AEFFE

HALF-YEAR FINANCIAL REPORT AT June 30, 2020

Disclaimer

This Half-year financial report at June 30, 2020 has been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

SUMMARY

Corporate Boards of the Parent Company

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari – Managing Director
Roberto Lugano
Daniela Saitta
Bettina Campedelli
Michela Zeme
Marco Francesco Mazzù

Board of Statutory Auditors

President
Stefano Morri

Statutory Auditors
Fernando Ciotti
Carla Trotti

Alternate Auditors
Nevio Dalla Valle
Daniela Elvira Bruno

Board of Compensation Committee

President
Daniela Saitta

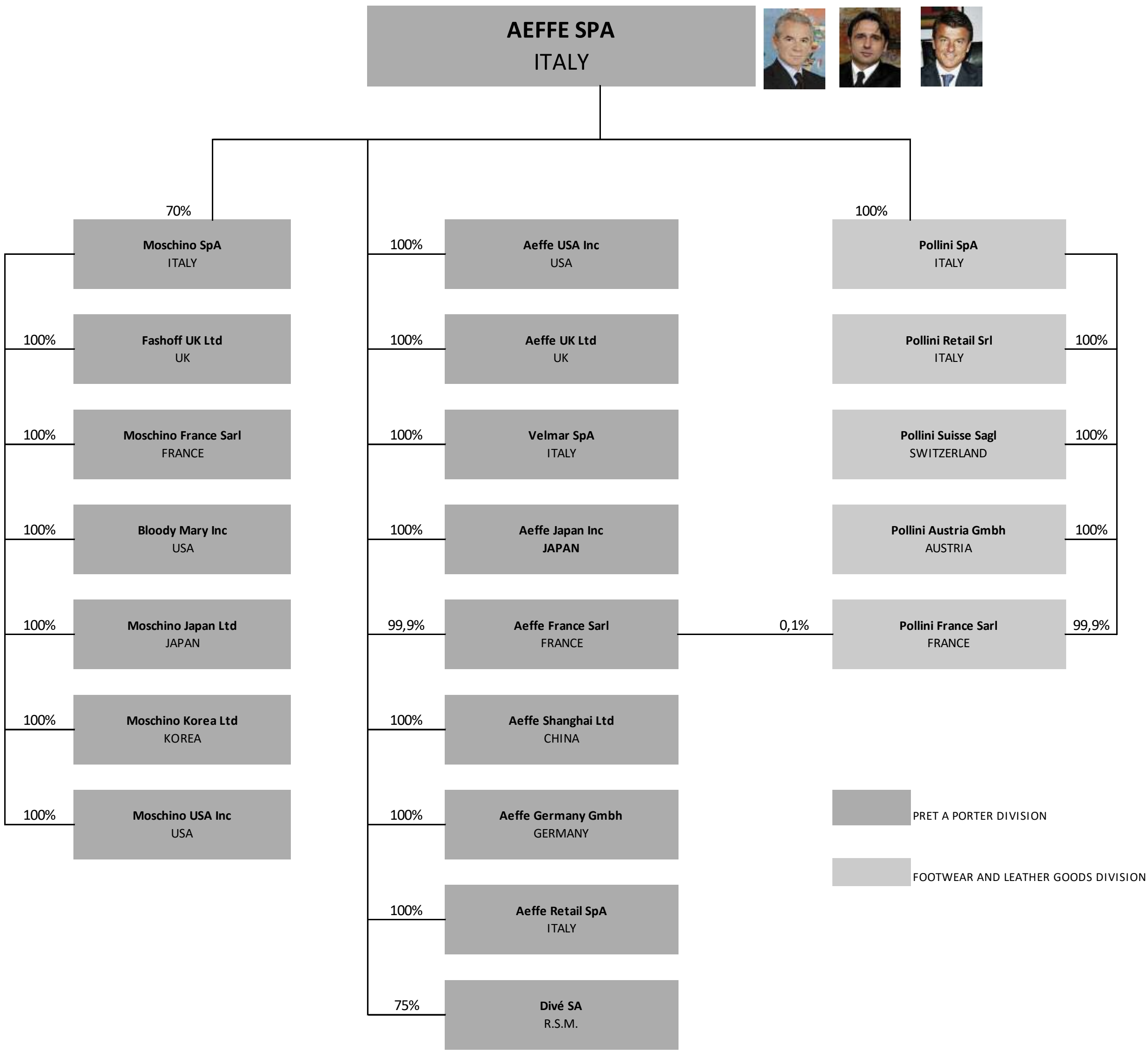
Members
Roberto Lugano
Michela Zeme

Board of Internal Control Committee

President
Roberto Lugano

Members
Daniela Saitta
Bettina Campedelli

Organization chart



Brands portfolio

AEFFE
Clothing - Accessories

ALBERTA FERRETTI

PHILOSOPHY DI LORENZO SERAFINI

MOSCHINO

BOUTIQUE MOSCHINO

POLLINI Footwear – Leather goods	MOSCHINO Licences – Design	VELMAR Beachwear - Lingerie
POLLINI	MOSCHINO	MOSCHINO
MOSCHINO	BOUTIQUE MOSCHINO	
LOVE MOSCHINO	LOVE MOSCHINO	

Headquarters

AEFFE
Via Delle Querce, 51
47842 - San Giovanni in Marignano (RN)
Italy

MOSCHINO
Via San Gregorio, 28
20124 – Milan (MI)
Italy

POLLINI
Via Erbosa I° tratto, 92
47030 - Gatteo (FC)
Italy

VELMAR
Via Delle Querce, 51
47842 - San Giovanni in Marignano (RN)
Italy

Showrooms

MILAN
(FERRETTI – PHILOSOPHY – POLLINI)
Via Donizetti, 48
20122 - Milan
Italy

MILAN
(MOSCHINO)
Via San Gregorio, 28
20124 - Milan
Italy

LONDON
(FERRETTI – PHILOSOPHY – MOSCHINO)
28-29 Conduit Street
W1S 2YB - London
UK

PARIS
(FERRETTI – PHILOSOPHY – MOSCHINO)
43, Rue du Faubourg Saint Honoré
75008 - Paris
France

NEW YORK
(GROUP)
30 West 56th Street
10019 - New York
USA

Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Paris
London
Shanghai

POLLINI
Milan
Venice
Bolzano
Varese

SPAZIO A
Florence
Venice

MOSCHINO
Milan
Rome
Capri
Paris
London
New York
Seoul
Pusan
Daegu

Main economic-financial data

		1st Half 2020	1st Half 2019
Total revenues	(Values in millions of EUR)	123.5	177.6
Gross operating margin (EBITDA) *	(Values in millions of EUR)	0.6	26.7
Net operating profit (EBIT)	(Values in millions of EUR)	(12.8)	13.2
Profit before taxes	(Values in millions of EUR)	(14.1)	11.5
Net profit for the Group	(Values in millions of EUR)	(10.9)	5.1
Basic earnings per share	(Values in units of EUR)	(0.107)	0.050
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	0.4	18.6
Cash Flow/Total revenues	(Values in percentage)	0.3	10.5

* EBITDA is represented by operating profit before provisions and depreciation. EBITDA thus defined is a measure used by management to monitor and evaluate the operational performance and is not identified as an accounting measure under both Italian Accounting Principles and IFRS and therefore should not be considered an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by applicable accounting standards, the criteria used by the Group might not be consistent with that adopted by others and therefore may not be comparable.

		At June 30, 2020	At December 31, 2019	At June 30, 2019	At December 31, 2018
Net capital invested	(Values in millions of EUR)	341.6	339.3	345.4	228.7
Net financial indebtedness	(Values in millions of EUR)	150.6	135.2	147.2	31.3
Group net equity	(Values in millions of EUR)	159.9	171.4	165.9	164.6
Group net equity per share	(Values in units of EUR)	1.5	1.6	1.5	1.5
Current assets/ current liabilities	(Ratio)	2.3	2.1	2.0	1.8
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.9	0.9	0.8
Net financial indebtedness/ Net equity	(Ratio)	0.8	0.7	0.7	0.2

Aeffe Group

Interim management report

1. SUMMARY OF THE GROUP'S KEY ACTIVITIES

Aeffe Group operates worldwide in the fashion and luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêt-a-porter, footwear and leather goods. The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including "Alberta Ferretti", "Philosophy di Lorenzo Serafini", "Moschino" and "Pollini", and under licensed brands. The Group has also licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children's lines, watches, sunglasses and other).

The Group's business is divided, based on the various product lines and brands it sells, into two segments: (i) prêt-a-porter (which includes prêt-a-porter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêt-a-porter Division, which is composed of the companies Aeffe, Moschino and Velmar, is mainly involved in the design, production and distribution of luxury prêt-a-porter garments and lingerie, beachwear and loungewear.

In terms of the prêt-a-porter collections, the activity is carried out by Aeffe, both for the production of the Group's proprietary brands ("Alberta Ferretti", "Philosophy di Lorenzo Serafini", "Moschino", "Boutique Moschino" and "Love Moschino") and brands licensed from other companies. Aeffe also handles the distribution of all Division products both through the retail channel (via subsidiaries) and through the wholesale channel.

Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear and loungewear. Collections are produced and distributed under the Group's proprietary brands, as "Moschino", and under third-party licensed brands.

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the "Moschino" brand licensing agreement relating to the *Love* line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

Aeffe

Aeffe is the brainchild of designer Alberta Ferretti, who set up her own business in 1972. The history of the Parent Company has developed in parallel with that of its founder, whose personal involvement in fashion has been a key factor in Aeffe's development.

The growth of the Parent Company as an industrial and creative entity has been distinguished from the start by a multi-brand approach, with Aeffe producing and distributing the prêt-a-porter collections of leading fashion houses utilising the know-how acquired in the production of luxury prêt-a-porter lines.

This provides the context for the partnership between Aeffe and designer Franco Moschino, whose brand "Moschino Couture!" it has produced and distributed under an exclusive licence since 1983.

Between 1995 and 2013, Aeffe worked with designer Jean Paul Gaultier producing and distributing the women prêt-à-porter collections branded "Jean Paul Gaultier".

In 2001, Aeffe gained control of Pollini, an established manufacturer of footwear and leather goods. This allowed Aeffe to supplement the collections produced in-house with an accessories line.

In 2002, Aeffe took over Velmar, a firm that had collaborated with Aeffe for some time on the production and distribution of lingerie, beachwear and loungewear lines.

In 2007, Aeffe, obtained the Consob Nulla Osta to public the offering memorandum relating to the Public Offering and the listing on the MTA – Star Segment – of Aeffe S.p.A. ordinary shares, closes successfully the Offer of shares and starts to be traded on the MTA – Star Segment – by Borsa Italiana.

Moschino

Moschino was founded in 1983 and grew during the 1990s to become an internationally renowned brand. Following the disappearance in 1994 of its founder, Franco Moschino, his family, staff and friends have kept the designer's legacy alive, respecting his creative identity and philosophy. Rossella Jardini, who has worked for Franco Moschino since 1981, succeeded him as artistic director and becoming in charge of brand image and styling.

The company provides design, marketing and agency services from the Milan showroom for Moschino collections in Italy and overseas.

The company also directly manages five single-brand Moschino stores, two in Milan, one in Rome, one in Capri and on-line.

In 2013 Jeremy Scott was appointed as creative director of the "Moschino" brand.

Velmar

Velmar was created in 1983 in San Giovanni in Marignano and is active in the production and distribution of lingerie, underwear, beachwear and loungewear.

In 1990, a partnership began between Velmar and designer Anna Molinari to manufacture lingerie and beachwear lines. That same year, talks began with Aeffe and Genny.

Between 1990 and 1995, Velmar worked with Genny and Fendi, producing all of the swimwear lines designed by the two fashion houses. Between 1990 and 2001, Velmar worked with Itierre and Prada on the design and production of the active and sportswear lines sold under the "Extee" and "Prada" menswear labels.

Between 1995 and 1998, Velmar produced and distributed under licence the beachwear line for Byblos menswear and womenswear.

In 1998, Velmar signed a licensing agreement with Blufin for the production and distribution of "Blugirl" lines.

In 2001, Aeffe acquired 75% of Velmar. Again, this represented a natural progression of the existing partnership between the two companies.

In 2006, Velmar obtained a licence for the production and distribution of the men's beachwear and underwear lines and women's lingerie lines under the "Moschino" brand.

In 2010, Aeffe acquires the remaining 25% of Velmar's share capital.

Aeffe USA

Aeffe USA is 100% owned by Aeffe S.p.A. and was incorporated in May 1987 under the laws of the State of New York.

The company operates in the wholesale segment of the North American market (United States and Canada) distributing items of clothing and accessories produced by the Parent Company, Pollini S.p.A. and Velmar S.p.A. and other third-party licensed manufacturers, with different collections, of the brands produced by the Parent Company. The company also acts as agent for some of these lines. The company operates out of its showroom located in midtown Manhattan.

Aeffe Retail

Aeffe Retail operates in the retail segment of the Italian market and directly manages 12 stores, both mono-brand and multi-brand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line mono-brand store.

