Biagio Caliendo
Notary Public

Register no. 5055 File no. 3425

MINUTES OF SHAREHOLDERS' MEETING

REPUBLIC OF ITALY

On this twenty-eighth day of April in the year two thousand and twenty-one.

28th April 2021

In my chambers at Viale Roberto Valturio 46, Rimini, at 10.00 am.

10 the undersigned, BIAGIO CALIENDO, Notary in Rimini, registered with the Combined Notarial Districts of Forlì and Rimini,

ON REQUEST FROM

- MASSIMO FERRETTI, born in Cattolica on 6th April 1956, in his capacity as Chairman of the Board of Directors and legal representative of the Italian-registered joint-stock company

"AEFFE S.P.A."

with registered offices at Via delle Querce 51, San Giovanni in Marignano, and authorized share capital of Euro 31,070,626.00 (thirty-onemillion, seventythousand, sixhundredandtwenty-six/00), subscribed and paid in Euro 26,840,626.00
(twenty-six million, eight hundred and forty thousand, six hundred and twenty-six/00), represented by 107,362,504
(onehundredandsevenmillion, threehundredandsixty-twothousand, five hundredandfour) shares, nominal value Euro 0.25 (zero point two five) each, Tax Code, VAT and Romagna - Forlì-Cesena and Rimini Companies Register no. 01928480407 and Business Register (REA) no. RN-227228 (hereinafter also referred to for brevity as the "Company"), domiciled for his position at the registered offices,

PROCEEDS

to take the minutes of the Shareholders' Meeting of the above Company, pursuant to art. 106, paragraph 2, second sentence, of Decree 18 dated 17th March 2020, enacted with amendments by Law 27 dated 24th April 2020 and subsequent amendments and additions.

In this regard, I, Notary, acknowledge as follows.

In accordance with article 12 (twelve) of the Articles of Association and article 8 of the Meeting Regulations, the chair of the Meeting is taken by **MASSIMO FERRETTI** who, attending by audio-video conference and having performed independent checks, **declares**:

1) that the Meeting was called in a proper and timely manner for today, 28th April 2021, in first and only calling, at 10.00 am, pursuant to the law and the Articles of Association, in a notice published on the website of the Company and, in extract form, in "Italia Oggi", a daily newspaper, on 29th March 2021, in

11 which, given continuation of the emergency known as the COVID-19 pandemic, those entitled were notified that their attendance at the Meeting would be limited solely to the representative designated by the Company pursuant to article 135-*(11)* of Decree 58 dated 24th February 1998, in order to guarantee, on the one hand, participation and voting by all entitled shareholders and, on the other, protection of the health of participants, with consequent conduct of the Meeting solely via means of communication, as also allowed by article 12 (twelve) of the current Articles of Association.

Registered with the
Rimini Tax Office

on 3rd May 2021

no. 4905/IT

Accordingly, those entitled can only attend the Meeting via "Infomath Torresi S.r.l." with registered offices at Viale Giuseppe Mazzini 6, Rome, as their representative designated by the Company pursuant to the aforementioned article 135-*(11)* of the Consolidated Finance Law. The Meeting is called to resolve on the following:

AGENDA

"1. Approval of the separate financial statements of Aeffe S.p.A. as of 31st December 2020; reports of the Board of Directors on operations, the Independent Auditors and the Board of Statutory Auditors. Presentation to the Meeting of the consolidated financial statements as of 31st December 2020. Presentation to the Meeting of the consolidated non-financial declaration required by Decree 254 dated 30th December 2016.

2. Resolutions regarding the results for the year ended 31st December 2020.

3. Option for realignment of fiscal values with the greater accounting values of the company property located at Via delle Querce 51, San Giovanni in Marignano (RN). Consequent resolutions regarding the establishment of a restricted reserve.

4. Report on remuneration policy and the compensation paid pursuant to art. 123-(3) of Decree 58/98:

4.1 resolutions regarding the first section of the Report pursuant to art. 123-(3), paragraph 3-(2) of Decree 58/98;

4.2 resolutions regarding the second section of the Report pursuant to art. 123-(3), paragraph 6, of Decree 58/98.

5. Proposal to authorize the Board of Directors to purchase and make use of treasury shares; related and consequent resolutions."

2) that the shareholders have not presented any requested additions to the Meeting Agenda pursuant to art. 126-*(2)* of Decree 58/98 (hereinafter referred to for brevity as the "Consolidated Finance Law" or "TUF");

3) that, from 30th March 2021, a folder has been filed at the registered offices of the Company at Via delle Querce 51, San Giovanni in Marignano (Rimini), and at the offices of "Borsa Italiana S.p.A." and published on the Company's website, containing, inter alia, the draft separate financial statements of the Company and the consolidated financial statements of the Group as of 31st December 2020, accompanied by the Directors' reports on operations, the report of the Board of Statutory Auditors on the Company's separate financial statements, and the reports of the auditing firm "RIA Grant Thornton S.p.A." on the separate financial statements of the Company and the consolidated financial statements of the Group as of 31st December 2020. Again from 30th March 2021, the following were also made available to the public at the registered offices and the offices of "Borsa Italiana S.p.A." and published on the Company's website:

- the annual report on corporate governance, including information about the ownership structure of the Company pursuant to art. 123-*(2)* of the Consolidated Finance Law;
- the Report on remuneration pursuant to art. 123-*(3)* TUF;
- the explanatory report prepared by the Board of Directors pursuant to art. 73 of the Issuers' Regulation;
- from 29th March 2021, together with publication of the Meeting notice, the explanatory report of the Board of Directors on the proposals concerning the items on the agenda;

4) that, for the purposes of the meeting and resolution quorums, the current
5) MASSIMO FERRETTI confirms that not only can he identify correctly all those attending, but so can all the other persons participating, since they have known each other for a long time; he also confirms and guarantees that he has checked that they are able to follow the discussions from the connected locations, where they have congregated, and can participate in real time in the discussion of the matters on the agenda, as well as receive and transmit the necessary documentation, such that this Meeting may be deemed properly constituted.
He therefore declares the Meeting properly convened, quorate and entitled to resolve on the items on the Agenda.
The Chairman proposes that the Meeting should appoint me, Notary, to act as secretary of the Meeting and to take the minutes pursuant to article 2375, first paragraph, of the Italian Civil Code and article 10 of the Meeting Regulations.
No objections are raised and the Meeting gives its unanimous approval.
At this point the **Chairman states**:
1) that the following shareholders hold, directly or indirectly, more than 5% (five percent) of the share capital of the Company, according to the shareholders' register updated to today, as supplemented by the communications received pursuant to article 120 TUF, as amended, and by the certifications issued for today's Meeting:
- "Fratelli Ferretti Holding S.r.l.", holder of 66,347,690 (sixty-sixmillion, threehundredandforty-seventhousand, sixhundredandninety)
ordinary shares, representing about 61.797% (sixty-one point seven nine seven percent) of the share capital;
2) that the company holds 7,287,039 (sevenmillion, twothundredand eighty-seventhousand and thirty-nine) treasury shares, representing 6.787% (six point seven eight seven percent) of the share capital and does not hold any treasury shares indirectly through subsidiaries, trust companies or intermediaries, and has not issued any categories of shares or participating financial instruments, other than the ordinary shares indicated above;
3) that the following shareholders participating at the Meeting hold more than 5% (five percent) of the share capital:
- "Fratelli Ferretti Holding S.r.l.";
4) that, on the basis of all the information available, the aforementioned parties have complied with all obligations and disclosures required of them in relation to their significant equity interests in the Company and that, therefore, there is no impediment to full exercisability of the voting rights deriving from the said significant shareholdings;
5) pursuant to art. 122 TUF and to the best of the Company's knowledge, that no shareholders' agreements exist at today's date.
The Chairman invites the shareholders participating at the Meeting:
1) to notify the existence of any shareholders' agreements pursuant to article 122 of Decree 58 dated 24th February 1998, as amended;

2) to disclose any impediment to the exercise of voting rights under current law, noting that, in relation to shares for which voting rights cannot be exercised, and shares for which voting rights are not exercised due to the abstention of the shareholder for a conflict of interest, the provisions established in articles 2368, paragraph three, and 2357-*(3)*, paragraph two, of the Italian Civil Code apply for the purposes of calculating meeting and resolution quorums.
In this regard, the Chairman notes that the Company holds 7,287,039 (sevenmillion, twothundredandeighty-seventhousand and thirty-nine) treasury shares, equal to 6.787% (six point seven eight seven percent) of the share capital, and that, pursuant to art. 2357-*(3)*, paragraph two, of the Italian Civil Code, the voting rights relating to these shares are suspended.
Lastly, the Chairman informs the Meeting that voting will take place openly and by consent expressed verbally.
The **Chairman** then **announces** that, pursuant to art. 2368, paragraph one, of the Italian Civil Code, and art. 13 of the Articles of Association, the **Meeting** is **duly and properly convened**, since the shareholders attending represent at least half of the share capital.
Having fulfilled his preliminary duties, the **Chairman therefore opens the discussion on the first item on the agenda** for this Meeting:
"1. *Approval of the separate financial statements of Aeffe S.p.A. as of 31st December 2020; reports of the Board of Directors on operations, the Independent Auditors and the Board of Statutory Auditors. Presentation to the Meeting of the consolidated financial statements as of 31st December 2020. Presentation to the Meeting of the consolidated non-financial declaration required by Decree 254 dated 30th December 2016.".*
With regard to the separate and consolidated financial statements of the Company as of 31st December 2020, the Chairman informs the Meeting that the draft financial statements of the Company and the draft consolidated financial statements of the Group as of 31st December 2020, together with the related Directors' report on operations, were approved by the Company's Board of Directors at its meeting held on 18th March 2021.
In order to provide a detailed picture of the Company's economic and financial position, as emerging from the separate financial statements of Aeffe and the consolidated financial statements of the Group as of 31st December 2020, the Chairman now gives the floor to the General Manager, Marcello Tassinari.
Marcello Tassinari then describes in detail the results evidenced in the accounting records, highlighting in particular that:
- the sales revenues of Aeffe S.p.A. amounted to Euro 114.4 (onehundredand fourteen point four) million, down by 29.4% (twenty-nine point four percent) at constant exchange rates with respect to 2019, due to the Covid-19 pandemic;
- EBITDA for 2020 was negative Euro 4.9 (four point nine) million, compared with positive Euro 14.1 (fourteen point one) million in 2019 (equal to 8.7% (eight point seven percent) of turnover), down by Euro 19.0 (nineteen point zero) million.

He stresses that:

- the change was due to the decline in turnover in all geographical areas in which the Company operates, because of effects linked to the Covid-19 pandemic;
- profitability for the year nevertheless benefited from cost containment deriving from actions to mitigate the consequences of the global spread of the virus, which were essentially effective from the second quarter of the year onwards;
- the cost savings reduced various types of expenditure closely affected by the healthcare emergency including, in particular, payroll costs, rentals, travel and general costs;
- the above measures to contain the pandemic lowered fixed costs by 6.6% (six point six percent), or about Euro 1.5 (one point five) million, and payroll costs by 8.6% (eight point six percent), or about Euro 2.6 (two point six) million, being about Euro 4.1 (four point one) million in total;
- the 2020 adjusted net loss of the Company, excluding non-recurring costs of Euro 13.4 (thirteen point four) million, was Euro 7.6 (seven point six) million compared with net income of Euro 5.1 (five point one) million in 2019 due, largely, to the contraction in EBITDA mentioned above;
- the reported net loss was Euro 21.0 (twenty-one point zero) million;
- the net financial position as of 31st December 2020 is negative Euro 64.7 (sixty-four point seven) million, compared with Euro 48.7 (forty-eight point seven) million at the end of 2019;
- shareholders' equity amounts to Euro 133.6 (onehundredandthirty-three point six) million, compared with Euro 155.6 (onehundredandfifty-five point six) million at the end of 2019.

Marcello Tassinari then describes in detail the principal consolidated results for 2020, highlighting in particular that:

- consolidated 2020 revenues amounted to Euro 269.1 (twohundredandsixty-nine point one) million, compared with Euro 351.4 (threehundredandfifty-one point four) million in 2019 [-23.3% (minus twenty-three point three percent) at constant exchange rates, -23.4% (minus twenty-three point four percent) at current exchange rates]. He stresses that 2020 performance was heavily influenced by the effects of the Covid-19 pandemic and that, nevertheless, from the start of the emergency, the Group has adopted an effective action plan to mitigate the related business impact in both economic and financial terms, highlighting in this regard that:
- consolidated adjusted EBITDA for 2020 amounted to Euro 8.5 (eight point five) million, excluding a non-recurring impairment writedown by the leather division of raw material inventories totaling Euro 4.0 (four point zero) million that were no longer considered suitable for the manufacture of collections, given the changes in market requirements due to the Covid-19 pandemic;
- consolidated reported EBITDA was Euro 4.5 (four point five) million;
- profitability for the year was affected by the reduction in both wholesale and retail sales in every geographical area in which the Group operates, due to the effects of the Covid-19 pandemic;
- profitability nevertheless benefited from cost containment deriving from actions to mitigate the consequences of the global spread of the virus, which were already in place from the second quarter of the year;

- the cost savings reduced various types of expenditure closely affected by the healthcare emergency including, in particular, payroll costs, rentals, travel and general costs;
- more specifically, the fixed and payroll cost savings achieved in 2020 amounted to Euro 12.2 (twelve point two) million and Euro 10.6 (ten point six) million respectively, totaling Euro 22.8 (twenty-two point eight) million and representing a 14% (fourteen percent) reduction;
- the adjusted net loss of the Group, excluding non-recurring costs of Euro 5.1 (five point one) million, was Euro 16.3 (sixteen point three) million compared with net profit of Euro 11.7 (eleven point seven) million in 2019;
- the reported net loss was Euro 21.4 (twenty-one point four) million.

Following the presentation by Marcello Tassinari, the Chairman notes, in accordance with the CONSOB requirements specified in Communication no. 96003558 dated 18th April 1996, that the hours worked by the auditing firm, "RIA Grant Thornton S.p.A.", in order to audit and certify the separate financial statements of the Company and the consolidated financial statements of the Group and the total cost of those activities were as follows:

- Separate financial statements: hours 1,218 (onethousand twohundredand eighteen), fee Euro 41,000.00 (forty-onethousand/00);
- Consolidated financial statements: hours 150 (onehundredandfifty), fee Euro 7,000.00 (seventhousand/00);

Total: hours 1,368 (onethousand, threehundredandsixty-eight), fee Euro 48,000.00 (forty-eightthousand/00).

He further clarifies that the fees for the year are detailed in the schedule attached to the separate financial statements pursuant to article *149-(12)* of Consob's Issuers' Regulations.

In view of the facts that the documentation relating to the above financial statements, including the report of the Board of Statutory Auditors, has been filed at the registered offices and at the office of "Borsa Italiana S.p.A." and published on the Company's website, that the stakeholders have had an opportunity to examine it, and that the Company has not received any questions about the matters on the agenda, the Chairman then puts to a vote, expressed verbally, the proposal of the Board of Directors with regard to the separate financial statements of the Company as of 31st December 2020.

"*The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 28th April 2021, after receiving the report of the Board of Directors, after taking note of the Directors' report on operations, the report of the Board of Statutory Auditors and the report of the auditing firm, RIA Grant Thornton S.p.A., after examining the separate financial statements as of 31st December 2020 and the consolidated financial statements of the Group for the same year, and after examining the consolidated non-financial declaration required by Decree 254 dated 30th December 2016, accompanied by the report of the appointed auditing firm, RIA Grant Thornton S.p.A.",*

RESOLVES

1) to approve the separate financial statements as of 31st December 2020, both as a whole and their individual entries, together with the accompanying Directors' report on operations, which, as the printed copy of an electronic document, certified true today by Notary Biagio Caliendo of Rimini, file no. 5054, are ***attached at letter "B"*** *as an integral and essential part of this deed;*

2) to take note of the results reported in the consolidated financial statements as of 31st December 2020;

3) to take note of the consolidated non-financial declaration required by Decree 254 dated 30th December 2016".

