

Report of the Board of Directors of Charles Vögele pursuant to Article 132 FMIA

The Board of Directors of Charles Vögele Holding AG (the **Board of Directors**) with registered office in Freienbach, Switzerland (**Charles Vögele**), hereby takes position pursuant to article 132 para. 1 FMIA and articles 30-32 of the Takeover Ordinance on the public tender offer (the **Offer**) of Sempione Retail Ltd., a company with registered office in Zurich, Switzerland (the **Offeror**), that is held by Retails Investment S.R.L. (**Retails Investment**), OVS S.p.A. (**OVS**) and Aspen Trust Services Ltd. (**Aspen**) as trustee and on behalf of the Elarof Trust (**ET**; and the Offeror together with its shareholders and their affiliates, the **Offeror Group**), for all publicly held bearer shares of Charles Vögele with a nominal value of CHF 3.00 each (each a **CV Share**).

1. Recommendation

Based on an in-depth review of the Offer and taking into account the fairness opinion of Ernst & Young AG, Zurich, which forms an integral part of this report (see Section 2.1), the Board of Directors, composed of the members set out in Section 3.3(e), unanimously resolved to recommend to the shareholders of Charles Vögele to accept the Offer submitted by the Offeror.

2. Rationale

2.1 Offer Price and Fairness Opinion

The price offered by the Offeror in the Offer is CHF 6.38 net in cash for each CV Share (the **Offer Price**). The Board of Directors mandated Ernst & Young AG, Zurich, as independent expert, to prepare and issue a fairness opinion on the financial fairness of the Offer Price. Based on and subject to the assumptions set out therein, in its fairness opinion dated October 17, 2016, Ernst & Young AG, Zurich, determined a value range from CHF 4.40 to CHF 7.60, with the DCF analysis as the core valuation method resulting in a point estimate of CHF 5.90, and concluded that the Offer Price is fair from a financial perspective. The fairness opinion can be ordered in German, French and English at no cost from Charles Vögele Holding AG at Gwattstrasse 15, 8808 Pfäffikon SZ, Switzerland (phone: +41 55 416 72 00, fax: +41 55 410 12 82, email: nicole.borel@charles-voegele.com) and is also available on <https://corporate.charles-voegele.com/en-GB/s/sempline-kaufangebot>.

2.2 Business Rationale

The Board of Directors has after consultation with the Charles Vögele Group Management and external advisors made a detailed assessment of the short- and long-term prospects of Charles Vögele as an independent company and as a partner in combination with the Offeror Group. Based on this assessment, the Board of Directors believes that there is significant potential that a combination with the Offeror Group will result in strategic, operational and financial benefits for Charles Vögele and its stakeholders compared to other alternatives.

Given the fundamental changes in the European retail apparel industry and the beginning consolidation process, an acquisition of Charles Vögele by the Offeror entails a significant first-mover advantage for the combined group. The abolition of the minimum euro exchange rate by the Swiss National Bank in January 2015 severely affected the industry in Charles Vögele's most profitable market Switzerland and accelerated market consolidation. The removal of the minimum euro exchange rate greatly intensified price pressure in Switzerland and also led to a significant increase in transborder shopping tourism. Furthermore, the currency conversion effects in the other sales regions had a negative impact on the consolidated group results.

Strategic benefits: The Board of Directors believes that a combination between Charles Vögele and the Offeror Group would strengthen the combined group's market position, leveraging on the Offeror Group's industrial know-how in the areas of purchasing, marketing, visual merchandising and a go-to-market approach with new and attractive brands. This would offer the business the opportunity to appeal to and win new target groups as customers.

OVS is a well-positioned retail apparel company with financial strength and together with its shareholder Gruppo Coin S.P.A., which holds 42.12% of OVS's share capital, the Offeror Group has extensive turnaround expertise. The additional industrial expertise and management capabilities are expected to allow Charles Vögele to increase its sales performance, to improve profitability and to return to a sustainable business model.

