AEFFE

MOSCHINO

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PRESS RELEASE

AEFFE: 1H 2019 Results Approved. Sales At €173.3m, Ebitda At €18.3m And Net Profit For The Group At €5.2m Net Of IFRS 16 Effect

San Giovanni in Marignano, 30th July 2019 - The Board of Directors of Aeffe SpA approved today the Interim consolidated financial statement as of June 30, 2019. The company, listed on the STAR segment of Borsa Italiana, operates in the luxury sector, with a presence in the prêt-à-porter, footwear and leather goods division under renowned brand names such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino, Pollini, Jeremy Scott and Cédric Charlier.

*Starting from 1st January 2019, the international accounting standard IFRS 16 was applied for the first time. The effects of the new standard are summarized in the following paragraph entitled "**Effects deriving from the first application of accounting standard IFRS 16" Leasing** "".*
For a better understanding of business performance, in the notes to the Income Statement and to the Balance Sheet reported in the following paragraphs, the data for the first semester of 2018 were compared with the data of the first semester of 2019 net of IFRS 16 for an effective comparison of the figures.

- **Consolidated revenues of €173.3m, compared to €171.1m in 1H 2018, with a 1.3% increase at current exchange rates (+1.0% at costant exchange rates)**

- **Ebitda with IFRS 16 effect included of €26.7m. Ebitda net of IFRS 16 effect of €18.3m (10.6% on consolidated sales), compared to €21.0m in 1H 2018 (12.3% on consolidated sales)**

- **Net Profit for the Group with IFRS 16 effect of €5.1m. Net Profit for the Group net of IFRS 16 effect of €5.2m, compared to €8.3m in 1H 2018**

- **Net financial debt with IFRS 16 effect of €147.2m. Financial debt net of IFRS 16 effect of €36.6m compared to €40.9m as of June 30, 2018, with a €4.3m improvement (€31.3m as at 31st December, 2018)**

- **First-time application of the new Lease standard IFRS 16 from January 1st, 2019**

Consolidated Revenues

In 1H 2019, AEFFE consolidated revenues amounted to €173.3m compared to €171.1m in 1H 2018, with a 1.3% increase at current exchange rates (+1.0% at constant exchange rates).

Revenues of the *prêt-à-porter* division amounted to €132.2m, up by 0.4% at current exchange rates compared to 1H 2018.
Revenues of the footwear and leather goods division increased by 4.4%, equal to Euro 60.7m before interdivisional eliminations, mainly thanks to the good trend of Moschino brand.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: "*Encouraged by the good performance of our monobrand stores, the results approved today are influenced by the slowdown in the wholesale channel recorded in the second quarter, penalized by an uncertain macroeconomic situation with consequent impact on margins. In this global and highly challenging market environment, the Group is committed to the design and development of increasingly desirable collections that are able to offer usage opportunities in line with the current demand, supported also by strengthened R&D, Production and Marketing divisions".*

Revenues Breakdown by Region

(thousands of Eur)	**1H 19 Reported**	**1H 18 Reported**	**% Change**	**% Change***
Italy	80.136	81.170	-1,3%	-1,3%
Europe (Italy exluded)	38.655	41.310	-6,4%	-6,5%
Asia and Rest of the World	45.529	39.617	14,9%	14,8%
America	8.982	9.002	-0,2%	-5,5%
Total	**173.301**	**171.100**	**1,3%**	**1,0%**

(*) Calculated at constant exchange rates

In H1 2019, sales in the **Italian market** decreased by 1.3% to €80.1m compared to H1 2018 directly due to the weakness of the wholesale channel, in contrast with the positive performance of retail. The Italian market accounted for 46.2% of consolidated sales; that incidence decreased to 34% net of the effect of sales to foreign customers on the national territory.
At constant exchange rates, sales in **Europe**, contributing to 22.3% of consolidated sales, decreased by 6.5% caused by the slowdown of the wholesale channel.
In **Asia and in the Rest of the World**, the Group's sales totalled €45.5m, amounting to 26.3% of consolidated sales, with an increase of 14.8% at constant exchange rates compared to H1 2018, especially driven by the good trend in Greater China, which posted a 9.7% growth.
Sales in **America**, contributing to 5.2% of consolidated sales, posted in the period a decrease of 5.5% at constant exchange rates, entirely due to the performance of the wholesale channel.

