AEFFE SPA

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2009

INDEX

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which our Company has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

The latter portion of 2009 and the beginning of 2010 finally witnessed moderate economic growth following the most virulent crisis of recent decades. The recovery was brought on by measures that the various governments adopted to back up internal demand, by public intervention in the financial markets and by a strong rise in demand of the emerging countries. Growth is in any case moderate and still surrounded by factors of uncertainty. The increased unemployment rate that started in 2009 will also continue in 2010, but will start to fall off - even if to a modest degree - only in 2011. This is a negative risk in the global scenario since its expansion will make a negative impact on both the spending power of singles and their ability to save, thus also affecting the financial institutions. Industrial production and world trade are still growing steadily after the 2009 collapse; the financial markets have recovered a good part of the losses sustained between the end of 2008 and the beginning of 2009; and the emerging countries have gone back to attracting the interest of institutional investors. Nonetheless, the depth of the recession left the global economy profoundly damaged and still far away from the levels prior to the crisis.

The recovery on the horizon is therefore at this time somewhat weak, and is marked by rising unemployment and production capacity that is still unutilised; rather demanding challenges are in sight for the central bodies in charge of economic policies: continuing the reorganisation of the global financial system, reducing public debt without damaging the revival, and decreasing recourse to extraordinary measures before bubbles are created. The strength of the recovery will depend on how the governments and transnational monetary institutions will be able to take up these challenges.

The crisis that we have gone through was the worst seen in recent decades. Global recovery is fragile and years will go by before the economies and jobs return to the previous levels.

The economic indicators show us the full breadth of the crisis. GNP data concerning the OECD countries speak of a 3.5% reduction for 2009 contrary to a growth, albeit modest, recorded in 2008 (+0.6%).

The United States reflect a more moderate fall, -2.5% in 2009 versus +0.4% in 2008, while Japan and the Euro area countries shown a much more drastic decrease, with -5.3% in 2009 versus -0.7% in 2008, and -4.0% in 2009 versus +0.5% in 2008.

That said, expectations for 2010 are positive. GNP increased by 2.5% is expected for the United States, above all due to the impact of public stimuli on the real economy, which should boost end demand and strengthen private investments, whereas unemployment is expected to rise until at least mid-2010. The same reasons should push Japan toward growth of about 1.8%, while the Euro area countries should enjoy less growth, equal to +0.9%, resulting from the stimulus of public policies and development of external demand.

The emerging countries are still the driving force of world development; thanks to its public investment policies, China is forecasting a GNP with growth topping 10% for 2010, while India is posting similar levels due to stronger export and investments in the country. Under the stimulus of incentive policies, Russia as well is expecting substantial growth for the next year; then there is Brazil, which is starting to return to the group of countries enjoying strong economic growth, above all thanks to increased internal demand.

As for the Italian economy, GNP is expected to drop by 4.9% - the worst figure since 1971 - with a positive spark of growth in the third quarter (+0.6%), while the fourth quarter is still negative. Risks of uncertainty regarding recovery remain in our country as well, and they are tied to the extent of world demand and the level of the unemployment rate. The GNP is expected to grow between 0.7% and 1.0%, and is therefore lower than that of the big players of world economy, as, for that matter, growth during the years before the crisis was.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

Finally, with particular reference to the fashion sector and of the so-called "luxury goods" sector, according to a forecast of Merrill Lynch presented at the Milano Fashion Global Summit, 2010 should witness a return to turnovers increasing by about 5% on the world level, whereas 2009 posted a 5% fall in turnovers worldwide (the drop in Italy in 2009 should settle between 15% and 20%). The merit of this reversed trend is attributed to the profound restructuring actions that the sector has set in motion to meet the consequences of the economic crisis. It must however be said that our sector is witnessing a repositioning of consumers' buying habits, with greater attention paid to quality and price, which are going back to being two increasingly critical and fundamental factors.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in units of EUR)	Full year 2009	% on revenues	Full year 2008	% on revenues	Change 2009/08	%
REVENUES FROM SALES AND SERVICES	**116,452,178**	**100.0%**	**154,078,292**	**100.0%**	**- 37,626,114**	**-24.4%**
Other revenues and income	5,363,592	4.6%	5,943,768	3.9%	-580,176	-9.8%
TOTAL REVENUES	**121,815,770**	**104.6%**	**160,022,060**	**103.9%**	**- 38,206,290**	**-23.9%**
Changes in inventory	-1,341,674	-1.2%	6,033,822	3.9%	-7,375,496	-122.2%
Costs of raw materials, cons. and goods for resale	-37,392,388	-32.1%	-51,076,947	-33.1%	13,684,559	-26.8%
Costs of services	-40,796,390	-35.0%	-52,857,073	-34.3%	12,060,683	-22.8%
Costs for use of third parties assets	-14,719,352	-12.6%	-19,831,482	-12.9%	5,112,130	-25.8%
Labour costs	-25,333,734	-21.8%	-25,018,712	-16.2%	-315,022	1.3%
Other operating expenses	-1,497,775	-1.3%	-2,419,131	-1.6%	921,356	-38.1%
Total Operating Costs	-121,081,313	-104.0%	-145,169,523	-94.2%	24,088,210	-16.6%
GROSS OPERATING MARGIN (EBITDA)	**734,457**	**0.6%**	**14,852,537**	**9.6%**	**- 14,118,080**	**-95.1%**
Amortisation of intangible fixed assets	-154,977	-0.1%	-150,172	-0.1%	-4,805	3.2%
Depreciation of tangible fixed assets	-2,522,461	-2.2%	-2,195,685	-1.4%	-326,776	14.9%
Revaluations (write-downs)	-1,849,755	-34.5%	-80,482	-1.4%	-1,769,273	-
Total Amortisation and write-downs	-4,527,193	-3.9%	-2,426,339	-1.6%	-2,100,854	86.6%
NET OPERATING PROFIT / LOSS (EBIT)	**- 3,792,736**	**-3.3%**	**12,426,198**	**8.1%**	**- 16,218,934**	**-130.5%**
Financial income	526,263	0.5%	1,159,170	0.8%	-632,907	-54.6%
Financial expenses	-2,755,493	-2.4%	-4,724,547	-3.1%	1,969,054	-41.7%
Total Financial Income / (expenses)	-2,229,230	-1.9%	-3,565,377	-2.3%	1,336,147	-37.5%
PROFIT / LOSS BEFORE TAXES	**- 6,021,966**	**-5.2%**	**8,860,821**	**5.8%**	**- 14,882,787**	**-168.0%**
Current income taxes	-335,341	-0.3%	-3,414,726	-2.2%	3,079,385	-90.2%
Deferred income / (expenses) taxes	1,185,875	1.0%	-283,921	-0.2%	1,469,796	-517.7%
Total Income Taxes	850,534	0.7%	-3,698,647	-2.4%	4,549,181	-123.0%
NET PROFIT / LOSS	**- 5,171,432**	**-4.4%**	**5,162,174**	**3.4%**	**- 10,333,606**	**-200.2%**

Revenues from sales and services

Revenues decrease by 24.4%, from EUR 154,078 thousand in 2008 to EUR 116,452 thousand in 2009.

Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services decrease by 25.4%;
- Moschino and Cheap & Chic - revenues from sales and services decrease by 18.2%;
- Jean Paul Gaultier - revenues from sales and services decrease by 38.4%.
- Other minority brands - revenues from sales and services reported a general decrease;

In line with historical trends, 30% of revenues are earned in Italy and 70% come from foreign markets.

Labour costs

Labour costs rise from EUR 25,018 thousand in 2008 to EUR 25,334 thousand in 2009.

At 21 December 2009 the Company has subscribed an agreement with Trade Unions, by the Minister of Labour and Social Policy, in order to activate the Extraordinary Profit Redundancy Fund and the Contract of Solidarity, whose benefits will be realized in the year 2010.

Gross operating margin (EBITDA)

EBITDA decreases from 9.6% in 2008 to 0.6% in 2009, representing a decrease in absolute terms of EUR 14,118 thousand.

The decrease has been negative affected by the sales slowdown.

It is to be pointed out that profitability in view of the Aeffe's cost structure, historically made up of 40% of fixed costs and 60% of variable costs, particularly suffered the drop in turnover in 2009. The actions that management adopted in order to save on fixed costs (in view of the particular seasonality of the business, which leads to paying many costs of this type in advance, before the respective revenues are made) will display their beneficial effects primarily during financial year 2010.

The major actions undertaken, from which a savings on fixed costs is expected, concern the following areas:

- Research and development costs: reduced prototype costs; greater attention paid to the market's requirements and consequent reduction of the number of pieces per collection; reduction of the days of sales campaign and consequent cost savings for models and casual labour;
- elimination of the minor product lines;
- check up of all production process and of the supply chain;
- rationalisation of the retail channel to reduce costs and obtain turnover synergies through aggregations and displacements.

It is important to clarify that all of these actions were implemented in order to attain greater efficiencies and that when demand increases, the group will absolutely be able to meet the heavier requirements.

Net operating profit (EBIT)

Net operating profit decreases from 8.1% in 2008 to -3.3% in 2009. Such variation includes also the write-down of the equity investment in the subsidiary Ferretti Studio S.r.l., for EUR 1,650 thousand, consequent, substantially, to the losses reported in the year 2008 and 2009. The write-down represents the alignment of the book value of the equity investment with its estimated recoverable amount.

Profit before taxes

Profit before taxes decreases from EUR 8,860 thousand in 2008 to EUR - 6,021 thousand in 2009.

Profit net of taxes

Net Profit decreases from EUR 5,162 thousand in 2008 to EUR -5,171 thousand in 2009.

BALANCE SHEET

(Values in units of EUR)	31 December 2009	31 December 2008
Trade receivables	53,184,047	56,861,866
Stock and inventories	25,244,358	27,536,415
Trade payables	-60,866,158	- 75,380,246
Operating net working capital	**17,562,247**	**9,018,035**
Other short term receivables	12,574,501	14,117,355
Tax receivables	5,316,900	6,792,358
Other short term liabilities	-5,884,180	- 7,074,685
Tax payables	-1,350,866	- 1,462,942
Net working capital	**28,218,602**	**21,390,121**
Tangible fixed assets	50,947,576	51,761,547
Intangible fixed assets	4,206,027	4,300,435
Equity investments	88,196,925	86,183,228
Other fixed assets	45,126,209	47,183,259
Fixed assets	**188,476,737**	**189,428,469**
Post employment benefits	-5,344,823	- 5,697,396
Provisions	-2,305,121	- 1,318,754
Long term not financial liabilities		- 165,940
Deferred tax assets	5,787,345	1,904,493
Deferred tax liabilities	-7,767,601	- 7,911,353
NET CAPITAL INVESTED	**207,065,139**	**197,629,640**
Share capital	25,371,407	25,766,796
Other reserves	116,371,424	112,472,880
Profits/(Losses) carried-forward	2,154,670	2,154,670
Profits/(Loss) for the period	-5,171,432	5,162,174
Shareholders' equity	**138,726,069**	**145,556,520**
Cash	-454,910	- 673,633
Long term financial liabilities	17,889,992	11,666,278
Short term financial liabilities	50,903,988	41,080,475
NET FINANCIAL POSITION	**68,339,070**	**52,073,120**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**207,065,139**	**197,629,640**

NET CAPITAL INVESTED

Net capital invested increases by 4.8% since 31 December 2008.

Net working capital

Net working capital amounts to EUR 17,562 thousand compared with EUR 9,018 thousand at 31 December 2008. Changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables decreases in all by EUR 8,544 thousand, such decrease is mainly related to the sales contraction of the year 2009 compared the year 2008.

- the decrease of EUR 1,542 thousand in other receivables is mainly referred to the decrease of credits for prepaid costs related to the costs incurred to design and make samples for the Spring/Summer 2010 and Autumn/Winter 2010 collections for which the corresponding revenues from sales have not been realised yet. Such decrease is the consequence of the strategy of control of expenditure and inefficiency reduction in order to face the sales slowdown, as explained in the paragraph on EBITDA;
- tax receivables decrease is mainly due to the decrease of VAT receivables as a consequence of the supplying fall which are mostly made in Italy .
- the decrease of the other amounts due within 12 months refers mainly to the drop in amounts due tied to employees. This phenomenon is to above all be attributed to the use of past holidays.

Fixed assets

Fixed assets decrease by EUR 951 thousand since 31 December 2008. The changes in the main items are described below:

- tangible fixed assets decrease of EUR 814 thousand as a consequence of the investments for EUR 1,733 thousand to complete the renewable energy system (photovoltaic) based in San Giovanni in Marignano and for leasehold improvements , depreciation for EUR 2,522 thousand and disposals for EUR 25 thousand;
- intangible fixed assets decrease of EUR 95 thousand due to investments in software for EUR 60 thousand and amortization for EUR 155 thousand;
- equity investments increase of EUR 2,013 thousand mainly due to the recapitalization of the subsidiary Aeffe France S.a.r.l. through renunciation of receivables;
- other non-current activities decrease of EUR 2,057 thousand due to the renunciation of part of the receivables versus Aeffe France S.a.r.l..

