CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Disclaimer

The consolidated and draft statutory financial statements at 31 December 2020 have 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.

CHAIRMAN'S LETTER

In such a challenging economic context as that determined by the profound impact of the pandemic caused by Covid-19, the Group has demonstrated strong resilience and prompt managerial responsiveness. The flexibility of its business model, combined with the creativity, strength and distinctiveness of its brands, made it possible to face the new complicated situation with determination and effectiveness and to emerge even more strengthened by the crisis.

The Group has demonstrated effective management capacity, both financially and in terms of marketing. In 2020, significant new initiatives were launched to integrate with the future development strategy, from investments in remote showroom optimization to growth on e-commerce platforms, together with successful travel retail projects in Greater China. We are confident in massive vaccination campaigns in all reference markets and in an upcoming and rediscovered normality for a new phase of recovery, leveraging the positioning of our brands and the excellent response to the fall / winter 2021-22 collections.

From a perspective perspective, the Group will continue to use all its resources and energy to strengthen its brands, its position on the markets deemed strategic and on the further development of the online business.

The Chairman of the Board of Directors

Massimo Ferretti

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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

President
Stefano Morri

Statutory Auditors
Fernando Ciotti
Carla Trotti

Alternate Auditors
Nevio Dalla Valle
Daniela Elvira Bruno

Board of Compensation Committee

President
Daniela Saitta

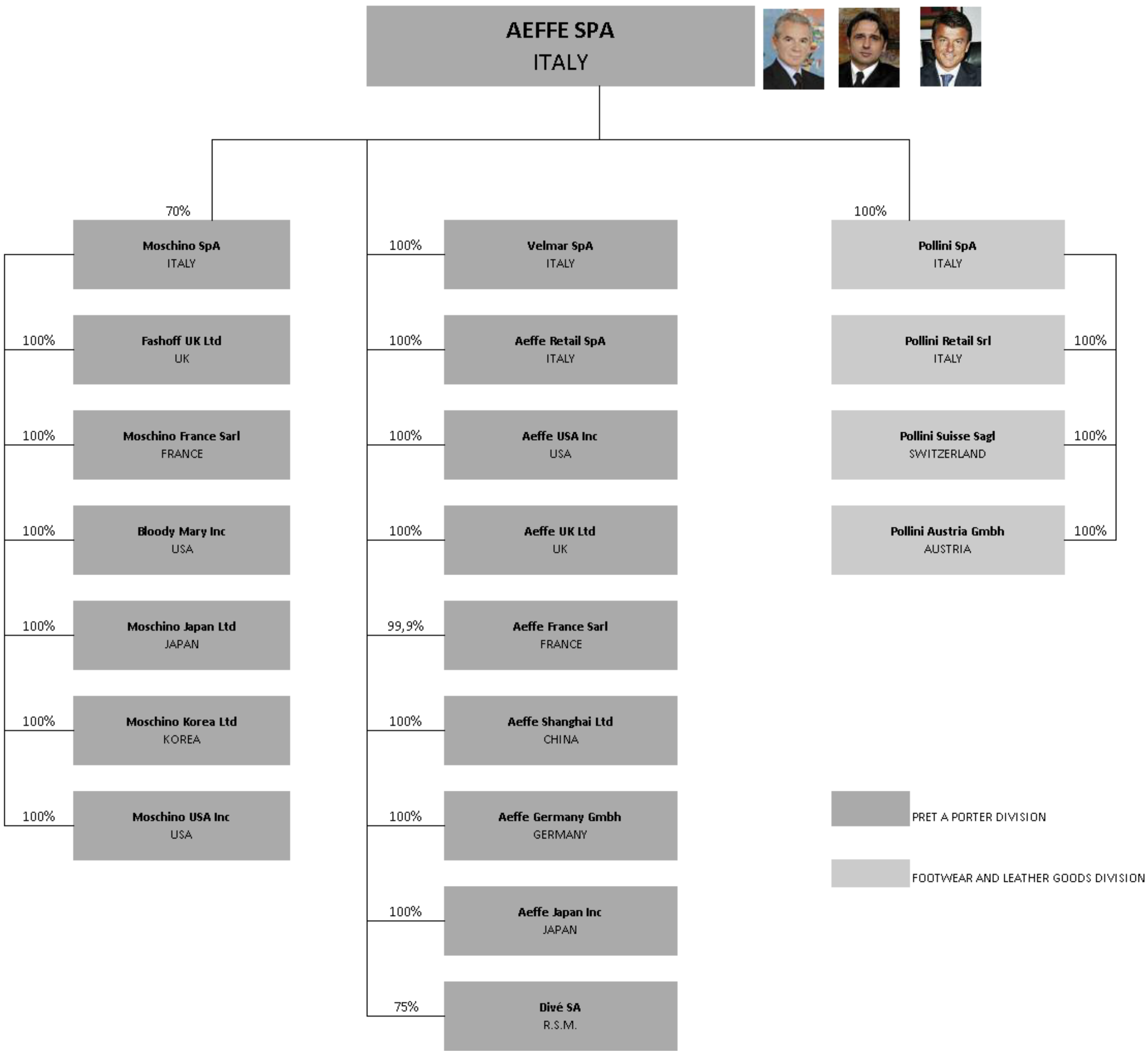
Members
Roberto Lugano
Michela Zeme

Board of Risk and Sustainability Control Committee

President
Bettina Campedelli

Members
Roberto Lugano
Daniela Saitta

Organisation 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
ALBERTA FERRETTI	BOUTIQUE MOSCHINO	CHIARA FERRAGNI
PHILOSOPHY DI LORENZO SERAFINI	LOVE MOSCHINO	
MOSCHINO		
LOVE MOSCHINO		

Headquarters

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

MOSCHINO
Via San Gregorio, 28
20124 - Milan
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
(GRUPPO)
30 West 56th Street
10019 - New York
USA

Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Paris
London

POLLINI
Milan
Venice
Bolzano
Varese

SPAZIO A
Florence
Venice

MOSCHINO
Milan
Rome
Capri
Paris
London
New York
Seoul
Pusan
Daegu

Main economic-financial data

		Full Year 2020	Full Year 2019
Total revenues	(Values in millions of EUI	279.6	361.5
Gross operating margin (EBITDA) *	(Values in millions of EUI	4.5	53.1
Net operating profit (EBIT)	(Values in millions of EUI	(24.6)	25.1
Profit before taxes	(Values in millions of EUI	(27.6)	21.8
Net profit for the Group	(Values in millions of EUI	(21.4)	11.7
Basic earnings per share	(Values in units of EUR)	(0.214)	0.116
Cash Flow (net profit + depreciation)	(Values in millions of EUI	3.1	38.7
Cash Flow/Total revenues	(Values in percentage)	1.1	10.7

* 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.

		31 December 2020	31 December 2019
Net capital invested	(Values in millions of EUI	319.7	339.3
Net financial indebtedness	(Values in millions of EUI	141.0	135.2
Group net equity	(Values in millions of EUI	148.2	171.4
Group net equity per share	(Values in units of EUR)	1.4	1.6
Current assets/ current liabilities	(Ratio)	2.1	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.9
Net financial indebtedness/ Net equity	(Ratio)	0.8	0.7
ROI: Net operating profit/ Net capital invested	(Values in percentage)	(7.7)	7.4

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

AEFFE

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which our Group has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

According to the Interim Report published by the OECD organization on March 10, 2021, global GDP growth is revised upwards by more than 1 percentage point compared to the December 2020 Outlook and should reach 5.6%. World production is expected to reach pre-pandemic levels by mid-2021, but much will depend on the rush between vaccines and emerging variants of the virus.

The outlook has improved in recent months with signs of a recovery in trade in goods and industrial production which manifested themselves by the end of 2020. Activity has recovered in many sectors and has partially adapted to the pandemic restrictions. Vaccine distribution, while erratic, is gaining momentum and government stimulus, particularly in the United States, is likely to boost economic activity. The prospects for sustainable growth vary, however, between countries and sectors. Implementing the fastest and most effective vaccination around the world is critical.

Overall, GDP is now forecast to grow by 3.7% in 2021 and 3.9% in 2022 in the EU, and by 3.8% in both years in the euro area. The euro area and EU economies are expected to reach their pre-crisis levels of output earlier than anticipated in the Autumn 2020 Economic Forecast, largely because of the stronger than expected growth momentum projected in the second half of 2021 and in 2022.

After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021. Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery.

Risks surrounding the forecast are more balanced since the autumn, though they remain high. They are mainly related to the evolution of the pandemic and the success of vaccination campaigns.

Positive risks are linked to the possibility that the vaccination process leads to a faster-than-expected easing of containment measures and therefore an earlier and stronger recovery. Also, NextGenerationEU, the EU's recovery instrument of which the centrepiece is the Recovery and Resilience Facility (RRF), could fuel stronger growth than projected, since the envisaged funding has - for the most part - not yet been incorporated into this forecast.

In terms of negative risks, the pandemic could prove more persistent or severe in the near-term than assumed in this forecast, or there could be delays in the roll-out of vaccination programmes. This could delay the easing of containment measures, which would in turn affect the timing and strength of the expected recovery. There is also a risk that the crisis could leave deeper scars in the EU's economic and social fabric, notably through widespread bankruptcies and job losses. This would also hurt the financial sector, increase long-term unemployment and worsen inequalities.

The International monetary fund expects the world economy to grow by 5.5% in 2021 and 4.2% in 2022. The forecast for 2021 has been revised upwards from the initial estimate to reflect expectations of a strengthening activity vaccination distribution in the months to come during the year.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

According to the Altagamma Observatory, the global luxury market, traditionally more resistant than others to economic crises, will close 2020 with a drop between -20 / -22%.

The Altagamma Consensus estimates for 2021 a double-digit growth of 14% in all sectors due to the expected rebound in consumption, which will be more domestic, the prevalence of digital (+ 22%) and the growth of the Chinese market (+ 18%).

2. 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, children's lines, 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 and beachwear, and loungewear. Collections are produced and distributed under the Group's proprietary 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.

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 one 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.

In 2020 Velmar signed a multi-year licensing agreement with Chiara Ferragni for the production and distribution at global level of Chiara Ferragni underwear and beachwear collections.

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 single-brand and multi-brand, located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line single-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 labels.

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 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, based in Shanghai, is a company 100% owned by Aeffe S.p.A., and its corporate purpose is the wholesale of clothing and accessories.

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 the 1st of January 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 the 1st of January 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 operates in the retail segment through flagship stores under direct management and duty-free 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 Moschino collections.

The company also manages one single-brand Moschino stores 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 one 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, scarves 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 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 Rome.

Pollini Suisse

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

Pollini Austria

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

3. TREND OF THE GROUP MANAGEMENT

COVID-19 PANDEMIC EFFECT

The health crisis caused by the Covid-19 coronavirus has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the Group's business.

The pandemic and the measures to contain the spread of the virus adopted by the various governments influenced the Group's 2020 results, causing a decline in revenues and profitability.

Since the first days of the spread of the virus, the Group has introduced a series of measures aimed at safeguarding the safety and health of its employees and customers globally and at supporting its suppliers. At the same time, the group has urgently introduced an action plan to effectively and efficiently counter the negative effects related to the global emergency of Covid-19.

The adoption of these corrective measures to contrast the negative effects linked to the global emergency from Covid-19 led in 2020 to a decrease in fixed costs of 13.7%, corresponding to approximately 12.2 million euros and a contraction personnel costs of 14.7%, equal to approximately 10.6 million euros, for a total total of approximately 22.8 million euros (-14% compared to 2019).

Among the main measures undertaken were the request for reductions in the rental fees of boutiques to the various lessors and the use, in all the countries in which it operates, to the facilities to support employment made available by the various government authorities to deal with effects of the pandemic.

In this difficult economic context, the Group's Management did not request extraordinary lines of credit and was able to manage working capital with extreme efficiency and, at the same time, undertake well-targeted investments in digital marketing and e-commerce enhancement in order to support the future growth of its brands.

The Group has bank credit lines capable of guaranteeing the normal conduct of its operations, while at the same time maintaining the percentage of use of the available credit lines well below the maximum usable limit.

The Group continues to be strongly focused on actions aimed at further reducing fixed costs, efficiently and effectively safeguarding the long-term interest of the business to face the challenges of the current development of the international economic situation.

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	Full Year 2020	% on revenues	Full Year 2019	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**269,116,774**	**100.0%**	**351,403,409**	**100.0%**	**(82,286,635)**	**(23.4%)**
Other revenues and income	10,485,768	3.9%	10,064,295	2.9%	421,473	4.2%
TOTAL REVENUES	**279,602,542**	**103.9%**	**361,467,704**	**102.9%**	**(81,865,162)**	**(22.6%)**
Changes in inventory	2,341,099	0.9%	5,934,562	1.7%	(3,593,463)	(60.6%)
Costs of raw materials, cons. and goods for resale	(110,162,492)	(40.9%)	(121,189,301)	(34.5%)	11,026,809	(9.1%)
Costs of services	(93,242,015)	(34.6%)	(108,336,161)	(30.8%)	15,094,146	(13.9%)
Costs for use of third parties assets	(6,630,888)	(2.5%)	(9,031,792)	(2.6%)	2,400,904	(26.6%)
Labour costs	(61,752,840)	(22.9%)	(72,386,514)	(20.6%)	10,633,674	(14.7%)
Other operating expenses	(5,661,916)	(2.1%)	(3,329,130)	(0.9%)	(2,332,786)	70.1%
Total Operating Costs	(275,109,052)	(102.2%)	(308,338,336)	(87.7%)	33,229,284	(10.8%)
GROSS OPERATING MARGIN (EBITDA)*	**4,493,490**	**1.7%**	**53,129,368**	**15.1%**	**(48,635,878)**	**(91.5%)**
Amortisation of intangible fixed assets	(4,474,396)	(1.7%)	(4,668,288)	(1.3%)	193,892	(4.2%)
Depreciation of tangible fixed assets	(5,103,882)	(1.9%)	(5,320,856)	(1.5%)	216,974	(4.1%)
Depreciation of right-of-use assets	(16,889,860)	(6.3%)	(16,717,364)	(4.8%)	(172,496)	1.0%
Revaluations/(write-downs) and provisions	(2,590,616)	(1.0%)	(1,321,264)	(0.4%)	(1,269,352)	96.1%
Total Amortisation, write-downs and provisions	(29,058,754)	(10.8%)	(28,027,772)	(8.0%)	(1,030,982)	3.7%
NET OPERATING PROFIT / LOSS (EBIT)	**(24,565,264)**	**(9.1%)**	**25,101,596**	**7.1%**	**(49,666,860)**	**(197.9%)**
Financial income	638,871	0.2%	456,806	0.1%	182,065	39.9%
Financial expenses	(1,460,390)	(0.5%)	(1,413,960)	(0.4%)	(46,430)	3.3%
Financial expenses on right-of-use asset	(2,200,668)	(0.8%)	(2,338,122)	(0.7%)	137,454	(5.9%)
Total Financial Income / (expenses)	(3,022,187)	(1.1%)	(3,295,276)	(0.9%)	273,089	(8.3%)
PROFIT / LOSS BEFORE TAXES	**(27,587,451)**	**(10.3%)**	**21,806,320**	**6.2%**	**(49,393,771)**	**(226.5%)**
Taxes	4,230,874	1.6%	(9,801,873)	(2.8%)	14,032,747	(143.2%)
NET PROFIT / LOSS	**(23,356,577)**	**(8.7%)**	**12,004,447**	**3.4%**	**(35,361,024)**	**(294.6%)**
(Profit) / loss attributable to minority shareholders	1,959,730	0.7%	(311,713)	(0.1%)	2,271,443	(728.7%)
NET PROFIT / LOSS FOR THE GROUP	**(21,396,847)**	**(8.0%)**	**11,692,734**	**3.3%**	**(33,089,581)**	**(283.0%)**

** See comment on adjusted EBITDA*

Sales

In 2020 consolidated revenues amount to EUR 269,117 thousand compared to EUR 351,403 thousand of the year 2019, showing a decrease of 23.4% (-23.3% at constant exchange rates) due to the pandemic.

Revenues of the prêt-à-porter division amount to EUR 197,400 thousand with a decrease of 24.7% at current exchange rates (-24.6% at constant exchange rates) compared to 2019. The revenues of the footwear and leather goods division decrease by 16.2% to EUR 107,417 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2020	%	Full Year 2019	%	Change Δ	%
Alberta Ferretti	14,544	5.4%	26,144	7.4%	(11,600)	(44.4%)
Philosophy	13,402	5.0%	18,244	5.2%	(4,842)	(26.5%)
Moschino	215,423	80.0%	262,507	74.7%	(47,084)	(17.9%)
Pollini	22,408	8.3%	35,920	10.2%	(13,512)	(37.6%)
Other	3,340	1.3%	8,588	2.5%	(5,248)	(61.1%)
Total	**269,117**	**100.0%**	**351,403**	**100.0%**	**(82,286)**	**(23.4%)**

In 2020, the Alberta Ferretti brand decreases by 44.4%, contributing to 5.4% of consolidated sales, while Philosophy di Lorenzo Serafini brand decreases by 26.5%, contributing to 5.0% of consolidated sales.

In the same period Moschino brand decreases by 17.9%, contributing to 80.0% of consolidated sales.

Pollini brand records a decrease of 37.6%, generating 8.3% of consolidated sales, while brands under license decreases by 61.1%, equal to 1.3% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2020	%	2019	%	Δ	%
Italy	121,873	45.3%	160,865	45.8%	(38,992)	(24.2%)
Europe (Italy excluded)	82,668	30.7%	86,890	24.7%	(4,222)	(4.9%)
Asia and Rest of the World	53,523	19.9%	86,020	24.5%	(32,497)	(37.8%)
America	11,053	4.1%	17,628	5.0%	(6,575)	(37.3%)
Total	**269,117**	**100.0%**	**351,403**	**100.0%**	**(82,286)**	**(23.4%)**

Sales in the Italian market decrease by 24.2% to EUR 121,873 thousand compared to 2019, driven by both the retail and wholesale channels, due to pandemic impact.

Sales in Europe, contributing to 30.7% of consolidated sales, decrease by 4.9%, driven especially by the good performances in Germany and Eastern Europe.

In Asia and in the Rest of the World, the Group's sales total EUR 53,523, amounting to 19.9% of consolidated sales, recording a decrease of 37.8% at constant exchange rates compared to 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 decline. The Greater China area reported a 35% decrease in 2020, recovering in the last quarter of the year, with an evident upturn in store traffic.

Sales in America, contributing to 4.1% of consolidated sales, posted a decrease of 37.3%.

Sales by distribution channel

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2020	%	2019	%	Δ	%
Wholesale	195,117	72.5%	243,904	69.4%	(48,787)	(20.0%)
Retail	63,527	23.6%	93,801	26.7%	(30,274)	(32.3%)
Royalties	10,473	3.9%	13,698	3.9%	(3,225)	(23.5%)
Total	**269,117**	**100.0%**	**351,403**	**100.0%**	**(82,286)**	**(23.4%)**

The revenues generated by the Group during 2020 are analysed below:

- 72.5% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 243,904 thousand in 2019 and EUR 195,117 thousand in 2020, down 20.0%;

- 23.6% from sales outlets managed directly by the Group (retail channel), which contributes EUR 93,801 thousand in 2019 and EUR 63,527 thousand in 2020, -32.3%;

- 3.9% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties decrease from EUR 13,698 thousand in 2019 to EUR 10,473 thousand in 2020, by 23.5%.

Labour costs

Labour costs change from EUR 72,387 thousand in 2019 to EUR 61,753 thousand in 2020, recording a decrease of EUR 10,634 thousand, and an incidence on revenues which changes from 20.6% in 2019 to 22.9% in 2020. In support of employment for the Covid19 emergency, the change reflects the use of social safety nets and unused vacation periods.

The workforce increases from an average of 1,364 units in 2019 to 1,333 units in 2020.

Average number of employees by category	Full Year	Full Year	Change	
	2020	2019	Δ	%
Workers	241	252	(11)	(4.4%)
Office staff-supervisors	1,063	1,088	(25)	(2.3%)
Executive and senior managers	29	24	5	20.8%
Total	**1,333**	**1,364**	**(31)**	**(2.3%)**

Gross Operating Margin (EBITDA)

In 2020 consolidated EBITDA is positive for EUR 4,493 thousand (with an incidence of 1.7% of consolidated sales), showing a decrease of 91.5% compared to an EBITDA of EUR 53,129 thousand in 2019 (with an incidence of 15.1% of consolidated sales).

The decline in margins is directly attributable to the decline in sales both in wholesale and retail channels across all geographies where the Group operates due to the Covid-19 pandemic, as described above. However, the yearly margins benefited from positive results in terms of cost efficiency deriving from the actions implemented to face the global consequences of the virus spread, which largely materialised from the second quarter of the year. Cost savings involved various types of expenditure closely associated to the health emergency situation, mainly including personnel, rental, travel costs and overheads.

EBITDA of the *prêt-à-porter* division amounts to EUR 3,594 thousand (1.8% on sales), compared to an EBITDA of EUR 38,665 thousand in 2019 (14.7% on sales), with a decrease of EUR 35,071 thousand; the change is due to the sales decline.

In 2020 EBITDA of the footwear and leather goods division is EUR 899 thousand (0.8% on sales), compared to an EBITDA of EUR 14,464 thousand in 2019 (11.3% on sales), with a EUR 13,565 thousand decrease.

Gross Operating Margin (EBITDA ADJUSTED)

In 2020, the adjusted consolidated EBITDA equalled to EUR 8,493 thousand, net of an extraordinary write-down of the raw materials inventories of the leather goods division for EUR 4,000 thousand as no longer suitable to manufacture new collections in line with the changed market needs following the Covid-19 pandemic.

The adjusted consolidated EBITDA of EUR 8,493 thousand (with an incidence of 3.2% on turnover) decrease by EUR 44,636 thousand compared to EUR 53,129 thousand of EBITDA in 2019 (equal to 15.1% of revenues).

EBITDA adjusted of the footwear and leather goods division (net of the extraordinary write-down of raw materials inventories) amounted to EUR 4,899 thousand, compared to EUR 14,464 thousand in 2019, with a EUR 9,565 thousand decrease due to the sales decline.

Net operating result (EBIT)

Consolidated EBIT is negative for EUR 24,565 thousand, recording an reduction of EUR 49,667 thousand, compared to EUR 25,102 thousand of 2019 (7.1% on sales), mainly due to the decrease in EBITDA and the extraordinary write-downs made that refer to raw materials and the equity investment in Pollini France.

Net operating result (EBIT ADJUSTED)

Consolidated EBIT adjusted, net of non-recurring costs of EUR 5,100 thousand, was negative for EUR 19,465 thousand, compared to a positive value of EUR 25,101 thousand in 2019, down of a EUR 44,566 thousand, mainly due to the EBITDA reduction.

Non-recurring costs of EUR 5,100 thousand include EUR 4,000 thousand for the extraordinary write-down of inventories of raw materials of the leather goods division, as commented above, and EUR 1,100 thousand for the write-down of the Pollini France investment no longer operative.

Result before taxes

The result before taxes amounts to a loss of EUR 27,587 thousand compared with a profit of EUR 21,806 thousand in 2019, with a EUR 49,393 thousand decrease.

Net result

Net result posts a loss of EUR 23,357 thousand in 2020 compared to a profit of EUR 12,004 thousand in 2019, with a drop in absolute value of EUR 35,361 thousand.

Net result for the Group

Consolidated net result for the Group decreases from a profit of EUR 11,693 thousand in 2019 to a loss of EUR 21,397 thousand in 2020, with a reduction of EUR 33,090 thousand.

Net result adjusted for the Group

Consolidated net result adjusted for the Group decreases from a profit of EUR 11,693 thousand in 2019 to a loss of EUR 16,297 thousand in 2020, with a reduction of EUR 27,990 thousand.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2020	31 December 2019
Trade receivables	39,094,519	41,524,614
Stock and inventories	109,285,351	112,050,942
Trade payables	(69,328,170)	(74,300,469)
Operating net working capital	**79,051,700**	**79,275,087**
Other short term receivables	28,570,739	35,218,280
Tax receivables	10,465,392	14,118,912
Derivative assets	-	74,055
Other short term liabilities	(16,676,076)	(18,125,081)
Tax payables	(3,753,375)	(3,391,481)
Derivative liabilities	(349,002)	-
Net working capital	**97,309,378**	**107,169,772**
Tangible fixed assets	61,657,913	62,824,618
Intangible fixed assets	72,489,488	76,083,463
Right-of-use assets	100,471,903	110,714,289
Equity investments	131,558	131,558
Other fixed assets	2,615,956	2,720,383
Fixed assets	**237,366,818**	**252,474311**
Post employment benefits	(4,900,460)	(5,194,899)
Provisions	(1,543,670)	(1,847,295)
Assets available for sale	-	436,885
Long term not financial liabilities	(1,768,758)	(717,143)
Deferred tax assets	21,287,015	16,949,535
Deferred tax liabilities	(28,016,336)	(29,982,114)
NET CAPITAL INVESTED	**319,733,987**	**339,289,052**
Share capital	25,043,866	25,286,166
Other reserves	131,311,933	127,822,540
Profits / (Losses) carried-forward	13,273,509	6,585,047
Profits / (Loss) for the period	(21,396,847)	11,692,734
Group interest in shareholders' equity	**148,232,461**	**171,386,487**
Minority interests in shareholders' equity	30,524,025	32,688,421
Total shareholders' equity	**178,756,486**	**204074908**
Short term financial receivables	(651,944)	(1,132,124)
Cash	(39,828,260)	(28,390,143)
Long term financial liabilities	34,348,837	13,448,747
Long term financial receivables	(2,037,324)	(2,225,387)
Short term financial liabilities	60,938,851	57,709,288
NET FINANCIAL POSITION	**52,770,160**	**39,410,381**
Short term lease liabilities	12,974,406	14,098,081
Long term lease liabilities	75,232,935	81,705,682
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**140,977,501**	**135,214144**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**319,733,987**	**339,289,052**

NET INVESTED CAPITAL

Compared to December 31, 2019, net invested capital decreased by 6%.

Net working capital

Net working capital amounts to EUR 97,309 thousand (36.2% on sales) compared with EUR 107,170 thousand at 31 December 2019 (30.5% on sales).

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

- the operating net working capital decreases in all by 0.3% (EUR 223 thousand) with an incidence on sales that changes from 22.6% in 2019 to 29.4% in 2020;
- the sum of other receivables and payables decreases in all of EUR 5,199 thousand compared with the previous year mainly for lower credits for prepaid costs;
- the sum of tax receivables and tax payables decrease in all of EUR 3,515 thousand. Such decrease is mainly due to the decrease of VAT receivable and to the use of the tax credit for research and development activities in the subsidiary Moschino Spa.

Fixed assets

The change in fixed assets of EUR 15,107 thousand at December 31, 2019 compared to December 31, 2019, is due to amortization of the period and to investments made in 2020.

NET FINANCIAL POSITION

The financial situation of the Group at 31 December 2020 shows a debt of EUR 140,978 thousand, an increase of EUR 5,764 thousand compared to the debt of EUR 135,214 thousand at 31 December 2019. Careful monitoring of trade receivables and inventories contained the increase in debt deriving mainly from investments made during the year and from the purchase of treasury shares for approximately EUR 1 million.

SHAREHOLDERS' EQUITY

The shareholders' equity decreases by EUR 25,319 thousand from EUR 204,075 thousand as of 31 December 2019 to EUR 178,756 thousand as of 31 December 2020. The reasons of such decrease are to the loss of the year and to the purchase of own shares. The number of shares is 107,362,504.

The following institutions hold more than 3% of the Aeffe's shares:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	61.797%
Other shareholders(*)	38.203%

(*) 6,694% of own shares held by Aeffe S.p.A.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRISPONDING CONSOLIDATED AMOUNTS

Pursuant to the Consob Communication of 28 July 2006, the following table provides reconciliation between the net result and equity of Aeffe S.p.A. for the year ended 31 December 2020 and the comparable items on a consolidated basis (portion attributable to owners of Aeffe S.p.A.):

(Values in thousand of EUR)	Shareholders' equity at 31 December 2020	Net profit /loss for the full year 2020
Taken from the corporate financial statements of the parent company	**133,637**	**(21,029)**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	18,836	770
Effect of business combination reopening	29,281	(1,412)
Reversal of the intercompany inventory margin	(6,371)	-
Transition to parent company accounting policies	940	(1,507)
Other adjustments	2,433	(179)
Total consolidation adjustments	**45,119**	**(2,328)**
Group interest in shareholders' equity	**148,232**	**(21,397)**
Minority interest	**30,524**	**(1,960)**
Total shareholders' equity	**178,756**	**(23,357)**

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. These costs are charged in full to the Income Statement.

5. GROUP'S OBJECTIVES AND POLICIES ON FINANCIAL RISKS

Regarding the Group's objectives and policies on financial risks refer to the information reported in the Notes.

6. CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

Aeffe S.p.A. has aligned its system of corporate governance with the recommendations of the Code of Self-Regulation for stock-market listed companies.

The Code of Self-Regulation is aimed at all companies with shares listed on the Mercato Telematico Azionario managed by Borsa Italiana and constitutes an organizational and functional reference model for companies listed on markets organized and managed by Borsa Italiana.

Alignment of the system of governance adopted by listed companies with the recommendations contained in the Code of Self-Regulation is not currently a legal requirement: adoption of the standards and organisational models proposed therein is therefore voluntary, and left to the discretion of the listed companies for which it is intended. Nevertheless, certain recommendations contained in the Code of Self-Regulation are reflected in current legislation and/or regulations including, more precisely, the Italian Civil Code, Decree 58 dated 24 February 1998 as subsequently amended (the "Consolidated Finance Law"), Consob Regulation 11971 dated 14 May 1999, as amended (the "Issuers' Regulations"), the Regulations for Markets Organised and Managed by Borsa Italiana (the "Market Regulations") and the Market Instructions relating specifically to companies with shares admitted to trading in the STAR segment.

Companies adopt the Code with prevalence of substance over form and apply its recommendations according to the "comply or explain" criterion.

As required by the regulations, Aeffe prepares yearly the "Report on corporate governance and ownership structures", stating: (i) which recommendations contained in the Code of Self-Regulation have actually been adopted by the Issuer and how, and (ii) which recommendations have not been adopted, in whole or in part, together with adequate information on the reasons for such partial or non-application of them. This report, which also provides information on the ownership structure, is available from the governance section of the following *website:* www.aeffe.com.

7. TREASURY SHARES

As of 31 December 2020, the Parent Company holds 7.187.039 treasury shares, par value EUR 0.25 each, totalling 6.694% of its share capital. During 2020, 969,200 treasury shares were purchased by the Parent Company for a total value of EUR 873,397.

As of 31 December 2020 the Parent Company does not hold shares of any controlling company either directly or indirectly.

8. 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 28 July 2006, is provided in Note "Related party transactions".

9. INFORMATION RELATIVE TO PERSONNEL AND ENVIRONMENT

Regarding the information relative to personnel and environment, please refer to the indicated in the consolidated non-financial statement.

10. SIGNIFICANT EVENTS OF THE PERIOD

The Covid-19 pandemic has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the entire industry globally.

During the year, the business performance was influenced by the limitations on the international movement of people and by the restrictions on the activities imposed by the government authorities of the main reference markets of the Group.

The Group promptly adopted measures considered to be of fundamental importance to face the challenges of the difficult international situation.

The primary interest of the Group has been to safeguard the safety and health of its employees, partners and customers, through the urgent and responsible adoption of all the safety measures and protocols introduced by the authorities in the various countries, ensuring, at the same time, the continuity of company operations through the use of smart-working solutions, where possible.

Furthermore, corrective measures were immediately taken to effectively and efficiently counter the negative effects linked to the global emergency of the Covid-19 coronavirus.

The main actions taken include the following:

- accurate management of relations with the main commercial partners, especially in the Far East area, to provide them with the greatest possible support;

- enhancement of digital activities in support of online business, with particular reference to customer care, through the development of technologies and tools capable of meeting customer needs in a perspective that is increasingly aimed at personalizing the customer experience;

- enhancement of remote digital communication through the adoption of new digital technologies such as the virtual showroom to remotely present the new collections to buyers and operators in the sector;

- strong attention to all organizational levels in terms of cost savings that are not detrimental to the support and development of the Group's brands;

- request for a reduction in rents for boutiques and offices;

- use of social safety nets and periods of vacation not yet taken to make labor costs more flexible in the period of closure of shops and interruption of production cycles;

- postponement of costs related to advertising and public relations that were not detrimental to the strengthening and support of brands;

- constant commitment of creative resources to enrich their collections of garments and accessories that are increasingly desirable and suitable to meet the changing needs of customers following the spread of Covid-19.

From the point of view of the financial situation, the Group has paid the utmost attention to efficient management of working capital by effectively facing the difficult economic situation.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events occurred after the end of the year.

12. OUTLOOK

Despite the recent challenges related to new variants of the virus and possible delays in vaccine distribution, the global macroeconomic picture is showing signs of improvement in the last quarter. It is likely that the current uncertainty fueled by renewed measures to contain the pandemic will continue to persist in the coming months with possible negative effects especially on foreign tourist flows.

In this difficult international context, the Group will continue to focus on strengthening the online business, digital communication and distribution in strategic markets such as the Far East, with the primary objective of capturing Chinese domestic demand which remains one of the main growth drivers. of the entire luxury sector.

Despite the complicated macroeconomic situation, the sales campaign currently underway is proceeding with results above expectations and, therefore, despite the uncertainty of these times, we are sure that the Group will emerge strengthened from this situation.

CONSOLIDATED NON-FINANCIAL DECLARATION

METHODOLOGY

The Aeffe Group (hereinafter also referred to as Aeffe or the Group) falls within the scope of application of Decree 254/2016 - issued pursuant to Directive 2014/95/EU of the European Parliament and of the Council of 22nd October 2014 - which requires the directors to prepare a Consolidated Non-Financial Declaration (hereinafter also referred to as the Declaration or NFD), in order to describe to the shareholders and, more generally, all stakeholders, the principal aspects of the Group's social and environmental performance during the year ended 31st December 2020.

In order to comply with the reporting criteria envisaged in Decree 254/2016, the Group has applied the GRI Sustainability Reporting Standards (GRI Standards) to prepare this Consolidated Non-Financial Declaration. The related guidelines, issued in 2016 by the Global Reporting Initiative, represent the reference model most widely adopted at an international level for reporting on sustainability. More precisely, given the need to keep the indicators used up to date, the versions of GRI 303 (water and effluents) and GRI 403 (health and safety) issued in 2018 have been adopted, in order to address water withdrawal and occupational health and safety in accordance with the latest reporting standards. The standards also envisage that, from 2020, the topic of taxation (GRI 207: Tax) should be analyzed for materiality and reported on if appropriate. Considering the information and data required and consistent with the way tax matters are currently managed by the Company, the provision of disclosures regarding the indicators envisaged in the standard has been deferred and, instead, reference is made to the details reported in the consolidated financial statements.

This declaration has been prepared in accordance with the fundamental principles for the definition and quality of disclosures established by the GRI standards: stakeholder inclusiveness, sustainability, materiality, completeness, accuracy, balance, clarity, comparability, reliability and timeliness.

The “GRI Content Index” presents, in summary form, a table that correlates the information reported by the Group with the relevant GRI indicators, opting for a Core level of coverage.

The 2020 data presented is compared, where possible, with the results for 2019. The information was collected directly, with the exception of certain estimates - duly reported in the document - that do not affect the accuracy of the data presented.

All principal departments contributed to determining the contents of this Declaration, while data collection and the preparation process were managed by the HR department.

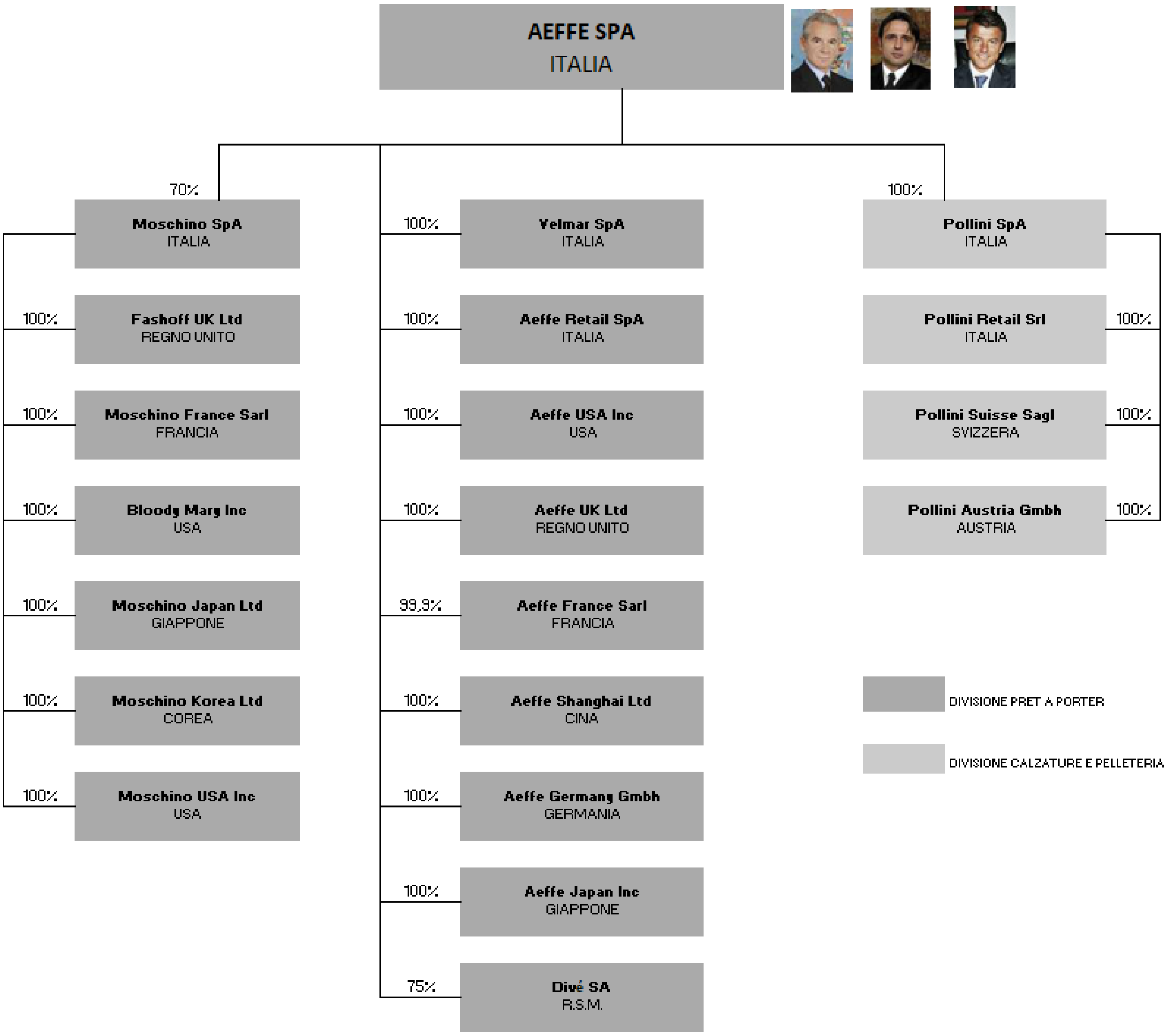
Scope of the Consolidated Non-Financial Declaration

The following Group companies are included within the reporting scope of this Non-Financial Declaration: Aeffe S.p.A., Aeffe Retail S.p.A., Aeffe USA Inc., Velmar S.p.A., Pollini S.p.A., Pollini Retail S.r.l., Moschino S.p.A., Moschino Korea Ltd.