Operational benefits: OVS has a renowned brand which stands for a fashionable product assortment in an attractive price range. Furthermore, OVS has average store size and store locations which are similar to Charles Vögele, which would facilitate a smooth integration. Both companies' key procurement markets are in Asia and bundling purchasing volumes would lead to further improved sourcing conditions, thereby allowing the combined group to become more competitive in terms of pricing with a positive impact on sales.

Financial benefits: The joint utilization of the Offeror Group's European central services would offer Charles Vögele the opportunity to benefit from the Offeror Group's network and to further decrease its cost base.

Given the current market situation and the prospects in the apparel industry, the Board of Directors believes that a combination with the Offeror Group offers the opportunity for Charles Vögele to continue operations in the long term more successfully, protecting the interests of all stakeholders.

2.3 Squeeze-out and Delisting

In the event that the Offeror holds more than 98% of the voting rights of Charles Vögele after the consummation of the Offer (the **Settlement**), the Offeror intends to request the cancellation of the remaining CV Shares in accordance with article 137 FMIA.

In the event that the Offeror holds between 90% and 98% of the voting rights of Charles Vögele after the Settlement, the Offeror intends to effect a squeeze-out merger pursuant to article 8 para. 2 and article 18 para. 5 of the Swiss Merger Act, as a result of which remaining minority

shareholders of Charles Vögele would be compensated in cash or otherwise for their CV Shares, but not receive shares of the surviving company. In the context of a squeeze-out merger, the tax consequences may be worse for certain shareholders compared to the tax consequences of an acceptance of the Offer (see Sections D.2 and H.7 of the Offer Prospectus).

Following the Settlement, the Offeror intends to have Charles Vögele submit a request for the delisting of the CV Shares from the SIX. The delisting may significantly impair the ability to trade in CV Shares.

2.4 Conclusion

Based on the considerations summarized above, the Board of Directors came to the conclusion that the Offer is in the interest of Charles Vögele and its stakeholders. The Board of Directors therefore recommends to the shareholders of Charles Vögele to accept the Offer.

3. Additional Information Required by Swiss Takeover Law

3.1 Board of Directors and Charles Vögele Group Management

The Board of Directors of Charles Vögele is currently composed of Max E. Katz (Chairman), Dr. Ulla Ertelt, Prof. Dr. Matthias Freise, Remo Masala and Christophe Spadone (for resignations, see Section 3.2(a)).

The Charles Vögele Group Management is currently composed of Markus Voegeli (CEO and CFO), Beatrice Grünwald (Chief Purchasing Officer) and Meinrad Fleischmann (Chief Sales Officer).

3.2 Potential Conflicts of Interest of the Members of the Board of Directors and the Charles Vögele Group Management

(a) Board of Directors

The family of Christophe Spadone is the beneficiary of ET. Aspen as trustee and on behalf of ET is the main shareholder of Charles Vögele (see Section 5). Furthermore, Aspen as trustee and on behalf of ET is a shareholder of, and investor in, the Offeror and a signatory of the Commitment Letter (as defined below). Consequently, Christophe Spadone has been in a potential conflict of interest in his function as a member of the Board of Directors, and did not take part in or contribute to the deliberations or resolutions of the Board of Directors, and abstained from voting, in matters relating to the Offer.

Christophe Spadone resigned as a member of the Board of Directors with effect as of the Settlement. The remaining members of the Board of Directors will also resign from their functions on the Board of Directors with effect as of the Settlement, in accordance with the Transaction Agreement (as defined below). Charles Vögele agreed with the Offeror in the Transaction Agreement (as defined below) to invite its shareholders to an extraordinary general meeting of shareholders to be held in the additional acceptance period of the Offer and, subject to the Offer

being declared successful by the Offeror after the main offer period, to propose to its shareholders the election of the individuals designated by the Offeror as chairman and members of the Board of Directors conditional upon, and with effect as of, the Settlement.

