



Allegro.eu

Société anonyme

Registered office: 1, rue Hildegard von Bingen, L-1282 Luxembourg

Grand Duchy of Luxembourg

R.C.S. Luxembourg: B214830

(the "**Company**")

**REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY
DATED 5 APRIL 2023 AND ISSUED IN ACCORDANCE WITH
ARTICLE 420-26 (5) OF THE LUXEMBOURG LAW ON COMMERCIAL
COMPANIES DATED 10 AUGUST 1915, AS AMENDED**

The board of directors of the Company (the "**Board of Directors**") hereby presents in accordance with article 420-26 (5) of the Luxembourg law on commercial companies dated 10 August 1915, as amended (the "**Law**") its report concerning the proposal to the extraordinary general meeting of the shareholders of the Company (the "**Shareholders**") to authorise the Board of Directors to limit or suppress the Shareholders' preferential subscription rights during share capital increases within the authorised capital framework of the Company as scheduled at item 2 of the agenda of the Company's extraordinary general meeting of Shareholders convened to be held on 12 May 2022, at 1.00 p.m. CEST (the "**EGM**").

1. Background of the EGM

The extraordinary general meeting of the Shareholders held on 18 September 2020 resolved, *inter alia*, to introduce an authorised capital clause, with effect as of 29 September 2020, authorising the Board of Directors to increase the issued share capital of the Company up to an amount of PLN 11,017,441.86 for a period of five (5) years after 29 September 2020.

Pursuant to a decision of the Board of Directors adopted on 29 March 2022, a share capital increase within the framework of the authorised share capital clause of the Company, by the suppression of the existing Shareholders' preferential subscription rights had been implemented on 1st April 2022 by the delegates of the Board of Directors. Consequently, the authorised share capital was decreased from an amount of PLN 11,017,441.86 to PLN 10,680,951.47.

The Board of Directors now proposes to renew (i) the duration of the existing authorised share clause of the Company amounting to PLN 10,680,951.47 in order that such authorisation to increase the issued share capital of the Company within the limits of the authorised share capital clause of the Company shall be for a period of five (5) years as from the date of the EGM or, in case of adjournment because no quorum has been reached at the first EGM, the date of the adjourned EGM that effectively resolved on the renewal of the duration of the existing authorised share capital clause of the Company. The purpose of the renewal of the authorised share capital clause of the Company is to provide the Company with more flexibility in connection with potential future capital markets and M&A transactions, as further described below in section 3 of this report.

2. Resolutions concerning the authorised share capital clause submitted to the Shareholders' votes at the EGM

During the EGM, it is proposed to the Shareholders to adopt the following resolutions related to the authorised share capital clause of the Company:

(a) to approve the renewal of the duration of the existing authorised share capital clause of the Company amounting to PLN 10,680,951.47 in order that such the authorisation of the Board of Directors to increase the issued share capital of the Company within the limits of the authorised share capital clause of the Company for a period of five (5) years as from the date of the EGM or, in case of adjournment because no quorum has been reached at the first EGM, the date of the adjourned EGM that effectively resolved on the renewal of the duration of the existing authorised share capital clause of the Company;

(b) to approve the report of the Board of Directors pursuant to article 420-26 of the Law, relating to the possibility of the Board of Directors to limit or suppress Shareholders' preferential subscription rights in relation to an increase of the issued share capital of the Company to be made within the authorised share capital clause of the Company for a period of five (5) years as from the date of the EGM or, in case of adjournment because no quorum has been reached at the first EGM, the date of the adjourned EGM that effectively resolved on the renewal of the duration of the existing authorised share capital clause of the Company;

(c) to grant to the Board of Directors as referred to in article 420-26 (5) of the Law, all powers to carry out share capital increases within the framework of the authorised share capital clause of the Company, and to limit or suppress Shareholders' preferential subscription rights on the issue of new shares; and

(d) to amend article 5.2 of the articles of association of the Company (the "**Articles**") accordingly:

"5.2 Authorised Capital

5.2.1 *The authorised, but unissued and unsubscribed share capital of the Company (the "**Authorised Capital**") is ten million six hundred and eighty thousand nine hundred and fifty-one Polish Zloty and forty-seven Polish grosz (PLN 10,680,951.47).*

5.2.2 *The Board of Directors is authorised to realise any increase of the share capital of the Company with or without the issuance of new Shares ("**Board Issued Shares**") or to issue convertible bonds, convertible preferred equity certificates, warrants, options, restricted stock units, performance stock units or other convertible instruments, exchangeable or exercisable into new Shares ("**Convertible Instruments**") and to issue new Shares further to the conversion or exercise of the Convertible Instruments up to the limit of the Authorised Capital from time to time subject as follows:*

a) *the above authorisation will expire five years after 12 May 2023 provided that a further period or periods of authorisation following that period may be approved by Shareholders' Resolution to the extent permitted by the 1915 Law;*

b) *the Board of Directors may limit or cancel the Shareholders' preferential rights to subscribe for (i) the Board Issued Shares as well as (ii) the Convertible Instruments and may issue (i) the Board Issued Shares as well as (ii) the Convertible Instruments to such persons and at such price with or without a premium and paid up by contribution in kind or for cash or by incorporation of claims or capitalisation of reserves or in any other way as the Board of Directors may determine, subject to the 1915 Law.*