The following companies have been excluded from the reporting scope: Fashoff UK Ltd; Moschino France Sarl; Bloody Mary Inc; Moschino Japan Ltd; Moschino USA Inc; Aeffe UK Ltd; Aeffe Japan Inc; Aeffe France Sarl; Aeffe Shanghai Ltd; Aeffe Germany GmbH; Divè SA; Pollini Suisse Sagl; Pollini Austria Gmbh.

These exclusions are explained by the fact that the socio-economic and environmental impacts of the above companies are not believed significant, considering their incidence in terms of consolidated sales and employment. This possibility is envisaged in Art. 4 of Decree 254/2016, pursuant to which the Consolidated Declaration may exclude subsidiaries that, despite inclusion in the consolidated financial statements, are not needed in order to understand the activities of the Group, its performance, its results and the impact of its activities.

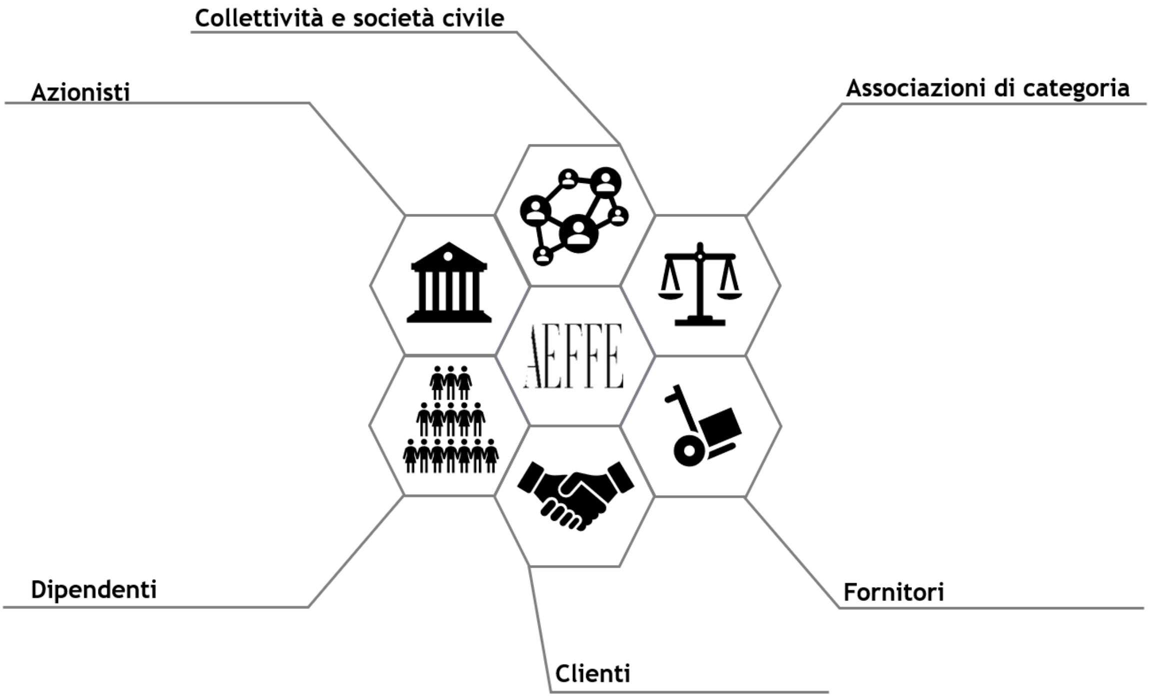
The following diagram presents the corporate structure of the Group, including its controlling interests at 31st December 2020.



Analysis of materiality associated with risk

The activities of Aeffe involve maintaining relations with numerous stakeholders that, more or less directly, influence the work performed and have an interest in ensuring that the activities of the organization are carried out in a responsible and sustainable manner.

The following principal categories of stakeholder have been identified by the Group, which is conscious of its social role and deep territorial roots:



Aeffe updated its materiality matrix in 2020 by applying the materiality determination process to identify and prioritize the most significant sustainability topics for its business and stakeholders; in addition, consistent with last year, the Group deemed it appropriate to include material topics within the matrix after considering the related level of perceived risk deriving from failure to monitor the sustainability factor concerned.

The materiality determination process, which resulted in updating the materiality matrix associated with risk, comprises the following phases:

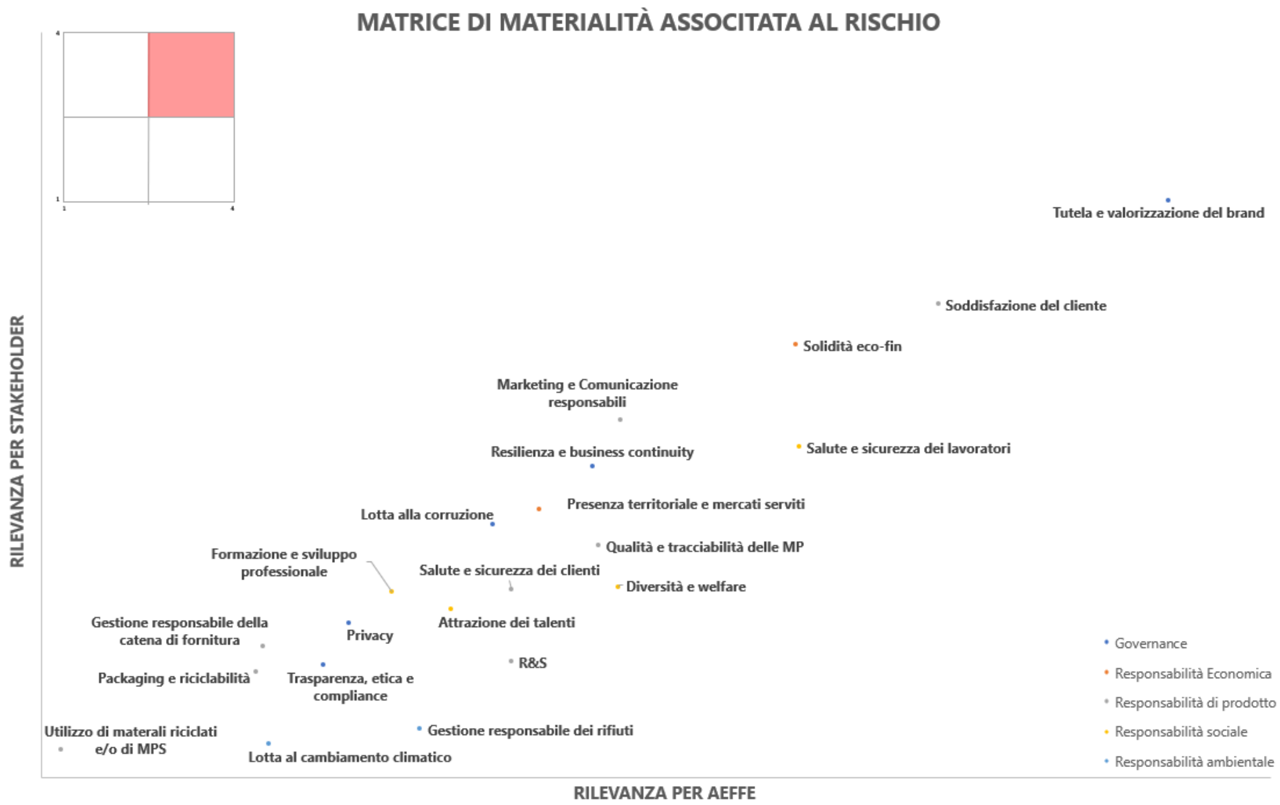
1. identification of the topics that are potentially significant for Aeffe and its stakeholders, via preliminary benchmarking against leading sector competitors and peers, and analysis of principal new trends and the current socio-economic context, in order to identify how well the topics reported on in 2019 are aligned and recognize any additional topics that may be materials for the Group and its stakeholders;
2. presentation of an internal questionnaire to the principal managers involved in the reporting process, requesting an assessment of the importance of and level of risk associated with each topic. The level of risk was calculated by multiplying the probability of occurrence of the risk event - due to inadequate supervision of the material topic - by the seriousness (gravity, adverse impact) of any resulting consequences [R=PxG];
3. listening to clients directly, by requesting them to complete an on-line survey to identify the significance of each topic from the standpoint of an external stakeholder.

This analysis made it possible to:

- confirm certain material topics and identify others;
- determine the degree of alignment/misalignment between the standpoint of stakeholders and that of the organization on each topic;
- analyze and identify the level of risk associated with each topic.

Material topics were identified within the boundaries envisaged in Decree 254/2016, having regard for the need to ensure that the activities of the Group are understood, together with the impacts generated by them. In particular, these 21 topics encompass the more significant economic, social and environmental impacts of the organization, while also influencing the decisions made by both internal and external stakeholders.

The reporting standards applied (GRI) envisage that, from 2020, the topic of taxation (GRI 207: Tax) should be analyzed for materiality and reported on if appropriate. Considering the information and data required and consistent with the way tax matters are currently managed by the Company and included in the governance of the Group, the provision of disclosures regarding the indicators envisaged in the standard (and the related analysis of materiality) has been deferred until next year and, instead, reference is made to the details reported in the consolidated financial statements.



The topics obtaining the highest score principally relate to the «Product responsibility» macroarea, followed by the «Social responsibility» macroarea and, lastly, by the «Governance» and «Economic responsibility» macroareas. Lastly, by listening to clients directly, the most significant topics for this category of stakeholder were found to be mainly linked to the «social» aspect of sustainability, confirming the highest priority given to such topics as privacy protection, customer satisfaction and the health and safety of clients.

AREA	MATERIAL TOPIC	DESCRIPTION
Governance	Transparency, ethics and compliance in business operations	Proper implementation of current domestic and international regulations and management of the business in an ethical and transparent manner, with relevant stakeholder reporting

	Privacy protection	Protection of the privacy of employees and clients, in compliance with domestic and European legislation
	Brand protection and promotion	Protection of the brand against plagiarism, while also taking specific promotional action, especially online
	Resilience and business continuity in the face of adverse events	Ability to respond rapidly to economic/social/environmental changes, while remaining true to the established business strategy and preserving economic solidity
	Prevention of active and passive corruption	Development of an ever stronger organizational structure, preventing and tackling all forms of corruption, whether active or passive
Economic responsibility	Economic-financial strength of the Group	Monitor and guarantee economic-financial strength, while pursuing the growth and development strategies of the business
	Territorial presence and markets served	Local control and enhanced presence in the markets served
Product responsibility	Attention to packaging and opportunities for recycling	Attention to packaging by offering sustainable and possibly recyclable solutions to clients and buyers for the packaging of purchased products
	Quality and traceability of raw materials	Use of quality raw materials, possibly from sustainable and traceable sources, that guarantee environmental protection and working conditions in the places of origin
	Use of recycled materials and/or secondary raw materials	Use of recycled materials and/or secondary raw materials in the manufacture of products
	Customer satisfaction	Monitor and give consideration to customer satisfaction
	Client health and safety	Monitor the health and safety of clients and end consumers
	Responsible marketing and communications	Transparent and responsible communications, with accessible, complete and detailed information about the commercial activities carried out
	Responsible (social and environmental) management of the supply chain	Procurement from local suppliers where possible, contributing to and protecting the economic, social and environmental development of the territory affected by the activities of the business
	Research and development	Focus on product research, development and innovation
Social responsibility	Worker health and safety	Monitor occupational health and safety, applying a series of preventive and protective measures designed to avoid or minimize the exposure of employees to work-related risks

	Inclusivity, diversity and the well-being of workers	Promotion of inclusivity and equal opportunities, protection of diversity and support for the proper work-life balance of employees and collaborators
	Attraction of talent	Investment in and recruitment of talents and young people, allowing them to express their potential within the organization
	Professional training and development	Investment in the professional and human development of personnel, with training and refresher courses covering both technical and soft skills
Environmental responsibility	Contribution to the fight against climate change	Adoption of policies promoting energy efficiency and the reduction of consumption, not least to reduce the greenhouse gas emissions caused by business activities
	Production and responsible management of waste	Promotion and adoption of waste management policies (collection, recycling and disposal) in the management of business activities

The following analysis identifies, for each material topic, the related risks, the perimeter within which real and potential impacts are generated, and the scope of reporting.

Material topic	Risks identified	Impact scope		Reporting scope
		Internal	External	
Transparency, ethics and compliance in business operations	Non-compliance with or violation of regulations, resulting in payment of monetary fines and/or involvement in court cases.	Aeffe Group	External collaborators	NFD perimeter
Prevention of active and passive corruption	Violation of regulations, resulting in payment of monetary fines and/or involvement in court cases. Loss of market share.	Aeffe Group	External collaborators Vendors Business partners	NFD perimeter
Privacy protection	Failure to protect the privacy of employees and clients, resulting in complaints, fines and penalties. Loss of confidential data.	Aeffe Group	Clients	NFD perimeter
Brand protection and promotion	Failure to protect the brand against plagiarism, resulting in loss of reputation and market share. Improper use of the brand in association with sales outlets and websites for commercial activities not envisaged by the brand	Aeffe Group	Clients and business partners	NFD perimeter

	strategy. Counterfeiting.			
Resilience and business continuity in the face of adverse events	Inability to respond rapidly to economic/social/environmental changes, with consequences for the brand and loss of market share and clients.	Aeffe Group	Clients	NFD perimeter
Economic-financial strength of the Group	Contraction of economic results and failure to achieve objectives. Low financial strength of the partners with which the Group maintains commercial relations.	Aeffe Group	Business partners	Financial consolidation
Territorial presence and markets served	Loss of competitiveness and market share.	Aeffe Group		NFD perimeter
Quality and traceability of raw materials	Market launch of a product not compliant with qualitative and regulatory standards, inconsistent with the social and environmental expectations of the most aware stakeholders, with consequent potential loss of reputation, market share and clients. Non-conformity of materials with qualitative standards and requirements. Problems associated with trading standards.	Aeffe Group	Vendors	Aeffe S.p.A. Pollini S.p.A. Velmar S.p.A. Limitation justified by the fact that the other companies considered are largely (or exclusively) commercial in nature. Accordingly, the impacts are not considered significant
Attention to packaging and opportunities for recycling	Sale of products with packaging that is not sustainable from an economic and environmental standpoint, with consequent loss of reputation, adverse environmental effects and potential economic losses.	Aeffe Group	Clients	
Use of recycled materials and/or secondary raw materials	Failure to use secondary raw materials / waste of raw materials, with environmental consequences that might result in loss of reputation and customer disappointment. Problems associated with trading standards.	Aeffe Group	Vendors and clients	
Customer satisfaction	Loss of image and reputation. Loss of competitiveness and market share. Incorrect perception by clients of	Aeffe Group	Business partners	NFD perimeter

	the values associated with the brand.			
Client health and safety	Loss of image and reputation. Loss of competitiveness and market share.	Aeffe Group	Clients	NFD perimeter
Responsible Marketing and Communications	Loss of image and reputation. Loss of competitiveness and market share. Incorrect perception by clients of the values associated with the brand. Counterfeiting.	Aeffe Group	Clients	NFD perimeter
Responsible (social and environmental) management of the supply chain	Low financial strength of the partners with which the Group maintains commercial relations. Non-compliance by commercial partners. Contraction of economic results and failure to achieve objectives. Problems associated with trading standards. Non-conformity of materials supplied with qualitative standards and requirements. Loss of image and reputation due to entrusting the process to vendors that do not comply with the Code of Ethics of Aeffe S.p.A. or with current regulations.	Aeffe Group	Vendors Business partners	Aeffe S.p.A. Pollini S.p.A. Velmar S.p.A. Limitation justified by the fact that the other companies considered are largely (or exclusively) commercial in nature. Accordingly, the impacts are not considered significant
Research and development	Loss of image and reputation. Loss of competitiveness and market share. Counterfeiting.	Aeffe Group	Clients and business partners	NFD perimeter
Health, safety and well-being of workers	Increase in the injury rate. Increase in work-related stress. Failure to comply with the instructions for containing Covid-19 contagion.	Aeffe Group	Vendors	Only Italian companies[1] have been included in the reporting scope Compliance with local rules is guaranteed for foreign companies
Professional training and development	Increase in employee turnover and loss of skilled personnel with important roles in key processes.	Aeffe Group		NFD perimeter

[1] Aeffe S.p.A.; Aeffe Retail S.p.A.; Velmar S.p.A.; Pollini S.p.A.; Pollini Retail S.r.l.; Moschino S.p.A.

	Failure to achieve the established objectives due to bad planning and/or wrong execution of properly planned action. Dissemination of know-how and consequent strengthening of competitors.			
Attraction of talent	Failure to invest in and/or recruit talents and young people, resulting in a high average age of personnel, with insufficient innovation and attention to current trends.	Aeffe Group	External collaborators	NFD perimeter
Inclusivity, diversity and the well-being of workers	Loss of human resources, reputation and profits due to penalties and reasons linked to racism, inequality and the rejection of diversity, resulting in loss of reputation. Risk of court cases linked to failure to safeguard human rights and/or to discrimination, resulting in loss of reputation.	Aeffe Group		NFD perimeter
Contribution to the fight against climate change	Generation of adverse environmental impacts. Monetary penalties and fines for failure to comply with current regulations.	Aeffe Group	Vendors	Aeffe S.p.A. Pollini S.p.A. Velmar S.p.A. Limitation justified by the fact that the other companies considered are largely (or exclusively) commercial in nature. Accordingly, the impacts are not considered significant
Production and responsible management of waste	Generation of adverse environmental impacts, especially from the poor management of hazardous waste.	Aeffe Group	Vendors	

All changes with respect to the information shown in the “reporting scope” column are evidenced appropriately within the section.

Process of mapping sustainability risks

The Aeffe Group embarked on a more detailed mapping of ESG (Environmental, Social and Governance) risks during 2020. Starting from an analysis of materiality, as described above, this will lead to the progressive integration of sustainability factors within the risk management model. The objective is to understand and assess the importance of ESG risk in terms of the impacts they might have on the organization and the other, more traditional categories of risk including, in particular, reputational risk.

In this way, the non-financial dimension will contribute to the definition of a resilient strategy, capable of reacting to and tackling the adverse events that characterize the current macroeconomic context. This work is a consequence of the responsible attention paid by the Aeffe Group to key topics, both present and future: sustainable development, inclusion and social integration, and the fight against climate change. On this last topic, in particular, the mapping activities represent an essential step towards increased alignment with the

11 recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which the Group has started to adopt via the initial assessment described in the Environment section.

As a first step, the identification of non-financial risks has made it possible to expand and complete the risk map of the organization, including various aspects that may have significant effects (positive and/or negative, direct and/or indirect, real and/or potential) on the business and its ability to create value over time, both for itself and for all key stakeholders.

TRADITIONAL RISK	ADDITION OF ESG FACTORS AND RISKS
Reputational	Losses caused by unethical behavior, adverse publicity, lack of transparency in the disclosures made about sustainability, apparent indifference to social problems (human rights, for example).
Operational	Risks associated with the impact of the organization on the environment and the community, deriving from its production processes (including those of supply chain partners) or the provision of services. Indirect adverse effects caused by physical or transitional risks linked to climate change.
Financial	Negative ROI from sustainability initiatives, inefficient use of resources, savings that do not materialize (tax credits and incentives), investment in SRI funds, financial losses due to the deterioration of tangible assets caused by climate change.
Compliance	Failure to comply with all the various regulations governing the environment, health, safety, employment and work, fraud, privacy, anti-corruption and unfair competition.

Reporting process

The contents of this NFD have been checked and approved in the following manner:

1. a small working party was identified within the HR Department of the Aeffe Group, comprising the following roles:
    - HR Manager - Pollini S.p.A., Aeffe S.p.A., Moschino S.p.A
    - Marketing Director - Aeffe S.p.A
    - Leather Goods Production Manager - Pollini S.p.A.
    - Production Director - Velmar S.p.A.
    - Research and Development Director - Aeffe S.p.A.
    - Operations Director - Aeffe S.p.A.
    - Group Controller - Aeffe S.p.A
    - Logistics Manager - Aeffe S.p.A.
    - Investor Relations and Aeffe Group Consolidation Manager
    - Prevention and Protection Manager - Aeffe S.p.A./Retail, Velmar S.p.A., Moschino S.p.A.
    - Head of Legal and General Affairs - Aeffe Group

2. Each company within the reporting scope contributed the information requested, identifying a data owner and requiring the content of each data collection form to be validated by the manager of the entity concerned.
3. The consolidated information and data were then collected and aggregated by the managers of the above functions, each to the extent of their own responsibilities.

4. Lastly, the final contents were approved by the General Management of the Group and, on 18th March 2021, by the Board of Directors of Aeffe S.p.A.
5. The content of this Declaration was examined and checked by the designated auditing firm, applying the methodologies envisaged in ISAE 3000 (Limited Assurance).
6. This Declaration is published, together with the report on the 2020 Financial Statements of the Aeffe Group, in the Investor Relations - Financial Statements and Report section of the website http://www.aeffe.com.

When reading this document, please bear in mind the unexpected circumstances that conditioned activities throughout 2020, linked to the global healthcare emergency.

The reporting process

In December 2020, Aeffe adopted an internal Procedure entitled "Reporting process for the Consolidated Non-Financial Declaration of the Aeffe Group", which describes operationally the internal process of non-financial reporting.

The purpose of the Procedure is to define the process of collecting and approving the non-financial information disclosed in the Consolidated Non-Financial Declaration prepared each year by the Group. In particular, the roles and responsibilities of the various functions involved are described in detail, together with the timing of each phase in the reporting process.

The Procedure was applied in order to prepare this NFD.

GOVERNANCE

MATERIAL TOPICS
➢ Transparency, ethics and compliance ➢ Brand protection and promotion ➢ Resilience and business continuity
OBJECTIVES
Extend the internal auditing processes adopted by the Parent Company to all companies within the reporting scope. Increase supervision and monitoring of the principal social networks, ensuring that the corporate image is always aligned with the brand profile.

Corporate governance and transparency in business operations

In a mature and highly competitive market such as fashion and luxury goods, constant close attention to quality, creativity and distinctiveness underpins the positioning and development strategy of the major Aeffe Group brands, such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino and Pollini.

Aeffe pursues excellence in serving its customers, with a view to creating value for all stakeholders, in primis the shareholders, maintaining and developing relations based on the principles of integrity, transparency, legality, impartiality and prudence[2].

[2] For more information, see the Code of Ethics of AEFFE S.p.A., available at the address www.aeffe.com/it/modello-di-organizzazione-

To this end, the negotiations and commercial agreements reached with *business* customers, and the sales techniques adopted in relation to retail customers, focus exclusively on product quality and the real ability to meet customer expectations. With regard to vendors and other service providers, the Group strives to act in an upright, transparent, legal and impartial manner. Objective and documentable criteria are applied when selecting and managing freelance workers, vendors and partners, in order to seek the maximum competitive advantage - based on quality and price, as well as warranties and/or support - without any discrimination among the potential alternatives.

The risk management and internal control system adopted by Aeffe ensures the credibility, accuracy, reliability and timeliness of disclosures, as well as the healthy and proper management of the business, consistent with the established objectives for sustainable business development, via the adoption of a suitable process for identifying, measuring, managing and monitoring the principal risks.

In addition, the Parent Company has adopted an organization, management and control model pursuant to Decree 231/2001 (the 231 Model or Model). Constantly updated and monitored, the Model provides a fundamental tool for the proper, transparent and ethical management of business processes, via:

- the Code of Ethics with reference to the offenses considered in the Model;
- an organized system that is sufficiently formalized and clear, especially with regard to the assigned of responsibilities;
- manual and IT procedures (information systems) capable of governing the performance of activities with appropriate control points; in this context, an effective preventive control consists of the segregation of duties among those who carry out activities deemed crucial within a process at risk;
- the assignment of authorization and signature powers in a manner consistent with the organizational and operational responsibilities defined;
- a system of management control that is capable of reporting on a timely basis the existence and development of general and/or specific situations that may be critical;
- communications to personnel and their training.

Aeffe S.p.A. adopts a traditional system of administration and control founded on the Board of Directors (the Board), which guides the strategic direction, and the Board of Statutory Auditors, both of which are appointed at the Shareholders' Meeting. In addition, the Board of Directors has appointed two Board committees in accordance with current regulations and the Corporate Governance Code promoted by Borsa Italiana: the Compensation Committee and the Control, Risks and Sustainability Committee.

The system of corporate governance[3], being the set of rules and methodologies for the planning, management and control of activities that ensure the proper and transparent functioning of the Company, has been devised by the Board of Directors in line with the Corporate Governance Code promoted by Borsa Italiana and domestic and international *best practices*.

The composition and principal functions of each governance body are described below.

GOVERNANCE BODY	No. MEMBERS	FUNCTION
Board of Directors	9	The Company is managed by a Board of Directors comprising a number of executive and non-executive directors, with female directors accounting for at least two-fifths of the total. The ordinary Shareholders' Meeting is responsible for appointing the members of the Board of Directors, from the lists of candidates presented by

gestione-e-controllo/

[3] For more detailed information, see the Report on corporate governance and the ownership structure prepared pursuant to art. 123-bis TUF (Consolidated Finance Law), available on the website of the Parent Company.

		the shareholders, in compliance with the current legislation on gender balance. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, without any exceptions, and has the right to perform all deeds deemed appropriate for the pursuit and achievement of the company's objects, with the sole exclusion of those reserved by law for the shareholders' meeting. The directors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected.
Board of Statutory Auditors	5	The Board of Statutory Auditors checks compliance with the law and with the company statutes and can challenge any non-compliant resolutions before the courts. The Statutory Auditors also verify the adequacy of the administrative and accounting organization and the proper administration of the Company, reporting any significant facts to the Shareholders' Meeting. They can also report any management irregularities to the courts.
Compensation Committee	3	The role of the Compensation Committee is to make proposals to the Board, in the absence of the directors involved, concerning the remuneration of the executive directors and those with specific responsibilities, as well as - at the request of the executive directors - to establish criteria for the remuneration of the Company's senior managers, including any stock-option plans or allocations of shares, as well as any short and medium/long-term MBO bonuses. The Compensation Committee periodically checks the criteria adopted for the remuneration of executives with strategic responsibilities, monitors their application based on information provided by the executive directors and makes general recommendations to the Board on this subject.
Control, risks and sustainability committee	3	The Control, Risks and Sustainability Committee has been established to support, with recommendations and advice based on appropriate analytical work, the assessments and decisions of the Board of Directors in relation to the system of internal controls and risk management, to the approval of periodic financial reports and to sustainability meaning, in this last case, the various processes and initiatives that address the environmental and social aspects of the Company's activities. The Committee is appointed by the Board of Directors and comprises 3 non-executive directors, 2 of whom are independent, at least one of which must have adequate knowledge and experience of accounting, financial or risk management matters. The Committee remains in office for the period determined each time by the Board of Directors or, if not determined, for the period in which its members remain directors of the Company.

	Men	Women	TOTAL	under 30	30-50 years	over 50	TOTAL
Board	5	4	**9**	-	1	8	**9**
Board of Statutory Auditors	3	2	**5**	-	-	5	**5**
Compensation Committee	2	1	**3**	-	-	3	**3**
Control, risks and sustainability committee	2	1	**3**	-	-	3	**3**

GOVERNING BODIES AND COMMITTEES OF AEFFE S.P.A., BY GENDER AND AGE BAND AT 31.12.2020

Resilience and business continuity

The adverse impact of the pandemic on the demand for luxury goods has been significant and has influenced the entire industry worldwide. In terms of business continuity, the actions taken by the Group to tackle the socio-economic consequences of Covid-19 have included:

1. renewed commitment to research, creativity and high-quality production, in order to strengthen further the positioning of our brands by continuing to launch ideas/collections, despite the pandemic;
2. careful management of relations with the principal commercial partners, especially in the Far East, in order to give them as much support as possible, including development of the retail channel - not least that linked to domestic business travel (major Chinese airports) - in collaboration with important local partners. Additionally, China has pushed strongly the development of the Tmall Luxury Pavilion, in collaboration with Alibaba and local partners, in order to counter the effects of the bricks&mortar shutdown;
3. enhanced digital communications via the adoption of new technologies, such as remote showrooms to present new collections to buyers and operators, and the use of collaboration tools to facilitate strong interaction between the sales network and buyers. Strong emphasis on direct mail marketing, even for B2B, in order to distribute supporting information and materials for sales campaigns;
4. strengthened digital activities in support of the on-line business, with a special focus on customer care, via the reassignment of resources for the development of technologies and tools capable of meeting the needs of clients, with an increased emphasis on personalization of the customer experience. Some stores have introduced on-line shopping technology that allows customers to connect with sales personnel wearing 3D glasses, so their virtual purchasing experience can be taken to the next level;
5. despite the temporary interruption of activities, optimal supply chain management made it possible to produce samples for the Spring/Summer 2021 season and the collections for Fall/Winter 2021 by the planned dates, without hindering the proper restart of all business processes as soon as the public authorities issued the related instructions.

The ongoing healthcare emergency did not allow fashion shows to be organized in the traditional way; nonetheless, the Aeffe Group managed to parade its brands during Milan Fashion Week and present the new Spring-Summer 2021 collections:

- the new Moschino collection was presented in the form of a video shot ahead of time in the Los Angeles film studios;
- Alberta Ferretti organized a parade inside Castello Sforzesco in Milan, attended by the most important invited buyers and journalists - in strict compliance with the anti-Covid-19 protocols - and live-streamed across the world to buyers and consumers on the principal social media platforms, websites and sector magazines;
- Philosophy di Lorenzo Serafini showed its collection to an invited public in the gardens of Vigna di Leonardo, an historic Milanese villa, with support from drones and videos.

All these initiatives were then strongly promoted in electronic form across the social media pages of the Group, using advertising campaigns to promote video views, lead generation and engagement that reached millions of visitors.

HUMAN RESOURCES

MATERIAL TOPICS
➢ Attraction of talent ➢ Inclusivity, diversity and the well-being of workers ➢ Professional training and development ➢ Worker health and safety
OBJECTIVES

The improvement objectives identified in prior years remain valid, but it is also necessary to add several short- and long-term objectives as the Group adapts to the new reality. The two main action areas are Digitalization & Innovation and People Care, in order to offer employees and candidates an ever more customized approach to their needs and preferences, taking maximum advantage of the technologies available today.

Short-term improvement objectives and commitments:

The new two areas - Digitalization & Innovation and People Care - are essentially brought together by the development of:

1. *Smart working and business reorganization* → the role of HR is to keep abreast of new requirements and help people with the changes in progress; accordingly, the most significant recent challenges identified by the HR Departments are closely linked to the response to the Covid-19 emergency, being the introduction and strengthening of smart working and the management of business reorganizations and/or changes in the size of the workforce.

2. *Employer branding* → on the one hand, the HR functions must continue to attract candidates and, on the other, must contribute to improving the employability of existing personnel by introducing the "new skills and abilities" that will be needed over the long term.

3. *Development of digital skills and culture* → while the emergency has stimulated greater recourse to digital technologies at work, it has also identified obvious weaknesses in the digital skills possessed. These skills and the underlying digital culture are, in fact, fundamental requirements these days for any business or organizational function. The challenge will be to know how to use the new technological tools to make processes more efficient and produce the information and datasets needed for work purposes. Now, more than ever, the priorities are to integrate hard and soft skills, in-person and on-line training and customize learning paths.

4. *More agile organizational models and change management* → despite the evident need for radical transformation, many workers still reject change and/or find themselves unprepared for it. Although continuous transformation involves a series of risks, a strong push is needed in this direction, while also helping all workers to understand the benefits and opportunities. The objective will be to maintain an on-going, constructive dialog with employees, in order to create value for the business through a listening channel that reaches all employees. All this will enable personnel to adapt better to new working habits, with help in case of difficulty.

5. *Increased engagement* → worker involvement is in fact one of the more arduous challenges faced by HR Departments. The forced changes to working methods have been rapid and continuous. The priority, therefore, is to integrate the increased flexibility offered by smart working with the ways of the traditional organization, injecting objectives/projects into the culture of work. This highly complex

organizational process will necessarily require cultural transformation at all levels within the Group.

Lastly, a number of the objectives mentioned in NFD 2019 are still on the agenda, including:

- outsource activities that add less value to the HR function (e.g. by using agencies to hire seasonal workers, search for and shortlist junior profiles, etc.);
- provide compliance training to employees via a digital e-learning platform;
- carry out a detailed age-band analysis of the entire organization, in order to determine the current intergenerational balance and adapt the activities assigned to the various positions. This analysis is needed in order to identify best practices for managing the age of collaborators and helping to extend their working lives, while also promoting equal opportunities for workers within the various age bands;
- monitor constantly the KPIs of current employees, applying specific metrics. The pandemic has hampered efforts in these areas and it was not possible to reach some of the objectives set.

<u>Long-term improvement objectives and commitments:</u>

In addition to the important HR task of guiding the transition from traditional ways of working to the more innovative and digital practices, the department is also responsible, more generally, for building a new relationship between individuals and the organization, again drawing on the new technologies.

The established long-term objectives that remain valid for the coming years include:

- attract high quality resources, providing effective training for the development of a range of skills and planning career paths that enhance human capital. All this while keeping control over employment costs;
- manage talents, developing their skills in order to create value for the organization;
- search for, select and hire both technical and professional personnel, with the principal goal of establishing a chain of succession for key roles;
- with a view to developing an agile culture of work, it was decided to purchase an IT tool for scheduling and planning of Smart Working days (the concept was included in the 2019 in-house agreement and tested in that year; during 2020 the approach was extended to and disseminated throughout all corporate departments);
- improve external communications (via social networks, corporate intranet and Group websites). The company is currently working to create a common identity for all Group websites, redefining communications and content across all digital channels in order to transmit a consistent and integrated corporate image, while also working on employer branding to attract the best people.

<u>Health and safety improvement objectives and commitments:</u>

With regard to occupational health and safety, a number of actions have been identified over the medium term to further reduce the risks associated with the various activities, in accordance with the applicable regulations and legislation including, in particular, Decree 81/08 as amended. Further, in addition to ensuring compliance with the applicable regulations, the purpose of the Safety Office is to make personnel aware of the need to comply with the instructions, thus reducing or even eliminating injuries and occupational illnesses as part of the constant improvement of corporate health and safety standards.

People are the true strategic asset: in order to preserve and enrich this capital, our people are constantly stimulated and led down a personal and professional growth path, within which the potential and creativity of each individual are realized to the full.

The Aeffe Group is committed to guaranteeing equal opportunities for all collaborators. Furthermore, all decisions made by the Group are based on merit, skill and ability.

The Group rejects all forms of direct or indirect discrimination based on age, state of health, gender, religion, race, political and cultural opinions, or personal or social status.

The primary objective of Aeffe's Human Resources Department is to improve employee performance and plan possible improvements to the related organizational processes, in order to facilitate the growth of the business. Given this, each individual must be considered in a holistic manner, not simply by looking at professional experiences, but also by seeking to understand the person and discover his or her aptitudes, motivations and potential.

Especially in a year marked by the global health crisis, the HR Department of the Aeffe Group has renewed its commitment to ensure that employees have a comfortable, clean and safe working environment. In particular, the risks to which workers and other interested parties are exposed have been identified and evaluated, resulting in suitable preventive actions.

An effective model for Group HR management must include a process for planning personnel development that envisages:

- identification of organizational roles to be covered using internal resources and the related professional profiles;
- search for, selection and hiring of personnel, constant appraisals and recognition of the value contributed to the business, not least in terms of conduct and respect for the corporate culture;
- adoption of appropriate leadership models by the managers of operational teams, and action to develop individuals via training, meritocratic and motivating remuneration policies and/or internal mobility.

The policies are established and disseminated via programs designed to manage every organizational aspect of personnel training and development, motivation and the comprehensive measurement of performance at all levels, consistent with the budgets assigned and the pact agreed with social partners. In this regard, the social pact held strong during 2020: continuous dialog and constructive discussions on rules and scenarios made it possible for the entire employed population to benefit from, above all, safe working conditions and a salary safety net, partly assured by government measures.

Covid-19 Healthcare Emergency

The analysis and report on 2020 cannot ignore the complex Covid-19 situation, which has affected all aspects of corporate life and redesigned the traditional organizational models, pushing strongly for the digitalization of all business processes. In this context, Aeffe reacted promptly and firmly, demonstrating great resilience.

From an organizational standpoint, the HR function - assisted by other staff functions within General Management, such as Safety and IT - played a central role in managing the emergency by coordinating all Business Units within the Group: the instructions given took account of their differing organizational and/or regulatory needs. HR also acted as liaison between the Institutions (Police, Regions, Unions, Hospitals, Employers' Associations) and the internal Union representatives and Top Management, in order to keep the entire employed population informed about the progress of events.

The activities of HR management focused mainly on analysis of the decrees and the necessary related organizational changes, considering the current situation and implementing all the processes and amendments required to comply with the regulatory instructions. The principal activities included:

- translation of the regulatory instructions in the corporate context;

- revision of the personnel budget and organizational policies;
- constant communication with the entire employed population;
- signature of union agreements for the activation of social safety nets;
- activation of "emergency" smart working, with additional supporting purchases of the equipment and software needed for remote working.

In addition, in the wake of the new way of working adopted in 2020, a culture of digital feedback was developed that stemmed partly from the surveys carried out during the year, some of which covered: business intelligence projects, smart working and the remote showroom.