NET FINANCIAL POSITION

The Company's net financial position improves from EUR 52,073 thousand as of 31 December 2008 to EUR 68,339 thousand as of 31 December 2009.

The increase is mainly due to the loss of the year and to the following events:

- dividends distribution for EUR 710 thousand;
- purchase of treasury shares for EUR 952 thousand on the basis of the plan, approved by the Shareholders' Meeting held on 3 March 2008, for the purchase and use of treasury shares pursuant to art.2357 et seq. of the Italian Civil Code;
- Investments in tangible and intangible fixed assets during the year.

SHAREHOLDERS' EQUITY

Total shareholders' equity decreases by EUR 6,830 thousand. The reasons for this decrease are detailed in the Explanatory Notes.

3. RESEARCH & DEVELOPMENT

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

These costs, totalling EUR 19,987 thousand, they have been charged to the 2009 Income Statement.

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

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

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

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

The average cost of borrowing is essentially linked to 3/6-month EURIBOR plus a spread that principally depends on the type of financial instrument used. In general, the margins applied are consistent with the best market conditions.

The exchange risk associated with commercial transactions not denominated in the functional currency is hedged by entering into forward currency transactions.

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

5. INFORMATION ABOUT SHARE CAPITAL

Information about the share capital is provided in the Report on Corporate Governance prepared pursuant to arts. 124 bis of the Consolidated Finance Law and 89 bis of the Consob's Issuers' Regulations, and art. IA2.6 of the related Market Instructions. This report was approved by the Board of Directors on 11 March 2010 and is available in the Governance section of the Company's website: www.aeffe.com

The following parties hold each more than 2% of the Company's shares as of 31 December 2009:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37.387%
I.M. Fashion S.A.	24.410%
Henderson Global Investors Ltd.	2.980%
Mediobanca S.p.A.	2.060%
Tullio Badioli	2.235%
Other shareholders(*)	30.928%

(*) 5.5% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2009, the Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital, acquired for a total amount of EUR 5,537 thousands. The acquisitions of shares, occurred for EUR 4,585 thousand in the year 2008 and for EUR 952 thousand in the year 2009, were finalised to stabilise the market price of the Company's shares and moderate the price fluctuations deriving from unusual market conditions, by facilitating trades when shares are in short supply and by helping to maintain normal trading conditions. No disposal of treasury shares has been carried out.

As of 31 December 2009 the Company does not hold shares of any controlling company either directly or indirectly.

7. INTEREST HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (art. 79 of Consob Regulation n. 11971/99)

Name and Surname	N. of shares held at 31/12/08	N. of shares bought in 2009	Change in n, of shares held by incoming/(outgoing) membersN. of shares sold in 2008	N. of shares held at 31/12/09
Alberta Ferretti	40,000	-	-	40,000
Massimo Ferretti	63,000	-	-	63,000
Simone Badioli	26,565	-	-	26,565
Romano del Bianco	55,556	-	-	55,556

8. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Notes 36 and 37 of the Financial Statements at 31 December 2009.

9. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

With regard to the activities performed by our Company, that do not involve particular levels of risk for the employees, we have no accidents to report, or the emergence of any pathologies linked to professional diseases. Our Company has not been charged with any actions of mobbing.

As regards the environment, once again, the business of our Company does not have any particular impact on the environment, other than energy consumption. We can therefore report that, during the year, the Company was not declared guilty of causing any damage to the environment, and did not receive any sanctions or penalties for environmental crimes or damage.

10. SIGNIFICANT EVENTS OF THE PERIOD

The Company, in execution of the plan approved by the Shareholders' Meeting held on 3 March 2008, has acquired during the year 2009, n. 1,581,557 Aeffe ordinary shares, at the average unit price of EUR 0.60 for a total investment of EUR 952 thousand.

On 24 April 2009 the Shareholder’s meeting of Aeffe Spa has approved the distribution of a dividend of EUR 0.007 per share, gross of statutory tax applicable. The dates for the clipping and payment of coupon n. 2 have been respectively on 18 May 2009 and 21 May 2009.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

At 21 December 2009 the Company has subscribed an agreement with Trade Unions, by the Minister of Labour and Social Policy, in order to activate the Extraordinary Profit Redundancy Fund and the Contract of Solidarity, whose benefits will be realized in the year 2010.

Such instrument has been considered necessary by the parties in order to face the difficult moment of the international market that has lead us with responsibility to find mechanisms to rationalize and preserve the company’s equity.

In the year 2010 the subsidiary Ferretti Studio S.r.l. will be incorporated.

12. OUTLOOK

Even if the first half of 2010 will suffer the negative effects of 2009, it will show the first signs of recovery. Confident that these signs might be further confirmed during the next few months, we are sure that our business model, our constant attention to costs, and the professional competence of the people within our Group, of the licensees and of the partners with whom we work will allow us to "calmly" and constructively deal with the current uncertainties and once and for all emerge from them stronger than ever.

13. PRIVACY

Pursuant to point 26 of Attachment B to Decree no. 196/2003 governing the protection of personal information, the directors confirm that the Company has adopted the necessary protective measures, having regard for the timing, basis and instructions included in Decree no. 196/2003. In particular, the Security Planning Document - filed at the registered offices and freely available for inspection.

14. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE PROFIT FOR 2009

Shareholders,

In presenting the financial statements as of 31 December 2009 for your approval, we propose to cover the loss of the year of EUR 5,171,432 by the use of the Extraordinary Reserve..

11 March 2010

For the Board of Directors

Chairman

Massimo Ferretti

Report of the Board of Statutory Auditors to the shareholders' meeting of AEFFE S.p.A. on the 2009 financial statements, issued pursuant to article 153 of Italian Legislative Decree 58/98 and art. 2429, paragraph 3 of the Italian Civil Code.

Dear Shareholders,

during the year ended on 31 December 2009, the Board of Statutory Auditors of AEFFE S.p.A. carried out the supervision activities required by law, also taking into consideration the principles of conduct recommended by the National Council of Professional Accountants and Qualified Accountants (today the National Council of Accountants and Accounting Experts) and the Co.N.So.B. communications on company audits and activities of the Board of Statutory Auditors.

The financial statements were drawn up in compliance with the international accounting principles (I.A.S./I.F.R.S.), in observance of article 32 of Italian Legislative Decree 38 of 28 February 2005.

During the year the Board of Statutory Auditors acquired information useful for carrying out its functions, both by hearing the company structures and by virtue of what was reported during the Board of Directors meetings, which the Board always attended.

The obligation of informing the Board of Statutory Auditors provided for by art. 150, paragraph one, of Italian Legislative Decree no. 58/1998 and art. 19.2 of the articles of association has been discharged by consultations held with the chairman of the Board of Directors and with the Chief Executive Officer. Said consultations, aimed at ensuring a direct, constant and systematic flow of information: for both the Board of Statutory Auditors and Directors - particularly those “not executive” - allowed the Board of Statutory Auditors to gain information about the activity carried on, the operations of greater economic and financial impact, operations within the group and with related parties, and any atypical or unusual operations, and also on all other activities or operations deemed opportune to bring to the knowledge of the recipients of the Report.

1. Based on the information received and on the specific analyses conducted by the Board of Statutory Auditors, it emerged that the operations of greater economic and financial impact that the company had carried out, also through directly or indirectly held companies, are essentially the following:

In November 2009 the company signed a long-term partnership agreement for developing ladies prèt-à-porter collections with the “Cacharel” trademark.

In June 2009 the company formed a company called AEFFE Japan, which will supervise distribution of all of the group's brands.

At the end of the financial year the company held 5,876,878 of treasury shares of the nominal value of €uro 0.25 each, which correspond to 5.5% of the share capital. During the year this report regards, purchases made amount to €uro 952,000.

The Board of Statutory Auditors ascertained compliance with the law, with the articles of association, with the principles of correct administration of the operations described, verifying that they are not manifestly imprudent or rash, in contrast with the resolutions passed by the shareholders' meeting or such as to compromise the integrity of the company's capital and reserves.

2. The Supervisory Board, established according to Italian Legislative Decree no. 231 of 8 June 2001, pursued its activity, during which it found no reprehensible problems or deeds, as set forth in the periodic reports delivered to the company bodies.

3. With regard to Co.N.So.B. communication no. 1025564 dated 6 April 2001, the Board of Statutory Auditors reports that during FY 2009 and after year-end it did not find atypical and/or unusual operations carried out with third parties and/or with related parties.

4. As far as operations with related parties are concerned, please note that:

the principles contained in the “Code of conduct on operations with related parties” continued to be applied during FY 2009, attending to the activities aimed at providing an improved and safer application of the instructions contained therein, also in order to assess the adequacy of the instructions given to the subsidiary companies for fulfilling the reporting obligations;

the company has financial and economic relations with group companies, which are indicated in the Explanatory Notes and are represented in the various items of the financial statements. The transactions are carried out at market values;

as far as the intragroup transactions and those with the related parties indicated above are concerned, the Board considers the amounts adequate and that the transactions carried out correspond to the Company's interest.

5. The Board of Statutory Auditors believes that the information provided by the Directors in the Explanatory Notes to the Financial Statements of AEFFE S.p.A. with regard to the transactions within the group and with related parties are adequate.

6. The auditing firm Mazars S.p.A., which audited the accounting records according to current regulations, stated during the meeting held today that it does not envisage putting forward observations and/or exceptions in its report accompanying the financial statements, issued pursuant to art. 156, paragraph one, of Italian Legislative Decree no. 58 of 24 February 1998 and art. 2409 ter of the Italian Civil Code.

7. During the year the Board of Statutory Auditors did not receive notifications pursuant to art. 2408 of the Italian Civil Code.

8. Reports, complaints and/or notifications were not presented to the Board of Statutory Auditors during 2009.

9. Assignments other than the legal auditing activity were not given to S.p.A., and critical issues regarding the company's independence did not emerge.

10. According to the declaration issued by the Directors, confirmed by the auditing firm, appointments were not given to parties tied to the latter by on-going collaboration.

11. During FY 2009 the Board of Statutory Auditors did not issue opinions.

12. During 2009 the Board of Directors of the company held five meetings; the Audit Committee held four meetings and the Remuneration Committee held one. The Board of Statutory Auditors met eight times during 2009; it also attended: (i) the Shareholders' Meeting that approved the financial statements at 31 December 2008; (ii) all Board of Directors meetings; (iii) all meetings held by the Audit Committee in 2009.

13. The Board of Statutory Auditors acknowledged and supervised, as far as its competence, compliance with the principles of proper administration by: direct observations; gathering of information from the managers of the company functions; meetings with the person in charge of auditing; meetings with the Audit Committee; meetings with the managers of the Auditing Firm Mazars S.p.A. (article 150, paragraph 3, of Italian Legislative Decree 58/1998); exchange of information with the corresponding bodies of the subsidiary companies (article 151, paragraph 2, of Italian Legislative Decree 58/1998). Significant data and information emerged from the aforesaid meetings that should be pointed out in this report.

Specifically, as far as the resolution processes of the Board of Directors is concerned, the Board of Statutory Auditors ascertained, by way of direct attendance of the board meetings, that the management choices adopted by the Directors comply with the law and articles of association, and verified that the relevant resolutions were backed by analyses and opinions – produced within the company or, when necessary, by outside professionals – above all regarding the economic-financial suitability of the transactions and their consequent conformity with the company's interest.

14. The Board of Statutory Auditors acquainted itself with and supervised, as far as its competence, the adequacy of the organisational structure of the company and its operation.

The Board of Statutory Auditors supervised the company's audit system and assessed its adequacy, also through: (i) periodic meetings with the person in charge of auditing, (ii) attendance of the Audit Committee meetings, (iii) acquisition of documentation, noting that the system did not reveal significant critical issues.

The Board of Statutory Auditors did not avail itself of the possibility to call a Shareholders' Meeting or a meeting of the Board of Directors.

15. The Board of Statutory Auditors assessed and supervised the adequacy of the administrative-accounting system and its reliability in correctly representing management matters by obtaining information from the managers of the competent company functions, examining company documents and analysing results of the work carried out by the auditing firm.

16. The Board of Statutory Auditors supervised the adequacy of the instructions given by the company to its subsidiary companies pursuant to art. 114, paragraph 2, of Italian Legislative Decree no. 58 of 24 February 1998.

17. The Board of Statutory Auditors ascertained that the rules and laws pertaining to training and the set-up of the Financial Statements and Management Report are observed by way of direct verifications and

information received from the Auditing Firm Mazars S.p.A. During the supervisory activity carried out and on the basis of the information obtained from the Auditing Firm, omissions or reprehensible deeds, irregularities or in any case facts such as to require their reporting to the supervisory bodies or mentioning in this report were found. The Board of Statutory Auditors also examined the valuation criteria adopted in drawing up the financial statements presented, which comply with the statutory requirements.

In observance of article 2423, paragraph four, of the Italian Civil Code, the Board of Statutory Auditors confirms that the Directors did not depart from the rules of law in drawing up the financial statements.

