



AEFFE

INTERIM FINANCIAL STATEMENT AT 30 SEPTEMBER 2020

Disclaimer

This Interim financial statement 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.

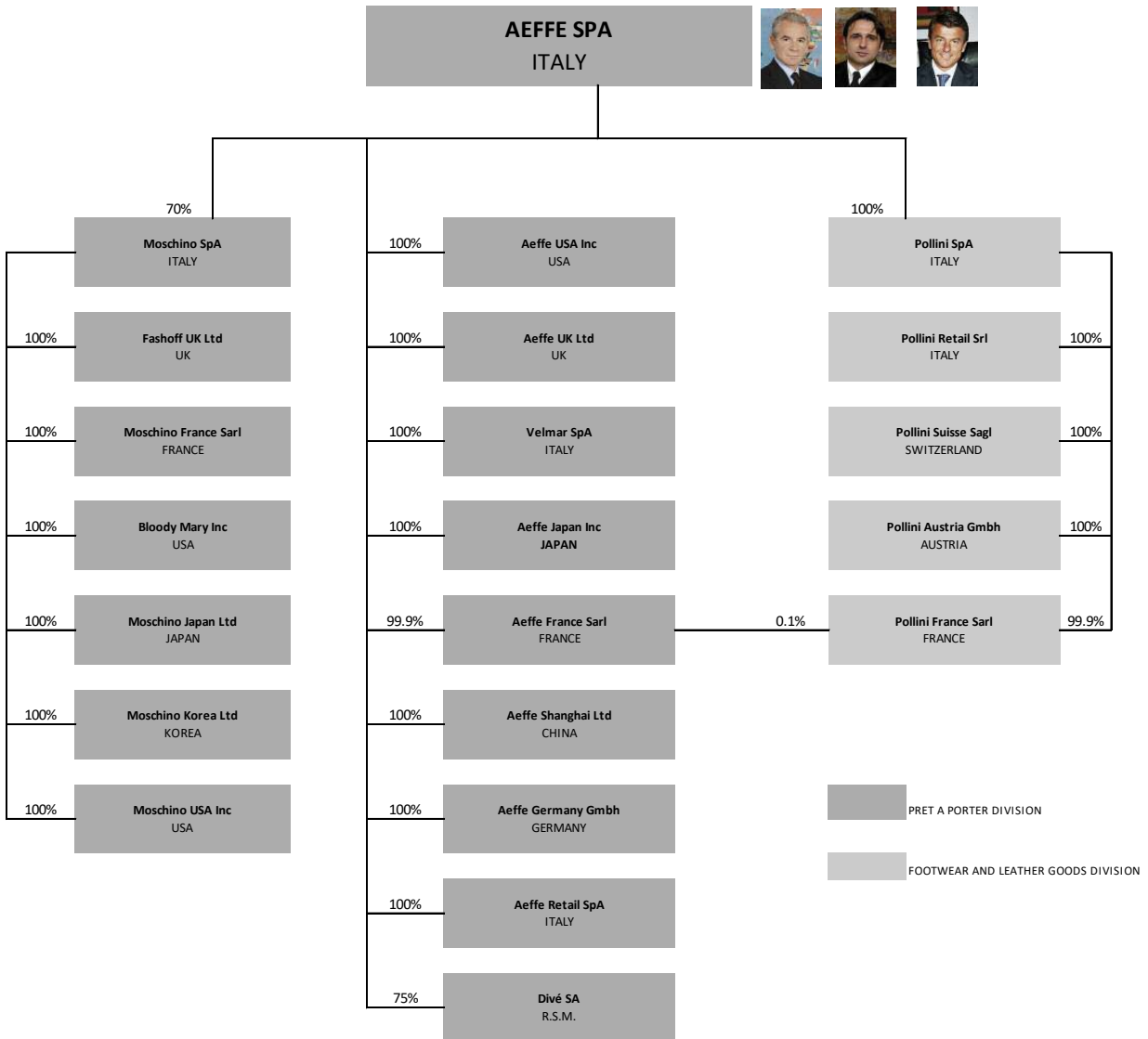
SUMMARY

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Corporate Boards of the Parent Company

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

Organisation chart



Brands portfolio

AEFFE

Clothing - Accessories

ALBERTA FERRETTI

PHILOSOPHY
DI
LORENZO SERAFINI

MOSCHINO.

**BOUTIQUE
MOSCHINO**

POLLINI

Footwear - Leather goods

MOSCHINO

Licences - Design

VELMAR

Beachwear - Lingerie

POLLINI

MOSCHINO.

MOSCHINO.

**BOUTIQUE
MOSCHINO**

MOSCHINO.

