



AEFFE

HALF-YEAR FINANCIAL REPORT AT June 30, 2021

Disclaimer

This Half-year financial report at June 30, 2021 has been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

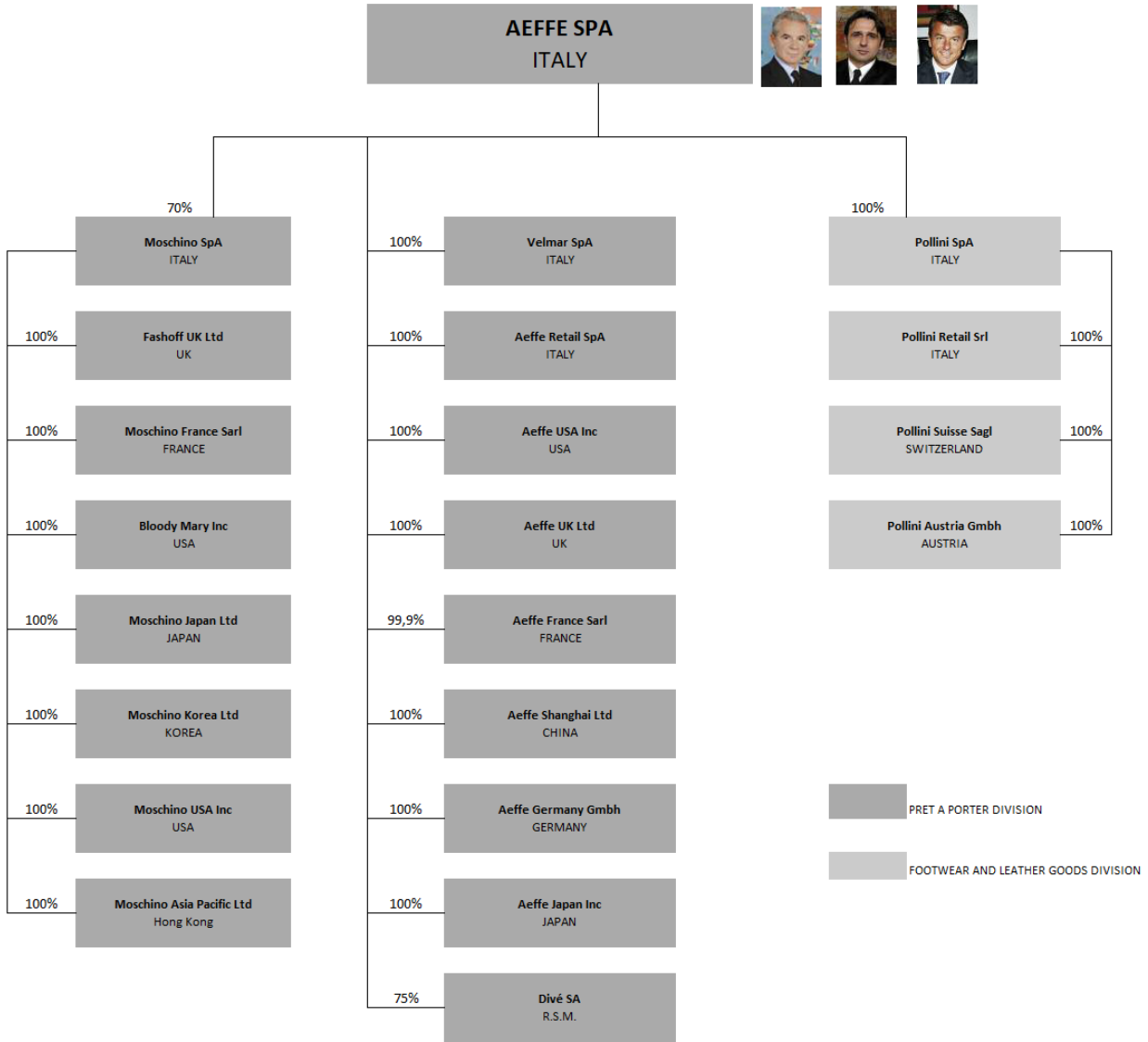
SUMMARY

<i>HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2021</i>	1
<i>CORPORATE BOARDS OF THE PARENT COMPANY</i>	3
<i>ORGANIZATION CHART</i>	4
<i>BRANDS PORTFOLIO</i>	5
<i>HEADQUARTERS</i>	6
<i>SHOWROOMS</i>	7
<i>MAIN FLAGSHIPSTORE LOCATIONS UNDER DIRECT MANAGEMENT</i>	8
<i>MAIN ECONOMIC-FINANCIAL DATA</i>	9
<i>INTERIM MANAGEMENT REPORT</i>	10
<i>HALF-YEAR CONDENSED FINANCIAL STATEMENTS AT JUNE 30, 2021</i>	22
<i>FINANCIAL STATEMENT</i>	22
<i>EXPLANATORY NOTES</i>	26
<i>ATTACHMENTS OF THE EXPLANATORY NOTES</i>	55
<i>ATTESTATION OF THE HALF YEAR CONDENSED FINANCIAL STATEMENTS PURSUANT TO ART.81-TER OF CONSOB REGULATION N. 11971 OF MAY 14, 1999, AND SUBSEQUENT AMENDMENTS AND ADDITIONS</i>	59
<i>REPORT OF THE AUDITING COMPANY</i>	60

Corporate Boards of the Parent Company

	<p>Chairman Massimo Ferretti</p>
Board of Directors	<p>Deputy Chairman Alberta Ferretti</p>
	<p>Chief Executive Officer Simone Badioli</p>
	<p>Directors Marcello Tassinari – Managing Director Roberto Lugano Daniela Saitta Bettina Campedelli Michela Zeme Marco Francesco Mazzù</p>
	<p>President Stefano Morri</p>
	<p>Statutory Auditors Fernando Ciotti Carla Trotti</p>
	<p>Alternate Auditors Nevio Dalla Valle Daniela Elvira Bruno</p>
	<p>Compensation Committee President Daniela Saitta Members Roberto Lugano Michela Zeme</p>
<p>Risk and Sustainability Control Committee President Bettina Campedelli Members Roberto Lugano Daniela Saitta</p>	

Organization chart



Brands portfolio

AEFFE

Clothing - Accessories

ALBERTA FERRETTI

PHILOSOPHY

DI
LORENZO SERAFINI

MOSCHINO.

**BOUTIQUE
MOSCHINO**

POLLINI

Footwear - Leather goods

MOSCHINO

Licences - Design

VELMAR

Beachwear - Lingerie

POLLINI

ALBERTA FERRETTI

PHILOSOPHY
DI
LORENZO SERAFINI

MOSCHINO.

**LOVE
MOSCHINO**

MOSCHINO.

**BOUTIQUE
MOSCHINO**

**LOVE
MOSCHINO**

MOSCHINO.



Headquarters

AEFFE

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

MOSCHINO

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

POLLINI

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

VELMAR

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



Showrooms

MILAN

(FERRETTI – PHILOSOPHY – POLLINI)

Via Donizetti, 48

20122 - Milan

Italy

MILAN

(MOSCHINO)

Via San Gregorio, 28

20124 - Milan

Italy

LONDON

(FERRETTI – PHILOSOPHY – MOSCHINO)

28-29 Conduit Street

W1S 2YB - London

UK

PARIS

(FERRETTI – PHILOSOPHY – MOSCHINO)

43, Rue du Faubourg Saint Honoré

75008 - Paris

France

NEW YORK

(GROUP)

30 West 56th Street

10019 - New York

USA



Main flagshipstore locations under direct management

ALBERTA FERRETTI

Milan
Rome
Paris
London

POLLINI

Milan
Venice
Bolzano
Varese

SPAZIO A

Florence
Venice

MOSCHINO

Milan
Rome
Capri
Paris
London
New York
Seoul
Pusan
Daegu



Main economic-financial data

		1 st Half 2021	1 st Half 2020
Total revenues	(Values in millions of EUR)	158.4	123.5
Gross operating margin (EBITDA) *	(Values in millions of EUR)	20.1	0.6
Net operating profit (EBIT)	(Values in millions of EUR)	7.6	(12.8)
Profit before taxes	(Values in millions of EUR)	6.3	(14.1)
Net profit for the Group	(Values in millions of EUR)	13.3	(10.9)
Basic earnings per share	(Values in units of EUR)	0.133	(0.109)
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	29.6	0.4
Cash Flow/Total revenues	(Values in percentage)	18.7	2.5

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

		At June 30, 2021	At December 31, 2020	At June 30, 2020	At December 31, 2019
Net capital invested	(Values in millions of EUR)	323.5	319.7	341.6	339.3
Net financial indebtedness	(Values in millions of EUR)	127.2	141.0	150.6	135.2
Group net equity	(Values in millions of EUR)	161.7	148.2	159.9	171.4
Group net equity per share	(Values in units of EUR)	1.5	1.4	1.5	1.6
Current assets/ current liabilities	(Ratio)	2.1	2.1	2.3	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	0.9	0.9	0.9
Net financial indebtedness/ Net equity	(Ratio)	0.6	0.8	0.8	0.7

Aeffe Group

Interim management report

1. SUMMARY OF THE GROUP'S KEY ACTIVITIES

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

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

Aeffe

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

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

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

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

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

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

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

Moschino

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

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

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

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

Velmar

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

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

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

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

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

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

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

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

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 14 stores, both mono-brand and multi-brand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line mono-brand store.

Aeffe UK

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

Aeffe France

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

Aeffe Shanghai

Aeffe Shanghai, 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 January 1, 2014, the distributing and franchising activities for the collections branded "Alberta Ferretti" and "Philosophy di Lorenzo Serafini" to Woollen Co., Ltd..

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

Moschino Japan

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

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

Moschino Korea

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

Fashoff UK

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

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

Moschino France

Moschino France is based in the Paris showroom and acts as agent for 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 a single-brand Moschino store in New York.

Moschino Asia Pacific

Moschino Asia Pacific, company founded in 2021 with base in Hong Kong and 100% owned by Moschino S.p.A., carries out commercial services for the Asian markets.

