



**AEFFE**

**INTERIM FINANCIAL STATEMENT AT 30 SEPTEMBER 2018**

*Disclaimer*

*This Interim financial statement has been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.*

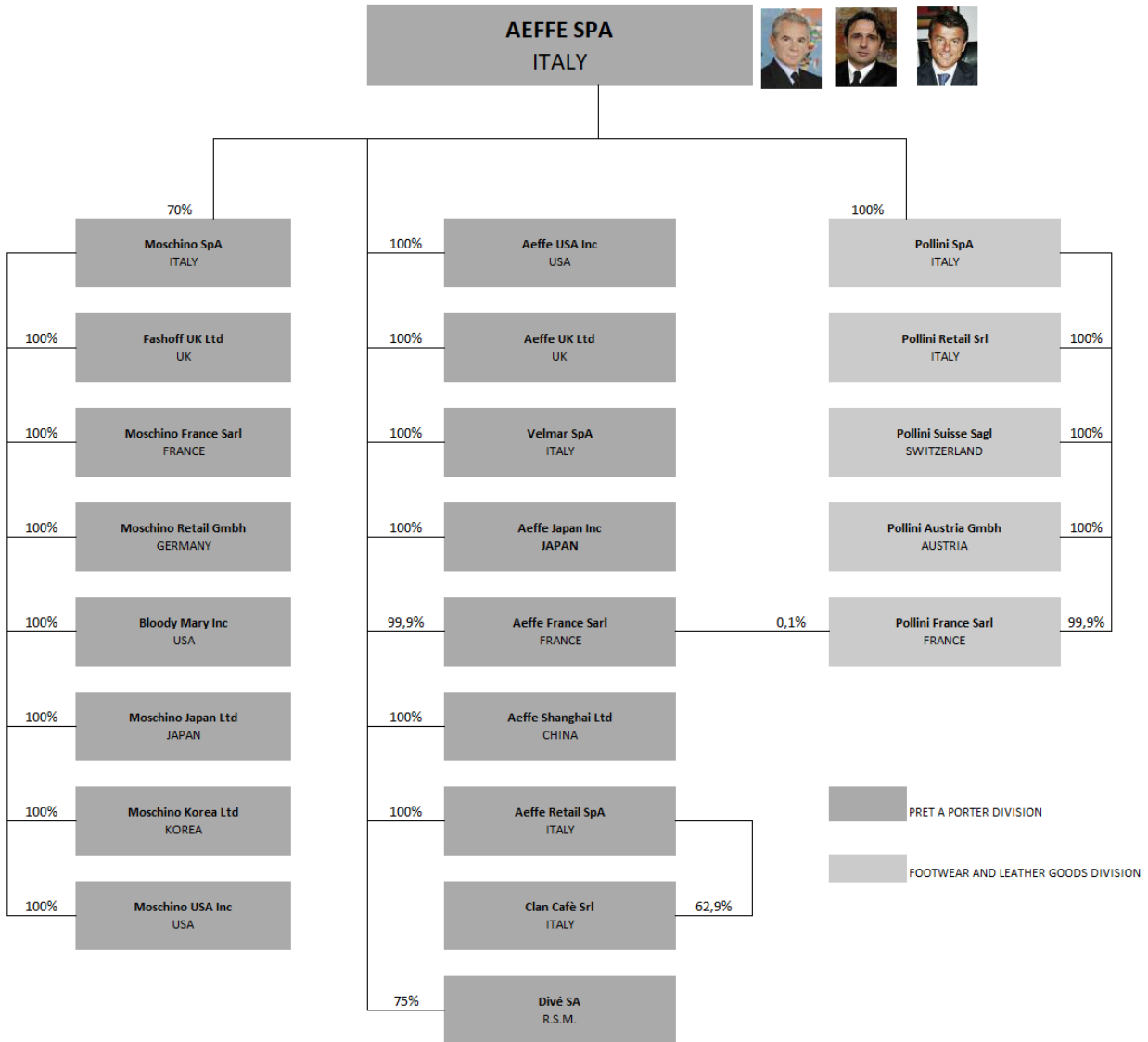
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# Corporate Boards of the Parent Company

