VICENZA

# FOPE

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CONSOLIDATED
FINANCIAL STATEMENT
AT 31-12-2020

FOPE GROUP

# Consolidated Financial Statement at 31 December 2020



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In case of any inconsistency between the two versions, the Italian original version shall prevail.


Reg. Imp. 00163880248
Rea 114378

## Letter to Shareholders

Dear Shareholders,

We hereby submit the consolidated financial statements as at 31 December 2020 for the Fope S.p.A. Group for your attention that show a positive result amounting to EUR 1,671,698 net of taxes for the period amounting to EUR 405,383. Net revenue amounted to EUR 26.0 million, a decrease of 25.7% compared to the value of 2019 amounting to EUR 35.0 million. 91% of revenue came from sales made on foreign markets.

The contraction of revenue is wholly attributable to the effects caused by the health emergency related to the Covid-19 pandemic and consequent lockdown that required shops selling FOPE products to close and stop consumption, albeit at different times, in all our reference markets. The reduction significantly affected some markets conditioned by sales by the absence of tourist flows, while for others the reduction in sales was limited to a few percentage points or no loss of volumes was recorded.

The company complied with a closure period of the headquarters in Vicenza from 14 March until 4 May 2020. During the closure period, production and shipment operations remained halted, while administrative, sales and marketing tasks continued with *home working* arrangements, in particular close contact was maintained with retailers to monitor the status and condition of markets on a daily basis.

To balance the negative effects of the health emergency on the markets and the expected reduced volumes, all possible cost control interventions were activated and expenditure and investment budget commitments were revised.

To affirm the brand, the company undertook, even during the 2020, marketing and communication activities to support the distribution network, albeit with a revised budget commitment as anticipated to keep costs down. In line with the market presence strategies 7 new Shop in Shops (customised corners) were opened inside points of sale of major clients and a FOPE boutique was created at the headquarters of our client in Kuala Lumpur.

The new 2020 collections were presented during the international trade fair of Vicenza event in January and other commercial initiatives, before the lockdown closure, in particular, the Panorama collection made using a new and exclusive elastic mesh that is reminiscent of the elegant FOPE design and which joins the elastic meshes already present in the FOPE collections.

It is recalled that the FOPE collections are made with a production cycle conducted entirely in house and are not subject to supplies of raw materials or semi-finished products that could be limited due to the on-going Covid-19 emergency.

The sensitivity in respect of ethics and sustainability matters this year has led to the inclusion of a chapter in the financial statements devoted to "*Sustainability Reporting*" which represents Fope's position in this area. With reference in particular to environmental sustainability, we recall the Neutral Carbon Footprint project whose objective is CO2 offsetting, and with reference to which we confirm that with a new purchase and planting of trees in Kenya, carried out in 2020, we have neutralised the CO2 emissions produced even in 2019.

The extraordinary condition in which we have had to operate makes the results for the year have achieved thanks to the professionalism, passion and commitment of the Fope team even more important. A sincere thanks for the work done and the sharing of our ideals and our development plan which combines the strength of values consolidated over time with a strong innovative drive.

**Diego Nardin**
*CEO Fope S.p.A.*

## Group profile

Fope S.p.A., the parent company, and the three subsidiaries operating in the jewellery sector as producer and distributors on the high-end own brand jewellery markets. Fope is an international brand that made 91% of its turnover in 2020 with sales on foreign markets. In addition to developing new product "collections", the company is historically also concentrated in the innovation process, to efficiently combine its goldsmith tradition with the best industrial production techniques by making jewellery from elegant and sophisticated designs.

Its headquarters, offices and workshop are located in Vicenza, in one of the main Italian goldsmith districts, where the brand was created and developed.

FOPE is a certified member of the *Responsible Jewellery Council* (an international non-profit organisation that promotes responsible, ethical, social and environmental standards and practices in respect of human rights) and has achieved the voluntary certification according to the TF (*Traceability & Fashion*) system.

## Business Model

The business model is characterised by these elements, which constitute the company's strengths:

- collections of products designed and manufactured *in-house*, at the headquarters in Vicenza and exclusively sold under the FOPE brand;
- distributed by *multi-brand* jewellers (the customer Fope S.p.A.) with medium-high positioning;
- direct sales to jewellery customers (independent or belonging to groups) without intermediation by distributors;
- high characterisation of the *brand* and *design* with strong recognisability;
- presence in international markets;
- particular attention to product and process innovation, with the use of patents for inventions developed by the company;
- direct protection of the entire production chain, from the processing of the raw material to the finish.

Fope S.p.A. leads the research and technological development, the *concept* and creation of new collections, production, logistics as well as the Group's commercial and marketing organisation. All company departments including production are integrated at the headquarters of Fope S.p.A.; this is a building built in 2000, extended in 2019, that combines space saving and efficient use with a modern architectural style and with a high aesthetic content. The absence of harmful emissions of the production department has enabled the headquarters to remain in the urban context of the city of Vicenza.

Fope USA Inc. whose headquarters is in Miami, is a distributor of Fope S.p.A. for the American, Caribbean and South American market.

Fope Spa – DMCC Branch, opened in October 2020 whose headquarters is in Dubai, takes care of the activity of assistance and Customer Service on behalf of the group's customers residing in Arab markets and in the South-East Asia area.

Fope Jewellery Ltd whose headquarters is in Solihull, UK, is a distributor of Fope S.p.A. for the English market.

Fope USA is controlled by Fope S.p.A. with 100% share of the capital, while Fope Jewellery is 75% controlled with 25% of the capital owned by three managers of companies dealing with market development.

Fope S.p.A. has a shareholding equal to 20% of the capital of the company Milano 1919 S.r.l,. owner of the historic Antonini brand. Antonini, now Milano 1919 S.r.l., a historical and known high quality Italian jewellery house, founded and still based in Milan, produces and distributes prestigious collections of exquisitely and exclusively designed jewellery. The Antonini brand is positioned as a niche brand, which expresses refined luxury, through the extreme craftsmanship that distinguishes all of its creations.
Fope S.p.A.'s holding in Milano 1919 S.r.l. is not included in the consolidation scope.

## History

1929 - Umberto Cazzola opened the first handmade jewellery workshop in the city of Vicenza in Contrà Sant'Ambrogio, under the name Fabbrica Italiana Cinturini Metallici (FICM), specialising in the production of extendible metal watch straps.

1960 - Odino Cazzola founded the Fope brand giving the company, whose customers included the greatest Swiss Houses of Haute Horlogerie, a new impetus by focusing energy on the export of gold cases and bracelets for watches.

1970 - His children, Ines and Umberto, assumed roles of responsibility in the company and reinvigorated development. Production was fine-tuned, and precious jewellery created. The Novecento mesh, still in production today, was designed in these years and went on to become a classic Fope jewel.

1980 - The product range expanded over these years to meet the needs of an increasingly large and demanding clientele. New productive criteria were introduced in order to meet the rigorous quality standards in addition to the warranty and international certification of products.

1997 - The company was converted into a limited company under the name FOPE S.r.l.

2000 – Fope ran important communication campaigns, redefining its commercial strategies, eliminating distributors, instead creating a direct relationship with the jewellery market.

2007 - Launch on the market of the extendible Flex'it link designed by the company and covered by an international invention patent, made entirely from gold. The jewellery created with this particular link become "*extendible*" thanks to microscopic gold springs inserted between each element of the link.

Fope's international outlook during these years was strongly pursued and sales volumes in foreign markets *overtook* the domestic market.
The current Governance and Organisation arrangements were established.

2013 - Launch of the "A Tale of Beauty" communication project, based on the essence of the Italianness of the *brand*, hiring the actress Anna Valle to be its spokesperson.

2014 - Constitution of Fope Services Dmcc in Dubai, a company under UAE law, which enabled the allocation of a commercial resource by FOPE dedicated to the development and direct support of the areas of greatest potential in the Gulf countries and South-East Asia.

2015 - Opening in November of the company's first single brand FOPE boutique, in Piazza San Marco in Venice.
The Shareholders' Meeting on 15 December decided to convert FOPE S.r.l. into a limited liability company.

2016 - Fope S.p.A. listed on the AIM (Alternative Investment Market) market of the Borsa Italiana (Italian Stock Exchange). On 30 November 2016, the first day of trading of the company's securities on the stock market.

2017 - Acquisition of a minority shareholding equal to 20% in the company Milano 1919 S.r.l. owner of the Antonini jewellery brand. Antonini, a historical and well-known house of high-quality Italian jewellery, created and still based in Milan, produces and distributes prestigious collections of exquisitely and exclusively designed jewellery.

2018 - Founding of FOPE Jewellery Limited, a company incorporated under English law whose registered office is in Birmingham, mandated by Fope S.p.A. to sell the brand's collections and provide operational support to distributors in the United Kingdom and Republic of Ireland market, which are one of the Group's main markets.

2019 - The new Fope Boutique in the prestigious Old Bond Street in London opened at the end of November. The purpose of the ambitious project was to transport the Fope brand to a location with international standing, such as London, to obtain a strong brand awareness effect for the British market, but even more for the international market.

2020 - As a consequence of the lockdown imposed by the health emergency due to Covid-19 the Company closed the headquarters from 14 March to 4 May 2020. During the closure period, production and shipment operations remained halted while administrative, sales and marketing tasks continued with home working.
The Fope boutique in Kuala Lumpur in Malaysia officially opened at the end of 2020. The project was carried out in collaboration with our distributor in the city, with whom we have established partnership relations.

## Development strategies

The keys to success that have identified the strategic line pursued by the Fope Group in recent years, in order to grow and consolidate its position on the markets, are due to specific elements:

- Product
    - excellent quality, design and innovation of the collections offered;
    - strong brand characterisation - the Fope jewel has a highly detectable design line;
    - made in Italy (made in Fope).
- Service
    - support the distributor for end customer satisfaction;
    - order/commercial policies management;
    - training sales team at distributors.
- Partnership with Jewellery
    - involvement of the distributor in marketing initiatives (campaigns in support of the point of sale - special events);
    - involvement of the distributor in events at Fope's headquarters to transfer the Company's values.
- Markets
    - focusing of investment and marketing initiatives on markets that already have a significant presence: America and Europe, in particular, Germany and the United Kingdom.

The results recorded, which show a slight decrease in sales volume, represents a valid indicator for expressing a positive opinion 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.

## Ethical values and social and environmental sustainability

FOPE conducts its business based on standards of ethics, efficiency and respect. It encourages all staff and associates to adopt positive behaviours, to constantly improve product quality and to appreciate each person individually and as part of a team.

The Company sees Italian legislation as a fundamental starting point and is committed to making its conduct conform to this and to the existing international rules applicable to its field of action. Furthermore, it ensures, in all its actions, respect of the Universal Declaration of Human Rights.

The activities carried out by Fope are based on:

- respect for employees, partners, customers and suppliers, in the perspective of a shared work ethic;
- the safety of the working environment and the health of those who work in it;
- the sense of social responsibility that comes directly from the role of entrepreneur;
- the commitment to adopt production methods which, according to the type of production, aim for as much sustainability as possible.

FOPE therefore rejects any form of discrimination and child labour and forced labour and encourages anyone who deals with the company to adopt the same principles and promote good practices of behaviour to its employees and associates in all settings.

The company has been a certified member of the Responsible Jewellery Council (RJC) since 2013, an international non-profit organisation that promotes responsible, ethical, social and environmental standards and practices in respect of human rights in the entire chain in the diamonds, goldsmithing and platinoids sector, from mining to retail trade. Many of Fope's main suppliers have in their turn been awarded this certification. The RJC certificate remains valid for a period of three years, and to renew you have to undergo an audit process.
In March 2021, after the audit process was conducted by an independent Company, the certificate for the next 3 years was confirmed.

FOPE has also achieved the voluntary TF - Traceability & Fashion certification, i.e. a traceability system of the Italian Chambers of Commerce that is created from the desire to qualify and promote fashion sectors, by creating a certification system able to guarantee the consumer the Italian origin of the product (in the case of Fope of the entire process from design to completion) and maximum transparency with respect to the production sites of the main phases of the production process. The verification activity, carried out by the inspection structures of the Chamber of Commerce System operating according to the principles of impartiality, independence and technical competence is based on checks in the field, carried out at the premises of the companies belonging to the traceability system and their suppliers/contractors

In recent years, the objective of transparency with respect to its own operations, has meant that Fope is committed to a process of reporting its position and initiatives linked to social responsibility. Since 2017, Fope's consolidated financial statements have included a chapter entitled "Sustainability reporting" drafted taking international guidelines into consideration.

This commitment to transparency and the increasing integration of environmental, social and governance factors (often called "ESG factors") in the strategies and business processes recently earned the group the attainment of the AIM ESG award, awarded to it by IR TOP Consulting[1] and by the Department of International Trade (DIT) of the United Kingdom during the AIM Awards ceremony in November 2019.
In order to consolidate these results and further improve their performance in the field of sustainability,

1 The leading company in Italy for management consultancy in the areas of Capital Markets and Investor Relations (http://irtop.net/).

Fope planned a series of initiatives aimed at achieving the following main objectives:

- reduction and offsetting of the greenhouse gas emissions caused by its activities from their analysis in terms of mapping and quantification. This study was first carried out in 2019 and is described in the section “Carbon Footprint Analysis” of these consolidated financial statements;
- adoption and publication of the Ethics Code. The code is published in the Ethics and Sustainability section of the company's website;
- development and adoption of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231 of 8 June 2001 (Mod. 231), completed and adopted in April 2021.

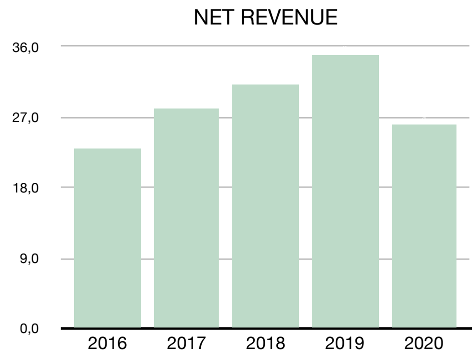
## Highlights 2020

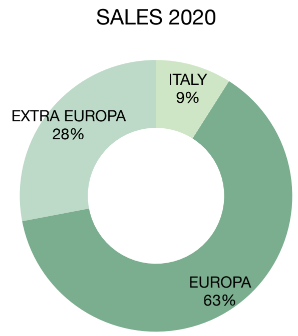
The following table shows a summary of the values of the Group's Consolidated Financial Statements compared to the values of the previous year. The amounts are expressed in millions of euros.

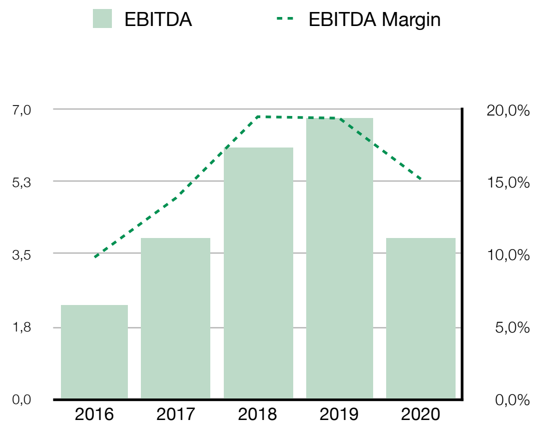
**FOPE CONSOLIDATED**

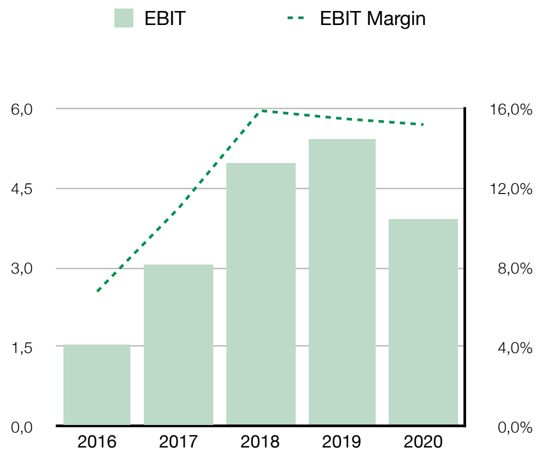
| | 2019 (31 December) | | 2018 (31 December) | | 2019 Vs 2018 | |
|---|---|---|---|---|---|---|
| | EUR/.000.000 | | EUR/.000.000 | | EUR/.000.000 | |
| **Net Revenue** | **26,00** | 100% | **34,96** | 100% | **(8,97)** | -25,6% |
| *Operating Costs* | (22,05) | | (28,18) | | 6,13 | |
| **EBITDA** | **3,95** | 15,2% | **6,78** | 19,4% | **(2,84)** | -41,8% |
| *Depr. & Amortization* | (1,61) | | (1,35) | | (0,26) | |
| **EBIT** | **2,34** | 9,0% | **5,43** | 15,5% | **(3,10)** | -57,0% |
| *Financial Incoms / (Costs)* | (0,27) | | (0,48) | | 0,21 | |
| **Earning Before Tax** | **2,07** | 8,0% | **4,95** | 14,2% | **(2,88)** | -58,2% |
| *Tax* | (0,40) | | (0,10) | | (0,30) | |
| **Net Income** | **1,66** | 6,4% | **4,85** | 13,9% | **(3,18)** | -65,7% |
| *Asset* | 13,72 | | 12,62 | | 1,11 | |
| *Working Capital* | 11,52 | | 11,21 | | 0,31 | |
| *Funds* | (2,25) | | (2,96) | | 0,71 | |
| **Net Invested Capital** | **22,99** | | **20,86** | | **2,13** | 10,2% |
| **Equity** | **20,57** | | **20,77** | | **(0,20)** | -1,0% |
| **Net Debt / (Cash)** | **2,42** | | **0,09** | | **2,32** | |

## Main indicator graphs

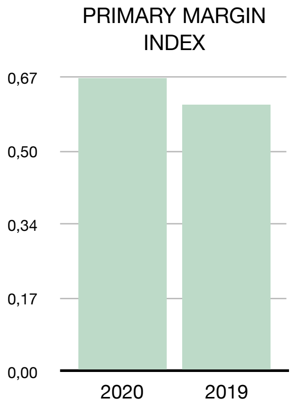


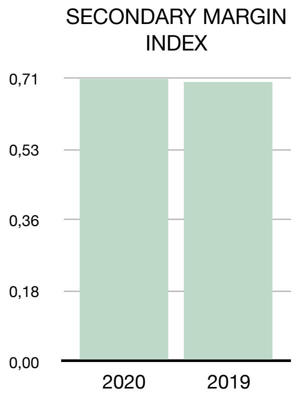



The Equity minus fixed assets margin Index (Fixed Assets on Equity) expresses a high level of capitalisation and resources to plan further investment plans.
Similarly the Fixed asset to equity capital and medium-long term debt margin (Fixed Assets on Equity + M/L debt) expresses a very extensive level of hedging.



The following table shows the highlights of the 4 companies that comprise the Group, the values are expressed in millions of euros.

| | FOPE SPA | FOPE USA INC | FOPE JEWELLERY LTD |
|---|---|---|---|
| | *2020 (31 Dicembre)* | *2020 (31 Dicembre)* | *2020 (31 Dicembre)* |
| | *EUR/.000.000* | *EUR/.000.000* | *EUR/.000.000* |
| **Net Revenue** | **26,65** | **1,97** | **0,86** |
| *Operating Costs* | *(22,48)* | *(1,92)* | *(0,77)* |
| **EBITDA** | **4,17** | **0,05** | **0,08** |
| *Depr. & Amortization* | *(1,64)* | *(0,00)* | *(0,04)* |
| **EBIT** | **2,53** | **0,05** | **0,05** |
| *Financial Incoms / (Costs)* | *(0,27)* | *0,01* | *(0,00)* |
| **Earning Before Tax** | **2,26** | **0,06** | **0,05** |
| *Tax* | *(0,37)* | *(0,02)* | *(0,01)* |
| **Net Income** | **1,88** | **0,04** | **0,03** |
| *Asset* | *13,55* | *0,00* | *0,25* |
| *Working Capital* | *12,23* | *0,10* | *(0,11)* |
| *Funds* | *(2,85)* | *0,00* | *0,00* |
| **Net Invested Capital** | **22,93** | **0,10** | **0,13** |
| **Equity** | **20,52** | **0,24** | **0,16** |
| **Net Debt / (Cash)** | **2,58** | **(0,13)** | **(0,03)** |

| *Exchange rate* | | *USD/EUR* | *GBP/EUR* |
|---|---|---|---|
| To 31/12/2020 | | 1,227 | 0,899 |
| Average by year | | 1,142 | 0,890 |

## Significant events over the financial year 2020

### Opening of Fope Boutique in Kuala Lumpur

In November 2020, a Fope boutique opened in Kuala Lumpur in Malaysia.

