

BOARD OF DIRECTORS' REPORT

OF SOCIETE ANONYME UNDER THE NAME

“GRIGORIS SARANTIS INDUSTRIAL AND COMMERCIAL COMPANY OF COSMETICS, APPAREL, HOUSEHOLD AND PHARMACEUTICAL PRODUCTS SOCIETE ANONYME”

ON THE JOINT CROSS-BORDER MERGER PLAN

(according to article 5 of Law 3777/2009 as it is currently in effect)

To the General Meeting of the Shareholders of the Société Anonyme under the name “GRIGORIS SARANTIS INDUSTRIAL AND COMMERCIAL COMPANY OF COSMETICS, APPAREL, HOUSEHOLD AND PHARMACEUTICAL PRODUCTS SOCIETE ANONYME”

Dear Shareholders,

The administrative bodies of the company "GRIGORIS SARANTIS INDUSTRIAL AND COMMERCIAL COMPANY OF COSMETICS, APPAREL, HOUSEHOLD AND PHARMACEUTICAL PRODUCTS SOCIETE ANONYME" (**“Absorbing Company”** or **“Company”**) and of the Cypriot private and limited liability company, a subsidiary owned by 100%, “GR. SARANTIS CYPRUS LTD” (**“Absorbed Company”** and with the Absorbing Company and the Absorbed Company jointly called **“Merging Companies”**) approved their cross border merger via the absorption of the entire assets and liabilities of the Absorbed Company by the Absorbing Company according to the clauses of Law 3777/2009, of the articles 7-21 and 30-35 (since this is a 100% acquisition of the Company’s subsidiary), of Law 4601/2019 as well as of the Cyprus’ Corporate Law (Ch. 113), Articles 201Θ - 201KZ, as applicable, in conjunction with the relevant tax provisions of article 54 of Law 4172/2013 as in force, as well as according to the balance sheet of the Absorbed Company with reporting date on 31/07/2019 (**“Cross-border Merger”**).

The final decision on the Cross Border Merger will be taken by the General Meeting of the Company's shareholders based on increased quorum and majority, in accordance with the provisions of Articles 7 and 13n sect. (b) of Law 3777/2009.

The Boards of Directors of the Merging Companies have prepared in writing and in accordance with the provisions of article 3 of Law 3777/2009 and no. 201 IB of Cyprus’ Corporate Law, Cap. 113, as applicable, a Joint Cross-Border Merger Plan of the Merging Companies.

In accordance with the obligation stipulated by Article 5 of Law 3777/2009, the Board of Directors of each of the Merging Companies prepares a detailed report explaining and justifying the legal and financial aspects as well as the consequences of the Cross-Border Merger for the shareholders, creditors and employees of the Merging Companies.

Because the Cross-Border Merger is implemented via the absorption of a 100% subsidiary, in accordance with the provisions of article 13 of law 3777/2009, article 35 of law 4601/2019 and article 54 of law 4172/2013, as they are currently in effect, there is no requirement concerning the valuation of the Merging Companies’ assets, and as a result there is no need for the preparation of a respective valuation report.

In view of the above, the Board of Directors wishes to bring the following to the attention of the General Meeting of Shareholders:

I. Financial Benefits of the Cross-Border Merger

The Absorbing Company is the ultimate parent company of SARANTIS Group (hereinafter referred to as the **“Group”**), a leader in the production and trading of consumer goods with a strong presence in Europe through subsidiaries and also with a strong export activity.

One of the main goals of the Group is to establish and maintain a leading position in the markets where it operates and to ensure a strong and competitive presence on European level.

To this end, the Group aims to ensure an effective organizational structure (from a corporate perspective) and decision-making process at the different levels of responsibility and local jurisdictions where its member companies operate.

In the above context, it is estimated that the Cross-border Merger:

(a) will lead to a simpler, more dynamic as well as efficient structure of the Group, achieved through the integration of corporate layers currently existing at the level of the Merging Companies,

(b) increase the functionality of the management structures at the Group level - as a result, the flow of the decision and executive processes is expected to become more dynamic, and

(c) improve the financial structure and cash flows among the Group companies.

