SHAREHOLDER CIRCULAR

WOOD SPAC ONE A.S.

A PROPOSAL FOR THE BUSINESS COMBINATION

with

FOOTSHOP S.R.O.

April 2023

SHAREHOLDER CIRCULAR
WOOD SPAC ONE A.S.

This shareholder circular (the **Shareholder Circular**) has been prepared in connection with the proposed business combination (the **Business Combination**) between (i) WOOD SPAC One a.s., with its seat at náměstí Republiky 1079/1a, Nové Město, 110 00 Prague 1, Czech Republic, ID no. 14027348, registered in the Business Register maintained by the Municipal Court in Prague, Section B, File 26841 (the **Company**) and (ii) Footshop s.r.o., with its seat at Thámova 166/18, Karlín, 186 00 Prague 8, Czech Republic, ID no. 24288128, registered in the Business Register maintained by the Municipal Court in Prague, Section C, File 192700 (**Footshop** or the **Target**).

On 11th April 2023, the Company and Footshop's shareholders, namely:

- Peter Hajduček, born 2. October 1989, permanent residence 04013 Košice, Berlínská 2461/12, Slovakia,
- Marcel Vargaeštók, born 5. March 1977, permanent residence 130 00 Prague 3, Jeronýmova 325/7,
- Enern Forsterite s.r.o., IČ 066 66 493, with its seat at 149 00 Prague 4, 2319/5b, Chodov, and
- CB FOOT j. s. a., registration number 52627012, with its seat 81103 Bratislava, Staromestská 3, Slovakia (the **Footshop Shareholders** or the **Target Shareholders**),

signed a termsheet, including the terms and provisions in relation to the Business Combination. The key terms of the Business Combination are described in this Shareholder Circular and the investor presentation. Both of these documents are available in electronic form on the Company's website (https://www.woodspac.cz).

Footshop's business is subject to risks. See section *Risk Factors* for a description of the risk factors that should be carefully considered

The distribution of this Shareholder Circular in certain jurisdictions may be restricted by applicable law and regulation and therefore persons into whose possession this Shareholder Circular comes should inform themselves and observe any restrictions. The Company, Footshop, their advisors and their respective Affiliates are not taking any action to permit a public offering of any securities in any jurisdiction.

Any securities of the Company, Footshop and the Combined Company have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States unless such securities are registered under the US Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. There will be no public offer of securities of the Company, Footshop and/or the Combined Company in the United States.

This Shareholder Circular is dated 13th April 2023

CONTENT

INCORPORATION BY REFERENCE

The following documents are incorporated by reference into this Shareholder circular and are accessible to investors on the Company's website as follows:

Document	Hyperlink
Articles of Association	https://www.woodspac.cz/wp-content/uploads/2022/01/Stanovy.pdf
Presentation of the Target (CZ version)	https://www.woodspac.cz/wp-content/uploads/2023/04/Footshop-Prezentace-pro-investory-Czech-version-13-04-2023.pdf
Presentation of the Target (EN version)	https://www.woodspac.cz/wp-content/uploads/2023/04/Footshop-Prezentace-pro-investory-English-version-13-04-2023.pdf
Prospectus	https://www.woodspac.cz/wp-content/uploads/2022/02/Prospectus.pdf
Relationship Agreement	https://www.woodspac.cz/wp-content/uploads/2022/05/Relationship_Agreement.pdf

1. DESCRIPTION OF THE PROPOSED BUSINESS COMBINATION

1.1 TRANSACTION, STRUCTURE AND VALUATION

WOOD SPAC One a.s., with its seat at náměstí Republiky 1079/1a, Nové Město, 110 00 Prague 1, Czech Republic, ID no. 14027348, registered in the Business Register maintained by the Municipal Court in Prague, Section B, File 26841 (the **Company**), Footshop s.r.o., with its seat at Thámova 166/18, Karlín, 186 00 Prague 8, Czech Republic, ID no. 24288128, registered in the Business Register maintained by the Municipal Court in Prague, Section C, File 192700 (**Footshop** or the **Target**), and Footshop's shareholders, namely:

- Peter Hajduček, born 2. October 1989, permanent residence 04013 Košice, Berlínská 2461/12, Slovakia,
- Marcel Vargaeštók, born 5. March 1977, permanent residence 130 00 Prague 3, Jeronýmova 325/7,
- Enern Forsterite s.r.o., IČ 066 66 493, with its seat at 149 00 Prague 4, 2319/5b, Chodov, and
- CB FOOT j. s. a., registration number 52627012, with its seat 81103 Bratislava, Staromestská 3, Slovakia

(the **Footshop Shareholders** or the **Target Shareholders**), have agreed on a business combination between Footshop and the Company, whereby the transaction will be completed in two steps. The Company will:

i. acquire up to 49% business share in the capital of Footshop via a combination of a capital increase and a direct purchase from the Target Shareholders in pre-defined ratios (the **Step One**), and consequently
ii. merge with Footshop (the **Step Two**, and together with the Step One, the **Transaction**)

Thus the intention is that Footshop shall eventually merge into the Company, and the Combined Company will be named "Footshop a.s." and will trade publicly on Prague Stock Exchange under a new ticker symbol "FOOT".

The Step One shall be voted on at the BC-EGM. Afterwards, once all the preparatory work necessary to implement the merger has been completed, another general meeting shall be convened to approve the Step Two.

The parties have agreed on an equity value of Footshop of CZK 750,000,000 on a pre-transaction equity value basis, which corresponds to the outcome of a valuation carried out by the Company based on the standard valuation methodology, including, in particular, discounted cash flow method and peer benchmarking.

1.2 TRANSACTION DOCUMENTATION

The Transaction documentation will consist of the following documents:

- a framework share purchase agreement for the purchase of the business shares in the Target between the Company and Target Shareholders and individual transfer agreements between the Company and each Target Shareholder (the "**SPAs**", and each an **SPA**);
- a framework investment agreement (the "**IA**") containing the detailed terms and conditions for the implementation of the Transaction and the terms and conditions for the implementation of the merger between the Target and the Company;
- other related corporate documentation to implement the foregoing;

(the **Agreements**).

The Agreements are governed by and construed in accordance with the laws of the Czech Republic, and any dispute arising out of or in connection with the Agreements will be finally settled by courts of the Czech Republic.

1.3 CONDITIONS TO COMPLETION

Completion of the Business Combination, i.e. the implementation of the Step One (the **Completion**), is subject to several conditions precedent, in particular:

i. the extraordinary general meeting of shareholders to which the board of the Company will submit the proposed Business Combination (the **BC-EGM**) having approved the Business Combination by the Required Majority, and other related resolutions proposed at the BC-EGM, and the redemption obligations of the Company as set forth in the Company's prospectus dated 2nd February 2022 not exceeding 25% of the Proceeds;
ii. the relevant Footshop entities having adopted necessary decisions;
iii. the relevant regulatory approvals necessary to implement the Transaction, if any, having been granted;
iv. the consents of third parties to the proposed organisational and ownership change in Footshop (change-of-control), if such consents are required, having been granted;
v. no governmental entity having jurisdiction over any party to the Agreements having issued any order, decree, ruling, injunction or other action restraining, enjoining or otherwise prohibiting the consummation of the contemplated transaction, and no law or regulations have been adopted that makes the consummation of the contemplated transaction illegal or otherwise prohibited;
vi. the relevant Agreements being in full force and effect, and the Target Shareholders not being in breach of their obligations and warranties thereunder;
vii. any other specific terms and conditions that will be laid down and agreed by the parties.

The Step Two, i.e. the merger of Footshop into the Company as the surviving entity, shall be implemented without undue delay after implementation of the Step One. Upon completion of the merger, the Combined Company will be named "Footshop a.s." and will trade publicly on Prague Stock Exchange under a new ticker symbol "FOOT".

1.4 USE OF IPO PROCEEDS

The Company raised capital at the IPO and placed the proceeds on the Escrow Account (the raised capital together with an accrued interest, net of any commissions, fees, and tax obligations, the **Proceeds**). The approximate amount of the Proceeds, CZK 558,000,000,[1] net of cash required to settle the Company's Redemption Obligations (as defined below) pursuant to the Company's prospectus (the **Prospectus**), will be used as follows:

1.4.1 Consideration for the Target Shareholders

The consideration for the business shares in the Target held and to be delivered by the Footshop Shareholders under the SPAs will amount to CZK 206,550,850 to be paid in cash (the **Shareholders Consideration**) on a delivery-vs-payment basis and to be divided amongst the Footshop Shareholders.

1.4.2 Injection to the Target

In addition to the Shareholders Consideration, the Company will provide the Target with an additional capital via a combination of (i) a payment related to the contribution obligation to increase the registered capital of the Target, and (ii) an additional payment pursuant to Section 163(1) of the Act no. 90/2012 Sb., on Commercial Companies and Cooperatives (the **Business Corporations Act**). In total the additional capital shall amount up to CZK 317,093,150, depending on the rate of redemptions, and shall be used to (i) repay selected existing indebtedness of the Target and (ii) further develop its business activities. The Company plans to use those proceeds, among other things, on expansion of its B&M stores network, development of Private Label, expansion into new markets, and optimization of its capital structure.

The remaining balance up to the amount of the Proceeds, if any, net of all the redemptions costs, Business Combination costs and costs of the Escrow Account, shall be returned to the SPAC Investors.

1.5 SHAREHOLDER APPROVAL AND REDEMPTION OBLIGATIONS

The Company, the Target and the Target Shareholders have acknowledged and agreed that the Transaction will, amongst others, be subject to approval of the BC-EGM, with the Required Majority (the **Shareholder Approval**), and that in the event Shareholder Approval is granted, the Company may be obliged to repurchase certain Ordinary Shares from Dissenting Shareholders (as defined in the Prospectus) as further set out in the Prospectus (the **Redemption Obligations**).

Shareholders that want to have their shares redeemed under the Dissenting Shareholder Arrangement must:

[1] The amount is only approximate because it is continuously changing due to accruing interests, and related commissions, fees, and tax obligations.

i. notify the Company in writing, no later than on 10th May 2023, of their intention to vote against the proposed Business Combination,

ii. attend or be represented at the BC-EGM and vote against the proposed Business Combination, and

iii. duly transfer their Ordinary Shares to the Company by virtue of submitting a free-of-payment delivery instruction via their custody representative where the securities account of the Dissenting Shareholder is held, at the latest on 30th May 2023, indicating the Company's custody representative, WOOD & Company Financial Services, a.s. (member id 875), as the matching counterparty at the Central Securities Depository Prague (*Centrální depozitář cenných papírů*).

1.6 EXPECTED TIMELINE OF THE TRANSACTION

Subject to possible modifications of the timeline, the following sets forth certain expected key dates of the Transaction:

i. 13th April 2023: Publication of this Shareholder Circular, including announcement of the BC-EGM agenda;

ii. 9th May 2023 – Record date for BC-EGM;

iii. 10th May 2023 – Last day to opt-in for Dissenting Shareholder Arrangement;

iv. 16th May 2023 – BC-EGM;

v. 30th May 2023 – Last day to transfer shares to the Company under Dissenting Shareholder Arrangement;

vi. 6th June 2023 – BC Completion Date

vii. 8th June 2023 – Record Date for allotment BC Warrants;

viii. 13th June 2023 – Repurchase Settlement Date;

ix. 28th June 2023 – The second general meeting

x. 1st July 2023 – Effective date of the merger

1.7 SPONSOR SHARES AND WARRANTS

Mr. Jan Sýkora, Mr. Vladimír Jaroš and Mr. Ľubomír Šoltýs (the **Sponsors**) through their Affiliated Entities indirectly control 143,656 sponsor shares in the Company (the **Sponsor Shares**). Sponsor Shares can be converted into Ordinary Shares in accordance with a pre-determined Sponsor Share Conversion Ratio and schedule as further set out in the Prospectus and the articles of association (*stanovy*) of the Company (the **Articles of Association**).

Currently, the Company has in total 2,693,559 IPO-Warrants publicly listed on Prague Stock Exchange (the **Warrants**) under ticker symbols WSOW1, WSOW2 and WSOW3. Following the Completion, BC-Warrants shall be allotted to the holders of Ordinary Shares that are held by an Ordinary Shareholder on the day that is two trading days after the Completion. The detailed terms of the allotment and conversion are set forth in the Prospectus and the Articles of Association.

Should the relevant Share Price Hurdle, as described in the Prospectus, be triggered prior to Completion, the relevant IPO-Warrants will become convertible into Ordinary Shares, and the Company may, but is not obliged to, decide that Ordinary Shares will be distributed instead of the relevant BC-Warrants.

1.8 LOCK-UP

1.8.1 Shareholders Lock-Up

Each of the Target Shareholders shall be bound by a specific lock-up undertaking in relation to any shares in the Company, thus 83.6% of the shares, that will be acquired by the Target Shareholders, or their Affiliates, as a result of the Transaction shall subject to a 240-day lock-up period. The remaining 16.4% of such shares shall be subject to modified lock-up arrangements that were agreed individually to reflect conditions and situation of the respective Target Shareholder. The lock-up period commences upon implementation of the Step Two.

As described in detail in the Prospectus, a 6 month lock-up period applies to the Sponsor Shares, and the Ordinary Shares obtained as a result of converting Sponsor Shares, held by the Sponsors or their Affiliated Entities, whereby the lock-up period commences upon Completion Date.

1.8.2 Management Lock-Up

Peter Hajduček is committed to accept an obligation to serve as a member of Footshop's statutory body with the objective of delivering maximum value to Footshop for a period of at least 3 years from the effective date of the SPA, subject to an occurrence of certain extraordinary circumstances (the **M-Lock-Up**). Peter Hajduček is also committed to follow a non-compete obligation that relates both to his membership in the statutory body and to the ownership of the Ordinary Shares.

1.9 ORDINARY COURSE

Until Completion, Footshop must conduct, and the Footshop Shareholders must procure that Footshop conducts, its business in the ordinary course and consistent with past practice in all material aspects.

1.10 LEAKAGE PROVISIONS, REPRESENTATIONS AND WARRANTIES, COVENANTS

The Agreements contain customary leakage provisions and representations & warranties of the Footshop Shareholders. For further detail, readers are referred to the overview below.

1.10.1 Leakage provisions

Completion of the Business Combination will be based on a locked box mechanism with the effective date of 30th September 2022. The Agreements shall contain provisions restricting the transfer of assets and the provision of enumerated benefits from Footshop to the Footshop Shareholders and their Affiliates from the effective date to the Completion.

1.10.2 Representations and warranties:

The Agreements will contain representations and warranties, in particular with regards to the formation and existence of Footshop, the legal title to the business shares and the right to transfer them, Footshop trademarks, tax affairs, the business and operational affairs etc.

The Footshop Shareholders shall not be liable in respect of any breach of the warranties, if and to the extent that the matter or circumstance giving rise to such breach was fairly disclosed within the due diligence process through the virtual dataroom or as part of the Agreements. All the individual findings arising from the due diligence process have been appropriately reflected either in the agreed equity value or in other provisions of the Agreements.

The liability of the Target Shareholders for representations and warranties arising from any breach of the representations and warranties will be individual and proportional to the Shareholders Consideration (not joint and several) and subject to agreed limitations.

2. RISK FACTORS

Investors should consider carefully the risks and uncertainties described below, together with the other information contained in this Shareholder Circular. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Combined Company's business, financial condition, results of operations and prospects. The price of the Shares could decline, and an investor might lose part or all of its investment upon the occurrence of any such event.

All of these risk factors and events are contingencies which may or may not occur. Footshop and/or the Combined Company may face a number of these risks described below simultaneously and some risks described below may be interdependent. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact to the Combined Company's and/or Footshop business, financial condition, results of operations and prospects. The risk factors below have been divided into categories and some risk factors could belong in more than one category. However, each risk factor is presented within the most appropriate category and prospective investors should carefully consider all of the risk factors set out in this section.

Although the management board of Footshop and Footshop believe that the risks and uncertainties described below are the material risks and uncertainties concerning Footshop's business and industry and the Business Combination, they are not the only risks and uncertainties. Other risks, events, facts or circumstances not presently known to Footshop, or that Footshop currently deems to be immaterial could, individually or cumulatively, prove to be important and may have a significant negative impact on the Combined Company's and/or Footshop's business, financial condition, results of operations and prospects.

Prospective investors should carefully read and review the entire Shareholder Circular and should form their own views before making a decision with respect to the proposed Business Combination. Furthermore, before making a decision with respect to the proposed Business Combination, investors should consult their own professional adviser and carefully review the risks associated with an investment in the Combined Company and consider such decision in light of their personal circumstances.

As used in Shareholder Circular, a reference to Footshop refers to Footshop s.r.o. as well as to its businesses which are held as consolidated subsidiaries and equity-method non-consolidated subsidiaries, associated companies and joint ventures, as the context requires.

2.1 RISKS RELATED TO FOOTSHOP'S BUSINESS AND INDUSTRY

Footshop's Future Success Depends On Its Ability To Maintain The Brand Name And Image With Consumers

Footshop's success to date has largely been due to the strength of its brand. Maintaining, promoting, and growing the brand depends on its ability to offer high-quality, innovative, and fashion forward products, as well as its ability to create fresh and relevant marketing and advertising campaigns. The inability to execute or adverse developments in these areas could negatively impact the brand. Footshop's brand could also be negatively impacted if it or any of its products were to receive negative publicity of any kind. If Footshop is unable to maintain, promote and grow its brand, then its business, financial condition, results of operations, and cash flows could be materially and adversely affected.