18. The company adheres to the principles and recommendations summarised in the Self-Regulation Code formulated by the Corporate Governance Committee of listed companies on the initiative of Borsa Italiana. The Board of Directors of the company (made up of 7 members) has 3 non-executive directors, 2 of which have been described as independent by the Board of Directors; the Board of Directors has set up within itself both the Remuneration Committee, made up of independent and non-executive directors, and the Audit Committee, also made up of independent and non-executive directors.

19. Since 2008 the company as appointed the figure of “Lead Independent Director” (identified in the Chairman of the Remuneration Committee), point of reference and coordination of the requests and contributions of the independent directors which guarantees the broadest autonomy of their judgement with regard to the actions of management to which , among other things, the right to call special meetings of only independent Directors for the close scrutiny of topics pertaining to the management activity, or rather the functioning of the Board of Directors, is attributed.

20. The Board of Statutory Auditors verified correct application of the criteria and procedures of assessment adopted by the Board of Directors for evaluating the independence of its members, in observance of the requirements provided by the self-regulation code formulated by the Corporate Governance Committee of listed companies on the initiative of Borsa Italiana.

For further information about the Corporate Governance of the company, please refer to the specific section in the Management Report.

In conclusion, the Board of Statutory Auditors voices a positive evaluation of the company's Corporate Governance system.

21. As previously stated, the supervision and control activity carried out by the Board of Statutory Auditors did not reveal significant events susceptible to being reported to the Supervisory and Control bodies, or worthy of mention in this report.

22. Having acknowledge the results of the financial statements as at 31 December 2009, the Board of Statutory Auditors has no objections to put forward regarding the resolution proposal presented by the Board of Directors.

San Giovanni in Marignano, 7 April 2010

The Board of Statutory Auditors

Mr. Fernando CIOTTI
Chairman

Mr. Romano DEL BIANCO Statutory auditor

Mr. Bruno PICCIONI Statutory auditor

List of the positions held pursuant to art. 148 bis of Legislative Decree n 58 of 1998

Mr. Fernando CIOTTI

President of the Board of Statutory Auditors of AEFFE S.p.A.

Positions held in other Public Companies: none – number of positions held 11

Company	Position	Expiration
R.E. Service Srl	Sole Director	Up to cancellation
Pollini Retail Srl	President of the Board of Statutory Auditors	2010 Balance sheet approval
Green Line Tour SpA	President of the Board of Statutory Auditors	2011 Balance sheet approval
Aeffe SpA	President of the Board of Statutory Auditors	2010 Balance sheet approval
Eschilo 1 Srl	President of the Board of Statutory Auditors	2009 Balance sheet approval
Solide Real Estate Srl	President of the Board of Statutory Auditors	2011 Balance sheet approval
Velmar SpA	President of the Board of Statutory Auditors	2012 Balance sheet approval
Gir+A&F Srl	President of the Board of Statutory Auditors	2009 Balance sheet approval
Pollini SpA	Statutory Auditor	2009 Balance sheet approval
Air Bee SpA	Statutory Auditor	2010 Balance sheet approval
Aeffe Retail SpA	Statutory Auditor	2011 Balance sheet approval

Mr. Bruno PICCIONI

Statutory Auditor of AEFFE S.p.A.

Positions held in other Public Companies: 1 - number of positions held 15

Company	Position	Expiration
Banca Interprovinciale S.p.A.	President of the Board of Statutory Auditors	2011 Balance sheet approval
Cassa Di Risparmio Di Rimini SpA (Emittente)	President of the Board of Statutory Auditors	2009 Balance sheet approval
Actgroup SpA	President of the Board of Statutory Auditors	2010 Balance sheet approval
Holding Industriale Composti Srl	President of the Board of Statutory Auditors	2010 Balance sheet approval
Edilceramiche Srl	Statutory Auditor	2009 Balance sheet approval

Adriatica Veicoli Industriali Srl	Statutory Auditor	2009 Balance sheet approval
Edilsantamonica Srl	Statutory Auditor	2009 Balance sheet approval
Auto In Srl	Statutory Auditor	2010 Balance sheet approval
Aeffe SpA	Statutory Auditor	2010 Balance sheet approval
Universal Pack Srl	Statutory Auditor	2011 Balance sheet approval
Moschino SpA	Statutory Auditor	2011 Balance sheet approval
Consorzio Imprese Valconca Società Cooperativa	Statutory Auditor	2010 Balance sheet approval
Sant'Andrea Servizi Srl	Auditor	2011 Balance sheet approval
B.F. di Del Prete Maria Teresa e C. Snc	Partner and Director	Up to cancellation
B.F.T. Srl	Sole Director	Up to cancellation

Mr. Romano DEL BIANCO

Statutory Auditor of AEFFE S.p.A.

Positions held in other Public Companies: 1 - number of positions held 6

Company	Position	Expiration
Aeffe Retail SpA	President of the Board of Statutory Auditors	2011 Balance sheet approval
Banca Popolare Valconca SCARL (*Emittente*)	President of the Board of Statutory Auditors	2011 Balance sheet approval
Velmar SpA	Statutory Auditor	2011 Balance sheet approval
Aeffe SpA	Statutory Auditor	2010 Balance sheet approval
Afin International Srl	Statutory Auditor	2009 Balance sheet approval
Adriatica Veicoli Industrialie (A.V.I.) Srl	Statutory Auditor	2009 Balance sheet approval

Report on the Auditing Company

Financial Statements

Balance Sheet Assets (*)

(Values in units of EUR)	Notes	31 December 2009	31 December 2008	Change 2009/08
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademarks		4,154,764	4,250,000	-95,236
Other intangible fixed assets		51,263	50,434	829
Total intangible fixed assets	(1)	4,206,027	4,300,434	-94,407
Tangible fixed assets				
Lands		15,803,400	15,803,400	0
Buildings		25,114,564	25,628,536	-513,972
Leasehold improvements		3,689,941	4,340,842	-650,901
Plant and machinary		5,479,457	4,876,614	602,843
Equipment		127,934	162,242	-34,308
Other tangible fixed assets		732,280	949,913	-217,633
Total tangible fixed assets	(2)	50,947,576	51,761,547	-813,971
Other fixed assets				
Equity investments	(3)	88,196,925	86,183,228	2,013,697
Other fixed assets	(4)	45,126,209	47,183,259	-2,057,050
Deferred tax assets	(5)	5,787,345	1,904,493	3,882,852
Total other fixed assets		139,110,479	135,270,980	3,839,499
TOTAL NON-CURRENT ASSETS		**194,264,082**	**191,332,961**	**2,931,121**
CURRENT ASSETS				
Stocks and inventories	(6)	25,244,358	27,536,415	-2,292,057
Trade receivables	(7)	53,184,047	56,861,866	-3,677,819
Tax receivables	(8)	5,316,900	6,792,358	-1,475,458
Cash	(9)	454,910	673,633	-218,723
Other receivables	(10)	12,574,501	14,117,355	-1,542,854
TOTAL CURRENT ASSETS		**96,774,716**	**105,981,627**	**- 9,206,911**
TOTAL ASSETS		**291,038,798**	**297,314,588**	**- 6,275,790**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment IV and described in Notes 36 and 37.

Balance Sheet Liabilities and Shareholders' Equity (*)

(Values in units of EUR)	Notes	31 December 2009	31 December 2008	Change
SHAREHOLDERS' EQUITY				
Share capital		25,371,407	25,766,796	-395,389
Share premium reserve		71,240,250	71,796,450	-556,200
Other reserves		36,250,028	31,795,283	4,454,745
Fair Value reserve		7,742,006	7,742,006	0
IAS reserve		1,139,140	1,139,140	0
Profits / (Losses) carried-forward		2,154,670	2,154,670	0
Net profit / loss		-5,171,432	5,162,174	-10,333,606
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**138,726,069**	**145,556,519**	**- 6,830,450**
NON-CURRENT LIABILITIES				
Provisions	(12)	2,305,121	1,318,754	986,367
Deferred tax liabilities	(5)	7,767,601	7,911,353	-143,752
Post employment benefits	(13)	5,344,823	5,697,396	-352,573
Long term financial liabilities	(14)	17,889,992	11,666,278	6,223,714
Long term not financial liabilities	(15)		165,940	-165,940
TOTAL NON-CURRENT LIABILITIES		**33,307,537**	**26,759,721**	**6,547,816**
CURRENT LIABILITIES				
Trade payables	(16)	60,866,158	75,380,246	-14,514,088
Tax payables	(17)	1,350,866	1,462,942	-112,076
Short term financial liabilities	(18)	50,903,988	41,080,475	9,823,513
Other liabilities	(19)	5,884,180	7,074,685	-1,190,505
TOTAL CURRENT LIABILITIES		**119,005,192**	**124,998,348**	**- 5,993,156**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**291,038,798**	**297,314,588**	**- 6,275,790**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment V and described in Note 36 and 37.

Income Statement (*)

(Values in units of EUR)	Notes	Full year 2009	Full year 2008
REVENUES FROM SALES AND SERVICES	**(20)**	**116,452,178**	**154,078,292**
Other revenues and income	(21)	5,363,592	5,943,768
TOTAL REVENUES		**121,815,770**	**160,022,060**
Changes in inventory		-1,341,674	6,033,822
Costs of raw materials, cons. and goods for resale	(22)	-37,392,388	-51,076,947
Costs of services	(23)	-40,796,390	-52,857,073
Costs for use of third parties assets	(24)	-14,719,352	-19,831,482
Labour costs	(25)	-25,333,734	-25,018,712
Other operating expenses	(26)	-1,497,775	-2,419,131
Amortisation and write-downs	(27)	-4,527,193	-2,426,339
Financial Income / (expenses)	(28)	-2,229,230	-3,565,377
PROFIT / LOSS BEFORE TAXES	**-**	**6,021,966**	**8,860,821**
Income Taxes	(29)	850,534	-3,698,647
NET PROFIT / LOSS	**-**	**5,171,432**	**5,162,174**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the income statement of Aeffe S.p.A. are shown in the income statement presented in Attachment VI and described in Notes 36 and 37.

Cash flow statement (*)

(Values in units of EUR)	Notes	Full Year 2009	Full Year 2008
OPENING BALANCE		**673**	**4,036**
Profit before taxes		-6,022	8,861
Amortisation		4,527	2,426
Accrual (+)/availment (-) of long term provisions and post employment benefits		634	-411
Paid income taxes		-447	-6,340
Financial income (-) and financial charges (+)		2,229	3,565
Change in operating assets and liabilities		-9,723	-8,887
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**- 8,802**	**- 787**
Increase (-)/ decrease (+) in intangible fixed assets		-61	-53
Increase (-)/ decrease (+) in tangible fixed assets		-1,708	-5,981
Investments (-)/ Disinvestments (+)		-3,863	-108
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**- 5,633**	**- 6,142**
Other variations in reserves and profits carried-forward of shareholders' equity		-949	-3,259
Dividends paid		-710	-2,148
Proceeds (+)/repayments (-) of financial payments		16,047	15,495
Increase (-)/ decrease (+) in long term financial receivables		2,057	-2,957
Financial income (+) and financial charges (-)		-2,229	-3,565
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**14,216**	**3,566**
CLOSING BALANCE		**454**	**673**

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

.

Statements of changes in Shareholders' Equity

(Values in units of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 31 December 2008	**25,767**	**71,796**	**31,795**	**7,742**	**1,139**	**2,155**	**5,162**	**145,556**
Allocation of 31 December 2008 profit			4,452				- 4,452	-
Dividends paid							- 710	- 710
Treasury stock (buyback)/sale	- 396	- 556						- 952
Total income/(loss) at 31/12/09							- 5,171	- 5,171
Other movements			3					3
BALANCES AT 31 December 2009	**25,371**	**71,240**	**36,250**	**7,742**	**1,139**	**2,155**	**- 5,171**	**138,726**

(Values in units of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 31 December 2007	**26,841**	**75,307**	**28,204**	**7,742**	**- 204**	**2,172**	**5,739**	**145,801**
Allocation of 31 December 2007 profit			3,591			2,148	- 5,739	-
Dividends paid						- 2,148		- 2,148
Treasury stock (buyback)/sale	- 1,074	- 3,511						- 4,585
Total income/(loss) at 31/12/08							5,162	5,162
Other movements					1,343			1,343
Incorporation of Av Suisse						- 17		- 17
BALANCES AT 31 December 2008	**25,767**	**71,796**	**31,795**	**7,742**	**1,139**	**2,155**	**5,162**	**145,556**

EXPLANATORY NOTES

GENERAL INFORMATION

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

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

The Company has the following branch offices and local units:

1) Office and showroom in Donizzetti street n.48 – Milan (MI)

2) Storage in Olmi street – San Giovanni in Marignano (RN)

3) Office and showroom in Donizzetti street n.47 – Milan (MI)

4) Storage in Dell’Artigianato street n.4 – Tavoleto (PU).

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

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2009. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

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

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

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

The financial statements have been audited by Mazars S.p.A..