The project developed in the course of 2020, was carried out in collaboration with the company "Suen Holdings SDN BHD", our distributor, with whom we have established partnership relations.

The boutique project is a new element that lies in the strategy of the continuous search for growth of the brand's visibility and positioning; this objective is complemented by the main reason that justified the opening and concerns the commercial development and growth of sales volumes for the area.

The investment to create the boutique was borne by our company. The design was taken care of by the Italian architect Flavio Albanese from the firm ASA who interpreted and combined Fope's image tenets with local style requirements.

The operational management and services of welcoming customers are entrusted to the care and professionalism of team managed by Suen Holding SDN BHD and directly managed by Mrs Suen.

## Covid-19 health emergency impact on operations

The company operates by producing and distributing its own jewellery collections to shops that sell the FOPE brand, revenue is generated by sales, which in the course of the year are made in the shop, which in turn it sells to the end customer.

The negative effect of the Covid-19 health emergency on the sector in which the company operates was the substantial halt of sales of jewellery by shops to end customers, in the lockdown period and subsequent stages of restrictions on movement, which consequently caused a halt or decline in repurchase orders of collections from Fope to restock products.
As recorded by the revenue value for 2020, which amounted to EUR 26.0 million, the impact has generated a reduction in the volume of sales equal to 25.6% compared to the previous year 2019. The reduction in sales volumes is the result of the overall behaviour of the different markets in which the company operates but individually have had performed differently. In fact, the reduction significantly affected some markets conditioned by sales by the absence of tourist flows, while for others the reduction in sales was limited to a few percentage points or no loss of volumes was recorded. During the year, on the other hand, there was positive feedback from customer shops with respect to the propensity of the end customer to purchase jewellery, with the confirmation that during the shop opening periods turnover from sales did not undergo significant contractions.
The first few months of 2021 were positive in relation to the volume of sales and portfolio of orders acquired and financial statements with a positive economic result is also estimated for 2021. The extraordinary market condition is not yet over and for this reason we cannot dismiss all our reservations about the ability of the markets to quickly return to the pre-pandemic pace and purchase volumes.
During the lockdown period, sales also continued through online channels, both on the company's e-commerce site and on the sites of the shops, volumes of these types of sales were however small albeit incentivised and up on past figures.
All the markets in which the company operates were involved and suffered the consequences of the on-going health emergency, albeit with different times of entering lockdown and recovery. The Fope shops in Venice and London remained closed for long periods.
All the trade fairs the company participated in 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 the closure period of the headquarters, production and shipment operations remained halted, while administrative, sales and marketing tasks continued with home working arrangements, in particular close contact was maintained with retailers to monitor the status and condition of markets daily. The offices of the subsidiaries Fope USA, Fope Jewellery and Fope Spa – DMCC Branch observed the closing periods set out in the regulations of the respective countries and continued their activities by working from home.
For the resumption of the activities at the headquarters, with complete protection from the potential risk of contracting Covid-19, in particular, specific procedures have been implemented for accessing the premises for both staff and external personnel to ensure that no-one showing symptoms of the virus can enter the company's premises and come into contact with other people. Procedures for managing shipping logistics and receiving goods and interacting with shippers and suppliers in general have also been implemented.
Everyone at the company has been provided with protections according to the regulations, specific sanitising activities are performed daily, staff in their workplace, production staff and office staff all respect the social distancing measures.
Below is an assessment of the impacts with respect to:

- the economic situation,
- the financial situation,
- the profit forecasts for the year 2021,
- the development strategies and key markets.

## Economic impact

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, us to collect a significant volume of orders to be handled since the reopening of the headquarters after 5 May 2020. This element has allowed the reduction in revenue for the half-year of 2020 compared to the previous year to be contained, despite the halt imposed by the closures. To be noted, as a positive element, is that customer shops have not asked to cancel orders placed before the emergency, or at least only in a very few insignificant cases.
The sales network, also limited in its movements post-lockdown, has used conference call platforms to contact customers and collect sales orders remotely.

To balance the negative effects of the expected reduction in sales volumes on the contribution to meet our 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 of the membership of the institute of the Ordinary Wage Guarantee Fund (Cassa Integrazione Guadagni Ordinaria, CIGO) adopted to limit labour costs.
The budget for communication and marketing activities has in turn been cut compared to the initial budget assumptions and the expenditure incurred in 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.
The FOPE collections are made with a production cycle conducted entirely in house and are not subject to supplies of raw materials or semi-finished products that may be limited due to the on-going Covid-19 emergency, the company's operational activities have not reported issues for these reasons and are able to continue without restrictions.

## Financial impact

The net financial position was recorded at the end of 2019, basically amounting to zero with the share for cash available amounting to EUR 8 million has meant that the company could easily manage its treasury commitments in accordance with the deadlines with all suppliers, in particular, the completion of the investment to expand the headquarters in Vicenza and other investments as well as the loan repayment plans.
Takings from customers, potentially the financial effect most sensitive to the halt required by the emergency, were regular until the end of March and in the following months performed better compared to the estimated taking forecasts which helped to maintain positive cash flow management.
An amount of EUR 2 million of cash has been used to increase the warehouse stock of fine gold, purchased in better conditions than current market values.
The company, also as an act of caution, took the loan offer provided for by government decrees and guaranteed by Medio Credito by accessing a loan for an amount of EUR 4.0 million with a repayment plan over 60 months.
At the end of financial year, the NFP was EUR 2.42 million of debt with EUR 9.7 million of cash available.

## Estimated impact on sales volumes and profit for the year 2021

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, while other markets of interest to the company, are still deeply affected by the effects of Covid-19.
The element of uncertainty over the timing of the actual recovery of markets does not enable the company to dismiss all of its reservations over the extraordinary market conditions and make accurate sales volume estimates for the current year. For the 2021, the volume of business forecast that ensures positive management of the economic result and the provision of financial management that allows the company to meet its treasury commitments without worrying is being formulated anyway.
The commercial effect of the first few months of 2021 and the good position of the order book on the approval date of the financial statements document are in line with the positive forecasts indicated.

## Development strategies and key markets

The results recorded, which show an increase in sales volume in recent years represent a valid indicator to express a positive opinion on the Company's business model and that of the Group and on the strategies pursued to date, respectively described in the subsequent paragraphs of the report on operations. 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 the Company's development. The experience gained from handling the health emergency and the consequent assessments of the behaviour of the markets and of the sector in which the company operates, 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.

## Corporate Bodies

### FOPE SPA

### Board of Directors

| | |
|---|---|
| Umberto Cazzola | Chairman |
| Ines Cazzola | Vice-Chairwoman |
| Elisa Teatini | Director |
| Davide Molteni | Independent Director |
| Diego Nardin | CEO |

### Board of Statutory Auditors

| | |
|---|---|
| Simone Furian | Chairman |
| Marina Barbieri | Statutory Auditor |
| Cesare Rizzo | Statutory Auditor |

### Auditing Company

BDO Italia S.p.A.

## Listed securities

### FOPE SPA

| | | | |
|---|---|---|---|
| Ordinary Shares | FPE | ISIN Codes | IT0005203424 |
| Convertible Bonds | FPE21 | ISIN Codes | IT0005203671 |

## CEO's Report on Operations

## ANALYSIS OF THE MAIN FINANCIAL DATA

### Main financial Data

The Group's reclassified Consolidated Income Statement compared with the previous year is as follow (in euros):

| Financial Statements | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| **Revenue** | **25,998,489** | **34,964,396** | **(8,965,907)** |
| Other revenue and income | 465,760 | 965,714 | (499,954) |
| External costs | 19,481,047 | 25,701,633 | (6,220,586) |
| **Added value** | **6,983,202** | **10,228,477** | **17,211,679** |
| Personnel costs | 3,037,782 | 3,447,007 | (409,225) |
| **EBITDA** | **3,945,420** | **6,781,470** | **(2,836,050)** |
| Depreciation and amortisation | 1,608,155 | 1,348,416 | 259,739 |
| **EBIT** | **2,337,265** | **5,433,054** | **(3,095,789)** |
| Financial income and charges | (260,184) | (482,471) | 222,287 |
| **Pre-tax profit** | **2,077,081** | **4,950,583** | **(2,873,502)** |
| Earnings before Tax | 405,383 | 103,560 | 301,823 |
| **Net profit** | **1,671,698** | **4,847,023** | **(3,175,325)** |

### Sales Revenue

The business results for 2020 have been negatively influenced, as previously described, by closures imposed by the health emergency. The revenue for net sales amounted to EUR 26 million with a decrease compared to the values of the previous period of EUR 8.96 million, equal to 25.6%.

Sales relate to the Fope jewellery collections, made in-house as known exclusively with the Fope brand and distributed in the multi-brand, customer and distributor brand shops. In addition to this business model, from 2016, the sales made at the boutique in Venice, which in this case sees the end consumer as a customer and the sales, always to the end consumer, via the company's website.
The new collections presented in 2020, at the trade fair held in January in Vicenza and then directly to the shops and the distribution network, enjoyed excellent results and the "timeless" pieces and collections that have been present on the market for several years continue to be very popular.
Multi-brand shops, largely medium-high end, are present on the international market, 91% of the total turnover made in 2020 was recorded in foreign countries, a higher percentage compared to previous years is conditioned by the results of the Italian market where shops have recorded significantly lower sales due to a lack of purchases made by tourists.
The boutique in Venice, which reopened in February, after refurbishing the furnishings, necessary as a result of the damage suffered during the exceptional high water phenomenon, which occurred on 12 November 2019, complied with the closure periods imposed in 2020 by the regulations issued to contain the health emergency.

## Operating costs

The management of operating costs, excluding labour costs, decreased over the financial year by an amount equal to 24% with respect to the previous year. It comprises elements of industrial costs variable and proportional to the sales volume, on which it recorded a margin improvement in line with the budget values. Overheads and operating costs have not undergone significant changes with respect to that recorded in the previous financial year, contained wherever possible in response to the reduced revenue volume; the inability to travel has caused a reduction in travel and subsistence costs.

The work team, unchanged in 2020 in structure and organisation, increased by 3 units. During the year, Fope Spa signed up to the institute of the Cassa Integrazione Guadagni in Deroga (Ordinary Wage Guarantee Fund) for some periods to reduce labour costs during the closure periods.

No costs of an extraordinary nature with respect to current operations were recorded in the financial year.

The marketing and communication initiatives plan has been fully expensed in the financial year and in 2020 involved a smaller financial commitment than the previous year. The economic resources allocated for the marketing and communication initiatives, albeit reduced as a result of the health emergency with respect to the case of the original 2020 budget, have enabled the company to support priority functional activities for business development and brand awareness consolidation. The costs for marketing initiatives include costs for participating in international trade fairs, which in 2020 only concerned the trade fair held in Vicenza in January, communication programmes in the press and online and marketing initiatives and events carried out directly in collaboration with the distributor jewellers.

During 2020, the communication activity was given an important boost via social media channels.

The costs for the purchase of raw materials and other consumer goods, in line with the budget assumptions, produced the expected margins. Gold is purchased with forward hedging operations in order to stabilise the average cost. The costs of managing the sales network, commission to agents and to the Group's trading companies, were proportional to the sales volumes.

## Depreciation and other provisions

The share of depreciation amounts charged to the financial year grew by 19% compared to the value in 2019, this includes the investments made in the year and previously. For the investment made to extend the headquarters which ended in March 2020, as the first year of operation an amount equal to half of the normal rate was charged.
Provisions for the Severance Pay Fund, as well as the provision to the Severance Pay Fund for Agents, have been calculated in accordance with the statutory provisions.

## Margins and Operating Profit

The operating profit for EUR 1,671,698 is a negative change with respect to the previous year and amounted to EUR 3,175,325. The negative change is explained in the reduction of sales volumes to previously commented on. Even though there were extraordinary market conditions, sales were made with normal - pre-Covid margins and conditions, this, in combination with keeping overheads down and revising the expense budget, have enabled the profitability recorded.

The Operating Margin before amortisation (EBITDA) amounted to EUR 3,945,420 it is reduced in absolute value by EUR 2,836,050 compared to 2019, similarly, EBIT worsened and amounted to the value of EUR 2,337,265.

## ANALYSIS OF THE MAIN BALANCE SHEET AND FINANCIAL DATA

### Main balance sheet data

The company's reclassified Balance Sheet, compared with the previous year is as follows (in euros):

| | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Net intangible fixed assets | 3,580,307 | 2,545,614 | 1,034,693 |
| Net tangible fixed assets | 10,062,221 | 10,069,456 | (7,235) |
| Holdings/equity and other financial fixed assets | 78,611 | 10 | 78,601 |
| **Non-current assets** | **13,721,139** | **12,615,080** | **1,106,059** |
| Warehouse stock | 8,426,383 | 6,202,041 | 2,224,342 |
| Trade receivables | 5,592,008 | 8,295,128 | (2,703,120) |
| Current receivables | 943,774 | 1,793,771 | (849,997) |
| Cash flow hedging op. cr. position | 419,932 | 1,356,226 | (936,294) |
| **Short-term assets for the year** | **15,382,097** | **17,647,166** | **(2,265,069)** |
| Trade payables | 2,471,024 | 5,668,042 | (3,197,018) |
| Current liabilities | 787,984 | 767,393 | 20,591 |
| **Short-term liabilities for the year** | **3,259,008** | **6,435,435** | **(3,176,427)** |
| **Net working capital** | **12,123,089** | **11,211,731** | **911,358** |
| Severance pay fund | (953,534) | (869,491) | (84,043) |
| End-of-mandate indemnity fund and other funds | (1,548,946) | (1,926,468) | 377,522 |
| Expected cash flow hedging op. fund | (352,521) | (167,235) | (185,286) |
| Provisions for risks and non-current charges | (2,855,001) | (2,963,194) | 108,193 |
| **Total assets** | **22,989,227** | **20,863,617** | **2,125,610** |
| Share capital and equity reserve | (20,523,420) | (19,919,314) | (604,106) |
| Expected cash flow hedging op. reserve | (50,334) | (852,821) | 802,487 |
| **Shareholders' equity** | **(20,573,754)** | **(20,772,135)** | **198,381** |
| Medium to long-term financial position | (7,358,338) | (5,630,087) | (1,728,251) |
| Short-term financial position | 4,942,866 | 5,538,605 | (595,739) |
| Net financial position | (2,415,472) | (91,482) | (2,323,990) |
| **Equity and net financial position** | **22,989,226** | **20,863,617** | **2,125,609** |

### Fixed assets

Investments in tangible and intangible fixed assets made during the year, equal to 1.1 million, also refer to the technological apparatus and equipment used in the production process and goods to support the sales activity, the capitalisation of the progress of the work of the project to extend the headquarters completed in March. Among investments of a commercial nature, the creation of 7 SiS (personalised FOPE furniture corners inside distributor shops) and the Fope space at the customer's premises in Kuala Lumpur.

## Revaluation of the company's assets

Pursuant to art. 110 of Law 126/2020, the patent that distinguishes the elastic "Flex'it" mesh was revalued. For this purpose, an expert appraisal was used on 31 December 2020 prepared by an independent expert who attributed the value of EUR 1,500,000 to the patent, a value that does not exceed the recoverable amount of the asset.
The revaluation operation led to an adjustment of the book value of the patent to the revalued value, with a consequent increase at 31 December 2020 of the net value of intangible assets. As a result of the revaluation, equity also increased by 1,443,785. This value is net of withholding tax of 3% that will be paid for tax recognition for the revaluation operation.

## Trade receivables and payables

Credit exposure to customers did not show significant changes in the deferment indices. The reduction in the balance compared to the previous year is proportional and due to the reduction in sales volumes.
There were no anomalous insolvency episodes.
For suppliers, the policies for managing payments have not changed and the balance changes as at 31 December are attributable to the expiry time of some payments made at the start of 2020.
In the heading "Cr. of derivative financial instruments is entered under the heading "Cash flow hedging op. cr. position" of the reclassified statement, and its liabilities position under the heading "Cash flow hedging operations fund".

## Warehouse stock

The growth in the value of warehouse stock amounting to EUR 2,224,342 (+36%) is attributable to greater availability, with respect to the year-end 2019, of the raw material gold. The stock of finished product and semi-finished products remained unchanged. It is recalled that the production only works on ordered and not on stock.

## Amounts owed to Credit Institutions and Financial Position

During the first few months of 2020 new funding was acquired amounting to EUR 4.9 million. A loan over 48 months amounting to EUR 4,000,000, guaranteed as set out in the Liquidity Decree by Medio Credito, activated in accordance with the principle of prudence and intended to optimise current cash flow management and a second loan amounting to EUR 900,000 disbursed on completion of a previously approved Simest loan.

The Net Financial Position, in debt, amounting to EUR 2,415,472 showed an increase with respect to the position at 31 December 2019, 2.3 million in debt.
The individual flow entries are recorded and commented on in the Statement of Cash Flows, presented on page 24.

## Equity and Hedging Operation Reserves Highly Probable forecast transactions

During the financial year, dividends of 2,382,332 were distributed, and the remaining profit was allocated to equity reserves.

In the transposition of the new accounting standard OIC 32 (December 2016) the effects recorded at 31 December 2020 for hedging operations of asset financial flows have been entered under the Balance Sheet headings. Specifically for the company, it exclusively concerns hedging operations aimed at stabilising the purchase price of gold or stabilising the exchange rates of currencies.

The effects calculated of the operations have been entered in the asset components if with a positive effect and in the liabilities components if with a negative effect and recorded as a balance in the “Cash flow hedging operation” reserve.

The company at 31 December 2020 does not hold any treasury shares and therefore no specific Equity reducing entry has been entered under liabilities pursuant to and for the effects referred to in Article 2357(3) of the Civil Code.

## Cash flows

Summary consolidated cash flow statement as at 31 December 2020 (in euros):

| | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| Profit for the year | 1,671,698 | 4,847,023 | (3,175,325) |
| Portion of amortisation | 1,608,155 | 1,348,416 | 259,739 |
| Change in severance pay and end-of-mandate indemnity funds | 137,604 | 67,675 | 69,929 |
| **Gross self-financing** | **3,417,457** | **6,263,114** | **(2,845,657)** |
| Change in trade receivables | 2,705,899 | (392,078) | 3,097,977 |
| Change in other short-term receivables | 845,496 | (1,025,190) | 1,870,686 |
| Change in inventories | (2,224,342) | (498,385) | (1,725,957) |
| Change in short-term payables | (3,616,065) | 1,169,452 | (4,785,517) |
| **Changes in net working capital** | **(2,289,012)** | **(746,201)** | **(1,542,811)** |
| **Cash flow generated by operations** | **1,128,445** | **5,516,913** | **(4,388,468)** |
| Change tangible and intangible fixed assets | (2,635,613) | (4,859,332) | 2,223,719 |
| Change financial fixed assets | (74,100) | 198,980 | (273,080) |
| M/L term financing reimbursement | (2,205,064) | (3,005,287) | 800,223 |
| **Uses of financing** | **(4,914,777)** | **(7,665,639)** | **2,750,862** |
| Financing acquisition | 4,900,000 | 4,530,000 | 370,000 |
| Convertible bonds issue | | (993,600) | 993,600 |
| Changes shareholders'equity reserve | (1,061,816) | (621,694) | (440,122) |
| **Sources of financing** | **3,838,184** | **2,914,706** | **923,478** |
| Cha. expected cash flow hedging op. cr. pos. | 936,294 | (819,460) | 1,755,754 |
| Cha. expected cash flow hedging op. fund | 185,286 | 45,560 | 139,726 |
| Cha. expected cash flow hedging op. reserve | (802,487) | 558,286 | (1,360,773) |
| **Cha. expected cash flow hedging op. positions** | **319,093** | **(215,614)** | **534,707** |
| **Net cash flow** | **370,945** | **550,366** | **(179,421)** |
| Net position banking relationships as at 31/12/2018 | 8,934,920 | | 8,934,920 |
| Net position banking relationships as at 31/12/2017 | 8,563,975 | 8,563,975 | |
| Net position banking relationships as at 31/12/2016 | | 8,013,609 | (8,013,609) |
| **Change net financial position** | **370,945** | **550,366** | **(179,421)** |

Self-financing generated by economic results and the careful working capital management have produced a positive net cash flow amounting to EUR 370,945, which permitted cash flow management without putting pressure on liquidity needs.
Self-financing and that provided following the activation of new M/L term financing have enabled commitments to be met required to finance the investments plan and the depreciation plans to repay existing finance.