Aeffe UK

Aeffe UK is 100% owned by Aeffe S.p.A. and manages the store in London's Sloane Street, which sells clothing and accessories under the Alberta Ferretti and Philosophy di Lorenzo Serafini brands.

Aeffe France

Aeffe France is 99.9% owned by Aeffe S.p.A. and manages the store in Rue St. Honorè in Paris, selling apparel and accessories under the brand "Alberta Ferretti". The company also acts as an agent for the French market for the brands "Alberta Ferretti" and "Philosophy di Lorenzo Serafini".

Aeffe Shanghai

Aeffe Shanghai is 100% owned by Aeffe S.p.A. and manages the store in Shanghai, which sells clothing and accessories under the Alberta Ferretti label.

Aeffe Germany

Aeffe Germany is 100% owned by Aeffe S.p.A. and manages the store in Metzingen in Germany, which sells clothing and accessories under the Group labels.

Aeffe Japan

Aeffe Japan, company based in Tokyo and 100% owned by Aeffe S.p.A., has sold, starting from January 1, 2014, the distributing and franchising activities for the collections branded "Alberta Ferretti" and "Philosophy di Lorenzo Serafini" to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Japan

Moschino Japan, company based in Tokyo and 100% owned by Moschino S.p.A., has sold starting from January 1, 2014, the distributing and franchising activities for the collections branded Moschino to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Korea

Moschino Korea is 100% owned by Moschino S.p.A. and is based in Seoul. The company exclusively operates in the retail segment through flagship stores under direct management which sell Moschino-branded collections.

Fashoff UK

Fashoff UK operates by the showroom in London, acting as agent for the collections Moschino, Alberta Ferretti and Philosophy di Lorenzo Serafini.

The company also directly manages a single-brand Moschino store in London.

Moschino France

Moschino France is based in the Paris showroom and acts as agent for all Moschino collections except childrenswear, eyewear, perfumes and watches.

The company also directly manages a single-brand Moschino store in Paris.

Bloody Mary

Bloody Mary, company based in New York and 100% owned by Moschino S.p.A., has signed, starting from 2014, a sublease contract for the management of a store placed at 401 West 14th Street New York. This contract ended in September 2018.

Moschino USA

Moschino USA, company founded in 2014 with base in New York and 100% owned by Moschino S.p.A., directly manage a single-brand Moschino store in New York.

Footwear and leather goods Division

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials.

The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" products such as umbrellas, foulards and ties.

Pollini

Pollini was established in 1953 in the shoemaking district of San Mauro Pascoli, following in the Italian tradition of handmade leather goods and shoes. Italy is a leading producer of footwear: due to expertise required to make these products, nearly all production sites are located in areas with a long-standing shoemaking tradition, such as San Mauro Pascoli, Vigevano and Strà (PD). The company's philosophy is focused on promoting Pollini in other countries as an amalgam of traditional quality and Italian style, offering a range of products that include shoes, bags and matching accessories.

Between 1957 and 1961, Pollini produced the footwear collections of the designer Bruno Magli.

In the 1960s and early 1970s, Pollini began making shoes under its own label, presenting "themed" collections (such as the "Daytona" sports footwear collection, inspired by the world of motorbike racing).

In the 1970s, Pollini rose to international fame: at that point, its collections were shown in Düsseldorf, Paris and New York, as well as in Milan and Bologna. Around the same time, the first stores opened in Milan, Verona, Varese and Venice.

In 1989, Pollini moved into its new office in Gatteo, in the Italian province of Forlì-Cesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and seven-storey building housing the showroom and offices. The new site brought the footwear and leather goods divisions and sales and administration offices under one roof.

In 2001, Aeffe and Pollini reached an agreement whereby Aeffe would acquire a controlling stake in Pollini. The acquisition was a natural progression of the increasingly concentrated partnership between the two companies, enabling the growth of the footwear and leather goods lines designed by Alberta Ferretti.

Always in 2008, Pollini has entered into new license agreements with Drops S.r.l., for the manufacturing of umbrellas, as well as Larioseta S.p.A., for the manufacturing and distribution of neckwear, including women's shawls, women's and men's scarves and ties.

In 2011 Aeffe S.p.A. has acquired the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder.

Pollini Retail

Pollini Retail is active in the retail segment of the Italian market and directly manages 20 stores, between boutiques and outlets, in major Italian cities such as Milan and Venice.

Pollini Suisse

Pollini Suisse directly manages the mono-brand Pollini store in Mendrisio, Switzerland.

Pollini Austria

Pollini Austria directly manages the mono-brand Pollini store in Pandorf, Austria.

2. CONSOLIDATED RICLASSIFIED INCOME STATEMENT

(Values in units of EUR)	1st Half 2020	% on revenues	1st Half 2019	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**118,861,847**	**100.0%**	**173,301,456**	**100.0%**	**(54,439,609)**	**(31.4%)**
Other revenues and income	4,663,829	3.9%	4,264,055	2.5%	399,774	9.4%
TOTAL REVENUES	**123,525,676**	**103.9%**	**177,565,511**	**102.5%**	**(54,039,835)**	**(30.4%)**
Changes in inventory	11,976,628	10.1%	7,533,319	4.3%	4,443,309	59.0%
Costs of raw materials, cons. and goods for resale	(54,021,601)	(45.4%)	(62,948,559)	(36.3%)	8,926,958	(14.2%)
Costs of services	(45,423,212)	(38.2%)	(53,649,729)	(31.0%)	8,226,517	(15.3%)
Costs for use of third parties assets	(2,681,762)	(2.3%)	(4,247,140)	(2.5%)	1,565,378	(36.9%)
Labour costs	(29,509,121)	(24.8%)	(35,880,050)	(20.7%)	6,370,929	(17.8%)
Other operating expenses	(3,294,925)	(2.8%)	(1,697,928)	(1.0%)	(1,596,997)	94.1%
Total Operating Costs	(122,953,993)	(103.4%)	(150,890,087)	(87.1%)	27,936,094	(18.5%)
GROSS OPERATING MARGIN (EBITDA)	**571,683**	**0.5%**	**26,675,424**	**15.4%**	**(26,103,741)**	**(97.9%)**
Amortisation of intangible fixed assets	(2,232,547)	(1.9%)	(2,346,592)	(1.4%)	114,045	(4.9%)
Depreciation of tangible fixed assets	(2,598,898)	(2.2%)	(2,561,539)	(1.5%)	(37,359)	1.5%
Depreciation of right-of-use assets	(8,061,148)	(6.8%)	(8,451,840)	(4.9%)	390,692	(4.6%)
Revaluations / (write-downs) and provisions	(492,170)	(0.4%)	(107,442)	(0.1%)	(384,728)	358.1%
Total Amortisation, write-downs and provisions	(13,384,763)	(11.3%)	(13,467,413)	(7.8%)	82,650	(0.6%)
NET OPERATING PROFIT / LOSS (EBIT)	**(12,813,080)**	**(10.8%)**	**13,208,011**	**7.6%**	**(26,021,091)**	**(197.0%)**
Financial income	253,298	0.2%	241,209	0.1%	12,089	5.0%
Financial expenses	(483,628)	(0.4%)	(743,269)	(0.4%)	259,641	(34.9%)
Financial expenses on right-of-use asset	(1,082,854)	(0.9%)	(1,165,922)	(0.7%)	83,068	(7.1%)
Total Financial Income/(expenses)	(1,313,184)	(1.1%)	(1,667,982)	(1.0%)	354,798	(21.3%)
PROFIT / LOSS BEFORE TAXES	**(14,126,264)**	**(11.9%)**	**11,540,029**	**6.7%**	**(25,666,293)**	**(222.4%)**
Total Income Taxes	1,653,573	1.4%	(6,258,447)	(3.6%)	7,912,020	(126.4%)
NET PROFIT / LOSS	**(12,472,691)**	**(10.5%)**	**5,281,582**	**3.0%**	**(17,754,273)**	**(336.2%)**
(Profit) / loss attributable to minority shareholders	1,572,965	1.3%	(167,256)	(0.1%)	1,740,221	(1,040.5%)
NET PROFIT / LOSS FOR THE GROUP	**(10,899,726)**	**(9.2%)**	**5,114,326**	**3.0%**	**(16,014,052)**	**(313.1%)**

SALES

In the first semester of 2020, Aeffe consolidated revenues amount to EUR 118,862 thousand compared to EUR 173,301 thousand in the first semester of 2019, with a 31.4% decrease at current exchange rates (same variation at 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.

The revenues of the prêt-à-porter division decrease by 33.0% to EUR 88,630 thousand.

The revenues of the footwear and leather goods division decrease by 21.4% to EUR 47,691 thousand.

Sales by brand

(Values in thousands of EUR)	1st Half 2020	%	1st Half 2019	%	Change Δ	%
Alberta Ferretti	6,703	5.6%	14,232	8.2%	(7,529)	(52.9%)
Philosophy	6,030	5.1%	8,936	5.2%	(2,906)	(32.5%)
Moschino	94,236	79.3%	130,076	75.1%	(35,840)	(27.6%)
Pollini	9,963	8.4%	16,461	9.5%	(6,498)	(39.5%)
Other	1,930	1.6%	3,596	2.0%	(1,666)	(46.3%)
Total	**118,862**	**100.0%**	**173,301**	**100.0%**	**(54,439)**	**(31.4%)**

In 1H 2020, Alberta Ferretti brand decreases by 52.9%, generating 5.6% of consolidated sales, while Philosophy brand decreases by 32.5%, generating 5.1% of consolidated sales.

In the same period, Moschino brand sales decrease by 27.7%, contributing to 79.3% of consolidated sales.

Pollini brand records a decrease of 39.5%, generating the 8.4% of consolidated sales.

Other brands sales decrease by 46.2%, equal to 1.6% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1st Half 2020	%	1st Half 2019	%	Change Δ	%
Italy	52,704	44.3%	80,136	46.2%	(27,432)	(34.2%)
Europe (Italy excluded)	37,127	31.2%	38,655	22.3%	(1,528)	(4.0%)
Asia and Rest of the World	24,901	20.9%	45,528	26.3%	(20,627)	(45.3%)
America	4,130	3.6%	8,982	5.2%	(4,852)	(54.0%)
Total	**118,862**	**100.0%**	**173,301**	**100.0%**	**(54,439)**	**(31.4%)**

In the 1Half 2020 all geographic areas recorded a decline.

In 1H 2020, sales in the Italian market decreased by 34.2% to EUR 52,704 thousand 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 EUR 24,901 thousand, amounting to 20.9% of consolidated sales, recording a decrease of 45.3% 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 3.6% of consolidated sales, posted a decrease of 54.0% at constant exchange rates; the Covid-19 impact has involved both the retail and the wholesale channels.

Sales by distribution channel

(Values in thousands of EUR)	1st Half 2020	%	1st Half 2019	%	Change Δ	%
Wholesale	86,728	73.0%	120,927	69.8%	(34,199)	(28.3%)
Retail	27,111	22.8%	46,175	26.6%	(19,064)	(41.3%)
Royalties	5,023	4.2%	6,199	3.6%	(1,176)	(19.0%)
Total	**118,862**	**100.0%**	**173,301**	**100.0%**	**(54,439)**	**(31.4%)**

By distribution channel, in 1H20 all distribution channels were affected by the effects of the spread of Covid-19.

The wholesale channel, contributing to 73.0% 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 1H 2020 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 19.0% compared to 1H 2019 and represented 4.2% of consolidated sales.

LABOUR COSTS

Labour costs decrease from EUR 35,880 thousand in 1H 2019 to EUR 29,509 thousand in 1H 2020 with an incidence on revenues which increase from 20.7% in the first semester 2019 to 24.8% in the first semester 2020.

The workforce increases from an average of 1,347 units in the 1H 2019 to 1,352 units in the 1H 2020.

Average number of employees by category	1st Half 2020	1st Half 2019	Change Δ	%
Workers	238	231	7	3.0%
Office staff-supervisors	1,089	1,092	(3)	(0.3%)
Executive and senior managers	25	24	1	4.2%
Total	**1,352**	**1,347**	**5**	**0.4%**

GROSS OPERATING MARGIN (EBITDA)

In 1H 2020 consolidated EBITDA is EUR 572 thousand (with an incidence of 0.5% of sales) compared to EUR 26,675 thousand in 1H 2019 (with an incidence of 15.4% of sales), with a decrease of EUR 26,103 thousand (-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 affected 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 EUR 7 thousands, compared to EUR 19,974 thousand in 1H 2019, the change was due to the sales decline.

Ebitda of the footwear and leather goods division amounted to EUR 565 thousand (1.2% of sales) compared to a EUR 6,701 thousand 1H 2019 (11.0% of sales), with a EUR 6,136 thousand decrease due to the sales decline.

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is negative for EUR 12,813 thousand compared to EUR 13,208 thousand positive in 1H 2019, showing a decrease of EUR 26,021 thousand.

PROFIT / LOSS BEFORE TAXES

The result before taxes amounts to a loss of EUR 12,473 thousand compared with a profit of EUR 11,540 thousand in the first semester 2019, with a EUR 24,013 thousand decrease.