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

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CONSOB and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

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

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

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT YET EARLY ADOPTED BY THE GROUP

On January 2008 the IASB issued a revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and separate financial statements. The main changes that revised IFRS 3 makes to existing requirements are the elimination of the need to measure every asset and liability at fair value at each stage in a step acquisition of subsidiaries. Goodwill is only to be measured on acquiring control, as the difference at acquisition date between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Moreover, for a business combination in which the acquirer achieves control without purchasing all of the acquire, the remaining (non-controlling) equity interests are measured either at fair value or by using the method already provided previously in IFRS3. The revised IFRS 3 also requires acquisition-related costs to be recognised as expenses and the acquirer to recognise the obligation to make an additional payment as part of the business combination (contingent consideration). In the amended version of IAS 27, the IASB has added a requirement specifying that changes in a parent's interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions and recognised within equity. Moreover, when a parent loses control of a subsidiary but retains an ownership interest it must initially measure any retained investment at fair value. At the date when control is lost, the difference between the fair value and the carrying amount of the retained interest must be recognised in income statement. Finally, the amendment to IAS 27 requires losses pertaining to non-controlling interests to be allocated to non-controlling interest equity, even if this results in the non-controlling interest having a deficit balance. The new rules will apply prospectively from 1 January 2010.

As part of its 2008 annual improvements project, the IASB issued an amendment to IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations. This amendment requires an entity that is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liability of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The amendment, if relevant for the Group, will apply from 1 January 2010 , early application is allowed.

On 31 July 2008, the IASB issued an amendment to IAS 39 – Financial Instruments: recognition and measurement. The amendment clarifies how the existing principles underlying hedge accounting should be applied in particular situations. The amendment is effective retrospectively from 1 January 2010. The European Union had not endorsed the amendment at the date of these financial statements.

On 27 November 2008 the IFRIC issued IFRIC 17 – Distributions of Non-cash assets to owners that will standardise practice in the accounting treatment of the distribution of non-cash assets to owners. In particular, the interpretation clarifies that a dividend payable should be recognised when dividend is appropriately authorised and that an entity should measure this dividend payable at the fair value of the net assets to be distributed. Finally, an entity should recognise the difference between the dividend paid and the carrying amount of the net assets used for payment in income statement. This interpretation is effective prospectively from 1 January 2010. The European Union had not endorsed the amendment at the date of these financial statements.

On 29 January 2009 the IFRIC issued the interpretation IFRIC 18 – Transfers of assets from customers that clarifies the accounting treatment to be followed for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which will then be used to acquire or construct the item of property, plant and equipment to be used to fulfil the requirements of the contract. The interpretation is effective prospectively from 1 January 2010. The European Union had not endorsed the amendment at the date of these financial statements.

On 5 March 2009 the IASB issued an amendment to IFRS 7 – Improving disclosures about financial instruments to improve the disclosure requirements for fair value measurements and reinforce existing principles for disclosures concerning the liquidity risk associated with financial instruments. The amendment is effective prospectively from 1 January 2009; The European Union had not endorsed the amendment at the date of these financial statements.

On 12 March 2009 the IASB issued amendments to IFRIC 9 – Reassessment of embedded derivates and to IAS 39 – Financial instruments: recognition and measurement that allow entities to reclassify certain financial instruments out of the "fair value through profit or loss" category in specific circumstances. The amendments clarify that on the reclassification of a financial asset out of the "fair value through profit or loss" category all embedded derivates have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments are effective retrospectively from 31 December 2009. The European Union had not endorsed the amendment at the date of these financial statements.

On 16 April 2009 the IASB issued a series of amendments to IFRS (Improvements to IFRS). Details are provided in the following paragraphs of those identified by the IASB as resulting in accounting changes for presentation, recognition and measurement purposes, leaving out any amendment regarding changes in terminology or editorial changes which are likely to have minimal effects in accounting and amended standards or interpretations not applicable to the Aeffe Group.

- IFRS 2 – Share-based payment: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that following the change made by IFRS 3 to the definition of a business combination the contribution of a business on the formation of a joint venture and the combination of entities or businesses under common control do not fall within the scope of IFRS 2.
- IFRS 5 – Non-current assets held for sale and discontinued operations: this amendment, which shall be applied prospectively from 1 January 2010, clarifies that IFRS 5 and other IFRS that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations.
- IFRS 8 – Operating segments: this amendment, effective from 1 January 2010 (with early application permitted), requires an entity to report a measure of total assets for each reportable segment if such amount is regularly provided to the chief operating decision maker. Before the amendment, disclosure of total assets for each segment was required even if that condition was not met.
- IAS 1 – Presentation of financial statement: this amendment, effective from 1 January 2010 (with early application permitted), amends the definition of a current liability contained in IAS 1. The previous definition required liabilities which could be extinguished at any time by issuing equity instruments to be classified as current. That led to liabilities relating to convertible bonds which could be converted at any time into the shares of the issuer to be classified as current. Following this amendment the existence of a current exercisable option for conversion into equity instruments becomes irrelevant for the purposes of the current/non-current classification of a liability.
- IAS 7 – Statement of cash flows: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities in the statement of cash flows; cash flows originating from expenditures that do not result in a recognised asset (as could be the case for advertising and promotional activities and staff training) must be classified as cash flows from operating activities.
- IAS 17 – Leases: following the changes, the general conditions required by IAS 17 for classifying a lease as a finance lease or an operating lease will also be applicable to the leasing of land, independent of whether the lease transfers ownership by the end of the lease term. Before these changes the standard required the lease to be classified as an operating lease if ownership of the leased land was not transferred at the end of the lease term because land has an indefinite useful life. The amendment is applicable from 1 January 2010 (with early application permitted). At the date of adoption the classification of all land elements of unexpired leases must be reassessed, with any lease newly classified as a finance lease to be recognised retrospectively.

- IAS 36 – Impairment of Assets: this amendment, applicable prospectively from 1 January 2010 (with early application permitted), states that each unit or group of units to which goodwill is allocated for the purpose of impairment testing shall not be larger than an operating segment as defined by paragraph 5 of IFRS 8 – Operating segments before any aggregation on the basis of similar economic characteristics and other similarities as permitted by paragraph 12 of IFRS 8.
- IAS 38 – Intangible assets: IFRS 3 (as revised in 2008) states that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure its fair value reliably; amendments are made to IAS 38 to reflect that revision of IFRS 3. Moreover these amendments clarify the valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market; in particular, such techniques include discounting the estimated future net cash flows from an asset, and estimating the costs the entity avoids by owning an intangible asset and not having to license it from another party in an arm's length transaction or the costs to recreate or replace it (as in the cost approach). The amendment is applicable prospectively from 1 January 2010 (with early application permitted); if an entity applies the revised IFRS 3 for an earlier period it shall also apply this amendment to IAS 38.
- IAS 39 – Financial instruments: recognition and measurement: this amendment restricts the non-applicability of IAS 39 under paragraph 2(g) of the standard to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date when the completion of the business combination is not dependant on further actions of either party and only the passage of a normal of period of time is required. Option contracts, whether or not currently exercisable, which allow one party to control the occurrence or non-occurrence of future events and on exercise will result in control of an entity are therefore included in the scope of IAS 39. The amendment also clarifies that embedded prepayment options whose exercise price compensates the lender for the loss of interest income resulting from the prepayment of the loan shall be considered closely related to the host debt contract and therefore not accounted for separately. Finally, the amendment clarifies that the gains or losses on a hedged instrument must be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment is applicable prospectively from 1 January 2010 although early application is permitted.
- IFRIC 9 – Reassessment of embedded derivates: this amendment excludes from the scope of IFRIC 9 embedded derivates in contracts acquired in a business combination, a combination of entities or businesses under common control or the formation of a joint venture. The amendment is applicable prospectively from 1 January 2010. The European Union had not yet endorsed the amendment at the date of these financial statements.

In June 2009, the IASB issued an amendment to IFRS 2 – Share based payment: Group cash-settled share-based payment transactions. The amendment clarifies the scope of IFRS 2 and the interactions of IFRS 2 and other standards. In particular, it clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash; moreover, it clarifies that a "group" has the same meaning as in IAS 27 – Consolidated and separate financial statement, that is, it includes only a parent and its subsidiaries. In addition, the amendment clarifies that an entity must measure the goods and services it received as either an equity-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognised by the consolidated group. The amendments also incorporate guidance previously included in IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – IFRS 2 – Group and treasury share transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendment is effective from 1 January 2010; the European Union had not yet endorsed the amendment at the date of this half-year financial report.

On 8 October 2009, the IASB issued an amendment to IAS 32 – *Classification of Rights Issues* in order to address the accounting for rights issued (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable from 1 January 2011 retrospectively.

On 4 November, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011. The revised standard had not yet been endorsed by the European Union at the date of these financial statements.

On 12 November, the IASB issued a new standard IFRS 9 – *Financial instruments* on the classification and measurement of financial assets, having an effective date for mandatory adoption of 1 January 2013. The new standard represents the completion of the first part of a project to replace IAS 39. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used. The new standard had not yet been endorsed by the European Union at the date of these financial statements.

On 26 November, the IASB issued a minor amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement.* The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits an entity to treat benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of 1 January 2011; the amendment had not yet been endorsed by the European Union at the date of these financial statements.

On 26 November, the IFRIC issued the interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially, then the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the profit or loss for the period. The amendment has an effective date for mandatory adoption of 1 January 2011; the amendment had not yet been endorsed by the European Union at the date of these financial statements.

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2009 are presented below:

Intangible fixed assets

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

Intangible fixed assets contain those with a finite useful life that are other intangible fixed assets, the accounting policies for which are described in the following paragraphs.

Brands

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

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

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

Other intangible fixed assets

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

The principal amortisation rates applied are summarised below:

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

Research costs are charged to the income statement as incurred.

At 31 December 2009, the Company has not recorded intangible fixed assets with an “infinite” useful life in the intangible fixed assets.

Tangible fixed assets

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

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

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

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

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

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12,5%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and furnishings	12%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

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

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

Leasing

Finance leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits of ownership, are recognised as part of property, plant and equipment at their fair value or, if lower, at the present value of the minimum lease payments, and stated net of accumulated depreciation. The corresponding liability to the lessor is classified among financial payables in the balance sheet. These assets are depreciated using the rates set out above.

On disposal, or when no further economic benefits are expected from use of the asset, leased assets are eliminated from the balance sheet and any gains or losses (difference between disposal proceeds and carrying amount) are reflected in the income statement for the year.

Operating leases

Leases that do not transfer to the Company substantially all the risks and benefits of ownership are recognised as operating leases. Payments under operating leases are recognised as a cost on a straight-line basis over the duration of the related lease contracts.

Impairment

At 31 December 2009, the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Intangible fixed assets, equity investments, tangible fixed assets and other non-current assets are subjected to impairment testing whenever events or a change of circumstances suggest that their value may be impaired in order to determine if such activities may have been subject to a loss of value. If such evidence exists the activity's carrying amount is reduced to the related recoverable value.

Impairment losses arise and are recognised when the carrying amount of an asset or a cash generating unit exceeds its recoverable value. The carrying amount of such assets is aligned with their recoverable value and the impairment loss is charged to the income statement.

Determination of recoverable value

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value. As already mentioned, this test is performed annually, or more frequently, in relation to assets with an indefinite useful life.

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

Reinstatement of value

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

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

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

The written down value of goodwill is never reinstated.

Equity investments

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

It is signalled that the situation caused by the international economic and financial crisis has induced the Company to estimate the recoverable amount of some equity investments in subsidiaries of particular importance in order to verify the consistency of the book value.

In particular, regarding the subsidiary Ferretti Studio S.r.l., it has been determined a write-down equal to the difference between the book value of the subsidiary’s equity and the book value of the equity investment forecasting to merge the company during the year 2010.

For the companies Aeffe Retail S.p.A., Pollini S.p.A., Velmar S.p.A. and Aeffe France S.a.r.l. the recoverable amount has been determined using the method called Discounted Cash Flow (DCF). From such analyses no impairment losses have been emerged.

Trade and other receivables

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

Inventories

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

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

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

Cash and cash equivalents

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

Provisions

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

Employee benefits

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

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

Actuarial gains and losses arising subsequent to 1st January 2005, on calculation of the Company's liability for the severance indemnities due to its Italian employees (“TFR”), are recognised using the corridor method. Consistent with this methodology, the Company recognises a part of its actuarial gains or losses as income or a cost of the total net value of the actuarial gains and losses arising in the year exceeds 10% of the value of the obligation at the start of the year.

Financial payables

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

Bank overdrafts and loans

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

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

Trade and other payables

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

Treasury shares

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

Contributions to the capital account and for overheads

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

Revenues

Revenues are stated net of returns, discounts, allowances and rebates, as well as the taxes associated with the sale of goods and the provision of services. Revenues from sales are recognised when the seller has transferred the principal risks and benefits of ownership to the purchaser. The principal types of revenue realised by the Company are recognised on the following basis:

(i) retail sales – on delivery of the goods;

(ii) wholesale sales – on shipment of the goods;

(*iii)* royalties and commissions – on an accruals basis.

Costs

Costs and expenses are recorded on an accruals basis.

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

Financial income and expense

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

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

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

The interest embedded in finance lease payments is charged to the income statement using the effective interest method.