## Analysis of the Financial Position

The net financial position as at 31 December 2020, and at the end of the previous financial year was as follows (in euros):

| | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| **NET position short Bank reports and cash values** | **9,684,920** | **9,313,974** | **370,946** |
| Short-term financial position | (4,535,654) | (3,775,369) | (760,285) |
| **Net short-term financial position** | **5,149,266** | **5,538,605** | **(389,339)** |
| Convertible bond (POC) | (206,400) | (206,400) | |
| Medium to long-term financial position | (7,358,338) | (5,423,687) | (1,934,651) |
| **Net financial position** | **(2,415,472)** | **(91,482)** | **(2,323,990)** |

During the financial year, new financing amounting to EUR 4.9 million was activated and existing financing amounting to EUR 2.2 million repaid.

## Relationships between the group's companies

During the year, the parent company Fope S.p.A. entered into the following relationships with subsidiaries (in euros):

- Fope Usa Inc
- Fope Jewellery Ltd

| Company | Credits | Debts | Revenues | Costs |
|---|---|---|---|---|
| Fope Usa Inc | 833,201 | | 1,194,692 | 668,961 |
| Fope Jewellery Ltd | 398,171 | 74,216 | 4,678 | 825,428 |

These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions.

At the end of 2020, the nature of the existing commercial relationship was transformed for both subsidiaries. With 2021 the companies assumed the title of distributor of Fope products in the countries of competence changing from the previous relationship in which Fope SpA had given both companies a representation mandate as agents. The application of new trading and administrative rules in intra-group relations envisage for both companies the purchase by Fope of products that are ordered and sold by them to customers.

## Staff

The breakdown of the staff who work in the Group's companies as at 31 December 2019 is 59 people: 27 women and 32 men.
There were no accidents during the year.

## Environment

The company carries out its activities in compliance with the provisions on environmental protection. During the year, compliance with the standards on gaseous and liquid emissions monitoring activities were regularly carried out by external contracted companies, always with negative results. For the third consecutive year the company has drafted a Sustainability Report. The report has been drawn up for the Parent Company FOPE S.P.A. and is included in this Fope Consolidated Financial Statements dossier.

## Research and development activities

During the financial year 2020, the company continued with its research and development activities and directed its efforts in particular on projects that we consider particularly innovative called:

1. Study, design and experimental development of new product lines and types of meshes for jewellery and developing new collections:
    - new Vendome collection;
    - new Eka Tiny collection;
    - new Essentials + Bubbles collection;
    - making of new mesh;
    - making of new elastic mesh;
2. Activities related to the protection and preservation of intellectual property

The projects were carried out at the Company's headquarters. For the development of the projects indicated above, the Company incurred costs totalling EUR 461,187.10. The Company intends to use the Research and Development tax credit provided for under art.1, paragraph 198 - 209, of Law No. 160 of 23 December 2019, and use it according to the procedures provided for by said legislation.
The research activities are continuing in the financial year 2021.
We hope that the positive outcome of these innovations can generate good results in terms of turnover with a favourable impact on the company's finances.

## Information relating to risks and uncertainties pursuant to art. 2428, section 2, in paragraph 6-bis, of the Italian Civil Code

In accordance with Art. 2428, Section 2, in paragraph 6-Bis of the Civil Code information is provided below regarding the use of financial instruments, as relevant for the purposes of assessing the income and financial situation.
More precisely, the objectives of company management, policies and criteria used to measure, monitor and control financial risks are the following:

- financial resources to stabilise the purchase price of raw materials;
- financial resources to stabilise exchange rate risk for Dollar and Sterling countries;
- financial resources to stabilise the interest rate risk on medium-term funding.

## Credit risk

The receivables write-down fund amount is adequate to cover the credit risk.

## Liquidity risk

As regards liquidity risk, the following is indicated:

- the company does not have financial assets for which there is a liquid market and that are readily marketable to meet the need for liquidity;
- there are instruments of indebtedness or other lines of credit to meet liquidity needs (*borrowing via an overdraft and borrowing via disposal of trade receivables to banks*);
- the company has financial assets for which there is not a liquid market but from which cash flows are expected (capital or interest) that will be available to meet its liquidity needs;
- the company has deposits with credit institutions to meet its liquidity needs;
- the main sources of financing, excluding short-term bank exposure are: M/L term loans with banks and the Convertible Bond Loan.

## Policies related to the various hedging activities

The company operates in the jewellery sector and a significant risk class applies to the volatility of valuations on the international gold market, used as a raw material, and the resulting purchase price.
In order to stabilise the purchase price, the company fixes the end price with financial hedging operations. The operations, which do not last more than 24 months, are carried out in rotation for a share of the estimated total requirement.

## Significant events occurring after the financial year-end

No significant operating events to report after the financial year-end.

## Business outlook

Based on forecast data compiled for the year 2021, growth in sales volume and a positive economic result is anticipated.
The results of the first few months of 2021 confirmed these predictions, and, consequently, the above expectations.

**Diego Nardin**
*CEO Fope S.p.A.*

## Sustainability Reporting

### Methodological note

The sustainability reporting complements Fope’s financial statements in order to inform all stakeholders about the company’s performance, not only from an economic-financial point of view, but also environmental and social. The drafting of a "complementary report" is done so as a voluntary exercise for Fope, which pursuant to Legislative Decree 254/2016, does not fall in the case law of groups required to report on their non-financial performance.

The sustainability reporting has been prepared taking the guidelines of the GRI Sustainability Reporting Standards (GRI Standards) into consideration, which are the most authoritative and widespread in the field of non-financial accounting. In particular, the guidelines of the standard have been adopted according to the GRI-referenced level option (see the Annex “Table of GRI – Global Reporting Initiative indicators”).

As required by the standard, the reporting activity has focused on economic, social and environmental issues that may mostly affect the strategic choices of Fope and its stakeholders. These “material” issues were identified through an analysis carried out internally involving a sample consisting of about half of the company’s population (see also the next section “Materiality analysis”).

The ability to gather elements that characterise the business comes from existing business processes, from internal information systems and from experience already gained by Fope in the field of non-financial reporting and has meant that the qualitative and quantitative information presented below has been collected in an accurate and efficient way.

The data reported in this report relate to the financial year which ended on 31 December 2020 and relate exclusively to the parent company Fope S.p.A.. The subsidiaries Fope USA Inc., Fope S.p.a. - DMCC Branch and Fope Jewellery Limited did not cause significant impacts on environmental and social sustainability.

### Materiality analysis

In order to best define the nature of its sustainability strategies, and for the subsequent drafting of this sustainability report, Fope has carried out a materiality analysis to identify and prioritise the issues considered relevant and important to its business and all of its stakeholders. These issues are defined as ‘material’ as they reflect the economic, social and environmental impacts of the company and because they can affect the internal and external decisions of stakeholders.

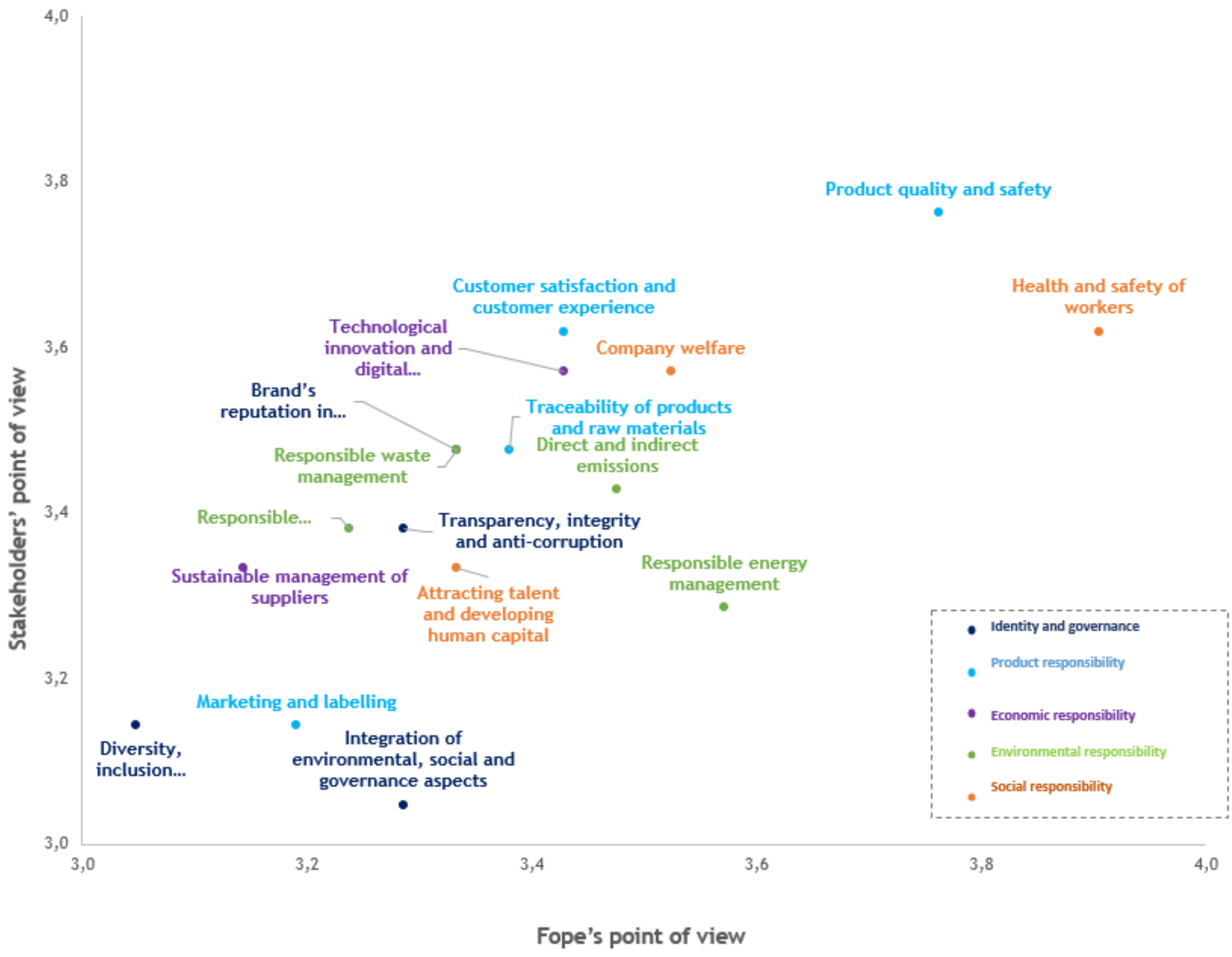
In line with the methodological approach also adopted in 2019, Fope first carried out a structured survey based on the following steps:

- analysis of the existing internal documentation;
- analysis of public documents, articles and statistics and results of observers on the type of standards and international frameworks adopted in sustainability reporting;
- analysis of the specific features of the sector it is in, in order to identify the main topics its competitors and comparable companies also tend to focus on.

This analysis resulted in the identification of 21 key topics relating to 5 different macro-areas: "Identity and governance", *"Product responsibility", "Economic responsibility" "Environmental responsibility"* and *"Social responsibility"*.

Subsequently, in order to select the topics that are actually material for Fope, the level of importance of each topic was assessed separately by the company's Chief Executive Officer and by another 20 representatives of the main company departments (39% of the entire staff of Fope) by completing the so-called "materiality questionnaire" online. To fill in the questionnaire, Fope staff took into account both the company's point of view ("internal" perspective), and that of stakeholders ("external" point of view).

The following materiality matrix is a summary representation of the results that emerged from the analysis carried out. It comprises the Cartesian plane defined by the two axes that represent the level of significance to be attributed to the different topics considering, respectively, Fope's point of view of (x-axis) and that of its stakeholders (y-axis). Within the matrix, only issues that have passed the so-called "materiality threshold", i.e. those who have obtained an average rating greater than 3 on a scale from 0 (negligible aspect) to 4 (very significant) on both axes are represented (in the form of dots).



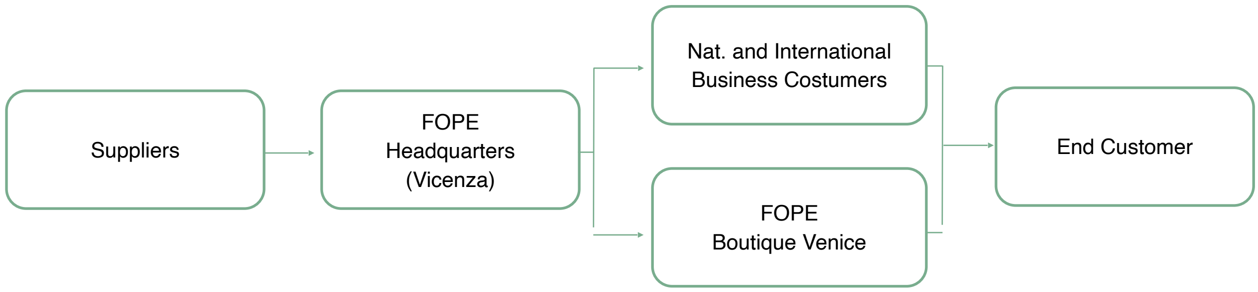
## Environmental sustainability

The main environmental impacts of the company occur along the supply chain. Gold constitutes the main raw material for Fope and is purchased from banks. For the supply of other raw materials (mainly diamonds, and marginally other precious stones, silver and other precious metals) necessary to create the products, the company uses suppliers predominantly located in the centre-north of Italy.

The production process, characterised by a high level of standardisation and automation, is carried out at the headquarters in Vicenza and is based on the typical phases of:

- melting of the raw material and preparation of the alloy;
- preparation of semi-finished products;
- assembly;
- finishing and quality control.

The ready goods are shipped from the site directly to the points of sale of the jewellers at all the national and international markets of interest.




The main environmental impacts along the supply chain of Fope take place in two phases that are very far removed from one another, i.e. the extraction of raw materials phase upstream of the value chain and that of transporting of the final products by couriers.
As a certified member of the Responsible Jewellery Council, Fope undertakes to report any misconduct by any actor of the goldsmith/jewellery sector that can lead to significant environmental risks. Especially considering the upstream part of the supply chain, the company reduces, as far as possible, the possibility of encouraging any irresponsible behaviour by buying almost all raw materials subject to the most authoritative transparency and sustainability certification in the sector. All the gold purchased is subject to the London Bullion Market Association (LBMA) certification and the major suppliers of diamonds, the main one of which is in turn a certified RJC member, they ensure the origin from legitimate sources and not involved in financing conflicts in the countries of origin. The same suppliers ensure, moreover, that the diamonds are processed according to that established by the most authoritative international guidelines, by means of processes that do not harm the health of workers and avoiding any form of exploitation of child labour.
The main external couriers the company works with for transporting its final products throughout the world, namely FedEx Corporation, DHL and UPS, are in their turn extremely sensitive to environmental and social issues. In recent years, these companies have greatly reduced their $CO_2$ emissions, by buying more efficient vehicles and often electric or hybrid, and by using the latest generation software to optimise routes.

### Electricity and natural gas

From an energy perspective, the activities carried out by Fope are mainly based on the consumption of the electricity that powers the melting plant for the production of gold alloys and other production facilities. The electricity used at the headquarters in Vicenza is supplied by Dolomiti Energia S.p.A. which supplies the company with energy derived exclusively from renewable sources, under contract.
The works to extend the headquarters, which were completed in March 2020, were conducted with the precise objective of achieving a state-of-the-art facility and a smaller environmental impact. In particular, the facility features the following elements:

- positioned in the highest performance band (Class A) in terms of the energy efficiency of buildings classification;
- air conditioning system with a heat pumps system and an electricity supply (non-methane gas);
- air circulation system that recovers heat from expelled air;
- lighting system that only uses energy-saving LED bulbs;
- installation of an 18.3 kW photovoltaic system, capable of producing on average about 20,000 kWh/year. The possibility of actively producing this electricity from renewable sources will allow Fope to further reduce its grid supply requirements.

Natural gas is only used to heat the premises of the headquarters in Vicenza. At the boutique in Piazza San Marco, the presence of a heating system based on a heat pump system makes the consumption of natural gas virtually zero.

| **Direct energy consumption (TJ)** | **Vicenza** | | | **Venice** | | | **Total** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2020** | **2019** | **2018** | **2020** | **2019** | **2018** |
| Electricity [2] | 1.09 | 1.11 | 1.06 | 0.02 | 0.03 | 0.04 | 1.11 | 1.14 | 1.10 |
| Natural Gas [3] | 0.47 | 0.60 | 0.42 | 0 | 0 | 0 | 0.47 | 0.60 | 0.42 |
| Total | **1.56** | **1.71** | **1.48** | **0.02** | **0.03** | **0.04** | **1.58** | **1.74** | **1.52** |

The overall energy consumption was slightly lower than in 2019 (-9%). This is mainly due to:

- completion of the work to extend the headquarters, which lasted throughout the previous year;
- overall improvement of the energy performance of the whole Vicenza plant as a direct consequence of the responsible choices adopted by the company in the design phase of this extension intervention;
- reduction of all company business in the maximum emergency period due to the Covid-19 pandemic (March and April 2020).

[2] 1TJ (terajoule)= 1.000GJ (Gigajoule)= (1.000/0,0036) kWh (source: Department for Environment, Food & Rural Affairs – DEFRA, 2018).
[3] 1TJ= 1.000GJ= (1.000/0,0360) Smc (source: DEFRA, 2018).

### Carbon footprint analysis

Continuing on the path taken in the two previous years, in 2020 Fope conducted a carbon footprint study aimed at mapping and quantifying the greenhouse gas emissions:

- under its direct control, i.e. a clear consequence of business activities (direct or Scope 1 emissions);
- resulting from generating electricity, heating, cooling and steam consumed by the company (indirect Scope 2 emissions);
- that, despite being generated by other actors in the supply chain, are related to the life cycle of its jewellery (indirect Scope 3 emissions).

The analysis was carried out according to a methodological approach structured and inspired by the 14040 series of ISO standards for conducting life cycle assessment (LCA) studies, by standard ISO 14064 for creating greenhouse gas emission inventories at organisation level, and by the Greenhouse Gas Protocol (GHG Protocol).
The whole process of collecting and processing the data that enabled the update of Fope's carbon footprint calculation on 31 December 2020 was the subject of a special verification activity carried out by a third-party independent certification and authorised body. Given the successful outcome of the surveys carried out, this body has issued Fope with an official document for the second consecutive year that certifies the robustness of the calculation model adopted and the reliability of the results obtained through the study.
Considering the availability of data and the areas within which Fope can exercise control over the supply chain, the decision was also taken in 2020 to adopt a gate-to-gate approach and therefore include the following stages of the life cycle of jewellery in the scope:

- the supply of raw materials from direct suppliers (mainly banks, diamond suppliers and suppliers of other goods used in the production processes);
- the transformation and manufacture of jewellery processes carried out at the Vicenza site;
- the transport and distribution of final products stages to the flagship store in Venice and B2B customers, both Italian and international;
- the transport and distribution of products sold in the context of e-commerce;
- the transport of waste generated at recovery, treatment or disposal centres.