In addition to "day-to-day" activities involving the sanification of environments and the management of mandatory quarantine periods, the work of the HR and Safety Departments included: preparation of internal anti-Covid protocols and procedures, the purchase and distribution of thermometers and temperature scanners, as well as other PPE (masks and sanitization kits), and verification of the adequacy of working environments. Agreements were signed with a number of medical facilities for the performance of nucleic acid swab tests.

The activities of the IT and HR Departments included: upgrading the network infrastructure (IT Department only), mapping of internal equipment, definition of rules, procedures and requirements for smart working and home working, implementation of call transfers from fixed to mobile, configuration and installation of VPNs on business and private devices.

A new policy for IT equipment was also approved and digital collaboration tools, such as videoconferencing, were activated.

The Health and Safety Office adopted precise protocols for conduct, in order to minimize the possibility of internal contagion within the various offices, operational facilities and sales outlets nationwide. In this regard, all the precautions envisaged by the applicable regulations were adopted, as supplemented - where necessary - by internal action to increase awareness about the most appropriate conduct at work and at home, in order to minimize the contagion risk, safeguard the health and safety of employees and collaborators and ensure the continuity of business operations.

Employment, Diversity and Inclusion

One of the most delicate policies for the management and development of human resources involves disseminating, promoting and defending a culture of gender diversity and guaranteed equal opportunities for all employees.

In order to build greater awareness among all personnel, the Parent Company has published the Diversity Management document announced in the last NFD. This objective of this initiative is to promote awareness about cultural and organizational change, thus creating an "inclusive" environment in which differences are not the subject of discrimination, but benefit instead from real attention and a listening ear.

Another initiative intended to ensure inclusion has been embodied in the supplementary in-house agreement, so that working mothers can benefit from a "maternity package". Given the large female component of the workforce in this sector, Aeffe has introduced a system that facilitates the post-maternity return to work, improves the work-life balance of female workers and, at the same time, enables the Company to make plans that limit the turnover of personnel. On return to work after taking the optional parental leave, the new mothers concerned can benefit from shorter hours for a period of 11 months, with a choice of two time bands for their part-time work.

The supplementary in-house agreement also now includes a section on harassment and violence, both in the workplace and outside. Adopting the framework agreement signed by the European social partner organizations on 26th April 2007, information and training activities have been identified to increase awareness about harassment and gender violence in the workplace, together with internal victim support procedures and more favorable provisions for the victims of gender violence.

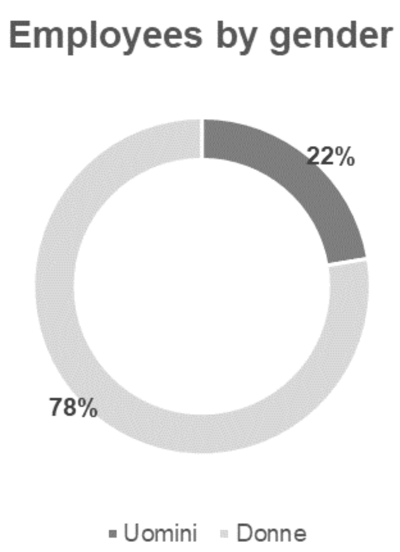
The workforce totals 1,234 persons at the end of 2020, slightly fewer than in 2019, of whom the large majority of the employed population, 78%, are women. Permanent contracts accounted for 93% (1,152 contracts) of the total at the end of 2020. Just 7% of workers have fixed-term contracts.

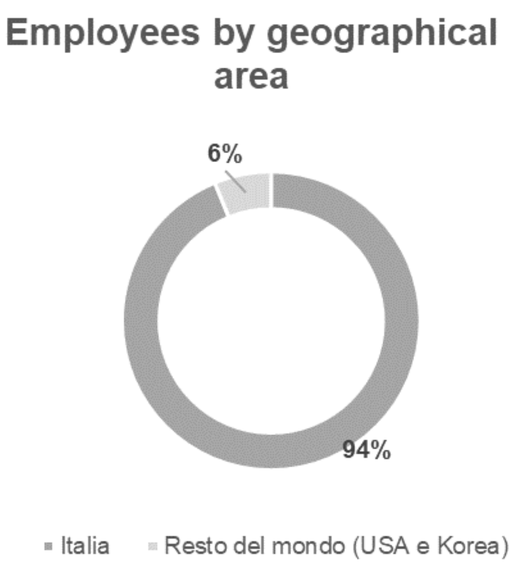
As encouraged in the national collective employment contracts and consequent to agreements reached with the social partners on the transformation of working hours, 16% of women now have part-time contracts.

EMPLOYEES, ANALYZED BY CONTRACT, JOB TYPE AND GENDER

	2020			**2019**		
	Men	Women	**Total**	Men	Women	**Total**
Permanent	**258**	**894**	**1,152**	260	907	**1,167**
Fixed term	**18**	**64**	**82**	33	135	**168**
Total	**276**	**958**	**1,234**	**293**	**1,042**	**1,335**
Full-time	**260**	**802**	**1,062**	274	856	**1,130**
Part-time	**16**	**156**	**172**	19	186	**205**
Total	**276**	**958**	**1,234**	**293**	**1,042**	**1,335**

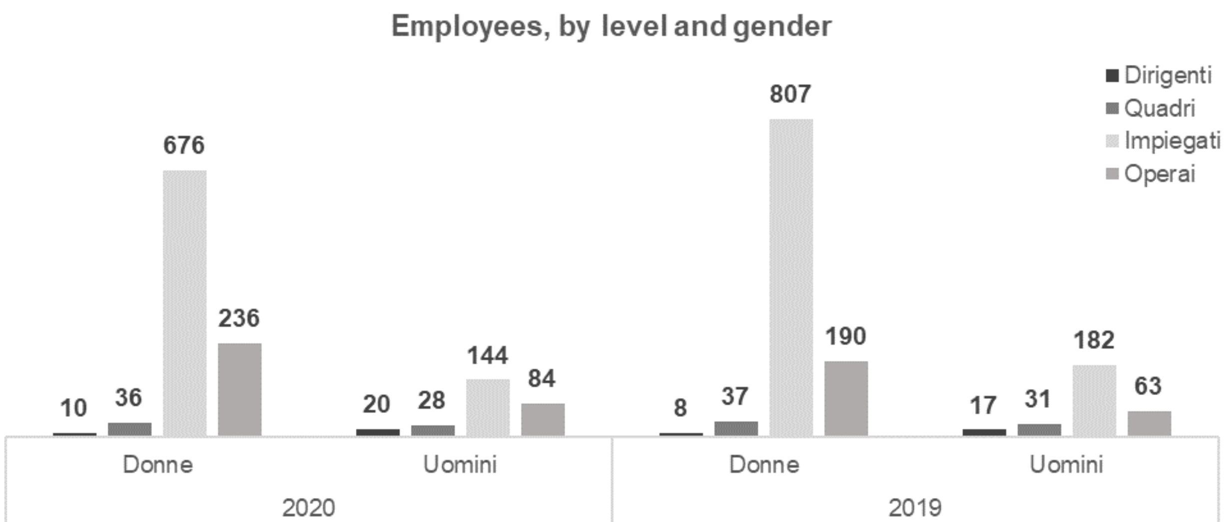
Of all employees (1,234), 1,081 have a permanent contract in Italy and 71 in the rest of the world, while just 82 employees in Italy have a fixed-term contract.





EMPLOYEES, BY LEVEL AND GENDER

	2020			2019		
	Men	Women	**Total**	Men	Women	**Total**
Executives	20	10	**30**	17	8	**25**
Managers	28	36	**64**	31	37	**68**
Clerical staff	144	676	**820**	182	807	**989**
Factory workers	84	236	**320**	63	190	**253**
Total	**276**	**958**	**1,234**	**293**	**1,042**	**1,335**
Percentage	**22%**	**78%**	**100%**	**21.9%**	**78.1%**	**100%**



EMPLOYEES, BY LEVEL AND AGE BAND

	2020				2019			
	under 30	30-50	over 50	**Total**	under 30	30-50	over 50	**Total**
Executives	0	14	16	**30**	-	10	15	**25**
Managers	0	42	22	**64**	3	44	21	**68**
Clerical staff	122	521	177	**820**	187	609	193	**989**
Factory workers	25	147	148	**320**	18	111	124	**253**
Total	**147**	**724**	**363**	**1234**	**208**	**774**	**353**	**1,335**
Percentage	**12%**	**59%**	**29%**	**100%**	**15.6%**	**58.0%**	**26.4%**	**100%**

Attraction of talent

The Group considers the attraction of new talent to be essential for the success of its brands. Ever more oriented towards the future, the Group gives preference to the recruitment of young people. The process generally begins with an internship that, following a positive appraisal and budget availability, leads to hiring. Over the five-year period just ended (2016-2020), 265 internships have resulted in a placement percentage of 10%.

The activities linked to the attraction of talent changed significantly during 2020: search and selection were carried out entirely on a remote basis, as it was possible to participate in career days and company visits to relevant schools were forbidden. Despite the unfavorable conditions, Aeffe maintained relations with the network of schools, universities and academies in the clothing sector. Participation in certain digital events promoted by them helped to maintain the channels for contacting the most talented individuals. In addition, following the restart of work, a number of curricula and training apprenticeships were activated.

The Company runs an induction program for all new hires, in order to transmit the brand values right from the start and create an immediate sense of belonging. The day is broken down into three sessions: the first introduces the new people to the history of the Group, presenting the brand portfolio and the corporate values; the second is organizational, explaining the business, the organization charts, the flows and the corporate policies; while the third involves a guided tour of the departments within the plant, so the overall structure can be appreciated and, at the same time, recruits can see directly how collections are organized and produced.

In total, 262 persons were hired in 2020, including 135 by the foreign companies. Of the latter, 106 were women and 29 were men: 33% were under 30 years old, while 53% were aged between 30 and 50. With regard to leavers, the turnover rate was 16% (due to many persons reaching pensionable age). Among those terminating their working relationship with a Group company within the scope of reporting, 79% were women.

Collective bargaining agreements

The policies and procedures followed by the Group for the management of working relationships are consistent with the various National Employment Contracts applied by the companies concerned. All employees of the Italian companies in the Aeffe Group are covered by National Employment Contracts, as follows:

- Clothing (Aeffe S.p.A., Velmar S.p.A.)
- Leather and shoes (Pollini S.p.A.)
- Retail (Aeffe Retail S.p.A., Pollini Retail S.r.l.)
- Private SMEs (Moschino S.p.A.)
- Industrial executives (Managers of all companies)

Even though local employment rules are different from those applicable in Italy, the employees of Aeffe USA Inc (USA) and Moschino Korea Ltd (South Korea) are covered by equivalent contracts within those legislations.

Welfare and Well-being

Aeffe has adopted a corporate welfare plan, dedicating additional resources with respect to the amounts already allocated to reward the productivity of employees. This plan seeks to create a better working environment, ever more careful to achieve a good work-life balance, the development of human capital and an increased sense of belonging, via a series of initiatives designed to increase the well-being of workers and their families.

The principal welfare initiatives intended to enhance the well-being of employees include:

- Workers' Recreation Committee (CRAL) - Aeffe makes funds available to employees for cultural, recreational, training, information and sporting activities, which are managed by a committee of six members designated by the employees and financed by an annual grant from the Company. The corporate intranet contains a list of partner businesses and the discounts applied, together with a calendar of all the activities promoted by the Committee.
- Purchase of Company products - Aeffe allows all personnel to purchase Company products at advantageous prices (footwear and leather goods at Pollini, underwear and summer clothes at Velmar, clothing and accessories) from the related stores. This opportunity is made available twice each year, at specific times notified by the Company.
- Accounting and tax services - each year, in May, all employees are given an opportunity to obtain tax advice and support (for their Form 730 tax declaration), under an agreement with Cafindustria. The declaration is completed on Company premises, during working hours, with a dual benefit: the first is to free-up personal time, while the second is to obtain reduced rates.
- Sick pay - blue-collar workers are entitled to a sick-pay supplement, assuring them of up to 75% of the normal remuneration from the first to the third day of absence; while white-collar workers are entitled to a sick-pay supplement, assuring them of up to 75% of their normal remuneration for the fifth and sixth months away from work.
- Positive action - upon request from individual workers (both full and part time) and subsequent presentation of the related documentation, the Company allows up to six hours of paid leave annually for cancer screening medicals.

The Covid-19 pandemic has had a significant adverse impact on the psychological well-being of workers: the management of personnel has therefore included the provision of psychological and social support by the entire team. Despite the unexpected circumstances, Aeffe maintained the welfare actions agreed with the social partners, such as the annual bonus, the 250 euro per capita welfare bonus, the paid time for cancer screening, the introduction of study grants for the children of employees, the grant to the CRAL funds and the agreement with kindergartens in the area.

Training

In general, the policies adopted by the organization are established and disseminated via programs designed to manage every organizational aspect of personnel training and development, motivation and the comprehensive measurement of performance at all levels.

The principal objectives of this training cover professional updates, deep dives on certain topics, learning and practical skills. The sessions are delivered in a variety of ways:

- external training at private training bodies;
- distance learning using electronic platforms;
- OTJ training, both in house and at private training bodies.

The principal training activities and career and skill development plans, as well as the training on such topics as health and safety, the 231 Model and privacy, not to mention the induction of new hires and apprentices, include:

1. technical-professional updates - Technical skills → these are specific training courses designed to develop the technical skills of individual actors within the organization. Courses include project management, IT training for specialist users of the modeling flow system and tools for the design of clothing/knitwear, IT training, individual and group language courses (English, Chinese), participation in master classes/training seminars and training in sewing techniques;

2. development of managerial skills - Cross-functional skills → development of inter-personal skills for executives using external providers and training in compliance, depending on the positions held within the organization.

Training was provided on a remote basis in 2020, focusing above all on the study of new tools (such as digital collaboration, use of the cloud and business intelligence and management tools), training in the use of new IT platforms, on expansion of the learning system via the LMS software and, lastly, on the delivery of a First-level University Master from the Link Campus University in Rome, on a distance learning basis, for sales and marketing personnel.

In addition, a learning management system has been purchased as part of a three-year program, enabling the HR department to provide compliance training to collaborators (code of ethics, privacy and GDPR in this phase) on a distance-learning basis. This system makes it possible to track the training delivered and check participation/frequency of attendance.

A total of 4,267 training hours were delivered in 2020[4], of which 660 related to health and safety matters.

Health and safety[5]

In order to mitigate occupational health and safety risks, the Group not only complies with all current regulations and ensures a healthy workplace, but also provides employees with training and incentives to ensure that staff acquire new skills, and feel listened to and rewarded.

The occupational health and safety systems of all companies in the Group are organized in accordance with current domestic legislation (Decree 81/08, as amended, and equivalent rules for foreign companies). The safety management system applied, albeit not subjected to certification, follows the general approach and format of the Safety Management System compliant with standard ISO 45001.

The health and safety of employees is organized and managed internally by a specific office that covers the entire working population of all Italian companies. For all matters related to workplace safety, current legislation requires workers to be represented by a Workers' Safety Representative who maintains relations with both the Employer and the Health and Safety Officer.

The occupational health and safety risks faced by the Aeffe Fashion Group are described in the Risk Assessment Documents (DVR) prepared by the various companies. They are monitored by the organization and the responsible office in application of the management model implemented pursuant to Decree 231/01. These risks are assessed regularly, in accordance with the established timetable, to ensure compliance at all levels with the relevant current legislation.

Based on the assessment of corporate risks, there are no professional activities or duties that expose the workers of the Group to a high risk of contracting work-related diseases.

Given the emergency that extended for most of the year, health and safety training was delivered on an e-learning basis during 2020, limiting classroom sessions as much as possible. In order to safeguard the health of employees as much possible, as envisaged in the various decrees issued, the planned refresher courses were suspended - while maintaining the assigned emergency personnel (first-aid, firefighting, AED) - until the necessary classroom sessions can be held.

There were 11 recordable workplace injuries in 2020, all slight, involving 9 women and 2 men.

On the other hand, there were no recordable occupational illnesses, fatal injuries or deaths attributable to injuries and/or occupational illnesses.

[4] The data relates to Aeffe S.p.A., Aeffe Retail S.p.A., Pollini S.p.A., Pollini Retail S.r.l, Moschino S.p.A. and Velmar S.p.A.
[5] The data relates to Aeffe S.p.A., Aeffe Retail S.p.A., Pollini S.p.A., Pollini Retail S.r.l, Moschino S.p.A. and Velmar S.p.A.

INJURIES

	31.12.2020		
	Women	**Men**	**Total**
Incidents			
Injuries	9	2	**11**
Workplace deaths	0	0	**0**
Deaths following workplace injuries	0	0	**0**
Types of injury (no.)			
Recordable workplace injuries	9	2	**11**
Workplace injuries with serious consequences	0	0	**0**
*Injuries during home/work travel**	3	0	**3**

* Incidents during home/work travel are not included in the injury count, as envisaged in the UNI standard on injury statistics.

INJURY INDICES	31.12.2020		
	Women	**Men**	**Total**
Total hours worked	1,196,618.00	407,084.50	**1,603,702.50**
Recordable workplace injury rate (frequency index) *(no. injuries/tot. hours worked)*1000000*	7.52	4.91	**6.86**
Lost days rate (seriousness index) *(no. days lost due to injuries and occupational illness/tot. workable hours)*1000*	0.17	0.00	**0.13**

ENVIRONMENT

MATERIAL TOPICS
➢ Contribution to the fight against climate change ➢ Responsible use of water resources ➢ Production and responsible management of waste
OBJECTIVES
Aeffe strives to contribute to the fight against climate change via careful use of the energy resources needed for business activities, the improvement of energy efficiency, including the use of renewable sources (PV installations); the saving of CO2 emission will help to tackle climate change over the short-medium-long term. With regard to water resources, Aeffe monitors the data to ensure that business usage is proper and appropriate over the short-medium-long term. This approach is taken, as Aeffe does not have any processes that require considerable water consumption. Waste is managed in complete compliance with current regulations, with the maximum diligence. In particular, recent attention has focused on the differentiated collection of waste, making personnel at all levels aware of the importance of reducing the volumes produced in order to safeguard the environment and help the fight against climate change. As a result, a considerable reduction in waste should be achieved over the short-medium-long term.

In order to identify and mitigate the risks, Aeffe operates - to the extent compatible with its activities - in compliance with the provisions of the 231/01 Model, making particular reference to point 3.12 "Protection of occupational health and safety and the environment" of the Code of Ethics of Aeffe S.p.A.

Group management is sensitive to the potential impact that the conduct of individuals might have on the natural environment in which the Group operates: in order to help pass on a more sustainable environment to future generations, Aeffe strives to adopt solutions that minimize the adverse effects that its activities might have on the environment. For example, with regard to aspects relating to the 11 recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) - based on the results of the assessment described further below - Aeffe is positioned to gather and assimilate in its operations the improvements suggested, thus intensifying the fight against climate change.

With regard to the efficient use of resources, Aeffe has sought in recent years to define internally a series of targeted activities leading to the more efficient and effective use of resources and reduction of the ecological footprint of the Group. The resulting significant decrease in the environmental impact of operations evidences the effort made in the ongoing fight against climate change.

The careful and responsible use of water is important. While usage of this precious resource by Group companies is essentially at a domestic level, efforts are made to ensure that all personnel are aware of the need to avoid waste in their daily lives and in production processes. In this latter regard, Aeffe monitors the way in which water is used and checks consumption constantly, even though withdrawals are not intensive.

As ever, those responsible for managing the productive activities of the Group attach the greatest importance to environmental matters, since they cannot be separated from the drive for economic development. Special attention is paid to proper management of the waste generated by processing, so that it is eliminated properly in compliance with current regulations, using selected waste managers that are duly qualified to process the types of waste concerned.

Assessment regarding the 11 TCFD recommendations

With a view to managing the risks and opportunities associated with climate change, during 2020 the Aeffe Group carried out a preliminary assessment (building on the statements made in the 2019 NFD) to identify how well the business is aligned with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. This task force was established in 2015 by the Financial Stability Board (FSB) at the request of the G20 Economy Ministers and Central Bank Governors, who called for a review of the way in which the financial sector takes account of climate-related matters. The main purpose of the recommendations is to help organizations in all sectors (financial and non-financial) explain to investors and other stakeholders how they evaluate and disclose their climate-related risks and opportunities. Starting from this premise, the task force has developed 11 recommendations covering four subject areas: **Governance**, **Strategy**, **Risk & Management**, **Metrics & Targets** Starting from these recommendations, the Aeffe Group used a specific scoring methodology to check the alignment of the 2019 NFD with the 11 TCFD recommendations. This analysis showed that the Aeffe Group is well aware of both the "critical" physical risks, such as those linked to extreme weather events (flooding, rising sea levels, etc.), and the transition risks associated, for example, with a potential loss of reputation among the various stakeholders. This activity enabled the Group to identify the climate disclosure gaps with respect to the requirements of each TCFD recommendation and, at the same time, to start thinking about adopting a structured approach to improving the level of its climate disclosures and/or maintaining the high standards attained. In this way, the Aeffe Group will be able to:

- help potential investors and stakeholders to assess the quality of the climate disclosures made;
- deliver tangible and measurable results, not only economically but also from a social and environmental standpoint;
- stimulate innovation internally;
- attract investment and new business partners.

The signatories of the Fashion Pact are committed to achieving the Science-Based Targets (SBTs) for the climate, in order to become net carbon zero by 2050 and:

- *implement the principles of the UN Fashion Charter;*
- *procure 25% of raw materials from sources with a low environmental impact by 2025;*
- *consume 50% of energy from renewable sources by 2025 and 100% by 2030.*

Aeffe S.p.A. and Velmar S.p.A., which share the same location at San Giovanni in Marignano (RN), and Pollini S.p.A., which is based in Gatteo (FC), have already taken action to improve energy efficiency and reduce consumption. In substance: replacement LED lighting systems have been installed and new remote temperature-sensing systems in the various work environments reduce consumption and the related energy requirement, thus simultaneously safeguarding productivity and protecting the environment by lowering CO_2 emissions, all as part of the heightened attention paid to environmental matters and the fight against climate change. A new system for the differentiated collection of waste has been developed, in order to enhance personnel awareness about the need to manage properly the waste generated. This complements the earlier installation of water distributors, in order to reduce plastic waste and encourage its reuse, thereby lowering the environmental impact of the Group via concrete and targeted actions in the fight against climate change.

Energy consumption [6]

Energy consumption was determined using the following calculation and conversion tools obtained from authoritative sources:

> http://www.snam.it/it/stoccaggio/strumenti/convertitore.html
> https://www.eecabusiness.govt.nz/tools/wood-energy-calculators/co2-emission-calculator/

The companies considered, Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A., consumed a total of 33,406.03 GJ of energy in 2020. The increase with respect to last year reflects the addition of Velmar S.p.A. to the scope of reporting.

FOSSIL FUEL CONSUMPTION

	2020		2019	
	Total	**Total GJ**	**Total**	**Total GJ**
AEFFE S.p.A.				
Natural gas for heating (Sm³)	135,367	**5,396**	127,802	**5,094**
Fuel for the company fleet (l)	114,293	**4,379**	138,426	**5,624**
Diesel (l)	111,519	4,282	135,398	5,501
Gasoline (l)	2,774	97	3,028	123
POLLINI S.p.A.				
Natural gas for heating (Sm³)	148,882	**5,934**	140,220	**5,589**
Fuel for the company fleet (l)	37,711	**1,448**	42,840	**1,500**
Diesel (l)	37,711	1,448	40,849	1,430
Gasoline (l)			1,991	70

[6] The data relates to Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.

ELECTRICITY CONSUMPTION

	2020		2019	
	Total	**Total GJ**	**Total**	**Total GJ**
Purchased electricity (inc. 26.18% from renewable sources) (Kwh)			4,234,934	**11,255**
Purchased electricity (inc. 42% from renewable sources[7]) (Kwh)	3,817,399	**13,743**		
Total self-produced electricity consumed (Kwh)[8]	474,799	**1,709**	503,442	**1,812**

Water consumption

The consumption, deduced from the metered charges, relates to water drawn from the municipal mains supply at the plant locations (Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.) considered most representative of the Aeffe Group.

WATER DRAWN FROM THE MAINS (CUBIC METERS)

	2020	**2019**
AEFFE S.p.A. and VELMAR S.p.A. (m^3)	20,764	22,224
POLLINI S.p.A. (m^3)	1,600	1,789

A total of 22,364 cubic meters of water were drawn in 2020, entirely from municipal water vendors, compared with 24,013 cubic meters in 2019. This represents a reduction of about 7%.

The water discharged by the various companies in the Aeffe Group does not contain any potentially hazardous dissolved substances and, therefore, can reasonably be compared with normal domestic discharges.

Greenhouse gas emissions[9]

Emissions were determined using the following calculation and conversion tools obtained from authoritative sources:

- http://www.snam.it/it/stoccaggio/strumenti/convertitore.html
- https://www.eecabusiness.govt.nz/tools/wood-energy-calculators/co2-emission-calculator

EMISSIONS SCOPE 1

	2020		2019	
	Total GJ	**Total GHG**	**Total GJ**	**Total GHG**
AEFFE S.p.A.				
Natural gas for heating (Sm^3)	5,396	**325**	5,094	**307**

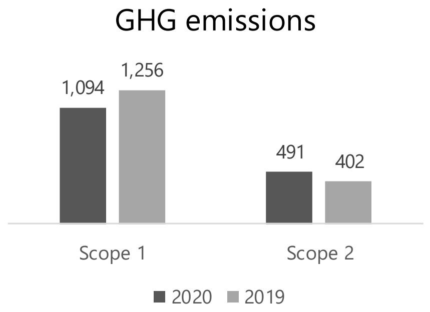
[7] Data source: HERACOMM
[8] The data relates to the headquarters of Aeffe S.p.A. and to Velmar S.p.A. in San Giovanni in Marignano.
[9] The data relates to Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.

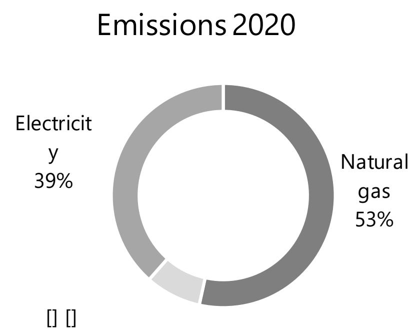
Fuel for the company fleet (l)	4,379	**310**	5,624	**399**
Diesel (l)	4,282	303	5,501	390
Gasoline (l)	97	7	123	9
POLLINI S.p.A.				
Natural gas for heating (Sm³)	5,934	**357**	5,589	**337**
Fuel for the company fleet (l)	1,448	**103**	42,840	**213**
Diesel (l)	1,448	103	2,012	143
Gasoline (l)			1,991	70
TOTAL SCOPE 1 (includes CO_2 only)	17,157	**1,094**	20,310	**1,256**

With regard to emissions, the self-generated electricity deriving from PV installations covered 18.24% of the Group's energy requirements, thereby reducing CO2 emissions into the atmosphere as part of the focused fight against climate change. Specifically, 2,506 GJ of power were generated by the PV installations, resulting in a saving of almost 90 tonnes of CO2.

EMISSIONS SCOPE 2

	2020		**2019**	
	Total GJ	**Total GHG**	**Total GJ**	**Total GHG**
Electricity from NON renewable sources	13,743	491	11,255	402
TOTAL SCOPE 2 (includes CO_2 only)	13,743	**491**	11,255	**402**





Waste disposal[10]

The plants of Aeffe S.p.A. and Velmar S.p.A. do not produce any hazardous waste. Waste is transferred to selected and authorized waste managers that process it, depending on type, in accordance with the relevant current legislation.
The situation at the plant of Pollini S.p.A. is different, given the presence of both types of industrial waste. The disposal of waste, depending on the processes required pursuant to current regulations, is carried out by

[10] The data relates to Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.

qualified and selected waste managers having regard for the different characteristics of the CER codes concerned.

WASTE BY TYPE (TONNES)

	Hazardous waste (t)		Non-hazardous waste (t)		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
AEFFE S.p.A. and VELMAR S.p.A.	0	0	10.94	2.6	10.94	2.6
POLLINI S.p.A.	1	0.78	130.13	110	131.13	110.78
TOTAL	**1**	**0.78**	**141.07**	**112.6**	**142.06**	**113.38**

HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION

MATERIAL TOPICS
➢ Prevention of active and passive corruption ➢ Privacy protection
OBJECTIVES
Implementation and verification of respect for all human rights and constant supervision to avoid all possibility of corruption.

Prevention of corruption

One of the key factors supporting the reputation of Aeffe is the ability of the Group to conduct business with integrity, transparency, legality, impartiality and prudence, in compliance with the law.

Aeffe is committed to tackling, combating and condemning corruption in all its forms, including extortion, bribery and racketeering: pursuit of the interests of or advantages for the Group cannot, under any circumstances, justify unethical, dishonest or illegal conduct. For this reason, the fight against corruption in all its forms, active or passive, is considered to be a commitment that cannot be forsaken.

In order to manage the risks linked to human rights and the fight against corruption, Aeffe S.p.A.[11] has adopted an organization, management and control model pursuant to Decree 231/2001. All other companies (Italian and foreign) within the reporting scope operate in compliance with the guidelines and Code of Ethics of the Parent Company, including those covering the fight against corruption and the safeguarding of human rights.

During 2020, the Board of Directors of Aeffe S.p.A. approved an update of the Organization, Management and Control Model pursuant to Decree 231/01 (the Model), on the administrative responsibility of entities for offenses committed by top management and those subject to their management and supervision. The revisions adopted the recommendations made by the Supervisory Body in the course of its activities and amended certain control protocols that were not fully consistent with organizational approach adopted.

[11] The other companies in the Group that fall within the reporting scope are subject to management and coordination by the parent company.

The Model and the Code of Ethics have a dual purpose as, on the one hand, they describe the system of procedures and controls required by the Board of Directors in order to reduce the risk of committing the identified offenses and, on the other, they provide a series of instructions for conduct, including prohibitions, intended to ensure the ethical management of the business, compliance with all the regulations that govern its functioning and, not least, the effectiveness and efficiency of all activities, in the interests of the stakeholders.

No cases of corruption were identified within the reporting scope during the year. All members of the Board of Directors of the Parent Company and all employees have been informed about the policies and protocols in force regarding the fight against corruption; in addition, all new hires are given a folder on the 231 Model, which includes the Code of Ethics issued by the parent company. The training provided is adapted to the needs of the organizational roles concerned.

Whistleblowing

In compliance with the provisions of Law 179/2017, Aeffe has identified specific procedures for reporting offenses identified in Decree 231/2001, establishing special safeguards for “whistleblowing” employees and making available a number of alternate channels for the filing of reports.

The Supervisory Body of Aeffe S.p.A. guarantees the privacy of the whistleblower and the party reported on, makes suitable assessments, checks and analyses of the reports received, exercises appropriate investigative powers and is authorized to access corporate documents in order to verify, as necessary, the information received.

In all cases, the Supervisory Body informs the whistleblower about the outcome of the reports filed.

Privacy

Aeffe works constantly to align internal procedures with the laws and regulations that govern privacy, harmonizing them with the provisions of Regulation (EU) 2018/679 General Data Protection Regulation (GDPR) and art. 4 of Law 300 dated 20th May 1970.

Restricted access to the current IT system ensures the confidentiality of all data held on the corporate systems, in compliance with current regulations and pursuant to the instructions contained in the Code of Ethics, the Privacy Guidelines/GDPR and the Aeffe Regulation.

In general terms, data is held in a form that allows data subjects to be identified for a period no longer than that needed to achieve the purposes for which it was collected and processed. The Group takes all necessary precautions in the management of such data, applying the best IT standards in order to ensure security.

The “Security Posture”[12] was managed constantly throughout 2020, with organizational, procedural and technological actions designed to strengthen the governance of logical security within the entire Group; all software implemented measures to guarantee maximum compliance with the current privacy regulations for the processing of data and the information collected.

During 2020, the companies included within the scope of reporting did not receive any justified complaints about infringements of the privacy of clients or losses of their data, where the term “justified complaints” means written communications from the DP Authority or an equivalent public supervisory body that identify breaches of client privacy, or complaints received by the organization that are recognized to be legitimate.

[12] State of IT security health within the organization of the Group

Data protection procedures
Data Protection Impact Assessment (DPIA) → A specific procedure must be followed whenever a project or initiative is planned that might have an impact on the processing of personal data, in order to assess the data protection impact of the project. Data Breach Notification → this procedure followed by Group personnel establishes the conduct required when it becomes known, or suspected, that the Company has suffered the theft or loss of personal data. In particular, a specific process must be followed to report infringements of personal data to the Supervisory Authority, as required by the GDPR, the new European Privacy Regulation.

ECONOMIC PERFORMANCE AND PROCUREMENT

MATERIAL TOPICS
➢ Economic-financial strength of the Group ➢ Territorial presence ➢ Responsible management of the supply chain
OBJECTIVES
Strengthen the presence in reference markets and grasp new opportunities in those with high potential, especially Greater China and Asia Pacific, expanding the franchising network. Prefer vendors whose products have eco-sustainable characteristics (biological and recycled raw materials). Vendor qualification and selection based increasingly on meritocratic criteria, considering their professionalism, reliability, financial strength and compliance with the Aeffe Code of Ethics and all current regulations. Constant updating of the framework contract that governs the supply relationship in accordance with the new international regulations.

Territorial presence

The Aeffe Group operates in the fashion and luxury sector, producing and distributing a wide range of products that include prêt-à-porter, footwear and leather goods, lingerie and beachwear.

Group activities include: design, prototyping, sampling, sales campaigns, internal/external production, quality control, logistics, communications, e-commerce and direct retail.

There are 2 main channels for the distribution of Group products:

1) **Retail** including stores managed directly by Group companies.
2) **Wholesale**, via major multi-brand stores operated by franchisees, department stores, direct showrooms and those of agents and importers.

Retail sales are made by the Group via directly operated stores (DOS) in prestigious and strategic locations, in terms of both image and commercial significance, mainly in Europe, the USA and Korea.

Via the Wholesale channel, the Aeffe Group maintains long-term commercial relations with leading international retailers, all with vast experience of the fashion and luxury sector and substantial shares of their reference markets in China, the Far East, the Middle East, Western and Eastern Europe and the USA.

The Group strives constantly to strengthen its presence in the markets already served and to expand further geographically via: consolidating the positions already attained in the reference markets, not least by developing relations with major distributors and importers, as well as by penetrating further and developing markets with high growth potential in the Far East, the Middle East and Eastern Europe.

Economic performance

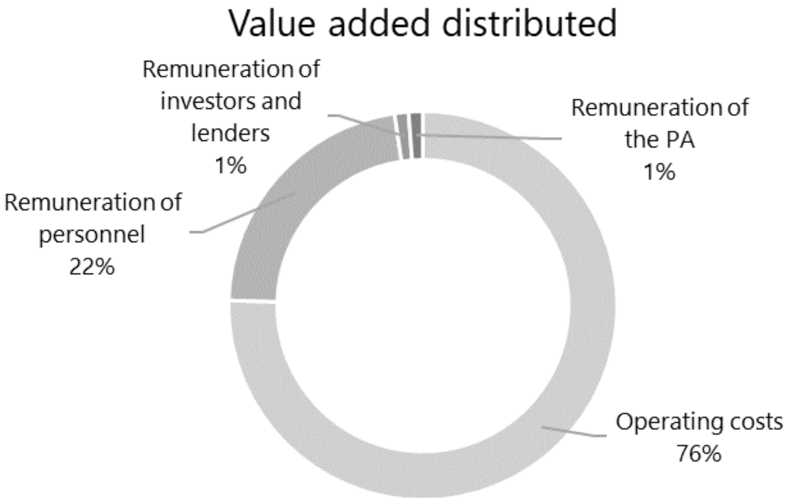
The mission of the Group is to grow internationally in the prêt-à-porter and the luxury footwear and leather goods segments, developing the multi-brand strategy based on brands that complement each other, with differentiation in terms of positioning and reasons for use, while safeguarding the exclusivity of the product lines presented.

Group strategy also seeks the continuous improvement of operational efficiency and profitability, via revenue growth and by leveraging the drivers made available due to the efficiency and flexibility of the organizational model adopted. This model, characterized by rigorous control of the value chain, can be subdivided into the following principal phases that correspond to specific functions: i) styling; ii) R&D; iii) procurement; iv) sales campaigns; v) production, quality control and logistics; vi) communications, marketing and public relations; vii) distribution.

The Income Statement of the entire Aeffe Group is presented below, classified in terms of value added. See the information presented elsewhere in the financial statements for further details.

Valore economico generato e distribuito		
	2020	**2019**
Ricavi	269.116.774	351.403.409
Altri proventi	8.916.299	8.548.244
Proventi finanziari	328.127	249.927
Totale valore economico generato dal Gruppo	**278.361.200**	**360.201.580**
Costi operativi	- 209.546.821	- 233.947.158
Remunerazione del personale	- 61.752.840	- 72.386.514
Remunerazione dei finanziatori	- 3.233.739	- 3.513.622
Remunerazione della Pubblica Amministrazione*	3.269.468	- 10.895.741
Totale valore economico distribuito dal Gruppo	**- 271.263.932**	**- 320.743.035**
Valore economico trattenuto dal Gruppo	**7.097.268**	**39.458.545**

The value added absorbed by **operating costs**, which represent 77% of the economic value distributed, has decreased from 233.9 million euro to 209.5 million euro, down by about 10% with respect to 2019; the portion allocated to **personnel**, in the form of wages, salaries and social security charges, has declined from 72.4 million euro to 61.8 million euro, a decrease of 15%; as shown in the chart below, 23% of the total value added was absorbed by them; the **providers of own capital and loans** were remunerated with 3.2 million euro, down 8% with respect to the prior year; the remuneration of the Public Administration, amounting to more than 3 million euro, includes deferred taxation.



Procurement[13]

As always, Aeffe collaborates with long-standing vendors, maintaining relations marked by mutual trust, common values and a shared vision of the future.

One of the key characteristics of the procurement of raw materials is rigorous quality control: raw materials and/or semi-finished goods are always delivered to Group companies by their vendors and checked by dedicated internal functions, before being sent to the external workshops responsible for the different phases of the production process.

Purchases are made on the basis of projections that take account of the progress made by the sales campaigns, the data for which is updated every week. Selection depends on identifying the most suitable vendors for each type of raw material, with constant monitoring of their performance in terms of meeting delivery and quality specifications.

Vendor selection privileges quality, flexibility and the highest level of professionalism, focusing above all on the type of product offered: as a secondary selection criterion, vendors that perform best are rewarded. This approach has made it possible to identify key vendors with which the supply chain can be managed responsibly, not only in terms of the specific raw material supplied, but also - and more generally - with regard to the adoption of ethical behavior consistent with the vision of the Group.