Footwear and leather goods Division

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

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

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

Pollini

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

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

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

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

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

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

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

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

Pollini Retail

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

Pollini Suisse

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

Pollini Austria

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

2. CONSOLIDATED RICLASSIFIED INCOME STATEMENT

(Values in units of EUR)	1 st Half 2021	% on revenues	1 st Half 2020	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	155,019,816	100.0%	118,861,847	100.0%	36,157,969	30.4%
Other revenues and income	3,429,973	2.2%	4,663,829	3.9%	(1,233,856)	(26.5%)
TOTAL REVENUES	158,449,789	102.2%	123,525,676	103.9%	34,924,113	28.3%
Changes in inventory	(4,865,924)	(3.1%)	11,976,628	10.1%	(16,842,552)	(140.6%)
Costs of raw materials, cons. and goods for resale	(55,841,645)	(36.0%)	(54,021,601)	(45.4%)	(1,820,044)	3.4%
Costs of services	(43,986,960)	(28.4%)	(45,423,212)	(38.2%)	1,436,252	(3.2%)
Costs for use of third parties assets	(1,457,088)	(0.9%)	(2,681,762)	(2.3%)	1,224,674	(45.7%)
Labour costs	(30,621,509)	(19.8%)	(29,509,121)	(24.8%)	(1,112,388)	3.8%
Other operating expenses	(1,594,968)	(1.0%)	(3,294,925)	(2.8%)	1,699,957	(51.6%)
Total Operating Costs	(138,368,094)	(89.3%)	(122,953,993)	(103.4%)	(15,414,101)	12.5%
GROSS OPERATING MARGIN (EBITDA)	20,081,695	13.0%	571,683	0.5%	19,510,012	3,412.7%
Amortisation of intangible fixed assets	(2,119,393)	(1.4%)	(2,232,547)	(1.9%)	113,154	(5.1%)
Depreciation of tangible fixed assets	(2,173,934)	(1.4%)	(2,598,898)	(2.2%)	424,964	(16.4%)
Depreciation of right-of-use assets	(7,838,881)	(5.1%)	(8,061,148)	(6.8%)	222,267	(2.8%)
Revaluations / (write-downs) and provisions	(313,087)	(0.2%)	(492,170)	(0.4%)	179,083	(36.4%)
Total Amortisation, write-downs and provisions	(12,445,295)	(8.0%)	(13,384,763)	(11.3%)	939,468	(7.0%)
NET OPERATING PROFIT / LOSS (EBIT)	7,636,400	4.9%	(12,813,080)	(10.8%)	20,449,480	(159.6%)
Financial income	304,848	0.2%	253,298	0.2%	51,550	20.4%
Financial expenses	(603,519)	(0.4%)	(483,628)	(0.4%)	(119,891)	24.8%
Financial expenses on right-of-use asset	(1,035,987)	(0.7%)	(1,082,854)	(0.9%)	46,867	(4.3%)
Total Financial income/(expenses)	(1,334,658)	(0.9%)	(1,313,184)	(1.1%)	(21,474)	1.6%
PROFIT / LOSS BEFORE TAXES	6,301,742	4.1%	(14,126,264)	(11.9%)	20,428,006	(144.6%)
Total Income Taxes	11,125,315	7.2%	1,653,573	1.4%	9,471,742	572.8%
NET PROFIT / LOSS	17,427,057	11.2%	(12,472,691)	(10.5%)	29,899,748	(239.7%)
(Profit) / loss attributable to minority shareholders	(4,141,016)	(2.7%)	1,572,965	1.3%	(5,713,981)	(363.3%)
NET PROFIT / LOSS FOR THE GROUP	13,286,041	8.6%	(10,899,726)	(9.2%)	24,185,767	(221.9%)

SALES

In the first semester of 2021, Aeffe consolidated revenues amount to EUR 155,020 thousand compared to EUR 118,862 thousand in the first semester of 2020, with a 30.4% increase at current exchange rates (+30.9% at constant exchange rates).

The growth in the first half of the year reflects the extremely positive contribution provided by all markets in which the Group operates. Even more significant is the positive trend posted in the 2Q 21 which registered a 76% increase exceeding pre-pandemic levels (EUR 74.9 million compared to EUR 71.1 million in 2Q 2019).

Sales by brand

(Values in thousands of EUR)	1 st Half 2021	%	1 st Half 2020	%	Change Δ	%
Alberta Ferretti	7,402	4.8%	6,703	5.6%	699	10.4%
Philosophy	7,176	4.6%	6,030	5.1%	1,146	19.0%
Moschino	128,324	82.8%	94,236	79.3%	34,088	36.2%
Pollini	11,186	7.2%	9,963	8.4%	1,223	12.3%
Other	932	0.6%	1,930	1.6%	(998)	(51.8%)
Total	155,020	100.0%	118,862	100.0%	36,158	30.4%

In 1H 2021, Alberta Ferretti brand increases by 10.4%, generating 4.8% of consolidated sales, while Philosophy brand increases by 19.0%, generating 4.6% of consolidated sales.

In the same period, Moschino brand sales increase by 36.2%, contributing to 82.8% of consolidated sales.

Pollini brand records an increase of 12.3%, generating the 7.2% of consolidated sales.

Other brands sales decrease by 51.8%, equal to 0.6% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1 st Half		1 st Half		Change	
	2021	%	2020	%	Δ	%
Italy	58,683	37.9%	50,145	42.2%	8,538	17.0%
Europe (Italy excluded)	51,183	33.0%	37,934	31.9%	13,249	34.9%
Asia and Rest of the World	34,872	22.5%	25,061	21.1%	9,811	39.1%
America	10,282	6.6%	5,722	4.8%	4,560	79.7%
Total	155,020	100.0%	118,862	100.0%	36,158	30.4%

In the first Half 2021, the Group registered double-digit growth in all markets in which operates, with very strong increases in Europe, Asia, Rest of the World and America.

In Asia and in the Rest of the World, the Group's sales totalled EUR 34,872 thousand, amounting to 23% of consolidated sales, recording an increase of 39.2% at constant exchange rates compared to 1H 2020. The Greater China area and the Middle East drove growth, reporting 50% and 68% increase respectively. In particular, in 2Q 21 revenues grew by 79% compared to 2Q 20.

Sales in America, contributing to 6.6% of consolidated sales, posted an increase of 88.6% at constant exchange rates, thanks to the excellent trend of both the retail and the wholesale channels, online included. 2Q 21 sales grew by 272% compared to the corresponding period of 2020, surpassing the pre-pandemic levels.

At constant exchange rates, in 1H 2021, sales in Europe, contributing to 33% of consolidated sales, increased by 34.9% mainly thanks to the positive trend of Germany, UK and Eastern Europe in the wholesale channel. The retail channel continued to be partially influenced by the limited tourists' flow. 2Q 21 trend was very positive with a 68% increase compared to 2Q 20.

In 1H 2021, sales in the Italian market increased by 17% to EUR 58,683 thousand compared to 1H 2020, thanks to the excellent results achieved by the wholesale and e-commerce, with a positive trend in 2Q 21 (+63%) compared to 2Q 20.

Sales by distribution channel

(Values in thousands of EUR)	1 st Half		1 st Half		Change	
	2021	%	2020	%	Δ	%
Wholesale	121,036	78.1%	86,728	73.0%	34,308	39.6%
Retail	27,946	18.0%	27,111	22.8%	835	3.1%
Royalties	6,038	3.9%	5,023	4.2%	1,015	20.2%
Total	155,020	100.0%	118,862	100.0%	36,158	30.4%

The wholesale channel, contributing to 78.1% of consolidated sales, recorded a 40% growth at constant exchange rates. In 2Q 21, revenues amounted to EUR 56.1 million, with an 80% increase compared to 2Q 20.

The sales of directly-operated stores (DOS), including direct online, (retail channel), equal to 18% of consolidated sales, showed a good recovery in the last month of the semester compared to the first 5 months of the year thanks to the progressive easing of the restrictions to the international travels. The retail channel showed an increase of 3.5% at constant exchange rates compared to the correspondent period of last year. E-commerce sales, considered stand alone, posted instead a very positive trend in the period, recording excellent performances across all brands and geographies. In 2Q 21 the retail sales, equal to EUR 15.8 million, posted a 72% growth compared to the corresponding period of 2020.

Royalty incomes increased by 20.2% compared to 1H 2020 and represented 3.9% of consolidated sales, with a positive trend in 2Q21 (+33%) compared to 2Q 20.

LABOUR COSTS

Labour costs increase from EUR 29,509 thousand in 1H 2020 to EUR 30,622 thousand in 1H 2021 with an incidence on revenues which decrease from 24.8% in the first semester 2020 to 19.8% in the first semester 2021.

The workforce decreases from an average of 1,352 units in the 1H 2020 to 1,275 units in the 1H 2021.

Average number of employees by category	1 st Half 2021	1 st Half 2020	Change Δ	%
Workers	258	238	20	8.4%
Office staff-supervisors	987	1,089	(102)	(9.4%)
Executive and senior managers	30	25	5	20.0%
Total	1,275	1,352	(77)	(5.7%)

GROSS OPERATING MARGIN (EBITDA)

In 1H 2021 consolidated EBITDA is EUR 20,082 thousand (with an incidence of 13.5% of sales) compared to EUR 572 thousand in 1H 2020 (with an incidence of 0.5% of sales), with an increase of EUR 19,510 thousand.

The marginality grew more than proportionally compared to the sales increase. This reflects both the significant sales increase and the positive results deriving from costs savings for personnel, rents and overheads, coming from the actions the Group put in place to face the consequences of the spread of the virus on a global scale.

More in detail, on the costs front, the actions were concentrated on: 1) request for a reduction in rents for boutiques and offices; 2) use of social safety systems and vacation periods not yet taken to make labour costs more flexible until the reopening of the stores; 3) postponement of costs related to advertising and public relations that are not detrimental to the strengthening and support of brands; 4) request, in all the countries where the Group operates, for all the facilities made available by the various government authorities to deal with the effects of the pandemic.

In 1H 2021 Ebitda of the prêt-à-porter division amounted to EUR 12,041 thousand (11.5% of sales), compared to the substantial breakeven (EUR 7 thousands) in 1H 2020, registering a EUR 12,043 thousand growth.