Taxes

The income tax charge includes both current and deferred taxes. Income taxes for the year are charged to the income statement unless they relate to items recorded directly as part of shareholders' equity, in which case they are recorded in the latter caption.

Indirect taxes, such as property taxes, are classified as operating expenses.

Current taxes on the taxable income for the year include the tax charge determined using the tax rates applying at the reference date, and any adjustments made to the tax liabilities recorded in prior years.

Deferred taxes are recorded in relation to all temporary differences at the reference date between the carrying amount of assets and liabilities and the corresponding amounts used to determine taxable income for fiscal purposes.

Deferred taxes are recorded in relation to:

(i*)* temporary differences between the tax base for an asset or liability and its carrying amount in the financial statements, except for the goodwill disallowed for fiscal purposes and the differences deriving from investments in subsidiaries, which are not expected to reverse in the foreseeable future;

(ii) income recorded in the current and prior years that will become taxable in future years;

(iii) deferred tax assets are recorded in the financial statements;

(iv) all deductible temporary differences, if they are likely to be recoverable against future taxable income, are recognised unless the deferred tax asset derives from the initial recognition of an asset or a liability, in a transaction that is not a business combination, which does not affect the book results or taxable income (tax loss) at the date of the transaction;

(*v)* unused tax losses carried forward and unused tax credits are recognised if they are likely to be recoverable against future taxable income.

Deferred tax assets and liabilities are determined using the income tax rates expected to apply in the tax years when the temporary differences reverse, with reference to the tax legislation in force or effectively in force at the accounting reference date.

The effect of changes in tax rates on the above deferred taxation is recorded in the income statement for the year in which the changes occur. Deferred tax assets and liabilities are only offset against each other if they relate to taxes levied by the same tax authority.

Earnings per share

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

Main estimates used by the Management

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

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

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

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

<u>Equity investment in Pollini S.p.A.</u>: the evaluation emerges from the cash flow analysis of the entire Pollini Group. The cash flows have been gathered, for the year 2010 and 2011, by the budget approved the Management. It has been also estimated cash flow projections for the year 2012, 2013 and 2014 at a growth rate in decrease determined by the same Management. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year the cash flow projections. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), specifically calculated for the Pollini Group, equal to 8.44%.

<u>Equity investment in Aeffe Retail S.p.A., Velmar S.p.A. and Aeffe France S.a.r.l.</u>: the evaluation emerges from the cash flow analysis of each single company. The cash flows have been gathered, for the year 2010 and 2011, by the budget approved the Management. It has been also estimated cash flow projections for the year 2012, 2013 and 2014 at a growth rate stable or in decrease determined by the same Management. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a

growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year the cash flow projections. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC) of the Group equal to 6.1%.

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

– The inflation rate foreseen is 2.0%;
– The discount rate used is 3.50%;
– The expected rates of retribution increases (inclusive of inflation) are divided as follows: (i) Management 1.50%; (ii) Office staff/department heads 0.50%; (iii) laborers 0.50%
– The annual rate in increase of the severance indemnity fund foreseen is 3.0%;
– The expected turn-over of employees is 6% for Aeffe S.p.A.

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

– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is 3.50%;

OTHER INFORMATION

Management of financial risk

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

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

The Company uses derivative financial instruments for the sole purpose of covering certain non-functional currency exposures.

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Company manages the liquidity risk with a view to guarantee the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain a solid equity. For this purpose the Company uses medium/long-term loans with an amortization program extending over several years to cover the investments in fixed assets (mainly the purchase of controlling shares) and short-term loans, advances against collection of the trade portfolio, to finance the circulating capital and loans in currency to cover the exchange risk.

(ii) **Exchange risk:**

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

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage, also through buy/sell contracts of foreign currency at term, specifically used to cover individual business transactions. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(iii) **Rate risk:**

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

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

As of 31 December 2009 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 146 thousand annually (EUR 309 thousand as of 31 December 2008).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2009 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

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

Credit risk

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

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

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

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

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

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

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

As regards foreign receivables, the Company proceeds as follows:

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

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

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Trade receivables	53,184	56,862	-3,678	-6.5%
Other current receivables	12,574	14,117	-1,543	-10.9%
Total	**65,758**	**70,979**	**- 5,221**	**-7.4%**

See note 7 for the comment and breakdown of the item “trade receivables” notes 10 for “other current receivables”.
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2009, overdue but not written-down trade receivables amount to EUR 37,248 thousand (EUR 25,982 thousand in 2008). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
By 30 days	3,279	3,924	-645	-16.4%
31 - 60 days	2,936	3,478	-542	-15.6%
61 - 90 days	2,809	3,024	-215	-7.1%
Exceeding 90 days	28,224	15,556	12,668	81.4%
Total	**37,248**	**25,982**	**11,266**	**43.4%**

The increase in overdue receivables exceeding 90 days is substantially referable to positions versus companies totally owned by Aeffe S.p.A. in a logic of Group treasury.

Cash flow statement

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

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

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

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

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

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

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

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

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

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 01.01.08	**4,375**	**23**	**4,398**
Increases externally acquired		53	53
Disposals			0
Other changes			0
Amortisation	-125	-25	-150
Net book value as of 01.01.09	**4,250**	**51**	**4,301**
Increases externally acquired	30	30	60
Disposals			0
Other changes			0
Amortisation	-125	-30	-155
Net book value as of 31.12.09	**4,155**	**51**	**4,206**

Brands

This caption comprises the value of the brand names owned by the Company: “Alberta Ferretti” and “Philosophy di Alberta Ferretti”.

The residual amortisation period for this caption is 33 years.

Other

The caption “Other” relates to user licenses for software.

2. Tangible fixed assets

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

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.08	**15,804**	**25,438**	**3,324**	**2,468**	**17**	**925**	**47,976**
Increases		714	1,763	2,985	201	324	5,987
Disposals				-3	-1	-2	-6
Depreciation		-524	-746	-574	-55	-297	-2,196
Net book value as of 01.01.09	**15,804**	**25,628**	**4,341**	**4,876**	**162**	**950**	**51,761**
Increases		20	305	1,317	31	60	1,733
Disposals				-22		-3	-25
Depreciation		-534	-956	-692	-65	-275	-2,522
Net book value as of 31.12.09	**15,804**	**25,114**	**3,690**	**5,479**	**128**	**732**	**50,947**

Tangible fixed assets have changed as follows:

- Increases of EUR 1,733 thousand for new investments. These mainly comprise the completion of the renewable energy system (photovoltaic) for the headquarter in San Giovanni in Marignano, and the preparation of new corners and shop in shops.
- Decreases of EUR 25 thousand. These relate to the replacement of specific plant and machinery and furniture .
- Depreciation of EUR 2,522 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

Other non-current assets

3. Equity investments

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

Equity investments change mainly for the following operations:

- Recapitalization of the subsidiary Aeffe France S.a.r.l. through renunciation of receivables for EUR 2,000 thousand;
- Write-down of the equity investment in the subsidiary Ferretti Studio S.r.l. for EUR 10 thousand. It is planned for the year 2010 the incorporation of the subsidiary Ferretti Studio in Aeffe S.p.A.. The write-down is consequent, substantially, to the losses reported in the year 2008 and 2009.

4. Other fixed assets

This caption principally includes amounts due from subsidiary companies, which decreases by EUR 2,057 thousand following renouncement of part of the receivables versus Aeffe France S.a.r.l..

5. Deferred tax assets and liabilities

This caption is analysed below as of 31 December 2009 and 2008:

(Values in thousands of EUR)	Receivables		Liabilities	
	2009	2008	2009	2008
Tangible fixed assets			-22	-22
Intangible fixed assets			-162	-165
Provisions	257	202		-38
Costs deducible in future periods	-142	-199		
Income taxable in future periods	1,017	1,493	-253	-161
Tax losses carried forward	4,247			
Other Tax assets (liabilities) from transiation to IAS	408	408	-7,331	-7,525
Total	**5,787**	**1,904**	**- 7,768**	**- 7,911**

The changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	-22	0	-	-22
Intangible fixed assets	-165	3	-	-162
Provisions	164	93	-	257
Costs deducible in future periods	-199	57	-	-142
Income taxable in future periods	1,332	-568	-	764
Tax losses carried forward	0	1,406	2,841	4,247
Other Tax assets (liabilities) from transiation to IAS	-7,117	194	-	-6,923
Totale	**- 6,007**	**1,185**	**2,841**	**- 1,981**

Tax losses carried forward recorded in the income statement for an amount of EUR 1,406 thousand are related to tax losses of Aeffe Spa while the amount of 2,841 thousand is related to tax losses carried forward matured by some of the Group subsidiaries as a consequence of the adhesion of the subsidiaries to the fiscal consolidation.

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

CURRENT ASSETS

6. Stocks and inventories

This caption comprises:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Raw, ancillary and consumable materials	5,075	6,432	-1,357	-21.1%
Work in progress	6,204	6,028	176	2.9%
Finished products and goods for resale	13,542	15,060	-1,518	-10.1%
Advance payments	423	16	407	2543.8%
Total	**25,244**	**27,536**	**- 2,292**	**-8.3%**

Inventories of raw materials and work in process essentially relate to production of the 2010 Spring/Summer collections.

Finished products mainly relate to the Autumn/Winter 2009 and to the Spring/Summer 2010 collections and to the Autumn/Winter 2010 samples collections.

The decrease in inventories since 31 December 2008 is mainly due to the sales slowdown.

7. Trade receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Customers receivables	6,182	14,832	-8,650	-58.3%
Subsidiaries receivables	47,262	42,325	4,937	11.7%
(Allowance for doubtful receivables)	-260	-296	36	-12.2%
Total	**53,184**	**56,861**	**- 3,677**	**-6.5%**

The decrease in trade receivables is due to the sales slowdown of the year 2009 compared with the year 2008.

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

In particular the allowance existing at 31 December 2008 has been used for EUR 236 thousand to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 200 thousand to allowance for doubtful receivables.

8. Tax receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
VAT	2,582	3,993	-1,411	-35.3%
Corporate income tax (IRES)	2,026	1,866	160	8.6%
Local business tax (IRAP)	67	187	-120	-64.2%
Amounts due to tax authority for withheld taxes	470		470	n.a.
Other tax receivables	172	746	-574	-76.9%
Total	**5,317**	**6,792**	**- 1,475**	**-21.7%**

The change in tax receivables is mainly due to the reduction of the Group VAT receivable as a consequence of the decrease in supplyings which occurred essentially in Italy.

9. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Bank and post office deposits	422	541	-119	-22.0%
Cheques	16	102	-86	-84.3%
Cash in hand	17	31	-14	-45.2%
Total	**455**	**674**	**- 219**	**-32.5%**

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

Cash and cash equivalents represent the nominal value of the cash held at period end.

As of 31 December 2009, cash and cash equivalents are EUR 219 thousand lower than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

10. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Credits for prepaid costs (costs of producing collections)	9,694	10,919	-1,225	-11.2%
Advances for royalties and commissions	1,162	1,362	-200	-14.7%
Advances to suppliers	901	1,207	-306	-25.4%
Accrued income and prepaid expenses	550	522	28	5.4%
Other	268	107	161	150.5%
Total	**12,575**	**14,117**	**- 1,542**	**-10.9%**

The decrease of other receivables of EUR 1,542 thousand is mainly due to the decrease of credits for prepaid expenses that compared with the previous year record a contraction of EUR 1,225 thousand. Credits for prepaid expenses relate to the costs incurred to design and make samples for the Spring-Summer 2010 and Autumn/Winter 2010 collections. Such costs have been deferred and will be matched with the corresponding revenue from sales. This decrease is the result of a cost containment and inefficiency reduction policy, and is to be placed within the following actions undertaken by management to stand up to the drop in turnover:

- Research and development costs: reduced prototype costs; greater attention paid to the market's requirements and consequent reduction of the number of pieces per collection; reduction of the days of sales campaign and consequent cost savings for models and casual labour;
- elimination of the minor product lines;
- check up of all production process and of the supply chain;
- rationalisation of the retail channel to reduce costs and obtain turnover synergies through aggregations and displacements.

Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

11. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2009 are described below.

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Share capital	25,371	25,767	-396	-1.5%
Legal reserve	2,718	2,459	259	10.5%
Share premium reserve	71,240	71,796	-556	-0.8%
Other reserves	33,532	29,336	4,196	14.3%
Fair value reserve	7,742	7,742	0	n.a.
IAS reserve	1,139	1,139	0	n.a.
Profits/(Losses) carried-forward	2,155	2,155	0	n.a.
Net profit / (loss)	-5,171	5,162	-10,333	n.a.
Total	**138,726**	**145,556 -**	**6,830**	**-4.7%**

Share capital

Share capital as of 31 December 2009 (gross of treasury shares) is represented by 107,362,504 issued and fully-paid ordinary shares, par value EUR 0.25 each, totalling EUR 26,841 thousand. The decrease in the share capital during the years 2008 and 2009 is only due to the purchase of treasury shares by the Company. As of 31 December 2009 the Company holds 5,876,878 treasury shares, representing the 5.5% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. The number of outstanding shares (non considering treasury shares) is not changed during the period.