**LOVE
MOSCHINO**

**LOVE
MOSCHINO**

Headquarters

AEFFE

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

MOSCHINO

Via San Gregorio, 28
20124 - Milan
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 due Faubourg Saint Honoré

75008 - Paris

France

NEW YORK

(GROUP)

30, West 56th Street

10019 - New York

USA



Main flagshipstore locations under direct management

ALBERTA FERRETTI

- Milan
- Rome
- Paris
- London
- Shanghai

POLLINI

- Milan
- Venice
- Bolzano
- Varese

SPAZIO A

- Florence
- Venice

MOSCHINO

- Milan
- Rome
- Capri
- Paris
- London
- New York
- Seoul
- Pusan
- Daegu



Main economic-financial data

		9 M	9 M
		2020	2019
Total revenues	(Values in millions of EUR)	213.3	275.5
Gross operating margin (EBITDA)	(Values in millions of EUR)	8.2	46.1
Net operating profit (EBIT)	(Values in millions of EUR)	(12.5)	26.0
Profit before taxes	(Values in millions of EUR)	(14.8)	24.1
Net profit for the Group	(Values in millions of EUR)	(12.5)	13.2
Basic earnings per share	(Values in units of EUR)	(0.125)	0.131
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	5.0	33.5
Cash Flow/Total revenues	Ratio	2.4	12.2

		30 September	31 December	30 September
		2020	2019	2019
Net capital invested	(Values in millions of EUR)	338.0	339.3	356.1
Net financial indebtedness	(Values in millions of EUR)	148.7	135.2	149.9
Group net equity	(Values in millions of EUR)	158.0	171.4	173.6
Group net equity per share	(Values in units of EUR)	1.5	1.6	1.6
Current assets/Current liabilities	Ratio	2.4	2.1	2.3
Current assets less invent./Current liabilities (ACID Test)	Ratio	1.0	0.9	1.0
Net financial indebtedness/Net equity	Ratio	0.8	0.7	0.7

Financial statements

Income statement at 30 September

(Values in units of EUR)	Notes	9 M	% on	9 M	% on	Change	%
		2020	revenues	2019	revenues		
REVENUES FROM SALES AND SERVICES	(1)	206,753,651	100.0%	269,041,114	100.0%	(62,287,463)	(23.2%)
Other revenues and income		6,585,061	3.2%	6,414,578	2.4%	170,483	2.7%
TOTAL REVENUES		213,338,712	103.2%	275,455,692	102.4%	(62,116,980)	(22.6%)
Changes in inventory		4,704,944	2.3%	4,663,417	1.7%	41,527	0.9%
Costs of raw materials, cons. and goods for resale		(82,564,846)	(39.9%)	(90,732,783)	(33.7%)	8,167,937	(9.0%)
Costs of services		(71,318,048)	(34.5%)	(79,825,519)	(29.7%)	8,507,471	(10.7%)
Costs for use of third parties assets		(4,537,669)	(2.2%)	(7,035,897)	(2.6%)	2,498,228	(35.5%)
Labour costs		(46,863,216)	(22.7%)	(53,267,491)	(19.8%)	6,404,275	(12.0%)
Other operating expenses		(4,606,953)	(2.2%)	(3,166,614)	(1.2%)	(1,440,339)	45.5%
Total Operating Costs		(205,185,788)	(99.2%)	(229,364,887)	(85.3%)	24,179,099	(10.5%)
GROSS OPERATING MARGIN (EBITDA)	(2)	8,152,924	3.9%	46,090,805	17.1%	(37,937,881)	(82.3%)
Amortisation of intangible fixed assets		(3,351,174)	(1.6%)	(3,491,698)	(1.3%)	140,524	(4.0%)
Depreciation of tangible fixed assets		(3,867,836)	(1.9%)	(3,930,892)	(1.5%)	63,056	(1.6%)
Depreciation of right-of-use assets		(11,758,474)	(5.7%)	(12,472,017)	(4.6%)	713,543	(5.7%)
Revaluations/(write-downs) and provisions		(1,640,219)	(0.8%)	(185,404)	(0.1%)	(1,454,815)	784.7%
Total Amortisation, write-downs and provisions		(20,617,703)	(10.0%)	(20,080,011)	(7.5%)	(537,692)	2.7%
NET OPERATING PROFIT/LOSS (EBIT)		(12,464,779)	(6.0%)	26,010,794	9.7%	(38,475,573)	(147.9%)
Financial income		503,979	0.2%	805,329	0.3%	(301,350)	(37.4%)
Financial expenses		(1,331,477)	(0.6%)	(1,092,813)	(0.4%)	(238,664)	21.8%
Financial expenses on right-of-use asset		(1,515,546)	(0.7%)	(1,634,960)	(0.6%)	119,414	(7.3%)
Total Financial Income/(expenses)		(2,343,044)	(1.1%)	(1,922,444)	(0.7%)	(420,600)	21.9%
PROFIT/LOSS BEFORE TAXES		(14,807,823)	(7.2%)	24,088,350	9.0%	(38,896,173)	(161.5%)
Taxes		849,462	0.4%	(10,512,893)	(3.9%)	11,362,355	(108.1%)
NET PROFIT/LOSS		(13,958,361)	(6.8%)	13,575,457	5.0%	(27,533,818)	(202.8%)
(Profit)/loss attributable to minority shareholders		1,430,496	0.7%	(346,384)	(0.1%)	1,776,880	(513.0%)
NET PROFIT/LOSS FOR THE GROUP	(3)	(12,527,865)	(6.1%)	13,229,073	4.9%	(25,756,938)	(194.7%)
Basic earnings per share		(0.125)		0.131			
Dilutive earnings per share		(0.125)		0.131			