Ebitda of the footwear and leather goods division amounted to EUR 8,041 thousand (11.8% of sales) compared to EUR 565 thousand in 1H 2020 (1.2% of sales), with a EUR 7,476 thousand increase due to the sales progression.

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is positive for EUR 7,636 thousand compared to EUR 12,813 thousand negative in 1H 2020, showing an increase of EUR 20,449 thousand.

PROFIT / LOSS BEFORE TAXES

The result before taxes amounts to a profit of EUR 6,302 thousand compared with a loss of EUR 12,473 thousand in the first semester 2020, with a EUR 20,428 thousand increase.

NET PROFIT / LOSS

Net Profit was equal to EUR 17,427 thousand, compared to the Net Loss of EUR 12,473 thousand in 1H 2020. The adjusted Net profit of the period, net of extraordinary fiscal benefits related to revaluations and realignments implemented in accordance with art. 110 of Law Decree 104/2020 ("August Decree"), amounted to EUR 2.5 million.

3. RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	At June 30, 2021	At December 31, 2020	At June 30, 2020
Trade receivables	49,216,981	39,094,519	37,725,433
Stock and inventories	103,266,594	109,285,351	122,690,066
Trade payables	(68,246,919)	(69,328,170)	(69,982,481)
Operating net working capital	84,236,656	79,051,700	90,433,018
Other short term receivables	29,492,264	28,570,739	33,584,641
Tax receivables	7,246,450	10,465,392	16,741,579
Derivative assets	197,947	-	47,331
Other short term liabilities	(17,998,549)	(16,676,076)	(19,296,094)
Tax payables	(4,124,510)	(3,753,375)	(4,006,833)
Derivative liabilities	-	(349,002)	-
Net working capital	99,050,258	97,309,378	117,503,642
Tangible fixed assets	60,186,264	61,657,913	63,079,048
Intangible fixed assets	70,678,096	72,489,488	74,165,313
Right-of-use assets	93,034,493	100,471,903	101,962,295
Equity investments	30,269	131,558	131,558
Other fixed assets	2,132,012	2,615,956	2,693,191
Fixed assets	226,061,134	237,366,818	242,031,405
Post employment benefits	(4,530,771)	(4,900,460)	(5,058,305)
Provisions	(1,578,798)	(1,543,670)	(1,931,102)
Assets available for sale	-	-	436,885
Long term not financial liabilities	(1,164,315)	(1,768,758)	(748,753)
Deferred tax assets	20,762,977	21,287,015	18,286,994
Deferred tax liabilities	(15,068,735)	(28,016,336)	(28,908,242)
Net capital invested	323,531,750	319,733,987	341,612,524
Share capital	24,949,859	25,043,866	25,053,416
Other reserves	110,534,935	131,311,933	132,591,665
Profits/(Losses) carried-forward	12,905,405	13,273,509	13,140,147
Profits/(Loss) for the period	13,286,041	(21,396,847)	(10,899,726)
Group interest in shareholders' equity	161,676,240	148,232,461	159,885,502
Minority interest in shareholders' equity	34,643,791	30,524,025	31,115,457
Total shareholders' equity	196,320,031	178,756,486	191,000,959
Short term financial receivables	(2,776,843)	(651,944)	(714,413)
Cash	(42,576,814)	(39,828,260)	(27,974,637)
Long term financial liabilities	50,354,800	34,348,837	31,720,283
Long term financial receivables	-	(2,037,324)	(2,232,542)
Short term financial liabilities	40,188,702	60,938,851	61,745,956
Financial debt without IFRS 16	45,189,845	52,770,160	62,544,647
Short term lease liabilities	13,151,159	12,974,406	13,225,729
Long term lease liabilities	68,870,715	75,232,935	74,841,189
Financial debt	127,211,719	140,977,501	150,611,565
Shareholders' equity and financial debt	323,531,750	319,733,987	341,612,524

NET INVESTED CAPITAL

Compared to December 31, 2020, net invested capital increased by 1.2%.

NET WORKING CAPITAL

Net working capital amounts to EUR 99,050 thousand (32.4% of LTM sales) compared with EUR 97,309 thousand of December 31, 2020 (36.2% of sales).

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

- At June 30, 2021, operating net working capital amount to EUR 84,237 thousand (27.6% of LTM sales) compared to EUR 90,433 thousand at June 30, 2020 (30.5% of LTM sales). The improvement of the incidence of net working capital on sales mainly refers to lower inventories, only partially offset by the temporary increase in trade receivables following the greater shipments made to wholesale clients in 1H 21 compared to 1H 20.
- the sum of other short term receivables and payables decrease of EUR 401 thousand mainly due to increase of payables to employees;
- the net effect of tax receivables/payables decreases net working capital of EUR 3,590 thousand, mainly determined by the decrease of VAT receivable.

FIXED ASSETS

The variation in fixed assets of EUR 11,306 thousand to June 30, 2021 from December 31, 2020, is due to the amortisation of the period and to the capex made during the first half 2021.

NET FINANCIAL POSITION

Looking at the balance sheet as of 30th June 2021, financial debt with IFRS 16 effect amounts to EUR 127,212 thousand compared to EUR 150,612 thousand as of 30th June 2020, with a EUR 23,400 thousand improvement (EUR 140,978 thousand at the end of 2020) thanks to both better economic results achieved and to the effective management of working capital.

The financial debt net of IFRS 16 effects at the end of June 2021 amounts to EUR 45,190 thousand compared to EUR 62,545 thousand at the end of June 2020, registering a EUR 17,355 thousand improvement.

SHAREHOLDERS' EQUITY

The shareholders' equity increases for EUR 19,564 thousand from EUR 178,756 thousand as of December 31, 2020 to EUR 196,320 thousand as of June 30, 2021.

The number of shares is 107,362,504.

4. RESEARCH & DEVELOPMENT ACTIVITIES

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

5. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of

goods and/or services offered. Information on transactions with related parties, including specific disclosures required by the Consob Communication of July 28, 2006, is provided in Note "Related party transactions".

6. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 28 July 2021, Aeffe S.p.A. acquired from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., the minority stake of Moschino S.p.A., allowing Aeffe to take full ownership of the Company.

The transaction is part of the strategy related to the Moschino brand, which aims at the process of future integration of the womens' apparel collections into Aeffe Group to enhance their potential thanks to the exploitation of synergies.

The transaction has a high strategic value for the AEFEE Group and represents an important opportunity for business growth and development allowing an agile and flexible planning of medium-long term strategies and activities related to the Moschino brand, with the aim to strengthening its positioning and enhancing its high great growth potential. The operation is part of the development strategy focused on a completely independent business model, with full controll of the brand value chain, from product to quality and with positive effects on image, distribution and communication.

The consideration for the purchase of the shares, equal to Euro 66,571,000, was paid for Euro 30 million at the same time as the transfer of the shares, while the remining amount of Euro 36,571,000 will be paid to the sellers by 30 November 2021. The fairness of the price was confirmed by an independent fairness opinion issued by Deloitte Financial Advisory S.r.l. on 22 July 2021.

To pay the fee, Aeffe has used and will use cash on hand, existing credit lines and new medium / long-term loans.

7. OUTLOOK

The performance of the first semester 2021 has been characterized by a significant increase in revenues and marginality for all Group's brands. Furthermore, on the strategic side, the acquisition of full control of Moschino and the relative integrated management will be important catalysts for the future development. Looking at the second part of the year, it is therefore positive and renew enthusiasm to face the upcoming challenges with initiatives aimed at increasingly enhancing the distinctiveness of Group's brands and the evolutions of the current context.

8. INTERNATIONAL MACROECONOMIC SITUATION

The rapid progress of the vaccination campaigns has been matched by a robust recovery of global economic activity – which has spread to the service sector – and of world trade. Prospects are, however, still very uneven across countries.

According to the projections released by the OECD in May, the world economy will grow by 5.8 per cent in 2021, exceeding pre-pandemic levels, driven by the strong expansion of the economy in the United States and China. Compared with the assessments made in March, the projections for global economic activity have been revised upwards by 0.2 percentage points for 2021 and by 0.4 percentage points for 2022.

The main elements of uncertainty surrounding the outlook for growth are linked to the course of the pandemic (which can affect consumption and investment), to how NRRP-related projects are implemented and to their ability to impact potential growth, as well as to how consumers respond to the re-opening of the economy.

Half-year condensed financial statements at June 30, 2021

Financial statement

CONSOLIDATED BALANCE SHEET (*)

(Values in units of EUR)	Notes	At June 30, 2021	At December 31, 2020	Change
Trademarks		69,747,667	71,494,428	(1,746,761)
Other intangible fixed assets		930,429	995,060	(64,631)
Intangible fixed assets	(1)	70,678,096	72,489,488	(1,811,392)
Lands		17,123,494	17,123,494	-
Buildings		26,437,768	26,729,357	(291,589)
Leasehold improvements		9,599,993	10,201,924	(601,931)
Plant and machinery		3,628,095	3,810,164	(182,069)
Equipment		333,318	350,754	(17,436)
Other tangible fixed assets		3,063,596	3,442,220	(378,624)
Tangible fixed assets	(2)	60,186,264	61,657,913	(1,471,649)
Right-of-use assets	(3)	93,034,493	100,471,903	(7,437,410)
Equity investments	(4)	30,269	131,558	(101,289)
Long term financial receivables	(5)	-	2,037,324	(2,037,324)
Other fixed assets	(6)	2,132,012	2,615,956	(483,944)
Deferred tax assets	(7)	20,762,977	21,287,015	(524,038)
NON-CURRENT ASSETS		246,824,111	260,691,157	(13,867,046)
Stocks and inventories	(8)	103,266,594	109,285,351	(6,018,757)
Trade receivables	(9)	49,216,981	39,094,519	10,122,462
Tax receivables	(10)	7,246,450	10,465,392	(3,218,942)
Derivate assets	(11)	197,947	-	197,947
Cash	(12)	42,576,814	39,828,260	2,748,554
Financial receivables	(13)	2,776,843	651,944	2,124,899
Other receivables	(14)	29,492,264	28,570,739	921,525
CURRENT ASSETS		234,773,893	227,896,205	6,877,688
Assets available for sale		-	-	-
TOTAL ASSETS		481,598,004	488,587,362	(6,989,358)
Share capital		24,949,859	25,043,866	(94,007)
Other reserves		110,534,935	131,311,933	(20,776,998)
Profits / (losses) carried-forward		12,905,405	13,273,509	(368,104)
Net profit / (loss) for the Group		13,286,041	(21,396,847)	34,682,888
Group interest in shareholders' equity		161,676,240	148,232,461	13,443,779
Minority interests in share capital and reserves		30,502,775	32,483,755	(1,980,980)
Net profit / (loss) for the minority interests		4,141,016	(1,959,730)	6,100,746
Minority interests in shareholders' equity		34,643,791	30,524,025	4,119,766
SHAREHOLDERS' EQUITY	(15)	196,320,031	178,756,486	17,563,545
Provisions	(16)	1,578,798	1,543,670	35,128
Deferred tax liabilities	(7)	15,068,735	28,016,336	(12,947,601)
Post employment benefits	(17)	4,530,771	4,900,460	(369,689)
Long term financial liabilities	(18)	119,225,515	109,581,772	9,643,743
Long term not financial liabilities	(19)	1,164,315	1,768,758	(604,443)
NON-CURRENT LIABILITIES		141,568,134	145,810,996	(4,242,862)
Trade payables	(20)	68,246,919	69,328,170	(1,081,251)
Tax payables	(21)	4,124,510	3,753,375	371,135
Derivate liabilities	(11)	-	349,002	(349,002)
Short term financial liabilities	(22)	53,339,861	73,913,257	(20,573,396)
Other liabilities	(23)	17,958,549	16,676,076	1,322,473
CURRENT LIABILITIES		143,709,839	164,019,880	(20,310,041)
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		481,598,004	488,587,362	(6,989,358)

