

LA PERLA

FASHION HOLDING N.V.

La Perla Fashion Holding N.V.
Registered office: Schiphol Boulevard 127, G4.02, 1118 BG Schiphol, the Netherlands

October 29, 2020

Interim results for the six months ended 30 June 2020

La Perla Fashion Holding N.V. (“La Perla” and together with its consolidated subsidiaries, the “Group”), a luxury fashion holding company incorporating La Perla, a leading designer, manufacturer and retailer of luxury lingerie, nightwear and swimwear, and La Perla Beauty, announces results for the six months ended 30 June 2020.

Financial Overview – Consolidated La Perla Group

€ 000 unless stated	Six months ended 30 June 2020	Six months ended 30 June 2019 ⁽¹⁾
	Actual	Restated ⁽¹⁾
Revenue	27,531	40,314
Retail	22,690	36,244
Wholesale	4,615	3,363
Other	226	707
Gross profit	13,840	16,957
<i>Gross profit margin (%)</i>	50	42
Operating Expenses	(34,912)	(38,666)
EBITDA ⁽²⁾	(21,072)	(21,709)
Operating profit/(loss)	(31,143)	(35,663)
Profit/(loss) for the year	(41,300)	(44,482)
Earnings (loss) per share in €	(0.3852)	(0.4305)
Net cash generated from operating activities ⁽³⁾	(19,544)	(25,898)
Total non-current liabilities	240,084	218,037
Total current liabilities	66,301	58,691
Cash and cash equivalents	5,862	11,443
Net financial debt ⁽⁴⁾	155,800	121,218
Liabilities related to IFRS 16 ⁽⁵⁾	90,057	99,112

(1) Reflects adoption of IFRS 16 during the period.

(2) EBITDA is calculated as Operating Profit/Loss before amortization and depreciation and write-offs

(3) Lease payments of €8.8 million in HY 2020 and €12.9 million in HY 2019 (restated) are categorized under Cash flow from financing activities

(4) Net financial debt calculated as Long term borrowings plus Short term borrowings minus Cash and cash equivalents. It excludes Financial lease liabilities

(5) Refers to Financial lease liabilities

Financial review

Although management was encouraged by a continuation of the second half of 2019’s positive trends during the first few weeks of 2020, the Covid-19 crisis significantly affected results during the first half of 2020. The

pandemic brought disruption across the business from the closure of a majority of physical stores for extended periods to supply chain interruptions.

Revenue declined 32%, from €40.3 million to €27.5 million. By channel:

- Retail revenue reduced 37%, approximately 33% on a like-for-like basis
 - Ecommerce outperformed physical boutiques and concessions, up high teens
 - By region, Asia outperformed both EMEA and North America
- Wholesale revenue increased approximately 40%, largely driven by improved first quarter performance against poor deliveries in the previous year

Gross margin increased from 42% to 50%, benefitting a reversal of inventory provisions and a greater proportion of full-price sales, partially offset by increased inventory clearance activity, in the 2020 period relative to 2019.

Operating expenses decreased from €38.7 million in the 2019 period to €34.9 million in 2020. This was driven by reduced marketing and selling expenses largely related to store closures, partially offset by increased G&A expenses due to incremental IT investment and the initial operating expenses of La Perla Beauty.

Depreciation, amortization and write-off decreased from €14.0 million in the 2019 period to €10.1 million in 2020. The reduction was primarily a product of rent concessions and a smaller store portfolio in the 2020 period.

The improvement in operating loss resulted from the above factors.

Outlook, Going Concern and Financing

Given the ongoing Covid-19 crisis and the uncertainty in relation to further impact on the economy and consumer spending, the Group cannot adequately determine the future effect on its business. Therefore, La Perla is currently not providing forward guidance. However, La Perla has concluded that it is appropriate to adopt the going concern basis of accounting in preparing the interim results for the six months ended 30 June 2020.

Among others, La Perla's financing arrangements include a loan by Tennor Holding B.V. and La Perla Fashion Finance B.V. in the aggregate principal amount of up to €250 million, which does not mature over the next 12 months. The total amount outstanding under this loan stands at €161.2 million as of 30 June 2020, inclusive of €16.4m of accrued interest and €5.7m of accrued fees.

