



AEEFFE

CONSOLIDATED QUATERLY REPORT AS OF 31ST DECEMBER 2007

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1. Board of directors and statutory auditors of the Parent Company

Board of Directors

Chairman

Massimo Ferretti

Deputy Chairman

Alberta Ferretti

Chief Executive Officer

Simone Badioli

Directors

Marcello Tassinari – Managing Director

Umberto Paolucci

Roberto Lugano

Gianfranco Vanzini

Board of Statutory Auditors

President

Romano Del Bianco

Statutory Auditors

Bruno Piccioni

Vittorio Baiocchi

Alternate Auditors

Andrea Moretti

Pierfrancesco Gamberini

2. Organisation chart



3. Brands portfolio



4. Headquarters

GRUPPO AEFPE

Via Delle Querce, 51
San Giovanni in Marignano (RN)
47842 - Italy

MOSCHINO

Via San Gregorio, 28
20124 - Milan
Italy

POLLINI

Via Erbosa, 2/B
Gatteo (FC)
47030 - Italy

VELMAR

Via Delle Robinie, 43
San Giovanni in Marignano (RN)
47842 - Italy



5. Showrooms

AEFFE MILANO
(FERRETTI - GAULTIER)
Via Donizetti, 48
20122 - Milan
Italy

POLLINI MILANO
Via Bezzacca, 5
20135 – Milan
Italy

AEFFE LONDRA
(FERRETTI)
205-206 Sloane Street
SW1X9QX - London
UK

AEFFE PARIGI
(GRUPPO)
15, Place de la Republique
75003 - Paris
France

AEFFE NEW YORK
(GRUPPO)
30 West 56th Street
10019 - New York
USA

MOSCHINO MILANO
Via San Gregorio, 28
20124 - Milan
Italy

MOSCHINO LONDRA
28-29 Conduit Street
W1R 9TA - London
UK

MOSCHINO GIAPPONE
Shin-Nogizaka Bldg. 5F
1-15-14, Minami Aoyama Minato-ku
107-0062 - Tokyo
Japan

MOSCHINO HONG KONG
21/F Dorset House, Taikoo Place
979 King's Road
Hong Kong



6. Flagship stores under direct management

	Italy	Europe	United States	Asia	Total
"Alberta Ferretti" and "Philosophy di Alberta Ferretti"	5	3	1	-	9
"Moschino" and "Moschino Cheap and Chic"	3	3	-	38	44
"Pollini"	16	-	-	-	16
D.O.S. multibrand	5	1	-	-	6
Total	29	7	1	38	75
Main locations	Milan, Rome, Florence, Verona, Venice, Bologna, Parma	Paris, London	New York	Thailand, Malaysia, Japan, Hong Kong, China, Taiwan, Korea, Singapore	



7. Main economic-financial data

		31st december 2005	31st december 2006	31st december 2007
Total revenues	(Values in millions of EUR)	249.9	275.1	298.9
Gross operating margin (EBITDA)	(Values in millions of EUR)	29.4	37.1	44.5
Net operating profit (EBIT)	(Values in millions of EUR)	18.3	26.4	33.7
Profit before taxes	(Values in millions of EUR)	13.6	19.3	25.6
Net profit for the Group	(Values in millions of EUR)	5.5	7.9	12.9
Net capital invested	(Values in millions of EUR)	229.2	217.8	234.2
Net financial indebtedness	(Values in millions of EUR)	132.9	115.3	38.5
Group net equity	(Values in millions of EUR)	70.4	75.9	166.6
Total revenues/Net capital invested	Ratio	1.1	1.3	1.3
Current assets/Current liabilities	Ratio	1.7	1.6	1.6
Current assets less invent./Current liabilities (ACID Test)	Ratio	0.9	0.8	0.8
Net financial indebtedness/Net equity	Ratio	1.4	1.1	0.2
Net equity per share	Ratio	3.1	3.4	6.2
Net profit per share	Ratio	0.2	0.4	0.5
ROI:Net operating profit/Net capital invested	Values in percentage	8.0%	12.1%	14.4%
ROE:Net profit for the group/Group net equity	Values in percentage	8.7%	11.3%	17.0%