The Future Success Also Depends On Footshop's Ability To Respond To Changing Consumer Preferences, Identify And Interpret Consumer Trends, And Successfully Market New Products

The footwear industry is subject to rapidly changing consumer preferences. The continued popularity of any footwear requires Footshop to accurately identify changing consumer preferences and effectively respond in a timely manner. Demand for and market acceptance of existing and new products are uncertain and depend, in particular, on the following factors: (i) significant and sustained marketing efforts and expenditures, including with respect to the monitoring of consumer trends; (ii) commitment to product quality; and (iii) substantial investment in innovation. Footshop is often required to make decisions about marketing expenditures several months in advance of when consumer acceptance can be determined. As a result, it may not be successful in responding to shifting consumer preferences with new products that achieve market acceptance. If Footshop fails to identify and effectively respond to changing consumer preferences, it could experience excess inventories, higher than normal markdowns, returns, order cancellations or an inability to profitably sell its products, and its business, financial condition, results of operations, and cash flows could be materially and adversely affected.

Footshop Faces Intense Competition, Including Competition From Companies With Greater Resources Than Its Own, And If It Is Unable To Compete Effectively, Its Market Share May Decline And Its Business Could Be Harmed

Footshop faces intense competition from other companies in the footwear industry in the areas of product offerings, pricing, costs, and advertising and marketing expenditures. Consumer demand for our products may decline significantly if it does not adequately and timely anticipate and respond to its competitors. Some of the competitors might have greater financial, technological, marketing and distribution resources than Footshop does. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry, compete more effectively on price, more effectively keep up with rapid changes in footwear industry, and more quickly innovate. New companies may also enter the markets in which Footshop competes, further increasing competition. Footshop may not be able to compete successfully in the future, and increased competition may result in price reductions, cost increases, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand its development and marketing of new products, which would materially adversely impact Footshop's business, results of operations and financial condition.

Footshop's Strategies Involve A Number Of Risks That Could Prevent Or Delay The Successful Opening Of New Stores As Well As Negatively Impact The Performance Of The Existing Stores

Footshop's ability to successfully open and operate new stores depends on many factors, including its ability to identify suitable store locations, the availability of which is outside of its control; negotiate acceptable lease terms, including desired tenant improvement allowances; source sufficient levels of inventory to meet the needs of new stores; hire, train and retain store personnel; successfully integrate new stores into Footshop's existing operations; and satisfy the fashion preferences in new geographic areas. In addition, new stores could be opened in regions in which Footshop currently has no stores. Any expansion into new markets may present competitive, merchandising and distribution challenges that are different from those Footshop encounters in our existing markets. Any of these challenges could adversely affect Footshop business and results of operations. In addition, any new store openings in existing markets could result in reduced sales in existing stores in those markets. Footshop may decide to close stores that experience sales declines, which could result in additional costs, expenses, asset impairments or asset write-downs.

Footshop's Business Has Required, And Will Continue To Require, A Substantial Investment And Commitment Of Resources And Is Subject To Numerous Risks And Uncertainties

Footshop's business has required substantial investments in building an online platform, inventory, personnel and relationships with suppliers. The success of its operations depends, among other things, on its ability to identify and adapt to changes in consumer spending patterns and retail shopping preferences, including the shift from brick and mortar to online channels. Footshop's failure to successfully respond to these factors could adversely affect its business, as well as damage its brand and reputation, and could materially affect its results of operations, financial position, and cash flows.

Footshop Depends On Key Personnel To Manage Its Business Effectively In A Rapidly Changing Market, And If It Is Unable To Retain Existing Personnel, Its Business Could Be Harmed

Footshop's future success depends upon the continued services of the founder and Chief Executive Officer Peter Hajduček. The loss of the services of this individual or any other key employee could harm Footshop. Footshop's future success also depends on its ability to identify, attract, and retain additional qualified personnel. Competition for employees in the industry is intense, and Footshop may not be successful in attracting and retaining such personnel.

Footshop's Financing Agreements Contain Numerous Covenants, Representations And Warranties. The Breach Of Any Covenants, Representations Or Warranties, Or Non-Performance

Of The Obligations By Footshop Could Result In The Acceleration Of Debt Repayment Or The Payment Of Penalties Under The Relevant Financing Agreement

The financing agreements contain numerous covenants, representations and warranties by Footshop. The covenants and restrictions are designed, amongst other things, to prevent Footshop from incurring too much debt or interest costs relative to its earnings and profits. In addition to such covenants and restrictions, the contracts oblige Footshop to maintain certain ratio levels in relation to senior leverage, interest coverage and equity, and thus restrict Footshop's operational and financial flexibility. The breach of any covenants, representations or warranties, or non-performance of the obligations by Footshop under its financing agreements, if not cured or waived within specified periods, could result in the acceleration of debt repayment or the payment of penalties under the relevant financing agreement. Such an event may affect Footshop’s ability to obtain financing in the longer term, either on a timely basis or on terms favourable to Footshop, and Footshop’s ability to pursue its strategic business plans. This could have a material adverse effect on Footshop’s financial condition, results of operations and prospects.

2.2 RISKS RELATED TO SUPPLY CHAIN

Footshop’s Business Could Be Harmed If It Fails To Maintain Proper Inventory Levels

Footshop places orders with its suppliers for some products prior to the time it receives all customers’ orders. It does this to minimize purchasing costs, the time necessary to fill customer orders, and the risk of non-delivery. Footshop also maintains an inventory of certain products that it anticipates will be in greater demand. Any unanticipated decline in the popularity of Footshop’s products or other unforeseen circumstances may make it difficult for it to accurately forecast demand, and it may be unable to sell the products it has ordered in advance from suppliers or that it has in its inventory. Inventory levels exceeding customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could significantly impair Footshop’s brand image and have a material adverse effect on its operating results, financial condition and cash flows. Conversely, if Footshop underestimates consumer demand or if its suppliers fail to supply products when it needs them, it may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and distributor relationships, and diminish brand loyalty.

Footshop Relies On Independent Contract Suppliers And, As A Result, Is Exposed To Disruptions In Product Supply

Products sold by Footshop are supplied by independent contract suppliers. During the year ended 31st December 2022, the top 5 suppliers of the products supplied approximately 81% of total purchases. Footshop competes with other footwear retailers, and typically it does not have long-term contracts with its suppliers. Under current arrangements with them, these suppliers generally may unilaterally terminate their relationship with Footshop at any time. If Footshop’s current suppliers cease doing business with it, it could experience an interruption in the supply of the products. Although Footshop believes that it could find alternative suppliers, it may be unable to establish relationships with alternative suppliers that will be as favourable as the relationships it has now. For example, new suppliers may have higher prices, less favourable payment terms, lower supplying capacity or higher lead times for delivery. If Footshop is unable to provide products consistent with its standards or the supply of the products is delayed or becomes more expensive, Footshop's business and financial condition would be harmed. While not a material issue as of the filing date of this Shareholder Circular, the COVID-19 pandemic previously led to some governments around the world imposing temporary closures of, and restrictions on, some businesses, which caused delays in shipments. Footshop may encounter similar challenges yet again, or new difficulties could arise with its suppliers or any raw material suppliers on which its business relies, including prolonged transportation disruptions due to public health conditions, such as the recent COVID-19 pandemic, reductions in the availability of production capacity due to government imposed restrictions or increased costs. This could result in Footshop's customers cancelling orders, refusing to accept deliveries or demanding reductions in purchase prices, any of which could have a negative impact on its cash flows and harm its business and results of operations.

Footshop's Ability To Deliver Its Products To The Market Could Be Disrupted If It Encounters Problems Affecting Its Logistics And Distribution Systems

Footshop relies on externally operated distribution facilities to transport, warehouse and ship products to its customers. Footshop's logistics and distribution systems include computer-controlled and automated equipment, which may be subject to risks related to security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. Substantially all Footshop's products are distributed from a few locations. Therefore, its operations could be interrupted by travel restrictions, floods, fires or other natural disasters near the locations. Footshop's insurance may not adequately protect it from the potential adverse effects of significant disruptions to its distribution system, such as the long-term loss of customers or an erosion of brand image. In addition, Footshop's distribution capacity is dependent on the timely performance of services by third parties, including the transportation of product to and from its distribution facilities. If Footshop encounters problems affecting its distribution system, its ability to meet customer expectations, manage inventory, complete sales, and achieve operating efficiencies could be materially adversely affected.

2.3 RISKS RELATING TO THE BUSINESS COMBINATION

Third Parties, Such As Footshop's Suppliers And Financiers, May Terminate Or (Endeavour To) Alter Existing Contracts With Footshop As A Result Of The Business Combination

Several of Footshop's supplier and financing agreements might contain change of control clauses stipulating notification obligations for Footshop or termination rights for the contractual counterparty. While, in certain cases, there may be valid arguments that the Transaction would not trigger termination rights under the respective change of control clause, it cannot be excluded that a contractual counterparty (and, ultimately, a court) takes a different view. Accordingly, such change of control clauses bear a risk that the relevant counterparty terminates the relevant contract as a consequence of the Transaction or tries to renegotiate the terms of the relevant contract after Footshop notifies the Transaction to the relevant counterparty.

If The Combined Company Cannot Retain Its Management Team And Other Key Employees, It May Not Be Able To Manage Its Operations Successfully And Pursue Its Strategic Objectives

The Combined Company depends on its ability to recruit, retain and motivate high quality senior management and other personnel with experience. In particular, the Combined Company is dependent on the continued involvement of the members of the management that has significant experience in the footwear industry. The loss of any of the members of the Management Board or a significant diminution in their contribution to the Combined Company's business could adversely affect its ability to continue to operate its business and pursue its strategic objectives. As the Combined Company continues to grow, there can be no assurance that it will be able to attract and retain the qualified personnel needed to maintain its competitive position in its markets. Competition for suitably qualified employees is intense and could further intensify; in particular with respect to personnel that has relevant experience. If the Combined Company does not succeed in attracting, hiring and integrating qualified personnel, or retaining and motivating existing personnel, it may be unable to grow effectively, which could have a material adverse effect on its business, financial condition and results of operations.

Recourse Under The Agreements In Respect Of Breaches Of Warranties Is Limited Monetarily And By Time

Under the Agreements, the Footshop Shareholders have provided the Company with certain representations or warranties. The Company's recourse under the Agreements for losses and liabilities resulting from breach of any such representation or warranties subject to the monetary and time limitations specified therein. While the Company has carried out an extensive due diligence investigation of Footshop, the Company cannot assure shareholders that its investigation and due diligence of Footshop uncovered all events or conditions that might result in future losses or liabilities or that any known potential losses or liabilities have been fully addressed under the relevant provisions in the Agreement. As a result, after Completion, the Combined Company may suffer losses or incur liabilities for which it has limited or no recourse. Furthermore, if any such losses or liabilities were exceeding the monetary limitations or became known to the Company after expiry of the relevant time period limitations, each as specified in the Agreements, the Company may not have any recourse under the Agreements. If the Company was required to bear such losses or liabilities itself, it may have a material adverse effect on the Combined Company's financial position.

Footshop Will Face Additional Administrative And Operational Requirements As A Result Of The Listing

Following the Business Combination, Footshop will be subject to the legal requirements for Czech public companies admitted to trading on Prague Stock Exchange. These requirements include the production and publication of annual and periodic financial reports and other public disclosures. The accounting, controlling, legal or other corporate administrative functions of

Footshop may not be capable of responding to these additional requirements without difficulties and inefficiencies, and Footshop may incur significant additional expenditures to improve its central functions and internal controls and/or be exposed to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conduct of General Meetings and the regular communications with Shareholders and potential investors will entail greater expenses. Footshop's management will need to devote time to these additional requirements that it could otherwise devote to other aspects of managing Footshop's operations, and these additional requirements could also substantially increase time commitments and costs for the accounting, controlling and legal departments and other administrative functions. Any inability to manage the additional demands as a result of the listing, as well as the costs resulting therefrom, may harm Footshop's business, results of operations and financial condition.

Even If The Business Combination Is Completed, The Warrants May Never Be In The Money, And They May Expire Worthless

Each Warrant shall become convertible when (i) the Business Combination Completion Date has occurred and (ii) the closing price of the Ordinary Shares on Prague Stock Exchange reaches the respective minimum share price threshold that is set out in the Prospectus (the Share Price Hurdles) for such Warrant on 15 trading days out of a 30 consecutive trading day period (whereby such 15 trading days do not have to be consecutive). There can be no assurance that the Share Price Hurdles will ever be met and that the Warrants will ever be in the money prior to their expiration and, as such, the Warrants may expire worthless. The Warrants will expire at close of trading on the regulated market of Prague Stock Exchange on the first Business Day after the fifth anniversary of the Completion Date.

The Combined Company's Issuance Of Additional Ordinary Shares Could Dilute All Shareholders

The Combined Company may issue additional Ordinary Shares in the future that will result in dilution to all other Shareholders. The Combined Company expects to grant equity awards to certain of its employees and directors under a long term incentive plan. The Combined Company may also raise capital through equity financings in the future. As part of the Combined Company's strategy, the Combined Company may issue equity securities for purposes of financing acquisitions. Any such issuances of additional Ordinary Shares may cause Shareholders to experience significant dilution of their ownership interests and the per share value of the Ordinary Shares to decline.

The Outstanding Warrants And Special Shares May Convert In The Future, Which May Increase The Number Of Ordinary Shares And Result In Further Dilution For The Holders Of Ordinary Shares

If all outstanding Warrants and Special Shares are converted and exercised, respectively, the Combined Company's share capital would increase, diluting the holders of Ordinary Shares. Alternatively, holders of Ordinary Shares who are not holders of Warrants or who would sell their Warrants could experience an additional dilution resulting from the exercise of Warrants. Holders of Ordinary Shares could also be diluted by further share capital increases in relation to the

Combined Company's equity awards to certain of its employees and directors under a long term incentive plan.

The Implementation Of The Business Combination Is Subject To Satisfaction Or Waiver, Where Applicable Of A Number Of Conditions

Even if the proposed Business Combination is approved by the Shareholders, specified conditions must be satisfied or waived before the parties to the Agreements are obligated to complete the Business Combination. For a list of the main completion conditions see section *Conditions to Completion*. The Company, Footshop Shareholders and Footshop may not satisfy all of the completion conditions. If the completion conditions are not satisfied or waived, the Business Combination will not occur, or will be delayed pending later satisfaction or waiver, and such delay may cause the Company and Footshop to each lose some or all of the intended benefits of the Business Combination.

The Company Has Not Obtained A Third-Party Valuation Or Fairness Opinion In Determining Whether Or Not To Proceed With The Business Combination

The Company did not obtain a third-party valuation or fairness opinion in connection with its determination to recommend the Business Combination. In analysing the Business Combination, the Company conducted due diligence on Footshop. The Company also consulted with Footshop’s management and advisors and considered a number of factors, uncertainties and risks. Although the Company undertook analyses of the business and financial conditions and prospects of Footshop in making its determination regarding the fairness of the terms of the Business Combination, there can be no assurance that an independent analysis would arrive at the same conclusion. The Company relied upon its own substantial business experience and the expertise of its individual members in the areas of mergers and acquisitions, and finance and in evaluating the operating and financial merits of companies from a wide range of industries, and concluded that their experience and expertise, together with the experience and expertise of the Company’s advisors, enabled them to determine the value range of Footshop and whether the terms of the Business Combination are fair to the Shareholders. Accordingly, there is a risk that the Company may be incorrect in its assessment of the Business Combination or the value of Footshop and, as a result, the terms may not be fair from a financial point of view to the Shareholders. As a result, there can be no assurance that Shareholders will receive the value of their investment upon disposition thereof. The lack of a third-party valuation or fairness opinion may also lead an increased number of Shareholders to vote against the proposed Business Combination or demand repurchase of their shares for cash, which could potentially impact the Company’s ability to complete the Business Combination.

The Ability Of The Shareholders To Exercise Repurchase Rights With Respect To A Large Number Of Ordinary Shares Could Increase The Probability That The Business Combination Would Be Unsuccessful

Completion is conditional upon Shareholder Approval having been granted by the General Meeting, and the Redemption Obligations not exceeding 25% of the initial offering proceeds. It is unknown how many Shareholders will ultimately exercise their repurchase rights in connection with the Dissenting Shareholders Arrangement. As such, the Business Combination is structured, in part, based on the expectation of the Company (and those of the other parties to the Agreements) as to the number of Ordinary Shares that will be submitted for repurchase. If the Business Combination turns out to be unsuccessful, Shareholders will not receive the pro rata portion of the funds in the Escrow Account until the Combined Company liquidates the Escrow Account. If Shareholders are in need of immediate liquidity, they could attempt to sell their Ordinary Shares in the open market; however, at such time the Company's Ordinary Shares may trade at a discount to the pro rata amount per Ordinary Share in the Escrow Account. In either situation, Shareholders may suffer a material loss on their investment or lose the benefit of funds expected in connection with repurchase until the Liquidation or until such Shareholders are able to sell their Ordinary Shares in the open market.

Footshop Will Incur Transaction-Related Costs In Connection With The Business Combination. Moreover, The Costs Of Achieving The Benefits Of The Business Combination May Be Higher Than Anticipated, And The Continuing Post-Merger Integration Affecting Footshop's Business May Not Be As Expected

Footshop has incurred and expects to incur non-negligible costs in connection with completing the Business Combination. All transaction costs (including but not limited to advisory, legal, commercial, accounting, financial costs and costs relating to the Agreements) of Footshop will be for its account. If these costs are higher than anticipated, they may have an adverse impact on the results of operations of the Combined Company following Completion. The Company and Footshop cannot provide assurance that the benefits of the Business Combination will offset the transaction costs in the near term, if at all.