Income statement for the third quarter

(Values in units of EUR)	Notes	III Q 2020	% on revenues	III Q 2019	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	(1)	87,891,804	100.0%	95,740,114	100.0%	(7,848,310)	(8.2%)
Other revenues and income		1,921,232	2.2%	2,150,578	2.2%	(229,346)	(10.7%)
TOTAL REVENUES		89,813,036	102.2%	97,890,692	102.2%	(8,077,656)	(8.3%)
Changes in inventory		(7,271,684)	(8.3%)	(2,869,583)	(3.0%)	(4,402,101)	153.4%
Costs of raw materials, cons. and goods for resale		(28,543,245)	(32.5%)	(27,784,783)	(29.0%)	(758,462)	2.7%
Costs of services		(25,894,836)	(29.5%)	(26,175,519)	(27.3%)	280,683	(1.1%)
Costs for use of third parties assets		(1,855,907)	(2.1%)	(2,788,897)	(2.9%)	932,990	(33.5%)
Labour costs		(17,354,095)	(19.7%)	(17,387,491)	(18.2%)	33,396	(0.2%)
Other operating expenses		(1,312,028)	(1.5%)	(1,468,614)	(1.5%)	156,586	(10.7%)
Total Operating Costs		(82,231,795)	(93.6%)	(78,474,887)	(82.0%)	(3,756,908)	4.8%
GROSS OPERATING MARGIN (EBITDA)	(2)	7,581,241	8.6%	19,415,805	20.3%	(11,834,564)	(61.0%)
Amortisation of intangible fixed assets		(1,118,627)	(1.3%)	(1,145,698)	(1.2%)	27,071	(2.4%)
Depreciation of tangible fixed assets		(1,268,938)	(1.4%)	(1,368,892)	(1.4%)	99,954	(7.3%)
Depreciation of right-of-use assets		(3,697,326)	(4.2%)	(4,020,017)	(4.2%)	322,691	(8.0%)
Revaluations/(write-downs) and provisions		(1,148,049)	(1.3%)	(78,404)	(0.1%)	(1,069,645)	1,364.3%
Total Amortisation, write-downs and provisions		(7,232,940)	(8.2%)	(6,613,011)	(6.9%)	(619,929)	9.4%
NET OPERATING PROFIT/LOSS (EBIT)		348,301	0.4%	12,802,794	13.4%	(12,454,493)	(97.3%)
Financial income		250,681	0.3%	564,329	0.6%	(313,648)	(55.6%)
Financial expenses		(847,849)	(1.0%)	(349,813)	(0.4%)	(498,036)	142.4%
Financial expenses on right-of-use asset		(432,692)	(0.5%)	(468,960)	(0.5%)	36,268	(7.7%)
Total Financial Income/(expenses)		(1,029,860)	(1.2%)	(254,444)	(0.3%)	(775,416)	304.7%
PROFIT/LOSS BEFORE TAXES		(681,559)	(0.8%)	12,548,350	13.1%	(13,229,909)	(105.4%)
Taxes		(804,111)	(0.9%)	(4,254,893)	(4.4%)	3,450,782	(81.1%)
NET PROFIT/LOSS		(1,485,670)	(1.7%)	8,293,457	8.7%	(9,779,127)	(117.9%)
(Profit)/loss attributable to minority shareholders		(142,469)	(0.2%)	(179,384)	(0.2%)	36,915	(20.6%)
NET PROFIT/LOSS FOR THE GROUP	(3)	(1,628,139)	(1.9%)	8,114,073	8.5%	(9,742,212)	(120.1%)