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About La Perla:

La Perla Fashion Holding N.V., a luxury fashion holding company, is the direct shareholder of La Perla Global Management (UK) Limited and its subsidiaries (the "Operating La Perla Group") and La Perla Beauty (UK). La Perla, through the Operating La Perla Group, is a leading designer, manufacturer and retailer of luxury lingerie, nightwear and swimwear. La Perla Beauty is in the initial phase of operation. The group operates under the brand "La Perla". Founded in 1954 in Bologna, Italy, the brand is renowned for its heritage and craftsmanship.

This release may contain forward-looking statements, i.e., statements that do not relate to historical facts or events. By their nature, forward-looking statements involve known and unknown risks and uncertainties, both general and specific. La Perla Fashion Holding N.V. bases these statements on its current plans, estimates, projections and expectations and they relate to events and are based on current assumptions that may not occur in the future. These forward-looking statements may not be indicative of future performance; the actual outcome of the financial condition and results of operations of La Perla Fashion Holding N.V. and its consolidated subsidiaries, and the development of economic conditions, may differ materially from, in particular be more negative than, those conditions expressly or implicitly assumed or described in such statements. Even if the actual results of the La Perla Fashion Holding N.V. or its consolidated subsidiaries, including the financial condition, results of operations and economic conditions, develop in line with the forward-looking statements contained in this press release, there can be no assurance that this will be the case in the future.

La Perla Fashion Holding N.V.

Amsterdam

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30 June 2020

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Activity Report

Covid – 19 impact on global economy, luxury sector and Group’s performances

The pandemic started in China in late 2019 and extended to Europe at the end of the first quarter 2020 before reaching the Americas during the second quarter 2020. The consequences of the measures taken by Governments to mitigate the spread of the virus, have had a profound and lasting effect on the global economy in particular customer consumptions, companies’ liquidity and operations.

As the virus is still in active circulation and new targeted and general lockdown measures are still having to be implemented, it is difficult to anticipate the trends for the second half of the year and to forecast a recovery in the first half of 2021.

Over the past few years, luxury market growth has been closely correlated to economic growth and financial market performance, and to a high consumer confidence index. It is therefore logical that the luxury sector is being directly affected by the current difficult macro-economic context, which is dragging down consumers’ purchasing power and notably their propensity to consume.

The effect in different geographic markets evidently reflects differing local levels of severity of the health crisis and lockdown durations, as well as the extent to which each region is exposed to tourism.

According to Bain & Company/Altagamma study, the global luxury goods market may have contracted by some 25% in the first quarter of 2020. Following on from a second quarter that could see a 50-60% market fall, trends for the second half are very difficult to predict. For the full year the worldwide personal luxury goods market could contract by approximately 20% to 35%, depending on the scenario. Business is not expected to return to 2019 levels until the end of 2021 or even early 2022 in the best-case scenarios, with 2023 projected in more conservative forecasts.

As well as all other luxury sector players, during the first six months 2020, the Group was impacted by the effects of the pandemic both in terms of sales and business operations.

The partial or full closure of its stores due to lockdowns had a very material effect on the Group’s revenue. As from late January, stores located in China were gradually closed, followed by a large number of stores in Asia in February. Europe and the Americas closed starting from mid-March. Since the end of April, stores have started to re-open gradually in some countries with the easing of national lockdowns. Other countries impacted by Covid-19 later in the year, took more time to re-open.

Although the negative impact described above, Covid – 19 has significantly increased the online traffic and sales. During the first half year 2020 the Group had to face some extraordinary costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) accounted for as recurring expenses.

The rent concessions negotiated with lessors due to the consequences of the Covid - 19 pandemic were immediately recognized in the income statement as negative variable lease payments rather than as an amendment to the associated leases as described in Note 6 to the condensed consolidated interim financial statements.

Business review

2019 was the first full year period under the new ownership. Focus in this phase was essentially on inventory rationalisation and refocus of the product offer.

First half year 2020 was focused on Group restructuring process and on facing Covid – 19 consequences on the business.

Six months 2020 revenues amounted to €27.5 million (six months 2019: €40.3 million), a 32% reported decrease compared with the prior year and comprise sales from the following channels:

	HY 2020		HY 2019	
	€ 000	%	€ 000	%
Continuing operations				
Net sales Boutique	13,674	59%	23,833	57%
Net sales Outlet	3,407	19%	7,615	19%
Net sales Online	5,609	11%	4,796	10%
Net sales Retail	22,690	86%	36,244	90%
Net sales Wholesale	3,864	10%	2,685	9%
Net sales Stock	751	2%	678	3%
Royalties and other income	226	2%	707	1%
	27,531	100%	40,314	100%

Decrease in revenues of some 32% compared to previous year period has been mainly driven by store closures due to Covid – 19 pandemic situations around the globe that characterized the first six months 2020. Such event caused a drop of volumes sold in the first half of the year through the traditional channels whilst online sales registered a 17% increase compared with the previous period.

