



AEFFE S.p.A.

Registered Office 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 Aeffe Retail S.p.A. ("**Aeffe Retail**") by Aeffe S.p.A. ("**Aeffe**") is prepared by the Board of Directors of the latter pursuant to art. 2501-*quinquies* of the Civil Code and art. 70, para. 2, of the Regulation adopted by CONSOB Decision no. 11971 dated 14th May 1999 (and subsequent amendments and additions; the Issuers' Regulation) and in accordance with format 1 in the related Annex 3A.

Since Aeffe S.p.A., the Absorbing Company, is an Issuer listed in the Euronext STAR Milan Segment of the Euronext Milan market of 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 the Issuers' Regulation.

Because the proposal is to absorb a wholly-owned company, the merger resolutions of Aeffe, the Absorbing Company, may 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 Decision no. 17221 dated 12th March 2010, and subsequent amendments and additions), in fact those provisions do not apply pursuant to art. 14, para. 2, of the above Regulation and the related procedures adopted by Aeffe 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 participating 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, the Absorbing Company;
- **Aeffe Retail S.p.A.**, with registered office at Via Delle Querce 51, 47842 San Giovanni in Marignano (RN), share capital Euro 8,585,150.00 fully paid, Tax Code and Rimini Companies Register No. 03013610153, VAT No. 03177830407, Business Register (REA) No. RN-281191, the Company to be absorbed;

The share capital of Aeffe Retail is wholly owned by Aeffe and Aeffe Retail is a company subject to management and coordination by Aeffe.

The absorption of Aeffe Retail by Aeffe continues the process of simplifying the corporate structure and chain of control, initiated by the Absorbing Company during 2022, that will generate significant operational and organizational benefits. In particular, absorption of the wholly-owned subsidiary within a single structure will simplify operational processes, make the related planning, monitoring and governance systems more organic, and enhance the value of the assets of Aeffe Retail, the Company to be absorbed, while also generating greater flexibility and synergies with the other companies in the Aeffe 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.

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 Aeffe Retail, the Company to be absorbed, without any allocation of shares in the Absorbing Company.

Furthermore, 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 Aeffe Retail, the Company to be absorbed, without any allocation of shares in the Absorbing Company, the current significant ownership of shares in Aeffe and current control structure of Aeffe 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, 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 or the exclusion of Aeffe from listing; accordingly, there are no grounds for exercising the right to withdraw pursuant to arts. 2437 or 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;
- the Merger does not involve any increase in share capital; however, on adoption of the merger resolutions, the Articles of Association of Aeffe, the Absorbing Company, might be amended to reflect operational needs and other updates;
- pursuant to art. 3 of Consob Decision no. 18079 dated 20th January 2012, Aeffe has made the exception allowed in arts. 70, para. 8, and 71, para. 1-bis, of the Issuers' Regulation with regard to making documentation about mergers, carve-outs, capital increases, acquisitions and disposals available to the public at the registered office.

Courtesy Translation. In any case of discrepancy, the Italian text prevails.



With regard to the statement of financial position required by art. 2501-*quater* of the Civil Code, it is deemed appropriate to use the financial positions of Aeffe and Aeffe Retail contained in the draft financial statements at 31st December 2022, already approved by the Boards of Directors 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 Aeffe S.p.A., the Absorbing Company.

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 platform www.emarketstorage.com by Aeffe S.p.A., the Absorbing Company.

San Giovanni in Marignano (RN), 29th March 2023

For the Board of Directors

The Chairman

Massimo Ferretti