Reclassified balance sheet

(Values in units of EUR)	Notes	30 September 2020	31 December 2019	30 September 2019
Trade receivables		47,971,218	41,524,614	49,078,371
Stocks and inventories		112,268,554	112,050,942	108,750,714
Trade payables		(63,107,474)	(74,300,469)	(60,534,646)
Operating net working capital	(4)	97,132,298	79,275,087	97,294,439
Other short term receivables		27,924,325	35,218,280	33,299,207
Tax receivables		12,659,310	14,118,912	7,949,450
Derivative assets		-	74,055	248,570
Other short term liabilities		(18,087,115)	(18,125,081)	(19,160,565)
Tax payables		(3,691,125)	(3,391,481)	(6,666,411)
Derivative liabilities		(77,164)	-	-
Net working capital		115,860,529	107,169,772	112,964,690
Tangible fixed assets		62,617,672	62,824,618	60,904,749
Intangible fixed assets		73,226,955	76,083,463	76,926,447
Right-of-use assets		102,156,141	110,714,289	123,271,807
Equity investments		131,558	131,558	160,058
Other fixed assets		2,979,520	2,720,383	2,607,104
Fixed assets	(5)	241,111,846	252,474,311	263,870,165
Post employment benefits		(5,002,330)	(5,194,899)	(5,100,833)
Provisions		(1,945,741)	(1,847,295)	(1,801,693)
Assets available for sale		-	436,885	436,885
Long term not financial liabilities		(859,503)	(717,143)	(683,963)
Deferred tax assets		17,971,454	16,949,535	16,034,458
Deferred tax liabilities		(29,178,440)	(29,982,114)	(29,617,996)
NET CAPITAL INVESTED		337,957,815	339,289,052	356,101,713
Share capital		25,052,166	25,286,166	25,288,666
Other reserves		132,337,859	127,822,540	128,448,381
Profits/(Losses) carried-forward		13,140,147	6,585,047	6,658,422
Profit/(Loss) of the period		(12,527,865)	11,692,734	13,229,073
Group interest in shareholders' equity		158,002,307	171,386,487	173,624,542
Minority interests in shareholders' equity		31,257,926	32,688,421	32,612,341
Total shareholders' equity	(6)	189,260,233	204,074,908	206,236,883
Short term financial receivables		(683,293)	(1,132,124)	(1,154,686)
Cash		(33,722,768)	(28,390,143)	(24,644,898)
Long term financial liabilities		36,997,305	13,448,747	16,470,516
Long term financial receivables		(2,135,292)	(2,225,387)	(2,295,895)
Short term financial liabilities		59,670,029	57,709,288	53,812,179
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS		60,125,981	39,410,381	42,187,216
Short term lease liabilities		13,458,777	14,098,081	14,606,240
Long term lease liabilities		75,112,824	81,705,682	93,071,374
NET FINANCIAL POSITION	(7)	148,697,582	135,214,144	149,864,830
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS		337,957,815	339,289,052	356,101,713

Cash flow

(Values in thousands of EUR)	9 M	9 M
	2020	2019
OPENING BALANCE	28,390	28,037
Profit / loss before taxes	(14,808)	24,088
Amortisation / write-downs	19,791	19,895
Accrual (+) / availment (-) of long term provisions and post employment benefits	(94)	(1,148)
Paid income taxes	(676)	(10,036)
Financial income (-) and financial charges (+)	2,343	1,922
Change in operating assets and liabilities	(8,849)	(27,664)
CASH FLOW (ABSORBED) / GENERATED BY OPERATING ACTIVITY	(2,293)	7,057
Increase (-) / decrease (+) in intangible fixed assets	(495)	(1,416)
Increase (-) / decrease (+) in tangible fixed assets	(4,037)	(4,537)
Increase (-)/ decrease (+) in right-of-use assets	(3,200)	(1,119)
Investments and write-downs (-)/ Disinvestments and revaluations (+)	-	(28)
CASH FLOW (ABSORBED) / GENERATED BY INVESTING ACTIVITY	(7,732)	(7,100)
Other variations in reserves and profits carried-forward of shareholders'equity	(856)	(405)
Dividends paid	-	-
Increase (+) / decrease (-) of financial liabilities	25,509	7,267
Proceeds (+)/ repayment (-) of lease payments	(7,232)	(8,763)
Increase (-) / decrease (+) of financial receivables	280	474
Financial income (+) and financial charges (-)	(2,343)	(1,922)
CASH FLOW (ABSORBED) / GENERATED BY FINANCING ACTIVITY	15,358	(3,349)
CLOSING BALANCE	33,723	24,645

Changes in shareholders' equity

(Values in thousands of EUR)

	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Reassessment of defined benefit plans reserve	Translation reserve	Profits/(Losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
At December 31, 2019	25,286	70,775	53	44,748	7,901	7,607	(1,286)	(1,976)	6,586	11,693	171,387	32,688	204,075
Allocation of 31/12/19 profit/(loss)	-	-	-	5,138	-	-	-	-	6,555	(11,693)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buy-back)/ sale	(234)	(613)	-	-	-	-	-	-	-	-	(847)	-	(847)
Total comprehensive income/(loss) at 30/09/20	-	-	(109)	-	-	-	-	99	-	(12,528)	(12,538)	(1,430)	(13,968)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-
At September 30, 2020	25,052	70,162	(56)	49,886	7,901	7,607	(1,286)	(1,877)	13,141	(12,528)	158,002	31,258	189,260

(Values in thousands of EUR)

	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Reassessment of defined benefit plans reserve	Translation reserve	Profits/(Losses) carried-forward	Net profit / loss for the Group	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
At January 1, 2019	25,371	71,240	158	35,967	7,901	7,651	(1,095)	(1,832)	(1,286)	16,726	160,801	32,266	193,067
Allocation of 31/12/18 profit/(loss)	-	-	-	8,781	-	-	-	-	7,945	(16,726)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buy-back)/ sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/09/19	-	-	20	-	-	-	-	94	-	13,229	13,343	346	13,689
Other changes	(82)	(437)	-	-	-	-	-	-	-	-	(519)	-	(519)
At September 30, 2019	25,289	70,803	178	44,748	7,901	7,651	(1,095)	(1,738)	6,659	13,229	173,625	32,612	206,237

Interim management report

In the first nine months of 2020, revenues from sales and services are equal to EUR 206,754 thousand with a decrease of 23.2%, at current exchange rates and -23.1% at constant exchange rates, compared to EUR 269,041 thousand in the first nine months of 2019.