Legal reserve

The legal reserve increases from EUR 2,459 thousand as of 31 December 2008 to Euro 2,718 thousand as of 31 December 2009 following the allocation of prior-year profits decided at the shareholders' meeting held on 24 April 2009.

Share premium reserve

The share premium reserve decreases from EUR 71,796 thousand as of 31 December 2008 to EUR 71,240 thousand as of 31 December 2009 due to the purchase of treasury shares.

Other reserves

The changes in these reserve reflect partially the allocation of prior-year profit. It states that reserves are not moved by proceeds or expenses recognized directly in equity.

Fair value reserve

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

IAS reserve

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

Profit/(Losses) carried-forward

The caption is not changed during the period.

Net Profit

This caption highlights a loss of EUR 5,171 thousand. It states that there are no proceeds or expenses recognized directly in equity.

Information on distributable reserves

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

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	25,371					
Legal reserve	2,718	B				
Share premium reserve:						
- including	68,884	A,B,C	68,884			
- including	2,356	B				
Other reserves:						
- inc. non-distributable reserve for unrealised exchange gains	303	A,B				
- inc. extraordinary reserve	33,229	A,B,C	33,229			710
IAS reserve (art.6 D.Lgs. 38/2005)	1,139	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	A,B				
Profit/(losses) carried-forward	2,155	A,B,C	2,155			2,147
Total	**143,897**		**104,268**			**2,857**

KEY: A (for share capital increases); B (to cover losses); C (for distribution to shareholders)

<u>Restricted Reserves</u>

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, the restricted reserves as of 31 December 2008 comprise:

- restriction for IRES purposes totalling EUR 167,069;
- restriction for IRAP purposes totalling EUR 1,849.

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

NON-CURRENT LIABILITIES

12. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2008	Increases	Decreases	31 December 2009
Pensions and similar obligations	1,319	65	-694	690
Write-down of subsidiaries equity investments	-	1615	-	1,615
Total	**1,319**	**1,680**	**- 694**	**2,305**

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

The allocation for the write-down of equity investment is related to the company Ferretti Studio, for which it is planned, for the year 2010, the incorporation in Aeffe S.p.A. The write-down is consequent, substantially, to the losses reported in the year 2008 and 2009.

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

13. Post-employment benefits

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

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

Commencing from 1st January 2007, the Finance Law and related enabling decrees introduced significant changes to the regulations governing severance indemnities, including the ability of employees to choose how their individual severance indemnities will be allocated. In particular, employees can now allocate the new amounts accrued to approve pension plans or decide to retain them with the employer (which must pay the related severance contributions into a treasury account managed by INPS).

The main changes are described below

(Values in thousands of EUR)	31 December 2008	Increases	Decreases	31 December 2009
Post employment benefits	5,697	252	-604	5,345
Total	**5,697**	**252**	**- 604**	**5,345**

The entry increase is related to the quota of financial expenses.

14. Non-current financial liabilities

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

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Loans from financial institutions	13,294	5,685	7,609	133.8%
Amounts due to other creditors	4,596	5,981	-1,385	-23.2%
Total	**17,890**	**11,666**	**6,224**	**53.4%**

The amounts due to banks relate to the portion of bank loans due beyond 12 months. This caption solely comprises unsecured loans and bank finance. Such loans are not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice.

Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

The following table details the bank loans outstanding as of 31 December 2009, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	21,210	7,916	13,294
Total	**21,210**	**7,916**	**13,294**

There are no amounts due beyond five years.

The amounts due to other creditors are analysed in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Financial leases	4,596	5,981	-1,385	-23.2%
Total	**4,596**	**5,981 -**	**1,385**	**-23.2%**

The decrease in the non-current amounts due to other creditors since 31 December 2008 reflects the reduction in the liability to leasing company.

The lease liability relates to the leaseback transaction arranged by the Company in relation to that building, which is still used by Pollini. The original amount of this loan, arranged in 2002, was EUR 17,500 thousand. The loan contract envisages a repayment schedule that terminates in September 2012. This contract includes an end-of-lease purchase payment of EUR 1,750 thousand.

15. Non-current not financial liabilities

This caption referred to a payment by instalments due to the tax office Agenzia delle Entrate, entirely settled in 2009.

CURRENT LIABILITIES

16. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Trade payables	60,866	75,380	-14,514	-19.3%
Total	**60,866**	**75,380**	**- 14,514**	**-19.3%**

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

The decrease in trade payables is mainly due to the supplying decrease linked to the sales slowdown occurred in 2009.

17. Tax payables

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

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Amounts due to tax authority for withheld taxes	1,351	1,462	-111	-7.6%
Other	0	1	-1	-100.0%
Total	**1,351**	**1,463**	**- 112**	**-7.7%**

18. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Due to banks	49,518	39,761	9,757	24.5%
Due to other creditors	1,385	1,320	65	4.9%
Total	**50,903**	**41,081**	**9,822**	**23.9%**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital. Short-term loans (due within 12 months) represent loans granted to the Company by the banking system.

As of 31 December 2009, other providers of finance principally include the payables recorded in the financial statements in accordance with finance lease accounting methodology.

These captions are analysed in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Current bank loans	41,602	33,332	8,270	24.8%
Current portion of long-term bank borrowings	7,916	6,429	1,487	23.1%
Current portion of leasing payables	1,385	1,320	65	4.9%
Total	**50,903**	**41,081**	**9,822**	**23.9%**

19. Other liabilities

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

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Due to total security organization	1,685	1,864	-179	-9.6%
Due to employees	1,920	2,329	-409	-17.6%
Trade debtors - credit balances	2,074	2,652	-578	-21.8%
Accrued expenses and deferred income	46	46	0	n.a.
Other	159	184	-25	-13.6%
Total	**5,884**	**7,075**	**- 1,191**	**-16.8%**

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

The decrease of liabilities due to employees is mainly attributed to the use of past holidays.

COMMENTS ON THE INCOME STATEMENT

20. Revenues from sales and services

Revenues decrease by 24.4%, from EUR 154,078 thousand in 2008 to EUR 116,452 thousand in 2009.

Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services decrease by 25.4%;
- Moschino and Cheap & Chic - revenues from sales and services decrease by 18.2%;
- Jean Paul Gaultier - revenues from sales and services decrease by 38.4%.
- Other minority brands - revenues from sales and services reported a general decrease;

In line with historical trends, 30% of revenues are earned in Italy and 70% come from foreign markets.

Revenues are analysed by geographical area below:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Italy	35,170	30.2%	43,362	28.1%	-8,192	-18.9%
Europe (Italy and Russia excluded)	34,088	29.3%	42,910	27.8%	-8,822	-20.6%
United States	10,033	8.6%	16,212	10.5%	-6,179	-38.1%
Russia	9,814	8.4%	14,511	9.4%	-4,697	-32.4%
Japan	7,851	6.7%	10,221	6.6%	-2,370	-23.2%
Resto del mondo	19,496	16.7%	26,862	17.4%	-7,366	-27.4%
Total	**116,452**	**100.0%**	**154,078**	**100.0% -**	**37,626**	**-24.4%**

21. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2009	2008	Δ	%
Rental income	2,708	2,721	-13	-0.5%
Extraordinary income	166	296	-130	-43.9%
Other income	2,490	2,927	-437	-14.9%
Total	**5,364**	**5,944 -**	**580**	**-9.8%**

The decrease of EUR 437 thousand in the caption other income, which mainly refers to exchange gains on commercial transaction, rental income, sales of raw materials and packaging, is mainly due to the reduction of exchange gains compared with the previous period.

22. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	37,392	51,077	-13,685	-26.8%
Total	**37,392**	**51,077**	**- 13,685**	**-26.8%**

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

The decrease in this item is closely linked to the decrease in volumes sold.

23. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Subcontracted work	19,103	26,346	-7,243	-27.5%
Consultancy fees	6,739	7,517	-778	-10.3%
Advertising	1,841	2,343	-502	-21.4%
Commission	6,042	8,761	-2,719	-31.0%
Transport	1,606	1,817	-211	-11.6%
Utilities	704	855	-151	-17.7%
Directors' and auditors' fees	1,562	1,612	-50	-3.1%
Insurance	207	236	-29	-12.3%
Bank charges	234	231	3	1.3%
Travelling expenses	1,026	1,363	-337	-24.7%
Sundry industrial services	522	803	-281	-35.0%
Other services	1,210	973	237	24.4%
Total	**40,796**	**52,857**	**- 12,061**	**-22.8%**

The remuneration of directors and statutory auditors is detailed in Attachment II.

Costs of services decrease from EUR 52,857 thousand of 2008 to EUR 40,796 thousand of 2009, down 22.8%. The decrease in this caption essentially reflects the reduction of subcontracted work, which has to be examined jointly with the cost of raw materials because together form the cost of goods sold. In terms of incidence on turnover, this cost component rises from 47% of FY 2008 to 50% of FY 2009. The rise of this incidence is to be mainly attributed to the higher discounts granted to customers.

The decreased costs for “Consulting”, “Advertising and promotion” and “Travel expenses” results from the cost reduction policy enacted by management to stand up to the drop in turnover recorded during the year.

The decreased costs tied to the item “Commissions” are strictly correlated with the lower turnover on the basis of which commissions paid to the agents are calculated.

24. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Rental expenses	1,808	1,806	2	0.1%
Royalties	12,344	17,110	-4,766	-27.9%
Hire charges and similar	567	915	-348	-38.0%
Total	**14,719**	**19,831**	**- 5,112**	**-25.8%**

The decrease of royalties is related to the lower turnover of brands under license.

25. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Labour costs	25,334	25,019	315	1.3%
Total	**25,334**	**25,019**	**315**	**1.3%**

Labour costs rise from EUR 25,019 thousand in 2008 to EUR 25,334 thousand in 2009.

The applicable national payroll contract is the textile and clothing sector contract dated 22 July 2008.

The average number of employees as of 31 December 2009 is analysed below:

(Average number of employees by category)	31 December 2009	31 December 2008	Change Δ	%
Workers	189	191	-2	-1%
Office staff - supervisors	403	410	-7	-2%
Executive and senior managers	15	15	0	n.a.
Total	**607**	**616**	**- 9**	**-1%**

Even if the average number of employees is lower than the average of the previous year, the labour cost don't find a similar reduction due to the particular seasonality of the business. In fact part of labor costs, in particular the ones connected to the departments of prototype, modeling and sample development, are sustained before of the corresponding revenues are realised. For this reason it is expected a positive effect in the year 2010.

26. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Taxes	211	165	46	27.9%
Gifts	130	259	-129	-49.8%
Contingent liabilities	136	40	96	240.0%
Other operating expenses	1,021	1,955	-934	-47.8%
Total	**1,498**	**2,419**	**- 921**	**-38.1%**

The caption other operating expenses decreases from EUR 2,419 thousand in 2008 to EUR 1,498 thousand in 2009.

The decrease of EUR 921 thousand is mainly due to the reduction of foreign exchange losses compared with the previous year.

27. Amortisation, write-downs and provisions

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Amortisation of intangible fixed assets	155	150	5	3.3%
Depreciation of tangible fixed assets	2,522	2,196	326	14.8%
Write-downs	1,850	80	1,770	2212.5%
Total	**4,527**	**2,426**	**2,101**	**86.6%**

Write-downs are mainly related (for EUR 1,650 thousand) to the equity investment held in the company Ferretti Studio, for which it is planned, for the year 2010, the incorporation in Aeffe S.p.A. The write-down is consequent, substantially, to the losses reported in the year 2008 and 2009.

28. Financial income/ expenses

The caption “Financial income” comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Interest income	507	1,137	-630	-55.4%
Financial discounts	19	22	-3	-13.6%
Total	**526**	**1,159**	**- 633**	**-54.6%**

The interest income decrease of EUR 630 thousand mainly due to the lower interests paid by the Group’s companies for allocated loans.

The caption “Financial expenses” comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Interest expenses	2,234	4,030	-1,796	-44.6%
Lease interests	328	504	-176	-34.9%
Other expenses	193	191	2	1.0%
Total	**2,755**	**4,725**	**- 1,970**	**-41.7%**

The decrease in financial expenses amounts to EUR 1,970 thousand. Such saving is substantially related to the reduction of the average interest rate of 2009 compared with the one of 2008, reason that has more than compensated the increase in the net financial indebtedness.

Interest expenses are detailed as follow:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Interest expenses to subsidiaries	457	765	-308	-40.3%
Interest expenses to banks	1,587	2,811	-1,224	-43.5%
Interest expenses to others	190	454	-264	-58.1%
Totale	**2,234**	**4,030**	**- 1,796**	**-44.6%**

29. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Current income taxes	335	3,415	-3,080	-90.2%
Deferred income (expenses) taxes	-1,186	284	-1,470	n.a.
Total income taxes	**- 851**	**3,699**	**- 4,550**	**n.a.**

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

The effective tax rates for 2008 and 2009 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)		Full Year 2009	Full Year 2008
Profit before taxes		-6,022	8,861
Theoretical tax rate		27.5%	27.5%
Theoretical income taxes (IRES)	**-**	**1,656**	**2,437**
Fiscal effect		456	277
Total income taxes excluding IRAP (current and deferred)	**-**	**1,200**	**2,714**
IRAP (current and deferred)		**350**	**985**
Total income taxes (current and deferred)	**-**	**850**	**3,699**

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

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2009 amounts to EUR 219 thousand.