Wholesale revenues increased by 44% at June 2020. The increase was mainly generated in the first quarter compared to a previous period affected by delivery issues.

Although the sales reduction, Group's operating loss was in line with previous year period as a result of a strong restructuring process that has positively impacted Group's performances.

Group net debt as at 30 June 2020 amounted to €155.8 million (2019: €121.2 million) as follows:

	30 June 2020	31 December 2019
	€ 000	€ 000
Long term borrowings	161,651	132,650
Short term borrowings	11	11
Cash and cash equivalents	(5,862)	(11,443)
	155,800	121,218

For additional details on loan terms please refer to Note 19 of the condensed consolidated interim financial statements.

Long-term borrowings at 30 June 2020 refers mainly to the facilities received from La Perla Fashion Finance B.V. amounting to €161.2 million (2019: €132.7 million including the loan transferred from Tennor Holding B.V. in 2020).

Principal risks and uncertainties for the remaining six months of the year

The main risks and uncertainties to which the Group is exposed in the second half of 2020 are described in the 2019 consolidated financial statements.

Subsequent events

There are no other significant new events of which the Group is aware of that would affect these condensed consolidated interim financial statements at 30 June 2020.

**Unaudited interim condensed consolidated financial statements 30 June
2020**

Interim condensed consolidated statement of comprehensive income

For the half year ended 30 June 2020

	Notes	HY 2020	<i>Restated</i> HY 2019
		€ 000	€ 000
Revenue	3	27,531	40,314
Cost of sales	4	(13,691)	(23,357)
Gross margin		13,840	16,957
Marketing and selling expenses		(17,258)	(21,927)
General and administrative expenses		(17,654)	(16,739)
Operating loss before amortisation and depreciation		(21,072)	(21,709)
Amortisation, depreciation & write off		(10,071)	(13,954)
Operating profit/(loss)		(31,143)	(35,663)
Financial income/(expenses)	8	(10,628)	(9,177)
Other income and expenses		448	466
Profit/(loss) before tax		(41,323)	(44,374)
Income taxes	10	23	(108)
Profit/(loss) for half year		(41,300)	(44,482)
<i>Items that will not be reclassified subsequently to the profit and loss</i>			
Actuarial gains/(losses)		-	-
Deferred taxes on actuarial gains/(losses)		-	-
Items that may be reclassified subsequently to the profit and loss		-	-
Exchange differences on translation of operations in foreign currencies		819	(760)
Total other gains/(losses) net of tax effect		819	(760)
Total comprehensive profit/(loss) for the year		(40,481)	(45,242)
Earnings per share in €		(0.3852)	(0.4305)

Interim condensed consolidated statement of financial position

For the half year ended 30 June 2020

	Notes	30 June 2020 € 000	31 December 2019 € 000
Non-current assets			
Brand and other intangible assets	11	32,021	28,249
Right of use assets	12	55,762	62,218
Properties, plant and equipment	13	11,861	12,278
Other non-current assets	14	9,299	9,526
Total non current assets		108,943	112,271
Current Assets			
Inventories and work in progress	15	31,769	33,566
Trade receivables	16	4,978	6,013
Other current assets	17	8,690	7,773
Cash and cash equivalents	18	5,862	11,443
Total current assets		51,299	58,795
Non-current liabilities			
Long term borrowings	19	161,651	132,650
Long term financial lease liabilities		66,346	72,459
Provisions	20	7,753	8,119
Deferred tax liabilities	21	102	100
Other non-current liabilities		4,232	4,709
Total non current liabilities		240,084	218,037
Current liabilities			
Short term borrowings	19	11	11
Short term financial lease liabilities		23,711	26,653
Trade payables	22	25,708	16,994
Provisions	20	3,463	3,512
Other current liabilities	23	13,408	11,521
Total current liabilities		66,301	58,691
Net assets/(liabilities)		(146,143)	(105,662)
Equity			
Share capital		1,051	1,051
Share premium		21,741	21,741
Cumulative translation adjustment		630	(189)
Other reserves		(8,559)	(8,559)
Retained earnings		(161,006)	(119,706)
Total Equity		(146,143)	(105,662)