II. Legal and Other Advantages

The intended Cross-Border Merger, which is implemented in accordance with the provisions of Law 3777/2009, Articles 7-21 and 30-35 (since this is an acquisition of a 100% owned subsidiary of the Company), of Law 4601/2019 as well as of the Cyprus' Corporate Law 201C - 201KZ, as it is currently in effect, in conjunction with the relevant tax provisions of article 54 of Law 4172/2013 as applicable, takes advantage of the incentives provided by the legal framework and in particular generates the following key benefits:

(a) legal benefits, as the Absorbing Company is deemed, upon the completion of the Cross-Border Merger, to have acquired the rights and liabilities of the Absorbing Company as a universal successor without the need to transfer any rights and obligations separately from the Absorbed Company to the Absorbing Company, and the description of the particular assets of the Merging Companies in the Cross-Border Merger agreement or the articles of association, and

b) tax benefits, because the Absorbing Company enjoys the benefits of Law 4172/2013, namely:

(1) The Cross-Border Merger does not imply at the time of the Merger any taxation of goodwill calculated on the basis of the difference between the market value of the assets and liabilities transferred and their taxable value,

(2) The Cross-Border Merger and its related actions shall be exempt from any tax, stamp duty or any other charge in favor of the State, as well as from any duty, levy or right in favor of any third party, with the reservation about a capital accumulation tax,

(3) The Absorbing Company shall depreciate its assets in accordance with the rules that would apply to the Absorbed Company if the Cross-Border Merger had not taken place,

(4) The Absorbing Company may transfer the reserves and provisions made by the Absorbed Company, subject to the tax exemptions and conditions that would apply to the Absorbed Company if the transfer had not taken place. The Absorbing Company assumes the rights and obligations of the Absorbed Company in relation to such reserves and provisions,

(5) The Absorbing Company may transfer the losses of the Absorbed Company, under the same conditions as it would have been the case for the Absorbed Company, if the Cross-Border Merger had not taken place,

(6) The Company, as the sole shareholder of the Absorbed Company, is not subject to any tax on the goodwill acquired as a result of the Cross-Border Merger, and

III. Impact on the Employees of the Merging Companies due to the Cross-Border Merger

The Absorbing Company has seven hundred twenty one (721) employees (with a reference date as of July 31, 2019). It is expected that the Cross-border Merger will have no adverse effect on the employees of the Absorbing Company and that the obligations and rights of the employees of the Absorbing Company will not be affected by the Cross-border Merger.

The Absorbed Company has no employees and therefore it is not required to consider the effects of the Cross-Border Merger on the employees of the Absorbed Company.

IV. Creditors' Rights

Under the Greek law and pursuant to Article 8 of Law 3777/2009 and Article 13 of Law 4601/2019, the creditors of the Absorbing Company, whose claims were not overdue and had been incurred prior to the release of the Joint Cross-Border Merger Plan, shall have the right to request appropriate guarantees within 30 days from the completion of the required publicity formalities of the above Joint Cross-Border Merger Plan, provided that they sufficiently demonstrate that the financial position of the Merging Companies due to the Cross-Border Merger, makes it necessary to provide such guarantees and under the condition that such guarantees have not been granted.

Any dispute arising in relation to the above mentioned issues shall be settled by the competent Court of First Instance at the seat of the Absorbing Company in accordance with the procedure stipulated by the articles 682 et seq. of the Greek Code of Civil Procedure, at the request of the creditor concerned. Any creditors of the Absorbed Company have the right to an adequate protection of their interests and rights, pursuant to sections 198 & 199 of the Cyprus' Corporate Law, Ch. 113.

Dear Shareholders,

For all the aforementioned financial and legal reasons, the Board of Directors of our Company considers that the Cross-Border Merger is well justified and with the belief that it has taken the best possible business decision at the given time, submits to the General Meeting of our Company's shareholders the present report. Therefore in this context, the Board of Directors recommends that the General Meeting grants an approval for the Joint Cross-Border Merger Plan that was prepared by the Board of Directors as well as for the proposed Cross-Border Merger in general.

Marousi, 25/10/2019

FOR THE BOARD OF DIRECTORS

Konstantinos Fok. Stamatiou

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