AEFFE

MOSCHINO

POLLINI

ALBERTA FERRETTI

PHILOSOPHY DI LORENZO SERAFINI

PRESS RELEASE

Improving Trend In The Third Quarter

Approved Results As At 30 September 2020

San Giovanni in Marignano, 11th November 2020 - The Board of Directors of Aeffe SpA - operating in the luxury sector, listed on the STAR segment of Borsa Italiana, 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 and Pollini - approved today the Interim consolidated financial statement as of September 30, 2020.

- **Consolidated revenues of €206.8m, compared to €269.0m of the first nine months of 2019, with a 23.1% decrease at constant exchange rates (-23.2% at current exchange rates).**
- ***Adjusted* Ebitda of €12.2m (5.9% of revenues), net of an extraordinary write-down of raw materials inventories of €4.0m due to the Covid-19 pandemic, compared to Ebitda of €46.1m in the first nine months of 2019. Reported Ebitda of €8.2m.**
- ***Adjusted* Group net loss, net of non-recurring costs of €5.1m, equal to €7.4m compared to Profit of €13.2m in the first nine months of 2019. *Reported* net loss of €12.5m.**
- **Net financial debt with IFRS 16 effect of €148.7m compared to €149.9 as of September 2019. Financial debt net of IFRS 16 effect of €60.1m as of September 2020.**
- **Confirmed the Action Plan adopted by management to safeguard employees and protect the economic and financial solidity of the business, with positive effects already recorded in terms of cost efficiency and working capital management.**
- **Focus on collections more oriented to market changes and on the development of e-commerce and omnichannel distribution.**

Consolidated Revenues

In the first nine months of 2020, AEFFE consolidated revenues amounted to €206.8m compared to €269.0m the first nine months of 2019, with a 23.1% decrease at constant exchange rates (-23.2% at current exchange rates).
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.

Revenues of the *prêt-à-porter* division amounted to €151.7m, down by 24.4% both at current and constant exchange rates compared with the first nine months of 2019.
Revenues of the footwear and leather goods division decreased by 15.4% both at constant and current exchange rates, before interdivisional eliminations and amounted to €81.9m.

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.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: *"In a market characterized by a generalized contraction in consumption and a prudent stance, we positively evaluate the improving trend of the business in the third quarter of the year, which, along with the benefits of the actions taken to support the economic and financial soundness of the Group, is reflected in the results of the first nine months.*
Thanks to the reputation of our brands and the concrete investment plan implemented in the areas of digital marketing with the development of a "virtual showroom" and the strengthening of e-commerce, the order collection for the next Spring/Summer 2021 collections registered a trend above expectations, albeit with a negative balance. Despite the context remains uncertain and challenging, we are confident that the strategy adopted will be able to create solid foundations with a medium-long term horizon".

Revenues Breakdown by Region

(in thousands of Euro)	**9M 20 Reported**	**9M 19 Reported**	**% Change**	**% Change***
Italy	97.858	125.195	-21,8%	-21,8%
Europe (Italy exluded)	61.006	62.334	-2,1%	-2,2%
Asia and Rest of the World	39.217	67.464	-41,9%	-41,7%
America	8.673	14.048	-38,3%	-38,2%
Total	**206.754**	**269.041**	**-23,2%**	**-23,1%**

(*) Calculated at constant exchange rates

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 €97.9m 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 2.2%; 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 €39.2m, amounting to 19.0% of consolidated sales, recording a decrease of 41.7% 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 38.2% (-10.3% in the third quarter); the Covid-19 impact has involved both the retail and the wholesale channels.

Revenues by distribution channel

(In thousands of Euro)	9M 20 Reported	9M 19 Reported	% Change	% Change*
Wholesale	148.938	187.575	-20,6%	-20,6%
Retail	50.163	71.608	-29,9%	-29,9%
Royalties	7.652	9.858	-22,4%	-22,4%
Total	**206.754**	**269.041**	**-23,2%**	**-23,1%**

(*) Calculated at constant exchange rates

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 both at constant and current exchange rates. 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% at constant and current exchange rates compared to the first nine months of 2019. In the third quarter, sales in the retail channel decreased by 9.4% at constant exchange rates, 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.