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

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	1 st Half 2021	%	1 st Half 2020	%
REVENUES FROM SALES AND SERVICES	(24)	155,019,816	100.0%	118,861,847	100.0%
Other revenues and income	(25)	3,429,973	2.2%	4,663,829	3.9%
TOTAL REVENUES		158,449,789	102.2%	123,525,676	103.9%
Changes in inventory		(4,865,924)	(3.1%)	11,976,628	10.1%
Costs of raw materials, cons. and goods for resale	(26)	(55,841,645)	(36.0%)	(54,021,601)	(45.4%)
Costs of services	(27)	(43,986,960)	(28.4%)	(45,423,212)	(38.2%)
Costs for use of third parties assets	(28)	(1,457,088)	(0.9%)	(2,681,762)	(2.3%)
Labour costs	(29)	(30,621,509)	(19.8%)	(29,509,121)	(24.8%)
Other operating expenses	(30)	(1,594,968)	(1.0%)	(3,294,925)	(2.8%)
Amortisation, write-downs and provisions	(31)	(12,445,295)	(8.0%)	(13,384,763)	(11.3%)
Financial income/(expenses)	(32)	(1,334,658)	(0.9%)	(1,313,184)	(1.1%)
PROFIT / LOSS BEFORE TAXES		6,301,742	4.1%	(14,126,264)	(11.9%)
Taxes	(33)	11,125,315	7.2%	1,653,573	1.4%
NET PROFIT / LOSS		17,427,057	11.2%	(12,472,691)	(10.5%)
(Profit)/loss attributable to minority shareholders		(4,141,016)	(2.7%)	1,572,965	1.3%
NET PROFIT / LOSS FOR THE GROUP		13,286,041	8.6%	(10,899,726)	(9.2%)
Basic earnings per share	(34)	0.133		(0.109)	
Dilutive earnings per share	(34)	0.133		(0.109)	

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

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	1 st Half 2021	1 st Half 2020
Profit/(loss) for the period (A)	17,427,057	(12,472,691)
Remeasurement of defined benefit plans	-	-
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	-	-
Gains/(losses) on cash flow hedges	394,350	(19,268)
Gains/(losses) on exchange differences on translating foreign operations	448,591	260,084
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)	842,941	240,816
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	842,941	240,816
Total Comprehensive income / (loss) (A) + (B)	18,269,998	(12,231,875)
Total Comprehensive income / (loss) attributable to:	18,269,998	(12,231,875)
Owners of the parent	14,128,982	(10,658,910)
Non-controlling interests	4,141,016	(1,572,965)

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	1 st Half 2021	1 st Half 2020
Opening balance		39,828	28,390
Profit/loss before taxes		6,302	(14,126)
Amortisation / write-downs		12,445	13,385
Accrual (+)/avallment (-) of long term provisions and post employment benefits		(335)	(53)
Paid income taxes		(927)	(142)
Financial income (-) and financial charges (+)		1,335	1,313
Change in operating assets and liabilities		(3,030)	(11,026)
Cash flow (absorbed) / generated by operating activity	(35)	15,790	(10,649)
Increase (-)/ decrease (+) in intangible fixed assets		(308)	(315)
Increase (-)/ decrease (+) in tangible fixed assets		(702)	(3,237)
Increase (-)/ decrease (+) in right-of-use assets		(401)	691
Investments and write-downs (-)/ Disinvestments and revaluations (+)		101	-
Cash flow (absorbed) / generated by investing activity	(36)	(1,310)	(2,861)
Other variations in shareholders' equity		137	(601)
Dividends paid		-	-
Proceeds (+)/repayment (-) of financial payments		(4,744)	22,282
Proceeds (+)/ repayment (-) of lease payments		(6,185)	(7,711)
Increase (-)/ decrease (+) in long term financial receivables		396	438
Financial income (+) and financial charges (-)		(1,335)	(1,313)
Cash flow (absorbed) / generated by financing activity	(37)	(11,731)	13,095
Closing balance		42,577	27,975

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Reassessment of defined benefit plans reserve	Translation reserve	Profit/(losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
<i>(Values in thousands of EUR)</i>													
At December 31, 2020	25,044	70,144	(252)	49,756	7,901	7,607	(1,348)	(2,502)	13,274	(21,397)	148,232	30,524	178,756
Allocation of 2020 income/(loss)	-	-	-	(21,028)	-	-	-	-	(369)	21,397	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(94)	(473)	-	-	-	-	-	-	-	-	(567)	-	(567)
Total comprehensive income/(loss) at 30/06/21	-	-	394	-	-	-	-	449	-	13,286	14,129	4,141	18,270
Other changes	-	-	-	(118)	-	-	-	-	-	-	(118)	(21)	(139)
At June 30, 2021	24,950	69,671	142	28,610	7,901	7,607	(1,348)	(2,053)	12,905	13,286	16,1676	34,644	196,320
<i>(Values in thousands of EUR)</i>													
At December 31, 2019	25,286	70,775	53	44,748	7,901	7,607	(1,286)	(1,976)	6,586	11,693	171,387	32,688	204,075
Allocation of 2019 income/(loss)	-	-	-	5,138	-	-	-	-	6,555	(11,693)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	(233)	(609)	-	-	-	-	-	-	-	-	(842)	-	(842)
Total comprehensive income/(loss) at 30/06/20	-	-	(19)	-	-	-	-	260	-	(10,900)	(10,659)	(1,573)	(12,232)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
At June 30, 2020	25,053	70,166	34	49,886	7,901	7,607	(1,286)	(1,716)	13,141	(10,900)	159,886	31,115	191,001

Explanatory notes

GENERAL INFORMATION

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

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

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

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

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

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

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

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

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

The half-year condensed financial statements at June 30, 2021 have been prepared in accordance with International Financial Reporting Standards –"IFRS"- (the designation IFRS also includes all valid International Accounting Standards –"IAS"-, as well as all interpretations of the International Financial Reporting Interpretations Committee –"IFRIC"-, formerly the Standing Interpretations Committee –"SIC"-), issued by the International Accounting Standards Board –"IASB"- endorsed by the European Commission according to the procedures in art. 6 of (EC) Regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002. In particular, these half-year condensed financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*.

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

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

The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at June 30, 2021 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 policies into line with those adopted by the Group.

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

- the book value of equity investments held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at June 30, 2021 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries

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

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

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

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

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

Associates

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

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

According to this method, equity interests in associates are recorded in the balance sheet at cost, adjusted to take account of changes following the acquisition of their net assets, excluding any loss in value of individual investments. Losses of associates that exceed the Group's percentage interest in them (including long-term receivables that essentially form part of the Group's net investment in the associate) are not recognised unless the Group has an obligation to cover them. The surplus acquisition cost over the parent's percentage share of the present value of the identifiable assets, liabilities and contingent liabilities of the associate on the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment and

is subjected to impairment tests. The historical cost deficit compared with the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of associates on the acquisition date is credited to the income statement in the year of acquisition. With reference to operations between a Group company and an associate, unrealised gains and losses are eliminated in equal measure to the Group's percentage interest in the associate, except for cases where the unrealised losses constitute evidence of impairment of the asset transferred.

SCOPE OF CONSOLIDATION

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

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
Aeffe Retail S.p.A.	S.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	66,817,108	70%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6,000,000	100%	
Pollini Retail S.r.l.	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar S.p.A.	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50,000	100%	
Aeffe UK Ltd.	London (GB)	GBP	310,000	100%	
Aeffe USA Inc.	New York (USA)	USD	600,000	100%	
Aeffe Japan Inc.	Tokio (J)	JPY	3,600,000	100%	
Aeffe Shanghai Ltd	Shanghai (CN)	CNY	17,999,960	100%	
Aeffe Germany G.m.b.h.	Metzingen (DE)	EUR	25,000	100%	
Divè S.a.	Galazzano (RSM)	EUR	175,000	75%	
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35,000		100% (i)
Fashoff UK Ltd.	London (GB)	GBP	1,550,000		70% (ii)
Moschino Japan Inc.	Tokio (J)	JPY	120,000,000		70% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000		70% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50,000		70% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		70% (ii)
Bloody Mary Inc.	New York (USA)	USD	100,000		70% (ii)
Moschino Asia Pacific Ltd.	Hong Kong (HK)	HKD	500,000		70% (ii)

Notes (details of indirect shareholdings):

- (i) 100% owned by Pollini Spa;
- (ii) 100% owned by Moschino Spa;

The following operations were completed during the period:

- a) Opening of the company Moschino Asia Pacific Ltd..