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2020

Notes	Share capital	Share premium	Trans- lation reserve	Other reserves	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balance at 1 January 2019	1,000	-	2,290	(8,255)	(30,665)	(35,630)
<i>Comprehensive income</i>						
Profit/(loss) for the period	-	-	-	-	(89,041)	(89,041)
Other comprehensive income	-	-	(2,479)	(304)	-	(2,783)
Total comprehensive income	-	-	(2,479)	(304)	(89,041)	(91,824)
<i>Issued shares</i>						
Issue of share capital	51	22,816	-	-	-	-
Transaction cost	-	(1,075)	-	-	-	-
Total issued shares	51	21,741	-	-	-	21,792
Balance at 31 December 2019	1,051	21,741	(189)	(8,559)	(119,706)	(105,662)
<i>Comprehensive income</i>						
Profit/(loss) for the period	-	-	-	-	(41,300)	(41,300)
Other comprehensive income	-	-	819	-	-	819
Total comprehensive income	-	-	819	-	(41,300)	(40,481)
Balance at 30 June 2020	1,051	21,741	630	(8,559)	(161,006)	(146,143)

Interim condensed consolidated cash flow statement

For the half year ended 30 June 2020

	HY 2020	<i>Restated</i> HY 2019
	€ 000	€ 000
Cash and cash equivalent at the beginning of the year	11,433	32,485
<u>Cash flows from operating activities</u>		
Net income (loss) of the year	(41,300)	(44,482)
Depreciation and Amortisation	9,966	13,599
Impairment tangible assets	105	348
Impairment right of use assets	-	-
Impairment intangible assets	-	-
(Increase)/Decrease in inventories	1,797	9,065
(Increase)/Decrease in receivables	1,060	88
Increase/(Decrease) in payables	9,188	(5,121)
Increase/(Decrease) in provision	(875)	(894)
Other working capital variation	515	1,499
Net cash generated from operating activities	(19,544)	(25,898)
<u>Cash flow from investing activities</u>		
Investment in property, plant and equipment	(1,185)	(459)
Investment in right of use assets	(1,550)	(1,878)
Investment in intangible assets	(4,755)	(203)
Repayment on financial fixed assets	-	675
(Increase)/Decrease in security deposits	242	1,173
Net cash used in investing activities	(7,248)	(692)
<u>Cash flow from financing activities</u>		
Short term borrowing	-	-
Long term borrowing	29,001	13,395
Lease liabilities	(8,788)	(12,898)
Proceeds from issuance of shares	-	11,500
Net cash generated from financing activities	20,213	11,997
Effect of forex on cash	997	657
Cash and cash equivalent at the end of the period	5,851	18,549
<i>Analysis of Net Cash</i>		
	30 June	30 June
	2020	2019
Cash and cash equivalents as per Balance Sheet	5,862	18,549
Bank overdrafts	(11)	-
Net Cash	5,851	18,549

Notes to the interim condensed consolidated financial statements

1. Corporate and group information including business, operations and management

1.1 Corporate information

The interim condensed consolidated financial statements of La Perla Fashion Holding N.V. and its subsidiaries (the “Group”) for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 29 October 2020.

1.2 Activities

La Perla Fashion Holding N.V. (“the Company”, “Group” or “La Perla”) is a public limited company incorporated in Amsterdam, The Netherlands and has its place of business at Schiphol, The Netherlands. The company is registered at the Chamber of Commerce at 66809681.

The Group operates in the markets of luxury women’s and men’s underwear and swimwear (hereinafter the “Business”). The activities of design, production and sale (through retail and wholesale channels) are performed by the Group through its network of subsidiaries. The direct subsidiary La Perla Global Management (UK) is the Principal in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

Per date of authorization of the financial statements of 2019, 12 July 2019, the ultimate parent company is Tennor Holding B.V. which controlled 74% of the Company through La Perla Fashion Finance B.V.

1.3 Group structure

In the first half of 2020, there were no company acquisitions or other changes. In the first half year 2019, there were no changes in investments in associated companies and joint ventures.

2. Basis of preparation

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

2.2 Going Concern

For the period ended 30 June 2020, the Group reported a total comprehensive loss of €40.5 million (six months 2019: loss of €45.2 million) and shareholders’ deficiency of €146.1 million (2019: deficiency of €105.7m) and accumulated losses of €161.0 million (2019: €119.7 million).

The directors have considered the prospects of the Group and are undertaking an assessment of the Group’s funding needs and strategic options in the context of the current challenging trading environment. The directors are in constructive discussions with the ultimate parent company, Tennor Holding B.V., regarding the Group’s funding requirements, as well as reorganisation and other strategic options.