8. Financial statements

Income statement - Full Year

(Values in units of EUR)	Notes	Full Year 2007	%	Full Year 2006	%	Change 2007/06	%
REVENUES FROM SALES AND SERVICES	(1)	293,210,634	100.0%	266,135,146	100.0%	27,075,488	10.2%
Other revenues and income		5,659,037	1.9%	8,938,830	3.4%	-3,279,793	-36.7%
TOTAL REVENUES		298,869,671	101.9%	275,073,976	103.4%	23,795,695	8.7%
Changes in inventory of work in process, semi-finished, finished goods		7,851,558	2.7%	5,998,441	2.3%	1,853,117	30.9%
Costs of raw materials, cons. and goods for resale		-88,772,356	-30.3%	-80,281,499	-30.2%	-8,490,857	10.6%
Costs of services		-95,743,447	-32.7%	-87,811,086	-33.0%	-7,932,361	9.0%
Costs for use of third parties assets		-17,049,562	-5.8%	-16,442,105	-6.2%	-607,457	3.7%
Labour costs		-58,195,922	-19.8%	-56,283,623	-21.1%	-1,912,299	3.4%
Other operating expenses		-2,509,319	-0.9%	-3,152,756	-1.2%	643,437	-20.4%
Total Operating Costs		-254,419,047	-86.8%	-237,972,628	-89.4%	-16,446,419	6.9%
GROSS OPERATING MARGIN (EBITDA)	(2)	44,450,624	15.2%	37,101,348	13.9%	7,349,276	19.8%
Amortization of intangible fixed assets		-3,638,463	-1.2%	-3,761,118	-1.4%	122,655	-3.3%
Depreciation of tangible fixed assets		-6,723,449	-2.3%	-6,464,281	-2.4%	-259,168	4.0%
Revaluations (write-downs)		-359,770	-0.1%	-440,791	-0.2%	81,021	-18.4%
Total Amortization and write-downs		-10,721,682	-3.7%	-10,666,190	-4.0%	-55,492	0.5%
NET OPERATING PROFIT (EBIT)		33,728,943	11.5%	26,435,158	9.9%	7,293,785	27.6%
Financial income		602,757	0.2%	410,179	0.2%	192,578	46.9%
Financial expenses		-8,686,927	-3.0%	-7,432,356	-2.8%	-1,254,571	16.9%
Total Financial Income (expenses)		-8,084,171	-2.8%	-7,022,177	-2.6%	-1,061,993	15.1%
Profit (loss) from equity investments in affiliates		0	0.0%	-119,455	0.0%	119,455	-100.0%
PROFIT BEFORE TAXES		25,644,772	8.7%	19,293,525	7.2%	6,351,247	32.9%
Current income taxes		-11,129,267	-3.8%	-7,426,035	-2.8%	-3,703,233	49.9%
Deferred income (expenses) taxes		646,392	0.2%	-3,324,342	-1.2%	3,970,734	-119.4%
Total Income Taxes		-10,482,875	-3.6%	-10,750,377	-4.0%	267,502	-2.5%
PROFIT NET OF TAXES		15,161,897	5.2%	8,543,149	3.2%	6,618,748	77.5%
(Profit) loss attributable to minority shareholders		-2,217,870	-0.8%	-561,929	-0.2%	-1,655,941	294.7%
NET PROFIT FOR THE GROUP	(3)	12,944,027	4.4%	7,981,220	3.0%	4,962,808	62.2%

Income statement - Fourth Quarter

(Values in units of EUR)	Notes	IV Trim 2007	%	IV Trim 2006	%	Change IV Trim 07/06	%
REVENUES FROM SALES AND SERVICES	(1)	59,183,303	100.0%	54,823,621	100.0%	4,359,682	8.0%
Other revenues and income (*)		1,130,051	1.9%	6,124,449	11.2%	-4,994,398	-81.5%
TOTAL REVENUES		60,313,354	101.9%	60,948,070	111.2%	634,716	-1.0%
Changes in inventory of work in process, semi-finished, finished goods		6,340,358	10.7%	7,413,045	13.5%	-1,072,687	-14.5%
Costs of raw materials, cons. and goods for resale		-20,175,267	-34.1%	-20,509,031	-37.4%	333,764	-1.6%
Costs of services		-22,135,808	-37.4%	-20,237,794	-36.9%	-1,898,014	9.4%
Costs for use of third parties assets		-3,624,169	-6.1%	-3,639,516	-6.6%	15,347	-0.4%
Labour costs		-15,221,141	-25.7%	-14,369,952	-26.2%	-851,189	5.9%
Other operating expenses		-265,561	-0.4%	-912,644	-1.7%	647,083	-70.9%
Total Operating Costs		-55,081,588	-93.1%	-52,255,892	-95.3%	-2,825,696	5.4%
GROSS OPERATING MARGIN (EBITDA)	(2)	5,231,765	8.8%	8,692,178	15.9%	3,460,412	-39.8%
Amortization of intangible fixed assets		-909,206	-1.5%	-965,588	-1.8%	56,383	-5.8%
Depreciation of tangible fixed assets		-1,960,610	-3.3%	-1,591,224	-2.9%	-369,386	23.2%
Revaluations (write-downs)		-10,811	0.0%	-109,330	-0.2%	98,519	-90.1%
Total Amortization and write-downs		-2,880,627	-4.9%	-2,666,143	-4.9%	-214,484	8.0%
NET OPERATING PROFIT (EBIT)		2,351,139	4.0%	6,026,035	11.0%	3,674,896	-61.0%
Financial income		261,918	0.4%	258,447	0.5%	3,470	1.3%
Financial expenses		-2,353,414	-4.0%	-2,566,947	-4.7%	213,533	-8.3%
Total Financial Income (expenses)		-2,091,496	-3.5%	-2,308,499	-4.2%	217,003	-9.4%
Profit (loss) from equity investments in affiliates		0	0.0%	-29,036	-0.1%	29,036	-100.0%
PROFIT BEFORE TAXES		259,642	0.4%	3,688,500	6.7%	3,428,858	-93.0%
Current income taxes		-547,760	-0.9%	-628,532	-1.1%	80,772	-12.9%
Deferred income (expenses) taxes		1,537,954	2.6%	-2,198,514	-4.0%	3,736,468	-170.0%
Total Income Taxes		990,194	1.7%	-2,827,046	-5.2%	3,817,240	-135.0%
PROFIT NET OF TAXES		1,249,836	2.1%	861,454	1.6%	388,383	45.1%
(Profit) loss attributable to minority shareholders		-487,828	-0.8%	59,799	0.1%	-547,627	-915.8%
NET PROFIT FOR THE GROUP	(3)	762,008	1.3%	921,252	1.7%	159,244	-17.3%

(*) The item Other revenues and income of the fourth quarter 2006 includes Euro 4,197 thousand arising from the sale by the subsidiary Aeffe Retail of the part of the business relating to the Narciso Rodriguez store in Milan.