The Meeting, voting on the basis of consent expressed verbally by those entitled to vote via the Designated Representative,

RESOLVES

- unanimously to approve the resolution proposed above.

Having completed the business relating to the first item on the agenda, the Chairman proceeds to the second item on the agenda for today's Meeting: "2. *Discussion of the results for the year ended 31 December 2020.".*

The Chairman then reads the proposed coverage of the loss for the year, as submitted by the Board of Directors:

"Shareholders,

In presenting the financial statements as of 31st December 2020 for your approval, we propose coverage of the loss for the year of Euro 21,028,743.00 (twenty-onemillion, twenty-eightthousand, sevenhundredandforty-three/00) by use of the extraordinary reserve".

The Chairman therefore puts to the vote, by consent expressed verbally, the proposal submitted by the Board of Directors regarding the allocation of the profit for the year.

The Meeting, voting on the basis of consent expressed verbally by those entitled to vote via the Designated Representative,

RESOLVES

- unanimously to approve the resolution proposed above.

Having completed the business relating to the second item on the agenda, the Chairman proceeds to the third item on the agenda for today's Meeting:

"3. Option for realignment of fiscal values with the greater accounting values of the company property located at Via delle Querce 51, San Giovanni in Marignano (RN). *Consequent resolutions regarding the establishment of a restricted reserve.".*

In this regard, the Chairman gives the floor to Marcello Tassinari, the General Manager.

Marcello Tassinari invites the shareholders attending the Meeting to resolve on the realignment of the fiscal value of the property in Via delle Querce and on the consequent establishment of a restricted reserve amounting to the realigned difference, net of the related flat tax, pursuant to article 110, paragraph 8, of Decree 104/2020.

He highlights that:

- this regulation allows fiscal recognition of the greater values reported in the financial statements as of 31 December 2019, subject to payment of the 3% (three percent) flat tax and to the making of a specific application in the income tax declaration;
- fiscal recognition of the values already reported in the financial statements is however subject to the provision of a specific equity reserve corresponding to the amount to be realigned, net of the related flat tax;
- accordingly, given that the property disalignment amounts to
Euro 3,924,834.00
(threemillion ninehundredandtwenty-fourthousand eighthundredandthirty-four/00), those present are requested to resolve on the restriction of an equity reserve amounting to Euro 3,807,088.98 (threemillion eighthundredand seventhousand and eighty-eight point nine eight), all presuming that the current regulatory context remains unchanged.
The Chairman therefore puts to the vote, by consent expressed verbally, the proposal made for the realignment of fiscal values with the greater accounting values of the company property located at Via delle Querce 51, San Giovanni in Marignano and the formation of a restricted reserve.
“The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 28th April 2021,

RESOLVES

to realign the fiscal value of the property in Via delle Querce and to form the related restricted reserve on the basis described by Marcello Tassinari and, *specifically, to approve the realignment of the fiscal value of the property at Via delle Querce 51, San Giovanni in Marignano, and to form the related restricted reserve amounting to the realigned difference, net of the related flat tax, pursuant to article 110(8) of Decree 104/2020, all presuming that the current regulatory context remains unchanged and, therefore, granting the Board of Directors an express mandate to evaluate the regulatory context at the time when the realignment and the formation of the reserve must be executed, and to proceed in the absence of changes".*
The Meeting, voting on the basis of consent expressed verbally by those entitled to vote via the Designated Representative,

RESOLVES

- unanimously <u>to approve the resolution proposed above</u>.

Having completed the business relating to the third item on the agenda, the Chairman proceeds to the fourth item on the agenda for today's Meeting:
"4. Report on remuneration policy and the compensation paid pursuant to art. 123-(3) of Decree 58/98:
4.1 resolutions regarding the first section of the Report pursuant to art. 123-(3), paragraph 3-(2) of Decree 58/98;
4.2 resolutions regarding the second section of the Report pursuant to art.123-(3), paragraph 6, of Decree 58/98.”.
The Chairman therefore:

- notes that, following entry into force of Directive (EU) 2017/828 of the European Parliament and of the Council of 17th May 2017, Decree 49 dated 10th May 2019 and the requirements of Consob resolution 21623 dated 10th December 2020, the shareholders are called upon to express their opinion on the remuneration policy adopted by the Company and on the compensation paid;

- highlights that the Remuneration policy adopted by the Company and submitted to the shareholders at this Meeting, has been amended for consistency with the requirements of Consob resolution 21623 dated 10th December 2020; in particular, he stresses that the policy has been redefined with reference to the fundamental principles of sustainability and alignment of the interests of executives with strategic responsibilities with those of the shareholders, while also balancing the fixed and variable components of remuneration.

The Chairman confirms that the Company has not received any questions about the matters on the agenda and, accordingly, puts to the vote, by consent expressed verbally, the resolution proposed by the Board of Directors regarding the remuneration policy of the Company contained in the first section of the report on remuneration and the compensation paid, which he reads:

"The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 28th April 2021, after receiving the report of the Board of Directors and after taking note of the remuneration policy contained in the first section of the report on remuneration pursuant to paragraph 6 of art. 123-(3) of Decree 58/98,

resolves

1) to approve the remuneration policy of the Company contained in the first section of the report on remuneration pursuant to paragraph 6 of art. 123-(3) of Decree 58/98;

2) to approve the remuneration of directors, the management board, the general manager and the executives with strategic responsibilities indicated and described in the second section of the report pursuant to paragraph 6 of art. 123-(3) of Decree 58/98 and to deem it in line with the remuneration policy".

The Meeting, voting on the basis of consent expressed verbally by those entitled to vote via the Designated Representative,

RESOLVES

- to approve the first proposed resolution *"to approve the remuneration policy of the Company contained in the first section of the report on remuneration pursuant to paragraph 6 of art. 123-(3) of Decree 38/98"*, by a majority with:

* 1 (one) shareholder in favor, holding 66,347,690 (sixty-sixmillion, threehundredandforty-seventhousand, sixhundredandninety) shares comprising 99.534% (ninety-nine point five three four percent) of the share capital represented at the Meeting;

* 11 (eleven) shareholders against, holding 218,342 (twohundredand eighteenthousand threehundredandforty-two) shares comprising 0.328% (zero point three two eight percent) of the share capital represented at the Meeting;

* 1 (one) shareholder abstaining, holding 92,550 (ninety-twothousand fivehundredandfifty) shares comprising 0.139% (zero point one three nine percent) of the share capital represented at the Meeting;
all as analyzed further in the **detailed list of shareholders** named in the summary of the results of voting **attached to this deed at letter "C";**
- to approve the second proposed resolution *“to approve the remuneration of directors, the management board, the general manager and the executives with strategic responsibilities indicated and described in the second section of the report pursuant to paragraph 6 of art. 123-(3) of Decree 58/98 and to deem it in line with the remuneration policy”,* by a majority with:
* 10 (ten) shareholders in favor, holding 66,447,161 (sixty-sixmillion, fourhundredandforty-fourthousand, onehundredandsixty-one) shares comprising 99.683% (ninety-nine point six eight three percent) of the share capital represented at the Meeting;
* 2 (two) shareholders against, holding 118,871 (onehundredand eighteenthousand, eighthundredandseventy-one) shares comprising 0.178% (zero point one seven eight percent) of the share capital represented at the Meeting;
* 1 (one) shareholder abstaining, holding 92,550 (ninety-twothousand fivehundredandfifty) shares comprising 0.139% (zero point one three nine percent) of the share capital represented at the Meeting;
all as analyzed further in the **detailed list of shareholders** named in the summary of the results of voting **attached to this deed at letter "D".**

Having completed the business relating to the fourth item on the agenda, the Chairman proceeds to the fifth item on the agenda for today's Meeting: “5. *Proposal to authorize the Board of Directors to purchase and make use of treasury shares; related and consequent resolutions.”.*
As mentioned at the start of the Meeting, the Chairman notes that the documentation for this item on the agenda has also been given the publicity required by the applicable legislation and regulations.
In particular, he stresses that:
- the explanatory report of the Board of Directors on the proposal to authorize the purchase and use of treasury shares, prepared pursuant to arts. 73 and 144-*(2)* of the so-called "Issuers’ Regulation", has remained on file at the registered offices of the Company at Via delle Querce 51, San Giovanni in Marignano (Rimini), and at the offices of Borsa Italiana S.p.A., for 21 days prior to the Meeting i.e. since 30th March 2021;
- with regard to the above documentation submitted to CONSOB, no requests for clarification or observations have been received from CONSOB.
The Chairman then gives the floor to Marcello Tassinari, the General Manager, for a description of the proposal to authorize the Board of Directors to purchase and make use of treasury shares.
Marcello Tassinari informs the shareholders present at the Meeting that, on 18th March 2021, the Board of Directors resolved to submit for their approval a proposal to authorize a plan to purchase and make use of, on one or more occasions, on a revolving basis, a maximum number of ordinary shares in the Company not exceeding 10% (ten percent) of the share capital.

Given that, he states that the above proposed authorization is explained by the need to give the Board of Directors appropriate and necessary flexibility for the following purposes: (i) use the treasury shares purchased as possible consideration for the acquisition of equity investments, in the context of the investment policy adopted by the Company; (ii) carry out investment transactions in compliance with current regulations, either directly or via authorized intermediaries, for example in order to contain anomalous market price fluctuations, stabilize trading and price trends and support the liquidity of the security in the marketplace, thereby facilitating the proper conduct of trading without prejudice to the normal fluctuations attributable to market conditions; (iii) benefit, if deemed strategic by the Board of Directors, from any investment or divestment opportunities that may arise, having regard to the liquidity available.
Marcello Tassinari clarifies that the request for authorization relates to the right of the Board of Directors to carry out repeated, consecutive purchase and sale transactions (or forms of disposition) in treasury shares on a revolving basis, even for fractions of the maximum quantity authorized, so that, at all times, the quantity of shares covered by the proposed purchase and held by the Company does not exceed the legal limit.
He further confirms that, without prejudice to the requirements of mandatory legislation, the Board of Directors will in all cases be entitled not to proceed, in whole or in part, with the purchase and/or use treasury shares, should it believe at any time that the reasons for which this would be appropriate pursuant to the shareholders' authorization do not apply.
With reference to the principal terms and conditions of the request for authorization submitted to the shareholders for approval, Marcello Tassinari states that the authorization to purchase treasury shares is requested for the maximum period allowed by art. 2357, paragraph 2, of the Italian Civil Code and, therefore, for a period of 18 (eighteen) months from the date of this Meeting, should it resolve to grant the authorization. There would be no time limit, on the other hand, on the authorization to make use of any treasury shares purchased.
Secondly, he informs those present that the Board of Directors recommends that the unit price paid for the shares should not be more than 10% (ten percent) higher or lower than the reference price established for them in the trading session immediately prior to each transaction.
Turning to the consideration recognized on assignment or use of the treasury shares purchased, the Board of Directors recommends that the Shareholders' Meeting should establish solely the minimum amount, granting the Board the power to determine, in each case, all other conditions, procedures and timing.

Such minimum consideration should not be more than 10% (ten percent) lower than the reference price established for the shares in the trading session immediately prior to each disposal. The lower limit placed on the consideration does not apply in the event of disposals to directors, employees and/or collaborators of the Company and/or its subsidiaries, or in the case of disposals other than by sale including, in particular, disposals in the form of exchanges, swaps, contributions or other dispositions as part of the purchase of equity investments or the implementation of industrial projects or other special financing transactions that involve the assignment or availability of treasury shares (such as mergers, spin-offs, the issue of convertible bonds or warrants, etc.).
With reference to the remaining authorization terms and conditions submitted to the shareholders for approval, Marcello Tassinari makes reference to the report of the Directors on this matter, which has been filed at the registered offices and the offices of Borsa Italiana S.p.A. and made available to the public on the website of the Company, where those interested have been able to read it.
The Chairman confirms that the Company has not received any questions about the matters on the agenda and, accordingly, puts to the vote, by consent expressed verbally, the resolution proposed by the Board of Directors and set out in the explanatory report of the Board of Directors relating to this point on the agenda.
The Meeting, voting on the basis of consent expressed verbally by those entitled to vote via the Designated Representative,

RESOLVES

- to approve the above proposed resolution as set out in the explanatory report of the Board of Directors relating to the fifth point on the agenda,
by a majority with:
* 12 (twelve) shareholders in favor, holding 66,566,032 (sixty-sixmillion, fivehundredandsixty-sixthousand and thirty-two) shares comprising 99.861% (ninety-nine point eight six one percent) of the share capital represented at the Meeting;
* no shareholders against;
* 1 (one) shareholder abstaining, holding 92,550 (ninety-twothousand fivehundredandfifty) shares comprising 0.139% (zero point one three nine percent) of the share capital represented at the Meeting;
all as analyzed further in the **detailed list of shareholders** named in the summary of the results of voting **attached to this deed at letter "E".**

There being no further items on the agenda and no requests to speak, the Chairman declares the discussion and voting completed and closed the Meeting at 10.25 am.
To the extent necessary, the Administrative Body appoints me, Notary, to complete the requirements relating to this deed and established by law with the competent Companies Register.
The costs of this deed and its consequences shall be borne by the Company.
These minutes, partly handwritten by me and partly written by electronic means by a person in my trust on four legal sheets for a total of thirteen pages up to this point, are signed by me, Notary, at 10.30 am.
SIGNED: BIAGIO CALIENDO, NOTARY (Seal)

ALLEGATO " A " AL REP 5055 RACC. 3425

ELENCO AZIONISTI PARTECIPANTI ALL'ASSEMBLEA ORDINARIA DEL 28/04/2021

AEFFE S.P.A.

SONO PRESENTI IN QUESTO MOMENTO N. 13 AVENTI DIRITTO RAPPRESENTANTI IN PROPRIO N. 0

AZIONI CON DIRITTO DI VOTO E PER DELEGA N. 66.658.582 AZIONI CON DIRITTO DI VOTO PER

COMPLESSIVE N. 66.658.582 AZIONI CON DIRITTO DI VOTO, PARI AL 62,087% DEL CAPITALE SOCIALE

RAPPRESENTATO DA AZIONI CON DIRITTO DI VOTO.

data e ora di stampa: 28/04/2021 10:01AM

ELENCO AZIONISTI PARTECIPANTI ALL'ASSEMBLEA ORDINARIA DEL 28/04/2021

AEFFE S.P.A.

Progr.	Nominativo Azionista	Vincolo	In Rappresentanza	Delegato	In proprio	Per delega	Azioni con diritto di voto	% Cap.Soc. con diritto di voto
1	FRATELLI FERRETTI HOLDING SRL			FEDERICO TORRESI		66.347.690	**66.347.690**	**61,798**
2	ACOMEA PATRIMONIO ESENTE			FEDERICO TORRESI		92.550	**92.550**	**0,086**
3	GENERALI SMART FUNDS			FEDERICO TORRESI		67.455	**67.455**	**0,063**
3	GENERALI SMART FUNDS			FEDERICO TORRESI		48.520	**48.520**	**0,045**
4	AZIMUT CAPITAL MANAGEMENT SGR S.P.A			FEDERICO TORRESI		33.678	**33.678**	**0,031**
5	JHF II INT'L SMALL CO FUND			FEDERICO TORRESI		24.188	**24.188**	**0,023**
6	ISHARES VII PLC			FEDERICO TORRESI		13.781	**13.781**	**0,013**
7	AMERICAN CENTURY ETF TRUST-AVANTIS INTERNATIONAL SMALL CAP VALUE			FEDERICO TORRESI		11.876	**11.876**	**0,011**
8	ALASKA PERMANENT FUND CORPORATION			FEDERICO TORRESI		5.688	**5.688**	**0,005**
8	ALASKA PERMANENT FUND CORPORATION			FEDERICO TORRESI		4.566	**4.566**	**0,004**
9	AZ FUND 1 AZ EQUITY ITALIAN SMALL MID CAP			FEDERICO TORRESI		3.775	**3.775**	**0,004**
10	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM			FEDERICO TORRESI		2.896	**2.896**	**0,003**
11	AMERICAN CENTURY ETF TRUST AVANTIS INT SMALL CAP VALUE FUND			FEDERICO TORRESI		1.917	**1.917**	**0,002**
13	DFA INTERNATIONAL SMALL CAP VALUE PNS GROUP INC			FEDERICO TORRESI		1	**1**	**0,000**
12	TRUST II BRIGHTHOUSEDIMENSIONALINT SMALL COMPANY PORTFOLIO			FEDERICO TORRESI		1	**1**	**0,000**

ELENCO AZIONISTI PARTECIPANTI ALL'ASSEMBLEA ORDINARIA DEL 28/04/2021

AEFFE S.P.A.