FOREIGN CURRENCIES

Functional and reporting currency

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

Foreign currency transactions

Foreign currency transactions are converted into the operating currency at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies are converted at the exchange

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

Financial statements of foreign companies

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

- (i) assets and liabilities, including goodwill and fair value adjustments arising from consolidation are converted at the exchange rate in force on the balance sheet date;
- (ii) revenue and costs are converted at the average rate for the period, which must be close to the exchange rate in force on the transaction date;
- (iii) exchange rate differences are recognised in a separate account in shareholders' equity. When a foreign company is sold, the total amount of accumulated exchange rate differences relating to that company are recorded in the income statement.

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

Currency description	Average exchange rate 1 st Half 2021	Actual exchange rate 30/06/2021	Average exchange rate FY 2020	Actual exchange rate 31/12/2020	Average exchange rate 1 st Half 2020	Actual exchange rate 30/06/2020
Hong Kong dollar	9.3551	9.2293	-	-	-	-
Renminbi chinese (yua)	7.7960	7.6742	7.8747	8.0225	7.7509	7.9219
United States Dollar	1.2053	1.1884	1.1422	1.2271	1.1020	1.1198
United Kingdom Poun	0.8680	0.8581	0.8897	0.8990	0.8746	0.9124
Japanese Yen	129.8681	131.4300	121.8458	126.4900	119.2668	120.6600
South Korean Won	1347.5387	1341.4100	1345.5800	1336.0000	1329.5300	1345.8300
Swiss Franc	1.0946	1.0980	1.0705	1.0602	1.0642	1.0651

FINANCIAL STATEMENT FORMATS

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

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this half-year financial report are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2020, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2021.

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

from 1 January 2021, which were applied for the first time in the consolidated half-yearly financial statements of the AEFSE Group closed as at 30 June 2021

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.

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:

On March 31, 2021, the IASB issued the document Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16) by which the application period of the amendment to IFRS 16, issued in 2020, is extended by one year. relating to the accounting of the concessions granted, due to Covid-19, to the tenants.

The changes apply from 1 April 2021.

On May 7, 2021, the IASB published some amendments to IAS 12, the tax standard, to specify how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. .

The changes apply from January 1, 2023, but early application is allowed.

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

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. INTANGIBLE FIXED ASSETS

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

(Values in thousands of EUR)	Brands	Other	Total
Net book value at January 1, 2021	71,494	995	72,489
Increases	-	308	308
- increases externally acquired	-	308	308
- increases from business aggregations	-	-	-
Disposals	-	-	-
Translation diff. / other variations	-	-	-
Amortisation	(1,746)	(373)	(2,119)
Net book value at June 30, 2021	69,748	930	70,678

Changes in intangible fixed assets highlight the following variations:

- o increases equal to EUR 308 thousand, mainly related to "Other";
- o amortisation of the period equal to EUR 2,119 thousand.

Brands

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

(Values in thousands of EUR)	Brand residual life	June 30, 2021	December 31, 2020
Alberta Ferretti	22	2,709	2,771
Moschino	24	38,950	39,914
Pollini	20	28,089	28,809
Total		69,748	71,494

Other

The item other mainly includes software licences.

2. TANGIBLE FIXED ASSETS

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

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value at January 1, 2021	17,123	26,730	10,202	3,810	351	3,442	61,658
Increases	-	13	368	137	24	138	680
Disposals	-	-	-	-	-	(21)	(21)
Translation diff. / other variations	-	-	38	1	-	4	43
Depreciation	-	(305)	(1,008)	(320)	(42)	(499)	(2,174)
Net book value at June 30, 2021	17,123	26,438	9,600	3,628	333	3,064	60,186

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 680 thousand. These mainly refer to new investments in leasehold improvements and buildings.
- Disposals, net of the accumulated depreciation, of EUR 21 thousand.
- Increase for translation differences and other variations of EUR 43 thousand.
- Depreciation of EUR 2,174 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category.

3. RIGHT-OF-USE ASSETS

The table below illustrates the changes of this item:

(Values in thousands of EUR)

	Buildings	Car	Other	Total
Net book value at January 1, 2021	99,521	248	703	100,472
Increases	-	-	-	-
Disposals	-	-	-	-
Translation diff. / other variations	383	18	-	401
Depreciation	(7,627)	(53)	(159)	(7,839)
Net book value at June 30, 2021	92,277	213	544	93,034

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

The entry is changed as follows:

- Positive differences arising on translation of EUR 401 thousand.
- Depreciation of EUR 7,839 thousand.

4. EQUITY INVESTMENTS

This item includes holdings represented by the cost.

5. LONG TERM FINANCIAL RECEIVABLES

Non-current financial receivables change due to the reclassification among current financial receivables.

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 June 30, 2021 and at December 31, 2020:

(Values in thousands of EUR)	Receivables		Liabilities	
	At June 30, 2021	At December 31, 2020	At June 30, 2021	At December 31, 2020
Tangible fixed assets	5	5	(17)	(17)
Intangible fixed assets	19	24	(144)	(144)
Provisions	4,253	4,347	(15)	(15)
Costs deductible in future periods	4,518	4,520	(175)	(174)
Income taxable in future periods	-	-	(182)	(186)
Tax losses carried forward	3,428	5,181	-	-
Other	2,987	2,571	(1,809)	(1,376)
Tax assets (liabilities) from transition to IAS	5,553	4,639	(12,727)	(26,104)
Total	20,763	21,287	(15,069)	(28,016)

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	(12)	-	-	-	(12)
Intangible fixed assets	(120)	-	(5)	-	(125)
Provisions	4,332	8	(102)	-	4,238
Costs deductible in future periods	4,346	3	(6)	-	4,343
Income taxable in future periods	(186)	-	4	-	(182)
Tax losses carried forward	5,181	10	1,444	(3,207)	3,428
Other	1,195	(3)	(13)	(1)	1,178
Tax assets (liabilities) from transition to IAS	(21,465)	13	14,444	(166)	(7,174)
Total	(6,729)	31	15,766	(3,374)	5,694

The amount recorded in the income statement is mainly related to the extraordinary fiscal benefits related to revaluations and realignments implemented in accordance with art. 110 of Law Decree 104/2020 ("August Decree").

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

CURRENT ASSETS

8. STOCKS AND INVENTORIES

This item comprises:

[Values in thousands of EUR]	At June 30, At December 31,		Change	
	2021	2020	Δ	%
Raw, ancillary and consumable materials	8,897	10,207	(1,310)	(12.8%)
Work in progress	5,864	5,560	304	5.5%
Finished products and goods for resale	88,460	93,500	(5,040)	(5.4%)
Advance payments	46	18	28	155.6%
Total	103,267	109,285	(6,018)	(5.5%)

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2021 collections, while finished products mainly concern the Spring/Summer 2021 and the Autumn/Winter 2021 collections and the Spring/Summer 2022 sample collections.

9. TRADE RECEIVABLES

This item is illustrated in details in the following table:

[Values in thousands of EUR]	At June 30, At December 31,		Change	
	2021	2020	Δ	%
Trade receivables	53,183	43,121	10,062	23.3%
(Allowance for doubtful account)	(3,966)	(4,026)	60	(1.5%)
Total	49,217	39,095	10,122	25.9%

Trade receivables amount to EUR 53,183 thousand at June 30, 2021, with a 23.3% increase compared with the amount at December 31, 2020 mainly due temporary increase in trade receivables as of June 30, 2021 following the greater shipments made to wholesale clients in 1H 21 compared to 1H 20.

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]	At June 30, At December 31,		Change	
	2021	2020	Δ	%
VAT	3,042	4,884	(1,842)	(37.7%)
Corporate income taxes (IRES)	2,808	3,192	(384)	(12.0%)
Local business tax (IRAP)	495	558	(63)	(11.3%)
Amounts due by tax authority for withheld taxes	1	-	1	n.a.
Other tax receivables	900	1,831	(931)	(50.8%)
Total	7,246	10,465	(3,219)	(30.8%)

As of June 30, 2021, the Group's tax receivables amount to EUR 7,246 thousand, recording a decrease of EUR 3,219 thousand compared to December 31, 2020, mainly due to the decrease of VAT receivable.

11. DERIVATE ASSETS AND LIABILITIES

The AEFEE 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 8,500 thousand (USD 7,000 thousand at 30/06/2020). All contracts opened at 30/06/2021 will expire in 2021.

The composition of the derivative financial instruments in place at June 30, 2021 and December 31, 2020 is summarized below with an indication of the respective current and non-current accounting values referring to the fair value and fair value of the cash flow hedge reserve, this last shown net of the related deferred tax effect:

(Values in thousands of EUR)	At June 30, 2021			At December 31, 2020		
	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	198	-	143	(349)	-	(252)
TOTAL CURRENT	198	-	143	(349)	-	(252)

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies amounts to EUR 198 thousand net of the related tax effect (EUR -55 thousand).

The transfer to the 1st Half 2021 income statement of the effect of the hedging transactions on exchange rate risk was equal to EUR 5 thousand brought to costs growth.

12. CASH

This item includes:

(Values in thousands of EUR)	At June 30,	At December 31,	Change	
	2021	2020	Δ	%
Bank and post office deposits	42,125	39,475	2,650	6.7%
Cheques	65	28	37	132.1%
Cash in hand	387	325	62	19.1%
Total	42,577	39,828	2,749	6.9%

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

The increase in cash and cash equivalent, recorded at June 30, 2021 compared with the amount recorded at December 31, 2020, is EUR 2.749 thousand. About the reason of this variation refer to the Statement of Cash Flows.

13. FINANCIAL RECEIVABLES

The item is compared with the respective value at December 31, 2020:

(Values in thousands of EUR)	At June 30, At December 31,		Change	
	2021	2020	Δ	%
Financial receivables	2,777	652	2,125	325.9%
Total	2,777	652	2,125	325.9%

The item increased for the reclassification among current financial receivables of the non-current part.