(Values in thousands of EUR)	Full year 2009	Full year 2008	Change
OPENING BALANCE (A)	**673**	**4,036**	**- 3,363**
Cash flow (absorbed)/generated by operating activity (B)	-8,802	-787	-8,016
Cash flow (absorbed)/generated by investing activity (C)	-5,633	-6,142	510
Cash flow (absorbed)/generated by financing activity (D)	14,216	3,566	10,650
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**-219**	**-3,363**	**3,144**
CLOSING BALANCE (F)=(A)+(E)	**454**	**673**	**- 219**

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

The cash flow absorbed by operating activity during 2009 amounts to EUR 8,802 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change
Profit before taxes	-6,022	8,861	-14,883
Amortisation	4,527	2,426	2,101
Accrual (+)/availment (-) of long term provisions and post employment benefits	634	-411	1,045
Paid income taxes	-447	-6,340	5,893
Financial income (-) and financial charges (+)	2,229	3,565	-1,336
Change in operating assets and liabilities	-9,723	-8,887	-836
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**- 8,802**	**- 787**	**- 8,016**

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

The cash flow absorbed by investing activity during 2009 amounts to EUR 5,633 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change
Increase (-)/ decrease (+) in intangible fixed assets	-61	-53	-8
Increase (-)/ decrease (+) in tangible fixed assets	-1,708	-5,981	4,273
Investments (-)/ Disinvestments (+)	-3,863	-108	-3,754
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**- 5,633**	**- 6,142**	**510**

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

The cash flow generated by financing activity during 2009 amounts to EUR 14,216 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change
Other variations in reserves and profits carried-forward of shareholders' equity	-949	-3,259	2,310
Dividends paid	-710	-2,148	1,438
Proceeds (+)/repayments (-) of financial payments	16,047	15,495	552
Increase (-)/ decrease (+) in long term financial receivables	2,057	-2,957	5,014
Financial income (+) and financial charges (-)	-2,229	-3,565	1,336
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**14,216**	**3,566**	**10,650**

OTHER INFORMATION

33. Stock option plans

Details about the stock options allocated to directors, general managers and executives with strategic responsibilities are provided in Attachment III.

34. Net financial position

As required by Consob communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10th February 2005, the Company's net financial position as of 31 December 2009 is analysed below:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change
A - Cash in hand	33	134	-101
B - Other available funds	421	540	-119
C - Securities held for trading			
D - Cash and cash equivalents (A) + (B) + (C)	*454*	*674*	*-220*
E - Short term financial receivables			
F - Current bank loans	-41,602	-33,332	-8,270
G - Current portion of long-term bank borrowings	-7,916	-6,429	-1,487
H - Current portion of loans from other financial istitutions	-1,385	-1,320	-65
I - Current financial indebtedness (F) + (G) + (H)	*-50,903*	*-41,081*	*-9,822*
J - Net current financial indebtedness (I) + (E) + (D)	*-50,449*	*-40,407*	*-10,042*
K - Non current bank loans	-13,294	-5,685	-7,609
L - Issued obbligations			
M - Other non current loans	-4,596	-5,981	1,385
N - Non current financial indebtedness (K) + (L) + (M)	*-17,890*	*-11,666*	*-6,224*
O - Net financial indebtedness (J) + (N)	***-68,339***	***-52,073***	***-16,266***

Short-term financial liabilities include advances from banks that mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

The other short-term financial liabilities principally include the financial payables recorded in the financial statements in accordance with finance lease accounting methodology.

The increase in net financial indebtedness is due to the economic result of the year and to the following events:

- dividends distribution for EUR 710 thousand;
- purchase of treasury shares for EUR 952 thousand on the basis of the plan, approved by the Shareholders' Meeting held on 3 March 2008, for the purchase and use of treasury shares pursuant to art.2357 et seq. of the Italian Civil Code;
- Investments in tangible and intangible fixed assets during the year.

35. Earnings per share

Basic earnings per share

(Values in thousands of EUR)	31 December 2009	31 December 2008
Earnings for the period	-5,171	5,162
Medium number of shares for the period	101,740	106,650
Basic earnings per share	**-0.051**	**0.048**

36. Intercompany transactions

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

The effect of these transactions on the individual captions reported in the 2009 and 2008 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2009	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Financial income (expenses)
Gruppo Moschino	10,134	40	7	3,023	6,642	- 457
Gruppo Pollini	766	2,240	6,070	2	55	340
Gruppo Aeffe Retail	5,805	321		550		125
Ferretti Studio S.r.l.	175	12			4,006	
Velmar S.p.A.	147	29	111	54		
Nuova Stireria Tavoleto S.r.l.	116	11	630	894		
Aeffe Usa Inc.	7,150	13		125		
Aeffe UK L.t.d.	729	27		491	13	
Aeffe France S.a.r.l.	705	10		454		
Fashion Retail S.r.o.	660			400		
Fashoff UK	372	27		448		
Total Group companies	**26,759**	**2,730**	**6,818**	**6,441**	**10,716**	**8**
Total income statement	116,452	5,364	37,392	40,796	14,719	- 2,229
Incidence % on income statement	**23.0%**	**50.9%**	**18.2%**	**15.8%**	**72.8%**	**-0.4%**

COSTS AND REVENUES

(Values in thousands of EUR) Year 2008	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Financial income (expenses)
Gruppo Moschino	12,723	40	151	3,310	8,520	- 765
Gruppo Pollini	1,405	2,215	9,244	14	243	710
Gruppo Aeffe Retail	5,009	353		477		227
Ferretti Studio S.r.l.	197	12			5,694	
Velmar S.p.A.	142	29	25	38		
Nuova Stireria Tavoleto S.r.l.	119	12	513	1,209		
Aeffe Usa Inc.	11,153	8		215		
Aeffe UK L.t.d.	750	18		530	15	
Aeffe France S.a.r.l.	888	7		473		
Fashion Retail S.r.o.			114			
Fashoff UK	503	26		573		
Total Group companies	**32,889**	**2,720**	**10,047**	**6,839**	**14,472**	**172**
Total income statement	154,078	5,944	51,077	52,857	19,831	- 3,565
Incidence % on income statement	**21.3%**	**45.8%**	**19.7%**	**12.9%**	**73.0%**	**-4.8%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2009	Other fixed assets	Trade receivables	Trade payables
Gruppo Moschino	32,772	8,056	29,317
Gruppo Pollini	4,000	19,284	1,300
Gruppo Aeffe Retail	5,200	6,602	1,345
Ferretti Studio S.r.l.		1,609	755
Velmar S.p.A.		176	1,308
Nuova Stireria Tavoleto S.r.l.		365	1,621
Aeffe Usa Inc.		8,418	65
Aeffe UK L.t.d.	357	828	473
Aeffe France S.a.r.l.	2,575	1,249	362
Fashion Retail S.r.o.			191
Ozbek London L.t.d.	188	645	
Narciso Rodriguez LLC		28	188
Total Group companies	**45,092**	**47,260**	**36,925**
Total balance sheet	45,126	53,184	60,866
Incidence % on balance sheet	**99.9%**	**88.9%**	**60.7%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2008	Other fixed assets	Trade receivables	Trade payables
Gruppo Moschino	32,772	11,200	32,048
Gruppo Pollini	4,000	17,377	2,929
Gruppo Aeffe Retail	5,450	3,178	895
Ferretti Studio S.r.l.		975	1,173
Velmar S.p.A.		652	749
Nuova Stireria Tavoleto S.r.l.		321	1,479
Aeffe Usa Inc.		7,227	589
Aeffe UK L.t.d.	333	536	494
Aeffe France S.a.r.l.	4,575	767	400
Fashion Retail S.r.o.	2	64	
Ozbek London L.t.d.			177
Narciso Rodriguez LLC		28	188
Total Group companies	**47,132**	**42,325**	**41,121**
Total balance sheet	47,183	56,862	75,380
Incidence % on balance sheet	**99.9%**	**74.4%**	**54.6%**

37. Transactions with related parties

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

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

(Valori in migliaia di Euro)	31 dicembre 2009	31 dicembre 2008	Natura dell'operazione
Azionista Alberta Ferretti con Società Aeffe S.p.a.			
Contratto cessione patrimonio artistico e collaborazione stilistica	300	300	Costo
Società Ferrim con Società Aeffe S.p.a.			
Affitto immobile	1,409	1,388	Costo
Società Commerciale Valconca con Società Aeffe S.p.a.			
Vendita prodotti	181	190	Ricavo
Costi per servizi	108	87	Costo
Commerciale	662	775	Credito
Commerciale	105	92	Debito

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2009 and 31 December 2008:

(Values in thousands of EUR)	Balance 2009	Value rel. party 2009	%	Balance 2008	Value rel. party 2008	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	116,452	181	0.2%	154,078	190	0.1%
Costs of services	40,796	408	1.0%	52,857	387	0.7%
Costs for use of third party assets	14,719	1,409	9.6%	19,831	1,388	7.0%
Incidence of related party transactions on the balance sheet						
Trade receivables	53,184	662	1.2%	56,862	775	1.4%
Trade payables	60,866	105	0.2%	75,380	92	0.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	-8,802	-1,510	17.2%	-787	-1,721	218.8%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-68,339	-1,510	2.2%	-52,073	-1,721	3.3%

38. Atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064296 dated 28th July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2009.

39. Significant non-recurring events and transactions pursuant to the Consob regulation of 28 July 2006.

In the year 2009 no non-recurring events or transactions have been realised.

40. Guarantees and commitments

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Guarantees given				
- on behalf of Group companies	2,566	3,106	-540	-17.4%
- on behalf of third parties	846	380	466	122.6%
Total	**3,412**	**3,486**	**- 74**	**-2.1%**

41. Contingent liabilities

Fiscal disputes

The Rimini Provincial Tax Commission with ruling no. 101/2/06 filed on 16 December 2006 cancelled notices of assessment 81203T100562 (RG no. 43/05) and 81203T100570 (RG no. 69/05) issued by the Rimini Tax Authorities in November 2004. The issues raised related to the 1999 and 2000 tax years concern costs deemed not allowable and the write-down of the investment in Moschino. The Rimini tax office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners. The Company presented its counter analysis within the legally-prescribed time period. The favourable first-level decision means that further developments in this dispute can be considered in a positive light. The Company is waiting for the date for discussion of the dispute before the Bologna Regional Tax Commission to be set.

The Rimini Provincial Tax Commission with ruling no. 37/02/08 of 28 January 2008, filed on 9 April 2008, cancelled notices of assessment no. 81203T300390/06 and no. 81203T300393/06 issued by the Rimini Tax Authorities in June 2006. The assessments concern tax years 2001 and 2002, and are connected with non-recognition of utilisation of the tax loss achieved during tax period 2000. The Rimini Tax Office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners with notification sent to the company on 29 May 2009. The appellee presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. For this tax dispute as well the company is waiting for the date for discussion of the dispute before the Bologna Regional Tax Commission to be set.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totalling Euro 130 thousand and non-pertinent advertising costs amounting to roughly Euro 580 thousand tied to the disbursement of contributions to subsidiary companies.

The issues raised against the audited company are considered challengeable with sound defensive arguments.