5.2.3 *The Board of Directors is authorised to:*

a) *do all things necessary or desirable to amend this Article 5 in order to reflect and record any change of issued share capital made pursuant to Article 5.2.2;*

b) *take or authorise any actions necessary or desirable for the execution and/or publication of such amendment in accordance with Luxembourg Law;*

c) *delegate to any Director or officer of the Company, or to any other person, the duties of accepting subscriptions and receiving payments for any Board Issued Shares and/or Convertible Instruments and enacting any issue of Board Issued Shares before a notary.*

5.2.4 *The Board of Directors is also authorised to proceed, within the context of an incentive plan approved by the Shareholders for the benefit of the employees of the Company or certain categories of them, to a free allocation of existing Shares or to issue new shares, fully paid up by available reserves of the Company (the "**Free Shares**"). The issue of Free Shares must be carried out subject to the limits set by Articles 5.2.1 and 5.2.2 and shall entail, for the benefit of the beneficiaries of the Free Shares, an automatic waiver by the existing Shareholders of their preferential right subscription. The terms and conditions of the allocation of Free Shares which may include a set allocation period and a minimum period of obligation to retain shares by the beneficiaries will be set by the Board of Directors or a duly authorised committee thereof. Free Shares can be allocated under the following conditions:*

- a) *for the benefit of employees of companies or economic interest groups of which at least 10% of the capital or voting rights are held, directly or indirectly, by the Company;*
 - b) *for the benefit of the employees of companies or economic interest groups holding, directly or indirectly, at least 10% of the capital or voting rights of the Company;*
 - c) *for the benefit of the employees of companies or economic interest groups of which at least 50% of the capital or voting rights are held, directly or indirectly, by a company which itself holds, directly or indirectly, at least 50% of the Company's capital; or*
 - d) *for the benefit of the corporate officers of the Company or of the companies or economic interest groups referred to above, or of certain categories of them.*
- For the purposes of the allocation of Free Shares, the Board of Directors may use existing Shares held by any company, trust or economic interest group controlled by the Company."*

3. Reasons and circumstances for the limitation or suppression of the Shareholders' preferential subscription rights

This report is issued by the Board of Directors to present the circumstances justifying the limitation or suppression of the Shareholders' preferential subscription rights within the framework of the authorisation granted to the Board of Directors for a period of five (5) years.

The Board of Directors acknowledges the necessity of being able to adapt the financial structure of the Company immediately in light of the rapidly changing economic markets and stock markets in which it is involved and, thus, proposes to the EGM to authorise the Board of Directors to limit or suppress Shareholders' preferential subscription rights in the event of future capital increases within the limits of the authorised share capital clause of the Company.

In particular, the following reasons, each of which being sufficient to justify the implementation of the measure, shall be considered:

(a) The authorised share capital with limitation or suppression of the preferential subscription rights of existing Shareholders offers the Board of Directors the flexibility and speed required to become involved in public and private markets and to gather funds without having to resort to bank loans or bonds, and thus to develop and carry out quickly large transactions.

(b) The Company shall always be able to raise the necessary funds to cope with its changing needs in working capital, to cover unexpected charges, to preserve its cash balance, to improve its capital and debt structure, to strengthen its liquidity and to optimize the asset management and the cost of external funding.

(c) The technique of authorised share capital with limitation or suppression of the preferential subscription rights for existing Shareholders will be used to (i) increase the share capital of the Company with or without the issuance of new shares, (ii) to issue convertible bonds, convertible preferred equity certificates, warrants, options, restricted stock units, performance stock units or other convertible instruments, exchangeable or exercisable into new shares ("**Convertible Instruments**") and to issue new shares further to the conversion or exercise of the Convertible Instruments, (iii) freely allot existing shares or issue new shares for free to employees of the Company or certain categories of them, notably in the context of incentive share plan(s) approved by the Shareholders, as applicable, and/or (iv) enable the Company to perform its corporate objectives as described in article 3 of the Articles.

The Board of Directors recommends the EGM to authorise it to limit or suppress the Shareholders' preferential subscription rights while it is achieving future capital increases within the framework of the authorisation set out in the amended article 5.2.1 of the Articles. If Shareholders' preferential subscription rights are not excluded as described above, the offering period to the existing Shareholders would be at least fourteen days according to the Law.

The Board of Directors believes that the above-mentioned reasons are legitimate and in the best interest of the Company. In that respect, the Board of Directors commits to act in good faith and in consideration of the best interests of the Company while deciding and proceeding to the limitation or suppression of the Shareholders' preferential subscription rights.

4. Conclusion

This report is addressed to the EGM and a subsequent second extraordinary general meeting of the Shareholders, if any, as applicable. This report therefore remains valid if the EGM is postponed, or if the mandatory quorum requirements for the first EGM are not met and a subsequent second extraordinary general meeting of the Shareholders needs to be convened in accordance with the Law.

The Board of Directors of Allegro.eu