Progr.	Nominativo Azionista	Vincolo	In Rappresentanza	Delegato	In proprio	Per delega	Azioni con diritto di voto	% Cap.Soc. con diritto di voto
N. Azionisti	13		TOTALE AZIONI CON DIRITTO DI VOTO:		0	66.658.582	**66.658.582**	
			TOTALE % CAP. SOC. CON DIRITTO DI VOTO:		0,000	62,087	**62,087**	

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

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

INTERNATIONAL MACROECONOMIC SITUATION

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

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

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

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

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

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

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

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

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

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

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

2. TREND OF THE COMPANY MANAGEMENT

COVID-19 PANDEMIC EFFECT

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

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

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

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

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

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

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

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

INCOME STATEMENT

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

Revenues from sales and services

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

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

Labour costs

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

Gross Operating Margin (EBITDA)

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

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

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

Net operating profit (EBIT)

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

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

Net operating profit (EBIT ADJUSTED)

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

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

Result before taxes

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

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

Result before taxes ADJUSTED

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

Net result

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

Net result ADJUSTED

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

BALANCE SHEET

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

NET CAPITAL INVESTED

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

Net working capital

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

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

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

Fixed assets

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

The changes in the main items are described below:

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

NET FINANCIAL POSITION

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

SHAREHOLDERS' EQUITY

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

3. RESEARCH & DEVELOPMENT

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

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

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

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

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

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

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

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

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

5. INFORMATION ABOUT SHARE CAPITAL

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

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

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

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

6. TREASURY SHARES

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

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

7. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered. Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Notes 37 and 38.

8. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

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

9. SIGNIFICANT EVENTS OF THE PERIOD

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

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

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

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

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

The main actions taken include the following:

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

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

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

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

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

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

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

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

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

10. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events occurred after the end of the year.

11. OUTLOOK

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

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

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

12. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2020

Shareholders,
In presenting the financial statements as of 31 December 2020 for your approval, we propose to cover the loss of the year of EUR 21,028,743 through the use of the extraordinary reserve.

18 March 2021

For the Board of Directors

Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET (*)

(Values in units of EUR)	Notes	31 December 2020	31 December 2019	Change
Trademarks		2,771,388	2,897,149	(125,761)
Other intangible fixed assets		669,002	760,838	(91,836)
Intangible fixed assets	(1)	3,440,390	3,657,986	(217,596)
Lands		17,319,592	17,319,592	(0)
Buildings		22,111,725	22,656,825	(545,100)
Leasehold improvements		766,741	901,551	(134,810)
Plant and machinary		1,534,750	1,834,362	(299,612)
Equipment		64,443	72,643	(8,200)
Other tangible fixed assets		643,362	773,462	(130,100)
Tangible fixed assets	(2)	42,440,613	43,558,435	(1,117,822)
Right-of-use assets	(3)	13,139,335	14,425,534	(1,286,199)
Equity investments	(4)	135,942,554	142,243,401	(6,300,847)
Other fixed assets	(5)	2,345,643	2,965,219	(619,576)
Deferred tax assets	(6)	5,666,870	2,663,653	3,003,217
NON-CURRENT ASSETS		**202,975,405**	**209,514,228**	**(6,538,823)**
Stocks and inventories	(7)	30,915,844	29,755,008	1,160,836
Trade receivables	(8)	44,101,240	56,362,980	(12,261,740)
Tax receivables	(9)	7,583,374	8,977,837	(1,394,463)
Cash	(10)	6,240,284	6,945,771	(705,487)
Other receivables	(11)	11,821,581	14,740,121	(2,918,540)
CURRENT ASSETS		**100,662,323**	**116,781,718**	**(16,119,395)**
TOTAL ASSETS		**303,637,728**	**326,295,946**	**(22,658,218)**
Share capital		25,043,866	25,286,166	(242,300)
Other reserves		127,274,012	122,801,258	4,472,754
Profits / (Losses) carried-forward		2,347,959	2,347,959	(0)
Net profit / loss		(21,028,744)	5,137,634	(26,166,378)
SHAREHOLDERS' EQUITY	**(12)**	**133,637,093**	**155,573,017**	**(21,935,924)**
Provisions	(13)	1,004,948	55,229	949,719
Deferred tax liabilities	(5)	7,735,169	7,687,777	47,392
Post employment benefits	(14)	3,238,057	3,388,677	(150,620)
Long term financial liabilities	(15)	38,018,170	28,336,634	9,681,536
Long term not financial liabilities	(16)	379,767	326,456	53,311
NON-CURRENT LIABILITIES		**50,376,111**	**39,794,774**	**10,581,337**
Trade payables	(17)	63,513,129	79,288,737	(15,775,608)
Tax payables	(18)	1,689,764	1,452,333	237,431
Short term financial liabilities	(19)	47,908,287	43,507,614	4,400,673
Other liabilities	(20)	6,513,344	6,679,472	(166,128)
CURRENT LIABILITIES		**119,624,524**	**130,928,155**	**(11,303,631)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**303,637,728**	**326,295,946**	**(22,658,218)**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment II and described in Notes 37 and 38.

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2020	%	Full year 2019	%
REVENUES FROM SALES AND SERVICES	**(21)**	**114,378,980**	**100.0%**	**161,946,729**	**100.0%**
Other revenues and income	(22)	7,728,299	6.8%	8,383,791	5.2%
TOTAL REVENUES		**122,107,279**	**106.8%**	**170,330,520**	**105.2%**
Changes in inventory		1,925,900	1.7%	(3,742,662)	(2.3%)
Costs of raw materials, cons. and goods for resale	(23)	(49,489,428)	(43.3%)	(61,184,163)	(37.8%)
Costs of services	(24)	(41,841,511)	(36.6%)	(47,821,583)	(29.5%)
Costs for use of third parties assets	(25)	(8,126,140)	(7.1%)	(11,425,476)	(7.1%)
Labour costs	(26)	(27,496,153)	(24.0%)	(30,067,477)	(18.6%)
Other operating expenses	(27)	(1,957,443)	(1.7%)	(1,968,743)	(1.2%)
Amortisation and write-downs	(28)	(17,884,913)	(15.6%)	(4,791,856)	(3.0%)
Financial Income / (expenses)	(29)	(642,825)	(0.6%)	(1,212,486)	(0.7%)
PROFIT / LOSS BEFORE TAXES		**(23,405,234)**	**(20.5%)**	**8,116,075**	**5.0%**
Income Taxes	(30)	2,376,490	2.1%	(2,978,441)	(1.8%)
NET PROFIT / LOSS		**(21,028,744)**	**(18.4%)**	**5,137,634**	**3.2%**
Basic earning / (loss) per share	(31)	(0.210)		0.051	
Dilutive earning / (loss) per share	(31)	(0.210)		0.051	

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the income statement of Aeffe S.p.A. are shown in the income statement presented in Attachment III and described in Notes 37 and 38.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Full Year 2020	Full Year 2019
Profit/(loss) for the period (A)	**(21,028,744)**	**5,137,634**
Remeasurement of defined benefit plans	(33,782)	(128,243)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)	**(33,782)**	**(128,243)**
Gains/(losses) on cash flow hedges	-	-
Gains/(losses) on exchange differences on translating foreign operations	-	-
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)	-	-
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(33,782)**	**(128,243)**
Total Comprehensive income / (loss) (A) + (B)	**(21,062,526)**	**5,009,391**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2020	Full Year 2019
Opening balance		**6,946**	**4,558**
Profit before taxes		(23,405)	8,116
Amortisation / write-downs		17,885	4,792
Accrual (+)/availment (-) of long term provisions and post employment benefits		(147)	(328)
Paid income taxes		(342)	(5,719)
Financial income (-) and financial charges (+)		643	1,212
Change in operating assets and liabilities		(1,735)	(1,565)
Cash flow (absorbed) / generated by operating activity	**(32)**	**(7,101)**	**6,508**
Increase (-)/ decrease (+) in intangible fixed assets		(324)	(356)
Increase (-)/ decrease (+) in tangible fixed assets		(425)	(1,741)
Increase (-)/ decrease (+) in right-of-use assets (1)		(540)	(75)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(5,468)	(1,060)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(6,757)**	**(3,232)**
Other variations in reserves and profits carried-forward of shareholders' equity		(907)	(679)
Proceeds (+)/repayments (-) of financial payments		15,322	3,470
Proceeds (+)/ repayment (-) of lease payments		(1,240)	(1,661)
Increase (-)/ decrease (+) in long term financial receivables		620	(806)
Financial income (+) and financial charges (-)		(643)	(1,212)
Cash flow (absorbed) / generated by financing activity	**(34)**	**13,152**	**(888)**
Closing balance		**6,240**	**6,946**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the cash flows of Aeffe S.p.A. are shown in the cash flow statement presented in Attachment IV and described in Notes 37 and 38.

STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At December 31, 2019	**25,286**	**70,775**	**41,377**	**7,742**	**(116)**	**3,775**	**(751)**	**2,348**	**5,137**	**155,573**
Allocation of 2019 profit			4,880			257			(5,137)	-
Total comprehensive income/(loss) of 2020							(34)		(21,029)	(21,063)
Other variations	(242)	(631)								(873)
At December 31, 2020	**25,044**	**70,144**	**46,257**	**7,742**	**(116)**	**4,032**	**(785)**	**2,348**	**(21,029)**	**133,637**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Legal reserve	Remeasurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
At January 1, 2019	**25,371**	**71,240**	**33,035**	**7,742**	**(116)**	**3,336**	**(623)**	**2,348**	**8,781**	**151,114**
Allocation of 2018 profit			8,342			439			(8,781)	-
Total comprehensive income/(loss) of 2019							(128)		5,137	5,009
Other variations	(85)	(465)								(550)
At December 31, 2019	**25,286**	**70,775**	**41,377**	**7,742**	**(116)**	**3,775**	**(751)**	**2,348**	**5,137**	**155,573**

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the financial statements as of 31st December 2020

pursuant to article 153 of Italian Legislative Decree 58/98

Shareholders,

Pursuant to art. 153 of Decree 58/1998 (TUF - Consolidated Finance Law) and art. 2429, para. 2, of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders’ Meeting on the results for the year and the work carried out in the performance of its duties, making observations with regard to the financial statements and their approval on the matters for which it is responsible.

During the year, the Board of Statutory Auditors performed its supervisory activities in compliance with current regulations, having regard for the principles of conduct recommended by the Italian Accounting Profession, the instructions issued by Consob regarding the audit and other work carried out by Boards of Statutory Auditors, and the indications contained in the Code of Self-Regulation for listed companies, approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the **“Code”**), which has been adopted by AEFFE S.p.A. (hereinafter also referred to as **“AEFFE”** or the **“Company”**).

For this purpose, in addition to attending the meetings of the Board of Directors and the Board Committees, the Board of Statutory Auditors exchanged information constantly with the managers of the administrative and audit functions, with the Body responsible for supervising the effectiveness, application and update of the Organization, Management and Control Model pursuant to Decree 231/01 adopted by the Company (**“Supervisory Body”**), with “RIA GRANT THORNTON S.p.A.”, the auditing firm engaged to perform the legal audit of the accounts, and with “BDO ITALIA S.p.A.”, the auditing firm designated to verify the conformity of the Non-Financial Declaration pursuant to Decree 254/2016 (**“Non-Financial Declaration” or “NFD”**) and issue the related assurance.

The Board of Statutory Auditors

The Board of Statutory Auditors in office on the date of this report was appointed at the ordinary Shareholders’ Meeting held on 22nd April 2020 and comprises:

- Stefano Morri (Chairman);
- Carla Trotti (Serving Auditor);
- Fernando Ciotti (Serving Auditor);

The Alternate Auditors are Daniela Elvira Bruno and Nevio Dalla Valle.

The Board of Statutory Auditors confirms that all its members comply with the regulatory instructions issued by Consob regarding the limit on the number of appointments held.

* * * * * * * * *

We confirm that the financial statements of the Company as of 31st December 2020 were prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union and in force on 31st December 2020, and with the measures issued to implement art. 9 of Decree 38/2005.

The separate and consolidated financial statements of AEFFE as of 31st December 2020 contain the required declarations of conformity from the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation, pursuant to Law 262/2005.

Effects of the Covid-19 pandemic

The Board of Statutory Auditors constantly monitored, as part of its periodic checks, the evolution of the economic-financial and equity situation, also in relation to the effects of the Covid-19 pandemic on the activities of the Company and the Group.

Significant non-recurring transactions

No significant non-recurring transactions were identified during the year.

Impairment Test Methodology

As envisaged in the joint document issued by the Bank of Italy/Consob/ISVAP on 3rd March 2010, the Board of Directors confirmed on 18th March 2021 that the impairment test methodology adopted complies with the requirements of IAS 36.

Information about and the outcomes of the measurement process carried out are provided in the explanatory notes to the financial statements. The results of the tests performed did not identify any impairment situations. The details of the impairment test methodology are described in the explanatory notes to the separate and consolidated financial statements. The Board of Statutory Auditors believes that the impairment test methodology adopted by the Company is adequate.

Atypical or unusual transactions

As far as we know, the Company has not arranged any atypical or unusual transactions, as defined in Consob Communication No. DEM/6064293 of 28th July 2006.

Intercompany and related-party transactions

Pursuant to art. 2391-*bis* of the Italian Civil Code and Consob Decision 17221 of 12th March 2010 on the "Regulation of Related-Party Transactions", as later amended by Consob Decision 17389 of 23rd June 2010, the Board of Directors approved the "Procedure for related-party transactions" (the "**Procedure**") on 10th November 2010.

We confirm that the Procedure adopted by the Company for the transactions carried out during 2020 is consistent with the principles contained in the Consob Regulation, as updated by Decision 21396 of 10th June 2020, and is published on the website of the Company (www.AEFFE.com).

The transactions carried out with related parties are reported in the explanatory notes to the separate and consolidated financial statements of the Company and the Group, which also describe their economic and financial effects.

This Board has monitored compliance with the Procedure and the suitability of the process followed the Board of Directors in order to identify related parties and, in this regard, has no matters to report.