The trend of the first nine months of the year has been penalized by the rapid spread of the Covid-19 pandemic and the consequent rigorous measures adopted by the various countries in terms of bans and suspension of international traffic of people and non-essential activities; these restrictions concerned both the Group's directly operated stores and the wholesale distribution, with negative effects on both channels.

In the third quarter of the year the Group has registered a good recovery in revenues, mainly as a result of shipments of the F/W 2020 collections, as postponed beyond the end of the first half of the year due to the difficult international market context and lockdown measures. The Fall/Winter 2020 collections have shown significant resilience among our clients despite the extremely complicated macroeconomic context; the Group has achieved the objective to maintain the overall percentage of returns and discounts on this season's collections below 10%, as compared to orders originally collected. This figure is extremely positive considering the difficult market conditions linked to the Covid-19 emergency and testifies appreciation and appeal of the Group's brands across clients.

In the first nine months of 2020 consolidated EBITDA is equal to EUR 8,153 thousand (with an incidence of 3.9% of consolidated sales), compared to EUR 46,091 thousand in the first nine months of 2019 (with an incidence of 17.1% of total sales), recording a reduction of EUR 37,938 thousand.

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

At 30 September 2020, operating net working capital amounts to EUR 97,132 thousand (33.6% of LTM sales) compared to EUR 97,294 thousand at 30 September 2019 (27.7% of LTM sales).

The balance sheet at September 30, 2020 shows a shareholders' equity equal to EUR 158,002 thousand and a financial debt, net of IFRS 16 effect, of EUR 60,125 thousand, decreasing compared to the debt of EUR 62,545 thousand at the end of June 2020.

Explanatory notes

Income statement

1. Revenues from sales and services

Nine months 2020 vs 2019

In the first nine months of 2020, revenues from sales and services are equal to EUR 206,754 thousand with a decrease of 23.2%, at current exchange rates and -23.1% at constant exchange rates, compared to EUR 269,041 thousand in the first nine months of 2019.

Sales by brand

(Values in thousands of EUR)	9 M		9 M		Change	
	2020	%	2019	%	Δ	%
Alberta Ferretti	12,424	6.0%	20,979	7.8%	(8,555)	(40.8%)
Philosophy	11,126	5.4%	14,325	5.3%	(3,199)	(22.3%)
Moschino	163,327	79.0%	199,399	74.1%	(36,072)	(18.1%)
Pollini	16,977	8.2%	27,312	10.2%	(10,335)	(37.8%)
Other	2,900	1.4%	7,026	2.6%	(4,126)	(58.7%)
Total	206,754	100.0%	269,041	100.0%	(62,287)	(23.2%)

In the first nine months of 2020, Alberta Ferretti brand decreases by 40.8%, generating 6.0% of consolidated sales, while Philosophy brand decreases by 22.3%, generating 5.4% of consolidated sales.

In the same period, Moschino brand sales decrease by 18.1%, contributing to 79.0% of consolidated sales.

Pollini brand decreases by 37.8%, generating 8.2% of consolidated sales, while the other brands sales decrease by 58.7%, contributing to 1.4% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	9 M		9 M		Change	
	2020	%	2019	%	Δ	%
Italy	97,858	47.3%	125,195	46.5%	(27,337)	(21.8%)
Europe (Italy excluded)	61,006	29.5%	62,334	23.2%	(1,328)	(2.1%)
Asia and Rest of the World	39,217	19.0%	67,464	25.1%	(28,247)	(41.9%)
America	8,673	4.2%	14,048	5.2%	(5,375)	(38.3%)
Total	206,754	100.0%	269,041	100.0%	(62,287)	(23.2%)

In the first nine months of 2020 all geographic areas, although showing a decrease compared to the same period in 2019, recorded a good recovery in the third quarter of the year.

Sales in the Italian market decreased by 21.8% to EUR 97,858 thousand compared to the first nine months of 2019, driven by both the retail and wholesale channels, due to the sharp decline in tourism flows following the stringent measures to contrast the spread of the pandemic. However, in the third quarter Italy recorded a good recovery, showing a slightly upward trend compared to the same period of last year.

The Italian market accounted for 47.3% of consolidated revenues.

At constant exchange rates, in the first nine months of 2020, sales in Europe, contributing to 29.5% of consolidated sales, decreased by 2.1%; in the third quarter UK and Germany outperformed the average of the area, showing an upward trend compared to the third quarter of 2019.

