

MELITE ITALIA S.R.L.

COMMERCIAL KEY-MONEY VALUATION

OUR COMPANY

Rustioni & Partners S.r.l. (“R&P”) is a company specializing in the real-estate/commercial sector with 20 years of experience in the national and international markets.

Rustioni & Partners is not tied to any financial institution or group. It aims to find the best solutions for its clients’ commercial positioning in city centers and shopping centers, and it also deals with real-estate investments on behalf of third parties.

To carry out such activities more effectively and give the best service, Rustioni & Partners offers all the necessary support services and, as a rule, a strategic analysis of the project on the basis of the criteria agreed with the client. This strategic analysis identifies the companies and the properties that could be purchased and/or managed.

It provides the necessary support for the valuation and commercial real-estate estimates, evaluating the congruity of the rental payments according to the market value, estimating the property value appropriate to the case in question and providing all the necessary assistance in the negotiation stages, coordinating the activity of the consultants involved (legal, fiscal, due diligence, etc.).

PURPOSE OF VALUATION

Melite Retail Group is restructuring its business and reorganizing its business model; the purely commercial side will be separated from the franchising of the Accessorize brand. The aim is to bring the commercial retail companies, with their associated licenses and commercial permits, under a newly established entity (Melite Properties S.r.l.), while the transferor remains responsible for the commercial exploitation of the brand.

In this new organizational context, the commercialization of the Accessorize brand products will be coordinated between the transferee, which holds the commercial licenses, and the transferor, as the only legal entity that can lawfully exploit that brand.

In this reorganization, a company (Melite Properties S.r.l.) will be set up to identify interesting retail outlets, negotiate the fee for taking over the associated lease contracts and pay the associated cost, handle all the administrative paperwork involved in obtaining the permits needed to operate the stores, and restructure the premises where necessary, before leasing the business units that are concerned with those stores as start-ups to companies (within the Group and third parties) interested in running them.

In consideration of the above and, in particular, of how the transfer will concern the commercial companies “deprived” of the right to use the Accessorize brand, the expert appointed to carry out the valuation under article 2465 of the Civil Code will value those businesses as going concerns (without any reservations regarding their continuity of operation), regardless of the profitability specifically attributable to the Accessorize products.

In this context, given the need to value “depersonalized” commercial companies (operating continuously, nonetheless, as going concerns), the expert has adopted the empirical method of valuing a retail business by taking into account the appreciation of its retail premises. The expert has therefore asked R&P to assess the value (or, strictly speaking, the price) that a retail business owner would be prepared to accept for the immediate release of its retail premises (along with the loss of goodwill for its commercial business). This value/price is commonly known as Key Money.

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Key Money is commonly defined as the value attributable to the retail site, with regard to the interconnection between the commercial license and the right (deriving, in most cases, from lease contracts) to use the retail premises.

A copy of the full Independent Expert's Report dated 18 September 2018 is available for inspection at the registered address of the Issuer.

VALUATION DATE

We have been asked to assess the Key Money as at 30 June 2018.

VALUATION CRITERION

The main method that we have used to determine the commercial value of the retail outlets in question is commonly known as the **Average Rental Value per sqm** method.

LOCATION

R&P's valuation reflects standard practice throughout the property and commercial market. We have taken into account the commercial ventures' positioning, the impact of rental payments on turnover net of sales VAT, the rental value per square meter of retail area, the positive or negative weightings for the store's positioning, and the positive or negative weightings according to how soon the leases expire (the last two based both on our considerable experience and on the views and typical approaches of the International Valuation Standards Committee).

RENTS

Our analyses are based on a dual comparison between, on one hand, the market values for transactions involving properties of similar sizes and locations and, on the other, the property investment's profitability per unit area (5–8%).

Furthermore, in Italy (unlike France and Belgium), there is no procedure for recourse to the courts or public authorities to establish the extent to which rents reflect market rates. Unfortunately, rents in Italy are determined entirely by the free market, and supply and demand may be strongly at variance, even with the calculation method above.

For example, if the property is the only one of its size on that street, then the asking rent may be well above the market rate, and no public authority can force the lessor down to acceptable levels.

GOODWILL

According to settled case law and established economic, legal and business practice, goodwill is that surplus that makes it possible to achieve greater profit from the resources used, because of various subjective/objective elements, such as those listed above, in particular: the company's reputation and business acumen, the business's situation, when it is transferred, the company / business unit size and location, whether or not there are employees. None of these factors can be divorced from the potential earnings in relation to the actual earnings in previous years.

POTENTIAL

The stores' potential based on their net sales area stated has not been explicitly considered. That potential is expressed in the calculation of the potential average turnover for different types of good in the contexts under valuation.

That calculation has not enabled R&P to determine the potential value of the business (based on the cost of the products analyzed in the various sectors).