Work performed by the Board of Statutory Auditors during 2020

When carrying out its activities, the Board of Statutory Auditors:

- monitored compliance with the law and the Articles of Association;
- monitored compliance with the principles of proper administration;
- attended the meetings of the Board of Directors and, via the Chairman of Statutory Auditors or the assigned Statutory Auditor, the meetings of the Control, Risks and Sustainability Committee and the Compensation Committee, obtaining periodic information from the Directors, at least every quarter, on the general results of operations and the outlook for the future, as well as on the principal economic, financial and equity transactions carried out by AEFFE and its Group of companies (the "**Group**"), and ensuring that the resolutions adopted and implemented were not obviously imprudent, reckless, subject to potential conflicts of interest, in contrast with shareholders' resolutions or likely to generate heavy losses;
- monitored the adequacy of the organizational structure by direct observation, by the collection of information from the Managers of Business Functions and by attendance at the meetings of the Board Committees;
- monitored the adequacy and functioning of the system of internal control and risk management by attendance at the meetings of the Control, Risks and Sustainability Committee and by obtaining information from the Chief Executive Officer, the Executive Director, the Director responsible for the system of internal control and risk management, the Managers of Business Functions, the representatives of the Auditing Firm and he Supervisory Body, to which this Board also belongs. This Board also met with the Internal Audit Managers of the Company, obtaining information about the implementation status of the Audit Plan for the year;
- monitored the adequacy of the administrative-accounting system by meeting regularly with the Chief Financial Officer, who is also the Executive responsible for preparing the Company's accounting documentation, and with RIA GRANT THORNTON S.p.A., the Auditing Firm, in order to exchange data and information;
- monitored implementation of the rules of Corporate Governance adopted by the Company, in compliance with the principles embodied in the Code. In particular, this Board:
    - checked proper application of the verification criteria adopted by the Board of Directors in order to assess the independence of its members;
    - checked the independence of the Auditing Firm;
    - assessed the independence of its own members;

- monitored the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114, para. 2, TUF. These instructions enabled the subsidiaries to provide, on a timely basis, the information needed by the Company to comply with the disclosure requirements imposed by law;
- monitored the related-party and intercompany transactions; in this regard, the Board considers the information provided to be adequate;
- monitored proper application of the requirements placed on the Company by the Market Abuse Regulation, including those relating to internal dealing, investor protection and corporate disclosures.

Given all of the about and having regard for the evolution of the system of internal control and risk management, the analyses performed and the information obtained have not identified any matters inducing this Board to believe that, taken as a whole, the system of internal control and risk management of the Company is inadequate.

The Internal Auditors and the Supervisory Body did not raise any matters of concern to them during the periodic meetings held. The annual report of the Board of Directors on Corporate Governance and the Ownership Structure does not highlight any matters that should be drawn to your attention.

Monitoring the process of financial disclosure

The Board of Statutory Auditors has verified the existence of an adequate organization governing the process through which financial information is collected, prepared and disseminated.

This Board also acknowledges that the Executive responsible for preparing the Company's accounting documentation has confirmed:

- the adequacy and suitability of the powers and resources granted by the Board of Directors;
- having had direct access to all the information required to produce the accounting information, without need for authorizations of any kind;
- having participated in the internal flows of information for accounting purposes and having approved all the related business processes.

The Board of Statutory Auditors therefore considers that the process followed to prepare financial information is adequate, and that there are no matters to be reported to the Shareholders' Meeting.

Monitoring the process of non-financial disclosure

The Board of Statutory Auditors has monitored compliance with the provisions of Decree 254/2016, verifying that appropriate regulations govern the process through which non-financial information is collected, prepared and presented.

The Board of Statutory Auditors therefore considers that the process followed to prepare non-financial disclosures is adequate, having regard for the strategic objectives of the Group in socio-environmental terms, and that there are no matters to be reported to the Shareholders' Meeting. When preparing the Non-

Financial Declaration, the Company did not elect to omit information about imminent developments and ongoing negotiations, as would be allowed pursuant to art. 3, para. 8, of Decree 254/2016.

Statements, complaints pursuant to art. 2408 of the Italian Civil Code. Any omissions, censurable facts or irregularities identified

During 2020, the Board of Statutory Auditors did not receive any statements and/or complaints, pursuant to art. 2408 of the Italian Civil Code, and did not identify any censurable facts, omissions or irregularities.

Remuneration of the directors, the general manager and key management personnel

During 2020, the Board of Statutory Auditors did not express any opinions pursuant to art. 2389, para. 3, of the Italian Civil Code on the remuneration of the directors with specific responsibilities.

Other opinions expressed by the Board of Statutory Auditors

During 2020, the Board of Statutory Auditors did not issue any other opinions.

Monitoring pursuant to Decree 39/2010 - verification of the independence of the Auditing Firm

This Board has monitored the legal audit of the separate and consolidated financial statements, the independence of the Auditing Firm with particular reference to any non-audit services provided, and the results of the legal audit.

In the context of the meetings held with the Auditing Firm, the Board of Statutory Auditors - having regard for the interpretations provided by the most authoritative bodies representing the accounting professions and listed companies - carried out the monitoring duties specified in art. 19 of Decree 39/2010, requesting RIA GRANT THORNTON S.p.A. to describe, among other matters, the audit approach adopted, the fundamental aspects of the audit plan and the principal evidence that emerged from the work carried out.

With regard to the independence of RIA GRANT THORNTON S.p.A., the Board of Statutory Auditors assessed the compatibility of engagements other than the legal audit with the prohibitions envisaged in art. 5 of Regulation (EU) 537/2014, and the absence of potential risks for the independence of the auditor deriving from provision of those services. The work performed by the Auditing Firm for the Group during 2020 is described in the explanatory notes to the consolidated financial statements. The Board of Statutory Auditors confirms that the consideration recognized for the above activities was appropriate, considering the extent, complexity and characteristics of the work performed, and that the engagements to provide non-audit services were not such as to undermine the independence of the Auditing Firm.

Observations on the report of the Auditing Firm

It is confirmed that, on 29 March 2021, RIA GRANT THORNTON S.p.A. issued:

- as the Legal Auditor, the reports envisaged in art. 14 of Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, prepared in conformity with the instructions contained in the above Decree, as amended by Decree 135/2016; the reports express an unqualified opinion on the separate and consolidated financial statements and certify that they provide a true and fair view of the financial positions of the Company and

Group as of 31st December 2020 and the results of their operations and the cash flows for the year then ended, in conformity with the applicable accounting standards.

- the additional report required by art. 11 of Regulation (EU) 537/2014, stating that there are no significant weaknesses in the system of internal control and risk management with regard to the process followed for making financial disclosures, and attaching the declaration envisaged in art. 6 of Regulation (EU) 537/2014, which does not identify any situations that might compromise the independence of the Auditing Firm.

It is confirmed that, on 29 March 2021, BDO ITALIA S.p.A. issued:

- as the Designated Auditor, limited assurance on the conformity of the consolidated Non-Financial Declaration as of 31st December 2020; in that opinion, the Designated Auditor concluded that no elements had come to its attention to suggest that the Consolidated Non-Financial Declaration for the year ended 31st December 2020 had not been prepared, in all significant respects, in accordance with the provisions of Decree 254/2016 and the GRI Standards.

Self-assessment of the Board of Statutory Auditors

In compliance with the *"Rules of Conduct for Boards of Statutory Auditors of listed companies"* issued by the Italian Accounting Profession, which require the Board of Statutory Auditors to carry out, following appointment and annually thereafter, a self-assessment of its work on the joint planning of its activities, of the suitability of its members, of their adequacy with reference to the professionalism, skill, honesty and ethics, and independence requirements, and of the adequacy of the time and resources available considering the complexity of the appointment (the **"Self-assessment"**), the Board of Statutory Auditors confirms that it has carried out the Self-assessment for 2020, the outcome of which is specifically documented in the *"2020 Report on corporate governance and the ownership structure"* pursuant to art. 123-*bis* TUF of the Company, which was made available to the public by the legal deadline on the website of AEFFE (www.AEFFE.com) and in the other ways envisaged in the current regulations.

Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During 2020:

- the Board of Statutory Auditors held 12 meetings, each with a duration of about 2 hours and 30 minutes;
- the Board of Statutory Auditors held periodic meetings and exchanged information with the representatives of RIA GRANT THORNTON S.p.A.;
- the Board of Directors held 8 meetings. In this regard, it is noted that the Board of Directors has nine members, five of whom are independent; four of the nine directors are female;
- the Control, Risks and Sustainability Committee held 6 meetings, while the Compensation Committee held 2.

The Board of Statutory Auditors attended all the meetings of the Board of Directors and, through its Chairman or an assigned Statutory Auditor, the meetings of the Board Committees.

Lastly, this Board confirms that it attended the Shareholders' Meeting held on 22nd April 2020.

* * * * * * * * *

On 18th March 2021, the Chairman of the Board of Directors and the Executive responsible for preparing the Company's accounting documentation issued the declarations required pursuant to art. 154-Bis TUF, attesting that:

- the separate and consolidated financial statements were prepared in conformity with the applicable international accounting standards endorsed by the European Commission, pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19th July 2002;
- the above documents agree with the accounting entries and registers and are suitable for providing a true and fair value of the economic and financial position of the Issuer and the Group.

The Board of Statutory Auditors confirms the completeness and adequacy of the information provided by the Board of Directors in its reports, including with regard to the risks and significant uncertainties to which the Company and the Group are exposed.

As indicated in the Report on Operations, no significant events have taken place subsequent to year end.

* * * * * * * * *

Conclusions

Based on the supervisory activities carried out during the year and the results of the work performed by the legal auditor of the accounts, RIA GRANT THORNTON S.p.A., contained in the auditors' report prepared pursuant to arts. 14 and 16 of Decree 39 dated 27th January 2010, issued today - expressing an unqualified opinion – the Board of Statutory Auditors, pursuant to art. 153, para. 2, of Decree 58 dated 24th February 1998, has no objections to express with regard to the following resolutions proposed by the Board of Directors:

- approval of the separate financial statements as of 31st December 2020;
- coverage of the loss for the year of Euro 21,028,743 by use of the extraordinary reserve.

Lastly, the Board of Statutory Auditors confirms that, in compliance with art. 19, para. 1, of Decree 39/2010, it will inform the Board of Directors about the outcome of the legal audit of the accounts carried out by the Legal Auditor and send it the additional Report of the Legal Auditor, accompanied by its observations.

San Giovanni in Marignano, 30th March 2021

The Board of Statutory Auditors

Stefano MORRI

Fernando CIOTTI

Carla TROTTI

"Free translation from the original in Italian".

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

To the shareholders of
Aeffe S.p.A.

Report on the Audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key Audit Matters

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

Evaluation of investments in subsidiaries

Description of the Key matter	**Audit procedures performed in response to the Key matter**
The financial statements as at 31 December 2020 include assets related to investments in subsidiaries for 135.9 million Euros. As reported in the explanatory notes, equity investments are accounted for at historical cost, which is reduced by permanent losses as required by IAS 36. Should the reasons for the write-down do	Audit procedures carried out also with the involvement of experts from the Grant Thornton network included: – an understanding of the process adopted in preparing the impairment tests of the affiliated companies, approved by the directors of the Parent Company;

not apply any longer, the original value is restored in subsequent years.

In the financial statements at 31 December 2020, value adjustments (write-downs) were made on equity investments in subsidiaries for a total of € 6.3 million.

As in previous years, the directors carried out impairment tests to identify the estimate of the recoverable value of some investments in particularly significant subsidiaries, to verify the consistency of the book value. Such recoverable value is based on the value in use, determined with the method of discounting the expected cash flows.

The information is reported in the explanatory notes under note 4, as well as in the illustrations of the accounting principles adopted and, in the paragraph, "Main estimates adopted by the Management".

Due to the complexity of these valuation processes, we have considered the valuation of equity investments as a key aspect of the auditing activity.

- an understanding of the process adopted in preparing the Group's 2021 budget, approved by the Board of Directors of the Parent Company on March 18, 2021, used as a reference for carrying out the impairment tests;
- the analysis of the accuracy and truthfulness of the financial statements of the most significant subsidiaries, included in the Group's consolidated financial statements, and the reconciliation of the related income statement and balance sheet values with the data assumed for the preparation of impairment tests;
- the estimate of the recoverable value based on the enterprise value (operating value, gross of amount for financial debt), obtained by applying the EV/Ebitda or EV/Sales multiples to the fundamental quantities of the companies tested. The results obtained were adjusted to consider the net financial position at the audit date;
- examination of the appropriateness of the information and disclosures provided by the Directors in the explanatory notes in relation to equity investments and impairment tests.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n.38 dated February 28, 2005 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

We were initially engaged by the shareholders of Aeffe S.p.A. on April 16, 2016 to perform the audits of the financial statements and the consolidated financial statements of each fiscal year starting from December 31, 2016 to December 31, 2024.
We declare that we did not provide prohibited non-audit service, referred to article 5, par.1, of EU Regulation 537/2014, and that we remained independent of the Company in conducting the audit.

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

Report on compliance with other Laws and Regulations

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

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

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

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

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

Bologna, March 29, 2021

Ria Grant Thornton S.p.A.

Signed by
Marco Bassi
Partner

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

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe S.p.A. (the "Company") is an Italian legal entity and a Parent Company that holds, directly or indirectly, equity investments in the companies that lead the business sectors in which the Aeffe Group is active.

The Company is based in San Giovanni in Marignano (Rimini) and is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

The Company has the following branch offices and local units:

1) Office and showroom in Donizetti street n.48 – Milan (MI);
2) Storage in Olmi street – San Giovanni in Marignano (RN);
3) Office and showroom in Donizetti street n.47 – Milan (MI);
4) Storage in Tavollo snc street – San Giovanni in Marignano (RN);
5) Storage in Erbosa I street n. 92 – Gatteo (FC);
6) Storage in Raibano n. 55/A street – Coriano (RN):
7) Storage in Tamerici 9 street – San Giovanni in Marignano (RN);
8) Storage in Pietro Colletta 31 street – Reggio Emilia (RE);
9) Storage in Chieri 107 street – Andenzeno (TO).
10) Storage in Lorenzatti 10 street – Vallefoglia (PU);

These financial statements have been prepared in EUR, which is the functional currency of the economy in which the Company operates.

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2020. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

Unless stated otherwise, all amounts have been rounded to thousands of EUR.

The financial statements comprise the balance sheet, the income statement, comprehensive income statement the statement of changes in shareholders' equity, the cash flow statement and these explanatory notes.

Unless stated otherwise in the accounting policies described below, these financial statements have been prepared on an historical cost basis.

The financial statements have been audited by Ria Grant Thornton S.p.A.

The Company is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment V are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CO.N.SO.B and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the

Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

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

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this financial statement are the same used as those used in the preparation of the financial statement as of December 31, 2019, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2020.

Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2020, which were applied for the first time in the consolidated half-yearly financial statements of the AEFFE Group closed as at 31 December 2020

IFRS 16 - through the new paragraphs 46A and 46B - now introduces a practical expedient to the chapter "Lease modifications" which allows the lessee not to consider any concessions on the payment of the fees deriving from the effects of Covid-19 as a modification of the original contract; therefore, the aforementioned changes must be accounted for as if the contract were not modified.

In order to be able to apply this exemption, all the following conditions must be verified:

- the granting of payments is a direct consequence of the Covid-19 pandemic;
- the change in payments left unchanged - compared to the original conditions - the same amount to be paid or reduced the amount;
- the reduction in payments refers only to those originally due up to June 2021 (as an example, the condition is fulfilled if the rescheduling agreement provides for a reduction in payments up to June 2021 and a subsequent increase from the month of July 2021);
- there are no substantial changes to other contractual terms or conditions of the lease.

In addition, the new paragraph 60A requires that if the lessee adopts the practical expedient just described, he will have to provide specific information in the financial statements.

The amendments in question can be applied starting from the financial statements of the financial years that start from 1 June 2020, although early application is allowed to companies that have not yet approved the financial statements as of 28 May 2020 (paragraph C1A).

Finally, pursuant to the new paragraph C20A, the lessee must use the practical expedient retroactively by accounting for the cumulative effect of the initial application of the amendment to IFRS 16 as a modification of the opening balance sheet (on retained earnings or other items accountants)) relating to the financial statements in which the aforementioned practical expedient was applied for the first time.

The Group used the adoption of the practical expedient introduced by the amendment to the IFRS 16 accounting standard approved with the publication in the Official Gazette L 331 of 12 October 2020 the

Commission Regulation (EU) 2020/1434 of 9 October 2020 which adopts " Concessions on fees connected to COVID-19 (Amendment to IFRS 16) ", in order to provide operational support connected to COVID-19, optional and temporary, for lessees who benefit from suspension of payments due for leasing.

Amendment to IAS 1 and IAS 8 on definition of materiality. The amendment was published by the IASB on 31 October 2018 and provides for a different definition of "material", that is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity ". The changes are effective for annual periods beginning on or after January 1, 2020.