The network of vendors is principally established with reference to economic convenience and the high quality of the materials required/supplied. In particular, the production chain mainly comprises Italian vendors, although there are several production locations abroad, especially in the Far East. As an example, embroidery is imported from India, which is known for its excellence in this type of needlework.

NUMBER OF VENDORS BY GEOGRAPHICAL AREA

2020	**VENDORS OF RM, SF-FP, ACCESSORIES**	**WORKSHOPS (for Aeffe S.p.A.)**
Number of vendors located in ITALY	729	259

[13] The data relates to Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.

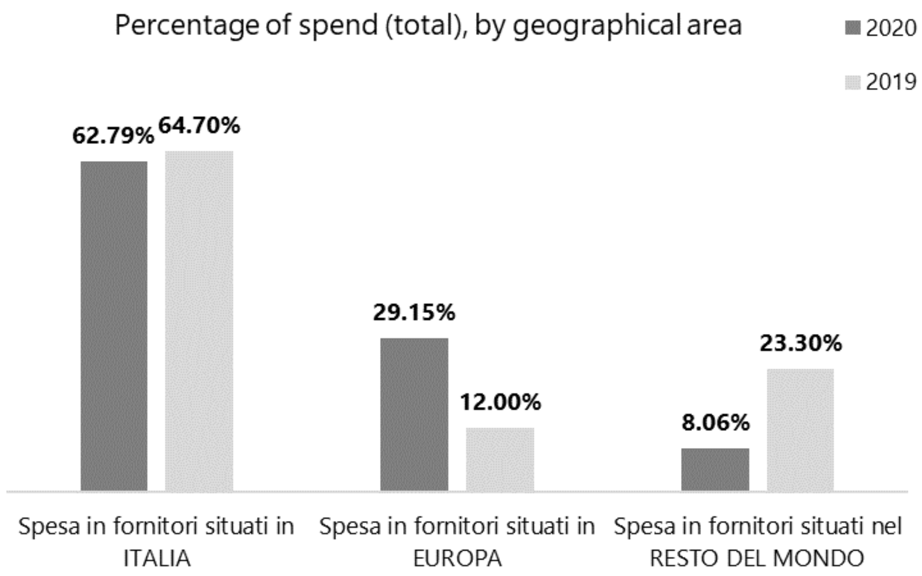
Number of vendors located in EUROPE	44	27
Number of vendors located in the REST OF THE WORLD	71	18
TOTAL VENDORS	**844**	**304**

In general, Group companies mainly purchase raw materials (fabrics), accessories (custom or to be customized), semi-finished items and finished garments from certified vendors, over which the organization exercises direct control over all the components and processing cycles used to make clothing, footwear and/or accessories.

Textile workshops comprise a key category of strategic vendors, making garments that satisfy the requirements and styling guidelines of each collection.

PROPORTION OF VENDOR SPEND BY GEOGRAPHICAL AREA

2020	**VENDORS OF RM, SF-FP, ACCESSORIES**	**WORKSHOPS (for Aeffe S.p.A.)**
Vendor spend in ITALY	60%	65%
Vendor spend in EUROPE	31%	28%
Vendor spend in the REST OF THE WORLD	9%	7%



As mentioned, vendors are selected with reference to the following criteria, which include social and/or environmental aspects:

- quality and performance of the materials;
- specific technical requirements;

- possession of quality certification;
- financial strength;
- transparent and lawful operations, including with regard to employees (no child or undocumented labor);
- efficient and thrifty use of resources, especially energy and water;
- reduced use of hazardous substances;
- use of sustainable raw materials.

In addition, infringements by the vendor of the conduct specified in the Code of Ethics represent a breach of contract and, on detection by Aeffe, justify immediate termination of the contract.

During 2020, 23% of new vendors were selected having regard for environmental criteria, while 84% were selected with reference to social criteria.

PRODUCTS

MATERIAL TOPICS
➢ Research and development ➢ Attention to packaging and opportunities for recycling ➢ Quality and traceability of raw materials ➢ Use of recycled materials and/or SRM
OBJECTIVES
Gradual change in the production process from individual phases to complete cycles, thus enhancing product quality and the volume of sales. Greater attention in the design phase to the cost of individual components and processes, in order to create a product compatible with the brand positioning. The Group is considering a series of initiatives linked to the use of recycled packaging and the digitalization of all printed materials. In the S-M-L term, Aeffe will focus more on the "green" aspects of products. Increasing use of plastic-free packaging.

The organizational model of the Group is characterized and distinguished by the independence of each maison in terms of creativity and styling (research and experimentation are the essence of the forma mentis of each stylist), without however foregoing the ability to draw on synergies deriving from the concentration within a single organizational structure of such activities as the management of production and the distribution of multi-brand product lines. This makes it possible to organize seamlessly the management of procurement, production and distribution, thereby containing costs and adopting uniform policies for the organizational aspects.

The objective to recognize the individual nature of each maison is pursued via an "island" organizational model that, for each stylist, envisages a style office dedicated to creating the design, with a supporting R&D division that helps the style office during the creative process through to the production of samples.

In addition, sustainability - in the widest sense - is a principle with deep roots in the history of the Group, which has always used materials and processes that comply with qualitative standards, current regulations and the various aspects of sustainability.

Research and development

The creative development of each product is carried out by the stylist and the styling office, which devise each collection based on their own intuition and experience, supported by the information about market trends identified by internal functions within the Group.

Within Aeffe, the R&D department play a fundamental role in determining business strategies and the paths followed, having a close correlation with the entire production area that make it possible to translate established objectives into reality. By definition, this department is constantly improving: continuous investment in new products, in order to improve them radically or merely make adjustments requested by the market, while maintaining a high level of quality and competitiveness.

In addition to the constant search for improvement and innovation when it comes to processes, products and styles, all aspects intrinsic to the activities of the R&D department, Aeffe is moving steady towards the concept of "green" products: this is evidenced, for example, by the creation of ad hoc capsules (Love Me - Alberta Ferretti) or by projects for the replacement of continuous fabrics with others that have been regenerated, or are 100% organic.

Packaging

The approach to the management of packaging materials has changed and improved over time, and Aeffe has acted to find improvements and ways to implement environmental and sustainability policies.

Many initiatives during 2020 were dedicated to the responsible and sustainable management of packaging, among which:

- renewal of certain packaging in order to improve saturation and its adaptability to the specific content, thus lowering costs and the quantity of paper used;
- decision to use a plastic composed 50% of recycled materials in order to fill the packaging used to satisfy e-commerce purchases;
- renewal of the packaging codes available in inventory, with the arrival of boxes designed to saturate better the volume of trucks and their content, avoiding the "waste" of materials on over-sized packaging for small quantities of goods;
- for some clients, Aeffe has adopted entirely plastic-free packaging, even changing the sticky tape for a paper version.

Quality of raw materials[14]

The Aeffe Group is committed to using raw materials that comply with ecological standards, striving constantly to ensure the quality of products sold and their safety. This commitment also extends to ensuring compliance with international requirements, even by vendors, adopting a precautionary approach to the various challenges and studying the environmental and social impact of products throughout their life cycles.

In order to mitigate risks, the Group bases its business strategy on product quality, ensuring implementation by leveraging the skill and professionalism of its human resources to satisfy the differing requirements of

[14] The data relates to Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A.

stakeholders. The safety, reliability and guaranteed high quality of the products offered are all fundamental factors, based on constant evolution and innovation, in order to ensure maximum customer satisfaction.

For a number of seasons, Aeffe has progressively selected "sustainable" raw materials, such as biological cotton and wool, recycled synthetics and artificial materials, purchased from sources managed in an aware manner.

Research and innovation require the selection of materials for the garments made that, in addition to the health aspect, have innovative characteristics in terms of the raw materials used and the related finishing: a technical sheet must be completed for each raw material, highlighting its physical and performance characteristics, and specific tests are carried out in order to check the statements made.

Lastly, Aeffe treats the ability to recycle materials as an important point to be developed. A significant improvement to the differentiated collection of waste was introduced during 2020, covering the dedicated collection of production scraps (e.g. fabrics), as well as the principal materials (paper and plastic) contained in packaging and/or packing materials.

With regard to Aeffe S.p.A. and Pollini S.p.A., 68% of the materials used in the production (and packaging) of their products during 2020 consisted of cotton, leather, synthetic fibers and metal. In addition, 31% of the materials used were sourced from certified sources: mainly OEKO TEX, Global Organic Cotton Standard (GOTS), Recycled Claim Standard (RCS) and Global Recycled Standard (GRS).

2020 AEFFE SPA and POLLINI SPA	**Volume (€)**	**of which materials from CERTIFIED SOURCES**	**CERTIFICATION**
Cotton	3,652,058.12	1,696,907.87	OEKO TEX, GOTS
Wool	2,394,197.80	1,003,122.19	OEKO TEX, GRS, ISO 9001
Synthetic fibers (polyester, polyamide, modacrylic, PVC, polyethylene)	3,188,967.21	642,838.96	OEKO TEX, GRS, ZDHC, ISO 9001
Acrylic	84,956.52	1,605.00	OEKO TEX, GRS
Silk	1,347,646.98	1,214,857.68	OEKO TEX, GOTS, RCS, ZDHC, ISO 9001
Linen	192,098.68	140,939.07	OEKO TEX, GOTS
Leather	3,418,445.49	-	
Rubber	227,270.42	78,176.25	OEKO TEX, GRS
Metal	3,804,501.08	-	
Plastic	-	-	
Cardboard	302,226.00	302,226.00	FSC
Artificial fibers (viscose, acetate, triacetate and cupro)	2,265,564.10	1,348,648.15	OEKO TEX, FSC, RCS, ISO 9001
Other (mother of pearl, corozo, abaca, wood, glass, horn, textile paper, other fibers)	119,207.15	1,166.20	OEKO TEX
TOTAL	**20,997,139.55**	**6,430,487.37**	

The data for the consumption of materials and raw materials by Velmar S.p.A. is presented separately from the other Group companies, as its business model envisages different procurement and production processes, characterized by the purchase of finished products.

The data provided has been estimated by multiplying the average weight of a garment (e.g. made from cotton) by the number of items produced.

2020 VELMAR SPA	**Weight (t)**	**of which materials from CERTIFIED SOURCES**	**CERTIFICATION**

Cotton	310	310	OEKO-TEX
Wool	1	1	OEKO-TEX
Synthetic fibers	12	12	OEKO-TEX
Metal	2	2	OEKO-TEX
Plastic	17		
Cardboard	80		
TOTAL	**421.08**	**324.08**	

CLIENTS AND RESPONSIBLE COMMUNICATIONS

MATERIAL TOPICS
➢ Customer satisfaction ➢ Client health and safety ➢ Responsible Marketing and Communications
OBJECTIVES
Increase customer satisfaction even further and create communications that make clients more aware about current topics.

Clients

Against an ever more dynamic and complex background, understanding demographic trends and the attitudes of consumers is fundamental for a successful growth strategy, especially in the commercial area. Aeffe watches carefully the development of markets with significant potential, focusing on the interests of millennials who, in an ever more globalized world, will become an increasingly important customer target. In addition, in order to consolidate the dialog with consumers and attract new clients, the Group believes strongly and is investing in a multi-channel approach, being the integration of the retail, wholesale and on-line channels, not least with a view to personalizing the customer experience.

The main clients of the Aeffe Group can be subdivided into 2 macro-families:

- end customers (B2C), who are not only consumers of products, but also persons who enjoy luxury experiences. They are demanding, attentive, digital, social and seekers of quality products;
- B2B clients, such as the leading multi-brand stores in the sector.

Aeffe is engaged in a program of growth intended to support the commercial organization. The mix of business skills made available to clients has provided a competitive advantage, enabling the Group not only to respond to differing market needs, but also to propose innovative solutions to clients in terms of technical functionality and product customization, special processes for materials, aesthetic finishes and creative choices.

Lastly, the Group has maintained a constant digital and social media presence on Facebook, Twitter, Instagram and YouTube, among others. The two principal social media channels used by the Group generated the following audiences (total for all brands) in the year to 31st December 2020:

- 1,904,939 followers on Facebook
- 13,062,871 followers on Instagram

With regard to the health and well-being of clients, Aeffe has always focused heavily on the safety of the chemical substances used in the production of its products and in the production processes, requiring vendors to comply with strict qualitative protocols.

In order to minimize health and safety risks, specific tests and checks are carried out on the raw materials received by Aeffe, in order to ensure that they are not toxic and guarantee the health of collaborators and clients alike.

During 2020, there were no non-conformities with the regulations and/or codes of self-regulation governing the health and safety impact on clients of the products and services sold.

Responsible marketing and communications

All products carry a label containing information about the composition of the materials used, the related washing instructions, proper maintenance, how to look after the product properly, and so on. In addition, the country of production and other "Made in" information is provided.

With regard to leather products, a tag is added to identify the distributor of the product, contact details in case of need and general indications about proper use of the product; in the case of footwear, a pictogram is attached, showing the materials used for the uppers, lining and bottom stock. The box containing the product, on the other hand, contains a general leaflet covering its artisan nature, maintenance and the name of the distributor. In special cases, a second document is inserted to describe any special materials and/or non-standard characteristics. Lastly, a label describing the product is stuck on the box.

With regard to monetary and/or non-monetary penalties, there were no cases during 2020 of non-conformities regarding the information about and labeling of products that resulted in a fine or a warning; similarly, there were no complaints about alleged non-conformities in relation to the marketing activities carried out. The only objections were advanced by Codacons (consumer protection bod) with regard to influencers wearing branded clothes (without any fee and, in some cases, having purchased the garments themselves). These objections were ignored by the Authorities, including the Competition and Market Watchdog (AGCM) and the Institute for the Self-Regulation of Advertising (IAP), and must therefore be treated as unfounded.

GRI CONTENT INDEX

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
GRI 102: General Disclosures 2016 - Organizational Profile	102-1	Name of the organization	Cover
	102-2	Activities, brands, products and services	Page 5
	102-3	Location of headquarters	Page 6 The principal Group locations from which the organization carries out its activities are indicated below: Aeffe spa: via delle Querce 51 – 47842 – San Giovanni in Marignano (RN) – Italy Moschino spa: via San Gregorio 28 – 20124 – Milan (MI) – Italy Pollini spa: via Erbosa 92 – 47030 – Gatteo (FC) – Italy Velmar spa: via delle Querce 51– 47842 – San Giovanni in Marignano (RN) – Italy Aeffe Usa: 30 West 56th Street – 10019 – New York - USA Milan showroom (Ferretti – Philosophy-Pollini): via Donizetti 48 – 20122 – Milan
	102-4	Locations of operations	Considering the entire distribution structure, the Aeffe Group is present in nearly 80 countries throughout the world.
	102-5	Ownership and legal form	Legal form of the Parent Company: Joint stock company (S.p.A.)
	102-6	Markets served	Page Group companies are grouped into 3 geographical areas: Europe, North America, Far East
	102-7	Scale of the organization	Page 9; 17; 21; 44
	102-8	Information on employees and other workers	Page 44
	102-9	Supply chain	Page 58
	102-10	Significant changes to the organization and its supply chain	There were no changes in the structure and ownership of the organization, or in its supply chain, during 2020.
	102-11	Precautionary principle or approach	Page 36; 40; 49; 54; 56; 60; 63

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	102-12	External initiatives	During 2020, the Group decided to allocate the majority of its charitable donations in favor of the health of children (il Porto dei Piccoli, a charity) and University education (Fondazione San Pellegrino, Fondazione RUI). In addition, following the Coronavirus emergency, Aeffe also made donations to Hospitals and Foundations.
	102-13	Membership of associations	Membership of Confindustria Romagna, Altagamma, Camera Nazionale della Moda, Conai
GRI 102: General Disclosures 2016 - Strategy	**102-14**	Statement from senior decision-maker	Page 11
	102-15	Key impacts, risks and opportunities	Page 31
GRI 102: General Disclosures 2016 - Ethics and integrity	**102-16**	Values, principles, standards, and norms of behavior	The Company pursues excellence in serving its customers, with a view to creating value for its shareholders and all other stakeholders, maintaining and developing relations based on the principles of integrity, transparency, legality, impartiality and prudence. These guidelines are included in the Code of Ethics, which is an integral part of the Organization, Management and Control Model pursuant to Decree 231/01, available on the website www.aeffe.com
GRI 102: General Disclosures 2016 - Governance	**102-18**	Governance structure	Page 3; 37
GRI 102: General Disclosures 2016 - Stakeholder engagement	**102-40**	List of stakeholder groups	Page 28
	102-41	Collective bargaining agreements	Page 44
	102-42	Identifying and selecting stakeholders	Page 28
	102-43	Approach to stakeholder engagement	Page 28
	102-44	Key topic and concerns raised	Page 28-29
GRI 102: General Disclosures 2016 - Reporting practice	**102-45**	Entities included in the consolidated financial statements	Page 76
	102-46	Defining report content and topic boundaries	Page 31

	102-47	List of material topics	Page 29-34
	102-48	Restatements of information	N.a.
	102-49	Changes in reporting	N.a.
	102-50	Reporting period	01.01.2020 - 31.12.2020
	102-51	Date of most recent report	March 2020
	102-52	Reporting cycle	Annual
	102-54	Claims of reporting in accordance with the GRI Standards	Page 69
	102-55	GRI content index	Page 65
	102-56	External assurance	Page 70
GRI 103: Management approach 2016	**103-1**	Explanation of the material topic and its boundary	Page 31
	103-2	Managerial approach and related components	Page 36; 40; 49; 54; 56; 60; 63
GRI 201: Economic performance 2016	**201-1**	Direct economic value generated and distributed	Page 57
GRI 204: Procurement practices 2016	**204-1**	Proportion of spending on local suppliers	Page 58
GRI 205: Anti-corruption 2016	**205-3**	Confirmed incidents of corruption and actions taken	Page 55
GRI 301: Materials 2016	**301-1**	Materials used by weight or volume	Page 62
GRI 302: Energy consumption in 2016	**302-1**	Energy consumption within the organization	Page 51
GRI 302: Reduction in energy consumption in 2018	**302-4**	Reduction in energy consumption	Page 50
GRI 303: Water and effluents 2018	**303-3**	Water withdrawal	Page 52
	303-5	Water consumption	Page 52
	303-4	Water discharge	Page 52
GRI 305: Emissions 2016	**305-1**	Direct greenhouse gas emissions (Scope 1)	Page 52-53

	305-2	Indirect GHG emissions from energy consumption (Scope 2)	Page 52-53
GRI 306: Effluents and waste 2016	**306-2**	Waste by type and disposal method	Page 53-54
	306-4	Transport of hazardous waste	Page 53-54
GRI 307: Environmental compliance	**307-1**	Non-compliance with environmental laws and regulations	No penalties were received during the year for non-compliance with environmental laws and/or regulations.
GRI 308: Environmental assessment of vendors 2016	**308-1**	New vendors assessed using environmental criteria	Page 60
GRI 401: Employment 2016	**401-1**	New employee hires and employee turnover	Page 46
GRI 403: Occupational health and safety 2018	**403-1**	Occupational health and safety management system	Page 48
	403-2	Hazard identification, risk assessment and incident investigation	Page 48
	403-5	Worker training on occupational health and safety	Page 48
	403-9	Work-related injuries	Page 48-49
	403-10	Work-related ill health	In 2020 there were no cases of recordable occupational diseases, nor fatal accidents or deaths as a result of accidents and / or occupational diseases
GRI 404: Training and education 2016	**404-1**	Average hours of training per year per employee	Page 48
GRI 405: Diversity and equal opportunity 2016	**405-1**	Diversity of employees and governance bodies	Page 38; 43-45
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	There were no episodes of discrimination during the reference period
GRI 412: Human rights assessment 2016	**412-3**	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	All contracts with vendors (workshops etc.) for processing on behalf of Aeffe and Velmar contain clauses that refer to the Code of Ethics of Aeffe and the related obligations
GRI 414: Social assessment of vendors 2016	**414-1**	New vendors assessed using social criteria	Page 60

GRI 416: Customer health and safety 2016	**416-2**	Incidents of non-compliance concerning the health and safety impacts of products and services	No non-conformities were found regarding the impact on health and safety of the products offered by the Aeffe Group within the reference time period.
GRI 417: Marketing and labeling 2016	**417-1**	Requirements for product and service information and labeling	Page 64
	417-2	Incidents of non-compliance concerning product and service information and labeling	In 2020 there were no cases of non-compliance with regard to information and product labeling
	417-3	Incidents of non-compliance concerning marketing communications	In 2020 there were no cases of non-compliance regarding marketing communications
GRI 418: Customer privacy	**418-1**	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2020, there are no substantiated complaints regarding violations of customer privacy and loss of customer data
GRI 419: Socioeconomic compliance	**419-1**	Non-compliance with laws and regulations in the social and economic area	With regard to compliance in the socio-economic area, the competent authorities did not levy any related monetary and/or non-monetary penalties during 2020.

In accordance with the level of application to the Core mode

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Independent Auditors' Report

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and of article 5 of CONSOB Regulation n. 20267 of January 18, 2018

To the Board of Directors of
AEFFE S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267 of January 18 2018, we have been engaged to perform a limited assurance engagement on the Consolidated Non-Financial Statement of AEFFE S.p.A. and subsidiaries (the "Group") as of December 31, 2020 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on March 18, 2021 (hereinafter the "NFS").

Directors' and Board of Statutory Auditors' responsibility for the NFS

The Directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the Decree and "*Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards*").

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group' business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' Independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Potenza, Roma, Torino, Verona

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Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Auditors' responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the requirements of the Decree and the GRI Standards. We carried out our work in accordance with the criteria established in the *International Standard on Assurance Engagements 3000 (Revised) ~ Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with *ISAE 3000 Revised*, and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the process in place for the selection process in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree.
3. If applicable: comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
   - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
   - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
   - Main risks generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

   With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).
5. Understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we carried out interviews and discussions with the management of AEFFE S.p.A. We also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, with respect to significant information, taking into consideration the Group's business and characteristics:

   - at parent company's and subsidiaries level:

     a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.

     b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of AEFFE Group as of December 31, 2020 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the Global Reporting Initiative "Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards").

Bologna, March 29, 2021

Signed by
BDO Italia S.p.A.
Gianmarco Collico
Partner

This report has been translated into English language
Solely for the convenience of international readers.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2020	31 December 2019	Change
Trademarks		71,494,428	74,988,008	(3,493,580)
Other intangible fixed assets		995,060	1,095,455	(100,395)
Intangible fixed assets	(1)	72,489,488	76,083,463	(3,593,975)
Lands		17,123,494	17,123,494	-
Buildings		26,729,357	25,636,868	1,092,489
Leasehold improvements		10,201,924	12,568,482	(2,366,558)
Plant and machinary		3,810,164	3,411,595	398,569
Equipment		350,754	387,559	(36,805)
Other tangible fixed assets		3,442,220	3,696,620	(254,400)
Tangible fixed assets	(2)	61,657,913	62,824,618	(1,166,705)
Right-of-use assets	(3)	100,471,903	110,714,289	(10,242,386)
Equity investments	(4)	131,558	131,558	-
Long term financial receivables	(5)	2,037,324	2,225,387	(188,063)
Other fixed assets	(6)	2,615,956	2,720,383	(104,427)
Deferred tax assets	(7)	21,287,015	16,949,535	4,337,480
NON-CURRENT ASSETS		**260,691,157**	**271,649,233**	**(10,958,076)**
Stocks and inventories	(8)	109,285,351	112,050,942	(2,765,591)
Trade receivables	(9)	39,094,519	41,524,614	(2,430,095)
Tax receivables	(10)	10,465,392	14,118,912	(3,653,520)
Derivate assets	(11)	-	74,055	(74,055)
Cash	(12)	39,828,260	28,390,143	11,438,117
Short term financial receivables	(13)	651,944	1,132,124	(480,180)
Other receivables	(14)	28,570,739	35,218,280	(6,647,541)
CURRENT ASSETS		**227,896,205**	**232,509,070**	**(4,612,865)**
Assets available for sale	(15)	-	436,885	(436,885)
TOTAL ASSETS		**488,587,362**	**504,595,188**	**(16,007,826)**
Share capital		25,043,866	25,286,166	(242,300)
Other reserves		131,311,933	127,822,540	3,489,393
Profits / (losses) carried-forward		13,273,509	6,585,047	6,688,462
Net profit / (loss) for the Group		(21,396,847)	11,692,734	(33,089,581)
Group interest in shareholders' equity		148,232,461	171,386,487	(23,154,026)
Minority interests in share capital and reserves		32,483,755	32,376,708	107,047
Net profit / (loss) for the minority interests		(1,959,730)	311,713	(2,271,443)
Minority interests in shareholders' equity		30,524,025	32,688,421	(2,164,396)
SHAREHOLDERS' EQUITY	**(16)**	**178,756,486**	**204,074,908**	**(25,318,422)**
Provisions	(17)	1,543,670	1,847,295	(303,625)
Deferred tax liabilities	(7)	28,016,336	29,982,114	(1,965,778)
Post employment benefits	(18)	4,900,460	5,194,899	(294,439)
Long term financial liabilities	(19)	109,581,772	95,154,429	14,427,343
Long term not financial liabilities	(20)	1,768,758	717,143	1,051,615
NON-CURRENT LIABILITIES		**145,810,996**	**132,895,880**	**12,915,116**
Trade payables	(21)	69,328,170	74,300,469	(4,972,299)
Tax payables	(22)	3,753,375	3,391,481	361,894
Derivate liabilities	(11)	349,002	-	349,002
Short term financial liabilities	(23)	73,913,257	71,807,369	2,105,888
Other liabilities	(24)	16,676,076	18,125,081	(1,449,005)
CURRENT LIABILITIES		**164,019,880**	**167,624,400**	**(3,604,520)**
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**488,587,362**	**504,595,188**	**(16,007,826)**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment I, and are further described in Note "Transactions with related parties".

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full Year 2020	%	Full Year 2019	%
REVENUES FROM SALES AND SERVICES	**(25)**	**269,116,774**	**100.0%**	**351,403,409**	**100.0%**
Other revenues and income	(26)	10,485,768	3.9%	10,064,295	2.9%
TOTAL REVENUES		**279,602,542**	**103.9%**	**361,467,704**	**102.9%**
Changes in inventory		2,341,099	0.9%	5,934,562	1.7%
Costs of raw materials, cons. and goods for resale	(27)	(110,162,492)	(40.9%)	(121,189,301)	(34.5%)
Costs of services	(28)	(93,242,015)	(34.6%)	(108,336,161)	(30.8%)
Costs for use of third parties assets	(29)	(6,630,888)	(2.5%)	(9,031,792)	(2.6%)
Labour costs	(30)	(61,752,840)	(22.9%)	(72,386,514)	(20.6%)
Other operating expenses	(31)	(5,661,916)	(2.1%)	(3,329,130)	(0.9%)
Amortisation, write-downs and provisions	(32)	(29,058,754)	(10.8%)	(28,027,772)	(8.0%)
Financial Income / (expenses)	(33)	(3,022,187)	(1.1%)	(3,295,276)	(0.9%)
PROFIT / LOSS BEFORE TAXES		**(27,587,451)**	**(10.3%)**	**21,806,320**	**6.2%**
Taxes	(34)	4,230,874	1.6%	(9,801,873)	(2.8%)
NET PROFIT / LOSS		**(23,356,577)**	**(8.7%)**	**12,004,447**	**3.4%**
(Profit) / loss attributable to minority shareholders		1,959,730	0.7%	(311,713)	(0.1%)
NET PROFIT / LOSS FOR THE GROUP		**(21,396,847)**	**(8.0%)**	**11,692,734**	**3.3%**
Basic earnings per share	(35)	(0.214)		0.116	
Dilutive earnings per share	(35)	(0.214)		0.116	

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific Income Statement schedule provided in the attachment III and are further described in Note "Transactions with related parties".

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2020	Full Year 2019
Profit/(loss) for the period (A)	**(23,356,577)**	**12,004,447**
Remeasurement of defined benefit plans	(57,365)	(197,974)
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)	**(57,365)**	**(197,974)**
Gains/(losses) on cash flow hedges	(305,024)	(104,961)
Gains/(losses) on exchange differences on translating foreign operations	(597,314)	(123,266)
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)	**(902,338)**	**(228,227)**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(959,703)**	**(426,201)**
Total Comprehensive income / (loss) (A) + (B)	**(24,316,280)**	**11,578,246**
Total Comprehensive income / (loss) attributable to:	**(24,316,280)**	**11,578,246**
Owners of the parent	(22,285,242)	11,252,948
Non-controlling interests	(2,031,038)	325,298

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2020	Full Year 2019
Opening balance		**28,390**	**28,037**
Profit before taxes		(27,587)	21,806
Amortisation / write-downs		29,059	28,028
Accrual (+)/availment (-) of long term provisions and post employment benefits		(598)	(1,119)
Paid income taxes		(2,592)	(13,144)
Financial income (-) and financial charges (+)		3,022	3,295
Change in operating assets and liabilities		8,963	(19,625)
Cash flow (absorbed) / generated by operating activity	**(36)**	**10,267**	**19,241**
Increase (-)/ decrease (+) in intangible fixed assets		(880)	(1,813)
Increase (-)/ decrease (+) in tangible fixed assets		(4,504)	(7,847)
Increase (-)/ decrease (+) in right-of-use assets		(6,648)	(1,119)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-	-
Cash flow (absorbed) / generated by investing activity	**(37)**	**(12,032)**	**(10,779)**
Other variations in reserves and profits carried-forward of shareholders' equity		(1,080)	(976)
Dividends paid		-	-
Proceeds (+)/ repayments (-) of financial payments		24,129	8,143
Proceeds (+)/ repayment (-) of lease payments		(7,596)	(12,435)
Increase (-)/ decrease (+) in long term financial receivables		772	454
Financial income (+) and financial charges (-)		(3,022)	(3,295)
Cash flow (absorbed) / generated by financing activity	**(38)**	**13,203**	**(8,109)**
Closing balance		**39,828**	**28,390**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Cash Flow are presented in the specific Cash Flow schedule provided in the attachment IV and are further described in Note "Transactions with related parties ".

STATEMENTS 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	Remeasurement of defined benefit plans reserve	Translation reserve	Profits/(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 profit/(loss)	-	-	-	5,138	-	-	-	-	6,555	(11,693)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(242)	(631)	-	-	-	-	-	-	-	-	(873)	-	(873)
Total comprehensive income/(loss) of 2020	-	-	(305)	-	-	-	(57)	(526)	-	(21,397)	(22,285)	(2,031)	(24,316)
Other changes	-	-	-	(130)	-	-	-	-	133	-	3	(133)	(130)
At December 31, 2020	**25,044**	**70,144**	**(252)**	**49,756**	**7,901**	**7,607**	**(1,343)**	**(2,502)**	**13,274**	**(21,397)**	**148,232**	**30,524**	**178,756**

(Values in thousands of EUR)	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Remeasurement of defined benefit plans reserve	Translation reserve	Profits/(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**	**7,607**	**(1,095)**	**(1,832)**	**(1,286)**	**16,726**	**160,757**	**32,290**	**193,047**
Allocation of 2018 profit/(loss)	-	-	-	8,781	-	-	-	-	7,945	(16,726)	-	-	-
Dividends paid	-	-	-		-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(85)	(465)	-	-	-	-	-	-	-	-	(550)	-	(550)
Total comprehensive income/(loss) of 2019	-	-	(105)		-	-	(191)	(144)	-	11,693	11,253	325	11,578
Other changes	-	-	-	-	-	-	-	-	(73)	-	(73)	73	-
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**

Ria Grant Thornton

Independent auditors' report
in accordance with article 14 of Legislative Decree
n. 39 of January 27, 2010 and article 10
of EU Regulation n. 537/2014

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To the shareholders of
Aeffe S.p.A.

Report on the Audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Aeffe Group (the Group), which comprise the statement of financial position as at December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February 28, 2005.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical and independence requirements applicable in Italy to audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of Trademarks Alberta Ferretti, Moschino and Pollini

Description of the Key matter	**Audit procedures in response to the Key matter**
The consolidated financial statements as at 31 December 2020 include the Alberta Ferretti, Moschino and Pollini brands (collectively referred as “Trademarks”) for a value of 71,5 million Euros, accounted as intangible assets with a finite useful	The audit procedures carried out also with the involvement of experts from the Grant Thornton network comprised:

life, and systematically amortized on a straight-line basis over the estimated useful life period in 40 years.

The accounting standard IAS 36 provides that the Trademarks are subjected to a verification of the recoverable value should indicators of possible loss in value occur. Management considered the Covid-19 pandemic to be an indicator of possible impairment of the Trademarks. The brands were therefore subjected to impairment tests to compare their recoverable values with their book values.

Management applied the discounted method to determine the recoverable value of the trademarks subject to impairment test. According to this method the value of the asset is discounted at the present value of the future cash flow expected to be derived from such asset (means cash flow from royalties that the market would be willing to pay (or correspond) to the owner of an intangible asset to acquire the license for use over a period deemed appropriate.

The information is showed in the explanatory notes to note 1 and in the paragraph "Main estimates adopted by the Management".

Carrying out the impairment test involves complex assessments that require a high degree of subjective judgment. For these reasons, we have considered the valuation of Trademarks as a key aspect of the auditing activity.

- the analysis of the reasonableness of the depreciation criteria adopted;
- an understanding of the process applied in preparing the impairment test on brands, approved by the directors of the Parent Company;
- an understanding of the process adopted in preparing the Group's 2021 budget, approved by the Parent Company's Board of Directors on March 18, 2021, used as a reference for carrying out impairment tests;
- understanding the process followed to calculate the royalties and their reconciliation with the consolidated financial statements;
- understanding of the process adopted in preparing the sales plan for the period 2021-2025 for Pollini trademark, approved by the Board of Directors of Pollini S.p.A. on March 9, 2021, used to support the impairment test of Pollini trademark;
- an understanding of the calculation of royalties and their reconciliation with the consolidated financial statements;
- the analysis of the reasonableness of the estimates used to determine the recoverable value of the Trademarks and any impairment losses;
- the examination of the sensitivity analysis with reference to the key assumptions used for the impairment tests including the interest rate and the perpetual growth rate applied;
- the examination of the appropriateness of the information provided by the directors in the explanatory notes in relation to the Brands and the impairment tests.

Valuation of assets and right of use according to IFRS 16

Description of the Key matter

The consolidated financial statements at 31 December 2020 include rights of use assets of 100.5 million euros, which are systematically amortized on a straight-line basis over the length of the lease contracts, and financial payables for leases for 88.2 million Euros.

Audit procedures in response to the Key matter

Audit procedures carried out also with the involvement of experts from the Grant Thornton network included:

- the analysis of the appropriateness of the accounting treatment adopted based on the provisions of the international accounting

The assets for rights of use are mainly related to leases of boutiques and to a residual extent to leases of offices and other spaces.

The book value of the key money has been reclassified in the value of the assets for rights of use, totaling 18.9 million Euros as at 31 December 2020.

The accounting standard IAS 36 provides that the rights of use assets are subjected to a verification of the recoverable value should indicators of possible loss in value occur. Management considered Covid-19 pandemic to be an indicator of possible loss of value of the assets for rights of use. The rights of use were therefore subjected to impairment tests, to compare their recoverable values with their book values.

In accordance with IAS 36, the management has determined the recoverable value of the rights of use assets as the greater between the value in use, calculated on the expected cashflows from boutiques, and the fair value, calculated on the basis of rental costs of existing contracts.

The information is reported in the explanatory notes in note 3, in the paragraph "Accounting standards, amendments and interpretations, applicable from January 1, 2020" and in the paragraph "Main estimates adopted by the Management".

Carrying out the impairment test involves complex assessments that require a high degree of subjective judgment. For these reasons we have considered the valuation of rights of use assets a key aspect of the audit activity.

standard IFRS 16, including practical expedients;

- an understanding of the corporate transition processes to the new accounting standard and the related IT environment of the Group;
- for a sample of contracts including and/or representing a lease:
  - the analysis of the appropriate classification of the lease term;
  - verification of the determination of payments due over the terms of the contract;
  - the analysis of the reasonableness of the discount rate used to calculate the current value of the residual payments due;
- the analysis of the useful lives of the assets for the right of use applied for the purposes of their amortization;
- understanding of the process adopted for carrying out impairment tests on assets for rights of use, approved by the directors of the Parent Company;
- an understanding of the process applied in preparing the Group's 2021 budget, approved by the Parent Company's Board of Directors on March 18, 2021, used as a reference for carrying out the impairment test;
- the analysis of the reasonableness of the estimates used to determine the recoverable value of the assets for rights of use and any losses in value;
- should events that require the recalculation of the liabilities for leasing occurred, the analysis of the process followed by Management to timely and appropriately capture such circumstances and independent recalculation of such liability;
- examination of the appropriateness of the information provided by the Management in the explanatory notes, in relation to rights of use assets and impairment test.

Responsibilities of Directors and Board of statutory auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February

28, 2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standard on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standard on Auditing (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information pursuant to article 10 of EU Regulation n.537/14

We were initially engaged by the shareholders of Aeffe S.p.A. on April 16, 2016 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2016 to December 31, 2024.

We declare that we did not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

Report on compliance with other Laws and Regulations

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Aeffe Group are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Aeffe as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the consolidated financial statements of Aeffe Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Aeffe Group as at December 31, 2020 and are compliant with the applicable laws and regulations.

With reference to the assessment pursuant to art.14, par.2, subpar. e), of Legislative Decree n.39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n.254 of 30 December 2016

Management of Aeffe Group is responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree n.254 of 30 December 2016. We have verified that management approved the consolidated non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n.254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Bologna, March 29, 2021

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Partner

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

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of products of high quality and stylistic uniqueness.

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, children's lines, 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 the company Fratelli Ferretti Holding S.r.l., of which in the attachment IV are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

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, statement of changes in equity, cash flow statement 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

Pursuant to art. 3 of Decree 38/2005 dated 28th February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CONSOB and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27th July 2006 and communication DEM/6064293 dated 28th July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information are presented in the Directors' Report (Report on operations).

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 31 December 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 31 December 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 historical method. Historical cost is determined by adding together the fair values of the assets contributed, 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 historical 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

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2020 is provided 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.	Tokyo (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.	Tokyo (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 in direct shareholdings):

(i) 100% owned by Pollini S.p.A.;

(ii) 100% owned by Moschino S.p.A..