42. Information pursuant to art. 149-duodecies of Consob's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Consob's Issuers' Regulation, shows the fees incurred in 2009 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2009 fees
Audit	MAZARS	75
Total		**75**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I:	List of investments in subsidiary and other companies
ATTACHMENT II:	Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT III:	Stock options granted to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT IV:	Assets Balance Sheet with related parties
ATTACHMENT V:	Liabilities Balance Sheet with related parties
ATTACHMENT VI:	Income Statement with related parties
ATTACHMENT VII:	Cash Flow Statement with related parties
ATTACHMENT VIII:	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2008

ATTACHMENT I

List of investments in subsidiary companies

requested by Consob Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italia**							
Al 31/12/08			8,585,150	-1,376,699	11,742,064	100%	8,585,150	16,493,345
Al 31/12/09			8,585,150	-2,914,892	8,827,172	100%	8,585,150	16,493,345
Ferretti Studio S.r.l.	**S.G. in Marignano (RN) Italia**							
Al 31/12/08			10,400	-544,629	-14,023	100%	n.d. *	10,333
Al 31/12/09			10,400	-1,625,399	-1,614,999	100%	n.d. *	
Moschino S.p.A.	**S.G. in Marignano (RN) Italia**							
Al 31/12/08			20,000,000	6,842,028	34,390,209	70%	14,000,000	14,085,199
Al 31/12/09			20,000,000	1,685,418	36,075,627	70%	14,000,000	14,085,199
Nuova Stireria Tavoleto S.r.l.	**Tavoleto (PU) Italia**							
Al 31/12/08			10,400	183,397	1,106,190	100%	n.d. *	773,215
Al 31/12/09			10,400	98,191	1,204,381	100%	n.d. *	773,215
Pollini S.p.A.	**Gatteo (FC) Italia**							
Al 31/12/08			6,000,000	9,955	23,300,883	72%	4,320,000	40,745,452
Al 31/12/09			6,000,000	-6,066,790	17,234,093	72%	4,320,000	40,745,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italia**							
Al 31/12/08			492,264	146,751	1,690,930	75%	71,550	774,685
Al 31/12/09			492,264	-2,501,865	-810,935	75%	71,550	774,685
Foreign companies								
Aeffe France S.a.r.l.	**Paris (FR)**							
Al 31/12/08			1,550,000	-557,090	318,751	99.9%	n.d. *	2,118,720
Al 31/12/09			1,550,000	-731,240	1,587,511	99.9%	n.d. *	4,118,720
Aeffe UK L.t.d.	**London (GB)**							
Al 31/12/08		GBP	310,000	17,459	434,943	100%		
			325,459	21,920	456,633	100%	n.d. *	478,400
Al 31/12/09		GBP	310,000	-117,829	317,113	100%		
			349,060	-95,527	394,219	100%	n.d. *	478,400
Aeffe USA Inc.	**New York (USA)**							
Al 31/12/08		USD	600,000	-911,600	13,497,304	100%		
			431,127	-619,883	9,698,429	100%	800	10,664,812
Al 31/12/09		USD	600,000	-2,599,176	10,898,128	100%		
			416,493	-1,804,232	7,564,992	100%		10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**							
Al 31/12/08		JPY	3,600,000	-425,800	3,174,200	100%		
			28,540	-3,376	25,164	100%	n.d. *	29,607
Al 31/12/09		JPY	3,600,000	-4,383,076	-1,208,876	100%		
			27,035	-32,916	-9,078	100%	n.d. *	53,637
Total interests in subsidiaries:								**88,187,465**

* quota

List of investments in other companies

requested by Consob Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In other companies								
Conai								
Al 31/12/08								103
Al 31/12/09								103
Caaf Emilia Romagna								
Al 31/12/08						0.688%	5,000	2,582
Al 31/12/09						0.688%	5,000	2,582
Assoform								
Al 31/12/08						1.670%	n.d. *	258
Al 31/12/09						1.670%	n.d. *	258
Consorzio Assoenergia Rimini								
Al 31/12/08						1.620%	n.d. *	517
Al 31/12/09						1.620%	n.d. *	517
Effegidi								
Al 31/12/08								6,000
Al 31/12/09								6,000
Total interests in other companies:								**9,460**
* quota								
Total interests:								**88,196,925**

ATTACHMENT II

Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities (art. 78 of Consob Regulation no. 11971/99)

Name and surname	Appointments held in 2009	Peridod in office	Mandate expiry date *	Emoluments for office	Other remunerations	Total
DIRECTORS						
Massimo Ferretti	Chairman	01/01-31/12/2009	2010	600	255	855
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2009	2010	450	110	560
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2009	2010	250	102	352
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2009	2010	321 **	87	408
Umberto Paolucci	Independent, non-executive Director	01/01-31/12/2009	2010	60		60
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2009	2010	27	3	30
Pierfrancesco Giustiniani	Independent, non-executive Director	01/01-31/12/2009	2010	30		30
STATUTORY AUDITORS						
Fernando Ciotti	President of the Board of Statutory Auditors	01/01-31/12/2009	2010	10	9	19
Bruno Piccioni	Statutory Auditor	01/01-31/12/2009	2010	10	8	18
Vittorio Baiocchi	Statutory Auditor	01/01-31/12/2009	2010	13	19	32
Total				**1,771**	**593**	**2,364**
					(1)	**(2)**

(*) year in which the shareholders' meeting is held to approve the financial statements and at which the mandate expires

(**) includes 30 thousand as director's emoluments and the balance as executive of the Company

(1) includes remuneration for work as employee, emoluments for the compensation committee and emolumentson behalf of subsidiary companies

(2) excludes employer's social security contributions

ATTACHMENT III

Stock options granted to directors, general managers and executives with strategic responsibilities (art. 78 of Consob Regulation no. 11971/99)

Name and Surname	Appointments held in 2008	Options held at 31/12/08			Options granted in 2009			Options exercised in 2009			Expired options	Options held at the end of 2009		
(A)	(B)	N. of options (1)	Average exercise price (2)	Average expiry (3)	N. of options (4)	Average exercise price (5)	Average expiry (6)	N. of options (7)	Average exercise price (8)	Average expiry (9)	N. of options (10)	N. of options (11) = 1+4-7-10	Average exercise price (12)	Average expiry (13)
Massimo Ferretti	Chairman	792,976	4.1	2,010							396,488	396,488	4.1	2,010
Alberta Ferretti	Deputy Chairman and Executive Director	792,976	4.1	2,010							396,488	396,488	4.1	2,010
Simone Badioli	Chif Executive Officer and Executive Director	755,216	4.1	2,010							377,608	377,608	4.1	2,010
Marcello Tassinari	Managing Director and Executive Director	755,216	4.1	2,010							377,608	377,608	4.1	2,010
Other employees of the Company		264,324	4.1	2,010							132,162	132,162	4.1	2,010
Totale		**3,360,708**									**1,680,354**	**1,680,354**		

ATTACHMENT IV

Balance Sheet Assets, with related parties

Pursuant to Consob Resolution no. 15519 dated 27th July 2006

(Values in thousands of EUR)	Notes	31 December 2008	of which related parties	31 December 2007	of which related parties correlate
NON-CURRENT ASSETS					
Intangible fixed assets					
Trademarks		4,155		4,250	
Other intangible fixed assets		51		50	
Total intangible fixed assets	(1)	4,206		4,300	
Tangible fixed assets					
Lands		15,803		15,803	
Buildings		25,115		25,629	
Leasehold improvements		3,690		4,341	
Plant and machinary		5,479		4,877	
Equipment		128		162	
Other tangible fixed assets		732		950	
Total tangible fixed assets	(2)	50,948		51,762	
Other fixed assets					
Equity investments	(3)	88,197	88,187	86,183	86,174
Other fixed assets	(4)	45,126	45,092	47,183	47,132
Deferred tax assets	(5)	5,787		1,904	
Total other fixed assets		139,110		135,271	
TOTAL NON-CURRENT ASSETS		**194,264**		**191,333**	
CURRENT ASSETS					
Stocks and inventories	(6)	25,244		27,536	
Trade receivables	(7)	53,184	47,922	56,862	43,100
Tax receivables	(8)	5,317		6,792	
Cash	(9)	455		674	
Other receivables	(10)	12,575		14,117	
TOTAL CURRENT ASSETS		**96,775**		**105,982**	
TOTAL ASSETS		**291,039**		**297,315**	

ATTACHMENT V

Balance Sheet Liabilities, with related parties

Pursuant to Consob Resolution no. 15519 dated 27th July 2006

(Values in thousands of EUR)	Notes	31 December 2009	of which related parties	31 December 2008	of which related parties correlate
SHAREHOLDERS' EQUITY					
Share capital		25,371		25,767	
Share premium reserve		71,240		71,796	
Other reserves		36,250		31,795	
Fair Value reserve		7,742		7,742	
IAS reserve		1,139		1,139	
Profits / (Losses) carried-forward		2,155		2,155	
Net profit / loss		-5,171		5,162	
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**138,726**		**145,557**	
NON-CURRENT LIABILITIES					
Provisions	(12)	2,305		1,319	
Deferred tax liabilities	(5)	7,768		7,911	
Post employment benefits	(13)	5,345		5,697	
Long term financial liabilities	(14)	17,890		11,666	
Long term not financial liabilities	(15)	0		166	
TOTAL NON-CURRENT LIABILITIES		**33,308**		**26,760**	
CURRENT LIABILITIES					
Trade payables	(16)	60,866	37,030	75,380	41,213
Tax payables	(17)	1,351		1,463	
Short term financial liabilities	(18)	50,904		41,080	
Other liabilities	(19)	5,884		7,075	
TOTAL CURRENT LIABILITIES		**119,005**		**124,998**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**291,039**		**297,315**	

ATTACHMENT VI

Income Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27th July 2006

(Values in thousands of EUR)	Notes	Full year 2009	of which related parties	Full year 2008	of which related parties
REVENUES FROM SALES AND SERVICES	**(20)**	**116,452**	**26,940**	**154,078**	**33,079**
Other revenues and income	(21)	5,364	2,730	5,944	2,720
TOTAL REVENUES		**121,816**		**160,022**	
Changes in inventory		-1,342		6,034	
Costs of raw materials, cons. and goods for resale	(22)	-37,392	-6,818	-51,077	-10,047
Costs of services	(23)	-40,796	-6,849	-52,857	-7,226
Costs for use of third parties assets	(24)	-14,719	-12,125	-19,831	-15,860
Labour costs	(25)	-25,334		-25,019	
Other operating expenses	(26)	-1,498		-2,419	
Total Operating Costs		-121,081		-145,170	
GROSS OPERATING MARGIN (EBITDA)		**734**		**14,853**	
Amortisation of intangible fixed assets		-155		-150	
Depreciation of tangible fixed assets		-2,522		-2,196	
Revaluations (write-downs)		-1,850		-80	
Total Amortisation and write-downs	(27)	-4,527		-2,426	
NET OPERATING PROFIT / LOSS (EBIT)	**-**	**3,793**		**12,426**	
Financial income	(28)	526	465	1,159	937
Financial expenses	(29)	-2,755	-457	-4,725	-765
Total Financial Income / (expenses)		-2,229		-3,566	
PROFIT / LOSS BEFORE TAXES	**-**	**6,022**		**8,861**	
Current income taxes		-335		-3,415	
Deferred income / (expenses) taxes		1,186		-284	
Total Income Taxes	(30)	851		-3,699	
NET PROFIT / LOSS	**-**	**5,171**		**5,162**	

ATTACHMENT VII

Cash Flow Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27th July 2006

(Values in thousands of EUR)	Notes		Full Year 2009	of which related parties
OPENING BALANCE			**673**	
Profit before taxes			-6,022	
Amortisation			4,527	
Accrual (+)/availment (-) of long term provisions and post employment benefits			634	
Paid income taxes			-447	
Financial income (-) and financial charges (+)			2,229	
Change in operating assets and liabilities			-9,723	-9,005
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**-**	**8,802**	
Increase (-)/ decrease (+) in intangible fixed assets			-61	
Increase (-)/ decrease (+) in tangible fixed assets			-1,708	
Investments (-)/ Disinvestments (+)			-3,863	-2,013
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**-**	**5,633**	
Other variations in reserves and profits carried-forward of shareholders' equity			-949	
Dividends paid			-710	
Proceeds (+)/repayment (-) of financial payments			16,047	
Increase (-)/ decrease (+) in long term financial receivables			2,057	2,040
Financial income (+) and financial charges (-)			-2,229	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**		**14,216**	
CLOSING BALANCE			**454**	

ATTACHMENT VIII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2008

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2008	STATUTORY FINANCIAL STATEMENTS 2007
BALANCE SHEET		
ASSETS		
Intangible fixed assets	9,091	9,883
Equity investments	70,638,590	69,238,590
Non current assets	**70,647,681**	**69,248,473**
Trade receivables	544,646	13,817
Tax receivables	7,000,000	
Cash	450,573	13,972
Current assets	**7,995,219**	**27,789**
Total assets	**78,642,900**	**69,276,262**
LIABILITIES		
Share capital	100,000	100,000
Share premium reserve	67,783,322	67,783,322
Profits (Losses) carried-forward	-15,912	
Net profit	47,037	-15,912
Shareholders' equity	**67,914,447**	**67,867,410**
Long term financial liabilities	10,500,000	1,372,289
Non-current liabilities	**10,500,000**	**1,372,289**
Trade payables	228,453	36,563
Current liabilities	**228,453**	**36,563**
Total shareholders' equity and liabilities	**78,642,900**	**69,276,262**
INCOME STATEMENT		
Other revenues and income	500,000	
Total revenues	**500,000**	**-**
Operating costs	-592,856	-10,099
Amortisation and write-downs	-2,932	-2,504
Provisions	-1,338	-904
Financial income (expenses)	-102,873	-8,441
Profit (loss) from affiliates	802,800	
Financial assets adjustments	-600,000	
Profit before taxes	**2,801**	**- 21,948**
Income taxes	44,236	6,036
Net profit	**47,037**	**- 15,912**

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

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

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

of the administrative and accounting procedures applied in the preparation of the financial statements at 31 December 2009.

The undersigned also certify that the financial statements:

a) correspond to the results documented in the books, accounting and other records;

b) have been prepared in accordance with International Financial Reporting Standards by the European Union, as well as with the provisions issued in implementation of art.9 of the D.Lgs N. 38/2005, and based on their knowledge, fairly and correctly present the financial condition, results of operations and cash flows of the issuer.

11 March 2010

President of the board of directors	Manager responsible for preparing Aeffe S.p.A. financial reports
Massimo Ferretti	Marcello Tassinari