In the context of further refining the analysis compared with previous years and gradually extending the scope of the study including the greatest possible number of emission sources, in 2020, a further effort was made to also consider CO2 emissions linked, respectively, to the use of the F-GAS by the organisation (included within Scope 1) and to the use car rental by Fope employees during business trips (included in Scope 3). In 2019, these emission sources were both excluded from the scope of the study due to the extreme difficulty in finding the main data necessary to calculate their contribution to the organisation's overall carbon footprint.

In 2020, the total greenhouse gas emissions related to the activities included in the scope of the analysis amounted to about 56.5 tonnes of CO2 equivalent. Specifically, the main emission sources related to Fope's activities were:

- natural gas consumed at the Vicenza site (26.7 tonnes of $CO_2$ equivalent, approximately 47% of the total);
- the company's fleet of cars (14.2 tonnes of $CO_2$ equivalent, approximately 25% of the total);
- logistics operations related to the distribution of Fope jewellery throughout the world (6.6 tonnes of CO2 equivalent, equal to about 12% of the total).

It should be noted, however, that the choice adopted by Fope to meet the entire energy needs of the Vicenza site by buying electricity from renewable sources enabled the company to avoid emissions amounting to about 97 tonnes of $CO_2$ equivalent in 2020.

| Emission sources | 2020 | |
|---|---|---|
| | **tonnes $CO_2$ eq.** | **% contribution** |
| **Direct emissions - scope 1** | **41.57** | **73.59%** |
| Emissions from natural gas consumption | 26.67 | 47.21% |
| Emissions from the company's fleet of cars | 14.23 | 25.19% |
| Emissions from consumption of F-GAS (not calculated in 2019 due to unavailability of accurate data) | 0.67 | 1.19% |
| **Indirect energy emissions - scope 2** | **2.27** | **4.02%** |
| Indirect emissions from buying electricity (market-based approach)[4] | 2.27 | 4.02% |
| **Other indirect emissions - scope 3** | **12.65** | **22.39%** |
| Emissions from water consumption | 0.46 | 0.81% |
| Emissions from the supply of raw materials (gold) | 0.02 | 0.04% |
| Emissions from the supply of chemical products | 0.02 | 0.04% |
| Emissions related to the distribution of jewellery | 6.62 | 11.72% |
| Emissions related to transporting waste generated at treatment/disposal centres | 0.02 | 0.04% |
| Emissions related to staff air travel | 1.75 | 3.10% |
| Emissions related to staff train travel | 0.08 | 0.14% |
| Emissions related to staff car travel | 3.17 | 5.61% |
| Emissions related to hire car trips | 0.50 | 0.89% |
| **GENERAL TOTAL (SCOPE 1+2+3)** | **56.49** | **100.00%** |

4 By adopting a location-based approach, i.e. not taking into account the net saving of emissions made possible by buying electricity from renewable sources for the headquarters in Vicenza and by using the electricity produced by the photovoltaic system present at the same plant (see also the section "Electricity and natural gas"), the indirect emissions of scope 2 would be equal to 103.52 tonnes of $CO_2$ equivalent and the total emissions generated directly and indirectly by Fope's activities to 157.74 tonnes of $CO_2$ equivalent.

The results of these analyses are required to identify and plan appropriate strategies to reduce and offset emissions directly and indirectly related to Fope's activities.
Fope joined the DHL Go Green programme in 2019, which not only enables the $CO_2$ emissions generated by the shipments performed by the courier DHL to be calculated, but also offset them by financing forestry and environmental protection projects.
Furthermore, in 2020, Fope started a project to offset the emissions caused in 2018 and 2019 via the Treedom platform. The investments are intended to fund tree planting initiatives in various regions of the world, whose positive impact in terms of combating climate change is estimated by calculating the amount of carbon stored in each tree using authoritative approaches developed by the Intergovernmental Panel for Climate Change (IPCC) and by the United Nations Framework Convention on Climate Change (UNFCCC). Since each tree planted is geo-referenced and visually monitored by satellite images, the Treedom project is able to guarantee maximum transparency for the financing company and all stakeholders. Also in 2021, the company will continue with this initiative by providing a similar project to offset emissions directly and indirectly generated from its activities during 2020. Through this project, in 2020, 258,095 kg of CO2 were offset by planting 817 trees in Kenya.
As regards emissions related to business trips made by planes, since 2019 the company decided to sign up to offsetting schemes promoted by airlines, by systematically making voluntary donations offered when buying tickets.

## Water management

Water resources used at the headquarters in Vicenza are provided by the local company Viacqua S.p.A. and the volumes purchased annually by the company amount, on average, to about 1,1000 m$^3$ of water. After use, waste water undergoes a purification process within the drainage system equipped with special cleaning filters. The drainage system terminates in the municipal sewerage system and waste water returned is subject to quality controls on an annual basis.
The Boutique in Venice has a negligible environmental impact from the point of view of water consumption, on average only purchasing 150 m$^3$ of water a year.

| Water consumption | Vicenza | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| m3 of water | 1,081 | 1,100 | 1,076 |

## Industrial waste produced and managed

Fope deeply respects the legislation in force concerning waste production and management and, as far as possible, undertakes to limit accumulation along the production processes. The specific nature of the production process must be remembered which is why there is no waste of the precious raw material; since offcuts and scraps from the process are melted and reused.
During the production processes, other types of industrial waste accumulate (see the table below, provided by using the values contained within the Environmental Declaration Form - MUD - published by Fope annually) that, with the sole exception of mineral oil waste, which is fully recovered by the company, must be transported to specialist facilities that handle final disposal. The company which is responsible for the industrial waste produced by Fope S.p.A. is Din.Eco S.r.l.
The amount of waste accumulated varies from year to year for some of the categories considered in the table due to the fact that some types of waste is only delivered to Din.Eco S.r.l. periodically and not continuously.

| Industrial waste | Quantity produced in 2020 (kg) | Quantity produced in 2019 (kg) | Quantity produced in 2018 (kg) |
|---|---|---|---|
| Other organic solvents, washing liquids and mother liquors | 112 | 40 | 64 |
| Empty printer toner, not containing hazardous substances | 60 | 0 | 23 |
| Pickling acids | 40 | 60 | 40 |
| Pickling bases | 90 | 120 | 130 |
| Wastes containing other heavy metals | 480 | 0 | 0 |
| Mineral oil waste for motors, gears and lubrication, non-chlorinated | 30 | 0 | 0 |
| Other solvents and solvent mixes | 60 | 60 | 30 |
| Waste aqueous solution containing hazardous substances | 40 | 80 | 25 |
| Used activated carbon | 170 | 260 | 250 |
| Saturated or used ion exchange resins | 0 | 20 | 20 |
| Washing aqueous solution containing hazardous substances | 0 | 40 | 0 |
| **TOTAL** | **1,082** | **680** | **582** |

## Social sustainability

### Respect for human rights along the value chain

As a certified member of RJC, Fope actively promotes respect for fundamental human rights not only within the company, but also by actively encouraging all its trading partners to embrace the same ethical values. Buying almost exclusively LBMA AND RJC certified raw materials, the company actively promotes responsible and transparent commercial practices within the sector in which it operates.

### Fope personnel

On 31 December 2020, the staff of the Group comprised 51 employees in Italy, to which are added the 6 employees employed by Fope Jewellery Limited and 2 employees at Fope USA Inc. and Fope SpA – DMCC Branch, respectively. The company is aware that its success depends on people and undertakes to encourage the development of all employees on a personal and professional level and provides them with a stimulating work environment and that defends all forms of diversity.
The table below represents the workforce of Fope at 31 December 2020 and on the same date in the two previous years, subdividing employees by gender and type of use (executives, middle managers, clerical staff and manual workers). During the last few financial years, the staff have remained almost equally distributed between men and women in terms of the main employment categories; in the case of clerical staff and manual workers the ratio between the number of female employees and that of male employees has gradually increased since 2018.

| Workforce | 31/12/2020 | | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| Executives | 2 | 0 | 2 | 0 | 2 | 1 |
| Middle managers | 1 | 2 | 1 | 1 | 1 | 1 |
| Clerical staff | 11 | 8 | 14 | 8 | 11 | 6 |
| Manual workers | 13 | 14 | 11 | 12 | 12 | 9 |
| **Total** | **27** | **24** | **28** | **21** | **26** | **17** |

### Staff selection and remuneration

The selection process is based on analysing needs and a careful evaluation of the profiles, not only referring to the technical skills and experience sought, but also taking into account the values conveyed by candidates.
Recruitment is performed in collaboration with one of the leading global companies in the field of personnel selection, and new employees are guaranteed a salary that is on average 21.65% higher than the minimum local wage. In cases where recruitment required an initial temporary contract, they have been converted into permanent contracts.
Wages paid by the company to its employees are on average higher than the reference pay for the jewellery sector at national level. The ratio in percentage between the median salary within Fope and that of the employee receiving the highest pay is 20.11%.

## Training

Correct corporate development must develop the role of all employees and define suitable career paths for individual employees. This concerns growth processes that are implemented over time and which, if carried out systematically and consistently, lead to the development of expertise and multidisciplinary skills within the company, enabling it to cope with changes in a constantly evolving sector.

As regards training, the main objective pursued by Fope in 2020 was to consolidate the basic IT skills and expertise of its employees and also create greater awareness about the main implications of Industry 4.0 in terms of the progressive digitisation of work and gradual automation of production processes.

In 2020, all of Fope's generic (15 employees) and specialist workers (5 employees) participated in the two-hour course "Development and prospects of Factory 4.0" delivered by the organisation *Niuko Innovation & Knowledge*. Generic workers also attended:

- a basic IT course for the gradual digitalisation of the production process lasting 12 hours and also provided in this case by the organisation Niuko (one of the main topics covered included the correct use of Windows, the Office package, email and browsing the internet);
- a basic course on using Excel lasting 10 hours.

Specialist workers however took part in the 24-hour course delivered by the organisation Engim on the foundations of programming languages for digitally-controlled machines.

The training provided to clerical staff however focused on three main areas of learning, i.e. knowledge of foreign languages, an update on the cash flow issues and the protection of health and safety. In particular, the language courses were attended by seventeen employees, with a total number of 254 hours of training provided.

Overall, Fope's staff could get 433 hours of training delivered by the company in 2020, with an increase of 16% of the total hours compared to 2019.

Finally, Fope promotes the training of young people and in the 2020/2021 period is working closely with the European Institute of Design in Turin to develop a new project whose aim will be the thesis of the three-year Jewellery Design course, selecting and then rewarding the student who presents a project deemed worthy.

## Health and safety

Fope is careful to protect the health and safety of staff and reports that in 2020 no workplace accidents occurred. In line with that laid down in the current legislation, the company regularly organises training courses aimed at raising awareness among all employees about issues relating to safety in the workplace. In 2020, 118 hours of training were provided in the areas of training and general safety and specifically high risk, a WSR update, a firefighting update and a first aid update.

Initiatives in the field by Fope to cope with the onset of the Covid-19 pandemic in the spring of 2020 included an update of the DVR, the identification of ways in which to comply with social distancing inside the company, distribution of PPE to all staff, the implementation of the new protocol for managing the crisis and the internal dissemination of relevant information about the precautions to be taken by staff to safeguard their own health and that of their colleagues. The combination of these interventions has enabled business continuity and the quick, full and safe return of employees to the company.

### Welfare initiatives

There is a widespread opinion within Fope that programmes aimed at improving the welfare and quality of life of the worker are an indispensable means to consolidate their sense of belonging and strengthen the trust placed in the company.

In the first few months of 2020, on the culmination of the health emergency linked to the rapid spread of the Covid-19 virus in Italy, a specific home working programme was activated which all middle managers and clerical staff at the headquarters in Vicenza were able to benefit from. Although the nature of the duties performed by general and specialist workers did not enable these categories of employees to join in the home working programme too, the implementation of several precautionary measures described in the previous paragraph helped to guarantee them the possibility of working at the company while fully safeguarding their own health.

In 2020, Fope also signed a contract with *Noi!Welfare S.r.l.,* a consultancy company operating in the field of company welfare and owner of the portal *welfare Easy Life*. After a first stage of the design of the *Welfare Plan*, the project has seen the implementation of this platform and the allocation to each employee of an amount to be used within the portal. In particular, Fope employees have been able to independently determine how to use the amount by choosing between:

- different forms of reimbursements (education, health, to support family members who are not self-sufficient and for transport);
- purchase various direct payment services, such as shopping vouchers, gift cards, sports activities, travel and holidays, supplementary pension and healthcare schemes.

### The Code of Ethics

In October 2020, Fope adopted and made public this Code of Ethics with the purpose of providing precise guidelines for behaviour that allow all stakeholders to promote and share a corporate culture that is characterised by values of integrity and responsibility.
The rules of the Code apply to anyone who works or collaborates with the company. The Code of Ethics is available, also in English, on the company's websites www.fope.com and www.fopegroup.com. On the page of the website presenting the code an email account is available to report suggestions or conduct that violate the principles established in the code.

### The Ethics Committee

The company has an elective Ethics Committee that manages any complaints, reports of unease or suggestions by its employees. The Committee can be consulted by giving your name or anonymously and can be involved as a whole or one member can be contacted at a time. The objective of the Ethics Committee is the guarantee of a space in which workers are listened to without prejudice and obtain the tools to tackle situations of unease experienced or perceived. The Ethics Committee currently comprises three members.

## Economic value generated and distributed (relating to the parent company Fope S.p.a.)

The economic value generated and distributed represents a company's ability to create wealth and to distribute it among its stakeholders.
In 2020, the economic value generated by Fope S.p.A. amounted to EUR 26,647,793 (-26% compared with 2019). This value has been affected to a limited extent by the negative impacts caused by the Covid-19 pandemic on the global economy and on the company's business as already previously mentioned.
97.44% of the economic value produced by Fope has been distributed to stakeholders, both internal and external, while the remaining 2.56% has been retained within the company.

| Economic value generated, distributed and retained | 31/12/2020 | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Economic value generated by Fope S.p.A.** | **26,647,793** | **36,294,920** | **31,890,144** |
| Revenue | 26,334,154 | 34,967,855 | 31,258,572 |
| Changes in stocks of unfinished, semi-finished and finished products | (115,362) | 361,351 | 253,838 |
| Other revenue and income | 429,001 | 965,714 | 377,734 |
| **Economic value distributed by Fope S.p.A.** | **25,981,902** | **32,351,269** | **30,306,648** |
| Remuneration of Suppliers (operating costs) | 21,517,397 | 26,161,481 | 23,819,991 |
| Remuneration of Employees | 3,133,767 | 3,597,654 | 3,294,745 |
| Remuneration of Financial backers | 152,637 | 145,550 | 102,910 |
| Remuneration of Shareholders | 794,111 | 2,382,332 | 1,750,070 |
| Remuneration of Public administration | 373,990 | 47,252 | 1,338,932 |
| Donations | 10,000 | 17,000 | 0 |
| **Economic value retained by Fope S.p.A.** | **665,891** | **3,943,651** | **1,583,496** |

From the analysis of the economic value generated and distributed in 2020 by Fope it shows that:

- the largest share of the economic value generated (EUR 21.51 million, equal to about 80% of the total) is used to cover the operational costs of the remuneration of the company's suppliers;
- the proportion allocated to company employees amounted to EUR 3.13 million and accounted for approximately 12% of the total value generated;
- the amount distributed to the public administration amounted to EUR 373,000, as the sum of the taxes and duties for the period.


FOPE
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# Consolidated Balance Sheet

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Balance sheet
Profit and loss account
Consolidated financial statement (indirect method)

| Balance sheet Assets | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A) Receivables from shareholders for payments still due | | |
| part called up | | |
| part to be called up | | |
| Total receivables from shareholders for payments still due (A) | | |
| B) Fixed assets | | |
| I -Intangible fixed assets | | |
| 1) plant and expansion costs | 102,778 | 214,858 |
| 2) development costs | | |
| 3) industrial patent and intellectual property rights | 1,548,591 | 47,399 |
| 4) concessions, licenses, trademarks and other similar rights | 37,844 | 64,710 |
| 5) goodwill | 979,627 | 1,132,168 |
| 6) assets under development and payments on account | | |
| 7) others | 911,468 | 1,086,480 |
| Total intangible fixed assets | 3,580,308 | 2,545,615 |
| II- Tangible fixed assets | | |
| 1) land and buildings | 7,420,353 | 2,190,324 |
| 2) plant and machinery | 1,071,170 | 1,211,301 |
| 3) industrial and commercial equipment | 660,542 | 877,114 |
| 4) other assets | 730,375 | 623,324 |
| 5) fixed assets under construction and payments on account | 179,780 | 5,167,392 |
| Total tangible fixed assets | 10,062,220 | 10,069,455 |
| III - Financial fixed assets | | |
| 1) Shareholdings/holdings in | | |
| a) group subsidiaries | 78,601 | |
| b) associated/affiliated companies | | |
| c) parent companies | | |
| d) companies subject to the control of parent companies | | |
| d-bis) other companies | 10 | 10 |
| Total investments | 78,611 | 10 |
| 2) Receivables | | |
| a) from group subsidiaries | | |
| due within one year | | |
| due after one year | | |
| Total receivables from group subsidiaries | | |
| b) from associates/affiliated companies | | |
| due within one year | | |
| due after one year | | |
| Total receivables from associates/affiliated companies | | |

| Balance sheet Assets | 31/12/2020 | 31/12/2019 |
|---|---|---|
| c) from parent companies | | |
| due within one year | | |
| due after one year | | |
| Total receivables from parent companies | | |
| d) from companies subject to the control of parent companies | | |
| due within one year | | |
| due after one year | | |
| Total receivables from companies subject to the control of parent companies | | |
| d-bis) from others | | |
| due within one year | 27,387 | 31,888 |
| due after one year | | |
| Total receivables from third parties others | 27,387 | 31,888 |
| Total receivables | 27,387 | 31,888 |
| 3) other securities | | |
| 4) financial derivative instrument assets | | |
| Total financial fixed assets | 105,998 | 31,898 |
| Total fixed assets (B) | 13,748,526 | 12,646,968 |
| C) Current assets | | |
| I - Inventory | | |
| 1) raw materials, supplies and consumables | 6,064,321 | 3,805,751 |
| 2) unfinished products and semi-finished products | 833,703 | 757,551 |
| 3) work in progress made-to-order | | |
| 4) finished goods | 1,528,358 | 1,638,738 |
| 5) payments on account (advances) | | |
| Total inventories | 8,426,382 | 6,202,040 |
| Tangible fixed assets for sales | | |
| II - Receivables | | |
| 1) trade receivables | | |
| due within one year | 5,592,008 | 8,295,128 |
| due after one year | | |
| Total trade receivables | 5,592,008 | 8,295,128 |
| 2) from group subsidiaries | | |
| due within one year | | |
| due after one year | | |
| Total receivables from group subsidiaries | | |
| 3) from associated/affiliated companies | | |
| due within one year | | |
| due after one year | | |
| Total receivables from associated/affiliates companies | | |