Revenues by distribution channel

(thousands of Eur)	**1H 19 Reported**	**1H 18 Reported**	**% Change**	**% Change***
Wholesale	120.927	123.888	-2,4%	-2,8%
Retail	46.175	42.181	9,5%	9,2%
Royalties	6.199	5.030	23,2%	23,2%
Total	**173.301**	**171.100**	**1,3%**	**1,0%**

(*) Calculated at constant exchange rates

By distribution channel, in H1 2019, wholesale revenues declined by 2.8% at constant exchange rates (-2.4% at current exchange rates), contributing to 69.8% of consolidated sales. The decrease was due to the downturn registered in the second quarter as a result of the AW 2019 sales campaign performance which, completed in

the second quarter of the year, reported a 4% decrease as a whole, as already announced last May 2019 in occasion of the approval of the Interim financial statement as at 31st March 2019.
The sales of directly-operated stores (DOS) confirmed a good trend, increasing by 9.2% at constant exchange rates (+9.5% at current exchange rates) and contributed to 26.6% of consolidated sales.
Royalty incomes increased by 23.2% compared to H1 2018 and represented 3.6% of consolidated sales.

Network of Monobrand Stores

DOS	**1H 19**	**FY 18**
Europe	44	44
America	2	2
Asia	18	18
Total	**64**	**64**

Franchising	**1H 19**	**FY 18**
Europe	44	45
America	1	1
Asia	133	138
Total	**178**	**184**

The total network of directly operated stores (DOS) remained unchanged compared with the end of 2018, in accordance with the selective and calibrated development strategy of the retail network.
Regarding franchised stores, during the first half of 2019 some closures occurred for strategic repositioning of the stores, especially across Asian markets.

Effects from the first-time application of the new Lease standard IFRS 16

IFRS 16 was applied from 1st January, 2019, without restatement of comparative information.

The new accounting standard provides that all leasing contracts must be recognised in the balance sheet as assets and liabilities. In particular, the following is noted with reference to 30th June 2019:
- Fixed Assets increase of €126.8m from the right to use the leased assets (inclusive of the reclassification of Euro 23 million for key money previously entered under "Intangible assets");
- Leasing liabilities for €110.6m were posted in Financial liabilities (of which €96.1m as not current liabilities and €14.5m as current liabilities).

In the Profit & Loss statement for the first semester of 2019, the costs for "lease installments" were cancelled from operating costs for €8.4m. As Amortisation of right to use assets were posted €7.4m and as Financial charges linked to the financial debt for leasing were recorded €1.2m. Accordingly, EBITDA increased of 8.4 million Euro as a result of the application of the IFRS 16 standard.

As already commented, for a better understanding of the business performance, in the notes to the Income Statement and to the Balance Sheet reported in the following paragraphs, the data for the first half of 2018 were compared with the data of the first half of 2019 net of IFRS 16 for an effective comparison of the figures.

Operating and Net Result Analysis

In H1 2019 consolidated Ebitda net of IFRS 16 effect was equal to €18.3m (with an incidence of 10.6% of consolidated sales), compared to €21.0m in H1 2018 (12.3% of total sales), with a €2.7m decrease (-12.8%). The change was attributable to both divisions.
In H1 2019 Ebitda of the *prêt-à-porter* division, net of IFRS 16 effect, amounted to €12.3m (representing 9.3% of sales), compared to €14.3m in H1 2018 (10.9% of sales), posting a €2.0m decrease. This change was due to the sales trend and higher costs for the strengthening of the R&D, production and marketing divisions. More in depth, with reference to the turnover, the decrease in sale recorded in the second quarter compared to the corresponding period of last year, as commented above, impacted on overall profitability. In addition, personnel costs increased for strategic skilled professionals to enhance the desiderability and distinctiveness of the group’s brands, both in terms of visibility and positioning, with reference also to the expansion of online business.
Ebitda of the footwear and leather goods division, net of IFRS 16 effect, amounted to €6.0m (9.9% of sales) compared to a €6.7m in H1 2018 (11.4% of sales), with a €0.7m decrease. The reduction in margins compared

with last year was generally due to the increase in advertising and promotion costs and to higher personnel costs incurred to strengthen the production and distribution areas.
Consolidated Ebit net of IFRS 16 effect was equal to €12.2m, compared to €14.5m in H1 2018, with a €2.3m decrease.
In H1 2019 financial charges net of IFRS 16 effect amounted to €0.5m, compared to €0.6m in H1 2018.
Net profit of the Group, net of IFRS 16 effect, was equal to €5.2m, compared to the Net Profit for the Group of €8.3m in H1 2018, with a €3.1m decrease, mostly due to the decrease of profitability, as commented above.