On 29 March 2018, the IASB published the revised version of the *Conceptual Framework for Financial Reporting*. The main changes compared to the 2010 version concern: i) a new chapter on evaluation; ii) better definitions and guidance, in particular with reference to the definition of liabilities; iii) clarifications of important concepts, such as stewardship, prudence and uncertainty in assessments. A document has also been published that updates the references in the IFRS to the previous Conceptual Framework. The amendments, where they are actually updated, are effective for the annual periods starting on 1 January 2020 or later.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchamrk reform. The amendment provides for some observations in relation to the modification of the interest rate benchmarks. In relation to hedge accounting, the IBOR reform should not end hedge accounting. Any ineffectiveness of the hedge must continue to be recognized in the income statement. This change will come into effect from the financial years beginning on January 1, 2020.

Amendment to IFRS 3, "Business combinations". On October 22, 2018, the IASB issued the "Definition of a Business (Amendments to IFRS 3)" document aimed at solving the difficulties that arise when an entity determines whether it has acquired a company or group of activities. The changes are effective for business combinations for which the acquisition date is in effect or after January 1, 2020.

Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union Accounting standards, amendments and interpretations published by the IASB but not yet approved by the European Union and not adopted in the preparation of these financial statements:

IFRS 17 "*Insurance Contracts*". On 18 May 2017, the IASB issued IFRS 17 "Insurance contracts" which establishes the principles for the recognition, measurement, presentation and representation of the insurance contracts included in the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts, in order to represent a basis for evaluating the reader of the financial statements of the effects of these contracts on the equity and financial situation, on the economic results and on the entity's cash flows. On June 21, 2018, the IASB resolved to clarify IFRS 17 "Insurance Contracts", to ensure that the interpretation of the standard reflects the decisions taken by the Board. The board agreed to clarify some points of the contracts subject to variable rates and to aspects related to IFRS 3 "business combination". The provisions of IFRS 17 are effective starting from financial years starting on or after January 1, 2021. From a first examination, the possible future adoption of this principle should not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or noncurrent. Final changes in the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, not the amount or recognition of assets, liabilities, income or expense or information that the entities provide on these elements . Specifically, the changes:

- clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reference period and align the definition in all the paragraphs concerned to refer to the "right" to defer the regulation by at least twelve months and clarify that only existing rights "at the end of the reference period" should affect the classification of a liability;

- clarify that the classification is not influenced by expectations that an entity will exercise its right to defer the settlement of a liability;
- clarify that the regulation refers to the transfer of liquidity, equity instruments, other assets or services to the counterparty. The changes will take effect from January 1, 2022 and must be applied retrospectively. Early adoption is possible. From a first examination, the possible future adoption of these amendments should not have a significant impact on the Group's consolidated financial statements.

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

Intangible fixed assets

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

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

Brands

Brands are recorded at cost and amortised systematically on a straight-line basis over their estimated useful life (40 years), commencing from the time the asset becomes available for use.

The Company has deemed it fair to attribute a finite life of 40 years to its brands, having regard for the prudent approach taken by other operators in the sector that consider the useful lives of their brands to be very long (given the extended utility of such assets), but not eternal or indefinite (duration not identifiable). This approach is consistent with the type of intangibles found in the fashion industry and with the long-established practices of other firms in the sector (market comparables).

Regarding the brand Alberta Ferretti, the exclusivity of the business, their historical profitability and their future income allow to consider their value recoverable, even in presence of difficult market conditions.

In order to calculate the recoverable value of the brand registered in the balance sheet, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to residual useful life. To calculate the value, the management has used the Group budget starting from the year 2021. For the remaining periods the management has used an increase in turnover with a compound annual growth rate ("CAGR") of 1.4%. As royalty rates we used the averages for the sector (10%) and as discount rate we used the average cost of capital (WACC) which is 7.40% (7.40% at 31 December 2019).

The impairment test was performed in a scenario that acknowledged the expected economic-financial effects and did not reveal any losses in value. The test carried out revealed that the impact of the pandemic on the recoverable value of the brand is limited and, in any case, included in the scenarios assumed for the usual sensitivity analyzes. It follows that the value of the intangible asset recorded at 31 December 2019 is confirmed, net of the relative amortization charge for 2020.

Other intangible fixed assets

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

The principal amortisation rates applied are summarised below:

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

Research costs are charged to the income statement as incurred.

At 31 December 2020 the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Tangible fixed assets

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

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

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

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

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

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12.5%
Photovoltaic systems	9%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and furnishings	12%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

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

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

Leasing IFRS16

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

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

Determination of recoverable value (Impairment)

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

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

An impairment loss occurs and is accounted for when the book value of an asset or cash-generating unit exceeds the recoverable value. The book value of the asset is adjusted to the recoverable value and the impairment loss is recognized in the income statement.

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

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

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

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

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

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

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

No impairment situations emerged from the analysis carried out.

Reinstatement of value

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

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

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

The written down value of goodwill is never reinstated.

Equity investments

Investments in subsidiary, associated companies and joint venture are recorded as historical cost, as written down by any impairment recognised pursuant to IAS 36. Their original value is reinstated in subsequent years if the reasons for write-downs cease to apply.

It is signalled that it proceeded with the estimation of the recoverable amount of some equity investments in subsidiaries of particular importance in order to verify the consistency of the book value.

The recoverable value is defined as the higher value between the fair value of the asset, less costs for its sale, and the value in use. In order to calculate the recoverable value correctly, Aeffe Spa uses the value in use defined as the value of the future cash flows expected to originate from the asset.

For the calculation of the value in use, the Company refers to the following elements:

- Economic plan drawn up by the management for the determination of cash flows;
- Use of a specific discounting rate of these flows that reflects the current valuations of the time value of money and the specific risks associated with the activity carried out by the company.

The method used is that of estimating the present value of cash flows in accordance with the principle established by IAS 36 to respect the consistency and homogeneity between the book value and the recoverable value.

The management uses the budget (2021) as the basis for calculation and prepares on the basis of the latter a further 4 forecast years (Economic Accounts and Balance Sheet). In relation to the plans, a schedule of post-tax operating cash flows is then prepared which, on the basis of an estimated post-tax discounting rate (WACC of 7.40%), is subsequently discounted.

In order to assess the value in use of the investment with the discounted cash flow method, the management proceeded to estimate the value of the terminal flow using the perpetuity formula, taking account of the cash flow of the last year of the plan.

Finally, to estimate the recoverable value of the investment, the management proceeded to add to the present value of the cash flows relating to the explicit forecast period of the plan, the terminal value discounted net of the net financial position. It was basically carried out an estimation to estimate the equity value.

For the companies subjected to impairment test as Aeffe Retail S.p.A. and Aeffe France S.a.r.l., it is confermed the values recorded in the financial statements, as no impairment losses have emerged.

Trade and other receivables

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

Inventories

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

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

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

Cash and cash equivalents

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

Provisions

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

Employee benefits

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

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

Financial payables

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

Bank overdrafts and loans

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

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

Trade and other payables

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

Treasury shares

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

Contributions to the capital account and for overheads

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

Revenues

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer. This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

Most of the Company's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return

Costs

Costs and expenses are recorded on an accruals basis.

The costs incurred during the year for the creation and production of samples are matched with revenues from the sales of the related collections; accordingly, they are charged to the income statement in proportion to the revenues earned. The residual costs to be expensed when the related revenues are earned are classified as other current assets.

Financial income and expense

This comprises all the financial items recorded in the income statement for the year, including the interest accrued on financial payables using the effective interest method (mainly bank overdrafts, long-term loans), exchange gains and losses, dividend income, and the lease interest identified using finance lease accounting (IAS 17).

Interest income and expense is recorded in the income statement in the year in which it is earned/incurred.

Dividends are recognised in the year in which the Company's right to collect them is established (when they are declared).

Taxes

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

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

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

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

Payables for deferred taxes relate to:

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

Receivables for deferred taxes are recognised:

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

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

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

Earnings per share

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

Main estimates used by the Management

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

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

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the Company applied the method described above in the paragraph entitled “Determination of recoverable value (Impairment)”.

In particular, regarding the impairment tests related to equity investments, the main estimations used are the following:

Equity investment in Aeffe Retail S.p.A. and Aeffe France S.a.r.l.: the evaluation emerges from the cash flow analysis of the individual companies. The cash flows have been gathered, for the year 2021, by the Group budget. It has been also estimated cash flow projections for the years 2022, 2023, 2024 and 2025 at an average growth flat basically stable compared to that used for the 2021 budget. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2025. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), equal to 7.40% (in line with last year).

IFRS 16

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

- Lease term: the identification of the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on property rental contracts vary significantly from one jurisdiction to another and the assessment of the effects of the renewal options at the end of the non-cancellable period on the lease term estimate entails the use of assumptions. In fact, for the definition of the lease term, the Company considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both. In the presence of renewal options exercisable by both contractual parties, it considered the existence or not of significant economic disincentives in refusing the renewal request as required by paragraph B34 of IFRS 16. In the presence of options exercisable only by one of the two parties considered paragraph B35 of IFRS 16. The application of the above, taking into account the specific facts and circumstances as well as the estimate that the option is reasonably certain, has meant that, for contracts with an annual duration renewable automatically unless canceled, an average duration of ten years was considered, basing this choice on historical evidence while in other cases if it is only the Company that can exercise the option, a duration was considered until the second renewal provided for in the contract, based on the historical evidence and the fact that renewal beyond the second period cannot be considered reasonably certain.
- Definition of the discount rate: since in most of the rental contracts stipulated by the Company, there is no implicit interest rate, the Company has calculated an incremental Borrowing Rate-IBR. In order to determine the IBR to be used for discounting future rent payments, the Company has identified each country as a portfolio of contracts with similar characteristics and has determined the relative IBR as the rate of a risk-free instrument of the respective country in which the contract was stipulated, based on the different contractual deadlines. The weighted average IBR applied during the transition was 2.22%.
- Activities by right of use: the Company detects activities by right of use on the lease start date (ie on the date on which the underlying asset is available for use). The right of use activities that fall under the definition of investments in real estate activities are classified in this balance sheet item. The assets by right of use are measured at cost, net of accumulated depreciation, of accumulated impairment losses and modified for any re-measurement of the leasing liability. The cost of the assets by right of use includes the initially recognized value of the leasing liability, initial direct costs incurred, the payments due for the leasing made on the date or before the effective date net of the leasing incentives received. Unless the Company is reasonably certain that it purchases the leased asset at the end of the lease contract, the assets by right of use are amortized linearly in the shorter period between the duration of the contract and the useful life of the leased asset. The value of the asset by right of use is subject to verification to detect any impairment.
- Leasing liabilities: at the start date of the leasing contract, the Company recognizes the leasing liability measured as the present value of future residual payments until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the exercise price of the purchase option, if the Company

has reasonable certainty to exercise the option and the leasing termination penalty payments, if the Company has reasonable certainty to exercise the resolution option. . Variable payments, which do not depend on an index or rate, but which for the Company mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.

- Short term leases and low value assets leases: the Company avails itself of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value . The payments of the fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.
- As of 2019, IFRS 16 requires the recognition of an asset for the right of use and a liability for the obligation to pay leasing installments in the financial statements. Any impairment of the asset for the right of use must be calculated and recognized in accordance with the provisions of IAS 36. The "rights of use" of each individual CGU are subjected to impairment tests in the presence of triggering events (in to the individual CGU) identified by a possible loss of value and reported by the following key performance indicators:

  - divestment plans;
  - performance indicators below expectations;
  - operational losses.

  The impairment test is carried out in the following ways:

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

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

- **Estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:**

– The inflation rate foreseen is 0.80%;
– The discount rate used is 0.22%;
– The annual rate in increase of the severance indemnity fund foreseen is 2.10%;
– The expected Company’s turn-over of employees is 6%.

- **Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:**

– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is -0.02%;

OTHER INFORMATION

Management of financial risk

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

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

Liquidity and market risk

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

The main goal of these guidelines consists of:

(i) **Liquidity risk**

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

(ii) **Exchange risk:**

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

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(iii) **Rate risk:**

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

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards.

As of 31 December 2020 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 24 thousand annually (EUR 33 thousand as of 31 December 2019).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2020 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

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

Credit risk

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

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

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

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

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

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

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

As regards foreign receivables, the Company proceeds as follows:

a) some of foreign receivables are guaranteed by primary credit insurance companies.
b) the residual uninsured part of receivables is managed:
    a. Most of them by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The remaining uninsured receivables not covered by insurance nor by request of letter of credit or by advance, are specifically authorized and managed following the procedure for Italian receivables.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the Company an income from the relationship.
As of the reference date of the financial statement, the maximum credit risk exposure was equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Trade receivables	44,101	56,363	(12,262)	(21.8%)
Other current receivables	11,822	14,740	(2,918)	(19.8%)
Total	**55,923**	**71,103**	**(15,180)**	**(21.3%)**

See note 8 for the comment and breakdown of the item "trade receivables" and note 11 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2020, overdue but not written-down trade receivables amount to EUR 26,638 thousand (EUR 37,226 thousand in 2019). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2020	31 December 2019	31 December Δ	Change %
By 30 days	899	3,905	(3,006)	(77.0%)
31 - 60 days	7,071	5,238	1,833	35.0%
61 - 90 days	4,758	3,251	1,507	46.4%
Exceeding 90 days	13,910	24,832	(10,922)	(44.0%)
Total	**26,638**	**37,226**	**(10,588)**	**(28.4%)**

The significant reduction in overdue receivables is the result of a prudent and efficient monitoring management by the Company's management which has at the same time adopted a customer support policy in support of the wholesale channel.

No risks of default with respect to such overdue receivables have to be highlighted.

Cash flow statement

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

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

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

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

(i) cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Company using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);

(ii) cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

(iii) cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The composition of intangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 01.01.19	**3,023**	**799**	**3,822**
Increases externally acquired	-	356	356
Disposals	-	-	-
Amortisation	(126)	(394)	(520)
Net book value as of 01.01.20	**2,897**	**761**	**3,658**
Increases externally acquired	-	324	324
Disposals	-	-	-
Amortisation	(126)	(416)	(542)
Net book value as of 31.12.20	**2,771**	**669**	**3,440**

Brands

This caption is related to the value of the brand owned by the Company: "Alberta Ferretti".

The residual amortisation period for this caption is 22 years.

Other

The caption "Other" relates to user licenses for software.

2. Tangible fixed assets

The composition of tangible fixed assets is analysed in the following table:

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.19	**16,945**	**22,860**	**1,050**	**1,797**	**111**	**700**	**43,463**
Increases	375	398	114	557	6	291	1,741
Disposals	-	-	-	-	-	-	-
Depreciation	-	(601)	(262)	(520)	(44)	(219)	(1,646)
Net book value as of 01.01.20	**17,320**	**22,657**	**902**	**1,834**	**73**	**772**	**43,558**
Increases	-	59	112	139	34	90	434
Disposals	-	-	-	-	-	(8)	(8)
Depreciation	-	(604)	(247)	(438)	(43)	(211)	(1,543)
Net book value as of 31.12.20	**17,320**	**22,112**	**767**	**1,535**	**64**	**643**	**42,441**

Tangible fixed assets have changed mainly as follows:

- Increases of EUR 434 thousand for new investments. These mainly comprise leasehold improvements, information tools and general and specific plant and machinery.
- Depreciation of EUR 1,543 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

3. Right-of-use assets

The following table details its composition and movements:

(Valori in migliaia di Euro)

	Buildings	Car	Other	Total
Net book value as of 01.01.19	**14,849**	**184**	**1,144**	**16,177**
Increases	-	76	-	76
Disposals	-	-	-	-
Translation differencesand other variations	-	-	-	-
Depreciation	(1,340)	(74)	(413)	(1,827)
Net book value as of 31.12.19	**13,509**	**186**	**731**	**14,426**
Increases	-	176	364	540
Disposals	-	-	-	-
Translation differencesand other variations	-	-	-	-
Depreciation	(1,322)	(113)	(392)	(1,827)
Net book value as of 31.12.20	**12,187**	**249**	**703**	**13,139**

The item Buildings includes Activities by right of use relating mainly to shop rental contracts (equal to approximately 63% of the activities by right of use Buildings) and to a residual extent relating to rental contracts for offices and other spaces.