Network of Monobrand Stores

DOS	**9M 20**	**FY 19**
Europe	43	42
Americas	1	3
Asia	16	16
Total	**60**	**61**

Franchising	**9M 20**	**FY 19**
Europe	40	40
Americas		1
Asia	108	122
Total	**148**	**163**

As far as the directly operated stores network is concerned, during the period the Moschino brand stores in Los Angeles and in New York were closed because no longer considered strategic in terms of location, along with the opening of a multi-brand store in Italy. In terms of franchised stores, in the period some openings and closures took place in Europe and in the Asian market due to the strategic repositioning of the stores.

Group's Operating and Net Result Analysis

In the first nine months of 2020, the *adjusted* consolidated Ebitda equalled to €12.2m, net of an extraordinary write-down of the raw materials inventories of the leather goods division for €4.0m as no longer suitable to manufacture new collections in line with the changed market needs following the Covid-19 pandemic.
The *adjusted* consolidated Ebitda of €12.2m (with an incidence of 5.9% on turnover) decreased by €33.9m Euro compared to €46.1m of Ebitda in the first nine months of 2019 (equal to 17.1% of revenues). The *reported* consolidated Ebitda was €8.2m.
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 amounted to €5.9m, compared to €33.4m of the first nine months of 2019; the change was due to the sales decline.
Ebitda *adjusted* of the footwear and leather goods division (net of the extraordinary write-down of the inventory of raw materials) amounted to €6.3m, compared to a €12.7m of the first nine months of 2019, with a €6.4m decrease due to the sales decline. *Reported* Ebitda was €2.3m.
Consolidated Ebit *adjusted*, net of non-recurring costs of €5.1m, was negative for €7.4m, compared to the figure of €26.0m of the first nine months of 2019, down with a €33.4m, mainly due to the Ebitda reduction.
The *reported* consolidated Ebit was negative by €12.5m.
The *adjusted* net loss of the Group, net of non-recurring costs of €5.1m, was equal to €7.4m compared to the Net Profit for the Group of €13.2m of the first nine months of 2019.
The *reported* net loss equalled to €12.5m.

Group's Balance Sheet Analysis

The balance sheet as of 30th September 2020 shows a Shareholders' equity equal to €158.0m and financial debt net of IFRS 16 effect amounts to €60.1m, decreasing compared to the debt as at the end of June 2020.
During the year 2020 financial debt increased, mostly because of the increase in working capital.
As of 30th September 2020, operating net working capital amounts to €97.1m (33.6% of LTM sales) compared to €97.3m as of 30th 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.
Capex in the first nine months of 2020, amounting to €4.5m, mainly refer to the completion of a new warehouse.

Actions adopted by the Group to face the Covid-19 pandemic effects. Business update

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 press release, 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. AEFFE 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.

AEFFE 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 subsides, 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.

Other Information

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below. It is specified that financial data as at 30th September 2020 of this press release were not audited by the Auditors' company.

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 30th September 2020 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".

Contacts:

Investor Relations
AEFFE S.p.A – Annalisa Aldrovandi
annalisa.aldrovandi@aeffe.com
+39 0541 965494
www.aeffe.com

Press Relations
Barabino & Partners – Marina Riva
M.Riva@barabino.it
+39 02 72023535

GROUP'S PROFIT & LOSS

(In thousands of Euro)	**9M 20**	**%**	**9M 19**	**%**	**Change %**
Revenues from sales and services	**206.754**	**100,0%**	**269.041**	**100,0%**	**(23,2%)**
Other revenues and income	6.585	3,2%	6.415	2,4%	2,7%
Total Revenues	**213.339**	**103,2%**	**275.456**	**102,4%**	**(22,6%)**
Total operating costs	(205.186)	(99,2%)	(229.365)	(85,3%)	(10,5%)
EBITDA	**8.153**	**3,9%**	**46.091**	**17,1%**	**(82,3%)**
Total Amortization and Write-downs	(20.618)	(10,0%)	(20.080)	(7,5%)	2,7%
EBIT	**(12.465)**	**(6,0%)**	**26.011**	**9,7%**	**(147,9%)**
Total Financial Income /(expenses)	(2.343)	(1,1%)	(1.922)	(0,7%)	21,9%
Profit/(Loss) before taxes	**(14.808)**	**(7,2%)**	**24.088**	**9,0%**	**(161,5%)**
Taxes	849	0,4%	(10.513)	(3,9%)	(108,1%)
Net Profit/(Loss)	**(13.958)**	**(6,8%)**	**13.575**	**5,0%**	**(202,8%)**
(Profit)/Loss attributable to minority shareholders	1.430	0,7%	(346)	(0,1%)	(513,4%)
Net Profit/(Loss) for the Group	**(12.528)**	**(6,1%)**	**13.229**	**4,9%**	**(194,7%)**