NET PROFIT / LOSS FOR THE GROUP

The net result for the Group changes from a profit of EUR 5,114 thousand in 1H 2019 to a loss of EUR 10,900 thousand in 1H 2020, with a decrease in absolute value of EUR 16,014 thousand.

3. RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	At June 30, 2020	At December 31, 2019	At June 30, 2019
Trade receivables	37,725,433	41,524,614	42,269,927
Stock and inventories	122,690,066	112,050,942	110,641,142
Trade payables	(69,982,481)	(74,300,469)	(67,215,409)
Operating net working capital	**90,433,018**	**79,275,087**	**85,695,660**
Other short term receivables	33,584,641	35,218,280	35,654,758
Tax receivables	16,741,579	14,118,912	8,247,580
Derivative assets	47,331	74,055	195,051
Other short term liabilities	(19,296,094)	(18,125,081)	(19,667,370)
Tax payables	(4,006,833)	(3,391,481)	(11,531,586)
Derivative liabilities	-	-	-
Net working capital	**117,503,642**	**107,169,772**	**98,594,093**
Tangible fixed assets	63,079,048	62,824,618	60,005,457
Intangible fixed assets	74,165,313	76,083,463	77,833,392
Right-of-use assets	101,962,295	110,714,289	126,810,868
Equity investments	131,558	131,558	131,558
Other fixed assets	2,693,191	2,720,383	3,076,786
Fixed assets	**242,031,405**	**252,474,311**	**267,858,061**
Post employment benefits	(5,058,305)	(5,194,899)	(5,200,168)
Provisions	(1,931,102)	(1,847,295)	(1,888,802)
Assets available for sale	436,885	436,885	436,885
Long term not financial liabilities	(748,753)	(717,143)	(683,963)
Deferred tax assets	18,286,994	16,949,535	15,837,270
Deferred tax liabilities	(28,908,242)	(29,982,114)	(29,511,346)
NET CAPITAL INVESTED	**341,612,524**	**339,289,052**	**345,442,030**
Share capital	25,053,416	25,286,166	25,371,407
Other reserves	132,591,665	127,822,540	128,707,084
Profits/(Losses) carried-forward	13,140,147	6,585,047	6,658,420
Profits/(Loss) for the period	(10,899,726)	11,692,734	5,114,326
Group interest in shareholders' equity	**159,885,502**	**171,386,487**	**165,851,237**
Minority interest in shareholders' equity	31,115,457	32,688,421	32,433,213
Total shareholders' equity	**191,000,959**	**204,074,908**	**198,284,450**
Short term financial receivables	(714,413)	(1,132,124)	(1,122,988)
Cash	(27,974,637)	(28,390,143)	(29,351,134)
Long term financial liabilities	31,720,283	13,448,747	18,285,069
Long term financial receivables	(2,232,542)	(2,225,387)	(2,196,837)
Short term financial liabilities	61,745,956	57,709,288	50,958,138
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**62,544,647**	**39,410,381**	**36,572,248**
Short term lease liabilities	13,225,729	14,098,081	14,550,853
Long term lease liabilities	74,841,189	81,705,682	96,034,479
NET FINANCIAL POSITION	**150,611,565**	**135,214,144**	**147,157,580**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**341,612,524**	**339,289,052**	**345,442,030**

NET INVESTED CAPITAL

Compared to December 31, 2019, net invested capital increased by 0.7%.

NET WORKING CAPITAL

Net working capital amounts to EUR 117,504 thousand (39.6% of LTM sales) compared with EUR 107,170 thousand of December 31, 2019 (30.5% of sales).

The changes in the main items included in the net working capital are described below:

- Operating net working capital (EUR 90,433 thousand) increases of EUR 11,158 thousand compared with the value at December 31, 2019 (EUR 79,275 thousand). 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;
- the sum of other short term receivables and payables decrease of EUR 2,805 thousand mainly due to reduction of credits for prepaid costs and of prepayments and accrued income;
- the net effect of tax receivables/payables increases net working capital of EUR 2,007 thousand, mainly determined by the increase of VAT receivable.

FIXED ASSETS

The variation in fixed assets of EUR 10,443 thousand to June 30, 2020 from December 31, 2019, is due to the amortisation of the period and to the capex made during the first half 2020, equal to EUR 2,681 thousand mainly related to the completion of a new warehouse.

NET FINANCIAL POSITION

The increase in the net financial position, net of the application of IFRS 16, amounts to EUR 23,109 thousand, rising from EUR 39,410 thousand at December 31, 2019 to EUR 62,519 thousand at June 30, 2020. The financial debt increase mainly refers to the raise in working capital.

SHAREHOLDERS' EQUITY

The shareholders' equity decreases for EUR 13,074 thousand from EUR 204,075 thousand as of December 31, 2019 to EUR 191,001 thousand as of June 30, 2020.

The number of shares is 107,362,504.

4. RESEARCH & DEVELOPMENT ACTIVITIES

Considering the particular nature of the Group's products, research & development activities consist in the continual technical/stylistic renewal of models and the constant improvement of the materials employed in production. Such costs were charged in full to the Income Statement.

5. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered. Information on transactions with related parties, including specific disclosures required by the Consob Communication of July 28, 2006, is provided in Note "Related party transactions".

6. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date no significant events regarding the Group's activities have to be reported.

7. OUTLOOK

The current international macroeconomic scenario remains complicated and the high uncertainty in terms of duration and intensity of the economic and social consequences associated with the Covid-19 coronavirus pandemic makes it difficult to make predictions about the related impacts for the year 2020. AEFFE has adopted promptly measures to deal with the situation by limiting the negative effects, through a particularly accurate management of commercial relations with customers and the adoption of well-thought-out measures aimed at postponing costs without causing any prejudice for the strengthening and support of its brands.

The Company also confirms its commitment to implement the strategy aimed at improving the strategic positioning of its collections and the continuous strengthening of brands. Particularly important are the actions implemented for the enhancement of digital activities in support of the online business and remote digital communication through the adoption of new technologies such as the virtual showroom to remotely present the new collections to buyers and operators in the sector.

8. INTERNATIONAL MACROECONOMIC SITUATION

According to the World Economic Outlook (WEO) of the International Monetary Fund published in June 2020, global growth is expected to be negative by around 5% in 2020.

The effects of the pandemic, which is slowing down in Europe and intensifying in emerging countries and in the United States, weigh on the global economy. International trade has dropped significantly.

The deterioration in the economic environment has mainly resulted from lockdown measures and restrictions on the movement of people and goods, measures that have profoundly affected international trade, consumer spending and confidence, production processes and corporate liquidity. The support measures put in place by the governments of the various countries affected by the pandemic have contributed to limiting the impact of the crisis, without however avoiding the international economic recession in the short term. Since the virus is still in circulation, it is difficult to predict the trend in the second half of 2020.

For advanced economies, an 8% contraction is expected in 2020, while a growth of 4.8% is estimated in 2021. In China, where recovery is already underway, 2020 should end with a 1% growth.

9. MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The luxury industry has been strongly influenced by the current difficult macroeconomic context that has impacted the purchasing power and the propensity to consume of customers. The sector has also been severely affected by the restrictions on international travel, with the consequent general collapse of tourist flows.

The situation remains evolving and is causing a significant generalized effect on tourism and sales. Growth is still exposed to significant risks.

10. ACTIONS ADOPTED BY THE GROUP TO FACE THE COVID-19 PANDEMIC EFFECTS AND BUSINESS UPDATE

The containment measures adopted worldwide to combat the spread of the pandemic from Covid-19 had an important impact on the Group's results as at 30.6.2020, as for the whole luxury sector.

The closure of the shops and the blocking of non-essential people and activities due to the lockdown to international traffic led to a decrease in revenues compared to the first half of 2019 and the consequent drop in profitability at the group level.

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.

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 subsides, in all the countries where the Group operates, to face the pandemic effects.

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. The main expenditure cuts affected staff costs, travel and overhead costs.

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.

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.

The assumptions and estimates used for the preparation of the Consolidated Financial Statements have been reviewed in light of the difficult economic situation created by the pandemic. With reference to the valuation of intangible assets: The international accounting standard IAS 36 requires that the impairment test be carried out more frequently in the presence of indicators of impairment ("triggering events"). The Covid-19 pandemic is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of the intangible assets may have suffered such lasting losses in value.

The impairment tests relating to brands and key money were carried out with reference to 31 December 2020, in a scenario that incorporated the expected negative economic and financial effects, and did not reveal any impairment losses.

The tests carried out showed that the impact of the pandemic on the recoverable values of the brands and key money is limited and in any case included in the scenarios envisaged for the usual sensitivity analyzes. It follows that in this Interim Management Report, the values of the intangible assets recorded at 31 December 2019 are confirmed net of the related amortization charges for the period.

Half-year condensed financial statements at June 30, 2020

Financial statements

CONSOLIDATED BALANCE SHEET (*)

(Values in units of EUR)	Notes	At June 30, 2020	At December 31, 2019	Change
Key money		-	-	-
Trademarks		73,241,218	74,988,008	(1,746,790)
Other intangible fixed assets		924,095	1,095,455	(171,360)
Intangible fixed assets	(1)	74,165,313	76,083,463	(1,918,150)
Lands		17,123,494	17,123,494	-
Buildings		26,903,733	25,636,868	1,266,865
Leasehold improvements		11,250,593	12,568,482	(1,317,889)
Plant and machinary		3,817,079	3,411,595	405,484
Equipment		363,988	387,559	(23,571)
Other tangible fixed assets		3,620,161	3,696,620	(76,459)
Tangible fixed assets	(2)	63,079,048	62,824,618	254,430
Right-of-use assets	(3)	101,962,295	110,714,289	(8,751,994)
Equity investments	(4)	131,558	131,558	-
Long term financial receivables	(5)	2,232,542	2,225,387	7,155
Other fixed assets	(6)	2,693,191	2,720,383	(27,192)
Deferred tax assets	(7)	18,286,994	16,949,535	1,337,459
NON-CURRENT ASSETS		**262,550,941**	**271,649,233**	**(9,098,292)**
Stocks and inventories	(8)	122,690,066	112,050,942	10,639,124
Trade receivables	(9)	37,725,433	41,524,614	(3,799,181)
Tax receivables	(10)	16,741,579	14,118,912	2,622,667
Derivate assets	(11)	47,331	74,055	(26,724)
Cash	(12)	27,974,637	28,390,143	(415,506)
Financial receivables	(13)	714,413	1,132,124	(417,711)
Other receivables	(14)	33,584,641	35,218,280	(1,633,639)
CURRENT ASSETS		**239,478,100**	**232,509,070**	**6,969,030**
Assets available for sale	(15)	436,885	436,885	-
TOTAL ASSETS		**502,465,926**	**504,595,188**	**(2,129,262)**
Share capital		25,053,416	25,286,166	(232,750)
Other reserves		132,591,665	127,822,540	4,769,125
Profits / (losses) carried-forward		13,140,147	6,585,047	6,555,100
Net profit / (loss) for the Group		(10,899,726)	11,692,734	(22,592,460)
Group interest in shareholders' equity		159,885,502	171,386,487	(11,500,985)
Minority interests in share capital and reserves		32,688,422	32,376,708	311,714
Net profit / (loss) for the minority interests		(1,572,965)	311,713	(1,884,678)
Minority interests in shareholders' equity		31,115,457	32,688,421	(1,572,964)
SHAREHOLDERS' EQUITY	**(16)**	**191,000,959**	**204,074,908**	**(13,073,949)**
Provisions	(17)	1,931,102	1,847,295	83,807
Deferred tax liabilities	(7)	28,908,242	29,982,114	(1,073,872)
Post employment benefits	(18)	5,058,305	5,194,899	(136,594)
Long term financial liabilities	(19)	106,561,472	95,154,429	11,407,043
Long term not financial liabilities	(20)	748,753	717,143	31,610
NON-CURRENT LIABILITIES		**143,207,874**	**132,895,880**	**10,311,994**
Trade payables	(21)	69,982,481	74,300,469	(4,317,988)
Tax payables	(22)	4,006,833	3,391,481	615,352
Derivate liabilities	(11)	-	-	-
Short term financial liabilities	(23)	74,971,685	71,807,369	3,164,316
Other liabilities	(24)	19,296,094	18,125,081	1,171,013
CURRENT LIABILITIES		**168,257,093**	**167,624,400**	**632,693**
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**502,465,926**	**504,595,188**	**(2,129,262)**

Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated statement of financial position are presented in the specific scheme provided in the attachment I and are further described in the paragraph “Related party transactions”.