Balance Sheet Analysis

Looking at the balance sheet as of 30th June 2019, Shareholders' equity is equal to €165.9m and financial debt net of IFRS 16 effect amounts to €36.6m compared to €40.9m as of 30th June 2018, with a €4.3m improvement (€31.3m as of 31st December, 2018). The financial debt decrease compared to H1 2018 refers mainly to the better operating cash flow.
As of 30th June 2019 operating net working capital amounts to €85.7m (24.6% of LTM sales) compared to €77.1m as of 30th June, 2018 (23.1% of sales).
Capex in H1 2019 amount to €2.3m and are mostly related to the maintenance and stores' refurbishment, along with investment for a new warehouse.

Other Information

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

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 30th June 2019 are available at the following link: http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita, as well as on the authorized storage site www.emarketstorage.com.

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

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GROUP'S PROFIT & LOSS

(In thousands of Eur)	1H 19 IFRS 16 effect included	%	1H 19 net of IFRS 16 effect	%	1H 18	%	Chg.% 1H 19 IFRS 16 included vs 1H 18	Chg.% 1H 19 net of IFRS 16 effect vs 1H 18 (Note 1)
Revenues from sales and services	**173.301**	**100,0%**	**173.301**	**100,0%**	**171.100**	**100,0%**	**1,3%**	**1,3%**
Other revenues and income	4.264	2,5%	4.264	2,5%	2.308	1,3%	(97,5%)	84,8%
Total Revenues	**177.566**	**102,5%**	**177.566**	**102,5%**	**173.407**	**101,3%**	**2,4%**	**2,4%**
Total operating costs	(150.890)	(87,1%)	(159.275)	(91,9%)	(152.438)	(89,1%)	(187,0%)	4,5%
EBITDA	**26.675**	**15,4%**	**18.290**	**10,6%**	**20.969**	**12,3%**	**27,2%**	**(12,8%)**
Total Amortization and Write-downs	(13.467)	(7,8%)	(6.075)	(3,5%)	(6.424)	(3,8%)	(164,2%)	(5,4%)
EBIT	**13.208**	**7,6%**	**12.215**	**7,0%**	**14.545**	**8,5%**	**(9,2%)**	**(16,0%)**
Total Financial Income /(expenses)	(1.668)	(1,0%)	(502)	(0,3%)	(619)	(0,4%)	(111,5%)	(18,9%)
Profit before taxes	**11.540**	**6,7%**	**11.713**	**6,8%**	**13.926**	**8,1%**	**(17,1%)**	**(15,9%)**
Taxes	(6.258)	(3,6%)	(6.307)	(3,6%)	(5.566)	(3,3%)	(144,9%)	13,3%
Net Profit	**5.282**	**3,0%**	**5.407**	**3,1%**	**8.361**	**4,9%**	**(36,8%)**	**(35,3%)**
Profit attributable to minority shareholders	(167)	(0,1%)	(196)	(0,1%)	(84)	(0,0%)	(102,0%)	132,3%
Net Profit for the Group	**5.114**	**3,0%**	**5.211**	**3,0%**	**8.276**	**4,8%**	**(38,2%)**	**(37,0%)**

Note 1: for a better understanding the business performance, in the notes mentioned above in this press release, economic data for the first half of 2018 were compared with the data of the first half of 2019 net of IFRS 16 for an effective comparison of the figures.