GROUP'S BALANCE SHEET

(In thousands of Euro)	**9M 20**	**FY 19**	**9M 19**
Trade receivables	47.971	41.525	49.078
Stock and inventories	112.269	112.051	108.751
Trade payables	(63.107)	(74.300)	(60.535)
Operating net working capital	**97.132**	**79.275**	**97.294**
Other receivables	40.584	49.411	41.497
Other liabilities	(21.855)	(21.517)	(25.826)
Net working capital	**115.861**	**107.170**	**112.965**
Tangible fixed assets	62.618	62.825	60.905
Intangible fixed assets	73.227	76.083	76.926
Right of use assets	102.156	110.714	123.272
Investments	132	132	160
Other long term receivables	2.980	2.720	2.607
Fixed assets	**241.112**	**252.474**	**263.870**
Post employment benefits	(5.002)	(5.195)	(5.101)
Long term provisions	(1.946)	(1.847)	(1.802)
Assets available for sale		437	437
Liabilities available for sale			
Other long term liabilities	(860)	(717)	(684)
Deferred tax assets	17.971	16.950	16.034
Deferred tax liabilities	(29.178)	(29.982)	(29.618)
NET CAPITAL INVESTED	**337.958**	**339.289**	**356.101**
Capital issued	25.052	25.286	25.288
Other reserves	132.338	127.823	128.448
Profits/(Losses) carried-forward	13.140	6.585	6.658
Profit/(Loss) for the period	(12.528)	11.693	13.229
Group share capital and reserves	**158.002**	**171.386**	**173.624**
Minority interests	31.258	32.688	32.612
Shareholders' equity	**189.260**	**204.075**	**206.236**
Short term financial receivables	(683)	(1.132)	(1.155)
Liquid assets	(33.723)	(28.390)	(24.645)
Long term financial payables	36.997	13.449	16.471
Long term financial receivables	(2.135)	(2.225)	(2.296)
Short term financial payables	59.670	57.709	53.812
NET FINANCIAL DEBT NET OF IFRS 16 EFFECT	**60.126**	**39.410**	**42.188**
Short term lease liabilities	13.459	14.098	14.606
Long term lease liabilities	75.113	81.706	93.071
NET FINANCIAL POSITION	**148.698**	**135.214**	**149.865**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**337.958**	**339.289**	**356.101**

GROUP'S CASH FLOW

(In thousands of Euro)	**9M 20**	**FY 19**	**9M 19**
OPENING BALANCE	**28.390**	**28.037**	**28.037**
Profit/(Loss) before taxes	(14.808)	21.806	24.088
Amortizations, provisions and depreciations	19.791	28.028	19.895
Accruals (availments) of long term provisions and post employment benefits	(94)	(1.119)	(1.148)
Taxes	(676)	(13.144)	(10.036)
Financial incomes and financial charges	2.343	3.295	1.922
Change in operating assets and liabilities	(8.849)	(19.625)	(27.664)
NET CASH FLOW FROM OPERATING ASSETS	**(2.293)**	**19.241**	**7.057**
Increase (decrease) in intangible fixed assets	(495)	(1.813)	(1.416)
Increase (decrease) in tangible fixed assets	(4.037)	(7.847)	(4.537)
Increase (-)/ Decrease (+) in Right of use assets (See Note 3)	(3.200)	(1.119)	(1.119)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)			(28)
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(7.732)**	**(10.779)**	**(7.100)**
Other changes in reserves and profit carried-forward to shareholders'equity	(856)	(976)	(405)
Proceeds (repayment) of financial payments	25.509	8.143	7.267
Proceeds (+)/ repayment (-) of lease payables	(7.232)	(12.435)	(8.763)
Increase (decrease) financial receivables	280	454	474
Financial incomes and financial charges	(2.343)	(3.295)	(1.922)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**15.358**	**(8.109)**	**(3.349)**
CLOSING BALANCE	**33.723**	**28.390**	**24.645**