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	1st Half 2020	%	1st Half 2019	%
REVENUES FROM SALES AND SERVICES	**(25)**	**118,861,847**	**100.0%**	**173,301,456**	**100.0%**
Other revenues and income	(26)	4,663,829	3.9%	4,264,055	2.5%
TOTAL REVENUES		**123,525,676**	**103.9%**	**177,565,511**	**102.5%**
Changes in inventory		11,976,628	10.1%	7,533,319	4.3%
Costs of raw materials, cons. and goods for resale	(27)	(54,021,601)	(45.4%)	(62,948,559)	(36.3%)
Costs of services	(28)	(45,423,212)	(38.2%)	(53,649,729)	(31.0%)
Costs for use of third parties assets	(29)	(2,681,762)	(2.3%)	(4,247,140)	(2.5%)
Labour costs	(30)	(29,509,121)	(24.8%)	(35,880,050)	(20.7%)
Other operating expenses	(31)	(3,294,925)	(2.8%)	(1,697,928)	(1.0%)
Accantonamenti	(32)	(13,384,763)	(11.3%)	(13,467,413)	(7.8%)
Financial income/(expenses)	(33)	(1,313,184)	(1.1%)	(1,667,982)	(1.0%)
PROFIT / LOSS BEFORE TAXES		**(14,126,264)**	**(11.9%)**	**11,540,029**	**6.7%**
Taxes	(34)	1,653,573	1.4%	(6,258,447)	(3.6%)
NET PROFIT / LOSS		**(12,472,691)**	**(10.5%)**	**5,281,582**	**3.0%**
(Profit)/loss attributable to minority shareholders		1,572,965	1.3%	(167,256)	(0.1%)
NET PROFIT / LOSS FOR THE GROUP		**(10,899,726)**	**(9.2%)**	**5,114,326**	**3.0%**
Basic earnings per share	(35)	(0.109)		0.050	
Dilutive earnings per share	(35)	(0.109)		0.050	

(*) Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific scheme provided in the attachment II and are further described in the paragraph "Related party transactions".

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	1st Half 2020	1st Half 2019
Profit/(loss) for the period (A)	**(12,472,691)**	**5,281,582**
Remeasurement of defined benefit plans	-	-
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**-**	**-**
Gains/(losses) on cash flow hedges	(19,268)	(46,311)
Gains/(losses) on exchange differences on translating foreign operations	260,084	(17,723)
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	**240,816**	**(64,034)**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**240,816**	**(64,034)**
Total Comprehensive income / (loss) (A) + (B)	**(12,231,875)**	**5,217,548**
Total Comprehensive income / (loss) attributable to:	**(12,231,875)**	**5,217,548**
Owners of the parent	(10,658,910)	5,050,292
Non-controlling interests	(1,572,965)	167,256

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	1st Half 2020	1st Half 2019
OPENING BALANCE		**28,390**	**28,037**
Profit / loss before taxes		(14,126)	11,540
Amortisation / write-downs		13,385	13,467
Accrual (+)/availment (-) of long term provisions and post employment benefits		(53)	(961)
Paid income taxes		(142)	(826)
Financial income (-) and financial charges (+)		1,313	1,668
Change in operating assets and liabilities		(11,026)	(18,091)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(36)**	**(10,649)**	**6,797**
Increase (-)/ decrease (+) in intangible fixed assets		(315)	(82)
Increase (-)/ decrease (+) in tangible fixed assets		(3,237)	(2,268)
Increase (-)/ decrease (+) in right-of-use assets		691	(1,751)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(37)**	**(2,861)**	**(4,101)**
Other variations in reserves and profits carried-forward of shareholders' equity		(601)	(77)
Dividends paid		-	-
Proceeds (+)/repayment (-) of financial payments		22,308	6,227
Proceeds (+)/ repayment (-) of lease payments		(7,737)	(6,001)
Increase (-)/ decrease (+) in long term financial receivables		438	136
Financial income (+) and financial charges (-)		(1,313)	(1,668)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(38)**	**13,095**	**(1,383)**
CLOSING BALANCE		**27,975**	**29,351**

(*) Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated statement of cash flows are presented in the specific scheme provided in the attachment III and are further described in the paragraph “Related party transactions”.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Reamisurement of defined benefit plans reserve	Translation reserve	Profit/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
At December 31, 2019	**25,286**	**70,775**	**53**	**44,748**	**7,901**	**7,607**	**(1,286)**	**(1,976)**	**6,586**	**11,693**	**171,387**	**32,688**	**204,075**
Allocation of 2019 income/(loss)	-	-	-	5,138	-	-		-	6,555	(11,693)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(233)	(609)	-	-	-	-	-	-	-	-	(842)	-	(842)
Total comprehensive income/(loss) at 30/06/20	-	-	(19)	-	-	-	-	260	-	(10,900)	(10,659)	(1,573)	(12,232)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
At June 30, 2020	**25,053**	**70,166**	**34**	**49,886**	**7,901**	**7,607**	**(1,286)**	**(1,716)**	**13,141**	**(10,900)**	**159,886**	**31,115**	**191,001**

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Reamisurement of defined benefit plans reserve	Translation reserve	Profit/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
At January 1, 2019	**25,371**	**71,240**	**158**	**35,967**	**7,901**	**7,651**	**(1,286)**	**(1,095)**	**16,726**	**(1,832)**	**160,801**	**32,266**	**193,067**
Allocation of 2018 income/(loss)	-	-	-	8,781	-	-	7,945	-	(16,726)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/19	-	-	(17)	-	-	-	-	-	5,114	(47)	5,050	167	5,217
Other changes	-	-	-	-	-	-		-	-	-	-	-	-
At June 30, 2019	**25,371**	**71,240**	**141**	**44,748**	**7,901**	**7,651**	**6,659**	**(1,095)**	**5,114**	**(1,879)**	**5,050**	**32,433**	**198,284**

Explanatory notes

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêt-a-porter, footwear and leather goods.

The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including "Alberta Ferretti", "Philosophy di Lorenzo Serafini", "Moschino" and "Pollini", and licensed brands.

The Group also has licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children's lines, watches, sunglasses and other).

The Group's business is divided, based on the various product lines and brands it sells, into two segments: prêt-a-porter (which includes prêt-a-porter, lingerie and swimwear) and footwear and leather goods.

The Parent Company Aeffe, an Italian legal entity incorporated as a public limited company (società per azioni) based in San Giovanni in Marignano (RN), is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

Aeffe is controlled by Fratelli Ferretti Holding S.r.l..

These consolidated financial statements include the financial statements of the Parent Company Aeffe and its subsidiaries and the Group's equity interests in affiliated companies. They consist of the balance sheet, income statement, comprehensive income statement, cash flow statement, statement of changes in equity and these notes.

The financial statements are expressed in euro, since this is the currency in which most of the Group's transactions are conducted. Foreign operations are included in the consolidated financial statements according to the principles stated in the notes that follow.

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

The half-year condensed financial statements at June 30, 2020 have been prepared in accordance with International Financial Reporting Standards –"IFRS"- (the designation IFRS also includes all valid International Accounting Standards -"IAS"-, as well as all interpretations of the International Financial Reporting Interpretations Committee -"IFRIC"-, formerly the Standing Interpretations Committee -"SIC"-), issued by the International Accounting Standards Board –"IASB"– endorsed by the European Commission according to the procedures in art. 6 of (EC) Regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002. In particular, these half-year condensed financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting.*

In the "Accounting policies" section are showed the international accounting principles adopted.

Unless otherwise indicated in the measurement bases described below, these consolidated financial statements were prepared in accordance with the historic cost principle.

The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at June 30, 2020 includes the financial statements of the Parent Company Aeffe and those of the Italian and foreign companies in which Aeffe holds control either directly or through its subsidiaries and associates or in which it exerts a dominant influence.

If necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting polices into line with those adopted by the Group.

Companies are consolidated using the line-by-line method. The principles adopted for the application of this method are essentially as follows:

- the book value of equity investments held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at June 30, 2020 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries

Subsidiaries are enterprises controlled by the Company. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated from the date on which the Group acquires control and until the date when such control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition cost is determined by adding together the fair values of the assets transferred, the shares issued and the liabilities assumed on the acquisition date, plus the costs directly associated with the acquisition. Any surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill.

If the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate exceeds acquisition cost, the difference is immediately recorded in the income statement.

Intercompany balances, transactions, revenue and costs are eliminated in the consolidated statements.

Furthermore, intercompany business combinations are recognised by maintaining the same book value of assets and liabilities as previously recorded in the consolidated financial statements.

Associates

An associate is an enterprise in which the Group has significant influence, but has neither sole or joint control, by taking part in decisions regarding the company's financial and operating strategy.

Trading results and the assets and liabilities of associates are accounted for in the consolidated financial statements based on the equity method, except where they are classified as held for sale.

According to this method, equity interests in associates are recorded in the balance sheet at cost, adjusted to take account of changes following the acquisition of their net assets, excluding any loss in value of individual investments. Losses of associates that exceed the Group's percentage interest in them (including long-term receivables that essentially form part of the Group's net investment in the associate) are not recognised unless the Group has an obligation to cover them. The surplus acquisition cost over the parent's percentage share of the present value of the identifiable assets, liabilities and contingent liabilities of the associate on the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subjected to impairment tests. The historical cost deficit compared with the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of associates on the acquisition date is credited to the income statement in the year of acquisition. With reference to operations between a Group company and an associate, unrealised gains and losses are eliminated in equal measure to the Group's percentage interest in the associate, except for cases where the unrealised losses constitute evidence of impairment of the asset transferred.

SCOPE OF CONSOLIDATION

The companies included in the scope of consolidation are listed in the following table:

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
Aeffe Retail S.p.A.	S.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	66,817,108	70%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6,000,000	100%	
Pollini Retail S.r.l.	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar S.p.A.	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50,000	100%	
Aeffe UK Ltd.	London (GB)	GBP	310,000	100%	
Aeffe USA Inc.	New York (USA)	USD	600,000	100%	
Aeffe Japan Inc.	Tokio (J)	JPY	3,600,000	100%	
Aeffe Shanghai Ltd	Shanghai (CN)	CNY	17,999,960	100%	
Aeffe Germany G.m.b.h.	Metzingen (DE)	EUR	25,000	100%	
Divè S.a.	Galazzano (RSM)	EUR	260,000	75%	
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35,000		100% (i)
Fashoff UK Ltd.	London (GB)	GBP	1,550,000		70% (ii)
Moschino Japan Inc.	Tokio (J)	JPY	120,000,000		70% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000		70% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50,000		70% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		70% (ii)
Bloody Mary Inc.	New York (USA)	USD	100,000		70% (ii)

Notes (details of indirect shareholdings):

(i) 100% owned by Pollini Spa;

(ii) 100% owned by Moschino Spa;

The following operations were completed during the period:

a) sale of the company Clan Cafè S.r.l..

FOREIGN CURRENCIES

Functional and reporting currency

The amounts in the financial statements of each Group enterprise are measured using the operating currency or the currency of the economic area in which the enterprise operates. These consolidated financial statements are presented in euro, which is the operating and reporting currency of the Parent Company.

Foreign currency transactions

Foreign currency transactions are converted into the operating currency at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the balance sheet date. Any exchange rate differences arising from the elimination of these transactions or from the conversion of cash assets and liabilities are posted to the income statement. Non-cash assets and liabilities in foreign currencies that are measured at fair value are converted at the exchange rates in force on the date on which the fair value was determined.

Financial statements of foreign companies

The financial statements of companies outside the euro-zone are translated into euro based on the following procedures:

(i) assets and liabilities, including goodwill and fair value adjustments arising from consolidation are converted at the exchange rate in force on the balance sheet date;

(ii) revenue and costs are converted at the average rate for the period, which must be close to the exchange rate in force on the transaction date;

(iii) exchange rate differences are recognised in a separate account in shareholders' equity. When a foreign company is sold, the total amount of accumulated exchange rate differences relating to that company are recorded in the income statement.

The exchange rates used for the conversion into euro of the financial and equity statements of companies included in the scope of consolidation are listed in the following table:

Currency description	Actual exchange rate 1st Half 2020	Average exchange rate At June 30, 2020	Actual exchange rate 2019	Average exchange rate At December 31, 2019	Actual exchange rate 1st Half 2019	Average exchange rate At June 30, 2019
Renminbi chinese (yuan)	7.7509	7.9219	7.7355	7.8205	7.6678	7.8185
United States Dollars	1.1020	1.1198	1.1195	1.1234	1.1298	1.1380
United Kingdom Pounds	0.8746	0.9124	0.8778	0.8508	0.8736	0.8966
Japanese Yen	119.2668	120.6600	122.0058	121.9400	124.2836	122.6000
South Korean Won	1329.5300	1345.8300	1305.3200	1296.2800	1295.2000	1315.3500
Swiss Franc	1.0642	1.0651	1.1124	1.0854	1.1295	1.1105

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the preparation of its economic and financial position, The Group has elected to adopt a balance sheet format that distinguishes between current and non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. Within the income statement, as intermediate results, they are exposed EBITDA and EBIT, considered representative indicators of company performance. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution n. 15519 dated July 27, 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the statement of financial position and the statement of cash flows in order to identify any significant transactions with related parties. This has been done to avoid any compromising the overall legibility of the main financial statements.

Impairment losses

Trademarks and other intangible assets are subject to verification of the recoverable value at least annually and, in any case, whenever indications of possible loss of value emerge.

Tangible fixed assets, activities for rights of use and other non-current assets are subjected to impairment tests whenever there are events or changes in circumstances indicating a reduction in value.

