

VICENZA

FOPE

DAL 1929

FOPE: THE BOARD OF DIRECTORS APPROVES THE CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2020

- Revenues: Euro 10.2 million (1H 2019: Euro 15.5 million)
- EBITDA: Euro 0.74 million (1H 2019: Euro 3.20 million)
- Net Profit: Euro -0.10 million (1H 2019: Euro 1.86 million)
- Net Financial Position: Euro 4.17 million (FY 2019: Euro 0.09 million)
- Equity: Euro 20.87 million (FY 2019: Euro 20.77 million)

Vicenza, 17th September 2020

The Board of Directors of FOPE (FPE:IM), an Italian goldsmith company, leading player in the high-end jewellery sector, listed on AIM Italia market, has approved today the Interim Consolidated Financial Statements at 30 June 2020, subject to a limited audit.

Diego Nardin, Chief Executive Officer of **FOPE**: *“The results recorded in the last financial years which showed an increase in sales volume, represent a valid indicator for expressing a positive opinion on the business model and on the strategies pursued. Actions on key levers of success that have supported growth are long-term phenomena that act with increasingly positive effects on the perception of the brand by the market and self-feed development. The experiences gained from handling the Covid-19 health emergency and the consequent assessments of the behaviour of the markets and of the industry, have confirmed the validity of the strategies pursued, which do not need revising and will be the guideline for the Company’s actions to be implemented in order to overcome the passing phase and continue to develop in the coming years. To affirm the brand, the Company undertook, even during the first half year of 2020, marketing and communication activities to support the distribution network. A FOPE boutique opened on Lake Maggiore, 2 new Shop in Shops (customised corners) were created inside sales points of important customers and another 4 are planned for the second half of the year. The opening of a FOPE Show Room is also planned for November 2020 at the headquarters of our customer in Kuala Lumpur. For the current year, in the light of the results of the first half of 2020 and the good order backlog situation, we estimate an extraordinary reduction in volumes, with a structure of primary sales margins not suffering contractions and maintaining 2019 pre-Covid levels. This element, combined with the cost containment actions implemented, allows us to estimate an EBITDA margin position of 9/10% and a positive economic result.”*

Consolidated highlights at 30 June 2020

The results as of 30 June 2020 need to be read critically, as the Covid-19 health emergency involved all the markets in which the Company operates, albeit with different timescales for entry into lockdown and subsequent recovery. The FOPE shops in Venice and London remained closed and have also recorded an halt in sales. All the trade fairs were cancelled with the exception of the Vicenza trade fair in January 2020. The Company complied with a closure period of the headquarters in

Vicenza from 14 March until 4 May 2020, during which the production and shipment operations remained at a standstill, while administrative, sales and marketing tasks continued with *home working* arrangements.

Net Revenues amounted to Euro 10.17 million compared to Euro 15.53 million in the first half of 2019. In the three months prior to the lockdown, the sales activity generated excellent results, higher if compared with the same period in 2019 and allowed, in particular, to collect a significant volume of orders processed since the reopening of the headquarters after 5th May 2020. This element has allowed to limit the reduction in revenue for the half-year compared to the previous year, despite the halt imposed by the closures. To be noted, as a positive element, is that customer shops have not canceled orders placed before the emergency, or at least only in a very few non meaningful cases.

EBITDA amounted to Euro 0.74 million compared to Euro 3.20 in the first half of 2019. To balance the negative effects of the expected reduction in volumes on the contribution to meet *overheads*, any possible cost cutting interventions have been put in place and expenditure and investment budget commitments have been revised, in particular, mention should be made about the access to the institute of the Ordinary Wage Guarantee Fund (Cassa Integrazione Guadagni Ordinaria, CIGO) adopted to ease the burden of the labour costs. The budget for communication and marketing activities has been cut compared to the initial budget assumptions and the expenditure incurred in the first half of 2019, albeit with regard to the strategic importance of the function and therefore by maintaining several activities and initiatives deemed necessary to maintain and consolidate the brand's position and visibility.

EBIT totalled Euro 0.004 million compared to Euro 2.57 million in the first half of 2019, after depreciation and amortisation amounting to Euro 0.74 million (Euro 0.63 million in the first half of 2019).

Pre-tax profit is equal to Euro -0.16 million compared to Euro 2.43 million in the first half of 2019, after financial income and charges amounting to Euro 0.16 million (Euro 0.13 million in the first half of 2019).

Net Profit totalled Euro -0.10 million compared to Euro 1.86 million in the first half of 2019.

