



SPAFID CONNECT

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AEFFE

MOSCHINO

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PRESS RELEASE

**AEFFE: In 1H20 Sales At €118.9m Compared With €173.3m In 1H19.
Important Actions adopted to support the business.**

San Giovanni in Marignano, 5th August 2020 - The Board of Directors of Aeffe SpA approved today the Interim consolidated financial statement as of June 30, 2020. The company, listed on the STAR segment of Borsa Italiana, operates in the luxury sector, with a presence in the prêt-à-porter, footwear and leather goods division under renowned brand names such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino and Pollini.

- Consolidated revenues of €118.9m, compared to €173.3m in 1H 2019, with a 31.4% decrease at current and constant exchange rates due to Covid-19 pandemic, which also led to the partial postponement of shipments of Autumn/Winter 2020 collections beyond 30th June 2020 and consequent deferred deliveries to the third quarter of the year
- Ebitda of €0.6m, compared to €6.7m in 1H 2019, with a €6.1m decrease
- Net Loss for the Group of €10.9m, compared to the Net Profit of €5.1m in 1H 2019
- Net financial debt with IFRS 16 effect of €150.6m. Financial debt net of IFRS 16 effect of €62.5m compared to €39.4m as of December 31, 2019, with a €23.1m increase (€36.6m as at 30th June, 2019)
- The Action plan implemented by the management to safeguard employees and protect the economic and financial solidity of the business is still ongoing. Particular attention is paid to the costs control, more efficient working capital management, creation of collections more focused and in line with market changes and development of e-commerce and omnichannel businesses

Consolidated Revenues

In 1H 2020, AEFFE consolidated revenues amounted to €118.9m compared to €173.3m in 1H 2019, with a 31.4% decrease both at current and constant exchange rates.

The trend of the first semester of the year has been penalized by the rapid spread of the Covid-19 pandemic and the consequent rigorous measures adopted by the various countries in terms of bans and suspension of

international traffic of people and non-essential activities; these restrictions concerned both the Group's directly operated stores and the wholesale distribution, with negative effects on both channels.

Revenues of the *prêt-à-porter* division amounted to €88.6m, down by 33%, both at current and constant exchange rates compared with 1H 2019.

Revenues of the footwear and leather goods division decreased by 21.4% to €47.7m, both at constant and current exchange rates, before interdivisional eliminations.

Due to the difficult international market context and the lockdown measures, Spring/Summer 2020 orders, which had undergone the shipments block as at 31st March 2020, were delivered for their almost totality in the second quarter. As at 30th June 2020, shipments of the Fall/Winter 2020 collections to customers were also postponed due to the lockdown period that affected the main countries in which the Group operates. This resulted in lower deliveries by the end of the first half, bringing the advances invoiced by the end of the semester to a percentage of the total orders well below the corresponding period of last year, i.e. 20% in 2020 against 37% in 2019. It is important to underline that the Autumn/Winter 2020 is showing significant resilience to our customers despite an extremely complicated macroeconomic environment. The Group's goal is to maintain an overall percentage of returns and discounts on this season's collections below 10% with respect to original orders. This figure is extremely positive in light of the difficult market conditions due to the Covid-19 emergency and testifies the appreciation and appeal that the Group's brands are experiencing with customers.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: *"Covid 19 pandemic impacted on the results of the first half of 2020 causing a generalized drop in consumption. In this challenging and uncertain context, AEFEE has immediately taken important actions aimed at protecting the safety and health of its employees and collaborators, supporting its customers and safeguarding the economic and financial resilience of the business. In particular, the Group has implemented actions such as the expansion of the outsourced production base to ensure the punctuality of the deliveries of the F/W 2020 collections and has developed an advanced "Virtual Showroom" to present the new collections remotely to buyers and sector operators unable to travel. The Group is facing this moment, which is undoubtedly difficult for the entire sector, with a strong focus on costs, on recovering efficiency and offering collections more in line with customer needs due to the current market scenario. The Group is also heavily involved in digital marketing and e-commerce enhancement, with the aim of supporting launches and sales of its products and collections, promoting traffic both in online and offline stores and strengthening its brands' awareness"*.