An impairment loss occurs and is accounted for when the carrying amount of an asset or cash-generating unit exceeds the recoverable value. The book value of the asset is adjusted to the recoverable value and the loss due to impairment is recognized in the income statement.

The comparison between the value of the Group's shareholders' equity per share and the listing value of the share at the end of June 2020 and in the period up to the date of preparation of the half-year report highlights a book value higher than the market value. The directors believe that this evidence is substantially attributable to the particular situation of the financial markets which occurred following the difficult current situation of the world markets. Therefore the market value is not considered representative of the Group value.

Management evaluates intangible assets with a finite useful life at least annually (near the end of the financial statements), in a manner that is stringent with respect to what is required by the international accounting standard IAS 36 and equating them to assets with an indefinite useful life.

The Covid-19 pandemic is to be considered an extraordinary event that requires assessments in relation to the risk that the book values of the brands may have suffered lasting losses in value.

For the determination of the recoverable value of the brands recorded in the financial statements, the current value was estimated by updating the hypothetical value of the royalties deriving from the sale in use of these intangible assets to third parties, for a period of time equal to the residual useful life. For the calculation of the determined values, the management used the group revised budget starting from the year 2020. For the remaining periods, the management estimated an increase in turnover with an annual compound growth rate ("CAGR") variable from 0, 58% to 3.61%. The average rates of the sector were used as the royalties rates (10%) and the average cost of capital (WACC) of 7.40% was used as the discount rate (in line with that at 31/12/2019).

The analysis carried out did not reveal any situations of impairment since the net book value of the individual brands within the range of values determined for the related recoverable value.

Moreover, the Group has in any case conducted the usual sensitivity analyzes, required by IAS 36, in order to highlight the effects produced on the "use value" by a reasonable change in the basic assumptions (WACC, growth rates).

Finally, the Group carried out an analysis aimed at assessing the recoverability of the assets by right of use and of the intangible and tangible assets attributable to the individual directly managed sales points (DOS) which highlighted impairment indicators attributable to the pandemic from Covid- 19.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and use value of the related Cash Generating Unit, was compared with the carrying amount ("carrying amount"). For the half-yearly evaluation, the expected cash flows and revenues are based on the "Contingency Plan 2020" (approved by the Board of Directors) and on the management estimates for subsequent years, consistently with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group WACC (7.40%), while the compound annual growth rate (CAGR) is on average 0.8% (4.7% at 31/12/2019).

No impairment situations emerged from the analysis carried out.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this half-year financial report are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2019, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2020.

Accounting standards, amendments and interpretations approved by the European Union, applicable

from 1 January 2020, which were applied for the first time in the consolidated half-yearly financial statements of the AEFFE Group closed as at 30 June 2020

IFRS 16 - through the new paragraphs 46A and 46B - now introduces a practical expedient to the chapter "Lease modifications" which allows the lessee not to consider any concessions on the payment of the fees deriving from the effects of Covid-19 as a modification of the original contract; therefore, the aforementioned changes must be accounted for as if the contract were not modified.

In order to be able to apply this exemption, all the following conditions must be verified:

- the granting of payments is a direct consequence of the Covid-19 pandemic;
- the change in payments left unchanged - compared to the original conditions - the same amount to be paid or reduced the amount;
- the reduction in payments refers only to those originally due up to June 2021 (as an example, the condition is fulfilled if the rescheduling agreement provides for a reduction in payments up to June 2021 and a subsequent increase from the month of July 2021);
- there are no substantial changes to other contractual terms or conditions of the lease.

In addition, the new paragraph 60A requires that if the lessee adopts the practical expedient just described, he will have to provide specific information in the financial statements.

The amendments in question can be applied starting from the financial statements of the financial years that start from 1 June 2020, although early application is allowed to companies that have not yet approved the financial statements as of 28 May 2020 (paragraph C1A).

Finally, pursuant to the new paragraph C20A, the lessee must use the practical expedient retroactively by accounting for the cumulative effect of the initial application of the amendment to IFRS 16 as a modification of the opening balance sheet (on retained earnings or other items accountants)) relating to the financial statements in which the aforementioned practical expedient was applied for the first time.

The Group anticipated the adoption of the practical expedient introduced by the amendment to the accounting standard IFRS 16 published by the IASB on 28 May 2020, although not yet complete with all the formal steps necessary for its approval by the EU. This approach follows the desire to represent the concessions obtained by the lessors as a consequence of the Covid-19 pandemic in line with the expected practices in the reference sector. Furthermore, failure to adopt the aforementioned amendment in the half-year report would result in significant accounting charges (the same that led the IASB to publish the amendment) and would preclude the possibility of accessing the benefits provided by the related practical expedient also for the financial statements at December 31, 2020. These benefits are particularly significant for the Group in consideration of the number of lease contracts subject to review with the relative lessors in the various geographical areas and jurisdictions.

Amendment to IAS 1 and IAS 8 on definition of materiality. The amendment was published by the IASB on 31 October 2018 and provides for a different definition of "material", that is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity ". The changes are effective for annual periods beginning on or after January 1, 2020.

On 29 March 2018, the IASB published the revised version of the *Conceptual Framework for Financial Reporting*. The main changes compared to the 2010 version concern: i) a new chapter on evaluation; ii) better definitions and guidance, in particular with reference to the definition of liabilities; iii) clarifications of important concepts, such as stewardship, prudence and uncertainty in assessments. A document has also been published that updates the references in the IFRS to the previous Conceptual Framework. The amendments, where they are actually updated, are effective for the annual periods starting on 1 January 2020 or later.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchamrk reform. The amendment provides for some observations in relation to the modification of the interest rate benchmarks. In relation to hedge accounting, the IBOR reform should not end hedge accounting. Any ineffectiveness of the hedge must continue to be recognized in the income statement. This change will come into effect from the financial years beginning on January 1, 2020.

Amendment to IFRS 3, "*Business combinations*". On October 22, 2018, the IASB issued the "Definition of a Business (Amendments to IFRS 3)" document aimed at solving the difficulties that arise when an entity determines whether it has acquired a company or group of activities. The changes are effective for business combinations for which the acquisition date is in effect or after January 1, 2020.

Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union and not adopted in the preparation of these financial statements:

IFRS 17 "*Insurance Contracts*". On 18 May 2017, the IASB issued IFRS 17 "Insurance contracts" which establishes the principles for the recognition, measurement, presentation and representation of the insurance contracts included in the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts, in order to represent a basis for evaluating the reader of the financial statements of the effects of these contracts on the equity and financial situation, on the economic results and on the entity's cash flows. On June 21, 2018, the IASB resolved to clarify IFRS 17 "Insurance Contracts", to ensure that the interpretation of the standard reflects the decisions taken by the Board. The board agreed to clarify some points of the contracts subject to variable rates and to aspects related to IFRS 3 "business combination". The provisions of IFRS 17 are effective starting from financial years starting on or after January 1, 2021. From a first examination, the possible future adoption of this principle should not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or noncurrent. Final changes in the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, not the amount or recognition of assets, liabilities, income or expense or information that the entities provide on these elements . Specifically, the changes:

- clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reference period and align the definition in all the paragraphs concerned to refer to the "right" to defer the regulation by at least twelve months and clarify that only existing rights "at the end of the reference period" should affect the classification of a liability;
- clarify that the classification is not influenced by expectations that an entity will exercise its right to defer the settlement of a liability;
- clarify that the regulation refers to the transfer of liquidity, equity instruments, other assets or services to the counterparty. The changes will take effect from January 1, 2022 and must be applied retrospectively. Early adoption is possible. From a first examination, the possible future adoption of these amendments should not have a significant impact on the Group's consolidated financial statements.

The principles listed in this paragraph are not applicable as they are not approved by the European Union, which, during the approval process, could only partially or not transpose these principles.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. *INTANGIBLE FIXED ASSETS*

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	Brands	Other	Total
Net book value at January 1, 2020	**74,988**	**1,095**	**76,083**
Increases	-	322	322
- increases externally acquired	-	*322*	*322*
- increases from business aggregations	-	-	-
Disposals	-	(7)	(7)
Translation diff. / other variations	-	-	-
Amortisation	(1,747)	*(486)*	(2,233)
Net book value at June 30, 2020	**73,241**	**924**	**74,165**

Changes in intangible fixed assets highlight the following variations:

- increases equal to EUR 322 thousand, mainly related to "Other";
- amortisation of the period equal to EUR 2,233 thousand.

Brands

This item includes the Group's own-label brands ("Alberta Ferretti", "Moschino" and "Pollini"). A breakdown of brands is given below:

(Values in thousands of EUR)	Brand residual life	June 30, 2020	December 31, 2019
Alberta Ferretti	23	2,834	2,897
Moschino	25	40,878	41,841
Pollini	21	29,529	30,250
Total		**73,241**	**74,988**

Other

The item other mainly includes software licences.

2. *TANGIBLE FIXED ASSETS*

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value at January 1, 2020	**17,123**	**25,637**	**12,568**	**3,412**	**388**	**3,697**	**62,825**
Increases	-	1,571	359	788	35	610	3,363
Disposals	-	-	(350)	(2)	(2)	(109)	(463)
Translation diff. / other variations	-	-	(47)	(3)	-	3	(47)
Depreciation	-	(304)	(1,279)	(378)	(57)	(581)	(2,599)
Net book value at June 30, 2020	**17,123**	**26,904**	**11,251**	**3,817**	**364**	**3,620**	**63,079**

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 3,363 thousand. These mainly refer to new investments in leasehold improvements and buildings.
- Disposals, net of the accumulated depreciation, of EUR 463 thousand.
- Depreciation of EUR 2,599 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category.

3. *RIGHT-OF-USE ASSETS*

The table below illustrates the changes of this item:

(Values in thousands of EUR)	Buildings	Car	Other	Total
Net book value at January 1, 2020	**109,798**	**185**	**731**	**110,714**
Increases	-	-	-	-
Disposals	(248)	-	-	(248)
Translation diff. / other variations	(443)	-	-	(443)
Depreciation	(7,947)	(24)	(90)	(8,061)
Net book value at June 30, 2020	**101,160**	**161**	**641**	**101,962**

The balance mainly includes the usage rights linked to the rental contracts of the retail channel, showrooms and other properties.

The entry is changed as follows:

- Disposals for EUR 248 thousand.
- Negative differences arising on translation of EUR 443 thousand.
- Depreciation of EUR 8,061 thousand.

4. *EQUITY INVESTMENTS*

This item includes holdings represented by the cost.

5. *LONG TERM FINANCIAL RECEIVABLES*

Long term financial receivables decrease from EUR 2,225 thousand at December 31, 2019 to EUR 2,233 thousand at June 30, 2020.

6. OTHER FIXED ASSETS

This item mainly includes a long-term receivable related to the income recognized by Woollen Co., Ltd. to Aeffe Group as a result of the reorganization of the Japanese Distribution Network and receivables for security deposits related to commercial leases.

7. DEFERRED TAX ASSETS AND LIABILITIES

The table below illustrates the breakdown of this item at June 30, 2020 and at December 31, 2019:

(Values in thousands of EUR)	Receivables		Liabilities	
	At June 30, 2020	At December 31, 2019	At June 30, 2020	At December 31, 2019
Tangible fixed assets	5	5	(18)	(18)
Intangible fixed assets	30	35	(144)	(144)
Provisions	3,266	3,876	(13)	(4)
Costs deductible in future periods	4,634	4,512	(23)	(28)
Income taxable in future periods	-	2,022	(186)	(1,532)
Tax losses carried forward	3,135	2,510	-	-
Other	2,905	147	(676)	(89)
Tax assets (liabilities) from transition to IAS	4,312	3,843	(27,848)	(28,167)
Total	**18,287**	**16,950**	**(28,908)**	**(29,982)**

Changes in temporary differences during the period are illustrated in the following table:

(Values in thousands of EUR)	Opening balance	Differences arising on translation	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(13)	-	-	-	(13)
Intangible fixed assets	(109)	-	(5)	-	(114)
Provisions	3,872	1	(158)	(462)	3,253
Costs deductible in future periods	4,484	2	122	3	4,611
Income taxable in future periods	490	-	758	(1,434)	(186)
Tax losses carried forward	2,510	(5)	2,006	(1,376)	3,135
Other	58	(142)	509	1,804	2,229
Tax assets (liabilities) from transition to IAS	(24,324)	121	660	7	(23,536)
Total	**(13,032)**	**(23)**	**3,892**	**(1,458)**	**(10,621)**

Deferred tax assets related to costs deductible in future periods mainly relate to the deferred taxation on provisions for doubtful investments and for risks and charges.

CURRENT ASSETS

8. STOCKS AND INVENTORIES

This item comprises:

(Values in thousands of EUR)	At June 30,	At December 31,	Change	
	2020	2019	Δ	%
Raw, ancillary and consumable materials	13,641	15,136	(1,495)	(9.9%)
Work in progress	7,924	6,273	1,651	26.3%
Finished products and goods for resale	101,094	90,596	10,498	11.6%
Advance payments	31	46	(15)	(32.6%)
Total	**122,690**	**112,051**	**10,639**	**9.5%**

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2020 collections, while finished products mainly concern the Spring/Summer 2020 and the Autumn/Winter 2020 collections and the Spring/Summer 2021 sample collections.