Balance sheet

(Values in units of EUR)	Notes	31st december 2007	31st december 2006
Trade receivables		36,910,499	33,429,957
Stock and inventories		67,761,354	57,658,314
Trade payables	-	60,577,085	57,545,124
Operating net working capital		44,094,768	33,543,147
Other short term receivables		27,082,639	25,857,607
Tax receivables		4,786,640	2,339,179
Other short term liabilities	-	17,248,402	12,768,551
Tax payables	-	7,228,746	4,951,812
Net working capital	(4)	51,486,899	44,019,570
Tangible fixed assets		71,194,547	69,895,400
Intangible fixed assets		171,770,613	175,073,292
Investments		21,640	120,638
Other long term receivables		3,122,044	2,877,143
Fixed assets	(5)	246,108,845	247,966,473
Post employment benefits	-	11,111,029	13,508,741
Long term provisions	-	1,707,601	1,741,230
Non-financial assets available for sale		1,636,885	1,636,885
Other long term liabilities	-	14,251,237	14,045,132
Deferred tax assets		8,869,181	10,741,117
Deferred tax liabilities	-	46,799,424	57,303,971
NET CAPITAL INVESTED		234,232,518	217,764,971
Capital issued		26,840,626	22,500,000
Other reserves		126,116,026	51,277,701
Profits (Losses) carried-forward		689,510	5,773,135
Profits (Loss) for the period		12,944,027	7,981,220
Group share capital and reserves		166,590,189	75,985,786
Minority interests		29,158,796	26,465,309
Shareholders' equity	(6)	195,748,985	102,451,095
Other short term financial receivables	-	1,265,889	4,175,000
Cash and cash equivalents	-	13,259,144	11,145,222
Long term financial payables		26,646,683	66,196,757
Short term financial payables		26,361,882	64,437,341
NET FINANCIAL POSITION	(7)	38,483,532	115,313,876
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS		234,232,517	217,764,971

Cash flow

(Values in thousands of EUR)	Notes	Full Year 2007	Full Year 2006
OPENING BALANCE		15,320	7,020
Profit before taxes		25,645	19,293
Amortization		10,722	10,225
Accrual (+)/availment (-) of long term provisions and post employment benefits		-2,431	694
Paid income taxes		-9,374	-4,851
Financial income (-) and financial charges (+)		8,084	7,022
Change in operating assets and liabilities		-9,538	613
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY		23,108	32,996
Increase (-)/ decrease (+) in intangible fixed assets		-336	-40
Increase (-)/ decrease (+) in tangible fixed assets		-9,302	-4,034
Investments (-)/ Disinvestments (+)		95	135
Change in assets available for sale		0	53
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	-	9,543	3,886
Increase in reserves and profit carried-forward to shareholders'equity		71,954	-6,000
Proceeds (repayment) of financial payments		-77,985	-9,270
Increase (decrease) in long term financial receivables		-1,511	1,482
Financial income and financial charges		-8,084	-7,022
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	-	15,626	20,810
CLOSING BALANCE		13,259	15,320

Changes in shareholders' equity

(Values in thousands of EUR)

	Share capital	Share premium reserve	Other reserves	Participatory instruments reserve	Translation reserve	Fair Value reserve	IAS reserve	Retained earnings (losses)	Net income of the Group	Total Group Net Equity	Total Minority Net Equity	Total Net Equity
BALANCES AT 31st December 2005	22,500	11,345	23,888	-	1,195	3,052	11,120	-8,194	5,505	70,411	25,908	96,319
Allocation of 2005 profits	-	-	3,085	-	-	-	-	2,420	- 5,505	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation	-	-	-	-	804	-	-	-	-	804	5	809
Net income at 31st December 2007	-	-	-	-	-	-	-	-	7,981	7,981	562	8,543
Other movements	-	-	- 18,400	12,400	-	4,397	-	-	-	- 1,603	-	- 1,603
BALANCES AT 31st December 2006	22,500	11,345	8,573	12,400	391	7,449	11,120	- 5,774	7,981	75,985	26,465	102,450

(Values in thousands of EUR)

	Share capital	Share premium reserve	Other reserves	Participatory instruments reserve	Translation reserve	Fair Value reserve	IAS reserve	Retained earnings (losses)	Net income of the Group	Total Group Net Equity	Total Minority Net Equity	Total Net Equity
BALANCES AT 31st December 2006	22,500	11,345	8,573	12,400	391	7,449	11,120	- 5,774	7,981	75,985	26,465	102,450
Allocation of 2006 profits	-	-	1,231	-	-	-	-	6,750	- 7,981	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation	-	-	-	-	- 1,379	-	-	-	-	- 1,379	263	- 1,116
Net income at 31st December 2007	-	-	-	-	-	-	-	-	12,944	12,944	2,218	15,162
Cancellation of own shares	- 4,500	- 16,600	18,400	2,700	-	-	-	-	-	-	-	-
Conversion of participatory instrument	4,091	11,009	-	- 15,100	-	-	-	-	-	-	-	-
Increase in shareholders' equity for IPO	4,750	69,554	-	-	-	-	-	-	-	74,304	-	74,304
Other movements	-	-	-	-	-	452	4,571	- 286	-	4,736	213	4,949
BALANCES AT 31st December 2007	26,841	75,308	28,204	-	- 988	7,901	15,691	690	12,944	166,590	29,159	195,749

9. Report on operations

The consolidated fourth quarterly report of 2007 highlights significant growth in terms of sales and profitability with respect to 2006 evidencing the effectiveness of the strategic decisions made by the Group in the prior years.