14. OTHER RECEIVABLES

This caption comprises:

(Values in thousands of EUR)	At June 30, At December 31,		Change	
	2021	2020	Δ	%
Credits for prepaid costs	23,686	22,277	1,409	6.3%
Advances for royalties and commissions	159	150	9	6.0%
Advances to suppliers	189	154	35	22.7%
Accrued income and prepaid expenses	2,728	2,059	669	32.5%
Other	2,730	3,931	(1,201)	(30.6%)
Total	29,492	28,571	921	3.2%

Other current receivables increase by EUR 921 thousand mainly for the increase of prepaid leases and credits for prepaid costs and of prepayments and accrued income generated by the seasonality of the business.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2022 collections, which the corresponding revenues from sales have not been realised yet for and the partial suspension of the same costs for the Autumn/Winter 2020 collections.

15. SHAREHOLDERS' EQUITY

Described below are the main categories of shareholders' equity at June 30, 2021, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	At June 30, At December 31,		Change
	2021	2020	Δ
Share capital	24,950	25,044	(94)
Share premium reserve	69,671	70,144	(473)
Cash flow reserve	142	(252)	394
Other reserves	28,610	49,756	(21,146)
Fair value reserve	7,901	7,901	-
IAS reserve	7,607	7,607	-
Reamasurement of defined benefit plans reserve	(1,343)	(1,343)	-
Translation reserve	(2,053)	(2,502)	449
Profits / (losses) carried-forward	12,905	13,274	(369)
Net profit / (loss) for the Group	13,286	(21,397)	34,683
Minority interest	34,644	30,524	4,120
Total	196,320	178,756	17,564

SHARE CAPITAL

Share capital as of June 30, 2021, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand), and is represented by 107,362,504 shares, par value EUR 0.25 each. At June 30, 2021 the Parent Company holds 7,563,067 treasury shares, representing the 7.044% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. During the period, 376,028 treasury shares were purchased by the Parent Company for a total value of Euro 567,457.

SHARE PREMIUM RESERVE

The variation in the share premium reserve amounts to EUR 473 thousand and it is related to the purchase of treasury shares made during the period.

CASH FLOW RESERVE

For the change in the cash flow hedge reserve of EUR 394 thousand, please refer to note 11 of the assets and liabilities for derivatives.

OTHER RESERVES

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

FAIR VALUE RESERVE

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

IAS RESERVE

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

REAMISUREMENT OF DEFINED BENEFIT PLANS RESERVE

The reamasurement of defined benefit plans reserve amounts to EUR -1.343 thousand and it remains unchanged since December 31, 2020.

TRANSLATION RESERVE

The translation reserve amounts to EUR -2,053 thousand and is related to the conversion of companies' financial statements in other currency than EUR.

PROFITS/(LOSSES) CARRIED-FORWARD

The caption Profits/(losses) carried-forward decrease mainly as a consequence of the consolidated result recorded during the year ended at December 31, 2020.

MINORITY INTERESTS

The variation is due to the portion of result for the period ended at June 30, 2021 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

16. PROVISIONS

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2020	Increases	Decreases	At June 30, 2021
Pensions and similar obligations	367	41	(6)	402
Other	1,177	-	-	1,177
Total	1,544	41	(6)	1,579

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

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

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

17. POST-EMPLOYMENT BENEFITS

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

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

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2020	Increases	Decreases/ Other variations	At June 30, 2021
Post employment benefits	4,900	70	(439)	4,531
Total	4,900	70	(439)	4,531

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.

18. LONG-TERM FINANCIAL LIABILITIES

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	At June 30, 2021	At December 31, 2020	Change Δ	%
Loans from financial institutions	50,355	34,349	16,006	46.6%
Lease liabilities	68,871	75,233	(6,362)	(8.5%)
Total	119,226	109,582	9,644	8.8%

The entry "Loans from financial institutions" relate 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 other than the mortgage loan on a real estate based in Gatteo, headquarter of the subsidiary Pollini Spa.

Lease payables relate to the application of IFRS 16.

The following table contains details of bank loans as of June 30, 2021, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	61,849	11,494	50,355
Total	61,849	11,494	50,355

It should be noted that the amount due beyond five years amounts to EUR 105 thousand.

19. LONG-TERM NOT FINANCIAL LIABILITIES

The item amounts to EUR 1,164 thousand at 30 June 2021, decreasing of EUR 604 thousand compared to 31 December 2020. The change is mainly attributable to the accounting in the short-term liabilities of the yearly amount 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

20. TRADE PAYABLES

The item is compared with the respective value at December 31, 2020:

(Values in thousands of EUR)	At June 30,	At December 31,	Change	
	2021	2020	Δ	%
Trade payables	68,247	69,328	(1,081)	(1.6%)
Total	68,247	69,328	(1,081)	(1.6%)

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

21. TAX PAYABLES

Tax payables are analysed in comparison with the related balances as of December 31, 2020 in the following table:

(Values in thousands of EUR)	At June 30,	At December 31,	Change	
	2021	2020	Δ	%
Local business tax (IRAP)	449	36	413	1,147.2%
Corporate income tax (IRES)	421	200	221	110.5%
Amounts due to tax authority for withheld taxes	2,126	2,742	(616)	(22.5%)
VAT due to tax authority	530	221	309	139.8%
Other	599	554	45	8.1%
Total	4,125	3,753	372	9.9%

Tax payables increase of EUR 372 thousand compared with December 31, 2020.

22. SHORT-TERM FINANCIAL LIABILITIES

A breakdown of this item is given below:

(Values in thousands of EUR)	At June 30,	At December 31,	Change	
	2021	2020	Δ	%
Due to banks	40,189	60,939	(20,750)	(34.1%)
Lease liabilities	13,151	12,974	177	1.4%
Total	53,340	73,913	(20,573)	(27.8%)

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

Leasing payables relate to the application of IFRS16.

23. OTHER LIABILITIES

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

(Values in thousands of EUR)	At June 30, At December 31,		Change	
	2021	2020	Δ	%
Due to total security organization	3,306	4,212	(906)	(21.5%)
Due to employees	6,895	4,479	2,416	53.9%
Trade debtors - credit balances	2,207	2,470	(263)	(10.6%)
Accrued expenses and deferred income	2,152	1,772	380	21.4%
Other	3,439	3,743	(304)	(8.1%)
Total	17,999	16,676	1,323	7.9%

The entry Other liabilities records an increase of EUR 1,323 thousand compared to December 31, 2020.

The increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of June 30, 2021 which has no equivalent as of December 31, 2020.

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

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

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

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

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

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

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

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

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

The following tables indicate the main economic data for the first half-year 2021 and 2020 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
1 st Half 2021				
SECTOR REVENUES	104,899	68,202	(18,081)	155,020
Intercompany revenues	(7,314)	(10,767)	18,081	-
Revenues with third parties	97,585	57,435	-	155,020
Gross operating margin (EBITDA)	12,041	8,041	-	20,082
Amortisation	(9,939)	(2,194)	-	(12,133)
Other non monetary items:				
Write-downs	(200)	(113)	-	(313)
Net operating profit / loss (EBIT)	1,902	5,734	-	7,636
Financial income	140	208	(43)	305
Financial expenses	(1,351)	(331)	43	(1,639)
Profit / loss before taxes	691	5,611	-	6,302
Income taxes	10,193	932	-	11,125
Net profit / loss	10,884	6,543	-	17,427

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

The following tables indicate the main patrimonial and financial data at June 30, 2021 and December 31, 2020 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
At June 30, 2021				
SECTOR ASSETS	359,921	135,389	(41,721)	453,589
<i>of which non-current assets (*)</i>				
<i>Intangible fixed assets</i>	<i>42,433</i>	<i>28,245</i>	-	<i>70,678</i>
<i>Tangible fixed assets</i>	<i>52,231</i>	<i>7,955</i>	-	<i>60,186</i>
<i>Right-of-use assets</i>	<i>86,016</i>	<i>7,018</i>	-	<i>93,034</i>
<i>Other non-current assets</i>	<i>2,079</i>	<i>216</i>	<i>(133)</i>	<i>2,162</i>
OTHER ASSETS	23,224	4,785	-	28,009
CONSOLIDATED ASSETS	383,145	140,174	(41,721)	481,598
SECTOR LIABILITIES	225,181	82,625	(41,721)	266,085
OTHER LIABILITIES	12,401	6,792	-	19,193
CONSOLIDATED LIABILITIES	237,582	89,417	(41,721)	285,278

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

(Values in thousand of EUR)

At December 31, 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
<i>of which non-current assets (*)</i>				
<i>Intangible fixed assets</i>	<i>43,518</i>	<i>28,971</i>	<i>-</i>	<i>72,489</i>
<i>Tangible fixed assets</i>	<i>53,536</i>	<i>8,122</i>	<i>-</i>	<i>61,658</i>
<i>Right-of-use assets</i>	<i>92,379</i>	<i>8,093</i>	<i>-</i>	<i>100,472</i>
<i>Other non-current assets</i>	<i>4,471</i>	<i>447</i>	<i>(133)</i>	<i>4,785</i>
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

Segment information by geographical area

The following table indicates the revenues for the first half-year 2021 and 2020 divided by geographical area:

(Values in thousands of EUR)

	1 st Half		1 st Half		Change	
	2021	%	2020	%	Δ	%
Italy	58,683	37.9%	50,145	42.2%	8,538	17.0%
Europe (Italy excluded)	51,183	33.0%	37,934	31.9%	13,249	34.9%
Asia and Rest of the World	34,872	22.5%	25,061	21.1%	9,811	39.1%
America	10,282	6.6%	5,722	4.8%	4,560	79.7%
Total	155,020	100.0%	118,862	100.0%	36,158	30.4%

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

24. REVENUES FROM SALES AND SERVICES

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. 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 Royalties, 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)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
1 st Half 2021				
Geographical area	104,899	68,202	(18,081)	155,020
Italy	42,577	31,902	(15,796)	58,683
Europe (Italy excluded)	23,880	27,944	(641)	51,183
Asia and Rest of the World	29,356	6,087	(571)	34,872
America	9,086	2,269	(1,073)	10,282
Brand	104,899	68,202	(18,081)	155,020
Alberta Ferretti	7,417	674	(689)	7,402
Philosophy	7,181	278	(283)	7,176
Moschino	89,532	55,633	(16,841)	128,324
Pollini	2	11,188	(4)	11,186
Other	767	429	(264)	932
Distribution channel	104,899	68,202	(18,081)	155,020
Wholesale	71,476	63,148	(13,588)	121,036
Retail	22,960	5,024	(38)	27,946
Royalties	10,463	30	(4,455)	6,038
Timing of goods and services transfer	104,899	68,202	(18,081)	155,020
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	94,436	68,172	(13,626)	148,982
POINT IN TIME (Royalties accrual on Licensee's turnover)	10,463	30	(4,455)	6,038

In the first semester of 2021, Aeffe consolidated revenues amount to EUR 155,020 thousand compared to EUR 118,862 thousand in the first semester of 2020, with a 30.4% increase at current exchange rates (+30.9% at constant exchange rates).