9. *TRADE RECEIVABLES*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Trade receivables	41,314	45,205	(3,891)	(8.6%)
(Allowance for doubtfull account)	(3,589)	(3,680)	91	(2.5%)
Total	**37,725**	**41,525**	**(3,800)**	**(9.2%)**

Trade receivables amount to EUR 41,314 thousand at June 30, 2020, with a 8.6% decrease compared with the amount at December 31, 2019 mainly due to the reduction in consolidated turnover.

Management considers that the fair value of amounts due from customers approximates their book value.

The allowance for doubtful accounts is determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

10. *TAX RECEIVABLES*

This item in illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
VAT	8,714	5,578	3,136	56.2%
Corporate income taxes (IRES)	2,860	3,571	(711)	(19.9%)
Local business tax (IRAP)	709	707	2	0.3%
Other tax receivables	4,459	4,263	196	4.6%
Total	**16,742**	**14,119**	**2,623**	**18.6%**

As of June 30, 2020, the Group's tax receivables amount to EUR 16,742 thousand, recording an increase of EUR 2,623 thousand compared to December 31, 2019, mainly due to the increase of VAT receivable.

11. *DERIVATE ASSETS AND LIABILITIES*

The AEFFE Group, characterized by an important presence in international markets, is exposed to exchange rate risk mainly for purchases by the subsidiary Pollini in US Dollars (USD). The Group signs forward currency derivative contracts (USD) at term (Forward) with primary credit institutions to cover the aforementioned risk. These contracts are set up to cover a specific percentage of expected purchase volumes in USD. At the balance sheet date, the notional amount of forward currency contracts stipulated is USD 7,000 thousand (USD 9,500 thousand at 30/06/2019). All contracts opened at 30/06/2020 will expire in 2020.

The composition of the derivative financial instruments in place at June 30, 2020 and December 31, 2019 is summarized below with an indication of the respective current and non-current accounting values referring to the fair value and fair value of the cash flow hedge reserve, this last shown net of the related deferred tax effect:

(Values in thousands of EUR)	At June 30, 2020			At December 31, 2019		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Forward contracts for cash flow hedge exchange rate risk	-	-	-	-	-	-
TOTAL NON CURRENT	**-**	**-**	**-**	**-**	**-**	**-**
Forward contracts for cash flow hedge exchange rate risk	47	-	34	74	-	53
TOTAL CURRENT	**47**	**-**	**34**	**74**	**-**	**53**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies amounts to EUR 34 thousand net of the related tax effect (EUR -13 thousand).

The transfer to the 1st Half 2020 income statement of the effect of the hedging transactions on exchange rate risk was equal to EUR 218 thousand brought to costs reduction.

12. Cash

This item includes:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Bank and post office deposits	27,639	27,914	(275)	(1.0%)
Cheques	42	25	17	68.0%
Cash in hand	294	451	(157)	(34.8%)
Total	**27,975**	**28,390**	**(415)**	**(1.5%)**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date. Cash in hand and equivalents represent the nominal value of the cash held on the balance sheet date.

The decrease in cash and cash equivalent, recorded at June 30, 2020 compared with the amount recorded at December 31, 2019, is EUR 415 thousand. About the reason of this variation refer to the Statement of Cash Flows.

13. Financial receivables

The item is compared with the respective value at December 31, 2019:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Financial receivables	714	1,132	(418)	(36.9%)
Total	**714**	**1,132**	**(418)**	**(36.9%)**

14. Other receivables

This caption comprises:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Credits for prepaid costs	26,642	27,637	(995)	(3.6%)
Advances for royalties and commissions	180	96	84	87.5%
Advances to suppliers	281	30	251	836.7%
Accrued income and prepaid expenses	2,301	3,854	(1,553)	(40.3%)
Other	4,181	3,601	580	16.1%
Total	**33,585**	**35,218**	**(1,633)**	**(4.6%)**

Other current receivables increase by EUR 1,633 thousand mainly for the increase of prepaid leases and credits for prepaid costs and of prepayments and accrued income generated by the seasonality of the business.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2021 collections, which the corresponding revenues from sales have not been realised yet for and the partial suspension of the same costs for the Autumn/Winter 2020 collections.

15. Assets and liabilities available for sale

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019
Other fixed assets	437	437
Total Assets	**437**	**437**

16. Shareholders' equity

Described below are the main categories of shareholders' equity at June 30, 2020, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ
Share capital	25,053	25,286	(233)
Share premium reserve	70,166	70,775	(609)
Cash flow reserve	34	53	(19)
Other reserves	49,886	44,748	5,138
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Reamisurement of defined benefit plans reserve	(1,286)	(1,286)	-
Translation reserve	(1,716)	(1,976)	260
Profits / (losses) carried-forward	13,141	6,586	6,555
Net profit / (loss) for the Group	(10,900)	11,693	(22,593)
Minority interest	31,115	32,688	(1,573)
Total	**191,001**	**204,075**	**(13,074)**

Share capital

Share capital as of June 30, 2020, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand), and is represented by 107,362,504 shares, par value EUR 0.25 each. At June 30, 2020 the Parent Company holds 7,148,839 treasury shares, representing the 6.659% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During the period, 931,000 treasury shares were purchased by the Parent Company for a total value of Euro 842,075.

SHARE PREMIUM RESERVE

The variation in the share premium reserve amounts to EUR 609 thousand and it is related to the purchase of treasury shares made during the period.

CASH FLOW RESERVE

For the change in the cash flow hedge reserve of EUR 19 thousand, please refer to note 11 of the assets and liabilities for derivatives.

OTHER RESERVES

The changes in these reserves reflect the allocation of prior-year profit of the Parent Company.

FAIR VALUE RESERVE

The fair value reserve derives from the application of IAS 16 in order to measure the land and buildings owned by the Company at their fair value, as determined with reference to an independent appraisal.

IAS RESERVE

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1. Each difference was allocated on a pro rata basis to minority interests.

REAMISUREMENT OF DEFINED BENEFIT PLANS RESERVE

The reamisurement of defined benefit plans reserve amounts to EUR -1.286 thousand and it remains unchanged since December 31, 2019.

TRANSLATION RESERVE

The translation reserve amounts to EUR -1,716 thousand and is related to the conversion of companies' financial statements in other currency than EUR.

PROFITS/(LOSSES) CARRIED-FORWARD

The caption Profits/(losses) carried-forward increase mainly as a consequence of the consolidated result recorded during the year ended at December 31, 2019.

MINORITY INTERESTS

The variation is due to the portion of result for the period ended at June 30, 2020 attributable to the minority shareholders.

Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve.

NON-CURRENT LIABILITIES

17. PROVISIONS

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2019	Increases	Decreases	At June 30, 2020
Pensions and similar obligations	349	85	(1)	433
Other	1,498	-	-	1,498
Total	**1,847**	**85**	**(1)**	**1,931**

The supplementary clientele severance indemnity fund is determined based on an estimate of the liability relating to the severance of agency contracts, taking account of statutory provisions and any other relevant factor, such as statistical data, average duration of agency contracts and their rate of turnover. The item is calculated based on the actual value of the outflow necessary to extinguish the obligation.

The other provisions mainly relate to provisions for future charges and risks linked to organizational changes.

Potential tax liabilities for which no reserves have been established, since it is not considered probable that they will give rise to a liability for the Group, are described in the paragraph “Contingent liabilities”.

18. POST-EMPLOYMENT BENEFITS

The severance indemnities payable on a deferred basis to all employees of the Group are deemed to represent a defined benefits plan (IAS 19), since the employer's obligation does not cease on payment of the contributions due on the remuneration paid, but continue until termination of the employment relationship.

For plans of this type, the standard requires the amount accrued to be projected forward in order to determine the amount that will be paid on the termination of employment, based on an actuarial valuation that takes account of employee turnover, likely future pay increases and any other applicable factors. This methodology does not apply to those employees whose severance indemnities are paid into approved supplementary pension funds which, in the circumstances, are deemed to represent defined contributions plans.

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2019	Increases	Decreases/ Other variations	At June 30, 2020
Post employment benefits	5,195	35	(172)	5,058
Total	**5,195**	**35**	**(172)**	**5,058**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits for EUR 152 thousand and the actuarial loss of EUR 20 thousand.

19. LONG-TERM FINANCIAL LIABILITIES

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Loans from financial institutions	31,720	13,449	18,271	135.9%
Lease liabilities	74,841	81,705	(6,864)	(8.4%)
Total	**106,561**	**95,154**	**11,407**	**12.0%**

The entry "Loans from financial institutions" relate to the portion of bank loans due beyond 12 months. This entry also includes a ten-year mortgage loan disbursed to the Parent company Aeffe Spa for an amount of EUR 11.5 million on a real estate based in Gatteo, headquarter of the subsidiary Pollini Spa. All other operations are unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice. Furthermore, there are no covenants to comply with specific financial terms or negative pledges. The increase relates to the subscription of new unsecured loans.

Lease payables relate to the application of IFRS 16.

The following table contains details of bank loans as of June 30, 2020, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	45,718	13,998	31,720
Total	**45,718**	**13,998**	**31,720**

It should be noted that the amount due beyond five years amounts to EUR 2,208 thousand.

20. LONG-TERM NOT FINANCIAL LIABILITIES

There were no significant changes in the item during the period.

CURRENT LIABILITIES

21. TRADE PAYABLES

The item is compared with the respective value at December 31, 2019:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Trade payables	69,982	74,300	(4,318)	(5.8%)
Total	**69,982**	**74,300**	**(4,318)**	**(5.8%)**

Trade payables are due within 12 months and concern debts for supplying goods and services.

22. Tax payables

Tax payables are analysed in comparison with the related balances as of December 31, 2019 in the following table:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Local business tax (IRAP)	101	47	54	114.9%
Corporate income tax (IRES)	358	287	71	24.7%
Amounts due to tax authority for withheld taxes	3,081	2,823	258	9.1%
VAT due to tax authority	447	218	229	105.0%
Other	20	16	4	25.0%
Total	**4,007**	**3,391**	**616**	**18.2%**

Tax payables increase of EUR 616 thousand compared with December 31, 2019.

23. Short-term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Due to banks	61,746	57,709	4,037	7.0%
Lease liabilities	13,226	14,098	(872)	(6.2%)
Total	**74,972**	**71,807**	**3,165**	**4.4%**

Current bank debts include advances granted by credit institutions, current loans and the current portion of long-term financing commitments. Advances mainly consist of withdrawals from short-term credit facilities to finance the working capital requirement.

Leasing payables relate to the application of IFRS16.

24. Other liabilities

Other current liabilities are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019	Change Δ	%
Due to total security organization	4,761	4,406	355	8.1%
Due to employees	6,432	5,923	509	8.6%
Trade debtors - credit balances	2,464	1,809	655	36.2%
Accrued expenses and deferred income	1,970	1,795	175	9.7%
Other	3,669	4,192	(523)	(12.5%)
Total	**19,296**	**18,125**	**1,171**	**6.5%**

The entry Other liabilities records an increase of EUR 1,171 thousand compared to December 31, 2019.

The increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of June 30, 2020 which has no equivalent as of December 31, 2019.

Increase of the caption accrued expenses and deferred income which mainly refers to the deferred income relating to the deferment to the next half year of the revenues not of competence. The other liabilities mainly include commission payables.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

In order to apply the IFRS 8 the Group has considered to delineate as operative sectors the same used by IAS 14 Segment reporting: *Prêt-à porter* Division and footwear and leather goods Division. Such decision has been taken because they represent business activities from which the entity may earn revenues and incur expenses, whose operating result are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Prêt-à porter Division is mainly represented by the companies Aeffe, Moschino and Velmar, operating in the design, production and distribution of luxury prêt-à porter and lingerie, beachwear and loungewear collections.

In terms of prêt-à porter collections, the activity is carried out by Aeffe, both for the production of the Group's own-label brands ("Alberta Ferretti", "Philosophy", "Moschino", "Boutique Moschino" and "Love Moschino") and brands licensed from other companies. Aeffe also handles the distribution of all Division products, which takes place via the retail channel through subsidiaries and via the wholesale channel.

Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear and loungewear. Collections are produced and distributed under the Group's own-label brands such as "Moschino", and under third-party licensed brands.

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the "Moschino" brand licensing agreement relating to the *love* line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials. The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" products such as umbrellas, foulards and ties.