The Company has formalized an impairment test in the manner described previously in paragraph "IFRS 16". In particular, for the Cash Generating Units (CGU), the recoverable value, calculated as the greater of the fair value and use value of the related Cash Generating Unit, has been compared with the net carrying amount. For the 2020 valuation, the expected cash flows and revenues are based on the 2021 Group Budget and on the management estimates for subsequent years, consistently with the duration of the rental contracts. The discount rate used for discounting cash flows is equal to the Company WACC (7.40%).

No impairment situations emerged from the analysis carried out.

4. Equity investments

This caption comprises the investments held in subsidiary and associated companies. A complete list, together with the information requested by Co.N.So.B, is presented in Attachment I.

Equity investments decrease of EUR 6,300 thousand due to following write-downs: EUR 478 thousand of the subsidiary Aeffe UK, EUR 2,360 thousand of the subsidiary Aeffe Shanghai and EUR 3,463 thousand of the subsidiary Aeffe France.

5. Other fixed assets

This caption principally includes amounts due by subsidiaries.

6. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2020 and 2019:

(Values in thousands of EUR)	Receivables		Liabilities	
	2020	2019	2020	2019
Tangible fixed assets	-	-	(17)	(17)
Intangible fixed assets	-	-	(130)	(130)
Provisions	377	268	-	-
Costs deducible in future periods	824	1,069	-	-
Income taxable in future periods	-	-	(185)	(204)
Tax losses carried forward	3,138	-	-	-
Other tax assets (liabilities) from transition to IAS	1,328	1,327	(7,403)	(7,337)
Total	**5,667**	**2,664**	**(7,735)**	**(7,688)**

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

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(17)	-	-	(17)
Intangible fixed assets	(130)	-	-	(130)
Provisions	268	109	-	377
Costs deducible in future periods	1,069	(245)	-	824
Income taxable in future periods	(204)	19	-	(185)
Tax losses carried forward	-	2,569	569	3,138
Other tax assets (liabilities) from transition to IAS	(6,010)	(76)	11	(6,075)
Total	**(5,024)**	**2,376**	**580**	**(2,068)**

The positive variation of EUR 2,376 thousand in the income statement mainly refers to the registration of deferred tax assets on losses.

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

CURRENT ASSETS

7. *Stocks and inventories*

This caption comprises:

(Values in thousands of EUR)	31 December	31 December	Change	
	2020	2019	Δ	%
Raw, ancillary and consumable materials	4,401	5,141	(740)	(14.4%)
Work in progress	3,488	4,143	(655)	(15.8%)
Finished products and goods for resale	23,008	20,427	2,581	12.6%
Advance payments	19	44	(25)	(56.8%)
Total	**30,916**	**29,755**	**1,161**	**3.9%**

The item Inventories equal to Euro 30,916 thousand remains substantially in line with the previous period.

Raw materials and work in progress products mainly concern the Spring/Summer collections 2021, while finished products mainly relate to the Autumn/Winter 2020 and to the Spring/Summer 2021 collections and to the Autumn/Winter 2021 samples collections.

Inventories are valued at the lower of cost and net realizable value.

8. Trade receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Customers receivables	6,483	5,111	1,372	26.8%
Subsidiaries receivables	38,983	52,295	(13,312)	(25.5%)
Parent Company receivables	10	4	6	150.0%
(Allowance for doubtful receivables)	(1,375)	(1,047)	(328)	31.3%
Total	**44,101**	**56,363**	**(12,262)**	**(21.8%)**

Trade receivables amount to EUR 44,101 thousand at 31 December 2020, showing a reduction by 21.8% compared to the value at 31 December 2019, mainly determined by the reduction in receivables from subsidiaries.

The allowance for doubtful receivables was determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

In particular the allowance existing at 31 December 2019 has been used for the amount of EUR 302 thousand to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 630 thousand to allowance for doubtful receivables.

9. Tax receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
VAT	4,038	4,434	(396)	(8.9%)
Corporate income tax (IRES)	3,167	3,544	(377)	(10.6%)
Local business tax (IRAP)	275	375	(100)	(26.7%)
Other tax receivables	103	625	(522)	(83.5%)
Total	**7,583**	**8,978**	**(1,395)**	**(15.5%)**

The variation of tax receivables is mainly due to the decrease of all its types.

10. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Bank and post office deposits	6,217	6,932	(715)	(10.3%)
Cash in hand	23	14	9	64.3%
Total	**6,240**	**6,946**	**(705)**	**(10.1%)**

Bank and postal deposits represent the nominal value of the current account balances with banks, including the interest accrued at period end. Cash and cash equivalents represent the nominal value of the cash held at period end.

As of 31 December 2020, cash and cash equivalents are EUR 705 thousand lower than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Credits for prepaid costs	9,563	12,040	(2,477)	(20.6%)
Advances for royalties and commissions	126	96	30	31.3%
Advances to suppliers	94	307	(213)	(69.4%)
Accrued income and prepaid expenses	546	1,054	(508)	(48.2%)
Other	1,493	1,243	250	20.1%
Total	**11,822**	**14,740**	**(2,918)**	**(19.8%)**

Credits for prepaid costs are related to the costs incurred to design and make samples for the Spring/Summer 2021 and Autumn/Winter 2021 collections, for which the corresponding revenues from sales have not been realised yet. Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

The item "Other" mainly refers to trade receivables for credit notes relating to returns of materials / finished products and discounts on purchases and receivables vs. Social security institutions.

12. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2020 are described below.

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ
Share capital	25,044	25,286	(242)
Share premium reserve	70,144	70,775	(631)
Other reserves	46,257	41,376	4,881
Fair value reserve	7,742	7,742	-
Legal reserve	4,032	3,775	257
IAS reserve	(116)	(116)	-
Reamisurement of defined benefit plans reserve	(785)	(751)	(34)
Profits/(Losses) carried-forward	2,348	2,348	-
Net profit / (loss)	(21,029)	5,138	(26,167)
Total	**133,637**	**155,573**	**(21,936)**

Share capital

Share capital as of 31 December 2020, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2020 the Company holds 7,187,039 treasury shares, representing the 6.694% of its share capital.

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

Share premium reserve

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

Other reserves

The caption records a positive variation as a consequence of the previous year's profit allocation for EUR 4,881 thousand. We specify that reserves haven't changed for income or expenses recognized directly in equity.

Fair value reserve

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

Legal reserve

The legal reserve amounts to EUR 4,032 thousand at 31 December 2020. The increase of 257 thousand is determined by the 5% allocation of the net profit.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1.

Reamisurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2014 (retrospectively), of the amendment to IAS 19, changes of EUR 34 thousand compared to the value at 31 December 2019.

Profits/(Losses) carried-forward

The Profits/(losses) carried-forward at 31 December 2020, amounting to EUR 2,348 thousand, is not changed compared to 31 December 2019.

Net Profit /loss

This caption highlights a net loss of EUR 21,029 thousand.

Information on distributable reserves

The following schedule provides information on the way each equity reserve can be used and/or distributed, together with how they have been used in the past three years.

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	25,044					
Legal reserve	4,032	B				
Share premium reserve:						
- including	68,551	A,B,C	68,551			
- including	1,593	B				
Other reserves:						
- inc. extraordinary reserve	45,853	A,B,C	45,853			
IAS reserve (art.6 D.Lgs. 38/2005)	(116)	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	B				
Remeasurement of defined benefit plans reserve	(785)	B				
Merger reserve	404	B				
Profit/(losses) carried-forward	2,348	A,B,C	2,348			
Total	**154,666**		**116,752**	-	-	-

LEGEND: A (for capital increases); B (to cover losses); C (for shareholder distribution)

Restricted Reserves

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, restricted reserves as of 31 December 2020 amount to EUR 1,302 thousand.

In the absence of freely-distributable reserves or profits, these reserves would be taxable upon distribution.

NON-CURRENT LIABILITIES

13. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2019	Increases	Decreases	31 December 2020
Pensions and similar obligations	55	-	4	59
Other	-	946	-	946
Total	**55**	**946**	**4**	**1,005**

The agents' termination indemnities reflect an estimate of the costs to be incurred on the termination of agency contracts, considering legal requirements and all other useful information, such as historical experience, the average duration of agency contracts and their rate of turnover. The amount stated represents the present value of the payments required to settle the obligation.

The section on "Contingent liabilities" describes the tax contingencies that are not covered by provisions since the Company is unlikely to incur charges in relation to them.

The "Other" provisions refer to the write-downs of the equity investments in Aeffe UK and Aeffe Shanghai, which took place through the allocation to the provision for risks to cover losses for the part of the write-down exceeding the historical cost of the same investments.

14. Post-employment benefits

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

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

The main changes are described below:

(Values in thousands of EUR)	31 December 2019	Increases	Decreases / Other changes	31 December 2020
Post employment benefits	3,389	50	(201)	3,238
Total	**3,389**	**50**	**(201)**	**3,238**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits and the actuarial variation.

15. Non-current financial liabilities

Non-current financial payables are analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Loans from financial institutions	12,450	10,745	1,705	15.9%
Lease liabilities	13,316	14,476	(1,160)	(8.0%)
Amounts due to other creditors	12,252	3,116	9,136	293.2%
Total	**38,018**	**28,337**	**9,681**	**34.2%**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. All other operations are unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice. Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

Lease liabilities relate to the application of IFRS 16.

The amounts due to other creditors mainly refer to bearing loans obtained from the subsidiaries Aeffe Usa and Velmar.

The following table details the bank loans outstanding as of 31 December 2020, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	28,947	16,497	12,450
Total	**28,947**	**16,497**	**12,450**

There are no amounts due beyond five years.

16. Non-current not financial liabilities

Non-current not financial liabilities increase for the detection of a payable for IRES arising following the closure of the patent box file of the company Pollini S.p.A.

CURRENT LIABILITIES

17. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Payables with subsidiaries	38,211	46,495	(8,284)	(17.8%)
Payables with third parties	25,302	32,794	(7,492)	(22.8%)
Total	**63,513**	**79,289**	**(15,776)**	**(19.9%)**

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

This caption decreases of EUR 15,776 thousand compared with the previous year following the drop in purchases.

18. Tax payables

Tax payables are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Amounts due to tax authority for withheld taxes	1,690	1,452	238	16.4%
Total	**1,690**	**1,452**	**238**	**16.4%**

The caption is substantially in line with the previous year.

19. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to banks	46,282	41,802	4,480	10.7%
Lease liabilities	1,626	1,706	(80)	(4.7%)
Total	**47,908**	**43,508**	**4,400**	**10.1%**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

Lease liabilities relate to the application of IFRS 16.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2020	31 December 2019	Change Δ	%
Due to total security organization	2,331	2,036	295	14.5%
Due to employees	1,753	2,353	(600)	(25.5%)
Trade debtors - credit balances	2,145	1,884	261	13.9%
Accrued expenses and deferred income	5	5	-	n.a.
Other	279	401	(122)	(30.4%)
Total	**6,513**	**6,679**	**(166)**	**(2.5%)**

The amounts due to social security institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Company's employees.

Payables to employees decrease mainly due to the use of deferred charges during the year.

COMMENTS ON THE INCOME STATEMENT

COVID-19 PANDEMIC EFFECT

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

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

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

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

Among the main measures undertaken were the request to support employment made available by the government authority to deal with effects of the pandemic.

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

21. Revenues from sales and services

In 2020 revenues amount to EUR 114,379 thousand compared to EUR 161,947 thousand of the year 2019, showing an decrease of 29,4%. Such decrease has interested all brands due to the Covid-19 pandemic.

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

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at point in time" revenues when the asset was transferred to the customer. With regard to the export of goods, the control can be transferred in various stages depending on the type of Incoterm applied to the specific customer. This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

Determination of the transaction price:

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) Full Year 2020	Prêt-à porter Division	Footwear and leather goods Division	Total
Geographical area	**92,170**	**22,209**	**114,379**
Italy	46,524	12,700	59,224
Europe (Italy excluded)	16,514	3,258	19,772
Asia and Rest of the World	25,800	5,207	31,007
America	3,332	1,044	4,376
Brand	**92,170**	**22,209**	**114,379**
Alberta Ferretti	12,801	1,037	13,838
Philosophy	13,052	-	13,052
Moschino	63,488	21,171	84,659
Other	2,829	1	2,830
Distribution channel	**92,170**	**22,209**	**114,379**
Wholesale	92,170	22,209	114,379
Timing of goods and services transfer	**92,170**	**22,209**	**114,379**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	92,170	22,209	114,379

22. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Rental income	3,925	3,953	(28)	(0.7%)
Other income	3,803	4,431	(628)	(14.2%)
Total	**7,728**	**8,384**	**(656)**	**(7.8%)**

The caption other income, which amounts to EUR 3,803 thousand in 2020, mainly refers to exchange gains on commercial transactions, provision of services and sales of raw materials and packaging.

23. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Raw, ancillary and consumable materials and goods for resale	49,489	61,184	(11,695)	(19.1%)
Total	**49,489**	**61,184**	**(11,695)**	**(19.1%)**

This caption mainly reflects the purchase of raw materials, such as fabrics, yarns, hides and accessories, finished products acquired for resale and packaging.

The decrease in this caption is mainly due to fewer productions for the sales decline in 2020.

24. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Subcontracted work	18,044	19,809	(1,765)	(8.9%)
Consultancy fees	7,575	9,865	(2,290)	(23.2%)
Advertising	5,163	4,444	719	16.2%
Commission	3,097	4,931	(1,834)	(37.2%)
Transport	1,729	2,022	(293)	(14.5%)
Utilities	496	560	(64)	(11.4%)
Directors' and auditors' fees	2,311	2,306	5	0.2%
Insurance	160	178	(18)	(10.1%)
Bank charges	187	251	(64)	(25.5%)
Travelling expenses	602	1,071	(469)	(43.8%)
Other services	2,478	2,385	93	3.9%
Total	**41,842**	**47,822**	**(5,980)**	**(12.5%)**

Costs of services decrease from EUR 47,822 thousand in the year 2019 to EUR 41,842 thousand in the year 2020, by 12.5%.

The variation is mainly due to the decrease in “subcontracted work” and “commission” related to the decrease in revenues and to the drop in costs for “consultancy fees” thanks to the efficiency actions implemented following the Covid-19 pandemic.

25. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Rental expenses	359	466	(107)	(23.0%)
Royalties	7,281	10,371	(3,090)	(29.8%)
Hire charges and similar	486	588	(102)	(17.3%)
Total	**8,126**	**11,425**	**(3,299)**	**(28.9%)**

The entry cost of use of third parties assets decrease of EUR 3,299 thousand from EUR 11,425 thousand in 2019 to EUR 8,126 thousand in 2020. This change is mainly attributable to the lower costs for royalties as a result of the decrease in turnover following the pandemic.

26. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019	Change Δ	%
Wages and payrolls	27,496	30,067	(2,571)	(8.6%)
Total	**27,496**	**30,067**	**(2,571)**	**(8.6%)**

Labour costs move from EUR 30,067 thousand in 2019 to EUR 27,496 thousand in 2020 with a decrease of EUR 2,571 thousand.

The change reflects the use of social safety nets and unused vacation periods, in support of employment for the Covid19 emergency.

The applicable national payroll agreement is the textile and clothing sector contract of July 2017.