The directors have also considered the following matters:

i) During 2019 and 2020, the Company received a letter of financial support from the ultimate parent company, Tennor Holding B.V., stating that it will provide financial support to enable the Group to meet its financial obligations as they fall due. On 13 July 2018, Tennor Holding B.V. secured a new debt facility up to €250 million. By the end of June 2020, €161.2 million of funding had been provided Whilst the Directors do not have visibility over Tennor Holding B.V.’s financial position, Tennor Holding B.V. has been able to provide financial support when required to date.

ii) The consolidated entity reported a net operating cash outflow for the period ended 30 June 2020 of €19.5 million (six months 2019: €39.6 million). Management expect operating costs will continue to decrease in the subsequent period as a result of restructuring its operations, which will reduce the negative operating cash flows.

Although the restructuring and the related discussions with Tennor Holding B.V regarding the Group's funding requirements is still ongoing and therefore includes uncertainties surrounding its implementation, the directors believe that the continuing reorganisation process will provide positive results.

Having considered the above factors, the directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Revenues

Revenues of the period amount to €27.5 million (six months 2019: €40.3 million) and include sales as follow:

	HY 2020		HY 2019	
	€ 000	%	€ 000	%
Net sales	27,305	99%	39,607	98%
Royalties and other income	226	1%	707	2%
	27,531	100%	40,314	100%

4. Cost of sales

Cost of inventories included in cost of sales amounts to €12.5 million (six months 2019: €15.2 million) and reversal of write-downs of inventories, which were mainly the result of inventory sales of old products in 2020, amounts to €3.5 million (six months 2019: €1.6 million of write down).

5. Loss for the year

Net loss for the period of €41.3 million (six months 2019: loss of €44.4 million) has been arrived after (charging)/crediting:

	HY 2020	<i>Restated</i> HY 2019
	€ 000	€ 000
Net foreign exchange gains	(1,404)	658
Depreciation of property, plant and equipment	(1,416)	(1,709)
Impairment of property, plant and equipment	(105)	(348)
Amortisation of right-of-use assets	(7,569)	(10,809)
Amortisation of intangible assets	(981)	(1,081)
Cost of inventories recognised as expense	(12,496)	(15,180)
Reversal of write downs of inventories recognised in the period	3,516	-
Write downs of inventories recognized as an expense	-	(1,642)
Impairment (loss) / release recognised on trade receivables	193	(34)
Operating lease rentals	470	(2,333)

6. Impact of Covid – 19 on condensed consolidated interim financial statements

The impacts arising from the Covid-19 pandemic have been recognized in the income statement for six months 2020 and essentially affect recurring operating income. In particular, the costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as recurring expenses.

The rent concessions negotiated with lessors due to the consequences of the Covid-19 pandemic were immediately recognized in the income statement as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the simplification measure provided for in the Amendment to IFRS 16 – Leases, issued by the IASB on May 28, 2020, although this amendment had not been formally endorsed by the European Union at the date the condensed consolidated interim financial statements were prepared.

7. Information regarding directors and employees

	<u>HY 2020</u>	<u>HY 2019</u>
	n°.	n°.
Executive	35	26
Manager & Employees	722	851
Factory workers	451	433
	<u>1,208</u>	<u>1,307</u>
	<u>HY 2020</u>	<u>HY 2019</u>
	€ 000	€ 000
Wages and salaries	17,238	21,036
Social security costs	3,254	4,835
Other personnel costs	1,969	4,046
	<u>22,461</u>	<u>29,917</u>

8. Financial income/(expenses)

	<u>HY 2020</u>	<u>Restated HY 2019</u>
	€ 000	€ 000
Interest expense on bank facilities and loans	(2)	(1)
Interest expense on loan from related parties and others	(5,991)	(4,895)
Interest on financial lease liabilities	(3,103)	(4,285)
Other charges	(134)	(658)
Interest income from other non-current assets	-	-
Financial income as result of bargain purchase	6	-
Gain (loss) foreign exchange transaction	(1,404)	658
Other financial income		4
	<u>(10,628)</u>	<u>(9,177)</u>

Interest on loans from related parties and others comprised interest and fees on the shareholder loans in accordance with the Financing Agreement in place with Tennor Holding B.V.

9. Other income and expenses

Other income and expenses relate to miscellaneous income of €448 thousand (six months 2019: €466 thousand).