The revenues from sales and services generated in 2007 amount to EUR 293,211 thousand, up 10.2% compared with the same period in the previous year (+12.2% at constant exchange rates and +13.4% excluding also the effect of the termination of the Narciso Rodriguez license).

In 2007, consolidated EBITDA amounts to EUR 44,451 thousand, up 19.8% compared to EUR 37,101 thousand of 2006, and represents 15.2% of consolidated revenues. The EBITDA calculated at constant exchange rates would have been equal to EUR 45,162 thousand, up to 21.7%. Net of non-recurring items, EBITDA is EUR 42,296 thousand (+28.5% compared with the same period of 2007; +29.3% at constant exchange rates), representing 14.4% of consolidated revenues, with an improvement of 200 bp improvement in margin compared to 2006 (12.4%), in line with the targets set at the beginning of the year.

The significant improvement in EBITDA reflects the strength of our business model which, when the revenues grows significantly, allows to exploit strong operating leverage by reducing the incidence of fixed costs as % of revenues, while nevertheless maintaining a strong focus on product quality.

Aeffe and Aeffe USA Inc. signed an agreement with Narciso Rodriguez on 18th May 2007, as part of rationalisation work to focus on the growth and profitability of the brand portfolio. This agreement, involving the sale of its stake (50% of capital) held in Narciso Rodriguez LLC, resulted in the realisation of a net capital gain of about EUR 2 million.

Moschino S.p.A., a Group subsidiary, entered into a franchising and product distribution agreement covering the People's Republic of China (excluding Hong Kong and Macau) in June 2007. The local partner, Hembly International Holding Limited, is a leading distributor of fashion products in China, with a listing on the Hong Kong Stock Exchange.

Extending over the next 10 years, the agreement envisages the opening of 40 stores, 30 of which during the first five years of the partnership.

This agreement will enable Moschino S.p.A. to accelerate the development of its commercial network, establishing a coordinated, widespread presence in a nation such as China, where considerable growth potential has been identified.

The agreement is another example of the international expansion strategy carried forward by the Aeffe Group.

25 franchised retail stores have been opened during 2007, 8 of which in Europe, 2 in USA and 15 in Asia; this is consistent with the opening plan established for the entire year.

Compared to 31st December 2006, the Group's balance sheet as of 31st December 2007 shows an increase in shareholders' equity from EUR 75,986 thousand to EUR 166,590 thousand, mainly due to the increase in the share capital and in the share premium reserve following the IPO proceeds of EUR 74,304 thousand, and a consequent decrease in net financial debt from EUR 115,314 thousand to EUR 38,484 thousand. The net financial position as of 31st December 2007 shows a decrease of EUR 76,830 thousand compared with the same period of the previous year, consistent with the Group's targets.

Net working capital amounts to EUR 51,487 thousand (17.6% of revenues), compared with EUR 44,020 thousand (16.5% of revenues) at the end of 2006. The slight increase of working capital ratio as compared to the net revenues is fully related to the expansion of our business with a consequent increase in inventory.

Capital investment in 2007 are mainly related to the construction of warehouse facilities in Aeffe, as well as to stores refurbishment made by both Aeffe and the subsidiary Moschino.

10. Notes to the consolidated financial statements

Income statement

1. Revenues from sales and services

Full year 2007 vs 2006

Revenues from sales and services rise from EUR 266,135 thousand in 2006 to EUR 293,211 thousand in 2007, up 10.2%. At constant exchange rates, the increase is 12,2%. This progress reflects the improved performance of the Group's principal companies, highlighting the effectiveness of the strategic decisions made over time.

The following table details the revenues by geographical area for the full year 2007 and 2006.

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2007	%	2006	%	Δ	%
Italy	113,030	38.5%	104,118	39.1%	8,912	8.6%
Europe (Italy and Russia excluded)	69,694	23.8%	60,140	22.6%	9,554	15.9%
United States	32,263	11.0%	32,985	12.4%	-722	-2.2%
Russia	22,110	7.5%	13,100	4.9%	9,010	68.8%
Japan	19,343	6.6%	21,795	8.2%	-2,452	-11.3%
Rest of the World	36,771	12.6%	33,997	12.8%	2,774	8.2%
Total	293,211	100.0%	266,135	100.0%	27,075	10.2%

Revenues record good trend in Italy (+8.6% to EUR 113,030 thousand), contributing to 38.5% of consolidated revenues. Abroad, the Group achieves significant growth. Revenues performance in Europe (+15.9%) is very positive, contributing to 23.8% of consolidated revenues. The Russian market continues to perform in an exceptional way (+68.8% compared to 2006), contributing to 7.5% of consolidated revenues. Revenues in United States fall by 2.2% (+8.2% at constant exchange rates and excluding the effect of Narciso Rodriguez collections), contributing to 11.0% of consolidated revenues. Revenues in the rest of the world rise by 8.2% to EUR 36,771 thousand (+12.5% at constant exchange rates), contributing to 12.6% of consolidated revenues, while revenues in Japan fall by 11.3% (-2.2% at constant exchange rate and excluding also the effect of Narciso Rodriguez collections), contributing to 6.6% of consolidated revenues.

The following table details the revenues by brand for the full year 2007 and 2006.