| Balance sheet Assets | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 4) from parent companies | | |
| due within one year | | |
| due after one year | | |
| Total receivables from parent companies | | |
| 5) from companies subject to the control of parent companies | | |
| due within one year | | |
| due after one year | | |
| Total reveivables from companies subject to the control of parent companies | | |
| 5-bis) tax receivables | | |
| due within one year | 346,502 | 913,604 |
| due after one year | | |
| Total tax receivables | 346,502 | 913,604 |
| 5-ter) deferred tax assets | 286,294 | 191,728 |
| 5-quater) from others | | |
| due within one year | 127,695 | 510,012 |
| due after one year | | |
| Total receivables from others | 127,695 | 510,012 |
| Total receivables | 6,352,499 | 9,910,472 |
| III - Financial assets other than fixed assets | | |
| 1) shareholdings in group subsidiaries | | |
| 2) shareholdings in associated/affiliates companies | | |
| 3) shareholdings in parent companies | | |
| 3-bis) shareholdings in companies subject to the control of parent | | |
| 4) other holdings | | |
| 5) financial derivative instrument assets | 419,932 | 1,356,226 |
| 6) other securities | | |
| financial assets for centralised treasury management | | |
| Total financial assets other than fixed assets | 419,932 | 1,356,226 |
| IV - Cash and cash equivalents | | |
| 1) bank and postal deposits | 9,676,418 | 9,321,206 |
| 2) cheques | | 50 |
| 3) cash and cash equivalents | 8,502 | 10,126 |
| Total cash and cash equivalents | 9,684,920 | 9,331,382 |
| Total current assets (C) | 24,883,733 | 26,800,120 |
| D) Prepayments and accrued income | 155,897 | 146,539 |
| **Total assets** | **38,788,156** | **39,593,627** |

| Balance sheet Liabilities | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A) Group shareholders' equity | | |
| I - Capital | 5,294,071 | 5,294,071 |
| II - Share overprice reserve | 3,280,917 | 3,280,917 |
| III - Revaluation reserves | 1,469,295 | 25,510 |
| IV - Legal reserve | 825,162 | 591,298 |
| V - Statutory reserves | | |
| VI - Other reserves, separately indicated | | |
| extraordinary reserve | 7,980,344 | 5,855,080 |
| reserve for derogation ex article 2423 of Italian Civil Code | | |
| reserve for shares (stocks) of parent company | | |
| non-distributable reserve for revaluation of shareholdings | | |
| account payments for capital increase | | |
| payments for future capital increase | | |
| payments on capital account | | |
| payments to cover losses | | |
| capital reduction reserve | | |
| merger surplus reserve | | |
| profits on unrealized exchange rates reserve | | 5,574 |
| current net profits offset | | |
| consolidation reserve | (8,879) | (9,711) |
| foreign currency exchange reserve | (24,234) | 4,323 |
| other various reserves | 1,926 | 17,427 |
| total other reserves | 7,949,157 | 5,872,693 |
| VII - Reserve for hedging operations of expected cash flow | 50,334 | 852,821 |
| VIII - Profit (loss) carried forward | | |
| IX - Profit (loss) for the year | 1,663,602 | 4,821,702 |
| covering losses in this financial year | | |
| X - Negative reserve for treasury shares | | |
| Total group shareholders' equity | 20,532,538 | 20,739,012 |
| third party/minority shareholders equity | | |
| third party/minority shareholders share capital & reserve | 33,120 | 7,799 |
| third party/minority shareholders profit (loss) | 8,096 | 25,321 |
| third party/minority shareholders total equity | 41,216 | 33,120 |
| Total consolidated equity | 20,573,754 | 20,772,132 |
| B) Provision for risks & charges | | |
| 1) provision for pensions and similar obligations | 1,377,865 | 1,324,304 |
| 2) tax provision, including deferred tax liabilities | 119,627 | 429,235 |
| consolidation fund for future risks & charges | | |

| Balance sheet Liabilities | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 3) financial derivative instrument liabilities | 352,521 | 167,235 |
| 4) other provisions | 51,455 | 172,929 |
| total provisions for risks & charges | 1,901,468 | 2,093,703 |
| C) Employee's severance pay | 953,534 | 869,491 |
| D) Payables | | |
| 1) bonds | | |
| due within one year | | |
| due after one year | | |
| Total bonds | | |
| 2) convertible bonds | | |
| due within one year | 206,400 | |
| due after one year | | 206,400 |
| Total convertible bonds | 206,400 | 206,400 |
| 3) payables due to shareholders | | |
| due within one year | | |
| due after one year | | |
| Total payables to shareholders for loans | | |
| 4) payables due to banks | | |
| due within one year | 4,535,654 | 3,792,777 |
| due over one year | 7,358,338 | 5,423,687 |
| Total payables to banks | 11,893,992 | 9,216,464 |
| 5) payables due to other financial investors | | |
| due within one year | | |
| due after one year | | |
| Payables due to other financial investors | | |
| 6) advance payments | | |
| due within one year | 10,621 | 7,843 |
| due after one year | | |
| Total advances | 10,621 | 7,843 |
| 7) payables to suppliers | | |
| due within one year | 2,471,024 | 5,668,042 |
| due after one year | | |
| Total payables to suppliers | 2,471,024 | 5,668,042 |
| 8) payables represented by negotiable instruments | | |
| due within one year | | |
| due after one year | | |
| Total payables in form of credit Instruments | | |
| 9) payables due to group subsidiaries | | |

| Balance sheet Liabilities | 31/12/2020 | 31/12/2019 |
|---|---|---|
| due within one year | 130,527 | |
| due after one year | | |
| Total payables to subsidiary companies | 130,527 | |
| 10) payables due to associated/affiliates | | |
| due within one year | | |
| due one year | | |
| Total payables to associated/affiliated companies | | |
| 11) payables due to parent companies | | |
| due within one year | | |
| due after one year | | |
| Total payables to parent companies | | |
| 11-bis) payables due to companies subject to the control of parent companies | | |
| due within one year | | |
| due after one year | | |
| Total payables due to companies subject to che control of parent companies | | |
| 12) taxes payable | | |
| due within one year | 229,863 | 157,076 |
| due after one year | | |
| Total tax payables | 229,863 | 157,076 |
| 13) payables to employee benefit and social security institutions | | |
| due within one year | 165,967 | 179,207 |
| due after one year | | |
| Total payables to employee benefit and social security institutions | 165,967 | 179,207 |
| 14) other payables | | |
| due within one year | 209,402 | 346,101 |
| due after one year | | |
| Total other payables | 209,402 | 346,101 |
| Total payables | 15,317,796 | 15,781,133 |
| E) Accruals and deferrals | 41,604 | 77,168 |
| **Total liabilities** | **38,788,156** | **39,593,627** |

| Profit and loss account | 31/12/2020 | 31/12/2019 |
| --- | --- | --- |
| A) Production Value | | |
| 1) revenues from sales and services | 25,998,489 | 34,964,396 |
| 2) changes in stocks of unfinished, semi-finished and finished products | (34,228) | 361,351 |
| 3) changes to work in progress made-to-order | | |
| 4) increases of asstes for internal work | | |
| 5) other revenue and income | | |
| operating grants | 51,955 | 2,583 |
| others | 413,804 | 963,131 |
| Total other revenue and income | 465,759 | 965,714 |
| Total production value | 26,430,020 | 36,291,461 |
| B) Production costs | | |
| 6) raw materials, supplies, consumables and goods | 11,710,132 | 13,386,957 |
| 7) for services | 9,446,744 | 12,051,209 |
| 8) for use of third party assets | 493,533 | 272,408 |
| 9) for staff | | |
| a) salaries and wages | 2,279,815 | 2,519,531 |
| b) social security charges | 591,994 | 683,691 |
| c) severance pay | 137,537 | 146,466 |
| d) pensions and similar costs | | |
| e) other costs | 28,436 | 97,319 |
| Total staff costs | 3,037,782 | 3,447,007 |
| 10) amortisation, depreciation and write-downs | | |
| a) depreciation of intangible fixed assets | 507,077 | 480,262 |
| b) depreciation of tangible fixed assets | 1,101,078 | 868,154 |
| c) other value adjustments | | |
| d) write-downs of receivables included in current assets and cash available | 76,808 | 34,542 |
| Total amortisation and write-downs | 1,684,963 | 1,382,958 |
| 11) changes to stocks of raw materials, consumables, supplies and goods | (2,380,044) | (137,033) |
| 12) provisions for risks | | 121,474 |
| 13) other provisions | | |
| 14) charges other than operating | 99,645 | 333,427 |
| Total production costs | 24,092,755 | 30,858,407 |
| Difference between Value and Costs (A - B) | 2,337,265 | 5,433,054 |
| C) Financial income and charges | | |
| 15) income from holdings | | |
| from group subsidiaries | | |
| from associated/affiliated companies | | |
| from parent companies | | |

| Profit and loss account | 31/12/2020 | 31/12/2019 |
|---|---|---|
| from companies subject to che control of parent companies | | |
| others | 13,071 | 4,512 |
| Total revenues from shareholding | 13,071 | 4,512 |
| 16) other financial income | | |
| a) from receivables entered in fixed assets with a separate indication of that relating to subsidiares and associates | | |
| from group subsidiaries | | |
| from associated /affiliated companies | | |
| from parent companies | | |
| from companies subject to che control of parent companies | | |
| others | | |
| Total financial revenues from receivables entered as fixed assets | | |
| b) from securities entered as fixed Assets that do not constitute holdings | | |
| c) from securities entered as current assets that do not constitute holdings | | |
| d) income other than above | | |
| from group subsidiaries | | |
| from associated/affiliated companies | | |
| from parent companies | | |
| from companies subject to the control of parent companies | | |
| others | 45,194 | 32,471 |
| Total revenues other than the above | 45,194 | 32,471 |
| Total other financial revenues | 45,194 | 32,471 |
| 17) interests and other Financial Charges | | |
| to group subsidiaries | | |
| to associated/affiliated companies | | |
| to parent companies | | |
| to companies subject to the control of parent companies | | |
| others | 152,694 | 145,550 |
| Total interests and other financial charges | 152,694 | 145,550 |
| 17-bis) exchange rate gains / (losses) | (165,754) | (123,904) |
| Net financial income / (charges) (15 + 16 + 17 +/- 17bis) | (260,183) | (232,471) |
| D) Adjustments to financial assets | | |
| 18) write-ups | | |
| a) of shareholding | | |
| b) of financial fixed assets that do not constitute holdings | | |
| c) of securities entered in current assets that do not constitute holdings | | |
| d) of financial derivates | | |
| of financial operation for management treasury | | |
| Total revaluations | | |

| Profit and loss account | 31/12/2020 | 31/12/2019 |
| --- | --- | --- |
| 19) write-downs | | |
| a) of shareholdings | | 250,000 |
| b) of financial fixed assets not held as shares | | |
| c) of securities under current assets not held as shares | | |
| d) of financial derivates | | |
| financial operation for management of treasury | | |
| Total impairments | | 250,000 |
| Total financial asset value adjustments (18 - 19) | | (250,000) |
| Pre - tax profit / (loss) (A - B +/- C +/- D) | 2,077,082 | 4,950,583 |
| 20) current, deferred and advance income tax | | |
| current taxes | 451,389 | 807,289 |
| taxes from previous financial year | | (680,690) |
| advance and deferred taxes | (46,005) | (23,039) |
| revenues (charges) from participation in tax consolidation or fiscal transparency Systems | | |
| Total taxes on financial year's revenue, current, deferred assets and deferred liabilities | 405,384 | 103,560 |
| 21) Net profit (loss) for the year | 1,671,698 | 4,847,023 |
| Net profit (loss) for the year | 1,663,602 | 4,821,702 |
| Net profit (loss) for the year to the minority/third party interests | 8,096 | 25,321 |

| Consolidated Financial statement, indirect method | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A) Cash flow from operating activities (indirect method) | | |
| Net profit (loss) for the year | 1,671,698 | 4,847,023 |
| Income tax | 405,384 | 103,561 |
| Payable (receivable) interest | 107,500 | 113,079 |
| (Dividends) | (13,071) | (4,512) |
| (Capital gains)/Capital losses on the sale of assets | | 129,279 |
| 1) Profit (Loss) for the year before income tax, interests, dividends, and capital gains/losses on the sale of assets | 2,171,511 | 5,188,430 |
| Adjustments to non monetary items that have not been offset in the Net Working Capital | | |
| Allocations to fund reserves | 332,906 | 393,552 |
| Fixed assets depreciation/amortisation | 1,608,155 | 1,348,416 |
| Write-downs for impairment losses | | 250,000 |
| Value adjustments to financial assets and financial liabilities of derivative financial instruments that do not involve monetary movements | | |
| Other adjusments to increase/(decrease) non-monetary items | | |
| Total adjustments for non-monetary items that have not been offset in the Net Working Capital | 1,941,061 | 1,991,968 |
| 2) Cash flow before changes in Net Working Capital | 4,112,572 | 7,180,398 |
| Changes to Net Working Capital | | |
| Decrease/(Increase) in inventory | (2,224,342) | (498,385) |
| Decrease/(Increase) in payables to customers | 2,705,899 | (397,326) |
| Increase/(decrease) in trade payables | (2,713,195) | 1,310,436 |
| Increase/(decrease) from prepayments and accrued income | (9,358) | (10,108) |
| Increase/(Decrease) from accruals and deferred income | (35,564) | 9,321 |
| Other decreases/(increases) in Net Working Capital | 553,825 | (984,480) |
| Total changes to Net Working Capital | (1,722,735) | (570,542) |
| 3) Cash flow after changes to Net Working Capital | 2,389,837 | 6,609,856 |
| Other adjustments | | |
| Interest received/(paid) | (107,500) | (113,079) |
| (Income tax paid) | (344,753) | (636,386) |
| Dividend collected | 13,071 | 4,512 |
| Use of reserves) | (626,385) | (186,715) |
| Other collections/(payments) | | (129,279) |
| Total other adjustments | (1,065,567) | (1,060,947) |
| Cash flow from current activities (A) | 1,324,270 | 5,548,909 |
| B) Cash flow from investments | | |
| Tangible fixed assets | | |
| (Investment) | (1,093,843) | (3,943,875) |
| Divestment | | 16,100 |

| Consolidated Financial statement, indirect method | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Intangible fixed assets | | |
| (Investment) | (97,985) | (931,557) |
| (Divestments) | | |
| Financial fixed assets | | |
| (Investment) | (74,100) | (51,020) |
| Divestment | | |
| Short-term financial assets | | |
| (Investment) | | |
| Divestment | | |
| (Acquisition of branches of the company net of cash and cash equivalents) | | |
| (Disposal of branches of the company net of cash and cash equivalents) | | |
| Cash flow from investments (B) | (1,265,928) | (4,910,352) |
| C) Cash flow from financing activities | | |
| Loan capital | | |
| Increase/(Decrease) in short-term bank loans | (17,408) | 761,125 |
| New loans | 4,900,000 | 4,530,000 |
| (Loan repayments) | (2,205,064) | (3,005,287) |
| Equity | | |
| Capital increase payments | | 137,165 |
| (Repayment of equity) | | |
| Sale/(Purchase) of own shares | | |
| (Dividend and advances on dividend paid) | (2,382,332) | (1,750,070) |
| Cash flow from financing activities (C) | 295,196 | 672,933 |
| Increase (Decrease) in cash (A ± B ± C) | 353,538 | 1,311,489 |
| Exchange rate effect on cash | 165,754 | 123,904 |
| Cash at the start of the period | | |
| Bank and postal deposits | 9,321,206 | 8,011,411 |
| Cheques | 50 | |
| Cash and valuables in hand | 10,126 | 8,482 |
| **Total cash at the end of the start of the period** | **9,331,382** | **8,019,893** |
| Of which not freely usable | | |
| Cash at the end of the period | | |
| Bank and postal deposits | 9,676,418 | 9,321,206 |
| Cheques | | 50 |
| Cash and valuables in hand | 8,502 | 10,126 |
| **Total cash at the end of the period** | **9,684,920** | **9,331,382** |
| Of which not freely usable | | |
| Consolidated financial statement (indirect method) | | |

| Consolidated Financial statement, indirect method | 31/12/2020 | 31/12/2019 |
| --- | --- | --- |
| acquisition or disposal of Subsidiaries | | |
| Total fees paid or received | | |
| part of fees consisting of cash and cash equivalents | | |
| cash and cash equivalents acquired or disposed of with acquisition/disposal of Subsidiaries operations | | |
| book value of the assets/liabilities acquired or disposed of | | |

# Notes to the Consolidated Financial Statements as at 31 December 2020

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## Notes to the Consolidated Financial Statements as at 31 December 2020

### Group profile

Fope S.p.A., the parent company, and its subsidiaries operate both in Italy and abroad in the jewellery sector with particular regard to mid-high band jewellery.
Significant events occurring during the financial year are extensively reported in the Consolidated Report on Operations, to which reference is made.

### Structure and content of the consolidated financial statements

The consolidated financial statements consisting of the balance sheet, income statement, cash flow statement and notes to the financial statements have been prepared in accordance with that laid down in art. 29 of Legislative Decree No. 127/91, as resulting from these notes, prepared pursuant to art. 38 of said Decree.

### Preparation criteria

These financial statements have been prepared taking into account the legislative changes introduced by Legislative Decree No. 139/2015 applicable as from the financial year 2016 and the subsequent updating of the OIC accounting standards. For each item in the Balance Sheet and the Income Statement, the corresponding values from the previous year are indicated.

### Scope and methods of consolidation

The consolidation scope, as envisaged by the regulatory provisions invoked, includes the financial statements for the period of the company FOPE S.P.A. and of foreign companies in which the parent company holds the controlling share of the capital. The financial statements of the Companies included in the consolidation scope are assumed on a line-by-line basis.

These Companies are listed below:

| Company name | Headquarters | % owned | % consolidated |
|---|---|---|---|
| Fope Usa Inc | USA - 19801, Wilmington (DE) 1201 Orange Street | 100 | line-by-line |
| Fope Jewellery Ltd | UK - B91 2AA Solihull 2nd Floor, Radcliffe House, Blenheim Court | 75 | line-by-line |

It should be noted that there are cases of companies consolidated by the proportional method.

The company Fope Services Dmcc was put into liquidation in October, therefore it has not been included in the scope of the consolidation in 2020.

The company Milano 1919 S.r.l., owned by the Company with a minority share of 20% and in respect of which Fope S.p.A. does not exercise a dominant influence was not included in the consolidation.

### Reference date

The draft consolidated financial statements of the individual Companies as at 31 December 2020, reclassified and adjusted to adapt them to the accounting standards and presentation criteria adopted by the Group were used for the consolidation.

## Consolidation criteria

The main consolidation criteria adopted for preparing the consolidated financial statements were the following:

- The book value of the holdings in consolidated Companies is written off against the corresponding fraction of equity in regard to the assumption of the assets and liabilities, according to the global line-by-line basis;
- The differences resulting from the write-off are allocated to the individual financial statement items which justify them and, for the remainder:
  - if positive, the item in fixed assets called "Difference from consolidation;
  - if negative, to an item in equity called "Consolidation reserve";
- the financial and economic relationships between the Companies included in the consolidation scope have been completely derecognised;
- the conversion of the financial statements of foreign companies into the reporting currency (euros) was carried out by applying the spot exchange rate at the end of the financial year to the assets and liabilities and to the entries in the Income Statement the average exchange rate for the period. The net effect of the translation of the financial statements of the company owned into the reporting currency is found in "Translation differences reserve".

The rates indicated in the table below were applied for the conversion of financial statements expressed in foreign currency:

| Currency | Exchange rate at 31/12/2020 | Annual average exchange rate |
|---|---|---|
| US dollars | 1.2271 | 1.1422 |
| Pound Sterling | 0.8903 | 0.8897 |

## Measurement criteria

A. General criteria
Accounting standards and measurement criteria were applied in a uniform way to all the consolidated companies. The criteria used in the consolidation presentation are those used in the financial statements of the parent company Fope S.p.A. and comply with the laws in force. The criteria used in the financial year that has just closed are the same as those same used for processing data relating to the previous year. The financial statement items were measured in accordance with the general principles of prudence and accrual basis accounting, with a view to going concern assumptions. For the purposes of accounting entries, prevalence is mainly given to the economic substance of transactions rather than with their legal form.