The Due Diligence Performed By The Company In Connection With Business Combination May Not Have Revealed All Relevant Issues And Liabilities

If the Company's due diligence investigation of Footshop's business was inadequate, then following the Business Combination Shareholders and Warrant Holders could lose (a part of) their investment. Even though the Company conducted a due diligence investigation of Footshop's business with the assistance of external advisors, the Company cannot be sure that this due diligence investigation uncovered all material issues that may be present inside Footshop's business, or that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside Footshop's business and outside of its control will not arise at a later moment in time. Whilst conducting due diligence and assessing a potential acquisition, the Company was required to rely on information provided by Footshop, third party investigations and public sources. The Company relied on this information for the evaluation of Footshop's business model and for the formation of the estimates and projections of potential future performance underlying its decision to enter into the Business Combination. There can be no assurance, however, that the due diligence undertaken with respect to Footshop has revealed all relevant facts that may be necessary to fully and accurately evaluate Footshop, which evaluation includes a fair determination of the consideration payable by the Company in connection with the Business Combination, or to formulate a business strategy. Furthermore, the information provided during the due diligence may have been incomplete, inadequate or inaccurate information or the Company may have misunderstood information. If the Company was provided with incomplete, inadequate, incorrect or if it misunderstood information, its assumptions and estimates relating to the merits, risks and opportunities of the Business Combination may be inaccurate. In addition, if the due diligence investigation has failed to correctly identify material issues and liabilities that may be present in Footshop, or if the Company considers such material risks to be commercially acceptable relative to the opportunity, and The Company proceeds with the Business Combination, the Combined Company may subsequently incur substantial impairment charges or other losses effectively meaning that the Company has overpaid for Footshop. In addition, following Completion, the Combined Company may be subject to significant, previously undisclosed liabilities of a target business that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure, operate and/or grow the target business in line with the Combined Company's business plan and may materially and adversely affect Footshop's business, financial condition and results of operations.

If The Business Combination Is Not Completed, Potential Target Businesses May Have Leverage Over The Company In Negotiating A Business Combination. The Company's Ability And Financial Resources To Conduct Due Diligence On A Business Combination As The Company Approaches Its Dissolution Deadline May Decrease, Which Could Undermine The Company's Ability To Complete A Business Combination On Terms That Would Produce Value For The Shareholders And The Warrant Holders

Any potential target business with which the Company enters into negotiations concerning a business combination will be aware that the Company must complete an initial business combination by 6th May 2024, which term can be extended with six (6) months. Consequently, if the Company is unable to complete this Business Combination, a potential target may obtain leverage over the Company in negotiating a business combination, knowing that the Company may be unable to complete a business combination with another target business by 6th May 2024, subject to an extended period of six (6) months. This risk will increase as the Company gets closer to the timeframe described above. In addition, the Company may have limited time and less financial resources to conduct due diligence and may enter into a business combination on terms that the Company would have rejected upon a more comprehensive investigation.

2.4 RISKS RELATED TO ECONOMIC AND EXTERNAL FACTORS

The Uncertainty Of Global Market Conditions May Continue To Have A Negative Impact On Footshop's Business, Results Of Operations Or Financial Condition

The uncertain state of global economic conditions, including the challenging consumer retail market, may negatively impact Footshop's business, which depends on the general economic environment and levels of consumers' discretionary spending. If the current economic situation does not improve or if it weakens, Footshop may not be able to maintain or increase its sales to existing customers, make sales to new customers, open and operate new retail stores, maintain sales levels at its existing stores, maintain or increase its international operations on a profitable basis, or maintain or improve its earnings from operations as a percentage of sales. Additionally, if there is an unexpected decline in sales, Footshop's results of operations will depend on its ability to implement a corresponding and timely reduction in its costs and manage other aspects of its operations. These challenges include (i) managing its infrastructure, (ii) hiring and maintaining, as required, the appropriate number of qualified employees, (iii) managing inventory levels and (iv) controlling other expenses. If the uncertain global market conditions continue for a significant period or worsen, Footshop's results of operations, financial condition, and cash flows could be materially adversely affected.

Footshop's Business Could Be Adversely Affected By Changes In The Business Or Financial Condition Of Its Customers Due To Global Economic Conditions

Global financial crisis may affect the banking system and financial markets and result in a tightening in the credit markets, more stringent lending standards and terms, and higher volatility in fixed income, credit, currency and equity markets. In addition, Footshop's business could be adversely affected by other economic conditions, such as the insolvency of certain of its key suppliers, which could impair its logistic channels, or the diminished liquidity or an inability to obtain credit to finance purchases of its product. If economic, financial or political conditions in global markets deteriorate in the future, demand for Footshop's products may be lower than forecasted and insufficient to achieve its anticipated financial results. Any of these events would likely harm Footshop's business, results of operations, financial condition and cash flows.

Natural Disasters Or A Decline In Economic Conditions In The Czech Republic And Other Target Markets Could Increase Footshop's Operating Expenses Or Adversely Affect Its Sales Revenue

A decline in the economic conditions in the Czech Republic and other core markets where the Company operates could have a material adverse impact on Footshop's business. Furthermore, a natural disaster or other catastrophic event in the Czech Republic or in other target markets, such as a flood or wildfire, could significantly disrupt its business.

2.5 RISKS RELATED TO CURRENCY

Foreign Currency Exchange Rate Fluctuations Could Have A Material Adverse Effect On Footshop's Business And Results Of Operations.

Foreign currency fluctuations may affect Footshop's revenue and profitability. Changes in currency exchange rates may impact its financial results positively or negatively in one period and not another, which may make it difficult to compare its operating results from different periods. Currency exchange rate fluctuations may adversely impact Footshop's suppliers by making their costs more expensive and more difficult to finance, thereby raising prices for Footshop. Footshop purchases products predominantly in Czech crowns and Euros, which causes the cost of those products to vary depending on the foreign currency exchange rates and impacts the price charged to customers. Although Footshop engages in hedging activities with respect to these currency exchange rate risks, and typically works to mitigate the impact of exchange rate fluctuations through price increases and further actions to reduce costs, it may not be able to fully offset the impact. Footshop's success depends, in part, on its ability to manage or mitigate these foreign currency impacts, as changes in the value of the Czech crown relative to other currencies could have a material adverse effect on its business, results of operations, financial position and cash flows.

2.6 RISKS RELATED TO COVID-19

The COVID-19 pandemic may have a material adverse effect on Footshop's business and results of operations.

Global Economy and Footshop's Business and Financial Performance

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The COVID-19 pandemic may continue to have a material adverse impact on Footshop's business and financial performance. The extent of this impact will depend on future developments, including the duration and severity of the pandemic, temporary store closure requirements, changes in consumer confidence and spending, and the extent of any recession resulting from the pandemic. At this time, we cannot reasonably estimate the possible continuation, duration and severity of the COVID-19 pandemic, or its overall impact on Footshop's business and financial performance.

Closures and Operational Restrictions of Footshop's Retail Stores

Footshop may face recurring store closure requirements and other operational restrictions with respect to some or all our physical locations because of new governmental restrictions, quarantine policies, or social distancing measures related to the COVID-19 pandemic. Footshop's business and results of operations may be materially adversely impacted by store closures and operational restrictions. Consumer fear about becoming ill with COVID-19 and recommendations and/or mandates from governmental authorities may have an adverse effect on traffic to stores. Any significant reduction in consumer visits to, or spending at, Footshop's retail stores during and following pandemic may result in a loss of sales and profits and other material adverse effects on Footshop's business and results of operations.

Disruptions or Delays in Our Supply Chain

The COVID-19 pandemic and related governmental actions may cause delays in shipments of Footshop's products and could significantly impact its supply chain if the factories that manufacture its products, the distribution centres where Footshop manages its inventory, or the operations of its logistics and other service providers are further disrupted, temporarily closed or experience worker shortages. More specifically, most of the products sold by Footshop are manufactured in Asia. Any disruptions or delays in shipments could result in negative impacts to the pricing of Footshop's products due to changes in the availability of inventory, increased shipping costs, or missed sales that may materially adversely impact Footshop's business and results of operations.

Focus of Key Personnel and Productivity of Employees

Beginning in early 2020, Footshop's management team and employees have focused on mitigating the adverse effects of the COVID-19 pandemic, which has required and may continue to require a large investment of time and resources, diverting their attention from other priorities that existed prior to the pandemic. If these conditions worsen or last for an extended period, Footshop's ability to manage its business may be impaired and operational risks may be elevated.

The Global Economy, Consumer Spending, Consumer Confidence And Footshop's Sales

Consumer confidence and spending on discretionary items generally declines during periods of economic uncertainty or recession. Footshop's business is affected by these conditions and may experience declines in consumer traffic and spending. As a result, factors that diminish consumer confidence and spending, particularly deterioration in general economic conditions, consumer credit availability, consumer debt levels, inflation, the impact of foreign exchange fluctuations on tourism and tourist spending, volatility in investment returns, fear of unemployment, increases in energy costs or taxes or interest rates, housing market downturns, fear about and impact of pandemic illness (such as the impact of the COVID-19 pandemic, including reduced store traffic and widespread temporary store closures), and other factors such as acts of war, natural disasters or terrorist or political events that impact consumer confidence may have a material adverse effect on Footshop's operations and financial condition through decreased spending in its retail stores and ecommerce business.

2.7 RISKS RELATED TO LEGAL AND REGULATORY MATTERS

Changes In Tax Laws Or The Potential Imposition Of Additional Duties, Quotas, Tariffs And Other Trade Restrictions Could Have An Adverse Impact On Footshop's Sales And Profitability

Products sold by Footshop that are manufactured overseas and imported into the European Union are subject to customs duties. Footshop is unable to predict whether there may be unfavourable changes in tax laws, additional customs duties, quotas, tariffs, anti-dumping duties, safeguard measures, cargo restrictions to prevent terrorism or other trade restrictions in the European Union or overseas imposed on the importation of the products in the future. Such actions could adversely affect Footshop's ability to market footwear at competitive prices and might have an adverse impact on its sales and profitability.

The Disruption, Expense And Potential Liability Associated With Unanticipated Future Litigation Against Footshop Could Have A Material Adverse Effect On Footshop's Business, Results Of Operations, Financial Condition And Cash Flows

Footshop might become involved in litigation arising from the normal course of business, and it is unable to determine the extent of any liability that may arise from any such unanticipated future litigation. We have no reason to believe that there is a reasonable possibility or a probability that Footshop may incur a material loss with respect to unanticipated future litigation. However, the outcome of litigations is inherently uncertain. Therefore, if any future legal matter is resolved against Footshop, its financial statements could be materially adversely affected. Further, any unanticipated litigation in the future, regardless of its merits, could also significantly divert Footshop management's attention from its operations and result in substantial legal fees being incurred. Such disruptions, legal fees and any losses resulting from these unanticipated future claims could have a material adverse effect on Footshop's business or financial condition.

Breaches Or Compromises Of Footshop's Information Security Systems, Information Technology Systems And Its Infrastructure To Support Its Business Could Result In Exposure Of Private Information, Disruption Of Its Business And Damage To Its Reputation, Which Could Harm Footshop's Business, Results Of Operation And Financial Condition

As a routine part of Footshop's business, it utilizes information security and information technology systems and websites that allow for the secure storage and transmission of proprietary or private information regarding its customers, employees, suppliers and others. A security breach of Footshop's network, hosted service providers, or other systems, may expose Footshop to a risk of loss or misuse of this information, litigation and potential liability. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks, and the retail industry, has been the target of many recent cyber-attacks. Although Footshop takes measures to safeguard this sensitive information, it may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks targeted at it, its customers, or others who have entrusted Footshop with information. Actual or anticipated attacks may cause Footshop to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Footshop invests in industry standard security technology to protect personal information. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by it to protect against transaction or other data being breached or compromised. In addition, data and security breaches can also occur due to non-technical issues, including breach by Footshop itself or by persons with whom it has commercial relationships that result in the unauthorized release of personal or confidential information. Fraudulent or unlawful use of customer, employee or company data, any compromise or breach of our cyber security systems could result in private information exposure and a violation of applicable privacy and other laws, significant potential liability including legal and financial costs, and loss of confidence in Footshop's security measures by customers, which could result in damage to its brand and have an adverse effect on its business, financial condition and reputation. In addition, Footshop must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data. Compliance with existing and proposed laws and regulations can be costly, and any failure to comply with these regulatory standards could subject Footshop to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against Footshop by governmental entities or others, damage to Footshop's reputation and credibility and could have a negative impact on revenues and profits.

2.8 RISKS RELATED TO THE WOOD SPAC ONE STOCK PRICE

Footshop's Quarterly Revenues And Operating Results Fluctuate As A Result Of A Variety Of Factors, Including Seasonal Fluctuations In Demand For Footwear, Delivery Date Delays And

Potential Fluctuations In Its Estimated Annualized Tax Rate, Which May Result In Volatility Of the WOOD SPAC One Stock Price After the Business Combination

Footshop's quarterly revenues and operating results may fluctuate significantly in the future due to a number of factors, many of which are beyond its control. As a result, Footshop may not be able to accurately predict its quarterly sales. Furthermore, Footshop's expenses are partially based on its expectations of future sales, and it may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shifts. As a result, Footshop's expenses may be disproportionately large relative to its revenues, which could have a material adverse effect on its operating results. Footshop's annualized tax rate is based on projections of its operating results for the year, which is reviewed and revised as necessary at the end of each quarter. Any quarterly fluctuations in the tax rate could have a material impact on Footshop's quarterly operating results and the results for any one quarter may not be indicative of results for the full year. Any shortfall in revenues or net earnings from levels expected by securities analysts and investors could cause a decrease in the trading price of the Shares.

2.9 RISKS RELATING TO TAXATION

The Business Combination may result in adverse tax, regulatory or other consequences for Ordinary Shareholders and/or Warrant Holders which may differ for individual Ordinary Shareholders and/or Warrant Holders depending on their status and residence

It is possible that any transaction structure determined necessary by the Combined Company to complete the Business Combination may have adverse tax, regulatory or other consequences for Ordinary Shareholders and/or Warrant Holders which may differ for individual Ordinary Shareholders and/or Warrant Holders depending on their individual status and residence.

Investors may suffer adverse tax consequences in connection with acquiring, owning and disposing of the Combined Company's Ordinary Shares and/or Warrants

The tax consequences in connection with acquiring, owning and disposing of the Ordinary Shares and/or Warrants may differ from the tax consequences in connection with acquiring, owning and disposing of securities in other entities and may differ depending on an investor's particular circumstances including, without limitation, where investors are tax resident. Such tax consequences could be materially adverse to investors and investors should seek their own tax advice about the tax consequences in connection with acquiring, owning and disposing of the Ordinary Shares and/or Warrants, including, without limitation, the tax consequences in connection with the repurchase of the Shares and whether any payments received in connection with a repurchase would be taxable.

Taxation of returns from assets located outside of the Czech Republic may reduce any net return to the Ordinary Shareholders and/or the Warrant Holders

To the extent that the assets, company or business which the Company acquires as part of the Business Combination is or are established outside the Czech Republic, it is possible that any return the Company receives from it may be reduced by irrecoverable foreign withholding or other local taxes and this may reduce any net return derived from a shareholding in the Combined Company by the Ordinary Shareholders and/or the Warrant Holders.

There can be no assurance that the Combined Company will be able to make returns in a tax-efficient manner for the Ordinary Shareholders and/or Warrant Holders

It is intended that the Company will structure the holding of the business of Footshop in which it envisages to acquire a stake through the Business Combination with a view to maximising returns for the Ordinary Shareholders and the Warrant Holders. However, taxes may be imposed with respect to any of the Combined Company's assets, income, profits, gains, repurchases or distributions in the Czech Republic and/or any other jurisdiction where the business is active, which may impact the net returns to the Ordinary Shareholders and/or the Warrant Holders. Any changes in laws or tax authority practices could also adversely affect such returns to the Ordinary Shareholders and/or the Warrant Holders. In addition, the Combined Company may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for the Ordinary Shareholders and/or the Warrant Holders.

Changes in tax treaties, laws, rules or interpretations or the outcome of tax audits could have an adverse effect on the Combined Company, its Ordinary Shareholders and/or Warrant Holders or customer demand

The tax laws and regulations in the jurisdictions in which the Combined Company operates may be subject to change. New tax laws or regulations may be introduced by competent authorities with or without retrospective effect and there may be changes in the interpretation and enforcement of such tax laws or regulations. This is particularly relevant for the Combined Company, as it is affected by tax laws and regulations in several jurisdictions. Also, tax treaties applicable to the Combined Company may be subject to change or termination. As a result, the Combined Company may be adversely affected and face increases in taxes payable, for example, if tax rates increase, if tax laws or regulations are modified in an adverse manner, or if new tax laws or regulations are introduced by the competent authorities, with or without retrospective effect. In addition, tax authorities in the relevant jurisdictions may periodically audit the Combined Company. Tax audits for periods not yet reviewed may consequently lead to higher tax assessments (plus accrued interest and penalties). Any additional taxes or other sums that become due may have a material adverse effect on the Combined Company's business, financial condition, results of operations or prospects.

3. PERSONS RESPONSIBLE, DATA ACCURACY AND OTHER IMPORTANT INFORMATION

3.1 PERSONS RESPONSIBLE

The Company represented by the Executive Directors Mr. David Tajzich and Mr. Oliver Polyák is responsible for the information provided in all sections of this Shareholder Circular.

3.2 RESPONSIBILITY STATEMENT

This Shareholder Circular is made available by the Company, and the Company accepts full responsibility for the accuracy of the information contained in this Shareholder Circular. The Company declares that the information contained in this Shareholder Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Oliver Polyák, member of the board of the Company

3.3 DATA ACCURACY

The information presented in this Shareholder Circular is taken or derived from the sources identified in this section. In addition, certain statements in this Shareholder Circular are based on Footshop's or the Company's proprietary information, insights, opinions, or estimates and not on any third party or independent source. These statements do not purport to cite, refer to or summarise any third party or independent source and should not be read this way.

All references to market share, market data and industry statistics in this Shareholder Circular consist of estimates compiled by industry professionals, competitors, organisations or analysts, of publicly available information, or of Footshop's or the Company's own assessment. Such statements do not purport to cite, refer to or summarise any third-party or independent source and should not be so read.

Third party publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information and such information is not intended to be used as the sole basis for any business decision. The Company has not independently verified any of the data from third party sources nor has it ascertained the underlying economic assumptions relied upon therein.