The following tables indicate the main economic data for the first half-year 2020 and 2019 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR) 1st Half 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**88,630**	**47,691**	**(17,459)**	**118,862**
Intercompany revenues	(4,856)	(12,603)	17,459	-
Revenues with third parties	**83,774**	**35,088**	-	**118,862**
Gross operating margin (EBITDA)	**7**	**565**	-	**572**
Amortisation	(10,943)	(1,950)	-	(12,893)
Other non monetary items:				
Write-downs	(384)	(108)	-	(492)
Net operating profit / loss (EBIT)	**(11,320)**	**(1,493)**	-	**(12,813)**
Financial income	304	25	(76)	253
Financial expenses	(1,335)	(307)	76	(1,566)
Profit / loss before taxes	**(12,351)**	**(1,775)**	**-**	**(14,126)**
Income taxes	1,083	570	-	1,653
Net profit / loss	**(11,268)**	**(1,205)**	**-**	**(12,473)**

(Values in thousand of EUR) 1st Half 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**132,233**	**60,698**	**(19,630)**	**173,301**
Intercompany revenues	(5,203)	(14,427)	19,630	-
Revenues with third parties	**127,030**	**46,271**	-	**173,301**
Gross operating margin (EBITDA)	**19,974**	**6,701**	-	**26,675**
Amortisation	(11,382)	(1,978)	-	(13,360)
Other non monetary items:				
Write-downs		(107)	-	(107)
Net operating profit / loss (EBIT)	**8,592**	**4,616**	-	**13,208**
Financial income	170	166	(95)	241
Financial expenses	(1,557)	(447)	95	(1,909)
Profit / loss before taxes	**7,205**	**4,335**	**-**	**11,540**
Income taxes	(5,029)	(1,229)	-	(6,258)
Net profit / loss	**2,176**	**3,106**	**-**	**5,282**

The following tables indicate the main patrimonial and financial data at June 30, 2020 and December 31, 2019 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR) At June 30, 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*373,556*	*149,350*	*(55,469)*	467,437
of which non-current assets (*)				
Intangible fixed assets	*44,447*	*29,718*	-	*74,165*
Tangible fixed assets	*55,047*	*8,032*	-	*63,079*
Right-of-use assets	*92,719*	*9,243*	-	*101,962*
Other non-current assets	*4,742*	*315*	-	*5,057*
OTHER ASSETS	*30,344*	*4,685*	-	35,029
CONSOLIDATED ASSETS	**403,900**	**154,035**	**(55,469)**	**502,466**
SECTOR LIABILITIES	236,763	97,256	(55,469)	278,550
OTHER LIABILITIES	23,224	9,691	-	32,915
CONSOLIDATED LIABILITIES	**259,987**	**106,947**	**(55,469)**	**311,465**

(Values in thousand of EUR) At December 31, 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*385,054*	*136,043*	*(47,570)*	473,527
of which non-current assets (*)				
Intangible fixed assets	*45,624*	*30,459*	*-*	*76,083*
Tangible fixed assets	*56,681*	*6,144*	*-*	*62,825*
Right-of-use assets	*100,670*	*10,044*	*-*	*110,714*
Other non-current assets	*4,763*	*314*		*5,077*
OTHER ASSETS	*27,685*	*3,383*	*-*	31,068
CONSOLIDATED ASSETS	**412,739**	**139,426**	**(47,570)**	**504,595**
SECTOR LIABILITIES	233,559	81,157	(47,570)	267,146
OTHER LIABILITIES	23,438	9,936	-	33,374
CONSOLIDATED LIABILITIES	**256,997**	**91,093**	**(47,570)**	**300,520**

Segment information by geographical area

The following table indicates the revenues for the first half-year 2020 and 2019 divided by geographical area:

(Values in thousands of EUR)	1st Half 2020	%	1st Half 2019	%	Change Δ	%
Italy	52,704	44.3%	80,136	46.2%	(27,432)	(34.2%)
Europe (Italy excluded)	37,127	31.2%	38,655	22.3%	(1,528)	(4.0%)
Asia and Rest of the World	24,901	20.9%	45,528	26.3%	(20,627)	(45.3%)
America	4,130	3.6%	8,982	5.2%	(4,852)	(54.0%)
Total	**118,862**	**100.0%**	**173,301**	**100.0%**	**(54,439)**	**(31.4%)**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

25. Revenues from sales and services

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

A part of the group's revenues derives from the recognition of the Roylalties, agreed, based on a predetermined percentage in the contract with the customer, on the net turnover. The royalties accrue "at point in time", therefore at the time of issue by the Licensee, of the invoices for the sale of the products granted.

Determination of the transaction price:

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return. Being intra-group transactions they do not impact the consolidated financial statements as they are eliminated.

With regard to the recognition of Royalties, these are calculated based on a percentage of the Licensee's net sales. The percentage may vary depending on the type of product.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) 1st Half 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**88,630**	**47,691**	**(17,459)**	**118,862**
Italy	41,576	26,623	(15,495)	52,704
Europe (Italy excluded)	21,020	16,689	(582)	37,127
Asia and Rest of the World	21,980	3,549	(628)	24,901
America	4,054	830	(754)	4,130
Brand	**88,630**	**47,691**	**(17,459)**	**118,862**
Alberta Ferretti	6,714	700	(711)	6,703
Philosophy	6,029	269	(268)	6,030
Moschino	73,889	36,696	(16,349)	94,236
Pollini	1	9,966	(4)	9,963
Other	1,997	60	(127)	1,930
Distribution channel	**88,630**	**47,691**	**(17,459)**	**118,862**
Wholesale	57,634	42,164	(13,070)	86,728
Retail	21,621	5,497	(7)	27,111
Royalties	9,375	30	(4,382)	5,023
Timing of goods and services transfer	**88,630**	**47,691**	**(17,459)**	**118,862**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	79,255	47,661	(13,077)	113,839
POINT IN TIME (Royalties accrual on Licensee's turnover)	9,375	30	(4,382)	5,023

In the first semester of 2020, Aeffe consolidated revenues amount to EUR 118,862 thousand compared to EUR 173,301 thousand in the first semester of 2019, with a 31.4% decrease at current exchange rates (same variation at 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.

The revenues of the prêt-à-porter division decrease by 33.0% to EUR 88,630 thousand.

The revenues of the footwear and leather goods division decrease by 21.4% to EUR 47,691 thousand.

26. OTHER REVENUES AND INCOME

This item comprises:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Other income	4,664	4,264	400	9.4%
Total	**4,664**	**4,264**	**400**	**9.4%**

In 1H 2020, the caption other revenues and income, which amounts to EUR 4,664 thousand, is composed by co-branding activities, time expiry of receivables and payables that arose in prior years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

27. COSTS OF RAW MATERIALS

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	54,022	62,949	(8,927)	(14.2%)
Total	**54,022**	**62,949**	**(8,927)**	**(14.2%)**

The entry purchase of raw materials decrease of EUR 8,927 thousand.

This item mainly includes costs for the acquisition of raw materials such as fabrics, threads, skins and accessories, purchases of finished products for resale (products sold) and packaging.

28. COSTS OF SERVICES

This item comprises:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Subcontracted work	13,669	14,615	(946)	(6.5%)
Consultancy fees	10,178	12,956	(2,778)	(21.4%)
Advertising	6,689	8,621	(1,932)	(22.4%)
Commission	3,608	4,361	(753)	(17.3%)
Transport	3,483	4,020	(537)	(13.4%)
Utilities	783	985	(202)	(20.5%)
Directors' and auditors' fees	1,779	1,785	(6)	(0.3%)
Insurance	305	306	(1)	(0.3%)
Bank charges	550	807	(257)	(31.8%)
Travelling expenses	704	1,213	(509)	(42.0%)
Other services	3,675	3,981	(306)	(7.7%)
Total	**45,423**	**53,650**	**(8,227)**	**(15.3%)**

Costs of services decrease from EUR 53,650 thousand in the 1H 2019 to EUR 45,423 thousand in the 1H 2020, down 15.3%. The decrease is mainly due to the decrease in "consultancy fees" and "adverting" related to the reduction of marketing and advertising activities.

29. COSTS FOR USE OF THIRD PARTIES ASSETS

This item comprises:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Rental expenses	1,873	2,930	(1,057)	(36.1%)
Royalties	372	727	(355)	(48.8%)
Hire charges and similar	437	590	(153)	(25.9%)
Total	**2,682**	**4,247**	**(1,565)**	**(36.8%)**

The costs for use of third parties assets decreases by EUR 1,565 thousand from EUR 4,247 thousand in 1H 2019 to EUR 2,682 thousand in 1H 2020. Starting in March, the Group started negotiations with the main landlords to review some rental contracts which brought some benefits reflected in the results of the first half. In particular, the concessions relating to the lease contracts that the Group obtained from the lessors by 30 June 2020 and relating to the consequences of the Covid-19 pandemic were recognized in this item since they were considered as negative changes in the rentals rather than as modifications to the leasing.

30. LABOUR COSTS

The item includes:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Labour costs	29,509	35,880	(6,371)	(17.8%)
Total	**29,509**	**35,880**	**(6,371)**	**(17.8%)**

Labour costs decrease from EUR 35,880 thousand in 1H 2019 to EUR 29,509 thousand in 1H 2020 with an incidence on revenues which increases from 20.7% in the first semester 2019 to 24.8% in the first semester 2020. This trend incorporates the effects of the pandemic and the corporate decision to maintain the basic wages of its employees, net of government contributions to support employment for the Covid emergency19.

The workforce changes from an average of 1,347 units in the 1H 2019 to 1,352 units in the 1H 2020.

Average number of employees by category	1st Half 2020	1st Half 2019	Change Δ	%
Workers	238	231	7	3.0%
Office staff-supervisors	1,089	1,092	(3)	(0.3%)
Executive and senior managers	25	24	1	4.2%
Total	**1,352**	**1,347**	**5**	**0.4%**

31. OTHER OPERATING EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Taxes	458	547	(89)	(16.3%)
Gifts	109	207	(98)	(47.3%)
Contingent liabilities	591	22	569	2,586.4%
Write-down of current receivables	157	137	20	14.6%
Foreign exchange losses	1,304	348	956	274.7%
Other operating expenses	676	437	239	54.7%
Total	**3,295**	**1,698**	**1,597**	**94.1%**

32. AMORTISATION, WRITE-DOWNS AND PROVISIONS

This item includes:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Amortisation of intangible fixed assets	2,233	2,347	(114)	(4.9%)
Depreciation of tangible fixed assets	2,599	2,562	37	1.4%
Depreciation of right-of-use assets	8,061	8,451	(390)	(4.6%)
Write-downs	492	107	385	359.8%
Total	**13,385**	**13,467**	**(82)**	**(0.6%)**

33. FINANCIAL INCOME/ EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Interest income	179	69	110	159.4%
Foreign exchange gains	39	112	(73)	(65.2%)
Financial discounts	35	59	(24)	(40.7%)
Financial income	**253**	**240**	**13**	**5.4%**
Bank interest expenses	108	154	(46)	(29.9%)
Other interest expenses	136	195	(59)	(30.3%)
Foreign exchange losses	46	135	(89)	(65.9%)
Other expenses	193	258	(65)	(25.2%)
Financial expenses	**483**	**742**	**(259)**	**(34.9%)**
Leasing interest expenses	1,083	1,166	(83)	(7.1%)
Financial expenses on right-of-use asset	**1,083**	**1,166**	**(83)**	**(7.1%)**
Total	**1,313**	**1,668**	**(355)**	**(21.3%)**

The decrease in financial income/expenses amounts to EUR 355 thousand, mainly for the reduction of interest exepnses.

34. INCOME TAXES

This item includes:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Change Δ	%
Current income taxes	2,045	5,525	(3,480)	(63.0%)
Deferred income/(expenses) taxes	(3,892)	246	(4,138)	n.a.
Taxes related to previous years	193	487	(294)	(60.4%)
Total income taxes	**(1,654)**	**6,258**	**(7,912)**	**n.a.**

Details of deferred tax assets and liabilities and changes in this item are described in the paragraph on deferred tax assets and liabilities.

The reconciliation between actual and theoretical taxation for the 1H 2020 and 1H 2019 is illustrated in the following table:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
Profit before taxes	(14,126)	11,540
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(3,390)**	**2,770**
Fiscal effect	(161)	3,008
Effect of foreign tax rates	2,193	1,070
Total income taxes excluding IRAP (current and deferred)	**(1,358)**	**6,848**
IRAP (current and deferred)	**(296)**	**(590)**
Total income taxes (current and deferred)	**(1,654)**	**6,258**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

35. Earnings per share

Reference earnings

The calculation of basic and dilutive earnings per share is based on the following elements:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
From continuing activities		
Earnings for determining basic earnings per share	(10,900)	5,114
Earnings for determing earnings per share	**(10,900)**	**5,114**
Dilutive effects	-	-
Earnings for determing dilutive earnings per share	**(10,900)**	**5,114**
From continuing and discontinued activities		
Earnings for the period	(10,900)	5,114
Earnings from discontinued operations	-	-
Earnings for determining basic earnings per share	**(10,900)**	**5,114**
Dilutive effects	-	-
Earnings for determing dilutive earnings per share	**(10,900)**	**5,114**
Number of reference share		
Average number of shares for determing earnings per share	**100,214**	**101,486**
Share options	-	-
Average number of shares for determing diluted earnings per	**100,214**	**101,486**

Basic earnings per share

Group loss attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to EUR 10,900 thousand (June 2019: EUR + 5,114 thousand).

Dilutive earnings per share

The calculation of diluted earnings per share for the period January - June 2020, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow absorbed during the first half of 2020 is EUR 415 thousand.