The **Net Financial Position** as of 31/12/2019, equal to Euro 0.09 million with cash available amounting to Euro 9.3 million, allowed the Company to easily manage its treasury commitments for the half-year in accordance with the deadlines with all suppliers, in particular, the completion of the investment to expand the headquarters in Vicenza and other investments (amounting to Euro 0.70 million) as well as the loan repayment plans. In anticipation of the potential criticality generated from the health emergency, when approving the 2019 Financial Statements the shareholders decided not to proceed with the distribution of profits and to carry the whole amount for 2019 over to equity reserves. Collections from customers, potentially the financial effect most sensitive to the stop required by the emergency, were regular until the end of March and in the following months performed better compared to the estimated collections forecasts which helped to maintain positive cash flow management. An amount of Euro 2.7 million of cash has been used to increase the warehouse stock of fine gold, purchased in better conditions than current market values.

The Company took the loan offer provided by government decrees and guaranteed by Mediocredito accessing a loan for an amount of Euro 4.0 million with a repayment plan over 60 months.

As of 30 June 2020, the Net Financial Position is equal to Euro 4.17 million, with cash and cash equivalents of Euro 8.16 million: the forecasts for the second half-year confirm easy treasury management for liquidity and its capable of meeting the Company's financial commitments.

Equity stood at Euro 20.87 million compared to Euro 20.77 million at 31/12/2019.

Outlook

The health emergency and the consequent negative effects on the economy and on the sector the Company belongs to are not over yet, some markets are gradually returning to normal operation, in particular, Northern European markets, while other markets of interest to the Company, in particular America, are still deeply affected by the effects of Covid-19, many shops are still closed with limited sales opportunities.

The element of uncertainty over the timing of the actual recovery of markets does not permit accurate estimates on sales volumes to be made for the current year and the potential contraction compared to 2019; our expectation, which is also supported by estimates for the sector, is an extraordinary reduction in volumes, albeit the structure of primary sales margins has not suffered contractions and maintained 2019 pre-Covid levels. This element, combined with the cost cutting actions put in place, makes it possible to envisage an EBITDA margin position of 9/10% and a positive economic result for the 2020 year-end.

The good position of the progressive orders backlog on the approval date of the Interim Consolidated Financial Statements are buoyed by achieving the indicated expectation.

Investor Relations Manager

In compliance with the new provisions of Borsa Italiana concerning the amendments to the AIM Italia Issuers' Regulations, which state the appointment of the *Investor Relations Manager*, the Board of Directors has confirmed Diego Nardin in the above-mentioned role. FOPE is assisted by IR Top Consulting as *IR Advisor*.

Meeting with the financial community – AIM Investor Day

FOPE announces that, on 1st October 2020, it will attend the AIM Investor Day, the online road-show organised by IR Top Consulting. The Chief Executive Officer, Diego Nardin, will show the financial results and the strategic development of the Company. The Corporate Presentation will be made available on the website www.fopegroup.com in the Investor Relations section. Compulsory subscription for the Financial Community to the following **link**.

This press release is available on the websites www.fopegroup.com and www.info.it

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FOPE (FPE:IM) is a historic Italian jewellery company established in Vicenza in 1929 and a leader in the fine jewellery market. With Euro 35 million in revenues in 2019, 46 employees, and a strong international presence (it generates 82% of its revenues abroad), FOPE pursues a strategic growth project based on expanding and consolidating the brand in the international luxury market by leveraging 4 competitive advantages: product quality, perfect combination of Made-in-Italy craftsmanship and technology, recognisable design, and long-standing customer relationships. FOPE operates globally through a well-established and select network of over 600 stores in 50 countries (with a direct presence in the US, Arab, and UK markets through the subsidiaries FOPE USA Inc., FOPE Services DMCC, and FOPE Jewellery Limited, respectively). The business model focuses on maintaining direct business relationships with multi-brand jewellery retailers (either independent or part of groups) that specialise in luxury products such as fine jewellery and watches. FOPE does not work with intermediaries: instead, it enters into direct partnerships that ensure the loyalty and reliability of the customer/retailer as well as an outstanding after-sale service. In 2015, the Company opened its first mono-brand store in Venice's Piazza San Marco and in 2019 a flagship boutique in the prestigious Old Bond Street in London. The entire production cycle—from prototyping to the shipping of finished jewels to over 50 countries—takes place inside the headquarters in Vicenza. FOPE's investments in R&D have led to an extremely high level of standardisation and automation, with proprietary technology that allows to optimise processes and times in order to deliver products of world-class quality. FOPE's jewels range from timeless classics featuring the iconic Novecento mesh to the more recent Flex'it lines, which include the original bracelets made flexible thanks to a patented system of tiny gold springs embedded in the mesh—strikingly elegant collections that always stand out in terms of comfort and portability. FOPE has obtained the voluntary TF (Traceability & Fashion) certification and is a certified member of the Responsible Jewellery Council.