Except as set forth above or elsewhere in this report (including in this Section 3.2(a) and in Sections 3.3(a), 4.3 and 5) , (i) no member of the Board of Directors has entered into any contractual or other relationship with any member of the Offeror Group, and there is currently no intention to enter into any such relationship, (ii) no member of the Board of Directors has been elected at the request of any member of the Offeror Group or is exercising his or her function(s) on the Board of Directors following instructions from any member of the Offeror Group, and (iii) the members of the Board of Directors are neither employees nor members of any corporate body of any member of the Offeror Group or of companies having significant business relations with any member of the Offeror Group. Notwithstanding the foregoing, the Offeror has accepted certain undertakings in favour of the members of the Board of Directors, as set out in further detail in Sections 3.3(d) and 4.2.

(b) Charles Vögele Group Management

No member of the Charles Vögele Group Management has entered into any contractual or other relationship with any member of the Offeror Group, and there is currently no intention to enter into any such relationship. The members of the Charles Vögele Group Management are neither employees nor members of any corporate bodies of any member of the Offeror Group or of companies having significant business relations with the Offeror Group.

(c) Consequences of the Offer on Employment and Similar Agreements with Members of the Board of Directors and the Charles Vögele Group Management

The agreements with the members of the Board of Directors as well as the employment agreements with the members of the Charles Vögele Group Management do not contain any change of control clauses.

3.3 Possible Financial Consequences of the Offer for Members of the Board of Directors and the Charles Vögele Group Management

(a) Charles Vögele Shares and Other Equity Awards Held by Members of the Board of Directors and the Charles Vögele Group Management

The members of the Board of Directors and of the Charles Vögele Group Management hold – or their family is the beneficiary (as further described below and elsewhere in this report) relating to – the following CV Shares and awards relating to CV Shares as of October 14, 2016:

(1) *Board of Directors*

Name	Unrestricted CV Shares	Restricted CV Shares	Restricted Stock Units	Options
Max E. Katz	17,487	2,000	12,574	5,000
Dr. Ulla Ertelt	3,683	2,000	5,931	5,000
Prof. Dr. Matthias Freise	3,683	2,000	5,457	5,000
Remo Masala	3,363	--	4,982	--
Christophe Spadone	1,334,102 ¹	--	5,219	--

Aspen as trustee and on behalf of ET is a shareholder of, and investor in, the Offeror, and the family of Christophe Spadone is the beneficiary of ET (see Section 3.2(a)).

(2) *Charles Vögele Group Management*

Name	Unrestricted CV Shares	Restricted CV Shares	Restricted Stock Units	Options
Markus Voegeli	37,100	5,000	--	11,250
Beatrice Grünwald	6,760	2,000	--	--
Meinrad Fleischmann	5,259	584	--	--

(b) Equity Plans, Outstanding Equity Awards and Consequences of the Offer on Outstanding Equity Awards(1) *Option Plan (Aktienoptionsplan) 2002, Tranche 2012; Options*

The stock options (the **Options**) that are held by former and current members of the Board of Directors and employees of the Charles Vögele Group were issued under the Option Plan 2002 of Charles Vögele (the **Option Plan**). All Options are vested and are exercisable until August 15, 2017, and each Option entitles the holder to acquire one CV Share against payment of the exercise price. The exercise price of the Options is CHF 15.70. An aggregate of 78,624 Options are outstanding under the Option Plan.

The Board of Directors resolved that Charles Vögele shall make an offer to each relevant Option holder for a cash cancellation of his or her relevant Options. The amount of the cancellation payment for each relevant Option shall be calculated in accordance with the Black-Scholes-model or any other calculation method accepted by the Swiss Takeover Board (**TOB**) for the calculation of the value of options. The cash cancellation and cancellation payment shall be subject to the Offer becoming unconditional, and shall be paid on the date of the Settlement or as soon as practicable thereafter. Based on a recent calculation, the maximum cost Charles Vögele would incur for the cash settlement of the Options would be CHF 3,829.

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Not directly held by Christophe Spadone. Held by Aspen as trustee and on behalf of ET; see Sections 3.2(a) and 5.