10. Taxation

	<u>HY 2020</u>	<u>HY 2019</u>
	€ 000	€ 000
Corporation Tax		
Current year	23	(22)
Adjustments in respect of prior years	-	(86)
	<u>23</u>	<u>(108)</u>
Deferred tax	-	-
	<u>23</u>	<u>(108)</u>

11. Intangible assets

	Industrial patens & software	Concessions, licences & trademarks	Key money	Other intangibles	Asset under contrution	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost						
At 1 January 2019	5,470	35,709	11,679	2,783	1,390	57,031
Additions	284	-	-	195	-	479
Disposals	-	-	(222)	-	(3)	(225)
Currency translation	17	-	146	178	-	341
Impairment	(898)	-	-	-	(1,387)	(2,285)
At 31 December 2019	4,873	35,709	11,603	3,156	-	55,341
Depreciation						
At 1 January 2019	(3,367)	(7,147)	(11,679)	(2,777)	-	(24,970)
Charge for the year	(778)	(1,428)	-	(29)	-	(2,235)
Disposals	-	-	222	-	-	222
Currency translation	(17)	-	(146)	(178)	-	(341)
Impairment	232	-	-	-	-	232
At 31 December 2019	(3,930)	(8,575)	(11,603)	(2,984)	-	(27,092)
Net book value						
31 December 2019	943	27,134	-	172	-	28,249
Cost						
At 1 January 2020	4,873	35,709	11,603	3,156	-	55,341
Additions	194	-	-	254	4,307	4,755
Currency translation	(10)	-	63	(18)	-	35
Impairment	(12)	-	-	-	-	(12)
At 30 June 2020	5,045	35,709	11,666	3,392	4,307	60,119
Depreciation						
At 1 January 2020	(3,930)	(8,575)	(11,603)	(2,984)	-	(27,092)
Charge for the year	(230)	(714)	-	(37)	-	(981)
Currency translation	10	-	(63)	16	-	(37)
Impairment	12	-	-	-	-	12
At 30 June 2020	(4,138)	(9,289)	(11,666)	(3,005)	-	(28,098)
Net book value						
30 June 2020	907	26,420	-	387	4,307	32,021

12. Right-of-use of assets

	<u>Right-of-use assets</u>
	€ 000
Cost	
At 1 January 2019	85,298
Disposals	(3,794)
Impairment	(2,687)
Currency translation	990
<u>At 31 December 2019</u>	<u>79,807</u>
Amortisation	
At 1 January 2019	-
Charge for the year	(19,274)
Impairment	1,768
Currency translation	(83)
<u>At 31 December 2019</u>	<u>(17,589)</u>
Net book value at 31 December 2019	<u>62,218</u>
Cost	
At 1 January 2019	79,807
Disposals	1,550
Impairment	(996)
Currency translation	(708)
<u>At 30 June 2020</u>	<u>79,653</u>
Amortisation	
At 1 January 2019	(17,589)
Charge for the year	(7,569)
Impairment	996
Currency translation	271
<u>At 30 June 2020</u>	<u>(23,891)</u>
Net book value at 30 June 2020	<u>55,762</u>

13. Property, plant and equipment

	Land and buildings	Machinery and equipment	Fixtures and tools	Retail fixtures and fittings	Lease- holds improve- ments	Contruc- tion in progress	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost							
At 1 January 2019	3,215	3,058	10,609	9,859	17,443	122	44,306
Additions	5	311	334	213	166	(21)	1,008
Disposals	(59)	(1)	-	(30)	(3)	-	(93)
Impairment losses	-	(36)	(1,432)	(947)	(4,197)	(82)	(6,694)
Currency translation	-	2	213	164	353	-	732
Reclasses	-	-	-	(1,808)	-	-	(1,808)
At 31 December 2019	3,161	3,334	9,724	7,451	13,762	19	37,451
Depreciation							
At 1 January 2019	(347)	(1,497)	(9,972)	(7,000)	(10,223)	-	(29,039)
Charge for the year	(145)	(322)	(358)	(836)	(2,246)	-	(3,907)
Disposals and write-off	-	34	1,417	974	4,188	-	6,613
Currency translation	-	(2)	(193)	(147)	(306)	-	(648)
Reclasses	-	-	-	1,808	-	-	1,808
At 31 December 2019	(492)	(1,787)	(9,106)	(5,201)	(8,587)	-	(25,173)
Net book value							
31 December 2019	2,669	1,547	618	2,250	5,175	19	12,278
Cost							
At 1 January 2020	3,161	3,334	9,724	7,451	13,762	19	37,451
Additions	1	13	52	301	418	400	1,185
Impairment losses	-	(4)	-	(130)	(1,424)	-	(1,558)
Currency translation	-	-	(169)	(98)	12	-	(255)
Reclasses	-	-	233	(167)	(66)	-	-
At 30 June 2020	3,162	3,343	9,840	7,357	12,702	419	36,823
Depreciation							
At 1 January 2020	(492)	(1,787)	(9,106)	(5,201)	(8,587)	-	(25,173)
Charge for the year	(73)	(163)	(152)	(343)	(685)	-	(1,416)
Disposals and write-off	-	3	-	116	1,334	-	1,453
Currency translation	-	-	145	77	(48)	-	174
At 30 June 2020	(565)	(1,947)	(9,113)	(5,351)	(7,986)	-	(24,962)
Net book value							
30 June 2020	2,597	1,396	727	2,006	4,716	419	11,861