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2007	%	2006	%	Δ	%
Alberta Ferretti	63,004	21.5%	52,780	19.8%	10,224	19.4%
Moschino	136,857	46.7%	125,532	47.2%	11,325	9.0%
Pollini	52,311	17.8%	47,894	18.0%	4,417	9.2%
J.P.Gaultier	23,749	8.1%	21,528	8.1%	2,221	10.3%
Other	17,290	5.9%	18,401	6.9%	-1,111	-6.0%
Total	293,211	100.0%	266,135	100.0%	27,075	10.2%

All Group brands perform well during 2007.

Strong growth for Alberta Ferretti brand that increases by 19.4% (+20.3% at constant exchange rates) contributing 21.5% of consolidated revenues, while Moschino grows by 9.0% (+12.3% at constant exchange

rates) contributing 46.7% of consolidated revenues. Good results for Pollini brand that rises by 9.2%, generating 17.8% of consolidated revenues. The brand under license J.P.Gaultier grows by 10.3% (+12.5% at constant exchange rates), equal to 8.1% of consolidated revenues.

The Other brands revenues fall by 6.0%; excluding Narciso Rodriguez collections, other brand's revenues would have increased by 12.6%.

The following table details the revenues by distribution channel for the full year 2007 and 2006.

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2007	%	2006	%	Δ	%
Wholesale	206,936	70.6%	187,136	70.3%	19,800	10.6%
Retail	71,273	24.3%	66,261	24.9%	5,012	7.6%
Royalties	15,002	5.1%	12,738	4.8%	2,264	17.8%
Total	293,211	100.0%	266,135	100.0%	27,075	10.2%

The revenues generated by the Group during 2007 are analysed below:

- 70.6% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 187,136 thousand in 2006 and EUR 206,936 thousand in 2007, up 10.6% (+12.4% at constant exchange rates).
- 24.3% from sales outlets managed directly by the Group (retail channel), which contributes EUR 66,261 thousand in 2006 and EUR 71,273 thousand in 2007, up 7.6% (+10.6% at constant exchange rates).
- 5.1% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. The rise in royalties from EUR 12,738 thousand in 2006 to EUR 15,002 thousand in 2007, up 17.8%, reflects the higher royalties earned by both Moschino and Pollini.

The following table details the revenues by own brands and brands under license for the full year 2007 and 2006.

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2007	%	2006	%	Δ	%
Own brands	252,806	86.2%	227,016	85.3%	25,790	11.4%
Brands under license	40,405	13.8%	39,119	14.7%	1,286	3.3%
Total	293,211	100.0%	266,135	100.0%	27,075	10.2%

The revenues generated by own brands rise in absolute value of EUR 25,790 (+11.4% compared with the previous year), with an incidence on total revenues which increases from 85.3% in 2006 to 86.2% in 2007. The revenues generated by brands under license rise of 3.3% (excluding revenues of Narciso brand the increase would have been of 11.9%).

Fourth quarter 2007 vs 2006

In the fourth quarter 2007 revenues from sales and services, which amount to EUR 59,183 thousand, show an increase of 8.0% compared with the same period of the previous year, all due to the Group's organic growth. At constant exchange rates, the increase is 11.0%.

The following table details the revenues by geographical area for the fourth quarter 2007 and 2006.

(Values in thousands of EUR)	IV Quarter		IV Quarter		Change	
	2007	%	2006	%	Δ	%
Italy	22,590	38.2%	22,042	40.2%	548	2.5%
Europe (Italy and Russia excluded)	17,729	30.0%	16,588	30.3%	1,141	6.9%
United States	6,887	11.6%	8,087	14.8%	-1,200	-14.8%
Russia	2,504	4.2%	1,326	2.4%	1,178	88.8%
Japan	3,805	6.4%	3,848	7.0%	-43	-1.1%
Rest of the World	5,668	9.6%	2,933	5.3%	2,736	93.2%
Total	59,183	100.0%	54,824	100.0%	4,360	8.0%

The Group's revenues are earned as follows: 38.2% in Italy (+2.5% compared with the fourth quarter 2006), 30.0% in Europe (+6.9% compared with the fourth quarter 2006), 11.6% in United States (-14.8% with respect to the fourth quarter 2006, +0.7% at constant exchange rates and excluding the effect of Narciso Rodriguez collections), 4.2% in Russia (+88.8% compared with the fourth quarter 2006), 6.4 in Japan (-1.1 compared with the fourth quarter 2006, +10.5% at constant exchange rates and excluding the effect of Narciso Rodriguez collections) and 9.6% in the Rest of the World (93.2% compared with the fourth quarter 2006).

The following table details the revenues by brand for the fourth quarter 2007 and 2006.

(Values in thousands of EUR)	IV Quarter		IV Quarter		Change	
	2007	%	2006	%	Δ	%
Alberta Ferretti	11,881	20.1%	9,564	17.4%	2,317	24.2%
Moschino	31,239	52.8%	28,927	52.8%	2,312	8.0%
Pollini	11,659	19.7%	10,973	20.0%	686	6.3%
J.P.Gaultier	2,576	4.4%	2,464	4.5%	112	4.5%
Other	1,828	3.1%	2,896	5.3%	-1,067	-36.9%
Total	59,183	100.0%	54,824	100.0%	4,360	8.0%

The Group's revenues are earned as follows: 20.1% by the Ferretti lines (+24.2% with respect to the fourth quarter 2006), 52.8% by the Moschino lines (+8.0% with respect to the fourth quarter 2006; +12.6% at constant exchange rates), 4.4% by the J.P.Gaultier lines (+4.5% with respect to the fourth quarter 2006; +9.1% at constant exchange rates), 19.7% by the Pollini lines (+6.3% with respect to the fourth quarter 2006), and 3.1% by other lines (-36.9% with respect to the fourth quarter 2006; -18.0% at constant exchange rate and excluding the Narciso Rodriguez lines).