The growth in the first half of the year reflects the extremely positive contribution provided by all markets in which the Group operates. Even more significant is the positive trend posted in the 2Q 21 which registered a 76% increase exceeding pre-pandemic levels (EUR 74.9 million compared to EUR 71.1 million in 2Q 2019).

25. OTHER REVENUES AND INCOME

This item comprises:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Other income	3,430	4,664	(1,234)	(26.5%)
Total	3,430	4,664	(1,234)	(26.5%)

In 1H 2021, the caption other revenues and income, which amounts to EUR 3,430 thousand, is composed by co-branding activities, time expiry of receivables and payables that arose in prior years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

26. COSTS OF RAW MATERIALS

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Raw, ancillary and consumable materials and goods for resale	55,842	54,022	1,820	3.4%
Total	55,842	54,022	1,820	3.4%

The entry purchase of raw materials increase of EUR 1,820 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.

27. COSTS OF SERVICES

This item comprises:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Subcontracted work	11,071	13,669	(2,598)	(19.0%)
Consultancy fees	9,718	10,178	(460)	(4.5%)
Advertising	6,277	6,689	(412)	(6.2%)
Commission	5,021	3,608	1,413	39.2%
Transport	4,455	3,483	972	27.9%
Utilities	888	783	105	13.4%
Directors' and auditors' fees	1,790	1,779	11	0.6%
Insurance	383	305	78	25.6%
Bank charges	508	550	(42)	(7.6%)
Travelling expenses	298	704	(406)	(57.7%)
Other services	3,578	3,675	(97)	(2.6%)
Total	43,987	45,423	(1,436)	(3.2%)

Costs of services decrease from EUR 45,423 thousand in the 1H 2020 to EUR 43,987 thousand in the 1H 2021, down 3.2%. The decrease is mainly due to the decrease in “subcontracted work”, “consultancy fees” and “advertising”.

28. COSTS FOR USE OF THIRD PARTIES ASSETS

This item comprises:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Rental expenses	848	1,873	(1,025)	(54.7%)
Royalties	202	372	(170)	(45.7%)
Hire charges and similar	407	437	(30)	(6.9%)
Total	1,457	2,682	(1,225)	(45.7%)

The costs for use of third parties assets decreases by EUR 1,225 thousand from EUR 2,682 thousand in 1H 2020 to EUR 1,457 thousand in 1H 2021. The decrease is mainly attributable to the reduction in rents of the boutiques obtained through negotiations initiated with the main lessors starting from March 2020.

29. LABOUR COSTS

The item includes:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Labour costs	30,622	29,509	1,113	3.8%
Total	30,622	29,509	1,113	3.8%

Labour costs increase from EUR 29,509 thousand in 1H 2020 to EUR 30,622 thousand in 1H 2021 with an incidence on revenues which decreases from 24.8% in the first semester 2020 to 19.8% in the first semester 2021.

The workforce changes from an average of 1,352 units in the 1H 2020 to 1,275 units in the 1H 2021.

Average number of employees by category	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Workers	258	238	20	8.4%
Office staff-supervisors	987	1,089	(102)	(9.4%)
Executive and senior managers	30	25	5	20.0%
Total	1,275	1,352	(77)	(5.7%)

30. OTHER OPERATING EXPENSES

This item includes:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Taxes	481	458	23	5.0%
Gifts	128	109	19	17.4%
Contingent liabilities	16	591	(575)	(97.3%)
Write-down of current receivables	241	157	84	53.5%
Foreign exchange losses	507	1,304	(797)	(61.1%)
Other operating expenses	222	676	(454)	(67.2%)
Total	1,595	3,295	(1,700)	(51.6%)

31. AMORTISATION, WRITE-DOWNS AND PROVISIONS

This item includes:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Amortisation of intangible fixed assets	2,119	2,233	(114)	(5.1%)
Depreciation of tangible fixed assets	2,174	2,599	(425)	(16.4%)
Depreciation of right-of-use assets	7,839	8,061	(222)	(2.8%)
Write-downs	313	492	(179)	(36.4%)
Total	12,445	13,385	(940)	(7.0%)

32. FINANCIAL INCOME/ EXPENSES

This item includes:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change	
			Δ	%
Interest income	61	179	(118)	(65.9%)
Foreign exchange gains	208	39	169	433.3%
Financial discounts	36	35	1	2.9%
Financial income	305	253	52	20.6%
Bank interest expenses	127	108	19	17.6%
Other interest expenses	108	136	(28)	(20.6%)
Foreign exchange losses	103	46	57	123.9%
Other expenses	266	193	73	37.8%
Financial expenses	604	483	121	25.1%
Leasing interest expenses	1,036	1,083	(47)	(4.3%)
Financial expenses on right-of-use asset	1,036	1,083	(47)	(4.3%)
Total	1,335	1,313	22	1.7%

The entry financial income/expenses remains substantially in line with the previous period.

33. INCOME TAXES

This item includes:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020	Change Δ	%
Current income taxes	4,657	2,045	2,612	127.7%
Deferred income/(expenses) taxes	(15,766)	(3,892)	(11,874)	305.1%
Taxes related to previous years	(16)	193	(209)	n.a.
Total income taxes	(11,125)	(1,654)	(9,471)	572.6%

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

The reconciliation between actual and theoretical taxation for the 1H 2021 and 1H 2020 is illustrated in the following table:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020
Profit before taxes	6,302	(14,126)
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	1,512	(3,390)
Fiscal effect	(12,797)	(161)
Effect of foreign tax rates	830	2,193
Total income taxes excluding IRAP (current and deferred)	(10,455)	(1,358)
IRAP (current and deferred)	(670)	(296)
Total income taxes (current and deferred)	(11,125)	(1,654)

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.

34. 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)	1 st Half 2021	1 st Half 2020
From continuing activities		
Earnings for determining basic earnings per share	13,286	(10,900)
Earnings for determining earnings per share	13,286	(10,900)
Dilutive effects	-	-
Earnings for determining dilutive earnings per share	13,286	(10,900)
From continuing and discontinued activities		
Earnings for the period	13,286	(10,900)
Earnings from discontinued operations	-	-
Earnings for determining basic earnings per share	13,286	(10,900)
Dilutive effects	-	-
Earnings for determining dilutive earnings per share	13,286	(10,900)
Number of reference share		
Average number of shares for determining earnings per share	99,799	100,214
Share options	-	-
Average number of shares for determining diluted earnings	99,799	100,214

Basic earning/(loss) per share

Group earning attributable to holders of ordinary shares of parent company AEFPE S.p.A., amounts to EUR 13,286 thousand (June 2019: EUR -10,900 thousand).

Dilutive earning/(loss) per share

The calculation of diluted earnings per share for the period January - June 2021, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow generated during the first half of 2021 is EUR 2,749 thousand.

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020
Opening balance (A)	39,828	28,390
Cash flow (absorbed)/ generated by operating activity (B)	15,790	(10,649)
Cash flow (absorbed)/ generated by investing activity (C)	(1,310)	(2,861)
Cash flow (absorbed)/ generated by financing activity (D)	(11,731)	13,095
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	2,749	(415)
Closing balance (F)=(A)+(E)	42,577	27,975

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

The cash flow generated by operating activity during the first half of 2021 amounts to EUR 15,790 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020
Profit before taxes	6,302	(14,126)
Amortisation / write-downs	12,445	13,385
Accrual (+)/availment (-) of long term provisions and post employment benefits	(335)	(53)
Paid income taxes	(927)	(142)
Financial income (-) and financial charges (+)	1,335	1,313
Change in operating assets and liabilities	(3,030)	(11,026)
Cash flow (absorbed) / generated by operating activity	15,790	(10,649)

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

The cash flow absorbed by investing activity during the first half of 2021 amounts to EUR 1,310 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020
Increase (-)/ decrease (+) in intangible fixed assets	(308)	(315)
Increase (-)/ decrease (+) in tangible fixed assets	(702)	(3,237)
Increase (-)/ decrease (+) in right-of-use assets assets	(401)	691
Investments and write-downs (-)/ Disinvestments and revaluations (+)	101	-
Cash flow (absorbed) / generated by investing activity	(1,310)	(2,861)

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

The cash flow absorbed by financing activity during the first half of 2021 amounts to EUR 11,731 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1 st Half 2021	1 st Half 2020
Other variations in reserves and profits carried-forward of shareholders' equity	137	(601)
Dividends paid	-	-
Proceeds (+)/repayment (-) of financial payments	(4,744)	22,282
Proceeds (+)/repayment (-) of leasing payments	(6,185)	(7,711)
Increase (-)/ decrease (+) in long term financial receivables	396	438
Financial income (+) and financial charges (-)	(1,335)	(1,313)
Cash flow (absorbed) / generated by financing activity	(11,731)	13,095

OTHER INFORMATION

38. 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.