The Company confirms that the information contained in this Shareholder Circular that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from information published by third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. All information contained in this Shareholder Circular is subject to change based on various factors, including those discussed in "Risk Factors".

The Company used certain market and industry data used in this Shareholder Circular from reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including the following sources:

- Statista. Footwear worldwide - revenues by segment, June 2022 [online]. [viewed date: 3rd November 2022]
  Available from: *<https://www.statista.com/outlook/cmo/footwear/worldwide>*
- Statista, Sneakers worldwide - CAGR (2023-2027), June 2022 [online]. [viewed date: 4th November 2022]
  Available from: *<https://www.statista.com/outlook/cmo/footwear/sneakers/worldwide>*
- Statista, Sneakers worldwide market size, Sneakers Europe market size, June 2022 [online]. [viewed date: 8th November 2022]
  Available from: *<https://www.statista.com/outlook/cmo/footwear/sneakers/worldwide>*
- Statista, Global sneakers market report 2022 [online]. [viewed date: 8th November 2022]
  Available from: *<https://www.statista.com/study/74717/sneakers-report>*
- Run Repeat, The average price of sneakers November 2021 [online]. [viewed date: 9th November 2022]
  Available from: *<https://runrepeat.com/average-price-sneakers>*
- Statista, Sneakers sustainability June 2022 [online]. [viewed date: 14th November 2022]
  Available from: *<https://www.statista.com/outlook/cmo/footwear/sneakers/europe>*
- Statista, Sneakers sales channels June 2022 [online]. [viewed date: 14th November 2022]
  Available from: *<https://www.statista.com/outlook/cmo/footwear/sneakers/europe>*
- Cowen Equity Research, Sneakers resell market 2020 [online]. [viewed date: 3rd November 2022]
  Available from: *<https://www.cowen.com/insights/sneakers-as-an-alternative-asset-class-part-ii>*

3.4 PRESENTATION OF FINANCIAL INFORMATION

3.4.1 Historical financial information

Unless otherwise indicated, financial information contained in this Shareholder Circular has been prepared in accordance with Czech Accounting Standards (**CAS**).

In this Shareholder Circular, the term financial statements refers to the audited consolidated financial statements of the Target as at 31st December 2021, 31st December 2020 and 31st December 2019, as included in this Shareholder Circular. In this Shareholder Circular, the term Other Financial Information refers to the unaudited consolidated financial statements of the Target as at 30th September 2022, as included in this Shareholder Circular, and selected financial information on individual entities as at 30th September 2021, 31st December 2021, and 30th September 2022, as mentioned in this Shareholder Circular.

The financial statements have been audited by the current auditor of Footshop, BDO Audit s.r.o. Other Financial Information has not been audited.

3.4.2 Alternative performance measures

This Shareholder Circular contains non-CAS financial measures, which are not liquidity or performance measures under CAS, and which Footshop considers to be alternative performance measures (**APMs**). These APMs are presented in addition to the figures that are prepared in accordance with CAS and include Revenues, Gross Margin and Adjusted EBITDA (each as defined in annex *List of Terms*). Revenue is used to measure Footshop's top-line growth year on year. The Company provides these APMs and other key metrics because it believes that they provide investors with additional information to measure the operating performance of Footshop and to enhance the investors' understanding of Footshop's results. Such APMs may vary from APMs used by other companies in Footshop's industry. The measures used should not be considered as an alternative to any measure derived in accordance with CAS. APMs have limitations as analytical tools over and above the limitations of any CAS performance measures and should not be considered in isolation or as substitutes for analysis of the results of Footshop, as reported under CAS. Such APMs may include or exclude amounts that are included or excluded, as applicable, in the calculation of the most directly comparable measures in accordance with CAS. Their usefulness is therefore subject to limitations, in particular, other companies in the industry may define APMs, used herein, differently, which may make it difficult to compare the performance of those entities to the performance of Footshop, based on similarly named measures.

APMs should be considered in conjunction with the financial statements prepared in accordance with CAS. Although certain of these measures have been extracted or derived from the financial statements, this data has not been audited or reviewed by any auditor.

3.4.3 Rounding and Negative Amounts

Certain figures in this Shareholder Circular, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in tables may not be an exact arithmetic aggregation of the figures which precede them.

In preparing the financial information included in this Shareholder Circular, most numerical figures are presented in millions of Czech crowns. For the convenience of the reader of this Shareholder Circular, numerical figures in this Shareholder Circular are rounded to the nearest million or thousand, as applicable. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in tables may not be an exact arithmetic aggregation of the figures which precede them.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts are shown by "-" or "negative" before the amount.

3.4.4 Currency

In this Shareholder Circular, unless otherwise indicated: all references to "CZK" are to lawful currency of the Czech Republic, all references to "EUR" are to lawful currency of European Monetary Union, and all references to "USD" to the lawful currency of the United States.

3.5 INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Shareholder Circular might include forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Footshop's and the Company's control and all of which are based on Footshop's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "aim", "annualised", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "goal", "hope", "intend", "may", "objective", "plan", "position", "potential", "predict", "project", "risk", "seek", "should", "target", "will" or "would" or the highlights or the negatives thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They might appear in a number of places throughout this Shareholder Circular and include statements that reflect Footshop's and/or Company's intentions, beliefs or current expectations and projections about Footshop's, Company's or the Combined Company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which Footshop operates. In particular, the statements in sections *Risk Factors*, *The Target Overview*, and *Future development* regarding Footshop's and/or the Combined Company's strategy, targets, expectations, objectives, future plans and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Shareholder Circular regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Combined Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Risks and uncertainties that could cause the Combined Company's actual results to vary materially from those anticipated in the forward-looking statements included in this Shareholder Circular include those described under section *Risk Factors*.

Forward-looking statements include, among other things, statements relating to:

- Footshop's or the Combined Company's strategy, outlook and growth prospects;
- Footshop's or the Combined Company's liquidity, capital resources and capital expenditure requirements;
- Footshop's or the Combined Company's expectations as to future growth in demand for the Combined Company's services;
- Footshop's or the Combined Company's financial and operational performance medium-term objectives;
- Footshop's or the Combined Company's future Revenues;
- Footshop's or the Combined Company's future Adjusted EBITDA and Gross Margin;
- Footshop's or the Combined Company's future ability to contract additional employees and customers;
- changes in general economic conditions and capital markets; and
- actions of competitors and customers.

Forward-looking statements in this Shareholder Circular speak only as of the date of this Shareholder Circular. Except as required by applicable laws and regulations, each of the Company, Footshop, their respective affiliates and representatives, their respective advisors and the directors and officers of the aforementioned parties expressly disclaims any obligation or undertaking to update or revise the forward-looking statements contained in this Shareholder Circular to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based.

3.6 DEFINED TERMS

This Shareholder Circular is published in English only. Definitions used in this Shareholder Circular are defined in annex *List of Terms*.

4. AUDITORS

The Target is audited by BDO Audit s.r.o., with its business address at V parku 2316/12, Chodov, 148 00 Prague 4, Czech Republic, ID no. 45314381, registered in the Chamber of Auditors of the Czech Republic under the registration no. 018.

The Company is audited by Ernst & Young Audit, s.r.o., with its business address at Na Florenci 2116/15, 11000 Prague 1, Czech Republic, ID no. 26704153, registered in the Chamber of Auditors of the Czech Republic under the registration no. 401.

5. BASIC INFORMATION ABOUT THE TARGET

5.1 LEGAL AND COMMERCIAL NAME

The Target's legal name is Footshop s.r.o.

5.2 PLACE OF REGISTRATION, REGISTRATION NUMBER AND LEI

The Target is registered in the Czech Republic.

The Target's registration number is 24288128.

5.3 DATE OF INCORPORATION

Date of incorporation of the Target is 2nd April 2012.

5.4 CONTACT INFORMATION

The Target is a limited liability company (*společnost s ručením omezeným*) incorporated under Czech law, having its registered office at Thámova 166/18, Karlín, 186 00 Prague 8, Czech Republic, ID no. 24288128, registered in the Business Register of the Czech Republic (*Obchodní rejstřík*) maintained by the Municipal Court in Prague, Section C, File 192700, and operating under the laws of the Czech Republic. The Target's website is www.footshop.cz. Any information on the website does not form part of the Shareholder Circular unless that information is incorporated by reference into the Shareholder Circular.

6. BUSINESS OF THE TARGET

6.1 MARKET OVERVIEW

6.1.1 Footwear market

The footwear market consists of four major segments, Athletic Footwear, Leather Footwear, Sneakers, and Textile & Other Footwear. The segments Leather Footwear and Textile & Other Footwear are the largest, accounting for approximately 40% and 28%, respectively, of the footwear market in 2022. The Sneakers segment is estimated to account for 19% and Athletic Footwear for 13% of the footwear market in 2022.

The Sneakers segment represents the fastest-growing segment with a compound annual growth rate (CAGR) of 7.95% while Leather Footwear's estimated CAGR is less than 4%. Footshop is focused mainly on the Sneakers segment with some exposition to Athletic Footwear and Textile & Other segments as well.[2, 3]

6.1.2 Global and European size of sneakers market

The size of the global sneakers market was estimated at approximately USD 72.7 billion in 2022 (1.2 billion pairs) and is projected to grow to approximately USD 106.6 billion in 2027 at a CAGR of 7.95%. The size of European sneakers market was estimated at approx. USD 16.0 billion in 2022 and is projected to grow to approximately USD 24.7 billion in 2027 at a CAGR of 9.06%. In global comparison, the United States as a single country generated the most revenue in 2022 when their revenues accounted for more than 30% of the global market. However, the fastest-growing markets in the coming years are expected to be Asia and Europe.[4, 5]

Sneakers occupy an important space in the footwear market, blurring the line between fashion and function. Overall, the combination of fashion, design, functionality, and a growing subculture of sneaker enthusiasts are main drivers of the rising demand for sneakers. The demand is supported by growing world population and penetration into new markets.

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[2] Statista. Footwear worldwide - revenues by segment, June 2022 [online]. [viewed date: 3rd November 2022]. Available from: <https://www.statista.com/outlook/cmo/footwear/worldwide>

[3] Statista, Sneakers worldwide - CAGR (2023-2027), June 2022 [online]. [viewed date: 4th November 2022]. Available from: <https://www.statista.com/outlook/cmo/footwear/sneakers/worldwide>

[4] Statista, Sneakers worldwide market size, Sneakers Europe market size, June 2022 [online]. [viewed date: 8th November 2022]. Available from: <https://www.statista.com/outlook/cmo/footwear/sneakers/worldwide>

[5] Statista, Global sneakers market report 2022 [online]. [viewed date: 8th November 2022]. Available from: <https://www.statista.com/study/74717/sneakers-report>

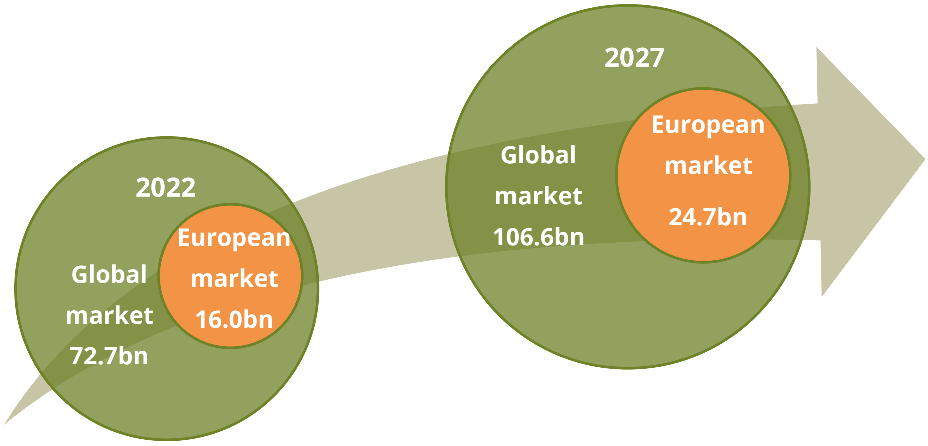

Figure 6.1: European and global sneakers market 2022-2027 in billion USD, Source: Statista, June 2022

6.1.3 Market segmentation

The sneakers market is led by the two biggest players, Nike and adidas. Other significant players include New Balance, Vans, Puma, Asics, Converse, and Under Armour. Those distributors hold the power and for this reason contracts with them are key aspects of Footshop's core business.

Sneakers can be divided by various factors. One common approach to segmenting the sneaker market is to distinguish between ordinary sneakers (Tier 1,2) and premium sneakers (Tier 0). While ordinary sneakers are widely available for purchase at a range of outlets, including wholesale stores and general shoe stores, premium sneakers are typically sold exclusively through carefully selected partner organizations that meet a strict set of criteria.

At adidas, for instance, the sale of premium sneakers is limited to members of the adidas Consortium group who have entered into a special agreement with the distributor. As a result, only a select few retailers are authorized to offer these top-tier products to their customers.

The average retail selling price of ordinary sneakers worldwide was approx. USD 60 in 2021, while in the premium segment it was approx. USD 110 in 2021.[6, 7]

6.1.4 Summary of sneakers history

Sneakers, also known as trainers, began their journey in the 18th century with the production of plimsolls or canvas shoes that were comfortable for indoor sporting activities. However, the term "sneaker" was first used in the early 20th century because the rubber sole of the shoes allowed for silent movement or 'sneaking.'

[6] Statista, Global sneakers market report 2022 [online]. [viewed date: 8th November 2022]. Available from: <https://www.statista.com/study/74717/sneakers-report>

[7] Run Repeat, The average price of sneakers November 2021 [online]. [viewed date: 9th November 2022]. Available from: <https://runrepeat.com/average-price-sneakers>

During the 1920s and 1930s, sneakers started to become popular for athletic purposes and were advertised by popular athletes such as Chuck Taylor, who endorsed his signature Converse All-Star shoe. The development of new materials and technologies, such as vulcanized rubber, cushioned soles, and air cushions, further improved the comfort, performance, and aesthetics of sneakers.

In the 1980s, sneakers became popular among the youth culture, and the trend of collecting and trading limited edition and rare sneakers started. Sneakers started to become a statement of fashion and identity, with collaborations between athletes, designers, and brands. During that time Michael Jordan signed a deal with Nike and first Air Jordan was released.

Today, sneakers have become an essential part of popular culture and streetwear, with the market evolving rapidly with new designs, innovations, and collaborations. The sneaker industry has become a multibillion-dollar industry, with collectors and enthusiasts all over the world constantly pursuing the next big release.

6.1.5 Sneakers milestones

Listed below are some of the most significant milestones in the sneaker's history:

- Converse All-Stars: The first-ever basketball sneaker introduced in 1917
- Chuck Taylor All-Stars: The iconic Converse sneakers have been a part of pop culture since the 1950s
- Adidas Superstar: The first sneaker with an all-leather upper introduced in 1969
- Air Jordan: The Air Jordan line was introduced in 1985 and revolutionized the sneaker industry
- Nike Air Max: The first sneaker with a visible Air cushioning unit introduced in 1987
- New Balance 990: The first-ever sneaker to cost $100 or more (released in 1982)
- Reebok Pump: The first customizable-fit sneaker introduced in 1989
- Adidas x Parley for the Oceans: first sneakers created from upcycled plastic waste released in 2015
- Nike Dunk: Originally designed for basketball but became popular in skateboarding
- Puma Clyde: The first celebrity-endorsed sneaker, created for NBA player Walt "Clyde" Frazier
- Yeezy: Kanye West's collaboration with Adidas has become one of the most sought-after sneakers in recent years (terminated cooperation in 2022 due to Kanye West's antisemitic remarks)

6.2 THE TARGET OVERVIEW

6.2.1 Overview

Footshop, headquartered in Prague, is a leading online and brick and mortar (B&M) retailer of streetwear footwear, clothing, and accessories. It operates through its two online stores, Footshop and Queens, and three B&M stores, serving primarily customers in Europe but having a global presence. With 97 employees (FTEs), Footshop is a growing company that has established strong relationships with key players in the footwear and streetwear industries.

Founded in 2012, Footshop is the only company in the Czech, Hungarian, Romanian, and Slovak markets to be a member of the exclusive adidas Consortium, a group of retailers with the best access to high-end adidas products such as limited editions of sneakers. Footshop also sells top-of-the-line products from other leading brands, including Nike ACG, Vault by Vans, and more.

Online sales are fulfilled from Footshop's central warehouse in Horní Počernice, which spans approx. 10,000 square metres. Footshop's three flagship B&M stores in Prague, Budapest, and Bucharest not only offer customers with the opportunity to try on and purchase products in person, but sometimes also serve as event spaces for customers and suppliers.

6.2.2 History

Footshop was founded in 2012 by Peter Hajduček as an online store created for his bachelor thesis. Initially, Footshop sold only skateboard shoes. In the following years, the arrival of Peter Kováč led to the expansion of the product offering to include leisure footwear and over time Footshop gained access to products from renowned brands such as adidas, Nike, Asics, and Puma.

In 2014, Footshop opened its first physical store, with more than 300 people attending the opening celebration. The following year, Footshop became the only Czech member of the adidas Consortium, the highest distribution level achieved by only a select few stores globally. This membership granted Footshop access to adidas' most exclusive products, including Yeezys.

In 2016, Footshop relocated to new offices, increasing its number of employees to 25. Footshop opened a second store in Bratislava.

In 2018, Footshop moved its Prague store to Vnitroblock and opened a new store in Budapest. As part of the Bratislava Street Art Festival, Footshop, in cooperation with Lousy Auber, created the largest street art piece in Central Europe on Hotel Kiev in Bratislava and won the Grand Prix in 2018. Footshop also introduced its first sneakers in cooperation with KangaROOS. Furthermore, investment fund Enern acquired a 22% stake in Footshop and it launched its Releases Platform for limited-edition shoes.

In 2019, Footshop opened its fourth store in Bucharest and in 2020 expanded its product offerings to include premium brands such as Heron Preston, Rick Owens, and A Cold Wall. Footshop also entered the Netherlands and Greece markets, launching a new language version of its website and adopting a new brand identity created by Studio Najbrt.