Board of Directors	<b>Chairman</b> Massimo Ferretti
	<b>Deputy Chairman</b> Alberta Ferretti
	<b>Chief Executive Officer</b> Simone Badioli
	<b>Directors</b> Marcello Tassinari – Managing Director Roberto Lugano Daniela Saitta Sabrina Borocci Alessandro Bonfiglioli
Board of Statutory Auditors	<b>President</b> Angelo Miglietta
	<b>Statutory Auditors</b> Fernando Ciotti Carla Trotti
	<b>Alternate Auditors</b> Nevio Dalla Valle Daniela Elvira Bruno
Board of Compensation Committee	<b>President</b> Daniela Saitta
	<b>Members</b> Roberto Lugano Sabrina Borocci
Board of Internal Control Committee	<b>President</b> Roberto Lugano
	<b>Members</b> Daniela Saitta Alessandro Bonfiglioli

# Organisation chart



## Brands portfolio

**AEFFE**

Clothing - Accessories

**ALBERTA FERRETTI**

**PHILOSOPHY**  
DI  
LORENZO SERAFINI

**MOSCHINO®**

**BOUTIQUE  
MOSCHINO**

NEW YORK  
**JEREMY  
SCOTT**  
BEVERLY HILLS

**CEDRIC CHARLIER**

**POLLINI**

Footwear – Leather goods

**MOSCHINO**

Licences – Design

**VELMAR**

Beachwear - Lingerie

**POLLINI**

**MOSCHINO®**

**LOVE  
MOSCHINO**

**MOSCHINO®**

**BOUTIQUE  
MOSCHINO**

**LOVE  
MOSCHINO**

**MOSCHINO®**

**FOLIES**  
BLUGIRL

## Headquarters

### **AEFFE**

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

### **MOSCHINO**

Via San Gregorio, 28  
20124 - Milan  
Italy

### **POLLINI**

Via Erbosa I° tratto, 92  
47030 - Gatteo (FC)  
Italy

### **VELMAR**

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



## Showrooms

### MILAN

(FERRETTI – PHILOSOPHY – POLLINI – CEDRIC CHARLIER)

Via Donizetti, 48  
20122 - Milan  
Italy

### MILAN

(MOSCHINO)  
Via San Gregorio, 28  
20124 - Milan  
Italy

### LONDON

(FERRETTI – PHILOSOPHY – MOSCHINO)

28-29, Conduit Street  
W1S 2YB - London  
UK

### MILAN

(LOVE MOSCHINO)  
Via Settembrini, 1  
20124 - Milan  
Italy

### PARIS

(FERRETTI - MOSCHINO – PHILOSOPHY)

43, Rue due Faubourg Saint Honoré  
75008 - Paris  
France

### PARIS

(CEDRIC CHARLIER)  
28, Rue de Sevigne  
75004 - Paris  
France

### NEW YORK

(GROUP)

30, West 56th Street  
10019 - New York  
USA



## Main flagshipstore locations under direct management

### **ALBERTA FERRETTI**

Milan  
Rome  
Capri  
Paris  
London  
Shanghai

### **POLLINI**

Milan  
Venice  
Bolzano  
Varese

### **SPAZIO A**

Florence  
Venice

### **MOSCHINO**

Milan  
Rome  
Capri  
Paris  
London  
Los Angeles  
New York  
Seoul  
Pusan  
Daegu





## Main economic-financial data

		9 M	9 M
		2017	2018
Total revenues	(Values in millions of EUR)	237.5	267.9
Gross operating margin (EBITDA)	(Values in millions of EUR)	30.4	37.1
Net operating profit (EBIT)	(Values in millions of EUR)	21.6	27.7
Profit before taxes	(Values in millions of EUR)	18.6	27.0
Net profit for the Group	(Values in millions of EUR)	11.9	16.1
Basic earnings per share	(Values in units of EUR)	0.117	0.159
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	20.7	25.7
Cash Flow/Total revenues	Ratio	8.7	9.6

\* EBITDA is represented by operating profit before provisions and depreciation. EBITDA thus defined is a measure used by management to monitor and evaluate the operational performance and is not identified as an accounting measure under both Italian Accounting Principles and IFRS and therefore should not be considered an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by applicable accounting standards, the criteria used by the Group might not be consistent with that adopted by others and therefore may not be comparable.

