

Kernel Holding S.A.
Société Anonyme
Registered office: 9, rue de Bitbourg
L-1273 Luxembourg
R.C.S. Luxembourg: B 109173

(the “**Company**”)

Report of the board of directors of the Company to the general meeting of shareholders with respect to the waiver of the preferential subscription right of shareholders in the framework of an authorised capital

WHEREAS, the Russia's invasion of Ukraine disrupted the usual business processes of Company's operating subsidiaries (together with the Company – the „Group”) and blocked usual export routes for Group's commodities.

WHEREAS, Group's export volumes significantly declined since the beginning of the war in Ukraine, implying limited proceeds coming from sales. After several months of operations in new environment there are substantial risks that there could be no meaningful options to establish efficient alternative export channels compared to blocked deep water ports of Ukraine on the Black Sea.

WHEREAS, based on the Group's current 12 month cash flow forecast, the Group's net cash outflows are expected to deplete cash reserves near term. The liquidity position of the Group remains very sensitive to export volumes and related costs forecasts. The Group may not be able to maintain sufficient liquidity position if certain risks materialize or if the Group fails to agree on stand still terms with its creditors.

WHEREAS, the Group faces limited access to other sources of liquidity (provided by creditors and by counterparties).

WHEREAS, the Group may need additional liquidity in case Black Sea ports of Ukraine remain blocked, and one of the ways to access such liquidity is via equity raise.

WHEREAS, the authorised share capital shall be created in order to initiate the capital raise via equity issue, in case such need appears.

The board of directors of the Company contemplates to propose to the extraordinary general meeting of shareholders convened for 22 August 2022 at 3 p.m. Luxembourg time (i) creating an authorised capital of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696) (excluding the issued share capital) and (ii) authorising the board of directors to waive the pre-emptive subscription right of existing shareholders in relation to the issue of shares of the Company within the limits of the authorised capital.

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1. The Company's issued share capital currently amounts to two million two hundred eighteen thousand nine hundred twenty-eight US Dollars and sixty-four cents (USD 2,218,928.64) represented by eighty-four million thirty-one thousand two hundred and thirty (84,031,230) shares without indication of a nominal value.
2. **The authorised capital of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696), excluding the issued share**

capital, consisting of two hundred sixteen million (216,000,000) shares without nominal value may be used for the following purposes:

- **to raise capital or funds via a private and / or public offerings or placements (with institutional, qualified, professional, retail and/or other investors, as the case may be), to strengthen the capital or net equity of the Company, or to finance its business activities or new business initiatives;**
 - **for share exchanges and/or to raise funds to finance (in whole or in part) takeovers or acquisitions of companies, businesses or assets, or other types of mergers, partnerships or strategic alliances; or**
 - **to attract new partners or important shareholders to the capital structure of the Company, or to broaden the international dimension of the shareholders' structure.**
3. It is intended that the new shares may be issued by the board of directors for a subscription price between accounting par and an amount equal to 140% of the daily closing price of the Company's shares on a date within 5 business days prior to the date of subscription as such price may be determined by the board of directors in the best interest of the Company.
4. In view of the foregoing, the board of directors has prepared this report in accordance with Article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended, and proposes to the general meeting of shareholders to create an authorised capital of five million seven hundred three thousand six hundred ninety-six US Dollars (USD 5,703,696), excluding the issued share capital, consisting of two hundred sixteen million (216,000,000) shares without nominal value, to grant the authorisation to the board of directors to issue shares of the Company or to grant options to subscribe for shares, and to issue any other instruments convertible into shares to persons and on such terms as it shall see fit and specifically to proceed to such issue with or without reserving a pre-emptive subscription right for existing shareholders in a period of five (5) years as from the date of adoption of the relevant resolutions.

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Done in Luxembourg, on 22 July 2022.

For and on behalf of the board of directors.

By: Yuriy Kovalchuk

Title: Director

By: Anastasiia Usachova

Title: Director