2021 was a landmark year for Footshop, as it achieved its highest Revenues and expanded through the acquisition of its domestic competitor, Queens. Footshop also raised additional investment from Crowdberry, a platform for retail investors. However, the market situation worsened towards the end of the year, forcing Footshop to reduce its expenditures and lay off a third of its employees, as well as closing all Queens stores and two Footshop stores, in Bratislava and Vnitroblock in Prague.

After a challenging first quarter of 2022, Footshop returned to profitability on an Adjusted EBITDA level, and following the implementation of necessary restructuring, it is well-positioned to capitalize on current opportunities.

6.2.3 Products

Footshop sells footwear, clothing and accessories from more than 70 brands including the most prestigious streetwear brands of footwear and clothing – Nike, adidas, Converse, Y-3, Vans, New Balance, or Asics as well as large number of clothing brands – The North Face, Carhartt WIP, Pleasures, Comme des Garcons, or Heron Preston.

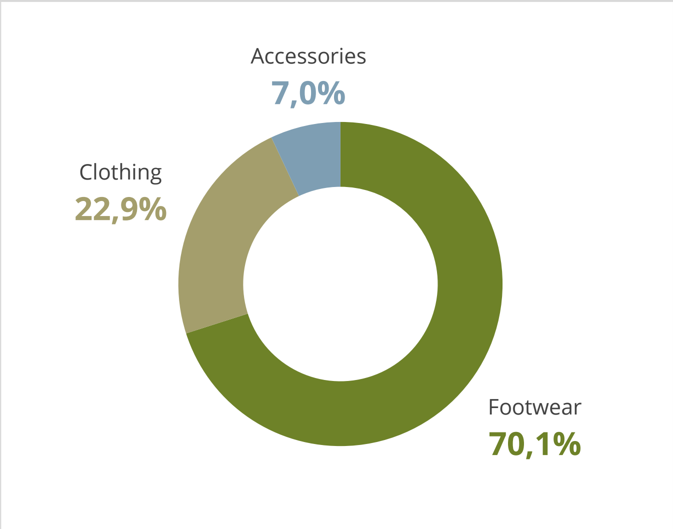

Figure 6.2: Revenues by Category (Revenues from shipping not included) for first three quarters of 2022

Measured on Revenues and excluding shipping revenue, footwear represented 70.1% of Footshop Revenues in the first three quarters of 2022 whereas clothing and accessories represented 22.9% and 7.0%, respectively. On a full year basis, in 2022, footwear represented 70.2% of Footshop Revenues whereas clothing and accessories represented 22.4% and 7.4%, respectively.

6.2.4 Markets

Footshop focuses on the European market with the largest markets for Footshop being Bulgaria, Czech republic, France, Germany, Greece, Hungary, Poland, Romania, and Slovakia. However, Footshop also serves customers worldwide primarily through footshop.com online store that is available globally and offering global shipping.

In several markets including the Czech republic, Footshop is the #1 player in the premium streetwear segment. Furthermore, in several markets Footshop is the only top-tier partner for large number of brands Footshop sells.

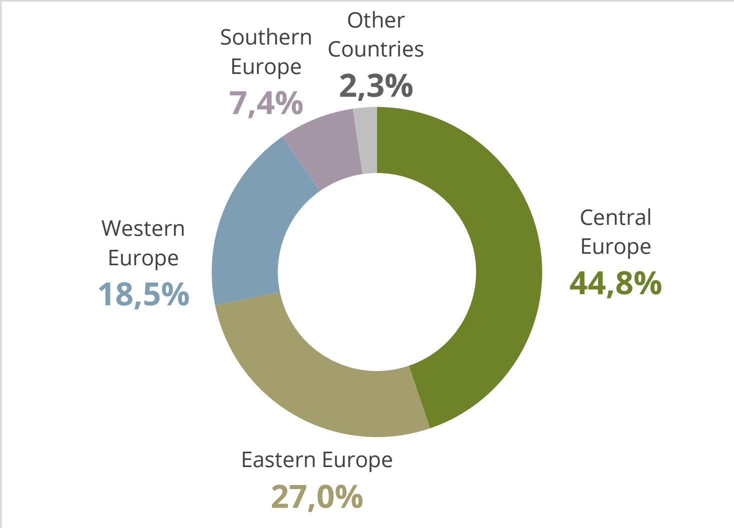

Figure 6.3: Revenues by Geography for first three quarters of 2022

Footshop makes most of its Revenues outside the Czech republic. In the first three quarters of 2022, Revenues in the Czech Republic accounted for 24.6% of Footshop's Revenues whereas in full year 2022 it was 26.0%. Measured on Revenues, Central Europe generated 44.8% of Footshop's Revenues in the first three quarters of 2022 whereas Eastern Europe generated 27.0%, Western Europe generated 18.5%, Southern Europe 7.4%, and Other Countries generated 2.3%. In 2022, Central Europe generated 46.3% of Footshop Revenues whereas Eastern Europe generated 25.9%, Western Europe generated 17.9%, Southern Europe 7.5%, and Other Countries generated 2.4%.

Footshop continues to expand internationally, significantly growing is presence in Poland and Greece over the last two years. Footshop plans to further increase its international presence by opening new B&M stores, with the first two being contemplated under the Footshop brand in Bratislava and Warsaw. Later it considers opening Footshop B&M stores in other European capitals and large cities.

6.2.5 Customers

Almost all of Footshop Revenues are sales to end customers. Footshop targets young customers that are engaged through emailing campaigns, real-life events, and social media where Footshop maintains an active and engaged presence with more than 1.5 million followers across various social platforms. Footshop's large following on social media makes it the most followed company in the Czech Republic and Slovakia. Apart from strong presence on social media, Footshop has a large number of email subscribers – more than 2.3 million, monthly sending more than 13 million emails.

Looking at Footshop's online customer base closely, in the last two years 578 thousand unique online customers purchased at Footshop. 146 thousand of those customers were considered loyal, i.e., making at least two purchases in the last two years, 216 thousand were considered new customers, i.e., making one purchase in the last year, and 216 thousand were considered regular, making one purchase between one and two years ago. For full year 2022, the online customer base was 586 thousand unique online customers. Moreover, since the foundation of the Target more than 1 million unique online customers have made an order at Footshop.

Using the same definition and comparing 9M 2019 and 9M 2022, the online customer base increased from 325 thousand unique online customers in 9M 2019 to 578 thousand unique online customers in 9M 2022, representing a 77% growth. Furthermore, loyal customers played more important role for Footshop as their share of online customer base increased from 22.2% in 9M 2019 to 25.3% in 9M 2022.

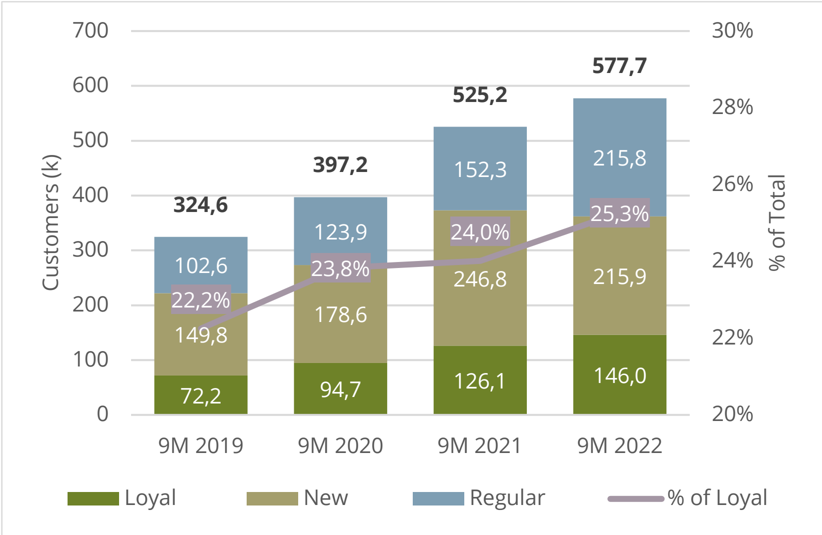

Figure 6.4: Development of Online Customer Base;
Note: Online customer base in a given year is defined as customers that have made an online purchase in the last two years.

6.2.6 Sales channels

Footshop operates two online stores – under Footshop and Queens brands. Footshop online store focuses primarily on premium, unique footwear with a distinct orientation on streetwear look. Footshop online store is available in more than 150 countries in the world with 18 language mutations that are supported by inhouse customer support.

Available through Footshop online store is Releases Platform, webpage through which the most limited and exclusive sneakers are sold. On Releases Platform products are "released" on specific dates and customers can buy them only after registering and then being drawn in a raffle.

Queens online store is positioned more in women-oriented, and urban segments, aiming to sell products from head to toe. Queens online stores is available in 6 countries with 6 language mutations.

Both Footshop and Queens online stores are known for their wide selection of products, professional presentation with own high-quality photos and fast delivery.

Additionally, Footshop operates three B&M stores under Footshop brand located in European capitals – Prague, Budapest and Bucharest. These stores are premium boutiques, all positioned in exclusive locations. Footshop also uses those stores to organise exclusive events for its customers and suppliers.

In first three quarters of 2022, measured on revenue, the largest channel was Online with 79.6%, followed by Stores with 11.5% and Releases with 8.9%. Measured on FY 2022 this split was 81.8%, 11.3%, and 6.9% for Online, Stores, and Releases, respectively.

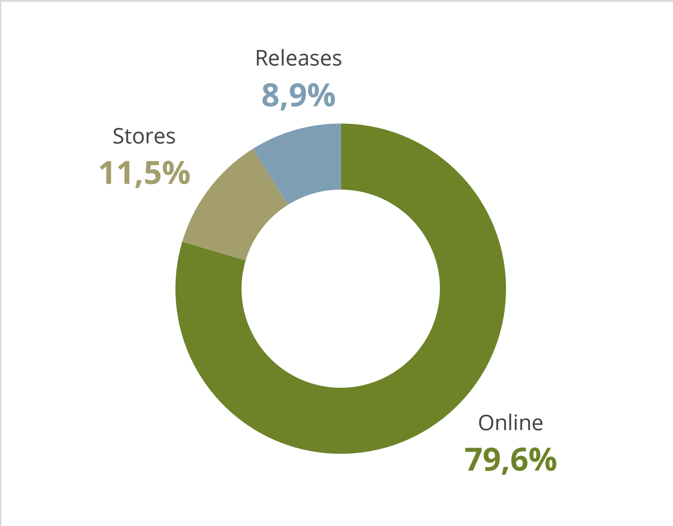

Figure 6.5: Revenues by Sales Channels for first three quarters of 2022

6.2.7 Purchasing, Distribution and Customer Fulfilment

During the first three quarters of 2022, Footshop purchased products from more than 70 vendors. Footshop does not have a long-term contract with any of its vendors. All purchases from vendors are made on a short-term, purchase order, basis.

Footshop currently operates a single, central warehouse in Horní Počernice that has approximately 10,000 m^2 of space. Vendors ship products to this warehouse, where the shipments are stored and then either shipped to B&M stores or used to fulfil online orders. Warehouse is responsible for consolidating damaged and defective products from both online customers and B&M stores, with these products then returned to vendors or destroyed. Footshop has contracts with common carriers to deliver products from the warehouse in Horní Počernice to all customers worldwide. Through cross-dock system, Footshop is able to also offer products that are available in stores to customers shopping online.

6.2.8 Management

Footshop is led by Peter Hajduček, current chief executive officer (**CEO**) and founder. Peter Hajduček founded Footshop in 2012 as part of his bachelor thesis and over time transformed it from an online store selling skateboard shoes to a leading online retailer of sneakers and streetwear clothing in Central and Eastern Europe. Today, Peter Hajduček acts as Footshop's CEO and is in charge of strategic development, new initiatives, and day-to-day management of Footshop.

Top management team further consists of Jan Neuvirth, chief operating officer, Daniel Urban, chief information officer, Pavel Jurenčák, head of retail, Adriana Jurdová, chief marketing officer, and Aleš Pitro, head of sales. The top management has diverse backgrounds from companies such as adidas, Asics, Avast, EPH, eyerim, KPMG, kika, Rossignol, and others.

6.3 INVESTMENTS

6.3.1 Property, Plant and Equipment

Footshop leases all its premises and does not own any real estate. Namely, Footshop leases its warehouse in Horní Počernice, its office in Karlin Prague, and its B&M stores in Prague, Budapest, and Bucharest.

6.3.2 Information Technology

Footshop considers its IT infrastructure, in particular its website, an essential element of its business. Most of the IT infrastructure is developed and maintained in house by a team of 16 IT professionals.

6.3.3 Description of material investments in progress

Footshop's ongoing material investments include development of its private label, mobile application and expansion of B&M stores network.

6.4 INTELLECTUAL PROPERTY

The main intellectual property assets are Footshop's online stores – Footshop and Queens that can be found on the website addresses www.footshop.cz and www.queens.cz. Both of those stores are available in several language mutations and several domains including www.footshop.com The website was created by Footshop's employees and external developers. Apart from that, Footshop is now in the process of developing its own mobile application.

Regarding registered intellectual property rights, Footshop has registered some of its brands throughout the world via Czech national trademarks and subsequently via international registrations. Footshop also has a long list of registered domain names throughout the world.

6.5 LEGAL AND ARBITRATION PROCEEDINGS

Footshop is currently not involved in any litigation arising from the normal course of business, and it is unable to determine the extent of any liability that may arise from any unanticipated future litigation. The management has no reason to believe that there is a reasonable possibility or a probability that Footshop might incur a material loss with respect to unanticipated future litigation.

7. MATERIAL CONTRACTS

Footshop has contractual relationships with its suppliers. The following suppliers are considered key suppliers with a material impact on Footshop's business:

- adidas ČR s.r.o.,
- NIKE RETAIL B.V.,

- New Balance Poland Sp. Z O.O. a
- VF Czech s.r.o.

8. TREND INFORMATION

The following sections describe briefly the main trends that affect the footwear industry.

8.1 INFLUENCE OF THE LUXURY INDUSTRY

In recent times, the world of sneakers has witnessed a notable influx of luxury brands, including Louis Vuitton, Gucci, and Balenciaga, entering the market. The traditional athletic brands such as adidas, Nike, and Puma have long held sway over the sneakers market, but high-end fashion houses are now engaging in strategic collaborations with them, in order to capitalize on the growing popularity of streetwear. Consequently, a growing number of partnerships is observed between these two segments, resulting in an increasing convergence of sportswear and high fashion.

8.2 RESELL MARKET

The popularity of certain sneaker models has led to a thriving resell market, with estimated market value of USD 6 billion in 2021 that is projected to reach USD 30 billion by 2030. Brands often boost the value of their sneakers by releasing limited editions with scarcity tactics, such as Nike's 2005 "Pigeon" Dunk Low Pro SB of which only 150 pairs were made available. Leading players in the resell market include American portal StockX and American marketplace Goat. This market encompasses not only "deadstock" (new, unworn sneakers), but also B-grade shoes with minor flaws and even pre-worn pairs. Second-hand shopping is now viewed as both responsible and trendy by society.[8]

8.3 INFLUENCER MARKETING

Influencer marketing has become a popular strategy for sneaker brands to promote their products. Michael Jordan's collaboration with Nike is one of the most iconic examples of celebrity endorsement, but today's partnerships go beyond just athletes. Brands now frequently collaborate with influencers from various industries, such as rappers, models, and other celebrities. For instance, Reebok has partnered with model Gigi Hadid, Nike with journalist Anna Wintour, or adidas with rapper Pharrell Williams. In fact, some influencers even play a role in designing sneakers, helping to create unique and eye-catching products that resonate with their followers.

[8] Cowen Equity Research, Sneakers resell market 2020 [online]. [viewed date: 3rd November 2022]. Available from: <https://www.cowen.com/insights/sneakers-as-an-alternative-asset-class-part-ii>

8.4 CUSTOMIZATION AND VISUALIZATION

Brands are targeting younger generations by offering customization options that allow users to add personalized elements to their shoes. This strategy taps into the desire for self-expression and individuality, enhancing brand loyalty and driving sales.

8.5 NETFLIX MARKETING / E-SPORT MARKETING / VIRTUAL PRODUCTS

Streaming services, like Netflix, have become a major influence on consumer demand, as evidenced by the popularity of certain products featured in popular TV shows and movies. For example, in Squid Game, the main character wears a pair of Vans shoes, while in Last Dance, Jordans are prominently featured. The increased popularity of these shoes is not only due to their real-world appeal but also their digital representation, as brands are now using e-sport marketing to build brand awareness and create a deeper connection with their target audience.

8.6 LOCAL MANUFACTURING AND SUPPLY CHAIN SECURITY

Customers are increasingly willing to pay a premium for products made in their own country, whether it's the US, UK, or Czech Republic. This trend has become more pronounced in the wake of supply chain disruptions, which have caused significant bottlenecks for businesses. To address these challenges, fashion companies are now exploring nearshoring options and establishing new manufacturing hubs to serve the demands of US and European customers.