Revenues Breakdown by Region

(migliaia di Euro)	1H 20	1H 19	%	%
	Reported	Reported	Change	Change*
Italy	52.704	80.136	-34,2%	-34,2%
Europe (Italy excluded)	37.127	38.655	-4,0%	-4,0%
Asia and Rest of the World	24.901	45.529	-45,3%	-45,2%
America	4.130	8.982	-54,0%	-55,0%
Total	118.862	173.301	-31,4%	-31,4%

(*) Calculated at constant exchange rates

In the first Half 2020 all geographic areas recorded a decline.

In 1H 2020, sales in the **Italian market** decreased by 34% to €52.7m compared to 1H 2019, driven by both the wholesale and retail channels, which all suffered from the rigid measures to contrast the spread of the pandemic in terms of suspension of non-essential activities.

The Italian market amounted to 44.3% of consolidated sales; that incidence decreased to 36% net of the effect of sales to foreign customers registered on the national territory.

At constant exchange rates, in 1H 2020, sales in **Europe**, contributing to 31.2% of consolidated sales, decreased by 4%; UK and Germany outperformed the average of the area. Both distribution channels were impacted by the emergency effects due to the pandemic.

In **Asia and in the Rest of the World**, the Group's sales totalled €24.9m, amounting to 20.9% of consolidated sales, recording a decrease of 45.2% at constant exchange rates compared to 1H 2019. The Far East area has

been hardly impacted by the restrictions imposed to limit the virus, while Middle East has experienced a less significant drop. The Greater China area reported a 44% decrease over the period; in the last few weeks the region has recorded positive signs in terms of sales and traffic in the stores, showing a clear recovery trend. Sales in **America**, contributing to 3.5% of consolidated sales, posted a decrease of 55% at constant exchange rates; the Covid-19 impact has involved both the retail and the wholesale channels.

Revenues by distribution channel

<i>(In thousands of Euro)</i>	1H 20 Reported	1H 19 Reported	% Change	% Change*
Wholesale	86.728	120.927	-28,3%	-28,3%
Retail	27.111	46.175	-41,3%	-41,3%
Royalties	5.023	6.199	-19,0%	-19,0%
Total	118.862	173.301	-31,4%	-31,4%

(*) Calculated at constant exchange rates

By distribution channel, in 1H20 all distribution channels were affected by the effects of the spread of Covid-19. The wholesale channel, contributing to 73% of consolidated sales, recorded a 28.3% decrease both at constant and current exchange rates, due both to lower sales compared to orders backlog of the Spring/Summer 2020 collections and to the postponement of shipments of the Autumn / Winter 2020 collections to the second half of the year.

The sales of directly-operated stores (DOS), equal to 22.8% of consolidated sales, after a positive start of the year in all main markets, suffered the effects of the progressive restrictions on the international circulation of people and on operations of non-essential activities adopted by the various countries where the Group operates. In 1H2020 the retail channel decreased by 41.3% at constant exchange rates compared with 1H 2019, reflecting the closure of stores for most of the second quarter of the year. Following the reopenings, the trend of the stores is showing signs of improvement, while continuing to suffer from limited tourist flows due to travel restrictions still in place. On the other hand, the online sales recorded a good trend in the period. Royalty incomes decreased by 19% compared to 1H 2019 and represented 4.2% of consolidated sales.

Network of Monobrand Stores

DOS	1H 20	FY 19	Franchising	1H 20	FY 19
Europe	42	42	Europe	40	40
Americas	1	3	Americas		1
Asia	16	16	Asia	113	122
Total	59	61	Total	153	163

As far the directly operated stores network is concerned, in the semester the Moschino brand stores in Los Angeles and in New York were closed because no longer considered strategic in terms of location. In terms of franchised stores, in the period some openings and closures took place in Europe and in the Asian market due to the strategic repositioning of the stores.