14. Other non-current assets

Other non-current assets, amounting to €9.3 million (2019: €9.5 million) mainly includes guarantee deposits for store rents in various countries and for utilities.

15. Inventories and work-in-progress

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Raw materials and consumables	1,878	2,456
Work in process and semi-finished goods	1,479	1,325
Finished goods	28,291	29,643
Advances	121	142
	<u>31,769</u>	<u>33,566</u>

There is no material difference between the balance sheet value of stocks and their replacement cost. The amount of inventory at 30 June 2020 includes a reserve for obsolescence risk amounting to €29.2 million made up of €13.4 million for raw materials and €15.8 million for finished goods (2019: €32.7 million made up of €14.3 million for raw materials and €18.4 million for finished goods). At 30 June 2020 finished goods available for sale amount to €28.3 million or 89% of the total inventory value (2019: €29.6 million or 88% of the total inventory amount). Raw materials, work in progress and advances to suppliers relate to lines that will be available for sale in the second half of 2020.

As at 30 June 2020 total net inventory is €31.8 million (2019: €33.6 million).

16. Trade receivables

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Trade receivables at nominal amount	4,978	6,013
	<u>4,978</u>	<u>6,013</u>

The carrying value of trade receivables approximates their fair value after an accrual for bad debt provision amounting to €1.5 million (2019: €2.3 million). Before accepting any new customer, the Group uses an external resource to assess the potential customer's credit quality and financial reliability.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Movement in bad debt provision:

	<u>HY 2020</u>	<u>2019</u>
	€ 000	€ 000
At 1 January	2,252	1,725
Uncollectible amounts written off	(483)	(432)
Increase in allowance recognised in the income statement	(193)	959
At 30 June/ 31 December	<u>1,576</u>	<u>2,252</u>

The bad debt provision is sufficient to cover any expected credit losses. During the period, the Group released €193 thousand of provision mainly due to a credit position cashed in.

17. Other current assets

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Other current assets	3,700	2,965
Accrued income and prepaid expenses	1,206	758
VAT receivable	3,784	4,050
	<u>8,690</u>	<u>7,773</u>

18. Cash and cash equivalents

The carrying amount of cash and cash equivalents is deemed to reflect its fair value.

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Bank and postal account	5,841	11,347
Cash on hand	21	96
	<u>5,862</u>	<u>11,443</u>

19. Borrowings

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
<i>Unsecured at amortised cost</i>		
Loans from related parties	161,229	132,650
Bank and financial institutions	422	-
Bank overdraft	11	11
Total Borrowings	<u>161,662</u>	<u>132,661</u>
Non-current	161,651	132,650
Current	11	11
Total Borrowings	<u>161,662</u>	<u>132,661</u>

As at 30 June 2020, the Group's total financial indebtedness amounted to €161.7 million (2019: €132.7 million). Current borrowings amounted to €11 thousand (2019: €11 thousand) while the non-current borrowing position amounted to €161.7 million (2019: €132.7 million). The detail of the borrowings is provided below.

The loan from related parties refers to the facilities received from La Perla Fashion Finance B.V. amounting to €161.2 million (2019: €132.7 million including the loan transferred from Tennor Holding B.V. in 2020).

Loan from bank was received by the Swiss subsidiary as a measure of financial support to facilitate the cash management of the subsidiary during the pandemic situation caused by Covid-19. The loan is guaranteed by the Swiss Confederation.