B. Value adjustments and reinstatements
The value of tangible and intangible assets whose useful life is limited over time and adjusted downward by means of the depreciation instrument. The same assets and the other components of the asset are written down whenever a loss of value impairment is identified; the original value is restored when the reasons for the previous devaluation is deemed to no longer exist. The analytical depreciation and write-down methods adopted are described below in these notes to the financial statements.

C. Revaluations and exceptions
During the financial year no revaluations and exceptions were made to the measurement criteria laid down by the legislation on statutory and consolidated financial statements.

### The most significant principles and criteria were as follows:

### Fixed assets

*Intangible*
Intangible fixed assets consist of installation and expansion costs, goodwill, rights to use intellectual works, trademarks and other fixed assets represented by software and leasehold improvements.
These are recorded at the purchase price and entered net of depreciation made during the financial years and charged directly to the individual entries. The amortisation process, which starts from the moment in which the asset is ready for use, occurs in equal instalments based on the rates which are considered representative of the asset's estimated useful life.
The installation and expansion costs and goodwill costs with a useful life of more than one year were entered in the assets with the consent of the Board of Statutory Auditors and amortised within a period not exceeding, respectively, five years and ten years.
Industrial patents and rights to use intellectual property, licenses, concessions and trademarks are amortised over 5 years.
The other rates used are: 8.63% for leasehold improvements.

*Tangible*
These are entered at their purchase cost and adjusted by the corresponding depreciation. Account has been taken of ancillary charges in the carrying value. The depreciation amounts, entered in the income statement, have been calculated on the basis of economic-technical rates deemed suitable to distribute the carrying value of tangible fixed assets during their useful life. If the recoverable amount of an asset is less than its net book value, the fixed asset is entered in the financial statements at this lower value charging the difference in the income statement as an impairment loss. If the conditions for the write-down are no longer met in subsequent years, the original value is restored.
Ordinary maintenance costs are charged in full to the income statement. Maintenance costs of an incremental nature are attributed to the asset to which they relate and amortised according to the remaining possibility of use of the asset itself.
The depreciation rates, unchanged compared to the previous year, used are:

| | |
|---|---|
| Buildings | 3% |
| Plant and machinery | 12.50% |
| Industrial and commercial equipment | 35% |
| Purification systems | 15% |
| Office furniture and machinery | 12% |
| Mobile phones | 20% |
| Goods less than EUR 516.46 | 100% |
| Vehicles | 20% |

In the year in which the asset is acquired, the depreciation is reduced to approximately half; the use of the reduced rate does not entail any significant value deviations with respect to the application of the full rate redistributed over the months of possession.
Fixed assets acquired free of charge are entered at the presumable market value plus the costs incurred or to be incurred to insert the assets in the production process in a lasting and useful way.

*Financial fixed assets*
Shareholdings not falling within the consolidation scope are recorded at purchase cost and represent a lasting investment by the Parent Company. In the case of impairment losses, a write-down is performed and in the year in which the conditions for the write-down no longer apply, it is restored to the pre-write-down value.

It should be noted that, in application of paragraph 2 of Legislative Decree No. 127/1991, the holding in the related company has been measured on a historical cost basis. Similarly, the other holdings are recorded at purchase cost possibly corrected for impairment losses. Financial fixed assets are not entered at a value higher than their fair value. Receivables entered in financial fixed assets are recorded at the presumed realisable value; considering the limited importance, the application of the amortised cost method would not produce appreciable differences in the measurement.

### Warehouse stock

Inventories are measured at the lowest value between the purchase or manufacture cost and the presumed realisable value can be deduced from market trends. The cost is determined based on the following criteria:

- weighted average cost for fine gold stocks;
- average purchase cost, including additional charges (transport, customs costs and other directly attributable costs) for other raw and ancillary materials;
- production cost, determined with the criterion of average cost for finished and unfinished products.

The production cost includes all direct costs and indirect costs for the share reasonably attributable to the product relating to the production period and up to the moment from which the good can be marketed.
For the purposes of determining the presumed realisable value, account is be taken, where applicable, of the obsolescence rate and stock movement times.

### Receivables

Receivables are recognised in the financial statements at amortised cost, taking account of the time factor and the presumed realisable value.
In the initial recognition of receivables at amortised cost, the time factor is respected by comparing the actual interest rate with market interest rates. If the actual interest rate is significantly different from the market interest rate, the latter is used for discounting future cash flows arising from the receivable in order to determine its initial book value.
At the close of the financial year, the value of the receivables measured at amortised cost is equal to the current value of future cash flows discounted at the effective interest rate. In the case where the contractual rate is a fixed rate, the effective interest rate determined on initial recognition is not recalculated. If, on the other hand, it is a variable rate and configured to market rates, then the future cash flows are restated periodically to reflect changes in market interest rates, by recalculating the effective interest rate.
The amortised cost criterion has not been applied, and the discounting of receivables has not been performed for receivables with a maturity of less than twelve months as the effects are irrelevant in order to give a true and accurate representation. Receivables with a maturity of less than twelve months, therefore, are recorded at the estimated realisable value.
The receivables are removed from the financial statements when the contractual rights to the cash flows arising from the receivable are extinguished or in the case in which all risks relating to the receivable subject to disposal are transferred.

### Accruals and prepayments

They are calculated on an accrual basis.

### Funds for risks and charges

Provisions for risks and charges are intended to cover liabilities whose existence is certain or likely, however, the amount of which and/or date of occurrence cannot be determined at the year-end.
In evaluating such provisions, general criteria of prudence and accruals were adhered to, and no provisions for generic risks that lack economic justification was made.
Potential liabilities have been recognised in the financial statements and entered in funds as deemed likely and the amount of the related charge can be reasonably estimated.

### Severance pay fund

Severance pay covers sums due and reserves concerning commitments incurred up to the closing date of the financial year, to employees in the application of laws, work contracts and any business agreements in force.

### Payables

These are recognised at amortised cost, taking account of the time factor. In the initial recognition of payables at amortised cost, the time factor is respected by comparing the actual interest rate with market interest rates.
At the close of the financial year, the value of the payables measured at amortised cost is equal to the current value of future cash flows discounted at the effective interest rate. As provided for in art. 12, paragraph 2 of Legislative Decree No. 139/2015, the amortised cost criterion was not applied to payables entered in the financial statements prior to the financial year commencing on 1 January 2016.
The amortised cost criterion, moreover, has not been applied to short-term payables (duration of less than twelve months) and to payables with irrelevant transaction costs with respect to the par value as the effects are irrelevant for the purpose of providing a true and accurate representation. In these cases, payables are recorded at par value.
The item "Advances" includes advances received from customers concerning supplies of goods and services not yet carried out.
"Payables to suppliers" all with a maturity of less than 12 months, are entered at par value net of trade discounts; cash discounts are reported at the time of payment.
The par value of these payables has been adjusted, on the occasion of returns or discounts (invoice adjustments), to the extent corresponding to the amount defined by the counter party.

### Financial derivatives

The parent company of the Group uses financial derivatives with the sole intention of managing and hedging its exposure to the price fluctuations risk of strategic raw materials, interest rates and exchange rates of currencies other than the euro. Financial derivatives, even if incorporated in other financial instruments, have been initially recognised when the company acquired the rights and obligations; they have been measured at fair value either on the initial recognition date or on each closing date of the financial statements.

Derivatives are only classified as hedging instruments when, at the start of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and the hedging relationship is formally documented and the effectiveness of the hedge is high and is regularly checked.

Financial derivatives with a positive fair value have been entered in current assets based on their financial derivative nature to hedge a highly likely transaction.

Financial derivatives with a negative fair value have been entered in the financial statements in Funds for risks and charges.

Changes in the fair value of the effective component of cash flow hedging financial derivatives have been entered in the reserve for expected cash flow hedging transactions, net of deferred tax effects.

### Commitments, guarantees and contingent liabilities

Commitments, not resulting from the balance sheet, represent obligations undertaken by the company in respect of third parties that originate from legal transactions with certain mandatory effects but not yet carried out by either party. The amount of the commitments is the par value determined from the documentation.

### Revenue

Revenue from the sales of products is recognised at the time of the transfer of the risks and benefits, which is normally identified with the delivery or shipment of the goods. Revenue of a financial nature and that deriving from service provisions is recognised on an accrual basis. Revenue and income, costs and charges related to foreign currency transactions are calculated at the rate ruling on the date the related transaction took place.

### Costs

Costs are recognised on an accrual basis. The costs for purchasing goods are recognised in the Income Statement on an accrual basis when the significant risks and benefits related to ownership of the goods are transferred to the buyer. The costs for purchasing goods are recorded in the Consolidated Income Statement net of returns, rebates, trade discounts and premiums relating to the quantity. Costs for services are recognised on an accrual basis when received. The item Staff costs includes the entire expenditure for employees including merit-based pay increases, category transfers, cost of living increases, cost of holiday not taken and legal provisions and those of collective agreements.

With regard to depreciation, it is specified that it has been calculated based on the useful life of the asset and its use in the production phase.

The write-down of receivables included in current assets has been calculated on the basis of criteria of prudence and according to estimates of the recoverability of the receivables.

### Income tax

Taxes are set aside according to the matching principle; therefore they represent:

D. the provisions for taxes paid or to be paid during the year, calculated according to the current rates and legislation;
A. the amount of deferred taxes or paid in advance counted based on the rates in force when the temporary differences are reversed.

Deferred taxes for the year are directly recognised in the Income Statement, with the exception of those relating to items directly recognised in shareholders' equity, in which case the related deferred taxes are also recorded at the same time, without being recognised in the Income Statement.

## Finance leases

At 31 December 2020 the Company did not have any finance leases. The normal value of assets related to contracts concluded in the previous years is entered in tangible fixed assets. This value is systematically amortised, in accordance with the rates set out in the tangible fixed assets section.

## Employment data

The average number subdivided by category of employees of the companies included in the consolidation is reported separately on a line-by-line basis.

| Category | Average number |
|---|---|
| Executives | 7 |
| Middle Managers | 3 |
| Clerical staff | 23 |
| Manual workers | 25 |
| Other employees | 1 |
| Total employees | 59 |

## Analysis of items in the financial statement

### Intangible fixed assets

The table below describes the composition of the item in detail.

| | Installation and expansion costs | Development costs | Industrial patents and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Intangible fixed assets under construction and payments on account | Other intangible fixed assets | Total intangible fixed assets |
|---|---|---|---|---|---|---|---|---|
| **Value at the start of the year** | | | | | | | | |
| Cost | 214,858 | | 47,399 | 64,710 | 1,132,168 | | 1,086,480 | 2,545,615 |
| Revaluations | | | | | | | | |
| Depreciation (Depreciation fund) | | | | | | | | |
| Write-downs | | | | | | | | |
| Book value | 214,858 | | 47,399 | 64,710 | 1,132,168 | | 1,086,480 | 2,545,615 |
| **Changes over the year** | | | | | | | | |
| Increases for acquisitions | | | 39,988 | 12,480 | | | 12,700 | 65,168 |
| Reclassifications (of the book value) | | | | | | | | |
| Decreases for disposals and disinvestments (of the book | | | | | | | | |
| Revaluations carried out over the year | | | 1,488,438 | | | | | 1,488,438 |
| Depreciation for the year | 112,080 | | 27,234 | 39,346 | 152,541 | | 175,875 | 507,077 |
| Write-downs carried out over the year | | | | | | | | |
| Other changes | | | | | | | (11,837) | (11,837) |
| Total changes | (112,080) | | 1,501,192 | (26,866) | (152,541) | | (175,012) | 1,034,693 |
| **Value at the end of the year** | | | | | | | | |
| Cost | 102,778 | | 1,548,591 | 37,844 | 979,627 | | 911,468 | 3,580,308 |
| Revaluations | | | | | | | | |
| Depreciation (Depreciation fund) | | | | | | | | |
| Write-downs | | | | | | | | |
| **Book value** | **102,778** | | **1,548,591** | **37,844** | **979,627** | | **911,468** | **3,580,308** |

“Installation and expansion costs” relate to charges incurred by the parent company of the Group for the listing operation on the AIM Italia market. The costs entered are reasonably related to a usefulness spanning several years, and are systematically depreciated in relation to their remaining possibility of use.

Goodwill relates to the purchase, by the company Vesco e Sambo di Anita Vesco and C. S.a.s., of the branch of the company that was previously leased. Goodwill is amortised, within the 10-year limit provided by OIC 24 and by art. 2426, paragraph 1, no. 6 of the Civil Code based on its estimated useful life.

Industrial patents and rights to use intellectual property, licences, concessions and trade marks are amortised at an annual rate of 20%.

The Company makes use of the right laid down in art. 110 of Law 126/2020 to revalue the patent that distinguishes the elastic “Flex’it” mesh. The value was determined by the expertise appraisal prepared by an independent expert and does not exceed the maximum value attributable to the patent.
The revaluation was determined following completion of the depreciation of for the year and was entirely accounted with an increase in the book value of the patent.
The equity reserve called “Revaluation reserve Law 126/2020” was entered to offset this.
The revaluation will be fiscally recognised by paying the withholding tax of 3%, the amount of which was accounted with a reduction of the reserve.
It is confirmed that the net value of the revalued assets resulting from the financial statements does not exceed their recoverable value.

The item "Other intangible fixed assets" records leasehold improvements relating to the restructuring of the flagship store in Venice. These costs are amortised based on the term of the lease on the property, a term that is in any case less than the future usefulness of such costs.
The costs incurred for the design and furnishing of the flagship store in London at 1 Old Bond Street, which opened in collaboration with our commercial partner The Watches of Switzerland, also flowed to the same account and the costs borne by the subsidiary Fope Jewellery Ltd for the registered office in Solihull, Radcliffe House, Blenheim Court.

## Tangible fixed assets

### Changes in tangible fixed assets

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Othe tangible fixed assets | Tangible fixed assets under construction and payments on account | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| **Value at the start of the year** | | | | | | |
| Cost | 4,129,013 | 4,320,493 | 2,742,234 | 1,265,131 | 5,167,392 | 17,624,263 |
| Revaluations | | | | | | |
| Depreciation (Depreciation fund) | 1,938,689 | 3,109,192 | 1,865,120 | 641,807 | | 7,554,808 |
| Write-downs | | | | | | |
| Book value | 2,190,324 | 1,211,301 | 877,114 | 623,324 | 5,167,392 | 10,069,455 |
| **Changes over the year** | | | | | | |
| Increases for acquisitions | 246,729 | 83,903 | 357,401 | 228,921 | 179,780 | 1,096,734 |
| Reclassifications (of the book value) | 5,157,393 | 10,000 | | | (5,167,392) | 1 |
| Decreases for disposals and disinvestments (of the book value) | | | | | | |
| Revaluations carried out over the year | | | | | | |
| Depreciation for the year | 174,093 | 234,034 | 573,973 | 118,980 | | 1,101,078 |
| Write-downs carried out over the year | | | | | | |
| Other changes | | | | (2,890) | | (2,890) |
| Total changes | 5,230,029 | (140,131) | (216,572) | 107,051 | (4,987,612) | (7,233) |
| **Value at the end of the year** | | | | | | |
| Cost | 9,533,135 | 4,414,396 | 3,099,633 | 1,488,784 | 179,780 | 18,715,728 |
| Revaluations | | | | | | |
| Depreciation (Depreciation fund) | 2,112,782 | 3,343,226 | 2,439,091 | 758,409 | | 8,653,508 |
| Write-downs | | | | | | |
| **Book value** | **7,420,353** | **1,071,170** | **660,542** | **730,375** | **179,780** | **10,062,220** |

The item "Land and buildings" comprises the building that houses the parent company's headquarters.
The value attributed to the land on which the building stands, amounting to EUR 1,027,985, has been identified on the reference date of 31 December 2005 based on a flat-rate criterion estimate up to 30% of the original cost of the property net of capitalised incremental cost and any revaluations applied.
Consequently, as of the financial year ended 31 December 2006, the appropriation of the depreciation amounts relating to the value of the above-mentioned land no longer applies, as it is considered, based on the updated estimates, a company asset not subject to degradation and having an unlimited useful life. These criteria were applied to determine the value of the land also for the portion of the building purchased in 2012.
As regards the increase, it is pointed out that in recent years the building has been the subject of an important extension project. This construction project was completed in the financial year in question. At 31 December 2020, therefore, the costs previously entered in the accounts under the heading "Tangible fixed assets under construction and payments on account" were reclassified as an increase in the value of the building and the amortisation process has started. For more details, please refer to the Board of Directors Report.

The amount recorded in the item "Tangible fixed assets under construction and payments on account" amounting to EUR 179,780, refers to the advances paid to the manufacturers of the machinery that will be delivered in 2021.

## Financial fixed asstes

### Holdings

| Name | City if in Italy, or foreign state | Tax code (only Italian Companies) | Share capital in euros | Net profit (loss) for the year in Euro | Shareholders' equity in euros | Investment in euros | Investment in % | Carrying amount or correspondin g receivable |
|---|---|---|---|---|---|---|---|---|
| Fope Services Dmcc | UAE - Dubai | | 12,210 | 13,461 | 164,828 | 164,828 | 100 | 78,601 |
| **Total** | | | | | | | | **78,601** |

The holding in the company, a company under UAE law, is entered in the financial statements for the value of the increased constitution of the payments to the capital account. The amounts, originally in legal tender in the United Arab Emirates, were converted at the exchange rates in force on the date of the corresponding payments.
The draft financial statements at 31 December 2020 of the UAE company showed a profit of AED 56,464 (amounting to EUR 13,461) and equity of AED 742,798 (amounting to EUR 164,828).
The company Fope Services Dmcc was put into liquidation in October 2020.

| Name | City if in Italy, or foreign state | Tax code (only Italian companies) | Share capital in euros | Net profit (loss) for the year in Euro | Shareholders' equity in euros | Investment in euros | Investment in % | Carrying amount or correspondin g receivable | Productio n value |
|---|---|---|---|---|---|---|---|---|---|
| Milano 1919 s.r.l. | Milano | "06412160969 | 137,500 | (321,136) | 182,802 | 36,560 | 20 | | 1,587,660 |

The item "Shareholdings in associated/affiliates companies" refers to the holding in the company Milano 1919 S.r.l., 20% of whose share capital is owned by Fope spa.

The purchase of the shareholding followed agreements signed with SPAFID S.p.A., a key shareholder of Milano 1919 and owner of the Antonini brand, a historical high-quality jewellery production brand founded and present in Milan. The 2019 financial statements of Milano 1919 S.r.l. show a production value of EUR 1,587,660 and equity of EUR 182,802. The holding was entirely written down in 2019.
The other holdings entered in financial assets relate to the meagre shares which the companies of the Group hold in national consortia.

### Long-term receivables

| Description | Book value |
|---|---|
| Lloyds credit cards guarantee deposit | 26,695.00 |
| Fairway office rent security deposit | 691.00 |
| **Total** | **27,386.00** |

Long-term receivables consist of security deposits.

At 31 December 2020, there were no receivables related to operations involving the requirement that a purchaser repurchases on expiry.

## Current assets

### Inventories

The analysis of inventories is summarized in the following table:

| | Value at the start of the year | Change over the year | Value at the end of the year |
|---|---|---|---|
| Raw materials, supplies and consumables | 3,805,751 | 2,258,570 | 6,064,321 |
| Unfinished products and semi-finished products | 757,551 | 76,152 | 833,703 |
| Finished products and goods | 1,638,738 | (110,380) | 1,528,358 |
| **Total Inventory** | **6,202,040** | **2,224,342** | **8,426,382** |

Inventories are measured at the lowest value between the purchase or manufacture cost and the presumed realisable value can be deduced from market trends. The cost is determined based on the following criteria:

- weighted average cost for gold stocks;
- average purchase cost, including additional charges (transport, customs costs and other directly attributable costs) for other raw and ancillary materials;
- production cost, determined with the criterion of average cost for finished and unfinished products.

The production cost includes all direct costs and indirect costs for the share reasonably attributable to the product relating to the production period and up to the moment from which the good can be marketed.