8.7 CUSTOMERS RETURN TO BRICK-AND-MORTAR STORES

As COVID restrictions began to ease, many customers were eager to resume shopping in physical stores rather than relying solely on online purchases. Despite this, online sales continue to grow steadily year by year. In Europe, the ratio of online to offline sales was 56:44 in 2021. According to estimates, this ratio is projected to shift to 62:38 by 2025, indicating a continuing trend towards increased online sales.[9]

8.8 SOCIAL AND ENVIRONMENTAL ASPECTS

The fashion industry as a whole is increasingly concerned with minimizing its environmental and social impact, and consumers are placing greater emphasis on sustainability when making purchasing decisions. This trend is particularly evident in the sneaker market, where sustainable footwear is expected to see a significant increase in market share between 2022 and 2026, rising from 7.6% to 9.9%.[10]

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[9] Statista, Sneakers sales channels June 2022 [online]. [viewed date: 14th November 2022]. Available from: <https://www.statista.com/outlook/cmo/footwear/sneakers/europe>

[10] Statista, Sneakers sustainability June 2022 [online]. [viewed date: 14th November 2022]. Available from: <https://www.statista.com/outlook/cmo/footwear/sneakers/europe>

9. GROUP STRUCTURE

9.1 GROUP DESCRIPTION

The organizational structure included below presents the structure of Footshop on the day of this Shareholder Circular:

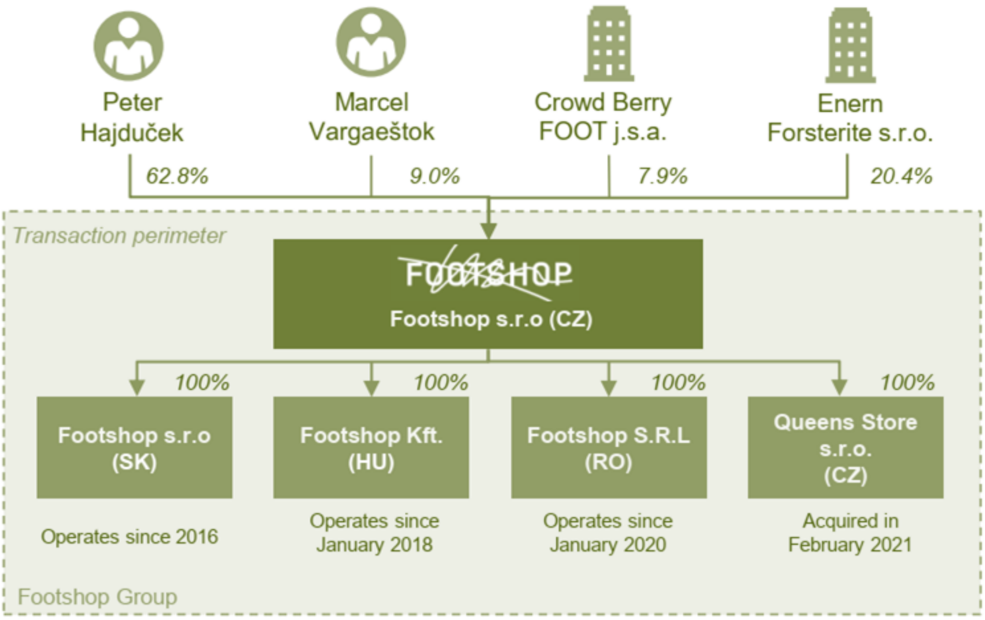

Figure 9.1: Organizational structure

9.2 THE TARGET'S SIGNIFICANT SUBSIDIARIES

Footshop s.r.o. (CZ) is the main operational entity that also acts as a holding company. Footshop s.r.o. (CZ) operates the Footshop online store, which is the basis of Footshop's business as the Revenues from worldwide customers including those from Slovakia, Hungary, and Romania are accounted for by the Czech entity. Footshop s.r.o. (CZ) employs most employees, operates a central warehouse, and is the owner of internally developed software and brands.

Footshop s.r.o. (CZ) has four subsidiaries that are responsible for operating and managing B&m stores. The subsidiaries generate Revenues from offline sales only and provide personal pickup order services. An exception is represented by Queens Store s.r.o. (CZ), which operates an online store.

Footshop s.r.o. (SK) operated a B&M store in Bratislava. However, it was closed in February 2022. Footshop contemplates reopening the B&M store in Bratislava in the future, however, in a more attractive location as Footshop's goal is to have a premium store in major cities where it has a strong online presence.

Foothop Kft. (HU) and Footshop S.R.L. (RO) are each responsible for operating and managing one store in the respective capital, Budapest and Bucharest, respectively.

Queens store s.r.o. (CZ) is responsible for operating and managing a Queens online store.

10. EMPLOYEES

The number of employees of Footshop as of 31.12.2022 was 97 FTEs (full time equivalents).

There are currently no collective labour agreements or collective bargaining agreements in place.

11. REGULATORY ENVIRONMENT

The Target is not subject to any sector-specific regulation that would have a material impact on its business.

12. INDEBTEDNESS

The table in this section sets out Footshop's indebtedness as at 31st December 2019, 2020, 2021, and 30th September 2022.

Table 12.1: Indebtedness

CZK in millions	Dec-19	Dec-20	Dec-21	Sep-22
Cash and bank	19.4	31.1	29.1	45.7
Bank loans and overdrafts	(103.6)	(111.7)	(143.3)	(143.8)
Convertible loans(1)	(13.8)	(78.8)	(0.0)	(44.0)
Other loans	(0.0)	(20.1)	(20.5)	(51.7)
Liabilities to shareholders	(8.6)	(0.0)	(0.0)	(0.0)
Net cash / (debt)	**(106.6)**	**(179.5)**	**(134.7)**	**(193.9)**

Note: (1) Convertible loans (CZK 44.0 mil.) were reported as a part of equity at the end of September 2022, but were not capitalised

As at 30 September 2022, Footshop reported net debt of CZK 193.9 million that comprised cash and bank net of bank loans, overdrafts and other loans. Balance of cash and bank was CZK 45.7 million. Bank loans and overdrafts consisted of (i) two investment loans (CZK 4.8 million aggregated), (ii) revolving loan (CZK 50.2 million), and (iii) two overdrafts drawn by both Footshop s.r.o. (CZ) and Queens (CZK 88.8 million aggregated). Other loans represented unsecured loans provided by several private individuals with maturity date as at February 2023 (as of date of this document their maturity was extended to February 2024) and convertible loans provided by current shareholders during three quarters of 2022 (CZK 44.0 million). The convertible loans were accounted as a part of equity at the end of September 2022. Footshop s.r.o. (CZ) provided intra-group loans to Footshop S.R.L. (RO) and Foothop Kft. (HU) whose balances are eliminated upon consolidation.

13. OPERATING REVIEW

13.1 RECENT DEVELOPMENT AND PERFORMANCE

Footshop Revenues grew steeply between 2020 and 2021 (by 46.4%) which was both organic and acquisitions driven. At the beginning of 2021, Footshop acquired its main domestic competitor Queens which operated three B&M stores in the Czech Republic and an online store. Queens

Revenues in 2021 were CZK 212.6 million. The organic growth of Footshop s.r.o. (CZ) Revenues (i.e. not taking into account Queens and other Footshop entities) was 27.6% in 2021. Such growth was largely driven by expanded assortment as well as extensive marketing spending in order to promote volume sales.

Table 13.1: Additional Performance Measures: Consolidated Revenues, Gross Margin, and Adjusted EBITDA for 2019, 2020, 2021, 2022, and first three quarters of 2022

	Dec-19	Dec-20	Dec-21	Sep-22	Dec-22P(1)
Revenues (mil. CZK)	791.7	867.8	1,270.6	748.9	1,060.1
Gross Margin	41.4%	38.3%	39.1%	37.9%	38.2%
Adjusted EBITDA (mil. CZK)	27.9	21.4	(0.9)	0.4	21.0

Note (1): Estimate of Footshop's management.

After the boom of e-commerce that started during the COVID pandemic, e-commerce was expected to grow further in 2022. However, those expectations had not materialized, and instead the entire e-commerce sector has experienced slow-down at the turn of 2021 and 2022. In conjunction with long lead times of ordering goods in fashion industry, Footshop ended up overstocked with inventory, facing liquidity constraints at the end of 2021 and in the beginning of 2022, forcing Footshop to optimize its business. In the first quarter of 2022, Footshop took various cost-cutting and optimizing measures. Namely, Footshop reduced its marketing spending, laid off a portion of its employees, and significantly optimized its network of B&M stores, keeping only the profitable B&M stores. Footshop closed underperforming Footshop branded B&M stores in Prague (Vnitroblock, closed in May 2022) and Bratislava (closed in February 2022) and all of the Queens branded B&M stores, in Ostrava (closed in February 2022), Brno (closed in April 2022) and Prague (closed in June 2022). The remaining Footshop branded B&M stores in Prague, Bucharest and Budapest are all profitable. In the future, Footshop considers reopening some of the closed B&M stores or more favourable locations.

On a consolidated basis, Footshop Revenues in the first three quarters of 2022 decreased by 19.0% year-over-year and gross margin decreased by 2.0 ppts from 39.9% in first three quarters of 2021 to 37.9%. Apart from the broad e-commerce slow down, the performance of the business was significantly affected by the following:

- Unfavourable development of foreign exchange rates, as footwear prices are fixed at suppliers' pricelists with historical rates and are mainly quoted in CZK
- Decrease in marketing costs. During the first three quarters of 2022, management revised and optimised all marketing expenses
- Suppliers pushing for high volumes sold in the shortest period possible, which led to decrease in selling prices to incentivise the sales
- Unfavourable stock development when inventories rose significantly over optimal level due to contraction of the business and large orders of goods already in place from 2021

On an individual basis, during the first three quarters of 2022, Footshop s.r.o. (CZ) Revenues decreased by 16.2% year-on-year mainly due to the drop in online sales partly offset by growth of B&M stores sales as they were temporarily closed in 2021 due to COVID-19. Drop in online sales in the first three quarters of 2022 was caused by the broad slow-down of e-commerce that occurred between the last quarter of 2021 and continued into first quarter of 2022. The decrease was further caused by optimization of marketing spending. Gross Margin decreased in the first three quarters of 2022 by 2.8 percentage points from 39.7%, in the first three quarters of 2021, to 36.9%. This was largely caused by an adverse foreign exchange rate development.

Queens business (Queens Store s.r.o.) was hit by the difficult conditions more severely, in the first three quarters of 2022 Queens Revenues decreased by 28.9% year-on-year. This was accompanied by large contraction in Gross Margin by 8.4 percentage points from 36.3% in first three quarters of 2021 to 28.0% in the first three quarters of 2022. The adverse development of the Queens business was caused namely by large stock of old inventory that had to be sold with discount, adverse FX development, and crucially by Footshop's cost cutting efforts in which almost all Queens employees were laid off and Queens marketing got less support due to liquidity constraints. As at 30 September 2022, Footshop significantly progressed with the integration and consolidation of the Queens business. Namely, Queens warehouse merged into Footshop's central warehouse in Horní Počernice, most of the major systems and infrastructure runs on the same platform as the rest of Footshop, and aging profile of Queens' inventory has been significantly improved due to implementation of net working capital management procedures.

Other Footshop entities, Footshop Kft. and Footshop S.R.L., operating B&M stores in Budapest and Bucharest, respectively, were positively affected by the removal of COVID related restrictions and general reopening which had positive effect on both their Revenues and Gross Margins.

13.2 FUTURE DEVELOPMENT

For the financial year 2022, Footshop expects to report Revenues around CZK 1,060 million and Gross Margin of around 38.2%, the second-best result in the 11 years of Footshop's history. Adjusted EBITDA should reach approximately CZK 21.0million.

Compared to 2021 levels, the Revenue is expected to decrease by 16.6% year-on-year with Gross Margin being lower by 1.0 percentage point. The decline is mainly driven by the underperformance in the first quarter. The performance in the last three quarters of 2022, reflects a strong recovery of the business as of the second quarter of 2022. In 2022, despite the difficult first quarter, Footshop expects to increase its operational profitability measured by Adjusted EBITDA by CZK 21.9 million from CZK -0.9 million to CZK 21.0million.

Footshop continues to demonstrate outstanding resilience in the face of numerous challenges arising from the continued conflict in Ukraine, widespread strain on international logistics and other supply challenges. The performance in the last three quarters of 2022 (Q2-Q4), reflects a strong recovery of the business with expected Adjusted EBITDA of CZK 40.3 million. Notably, despite adidas' termination of its partnership with Kanye West in October 2022 and immediate discontinuation of the Yeezy brand which was an important brand for Footshop, Footshop performed strongly in the last quarter and expects to report Revenues and Adjusted EBITDA above management plans.

Table 13.2: Quarterly split of 2022 – Revenues, Gross Margin, Adjusted EBITDA

	Q1	Q2	Q3	Q4P(1)
Revenues (mil. CZK)	214.2	284.3	250.4	311.2
Gross Margin	38.9%	37.8%	37.3%	38.7%
Adjusted EBITDA (mil. CZK)	(19.3)	7.3	12.5	20.5

Note (1): Estimate of Footshop's management.

For the financial year 2023, the management forecasts annual Revenues growth of 11-17% and Adjusted EBITDA growth of 145-185%. This forecast takes into consideration business development factors such as introduction of private label products, launch of the mobile application and opening of new flagship B&M stores in new locations, e.g., Bratislava and Warsaw under Footshop brand and Prague under Queens brand, which are factors that can be influenced by the management. On the other hand, the forecast is based on stable macroeconomic growth and standard pre-pandemic macroeconomic conditions that do not significantly deviate from the long-term trend, which are factors that are beyond control of the management. The forecast could by materially changed as a result of a macroeconomic slowdown or any sort of an unexpected macroeconomic shock.

The forecasted steep growth of Adjusted EBITDA as compared to the financial year 2022 reflects the underperformance of the business in the first quarter of 2022 when Footshop generated a loss on the Adjusted EBITDA of CZK -19.3 million and underperformance of Queens business. Following the implementation of the cost-cutting measures, Footshop's performance turned around and it generated a positive Adjusted EBITDA as of the second quarter of 2022. The cumulative Adjusted EBITDA for the second, third and fourth quarter of 2022 is expected to reach ca. CZK 40.3 million.

13.3 INCOME STATEMENT

Table 13.3: Consolidated Income statement (in mil. CZK)

		Dec-19	Dec-20	Dec-21	Sep-22
I.	Sales of products and services	16.6	18.5	26.5	14.7
II.	Sales of goods	775.1	849.3	1,244.1	734.2
A.	Cost of sales:	719.2	800.1	1,165.5	682.2
A.1.	Costs of goods sold	454.1	524.0	757.2	455.6
A.2.	Consumed material and energy	9.3	5.9	11.3	6.0
A.3.	Services	255.7	270.2	397.0	220.6
C.	Own work capitalised (-)	(3.2)	(5.6)	-	-
D.	Staff costs	47.2	51.6	96.1	72.0
E.	Adjustments to values in operating activities	16.1	30.9	42.6	25.3
E.1.	Adjustments to values of intangible and tangible fixed assets	16.1	27.7	38.5	25.3
E.3.	Adjustments to values of receivables	-	3.2	4.2	-
III.	Other operating income	1.1	4.9	4.9	2.2
F.	Other operating expenses	1.7	6.0	6.5	3.1
*	**Operating profit or (loss)**	**11.8**	**(10.3)**	**(35.2)**	**(31.4)**
VI.	Interest income and similar income	0.0	0.0	0.3	0.1
J.	Interest expenses and similar expenses	5.9	6.9	7.0	11.2
VII.	Other financial income	7.7	9.3	15.8	4.9
K.	Other financial expenses	18.9	29.9	42.2	16.2
*	**Financial profit or (loss)**	**(17.1)**	**(27.5)**	**(33.1)**	**(22.3)**
**	**Profit or (loss) before tax**	**(5.3)**	**(37.9)**	**(68.3)**	**(53.8)**
L.	Income tax	(0.2)	(0.7)	0.0	0.2
**	**Profit or (loss) net of tax**	**(5.0)**	**(37.2)**	**(68.3)**	**(54.0)**
N.	Accounting for the negative consolidation difference	-	-	(5.4)	(4.4)
***	**Profit or (loss) for the current period**	**(5.0)**	**(37.2)**	**(63.0)**	**(49.6)**

Note: Consolidated financial statements were audited for periods ending 31 December 2019, 2020, and 2021.For first three quarters of 2022, consolidated financial statements were not audited.

13.3.1 Sale of goods and Sale of products and services

Section *Recent Development and Performance* the discusses the development of Revenues on both consolidated and individual basis.

13.3.2 Cost of goods sold

Cost of goods sold refers to the direct cost of purchasing the goods from suppliers.

13.3.3 Consumed material and energy

Consumed material and energy consists mainly of packaging, office stationery, equipment of Karlín office and B&M stores, and costs of utilities.

13.3.4 Services

Service expenses include mainly marketing, transportation, rent expense, and external agencies. Increase of services costs in 2021 by 46.9% year-on-year was in line with the growth of the business with similar service expenses as a percentage of Revenues of 31.2% (in 2020 31.1%).

During the first three quarters of 2022, service expenses as a percentage of sales decreased to 29.5%. This was a result of management's decision to optimize and cut marketing costs. On the other hand, rental costs increased during the first three quarters of 2022 which was a result of COVID-related discounts obtained in 2021.

13.3.5 Own work capitalised

This line item represents primarily the capitalized costs of software and online store development. Since 2021, Footshop has been accounting for the capitalized costs directly to intangible assets.

13.3.6 Staff costs

The number of FTEs at Footshop increased from 81 in 2019 to 97 in 2022. As at September 2022, Queens and Footshop s.r.o. (SK) did not have any employees, Footshop S.R.L. (RO) and Foothop Kft. (HU) had only employees at respective B&M stores. Increase in staff costs as a percentage of Revenues in the first three quarters of 2022 to 9.6% (7.6% in 2021) was driven by i) newly hired more senior employees, ii) increase in gross salaries by 5%, and iii) severance payments paid to laid off employees.

13.3.7 Adjustments to values in operating activities

Adjustments to values in operating activities consisted in the three quarters of 2022 entirely of adjustments to values of intangible and tangible fixed assets, i.e., depreciation and amortization. Majority of Footshop's fixed assets consist of intangible assets such as software that is depreciated over short horizon, i.e., 3 years.

13.3.8 Other operating income / (expenses)

Footshop generated income from sublease of vacant premises to related parties and other companies. All subleases, except of the warehouse, were terminated by September 2022 as Footshop moved to new office premises. Other operating expenses consist mainly of provisions for bad receivables.