The following table details the revenues by distribution channel for the fourth quarter 2007 and 2006.

(Values in thousands of EUR)	IV Quarter		IV Quarter		Change	
	2007	%	2006	%	Δ	%
Wholesale	37,121	62.7%	34,177	62.3%	2,944	8.6%
Retail	19,743	33.4%	19,209	35.0%	534	2.8%
Royalties	2,319	3.9%	1,438	2.6%	882	61.3%
Total	59,183	100.0%	54,824	100.0%	4,360	8.0%

The revenues generated by the Group during the fourth quarter 2007 are analysed below::

- 62.7% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 34,177 thousand in the fourth quarter

2006 and EUR 37,121 thousand in the fourth quarter 2007 with an increase of 8.6% (13.6% at constant exchange rates);

- 33.4% from sales outlets managed directly by the Group (retail channel), which contributes EUR 19,209 thousand in the fourth quarter 2006 and EUR 19,743 thousand in the fourth quarter 2007 with an increase of 2.8% (7.4% at constant exchange rates and excluding the effect of Narciso Rodriguez collections);
- 3.9% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties rise from EUR 1,438 thousand in the fourth quarter 2006 to EUR 2,319 thousand in the fourth quarter 2007.

The following table details the revenues by own brands and brands under license for the fourth quarter 2007 and 2006.

(Values in thousands of EUR)	IV Quarter		IV Quarter		Change	
	2007	%	2006	%	Δ	%
Own brands	54,825	92.6%	49,456	90.2%	5,370	10.9%
Brands under license	4,358	7.4%	5,368	9.8%	-1,010	-18.8%
Total	59,183	100.0%	54,824	100.0%	4,360	8.0%

The revenues generated by own brands rise in absolute value of EUR 5,370 thousand (+10.9% compared with the previous year), with an incidence on total revenues which increases from 90.2% in the fourth quarter 2006 to 92.6% in the fourth quarter 2007. The revenues generated by brands under license decrease of 18.8% (excluding revenues of Narciso Rodriguez lines the decrease would have been of 6.1%).

2. Gross Operating Margin (EBITDA)

Full year 2007 vs 2006

In 2007, consolidated EBITDA amountes to EUR 44,451 thousand, up 19.8% compared to EUR 37,101 thousand of 2006, and represents 15.2% of consolidated revenues. The EBITDA calculated at constant exchange rates would have been equal to EUR 45,162 thousand, up to 21.7%. This result for 2007 includes net gains of roughly EUR 2 million realised by Aeffe Usa from the sale, on 18 May 2007, of its 50% stake in Narciso Rodriguez LLC, while the same item for 2006 includes EUR 4,197 thousand arising from the sale by the subsidiary Aeffe Retail of the part of the business relating to the Narciso Rodriguez store in Milan. Net of non-recurring operations, EBITDA is EUR 42,296 thousand (+28.5%), representing 14.4% of consolidated revenues, with an improvement of 200 bp compared to 2006 (12.4%), in line with the targets set at the beginning of the year.

Fourth quarter 2007 vs 2006

EBITDA net of non-recurring operations amounts to EUR 5,068 thousand (8.6% of revenues) in the fourth quarter 2007 and to EUR 4,495 thousand (8.2% of revenues) in the fourth quarter 2006, showing an increase of 12.7%.

EBITDA amounts to EUR 5,232 thousand (8.8% of revenues) in the fourth quarter 2007 and to EUR 8,692 thousand (15.9% of revenues) in the same period of the previous year, showing a decrease in absolute value of EUR 3,460 thousand (-39.8%).

3. Net profit for the Group

Full year 2007 vs 2006

Also consolidated net profit for the group reported a strong performance rising by 62.2% to EUR 12,944 thousand in 2007 from EUR 7,981 thousand in 2006. This reflects an improvement in operating income and a reduction in the tax rate from 55.7% in 2006 to 40.9% in 2007. This reduction is due both to the lower incidence of IRAP tax and to the adjustment in deferred tax and liabilities allocated in previous year to the tax rates approved by the Financial Act for 2008. Excluding this one-off adjustment effect, the 2007 tax rate would have been 48.7% compared to 55.7% of 2006, with an effective decrease of 700 bp.

Fourth quarter 2007 vs 2006

Net profit for the Group amounts to EUR 762 thousand in the fourth quarter 2007, with a decrease of EUR 159 thousand respect to the net profit of the fourth quarter 2006.

Segment information

Economic performance by Divisions

At international level, the Group is divided into two main business sectors:

- (i) *Prêt-à porter* Division;
- (ii) Footwear and leather goods Division.

Full year 2007 vs 2006

The following table indicates the main economic data for the full year 2007 and 2006 of the *Prêt-à porter* and Footwear and leather goods Divisions.