(2) *Bonus Share Plans (Gratisaktienpläne) 2013/2014; Restricted CV Shares*

The restricted CV Shares (the **Restricted CV Shares**) that are held by former and current members of the Board of Directors and employees of the Charles Vögele Group were allocated in 2013 and 2014 based on discretionary bonus share plans (the **Bonus Share Plans 2013/2014**). The Restricted CV Shares are subject to a blocking period until November 30, 2016 (for Restricted CV Shares allocated under the Bonus Share Plan 2013) and June 30, 2017 (for Restricted CV Shares allocated under the Bonus Share Plan 2014), respectively. An aggregate of 39,776 Restricted CV Shares were allocated based on the Bonus Share Plans 2013/2014.

The Board of Directors resolved that all blocking periods (*Sperrfristen*) applicable to Restricted CV Shares allocated under the Bonus Share Plans 2013/2014 shall be waived and lifted effective as of the Offeror's confirmation in the definitive notice of the interim results of the Offer that the Offer has been successful (*zustande gekommen*), irrespective of whether or not the Offer remains subject to certain conditions during the additional acceptance period, so that the relevant holders may tender the relevant CV Shares into the Offer during the additional acceptance period.

(3) *Board of Directors Remuneration Regulation (Vergütungsreglement Verwaltungsrat) 2015; Restricted Stock Units*

The restricted stock units (the **RSUs**) that are held by members of the Board of Directors were allocated in 2016 based on the remuneration regulation for the Board of Directors 2015 (the **Board of Directors Remuneration Regulation 2015**). The RSUs are subject to a blocking period until the ordinary shareholders' meeting in 2017. Upon expiration of the blocking period, each RSU entitles the holder to receive one CV Share. Charles Vögele intends to deliver CV Shares held in treasury to satisfy the respective claims of the members of the Board of Directors. An aggregate of 34,163 RSUs were allocated in 2016 based on the Board of Directors Remuneration Regulation 2015.

The Board of Directors resolved that the blocking period applicable to the RSUs allocated to members of the Board of Directors shall be waived and the RSUs shall immediately vest and be converted into a claim for the relevant number of CV Shares *pro rata temporis* (i.e., such number of RSUs corresponding to the proportional share of the relevant member's term of office until the anticipated Settlement when compared with his or her full term), and the relevant CV Shares shall be allocated and delivered to such member of the Board of Directors, effective as of the Offeror's confirmation in the definitive notice of the interim results of the Offer that the Offer has been successful (*zustande gekommen*), irrespective of whether or not the Offer remains subject to certain conditions during the additional acceptance period, so that the relevant members of the Board of Directors may tender the relevant CV Shares into the Offer during the additional acceptance period.

(4) *Employment Agreement Addendum No. 3 Chief Executive Officer (Zusatzvereinbarung zum Arbeitsvertrag Nr. 3 Chief Executive Officer)*

The CV Shares allocated and delivered to the Chief Executive Officer under the Employment Agreement Addendum Number 3 are not subject to any blocking period and may be tendered into the Offer.

(c) Intentions to Tender

All members of the Board of Directors and of the Charles Vögele Group Management intend to tender their CV Shares into the Offer. For the avoidance of doubt, Aspen as trustee and on behalf of ET will not tender its CV Shares (Section D.3.2 of the Offer Prospectus).

(d) D&O Insurance

Charles Vögele purchased D&O insurance in favor of its Board of Directors and officers (including members of the Charles Vögele Group Management) for the period until December 31, 2016, which is, however, subject to change of control. In the Transaction Agreement (as defined below), the Offeror agreed to procure for continued coverage both for members of the Board of Directors and officers whose directorship, mandate or employment will terminate and for members of the Board of Directors (if any) and officers whose directorship, mandate or employment will continue beyond the Settlement.

(e) Conclusion

Other than related to the fact that they are holders of CV Shares, and except as otherwise described above or elsewhere in this report, the Offer has no financial consequences for the members of the Board of Directors and the Charles Vögele Group Management, and the members of the Board of Directors and the Charles Vögele Group Management will not receive any additional benefits in connection with the Offer.