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 EUR, 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 EUR zone are translated into EUR 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 31 December 2021	Average exchange rate 2020	Actual exchange rate 31 December 2019	Average exchange rate 2019
Chinese Renminbi	8.0225	7.8747	7.8205	7.7355
United States Dollars	1.2271	1.1422	1.1234	1.1195
United Kingdom Pounds	0.8990	0.8897	0.8508	0.8778
Japanese Yen	126.4900	121.8458	121.9400	122.0058
South Korean Won	1,336.0000	1,345.5800	1,296.2800	1,305.3200
Swiss franc	1.0802	1.0705	1.0854	1.1124

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation 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. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated financial statement are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2018, 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 31 December 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 used the adoption of the practical expedient introduced by the amendment to the IFRS 16 accounting standard approved with the publication in the Official Gazette L 331 of 12 October 2020 the Commission Regulation (EU) 2020/1434 of 9 October 2020 which adopts " Concessions on fees connected to COVID-19 (Amendment to IFRS 16) ", in order to provide operational support connected to COVID-19, optional and temporary, for lessees who benefit from suspension of payments due for leasing.

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.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Group. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Of intangible fixed assets, a distinction can be made between: a) those with an “infinite” useful life, such as goodwill, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Goodwill

Goodwill arising from the acquisition of a subsidiary or joint venture represents the surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture on the acquisition date. Goodwill is recognised as an asset and reviewed annually to make sure that there is no impairment. Impairment losses are recognised in the income statement and are not restated.

In case of the disposal of a subsidiary or joint venture, the amount of goodwill not yet amortised is included in the calculation of the capital gain or loss on disposal.

If the net fair value of the identifiable assets, liabilities and contingent liabilities of the shareholding exceeds the acquisition cost, the difference is immediately recorded in the income statement.

When the acquisition contract allows the adjustment of the acquisition price based on future events, the estimated adjustment must be included in the acquisition cost if the adjustment seems probable and the amount can be reliably estimated. Any future adjustments to the estimate are recorded as a goodwill adjustment.

At 31 December 2020, the company has not recorded values related to goodwill in the financial statements.

Brands

Brands are recognised at cost and are amortised systematically on a straight-line basis during their estimated useful life (40 years) from when the asset is available for use. By applying IFRS 3, all business combinations since 31 December 2001 have been restated, with an indication, based on an independent estimate, of the new value of intangible fixed assets that were not reported when the shareholdings were acquired.

The Group has seen fit to give brands a finite life of 40 years in view of the policies adopted by other market operators. Prudently, it has adopted an extremely long – although not infinite and thus unidentifiable – useful life for its own brands (reflecting the prolonged benefits derived from these). This decision is in line with intangible fixed assets typical of the fashion industry, based on previous experience of other international operators in the sector (market comparables).

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectua property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2020, the company has not recorded intangible fixed assets with an "infinite" useful life in the financial statements.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12,5%
Photovoltaic systems	9%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and fixtures	20%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Group, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Group are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing IFRS16

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third party assets) and requires lessees to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants - leasing contracts relating to activities of "low value / low value assets" (for example personal computers, copiers, ...) and short term / short term leasing contracts (for example contracts with expiration within 12 months or less). At the start date of the leasing contract, the lessee recognizes a liability against non-variable payments of the lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right of use). Lessees must separately account for interest expenses on the leasing liability and the amortization of the right of use. Lessees will also need to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future payments of the lease following the change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as a correction of the right to use the asset. However, the standard does not provide for significant changes for landlords.

For the year 2020, the amendment was used as described in the previous paragraph on "Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2020".

Determination of recoverable value (Impairment)

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value.

Brands and other intangible assets, together with tangible fixed assets, rights of use assets and other non-current assets, are subjected to a recoverable value check in the presence of indications of possible impairment.

An impairment loss occurs and is accounted for when the book value 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 impairment loss is recognized in the income statement.

The recoverable value of these assets is the higher between their fair value, net of disposal costs, and their value in use. In order to determine value in use, the estimated future cash flows, including those deriving from the disposal of the asset at the end of its useful life, are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Group's activities. If separate cash flows cannot be estimated for an individual asset, the separate cash generating unit to which the asset belongs is identified.

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 aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, the current value was estimated by discounting the hypothetical value of the royalties deriving from the sale to third parties of these intangible assets, for a period of time equal to the residual useful life. To calculate the values determined, the management used the 2021 Group Budget approved by the Board of Directors. For the remaining periods, management has estimated a growth in turnover with a compound annual growth rate ("CAGR") ranging from 1.26% to 2.8%. The average cost of capital (WACC) of 7.40% (in line with that as of 31/12/2019) was used as the royalty rates for the sector (10%) and as the discount rate.

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

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is within the range of values determined for the relative recoverable value.

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

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2020 valuation, the expected cash flows and revenues are based on the 2021 Group Budget approved by the Board of Directors and on management estimates for subsequent years, in line with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group's WACC (7.40%).

No impairment situations emerged from the analysis carried out.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Equity investments in non-consolidated subsidiaries, associates and joint ventures are recognised according to the equity method. The surplus cost over shareholders' equity on the acquisition date is treated in the same way as described in the section on consolidation principles. Other equity investments are recognised using the cost method, which is reduced for impairment losses. The original value is restated in subsequent years if the reasons for the write-down no longer apply.

Assets held for sale

This item includes assets where the book value will be recovered mainly through sale rather than continuous use. For this to happen, the asset (or group) must be available for sale in its current condition, subject to standard conditions applicable to the sale of such assets (or groups), and the sale must be highly probable. An asset classified as held for sale is recognised at the lesser of its book value and fair value, excluding selling costs, as stipulated in IFRS 5.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their estimated net realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realisability.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Group contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Group's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1 January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the company will meet all the conditions foreseen to receive the contributions and actually receives them. The Group has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Derivative financial instruments

The fundamental characteristics of derivative financial instruments are set out in the paragraph Derivative financial instruments (Note 11). The Group uses derivative financial instruments to hedge the risks associated with currency exposure arising from its operations, without any speculative or trading purpose. Accounting for derivative transactions, since these refer to a risk linked to the variability of expected cash flows (forecast transaction), are performed in accordance with the cash flow hedge rules. The rules of hedge accounting require the recognition of derivatives at their fair value in the balance sheet;

the recording of changes in fair value differs depending on the type of hedge at the valuation date:

• for derivatives used to hedge expected transactions (ie cash flow hedges), changes in fair value are recognized directly in the specific shareholders' equity reserve, except for the portion of variation relating to the ineffective portion of the hedge that is allocated to the account economic, financial income and charges; the fair value differences already recognized directly in the specific equity reserve are fully charged to the income statement, adjusting the operating margins, at the time the assets / liabilities relating to the hedged items are recognized;

• for derivatives used to hedge assets and liabilities recognized in the financial statements (ie fair value hedges), the differences in fair value are recognized entirely in the income statement under financial income and expense. In addition, the value of the hedged item (assets / liabilities) is adjusted for the change in value attributable to the hedged risk, using financial income and expenses as a contra entry.

Revenue

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.

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.

Costs

Costs and expenses are recognised on an accrual basis.

Design and production costs for sample collections incurred during the period are correlated to the turnover from sales of collection and are thus carried in the income statement in proportion to the revenue generated. The remaining portion to be carried in the income statement during the period in which the corresponding revenue is generated is posted to other current assets.

Financial income and expenses

These include all items of a financial nature written to the income statement for the period, including interest payable on financial debts calculated using the effective interest method (mainly current account overdrafts and medium and long-term loans), foreign currency gains and losses, dividends received, and the portion of interest payable deriving from the accounting treatment of assets under finance leases (IAS 17).

Interest income and expenses are reported in the income statement for the period in which they are realised/incurred.

Dividends are recognised in the period when the Group’s right to a dividend payment matures, subject to ratification.

The amount of interest payable on finance leases is booked to the income statement using the effective interest method.

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the consolidated financial statement, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Group.

- Estimates used to evaluate value impairment of assets other than financial assets

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the company applied the method described above in the paragraph entitled "Impairment of value of assets".

IFRS 16

The transition to IFRS 16 introduces some elements of professional judgment which involve the definition of some accounting policies and the use of assumptions. The main ones are summarized below:

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Group that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.

- Definition of the discount rate: since in most of the rental contracts stipulated by the Group, there is no implicit interest rate, the Group has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Group has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was 2.22%.
- Activities by right of use: the Group detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Group is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment.
- Leasing liabilities: at the start date of the leasing contract, the Group recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Group has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Group has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Group mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.
- Short term leases and low value assets leases: the Group avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.
- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (in to the individual CGU) identified by a possible loss of value and reported by the following key performance indicators:

  - divestment plans;

  - performance indicators below expectations;

  - operational losses.

  The impairment test is carried out in the following ways:

- calculation of the value in use of the CGUs excluding from cash flows those connected to the leasing liability;
- calculation of the fair value of the CGU by discounting future rental rates at market value
- calculation of the recoverable value as the greater of value in use and fair value
- comparison of the recoverable value with the book value of the CGU, the latter calculated net of the book value of the leasing liability.

In calculating the value in use, the discount rate used is the Group WACC.

Brands

In compliance with IAS 36, trademarks are subjected to a verification of the recoverable value in the presence of indications of possible loss in value.

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

To calculate the recoverable value of the brands entered in the financial statement, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of these intangible assets, for a period equal to the residual useful life. To calculate the values, the management has used the Group Budget starting from the year 2021. For the remaining periods the management has used an increase in turnover with a compound annual growth rate ("CAGR") variable from 1.26% to 2.8%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 7.40% (7.40% 31/12/2019).

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
  - The inflation rate foreseen is 0.80%;
  - The discount rate used is 0.22%;
  - The annual rate in increase of the severance indemnity fund foreseen is 2.10%;
  - The expected turn-over of employees is 6% for Aeffe S.p.A., 10% for Aeffe Retail S.p.A, 8% for Moschino S.p.A. and Pollini Retail and 5% for Pollini S.p.A and Velmar S.p.A.
- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
  - The voluntary turnover rate foreseen is 0.00%;
  - The corporate turnover rate foreseen is 5.00% for all the Group's companies;
  - The discount rate used is -0.02%.

OTHER INFORMATION

Segment information

Within a group, various segments are distinguishable providing a series of homogeneous products or services (business segment) or providing products and services in a specific geographical area (geographical segment). Specifically, in Aeffe Group, two areas of activity are identified:

(i) Prêt-a-porter Division;

(ii) Footwear and leather goods Division.

In accordance with IFRS 8, segment information can be found in the section entitled "Comments on the income statement and segment information".

Management of financial risk

The financial risks to which the Group is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the currency risk, rate risk, price risk);
- credit risk;

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury on the basis of the guidelines established by the Managing Director of the Group and approved by the Chief Executive Officer.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Group manages the liquidity risk with a view to guarantee, at the consolidated level, the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

The credit lines, though negotiated at the Group level, are granted to the individual companies.

As of the date of this financial statement, the companies in the Group with the main short and medium/long-term loans from banks are the parent company, Pollini, Moschino and Velmar.

(ii) **Exchange risk:**

The Group operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using for the main companies of the Group exposed to the exchange risk, the opening of loans in foreign currency and the subscription of forward foreign exchange contracts..

(iii) **Rate risk:**

The interest rate risk to which the companies in the Group are exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Group to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards. As of 31 December 2020 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 45 thousand annually (EUR 55 thousand as of 31 December 2019).

The cash flow risk on interest rates has never been managed in the past through the use of derivative contracts - interest rate swaps - which transform the variable rate into a fixed rate. As of December 31, 2020, there are no interest rate risk hedging instruments.

(iv) **Price risk**

The Group makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Group deals only with known and reliable clients. It is a policy of the Group that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, customer's reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Group proceeds as follows:

a) Part of the foreign credits are guaranteed by primary credit insurance companies;
b) The residual uninsured part of the receivable is managed:
    a. Most of it by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The residual receivables not covered by insurance, by letter of credit or by advances, are specifically authorized and managed as settled by the Italian receivable procedure.

The unexpired receivables, amounting to a total of EUR 24,137 thousand as of 31 December 2020, represent 62% of the receivables entered in the financial statements. This percentage decreases compared to the 66% of the previous year despite the difficult situation caused by the Covid-19 pandemic.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the company an income from the relationship.

As of the reference date of the financial statement, the maximum credit risk exposure is equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Trade receivables	39,095	41,525	(2,430)	(5.9%)
Other current receivables	28,571	35,218	(6,647)	(18.9%)
Other fixed assets	2,616	2,720	(104)	(3.8%)
Total	**70,282**	**79,463**	**(9,181)**	**(11.6%)**

See note 6 for the comment and breakdown of the item "other fixed assets" note 9 "trade receivables" and note 14 for "other current receivables".

The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.

As of 31 December 2020, overdue but not written-down trade receivables amount to EUR 14,958 thousand (EUR 14,191 thousand in 2019). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
By 30 days	4,786	6,151	(1,365)	(22.2%)
31 - 60 days	2,761	3,271	(510)	(15.6%)
61 - 90 days	2,495	1,298	1,197	92.2%
Exceeding 90 days	4,916	3,471	1,445	41.6%
Total	**14,958**	**14,191**	**767**	**5.4%**

The change in the year is very limited and is the result of careful monitoring by the group's management which has at the same time adopted a customer support policy in support of the wholesale channel.

No significant risk of default with respect to such overdue receivables.

Cash flow statement

The cash flow statement presented by the Group in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);
- cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;
- cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

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 as of 01.01.19	**78,482**	**1,094**	**79,576**
Increases	-	1,185	1,185
- increases externally acquired	-	*1,185*	*1,185*
- increases from business aggregations	-	-	-
Disposals	-		-
Translation differences and other variations	-	(9)	(9)
Amortisation	(3,494)	*(1,175)*	(4,669)
Net book value as of 31.12.19	**74,988**	**1,095**	**76,083**
Increases	-	880	880
- increases externally acquired	-	*880*	*880*
- increases from business aggregations	-	-	-
Disposals	-	-	-
Translation differences and other variations	-	-	-
Amortisation	(3,494)	(980)	(4,474)
Net book value as of 31.12.20	**71,494**	**995**	**72,489**

The intangible fixed assets highlight the following main variations:

- increases, equal to EUR 880 thousand, mainly related to software;
- amortisation of the period is EUR 4,474 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	31 December 2020	31 December 2019
Alberta Ferretti	22	2,771	2,897
Moschino	24	39,914	41,841
Pollini	20	28,809	30,250
Total		**71,494**	**74,988**

Key money

At the same time as the application of IFRS 16 and to give a more truthful and correct representation, the amortization plan of the Key Money was modified, making them fall within the rights of use of assets as they represent the initial direct costs of the lessee. The change in estimate (Useful Life) was made prospectively resulting in an insignificant change.

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 as of 01.01.19	**17,119**	**23,436**	**12,551**	**3,051**	**261**	**3,881**	**60,299**
Increases	4	2,807	2,607	1,175	269	913	7,775
Disposals	-	-	-	-	(4)	(5)	(9)
Translation differences and other variations	-	-	81	2	-	(2)	81
Depreciation	-	(606)	(2,671)	(816)	(138)	(1,090)	(5,321)
Net book value as of 31.12.19	**17,123**	**25,637**	**12,568**	**3,412**	**388**	**3,697**	**62,825**
Increases	-	1,702	805	1,171	72	958	4,708
Disposals	-	-	(535)	(5)	(1)	(120)	(661)
Translation differences and other variations	-	-	(95)	(2)	-	(13)	(110)
Depreciation	-	(609)	(2,541)	(766)	(108)	(1,080)	(5,104)
Net book value as of 31.12.20	**17,123**	**26,730**	**10,202**	**3,810**	**351**	**3,442**	**61,658**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 4,708 thousand. These mainly refer to the completion of a new warehouse and to the purchase of plant and equipment and the purchase of electronic machines.
- Decreases, net of the accumulated depreciation, of EUR 661 thousand which mainly relates to the closure of two stores;
- Decrease for differences arising on translation and other variation of EUR 110 thousand which mainly relates to the translation differences of the foreign subsidiaries.
- Depreciation of EUR 5,104 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table shows the movement of activities by right of use for the year ended 31 December 2020:

(Valori in migliaia di Euro)

	Buildings	Car	Other	Total
Net book value as of 01.01.19	**124,347**	**184**	**1,144**	**125,675**
Increases	1,044	75	-	1,119
Disposals	-	-	-	-
Translation differencesand other variations	637	-	-	637
Depreciation	(16,230)	(74)	(413)	(16,717)
Net book value as of 31.12.19	**109,798**	**185**	**731**	**110,714**
Increases	8,590	176	364	9,130
Disposals	(1,455)	-	-	(1,455)
Translation differencesand other variations	(1,027)	-	-	(1,027)
Depreciation	(16,385)	(113)	(392)	(16,890)
Net book value as of 31.12.20	**99,521**	**248**	**703**	**100,472**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts (equal to approximately 81% of the activities by right of use Buildings) and to a residual extent relating to rental contracts for offices, and other spaces . The main increases recorded during the half year refer to new rental contracts signed for the points of sale. The reclassification of intangible assets attributable to individual stores within the user activities, during the transition to 01/01/2019 was equal to EUR 23.6 million.

At 31 December 2020 this value amounted to EUR 18.9 million. During the year the Group has formalized an impairment test in the manner described previously in paragraph "IFRS 16". In particular, for the Cash Generating Units (CGU), the recoverable value was calculated as the greater of the fair value and use value of the related Cash Generating Unit with the carrying amount of its net invested capital ("carrying amount"). For the 2020 valuation, the expected cash flows and revenues are based on the 2021 Budget (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%).

From the analysis carried out, it emerged that the impact of the pandemic on recoverable values is included in the scenarios assumed for the usual sensitivity analyzes. The tests carried out did not reveal any situations of impairment.

4. *Equity Investments*

This item includes shareholdings measured at the cost.

5. *Long term financial receivables*

Long term financial receivables change from EUR 2,225 thousand at December 31, 2019 to EUR 2,037 thousand at December 31, 2020.

6. *Other fixed assets*

This item mainly includes receivables for security deposits related to commercial leases.

7. *Deferred tax assets and liabilities*

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

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Tangible fixed assets	5	5	(17)	(18)
Intangible fixed assets	24	35	(144)	(144)
Provisions	4,347	3,876	(15)	(4)
Costs deductible in future periods	4,520	4,512	(174)	(28)
Income taxable in future periods	-	2,022	(186)	(1,532)
Tax losses carried forward	5,181	2,510	-	-
Other	2,571	147	(1,376)	(89)
Tax assets (liabilities) from transition to IAS	4,639	3,843	(26,104)	(28,167)
Total	**21,287**	**16,950**	**(28,016)**	**(29,982)**

The increase in deferred tax credits for tax losses carried forward refers to the recognition of deferred tax assets on tax losses from tax consolidation at 31/12/2020.

The increase in deferred tax assets, item Other, mainly refers to a reclassification from the item "Taxable income in future years" relating to the consolidated postings on royalties and commissions.

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)	-	1	-	(12)
Intangible fixed assets	(109)	-	(11)	-	(120)
Provisions	3,872	(22)	944	(462)	4,332
Costs deductible in future periods	4,484	(8)	(133)	3	4,346
Income taxable in future periods	490	-	758	(1,434)	(186)
Tax losses carried forward	2,510	(69)	5,274	(2,534)	5,181
Other	58	(134)	(623)	1,894	1,195
Tax assets (liabilities) from transition to IAS	(24,324)	100	1,396	1,363	(21,465)
Total	**(13,032)**	**(133)**	**7,606**	**(1,170)**	**(6,729)**

The movement in tax losses carried forward refers to the recognition of deferred tax assets on tax losses. The same deferred taxation has been partially reversed (Other column) as it relates to the losses transferred to the tax consolidation for which a debt / credit relationship arises with the consolidating company Aeffe S.p.A. and not a debt / credit relationship with the tax authorities.

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

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

8. *Stocks and inventories*

This item comprises:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Raw, ancillary and consumable materials	10,207	15,136	(4,929)	(32.6%)
Work in progress	5,560	6,273	(713)	(11.4%)
Finished products and goods for resale	93,500	90,596	2,904	3.2%
Advance payments	18	46	(28)	(60.9%)
Total	**109,285**	**112,051**	**(2,766)**	**(2.5%)**

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

9. *Trade receivables*

This item is illustrated in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Trade receivables	43,121	45,205	(2,084)	(4.6%)
(Allowance for doubtful account)	(4,026)	(3,680)	(346)	9.4%
Total	**39,095**	**41,525**	**(2,430)**	**(5.9%)**

Trade receivables amount to EUR 43,121 thousand at 31 December 2020, down 4.6% since 31 December 2019. 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 is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
VAT	4,884	5,578	(694)	(12.4%)
Corporate income tax (IRES)	3,192	3,571	(379)	(10.6%)
Local business tax (IRAP)	558	707	(149)	(21.1%)
Amounts due to tax authority for withheld taxes	-	-	-	n.a.
Other tax receivables	1,831	4,263	(2,432)	(57.0%)
Total	**10,465**	**14,119**	**(3,654)**	**(25.9%)**

As of 31 December 2020, the Group's tax receivables amount to EUR 10,465 thousand. The variation of EUR 3,654 thousand compared with the value at 31 December 2019 is mainly due to the decrease of VAT receivable and to the use of the tax credit for research and development activities in the subsidiary Moschino Spa.

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 20,500 thousand (USD 25,500 thousand at 31/12/2019). All contracts opened at 12/31/2020 will expire in 2021.

The composition of the derivative financial instruments in place at December 31, 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)	31 December 2020			31 December 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	-	(349)	(252)	74	-	53
TOTAL CURRENT	-	**(349)**	**(252)**	**74**	-	**53**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies is negative for Euro 252 thousand net of the related tax effect (Euro +97 thousand).

The transfer to the 2020 income statement of the effect of the hedging transactions on exchange rate risk was equal to Euro 29 thousand brought to increase costs.

12. Cash

This item includes:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Bank and post office deposits	39,475	27,914	11,561	41.4%
Cheques	28	25	3	12.0%
Cash in hand	325	451	(126)	(27.9%)
Total	**39,828**	**28,390**	**11,438**	**40.3%**

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 represents the nominal value of the cash held on the balance sheet date.

The increase in cash and cash equivalents, recorded at 31 December 2020 compared with the amount recorded at 31 December 2019, is EUR 11,438 thousand. About the reason of this variation see the Cash Flow Statement.

13. Short term financial receivables

This item includes:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Financial receivables	652	1,132	(480)	(42.4%)
Total	**652**	**1,132**	**(480)**	**(42.4%)**

The decrease mainly refers to the collection in the subsidiary Moschino Spa of the last tranche of the transfer value of the Key Money of the shop located in Via Spiga.

14. Other receivables

This caption comprimes:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Credits for prepaid costs	22,277	27,637	(5,360)	(19.4%)
Advances for royalties and commissions	150	96	54	56.3%
Advances to suppliers	154	30	124	413.3%
Accrued income and prepaid expenses	2,059	3,854	(1,795)	(46.6%)
Other	3,931	3,601	330	9.2%
Total	**28,571**	**35,218**	**(6,647)**	**(18.9%)**

Other short term receivables decrease compared with the previous period of EUR 6,647 thousand.

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

15. Assets and liabilities available for sale

This item is changed during the period as follows.

(Values in thousands of EUR)	31 December 2020	31 December 2019
Other fixed assets	-	437
Total Assets	-	**437**

The reduction in assets available for sale refers to the complete elimination in 2020 of the activities relating to the subsidiary Pollini France.

16. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2020, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change
Share capital	25,044	25,286	(242)
Share premium reserve	70,144	70,775	(631)
Cash flow reserve	(252)	53	(305)
Other reserves	49,756	44,748	5,008
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Remeasurement of defined benefit plans reserve	(1,343)	(1,286)	(57)
Translation reserve	(2,502)	(1,976)	(526)
Profits / (losses) carried-forward	13,274	6,586	6,688
Net profit / (loss) for the Group	(21,397)	11,693	(33,090)
Minority interests	30,524	32,688	(2,164)
Total	**178,756**	**204,075**	**(25,319)**

Share capital

Share capital as of 31 December 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 31 December 2020 the Parent Company holds 7,187,039 treasury shares, representing the 6.694% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2020, 969,200 treasury shares were purchased by the Parent Company for a total value of Euro 873,397.

Share premium reserve

The variation in the share premium reserve amounts to EUR 631 thousand and it is related to the purchase of treasury shares made during the year.

Cash flow reserve

For the change in the cash flow hedge reserve of EUR 305 thousand, please refer to note 11 of the assets and liabilities for derivatives.

Other reserves

The changes in these reserves reflect mainly 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 is allocated on a pro rata basis to minority interests.

Remeasurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2013 (retrospectively), of the amendment to IAS 19, changes of EUR 57 thousand compared to the value at 31 December 2019.

Translation reserve

The decrease of EUR 526 thousand related to such reserve is mainly due to the conversion of companies' financial statements in other currency than EUR.

Profits/(losses) carried-forward

The caption profits/(losses) carried forward records a positive variation as a consequence of the consolidated result at 31 December 2019.

Minority interests

The variation in minority interests is mainly due to the portion of profit/loss 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)	31 December 2019	Increases	Decreases	31 December 2020
Pensions and similar obligations	349	2	16	367
Other	1,498	-	(321)	1,177
Total	**1,847**	**2**	**(305)**	**1,544**

The additional client expenses reserve 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 "Potential 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)	31 December 2019	Increases	Decreases / Other changes	31 December 2020
Post employment benefits	5,195	42	(337)	4,900
Total	**5,195**	**42**	**(337)**	**4,900**

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 and the actuarial loss.

19. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Loans from financial institutions	34,349	13,449	20,900	155.4%
Lease liabilities	75,233	81,705	(6,472)	(7.9%)
Total	**109,582**	**95,154**	**14,428**	**15.2%**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. It is about 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.

Lease liabilities relate to the application of IFRS 16.

The following table contains details of bank loans as of 31 December 2020, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	51,774	17,425	34,349
Total	**51,774**	**17,425**	**34,349**

It should be noted that the amount due beyond five years amounts to EUR 1,367 thousand.

20. Long-term not financial liabilities

The item amounts to EUR 1,769 thousand at 31 December 2020, an increase of EUR 1,052 thousand compared to the previous year. The change is mainly attributable to the accounting of the long-term portion of the substitute tax payable referring to the operations carried out as required by art. 110 of the Law Decree n. 104/2020 "August Decree".

CURRENT LIABILITIES

21. Trade payables

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

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Trade payables	69,328	74,300	(4,972)	(6.7%)
Total	**69,328**	**74,300**	**(4,972)**	**(6.7%)**

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

22. *Tax payables*

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

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Local business tax (IRAP)	36	47	(11)	(23.4%)
Corporate income tax (IRES)	200	287	(87)	(30.3%)
Amounts due to tax authority for withheld taxes	2,742	2,823	(81)	(2.9%)
VAT due to tax authority	221	218	3	1.4%
Other	554	16	538	3,362.5%
Total	**3,753**	**3,391**	**362**	**10.7%**

At December 31, 2020, the Group's payables to tax institutions amounted to EUR 3,753 thousand.

23. *Short term financial liabilities*

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to banks	60,939	57,709	3,230	5.6%
Lease liabilities	12,974	14,098	(1,124)	(8.0%)
Total	**73,913**	**71,807**	**2,106**	**2.9%**

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. Current loans (due within 12 months) are loans granted by banks to the Parent Company and to other Group companies.

Lease liabilities relate to the application of IFRS 16.

24. *Other liabilities*

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

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to total security organization	4,212	4,406	(194)	(4.4%)
Due to employees	4,479	5,923	(1,444)	(24.4%)
Trade debtors - credit balances	2,470	1,809	661	36.5%
Accrued expenses and deferred income	1,772	1,795	(23)	(1.3%)
Other	3,743	4,192	(449)	(10.7%)
Total	**16,676**	**18,125**	**(1,449)**	**(8.0%)**

The other short term liabilities amount to EUR 16,676 thousand at 31 December 2020 decreasing of EUR 1,449 thousand compared with the previous year. The change mainly refers to the decrease in liabilities to employees for the use of deferred charges during the year.

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 di Lorenzo Serafini", "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 distributes 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 table indicates the main economic data for the full year 2020 and 2019 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**197,400**	**107,417**	**(35,700)**	**269,117**
Intercompany revenues	(11,207)	(24,493)	35,700	-
Revenues with third parties	**186,193**	**82,924**	-	**269,117**
Gross operating margin (EBITDA)	**3,594**	**899**	-	**4,493**
Amortisation	(22,049)	(4,419)	-	(26,468)
Other non monetary items:				
Write-downs	(1,297)	(1,293)	-	(2,590)
Net operating profit / loss (EBIT)	**(19,752)**	**(4,813)**	-	**(24,565)**
Financial income	701	74	(136)	639
Financial expenses	(2,838)	(959)	136	(3,661)
Profit / loss before taxes	**(21,889)**	**(5,698)**	-	**(27,587)**
Income taxes	2,759	1,471	-	4,230
Net profit / loss	**(19,130)**	**(4,227)**	-	**(23,357)**

(Values in thousands of EUR) 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**262,219**	**128,178**	**(38,994)**	**351,403**
Intercompany revenues	(11,533)	(27,461)	38,994	-
Revenues with third parties	**250,686**	**100,717**	-	**351,403**
Gross operating margin (EBITDA)	**38,665**	**14,464**	-	**53,129**
Amortisation	(22,783)	(3,924)	-	(26,707)
Other non monetary items:				
Write-downs	(925)	(396)	-	(1,321)
Net operating profit / loss (EBIT)	**14,957**	**10,144**	-	**25,101**
Financial income	344	282	(169)	457
Financial expenses	(3,055)	(866)	169	(3,752)
Profit / loss before taxes	**12,246**	**9,560**	-	**21,806**
Income taxes	(7,011)	(2,791)	-	(9,802)
Net profit / loss	**5,235**	**6,769**	-	**12,004**

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

(Values in thousands of EUR) 31 December 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*365,804*	*134,442*	*(43,411)*	456,835
of which non-current assets (*)				
Intangible fixed assets	*43,518*	*28,971*	-	*72,489*
Tangible fixed assets	*53,536*	*8,122*	-	*61,658*
Right-of-use assets	*92,379*	*8,093*	-	*100,472*
Other non-current assets	*4,471*	*447*	*(133)*	*4,785*
OTHER ASSETS	*27,327*	*4,425*	-	31,752
CONSOLIDATED ASSETS	**393,131**	**138,867**	**(43,411)**	**488,587**
SECTOR LIABILITIES	235,714	85,758	(43,411)	278,061
OTHER LIABILITIES	*22,476*	*9,294*	-	31,770
CONSOLIDATED LIABILITIES	**258,190**	**95,052**	**(43,411)**	**309,831**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 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**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

Segment information by geographical area

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

(Values in thousands of EUR)	Full Year 2020	%	Full Year 2019	%	Change Δ	%
Italy	121,873	45.3%	160,865	45.8%	(38,992)	(24.2%)
Europe (Italy excluded)	82,668	30.7%	86,890	24.7%	(4,222)	(4.9%)
Asia and Rest of the World	53,523	19.9%	86,020	24.5%	(32,497)	(37.8%)
America	11,053	4.1%	17,628	5.0%	(6,575)	(37.3%)
Total	**269,117**	**100.0%**	**351,403**	**100.0%**	**(82,286)**	**(23.4%)**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

COVID-19 PANDEMIC EFFECT

The health crisis caused by the Covid-19 coronavirus has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the Group's business.

The pandemic and the measures to contain the spread of the virus adopted by the various governments influenced the Group's 2020 results, causing a decline in revenues and profitability.

Since the first days of the spread of the virus, the Group has introduced a series of measures aimed at safeguarding the safety and health of its employees and customers globally and at supporting its suppliers. At the same time, the group has urgently introduced an action plan to effectively and efficiently counter the negative effects related to the global emergency of Covid-19.

The adoption of these corrective measures to contrast the negative effects linked to the global emergency from Covid-19 led in 2020 to a decrease in fixed costs of 13.7%, corresponding to approximately EUR 12.2 million and a contraction personnel costs of 14.7%, equal to approximately EUR 10.6 million, for a total total of approximately EUR 22.8 million (-14% compared to 2019).

Among the main measures undertaken were the request for reductions in the rental fees of boutiques to the various lessors and the use, in all the countries in which it operates, to the facilities to support employment made available by the various government authorities to deal with effects of the pandemic.

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) Full Year 2020	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**197,400**	**107,417**	**(35,700)**	**269,117**
Italy	93,762	59,658	(31,547)	121,873
Europe (Italy excluded)	46,326	37,736	(1,394)	82,668
Asia and Rest of the World	46,447	8,306	(1,230)	53,523
America	10,865	1,717	(1,529)	11,053
Brand	**197,400**	**107,417**	**(35,700)**	**269,117**
Alberta Ferretti	14,576	1,337	(1,369)	14,544
Philosophy	13,403	538	(539)	13,402
Moschino	165,791	82,994	(33,362)	215,423
Pollini	6	22,413	(11)	22,408
Other	3,624	135	(419)	3,340
Distribution channel	**197,400**	**107,417**	**(35,700)**	**269,117**
Wholesale	126,827	95,130	(26,840)	195,117
Retail	51,367	12,227	(67)	63,527
Royalties	19,206	60	(8,793)	10,473
Timing of goods and services transfer	**197,400**	**107,417**	**(35,700)**	**269,117**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	178,194	107,357	(26,907)	258,644
POINT IN TIME (Royalties accrual on Licensee's turnover)	19,206	60	(8,793)	10,473

In 2020 consolidated revenues amount to EUR 269,117 thousand compared to EUR 351,403 thousand of the year 2019, showing a decrease of 23.4% (-23.3% at constant exchange rates).

The 2020 performance was deeply affected by the effects of the Covid-19 pandemic. However, the Group has, since the beginning of the emergency, undertaken an effective action plan aimed at limiting its impact on the business, both economically and financially.

Revenues of the prêt-à-porter division amount to EUR 197,400 thousand with a decrease of 24.7% at current exchange rates (-24.6% at constant exchange rates) compared to 2019. The revenues of the footwear and leather goods division decrease by 16.2% to EUR 107,417 thousand.

26. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Other income	10,486	10,064	422	4.2%
Total	**10,486**	**10,064**	**422**	**4.2%**

The caption other income, that amounts to EUR 10,486 thousand in 2020, is mainly composed by recovery of receivables previously written off, Co-branding activities, revenues from previous years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

27. *Costs of raw materials*

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	110,162	121,189	(11,027)	(9.1%)
Total	**110,162**	**121,189**	**(11,027)**	**(9.1%)**

The entry purchase of raw materials decrease of EUR 11,027 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)	Full Year 2020	Full Year 2019	Change Δ	%
Subcontracted work	26,338	29,456	(3,118)	(10.6%)
Consultancy fees	21,053	25,655	(4,602)	(17.9%)
Advertising	13,938	17,486	(3,548)	(20.3%)
Commission	8,240	8,695	(455)	(5.2%)
Transport	7,660	8,189	(529)	(6.5%)
Utilities	1,720	1,941	(221)	(11.4%)
Directors' and auditors' fees	3,461	3,526	(65)	(1.8%)
Insurance	625	617	8	1.3%
Bank charges	1,160	1,630	(470)	(28.8%)
Travelling expenses	1,120	2,488	(1,368)	(55.0%)
Other services	7,927	8,653	(726)	(8.4%)
Total	**93,242**	**108,336**	**(15,094)**	**(13.9%)**

Costs of services decrease from EUR 108,336 thousand in the year 2019 to EUR 93,242 thousand in the year 2020, by 13.9%. The decrease is mainly due to the decrease in "consultancy fees" and "adverting" related to both the reduction of marketing and advertising activities in response to the emergency situation created by the Covid-19 pandemic and the drop in costs for outsourcing related to the decrease in revenues.

29. *Costs for use of third parties assets*

This item comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Rental expenses	5,236	6,672	(1,436)	(21.5%)
Royalties	554	1,266	(712)	(56.2%)
Hire charges and similar	841	1,094	(253)	(23.1%)
Total	**6,631**	**9,032**	**(2,401)**	**(26.6%)**

The costs for use of third parties assets decreases by EUR 2,401thousand from EUR 9,032 thousand in 2019 to EUR 6,631 thousand in 2020, mainly due to the decline in rents and royalties.

30. *Labour costs*

Labour costs decrease by EUR 10,634 thousand from EUR 72,387 thousand in 2019 to EUR 61,753 thousand in 2020, recording an incidence on revenues which changes from 20.6% in 2019 to 22.9% in 2020. In support of employment for the Covid19 emergency, the change reflects the use of social safety nets and unused vacation periods.

This item comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	Change %
Labour costs	61,753	72,387	(10,634)	(14.7%)
Total	**61,753**	**72,387**	**(10,634)**	**(14.7%)**

In 2020 the average number of employees of the Group is:

Average number of employees by category	Full Year 2020	Full Year 2019	Change Δ	Change %
Workers	241	252	(11)	(4.4%)
Office staff-supervisors	1,063	1,088	(25)	(2.3%)
Executive and senior managers	29	24	5	20.8%
Total	**1,333**	**1,364**	**(31)**	**(2.3%)**

31. *Other operating expenses*

This item includes:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	Change %
Taxes	961	1,094	(133)	(12.2%)
Gifts	287	427	(140)	(32.8%)
Contingent liabilities	619	83	536	645.8%
Write-down of current receivables	779	176	603	342.6%
Foreign exchange losses	2,070	735	1,335	181.6%
Other operating expenses	946	814	132	16.2%
Total	**5,662**	**3,329**	**2,333**	**70.1%**

The other operating costs item went from EUR 3,329 thousand in 2019 to EUR 5,662 thousand in 2020 with an increase of EUR 2,333 thousand, mainly due to an increase in contingent liabilities, receivables write-downs and foreign exchange losses.

The increase in contingent liabilities mainly refers to charges relating to the closure of the Los Angeles boutique under the Moschino brand.

The increase in foreign exchange losses is mainly related to the unrealized component determined largely by the exchange rate adjustment of credits in dollars.

32. *Amortisation, write-downs and provisons*

This item includes:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Amortisation of intangible fixed assets	4,474	4,668	(194)	(4.2%)
Depreciation of tangible fixed assets	5,104	5,321	(217)	(4.1%)
Depreciation of right-of-use assets	16,890	16,718	172	1.0%
Write-downs and provisions	2,591	1,321	1,270	96.1%
Total	**29,059**	**28,028**	**1,031**	**3.7%**

The item goes from EUR 28,028 thousand in 2019 to EUR 29,059 thousand in 2020 mainly due to the increase in the item write-downs and provisions; in this case the change mainly refers to the write-down of the Pollini France investment and the write-off of assets relating to closed shops.

