

Current Report No. 8/2022

Date: 2022-03-04

Re: Decision about commencing the merger process with the Company's subsidiary

Legal basis: Article 17(1) MAR – public disclosure of inside information

Content of the Report:

The Board of Directors of ACTION S.A. (hereinafter: "the Company", or "the Issuer") hereby informs that on 3rd April 2022 the Board has made a decision by which it intends to merge ACTION S.A. (as a merging company, hereinafter also: "the Merging Company") through the acquisition of ACTIVEBRAND Sp. z o.o. based in Kraków entered into the register of entrepreneurs of the National Court Register under entry no. KRS 0000438104, registry files kept by the District Court for Kraków-Śródmieście, XI Commercial Department of the National Court Register, with share capital of PLN 50,000.00, assigned the tax identification number NIP 1231273690 and the National Business Registry Number (REGON) 146368221 (as a merged company, hereinafter: "the Merged Company").

Merger of the companies will be carried out by transferring all assets owned by the Merged Company to the Merging Company, *i.e.* a merger through acquisition pursuant to the provisions of Article 492 § 1 of the Polish Commercial Companies Code (hereinafter: "CCC").

Owing to the fact that the Merging Company directly owns 100% of all shares in the Merged Company's share capital (being a single-person limited company owned by the Merging Company), the merger will be carried out in compliance with the provisions of Article 514 CCC and Article 516 § 6 in conjunction with Articles 516 § 5 and 500 § 2¹ CCC, in the following manner:

- the merger will be executed without increasing the share capital of the Merged Company (Article 514 CCC),
- the Merger Plan will not include elements indicated in Article 499 § 1(2)-(4) CCC, *i.e.*: the ratio of exchange of shares of the Merged Company for shares of the Merging Company; rules concerning the allocation of shares in the Merging Company; the date from which the shares of the Merging Company granted to the Merged Company's shareholder entitle to participate in the profits of the Merging Company (Article 516 § 6 in conjunction with Article 516 § 5 CCC),
- the Merger Plan will not be reviewed by an auditor (Article 516 § 6 in conjunction with Article 516 § 5 CCC)
- the Merger Plan will not be published in the Court and Commercial Gazette, but instead will be publicly available at no cost on the merging companies' websites (Article 500 § 2¹ CCC).

In order to present the underlying rationales behind the decision to execute the merger, as well as expected results thereof, both Companies will voluntarily prepare the written reports justifying the

merger pursuant to Article 516 § 6 in conjunction with Article 516 § 5 CCC. The reports will be drafted in compliance with Article 501 CCC.

Due to the fact that the planned merger will be executed without increasing the share capital of the Merged Company, and at the same time, there arise no additional circumstances which would require amendments to the Merging Company's articles of association, the Board informs that the articles of association of ACTION S.A. will not be amended in the result of the merger. Accordingly, the statutory requirement specified in Article 499 § 2 CCC – according to which the Merger Plan should include the draft amendments to the Merging Company's articles of association – does not apply.

The core of economic activity performed by the merging companies is as follows:

- for the Issuer: the wholesale trade of electronic and IT goods,
- for the ACTIVEBRAND Sp. z o.o.: the retail trade of products for pets.

Willing to justify the decision about the merger, the Board of Directors hereby notes that the intention to merge through acquiring its subsidiary ACTIVEBRAND Sp. z o.o. is related to the realisation of scheduled consolidation measures aimed at the structural reorganisation of ACTION S.A. Capital Group, as well as continuous reduction of costs of its operation.

ACTIVEBRAND Sp. z o.o. has conducted trading activity in pet products industry, in particular by running the online store krakvet.pl. On 1st April 2021 ACTIVEBRAND Sp. z o.o. ceased its trading and investment activities, whilst the project itself was taken over and subsequently conducted by the Issuer. In the light of the above, once all necessary steps aimed at the formal termination of ACTIVEBRAND Sp. z o.o.'s commercial activity are completed, it would be unjustified for the subsidiary to continue performance of any further commercial operations. According to the Issuer, costs reductions expected by ACTION S.A. Capital Group following the merger will in particular include costs associated with operations of managerial bodies as well as accounting and financial services. Additionally, in the opinion of the Board, commencement and subsequent execution of the merger will simplify the managerial procedures within ACTION S.A. Capital Group, as well as facilitate the process of exercising control within ACTION S.A. Capital Group – especially in the following aspects: financial liquidity control, risk assessment, efficiency and performance indicators, and cost reduction.

In the opinion of the Board of Directors of ACTION S.A., by relying on the simplified mode of executing the merger, the planned acquisition of its subsidiary constitutes the least costly and the quickest method enabling successful realisation of aims and objectives indicated above.