Taking into account the potential conflict of interest of Christophe Spadone (see Section 3.2(a)), the resolution to recommend the acceptance of the Offer was unanimously passed by the following members of the Board of Directors: Max E. Katz (Chairman), Dr. Ulla Ertelt, Prof. Dr. Matthias Freise and Remo Masala.

In addition and as a basis for its resolution, the Board of Directors mandated Ernst & Young AG, Zurich, as independent expert, to prepare and issue a fairness opinion on the financial fairness of the Offer Price. Based on and subject to the assumptions set out therein, in its fairness opinion dated October 17, 2016 Ernst & Young AG, Zurich, determined a value range from CHF 4.40 to CHF 7.60, with the DCF analysis as the core valuation method resulting in a point estimate of CHF 5.90, and concluded that the Offer Price is fair from a financial perspective (see Section 2.1).

4. Agreements between the Offeror Group and Charles Vögele and between the Offeror Group and the Shareholders of Charles Vögele Relevant for the Decision of the Board of Directors

4.1 Confidentiality Agreement

Each of OVS, Aspen as trustee and on behalf of ET and the ultimate beneficial shareholders of Retails Investment agreed to be bound by confidentiality undertakings which are customary for this type of transaction, upon which Charles Vögele allowed each of them to carry out a limited due diligence.

4.2 Transaction Agreement

On September 18, 2016, after the close of trading on SIX, Charles Vögele and the Offeror entered into a transaction agreement (the **Transaction Agreement**). The Transaction Agreement contains provisions regarding the submission by the Offeror of the Offer, the Board of Directors' recommendation to accept the Offer, the terms and conditions of the Offer and the parties' rights and obligations relating thereto. The Transaction Agreement provides, inter alia, for the following main obligations of the parties (it being understood that the following is only summary of such main obligations):

- *Submission of Offer.* The Offeror agreed to submit the Offer, on the terms and subject to the conditions of the Offer set forth in the Offer Prospectus.
- *Regulatory Undertakings.* The parties agreed to take all steps reasonably necessary or desirable under applicable law and under their control to consummate the transaction. In particular, the Offeror agreed that it will take all actions that are necessary under applicable law to obtain regulatory approvals for the transaction unless such actions would result in a Regulatory Material Adverse Effect as defined in the condition (b) of the Offer set forth in Section A.6.1 of the Offer Prospectus.
- *Recommendation of the Offer.* Charles Vögele agreed that the Board of Directors shall recommend the Offer for acceptance by the shareholders of Charles Vögele and issue this report, except in case of a superior proposal under the circumstances described in further detail below.
- *Third Party Proposals:*
 - Charles Vögele may not solicit any third party proposal for a competing transaction (a **Competing Transaction**).
 - However, Charles Vögele may, in response to an unsolicited written proposal of a third party that the Board of Directors determines in good faith and in accordance with its statutory fiduciary duties to be more favorable to the holders of CV Shares than the Offer (a **Superior Proposal**), and after having informed the Offeror of such Superior Proposal and of its material terms and having given the Offeror a

reasonable opportunity to provide its view and potentially propose measures within five trading days to make the Offer at least as favorable as such Superior Proposal, furnish such third party with information and participate in discussions and negotiations with such third party.

