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AEFFE S.p.A.

Registered Offices in San Giovanni in Marignano - RN

Via delle Querce 51

Share capital Euro 26,840,626.00 fully paid

Rimini Companies Register and Tax Code No. 01928480407

Rimini Business Register (REA) No. 227228

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EXPLANATORY REPORT OF THE BOARD OF DIRECTORS

PURSUANT TO ART. 2501-QUINQUIES OF THE CIVIL CODE

This explanatory report on the proposed absorption of VELMAR S.p.A. ("VELMAR") by AEFPE S.p.A. ("AEFFE") is prepared by the Board of Directors of the latter pursuant to art. 2501-*quinquies* of the Civil Code, pursuant article 70, para. 2, of the Regulation implementing Decree 58 dated 24th February 1998, on the regulation of Issuers (adopted by Consob Resolution 11971 dated 14th May 1999, as amended) and in accordance with the provisions of framework 1 of the relative Annex 3A. Since the absorbing company, AEFPE S.p.A., is an Issuer listed on the Euronext STAR Milan Segment of the Euronext Milan market organized and managed by Borsa Italiana S.p.A., the merger proposal and the documentation required by current legislation will be made available to the public on the basis and with the timing envisaged in art. 70 of Consob Regulation.

Because the proposal is to absorb a wholly-owned company, the merger resolutions of the absorbing company Aeffe will be adopted, after the legal period, by the Board of Directors of Aeffe pursuant to the powers granted in the Articles of Association with reference to the provisions of arts. 2365, para. 2, and 2505, para. 2, of the Civil Code.

In this regard, pursuant to the final paragraph of art. 2505 of the Civil Code, shareholders representing at least five percent of the share capital are nevertheless entitled to request that the merger resolutions be adopted at an Extraordinary Shareholders' Meeting.

The proposed merger is not a merger planned after an acquisition using borrowed funds pursuant to art. 2501-*bis* of the Civil Code.

Although the proposed merger is between related parties and would be governed by the provisions of the Regulation on transactions with related parties (adopted by Consob Resolution 17221 dated 12th March 2010, as subsequently amended and integrated), in fact those provisions do not apply pursuant to art. 14, para. 2, of the above Regulation and the related procedures

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adopted by AEFPE S.p.A., since the transaction involves a (wholly-owned) subsidiary in relation to which no other parties related to Aeffe have significant interests.

DESCRIPTION OF THE PROPOSED MERGER

1a. Explanation of the operation and the reasons for it, in particular with regard to the operational objectives of the companies participating in the merger and to the plans made to achieve them.

The companies involved in the Merger are:

- **AEFFE S.p.A.**, with registered office at Via Delle Querce 51, 47842 San Giovanni in Marignano (RN), share capital Euro 26,840,626.00 fully paid, Tax Code and Rimini Companies Register No. 01928480407, VAT No. 01928480407, Business Register (REA) No. 227228, absorbing company; and
- **VELMAR S.p.A.**, with registered office at Via Delle Querce 51, 47842 San Giovanni in Marignano (RN), share capital Euro 120,000.00 fully paid, Tax Code and Rimini Companies Register No. 02348440401, VAT No. 02348440401, registered with R.E.A. no. 259268, company to be absorbed.

The share capital of VELMAR is wholly owned by AEFPE and Velmar is a company subject to management and coordination by AEFPE.

The absorption of VELMAR by AEFPE is part of a simplification of the corporate structure and chain of control that will generate significant operational and organizational benefits. In particular, absorption of the wholly-owned subsidiary within a single structure will simplify the management of operational processes, make the related planning, monitoring and governance systems more organic, and enhance the value of the assets of VELMAR, the company to be absorbed, while also generating greater flexibility and synergies with the other companies in the AEFPE Group. The merger will therefore make it possible to unify decision-making processes and create a business organization capable of making the decisions needed to pursue and achieve its entrepreneurial objectives with greater responsiveness and timeliness.

Moreover, the merger will reduce the costs of the corporate structure by streamlining the administrative staff, the use of consultants and administrative compliance in general.

1.a.bis) In case of a merger after an acquisition using borrowed funds, provide the information specified in art. 2501-bis, para. 3, of the Civil Code.

The merger does not involve any borrowing.

1.b) If the merger involves an exchange of securities, explain the values attributed to the companies involved in the operation for determination of the exchange ratio, indicating the existence of any expert appraisals.