The demand from the industrial and commercial groups and companies interested in leasing premises of similar sizes and settings must also be taken into account.

Summary of the commercial key-money valuation

Based on the above criteria, the economic value at 30 June 2018 of retail outlets held by Melite Italia s.r.l. is assessed as €10,307,020.00, as summarized in the following table.

Melite Retail Limited Group Actual Stores May 2018

ACCESSORIZE STORES

Store	Type of Contract	Sales Area / sqm	Stock Room Area / sqm	Annual Rent paid to Landlord €	Key Money Value €	Expiry date	Years	Sub-Lease to	Value Of Sub-Lease
2353 - Milano V. Torino	Lease	Ground F. / 72sqm	Basement / 25sqm	117,433	2,546,703	dec-27	9		
2358 - Orio, Orio Center CC	Lease	Ground F. / 53sqm	Ground Floor / 9sqm	65,014	195,000	jan-28	10		
2365 - Pavia Cso. Cavour 18	Lease	Ground F. / 87sqm	First Floor / 90sqm	29,721	791,802	aug-35	18		
2372 - Bolzano, V. dei Portici	Lease	Ground F. / 102sqm	Basement / 80sqm	80,360	816,520	aug-26	8		
2373 - Milano, Stazione P. Garibaldi	Lease	Ground F. / 44sqm	Basement / 5sqm	60,000	114,000	aug-26	8		
2375 - Milano, C. so Vercelli	Lease	Ground F. 70 sqm + Mezzanine 7 sqm	Basement / 70sqm	175,000	456,120	aug-27	9		
2525 - Padova, Padova Stazione	Lease	Ground F. / 38sqm	Ground Floor / 11 sqm	58,658	99,420	mar-20	2		
2526 - Milano, Galleria Passarella	Lease	Ground F. 110 sqm + Mezzanine 37 sqm	Basement / 70sqm	388,411	1,122,979	aug-29	11		
2528 - Como V. V. Emanuele	Lease	Ground F. / 73sqm	Ground Floor / 18sqm	80,000	710,694	oct-35	18		
7909 - Treviso, Cso. Del Popolo	Lease	Ground F. 83 sqm +1st floor 22	Basement / 70sqm	72,000	328,320	jul-23	5		
2377 - Carugate, Il Carosello CC	Rent	Ground F. / 57sqm	Ground Floor / 18sqm	73,000	245,000	may-21	3		
3900 - Milano, Il Portello CC	Rent	Ground F. / 53sqm	Ground Floor / 8sqm	36,000	300,000	sep-24	6		
7904 - Curno, Curno CC	Rent	Ground F. / 60sqm	Ground Floor / 11sqm	50,150	48,800	jan-20	2		
7914 - Milano, Stazione Centrale	Rent	Ground F. / 56sqm	Basement / 10sqm	111,000	268,800	mar-22	4		
7915 - Busnago, Il Globo CC	Rent	Ground F. / 70sqm	Ground Floor / 22sqm	80,000	144,000	apr-24	6		
7916 - Torino Porta Nuova	Rent	Ground F. / 50sqm	Ground Floor / 19sqm	79,918	200,184	jun-24	6		
7917 - Milano, Citylife CC	Rent	Ground F. / 57sqm	Ground Floor / 10sqm	85,000	150,000	ott-24	6		
7919 - Rescaldina, Auchan Rescaldina CC	Rent	Ground F. / 50sqm	Ground Floor / 7sqm	66,000	100,000	dec-24	7		
7920 - Mestre, Auchan Mestre CC	Rent	Ground F. / 50sqm	Ground Floor / 8sqm	48,000	50,000	dec-24	7		
CKU Stores									
Pavia, C.so Cavour	Lease	Ground F. / 56sqm	Ground Floor / 35sqm	46,000	321,876	sep-35	18		
Como, Via Luini	Lease	Ground F. / 67sqm	Ground Floor / 55sqm	140,000	246,624	feb-30	12		
Sub-let to 3rd-parties									
Torino, Via Garibaldi	Lease	Ground F. / 55sqm	Ground Floor / 55sqm	72,162	326,028	sep-25	7	Rebecca S.r.l.	72,811
Genova, Via XX Settembre	Lease	Ground F. / 61sqm	Ground Floor / 19sqm	72,000	303,360	jan-26	8	Bialetti S.r.l.	111,000
Pavia, C.so Cavour ang Via XX Settembre	Lease	Ground F. / 58sqm	Basement / 82sqm	40,000	220,118	sep-35	18	12 Oz Coffee Joint	80,000
Milano, C.so Buenos Aires	Lease	Ground F. / 45sqm	Basement / 35sqm	150,000	200,672	jun-26	8	Wake up s.r.l.	190,000
				2,275,828	10,307,020				