The average number of employees in 2020 is analysed below:

(Average number of employees by category)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Workers	152	152	-	n.a.
Office staff - supervisors	384	398	(14)	(3.5%)
Executive and senior managers	17	14	3	21.4%
Total	**553**	**564**	**(11)**	**(2.0%)**

27. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Taxes	503	553	(50)	(9.0%)
Gifts	209	343	(134)	(39.1%)
Other operating expenses	1,245	1,072	173	16.1%
Total	**1,957**	**1,968**	**(11)**	**(0.6%)**

The caption other operating expenses moves from EUR 1,968 thousand in 2019 to EUR 1,957 thousand in 2020.

The item "Other operating expenses" mainly includes donations, contributions to trade associations and losses on exchange rates.

28. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Amortisation of intangible fixed assets	541	520	21	4.0%
Depreciation of tangible fixed assets	1,543	1,645	(102)	(6.2%)
Depreciation of right-of-use assets	1,827	1,827	-	0.0%
Write-downs and provisions	13,974	800	13,174	1,646.8%
Total	**17,885**	**4,792**	**13,093**	**273.2%**

The item went from EUR 4,792 thousand in 2019 to EUR 17,885 thousand in 2020 mainly due to write-downs related to the subsidiaries Aeffe UK (EUR 7,186 thousand), Aeffe France (EUR 3,463 thousand) and Aeffe Shanghai no longer operative from 2021 (EUR 2,695 thousand).

The item "Write-downs and provisions" includes both the write-downs of the cost of the investments mentioned above and the additional provisions to the provision for risks to cover losses for the part of the write-down exceeding the historical cost of the investments themselves.

29. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Interest income	180	133	47	35.3%
Financial discounts	-	2	(2)	(100.0%)
Foreign exchange gains	309	10	299	2,990.0%
Financial income	**489**	**145**	**344**	**237.2%**
Bank interest expenses	476	577	(101)	(17.5%)
Foreign exchange losses	89	59	30	50.8%
Other expenses	106	225	(119)	(52.9%)
Financial expenses	**671**	**861**	**(190)**	**(22.1%)**
Leasing interest expenses	461	496	(35)	(7.1%)
Leasing interest expenses	**461**	**496**	**(35)**	**(7.1%)**
Totale	**643**	**1,212**	**(569)**	**(46.9%)**

The decrease is mainly linked to the increase of foreign exchange gains.

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2020	2019	Δ	%
Current income taxes	-	2,448	(2,448)	(100.0%)
Deferred income (expenses) taxes	(2,376)	530	(2,906)	n.a.
Total income taxes	**(2,376)**	**2,978**	**(5,354)**	**n.a.**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.

The effective tax rates for 2019 and 2020 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit before taxes	(23,405)	8,116
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**(5,617)**	**1,948**
Fiscal effect	3,251	1,541
Total income taxes excluding IRAP (current and deferred)	**(2,366)**	**3,489**
IRAP (current and deferred)	**(10)**	**(511)**
Total income taxes (current and deferred)	**(2,376)**	**2,978**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

31. Result per share

Reference earning/(loss)

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

(Values in thousands of EUR) From continuing and discontinued activities	Full Year 2020	Full Year 2019
From continuing activities		
Earning/(loss) for determining basic result per share	(21,029)	5,138
Earning/(loss) for determing result per share	**(21,029)**	**5,138**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,029)**	**5,138**
From continuing and discontinued activities		
Earning/(loss) for the period	(21,029)	5,138
Earning/(loss) from discontinued operations	-	-
Earning/(loss) for determining basic result per share	**(21,029)**	**5,138**
Dilutive effects	-	-
Earning/(loss) for determing dilutive result per share	**(21,029)**	**5,138**
Number of reference share		
Average number of shares for determing result per share	**100,175**	**101,145**
Share options	-	-
Average number of shares for determing diluted result per share	**100,175**	**101,145**

Basic earning/(loss) per share

Net loss attributable to holders of ordinary shares of the Company, amounts to EUR 21,029 thousand (December 2019: EUR +5,138 thousand).

Dilutive earning/(loss) per share

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

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2020 amounts to EUR 706 thousand.

(Values in thousands of EUR)	Full year 2020	Full year 2019
Opening balance (A)	**6,946**	**4,558**
Cash flow (absorbed) / generated by operating activity (B)	(7,101)	6,508
Cash flow (absorbed) / generated by investing activity (C)	(6,757)	(3,232)
Cash flow (absorbed) / generated by financing activity (D)	13,152	(888)
Increase / (decrease) in cash flow (E)=(B)+(C)+(D)	**(706)**	**2,388**
Cclosing balance (F)=(A)+(E)	**6,240**	**6,945**

32. Net cash flow (absorbed)/generated by operating activity

The cash flow absorbed by operating activity during 2020 amounts to EUR 1,101 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Profit before taxes	(23,405)	8,116
Amortisation	17,885	4,792
Accrual (+)/availment (-) of long term provisions and post employment benefits	(147)	(328)
Paid income taxes	(342)	(5,719)
Financial income (-) and financial charges (+)	643	1,212
Change in operating assets and liabilities	(1,735)	(1,565)
Cash flow (absorbed)/ generated by operating activity	**(7,101)**	**6,508**

33. Net cash flow (absorbed)/generated by investing activity

The cash flow absorbed by investing activity during 2020 amounts to EUR 6,757 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Increase (-)/ decrease (+) in intangible fixed assets	(324)	(356)
Increase (-)/ decrease (+) in tangible fixed assets	(425)	(1,741)
Increase (-)/ decrease (+) in right-of-use assets	(540)	(75)
Investments (-)/ Disinvestments (+)	(5,468)	(1,060)
Cash flow (absorbed)/ generated by investing activity	**(6,757)**	**(3,232)**

34. Net cash flow (absorbed)/generated by financing activity

The cash flow generated by financing activity during 2020 amounts to EUR 13,152 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2020	Full Year 2019
Other variations in reserves and profits carried-forward of shareholders' equity	(907)	(679)
Proceeds (+)/repayments (-) of financial payments	15,322	3,470
Proceeds (+)/ repayment (-) of lease payments	(1,240)	(1,661)
Increase (-)/ decrease (+) in long term financial receivables	620	(806)
Financial income (+) and financial charges (-)	(643)	(1,212)
Cash flow (absorbed)/ generated by financing activity	**13,152**	**(888)**

OTHER INFORMATION

35. Incentive plans

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following website: www.aeffe.com.

36. Net financial position

As required by Co.N.So.B communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Company's net financial position as of 31 December 2020 is analysed below:

(Values in thousands of EUR)	31 December 2020	31 December 2019
A - Cash in hand	23	14
B - Other available funds	6,217	6,932
C - Securities held for trading		
D - Cash and cash equivalents (A) + (B) + (C)	*6,240*	*6,946*
E - Short term financial receivables		
F - Current bank loans	(31,411)	(33,390)
G - Current portion of long-term bank borrowings	(16,497)	(10,118)
H - Current portion of loans from other financial istitutions		
I - Current financial indebtedness (F) + (G) + (H)	*(47,908)*	*(43,508)*
J - Net current financial indebtedness (I) + (E) + (D)	*(41,668)*	*(36,562)*
K - Non current bank loans	(38,018)	(28,336)
L - Issued obbligations		
M - Other non current loans		
N - Non current financial indebtedness (K) + (L) + (M)	*(38,018)*	*(28,336)*
O - Net financial indebtedness (J) + (N)	***(79,686)***	***(64,898)***

Net financial position of the Company amounts to EUR 79,686 thousand at December 31, 2020 compared to EUR 64,898 thousand at December 31, 2019. Net financial position, excluding the IFRS 16 effects, is equal to RUR 64,744 thousand.

37. Intercompany transactions

Aeffe S.p.A. also operates via its own direct or indirect subsidiaries. Operations carried out with them mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The effect of these transactions on the individual captions reported in the 2020 and 2019 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2020	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	18,981	894	418	1,614	7,155	2	34
Pollini Group	1,238	3,178	17,056	210	7	-	-
Aeffe Retail Group	17,402	804	32	105	-	-	-
Velmar S.p.A.	384	975	117	1	-	-	(32)
Aeffe Usa Inc.	2,898	3	-	271	-	6	(61)
Aeffe UK L.t.d.	193	2	56	911	-	11	6
Aeffe France S.a.r.l.	(15)	-	56	713	-	11	9
Aeffe Shanghai	107	-	-	758	-	6	-
Aeffe Germany G.m.b.h.	722	-	-	264	-	-	-
Divè	-	20	-	-	-	-	-
Total Group companies	**41,910**	**5,876**	**17,735**	**4,847**	**7,162**	**36**	**(44)**
Total income statement	114,379	7,728	49,489	41,842	8,126	(1,957)	(643)
Incidence % on income statemen	**36.6%**	**76.0%**	**35.8%**	**11.6%**	**88.1%**	**(1.8%)**	**6.8%**

(Values in thousands of EUR) Year 2019	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	26,138	998	103	2,596	9,887	3	(99)
Pollini Group	1,279	3,156	20,805	214	6	2	101
Aeffe Retail Group	23,962	820	119	164		71	
Velmar S.p.A.	395	1,154	695	9			(10)
Aeffe Usa Inc.	4,799	4		368		5	(108)
Aeffe UK L.t.d.	846	6	45	250		16	2
Aeffe France S.a.r.l.	444	1	147	704		15	9
Aeffe Shanghai	577	3		250		9	
Aeffe Germany G.m.b.h.	584	1					1
Divè							
Total Group companies	**59,024**	**6,143**	**21,914**	**4,555**	**9,893**	**121**	**(104)**
Total income statement	161,947	8,384	61,184	47,822	11,425	(1,969)	(1,212)
Incidence % on income statemen	**36.4%**	**73.3%**	**35.8%**	**9.5%**	**86.6%**	**(6.1%)**	**8.6%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2020	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group	-	6,203				21,654
Pollini Group	-	10,266			133	6,778
Aeffe Retail Group	-	9,708				4,522
Velmar S.p.A.	-	2,567		9,400		1,526
Aeffe Usa Inc.	-	304		2,852		450
Aeffe UK L.t.d.	-	2,143	610			967
Aeffe France S.a.r.l.	1,561	4,104				767
Aeffe Japan Inc.	90	464				
Aeffe Shanghai	-	2,481	336			1,283
Aeffe Germany G.m.b.h	-	743				264
Total Group companies	**1,651**	**38,983**	**946**	**12,252**	**133**	**38,211**
Total balance sheet	2,346	44,101	1,005	38,018	380	63,513
Incidence % on balance sheet	**70.4%**	**88.4%**	**94.1%**	**32.2%**	**35.0%**	**60.2%**

(Values in thousands of EUR) Year 2019	Other fixed assets	Trade receivables	Other provisions	Non-current financial liabilities	Non-current not financial liabilities	Trade payables
Moschino Group		6,349				25,175
Pollini Group		17,059				10,094
Aeffe Retail Group		12,094				4,418
Velmar S.p.A.		1,890				4,483
Aeffe Usa Inc.		271		3,116		1,451
Aeffe UK L.t.d.	725	7,048				136
Aeffe France S.a.r.l.	1,411	4,171				444
Aeffe Japan Inc.	60	546				
Aeffe Shanghai		2,148				294
Aeffe Germany G.m.b.h		719				-
Total Group companies	**2,196**	**52,295**	-	**3,116**	-	**46,495**
Total balance sheet	2,664	8,978	7,688	326	39,795	1,452
Incidence % on balance sheet	**82.4%**	**582.5%**	**0.0%**	**954.5%**	**0.0%**	**3,201.4%**

38. Transactions with related parties

Transactions between the Company and related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The following schedule summarises the Company's transactions with other related parties:

(Values in thousands of EUR)	31 December 2020	31 December 2019	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	1,000	1,000	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	284	474	Revenue
Cost of services	50	76	Cost
Property rental	75	50	Cost
Commercial	597	613	Receivable
Ferrim with Aeffe S.p.A.			
Property rental	887	887	Cost

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2020 and 31 December 2019:

(Values in thousands of EUR)	Balance 2020	Value rel. party 2020	%	Balance 2019	Value rel. party 2019	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	114,379	284	0.2%	161,947	474	0.3%
Costs of services	41,842	1,125	2.7%	47,822	1,126	2.4%
Costs for use of third party assets	8,126	887	10.9%	11,425	887	7.8%
Incidence of related party transactions on the balance sheet						
Trade receivables	44,101	597	1.4%	56,363	613	1.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	(7,101)	(1,712)	24.1%	6,508	(1,514)	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(64,744)	(1,712)	2.6%	(48,716)	(1,514)	3.1%

39. Atypical and/or unusual transactions

Pursuant to Co.N.So.B Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2020.

40. Significant non-recurring events and transactions pursuant to the Co.N.So.B regulation of 28 July 2006

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

41. Guarantees and commitments

As of 31 December 2020, the Group has given performance guarantees to third parties totaling EUR 6,099 thousand (EUR 8,243 thousand as of 31 December 2020).

42. Contingent liabilities

Fiscal disputes

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

43. Information pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Co.N.So.B's Issuers' Regulation, shows the fees incurred in 2020 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2020 fees
Audit	RIA GRANT THORNTON S.p.A.	73
Audit non-financial statement (DNF)	BDO ITALIA S.p.A.	37
R&D tax credit certification	RIA GRANT THORNTON S.p.A.	9
Consolidated ESEF financial statements	BDO ITALIA S.p.A.	14
Total		**132**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT	I:	List of investments in subsidiary and other companies
ATTACHMENT	II:	Balance Sheet with related parties
ATTACHMENT	III:	Income Statement with related parties
ATTACHMENT	IV:	Cash Flow Statement with related parties
ATTACHMENT	V:	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding S.r.l. at 31 December 2019

ATTACHMENT I

List of investments in subsidiary companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			8,585,150	591,869	14,196,950	100%	8,585,150	26,593,345
At 31/12/20			8,585,150	(19,301)	14,072,660	100%	8,585,150	26,593,345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			66,817,108	801,194	71,921,250	70%	14,000,000	46,857,175
At 31/12/20			66,817,108	(1,704,938)	109,016,312	70%	14,000,000	46,857,175
Pollini S.p.A.	**Gatteo (FC) Italy**							
At 31/12/19			6,000,000	9,220,240	50,137,023	100%	6,000,000	41,945,452
At 31/12/20			6,000,000	(1,354,088)	58,482,935	100%	6,000,000	41,945,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/19			120,000	4,781,466	11,230,503	100%	60,000	8,290,057
At 31/12/20			120,000	5,586,497	16,817,000	100%	60,000	8,290,057
Foreign companies								
Aeffe France S.a.r.l.	**Parigi (FR)**							
At 31/12/19			50,000	(713,266)	(1,303,670)	100%	n.d. *	5,018,720
At 31/12/20			50,000	1,235	(1,302,435)	100%	n.d. *	1,555,820
Aeffe UK L.t.d.	**Londra (GB)**							
At 31/12/19		GBP	310,000	(1,480,899)	(5,239,793)	100%	n.d. *	
			346,562	(1,687,057)	(6,158,666)	100%	n.d. *	478,400
At 31/12/20		GBP	310,000	4,870,175	(369,618)	100%	n.d. *	
			346,562	5,473,952	(411,143)	100%	n.d. *	-
Aeffe USA Inc.	**New York (USA)**							
At 31/12/19		USD	600,000	74,213	11,670,076	100%	n.d. *	
			524,017	66,291	10,388,175	100%	n.d. *	10,664,812
At 31/12/20		USD	600,000	118,542	11,788,618	100%	n.d. *	
			524,017	103,784	9,606,893	100%	n.d. *	10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**							
At 31/12/19		JPY	3,600,000	(3,067,173)	(287,404,246)	100%	n.d. *	-
			28,605	(25,140)	(2,356,932)	100%	n.d. *	-
At 31/12/20		JPY	3,600,000	(3,227,909)	(290,632,155)	100%	n.d. *	
			28,605	(26,492)	(2,297,669)	100%	n.d. *	
Aeffe Shanghai	**Shanghai (China)**							
At 31/12/19		CNY	10,000,000	(5,993,626)	5,473,535	100%	n.d. *	
			28,605	(774,821)	699,887	100%	n.d. *	2,359,548
At 31/12/20		CNY	10,000,000	(5,622,025)	(148,490)	100%	n.d. *	
			28,605	(713,935)	(18,509)	100%	n.d. *	-
Aeffe Germany G.m.b.h.	**Metzingen (Germany)**							
At 31/12/19			25,000	(19,679)	5,321	100%	n.d. *	25,000
At 31/12/20			25,000	(219,519)	(214,198)	100%	n.d. *	25,000
Total interests in subsidiaries:								**135,931,661**