- The Board of Directors is not permitted to change in any manner adverse to the Offeror its recommendation of the Offer or to enter into any agreement relating to, or to recommend, a Competing Transaction, except in connection with a Superior Proposal submitted by a party that is capable of making and consummating such Superior Proposal within a reasonable time frame, after having provided the Offeror at least five trading days to submit and publish an improved Offer such that the Offeror's improved Offer is at least as favorable to the holders of CV Shares as the Superior Proposal.
- *Resignation of Directors and Extraordinary General Meeting of Shareholders for the Election of new Directors designated by the Offeror:* see Section 3.2(a).
- *Conduct of Business:* Following the execution of the Transaction Agreement until the Settlement, Charles Vögele is required to operate its business in the ordinary course, and is restricted from taking certain specified actions without the prior consent of the Offeror. The following transactions (the **Permissible Transactions**) are excluded from these limitations, and Charles Vögele is at all times during the Offer and the term of the Transaction Agreement allowed to take any action regarding such Permissible Transactions (to the extent permissible under applicable laws):
 - the sale, transfer or other disposal of all or part of the shares in, or all or part of the assets of, Charles Vögele (Belgium) N.V. to any Person or the winding-up of Charles Vögele (Belgium) N.V. through voluntary dissolution or liquidation or through bankruptcy or similar proceedings, or a combination thereof;
 - the sale, transfer or other disposal of all or part of the shares in, or all or part of the assets of, Charles Vögele (Netherlands) B.V. to any Person or the winding-up of Charles Vögele (Netherlands) B.V. through voluntary dissolution or liquidation or through bankruptcy or similar proceedings, or a combination thereof;
 - the sale, transfer or other disposal of all or part of the following real estate of Charles Vögele or its subsidiaries: Galgenen, Sigmaringen, Wohlen Zentralstrasse 23, Wohlen Zentralstrasse 52a, Langnau im Emmental, Delémont.
- *Equity Plans and Outstanding Equity Awards:* The parties agreed on the treatment of outstanding equity awards as described in further detail in Section 3.3(b) of this report.
- *Waiver of Claims, Discharge and D&O Insurance:* Except in certain circumstances, the Offeror agreed to waive and not to enforce certain potential claims against (existing or former) members of the Board of Directors and members of the Charles Vögele Group Management for directors' and officers' liability, to grant discharge to such individuals at

the next ordinary shareholders' meeting and to ensure that all such individuals and other officers continue to be covered by D&O insurance as described in further detail in Section 3.3(d) of this report. Furthermore, the Offeror agreed to indemnify the members of the Board of Directors and the members of the Charles Vögele Group Management and hold each of them harmless from and against certain claims, liabilities, damages, losses and reasonable costs and expenses suffered or incurred by them in connection with the Real Estate Transaction (as defined below). The same undertakings were accepted in favor of the members of the board of directors of Charles Vögele Mode AG.

- *Termination:* The Transaction Agreement may be terminated in a limited number of circumstances, including:
 - by each party if the Offeror publicly declares in accordance with Swiss takeover laws and regulation that the Offer will not be further pursued or has failed or if the Offeror otherwise withdraws from launching, continuing or settling the Offer in accordance with Swiss takeover laws and regulation, if the TOB permits the Offer not to be launched, no longer to remain open or not to be settled, so long as the party seeking to terminate is not in breach of any provision under the Transaction Agreement that causes any such non-pursuance, failure or withdrawal of the Offer;
 - by any party if the other party materially breaches its obligations under the Transaction Agreement, unless promptly and fully remedied by the breaching party;
 - by the Offeror if Charles Vögele enters into a definitive agreement with a third party regarding a Competing Transaction;
 - by the Offeror if the Board of Directors fails to recommend the Offer to the shareholders of Charles Vögele as contemplated in the Transaction Agreement or withdraws or adversely modifies its recommendation of the Offer or makes an announcement to that effect, or if the Board of Directors recommends a Competing Transaction or makes an announcement to that effect;
 - by Charles Vögele if the Board of Directors takes any relevant action supporting a Competing Transaction which is permissible under the Transaction Agreement, including without limitation if the Board of Directors withdraws or modifies its recommendation of the Offer, approves or enters into an agreement relating to any Competing Transaction or approves or recommends a Competing Transaction, in each case in accordance with the terms of the Transaction Agreement, provided that in such case, certain provisions and obligations under the Transaction Agreement may, depending on the circumstances, survive.

Further information on the content of the Transaction Agreement can be found under Section D.3.1 of the Offer Prospectus.

4.3 Agreements between the Offeror Group and ET²

On September 18, 2016, OVS and Retails Investment entered into a term sheet for a shareholders agreement (the **SHA**), and Aspen as trustee and on behalf of ET executed a commitment letter vis-à-vis the Offeror, OVS and Retails Investment (the **Commitment Letter**). Further information on the content of the SHA and the Commitment Letter can be found under Sections B.1, B.2 and D.3.2 of the Offer Prospectus.