The value of inventories of precious stones and pearls is reduced by the warehouse obsolescence fund for the purposes of correct representation. In 2019 it was recognised in the risks fund.

## Receivables

The balances of the consolidated receivables, after removing intra-group values, are divided in accordance with maturities:

| | Value at the start of the year | Change over the year | Value at the end of the year | Portion due within the year | Portion due after the year |
|---|---|---|---|---|---|
| Receivable recognized under current assets | | | | | |
| Trade receivables | 8,295,128 | (2,703,120) | 5,592,008 | 5,592,008 | |
| Receivables from group subsidiaries | | | | | |
| Receivables from associated/affiliated companies | | | | | |
| Receivables from parents companies | | | | | |
| Receivables from companies subject to the control of parent companies | | | | | |
| Tax receivables | 913,604 | (567,102) | 346,502 | 346,502 | |
| Deferred tax assets | 191,728 | 94,566 | 286,294 | | |
| Receivables from others | 510,012 | (382,317) | 127,695 | 127,695 | |
| **Total receivables entered in current assets** | **9,910,472** | **(3,557,973)** | **6,352,499** | **6,066,205** | |

Receivables entered in current assets have been recognised in the balance sheet at amortised cost, as defined by art. 2426, paragraph 2 of the Italian Civil Code, taking account of the time factor and the presumed realisable value. The adjustment to the presumed realisable value was performed by the establishment of a provision for bad debts.
For receivables for which the irrelevance of the application of the amortised cost and/or discounting method has been checked, for the purposes of needing to provide a true and fair representation of the company's financial and economic situation, entering according to the presumed realisable value has been maintained.
The receivables are removed from the financial statements when the contractual rights to the cash flows arising from the receivable are extinguished or in the case in which all risks relating to the receivable subject to disposal are transferred.
The item "Receivables from customer entered in current assets" is recorded net of the related write-down fund.
The item tax credits, amounting to EUR 346,502 mainly includes the receivable from the Treasury of the parent company for direct taxes of previous years.
The deferred tax receivable amounts to EUR 286,294. Deferred tax receivables were only recognised in so far as there is a reasonable certainty of taxable income in future periods which permit reabsorption.
The item "Receivables from others" refers mainly to advances paid to suppliers.
It should be noted that there are no receivables maturing after five years, nor receivables relating to transactions with a repurchase on expiry obligation.

The percentage distribution of receivables by geographical area is shown below:

| Receivables from customers | |
|---|---|
| Customers Italy | 22.62% |
| Customers EU Area | 36.20% |
| Customers outside of the EU Area | 41.18% |

The table shows the movements in the period to the receivables write-down fund:

| Description | Provision for bad debts pursuant to art. 2426 of the Civil Code | Provision for bad debts pursuant to art. 106 of Presidential Decree 917/1986 | Total |
|---|---|---|---|
| Balance at 31/12/2019 | 185,468 | 34,865 | 220,333 |
| Profit over the year | | | |
| Accrual of the year | 76,808 | | 76,808 |
| **Balance at 31/12/2020** | **262,276** | **34,865** | **297,141** |

Changes to the item "Deferred tax receivables" are described in the table below:

| | Value at 31/12/2019 | Allocation over the year | Profit over the year | Value at 31/12/2020 |
|---|---|---|---|---|
| Prepaid tax receivables | 148,457 | 60,107 | 18,874 | 189,690 |
| Tax effect derived from hedging | 42,217 | 95,639 | 42,217 | 95,639 |
| Deferred taxes asset Fope Inc | 1,053 | | 89 | 964 |
| Rounding | 1 | | | 1 |
| **Total prepaid tax receivables** | **191,728** | **155,746** | **61,180** | **286,294** |

## Financial assets other than fixed assets

| | Fair Value at 31/12/2019 | Change | Fair Value at 31/12/2020 |
|---|---|---|---|
| Non-fixed asset derivative financial instruments | 1,356,226 | (936,294) | 419,932 |
| **Total financial assets that are not fixed assets** | **1,356,226** | **(936,294)** | **419,932** |

At 31 December 2020, the Group's Companies do not hold any investments which are not intended to be used on a lasting basis and as such intended for trading.
Financial derivatives, even if incorporated in other financial instruments, have been initially recognised when the Companies acquired the rights and obligations; they have been measured at fair value either on the initial recognition date or on each closing date of the financial statements.
The parent company of the Group uses financial derivatives with the sole intention of managing and hedging its exposure to the price fluctuations risk of strategic raw materials, interest rates and exchange rates of currencies other than the euro.
Derivatives are only classified as hedging instruments when, at the start of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and the hedging relationship is formally documented and the effectiveness of the hedge is high and is regularly checked.
Financial derivatives with a positive fair value have been entered in current assets based on their financial derivative nature to hedge a highly likely planned transaction.
Financial derivatives with a negative fair value have been entered in the financial statements in Funds for risks and charges.
Changes in the fair value of the effective component of cash flow hedging financial derivatives have been entered in the reserve for expected cash flow hedging transactions, net of deferred tax effects.

## Cash and cash equivalents

The item "Bank and postal deposits" primarily includes bank overdrafts that the Companies hold with national and foreign credit institutions.

The criteria used for valuing and converting the values expressed in foreign currency are indicated in the first part of these notes to the financial statements.

| | Value at the start of the year | Change over the year | Value at the end of the year |
|---|---|---|---|
| Bank and postal deposits | 9,321,206 | 355,212 | 9,676,418 |
| Allowances | 50 | (50) | |
| Cash and other cash values | 10,126 | (1,624) | 8,502 |
| **Total cash and cash equivalents** | **9,331,382** | **353,538** | **9,684,920** |

The year-end value reflects the companies' operational requirements that they need to hold adequate stocks in bank accounts to settle payments due at the start of the following financial year. It should be noted that the value has been affected by the provision of loans required for financing.
The operation is accurately described in the Consolidated Report on Operations which can be consulted.

### Pre-paid expenses and accrued income

| | Value at the start of the period | Change over the period | Value at the end of the period |
|---|---|---|---|
| Accrued liabilities | | 146,539 | 146,539 |
| Deferred liabilities | (22,633) | 13,274 | (9,358) |
| **Total accrued and deferred income** | **22,633** | **133,265** | **155,897** |

These captions include income and costs for the year but which will be earned/paid in subsequent years. They are common to two or more years and can be allocated over time.

The item is broken down as detailed.

| Description | Amount |
|---|---|
| Theft insurance | 65,947 |
| AIM consultancy | 37,917 |
| Nomad and Specialist Activities | 22,913 |
| User licence | 12,245 |
| DP office | 6,996 |
| Technical support and software contracts | 6,249 |
| Costs of non-relevant entities | 3,630 |
| **Total** | **155,897** |

### Equity

The following table highlights a summary of the differences between the financial statements of the Parent Company and the consolidated financial statements with respect to items that have an impact on the profit for the year and on equity:

| | Shareholders' equity | Profit |
|---|---|---|
| Shareholders equity and operating profit as reported in the Parent Company's financial statements | 18,639,375 | 1,884,882 |
| Corrections made in application to the accounting standards | | |
| Elimination of the carrying value of consolidated holdings: | | |
| a) difference between the carrying value and the pro rata value of shareholders equity | 260,748 | |
| b) pro rata profit made by holdings | | 64,351 |
| c) gains/losses allocated on the date of acquisition of the shareholdings | | |
| d) consolidation difference | | |
| Other consolidation entries | (8,879) | (293,727) |
| Elimination of the effects of transations among Subsidiaries | (14,212) | |
| Shareholders equity and profit over the year pertaing to the Group | 18,877,032 | 1,655,506 |
| Shareholders equity and profit over the year pertaing to third parties | 33,120 | 8,096 |
| **Assets and net consolidated profit** | **18,910,152** | **1,663,602** |

Statement of Change in the Group's Consolidated shareholders' equity:

| | Value at the start of the year | Allocation of dividends | Other allocations | Increases | Decreases | Reclassified | Operating profit | Value at the end of the year |
|---|---|---|---|---|---|---|---|---|
| Capital | 5,294,071 | | | | | | | 5,294,071 |
| Reserve from share overprice | 3,280,917 | | | | | | | 3,280,917 |
| Revaluation reserves | 25,510 | | | 1,443,785 | | | | 1,469,295 |
| Legal reserve | 591,298 | | 233,864 | | | | | 825,162 |
| Statutory reserves | | | | | | | | |
| Other reserves | | | | | | | | |
| Extraordinary reserve | 5,855,080 | | 2,125,264 | | | | | 7,980,344 |
| Profits on unrealized exchange rates | 5,574 | | | | 5,574 | | | |
| Current profit adjustment reserve | (9,711) | | | 832 | | | | (8,879) |
| Various other reserves | 17,430 | | | | 15,504 | | | 1,926 |
| Various other reserves-Translation difference | 4,323 | | | | 28,557 | | | (24,234) |
| Total other reserves | 5,872,696 | | 2,125,264 | 832 | 49,635 | | | 7,949,157 |
| Reserve for hedging operations of expected cash | 852,821 | | | 50,334 | 852,821 | | | 50,334 |
| Profit (or loss) carried forward | | | | | | | | |
| Profit (loss) for the year | 4,821,702 | 2,382,332 | 2,439,370 | | | | 1,663,602 | 1,663,602 |
| Loss covered over the year | | | | | | | | |
| Negative reserve for treasury shares | | | | | | | | |
| Capital and Third-party reserves | 7,799 | | 25,321 | | | | | 33,120 |
| Third-party profit (loss) | 25,321 | | 25,321 | | | | 8096 | 8,096 |
| **Total consolidated equity** | **20,772,135** | **2,382,332** | **2,439,370** | **50,334** | **852,821** | | **1,671,698** | **20,573,754** |

The increase in the Parent Company's equity, amounting to EUR 1,443,785, relates to the revaluation reserve referred to in art. 110 of Law 126/2020 entered in this financial statements as a result of the revaluation of the patent that distinguishes the elastic "Flex it" mesh.
The reserve is recognised net of the withholding tax of 3% due to the tax recognition of revaluation performed, amounting to EUR 44,653.

### Changes to the reserve for hedging operations of expected cash flows

The reserve is changed by accounting for future cash flows arising from derivatives that are intended as "cash flow hedging instruments" and is shown net of the tax effect.

### Funds for risks and charges

The item is broken down as reported.

| | Fund for pensions and similar obligations | Fund for tax, including deferred tax liabilities | Financial derivative liabilities | Other funds | Total funds for risks and charges |
|---|---|---|---|---|---|
| Value at the start of the year | 1,324,304 | 429,235 | 167,235 | 172,929 | 2,093,703 |
| Changes over the year | | | | | |
| Provisions for the year | 71,639 | 124,000 | 352,521 | 30,000 | 578,160 |
| Profit over the year | 18,078 | 433,608 | 167,235 | 30,000 | 648,921 |
| Other changes | | | | (121,474) | (121,474) |
| Total changes | 53,561 | (309,608) | 185,286 | (121,474) | (192,235) |
| **Value at the end of the year** | **1,377,865** | **119,627** | **352,521** | **51,455** | **1,901,468** |

The pension fund refers to the supplementary customer indemnity fund for agents constituted by the Parent Company.

As regards Italian agents, the provisions for the year have been determined in accordance with the Economic Agreements in the sector of the industry (A.E.C.) and are commensurate with services actually delivered by the agent. It should be noted that, compared to the previous year, the fund's amount has been adequately increased to take account of the merit-based allowance that from 1 April 2017, must also be recognised in agency contracts concluded before 1 January 2004 (art. 11 of the A.E.C.). For foreign agents, considering the different reference legislation, the value of the provision is estimated taking account of the presumed charge that the Company could incur if it chose to terminate the relationship.

Derivative instrument liabilities relate to the mark-to-market valuation communicated by the reference banks of hedging derivative contracts on exchange rates and commodities opened at the end of the period.

The item "Other funds", amounting to EUR 51,455 includes the "product guarantee" fund for Euro 21,455 and the variable directors fee for Euro 30,000. The tax fund concerns deferred tax allocated to temporary differences between statutory values and tax values.

The table below describes changes to the deferred tax fund:

| | 31/12/2019 | Allocation over the year | Profit over the year | 31/12/2020 |
|---|---|---|---|---|
| Fund for deferred taxes | 8,851 | 5,787 | 8,851 | 5,787 |
| Effect derived from hedging | 378,387 | 112,716 | 378,387 | 112,716 |
| Deferred taxes leasing | (4,373) | 5,497 | | 1,124 |
| Deferred taxes Fope Ltd | 46,370 | | 46,370 | |
| **Total deferred taxes fund** | **429,235** | **124,000** | **433,608** | **119,627** |

## Employee's severance pay

The following table shows the changes in the period.

| Employee's severance pay | |
|---|---|
| Value at the start of the year | 869,491 |
| Changes over the year | |
| Provisions for the year | 85,608 |
| Profit over the year | 1,565 |
| Other changes | |
| Total changes | 84,043 |
| **Value at the end of the year** | **953,534** |

This concerns a payable related to employees of the Parent Company and represents the payable actually due to employees pursuant to law and current labour agreements in Italy, taking into account any type of remuneration paid on a continuous basis.

The provision is the total of the individual entitlements accrued by employees at the balance sheet date, net of advances paid, and is equal to the amount that would be due to employees should their employment relationship cease on such date.

### Payables

The breakdown of payables based on maturity is as follows:

| | Value at the start of the year | Change over the year | Value at the end of the year | Portion due within the year | Portion due after the year |
|---|---|---|---|---|---|
| Bonds | | | | | |
| Convertible bonds | 206,400 | | 206,400 | 206,400 | |
| Payables to shareholders for loans | | | | | |
| Payables to banks | 9,216,464 | 2,677,528 | 11,893,992 | 4,535,654 | 7,358,338 |
| Payables to other lenders | | | | | |
| Advances | 7,843 | 2,778 | 10,621 | 10,621 | |
| Payables to suppliers | 5,668,042 | (3,197,018) | 2,471,024 | 2,471,024 | |
| Accounts payable represented by negotiable instruments | | | | | |
| Payables to subsidiaries | | 130,527 | 130,527 | 130,527 | |
| Payables to affiliated companies | | | | | |
| Payables to parent companies | | | | | |
| Payables from companies subject to the control of parent companies | | | | | |
| Taxes payable | 157,076 | 72,787 | 229,863 | 229,863 | |
| Social security charges payable | 179,207 | (13,240) | 165,967 | 165,967 | |
| Other payables | 346,101 | (136,699) | 209,402 | 209,402 | |
| **Total Payables** | **15,781,133** | **(463,337)** | **15,317,796** | **7,959,458** | **7,358,338** |

The distribution of payables by geographical area is insignificant.

The item "Convertible bonds" refers to the convertible bond loan signed on 30 November 2016 for a total amount of EUR 206,400; at 31 December 2020 2,064 bonds convertible into shares with a par value of EUR 100 each were in circulation.  The loan, called "FOPE Convertible Bond Loan 4.5% 2016-2021" is listed on the AIM market with the identification code IT0005203671. At 31 December 2019, the price of the security expressed by the AIM market was EUR 204.31. The loan is entered in the financial statements at par value as the value that best represents the *fair value* of the financial instrument. The price expressed by the market cannot be used as a parameter for the correct determination of the fair value of the convertible bond loan because there were no transactions with sufficient frequency and in volumes sufficient to provide continuous and up-to-date information on the price of the security. The substantial illiquidity of the market, therefore, motivates the choice to identify a reasonable approximation in the par value of the convertible bond loan of its *fair value*.

The balance of the total payable to banks at 31 December 2020, amounting to Euro 11,893,992 breaks down as follows:

| | | |
|---|---|---|
| Payable current accounts | Euros | 750,000 |
| Medium-term borrowings | Euros | 11,143,992 |
| Other payables to banks | Euros | |
| Total | | 11,893,992 |

With regard to existing borrowings with banks, the following table summarises the main aspects, while, for a more thorough analysis of the debt ratio with credit institutions, refer to that highlighted in the Consolidated Report on Operations.

| Credit institution | Original Amount | Maturity | Residual Amount at 31/12/2020 | Portion within 12 months | Portion after 12 months |
|---|---|---|---|---|---|
| Simest spa | 400,000.00 | 31/12/2025 | 400,000.00 | 80,000.00 | 320,000.00 |
| Simest spa | 1,300,000.00 | 16/04/2024 | 1,137,500.00 | 325,000.00 | 812,500.00 |
| Simest spa | 100,000.00 | 06/04/2021 | 25,000.00 | 25,000.00 | |
| Simest spa | 100,000.00 | 06/04/2021 | 25,000.00 | 25,000.00 | |
| Unicredit spa | 2,000,000.00 | 31/05/2023 | 970,025.00 | 401,220.00 | 568,805.00 |
| Unicredit spa | 1,000,000.00 | 30/06/2022 | 500,000.00 | 333,333.00 | 166,667.00 |
| Banco di Desio e della Brianza spa | 2,000,000.00 | 10/07/2022 | 1,173,943.00 | 668,311.00 | 505,632.00 |
| Credem spa | 1,500,000.00 | 13/11/2022 | 661,044.00 | 282,384.00 | 378,660.00 |
| Intesa SanPaolo spa | 1,000,000.00 | 18/03/2021 | 51,480.00 | 51,480.00 | |
| Intesa SanPaolo spa | 2,000,000.00 | 15/06/2023 | 1,200,000.00 | 400,000.00 | 800,000.00 |
| Intesa SanPaolo spa | 1,500,000.00 | 31/12/2022 | 1,000,000.00 | 500,000.00 | 500,000.00 |
| Intesa SanPaolo spa | 4,000,000.00 | 28/05/2025 | 4,000,000.00 | 693,926.00 | 3,306,074.00 |
| **Totale** | | | **11,143,992.00** | **3,785,654.00** | **7,358,338.00** |

It should be noted that at 31th December 2020 payables secured by collateral on company assets have not been entered in the financial statements.
For the analysis of the debt to the credit institutions referred to in the table above, refer to that highlighted in the Report on Operations.

The distribution of payables by geographical area is insignificant.

The item "Tax payables" primarily includes the parent company's payables in respect of the National Treasury. These payables relate to tax deductions on employment or self-employment totalling EUR 104,164. The item also includes the payable relating to the settlement in the month of December amounting to EUR (9,034) and the revaluation withholding tax Legislative Decree 104/20 amounting to EUR (44,653) The amount of EUR 72,012 relates to payable that the foreign companies have accrued in respect of the Treasury.

### Accrued expenses and deferred income

| | Value at the start of the year | Change over the year | Value at the end of the year |
|---|---|---|---|
| Accrued liabilities | 69,140 | (35,563) | 33,577 |
| Deferred liabilities | 8,028 | | 8,028 |
| **Total accrued and deferred income** | **77,168** | **(35,564)** | **41,604** |

The item is broken down as follows.

| Description | Amount |
|---|---|
| Commission on loan for use | 13,293 |
| Interest and commission on loan | 6,587 |
| Sabatini III interest | 8,028 |
| Interest on loan | 6,423 |
| Insurance cover | 5,978 |
| Interest on convertible bond | 774 |
| Costs of non-relevant entities | 521 |
| **Totale** | **41,604** |

This concerns the combining of insurance costs, interest and commission on gold on loan for the year.

## A) Production value

The item is broken down as detailed.

| Description | 31/12/2020 | 31/12/2019 | Changes |
|---|---|---|---|
| revenues from sales and services | 25,998,489 | 34,964,396 | (8,965,907) |
| changes in stocks of unfinished, semi-finished and finished products | (34,228) | 361,351 | (395,579) |
| Total other incomes and revenues | 465,759 | 965,714 | (499,955) |
| **Total** | **26,430,020** | **36,291,461** | **(9,861,441)** |

The percentage distribution of revenue by geographical area is detailed as follows:

| Revenue by area | % |
|---|---|
| Customers Italy | 9.27% |
| Customers EU Area | 70.17% |
| Customers outside Europe | 20.56% |

Revenue from the sales of products is recognised at the time of the transfer of the risks and benefits, which is normally identified with the delivery or shipment of the goods.
Revenue of a financial nature and that deriving from service provisions is recognised on an accrual basis.
Revenue and income, costs and charges related to foreign currency transactions are calculated at the rate ruling on the date the related transaction took place.