In Asia and in the Rest of the World, the Group's sales totalled EUR 39,217 thousand, amounting to 19.0% of consolidated sales, recording a decrease of 41.9% at constant exchange rates compared the first nine months of 2019 (-34.7% in the third quarter). The Far East area has been hardly impacted by the restrictions imposed to limit the virus, while Middle East has experienced a less significant decline. The Greater China area reported a 41% decrease over the period; however, the region has recorded in the last quarter positive signs in terms of sales and traffic in the stores, showing an evident recovery trend.

At constant exchange rates, sales in America, contributing to 4.2% of consolidated sales, posted a decrease of 38.3% (-10.3% in the third quarter); the Covid-19 impact has involved both the retail and the wholesale channels.

Sales by distribution channel

(Values in thousands of EUR)	9 M		9 M		Change	
	2020	%	2019	%	Δ	%
Wholesale	148,939	72.0%	187,575	69.7%	(38,636)	(20.6%)
Retail	50,163	24.3%	71,608	26.6%	(21,445)	(29.9%)
Royalties	7,652	3.7%	9,858	3.7%	(2,206)	(22.4%)
Total	206,754	100.0%	269,041	100.0%	(62,287)	(23.2%)

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

The wholesale channel, contributing to 72% of consolidated sales, recorded a 20.6% decrease. In the third quarter the decrease amounted to 6.7% at constant exchange rates and with an improvement compared to the first half of the year thanks to the regular shipments of the F/W20 collections.

The sales of directly-operated stores (DOS), equal to 24.3% of Group sales, decreased by 29.9% compared to the first nine months of 2019. In the third quarter, sales in the retail channel decreased by 9.4%, recording a gradual and steady improvement compared to the first semester, despite still being influenced by the limited traffic in shops.

E-commerce sales continued to perform well during the period.

Revenues from royalties decreased by 22.4% compared to the first nine months of 2019 and represent 3.7% of consolidated revenues.

Third quarter 2020 vs 2019

In the third quarter of 2020, revenues from sales and services are equal to EUR 87,892 thousand with a decrease of 8.2% compared with EUR 95,740 thousand in the third quarter of 2019.

Sales by brand

(Values in thousands of EUR)	III Q		III Q		Change	
	2020	%	2019	%	Δ	%
Alberta Ferretti	5,721	6.5%	6,747	7.0%	(1,026)	(15.2%)
Philosophy	5,096	5.8%	5,389	5.6%	(293)	(5.4%)
Moschino	69,091	78.6%	69,323	72.4%	(232)	(0.3%)
Pollini	7,014	8.0%	10,851	11.3%	(3,837)	(35.4%)
Other	970	1.1%	3,430	3.7%	(2,460)	(71.7%)
Total	87,892	100.0%	95,740	100.0%	(7,848)	(8.2%)

In the third quarter of 2020, Alberta Ferretti brand decreases by 15.2% generating 6.5% of consolidated sales, while Philosophy brand decreases by 5.4% generating 5.8% of consolidated sales.

In the same period, Moschino brand sales decrease by 0.3% contributing to 78.6% of consolidated sales.

Pollini brand decreases by 35.4% generating 8.0% of consolidated sales, while the other brands sales decrease by 71.7% contributing to 1.1% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	III Q		III Q		Change	
	2020	%	2019	%	Δ	%
Italy	45,154	51.3%	45,059	47.1%	95	0.2%
Europe (Italy excluded)	23,879	27.2%	23,679	24.7%	200	0.8%
Asia and Rest of the World	14,316	16.3%	21,936	22.9%	(7,620)	(34.7%)
America	4,543	5.2%	5,066	5.3%	(523)	(10.3%)
Total	87,892	100.0%	95,740	100.0%	(7,848)	(8.2%)

In the third quarter of 2020 sales in Italy increase by 0.2% to EUR 45,154 thousand, contributing to 51.3% of consolidated sales.

Sales in Europe increase by 0.8% contributing to 27.2% of consolidated sales.

In Asia and Rest of the World, sales are equal to EUR 14,316 thousand with a decrease of 34.7% and a contribution of 16.3% of consolidated sales.

Sales in America are equal to EUR 4,543 thousand, contributing to 5.2% of consolidated sales, with a decrease of 10.3%.

Sales by distribution channel

(Values in thousands of EUR)	III Q		III Q		Change	
	2020	%	2019	%	Δ	%
Wholesale	62,211	70.8%	66,648	69.6%	(4,437)	(6.7%)
Retail	23,052	26.2%	25,433	26.6%	(2,381)	(9.4%)
Royalties	2,629	3.0%	3,659	3.8%	(1,030)	(28.1%)
Total	87,892	100.0%	95,740	100.0%	(7,848)	(8.2%)

By distribution channel in the third quarter of 2020, wholesale sales decrease by 6.7% contributing to 70.8% of consolidated sales.

Sales of our directly-operated stores (retail channel) amount to EUR 23,052 thousand with a decrease of 9.4% contributing to 26.2% of consolidated sales.

Royalty income is 28.1% lower than in the corresponding period of the previous year, representing 3.0% of consolidated sales.