39. STATEMENT OF INDEBTEDNESS

As required by ESMA guidance 32-382-1138 of March 4, 2021, in line with the "Warning no. 5/21 "of 29 April 2021 of Consob, it should be noted that the debt of the Aeffe Group at 30 June 2021 is as follows:

(Values in thousands of EUR)	At June 30, 2021	At December 31, 2020
A - Cash	42,577	39,828
B - Cash equivalents	2,777	652
C - Other current financial assets	-	-
D - Liquidity (A + B + C)	45,354	40,480
E - Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	28,695	43,514
F - Current portion of non-current financial debt	24,645	30,399
G - Current financial indebtedness (E + F)	53,340	73,913
H - Net current financial indebtedness (G - D)	7,986	33,433
I - Non-current financial debt (excluding current portion and debt instruments)	119,226	109,581
J - Debt instruments	-	(2,037)
K - Non-current trade and other payables	-	-
L - Non-current financial indebtedness (I + J + K)	119,226	107,544
M - Total financial indebtedness (H + L)	127,212	140,977

The financial situation of the Group as at 30 June 2021 shows a debt of EUR 127,212 thousand including the IFRS 16 effect, compared to the debt of EUR 150,612 thousand as of June 30, 2020, with an improvement of EUR 23,400 thousand (debt of EUR 140,977 thousand due to end of 2020) attributable to both the best results achieved and the effective management of working capital. The debt at 30 June 2021 relating to IFRS 16 amounts to EUR 82,022 thousand, of which EUR 13,151 thousand is current and EUR 68,871 thousand is non-current. Debt net of the IFRS 16 effect at the end of June 2021 amounts to EUR 45,190 thousand compared to the debt of EUR 62,545 thousand at the end of June 2020, recording an improvement of EUR 17,355 thousand.

On July 28, 2021, Aeffe SpA took over the 30% minority stake in Moschino SpA. The consideration for the acquisition of the shares, equal to Euro 66,571,000, was paid for EUR 30 million at the same time as the

transfer of the shares while the residual amount of EUR 36,571,000 will be paid to the sellers by 30 November 2021.

40. 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)	1 st Half 2021	1 st Half 2020	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	500	500	Cost
Ferrim with Aeffe S.p.a.			
Property rental	59	-	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	126	78	Revenue
Property rental	63	63	Cost
Commercial	723	537	Receivable
Commercial	63	59	Payable
Aeffe USA with Ferrim USA			
Commercial	57	63	Revenue
Commercial	671	588	Receivable
Commercial	77	122	Payable
Short term financial	2,777	714	Receivable
Long term financial	-	2,233	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness at June 30, 2021 and at June 30, 2020.

(Values in thousands of EUR)	Balance 1 st Half	Value rel. party 2021	%	Balance 1 st Half	Value rel. party 2020	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	155,020	126	0.1%	118,862	78	0.1%
Costs of services	43,987	500	1.1%	45,423	500	1.1%
Costs for use of third party assets	1,457	122	8.4%	2,682	122	4.5%
Financial income	305	57	18.8%	253	63	24.7%
Incidence of related party transactions on the balance sheet						
Long term financial receivables	-	-	0.0%	2,233	2,233	100.0%
Trade receivables	49,217	1,394	2.8%	37,725	1,125	3.0%
Short term financial receivables	2,777	2,777	100.0%	714	714	100.1%
Trade payables	68,247	140	0.2%	69,982	181	0.3%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	15,790	(613)	n.a.	(10,649)	(411)	3.9%
Cash flow (absorbed) / generated by financial activities	(11,731)	(88)	0.8%	13,095	(10)	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(127,212)	(701)	0.6%	(150,612)	(421)	0.3%

41. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication DEM/6064293 dated July 28, 2006, it is confirmed that in the first half of 2021 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

42. SIGNIFICANT NON RECURRING EVENTS AND TRANSACTIONS

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

43. CONTINGENT LIABILITIES

Fiscal disputes

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

Attachments of the explanatory notes

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

ATTACHMENT I

Consolidated Balance Sheet Assets with related parties

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

(Values in units of EUR)	Notes	At June 30, 2021	of which	At December 31, 2020	of which
Trademarks		69,747,667		71,494,428	
Other intangible fixed assets		930,429		995,060	
Intangible fixed assets	(1)	70,678,096		72,489,488	
Lands		17,123,494		17,123,494	
Buildings		26,437,768		26,729,357	
Leasehold improvements		9,599,993		10,201,924	
Plant and machinery		3,628,095		3,810,164	
Equipment		333,318		350,754	
Other tangible fixed assets		3,063,596		3,442,220	
Tangible fixed assets	(2)	60,186,264		61,657,913	
Right-of-use assets	(3)	93,034,493		100,471,903	
Equity investments	(4)	30,269		131,558	
Long term financial receivables	(5)	-		2,037,324	2,037,324
Other fixed assets	(6)	2,132,012		2,615,956	
Deferred tax assets	(7)	20,762,977		21,287,015	
NON-CURRENT ASSETS		246,824,111		260,691,157	
Stocks and inventories	(8)	103,266,594		109,285,351	
Trade receivables	(9)	49,216,981	1,394,254	39,094,519	1,191,289
Tax receivables	(10)	7,246,450		10,465,392	
Derivate assets	(11)	197,947		-	
Cash	(12)	42,576,814		39,828,260	
Financial receivables	(13)	2,776,843	2,776,843	651,944	651,944
Other receivables	(14)	29,492,264		28,570,739	
CURRENT ASSETS		234,773,893		227,896,205	
Assets available for sale	(15)	-		-	
TOTAL ASSETS		481,598,004		488,587,362	
Share capital		24,949,859		25,043,866	
Other reserves		110,534,935		131,311,933	
Profits/(losses) carried-forward		12,905,405		13,273,509	
Net profit/(loss) for the Group		13,286,041		(21,396,847)	
Group interest in shareholders' equity		161,676,240		148,232,461	
Minority interest in share capital and reserves		30,502,775		32,483,755	
Net profit/(loss) for the minority interest		4,141,016		(1,959,730)	
Minority interest in shareholders' equity		34,643,791		30,524,025	
SHAREHOLDERS' EQUITY	(15)	196,320,031		178,756,486	
Provisions	(16)	1,578,798		1,543,670	
Deferred tax liabilities	(7)	15,068,735		28,016,336	
Post employment benefits	(17)	4,530,771		4,900,460	
Long term financial liabilities	(18)	119,225,515		109,581,772	
Long term not financial liabilities	(19)	1,164,315		1,768,758	
NON-CURRENT LIABILITIES		141,568,134		145,810,996	
Trade payables	(20)	68,246,919	139,876	69,328,170	112,257
Tax payables	(21)	4,124,510		3,753,375	
Derivate liabilities	(11)	-		349,002	
Short term financial liabilities	(22)	53,339,861		73,913,257	
Other liabilities	(23)	17,998,549		16,676,076	
CURRENT LIABILITIES		143,709,839		164,019,880	
Liabilities available for sale		-		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		481,598,004		488,587,362	

ATTACHMENT II

Consolidated Income Statement with related parties

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

(Values in units of EUR)	Notes	1 st Half 2021	of which Rel. parties	1 st Half 2020	of which Rel. parties
REVENUES FROM SALES AND SERVICES	(24)	155,019,816	125,542	118,861,847	77,837
Other revenues and income	(25)	3,429,973		4,663,829	
TOTAL REVENUES		158,449,789		123,525,676	
Changes in inventory		(4,865,924)		11,976,628	
Costs of raw materials, cons. and goods for resale	(26)	(55,841,645)		(54,021,601)	
Costs of services	(27)	(43,986,960)	(500,000)	(45,423,212)	(500,000)
Costs for use of third parties assets	(28)	(1,457,088)	(121,602)	(2,681,762)	(121,259)
Labour costs	(29)	(30,621,509)		(29,509,121)	
Other operating expenses	(30)	(1,594,968)		(3,294,925)	
Amortisation, write-downs and provisions	(31)	(12,445,295)		(13,384,763)	
Financial income/(expenses)	(32)	(1,334,658)	57,023	(1,313,184)	62,713
PROFIT / LOSS BEFORE TAXES		6,301,742		(14,126,264)	
Income taxes	(33)	11,125,315		1,653,573	
NET PROFIT / LOSS		17,427,057		(12,472,691)	
(Profit)/loss attributable to minority shareholders		(4,141,016)		1,572,965	
NET PROFIT / LOSS FOR THE GROUP		13,286,041		(10,899,726)	

ATTACHMENT III

Consolidated Cash Flow Statement with related parties

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

(Values in thousands of EUR)	Notes	1 st Half 2021	of which	1 st Half 2020	of which
Opening balance		39,828		28,390	
Profit / loss before taxes		6,302	(439)	(14,126)	(481)
Amortisation / write-downs		12,445		13,385	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(335)		(53)	
Paid income taxes		(927)		(142)	
Financial income (-) and financial charges (+)		1,335		1,313	
Change in operating assets and liabilities		(3,030)	(174)	(11,026)	71
Cash flow (absorbed) / generated by operating activity	(35)	15,790		(10,649)	
Increase (-)/ decrease (+) in intangible fixed assets		(308)		(315)	
Increase (-)/ decrease (+) in tangible fixed assets		(702)		(3,237)	
Increase (-)/ decrease (+) in right-of-use assets		(401)		691	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		101		-	
Cash flow (absorbed) / generated by investing activity	(36)	(1,310)		(2,861)	
Other variations in shareholders' equity		137		(601)	
Dividends paid		-		-	
Proceeds (+)/repayment (-) of financial payments		(4,744)	(88)	22,282	(10)
Proceeds (+)/ repayment (-) of lease payments		(6,185)		(7,711)	
Increase (-)/ decrease (+) in long term financial receivables		396		438	
Financial income (+) and financial charges (-)		(1,335)		(1,313)	
Cash flow (absorbed) / generated by financing activity	(37)	(11,731)		13,095	
Closing balance		42,577		27,975	

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

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

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

of the administrative and accounting procedures applied in preparation of the Half year condensed financial statements at June 30, 2021.

The undersigned moreover attest that:

The Half Year condensed financial statements:

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

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

July 30, 2021

President of the board of directors

Massimo Ferretti

Manager responsible for preparing
Company's financial reports

Marcello Tassinari

Review report on interim consolidated financial statements

(Translation from the Original Issued in Italian)

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*To the shareholders of
Aeffe S.p.A.*

Introduction

We have reviewed the accompanying condensed interim consolidated financial statement as of June 30, 2021, consisting of the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, consolidated statement of cash flows and statement of changes in equity and related explanatory notes, of the Aeffe Group. Management is responsible for the preparation of this interim condensed financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed financial reporting based on our review.

Audit Scope

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

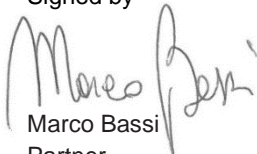
Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Aeffe Group as of June 30, 2021, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, July 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.