4.4 Business Agreements

Charles Vögele, Charles Vögele's subsidiary Charles Vögele Mode AG, OVS and UBS Switzerland AG, Real Estate Advisory (**UBS REA**), entered into a non-exclusive mandate agreement regarding the potential sale of all real estate of Charles Vögele Mode AG other than the real estate located in Galgenen and Sigmaringen (the **Real Estate Assets**) to interested third parties (the **Mandate Agreement**).

If all or part of the Real Estate Assets are to be sold to a buyer introduced by UBS REA, Charles Vögele Mode AG (or, in case Charles Vögele Mode AG fails to pay, Charles Vögele) (i) agreed to pay to UBS REA a success fee (0.7% of the aggregate notarized sales price for the Real Estate Assets that are being sold) (the **Success Fee**) and (ii) may pay to UBS REA an additional incentive fee (up to CHF 500,000) upon its full discretion. If all or part of the Real Estate Assets are to be sold to a buyer introduced by UBS REA within 12 months after the termination of the Mandate Agreement, Charles Vögele Mode AG (or, in case Charles Vögele Mode AG fails to pay, Charles Vögele) agreed to pay to UBS REA the Success Fee.

If the Offer is consummated and UBS REA has received at least one binding offer regarding the Real Estate Assets from a potential buyer which was introduced by UBS REA but (i) the transaction regarding the Real Estate Assets is abandoned or (ii) the Mandate Agreement is terminated, Charles Vögele Mode AG (or, in case Charles Vögele Mode AG fails to pay, Charles Vögele) agreed to pay to UBS REA a structuring fee (CHF 100,000). In addition, Charles Vögele Mode AG agreed to reimburse UBS REA for certain pre-approved costs and expenses depending on the circumstances.

On September 16, 2016, Charles Vögele Mode AG entered into an asset transfer agreement with a third party (the **Real Estate Buyer**) relating to the sale and transfer of the Real Estate Assets (the **Real Estate Transaction**). The Real Estate Buyer had been introduced by UBS REA. The Real Estate Transaction provides for an agreed purchase price of CHF 169 million (excl. VAT) and is conditional upon the Settlement; *i.e.*, the Real Estate Transaction provides that the Settlement is a condition to its consummation. If the Real Estate Transaction is consummated, Charles Vögele Mode AG will lease back certain sold and transferred Real Estate Assets from the Real Estate Buyer at pre-agreed terms.

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For details as to ET's relationships and involvement, see Sections 3.2(a) and 5.

Further information regarding the Mandate Agreement and the Real Estate Transaction can be found under Section D.3.1 and under the title *Public tender offer by the Offeror for Charles Vögele ("Offer" or "Public Tender Offer"), Involved Companies and Parties, Background and Purpose of the Offer* of the Offer Prospectus.

4.5 Further Agreements

Except as described above and elsewhere in this report, as of the date of this report and to the knowledge of the Board of Directors, there exist no further agreements between the Offeror Group, on the one hand, and Charles Vögele and its affiliates, directors, members of the Charles Vögele Group Management and shareholders, on the other hand.

5. Intentions of Significant Shareholders of Charles Vögele

To the knowledge of the Board of Directors, on October 14, 2016 the following shareholders hold more than 3% of the share capital and voting rights of Charles Vögele:³

Shareholder	Number of CV Shares	Percentage
Group of OVS S.p.A., Luigi Enzo de Gaspari, Jonathan Kafri, Aspen Trust Services Ltd. as Trustee and on behalf of the Elarof Trust ⁴ and Charles Vögele Holding AG	1,597,501	18.15% ⁵
UBS Group AG	435,613	4.99% ⁶
Migros-Genossenschafts-Bund	418,244	4.75%
The Antares European Fund Limited	280,221	3.18%
Dimensional Holdings Inc.	264,142	3%

Aspen as trustee and on behalf of ET is a shareholder of, and investor in, the Offeror, and the family of Christophe Spadone is the beneficiary of ET (see Section 3.2(a)).