13.3.9 Financial income / (expenses)

This line item includes mainly bank fees for processing customer's payments and a FX gains and losses.

13.3.10 Interest income / (expenses)

Interest expenses include interest on bank and other loans. As at September 2022, Footshop had bank loans at Raiffeisen Bank, overdrafts at UniCredit Bank, several unsecured loans provided by private individuals and convertible loans provided by current shareholders.

14. CASH FLOWS, INVESTMENTS AND LIQUIDITY

14.1 CASH-FLOW STATEMENT

The following table sets out Footshop's cash flows and net cash positions for the periods indicated.

Table 14.1: Consolidated statement of cash-flows (in mil. CZK)

		Dec-19	Dec-20	Dec-21	Sep-22
	Cash flows from operating activities				
	Net consolidated result before tax	**(5.3)**	**(37.9)**	**(62.9)**	**(49.4)**
A.1.	Adjustments for non-cash movements:	22.0	41.8	40.4	30.4
A.1.1.	Depreciation and amortisation of fixed assets	16.1	27.7	33.1	20.9
A.1.2.	Change in provisions and provisions for impairment	0.1	8.2	7.9	1.2
A.1.3.	Profit (Loss) from sales of fixed assets	-	(0.0)	(0.2)	(0.3)
A.1.5.	Net interest expense	5.8	6.9	6.7	11.1
A.1.6.	Other non-cash movements	-	(0.9)	(7.0)	(2.5)
A.*	**Net cash flow from operating activities before tax and changes in working capital**	**16.8**	**4.0**	**(22.5)**	**(19.0)**
A.2.	Non-cash working capital changes:	27.2	(32.3)	6.7	(13.0)
A.2.1.	Change in receivables and prepayments	(27.3)	8.8	(4.1)	14.4
A.2.2.	Change in payables and accruals	70.9	(16.0)	71.4	8.2
A.2.3.	Change in inventories	(16.4)	(25.1)	(60.6)	(35.6)
A.**	**Net cash flow from operating activities before tax**	**43.9**	**(28.3)**	**(15.8)**	**(32.0)**
A.3.	Interest paid	(5.3)	(7.6)	(7.0)	(11.2)
A.4.	Interest received	0.0	0.0	0.3	0.1
A.5.	Income tax paid	0.0	(0.4)	(0.6)	(0.2)
A.***	**Net cash flow from operating activities**	**38.7**	**(36.3)**	**(23.0)**	**(43.3)**
	Cash flows from investing activities				
B.1.	Acquisition of fixed assets	(32.0)	(36.7)	(37.1)	(16.7)
B.2.	Proceeds from sale of fixed assets	-	0.1	1.3	0.9
B.3.	Loans to related parties	(1.0)	0.2	1.0	-
B.***	**Net cash flow from investing activities**	**(33.0)**	**(36.3)**	**(34.8)**	**(15.9)**
	Cash flows from financing activities				
C.1.	Change in long- and short-term liabilities from financing activities	(5.6)	84.3	55.8	31.7
C.2.	Changes in equity	0.0	0.0	0.0	44.0
C.***	**Net cash flow from financing activities**	**(5.6)**	**84.3**	**55.8**	**75.7**
	Net increase/(decrease) in cash and cash equivalents	**0.1**	**11.7**	**(2.0)**	**16.5**
	Cash and cash equivalents at the beginning of the period	**19.2**	**19.4**	**31.1**	**29.1**
	Cash and cash equivalents at the end of the period	**19.4**	**31.1**	**29.1**	**45.7**

Note: Consolidated financial statements were audited for periods ending 31 December 2019, 2020, and 2021.For first three quarters of 2022, consolidated financial statements were not audited.

14.1.1 Cash flows from operating activities

In 2021, net cash flow from operating activities was negative CZK 23.0 million. The impact of net working capital movements was positive CZK 6.7 million. Furthermore, acquisition of Queens, which was part of the consolidation since February 2021, had impact primarily on inventory (increase, i.e., cash outflow by CZK 58.4 million) and trade payables (increase, i.e. cash inflow by CZK 15.2 million) balance. For the first three quarters of 2022, net cash flow from operating activities was negative CZK 43.3 million. Impact of the net working capital was cash outflow of – CZK 32.0 million. The reason for this was an increase in inventories that was caused by (i) necessity to pre-stock before fourth quarter and (ii) given long lead times in ordering goods in the fashion industry, delivery of goods that were ordered in 2021 when the outlook was positive. Cash outflow from interest paid increased in 2022 due to a significant increase in interest rates in 2022 and the Company having majority of debts floating and in CZK.

14.1.2 Cash flows from investing activities

Cash flow from investing activities is related mainly to capital expenditures. In 2021, the net impact of the acquisition of Queens was positive as the purchase price was lower than its net assets. In 2021, net cash flow from investing activities was negative CZK 34.8 million. For the first three quarters the net cash flow from investing activities was negative CZK 15.9 million.

14.1.3 Cash flows from financing activities

In 2021, net cash flow from financing activities was CZK 55.8 million whereby current shareholders provided additional financing in a form of convertible loans which were part of other loans as at December 2020 in the amount of CZK 78.3 million. In 2021, the impact of Queens' financing was an overdraft facility in the amount of CZK 34.5 million. For the first three quarters of 2022, net cash flow from financing activities was CZK 75.7 million whereby Footshop was provided with additional financing from current shareholders (convertible loans) in the amount of CZK 44.0 million as well as unsecured debt from private individuals in the amount of CZK 31.6 million.

14.2 LIQUIDITY

At the end of first three quarters of 2022, Footshop reported a cash balance of CZK 45.7 million.

14.3 CAPITAL EXPENDITURES AND INVESTMENTS

The majority of capital expenditures was spent on the development of Footshop's online stores and related intangible assets. Total Footshop's investment in Footshop online store was CZK 95.6 million in between 2019 and September 2022. During the first three quarters of 2022, except for investments into online stores, the major capital expenditure spending were related to (i) conveyor belt and (ii) technical improvement of the warehouse Mezzanine in Horní Počernice.

In February 2021, Footshop acquired intangible and tangible assets of Queens in net book value of CZK 26.1 million. Queens' related capital expenditure represented warehouse management software and online store development costs in the amount of CZK 3.1 million in 2021 and CZK 4.1 million in first three quarters of 2022.

15. REVIEW OF FINANCIAL POSITION

15.1 BALANCE SHEET

Table 15.1: Consolidated balance sheet (in mil. CZK)

		Dec-19	Dec-20	Dec-21	Sep-22
	TOTAL ASSETS	**308.7**	**346.6**	**407.6**	**433.7**
B.	**Fixed assets**	**49.6**	**60.7**	**62.7**	**51.2**
B.I.	Intangible fixed assets	38.2	49.0	49.1	42.8
B.II.	Tangible fixed assets	10.2	10.8	30.7	27.8
B.III.	Non-current financial assets	1.3	1.0	-	-
B.IV.	Positive/Negative consolidation difference	-	-	(23.9)	(19.5)
C.	**Current assets**	**258.0**	**283.4**	**341.9**	**380.9**
C.I.	Inventory	168.8	193.9	254.4	290.0
C.II.	Receivables	69.8	58.4	58.3	45.3
C.II.1.	Long-term receivables	2.8	3.4	4.7	2.0
C.II.2.	Short-term receivables	67.0	55.0	53.7	43.3
C.II.2.1.	*Trade receivables*	*31.4*	*36.6*	*27.1*	29.9
C.II.2.2.	*Receivables – controlled or controlling entity*	*9.4*	-	*0.0*	-
C.II.2.3.	*Receivables – associates*	-	-	-	0.0
C.II.2.4.	*Receivables – other*	*26.2*	*18.5*	*26.5*	13.5
C.III.	Current financial assets	-	-	6.8	-
C.IV.	Cash and bank	19.4	31.1	29.1	45.7
D.	**Prepayments and Accrued Income**	**1.1**	**2.5**	**3.0**	**1.6**

	TOTAL LIABILITIES & EQUITY	**308.7**	**346.6**	**407.6**	**433.7**
A.	**Equity**	**38.4**	**1.2**	**33.8**	**18.8**
A.I.	Share capital	0.2	0.2	0.2	0.2
A.II.	Share premium and capital funds	50.0	50.0	156.3	193.4
A.III.	Funds from profit	0.0	0.0	0.0	0.0
A.IV.	Retained earnings or (accumulated losses)	(6.8)	(11.8)	(59.8)	(125.3)
A.V.	Profit / (loss) for the current period	(5.0)	(37.2)	(63.0)	(49.6)
B.+C.	**Liabilities**	**270.2**	**344.1**	**373.6**	**414.7**
B.	**Provisions**	**2.9**	**7.9**	**11.6**	**12.9**
C.	**Payables**	**267.3**	**336.2**	**361.9**	**401.8**
C.I.	Long-term payables	11.1	28.7	24.1	52.1
C.I.2.	Payables to credit institutions	11.1	8.6	3.6	0.3
C.I.9.	Payables – other	-	20.1	20.5	51.7
C.II.	Short-term payables	256.2	307.5	337.8	349.7
C.II.2.	Payables to credit institutions	92.5	103.1	139.7	143.5
C.II.3.	Short-term prepayments received	0.5	0.4	0.4	0.2
C.II.4.	Trade payables	123.6	106.0	140.9	177.7
C.II.6.	Payables – controlled or controlling entity	1.0	-	-	-
C.II.8.	Other payables	38.7	97.9	56.7	28.4
D.	**Accruals and deferred income**	**0.1**	**1.3**	**0.2**	**0.2**

Note: Consolidated financial statements were audited for periods ending 31 December 2019, 2020, and 2021.For first three quarters of 2022, consolidated financial statements were not audited..

15.1.1 Intangible fixed assets

Vast majority of intangible fixed asset are related to Footshop's online stores (Footshop, Queens). Those assets are developed both internally and externally, i.e., web platforms, back-end systems, and others.

15.1.2 Fixed Assets

Fixed assets include mainly warehouse and office equipment, vehicles and fixture and fittings of B&M stores.

15.1.3 Negative consolidation difference

Negative consolidation represents a difference between Queens purchase price and its share capital.

15.1.4 Inventory

Between 2021 and September 2022, the inventory balance increased from CZK 254.4 million to CZK 290.0 million. The reason for this was that orders were made in 2021 with expected sales growth in 2022. Such growth was not achieved and Footshop was not able to modify the orders. At the end of September 2022, 87% of inventory was purchased within the last 12 months.

15.1.5 Trade receivables

Trade receivables consists mostly of receivables from individual customers that chose payment on delivery.

15.1.6 Receivables – Other

Other receivables consists mainly of estimated receivables for turnover bonuses, bank guarantee deposits and surety deposits paid for business and rent-related services.

15.1.7 Provisions

At the end of third quarter of 2022, provisions consisted mainly of provisions for returns, customer loyalty provision and provisions for untaken holiday.

15.1.8 Long-term payables

Long-term payables were represented mainly by Payables – Other that grew from CZK 20.5 million in 2021 to CZK 51.7 million at the end of third quarter of 2022. The growth in Payables – Other was caused by the new unsecured loans obtained from private individuals. For overview of unsecured loans please refer to section *Financing overview*.

15.1.9 Short-term payables to credit institutions

Short-term payables to credit institutions were represented by investment loans, overdrafts and revolver facilities.

15.1.10 Trade payables

Trade payables included mainly payables to suppliers of goods. Vast majority (99.2%) of trade payables were within due date or no later than 30 days overdue as at end of third quarter of 2022.

15.1.11 Other payables

Other payables consisted mainly of tax payables and payroll-related liabilities.

15.1.12 Share premium and capital funds

Between 2020 and end of third quarter of 2022, the share premium and capital funds increased from CZK 50 million to CZK 193.4 million. The reason for this large increase was related to provision of convertible loans from current shareholders that were capitalized into equity (CZK 106. million). Convertible loans provided in the first three quarters of 2022 (CZK 44.0 million) were accounted as equity but have not yet been converted.

15.2 FINANCING OVERVIEW

Footshop is mainly financed with external financing provided by domestic lenders. Footshop drawn i) two investment loans (CZK 4.8 million aggregated), ii) revolving loan (CZK 50.2 million), and iii) two overdrafts drawn by both Footshop s.r.o. (CZ) and Queens (CZK 88.8 million aggregated). Other loans represented unsecured loans provided by several private individuals with maturity date as at February 2023 (as of date of this document those were prolonged to February 2024). Convertible loans were provided by current shareholders in 2021 and 2022 (CZK 106.3 million and CZK 44.0 million, respectively). CZK 106.3 million was capitalized into equity as at 2021. The CZK 44.0 million of convertible loans were reported as a part of equity as at end of third quarter of 2022 but was not capitalised.

The table below summarizes the terms of the bank credit facilities and other loans currently in place.

Table 15.2: Bank credit facilities and other loans

Description	Creditor	Interest rate	CCY	Balance as at (CZKm)		Maturity date
				Dec-21	Sep-22	
Investment loan	RB	3M PRIBOR + 2.5% p.a.	CZK	(4.8)	(2.5)	31.07.2023
Investment loan	RB	1M PRIBOR + 2.5% p.a.	CZK	(3.8)	(2.3)	31.11.2023
Revolving loan (WC financing)	RB	1M PRIBOR + 1.95% p.a.	CZK	(50.0)	(25.0)	n/a
		1M EURIBOR + 2.25% p.a.	EUR	-	(25.2)	
Overdraft	UniCredit	1M PRIBOR + 2.95% p.a.	CZK	(50.2)	(49.9)	28.04.2023
Overdraft	UniCredit	1M PRIBOR + 3.95% p.a.	CZK	(34.5)	(38.9)	28.04.2023
Total				**(143.3)**	**(143.8)**	
Unsecured debt	Private individuals	8% p.a.[(1)]	CZK	(20.5)	(20.1)	28.02.2023[(1)]
Unsecured debt	Private individuals	Higher amount of: a) CZK 600k; b) 8% p.a from the outstanding amount[(1)]	CZK	-	(31.6)	28.02.2023[(1)]
Total				**(20.5)**	**(51.7)**	
Convertible loan	CB Foot	8% p.a.	CZK	-	-	Amount of CZK 106.6 million was already converted to equity in 2021
Convertible loan	Peter Hajduček	8% p.a.	CZK	-	(5.0)	31.12.2023
Convertible loan	CB Foot	8% p.a.	EUR	-	(19.3)	31.12.2023
Convertible loan	Enern Fosterite	8% p.a.	EUR	-	(19.7)	31.12.2023
Total				**0**	**(44.0)**	

Note: (1) As of date of this document, both unsecured loans provided by private individuals had their maturity extended to February 2024 with the interest rate increasing to 10% and 11%, respectively.

16. LEGAL AND ARBITRATION PROCEEDINGS

Footshop is currently not involved in any litigation arising from the normal course of business, and it is unable to determine the extent of any liability that may arise from any unanticipated future litigation. The management has no reason to believe that there is a reasonable possibility or a probability that Footshop might incur a material loss with respect to unanticipated future litigation.

17. PROFIT FORECAST OR ESTIMATES

Any forecast contained in this Shareholder Circular can be, up to some extent, influenced by management decisions. On the other hand, the forecasts are based on stable macroeconomic growth and standard pre-pandemic macroeconomic environment that do not significantly deviate from the long-term trend, which are factors that are beyond control of the management. The forecasts could by materially changed as a result of a macroeconomic slowdown or any sort of an unexpected macroeconomic shock.

Any profit forecast or estimate contained in this Shareholder Circular has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Target's accounting policies used before the Business Combination.

18. SHARE CAPITAL AND DILUTION RATE

This chapter discusses the dilutive effects of the Business Combination, in terms of number and percentage of share ownership. Prior to the Completion, there are holders of Ordinary Shares and holders of Sponsor Shares in the Company.

18.1 CURRENT SHAREHOLDER STRUCTURE OF THE COMPANY

The current shareholders structure of the Company is set out in the table below. The table contains information in terms of quantity of shares. With regards to the share capital, the Ordinary Share has a par value of CZK 5 and the Sponsor Share has a par value of CZK 35.

Table 18.1: Current shareholder structure

	Number of Shares	Voting rigts BC		Voting rights non-BC	
	(pieces)	(pieces)	(%)	(pieces)	(%)
Ordinary Shares held by SPAC investors	5,387,118	5,387,118	100.0%	5,387,118	84.3%
Sponsor Shares held by the Sponsors	143,656	0	0%	1,005,592	15.7%
TOTAL	**5,530,774**	**5,387,118**	**100.0%**	**6,392,710**	**100.0%**

There are two main factors that may lead to dilution after the Completion, being (i) the automatic Conversion of the Sponsor Shares into Ordinary Shares in accordance with a pre-determined Sponsor Share Conversion Ratio and schedule and (ii) the Conversion of the Warrants into Ordinary Shares in accordance with the pre-determined Warrant Conversion Ratio and schedule.

The Transaction shall take place in two steps:

1. the purchase of a minority stake in the Target (by which the BC-Hurdle as a condition for the Conversion is met) (the **Step One**) and
2. a subsequent legal merger with the Target (the **Step Two**).

18.2 SHAREHOLDER STRUCTURE OF THE COMPANY AFTER THE PURCHASE OF A MINORITY STAKE IN THE TARGET

The following tables set out how the shareholdings of the public, Sponsors, and Target Shareholders will evolve over the course of these steps, assuming a realistic 10% redemption rate. As a result of redemptions, the number of the Ordinary Shares will decrease, and consequently the number of the Sponsor Shares eligible for the Conversion shall be decreased, too, on a pro rata basis.

The following table sets out what the SPAC Investors and the Sponsors shareholdings in the Company will look like after the Step One is implemented, in which case the minority stake in the Target shall be held by the Company itself, and thus the Company's shareholders shall hold the interest in the Target indirectly through their share in the Company. Assuming 10% redemption rate, the minority stake held by the Company shall reach 48.03%.