Group's Operating and Net Result Analysis

In 1H 2020 the consolidated Ebitda was equal to €0.6m (with an incidence of 0.5% of total sales), compared to €26.7m in 1H 2019 (15.4% of total sales), with a €26.1m decrease (-97.9%).

The significant decline in margins is directly referred to the sales decrease in both wholesale and retail channels across all geographies where the Group operates, because of the Covid-19 pandemic, as described

above. However, in the first semester, the marginality benefited, for the corresponding period of time, from positive results in terms of costs efficiency, most of which already accounted since the second quarter of the year, deriving from the actions taken to face the global consequences of the virus spread.. Cost savings have regarded various types of expenditure closely related to the economic situation of the health emergency, mainly including personnel costs, rent and travel costs and overheads.

In 1H 2020 Ebitda of the *prêt-à-porter* division was substantially in balance amounting to €7 thousands, compared to €19.9m in 1H 2019; the change was due to the sales decline.

Ebitda of the footwear and leather goods division amounted to €0.6m (1.2% of sales) compared to a €6.7m in 1H 2019 (11.0% of sales), with a €6.1m decrease due to the sales decline.

Consolidated Ebit was negative for €12.8m, compared to positive amount of €13.2m in 1H 2019, with a €26.0m decrease due to the Ebitda reduction.

Net loss of the Group was equal to €10.9m, compared to the Net Profit for the Group of €5.1m in 1H 2019, with a €16m decrease.

Group's Balance Sheet Analysis

Looking at the balance sheet as of 30th June 2020, Shareholders' equity is equal to €159.9m and financial debt net of IFRS 16 effect amounts to €62.5m compared to €39.4m as of 31st December 2019, with a €23.1m increase (€36.6m as of 30th June, 2019).

The financial debt increase compared to 1H 2019 mainly refers to the raise in working capital.

As of 30th June 2020 operating net working capital amounts to €91.5m (30.5% of LTM sales) compared to €85.7m as of 30th June, 2019 (24.6% of LTM sales).

The higher incidence is mainly attributable to higher inventories of finished products following the slowdown of the Spring/Summer 2020 and Autumn/Winter 2020 collections deliveries in the first semester, as commented above.

Capex in 1H 2020 amount to €2.9m and are mostly related to the completion of a new warehouse.

Actions adopted by the Group to face the Covid-19 pandemic effects. Business update.

The complicated international macroeconomic situation due to the Covid 19 pandemic, which characterized the first semester of the year, has strongly influenced the luxury goods demand and has significantly impacted the entire industry globally.

In the first half of the year, the business trend was influenced by bans of international traffic of people and by restrictions of non-essential activities imposed by the governments of the main reference markets of the Group.

In this highly challenging context, the Group's brands, with reference in particular to Moschino, benefited from their solid market positioning. AEFPE confirms its commitment in terms of research, creativity and high-quality manufacturing with the aim of further strengthening the portfolio brands positioning and limiting the effects of the pandemic.

The aforementioned pandemic has caused great uncertainty in terms of duration and intensity of the related economic and social consequences and it is still difficult to precisely quantify their impact for the full year 2020.

AEFFE has taken timely measures deemed of fundamental importance for the Group's long-term interest and to meet the challenges of the current international situation.

In this highly uncertain context, the primary objective of the Group is to protect the safety and the health of its employees, partners and clients. In this regard, the Group has urgently and responsibly adopted all the security measures and protocols introduced by the authorities in the various countries, while ensuring the continuity of the business operations adopting smart-working solutions, when possible.

The corrective measures taken by the Group are part of an ad hoc plan designed to effectively and efficiently contrast the negative effects of the global emergence of the Covid-19 coronavirus and to protect the economic and financial resilience of the business.