33. *Financial income/expenses*

This item include:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Interest income	256	166	90	54.2%
Foreign exchange gains	311	207	104	50.2%
Financial discounts	72	84	(12)	(14.3%)
Financial income	**639**	**457**	**182**	**39.8%**
Bank interest expenses	-	310	(310)	(100.0%)
Other interest expenses	508	277	231	83.4%
Foreign exchange losses	427	239	188	78.7%
Other expenses	525	588	(63)	(10.7%)
Financial expenses	**1,460**	**1,414**	**46**	**3.3%**
Leasing interest expenses	2,201	2,338	(137)	(5.9%)
Leasing interest expenses	**2,201**	**2,338**	**(137)**	**(5.9%)**
Total	**3,022**	**3,295**	**(273)**	**(8.3%)**

The decrease in financial income/expenses amounts to EUR 273 thousand, mainly related to the decline in leasing interest.

34. *Income taxes*

This item includes:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Current income taxes	3,620	10,100	(6,480)	(64.2%)
Deferred income (expenses) taxes	(7,606)	(302)	(7,304)	2,418.5%
Taxes related to previous years	(245)	4	(249)	n.a.
Total taxes	**(4,231)**	**9,802**	**(14,033)**	**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 2020 and 2019 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit / loss before taxes	(27,587)	21,806
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(6,621)**	**5,233**
Fiscal effect	1,609	2,337
Effect of foreign tax rates	744	2,726
Total income taxes excluding IRAP (current and deferred)	**(4,268)**	**10,296**
IRAP (current and deferred)	**37**	**(494)**
Total income taxes (current and deferred)	**(4,231)**	**9,802**

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. Result per share

Reference earning/(loss)

The calculation of basic and dilutive earning/(loss) per share is based on the following elements:

(Values in thousands of EUR) From continuing and discontinued activities	Full Year 2020	Full Year 2019
From continuing activities		
Earning/(loss) for determining basic result per share	(21,397)	11,693
Earning/(loss) for determing result per share	**(21,397)**	**11,693**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,397)**	**11,693**
From continuing and discontinued activities		
Earning/(loss) for the period	(21,397)	11,693
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(21,397)**	**11,693**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,397)**	**11,693**
Number of reference share		
Average number of shares for determing result per share	**100,175**	**101,145**
Share options	-	-
Average number of shares for determing diluted result per share	**100,175**	**101,145**

Basic earning/(loss) per share

Group net loss attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to EUR 21,397 thousand compared to a profit of EUR 11,693 thousand in 2019.

Dilutive earning/(loss) per share

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

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow generated during 2020 is EUR 11,438 thousand.

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Opening balance (A)	**28,390**	**28,037**
Cash flow (absorbed)/ generated by operating activity (B)	10,267	19,241
Cash flow (absorbed)/ generated by investing activity (C)	(12,032)	(10,779)
Cash flow (absorbed)/ generated by financing activity (D)	13,203	(8,109)
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**11,438**	**353**
Closing balance (F)=(A)+(E)	**39,828**	**28,390**

36. *Cash flow (absorbed)/ generated by operating activity*

The cash flow generated by operating activity during 2020 amounts to EUR 10,267 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit before taxes	(27,587)	21,806
Amortisation / write-downs	29,059	28,028
Accrual (+)/availment (-) of long term provisions and post employment benefits	(598)	(1,119)
Paid income taxes	(2,592)	(13,144)
Financial income (-) and financial charges (+)	3,022	3,295
Change in operating assets and liabilities	8,963	(19,625)
Cash flow (absorbed) / generated by operating activity	**10,267**	**19,241**

37. *Cash flow (absorbed)/ generated by investing activity*

The cash flow absorbed by investing activity during 2020 amounts to EUR 12,032 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Increase (-)/ decrease (+) in intangible fixed assets	(880)	(1,813)
Increase (-)/ decrease (+) in tangible fixed assets	(4,504)	(7,847)
Increase (-)/ decrease (+) in right-of-use assets	(6,648)	(1,119)
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	-	-
Cash flow (absorbed) / generated by investing activity	**(12,032)**	**(10,779)**

38. *Cash flow (absorbed)/ generated by financing activity*

The cash flow generated by financing activity during 2020 amounts to EUR 13,203 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Other variations in reserves and profits carried-forward of shareholders' equity	(1,080)	(976)
Dividends paid	-	-
Proceeds (+)/ repayments (-) of financial payments	24,129	8,143
Proceeds (+)/repayment (-) of leasing payments	(7,596)	(12,435)
Increase (-)/ decrease (+) in long term financial receivables	772	454
Financial income (+) and financial charges (-)	(3,022)	(3,295)
Cash flow (absorbed) / generated by financing activity	**13,203**	**(8,109)**

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 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10th February 2005, the Group's net financial position as of 31 December 2020 is analysed below:

(Values in thousands of EUR)	31 December 2020	31 December 2019
A - Cash in hand	353	476
B - Other available funds	39,475	27,914
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*39,828*	*28,390*
E - Short term financial receivables	652	1,132
F - Current bank loans	(43,514)	(46,792)
G - Current portion of long-term bank borrowings	(17,425)	(10,917)
H - Current portion of loans from other financial istitutions	(12,973)	(14,098)
I - Current financial indebtedness (F) + (G) + (H)	*(73,912)*	*(71,807)*
J - Net current financial indebtedness (I) + (E) + (D)	*(33,432)*	*(42,285)*
K - Non current bank loans	(34,349)	(13,448)
L - Issued obbligations	2,037	2,225
M - Other non current loans	(75,233)	(81,706)
N - Non current financial indebtedness (K) + (L) + (M)	*(107,545)*	*(92,929)*
O - Net financial indebtedness (J) + (N)	***(140,977)***	***(135,214)***

The net financial position of the Group at December 31 2020 shows a debt of EUR 140,978 thousand compared to EUR 135,214 thousand at December 31 2019.

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)	Full Year 2020	Full Year 2019	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	284	474	Revenue
Property rental	50	50	Cost
Cost of services	75	76	Cost
Commercial	597	613	Receivable
Ferrim with Aeffe S.p.a.			
Property rental	887	887	Cost
Aeffe USA with Ferrim USA			
Financial income	60	124	Financial income
Commercial	594	525	Receivable
Commercial	112	123	Payable
Non current financial	2,037	2,225	Receivable
Current financial	652	712	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 as of 31 December 2020 and 31 December 2019.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2020	%	Balance Full Year	Value rel. party 2019	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	269,117	284	0.1%	351,403	474	0.1%
Costs of services	93,242	1,075	1.2%	108,336	1,076	1.0%
Costs for use of third party assets	6,631	937	14.1%	9,032	937	10.4%
Financial Income / expenses	3,022	60	2.0%	3,295	124	3.8%
Incidence of related party transactions on the balance sheet						
Non current financial receivables	2,037	2,037	100.0%	2,225	2,225	100.0%
Trade receivables	39,095	1,191	3.0%	41,525	1,138	2.7%
Current financial receivables	652	652	100.0%	1,132	712	62.9%
Trade payables	69,328	112	0.2%	74,300	123	0.2%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	10,265	(1,731)	n.a.	19,241	(1,413)	n.a.
Cash flow (absorbed) / generated by financing activities	13,205	248	1.9%	(8,109)	(55)	0.7%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(140,977)	(1,483)	1.1%	(135,214)	(1,468)	1.1%

42. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 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 pursuant to Consob regulation of 28th July 2006

No significant non-recurring events, occurred during the year, have to be reported.

44. Guarantees and commitments

As of 31 December 2020, the Group has given performance guarantees to third parties totaling EUR 8,870 thousand (EUR 11,147 thousand as of 31 December 2019).

45. Contingent liabilities

Fiscal disputes

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

46. Information requested by art. 149-duodecies of the "Regolamento Emittenti" issued by Consob

The following table, prepared in accordance with art. 149-duodecies of the "Regolamento Emittenti" issued by Consob, reports the amount of fees charged in 2020 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2020 fees
Audit	RIA GRANT THORNTON	117
Audit	BDO ITALIA	62
Audit	WARD DIVECHA	8
Audit	ARI AUDIT	4
Audit	GEREC	7
R&D tax credit certification	RIA GRANT THORNTON	9
R&D tax credit certification	BDO ITALIA	9
Stamp of approval of VAT declaration	RIA GRANT THORNTON	1
Audit non-financial statement (DNF)	BDO ITALIA	37
Consolidated ESEF financial statements	BDO ITALIA	14
Total		**268**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I

Consolidated Balance Sheet with related parties

Pursuant to Consob Resolution n. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2020	of which Related parties	31 December 2019	of which Related parties
Trademarks		71,494,428		74,988,008	
Other intangible fixed assets		995,060		1,095,455	
Intangible fixed assets	(1)	72,489,488		76,083,463	
Lands		17,123,494		17,123,494	
Buildings		26,729,357		25,636,868	
Leasehold improvements		10,201,924		12,568,482	
Plant and machinary		3,810,164		3,411,595	
Equipment		350,754		387,559	
Other tangible fixed assets		3,442,220		3,696,620	
Tangible fixed assets	(2)	61,657,913		62,824,618	
Right-of-use assets	(3)	100,471,903		110,714,289	
Equity investments	(4)	131,558		131,558	
Long term financial receivables	(5)	2,037,324	2,037,324	2,225,387	2,225,387
Other fixed assets	(6)	2,615,956		2,720,383	
Deferred tax assets	(7)	21,287,015		16,949,535	
NON-CURRENT ASSETS		**260,691,157**		**271,649,233**	
Stocks and inventories	(8)	109,285,351		112,050,942	
Trade receivables	(9)	39,094,519	1,191,289	41,524,614	1,137,619
Tax receivables	(10)	10,465,392		14,118,912	
Derivative assets	(11)	-		74,055	
Cash	(12)	39,828,260		28,390,143	
Short term financial receivables	(13)	651,944	651,944	1,132,124	712,124
Other receivables	(14)	28,570,739		35,218,280	
CURRENT ASSETS		**227,896,205**		**232,509,070**	
Assets available for sale	(15)			436,885	
TOTAL ASSETS		**488,587,362**		**504,595,188**	
Share capital		25,043,866		25,286,166	
Other reserves		131,311,933		127,822,540	
Profits / (losses) carried-forward		13,273,509		6,585,047	
Net profit / (loss) for the Group		(21,396,847)		11,692,734	
Group interest in shareholders' equity		148,232,461		171,386,487	
Minority interests in share capital and reserves		32,483,755		32,376,708	
Net profit / (loss) for the minority interests		(1,959,730)		311,713	
Minority interests in shareholders' equity		30,524,025		32,688,421	
SHAREHOLDERS' EQUITY	**(16)**	**178,756,486**		**204,074,908**	
Provisions	(17)	1,543,670		1,847,295	
Deferred tax liabilities	(7)	28,016,336		29,982,114	
Post employment benefits	(18)	4,900,460		5,194,899	
Long term financial liabilities	(19)	109,581,772		95,154,429	
Long term not financial liabilities	(20)	1,768,758		717,143	
NON-CURRENT LIABILITIES		**145,810,996**		**132,895,880**	
Trade payables	(21)	69,328,170	112,257	74,300,469	122,604
Tax payables	(22)	3,753,375		3,391,481	
Derivative liabilities	(11)	349,002		-	
Short term financial liabilities	(23)	73,913,257		71,807,369	
Other liabilities	(24)	16,676,076		18,125,081	
CURRENT LIABILITIES		**164,019,880**		**167,624,400**	
Liabilities available for sale		-		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**488,587,362**		**504,595,188**	

ATTACHMENT II

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	Full Year 2020	of which Related parties	Full Year 2019	of which Related parties
REVENUES FROM SALES AND SERVICES	**(25)**	**269,116,774**	**283,995**	**351,403,409**	**473,993**
Other revenues and income	(26)	10,485,768		10,064,295	
TOTAL REVENUES		**279,602,542**		**361,467,704**	
Changes in inventory		2,341,099		5,934,562	
Costs of raw materials, cons. and goods for resale	(27)	(110,162,492)		(121,189,301)	
Costs of services	(28)	(93,242,015)	(1,075,504)	(108,336,161)	(1,075,504)
Costs for use of third parties assets	(29)	(6,630,888)	(937,000)	(9,031,792)	(937,000)
Labour costs	(30)	(61,752,840)		(72,386,514)	
Other operating expenses	(31)	(5,661,916)		(3,329,130)	
Amortisation, write-downs and provisions	(32)	(29,058,754)		(28,027,772)	
Financial Income / (expenses)	(33)	(3,022,187)	60,331	(3,295,276)	123,805
PROFIT / LOSS BEFORE TAXES		**(27,587,451)**		**21,806,320**	
Taxes	(34)	4,230,874		(9,801,873)	
NET PROFIT / LOSS		**(23,356,577)**		**12,004,447**	
(Profit) / loss attributable to minority shareholders		1,959,730		(311,713)	
NET PROFIT / LOSS FOR THE GROUP		**(21,396,847)**		**11,692,734**	

ATTACHMENT III

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2020	of which Related parties	Full Year 2019	of which Related parties
Opening balance		**28,390**		**28,037**	
Profit before taxes		(27,587)	(1,668)	21,806	(1,415)
Amortisation / write-downs		29,059		28,028	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(598)		(1,119)	
Paid income taxes		(2,592)		(13,144)	
Financial income (-) and financial charges (+)		3,022		3,295	
Change in operating assets and liabilities		8,963	(63)	(19,625)	2
Cash flow (absorbed) / generated by operating activity	**(36)**	**10,267**		**19,241**	
Increase (-)/ decrease (+) in intangible fixed assets		(880)		(1,813)	
Increase (-)/ decrease (+) in tangible fixed assets		(4,504)		(7,847)	
Increase (-)/ decrease (+) in right-of-use assets (1)		(6,648)		(1,119)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-		-	
Cash flow (absorbed) / generated by investing activity	**(37)**	**(12,032)**		**(10,779)**	
Other variations in shareholders' equity		(1,080)		(976)	
Dividends paid		-		-	
Proceeds (+)/ repayments (-) of financial payments		24,129		8,143	
Proceeds (+)/ repayment (-) of lease payments (2)		(7,596)		(12,435)	
Increase (-)/ decrease (+) in long term financial receivables		772	248	454	(55)
Financial income (+) and financial charges (-)		(3,022)		(3,295)	
Cash flow (absorbed) / generated by financing activity	**(38)**	**13,203**		**(8,109)**	
Closing balance		**39,828**		**28,390**	

ATTACHMENT IV

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2019

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2019	STATUTORY FINANCIAL STATEMENTS 2018
BALANCE SHEET		
Intangible fixed assets	72,506	80,404
Tangible fixed assets	1,790,683	1,944,182
Equity investments	65,369,333	65,256,999
Non current assets	**67,232,522**	**67,281,585**
Trade receivables	313,677	1,004,523
Tax receivables	620,737	-
Cash	29,433	44,756
Other receivables	3,020	3,035
Current assets	**966,867**	**1,052,314**
Total assets	**68,199,389**	**68,333,899**
Share capital	100,000	100,000
Share premium reserve	61,152,036	61,275,974
Other reserves	15,038	15,038
Profits / (losses) carried-forward	-	(2)
Net profit / loss	(122,941)	(123,937)
Shareholders' equity	**61,144,133**	**61,267,073**
Provisions	113,613	137,119
Long term financial liabilities	-	-
Non-current liabilities	**113,613**	**137,119**
Trade payables	6,941,643	6,929,707
Current liabilities	**6,941,643**	**6,929,707**
Total shareholders' equity and liabilities	**68,199,389**	**68,333,899**
INCOME STATEMENT		
Revenues from sales and services	**393,231**	**375,565**
Other revenues and income	-	1
Total revenues	**393,231**	**375,566**
Operating expenses	(448,566)	(347,467)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(254,019)	(244,045)
Other operating expenses	(15,880)	(15,026)
Financial income / (expenses)	125,779	62,071
Profit / (loss) before taxes	**(199,455)**	**(168,901)**
Income taxes	76,514	44,964
Net profit / (loss)	**(122,941)**	**(123,937)**

Certification of the Consolidated Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of 14 May 1999, as amended

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 art. 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 the preparation of the consolidated financial statements at 31 December 2020.

The undersigned moreover attest that the consolidated financial statements:

a) 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 Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

18 March 2021

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Aeffe S.p.A. financial reports

Marcello Tassinari

E-MARKET SDIR CERTIFIED

DRAFT STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2020

AEFFE SPA

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which Aeffe S.p.A. has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

According to the Interim Report published by the OECD organization on March 10, 2021, global GDP growth is revised upwards by more than 1 percentage point compared to the December 2020 Outlook and should reach 5.6%. World production is expected to reach pre-pandemic levels by mid-2021, but much will depend on the rush between vaccines and emerging variants of the virus.

The outlook has improved in recent months with signs of a recovery in trade in goods and industrial production that have manifested themselves by the end of 2020. Activity has recovered in many sectors and has partially adapted to the pandemic restrictions. Vaccine distribution, although erratic, is gaining momentum and government stimulus, particularly in the United States, is likely to boost economic activity. The prospects for sustainable growth vary, however, between countries and sectors. Implementing the fastest and most effective vaccination around the world is critical.

Overall, GDP is now forecast to grow by 3.7% in 2021 and 3.9% in 2022 in the EU, and by 3.8% in both years in the euro area. The euro area and EU economies are expected to reach their pre-crisis levels of output earlier than anticipated in the Autumn 2020 Economic Forecast, largely because of the stronger than expected growth momentum projected in the second half of 2021 and in 2022.

After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021. Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery.

Risks surrounding the forecast are more balanced since the autumn, though they remain high. They are mainly related to the evolution of the pandemic and the success of vaccination campaigns.

Positive risks are linked to the possibility that the vaccination process leads to a faster-than-expected easing of containment measures and therefore an earlier and stronger recovery. Also, NextGenerationEU, the EU's recovery instrument of which the centrepiece is the Recovery and Resilience Facility (RRF), could fuel stronger growth than projected, since the envisaged funding has - for the most part - not yet been incorporated into this forecast.

In terms of negative risks, the pandemic could prove more persistent or severe in the near-term than assumed in this forecast, or there could be delays in the roll-out of vaccination programmes. This could delay the easing of containment measures, which would in turn affect the timing and strength of the expected recovery. There is also a risk that the crisis could leave deeper scars in the EU's economic and social fabric, notably through widespread bankruptcies and job losses. This would also hurt the financial sector, increase long-term unemployment and worsen inequalities.

The International monetary fund expects the world economy to grow by 5.5% in 2021 and 4.2% in 2022. The forecast for 2021 has been revised upwards from the initial estimate to reflect expectations of a strengthening activity vaccination distribution in the months to come during the year.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

According to the Altagamma Observatory, the global luxury market, traditionally more resistant than others to economic crises, will close 2020 with a drop between -20 / -22%.

The Altagamma Consensus estimates for 2021 a double-digit growth of 14% in all sectors due to the expected rebound in consumption, which will be more domestic, the prevalence of digital (+ 22%) and the growth of the Chinese market (+ 18%).

2. TREND OF THE COMPANY MANAGEMENT

The health crisis caused by the Covid-19 coronavirus has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the Company's business.

The pandemic and the measures to contain the spread of the virus adopted by the various governments influenced the Company's 2020 results, causing a decline in revenues and profitability.

Since the first days of the spread of the virus, the Company has introduced a series of measures aimed at safeguarding the safety and health of its employees and customers globally and to support its suppliers. At the same time, the Company has urgently introduced an action plan to effectively and efficiently counter the negative effects related to the global emergency of Covid-19.

The adoption of these corrective measures to contrast the negative effects linked to the global emergency from Covid-19 led in 2020 to a decrease in fixed costs of 6.6%, corresponding to approximately 1.5 million euros and a contraction personnel costs of 8.6%, equal to approximately 2.6 million euros, for a total of approximately 4.1 million euros.

Among the main measures taken was the use of the facilities to support employment made available by the government authority to deal with the effects of the pandemic.

In this difficult economic context, the Company's Management did not request extraordinary lines of credit and was able to manage working capital with extreme efficiency and to undertake, at the same time, well-targeted investments in digital marketing and the enhancement of e-commerce. in order to support the future growth of its brands.

The Company has bank credit lines capable of guaranteeing the normal conduct of its operations, while at the same time maintaining the percentage of use of the available credit lines well below the maximum usable limit.

The Company continues to be strongly focused on actions aimed at further reducing fixed costs, efficiently and effectively safeguarding the long-term interest of the business to address the challenges of the current development of the international economic situation.

INCOME STATEMENT

(Values in thousands of EUR)	Full Year 2020	% on revenues	Full Year 2019	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**114,378,980**	**100.0%**	**161,946,729**	**100.0%**	**(47,567,749)**	**(29.4%)**
Other revenues and income	7,728,299	6.8%	8,383,791	5.2%	(655,492)	(7.8%)
TOTAL REVENUES	**122,107,279**	**106.8%**	**170,330,520**	**105.2%**	**(48,223,241)**	**(28.3%)**
Changes in inventory	1,925,900	1.7%	(3,742,662)	(2.3%)	5,668,562	(151.5%)
Costs of raw materials, cons. and goods for resale	(49,489,428)	(43.3%)	(61,184,163)	(37.8%)	11,694,735	(19.1%)
Costs of services	(41,841,511)	(36.6%)	(47,821,583)	(29.5%)	5,980,072	(12.5%)
Costs for use of third parties assets	(8,126,140)	(7.1%)	(11,425,476)	(7.1%)	3,299,336	(28.9%)
Labour costs	(27,496,153)	(24.0%)	(30,067,477)	(18.6%)	2,571,324	(8.6%)
Other operating expenses	(1,957,443)	(1.7%)	(1,968,743)	(1.2%)	11,300	(0.6%)
Total Operating Costs	(126,984,775)	(111.0%)	(156,210,103)	(96.5%)	29,225,328	(18.7%)
GROSS OPERATING MARGIN (EBITDA)	**(4,877,496)**	**(4.3%)**	**14,120,417**	**8.7%**	**(18,997,913)**	**(134.5%)**
Amortisation of intangible fixed assets	(541,365)	(0.5%)	(520,173)	(0.3%)	(21,192)	4.1%
Depreciation of tangible fixed assets	(1,542,553)	(1.3%)	(1,645,127)	(1.0%)	102,574	(6.2%)
Depreciation of right-of-use assets	(1,826,556)	(1.6%)	(1,826,556)	(1.1%)	-	0.0%
Revaluations / (write-downs) and provisions	(13,974,439)	(12.2%)	(800,000)	(0.5%)	(13,174,439)	1,646.8%
Total Amortisation, write-downs and provisions	(17,884,913)	(15.6%)	(4,791,856)	(3.0%)	(13,093,057)	273.2%
NET OPERATING PROFIT / LOSS (EBIT)	**(22,762,409)**	**(19.9%)**	**9,328,561**	**5.8%**	**(32,090,970)**	**(344.0%)**
Financial income	489,290	0.4%	144,716	0.1%	344,574	238.1%
Financial expenses	(671,020)	(0.6%)	(861,180)	(0.5%)	190,160	(22.1%)
Leasing interest expenses	(461,095)	(0.4%)	(496,022)	(0.3%)	34,927	(7.0%)
Total Financial Income/(expenses)	(642,825)	(0.6%)	(1,212,486)	(0.7%)	569,661	(47.0%)
PROFIT / LOSS BEFORE TAXES	**(23,405,234)**	**(20.5%)**	**8,116,075**	**5.0%**	**(31,521,309)**	**(388.4%)**
Taxes	2,376,490	2.1%	(2,978,441)	(1.8%)	5,354,931	(179.8%)
NET PROFIT / LOSS	**(21,028,744)**	**(18.4%)**	**5,137,634**	**3.2%**	**(26,166,378)**	**(509.3%)**

Revenues from sales and services

In 2020 revenues amount to EUR 114,379 thousand compared to EUR 161,947 thousand of the year 2019, showing an decrease of 29,4%. Such decrease has mainly interested all brands.

52% of revenues are earned in Italy while 48% come from foreign markets.

Labour costs

Labour costs decrease from EUR 30,067 thousand in 2019 to EUR 27,496 thousand in 2020, recording a 8.6% decrease. The change reflects the use of social safety nets and unused vacation periods, in support of employment for the Covid19 emergency.

Gross Operating Margin (EBITDA)

EBITDA moves from +14,120 thousand in 2019 to -4,877 thousand in 2020.

In percentage terms MOL changes from 8.7% in 2019 to -4.3% in 2020.

The decline in margins is directly attributable to the decline in sales both in wholesale and retail channels across all geographies where the Company operates due to the Covid-19 pandemic, as described above. However, the yearly margins benefited from positive results in terms of cost efficiency deriving from the actions implemented to face the global consequences of the virus spread, which largely materialised from the second quarter of the year. Cost savings involved various types of expenditure closely associated to the health emergency situation, mainly including personnel, rental, travel costs and overheads.

Net operating profit (EBIT)

Net operating profit moves from 9,329 thousand in 2019 to -22,762 thousand in 2020.

The change is due to the decrease in Ebitda and the write-downs mainly made on the investments in the foreign subsidiaries Aeffe UK, Aeffe Shanghai and Aeffe France.

Net operating profit (EBIT ADJUSTED)

Adjusted Ebit, net of non-recurring costs of EUR 13,344 thousand, is negative for EUR 9,418 thousand, compared to the positive value of EUR 9,320 thousand IN 2019, with a decrease of EUR 18,738 thousand, mainly due to the decrease in Ebitda.

Non-recurring costs of EUR 13,344 thousand include the write-downs relating to the equity investments of the subsidiaries Aeffe UK (EUR 7,186 thousand), Aeffe France (EUR 3,463 thousand) and Aeffe Shanghai, the latter no longer operational since the beginning of 2021 (EUR 2,695 thousand).

Result before taxes

The result before taxes amounts to EUR -23,405 thousand compared with EUR 8,116 thousand in 2019, with a EUR 31,521 thousand decrease, mainly due to the decrease in Ebitda and to non-recurring costs.

latter no longer operational since the beginning of 2021 (EUR 2,695 thousand).

Result before taxes ADJUSTED

The result before taxes adjusted , net of non-recurring costs of EUR 13,344 thousand, change from a profit of EUR 8,116 thousand in 2019 to a loss of EUR 10,061 in 2020, with a decrease in absolute value of EUR 18,177 thousand, due to the decrease in Ebitda.

Net result

Net result decreases from EUR 5,138 thousand in 2019 to EUR -21,029 thousand in 2020, declining for EUR 26,167 thousand due to the decrease in Ebitda and to non-recurring costs.

Net result ADJUSTED

Net result adjusted decreases from a profit of EUR 5,138 thousand in 2019 to a loss of EUR 7,685 thousand in 2020, declining for EUR 12,823 thousand due to the decrease in Ebitda.

BALANCE SHEET

(Values in units of EUR)	31 December 2020	31 December 2019
Trade receivables	44,101,240	56,362,980
Stock and inventories	30,915,844	29,755,008
Trade payables	(63,513,129)	(79,288,737)
Operating net working capital	**11,503,955**	**6,829,252**
Other short term receivables	11,821,581	14,740,121
Tax receivables	7,583,374	8,977,837
Other short term liabilities	(6,513,344)	(6,679,472)
Tax payables	(1,689,764)	(1,452,333)
Net working capital	**22,705,802**	**22,415,406**
Tangible fixed assets	42,440,613	43,558,435
Intangible fixed assets	3,440,390	3,657,986
Right-of-use assets	13,139,335	14,425,534
Equity investments	135,942,554	142,243,401
Other fixed assets	2,345,643	2,965,219
Fixed assets	**197,308,535**	**206,850,576**
Post employment benefits	(3,238,057)	(3,388,677)
Provisions	(1,004,948)	(55,229)
Long term not financial liabilities	(379,767)	(326,456)
Deferred tax assets	5,666,870	2,663,653
Deferred tax liabilities	(7,735,169)	(7,687,777)
NET CAPITAL INVESTED	**213,323,266**	**220,471,494**
Share capital	25,043,866	25,286,166
Other reserves	127,274,012	122,801,258
Profits/(Losses) carried-forward	2,347,959	2,347,959
Profits/(Loss) for the period	(21,028,744)	5,137,634
Shareholders' equity	**133,637,093**	**155,573,017**
Cash	(6,240,284)	(6,945,771)
Long term financial liabilities	24,701,826	13,860,592
Short term financial liabilities	46,282,102	41,801,456
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**64,743,644**	**48,716,277**
Short term lease liabilities	1,626,185	1,706,158
Long term lease liabilities	13,316,344	14,476,042
NET FINANCIAL POSITION	**79,686,173**	**64,898,477**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**213,323,266**	**220,471,494**

NET CAPITAL INVESTED

Compared to December 31, 2019, net invested capital decreased by 3.2% eual to EUR 7,148 thousand.

Net working capital

Net working capital amounts to EUR 22,706 thousand at 31 December 2020 compared with EUR 22,415 thousand at 31 December 2019.

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

- the operating net working capital increases in absolute terms of EUR 4,675 thousand. Such change is mainly due to the decrease of trade payables not completely offset by the decrease in trade receivables;
- the sum of other short term receivables and payables changes in all of EUR 2,752 thousand mainly due to lower credits for prepaid costs;
- the sum of tax receivables and tax payables changes in all of EUR -1,632 thousand mainly due to the decrease of all tax creceivables.

Fixed assets

Fixed assets decrease by EUR 9,542 thousand since 31 December 2019, mainly due to the write-down of some foreign equity investments.

The changes in the main items are described below:

- tangible fixed assets increase of EUR 1,117 thousand as a consequence of:
    - investments for EUR 434 thousand for buildings, leasehold improvements, information tools and general and specific plant and machinery;
    - depreciations for EUR 1,543 thousand;
- intangible fixed assets decrease of EUR 218 thousand as a consequence of:
    - investments for EUR 324 thousand in software;
    - amortisations for EUR 542 thousand;
- equity investments decrease of EUR 6,300 thousand due to the following write-downs: EUR 478 thousand of the subsidiary Aeffe UK, EUR 2,360 thousand of the subsidiary Aeffe Shanghai and EUR 3,463 thousand of the subsidiary Aeffe France.

NET FINANCIAL POSITION

The net financial debt of the Company amounted to EUR 79,686 thousand at December 31, 2020 compared to EUR 64,898 thousand at December 31, 2019. The financial debt net of the effect of the application of IFRS 16 is equal to EUR 64,744 thousand at December 31, 2020 compared to EUR 48,716 thousand at December 31, 2019.

SHAREHOLDERS' EQUITY

Total shareholders' equity decreases by EUR 21,936 thousand. The reasons of this increase refer to the loss of the year and the purchase of own shares.

3. RESEARCH & DEVELOPMENT

Considering the particular nature of our products, research & development activities consist in the continual technical/stylistic renewal of our models and the constant improvement of the materials employed in production.

These costs, totalling EUR 15,356 thousand, have been charged to the 2020 Income Statement.

4. INFORMATION PURSUANT TO POINT 6-BIS OF ART. 2428.3 OF THE ITALIAN CIVIL CODE

Pursuant to point 6-bis of art. 2428.3 of the Italian Civil Code, it is confirmed that the Company does not use financial instruments.

Financing requirements and the related risks are managed by the central treasury.

The principal objective is to ensure that the composition of liabilities and assets remains balanced, so that a high degree of financial strength is maintained.

The average cost of borrowing is essentially linked to 3/6-month EURIBOR plus a spread that principally depends on the type of financial instrument used.

The exchange risk associated with commercial transactions not denominated in the functional currency is hedged by the opening of loans in foreign currency.

Regarding the Company's objectives and policies on financial risks refer to the information reported in the Notes.

5. INFORMATION ABOUT SHARE CAPITAL

Information about the share capital is provided in the Report on Corporate Governance prepared pursuant to arts. 124 bis of the Consolidated Finance Law and 89 bis of the Consob's Issuers' Regulations, and art. IA2.6 of the related Market Instructions. This report was approved by the Board of Directors on 18 March 2020 and is available in the Governance section of the Company's website: www.aeffe.com.

The following parties hold each more than 3% of the Company's shares as of 31 December 2020:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37.387%
Other shareholders(*)	38.203%

(*) 6.694% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2020, the Company holds 7.187.039 treasury shares, par value EUR 0.25 each, totalling 6.694% of its share capital. During 2020, 969,200 treasury shares were purchased by the Company for a total value of Euro 873,397.

As of 31 December 2020 the Company does not hold shares of any controlling company either directly or indirectly.

7. 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 28 July 2006, is provided in Notes 37 and 38.

8. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

Regarding the information relative to personnel and environment, please refer to the indicated in the consolidated non-financial statement.

9. SIGNIFICANT EVENTS OF THE PERIOD

The Covid-19 pandemic has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the entire industry globally.

During the year, the business performance was influenced by the limitations on the international movement of people and by the restrictions on the activities imposed by the government authorities of the main reference markets of the Company.

The Company promptly adopted measures considered to be of fundamental importance to face the challenges of the difficult international situation.

The primary interest of the Company has been to safeguard the safety and health of its employees, partners and customers, through the urgent and responsible adoption of all the safety measures and protocols introduced by the authorities in the various countries, ensuring, at the same time, the continuity of company operations through the use of smart-working solutions, where possible.

Furthermore, corrective measures were immediately taken to effectively and efficiently counter the negative effects linked to the global emergency of the Covid-19 coronavirus.

The main actions taken include the following:

- accurate management of relations with the main commercial partners, especially in the Far East area, to provide them with the greatest possible support;

- enhancement of digital activities in support of online business, with particular reference to customer care, through the development of technologies and tools capable of meeting customer needs in a perspective that is increasingly aimed at personalizing the customer experience;

- enhancement of remote digital communication through the adoption of new digital technologies such as the virtual showroom to remotely present the new collections to buyers and operators in the sector;

- strong attention to all organizational levels in terms of cost savings that are not detrimental to the support and development of own brands;

- request for a reduction in rents for boutiques and offices;

- use of social safety nets and periods of vacation not yet taken to make labor costs more flexible in the period of closure of shops and interruption of production cycles;

- postponement of costs related to advertising and public relations that were not detrimental to the strengthening and support of brands;

- constant commitment of creative resources to enrich their collections of garments and accessories that are increasingly desirable and suitable to meet the changing needs of customers following the spread of Covid-19.

From the point of view of the financial situation, the Company has paid the utmost attention to efficient management of working capital by effectively facing the difficult economic situation.

10. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events occurred after the end of the year.

11. OUTLOOK

Despite the recent challenges related to new variants of the virus and possible delays in vaccine distribution, the global macroeconomic picture is showing signs of improvement in the last quarter. It is likely that the current uncertainty fueled by renewed measures to contain the pandemic will continue to persist in the coming months with possible negative effects especially on foreign tourist flows.

In this difficult international context, the Group will continue to focus on strengthening the online business, digital communication and distribution in strategic markets such as the Far East, with the primary objective of capturing Chinese domestic demand which remains one of the main growth drivers. of the entire luxury sector.

Despite the complicated macroeconomic situation, the sales campaign currently underway is proceeding with results above expectations and, therefore, despite the uncertainty of these times, we are sure that the Group will emerge strengthened from this situation.

12. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2020

Shareholders,
In presenting the financial statements as of 31 December 2020 for your approval, we propose to cover the loss of the year of EUR 21,028,743 through the use of the extraordinary reserve.

18 March 2021

For the Board of Directors

Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET (*)

(Values in units of EUR)	Notes	31 December 2020	31 December 2019	Change
Trademarks		2,771,388	2,897,149	(125,761)
Other intangible fixed assets		669,002	760,838	(91,836)
Intangible fixed assets	(1)	3,440,390	3,657,986	(217,596)
Lands		17,319,592	17,319,592	(0)
Buildings		22,111,725	22,656,825	(545,100)
Leasehold improvements		766,741	901,551	(134,810)
Plant and machinary		1,534,750	1,834,362	(299,612)
Equipment		64,443	72,643	(8,200)
Other tangible fixed assets		643,362	773,462	(130,100)
Tangible fixed assets	(2)	42,440,613	43,558,435	(1,117,822)
Right-of-use assets	(3)	13,139,335	14,425,534	(1,286,199)
Equity investments	(4)	135,942,554	142,243,401	(6,300,847)
Other fixed assets	(5)	2,345,643	2,965,219	(619,576)
Deferred tax assets	(6)	5,666,870	2,663,653	3,003,217
NON-CURRENT ASSETS		**202,975,405**	**209,514,228**	**(6,538,823)**
Stocks and inventories	(7)	30,915,844	29,755,008	1,160,836
Trade receivables	(8)	44,101,240	56,362,980	(12,261,740)
Tax receivables	(9)	7,583,374	8,977,837	(1,394,463)
Cash	(10)	6,240,284	6,945,771	(705,487)
Other receivables	(11)	11,821,581	14,740,121	(2,918,540)
CURRENT ASSETS		**100,662,323**	**116,781,718**	**(16,119,395)**
TOTAL ASSETS		**303,637,728**	**326,295,946**	**(22,658,218)**
Share capital		25,043,866	25,286,166	(242,300)
Other reserves		127,274,012	122,801,258	4,472,754
Profits / (Losses) carried-forward		2,347,959	2,347,959	(0)
Net profit / loss		(21,028,744)	5,137,634	(26,166,378)
SHAREHOLDERS' EQUITY	**(12)**	**133,637,093**	**155,573,017**	**(21,935,924)**
Provisions	(13)	1,004,948	55,229	949,719
Deferred tax liabilities	(5)	7,735,169	7,687,777	47,392
Post employment benefits	(14)	3,238,057	3,388,677	(150,620)
Long term financial liabilities	(15)	38,018,170	28,336,634	9,681,536
Long term not financial liabilities	(16)	379,767	326,456	53,311
NON-CURRENT LIABILITIES		**50,376,111**	**39,794,774**	**10,581,337**
Trade payables	(17)	63,513,129	79,288,737	(15,775,608)
Tax payables	(18)	1,689,764	1,452,333	237,431
Short term financial liabilities	(19)	47,908,287	43,507,614	4,400,673
Other liabilities	(20)	6,513,344	6,679,472	(166,128)
CURRENT LIABILITIES		**119,624,524**	**130,928,155**	**(11,303,631)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**303,637,728**	**326,295,946**	**(22,658,218)**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment II and described in Notes 37 and 38.