The table contains information in terms of quantity of shares. With regards to the share capital, the Ordinary Share has a par value of CZK 5 and the Sponsor Share has a par value of CZK 35.

Table 18.2: Shareholder structure of the Company after the purchase of a minority stake in the Target, assuming 10% redemption rate.

	Number of Shares (pieces)	Voting Rights (pieces)	Voting Rights (%)
# of the Ordinary Shares held by SPAC Investors	4 848 406	4 848 406	84,3%
# of the Ordinary Shares held by the Sponsors	301 672	301 672	5,2%
# of the Sponsor Shares held by the Sponsors	86 195	603 364	10,5%
# Total	**5 236 273**	**5 753 442**	**100,0%**

The figures in the Table 18.2 reflect the Conversion of one third of the Sponsor Shares into the Ordinary Shares at the Sponsor Share Conversion Ratio 1:7, that shall occur upon the Completion, as described in the Prospectus and the Articles of Association.

18.3 SHAREHOLDER STRUCTURE OF THE COMBINED COMPANY AFTER THE MERGER AND THE DILUTION RATE

The following table sets out what shareholdings of the public, Sponsors and the Target Shareholders will look like after the Step Two is implemented, in which case the Target shall be merged with the Company as a surviving entity. Furthermore, the table shows the evolvement of the shareholdings as the Share Price Hurdle thresholds are gradually reached, as well as the related final dilution rate resulting from the conversion of the Sponsor Shares and Warrants.

The actual numbers may differ from the numbers in the table. The table is for illustrative purposes only, assuming 10% redemption rate and an allotment of a corresponding number of BC-Warrants, and conversion of all outstanding Warrants and Sponsor Shares when the relevant Share Price Hurdles are overcome.

The table contains information in terms of quantity of shares. With regards to the share capital, the Ordinary Share has a par value of CZK 5 and the Sponsor Share has a par value of CZK 35.

Table 18.3: Shareholder structure after the merger

	Merger	CZK 110	CZK 120	CZK 130	Final Dilution[5]
# of the Ordinary Shares held by the Target Shareholders	**5 573 090**	**5 573 090**	**5 573 090**	**5 573 090**	
# of the Ordinary Shares held by the SPAC Investors[1]	4 848 406	4 848 406	4 848 406	4 848 406	
# of the Ordinary Shares issued against CZK 110 Warrants	-	204 710	-	-	
# of the Ordinary Shares issued against CZK 120 Warrants	-	-	409 420	-	
# of the Ordinary Shares issued against CZK 130 Warrants	-	-	-	614 131	
Cumul. # of the Ordinary Shares issued against Warrants	-	204 710	614 130	1 228 261	
Total # of the Ordinary Shares held by the SPAC Investors[2]	**4 848 406**	**5 053 116**	**5 462 536**	**6 076 667**	
# of the outstanding Sponsor Shares left[3]	86 195	43 099	-	-	
Cumul. # of the Ordinary Shares held by the Sponsors[4]	**301 672**	**603 344**	**905 036**	**905 036**	
Total # of the Ordinary Shares	**10 723 168**	**11 229 550**	**11 940 662**	**12 554 793**	
% of SPAC Investors	45,21%	45,00%	45,75%	48,40%	**0,37%**
% of the Sponsors	2,81%	5,37%	7,58%	7,21%	**7,21%**
% of the Target Shareholders	51,97%	49,63%	46,67%	44,39%	**-7,58%**
% Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**	**0,00%**

[1] *Excluding Warrant conversion.*
[2] *Including Warrant conversion.*
[3] *The first third of the Sponsor Shares was converted upon Completion.*
[4] *From conversion of the Sponsor Shares.*
[5] *As an aggregate result of the conversion of the Sponsor Shares and Warrants.*

19. TARGET SHAREHOLDERS

19.1 SHAREHOLDER STRUCTURE OF THE TARGET PRIOR TO THE PURCHASE OF A MINORITY STAKE IN THE TARGET

On the date of this Shareholder Circular the issued and outstanding share capital of Footshop (“*základní kapitál*”) amounts to CZK 244,200 divided into one hundred twenty-two thousand one hundred (122,100) business shares of the nominal value CZK 2 each (the **Footshop Shares**). However, prior to the Step One, the Footshop business shares shall be adjusted to reflect:

- conversion of the interest on the Convertible Loan into Footshop's share capital;

- settlement of existing preferred business shares held by Footshop Shareholders; and
- creation of new business shares (around 0.37%) to settle existing ESOP.

After these adjustments, Peter Hajduček shall hold 57.01% of the issued and outstanding share capital. Marcel Vargaeštók shall hold 8.08% of the issued and outstanding share capital. Enern Forsterite s.r.o. shall hold 19.57% of the issued and outstanding share capital. CB FOOT j. s. a. shall hold 15.34% of the issued and outstanding share capital.

Table 19.1: Expected shareholder structure prior to the Step One

Footshop Shareholders	Share (%)
Peter Hajduček	57.01%
Marcel Vargaeštók	8.08%
Enern Forsterite s.r.o.	19.57%
CB FOOT j. s. a.	15.34%
TOTAL	**100.00%**

19.2 SHAREHOLDER STRUCTURE OF THE TARGET AFTER THE PURCHASE OF A MINORITY STAKE IN THE TARGET

The following table sets out the size of the shareholdings of the Target Shareholders and the Company in Footshop immediately after Completion, i.e. after the Company purchases a minority stake in Footshop, assuming 10% redemption rate.

Table 19.2: Shareholder structure after the purchase of a minority stake by the Company

	Share (%)
Target Shareholders	51.97%
Peter Hajduček	33.90%
Marcel Vargaeštók	4.83%
Enern Forsterite s.r.o.	7.33%
CB FOOT j. s. a.	5.91%
The Company	48.03%
TOTAL	**100.00%**

This table disregards the second and third thirds of the Sponsor Shares and also Warrants because their potential conversion is dependent on the Share price development (see section *Share Capital and Dilution Rate* for details about the dilution related to the Warrants and Sponsor Shares conversion).

20. RELATED PARTY TRANSACTIONS

20.1 CONVERTIBLE LOANS

The Target has been provided with a convertible loan by its shareholders, namely Peter Hadúček, CB FOOT j. s. a., and Enern Forsterite s.r.o. (the **Convertible Loan**). Prior to the Step One, the interest on the Convertible Loan shall be converted into Footshop's share capital (see section *Shareholder structure of the Target prior to the purchase of a minority stake in the Target*).

20.2 RELATIONSHIP AGREEMENT

The Company and WOOD SPAC One Holding have entered into the Relationship Agreement that can be found on the Company's website www.woodspac.cz. For a summary of the Relationship Agreement readers are referred to the relevant section of the Prospectus.

21. CORPORATE GOVERNANCE OF THE TARGET PRIOR TO THE MERGER

This section gives an overview of the material information concerning corporate bodies and corporate governance of Footshop for the period between the Step One and Step Two. After the merger, the corporate governance shall be subject to decisions of then-current corporate bodies. Unless stated, or the context requires, otherwise in this section, the term Footshop refers to the parent entity Footshop s.r.o.[11]

This overview does not purport to give a complete overview and should be read in conjunction with the relevant provisions of Czech law as in force on the date of this Shareholder Circular.

21.1 MANAGEMENT STRUCTURE

The company bodies of Footshop shall include a statutory body, i.e. an executive (*jednatel*), and a supervisory board (*dozorčí rada*) (the **Supervisory Board**) shall be established.

21.1.1 Statutory bodies

Peter Hajduček shall act as a single executive of Footshop (the **Executive**). Born in Košice, Peter Hajduček graduated from the University of Economics in Prague. Since childhood, he has been creating websites and already during his university studies he founded the first business, an online marketing company Unikum. Later on in 2012, as a part of his bachelor thesis project, he founded Footshop, originally as a skateboard streetwear online store. Under his leadership, the Company grew to a CEE leader in the field. After the acquisition of a rival company, Queens, the revenues of Footshop exceeded CZK 1.2 billion. Peter Hajduček is the director and majority owner of the business, with other Footshop shareholders, i.e. investment firms Enern and Crowdberry, and an angel investor Marcel Vargaeštók, assuming rather a passive role.

The statutory bodies of the Footshop subsidiaries shall be elected by the Executive but he shall not elect or remove them without prior approval of the Footshop's Supervisory Board.

21.1.2 Supervisory Board

The Supervisory Board will consist of 4 members with a term of 5 years and will be staffed by the nominees as follows:

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[11] During the interim period between the implementations of the Step One and Step Two Footshop parent entity will temporarily retain the legal form of a limited liability company (*společnost s ručením omezeným*).

- 1 seat shall be filled by nominee of WOOD SPAC One Holding;
- 1 seat shall be filled by nominee of Enern Forsterite s.r.o.
- 1 seat shall be filled by nominee of Peter Hajduček; and
- 1 seat shall be filled by nominee of CB FOOT j. s. a.

The Supervisory Board shall decide by 4 votes, in order to ensure a blocking minority for the nominee of WOOD SPAC One Holding.

Each member of the Supervisory Board is authorized to inspect the premises of Footshop and all its subsidiaries and to inspect the financial and accounting books. WOOD SPAC One Holding shall have the right, if reasonably required, to request that Footshop performs an analysis in the event that it fails to meet its forecasted performance significantly.

21.2 COMPLIANCE WITH CORPORATE GOVERNANCE

Footshop does not follow the rules set out in any corporate governance code in its administration and management as it is governed by the corporate governance requirements of the legislation, which it considers to be sufficient.

21.3 CONFLICT OF INTERESTS

Czech law, precisely sections 54 - 57 of the Act no. 90/2012 Sb., on Commercial Companies and Cooperatives (the **Business Corporations Act**) provides that a member of any elected body may not participate in the decision-making of a relevant resolution if he or she has a direct or indirect personal interest conflicting with the interests of the relevant company and the business connected with it.

Furthermore, if a member of a body of a business corporation becomes aware of a conflict that may arise between his or her interest and the interest of the business corporation during the exercise of his or her office, he or she shall inform, without undue delay, other members of the body of which he or she is a member as well as the supervisory body, if established, or, failing that, the supreme body. The same shall apply mutatis mutandis to potential conflicts of interest of persons who are closely related to the member of a body of the business corporation, and persons influenced or controlled by that member.

Both the Company and the Target comply with all requirements for the proper administration and management, which are stipulated by generally binding legal regulations of the Czech Republic, especially according to the Civil Code and the Business Corporations Act.

22. IMPACT OF TAX LEGISLATION

The tax legislation of the investor’s country of tax residence and of the Company’s country of incorporation may have an impact on the income received from the securities.

The Shareholders and the Warrant Holders should consult their own tax advisors on the possible tax consequences of the acquisition, ownership and transfer of Ordinary Shares or Warrants, and in particular the specific tax consequences in relation to the Business Combination.

For a brief summary of the principal Czech tax consequences of the acquisition, ownership and disposal of Ordinary Shares or Warrants, readers are referred to relevant sections of the Prospectus.

ANNEXES

LIST OF TERMS

The following list of defined terms is not intended to be an exhaustive list of definitions. but provides a list of certain of the defined terms used in this Prospectus.

Adjusted EBITDA	means profit for the period before depreciation and amortisation of intangible fixed assets and tangible fixed assets, interest expenses and income, and taxes, as calculated and tracked by the management in management accounting of the Company
Affiliate or Affiliated Entity	means, in relation to a person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified
Agreements	means the agreements and other documentation related to, and stipulating terms and conditions of, the Transaction
APM	means Alternative Performance Measure
Articles of Association	means the Company's articles of association (*stanovy*), as amended from time to time
Audit Committee	means an audit committee (*výbor pro audit*) of the Combined Company pursuant to section 44 of the act. No. 92/2009 Coll., on auditors
B&M	means brick-and-mortar (store)
BC-EGM	means the extraordinary general meeting of Shareholders to which the board of the Company will submit the proposed Business Combination for approval by the Ordinary Shareholders
BC-Hurdle	means an occurrence of the Business Combination as a condition for the Conversion
BC-Warrant	means the Warrants that shall be allotted after the Completion

Business Combination	means the acquisition of a minority stake by means of a (legal) merger, share exchange, share purchase, contribution in kind, asset acquisition or combination of these methods
Business Combination Completion Date	means the date on which the Business Combination is completed
Business Corporations Act	means Czech Act no. 90/2012 Coll. on Commercial Companies and Cooperatives
Business Day	means a day (other than a Saturday or Sunday) on which banks in the Czech Republic are generally open for normal business
CAS	means Czech Accounting Standards
CEO	means chief executive officer
Civil Code	means Czech Act no. 89/2012 Coll. Civil Code
Combined Company	means the combined company (after a legal merger) or companies (before a legal merger) resulting from the Business Combination
Company	means WOOD SPAC One a.s., ID no. 140 27 348
Completion	means completion of the Business Combination, i.e. the implementation of the Step One
Conversion	means a conversion of the Warrants or the Sponsor Shares into Ordinary Shares as per the Warrant Conversion Ratio or Sponsor Share Conversion Ratio, respectively
Convertible Loan	means a convertible loan provided to Footshop by Peter Hajduček, CB FOOT j. s. a., and Enern Forsterite s.r.o.
CZK	means the Czech crown (*česká koruna*), the official currency of the Czech Republic
CZK 110 Warrants	means the Warrants with the Share Price Hurdle of CZK 110

CZK 120 Warrants	means the Warrants with the Share Price Hurdle of CZK 120
CZK 130 Warrants	means the Warrants with the Share Price Hurdle of CZK 130
Escrow Account	means the escrow account opened by the Company with the Escrow Agent
Escrow Agent	means KLB Legal
ESOP	means employee stock ownership plan
Executive	means a statutory body of the Combined Company prior to the merger (*jednatel)*
Footshop	means Footshop s.r.o., ID no. 24288128, including its subsidiaries, unless the context otherwise requires
Footshop Share	means a business share in Footshop s.r.o., ID no. 24288128, of the nominal value CZK 2.00
Gross Margin	means sales of goods divided by costs of goods sold, both as defined by CAS
IA	means a framework investment agreement containing the detailed terms and conditions for the implementation of the Transaction
IPO	means the process of an initial public offer of the Company and admission to listing and trading of its Ordinary Shares and Warrants to Prague Stock Exchange
IPO-Warrant	means the Warrants that was allotted concurrently with the Ordinary Shares at the IPO
KLB Legal	means KLB Legal s.r.o., advokátní kancelář, ID no. 294 14 709
Liquidation	means a situation when the Company adopts a resolution to (i) dissolve and liquidate the Company and (ii) to delist the Ordinary Shares and Warrants

M-Lock-Up	means the obligation to serve as a member of the Target's statutory body with the objective of delivering maximum value to the Target for a period of at least 3 years from the effective date of the SPA
Ordinary Shareholder	means a holder of Ordinary Shares
Ordinary Shares	means the ordinary shares of the Company which have a nominal value of CZK 5 each
Prague Stock Exchange	means the Prague Stock Exchange, an operator of a regulated market and multilateral trading facility in the Czech Republic
Proceeds	means the capital raised by the Company during the IPO and placed on the Escrow Account, together with an accrued interest, net of any fees
Prospectus	means the Company's prospectus prepared in connection with, and for the purposes of, the IPO
Redemption Obligations	means the Company's obligation to repurchase certain Ordinary Shares from Dissenting Shareholders, as further set out in the Prospectus
Relationship Agreement	means the relationship agreement between the Company and WOOD SPAC One Holding
Repurchase Settlement Date	means the date when the Dissenting shareholders shall receive the gross repurchase price
Required Majority	means the required approval of a proposed Business Combination by a majority of at least 75% of the votes cast by the Ordinary Shareholders at the BC-EGM
Revenues	means sales of goods plus sales of products and services, both as defined by CAS
S-Lock-Up	means an obligation of the Target Shareholders and their Affiliates not to sell any shares in the Combined Company

	during an agreed lock-up period that commences upon implementation of the Step Two
Share Price Hurdle	means a situation when the closing price of the Ordinary Shares on Prague Stock Exchange reaches the respective minimum share price threshold for the respective Warrant on 15 trading days out of a 30 consecutive trading day period, as a condition for the Conversion
Shareholders Consideration	means the consideration for the business shares in the Target under the SPAs
SPA	means share purchase agreements between the Company and individual Target Shareholders for the purchase of the business shares in the Target
SPAC	means a special purpose acquisition company
SPAC Investor	means an Ordinary Shareholder who bought his Ordinary Shares within the IPO or afterwards on the secondary market
Sponsor	means each of Mr. Jan Sýkora, Mr. Vladimír Jaroš and Mr. Ľubomír Šoltýs
Sponsor Share Conversion Ratio	means a ratio in which the Sponsor Shares shall be converted into Ordinary Shares as per the Prospectus and the Articles of Association
Sponsor Shares	means the convertible shares of the Company which have a nominal value of CZK 35 and are convertible into Ordinary Shares in accordance with the Prospectus and Articles of Association
Step One	means the first step of the Transaction, i.e. an acuisition of up to 49% business share in the capital of the Target, from the Target Shareholders in pre-defined ratios
Step Two	means the second step of the Transaction, i.e. a legal merger between the Company and the Target

Supervisory Board	means a supervisory board of the Combined Company prior to the merger
Target	Footshop s.r.o., ID no. 24288128, including its subsidiaries unless the context otherwise requires
Transaction	means a business combination between the Target and the Company, consisting of the Step One and Step Two
US Securities Act	means the US Securities Act of 1933, as amended
Warrant Conversion Ratio	means a ratio in which the Warrants shall be converted into Ordinary Shares as per the Prospectus and the Articles of Association
Warrant Holder	means a holder of one or more Warrant(s)
Warrants	means the warrants issued by the Company in accordance with the Prospectus and the Articles of Association (see section *Terms of the Warrants* of the Prospectus)
WOOD SPAC One Holding	means WOOD SPAC One Holding s.r.o., ID no. 118 14 853

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&

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