In terms of sales, the actions adopted aim to: 1) carefully manage the relations with the main commercial partners, especially in the Far East area, supporting them as much as possible; 2) enhance digital activities to support the online business, customer care in particular, through the reallocation of human resources and time

for the development of technologies and tools able to satisfy customers' needs for a more and more personalized customer experience. For some stores, streaming shopping technology has been introduced with 3D glasses worn by vendors in connection with their customers, allowing them to live a very high level virtual shopping experience; 3) enhance the remote digital communication through the adoption of innovative digital technologies, such as the virtual showroom to present the new collections remotely to buyers and sector's operators.

On the costs side, the activities are focused on: 1) strong attention to all organizational levels in terms of cost savings that are not prejudicial to the support and development of the group's brands, with a view to long-term planning that makes the various business processes more efficient and with benefits not only for the current year but also for the coming years; 2) requests for reduction of rents for stores and offices; 2) use of government retention scheme and accrued holidays to make labour costs more flexible up to the reopening of shops and the complete resumption of production processes; 4) postponement of costs for advertising and public relations which are not prejudicial to the strengthening and support of the brands; 5) request of all foreseen government grants and subsidies, in all the countries where the Group operates, to face the pandemic effects.

In terms of offering, the constant commitment of creative resources to enrich their collections of garments and accessories increasingly desirable and suitable to meet the changing needs of customers following the spread of Covid-19 is highlighted. Despite the temporary interruption of the activities for the international health emergency, the optimal management of the supply chain allowed the production of samples of the pre-collection for the Spring / Summer 2021 season and the production of the Autumn/Winter 2020 collections within the scheduled times, without any prejudice to the regular resumption of all company processes as soon as permitted by the provisions issued by the public authorities.

With regards to financial position, the Group has available bank credit lines that are absolutely adequate to face the difficult economic situation and to honour regularly all its commitments; in this regards, it is of primary importance to underline that the percentage of available credit lines used by the Group is about 30% of the total available, well below the maximum usable limit at disposal. Over the first half of 2020, medium/long-term unsecured loans for over 35 million euros were obtained, of which 20 million guaranteed by Mediocredito Centrale as part of the Relaunch Decree issued by the Italian State. With regards to trade receivables, there was no increase in the relative risk which is minimised both through the stipulation of credit insurance contracts and through a careful monitoring strategy managed at Group level.

Other Information

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below. It is specified that financial data included in the Consolidated Interim Report of this press release were subject to limited review by the Auditors' company.

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 30th June 2020 are available at the following link: <http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>, as well as on the authorized storage site www.emarketstorage.com.

"The executive responsible for preparing the company's accounting documentation Marcello Tassinari declares pursuant to paragraph 2 of art. 154 bis of the Consolidate Financial Law, that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries".

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GROUP'S PROFIT & LOSS*(In thousands of Euro)*

	1H 20	%	1H 219	%	Change %
Revenues from sales and services	118.862	100,0%	173.301	100,0%	(31,4%)
Other revenues and income	4.664	3,9%	4.264	2,5%	9,4%
Total Revenues	123.526	103,9%	177.566	102,5%	(30,4%)
Total operating costs	(122.954)	(103,4%)	(150.890)	(87,1%)	(18,5%)
EBITDA	572	0,5%	26.675	15,4%	(97,9%)
Total Amortization and Write-downs	(13.385)	(11,3%)	(13.467)	(7,8%)	(0,6%)
EBIT	(12.813)	(10,8%)	13.208	7,6%	(197,0%)
Total Financial Income /(expenses)	(1.313)	(1,1%)	(1.668)	(1,0%)	(21,3%)
Profit/(Loss) before taxes	(14.126)	(11,9%)	11.540	6,7%	(222,4%)
Taxes	1.654	1,4%	(6.258)	(3,6%)	(126,4%)
Net Profit/(Loss)	(12.473)	(10,5%)	5.282	3,0%	(336,2%)
(Profit)/Loss attributable to minority shareholders	1.573	1,3%	(167)	(0,1%)	(1.040,5%)
Net Profit/(Loss) for the Group	(10.900)	(9,2%)	5.114	3,0%	(313,1%)