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2020	%	Full year 2019	%
REVENUES FROM SALES AND SERVICES	**(21)**	**114,378,980**	**100.0%**	**161,946,729**	**100.0%**
Other revenues and income	(22)	7,728,299	6.8%	8,383,791	5.2%
TOTAL REVENUES		**122,107,279**	**106.8%**	**170,330,520**	**105.2%**
Changes in inventory		1,925,900	1.7%	(3,742,662)	(2.3%)
Costs of raw materials, cons. and goods for resale	(23)	(49,489,428)	(43.3%)	(61,184,163)	(37.8%)
Costs of services	(24)	(41,841,511)	(36.6%)	(47,821,583)	(29.5%)
Costs for use of third parties assets	(25)	(8,126,140)	(7.1%)	(11,425,476)	(7.1%)
Labour costs	(26)	(27,496,153)	(24.0%)	(30,067,477)	(18.6%)
Other operating expenses	(27)	(1,957,443)	(1.7%)	(1,968,743)	(1.2%)
Amortisation and write-downs	(28)	(17,884,913)	(15.6%)	(4,791,856)	(3.0%)
Financial Income / (expenses)	(29)	(642,825)	(0.6%)	(1,212,486)	(0.7%)
PROFIT / LOSS BEFORE TAXES		**(23,405,234)**	**(20.5%)**	**8,116,075**	**5.0%**
Income Taxes	(30)	2,376,490	2.1%	(2,978,441)	(1.8%)
NET PROFIT / LOSS		**(21,028,744)**	**(18.4%)**	**5,137,634**	**3.2%**
Basic earning / (loss) per share	(31)	(0.210)		0.051	
Dilutive earning / (loss) per share	(31)	(0.210)		0.051	

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the income statement of Aeffe S.p.A. are shown in the income statement presented in Attachment III and described in Notes 37 and 38.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2020	Full Year 2019
Profit/(loss) for the period (A)	**(21,028,744)**	**5,137,634**
Remeasurement of defined benefit plans	(33,782)	(128,243)
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)	**(33,782)**	**(128,243)**
Gains/(losses) on cash flow hedges	-	-
Gains/(losses) on exchange differences on translating foreign operations	-	-
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)	-	-
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(33,782)**	**(128,243)**
Total Comprehensive income / (loss) (A) + (B)	**(21,062,526)**	**5,009,391**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2020	Full Year 2019
Opening balance		**6,946**	**4,558**
Profit before taxes		(23,405)	8,116
Amortisation / write-downs		17,885	4,792
Accrual (+)/availment (-) of long term provisions and post employment benefits		(147)	(328)
Paid income taxes		(342)	(5,719)
Financial income (-) and financial charges (+)		643	1,212
Change in operating assets and liabilities		(1,735)	(1,565)
Cash flow (absorbed) / generated by operating activity	**(32)**	**(7,101)**	**6,508**
Increase (-)/ decrease (+) in intangible fixed assets		(324)	(356)
Increase (-)/ decrease (+) in tangible fixed assets		(425)	(1,741)
Increase (-)/ decrease (+) in right-of-use assets (1)		(540)	(75)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(5,468)	(1,060)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(6,757)**	**(3,232)**
Other variations in reserves and profits carried-forward of shareholders' equity		(907)	(679)
Proceeds (+)/repayments (-) of financial payments		15,322	3,470
Proceeds (+)/ repayment (-) of lease payments		(1,240)	(1,661)
Increase (-)/ decrease (+) in long term financial receivables		620	(806)
Financial income (+) and financial charges (-)		(643)	(1,212)
Cash flow (absorbed) / generated by financing activity	**(34)**	**13,152**	**(888)**
Closing balance		**6,240**	**6,946**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the cash flows of Aeffe S.p.A. are shown in the cash flow statement presented in Attachment IV and described in Notes 37 and 38.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2019	**25,286**	**70,775**	**41,377**	**7,742**	**(116)**	**3,775**	**(751)**	**2,348**	**5,137**	**155,573**
Allocation of 2019 profit			4,880			257			(5,137)	-
Total comprehensive income/(loss) of 2020							(34)		(21,029)	(21,063)
Other variations	(242)	(631)								(873)
At December 31, 2020	**25,044**	**70,144**	**46,257**	**7,742**	**(116)**	**4,032**	**(785)**	**2,348**	**(21,029)**	**133,637**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At January 1, 2019	**25,371**	**71,240**	**33,035**	**7,742**	**(116)**	**3,336**	**(623)**	**2,348**	**8,781**	**151,114**
Allocation of 2018 profit			8,342			439			(8,781)	-
Total comprehensive income/(loss) of 2019							(128)		5,137	5,009
Other variations	(85)	(465)								(550)
At December 31, 2019	**25,286**	**70,775**	**41,377**	**7,742**	**(116)**	**3,775**	**(751)**	**2,348**	**5,137**	**155,573**

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the financial statements as of 31st December 2020

pursuant to article 153 of Italian Legislative Decree 58/98

Shareholders,

Pursuant to art. 153 of Decree 58/1998 (TUF - Consolidated Finance Law) and art. 2429, para. 2, of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting on the results for the year and the work carried out in the performance of its duties, making observations with regard to the financial statements and their approval on the matters for which it is responsible.

During the year, the Board of Statutory Auditors performed its supervisory activities in compliance with current regulations, having regard for the principles of conduct recommended by the Italian Accounting Profession, the instructions issued by Consob regarding the audit and other work carried out by Boards of Statutory Auditors, and the indications contained in the Code of Self-Regulation for listed companies, approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the **"Code"**), which has been adopted by AEFFE S.p.A. (hereinafter also referred to as **"AEFFE"** or the **"Company"**).

For this purpose, in addition to attending the meetings of the Board of Directors and the Board Committees, the Board of Statutory Auditors exchanged information constantly with the managers of the administrative and audit functions, with the Body responsible for supervising the effectiveness, application and update of the Organization, Management and Control Model pursuant to Decree 231/01 adopted by the Company (**"Supervisory Body"**), with "RIA GRANT THORNTON S.p.A.", the auditing firm engaged to perform the legal audit of the accounts, and with "BDO ITALIA S.p.A.", the auditing firm designated to verify the conformity of the Non-Financial Declaration pursuant to Decree 254/2016 (**"Non-Financial Declaration" or "NFD"**) and issue the related assurance.

The Board of Statutory Auditors

The Board of Statutory Auditors in office on the date of this report was appointed at the ordinary Shareholders' Meeting held on 22nd April 2020 and comprises:

- Stefano Morri (Chairman);
- Carla Trotti (Serving Auditor);
- Fernando Ciotti (Serving Auditor);

The Alternate Auditors are Daniela Elvira Bruno and Nevio Dalla Valle.

The Board of Statutory Auditors confirms that all its members comply with the regulatory instructions issued by Consob regarding the limit on the number of appointments held.

* * * * * * * * *

We confirm that the financial statements of the Company as of 31st December 2020 were prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union and in force on 31st December 2020, and with the measures issued to implement art. 9 of Decree 38/2005.

The separate and consolidated financial statements of AEFFE as of 31st December 2020 contain the required declarations of conformity from the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation, pursuant to Law 262/2005.

Effects of the Covid-19 pandemic

The Board of Statutory Auditors constantly monitored, as part of its periodic checks, the evolution of the economic-financial and equity situation, also in relation to the effects of the Covid-19 pandemic on the activities of the Company and the Group.

Significant non-recurring transactions

No significant non-recurring transactions were identified during the year.

Impairment Test Methodology

As envisaged in the joint document issued by the Bank of Italy/Consob/ISVAP on 3rd March 2010, the Board of Directors confirmed on 18th March 2021 that the impairment test methodology adopted complies with the requirements of IAS 36.

Information about and the outcomes of the measurement process carried out are provided in the explanatory notes to the financial statements. The results of the tests performed did not identify any impairment situations. The details of the impairment test methodology are described in the explanatory notes to the separate and consolidated financial statements. The Board of Statutory Auditors believes that the impairment test methodology adopted by the Company is adequate.

Atypical or unusual transactions

As far as we know, the Company has not arranged any atypical or unusual transactions, as defined in Consob Communication No. DEM/6064293 of 28th July 2006.

Intercompany and related-party transactions

Pursuant to art. 2391-*bis* of the Italian Civil Code and Consob Decision 17221 of 12th March 2010 on the "Regulation of Related-Party Transactions", as later amended by Consob Decision 17389 of 23rd June 2010, the Board of Directors approved the "Procedure for related-party transactions" (the "**Procedure**") on 10th November 2010.

We confirm that the Procedure adopted by the Company for the transactions carried out during 2020 is consistent with the principles contained in the Consob Regulation, as updated by Decision 21396 of 10th June 2020, and is published on the website of the Company (www.AEFFE.com).

The transactions carried out with related parties are reported in the explanatory notes to the separate and consolidated financial statements of the Company and the Group, which also describe their economic and financial effects.

This Board has monitored compliance with the Procedure and the suitability of the process followed the Board of Directors in order to identify related parties and, in this regard, has no matters to report.

Work performed by the Board of Statutory Auditors during 2020

When carrying out its activities, the Board of Statutory Auditors:

- monitored compliance with the law and the Articles of Association;
- monitored compliance with the principles of proper administration;
- attended the meetings of the Board of Directors and, via the Chairman of Statutory Auditors or the assigned Statutory Auditor, the meetings of the Control, Risks and Sustainability Committee and the Compensation Committee, obtaining periodic information from the Directors, at least every quarter, on the general results of operations and the outlook for the future, as well as on the principal economic, financial and equity transactions carried out by AEFFE and its Group of companies (the "**Group**"), and ensuring that the resolutions adopted and implemented were not obviously imprudent, reckless, subject to potential conflicts of interest, in contrast with shareholders' resolutions or likely to generate heavy losses;
- monitored the adequacy of the organizational structure by direct observation, by the collection of information from the Managers of Business Functions and by attendance at the meetings of the Board Committees;
- monitored the adequacy and functioning of the system of internal control and risk management by attendance at the meetings of the Control, Risks and Sustainability Committee and by obtaining information from the Chief Executive Officer, the Executive Director, the Director responsible for the system of internal control and risk management, the Managers of Business Functions, the representatives of the Auditing Firm and he Supervisory Body, to which this Board also belongs. This Board also met with the Internal Audit Managers of the Company, obtaining information about the implementation status of the Audit Plan for the year;
- monitored the adequacy of the administrative-accounting system by meeting regularly with the Chief Financial Officer, who is also the Executive responsible for preparing the Company's accounting documentation, and with RIA GRANT THORNTON S.p.A., the Auditing Firm, in order to exchange data and information;
- monitored implementation of the rules of Corporate Governance adopted by the Company, in compliance with the principles embodied in the Code. In particular, this Board:
    - checked proper application of the verification criteria adopted by the Board of Directors in order to assess the independence of its members;
    - checked the independence of the Auditing Firm;
    - assessed the independence of its own members;

- monitored the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114, para. 2, TUF. These instructions enabled the subsidiaries to provide, on a timely basis, the information needed by the Company to comply with the disclosure requirements imposed by law;
- monitored the related-party and intercompany transactions; in this regard, the Board considers the information provided to be adequate;
- monitored proper application of the requirements placed on the Company by the Market Abuse Regulation, including those relating to internal dealing, investor protection and corporate disclosures.

Given all of the about and having regard for the evolution of the system of internal control and risk management, the analyses performed and the information obtained have not identified any matters inducing this Board to believe that, taken as a whole, the system of internal control and risk management of the Company is inadequate.

The Internal Auditors and the Supervisory Body did not raise any matters of concern to them during the periodic meetings held. The annual report of the Board of Directors on Corporate Governance and the Ownership Structure does not highlight any matters that should be drawn to your attention.

Monitoring the process of financial disclosure

The Board of Statutory Auditors has verified the existence of an adequate organization governing the process through which financial information is collected, prepared and disseminated.

This Board also acknowledges that the Executive responsible for preparing the Company's accounting documentation has confirmed:

- the adequacy and suitability of the powers and resources granted by the Board of Directors;
- having had direct access to all the information required to produce the accounting information, without need for authorizations of any kind;
- having participated in the internal flows of information for accounting purposes and having approved all the related business processes.

The Board of Statutory Auditors therefore considers that the process followed to prepare financial information is adequate, and that there are no matters to be reported to the Shareholders’ Meeting.

Monitoring the process of non-financial disclosure

The Board of Statutory Auditors has monitored compliance with the provisions of Decree 254/2016, verifying that appropriate regulations govern the process through which non-financial information is collected, prepared and presented.

The Board of Statutory Auditors therefore considers that the process followed to prepare non-financial disclosures is adequate, having regard for the strategic objectives of the Group in socio-environmental terms, and that there are no matters to be reported to the Shareholders’ Meeting. When preparing the Non-

Financial Declaration, the Company did not elect to omit information about imminent developments and ongoing negotiations, as would be allowed pursuant to art. 3, para. 8, of Decree 254/2016.

Statements, complaints pursuant to art. 2408 of the Italian Civil Code. Any omissions, censurable facts or irregularities identified

During 2020, the Board of Statutory Auditors did not receive any statements and/or complaints, pursuant to art. 2408 of the Italian Civil Code, and did not identify any censurable facts, omissions or irregularities.

Remuneration of the directors, the general manager and key management personnel

During 2020, the Board of Statutory Auditors did not express any opinions pursuant to art. 2389, para. 3, of the Italian Civil Code on the remuneration of the directors with specific responsibilities.

Other opinions expressed by the Board of Statutory Auditors

During 2020, the Board of Statutory Auditors did not issue any other opinions.

Monitoring pursuant to Decree 39/2010 - verification of the independence of the Auditing Firm

This Board has monitored the legal audit of the separate and consolidated financial statements, the independence of the Auditing Firm with particular reference to any non-audit services provided, and the results of the legal audit.

In the context of the meetings held with the Auditing Firm, the Board of Statutory Auditors - having regard for the interpretations provided by the most authoritative bodies representing the accounting professions and listed companies - carried out the monitoring duties specified in art. 19 of Decree 39/2010, requesting RIA GRANT THORNTON S.p.A. to describe, among other matters, the audit approach adopted, the fundamental aspects of the audit plan and the principal evidence that emerged from the work carried out.

With regard to the independence of RIA GRANT THORNTON S.p.A., the Board of Statutory Auditors assessed the compatibility of engagements other than the legal audit with the prohibitions envisaged in art. 5 of Regulation (EU) 537/2014, and the absence of potential risks for the independence of the auditor deriving from provision of those services. The work performed by the Auditing Firm for the Group during 2020 is described in the explanatory notes to the consolidated financial statements. The Board of Statutory Auditors confirms that the consideration recognized for the above activities was appropriate, considering the extent, complexity and characteristics of the work performed, and that the engagements to provide non-audit services were not such as to undermine the independence of the Auditing Firm.

Observations on the report of the Auditing Firm

It is confirmed that, on 29 March 2021, RIA GRANT THORNTON S.p.A. issued:

- as the Legal Auditor, the reports envisaged in art. 14 of Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, prepared in conformity with the instructions contained in the above Decree, as amended by Decree 135/2016; the reports express an unqualified opinion on the separate and consolidated financial statements and certify that they provide a true and fair view of the financial positions of the Company and

Group as of 31st December 2020 and the results of their operations and the cash flows for the year then ended, in conformity with the applicable accounting standards.

- the additional report required by art. 11 of Regulation (EU) 537/2014, stating that there are no significant weaknesses in the system of internal control and risk management with regard to the process followed for making financial disclosures, and attaching the declaration envisaged in art. 6 of Regulation (EU) 537/2014, which does not identify any situations that might compromise the independence of the Auditing Firm.

It is confirmed that, on 29 March 2021, BDO ITALIA S.p.A. issued:

- as the Designated Auditor, limited assurance on the conformity of the consolidated Non-Financial Declaration as of 31st December 2020; in that opinion, the Designated Auditor concluded that no elements had come to its attention to suggest that the Consolidated Non-Financial Declaration for the year ended 31st December 2020 had not been prepared, in all significant respects, in accordance with the provisions of Decree 254/2016 and the GRI Standards.

Self-assessment of the Board of Statutory Auditors

In compliance with the *"Rules of Conduct for Boards of Statutory Auditors of listed companies"* issued by the Italian Accounting Profession, which require the Board of Statutory Auditors to carry out, following appointment and annually thereafter, a self-assessment of its work on the joint planning of its activities, of the suitability of its members, of their adequacy with reference to the professionalism, skill, honesty and ethics, and independence requirements, and of the adequacy of the time and resources available considering the complexity of the appointment (the **"Self-assessment"**), the Board of Statutory Auditors confirms that it has carried out the Self-assessment for 2020, the outcome of which is specifically documented in the *"2020 Report on corporate governance and the ownership structure"* pursuant to art. 123-*bis* TUF of the Company, which was made available to the public by the legal deadline on the website of AEFFE (www.AEFFE.com) and in the other ways envisaged in the current regulations.

Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During 2020:

- the Board of Statutory Auditors held 12 meetings, each with a duration of about 2 hours and 30 minutes;
- the Board of Statutory Auditors held periodic meetings and exchanged information with the representatives of RIA GRANT THORNTON S.p.A.;
- the Board of Directors held 8 meetings. In this regard, it is noted that the Board of Directors has nine members, five of whom are independent; four of the nine directors are female;
- the Control, Risks and Sustainability Committee held 6 meetings, while the Compensation Committee held 2.

The Board of Statutory Auditors attended all the meetings of the Board of Directors and, through its Chairman or an assigned Statutory Auditor, the meetings of the Board Committees.

Lastly, this Board confirms that it attended the Shareholders' Meeting held on 22nd April 2020.

* * * * * * * * *

On 18th March 2021, the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation issued the declarations required pursuant to art. 154-Bis TUF, attesting that:

- the separate and consolidated financial statements were prepared in conformity with the applicable international accounting standards endorsed by the European Commission, pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19th July 2002;
- the above documents agree with the accounting entries and registers and are suitable for providing a true and fair value of the economic and financial position of the Issuer and the Group.

The Board of Statutory Auditors confirms the completeness and adequacy of the information provided by the Board of Directors in its reports, including with regard to the risks and significant uncertainties to which the Company and the Group are exposed.

As indicated in the Report on Operations, no significant events have taken place subsequent to year end.

* * * * * * * * *

Conclusions

Based on the supervisory activities carried out during the year and the results of the work performed by the legal auditor of the accounts, RIA GRANT THORNTON S.p.A., contained in the auditors' report prepared pursuant to arts. 14 and 16 of Decree 39 dated 27th January 2010, issued today - expressing an unqualified opinion – the Board of Statutory Auditors, pursuant to art. 153, para. 2, of Decree 58 dated 24th February 1998, has no objections to express with regard to the following resolutions proposed by the Board of Directors:

- approval of the separate financial statements as of 31st December 2020;
- coverage of the loss for the year of Euro 21,028,743 by use of the extraordinary reserve.

Lastly, the Board of Statutory Auditors confirms that, in compliance with art. 19, para. 1, of Decree 39/2010, it will inform the Board of Directors about the outcome of the legal audit of the accounts carried out by the Legal Auditor and send it the additional Report of the Legal Auditor, accompanied by its observations.

San Giovanni in Marignano, 30th March 2021

The Board of Statutory Auditors

Stefano MORRI

Fernando CIOTTI

Carla TROTTI

"Free translation from the original in Italian".

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E-MARKET SDIR CERTIFIED

Independent auditors' report in accordance with article 14 of Legislative Decree n. 39 of January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
Aeffe S.p.A.

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Aeffe S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2020, the statement of income, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February 28, 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of investments in subsidiaries

Description of the Key matter	**Audit procedures performed in response to the Key matter**
The financial statements as at 31 December 2020 include assets related to investments in subsidiaries for 135.9 million Euros. As reported in the explanatory notes, equity investments are accounted for at historical cost, which is reduced by permanent losses as required by IAS 36. Should the reasons for the write-down do	Audit procedures carried out also with the involvement of experts from the Grant Thornton network included: – an understanding of the process adopted in preparing the impairment tests of the affiliated companies, approved by the directors of the Parent Company;

not apply any longer, the original value is restored in subsequent years.

In the financial statements at 31 December 2020, value adjustments (write-downs) were made on equity investments in subsidiaries for a total of € 6.3 million.

As in previous years, the directors carried out impairment tests to identify the estimate of the recoverable value of some investments in particularly significant subsidiaries, to verify the consistency of the book value. Such recoverable value is based on the value in use, determined with the method of discounting the expected cash flows.

The information is reported in the explanatory notes under note 4, as well as in the illustrations of the accounting principles adopted and, in the paragraph, "Main estimates adopted by the Management".

Due to the complexity of these valuation processes, we have considered the valuation of equity investments as a key aspect of the auditing activity.

- an understanding of the process adopted in preparing the Group's 2021 budget, approved by the Board of Directors of the Parent Company on March 18, 2021, used as a reference for carrying out the impairment tests;
- the analysis of the accuracy and truthfulness of the financial statements of the most significant subsidiaries, included in the Group's consolidated financial statements, and the reconciliation of the related income statement and balance sheet values with the data assumed for the preparation of impairment tests;
- the estimate of the recoverable value based on the enterprise value (operating value, gross of amount for financial debt), obtained by applying the EV/Ebitda or EV/Sales multiples to the fundamental quantities of the companies tested. The results obtained were adjusted to consider the net financial position at the audit date;
- examination of the appropriateness of the information and disclosures provided by the Directors in the explanatory notes in relation to equity investments and impairment tests.

Responsibilities of Directors and Board of statutory auditors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February 28, 2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standard on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standard on Auditng (ISA Italia), we have exercised professional judgment and maintain professional skepticism throughout the audit. We have also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

Other information pursuant to article 10 of EU Regulation n.537/14

We were initially engaged by the shareholders of Aeffe S.p.A. on April 16, 2016 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2016 to December 31, 2024.

We declare that we did not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report, prepared in accordance with the article 11 of the EU Regulation 537/2014, submitted to the Board of Statutory Auditors.

Report on compliance with other Laws and Regulations

Opinion pursuant to article 14, par.2, subpar. e), of D.Lgs. 39/10 and of article 123-bis, par.4, of D.Lgs. 58/98

The Directors of Aeffe S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure Aeffe S.p.A. as at December 31, 2020, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required by auditing standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Director's Report and of the information set out in the Report on Corporate Governance and Ownership Structure referred to in art. 123-bis, paragraph 4 of Legislative Decree n. 58/98, with the financial statements of Aeffe S.p.A. as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Aeffe S.p.A. as at December 31, 2020 and are compliant with the applicable laws and regulations.

With reference to the assessment pursuant to art.14, par.2, subpar. e), of Legislative Decree n.39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, March 29, 2021

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Partner

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

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe S.p.A. (the "Company") is an Italian legal entity and a Parent Company that holds, directly or indirectly, equity investments in the companies that lead the business sectors in which the Aeffe Group is active.

The Company is based in San Giovanni in Marignano (Rimini) and is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

The Company has the following branch offices and local units:

1) Office and showroom in Donizetti street n.48 – Milan (MI);
2) Storage in Olmi street – San Giovanni in Marignano (RN);
3) Office and showroom in Donizetti street n.47 – Milan (MI);
4) Storage in Tavollo snc street – San Giovanni in Marignano (RN);
5) Storage in Erbosa I street n. 92 – Gatteo (FC);
6) Storage in Raibano n. 55/A street – Coriano (RN):
7) Storage in Tamerici 9 street – San Giovanni in Marignano (RN);
8) Storage in Pietro Colletta 31 street – Reggio Emilia (RE);
9) Storage in Chieri 107 street – Andenzeno (TO).
10) Storage in Lorenzatti 10 street – Vallefoglia (PU);

These financial statements have been prepared in EUR, which is the functional currency of the economy in which the Company operates.

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2020. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

Unless stated otherwise, all amounts have been rounded to thousands of EUR.

The financial statements comprise the balance sheet, the income statement, comprehensive income statement the statement of changes in shareholders' equity, the cash flow statement and these explanatory notes.

Unless stated otherwise in the accounting policies described below, these financial statements have been prepared on an historical cost basis.

The financial statements have been audited by Ria Grant Thornton S.p.A.

The Company is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment V are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CO.N.SO.B and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the

Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Company 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. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this financial statement are the same used as those used in the preparation of the 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 31 December 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 used the adoption of the practical expedient introduced by the amendment to the IFRS 16 accounting standard approved with the publication in the Official Gazette L 331 of 12 October 2020 the

Commission Regulation (EU) 2020/1434 of 9 October 2020 which adopts " Concessions on fees connected to COVID-19 (Amendment to IFRS 16) ", in order to provide operational support connected to COVID-19, optional and temporary, for lessees who benefit from suspension of payments due for leasing.

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.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Company. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Brands

Brands are recorded at cost and amortised systematically on a straight-line basis over their estimated useful life (40 years), commencing from the time the asset becomes available for use.

The Company has deemed it fair to attribute a finite life of 40 years to its brands, having regard for the prudent approach taken by other operators in the sector that consider the useful lives of their brands to be very long (given the extended utility of such assets), but not eternal or indefinite (duration not identifiable). This approach is consistent with the type of intangibles found in the fashion industry and with the long-established practices of other firms in the sector (market comparables).

Regarding the brand Alberta Ferretti, the exclusivity of the business, their historical profitability and their future income allow to consider their value recoverable, even in presence of difficult market conditions.

In order to calculate the recoverable value of the brand registered in the balance sheet, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to residual useful life. To calculate the value, the management has used the Group budget starting from the year 2021. For the remaining periods the management has used an increase in turnover with a compound annual growth rate ("CAGR") of 1.4%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 7.40% (7.40% at 31 December 2019).

The impairment test was performed in a scenario that acknowledged the expected economic-financial effects and did not reveal any losses in value. The test carried out revealed that the impact of the pandemic on the recoverable value of the brand is limited and, in any case, included in the scenarios assumed for the usual sensitivity analyzes. It follows that the value of the intangible asset recorded at 31 December 2019 is confirmed, net of the relative amortization charge for 2020.

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectual property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2020 the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12.5%
Photovoltaic systems	9%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and furnishings	12%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Company, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Company are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing IFRS16

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases (contracts that give the right to use third party assets) and requires lessees to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants - leasing contracts relating to activities of "low value / low value assets" (for example personal computers, copiers, ...) and short term / short term leasing contracts (for example contracts with expiration within 12 months or less). At the start date of the leasing contract, the lessee recognizes a liability against non-variable payments of the lease payments (i.e. the leasing liability) and an asset that represents the right to use the underlying asset for the duration of the contract (i.e. the right of use). Lessees must separately account for interest expenses on the leasing liability and the amortization of the right of use. Lessees will also need to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease, a change in future payments of the lease following the change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as a correction of the right to use the asset. However, the standard does not provide for significant changes for landlords.

For the year 2020, the Company made use of the amendment as described in the previous paragraph on "Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2020".

Determination of recoverable value (Impairment)

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value.

Brands and other intangible assets, together with tangible fixed assets, rights of use assets and other non-current assets, are subjected to a recoverable value check in the presence of indications of possible impairment.

An impairment loss occurs and is accounted for when the book value 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 impairment loss is recognized in the income statement.

The recoverable value of these assets is the higher between their fair value, net of disposal costs, and their value in use. In order to determine value in use, the estimated future cash flows, including those deriving from the disposal of the asset at the end of its useful life, are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Group's activities. If separate cash flows cannot be estimated for an individual asset, the separate cash generating unit to which the asset belongs is identified.

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 aforementioned assets may have suffered permanent losses in value.

To determine the recoverable value of the trademarks recorded in the financial statements, the current value was estimated by discounting the hypothetical value of the royalties deriving from the sale to third parties of these intangible assets, for a period of time equal to the residual useful life. To calculate the values determined, the management used the 2021 Group Budget approved by the Board of Directors. For the remaining periods, management has estimated a growth in turnover with a compound annual growth rate ("CAGR") ranging from 1.26% to 2.8%. The average cost of capital (WACC) of 7.40% (in line with that as of 31/12/2019) was used as the royalty rates for the sector (10%) and as the discount rate.

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

From the analysis carried out, no impairment situations emerged as the net book value of the individual brands is within the range of values determined for the relative recoverable value.

Finally, the Company carried out an analysis aimed at assessing the recoverability of the right-of-use assets and of the intangible and tangible assets attributable to the individual directly operated stores (DOS) which highlighted impairment indicators linked to the Covid pandemic- 19.

In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and the value in use of the relative Cash Generating Unit, was compared with the net carrying amount ("carrying amount"). For the 2020 valuation, the expected cash flows and revenues are based on the 2021 Group Budget approved by the Board of Directors and on management estimates for subsequent years, in line with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Group's WACC (7.40%).

No impairment situations emerged from the analysis carried out.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Investments in subsidiary, associated companies and joint venture are recorded as historical cost, as written down by any impairment recognised pursuant to IAS 36. Their original value is reinstated in subsequent years if the reasons for write-downs cease to apply.

It is signalled that it proceeded with the estimation of the recoverable amount of some equity investments in subsidiaries of particular importance in order to verify the consistency of the book value.

The recoverable value is defined as the higher value between the fair value of the asset, less costs for its sale, and the value in use. In order to calculate the recoverable value correctly, Aeffe Spa uses the value in use defined as the value of the future cash flows expected to originate from the asset.

For the calculation of the value in use, the Company refers to the following elements:

- Economic plan drawn up by the management for the determination of cash flows;
- Use of a specific discounting rate of these flows that reflects the current valuations of the time value of money and the specific risks associated with the activity carried out by the company.

The method used is that of estimating the present value of cash flows in accordance with the principle established by IAS 36 to respect the consistency and homogeneity between the book value and the recoverable value.

The management uses the budget (2021) as the basis for calculation and prepares on the basis of the latter a further 4 forecast years (Economic Accounts and Balance Sheet). In relation to the plans, a schedule of post-tax operating cash flows is then prepared which, on the basis of an estimated post-tax discounting rate (WACC of 7.40%), is subsequently discounted.

In order to assess the value in use of the investment with the discounted cash flow method, the management proceeded to estimate the value of the terminal flow using the perpetuity formula, taking account of the cash flow of the last year of the plan.

Finally, to estimate the recoverable value of the investment, the management proceeded to add to the present value of the cash flows relating to the explicit forecast period of the plan, the terminal value discounted net of the net financial position. It was basically carried out an estimation to estimate the equity value.

For the companies subjected to impairment test as Aeffe Retail S.p.A. and Aeffe France S.a.r.l., it is confermed the values recorded in the financial statements, as no impairment losses have emerged.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their market or estimated realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realization.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Company contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Company's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1st January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the Company will meet all the conditions foreseen to receive the contributions and actually receives them. The Company has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Revenues

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.

Most of the Company'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

Costs

Costs and expenses are recorded on an accruals basis.

The costs incurred during the year for the creation and production of samples are matched with revenues from the sales of the related collections; accordingly, they are charged to the income statement in proportion to the revenues earned. The residual costs to be expensed when the related revenues are earned are classified as other current assets.

Financial income and expense

This comprises all the financial items recorded in the income statement for the year, including the interest accrued on financial payables using the effective interest method (mainly bank overdrafts, long-term loans), exchange gains and losses, dividend income, and the lease interest identified using finance lease accounting (IAS 17).

Interest income and expense is recorded in the income statement in the year in which it is earned/incurred.

Dividends are recognised in the year in which the Company's right to collect them is established (when they are declared).

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the financial statements, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Company.

- **Estimates used to evaluate value impairment of assets other than financial assets**

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the Company applied the method described above in the paragraph entitled "Determination of recoverable value (Impairment)".

In particular, regarding the impairment tests related to equity investments, the main estimations used are the following:

Equity investment in Aeffe Retail S.p.A. and Aeffe France S.a.r.l.: the evaluation emerges from the cash flow analysis of the individual companies. The cash flows have been gathered, for the year 2021, by the Group budget. It has been also estimated cash flow projections for the years 2022, 2023, 2024 and 2025 at an average growth flat basically stable compared to that used for the 2021 budget. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2025. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), equal to 7.40% (in line with last year).

IFRS 16

The transition to IFRS 16 introduces some elements of professional judgment which involve the definition of some accounting policies and the use of assumptions. The main ones are summarized below:

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Company considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Company that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.
- Definition of the discount rate: since in most of the rental contracts stipulated by the Company, there is no implicit interest rate, the Company has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Company has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was 2.22%.
- Activities by right of use: the Company detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Company is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment.
- Leasing liabilities: at the start date of the leasing contract, the Company recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Company

has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Company has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Company mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.

- Short term leases and low value assets leases: the Company avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.
- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (in to the individual CGU) identified by a possible loss of value and reported by the following key performance indicators:

  - divestment plans;

  - performance indicators below expectations;

  - operational losses.

  The impairment test is carried out in the following ways:

  - calculation of the value in use of the CGUs excluding from cash flows those connected to the leasing liability;

  - calculation of the fair value of the CGU by discounting future rental rates at market value

  - calculation of the recoverable value as the greater of value in use and fair value

  - comparison of the recoverable value with the book value of the CGU, the latter calculated net of the book value of the leasing liability.

  In calculating the value in use, the discount rate used is the Group WACC.

- **Estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:**

– The inflation rate foreseen is 0.80%;
– The discount rate used is 0.22%;
– The annual rate in increase of the severance indemnity fund foreseen is 2.10%;
– The expected Company’s turn-over of employees is 6%.

- **Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:**

– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is -0.02%;

OTHER INFORMATION

Management of financial risk

The financial risks to which the Company is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the exchange risk, rate risk, price risk);
- credit risk;

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury on the basis of the guidelines established by the Managing Director and approved by the Chief Executive Officer.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Company manages the liquidity risk with a view to guarantee the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

(ii) **Exchange risk:**

The Company operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the Company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(iii) **Rate risk:**

The interest rate risk to which the Company is exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Company to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards.

As of 31 December 2020 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 24 thousand annually (EUR 33 thousand as of 31 December 2019).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2020 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

The Company makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Company deals only with known and reliable clients. It is a policy of the Company that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, and customer's reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Company proceeds as follows:

a) some of foreign receivables are guaranteed by primary credit insurance companies.
b) the residual uninsured part of receivables is managed:
    a. Most of them by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The remaining uninsured receivables not covered by insurance nor by request of letter of credit or by advance, are specifically authorized and managed following the procedure for Italian receivables.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the Company an income from the relationship.
As of the reference date of the financial statement, the maximum credit risk exposure was equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Trade receivables	44,101	56,363	(12,262)	(21.8%)
Other current receivables	11,822	14,740	(2,918)	(19.8%)
Total	**55,923**	**71,103**	**(15,180)**	**(21.3%)**

See note 8 for the comment and breakdown of the item "trade receivables" and note 11 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2020, overdue but not written-down trade receivables amount to EUR 26,638 thousand (EUR 37,226 thousand in 2019). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2020	31 December 2019	31 December Δ	Change %
By 30 days	899	3,905	(3,006)	(77.0%)
31 - 60 days	7,071	5,238	1,833	35.0%
61 - 90 days	4,758	3,251	1,507	46.4%
Exceeding 90 days	13,910	24,832	(10,922)	(44.0%)
Total	**26,638**	**37,226**	**(10,588)**	**(28.4%)**

The significant reduction in overdue receivables is the result of a prudent and efficient monitoring management by the Company's management which has at the same time adopted a customer support policy in support of the wholesale channel.

No risks of default with respect to such overdue receivables have to be highlighted.

Cash flow statement

The cash flow statement presented by the Company in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

(i) cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Company using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);

(ii) cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

(iii) cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. *Intangible fixed assets*

The composition of intangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)

	Brands	Other	Total
Net book value as of 01.01.19	**3,023**	**799**	**3,822**
Increases externally acquired	-	356	356
Disposals	-	-	-
Amortisation	(126)	(394)	(520)
Net book value as of 01.01.20	**2,897**	**761**	**3,658**
Increases externally acquired	-	324	324
Disposals	-	-	-
Amortisation	(126)	(416)	(542)
Net book value as of 31.12.20	**2,771**	**669**	**3,440**

Brands

This caption is related to the value of the brand owned by the Company: "Alberta Ferretti".

The residual amortisation period for this caption is 22 years.

Other

The caption "Other" relates to user licenses for software.

2. *Tangible fixed assets*

The composition of tangible fixed assets is analysed in the following table:

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.19	**16,945**	**22,860**	**1,050**	**1,797**	**111**	**700**	**43,463**
Increases	375	398	114	557	6	291	1,741
Disposals	-	-	-	-	-	-	-
Depreciation	-	(601)	(262)	(520)	(44)	(219)	(1,646)
Net book value as of 01.01.20	**17,320**	**22,657**	**902**	**1,834**	**73**	**772**	**43,558**
Increases	-	59	112	139	34	90	434
Disposals	-	-	-	-	-	(8)	(8)
Depreciation	-	(604)	(247)	(438)	(43)	(211)	(1,543)
Net book value as of 31.12.20	**17,320**	**22,112**	**767**	**1,535**	**64**	**643**	**42,441**

Tangible fixed assets have changed mainly as follows:

- Increases of EUR 434 thousand for new investments. These mainly comprise leasehold improvements, information tools and general and specific plant and machinery.
- Depreciation of EUR 1,543 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. *Right-of-use assets*

The following table details its composition and movements:

(Valori in migliaia di Euro)	Buildings	Car	Other	Total
Net book value as of 01.01.19	**14,849**	**184**	**1,144**	**16,177**
Increases	-	76	-	76
Disposals	-	-	-	-
Translation differencesand other variations	-	-	-	-
Depreciation	(1,340)	(74)	(413)	(1,827)
Net book value as of 31.12.19	**13,509**	**186**	**731**	**14,426**
Increases	-	176	364	540
Disposals	-	-	-	-
Translation differencesand other variations	-	-	-	-
Depreciation	(1,322)	(113)	(392)	(1,827)
Net book value as of 31.12.20	**12,187**	**249**	**703**	**13,139**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts (equal to approximately 63% of the activities by right of use Buildings) and to a residual extent relating to rental contracts for offices and other spaces.

The Company has formalized an impairment test in the manner described previously in paragraph "IFRS 16". 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, has been compared with the net carrying amount. For the 2020 valuation, the expected cash flows and revenues are based on the 2021 Group Budget 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 Company WACC (7.40%).

No impairment situations emerged from the analysis carried out.

4. *Equity investments*

This caption comprises the investments held in subsidiary and associated companies. A complete list, together with the information requested by Co.N.So.B, is presented in Attachment I.

Equity investments decrease of EUR 6,300 thousand due to following write-downs: EUR 478 thousand of the subsidiary Aeffe UK, EUR 2,360 thousand of the subsidiary Aeffe Shanghai and EUR 3,463 thousand of the subsidiary Aeffe France.

5. *Other fixed assets*

This caption principally includes amounts due by subsidiaries.

6. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2020 and 2019:

(Values in thousands of EUR)	Receivables		Liabilities	
	2020	2019	2020	2019
Tangible fixed assets	-	-	(17)	(17)
Intangible fixed assets	-	-	(130)	(130)
Provisions	377	268	-	-
Costs deducible in future periods	824	1,069	-	-
Income taxable in future periods	-	-	(185)	(204)
Tax losses carried forward	3,138	-	-	-
Other tax assets (liabilities) from transition to IAS	1,328	1,327	(7,403)	(7,337)
Total	**5,667**	**2,664**	**(7,735)**	**(7,688)**

The increase in deferred tax credits for tax losses carried forward refers to the recognition of deferred tax assets on tax losses from tax consolidation at 31/12/2020.

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(17)	-	-	(17)
Intangible fixed assets	(130)	-	-	(130)
Provisions	268	109	-	377
Costs deducible in future periods	1,069	(245)	-	824
Income taxable in future periods	(204)	19	-	(185)
Tax losses carried forward	-	2,569	569	3,138
Other tax assets (liabilities) from transition to IAS	(6,010)	(76)	11	(6,075)
Total	**(5,024)**	**2,376**	**580**	**(2,068)**

The positive variation of EUR 2,376 thousand in the income statement mainly refers to the registration of deferred tax assets on losses.

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

7. *Stocks and inventories*

This caption comprises:

(Values in thousands of EUR)	31 December	31 December	Change	
	2020	2019	Δ	%
Raw, ancillary and consumable materials	4,401	5,141	(740)	(14.4%)
Work in progress	3,488	4,143	(655)	(15.8%)
Finished products and goods for resale	23,008	20,427	2,581	12.6%
Advance payments	19	44	(25)	(56.8%)
Total	**30,916**	**29,755**	**1,161**	**3.9%**

The item Inventories equal to Euro 30,916 thousand remains substantially in line with the previous period.

Raw materials and work in progress products mainly concern the Spring/Summer collections 2021, while finished products mainly relate to the Autumn/Winter 2020 and to the Spring/Summer 2021 collections and to the Autumn/Winter 2021 samples collections.

Inventories are valued at the lower of cost and net realizable value.

8. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Customers receivables	6,483	5,111	1,372	26.8%
Subsidiaries receivables	38,983	52,295	(13,312)	(25.5%)
Parent Company receivables	10	4	6	150.0%
(Allowance for doubtful receivables)	(1,375)	(1,047)	(328)	31.3%
Total	**44,101**	**56,363**	**(12,262)**	**(21.8%)**

Trade receivables amount to EUR 44,101 thousand at 31 December 2020, showing a reduction by 21.8% compared to the value at 31 December 2019, mainly determined by the reduction in receivables from subsidiaries.

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

In particular the allowance existing at 31 December 2019 has been used for the amount of EUR 302 thousand to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 630 thousand to allowance for doubtful receivables.

9. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
VAT	4,038	4,434	(396)	(8.9%)
Corporate income tax (IRES)	3,167	3,544	(377)	(10.6%)
Local business tax (IRAP)	275	375	(100)	(26.7%)
Other tax receivables	103	625	(522)	(83.5%)
Total	**7,583**	**8,978**	**(1,395)**	**(15.5%)**

The variation of tax receivables is mainly due to the decrease of all its types.

10. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Bank and post office deposits	6,217	6,932	(715)	(10.3%)
Cash in hand	23	14	9	64.3%
Total	**6,240**	**6,946**	**(705)**	**(10.1%)**

Bank and postal deposits represent the nominal value of the current account balances with banks, including the interest accrued at period end. Cash and cash equivalents represent the nominal value of the cash held at period end.

As of 31 December 2020, cash and cash equivalents are EUR 705 thousand lower than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Credits for prepaid costs	9,563	12,040	(2,477)	(20.6%)
Advances for royalties and commissions	126	96	30	31.3%
Advances to suppliers	94	307	(213)	(69.4%)
Accrued income and prepaid expenses	546	1,054	(508)	(48.2%)
Other	1,493	1,243	250	20.1%
Total	**11,822**	**14,740**	**(2,918)**	**(19.8%)**

Credits for prepaid costs are related to the costs incurred to design and make samples for the Spring/Summer 2021 and Autumn/Winter 2021 collections, for which the corresponding revenues from sales have not been realised yet. Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

The item "Other" mainly refers to trade receivables for credit notes relating to returns of materials / finished products and discounts on purchases and receivables vs. Social security institutions.

12. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2020 are described below.

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ
Share capital	25,044	25,286	(242)
Share premium reserve	70,144	70,775	(631)
Other reserves	46,257	41,376	4,881
Fair value reserve	7,742	7,742	-
Legal reserve	4,032	3,775	257
IAS reserve	(116)	(116)	-
Reamisurement of defined benefit plans reserve	(785)	(751)	(34)
Profits/(Losses) carried-forward	2,348	2,348	-
Net profit / (loss)	(21,029)	5,138	(26,167)
Total	**133,637**	**155,573**	**(21,936)**

Share capital

Share capital as of 31 December 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 31 December 2020 the Company holds 7,187,039 treasury shares, representing the 6.694% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During 2020, 969,200 treasury shares were purchased by the Company for a total value of Euro 873,397.

Share premium reserve

The variation in the share premium reserve amounts to EUR 631 thousand and it is related to the purchase of treasury shares made during the year.

Other reserves

The caption records a positive variation as a consequence of the previous year's profit allocation for EUR 4,881 thousand. We specify that reserves haven't changed for income or expenses recognized directly in equity.

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.

Legal reserve

The legal reserve amounts to EUR 4,032 thousand at 31 December 2020. The increase of 257 thousand is determined by the 5% allocation of the net profit.

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.

Reamisurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2014 (retrospectively), of the amendment to IAS 19, changes of EUR 34 thousand compared to the value at 31 December 2019.

Profits/(Losses) carried-forward

The Profits/(losses) carried-forward at 31 December 2020, amounting to EUR 2,348 thousand, is not changed compared to 31 December 2019.

Net Profit /loss

This caption highlights a net loss of EUR 21,029 thousand.

Information on distributable reserves

The following schedule provides information on the way each equity reserve can be used and/or distributed, together with how they have been used in the past three years.

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	25,044					
Legal reserve	4,032	B				
Share premium reserve:						
- including	68,551	A,B,C	68,551			
- including	1,593	B				
Other reserves:						
- inc. extraordinary reserve	45,853	A,B,C	45,853			
IAS reserve (art.6 D.Lgs. 38/2005)	(116)	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	B				
Remeasurement of defined benefit plans reserve	(785)	B				
Merger reserve	404	B				
Profit/(losses) carried-forward	2,348	A,B,C	2,348			
Total	**154,666**		**116,752**	-	-	-

LEGEND: A (for capital increases); B (to cover losses); C (for shareholder distribution)

<u>Restricted Reserves</u>

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, restricted reserves as of 31 December 2020 amount to EUR 1,302 thousand.

In the absence of freely-distributable reserves or profits, these reserves would be taxable upon distribution.

NON-CURRENT LIABILITIES

13. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2019	Increases	Decreases	31 December 2020
Pensions and similar obligations	55	-	4	59
Other	-	946	-	946
Total	**55**	**946**	**4**	**1,005**

The agents' termination indemnities reflect an estimate of the costs to be incurred on the termination of agency contracts, considering legal requirements and all other useful information, such as historical experience, the average duration of agency contracts and their rate of turnover. The amount stated represents the present value of the payments required to settle the obligation.

The section on "Contingent liabilities" describes the tax contingencies that are not covered by provisions since the Company is unlikely to incur charges in relation to them.

The "Other" provisions refer to the write-downs of the equity investments in Aeffe UK and Aeffe Shanghai, which took place through the allocation to the provision for risks to cover losses for the part of the write-down exceeding the historical cost of the same investments.

14. Post-employment benefits

The severance indemnities payable on a deferred basis to all employees 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.

The main changes are described below:

(Values in thousands of EUR)	31 December 2019	Increases	Decreases / Other changes	31 December 2020
Post employment benefits	3,389	50	(201)	3,238
Total	**3,389**	**50**	**(201)**	**3,238**

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 and the actuarial variation.

15. Non-current financial liabilities

Non-current financial payables are analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Loans from financial institutions	12,450	10,745	1,705	15.9%
Lease liabilities	13,316	14,476	(1,160)	(8.0%)
Amounts due to other creditors	12,252	3,116	9,136	293.2%
Total	**38,018**	**28,337**	**9,681**	**34.2%**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. 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.

Lease liabilities relate to the application of IFRS 16.

The amounts due to other creditors mainly refer to bearing loans obtained from the subsidiaries Aeffe Usa and Velmar.

The following table details the bank loans outstanding as of 31 December 2020, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	28,947	16,497	12,450
Total	**28,947**	**16,497**	**12,450**

There are no amounts due beyond five years.

16. Non-current not financial liabilities

Non-current not financial liabilities increase for the detection of a payable for IRES arising following the closure of the patent box file of the company Pollini S.p.A.

CURRENT LIABILITIES

17. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Payables with subsidiaries	38,211	46,495	(8,284)	(17.8%)
Payables with third parties	25,302	32,794	(7,492)	(22.8%)
Total	**63,513**	**79,289**	**(15,776)**	**(19.9%)**

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

This caption decreases of EUR 15,776 thousand compared with the previous year following the drop in purchases.

18. Tax payables

Tax payables are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Amounts due to tax authority for withheld taxes	1,690	1,452	238	16.4%
Total	**1,690**	**1,452**	**238**	**16.4%**

The caption is substantially in line with the previous year.

19. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to banks	46,282	41,802	4,480	10.7%
Lease liabilities	1,626	1,706	(80)	(4.7%)
Total	**47,908**	**43,508**	**4,400**	**10.1%**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

Lease liabilities relate to the application of IFRS 16.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to total security organization	2,331	2,036	295	14.5%
Due to employees	1,753	2,353	(600)	(25.5%)
Trade debtors - credit balances	2,145	1,884	261	13.9%
Accrued expenses and deferred income	5	5	-	n.a.
Other	279	401	(122)	(30.4%)
Total	**6,513**	**6,679**	**(166)**	**(2.5%)**

The amounts due to social security institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Company's employees.

Payables to employees decrease mainly due to the use of deferred charges during the year.

COMMENTS ON THE INCOME STATEMENT

COVID-19 PANDEMIC EFFECT

The health crisis caused by the Covid-19 coronavirus has profoundly marked the year 2020, negatively affecting the demand for luxury goods and impacting the Company's business.

The pandemic and the measures to contain the spread of the virus adopted by the various governments influenced the Company's 2020 results, causing a decline in revenues and profitability.

Since the first days of the spread of the virus, the Company has introduced a series of measures aimed at safeguarding the safety and health of its employees and customers globally and at supporting its suppliers. At the same time, the Company has urgently introduced an action plan to effectively and efficiently counter the negative effects related to the global emergency of Covid-19.

The adoption of these corrective measures to contrast the negative effects linked to the global emergency from Covid-19 led in 2020 to a decrease in fixed costs of 6.6%, corresponding to approximately EUR 1.5 million and a contraction personnel costs of 8.6%, equal to approximately EUR 2.6 million, for a total total of approximately EUR 4.1 million.

Among the main measures undertaken were the request to support employment made available by the government authority to deal with effects of the pandemic.

The Company continues to be strongly focused on actions aimed at further reducing fixed costs, efficiently and effectively safeguarding the long-term interest of the business to address the challenges of the current development of the international economic situation.

21. Revenues from sales and services

In 2020 revenues amount to EUR 114,379 thousand compared to EUR 161,947 thousand of the year 2019, showing an decrease of 29,4%. Such decrease has interested all brands due to the Covid-19 pandemic.

52% of revenues are earned in Italy while 48% come from foreign markets.

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at point in time" revenues when the asset was transferred to the customer. With regard to the export of goods, the control can be transferred in various stages depending on the type of 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.

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.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2020	Prêt-à porter Division	Footwear and leather goods Division	Total
Geographical area	**92,170**	**22,209**	**114,379**
Italy	46,524	12,700	59,224
Europe (Italy excluded)	16,514	3,258	19,772
Asia and Rest of the World	25,800	5,207	31,007
America	3,332	1,044	4,376
Brand	**92,170**	**22,209**	**114,379**
Alberta Ferretti	12,801	1,037	13,838
Philosophy	13,052	-	13,052
Moschino	63,488	21,171	84,659
Other	2,829	1	2,830
Distribution channel	**92,170**	**22,209**	**114,379**
Wholesale	92,170	22,209	114,379
Timing of goods and services transfer	**92,170**	**22,209**	**114,379**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	92,170	22,209	114,379

22. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Rental income	3,925	3,953	(28)	(0.7%)
Other income	3,803	4,431	(628)	(14.2%)
Total	**7,728**	**8,384**	**(656)**	**(7.8%)**

The caption other income, which amounts to EUR 3,803 thousand in 2020, mainly refers to exchange gains on commercial transactions, provision of services and sales of raw materials and packaging.

23. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	49,489	61,184	(11,695)	(19.1%)
Total	**49,489**	**61,184**	**(11,695)**	**(19.1%)**

This caption mainly reflects the purchase of raw materials, such as fabrics, yarns, hides and accessories, finished products acquired for resale and packaging.

The decrease in this caption is mainly due to fewer productions for the sales decline in 2020.

24. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Subcontracted work	18,044	19,809	(1,765)	(8.9%)
Consultancy fees	7,575	9,865	(2,290)	(23.2%)
Advertising	5,163	4,444	719	16.2%
Commission	3,097	4,931	(1,834)	(37.2%)
Transport	1,729	2,022	(293)	(14.5%)
Utilities	496	560	(64)	(11.4%)
Directors' and auditors' fees	2,311	2,306	5	0.2%
Insurance	160	178	(18)	(10.1%)
Bank charges	187	251	(64)	(25.5%)
Travelling expenses	602	1,071	(469)	(43.8%)
Other services	2,478	2,385	93	3.9%
Total	**41,842**	**47,822**	**(5,980)**	**(12.5%)**

Costs of services decrease from EUR 47,822 thousand in the year 2019 to EUR 41,842 thousand in the year 2020, by 12.5%.

The variation is mainly due to the decrease in "subcontracted work" and "commission" related to the decrease in revenues and to the drop in costs for "consultancy fees" thanks to the efficiency actions implemented following the Covid-19 pandemic.

25. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Rental expenses	359	466	(107)	(23.0%)
Royalties	7,281	10,371	(3,090)	(29.8%)
Hire charges and similar	486	588	(102)	(17.3%)
Total	**8,126**	**11,425**	**(3,299)**	**(28.9%)**

The entry cost of use of third parties assets decrease of EUR 3,299 thousand from EUR 11,425 thousand in 2019 to EUR 8,126 thousand in 2020. This change is mainly attributable to the lower costs for royalties as a result of the decrease in turnover following the pandemic.

26. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Wages and payrolls	27,496	30,067	(2,571)	(8.6%)
Total	**27,496**	**30,067**	**(2,571)**	**(8.6%)**

Labour costs move from EUR 30,067 thousand in 2019 to EUR 27,496 thousand in 2020 with a decrease of EUR 2,571 thousand.

The change reflects the use of social safety nets and unused vacation periods, in support of employment for the Covid19 emergency.

The applicable national payroll agreement is the textile and clothing sector contract of July 2017.

The average number of employees in 2020 is analysed below:

(Average number of employees by category)	Full Year 2020	Full Year 2019	Change Δ	%
Workers	152	152	-	n.a.
Office staff - supervisors	384	398	(14)	(3.5%)
Executive and senior managers	17	14	3	21.4%
Total	**553**	**564**	**(11)**	**(2.0%)**

27. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Taxes	503	553	(50)	(9.0%)
Gifts	209	343	(134)	(39.1%)
Other operating expenses	1,245	1,072	173	16.1%
Total	**1,957**	**1,968**	**(11)**	**(0.6%)**

The caption other operating expenses moves from EUR 1,968 thousand in 2019 to EUR 1,957 thousand in 2020.

The item "Other operating expenses" mainly includes donations, contributions to trade associations and losses on exchange rates.

28. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Amortisation of intangible fixed assets	541	520	21	4.0%
Depreciation of tangible fixed assets	1,543	1,645	(102)	(6.2%)
Depreciation of right-of-use assets	1,827	1,827	-	0.0%
Write-downs and provisions	13,974	800	13,174	1,646.8%
Total	**17,885**	**4,792**	**13,093**	**273.2%**

The item went from EUR 4,792 thousand in 2019 to EUR 17,885 thousand in 2020 mainly due to write-downs related to the subsidiaries Aeffe UK (EUR 7,186 thousand), Aeffe France (EUR 3,463 thousand) and Aeffe Shanghai no longer operative from 2021 (EUR 2,695 thousand).

The item "Write-downs and provisions" includes both the write-downs of the cost of the investments mentioned above and the additional provisions to the provision for risks to cover losses for the part of the write-down exceeding the historical cost of the investments themselves.

29. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Interest income	180	133	47	35.3%
Financial discounts	-	2	(2)	(100.0%)
Foreign exchange gains	309	10	299	2,990.0%
Financial income	**489**	**145**	**344**	**237.2%**
Bank interest expenses	476	577	(101)	(17.5%)
Foreign exchange losses	89	59	30	50.8%
Other expenses	106	225	(119)	(52.9%)
Financial expenses	**671**	**861**	**(190)**	**(22.1%)**
Leasing interest expenses	461	496	(35)	(7.1%)
Leasing interest expenses	**461**	**496**	**(35)**	**(7.1%)**
Totale	**643**	**1,212**	**(569)**	**(46.9%)**

The decrease is mainly linked to the increase of foreign exchange gains.

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Current income taxes	-	2,448	(2,448)	(100.0%)
Deferred income (expenses) taxes	(2,376)	530	(2,906)	n.a.
Total income taxes	**(2,376)**	**2,978**	**(5,354)**	**n.a.**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.

The effective tax rates for 2019 and 2020 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit before taxes	(23,405)	8,116
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(5,617)**	**1,948**
Fiscal effect	3,251	1,541
Total income taxes excluding IRAP (current and deferred)	**(2,366)**	**3,489**
IRAP (current and deferred)	**(10)**	**(511)**
Total income taxes (current and deferred)	**(2,376)**	**2,978**

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.

31. Result per share

Reference earning/(loss)

The calculation of basic and dilutive earning/(loss) per share is based on the following elements:

(Values in thousands of EUR) From continuing and discontinued activities	Full Year 2020	Full Year 2019
From continuing activities		
Earning/(loss) for determining basic result per share	(21,029)	5,138
Earning/(loss) for determing result per share	**(21,029)**	**5,138**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,029)**	**5,138**
From continuing and discontinued activities		
Earning/(loss) for the period	(21,029)	5,138
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(21,029)**	**5,138**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,029)**	**5,138**
Number of reference share		
Average number of shares for determing result per share	**100,175**	**101,145**
Share options	-	-
Average number of shares for determing diluted result per share	**100,175**	**101,145**

Basic earning/(loss) per share

Net loss attributable to holders of ordinary shares of the Company, amounts to EUR 21,029 thousand (December 2019: EUR +5,138 thousand).

Dilutive earning/(loss) per share

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

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2020 amounts to EUR 706 thousand.

(Values in thousands of EUR)	Full year 2020	Full year 2019
Opening balance (A)	**6,946**	**4,558**
Cash flow (absorbed) / generated by operating activity (B)	(7,101)	6,508
Cash flow (absorbed) / generated by investing activity (C)	(6,757)	(3,232)
Cash flow (absorbed) / generated by financing activity (D)	13,152	(888)
Increase / (decrease) in cash flow (E)=(B)+(C)+(D)	**(706)**	**2,388**
Cclosing balance (F)=(A)+(E)	**6,240**	**6,945**

32. Net cash flow (absorbed)/generated by operating activity

The cash flow absorbed by operating activity during 2020 amounts to EUR 1,101 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit before taxes	(23,405)	8,116
Amortisation	17,885	4,792
Accrual (+)/availment (-) of long term provisions and post employment benefits	(147)	(328)
Paid income taxes	(342)	(5,719)
Financial income (-) and financial charges (+)	643	1,212
Change in operating assets and liabilities	(1,735)	(1,565)
Cash flow (absorbed)/ generated by operating activity	**(7,101)**	**6,508**

33. Net cash flow (absorbed)/generated by investing activity

The cash flow absorbed by investing activity during 2020 amounts to EUR 6,757 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Increase (-)/ decrease (+) in intangible fixed assets	(324)	(356)
Increase (-)/ decrease (+) in tangible fixed assets	(425)	(1,741)
Increase (-)/ decrease (+) in right-of-use assets	(540)	(75)
Investments (-)/ Disinvestments (+)	(5,468)	(1,060)
Cash flow (absorbed)/ generated by investing activity	**(6,757)**	**(3,232)**

34. Net cash flow (absorbed)/generated by financing activity

The cash flow generated by financing activity during 2020 amounts to EUR 13,152 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Other variations in reserves and profits carried-forward of shareholders' equity	(907)	(679)
Proceeds (+)/repayments (-) of financial payments	15,322	3,470
Proceeds (+)/ repayment (-) of lease payments	(1,240)	(1,661)
Increase (-)/ decrease (+) in long term financial receivables	620	(806)
Financial income (+) and financial charges (-)	(643)	(1,212)
Cash flow (absorbed)/ generated by financing activity	**13,152**	**(888)**

OTHER INFORMATION

35. 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.

36. Net financial position

As required by Co.N.So.B communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Company's net financial position as of 31 December 2020 is analysed below:

(Values in thousands of EUR)	31 December 2020	31 December 2019
A - Cash in hand	23	14
B - Other available funds	6,217	6,932
C - Securities held for trading		
D - Cash and cash equivalents (A) + (B) + (C)	*6,240*	*6,946*
E - Short term financial receivables		
F - Current bank loans	(31,411)	(33,390)
G - Current portion of long-term bank borrowings	(16,497)	(10,118)
H - Current portion of loans from other financial istitutions		
I - Current financial indebtedness (F) + (G) + (H)	*(47,908)*	*(43,508)*
J - Net current financial indebtedness (I) + (E) + (D)	*(41,668)*	*(36,562)*
K - Non current bank loans	(38,018)	(28,336)
L - Issued obbligations		
M - Other non current loans		
N - Non current financial indebtedness (K) + (L) + (M)	*(38,018)*	*(28,336)*
O - Net financial indebtedness (J) + (N)	***(79,686)***	***(64,898)***

Net financial position of the Company amounts to EUR 79,686 thousand at December 31, 2020 compared to EUR 64,898 thousand at December 31, 2019. Net financial position, excluding the IFRS 16 effects, is equal to RUR 64,744 thousand.

37. Intercompany transactions

Aeffe S.p.A. also operates via its own direct or indirect subsidiaries. Operations carried out with them 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 effect of these transactions on the individual captions reported in the 2020 and 2019 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2020	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	18,981	894	418	1,614	7,155	2	34
Pollini Group	1,238	3,178	17,056	210	7	-	-
Aeffe Retail Group	17,402	804	32	105	-	-	-
Velmar S.p.A.	384	975	117	1	-	-	(32)
Aeffe Usa Inc.	2,898	3	-	271	-	6	(61)
Aeffe UK L.t.d.	193	2	56	911	-	11	6
Aeffe France S.a.r.l.	(15)	-	56	713	-	11	9
Aeffe Shanghai	107	-	-	758	-	6	-
Aeffe Germany G.m.b.h.	722	-	-	264	-	-	-
Divè	-	20	-	-	-	-	-
Total Group companies	**41,910**	**5,876**	**17,735**	**4,847**	**7,162**	**36**	**(44)**
Total income statement	114,379	7,728	49,489	41,842	8,126	(1,957)	(643)
Incidence % on income statemen	**36.6%**	**76.0%**	**35.8%**	**11.6%**	**88.1%**	**(1.8%)**	**6.8%**

(Values in thousands of EUR) Year 2019	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	26,138	998	103	2,596	9,887	3	(99)
Pollini Group	1,279	3,156	20,805	214	6	2	101
Aeffe Retail Group	23,962	820	119	164		71	
Velmar S.p.A.	395	1,154	695	9			(10)
Aeffe Usa Inc.	4,799	4		368		5	(108)
Aeffe UK L.t.d.	846	6	45	250		16	2
Aeffe France S.a.r.l.	444	1	147	704		15	9
Aeffe Shanghai	577	3		250		9	
Aeffe Germany G.m.b.h.	584	1					1
Divè							
Total Group companies	**59,024**	**6,143**	**21,914**	**4,555**	**9,893**	**121**	**(104)**
Total income statement	161,947	8,384	61,184	47,822	11,425	(1,969)	(1,212)
Incidence % on income statemen	**36.4%**	**73.3%**	**35.8%**	**9.5%**	**86.6%**	**(6.1%)**	**8.6%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2020	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group	-	6,203				21,654
Pollini Group	-	10,266			133	6,778
Aeffe Retail Group	-	9,708				4,522
Velmar S.p.A.	-	2,567		9,400		1,526
Aeffe Usa Inc.	-	304		2,852		450
Aeffe UK L.t.d.	-	2,143	610			967
Aeffe France S.a.r.l.	1,561	4,104				767
Aeffe Japan Inc.	90	464				
Aeffe Shanghai	-	2,481	336			1,283
Aeffe Germany G.m.b.h	-	743				264
Total Group companies	**1,651**	**38,983**	**946**	**12,252**	**133**	**38,211**
Total balance sheet	2,346	44,101	1,005	38,018	380	63,513
Incidence % on balance sheet	**70.4%**	**88.4%**	**94.1%**	**32.2%**	**35.0%**	**60.2%**

(Values in thousands of EUR) Year 2019	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group		6,349				25,175
Pollini Group		17,059				10,094
Aeffe Retail Group		12,094				4,418
Velmar S.p.A.		1,890				4,483
Aeffe Usa Inc.		271		3,116		1,451
Aeffe UK L.t.d.	725	7,048				136
Aeffe France S.a.r.l.	1,411	4,171				444
Aeffe Japan Inc.	60	546				
Aeffe Shanghai		2,148				294
Aeffe Germany G.m.b.h		719				-
Total Group companies	**2,196**	**52,295**	**-**	**3,116**	**-**	**46,495**
Total balance sheet	2,664	8,978	7,688	326	39,795	1,452
Incidence % on balance sheet	**82.4%**	**582.5%**	**0.0%**	**954.5%**	**0.0%**	**3,201.4%**

38. Transactions with related parties

Transactions between the Company and 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 following schedule summarises the Company's transactions with other related parties:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	284	474	Revenue
Cost of services	50	76	Cost
Property rental	75	50	Cost
Commercial	597	613	Receivable
Ferrim with Aeffe S.p.A.			
Property rental	887	887	Cost

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2020 and 31 December 2019:

(Values in thousands of EUR)	Balance 2020	Value rel. party 2020	%	Balance 2019	Value rel. party 2019	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	114,379	284	0.2%	161,947	474	0.3%
Costs of services	41,842	1,125	2.7%	47,822	1,126	2.4%
Costs for use of third party assets	8,126	887	10.9%	11,425	887	7.8%
Incidence of related party transactions on the balance sheet						
Trade receivables	44,101	597	1.4%	56,363	613	1.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	(7,101)	(1,712)	24.1%	6,508	(1,514)	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(64,744)	(1,712)	2.6%	(48,716)	(1,514)	3.1%

39. Atypical and/or unusual transactions

Pursuant to Co.N.So.B Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2020.

40. Significant non-recurring events and transactions pursuant to the Co.N.So.B regulation of 28 July 2006

No significant non-recurring events, occurred the year, have to be reported.

41. Guarantees and commitments

As of 31 December 2020, the Group has given performance guarantees to third parties totaling EUR 6,099 thousand (EUR 8,243 thousand as of 31 December 2020).

42. Contingent liabilities

Fiscal disputes

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

43. Information pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulation, shows the fees incurred in 2020 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2020 fees
Audit	RIA GRANT THORNTON S.p.A.	73
Audit non-financial statement (DNF)	BDO ITALIA S.p.A.	37
R&D tax credit certification	RIA GRANT THORNTON S.p.A.	9
Consolidated ESEF financial statements	BDO ITALIA S.p.A.	14
Total		**132**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT	I:	List of investments in subsidiary and other companies
ATTACHMENT	II:	Balance Sheet with related parties
ATTACHMENT	III:	Income Statement with related parties
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ATTACHMENT I

List of investments in subsidiary companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			8,585,150	591,869	14,196,950	100%	8,585,150	26,593,345
At 31/12/20			8,585,150	(19,301)	14,072,660	100%	8,585,150	26,593,345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			66,817,108	801,194	71,921,250	70%	14,000,000	46,857,175
At 31/12/20			66,817,108	(1,704,938)	109,016,312	70%	14,000,000	46,857,175
Pollini S.p.A.	**Gatteo (FC) Italy**							
At 31/12/19			6,000,000	9,220,240	50,137,023	100%	6,000,000	41,945,452
At 31/12/20			6,000,000	(1,354,088)	58,482,935	100%	6,000,000	41,945,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			120,000	4,781,466	11,230,503	100%	60,000	8,290,057
At 31/12/20			120,000	5,586,497	16,817,000	100%	60,000	8,290,057
Foreign companies								
Aeffe France S.a.r.l.	**Parigi (FR)**							
At 31/12/19			50,000	(713,266)	(1,303,670)	100%	n.d. *	5,018,720
At 31/12/20			50,000	1,235	(1,302,435)	100%	n.d. *	1,555,820
Aeffe UK L.t.d.	**Londra (GB)**							
At 31/12/19		GBP	310,000	(1,480,899)	(5,239,793)	100%	n.d. *	
			346,562	(1,687,057)	(6,158,666)	100%	n.d. *	478,400
At 31/12/20		GBP	310,000	4,870,175	(369,618)	100%	n.d. *	
			346,562	5,473,952	(411,143)	100%	n.d. *	-
Aeffe USA Inc.	**New York (USA)**							
At 31/12/19		USD	600,000	74,213	11,670,076	100%	n.d. *	
			524,017	66,291	10,388,175	100%	n.d. *	10,664,812
At 31/12/20		USD	600,000	118,542	11,788,618	100%	n.d. *	
			524,017	103,784	9,606,893	100%	n.d. *	10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**							
At 31/12/19		JPY	3,600,000	(3,067,173)	(287,404,246)	100%	n.d. *	-
			28,605	(25,140)	(2,356,932)	100%	n.d. *	-
At 31/12/20		JPY	3,600,000	(3,227,909)	(290,632,155)	100%	n.d. *	
			28,605	(26,492)	(2,297,669)	100%	n.d. *	
Aeffe Shanghai	**Shanghai (China)**							
At 31/12/19		CNY	10,000,000	(5,993,626)	5,473,535	100%	n.d. *	
			28,605	(774,821)	699,887	100%	n.d. *	2,359,548
At 31/12/20		CNY	10,000,000	(5,622,025)	(148,490)	100%	n.d. *	
			28,605	(713,935)	(18,509)	100%	n.d. *	-
Aeffe Germany G.m.b.h.	**Metzingen (Germany)**							
At 31/12/19			25,000	(19,679)	5,321	100%	n.d. *	25,000
At 31/12/20			25,000	(219,519)	(214,198)	100%	n.d. *	25,000
Total interests in subsidiaries:								**135,931,661**

* quota

List of investments in other companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(VAtues in units of EUR)								
In other companies								
Conai								
At 31/12/19								109
At 31/12/20								109
Caaf Emilia Romagna								
Al 31/12/19						0.688%	5,000	2,600
Al 31/12/20						0.688%	5,000	2,600
Assoform								
At 31/12/19						1.670%	n.d. *	1,667
At 31/12/20						1.670%	n.d. *	1,667
Consorzio Assoenergia Rimini								
At 31/12/19						2.100%	n.d. *	516
At 31/12/20						2.100%	n.d. *	516
Effegidi								
At 31/12/19								6,000
At 31/12/20								6,000
TotAt interests in other companies:								**10,892**
* quota								
Total interests:								**135,942,553**

ATTACHMENT II

Balance Sheet, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Trademarks		2,771		2,897	
Other intangible fixed assets		669		761	
Intangible fixed assets	(1)	3,440		3,658	
Lands		17,320		17,320	370
Buildings		22,112		22,657	
Leasehold improvements		767		902	
Plant and machinery		1,535		1,834	
Equipment		64		73	
Other tangible fixed assets		643		773	
Total tangible fixed assets	(2)	42,441		43,558	
Right-of-use assets	(3)	13,139		14,426	
Equity investments	(4)	135,943	135,932	142,243	142,233
Other fixed assets	(5)	2,346	1,651	2,965	2,196
Deferred tax assets	(6)	5,667		2,664	
NON-CURRENT ASSETS		**202,975**		**209,514**	
Stocks and inventories	(7)	30,916		29,755	
Trade receivables	(8)	44,101	39,580	56,363	52,908
Tax receivables	(9)	7,583		8,978	
Cash	(10)	6,240		6,946	
Other receivables	(11)	11,822		14,740	
CURRENT ASSETS		**100,662**		**116,782**	
TOTAL ASSETS		**303,638**		**326,296**	
Share capital		25,044		25,286	
Other reserves		127,274		122,801	
Profits / (Losses) carried-forward		2,348		2,348	
Net profit / loss		(21,029)		5,138	
SHAREHOLDERS' EQUITY	**(12)**	**133,637**		**155,573**	
Provisions	(13)	1,005	946	55	
Deferred tax liabilities	(5)	7,735		7,688	
Post employment benefits	(14)	3,238		3,389	
Long term financial liabilities	(15)	38,018	12,252	28,337	3,116
Long term not financial liabilities	(16)	380	133	326	
NON-CURRENT LIABILITIES		**50,376**		**39,795**	
Trade payables	(17)	63,513	38,211	79,289	46,495
Tax payables	(18)	1,690		1,452	
Short term financial liabilities	(19)	47,908		43,508	
Other liabilities	(20)	6,513		6,679	
CURRENT LIABILITIES		**119,625**		**130,928**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**303,638**		**326,296**	

ATTACHMENT III

Income Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full year 2020	of which related parties	Full year 2019	of which related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**114,379**	**42,194**	**161,947**	**59,498**
Other revenues and income	(22)	7,728	5,876	8,384	6,143
TOTAL REVENUES		**122,107**		**170,331**	
Changes in inventory		1,926		(3,743)	
Costs of raw materials, cons. and for resale	(23)	(49,489)	(17,735)	(61,184)	(21,914)
Costs of services	(24)	(41,842)	(5,972)	(47,822)	(5,681)
Costs for use of third parties assets	(25)	(8,126)	(8,049)	(11,425)	(10,780)
Labour costs	(26)	(27,496)		(30,067)	
Other operating expenses	(27)	(1,957)	(36)	(1,969)	(121)
Amortisation and write-downs	(28)	(17,885)		(4,792)	
Financial income/(expenses)	(29)	(643)	(44)	(1,212)	(104)
PROFIT / LOSS BEFORE TAXES		**(23,405)**		**8,116**	
Income taxes	(30)	2,376		(2,978)	
NET PROFIT / LOSS		**(21,029)**		**5,138**	

ATTACHMENT IV

Cash Flow Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2020	of which related parties	Full Year 2019	of which related parties
Opening balance		**6,946**		**4,558**	
Profit before taxes		(23,405)		8,116	
Amortisation / write-downs		17,885		4,792	
Accrual (+)/availment (-) of long term provisions and post employment bei		(147)		(328)	
Paid income taxes		(342)		(5,719)	
Financial income (-) and financial charges (+)		643		1,212	
Change in operating assets and liabilities		(1,735)	5,044	(1,565)	3,036
Cash flow (absorbed) / generated by operating activity	**(32)**	**(7,101)**		**6,508**	
Increase (-)/ decrease (+) in intangible fixed assets		(324)		(356)	
Increase (-)/ decrease (+) in tangible fixed assets		(425)	(370)	(1,741)	(370)
Increase (-)/ decrease (+) in right-of-use assets (1)		(540)		(75)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(5,468)	6,302	(1,060)	(1,060)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(6,757)**		**(3,232)**	
Variations in shareholders' equity		(907)		(679)	
Proceeds (+)/repayments (-) of financial payments		15,322	9,136	3,470	(1,967)
Proceeds (+)/ repayment (-) of lease payments		(1,240)		(1,661)	
Increase (-)/ decrease (+) in long term financial receivables		620		(806)	
Financial income (+) and financial charges (-)		(643)		(1,212)	
Cash flow (absorbed) / generated by financing activity	**(34)**	**13,152**		**(888)**	
Closing balance		**6,240**		**6,946**	

ATTACHMENT V

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2019

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2019	STATUTORY FINANCIAL STATEMENTS 2018
BALANCE SHEET		
Intangible fixed assets	72,506	80,404
Tangible fixed assets	1,790,683	1,944,182
Equity investments	65,369,333	65,256,999
Non current assets	**67,232,522**	**67,281,585**
Trade receivables	313,677	1,004,523
Tax receivables	620,737	-
Cash	29,433	44,756
Other receivables	3,020	3,035
Current assets	**966,867**	**1,052,314**
Total assets	**68,199,389**	**68,333,899**
Share capital	100,000	100,000
Share premium reserve	61,152,036	61,275,974
Other reserves	15,038	15,038
Approximations	-	(2)
Net profit/(loss)	(122,941)	(123,937)
Shareholders' equity	**61,144,133**	**61,267,073**
Provisions	113,613	137,119
Long term financial liabilities	-	-
Non-current liabilities	**113,613**	**137,119**
Trade payables	6,941,643	6,929,707
Current liabilities	**6,941,643**	**6,929,707**
Total shareholders' equity and liabilities	**68,199,389**	**68,333,899**
INCOME STATEMENT		
Revenues from sales and services	**393,231**	**375,565**
Other revenues and income	-	1
Total revenues	**393,231**	**375,566**
Operating costs	(448,566)	(347,467)
Costs for use of third parties assets	-	-
Amortisation and write-downs	(254,019)	(244,045)
Other operating expenses	(15,880)	(15,026)
Financial income (expenses)	125,779	62,071
Profit before taxes	**(199,455)**	**(168,901)**
Income taxes	76,514	44,964
Net profit/(loss)	**(122,941)**	**(123,937)**

Certification of the Financial Statements pursuant to art.81-ter of Co.N.So.B Regulation N. 11971 of 14 May 1999, as amended

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 art. 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 the preparation of the statutory financial statements at 31 December 2020.

The undersigned moreover attest that the statutory financial statements:

i. 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 Council, dated 19 July 2002;

ii. correspond to the amounts shown in Company's accounts, books and records;

iii. provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which they are exposed.

18 March 2021

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Aeffe S.p.A. financial reports

Marcello Tassinari