Changes in loan amounts incurred in six months 2020 and 2019 are the followings:

	<u>HY 2020</u>	<u>2019</u>
	€ 000	€ 000
At 1 January	132,650	103,098
Loans advanced from related parties	22,590	19,500
Loan advanced from banks	422	-
Financial costs incurred	5,989	10,052
At period end	<u>161,651</u>	<u>132,650</u>

20. Provisions

The Group as at 30 June 2020 has provisions of €11.2 million (2019: €11.6 million), of which €3.5 million are current (2019: €3.5 million) and €7.7 million are non-current (2019: €8.1 million). During the six months 2020 the Group utilised €415 thousand of the provision. The nature of the provisions is detailed below:

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
<i>Provisions</i>		
Allowance for sales return	800	800
Layoff, restructuring and other charges	1,825	1,703
Provision for restoration	5,268	5,756
Restructuring	2,277	2,277
Litigation (agents)	460	460
Litigation (employee)	386	435
Litigation (clients)	200	200
	<u>11,216</u>	<u>11,631</u>
Non-current	7,753	8,119
Current	3,463	3,512
	<u>11,216</u>	<u>11,631</u>

The amounts relating to layoff and other charges amounting to €1.8 million (2019: €1.7 million) relate mainly to potential charges of the Chinese subsidiaries.

The provision for restoration costs amounting to €5.3 million (2019: €5.8 million) includes the estimated cost of restoring the leased assets where required by the terms and conditions of the lease agreements.

The provision for restructuring amounting to €2.3 million (2019: €2.3 million) includes the costs to be incurred for the reorganisation plan of the Italian subsidiaries.

The provision for sales returns €0.8 million (2019: €0.8 million) refers to the expected amount of returns from clients related to goods supplied by the Group in May and June 2020. This amount has been evaluated based on historical data.

Provisions for litigation costs relate to the costs expected to be incurred in closing litigation claims existing at the period end.

21. Deferred tax liabilities

Deferred tax liabilities at 30 June 2020 amount to €102 thousand (2019: €100 thousand) and relates mainly to the value of unrealised exchange gains.

22. Trade payables

Trade accounts payable of the Group amounted to €25.7 million as at 30 June 2020 (2019: €17.0 million).

The average credit period on purchases of goods and services for the Group is between 60 and 90 days. The higher amount of accounts payable at 30 June 2020 is mainly due to the capital expenditures payables at period end.

23. Other current liabilities

Below are the details of other current liabilities as at 30 June 2020:

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Other payables	6,866	6,525
Payables for social security	2,689	1,707
Accrued expenses and deferred income	1,628	920
Prepayment	4	16
VAT payable	2,221	2,353
	<u>13,408</u>	<u>11,521</u>

Other payables represent, mainly, wages and salaries payable.

24. Analysis and reconciliation of net debt

Group net debt at 30 June 2020 is €155.8 million (2019: €121.2 million). Group borrowings almost entirely relates to La Perla Fashion Finance B.V., the finance group company.

	<u>30 June 2020</u>	<u>31 December 2019</u>
	€ 000	€ 000
Long term borrowings	161,651	132,650
Short term borrowings	11	11
Cash and cash equivalents	(5,862)	(11,443)
Net debt	<u>155,800</u>	<u>121,218</u>

For further details on borrowings please refer to Note 19 of the condensed consolidated interim financial statements.

25. Financial commitments

The Group provided bank guarantees of €2,295 thousand as at 30 June 2020 (2019: €2,295 thousand).

26. Subsequent events

There are no other significant new events of which the Company is aware of that would affect these 30 June 2020 half year financial statements.

27. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During the six months 2020, group entities did not enter into trading transactions with related parties that are not members of the Group.

Loans to/from related parties

The Group has not provided any loans to related parties or to its key management personnel, while it has received loans from related parties. Below are the details of financial amounts outstanding as at 30 June 2020.

	<u>Current borrowings</u>	<u>Non-Current borrowings</u>	<u>Total</u>
	€ 000	€ 000	€ 000
<i>Related company</i>			
Tennor holding B.V.	-	81,645	81,645
La Perla Fashion Finance B.V.	-	51,005	51,005
Total as of 31 December 2019	-	132,650	132,650
<i>Related company</i>			
La Perla Fashion Finance B.V.	-	161,229	161,229
Total as of 30 June 2020	-	161,229	161,229

The outstanding amounts as of 30 June 2020 relate to La Perla Fashion Finance B.V. includes accrued interest of €16.4 million (2019: €10.8 million) and accrued fees of €5.7 million (2019: €4.5 million).

For further details on borrowing conditions please refer to Note 19 to the condensed consolidated interim financial statements.