The allocation of revenue by category is insignificant.

For the detailed description of the increase in the production value as well as the subsequent section referring to Production costs, refer to that highlighted in the Consolidated Report on Operations.

### B) Production costs

The item is broken down as follows.

| Description | Consolidation | 31/12/2019 | Consolidation | 31/12/2020 | Change during the year |
|---|---|---|---|---|---|
| Raw materials, supplies and goods | | 13,386,957 | (1,527,034) | 11,710,132 | (1,676,825) |
| Changes to inventories in raw materials, supplies and goods | | (137,033) | 408,398 | (2,380,044) | (2,243,011) |
| Services | (803,754) | 11,942,393 | (960,131) | 9,446,744 | (2,495,649) |
| Use of third party goods | | 272,408 | | 493,533 | 221,125 |
| Salaries and wages | | 2,628,346 | | 2,279,815 | (348,531) |
| Social security contributions | | 683,691 | | 591,994 | (91,697) |
| Severnace pay | | 146,466 | | 137,537 | (8,929) |
| Other staff costs | | 97,319 | | 28,436 | (68,883) |
| Depreciation of intangible fixed assets | | 480,262 | | 507,077 | 26,815 |
| Depreciation of tangible fixed assets | (1,572) | 868,154 | | 1,101,078 | 232,924 |
| Write-downs of current assets receivables | | 34,542 | | 76,808 | 42,266 |
| Provisions for risks | | 121,474 | | | (121,474) |
| Other provisions | | | | | |
| Various operating costs | | 333,427 | | 99,645 | (233,782) |
| **Total** | | **30,858,406** | | **24,092,755** | **(6,765,651)** |

The decrease in the costs for raw materials, supplies, consumables and goods and the costs for services are closely related to that set out in the Consolidated Report on Operations and the developments of point A (Production value) of the Income Statement.
The costs for raw materials, supplies, consumables and goods and the costs for services are closely related to that set out in the Report on Operations and the developments of point A (Production value) of the Income Statement. The item "Use of third-party assets" includes the rent for flagship stores and showrooms.
The item Staff costs includes the entire expenditure for employees including merit-based pay increases, category transfers, cost of living increases, cost of holiday not taken and legal provisions and those of collective agreements. With regard to depreciation, it is specified that it has been calculated based on the useful life of the asset and its use in the production phase. The write-down of loans included in current assets amounted to EUR 76,808, and has been calculated based on the criteria of prudence.

### Financial income and charges

The tables below illustrate the nature and amount of financial income and charges recognized over the year.

| | Financial income |
|---|---|
| From holdings in subsidiaries | |
| From holdings in other companies | 13,071 |
| Income other than the previous income | 45,194 |
| **Total** | **58,265** |

The income that differs from the previous income is related to interest income.

| | Interest and other financial charges |
|---|---|
| From bonds | 9,288 |
| From payables to banks | 143,299 |
| From others | 108 |
| **Total** | **152,695** |

## Profit and losses on exchange

| | Profit loss on exchange rates | Eschange rate losses | Net balance |
|---|---|---|---|
| Component realised | 318,544 | 418,956 | (100,412) |
| Component not realised | 24,112 | 89,454 | (65,342) |
| **Totals** | **342,656** | **508,410** | **(165,754)** |

## Income tax for the year

| Taxes | Balance at 31/12/2020 | Balance at 31/12/2019 | Changes |
|---|---|---|---|
| Current taxes | 451,388 | 126,598 | 324,790 |
| IRES (corporation tax) | 348,560 | 634,080 | (285,520) |
| IRAP (regional income tax) | 69,727 | 161,846 | (92,119) |
| Leasing taxes | 1,124 | (4,373) | 5,497 |
| Current taxes Fope Usa inc | 16,256 | 4,704 | 11,552 |
| Current taxes Fope Jewellery ltd | 15,721 | 11,031 | 4,690 |
| Taxes relating to previous years | | (680,690) | 680,690 |
| Deferred (prepaid) taxes | (46,005) | (23,038) | (22,967) |
| IRES (corporation tax) | (42,071) | (60,317) | 18,246 |
| IRAP (regional income tax) | (2,226) | (7,667) | 5,441 |
| Total (prepaid) deferred taxes | (1,708) | 44,946 | (46,654) |
| **Total** | **405,383** | **103,560** | **301,823** |

Taxes are set aside on an accruals basis; they therefore represent: accruals for taxes paid or outstanding for the year, determined in accordance with the rates and regulations in force; the amount of deferred or prepaid taxes calculated based on the rates in force at the time in which the temporary differences are transferred.
Deferred tax asset and liability rates for the year are directly recognised in the Income Statement, with the exception of those relating to items directly recognised in shareholders' equity, in which case, the related deferred taxes are also recorded at the same time, without being recognised in the Income Statement.

## Deferred/pre-paid taxes

In order to better highlight the reconciliation between the theoretical tax burden and the actual tax burden recognised in the financial statements, represented below is the reconciliation of the theoretical tax rate consolidated with the actual rate for the year compared with that on 31 December 2019.

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | taxable | taxes | taxable | taxes |
| Pre-tax profit for the year (parent company) | 2,258,872 | | 4,724,526 | |
| IRES - Theoretical tax burden (rate 24%) | | (542,129) | | (1,133,886) |
| IRAP - Theoretical tax burden (rate 3,9% on EBIT) | | (98,611) | | (202,997) |
| Total taxes | | (640,740) | | (1,336,883) |
| Theoretical tax rate | | (28.37%) | | (28.30%) |
| IRES differencies | | | | |
| Changes permanently increasing | 95,772 | (22,985) | 672,460 | (161,390) |
| Changes increasing that feed deferred tax assets | 238,745 | (57,299) | 254,791 | (61,150) |
| Changes increasing that adjust deferred taxes | 36,879 | (8,851) | 42,297 | (10,151) |
| Total increases | 371,396 | (89,135) | 969,548 | (232,692) |
| Changes permanently decreasing | (547,609) | 131,426 | (965,887) | 231,813 |
| Total decreasing for "Patent Box" | (530,000) | 127,200 | (1,786,985) | 428,876 |
| Changes decreasing that adjust deferred tax assets | (76,216) | 18,292 | (262,324) | 62,958 |
| Changes decreasing that feed deferred taxes | (24,112) | 5,787 | (36,879) | 8,851 |
| Total decreases | (1,177,937) | 282,705 | (3,052,075) | 732,498 |
| IRAP differences | | | | |
| Staff cost | 144,313 | (5,628) | 226,789 | (8,845) |
| Provision and write-down credits | 76,808 | (2,996) | 156,015 | (6,085) |
| Other changes permanently increasing | 799,407 | (31,177) | 888,527 | (34,653) |
| Total changes increasing that feed deferred assets | 72,012 | (2,808) | 72,012 | (2,808) |
| Total changes increasing | 1,092,540 | (42,609) | 1,343,343 | (52,390) |
| | (530,000) | 20,670 | (1,786,985) | 69,692 |
| Changes permanently decreasing | (102,999) | 4,017 | (603,274) | 23,528 |
| Changes decreasing that adjust deferred tax assets | (8,225) | 321 | (8,225) | 321 |
| Total changes decreasing | (641,224) | 25,008 | (2,398,484) | 93,541 |
| Total current IRES taxes | | (348,559) | | (634,080) |
| Total current IRAP taxes | | (116,212) | | (161,846) |
| Relief ex art. 24 DL 34/2020 | | 46,485 | | |
| Taxes from previous financial year | | | | 680,690 |
| Taxes payable by foreign subsidiaries | | (31,977) | | (15,736) |
| Tax effect leasing accounting | | (1,124) | | 4,374 |
| Deferred (prepaid) taxes parent companies | | 44,297 | | 67,984 |
| Deferred tax assets foreign subsidieries | | 1,708 | | (44,947) |
| Total taxes for the year | | (405,383) | | (103,561) |
| **Actual tax rate** | | **17.95%** | | **2.19%** |

Regarding the calculation and measurement methods of deferred/pre-paid taxes, refer to that described in the introductory part of these notes to the financial statements.

As already highlighted in the Report on Operations, the Company also benefited in the 2020 financial year from the tax effects of the so-called “Patent Box” with a reduction of direct tax amounting to EUR 147,000. Net of the tax effect of the "Patent Box" the tax rate for the financial year 2020 would have been 25%.

## Comment on the Indirect Statement of Cash Flows

The financial statements as at 31 December 2020 have been drawn up in accordance with the indirect method as provided by OIC 10, by adjusting the operating profit reported in the Income Statement.
During the financial year 2020 cash flows were produced totalling EUR 353,538. The cash and cash equivalents went from EUR 9,331,382 at the previous year-end to EUR 9,684,920 at 31 December 2020.

A) Cash flows arising from operating activities

The company closed the year 2020 with a net profit for the year amounting to EUR 1,671,698 (EUR 4,847,023 at 31 December 2019, -66%). Taxes for the year amounted to EUR 405,384, please refer to the specific commentary section of the notes to the financial statements.
The cash flow resulting from operating activities, which highlights the liquidity that the Group's operating activities generated or absorbed (consisting of a normal operating process), is positive at EUR 1,324,270, an increase compared to the close of the previous financial year when it amounted to EUR 5,548,908 (-50%).

Among the adjustments for non-monetary items that have not had a counterpart in net working capital, the following are highlighted:

- Provision for funds amounting to EUR 332,906, refer to the provisions in the customer indemnity fund, the deferred tax fund and other funds.
- Depreciation of fixed assets, amounting to EUR 1,608,155, an increase with respect to the previous year-end.

Changes to net working capital amounted to a total of EUR 1,722,735 and in particular a decrease was noted of trade receivables, a greater reduction than the proportional reduction in turnover and a reduction of payables to suppliers.
The other corrections are negative and equal to 1,065,567 EUR , mainly relating to income tax paid and use of the funds.

B) Cash flows arising from investment activities

Cash flows arising from investing activities, which highlight the liquidity that activities inherent to investment generated or absorbed (i.e. new acquisitions or divestments) are negative and amount to EUR 1,265,928.
The negative result is mainly due to investments made by the company in plant and industrial and commercial equipment.

C) Cash flows arising from financial activities

Cash flows arising from financial activities, which highlight the liquidity that activities inherent to loans generated or absorbed (i.e. the use of new loans or the repayment of payables and loans) is positive and amounts to EUR 295,196.
With reference to third-party funds, it is reported that new loans amounting to EUR 4,900,000 were taken out and loans were repaid amounting to EUR 2,205,064.
In detail, during the financial year 2020, the Company took out new loans, mainly to cover the investment activities described above, with the following credit institutions/other lenders:

- Simest Spa: total loans provided amounting to EUR 900,000;
- Medio Credito Centrale Spa: loan provided amounting to EUR 4,000,000.

With reference to the flows arising from own funds, which denote an overall generation of liquidity, it should be noted that in the financial year dividends were distributed amounting to EUR 2,382,332 and the remaining profit was carried over to equity reserves.

### Information on the fair value of financial derivatives

In compliance with the provisions of art. 2427 bis of the Civil Code, the following information is provided.

| Derivative | Purpose | Underlying risk | Fair Value at 31/12/2020 | Fair Value at 31/12/2019 | Change |
|---|---|---|---|---|---|
| Commodity swap | Hedging derivative | Precious metals | 23,040 | 1,302,879 | (1,279,839) |
| Currency option | Hedging derivative | USD/EUR forex | 110,822 | (79,802) | 190,624 |
| Interest Rate Swap | Hedging derivative | Interest rate | (66,451) | (34,086) | (32,365) |

The Company performs forward hedging on currency risks arising from its commercial activities, in order to protect the industrial operating profit from unfavourable fluctuations in exchange rates and prices of strategic raw materials.
The Company therefore uses derivatives within the scope of its "risk management" activities while derivatives or the like are not used and held for the mere purpose of negotiation.

### Commodity price risk

The objective of this type of hedge is to minimise the change to cash flows generated by the purchase of the raw materials used in the production process. In order to stabilise the purchase price, the Company fixes the price once the metal has been removed with financial hedging operations. The operations, which do not last more than 24 months, are carried out in rotation for a share of the requirement calculated based on the Company's budget.

### Exchange rate risk

The Company, operating at international level, is exposed to the exchange rate risk associated with different currencies, including primarily the US dollar and the British pound. The exchange rate risk arises from commercial transactions linked to normal operations and stems from exchange rate fluctuations between the moment in which the commercial relationship is established and the moment of collection.

### Interest rate risk

In order to manage the interest rate risk associated with medium-/long-term borrowing, at 31 December 2020, the Company has some Interest Rate Swap operations, that allow the financing to be transformed from a variable rate to a fixed rate. This instrument provides notional values and maturities aligned with those of the underlying financing hedged.

## Other information

Information relating to fees payable to the Statutory Auditor

| | Value |
|---|---|
| External audit of the Fope Spa accounts | 33,534 |
| External audit of the Fope Jewellery Ltd annual accounts | 8,065 |
| Tax advisory services | |
| Other verification services | 2,304 |
| Services other than audit services | 13,708 |
| Total fees due to the statutory auditor or audit firm | 57,611 |

The assignment for the statutory audit of the consolidated accounts has been entrusted to the auditing company BDO ITALIA S.p.a..

## Information relating to the fees payable to directors and statutory auditors

Pursuant to the law, the total fees payable to Directors and members of the Board of Statutory Auditors of the parent company, including those for the carrying out such functions also in other companies included in the consolidation, are highlighted.

| | Directors | Auditors |
|---|---|---|
| Fees | 727,300 | 35,000 |

It should be noted that there are no advances, loans and guarantees in respect of Directors and Statutory Auditors.

## Information relating to financial fixed assets entered at a value higher than the fair value

Financial fixed assets are not entered in the financial statements at a value higher than their fair value.

## Information on transactions with related parties

No significant transactions took place between Group companies and related parties.

## Exceptional income or expense items

In accordance with that provided for by number 13, paragraph 1, of art. 2427, it is noted that the Income Statement does not include income or expense items that impact on the profit for the year, they are not repeatable over time.

## Off-balance sheet arrangements, guarantees and contingent liabilities not resulting from the balance sheet

Group companies do not have any agreements that do not appear in the Balance Sheet.
Commitments made by the parent company to third parties are related to the value of gold on loan for use amounting to EUR 5,948,839.

## Information on significant events occurring after the financial year-end

Significant events occurring after the financial year-end are reported in detail in the Report on Operations.

These consolidated Financial Statements, comprising the Balance Sheet, the Income Statement and the notes to the financial statements, represent a true and accurate representation of the assets and liabilities and financial situation as well as the economic performance and correspond with the findings in the regularly kept accounting records of the parent company and the information provided by the companies included in the consolidation.

**Diego Nardin**
*CEO Fope S.p.A.*

**FOPE S.p.A.**

Independent auditor’s report

Consolidated Financial Statements as at December $31^{st}$, 2020

*This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.*

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# Report on the audit of the consolidated financial statements

To the Directors of
FOPE S.p.A.

## Independent auditor's report

### Opinion

We have audited the consolidated financial statements of FOPE S.p.A. (the "Company") and its subsidiaries (FOPE Group or "Group"), which comprise the statement of financial position as at December 31st, 2020, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of FOPE Group as at December 31st, 2020, and of the result of its operations and its cash flows for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.

### Basis of 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 consolidated financial statements* section of this report. We are independent of the Company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

This report is not issued under any legal requirement, given the fact that FOPE S.p.A., since for the year ended as at December 31st, 2020, is not subject to the obligation set out in the art. 25 of Legislative Decree n. 127/1991.

### Responsibilities of Directors and of the Board of the Statutory Auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Italian regulations and accounting principles governing financial statements and, within the limits of the law, for such internal control as the Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Parent Company FOPE S.p.A. or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Standards 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 consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain 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;
- obtain and 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 Group's internal control;
- evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of Directors' use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions in a manner that achieves fair presentation.
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with Those Charged with Governance, identified at the appropriate level as required by the ISA Italia, 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.

Verona, April 6th, 2021

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

*This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.*

## Annex: TABLE OF GRI - GLOBAL REPORTING INITIATIVE INDICATORS

| GRI Standard Title | GRI disclosure number | GRI Disclosure Title | Page number/ comments |
|---|---|---|---|
| GRI 102: General Disclosures 2019 – Organizational profile | 102-1 | Name of the organization | Title page |
| | 102-2 | Activities, brands, products and services | 4, 6 |
| | 102-3 | Location of headquarters | 4, 13 |
| | 102-4 | Location of operations | 4, 13, 29 |
| | 102-5 | Ownership and legal form | 17 |
| | 102-6 | Markets served | 4, 6 |
| | 102-7 | Scale of the organization | 9, 12, 19, 24, 25, 37, 38 |
| | 102-8 | Information on employees and other workers | 37 |
| | 102-9 | Supply chain | 33 |
| | 102-13 | Membership of associations | 32 |
| GRI 102: General Disclosures 2019 – Strategy | 102-14 | Statement from senior decision-maker | 3 |
| GRI 102: General Disclosures 2019 – Ethics and integrity | 102-16 | Values, principles, standards, and norms of behavior | 7 |
| GRI 102: General Disclosures 2019 – Governance | 102-18 | Governance structure | 37 |
| GRI 102: General Disclosures 2019 – Reporting practice | 102-50 | Reporting period | 29 |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | 29 |
| | 102-55 | GRI content index | 94 |
| GRI 103: General Disclosures 2019 – Management approach | 103 | The management approach and its components | 37 |
| GRI 201: Economic performance 2019 | 201-1 | Direct economic value generated and distributed | 40 |
| GRI 202: Market presence 2019 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 37 |
| GRI 205: Anti-corruption 2019 | 205-3 | Confirmed incidents of corruption and actions taken | - |
| GRI 302: Energy 2019 | 302-1 | Energy consumption within the organization | 32 |
| | 302-4 | Reduction of energy consumption | 32 |
| GRI 303: Water 2019 | 303-2 | Water sources significantly affected by withdrawal of water | - |

| | | | |
|---|---|---|---|
| **GRI 305: Emissions 2019** | **305-1** | Direct (Scope 1) GHG emissions | 32, 34 |
| | **305-2** | Energy indirect (Scope 2) GHG emissions | 32, 34 |
| | **305-3** | Other indirect (Scope 3) GHG emissions | 36 |
| **GRI 306: Effluents and waste 2019** | **306-2** | Waste by type and disposal method | 36 |
| **GRI 307: Environmental compliance 2019** | **307-1** | Non-compliance with environmental laws and regulations | - |
| **GRI 403: Occupational health and safety 2019** | **403-2** | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 38 |
| **GRI 404: Training and education 2019** | **404-1** | Average hours of training per year per employee | 38 |
| | **404-2** | Programs for upgrading employee skills and transition assistance program | 38 |
| **GRI 405: Diversity and equal opportunity 2019** | **405-1** | Diversity of governance bodies and employees | 37 |
| **GRI 406: Non-discrimination 2019** | **406-1** | Incidents of discrimination and corrective actions taken | - |
| **GRI 408: Child labor 2019** | **408-1** | Operations and suppliers at significant risk for incidents of child labor | - |
| **GRI 409: Forced or compulsory labor 2019** | **409-1** | Operations and suppliers at significant risk for incidents of forced or compulsory labor | - |
| **GRI 417: Marketing and labelling 2019** | **417-3** | Incidents of non-compliance concerning marketing communications | - |
| **GRI 418: Customer privacy 2019** | **418-1** | Substantiated complaints concerning breaches of customer privacy and losses of customer data | - |
| **GRI 419: Socioeconomic compliance 2019** | **419-1** | Non-compliance with laws and regulations in the social and economic area | - |

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