GROUP'S BALANCE SHEET

(In thousands of Eur)	1H 19	FY 18	1H 18
Trade receivables	42.270	43.139	44.043
Stock and inventories	110.641	104.262	97.718
Trade payables	(67.215)	(76.950)	(64.656)
Operating net working capital	**85.696**	**70.450**	**77.105**
Other receivables	44.097	42.825	36.094
Other liabilities	(31.199)	(27.527)	(29.333)
Net working capital	**98.594**	**85.748**	**83.867**
Tangible fixed assets	60.005	60.299	58.694
Intangible fixed assets	77.833	103.132	106.538
Right of use assets (IFRS 16 - see Note 2)	126.811		
Investments	132	132	132
Other long term receivables	3.077	2.810	2.835
Attivo immobilizzato	**267.858**	**166.373**	**168.199**
Post employment benefits	(5.200)	(5.492)	(5.696)
Long term provisions	(1.889)	(2.559)	(2.493)
Assets available for sale	437	437	437
Liabilities available for sale			
Other long term liabilities	(684)	(771)	(696)
Deferred tax assets	15.837	15.073	14.955
Deferred tax liabilities	(29.511)	(30.094)	(29.984)
NET CAPITAL INVESTED	**345.442**	**228.716**	**228.589**
Capital issued	25.371	25.371	25.371
Other reserves	128.707	123.799	123.350
Profits/(Losses) carried-forward	6.658	(1.287)	(1.663)
Profit/(Loss) for the period	5.114	16.726	8.276
Group share capital and reserves	**165.851**	**164.610**	**155.335**
Minority interests	32.433	32.850	32.391
Shareholders' equity	**198.284**	**197.459**	**187.726**
Short term financial receivables	(1.123)	(1.420)	(1.420)
Liquid assets	(29.351)	(28.037)	(22.074)
Long term financial payables	18.285	16.409	15.573
Long term financial receivables	(2.197)	(2.302)	(2.251)
Short term financial payables	50.958	46.607	51.035
NET FINANCIAL DEBT NET OF IFRS 16 EFFECT	**36.572**	**31.256**	**40.863**
Short term lease liabilities (IFRS 16 - see Note 2)	14.551		
Long term lease liabilities (IFRS 16 - see Note 2)	96.034		
NET FINANCIAL POSITION	**147.158**	**31.256**	**40.863**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**345.442**	**228.716**	**228.589**

Note 2: **Effects from the first-time application of the new Lease standard IFRS 16 on Balance sheet**

- Fixed Assets increase of €126.8m from the right to use the leased assets (inclusive of the reclassification of Euro 23 million for key money previously entered under "Intangible assets");
- Leasing liabilities for €110.6m were posted in Financial liabilities (of which €96.1m as not current liabilities and €14.5m as current liabilities)

GROUP’S CASH FLOW

(In thousands of Eur)	**1H 19**	**FY 18**	**1H 18**
OPENING BALANCE	**28.037**	**22.809**	**22.809**
Profit before taxes	11.540	28.797	13.926
Amortizations, provisions and depreciations	13.467	13.682	6.325
Accruals (availments) of long term provisions and post employment benefits	(961)	(281)	(143)
Taxes	(826)	(9.845)	(601)
Financial incomes and financial charges	1.668	850	619
Change in operating assets and liabilities	(18.091)	(7.677)	(8.657)
NET CASH FLOW FROM OPERATING ASSETS	**6.797**	**25.526**	**11.469**
Increase (decrease) in intangible fixed assets	(82)	(1.257)	(633)
Increase (decrease) in tangible fixed assets	(2.268)	(6.657)	(2.141)
Increase (-)/ Decrease (+) in Right of use assets (See Note 3)	(1.751)		
Investments and Write-downs (-)/Disinvestments and Revaluations (+)			
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(4.101)**	**(7.914)**	**(2.774)**
Other changes in reserves and profit carried-forward to shareholders'equity	(77)	1.820	925
Proceeds (repayment) of financial payments	6.227	(14.398)	(10.806)
Proceeds (+)/ repayment (-) of lease payables (See Note 3)	(6.001)		
Increase (decrease) financial receivables	136	1.044	1.070
Financial incomes and financial charges	(1.668)	(850)	(619)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**(1.383)**	**(12.384)**	**(9.430)**
CLOSING BALANCE	**29.351**	**28.037**	**22.074**

<u>Nota 3</u>: the item shows the cash flow change relating to the application of the new Lease standard IFRS 16.