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The merger does not involve the exchange of securities.

1.c) The exchange ratio established and the criteria used to determine that ratio, in particular with regard to any roundings that were necessary with respect to the ratios deriving from simple comparison of the values attributed to the shares of the companies involved on the basis of the valuations mentioned in the preceding point.

Since this is the absorption of a wholly-owned company, the merger will take place by canceling all the shares representing the share capital of VELMAR, the company to be absorbed, without any allocation of shares in the absorbing company.

Pursuant to the provisions of art. 2505 of the Civil Code and given that the merger involves a company whose shares are wholly owned by the absorbing company, it is not necessary to prepare the experts' report on the fairness of the exchange ratio envisaged in art. 2501-sexies of the Civil Code.

1.d) Procedures for assigning shares in the absorbing company or in that resulting from the merger and the start date of the related enjoyment rights.

See point 1.c) above.

1.e) The date from which the operations of the companies participating in the merger are recognized, including for tax purposes, in the accounts of the absorbing company or that resulting from the merger.

The transactions of the company to be absorbed will be recognized in the accounts of the absorbing company from the first day of its financial year in progress when the last registration required by art. 2504 of the Civil Code is completed.

1.f) Tax implications of the operation on the companies participating in the merger.

Pursuant to art. 172, para. 9, TUIR (Consolidated Income Tax Law), the effects of the merger for corporate income tax purposes also commence from the first day of the financial year of the absorbing company in progress when the last registration required by art. 2504 of the Civil Code is completed.

1.g) Expectations for the subsequent composition of significant share ownership and for the control structure of the absorbing company or the company resulting from the merger.

Since the merger involves canceling all the shares representing the share capital of VELMAR, the company to be absorbed, without any allocation of shares in the absorbing company, the current significant ownership of shares in AEFPE and current control structure of AEFPE will not change as a result of the merger.

1.h) Effects of the merger on significant shareholders' agreements pursuant to art. 122 of the Consolidated Law, as they relate to the shares of the companies participating in the merger,

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where such effects are communicated by the parties to those agreements.

There are no agreements among the shareholders of the absorbing company or among those of the company to be absorbed.

1.i) Opinion of the administrative body about the possible existence of a right to withdraw should the merger involve delisting pursuant to art. 2437-quinquies of the Civil Code.

Not applicable. The merger does not involve any changes to the corporate objects of the absorbing company nor the exclusion of Aeffe from the listing; accordingly, there are no grounds for exercising the right to withdraw pursuant to art. 2437 of the Civil Code nor to art. 2437-quinquies of the Civil Code.

1.l) In the event of recourse to the right to withdraw, indicate the parties entitled to exercise it, the basis and timing for exercise of that right and for redeeming the shares, with specific indication of the criteria for calculating the related payment.

Not applicable.

Finally note that:

- there are no categories of shareholder with special or preferential rights;
- there are no special benefits or advantages for the directors of the companies participating in the merger;
- no valuation difficulties were encountered when preparing the merger proposal;
- as a result of the merger, the Articles of Association of the absorbing company AEFPE S.p.A. will have the same content of the current one, with no capital increase;
- pursuant art. 3 of Consob Resolution n. 18079 on 20th January 2012, Aeffe makes use of the waiver granted by art. 70, para. 8, and 71, para.1- bis, of of CONSOB Regulation with reference to the making available to the public at the registered office the documents concerning operations of merger, demerger, capital increase, acquisitions, transfers.

With regard to the balance sheet pursuant to art. 2501-*quater* of the Civil Code, it will be appropriate to use the financial statements at 31st December 2021 of the companies participating in the merger.

Pursuant to art. 2501-*septies* of the Civil Code, the proposed merger, the financial statements for the last three years of the companies participating in the merger, and the other documents required by law, will be filed, throughout the 30 days prior to the date scheduled for adoption of the respective resolutions, at the registered offices of the companies participating in the merger and at the market operator, so that shareholders can examine them and obtain copies.

The above documentation will also be sent to Consob by AEFPE S.p.A., the absorbing company.

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The merger documentation will be made available to the public by the legal deadline at the registered offices, on the website www.aeffe.com and on the authorized storage website www.emarketstorage.com by AEFPE S.p.A., the absorbing company.

San Giovanni in Marignano (RN), 28th April 2022

For the Board of Directors

The Chairman

Massimo Ferretti