2. Gross Operating Margin (EBITDA)

Nine months 2020 vs 2019

In the first nine months of 2020 consolidated EBITDA is equal to EUR 8,153 thousand (with an incidence of 3.9% of consolidated sales), compared to EUR 46,091 thousand in the first nine months of 2019 (with an incidence of 17.1% of total sales), recording a reduction of EUR 37,938 thousand.

In the first nine months of 2020, the consolidated EBITDA includes an extraordinary write-down of the raw materials inventories of the leather goods division for EUR 4 million as no longer suitable to manufacture new collections in line with the changed market needs following the Covid-19 pandemic.

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

For the prêt-à-porter division, in the first nine months of 2020 EBITDA was equal to EUR 5,866 thousand, compared to a EUR 33,392 thousand of the first nine months of 2019, the decrease is due to the sales decline.

For the footwear and leather goods division, the EBITDA adjusted (net of the extraordinary write-down of the inventory of raw materials) amounted to EUR 6,287 thousand, compared to a EUR 12,699 thousand of the first nine months of 2019, with a EUR 6,412 thousand decrease due to the sales decline.

Reported Ebitda was EUR 2,287 thousand.

Third quarter 2020 vs 2019

In the third quarter of 2020 consolidated EBITDA is EUR 7,581 thousand (with an incidence of 8.6% of consolidated sales), showing a decrease of profitability compared to EUR 19,416 thousand in the third quarter of 2019, (with an incidence of 20.3% of consolidated sales).

3. Result for the Group

Nine months 2020 vs 2019

The Group posts a loss of EUR 12,528 thousand, compared to a net profit of EUR 13,229 thousand in the first nine months of 2019, with a EUR 25,757 thousand decrease.

Third quarter 2020 vs 2019

In the third quarter of 2020 Group records a loss of EUR 1,628 thousand showing a decrease compared to a net profit of EUR 8,114 thousand in the third quarter of 2019.

Segment information

Economic performance by Divisions

At international level, the Group is divided into two main business sectors:

- (i) *Prêt-à porter* Division;
- (ii) Footwear and leather goods Division.

Nine months 2020 vs 2019

The following tables indicate the main economic data for the first nine months of 2020 and 2019 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
9M 2020				
SECTOR REVENUES	151,726	81,864	(26,836)	206,754
Intercompany revenues	(8,409)	(18,427)	26,836	-
Revenues with third parties	143,317	63,437	-	206,754
Gross operating margin (EBITDA)	5,866	2,287	-	8,153
Amortisation	(16,090)	(2,888)	-	(18,978)
Other non monetary items:				
Revaluations / write-downs	(376)	(1,264)	-	(1,640)
Net operating profit / loss (EBIT)	(10,600)	(1,865)	-	(12,465)
Financial income	491	122	(109)	504
Financial expenses	(1,936)	(1,020)	109	(2,847)
Profit / loss before taxes	(12,045)	(2,763)	-	(14,808)
Income taxes	494	356	-	850
Net profit / loss	(11,551)	(2,407)	-	(13,958)

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
9M 2019				
SECTOR REVENUES	200,952	96,735	(28,646)	269,041
Intercompany revenues	(8,466)	(20,180)	28,646	-
Revenues with third parties	192,486	76,555	-	269,041
Gross operating margin (EBITDA)	33,392	12,699	-	46,091
Amortisation	(16,919)	(2,976)	-	(19,895)
Other non monetary items:				
Revaluations / write-downs	-	(185)	-	(185)
Net operating profit / loss (EBIT)	16,473	9,538	-	26,011
Financial income	308	632	(135)	805
Financial expenses	(2,294)	(569)	135	(2,728)
Profit / loss before taxes	14,487	9,601	-	24,088
Income taxes	(7,778)	(2,735)	-	(10,513)
Net profit / loss	6,709	6,866	-	13,575

Prêt-à porter Division

Revenues of the prêt-à-porter division decrease by 24.5% from EUR 200,952 thousand in the first nine months of 2019 to EUR 151,726 thousand in the first nine months of 2020.

EBITDA of the *prêt-à-porter* division, in the first nine months of 2020 is EUR 5,866 thousand (3.9% of sales) compared to an EBITDA of EUR 33,392 thousand in the first nine months of 2019 (16.6% of sales), showing a decrease of EUR 27,526 thousand.

Footwear and leather goods Division

Revenues of the footwear and leather goods division decrease by 15.4% from EUR 96,735 thousand in the first nine months of 2019 to EUR 81,864 thousand in the first nine months of 2020.

EBITDA of the Footwear and leather goods division amounts to EUR 2,287 thousand (2.8% of sales) compared to EUR 12,699 thousand in the first nine months of 2019 (13.1% of sales), with a EUR 10,412 thousand decrease.