GROUP'S BALANCE SHEET

<i>(In thousands of Euro)</i>	1H 20	FY 19	1H 19
Trade receivables	37.725	41.525	42.270
Stock and inventories	122.690	112.051	110.641
Trade payables	(69.982)	(74.300)	(67.215)
Operating net working capital	90.433	79.275	85.696
Other receivables	50.374	49.411	44.097
Other liabilities	(23.303)	(21.517)	(31.199)
Net working capital	117.504	107.170	98.594
Tangible fixed assets	63.079	62.825	60.005
Intangible fixed assets	74.165	76.083	77.833
Right of use assets	101.962	110.714	126.811
Investments	132	132	132
Other long term receivables	2.693	2.720	3.077
Fixed assets	242.031	252.474	267.858
Post employment benefits	(5.058)	(5.195)	(5.200)
Long term provisions	(1.931)	(1.847)	(1.889)
Assets available for sale	437	437	437
Liabilities available for sale			
Other long term liabilities	(749)	(717)	(684)
Deferred tax assets	18.287	16.950	15.837
Deferred tax liabilities	(28.908)	(29.982)	(29.511)
NET CAPITAL INVESTED	341.613	339.289	345.442
Capital issued	25.053	25.286	25.371
Other reserves	132.592	127.823	128.707
Profits/(Losses) carried-forward	13.140	6.585	6.658
Profit/(Loss) for the period	(10.900)	11.693	5.114
Group share capital and reserves	159.886	171.386	165.851
Minority interests	31.115	32.688	32.433
Shareholders' equity	191.001	204.075	198.284
Short term financial receivables	(714)	(1.132)	(1.123)
Liquid assets	(27.975)	(28.390)	(29.351)
Long term financial payables	31.720	13.449	18.285
Long term financial receivables	(2.233)	(2.225)	(2.197)
Short term financial payables	61.746	57.709	50.958
NET FINANCIAL DEBT NET OF IFRS 16 EFFECT	62.545	39.410	36.572
Short term lease liabilities	13.226	14.098	14.551
Long term lease liabilities	74.841	81.706	96.034
NET FINANCIAL POSITION	150.612	135.214	147.158
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	341.613	339.289	345.442

GROUP'S CASH FLOW

<i>(In thousands of Euro)</i>	1H 20	FY 19	1H 19
OPENING BALANCE	28.390	28.037	28.037
Profit/(Loss) before taxes	(14.126)	21.806	11.540
Amortizations, provisions and depreciations	13.385	28.028	13.467
Accruals (availments) of long term provisions and post employment benefits	(53)	(1.119)	(961)
Taxes	(142)	(13.144)	(826)
Financial incomes and financial charges	1.313	3.295	1.668
Change in operating assets and liabilities	(11.026)	(19.625)	(18.091)
NET CASH FLOW FROM OPERATING ASSETS	(10.649)	19.241	6.797
Increase (decrease) in intangible fixed assets	(315)	(1.813)	(82)
Increase (decrease) in tangible fixed assets	(3.237)	(7.847)	(2.268)
Increase (-)/ Decrease (+) in Right of use assets (See Note 3)	691	(1.119)	(1.751)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)			
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	(2.861)	(10.779)	(4.101)
Other changes in reserves and profit carried-forward to shareholders'equity	(601)	(976)	(77)
Proceeds (repayment) of financial payments	22.282	8.143	6.227
Proceeds (+)/ repayment (-) of lease payables	(7.711)	(12.435)	(6.001)
Increase (decrease) financial receivables	438	454	136
Financial incomes and financial charges	(1.313)	(3.295)	(1.668)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	13.095	(8.109)	(1.383)
CLOSING BALANCE	27.975	28.390	29.351

Fine Comunicato n.0923-56

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