ISIN of FOPE common shares: IT0005203424 –ISIN of “FOPE POC 4,5% 2016-2021”: IT0005203671

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FOPE

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CONSOLIDATED INCOME STATEMENT AS OF 30 JUNE 2020

Euro	30/06/2020	30/06/2019
Revenue	10,172,517	15,531,464
Other revenue and income	199,639	502,121
External costs	8,069,127	10,955,688
Added value	2,303,029	5,077,897
Personnel costs	1,559,863	1,877,902
EBITDA	743,166	3,199,995
Depreciation and amortisation	739,050	634,891
EBIT	4,116	2,565,104
Financial income and charges	(159,634)	(132,690)
Pre-tax profit	(155,517)	2,432,414
Earnings before Tax	(57,723)	575,189
Net profit	(97,794)	1,857,225

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CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2020

Euro	30/06/2020	31/12/2019
Net intangible fixed assets	2,324,949	2,545,614
Net tangible fixed assets	10,269,053	10,069,456
Holdings/equity and other financial fixed assets	10	10
Non-current assets	12,594,011	12,615,080
Warehouse stock	9,398,705	6,202,041
Trade receivables	5,537,409	8,295,128
Current receivables	1,606,668	1,793,771
Cash flow hedging op. cr. position	1,548,009	1,356,226
Short-term assets for the year	18,090,792	17,647,166
Trade payables	2,010,569	5,668,042
Current liabilities	672,037	767,393
Short-term liabilities for the year	2,682,606	6,435,435
Net working capital	15,408,186	11,211,731
Severance pay fund	938,309	869,491
End-of-mandate indemnity fund and other funds	1,929,288	1,926,468
Expected cash flow hedging op. fund	90,959	167,235
Provisions for risks and non-current charges	2,958,556	2,963,194
Total assets	25,043,641	20,863,617
Share capital and equity reserve	(19,821,815)	(19,919,314)
Expected cash flow hedging op. reserve	(1,048,122)	(852,821)
Shareholders' equity	(20,869,937)	(20,772,135)
Medium to long-term financial position	(8,696,370)	(5,630,087)
Short-term financial position	4,522,664	5,538,605
Net financial position	(4,173,706)	(91,482)
Equity and net financial position	25,043,643	20,863,617

CONSOLIDATED NET FINANCIAL POSITION AS OF 30 JUNE 2020

Euro	30/06/2020	31/12/2019
Net Position short Bank reports and cash values	8,164,907	9,313,974
Short-term financial position	(3,642,244)	(3,775,369)
Net short-term financial position	4,522,663	5,538,605
Convertible Bond (CB - POC)	(206,400)	(206,400)
Medium to long-term financial position	(8,489,970)	(5,423,687)
Net financial position	(4,173,707)	(91,482)

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CONSOLIDATED CASH FLOW STATEMENT AS OF 30 JUNE 2020

Euro	30/06/2020	31/12/2019
Profit for the year	(97,794)	4,847,023
Portion of amortisation	739,050	1,348,416
Change in severance pay and end-of-mandate indemnity funds	97,834	67,675
Gross self-financing	739,091	6,263,114
Change in trade receivables	2,770,249	(392,078)
Change in other short-term receivables	185,155	(1,025,190)
Change in inventories	(3,196,665)	(498,385)
Change in short-term payables	(3,791,261)	1,169,452
Changes in net working capital	(4,032,522)	(746,201)
Cash flow generated by operations	(3,293,431)	5,516,913
Change tangible and intangible fixed assets	(717,983)	(4,859,332)
Change financial fixed assets	1,948	198,980
M/L term financing reimbursement	(1,066,843)	(3,005,287)
Uses of financing	(1,782,878)	(7,665,639)
Financing acquisition	4,000,000	4,530,000
Convertible bonds issue	0	(993,600)
Changes shareholders'equity reserve	0	(621,694)
Sources of financing	4,000,000	2,914,706
Cha. expected cash flow hedging op. cr. pos.	(191,783)	(819,460)
Cha. expected cash flow hedging op. fund	(76,276)	45,560
Cha. expected cash flow hedging op. reserve	195,301	558,286
Cha. expected cash flow hedging op. positions	(72,758)	(215,614)
Net cash flow	(1,149,067)	550,366
Net position banking relationships as at 30/06/2020	7,414,908	
Net position banking relationships as at 31/12/2019	8,563,975	8,563,975
Net position banking relationships as at 31/12/2018		8,013,609
Change net financial position	(1,149,067)	550,366