(Values in thousands of EUR)		Full Year		Full Year	
		2007	% on consolidated	2006	% on consolidated
Prêt-à porter	Revenues	235,178	80.2%	214,280	80.5%
	Gross operating margin (EBITDA) after non-recurring operations	36,940	87.3%	28,797	87.5%
	Gross operating margin (EBITDA) after non-recurring operations %	15.7%		13.4%	
	Gross operating margin (EBITDA)	39,095	88.0%	32,994	88.9%
	Gross operating margin (EBITDA) %	16.6%		15.4%	
Footwear and leather goods	Revenues	74,535	25.4%	65,478	24.6%
	Gross operating margin (EBITDA) after non-recurring operations	5,356	12.7%	4,108	12.5%
	Gross operating margin (EBITDA) after non-recurring operations %	7.2%		6.3%	
	Gross operating margin (EBITDA)	5,356	12.0%	4,108	11.1%
	Gross operating margin (EBITDA) %	7.2%		6.3%	
Elimination of intercompany transactions	Revenues	-16,502	-5.6%	-13,623	-5.1%
Total	Revenues	293,211	100.0%	266,135	100.0%
	Gross operating margin (EBITDA) after non-recurring operations	42,296		32,904	
	Gross operating margin (EBITDA) after non-recurring operations %	14.4%		12.4%	
	Gross operating margin (EBITDA)	44,451		37,101	
	Gross operating margin (EBITDA) %	15.2%		13.9%	

Prêt-à porter Division

Revenues from sales and services by the Prêt-à-porter Division rise from EUR 214,280 thousand in 2006 to EUR 235,178 thousand in 2007, up 9.8% (+12.3% at constant exchange rates). This Division contributes 80.5% of consolidated revenues in 2006 and 80.2% in 2007, before inter-Divisional eliminations.

The EBITDA of the Prêt-à-porter Division rises significantly from EUR 32,994 thousand in 2006 to EUR 39,095 thousand in 2007. EBITDA as percentage on revenues rises from 15.4% in 2006 to 16.6% in 2007, up 18.5%.

The EBITDA of the Prêt-à-porter Division, net of non-recurring operations, rises from EUR 28,797 thousand in 2006 to EUR 36,940 thousand in 2007. This EBITDA as percentage on revenues rises from 13.4% in 2006 to 15.7% in 2007, up 28.3%.

Footwear and leather goods Division

Revenues from sales and services by the Footwear and leather goods Division rise from EUR 65,478 thousand in 2006 to EUR 74,535 thousand in 2007, up 13.8%.

The EBITDA of the Footwear and leather goods Division rises by 30.4% from EUR 4,108 thousand in 2006 to EUR 5,356 thousand in 2007. EBITDA as percentage on revenues rises from 6.3% in 2006 to 7.2% in 2007.

Fourth quarter 2007 vs 2006

The following table indicates the main economic data for the fourth quarter 2007 and 2006 of the *Prêt-à-porter* and Footwear and leather goods Divisions.

(Values in thousands of EUR)		IV Quarter		%	
		2007	on consolidated	2006	on consolidated
Prêt-à-porter	Revenues	46,308	78.2%	41,437	75.6%
	Gross operating margin (EBITDA) after non-recurring operations	3,686	72.7%	2,306	51.3%
	Gross operating margin (EBITDA) after non-recurring operations %	8.0%		5.6%	
	Gross operating margin (EBITDA)	3,850	73.6%	6,503	74.8%
	Gross operating margin (EBITDA) %	8.3%		15.7%	
Footwear and leather goods	Revenues	15,866	26.8%	16,263	29.7%
	Gross operating margin (EBITDA) after non-recurring operations	1,382	27.3%	2,190	48.7%
	Gross operating margin (EBITDA) after non-recurring operations %	8.7%		13.5%	
	Gross operating margin (EBITDA)	1,382	26.4%	2,190	25.2%
	Gross operating margin (EBITDA) %	8.7%		13.5%	
Elimination of intercompany transactions	Revenues	-2,991	-5.1%	-2,877	-5.2%
Total	Revenues	59,183	100.0%	54,824	100.0%
	Gross operating margin (EBITDA) after non-recurring operations	5,068		4,495	
	Gross operating margin (EBITDA) after non-recurring operations %	8.6%		8.2%	
	Gross operating margin (EBITDA)	5,232		8,692	
	Gross operating margin (EBITDA) %	8.8%		15.9%	

Prêt-à-porter Division

Revenues from sales and services by the Prêt-à-porter Division rise from EUR 41,437 thousand in the fourth quarter 2006 to EUR 46,308 thousand in the fourth quarter 2007, up 11.8%. This Division contributes 75.6% of consolidated revenues in the fourth quarter 2006 and 78.2% in the fourth quarter 2007, before inter-Divisional eliminations .

The EBITDA of the Prêt-à-porter Division goes from EUR 6,503 thousand in the fourth quarter 2006 to EUR 3,850 thousand in the fourth quarter 2007, with a decrease of 40.8%.

The EBITDA of the Prêt-à-porter Division, net of non-recurring operations, rises from EUR 2,306 thousand in the fourth quarter 2006 to EUR 3,686 thousand in the fourth quarter 2007, up 59.8%.

Footwear and leather goods Division

Revenues from sales and services by the Footwear and leather goods Division decrease by 2.4% from EUR 16,263 thousand in the fourth quarter 2006 to EUR 15,866 thousand in the fourth quarter 2007.

The EBITDA of the Footwear and leather goods Division decreases from EUR 2,190 thousand in the fourth quarter 2006 to EUR 1,382 thousand in the fourth quarter 2007. EBITDA, as incidence on revenues, decreases from 13.5% in the fourth quarter 2006 to 8.7% in the fourth quarter 2007.

Balance sheet

Compared to 31st December 2006, the Group's balance sheet as of 31st December 2007 shows an increase in shareholders' equity from EUR 75,986 thousand to EUR 166,590 thousand, mainly due to the increase in the share capital and in the share premium reserve of EUR 74,304 thousand following the IPO happened on 24th July 2007, and a consequent decrease in net financial debt from EUR 115,314 thousand to EUR 38,484 thousand consistent with the Group's targets.