Third Quarter 2020 vs 2019

The following tables indicate the main economic data for the third quarter of 2020 and 2019 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
III Q 2020				
SECTOR REVENUES	63,096	34,173	(9,377)	87,892
Intercompany revenues	(3,553)	(5,824)	9,377	-
Revenues with third parties	59,543	28,349		87,892
Gross operating margin (EBITDA)	5,859	1,722		7,581
Amortisation	(5,147)	(938)		(6,085)
Other non monetary items:				
Revaluations / write-downs	8	(1,156)		(1,148)
Net operating profit / loss (EBIT)	720	(372)		348
Financial income	187	97	(33)	251
Financial expenses	(601)	(713)	33	(1,281)
Profit / loss before taxes	306	(988)		(682)
Income taxes	(589)	(214)		(803)
Net profit / loss	(283)	(1,202)		(1,485)

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
III Q 2019				
SECTOR REVENUES	68,719	36,037	(9,016)	95,740
Intercompany revenues	(3,263)	(5,753)	9,016	-
Revenues with third parties	65,456	30,284		95,740
Gross operating margin (EBITDA)	13,418	5,998		19,416
Amortisation	(5,537)	(998)		(6,535)
Other non monetary items:				
Revaluations / write-downs		(78)		(78)
Net operating profit / loss (EBIT)	7,881	4,922		12,803
Financial income	138	466	(40)	564
Financial expenses	(737)	(122)	40	(819)
Profit / loss before taxes	7,282	5,266		12,548
Income taxes	(2,749)	(1,506)		(4,255)
Net profit / loss	4,533	3,760		8,293

Balance sheet

4. Operating net working capital

At 30 September 2020, operating net working capital amounts to EUR 97,132 thousand (33.6% of LTM sales) compared to EUR 97,294 thousand at 30 September 2019 (27.7% of LTM sales).

The increase in the incidence of net working capital on revenues is mainly due to the increase in the ratio of receivables from customers following the postponement of shipments of the F/W 2020 collections from the second to the third quarter of the year and higher stocks of finished products of the same season in the retail channel.

5. Fixed assets

The change in fixed assets of 11,362 thousand at 30 September 2020 compared to 31 December 2019 is due to the amortisation of the period and to the capex realised during the first nine months of 2020, mainly related to the completion of a new warehouse

6. Shareholders' equity

Changes in shareholders' equity are presented in tables at page 14.

7. Net financial position

The balance sheet at September 30, 2020 shows a financial debt, net of IFRS 16 effect, of EUR 60,125 thousand, decreasing compared to the financial debt of EUR 62,545 thousand at the end of June 2020.

Other information

Earnings per share

Reference earnings

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

(Values in thousands of EUR)	30 September 2020	30 September 2019
From continuing activities		
Earnings for determining basic earnings per share	(12,528)	13,229
Earnings for determining earnings per share	(12,528)	13,229
Dilutive effects	-	-
Earnings for determining dilutive earnings per share	(12,528)	13,229
From continuing and discontinued activities		
Earnings for the period	(12,528)	13,229
Earnings from discontinued operations	-	-
Earnings for determining basic earnings per share	(12,528)	13,229
Dilutive effects	-	-
Earnings for determining dilutive earnings per share	(12,528)	13,229
Number of reference share		
Average number of shares for determining earnings per share	100,209	101,486
Share options	-	-
Average number of shares for determining diluted earnings per	100,209	101,486

Basic results per share

Group loss attributable to holders of ordinary shares of parent company AEFPE S.p.A., amounts to EUR 12,528 thousand (September 2019: EUR +13,229 thousand).

Dilutive results per share

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

Significant events subsequent to the balance sheet date

After the 30 September 2020 no significant events regarding the Group's activities have to be reported.

Atypical and/or unusual transactions

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

Significant non-recurring events and transactions

During the first nine months of 2020 no significant non-recurring events and transaction have been realized.

Outlook

The international macroeconomic situation remains complicated and the Covid 19 pandemic, which characterized the first semester of the year, has continued to influence negatively also the third quarter of the year, significantly impacting the entire luxury industry globally, albeit with less intensity.

At the date of this report, as a result of new restrictions on the activities imposed by the government authorities aimed at containing the pandemic across the Group's main reference markets, including Italy, approximately ten direct shops are closed with others operating with limited opening hours, waiting from the new upcoming government regulations in this regard expected for the beginning of December.

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

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

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

The corrective measures taken by the Group to contrast the negative effects of the global emergence of the Covid-19 pandemic effectively and efficiently are summarised below.

In terms of sales, the actions adopted aim to: 1) carefully manage the relations with the main commercial partners, especially in the Far East area, supporting them as much as possible; 2) enhance digital activities to

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

On the costs side, activities are focused on: 1) strong attention to all organizational levels in terms of cost savings that are not prejudicial to the support and development of the group's brands, with a view to long-term planning that makes the various business processes more efficient and with benefits not only for the current year but also for the coming years; 2) requests for reduction of rents for stores and offices; 3) use of government retention scheme and accrued holidays to make labour costs more flexible; 4) postponement of costs for advertising and public relations which are not prejudicial to the strengthening and support of the brands; 5) request of all foreseen government grants and subsidies, in all the countries where the Group operates, to face the pandemic effects.

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

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

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