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
OPENING BALANCE (A)	**28,390**	**28,037**
Cash flow (absorbed)/ generated by operating activity (B)	(10,649)	6,797
Cash flow (absorbed)/ generated by investing activity (C)	(2,861)	(4,101)
Cash flow (absorbed)/ generated by financing activity (D)	13,095	(1,383)
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	**(415)**	**1,314**
CLOSING BALANCE (F)=(A)+(E)	**27,975**	**29,351**

36. CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY

The cash flow absorbed by operating activity during the first half of 2020 amounts to EUR 10,649 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
Profit before taxes	(14,126)	11,540
Amortisation / write-downs	13,385	13,467
Accrual (+)/availment (-) of long term provisions and post employment benefits	(53)	(961)
Paid income taxes	(142)	(826)
Financial income (-) and financial charges (+)	1,313	1,668
Change in operating assets and liabilities	(11,026)	(18,091)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(10,649)**	**6,797**

37. CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY

The cash flow absorbed by investing activity during the first half of 2020 amounts to EUR 2,861 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
Increase (-)/ decrease (+) in intangible fixed assets	(315)	(82)
Increase (-)/ decrease (+) in tangible fixed assets	(3,237)	(2,268)
Increase (-)/ decrease (+) in right-of-use assets assets	691	(1,751)
Investments and write-downs (-)/ Disinvestments and revaluations (+)	-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(2,861)**	**(4,101)**

38. CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY

The cash flow generated by financing activity during the first half of 2020 amounts to EUR 13,095 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019
Other variations in reserves and profits carried-forward of shareholders' equity	(601)	(77)
Dividends paid	-	-
Proceeds (+)/repayment (-) of financial payments	22,308	6,227
Proceeds (+)/repayment (-) of leasing payments	(7,737)	(6,001)
Increase (-)/ decrease (+) in long term financial receivables	438	136
Financial income (+) and financial charges (-)	(1,313)	(1,668)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**13,095**	**(1,383)**

OTHER INFORMATION

39. INCENTIVE PLANS

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following website: www.aeffe.com.

40. NET FINANCIAL POSITION

As required by Consob communication DEM/6264293 dated July 28, 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated February 10, 2005, the Group's net financial position as of June 30, 2020 is analysed below:

(Values in thousands of EUR)	At June 30, 2020	At December 31, 2019
A - Cash in hand	335	476
B - Other available funds	27,639	27,914
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*27,974*	*28,390*
E - Short term financial receivables	714	1,132
F - Current bank loans	(47,748)	(46,792)
G - Current portion of long-term bank borrowings	(13,998)	(10,917)
H - Current portion of loans from other financial istitutions	(13,226)	(14,098)
I - Current financial indebtedness (F) + (G) + (H)	*(74,972)*	*(71,807)*
J - Net current financial indebtedness (I) + (E) + (D)	*(46,284)*	*(42,285)*
K - Non current bank loans	(31,720)	(13,448)
L - Issued obbligations	2,233	2,225
M - Other non current loans	(74,841)	(81,706)
N - Non current financial indebtedness (K) + (L) + (M)	*(104,328)*	*(92,929)*
O - Net financial indebtedness (J) + (N)	**(150,612)**	**(135,214)**

The net financial position, net of the application of the IFRS 16, increase of EUR 23,135 thousand, from EUR 39,410 thousand as of December 31, 2019 to EUR 62,545 thousand as of June 30, 2020.

41. RELATED PARTY TRANSACTIONS

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here. Operations carried out with related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The Group's business dealing with other related parties are summarised below:

(Values in thousands of EUR)	1st Half 2020	1st Half 2019	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	500	500	Cost
Ferrim with Aeffe S.p.a.			
Property rental	59	73	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	78	216	Revenue
Property rental	63	63	Cost
Commercial	537	654	Receivable
Commercial	59	63	Payable
Aeffe USA with Ferrim USA			
Commercial	63	61	Revenue
Commercial	588	380	Receivable
Commercial	122	61	Payable
Short term financial	714	703	Receivable
Long term financial	2,233	2,197	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness at June 30, 2020 and at June 30, 2019.

(Values in thousands of EUR)	Balance 1st Half	Value rel. party 2020	%	Balance 1st Half	Value rel. party 2019	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	118,862	78	0.1%	173,301	216	0.1%
Costs of services	45,423	500	1.1%	53,650	500	0.9%
Costs for use of third party assets	2,682	122	4.5%	4,247	136	3.2%
Financial income	253	63	24.7%	241	61	25.3%
Incidence of related party transactions on the balance sheet						
Long term financial receivables	2,233	2,233	100.0%	2,197	2,197	100.0%
Trade receivables	37,725	1,125	3.0%	42,270	1,034	2.4%
Short term financial receivables	714	714	100.1%	1,123	703	62.6%
Trade payables	69,982	181	0.3%	67,215	124	0.2%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	(10,649)	(411)	3.9%	6,797	(1,444)	n.a.
Cash flow (absorbed) / generated by financial activities	13,095	(10)	n.a.	(1,383)	(18)	1.3%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(150,612)	(421)	0.3%	(147,158)	(1,462)	1.0%

42. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication DEM/6064293 dated July 28, 2006, it is confirmed that in the first half of 2020 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

43. SIGNIFICANT NON RECURRING EVENTS AND TRANSACTIONS

It is confirmed that in during the period no significant non-recurring events and transactions have been realised.

44. CONTINGENT LIABILITIES

Fiscal disputes

In consideration of the fact that there are no significant tax disputes, no provision has been set aside.

Attachments of the explanatory notes

ATTACHMENT I	Consolidated Balance Sheet with related parties
ATTACHMENT II	Consolidated Income Statement with related parties
ATTACHMENT III	Consolidated Cash Flow Statement with related parties

ATTACHMENT I

Consolidated Balance Sheet Assets with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in units of EUR)	Notes	At June 30, 2020	of which	At December 31, 2019	of which
Key money		-		-	
Trademarks		73,241,218		74,988,008	
Other intangible fixed assets		924,095		1,095,455	
Intangible fixed assets	(1)	74,165,313		76,083,463	
Lands		17,123,494		17,123,494	
Buildings		26,903,733		25,636,868	
Leasehold improvements		11,250,593		12,568,482	
Plant and machinary		3,817,079		3,411,595	
Equipment		363,988		387,559	
Other tangible fixed assets		3,620,161		3,696,620	
Tangible fixed assets	(2)	63,079,048		62,824,618	
Right-of-use assets	(3)	101,962,295		110,714,289	
Equity investments	(4)	131,558		131,558	
Long term financial receivables	(5)	2,232,542	2,232,542	2,225,387	2,225,387
Other fixed assets	(6)	2,693,191		2,720,383	
Deferred tax assets	(7)	18,286,994		16,949,535	
NON-CURRENT ASSETS		**262,550,941**		**271,649,233**	
Stocks and inventories	(8)	122,690,066		112,050,942	
Trade receivables	(9)	37,725,433	1,040,997	41,524,614	1,137,619
Tax receivables	(10)	16,741,579		14,118,912	
Derivate assets	(11)	47,331		74,055	
Cash	(12)	27,974,637		28,390,143	
Financial receivables	(13)	714,413	714,413	1,132,124	712,124
Other receivables	(14)	33,584,641		35,218,280	
CURRENT ASSETS		**239,478,100**		**232,509,070**	
Assets available for sale	(15)	436,885		436,885	
TOTAL ASSETS		**502,465,926**		**504,595,188**	
Share capital		25,053,416		25,286,166	
Other reserves		132,591,665		127,822,540	
Profits/(losses) carried-forward		13,140,147		6,585,047	
Net profit/(loss) for the Group		(10,899,726)		11,692,734	
Group interest in shareholders' equity		159,885,502		171,386,487	
Minority interest in share capital and reserves		32,688,422		32,376,708	
Net profit/(loss) for the minority interest		(1,572,965)		311,713	
Minority interest in shareholders' equity		31,115,457		32,688,421	
SHAREHOLDERS' EQUITY	**(16)**	**191,000,959**		**204,074,908**	
Provisions	(17)	1,931,102		1,847,295	
Deferred tax liabilities	(7)	28,908,242		29,982,114	
Post employment benefits	(18)	5,058,305		5,194,899	
Long term financial liabilities	(19)	106,561,472		95,154,429	
Long term not financial liabilities	(20)	748,753		717,143	
NON-CURRENT LIABILITIES		**143,207,874**		**132,895,880**	
Trade payables	(21)	69,982,481	123,923	74,300,469	122,604
Tax payables	(22)	4,006,833		3,391,481	
Derivate liabilities	(11)	-		-	
Short term financial liabilities	(23)	74,971,685		71,807,369	
Other liabilities	(24)	19,296,094		18,125,081	
CURRENT LIABILITIES		**168,257,093**		**167,624,400**	
Liabilities available for sale					
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**502,465,926**		**504,595,188**	

ATTACHMENT II

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in units of EUR)	Notes	1st Half 2020	of which Rel. parties	1st Half 2019	of which Rel. parties
REVENUES FROM SALES AND SERVICES	**(25)**	**118,861,847**	**77,837**	**173,301,456**	**215,942**
Other revenues and income	(26)	4,663,829		4,264,055	
TOTAL REVENUES		**123,525,676**		**177,565,511**	
Changes in inventory		11,976,628		7,533,319	
Costs of raw materials, cons. and goods for resale	(27)	(54,021,601)		(62,948,559)	
Costs of services	(28)	(45,423,212)	(500,000)	(53,649,729)	(500,000)
Costs for use of third parties assets	(29)	(2,681,762)	(121,259)	(4,247,140)	(136,241)
Labour costs	(30)	(29,509,121)		(35,880,050)	
Other operating expenses	(31)	(3,294,925)		(1,697,928)	
Amortisation, write-downs and provisions	(32)	(13,384,763)		(13,467,413)	
Financial income/(expenses)	(33)	(1,313,184)	62,713	(1,667,982)	60,834
PROFIT / LOSS BEFORE TAXES		**(14,126,264)**		**11,540,029**	
Income taxes	(34)	1,653,573		(6,258,447)	
NET PROFIT / LOSS		**(12,472,691)**		**5,281,582**	
(Profit)/loss attributable to minority shareholders		1,572,965		(167,256)	
NET PROFIT / LOSS FOR THE GROUP		**(10,899,726)**		**5,114,326**	

ATTACHMENT III

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in thousands of EUR)	Notes	1st Half 2020	of which	1st Half 2019	of which
OPENING BALANCE		**28,390**		**28,037**	
Profit / loss before taxes		(14,126)	(481)	11,540	(1,551)
Amortisation / write-downs		13,385		13,467	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(53)		(961)	
Paid income taxes		(142)		(826)	
Financial income (-) and financial charges (+)		1,313		1,668	
Change in operating assets and liabilities		(11,026)	71	(18,091)	106
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(36)**	**(10,649)**		**6,797**	
Increase (-)/ decrease (+) in intangible fixed assets		(315)		(82)	
Increase (-)/ decrease (+) in tangible fixed assets		(3,237)		(2,268)	
Increase (-)/ decrease (+) in right-of-use assets		691		(1,751)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-		-	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(37)**	**(2,861)**		**(4,101)**	
Other variations in reserves and profits carried-forward of shareholders' equity		(601)		(77)	
Dividends paid		-		-	
Proceeds (+)/repayment (-) of financial payments		22,308	(10)	6,227	(18)
Proceeds (+)/ repayment (-) of lease payments		(7,737)		(6,001)	
Increase (-)/ decrease (+) in long term financial receivables		438		136	
Financial income (+) and financial charges (-)		(1,313)		(1,668)	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(38)**	**13,095**		**(1,383)**	
CLOSING BALANCE		**27,975**		**29,351**	

Attestation of the Half Year condensed financial statements pursuant to art.81-ter of Consob Regulation N. 11971 of May 14, 1999, and subsequent amendments and additions

The undersigned Massimo Ferretti as President of the Board of Directors, and Marcello Tassinari as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998 ,hereby attest:

- the adequacy with respect to the Company structure and
- the effective application,

of the administrative and accounting procedures applied in preparation of the Half year condensed financial statements at June 30, 2020.

The undersigned moreover attest that:

The Half Year condensed financial statements:

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated July 19, 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The interim management report contains a reliable analysis of important events which took place during the first six months of the current fiscal year and their impact on the half-year condensed financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the year. The interim management report also contains information concerning related party transactions.

August 05, 2020

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Company's financial reports

Marcello Tassinari

Ria
Grant Thornton

Review report on interim consolidated financial statements (Translation from the Original Issued in Italian)

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To the shareholders of
Aeffe S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statement as of June 30, 2020, consisting of the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, consolidated statement of cash flows and statement of changes in equity and related explanatory notes, of the Aeffe Group. Management is responsible for the preparation of this interim condensed financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed financial reporting based on our review.

Audit Scope

We conducted our review in accordance with review standard recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Aeffe Group as of June 30, 2020, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 5, 2020

Ria Grant Thornton S.p.A.
Signed by

Sandro Gherardini
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international.