4. Net working capital

Net working capital amounts to EUR 51,487 thousand at the end of 2007 (17.6% of revenues), compared with EUR 44,020 thousand (16.5% of revenues) at the end of 2006. The slight increase of working capital ratio as compared to net revenues is fully related to the expansion of our business with a consequent increase in inventory .

5. Fixed assets

Fixed assets, amounting to EUR 247,966 thousand as of 31st December 2006 and EUR 246,109 thousand as of 31st December 2007, are decreased due to the depreciation and amortisation charge for the period, which is only partially offset by new capital investment mainly related to the construction of warehouse facilities in Aeffe, as well as to stores refurbishment made by both Aeffe and Moschino.

6. Shareholders' equity

The changes in shareholders' equity are presented in the table at page 14.

7. Net financial position

The net financial position of the Group amounts to EUR 38,484 thousand as of 31st December 2007 compared with EUR 115,314 thousand as of 31st December 2006. The net financial position as of 31st December 2007 compared with the net financial position of the previous year highlights a decrease of EUR 76,830 thousand consistent with the Group's objectives. The decrease is mainly due to the IPO proceeds.

Other information

Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	Full Year 2007	Full Year 2006
Consolidated earnings for the period for shareholders of the parent company	12,944	7,981
Medium number of shares for the period	95,522	90,000
Basic earnings per share	0.136	0.089

Related party transactions

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here.

The Group's business dealing with other related parties are summarised below:

(Values in thousands of EUR)	Full Year 2007	Full Year 2006	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Brand transfer agreement	-	1,000	Financial payable
Contract for the sale of artistic assets and design	300	300	Cost
Ferrim with Aeffe S.p.a.			
Property rental	1,355	1,242	Cost
Ferrim with Moschino S.p.a.			
Property rental	776	760	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	187	183	Revenue
Commercial	547	992	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31st December 2007 and 31st December 2006.

(Values in thousands of EUR)	Balance	Value rel.	%	Balance	Value rel.	%
	2007	party 2007		2006	party 2006	
Incidence of related party transactions on the income statement						
Revenues from sales and services	293,211	187	0.1%	266,135	183	0.1%
Costs of services	95,743	300	0.3%	87,811	300	0.3%
Costs for use of third party assets	17,050	2,131	12.5%	16,442	2,002	12.2%
Incidence of related party transactions on the balance sheet						
Current financial liabilities	26,362	-	n.a.	64,437	1,000	1.6%
Trade receivables	36,910	547	1.5%	33,430	992	3.0%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by financing activities	-15,626	-1,000	6.4%	-20,810	-1,000	4.8%
Cash flow (absorbed) / generated by operating activities	23,108	-1,800	n.a.	32,996	-2,333	n.a.

Measurement basis

The main accounting policies and measurement basis adopted in preparing the consolidated financial statements as of 31st December 2007 are the same used in preparing the consolidated financial statements as of 31st December 2006.

Significant events subsequent after the balance sheet date

After the 31st December 2007 no significant events regarding the Group's activities have to be reported.

Outlook

The results of operations during 2007 fully confirm management's expectations, and earlier forecasts for an improvement over the entire year, with both revenues and margins higher than in the corresponding period of the prior year.

Guarantees and commitments

The Group has not given any guarantees to third parties and has no significant commitments.

Atypical and/or unusual transactions

Pursuant to Consob communication n. DEM/6064296 dated 28th July 2006, it is confirmed that the Group did not enter into any atypical and/or unusual transactions, as defined in that communication, during 2007.

Significant non-recurring events and transactions

During 2007 EUR 2,154 thousand of non-recurring revenues have been realised. They refer mainly to the net capital gain realised by the subsidiary Aeffe USA with the sale of its stake (50% of capital) held in Narciso Rodriguez LLC. These revenues net of the fiscal effect amount to EUR 1,273 thousand.

As authorized at the ordinary and extraordinary meeting of shareholders held on 26th March 2007, the parent company Aeffe S.p.A. obtained permission from Consob to publish its prospectus on 6th July 2007 and has commenced the trading of its shares on the Italian Stock Exchange.

Following the issue of 19 million new shares, issued in connection with the IPO, taken up in full, the share capital of Aeffe S.p.A. now amounts to EUR 26,840,626.

The following table indicates the data related on the incidence of non-recurring events and transactions on the income statement, balance sheet and cash flow as of 31st December 2007.

(Values in thousands of EUR)	Shareholders' equity		Profits for the period		Net financial position		Cash flow	
	Amount	%	Amount	%	Amount	%	Amount	%
Balance-sheet values (A)	195,749		12,944	-	38,484	-	2,061	
Effects of non recurring revenues	-1,273	-1%	-1,273	-10%	-2,154	6%	-2,154	105%
Effects of IPO	-74,303	-38%	-	n.a.	-72,168	188%	-72,168	3501%
Total effects (B)	-75,576	-39%	-1,273	-10%	-74,322	193%	-74,322	3606%
Balance-sheet values of non recurring operations (A+B)	120,173		11,671	-	112,806	-	76,383	

Confirmation pursuant to paragraph 2 of art. 154b of the Consolidated Finance Law

The executive responsible for preparing the company's accounting documentation Marcello Tassinari declares, pursuant to paragraph 2 of art. 154b of the Consolidated Finance Law, that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries.