies, including all subsidiaries, for the financial year.

Purpose: The shareholders are asked to confirm and ratify these statements, ensuring that they reflect a true and fair view of the Company's financial situation. If there are any discrepancies or issues that need addressing, shareholders may need to approve necessary adjustments.

3. Confirmation and Ratification or, to the Extent Necessary, Approval of the Parent Company's Annual Accounts (Unconsolidated) for the Financial Year Ended on 30 June 2023:

- Parent Company's Annual Accounts (Unconsolidated): These are the financial statements of the parent company alone, without including its subsidiaries. They provide insight into the financial health and performance of the parent company specifically.

Purpose: Shareholders are asked to confirm and ratify these accounts, ensuring their accuracy and completeness. If required, shareholders will approve any corrections or amendments necessary to meet regulatory and governance standards.

In summary, these agenda items ensure that the shareholders formally acknowledge and approve the essential financial and managerial reports, maintaining transparency and accountability within the Company.

14. What does "Confirmation and ratification or, to the extent necessary, approval of granting of discharge to the directors of the Company" mean?

Answer:

Confirmation and ratification or, to the extent necessary, approval of granting of discharge to the directors of the Company" refers to a formal process where the shareholders of the Company are asked to acknowledge, confirm, and if necessary, approve the release of the Company's directors from liability for their actions and decisions made during the financial year.

Here's a breakdown of what this entails:

- Granting of Discharge: This means formally releasing the directors from responsibility for their management activities during the specified period. It essentially confirms that the shareholders believe the directors have fulfilled their duties properly and have no objections to the way they managed the Company.
- Confirmation and Ratification: Shareholders are asked to confirm that they acknowledge and accept the actions and decisions taken by the directors. Ratification involves validating these actions as appropriate and in line with the Company's interests.
- Approval, if Necessary: If any issues or uncertainties arise regarding the directors' actions, shareholders may need to formally approve the discharge to ensure it is legally binding. This step ensures that the discharge is compliant with legal and regulatory requirements.

Purpose:

- **Accountability and Trust:** It is a way for shareholders to express their trust and satisfaction in the directors' management of the Company. It ensures that directors have acted in the best interests of the Company and within their legal obligations.
- **Legal Protection:** Once discharged, directors are protected from future claims or legal actions related to their management during the specified period, assuming there was no misconduct or violation of their duties.

In summary, this agenda item is a standard corporate governance practice to ensure directors are acknowledged and legally released from liability for their management activities during the financial year, provided they have acted properly and in accordance with their duties.

15. What does "Confirmation and ratification or, to the extent necessary, approval of granting of discharge to the independent auditor of the Company for the financial year ended on 30 June 2023" mean?

Answer:

Confirmation and ratification or, to the extent necessary, approval of granting of discharge to the independent auditor of the Company for the financial year ended on 30 June 2023" refers to a formal process where the shareholders are asked to acknowledge, confirm, and, if necessary, approve the release of the independent auditor from liability for their audit work conducted during the specified financial year.

Here's what this entails:

Granting of Discharge: This means formally releasing the independent auditor from responsibility for their actions and findings during the audit of the Company's financial statements for the year ended 30 June 2023. It signifies that the shareholders are satisfied with the auditor's work and have no claims against them.

Confirmation and Ratification: Shareholders are asked to confirm that they acknowledge and accept the auditor's work and findings. Ratification involves validating that the audit was conducted appropriately and in line with professional standards.

Approval, if Necessary: If there are any uncertainties or additional requirements, shareholders may need to formally approve the discharge to ensure it is legally binding. This step ensures that the discharge complies with legal and regulatory requirements.

Purpose:

Accountability and Trust: It demonstrates that shareholders trust the independent auditor's work and believe that the audit was conducted thoroughly and correctly.

Legal Protection: Once discharged, the auditor is protected from future claims or legal actions related to their audit work for that financial year, assuming no misconduct or negligence occurred.

In summary, this agenda item ensures that the independent auditor is formally acknowledged and released from liability for their audit activities during the financial year ended 30 June 2023, provided their work was conducted properly and in accordance with professional standards.

16. What are the key terms of PwC's mandate offered for renewal?

Answer:

PwC mandate offered for renewal includes the following:

- Interim review of the condensed consolidated interim financial statements of Kernel Holding S.A. for the half year ended 31 December 2023;
- Statutory audit of consolidated and standalone financial statements of Kernel Holding S.A. for the year ending 30 June 2024;
- Interim review and annual audit of consolidated Avere Commodities SA Group reporting package and audit of statutory consolidated and standalone financial statements of Avere Commodities SA for the year ending 30 June 2024.

The nature of the engagement does not change a lot from the previous year's engagement.

Contractual fees for such a scope of services amount to USD 420,000, EUR 139,000, and CHF 186,900. Such fees are exclusive of VAT, out-of-pocket expenses, and administrative engagement costs.

17. What is the strike price for the put options under the management incentive plan offered for the amendment in resolution #19 of the EGM agenda?

The strike price for such put option has already been disclosed in the Company's annual reports and the remuneration policy and is determined as lower of:

- (1) USD23.80; or
- (2) operating profit before working capital changes minus interest paid plus interest received minus income tax paid minus maintenance capital expenditures in the fixed amount of USD155,000,000, where all amounts, except for the maintenance capital expenditures, are specified in USD in the relevant paragraph of the consolidated statement of cash flows of the audited annual consolidated accounts of the Company and its subsidiaries for the Financial Years 2022-2024, divided by 3 divided by 12% and divided by 84,031,230.

B. QUESTIONS RELATING TO THE INFORMATION, THE BUSINESS OR THE FINANCIAL SITUATION OF THE COMPANY:

1. Why did the Company suspend and not resume full-scale investor relations communications in FY2023?

Answer:

At the beginning of Russia's full-scale invasion of Ukraine, the Company suspended any investor relations communication with stakeholders, other than via the Company's website and regulatory channels, until the termination of martial law in Ukraine. Considering the fast-changing environment, any information communicated separately, either orally or in writing, to any individual stakeholder could lead to unequal and unfair dissemination of sensitive information.

The Company assured investors that any material information impacting the Company's operations required to be disclosed would be made available in writing, in due course, on the Company's website and via official regulatory communication channels. The same response was provided to all investors who requested bilateral communications. As specified, the Company maintained all required communications with investors per applicable legislation, including publishing periodic financial and operational reports, disclosures required by MAR, and other applicable regulations.

The Company also decided not to hold the usual conference calls to present the financial reports, considering that no information beyond what was provided in the reports would be shared during such calls. The management had no intention of providing any guidance or outlook on the Company's future performance, given the uncertainty prevailing in Ukraine due to the Russian invasion. The Company will return to the normal practice of organizing quarterly calls once the martial law is terminated in Ukraine.

The Company will continue to review the impact of the Russian invasion of Ukraine and provide further information and updates when possible, making further announcements as necessary to ensure all Company stakeholders are equally informed via the Company website and regulatory communication channels. Please refer to the following link for an example of a typical communication published on this matter: <https://www.kernel.ua/wp-content/uploads/2022/05/Current-report-25-2022-eng.pdf>.

2. Why are other companies listed on the Warsaw Stock Exchange communicating with investors even during war, while Kernel (which is the largest company) stopped communicating? Isn't it directly linked to the plan of Mr Verevskyi to take over the company?

The Company has not stopped communicating. All the information required to be disclosed according to the applicable regulations is being disclosed. The Company's policy on the communication with investors is not affected by any plans of any Company's shareholders.

3. Why did the board of directors conclude that the resolution on delisting dated 13 April 2023 could be adopted by the board of directors, instead of the shareholders' meeting?

Answer:

The board of directors, based on legal analyses conducted by the Company's legal advisors in Poland and Luxembourg, concluded that pursuant to prevailing Luxembourg laws and the rules of the Warsaw Stock Exchange, it has the requisite capacity to take the corporate decision to delist the Company from the Warsaw Stock Exchange.

4. Kernel faced an impairment loss for Crypto assets. Could you please specify:

a) What was the total loss on investments into crypto assets for the year ended 30 June 2023?

Answer:

For the year ended 30 June 2023, the Group recognized the impairment loss on crypto assets of USD 2.4 million.

b) On which kind of Crypto assets did this impairment occur?

Answer:

Such impairment was primarily related to the Group's positions in BTC and ETH and the respective market price decline of these assets.

c) What was the business case for Kernel as an agricultural company to buy these assets? Why did Kernel invest in crypto assets? Is such investment in line with the corporate purpose of Kernel and its subsidiaries?

Answer:

The Group converted a part of its liquidity into crypto assets immediately after Russia's invasion of Ukraine in February-March 2022, trying to mitigate two risks: 1) the risk of inaccessibility of personnel authorized to manage bank accounts and initiate payments; and 2) the risk of potential collapse of the entire banking system, leading to an inability to make any payments at all. Investments into crypto assets were not prohibited by the statutory documents of the subsidiary that was holding crypto assets.

d) What is the process at Kernel to approve such transactions?

Answer:

Due to the urgent nature of the decision taken in February 2022 to convert some part of the Group's liquidity into crypto assets, there was no specific process to approve such transactions. Therefore, the decision was approved based on the general existing risk limits (adopted by the Board of Directors) and within the corporate powers of authorized persons.

e) Who was the other party of the transaction with crypto assets? Wasn't it a related party?

Answer:

All transactions (both purchases and sales of crypto tokens) were conducted through either centralized exchanges (such as Coinbase and Kraken) or decentralized exchanges (such as Curve and Sushiswap) at market prices with unknown third-party market participants. These systems are designed to facilitate secure and efficient transactions while protecting the privacy of individual users.

On centralized exchanges, the Company's subsidiary interacted with the exchange itself or with a pool of orders aggregated by the exchange. In contrast, on decentralized exchanges, the Company's subsidiary interacted with a smart contract linked to a liquidity pool, where users cannot negotiate prices with each other.

f) What measures were taken to prevent future impairments on such illiquid assets?

Answer:

The Group completely exited its crypto positions by December 31, 2022, and does not anticipate taking any positions in crypto assets in the future.

g) Why auditors were not able to confirm the balances of crypto assets in 2022 and 2023? Why there were no formalized controls? Who holds the key(s) to crypto wallets?

Answer:

Auditors were unable to confirm the balances of crypto assets for 2022 and 2023. This was due to evolving auditing standards for crypto audits, which, at the time of the audit, required auditors to be present during the generation of keys for crypto wallets—a requirement that was impossible to meet due to the outbreak of war in February 2022 and the speed at which the process was completed.

Although there were controls in place related to crypto assets, these controls were not sufficient to meet the auditors' requirements for completing the audit of crypto balances.

The keys to the crypto wallets were held by the authorized manager of the Company's subsidiary, who possessed the necessary expertise. This manager was also supported by a wider team with sufficient expertise in crypto transactions.

5. Questions related to the sale of farming entities signed in April 2022 and completed in March 2023:

a) Was there a formal sale process conducted?

Answer:

Yes, such a process took place. The Company contacted seven potential investors, who are the largest international and local players present in Ukraine. Ultimately, there was no interest in the proposed assets from the market.

b) Why in current report no 23/2022 Kernel informed that "The consideration to be paid by the Buyer to the Company is US\$ 210 million, implying a material premium as compared to the current market capitalization of the Company in relation to its consolidated net assets",

while in fact, the price paid for those assets was identical (i.e. equal) to net asset value? So Kernel sold those assets for net asset value, i.e. without any premium.

Answer:

In April 2022, based on the interim accounts, management concluded that the consideration offered was less than the net asset value of the divested entities (before war-related impairments and adjustments). However, this discount was much smaller than the discount applied by the market to Kernel's net asset value. In other words, the valuation applied to the net assets of the divested farming entities was higher than the market valuation of the Group's own net assets. Prior to entering into binding documentation to divest the farming entities, the Company's market capitalization was around 25-30% of its book value. This means the market (Kernel's minority shareholders) valued similar assets at just USD 52-62 million, compared to the USD 210 million offered by the purchaser, indicating that the purchaser paid a significant premium for the acquired entities compared to the market valuation.

This fact was disclosed in the current report no. 23/2022: "The consideration to be paid by the Buyer to the Company is US\$ 210 million, implying a material premium as compared to the current market capitalization of the Company in relation to its consolidated net assets." Subsequently, the farming entities were classified as assets held for sale in the Company's accounts until the completion in March 2023, with the net asset value clearly indicated for comparison with the consideration received. Until the transfer of title to shares on March 3, 2023, all proceeds from the sale of the harvests (as well as all associated costs) were accounted for at the level of those entities and consolidated in the Group's accounts, being treated as assets/liabilities classified as held for sale.

- c) Why payment for the divested landbank was made in installments? Why did Kernel agree to such unfavorable installments (only USD 20 million payable in 2022, USD 100 million payable in April 2023, and USD 90 million payable in July 2023)? How did such a split of payments improve the liquidity of Kernel in 2022?**

Answer:

A non-refundable USD 20 million prepayment was a condition set by the Company and served as an additional incentive for the purchaser to proceed with the transaction in case the situation in Ukraine substantially deteriorated. This prepayment directly contributed to improving the Company's liquidity.

The balance of the consideration, USD 190 million, was agreed to be paid to the Company after the title to the assets was transferred to the purchaser, which is standard market practice. The completion was conditional on obtaining creditor approval to release the divested entities from the pool of the Group's obligors. It was uncertain when this process would be completed, if at all. The Company initially expected to complete the transaction in 2022, but due to the lengthy process of obtaining creditors' approvals, the transaction was only completed in March 2023, as disclosed in the current report 07/2023. The remaining consideration was received by the Company over a four-month period.

- d) Why does current report no 23/2022 not contain information that payment for divested assets will be made in installments?**

Answer:

The payment terms were not of a precise nature as of 26 April 2022 because the Company did not know when the approval by the creditors would be given to complete the transaction. The prepayment of USD 20 million was considered as not material to be disclosed on 26 April (although it was made public in the subsequent annual report <https://www.kernel.ua/wp->

content/uploads/2022/11/FY2022_Kernel_Annual_Report.pdf, note 15). And timing of the payment of the major portion of the consideration (USD 190 million) was unclear in April 2022.

- e) **Why it took so long to complete the transaction? If Kernel needed liquidity, then why payment of the vast majority of the price (USD 190 million out of a total of USD 210 million) was made only more than a year after such "liquidity need appeared"?**

Answer:

In order to complete the transaction, it was necessary to receive consent from certain Group's creditors, namely Citibank, EIB, Natixis, and EBRD. Three such consents were signed in December 2022, and the last one was signed in February 2023. Once all such consents were signed, the Group completed the transaction on 3 March 2023. In April 2023 the Group received USD 100 million, and in July 2023 the Group received the remaining USD 90 million, well in advance of the deadline specified in the share purchase agreement.

- f) **Why there was no premium for payment in installments (it was in fact free credit from Kernel to the company related to Mr. Verevskiy)?**

Answer:

Kernel transferred title to assets to the purchaser only in March 2023. It means that the Company used a prepayment of USD 20 million free of charge for a period of 10 months. USD 100 million was received in April 2023, and USD 90 million in July 2023 (in quite a short time after the title transfer for transactions of such scale).

- g) **Why sale process was initiated in March 2022, so in the most unfavorable moment? Why did not Kernel keep those assets and obtain the same economic aim by simply conducting the usual activity?**

Answer:

As was discussed by the board of directors of the Company when approving the decision on divestment of farming entities, risks related to the farming business in Ukraine substantially increased following Russia's invasion of Ukraine. Given that, it was decided to de-risk the business by divesting part of the farming business and to improve liquidity in such a way.

The decision to sell the farming assets was made at the onset of the war. Given the unprecedented and rapidly evolving circumstances, it was challenging to ascertain whether this timing represented the most unfavorable or favorable moment for the transaction.

- h) **As of 3 March 2023, current assets were equal to USD 310 million, so much more than a related party paid for such farming entities.**

Answer:

Correct, current assets were equal to USD 310 million, but, apart from that, there were non-current assets, as well as current and non-current liabilities. It is worth comparing not current assets with the consideration but rather net assets (total assets less total liabilities).

- i) **Was there an independent valuation of those assets carried as of March 2023 (actual divestment moment)?**

Answer:

There was no independent valuation of these assets carried out as of March 2023. However, an independent valuation was conducted in 2022 at the time of signing, which determined the fair value of the corporate rights of the divested entities to be USD 204 million as of April 2022. This was below the USD 210 million consideration offered by the purchaser.

- j) **Why do net assets indicated in the FY2023 annual report (USD 210 million) differ from net assets disclosed in the FY2023 Q3 interim report (USD 207 million)?**

Answer:

Following the completion of the financial statements, the Group revised its approach to calculating the value of non-current assets of divested entities due to the reconsideration of asset impairments. As a result, the calculated value of net assets increased from USD 207 million, as presented in the Kernel Holding S.A. and Subsidiaries Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2023, to USD 210 million, as presented in the Kernel Holding S.A. Annual Report and Accounts for the year ended 30 June 2023.

- k) **Did Kernel analyse the options to cancel the deal as in March 2023 economical, financial and war situation was much better than in March 2022? Would Kernel sell those assets in March 2023, if the buyer wasn't a related party and majority shareholder?**

The Company entered into standard legally binding documentation to divest selected farming entities which prohibits a unilateral termination of the contract by any party, regardless of whether the party is a related party / unrelated party / majority shareholder.

- l) **Why conclusion of this transaction was not presented to the general meeting of shareholders as required by article 441-7 of the Law on commercial companies?**

The annual report presented to the annual general meeting of shareholders held on 20 December 2022 includes the report on the conflict of interest as required by article 441-7 of the Law on commercial companies. Specifically, on the page 77 of such annual report it is disclosed that "*the Chairman of the Board declared conflict of interest and abstained from voting on the decision to divest selected farming enterprises to the investment vehicle associated with the Chairman of the Board*".