Other than the investment in the Offeror by Aspen as trustee and on behalf of ET and its undertakings under the Commitment Letter (see Section 4.3), including its undertaking not to tender its CV Shares into the Offer (see Section 3.3(c)), and the intentions of the Offeror described in this report and in the Offer Prospectus, the Board of Directors is not aware of the intentions of the significant shareholders listed above.

³ Information based on latest notifications submitted by these shareholders to the SIX and to Charles Vögele pursuant to article 120 et seq. FMIA.

⁴ Aspen as trustee and on behalf of ET is also a lender of Charles Vögele under a bilateral credit facility agreement executed in April 2016 in parallel to the credit facility with a syndicate of banks.

⁵ Pursuant to the disclosure notice of September 24, 2016, the group also disclosed a total of 1.28% sales positions, consisting of the options and RSUs held by members of the Board of Directors and employees of the Charles Vögele Group.

⁶ Pursuant to the disclosure notice of April 29, 2016, UBS Group holds (i) total purchase positions of 4.99%, comprising of CV Shares as stated (4.95%) and put options (0.04%) and (ii) total sale positions of 7.34%, comprising of put options (0.41%) and call options (6.93%).

6. Defensive Measures

The Board of Directors has no knowledge of defensive measures, which would have been taken against the Offer nor does it intend to take any defensive measures against the Offer or to propose any such defensive measures to a general meeting of shareholders of Charles Vögele.

7. Financial Report; Disclosure of Material Changes in the Assets and Liabilities, Financial Condition, Profits and Losses and Business Perspectives

The consolidated financial report of Charles Vögele as of June 30, 2016, and the annual reports of previous financial years are available on Charles Vögele's website (<https://corporate.charles-voegele.com/en-GB//annual-reports-&-publications>).

Save for the transaction to which this report relates and except as disclosed prior to or on the date of this report (including in this report), the Board of Directors is not aware of significant changes in the assets and liabilities, financial condition, profits and losses or business perspectives of Charles Vögele since July 1, 2016, which could influence the decision of the shareholders of Charles Vögele regarding the Offer.

As announced on June 13, 2016, the Board of Directors had decided to withdraw from the Belgian market. On June 20, 2016, Charles Vögele's Belgian subsidiary Charles Vögele (Belgium) N.V. filed a petition with the Commercial Court of Antwerp, Belgium, for judicial reorganization, which may result in a sale or the winding-up of the company and/or its business. On July 5, 2016, the Commercial Court of Antwerp, Belgium, approved the correspondent petition.

The interest in, and loans to, Charles Vögele (Belgium) N.V. have been fully written down in Charles Vögele Holding AG's statutory financial statements as of December 31, 2015. On a consolidated level, as of June 30, 2016, the aggregate value of the assets of Charles Vögele (Belgium) N.V. amounted to EUR 4.8 mio (net) and EUR 8.7 mio (gross), respectively. It is expected that a liquidation of Charles Vögele (Belgium) N.V. would insignificantly improve Charles Vögele's profit and loss situation on a consolidated level. Liquidation costs would likely be in the lower CHF single-digit million range.

For the Real Estate Transaction which has been entered into conditional upon the Settlement, see the description in Section 4.4.

Prior to submitting the Offer, the Offeror entered into an agreement with a European retailer regarding the sale of most of the existing network of Charles Vögele's German business (the **German Transaction**). The German Transaction is conditional upon the Settlement. Further information regarding the German Transaction can be found under the title *Public tender offer by the Offeror for Charles Vögele ("Offer" or "Public Tender Offer")*, *Involved Companies and Parties*, *Background and Purpose of the Offer* of the Offer Prospectus.

Pfäffikon SZ, October 18, 2016

For the Board of Directors of Charles Vögele Holding AG

Max E. Katz, Chairman

Matthias Freise, Vice-Chairman