* quota

List of investments in other companies

requested by Co.N.So.B Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital	Net profit for the period	Net equity	Direct interest	Number of shares	Book value
(VAtues in units of EUR)								
In other companies								
Conai								
At 31/12/19								109
At 31/12/20								109
Caaf Emilia Romagna								
Al 31/12/19						0.688%	5,000	2,600
Al 31/12/20						0.688%	5,000	2,600
Assoform								
At 31/12/19						1.670%	n.d. *	1,667
At 31/12/20						1.670%	n.d. *	1,667
Consorzio Assoenergia Rimini								
At 31/12/19						2.100%	n.d. *	516
At 31/12/20						2.100%	n.d. *	516
Effegidi								
At 31/12/19								6,000
At 31/12/20								6,000
TotAt interests in other companies:								**10,892**
* quota								
Total interests:								**135,942,553**

ATTACHMENT II

Balance Sheet, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Trademarks		2,771		2,897	
Other intangible fixed assets		669		761	
Intangible fixed assets	(1)	3,440		3,658	
Lands		17,320		17,320	370
Buildings		22,112		22,657	
Leasehold improvements		767		902	
Plant and machinery		1,535		1,834	
Equipment		64		73	
Other tangible fixed assets		643		773	
Total tangible fixed assets	(2)	42,441		43,558	
Right-of-use assets	(3)	13,139		14,426	
Equity investments	(4)	135,943	135,932	142,243	142,233
Other fixed assets	(5)	2,346	1,651	2,965	2,196
Deferred tax assets	(6)	5,667		2,664	
NON-CURRENT ASSETS		**202,975**		**209,514**	
Stocks and inventories	(7)	30,916		29,755	
Trade receivables	(8)	44,101	39,580	56,363	52,908
Tax receivables	(9)	7,583		8,978	
Cash	(10)	6,240		6,946	
Other receivables	(11)	11,822		14,740	
CURRENT ASSETS		**100,662**		**116,782**	
TOTAL ASSETS		**303,638**		**326,296**	
Share capital		25,044		25,286	
Other reserves		127,274		122,801	
Profits / (Losses) carried-forward		2,348		2,348	
Net profit / loss		(21,029)		5,138	
SHAREHOLDERS' EQUITY	**(12)**	**133,637**		**155,573**	
Provisions	(13)	1,005	946	55	
Deferred tax liabilities	(5)	7,735		7,688	
Post employment benefits	(14)	3,238		3,389	
Long term financial liabilities	(15)	38,018	12,252	28,337	3,116
Long term not financial liabilities	(16)	380	133	326	
NON-CURRENT LIABILITIES		**50,376**		**39,795**	
Trade payables	(17)	63,513	38,211	79,289	46,495
Tax payables	(18)	1,690		1,452	
Short term financial liabilities	(19)	47,908		43,508	
Other liabilities	(20)	6,513		6,679	
CURRENT LIABILITIES		**119,625**		**130,928**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**303,638**		**326,296**	

ATTACHMENT III

Income Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full year 2020	of which related parties	Full year 2019	of which related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**114,379**	**42,194**	**161,947**	**59,498**
Other revenues and income	(22)	7,728	5,876	8,384	6,143
TOTAL REVENUES		**122,107**		**170,331**	
Changes in inventory		1,926		(3,743)	
Costs of raw materials, cons. and for resale	(23)	(49,489)	(17,735)	(61,184)	(21,914)
Costs of services	(24)	(41,842)	(5,972)	(47,822)	(5,681)
Costs for use of third parties assets	(25)	(8,126)	(8,049)	(11,425)	(10,780)
Labour costs	(26)	(27,496)		(30,067)	
Other operating expenses	(27)	(1,957)	(36)	(1,969)	(121)
Amortisation and write-downs	(28)	(17,885)		(4,792)	
Financial income/(expenses)	(29)	(643)	(44)	(1,212)	(104)
PROFIT / LOSS BEFORE TAXES		**(23,405)**		**8,116**	
Income taxes	(30)	2,376		(2,978)	
NET PROFIT / LOSS		**(21,029)**		**5,138**	

ATTACHMENT IV

Cash Flow Statement, with related parties

Pursuant to Co.N.So.B Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2020	of which related parties	Full Year 2019	of which related parties
Opening balance		**6,946**		**4,558**	
Profit before taxes		(23,405)		8,116	
Amortisation / write-downs		17,885		4,792	
Accrual (+)/availment (-) of long term provisions and post employment bei		(147)		(328)	
Paid income taxes		(342)		(5,719)	
Financial income (-) and financial charges (+)		643		1,212	
Change in operating assets and liabilities		(1,735)	5,044	(1,565)	3,036
Cash flow (absorbed) / generated by operating activity	**(32)**	**(7,101)**		**6,508**	
Increase (-)/ decrease (+) in intangible fixed assets		(324)		(356)	
Increase (-)/ decrease (+) in tangible fixed assets		(425)	(370)	(1,741)	(370)
Increase (-)/ decrease (+) in right-of-use assets (1)		(540)		(75)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(5,468)	6,302	(1,060)	(1,060)
Cash flow (absorbed) / generated by investing activity	**(33)**	**(6,757)**		**(3,232)**	
Variations in shareholders' equity		(907)		(679)	
Proceeds (+)/repayments (-) of financial payments		15,322	9,136	3,470	(1,967)
Proceeds (+)/ repayment (-) of lease payments		(1,240)		(1,661)	
Increase (-)/ decrease (+) in long term financial receivables		620		(806)	
Financial income (+) and financial charges (-)		(643)		(1,212)	
Cash flow (absorbed) / generated by financing activity	**(34)**	**13,152**		**(888)**	
Closing balance		**6,240**		**6,946**	

ATTACHMENT V

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

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

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

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

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

of the administrative and accounting procedures applied in the preparation of the statutory financial statements at 31 December 2020.

The undersigned moreover attest that the statutory financial statements:

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

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

18 March 2021

President of the board of directors

Massimo Ferretti

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

Marcello Tassinari

ALLEGATO "C" AL REP. 5055 RACC. 3425

VOTI DEGLI AZIONISTI PRESENTI ALL'ASSEMBLEA **AEFFE S.P.A.** **DEL 28/04/2021**

Progr	Azionista	In Rappresentanza	Delegato	Favorevoli	Contrari	Astenuti	Non votanti
1	FRATELLI FERRETTI HOLDING SRL		FEDERICO TORRESI	66.347.690			
2	ACOMEA PATRIMONIO ESENTE		FEDERICO TORRESI			92.550	
3	GENERALI SMART FUNDS		FEDERICO TORRESI		67.455		
3	GENERALI SMART FUNDS		FEDERICO TORRESI		48.520		
4	AZIMUT CAPITAL MANAGEMENT SGR S.P.A		FEDERICO TORRESI		33.678		
5	JHF II INT'L SMALL CO FUND		FEDERICO TORRESI		24.188		
6	ISHARES VII PLC		FEDERICO TORRESI		13.781		
7	AMERICAN CENTURY ETF TRUST-AVANTIS INTERNATIONAL SMALL CAP VALUE		FEDERICO TORRESI		11.876		
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI		5.688		
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI		4.566		
9	AZ FUND 1 AZ EQUITY ITALIAN SMALL MID CAP		FEDERICO TORRESI		3.775		
10	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM		FEDERICO TORRESI		2.896		
11	AMERICAN CENTURY ETF TRUST AVANTIS INT SMALL CAP VALUE FUND		FEDERICO TORRESI		1.917		
12	TRUST II BRIGHTHOUSEDIMENSIONALINT SMALL COMPANY PORTFOLIO		FEDERICO TORRESI		1		
13	DFA INTERNATIONAL SMALL CAP VALUE PNS GROUP INC		FEDERICO TORRESI		1		

Progr	Azionista	In Rappresentanza	Delegato	Favorevoli	Contrari	Astenuti	Non votanti

ASSEMBLEA ORDINARIA

SUL PUNTO ALL'ORDINE DEL GIORNO: 4.1-DELIBERAZIONI IN MERITO ALLA PRIMA SEZIONE DELLA RELAZIONE AI SENSI DELL'ART. 123-TER C.3-BIS DEL D.LGS. 58/98.

SONO PRESENTI O RAPPRESENTATI IN QUESTO MOMENTO N. 13 AZIONISTI RAPPRESENTANTI COMPLESSIVE N. 66.658.582 AZIONI PARI AL 62,087 DEL CAPITALE SOCIALE.

SONO FAVOREVOLI	n.ro	1	AZIONISTI	PER n.ro	66.347.690	AZIONI	PARI AL	99,534%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO CONTRARI	n.ro	11	AZIONISTI	PER n.ro	218.342	AZIONI	PARI AL	0,328%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO ASTENUTI	n.ro	1	AZIONISTI	PER n.ro	92.550	AZIONI	PARI AL	0,139%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
NON PRENDONO PARTE ALLA VOTAZIONE	n.ro	0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE VOTANTI:		13	AZIONISTI	PER n.ro	66.658.582	AZIONI	PARI AL	100,000%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE NON VOTANTI:		0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA

VOTI DEGLI AZIONISTI PRESENTI ALL'ASSEMBLEA AEFFE S.P.A. DEL 28/04/2021

ALLEGATO "D" AL REP. 5055 RACC. 3425

Progr	Azionista	In Rappresentanza	Delegato	Favorevoli	Contrari	Astenuti	Non votanti
1	FRATELLI FERRETTI HOLDING SRL		FEDERICO TORRESI	66.347.690			
2	ACOMEA PATRIMONIO ESENTE		FEDERICO TORRESI			92.550	
3	GENERALI SMART FUNDS		FEDERICO TORRESI		67.455		
3	GENERALI SMART FUNDS		FEDERICO TORRESI		48.520		
4	AZIMUT CAPITAL MANAGEMENT SGR S.P.A		FEDERICO TORRESI	33.678			
5	JHF II INT'L SMALL CO FUND		FEDERICO TORRESI	24.188			
6	ISHARES VII PLC		FEDERICO TORRESI	13.781			
7	AMERICAN CENTURY ETF TRUST-AVANTIS INTERNATIONAL SMALL CAP VALUE		FEDERICO TORRESI	11.876			
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI	5.688			
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI	4.566			
9	AZ FUND 1 AZ EQUITY ITALIAN SMALL MID CAP		FEDERICO TORRESI	3.775			
10	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM		FEDERICO TORRESI		2.896		
11	AMERICAN CENTURY ETF TRUST AVANTIS INT SMALL CAP VALUE FUND		FEDERICO TORRESI	1.917			
12	TRUST II BRIGHTHOUSEDIMENSIONALINT SMALL COMPANY PORTFOLIO		FEDERICO TORRESI	1			
13	DFA INTERNATIONAL SMALL CAP VALUE PNS GROUP INC		FEDERICO TORRESI	1			

Progr	Azionista	In Rappresentanza	Delegato	Favorevoli	Contrari	Astenuti	Non votanti

ASSEMBLEA ORDINARIA

SUL PUNTO ALL'ORDINE DEL GIORNO: 4.2-DELIBERAZIONI IN MERITO ALLA SECONDA SEZIONE DELLA RELAZIONE AI SENSI DELL'ART. 123-TER C.6 DEL D.LGS. 58/98.

SONO PRESENTI O RAPPRESENTATI IN QUESTO MOMENTO N. 13 AZIONISTI RAPPRESENTANTI COMPLESSIVE N. 66.658.582 AZIONI PARI AL 62,087 DEL CAPITALE SOCIALE.

SONO FAVOREVOLI	n.ro	10	AZIONISTI	PER n.ro	66.447.161	AZIONI	PARI AL	99,683%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO CONTRARI	n.ro	2	AZIONISTI	PER n.ro	118.871	AZIONI	PARI AL	0,178%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO ASTENUTI	n.ro	1	AZIONISTI	PER n.ro	92.550	AZIONI	PARI AL	0,139%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
NON PRENDONO PARTE ALLA VOTAZIONE	n.ro	0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE VOTANTI:		13	AZIONISTI	PER n.ro	66.658.582	AZIONI	PARI AL	100,000%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE NON VOTANTI:		0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA

ALLEGATO "E" AL REP 5055 RACC. 3425

VOTI DEGLI AZIONISTI PRESENTI ALL'ASSEMBLEA AEFFE S.P.A. DEL 28/04/2021

Progr	Azionista	In Rappresentanza	Delegato	Favorevoli	Contrari	Astenuti	Non votanti
1	FRATELLI FERRETTI HOLDING SRL		FEDERICO TORRESI	66.347.690			
2	ACOMEA PATRIMONIO ESENTE		FEDERICO TORRESI			92.550	
3	GENERALI SMART FUNDS		FEDERICO TORRESI	67.455			
3	GENERALI SMART FUNDS		FEDERICO TORRESI	48.520			
4	AZIMUT CAPITAL MANAGEMENT SGR S.P.A		FEDERICO TORRESI	33.678			
5	JHF II INT'L SMALL CO FUND		FEDERICO TORRESI	24.188			
6	ISHARES VII PLC		FEDERICO TORRESI	13.781			
7	AMERICAN CENTURY ETF TRUST-AVANTIS INTERNATIONAL SMALL CAP VALUE		FEDERICO TORRESI	11.876			
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI	5.688			
8	ALASKA PERMANENT FUND CORPORATION		FEDERICO TORRESI	4.566			
9	AZ FUND 1 AZ EQUITY ITALIAN SMALL MID CAP		FEDERICO TORRESI	3.775			
10	OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM		FEDERICO TORRESI	2.896			
11	AMERICAN CENTURY ETF TRUST AVANTIS INT SMALL CAP VALUE FUND		FEDERICO TORRESI	1.917			
12	TRUST II BRIGHTHOUSEDIMENSIONALINT SMALL COMPANY PORTFOLIO		FEDERICO TORRESI	1			
13	DFA INTERNATIONAL SMALL CAP VALUE PNS GROUP INC		FEDERICO TORRESI	1			

Progr Azionista In Rappresentanza Delegato Favorevoli Contrari Astenuti Non votanti

ASSEMBLEA ORDINARIA

SUL PUNTO ALL'ORDINE DEL GIORNO: 5-PROPOSTA DI AUTORIZZAZIONE AL CONSIGLIO DI AMMINISTRAZIONE PER L'ACQUISTO E LA DISPOSIZIONE DI AZIONI PROPRIE; DELIBERAZIONI INERENTI E CONSEGUENTI.

SONO PRESENTI O RAPPRESENTATI IN QUESTO MOMENTO N. 13 AZIONISTI RAPPRESENTANTI COMPLESSIVE N. 66.658.582 AZIONI PARI AL 62,087 DEL CAPITALE SOCIALE.

SONO FAVOREVOLI	n.ro	12	AZIONISTI	PER n.ro	66.566.032	AZIONI	PARI AL	99,861%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO CONTRARI	n.ro	0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
SONO ASTENUTI	n.ro	1	AZIONISTI	PER n.ro	92.550	AZIONI	PARI AL	0,139%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
NON PRENDONO PARTE ALLA VOTAZIONE	n.ro	0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE VOTANTI:		13	AZIONISTI	PER n.ro	66.658.582	AZIONI	PARI AL	100,000%	DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA
TOTALE NON VOTANTI:		0	AZIONISTI	PER n.ro		AZIONI	PARI AL		DEL CAP. SOCIALE PRESENTE IN ASSEMBLEA