		31 December	30 September	31 December	30 September
		2016	2017	2017	2018
Net capital invested	(Values in millions of EUR)	227.6	245.4	229.0	235.4
Net financial indebtedness	(Values in millions of EUR)	59.5	66.1	50.6	39.1
Group net equity	(Values in millions of EUR)	135.8	146.9	146.1	163.0
Group net equity per share	(Values in units of EUR)	1.3	1.4	1.4	1.5
Current assets/Current liabilities	Ratio	1.8	2.3	1.9	2.0
Current assets less invent./Current liabilities (ACID Test)	Ratio	0.8	1.1	0.8	0.9
Net financial indebtedness/Net equity	Ratio	0.4	0.4	0.3	0.2

## Financial statements

### Income statement at 30 September

(Values in units of EUR)	Notes	9 M 2018	% on revenues	9 M 2017	% on revenues	Change	%
<b>REVENUES FROM SALES AND SERVICES</b>	(1)	<b>264,616,404</b>	<b>100.0%</b>	<b>234,973,494</b>	<b>100.0%</b>	<b>29,642,910</b>	<b>12.6%</b>
Other revenues and income		3,280,079	1.2%	2,572,852	1.1%	707,227	27.5%
<b>TOTAL REVENUES</b>		<b>267,896,483</b>	<b>101.2%</b>	<b>237,546,346</b>	<b>101.1%</b>	<b>30,350,137</b>	<b>12.8%</b>
Changes in inventory		(2,237,105)	(0.8%)	1,872,757	0.8%	(4,109,862)	(219.5%)
Costs of raw materials, cons. and goods for resale		(82,998,159)	(31.4%)	(74,940,985)	(31.9%)	(8,057,174)	10.8%
Costs of services		(73,167,381)	(27.7%)	(65,236,028)	(27.8%)	(7,931,353)	12.2%
Costs for use of third parties assets		(19,447,966)	(7.3%)	(17,682,410)	(7.5%)	(1,765,556)	10.0%
Labour costs		(50,404,264)	(19.0%)	(47,770,281)	(20.3%)	(2,633,983)	5.5%
Other operating expenses		(2,520,042)	(1.0%)	(3,354,932)	(1.4%)	834,890	(24.9%)
<b>Total Operating Costs</b>		<b>(230,774,917)</b>	<b>(87.2%)</b>	<b>(207,111,879)</b>	<b>(88.1%)</b>	<b>(23,663,038)</b>	<b>11.4%</b>
<b>GROSS OPERATING MARGIN (EBITDA)</b>	(2)	<b>37,121,566</b>	<b>14.0%</b>	<b>30,434,467</b>	<b>13.0%</b>	<b>6,687,099</b>	<b>22.0%</b>
Amortisation of intangible fixed assets		(4,827,857)	(1.8%)	(4,934,753)	(2.1%)	106,896	(2.2%)
Depreciation of tangible fixed assets		(3,876,376)	(1.5%)	(3,730,465)	(1.6%)	(145,911)	3.9%
Revaluations/(write-downs) and provisions		(719,563)	(0.3%)	(167,140)	(0.1%)	(552,423)	330.5%
<b>Total Amortisation, write-downs and provisions</b>		<b>(9,423,796)</b>	<b>(3.6%)</b>	<b>(8,832,358)</b>	<b>(3.8%)</b>	<b>(591,438)</b>	<b>6.7%</b>
<b>NET OPERATING PROFIT/LOSS (EBIT)</b>		<b>27,697,770</b>	<b>10.5%</b>	<b>21,602,109</b>	<b>9.2%</b>	<b>6,095,661</b>	<b>28.2%</b>
Financial income		479,751	0.2%	1,295,261	0.6%	(815,510)	(63.0%)
Financial expenses		(1,170,195)	(0.4%)	(4,326,874)	(1.8%)	3,156,679	(73.0%)
<b>Total Financial Income/(expenses)</b>		<b>(690,444)</b>	<b>(0.3%)</b>	<b>(3,031,613)</b>	<b>(1.3%)</b>	<b>2,341,169</b>	<b>(77.2%)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>27,007,326</b>	<b>10.2%</b>	<b>18,570,496</b>	<b>7.9%</b>	<b>8,436,830</b>	<b>45.4%</b>
Taxes		(9,988,586)	(3.8%)	(6,530,268)	(2.8%)	(3,458,318)	53.0%
<b>NET PROFIT/LOSS</b>		<b>17,018,740</b>	<b>6.4%</b>	<b>12,040,228</b>	<b>5.1%</b>	<b>4,978,512</b>	<b>41.3%</b>
(Profit)/loss attributable to minority shareholders		(928,377)	(0.4%)	(131,337)	(0.1%)	(797,040)	606.9%
<b>NET PROFIT/LOSS FOR THE GROUP</b>	(3)	<b>16,090,363</b>	<b>6.1%</b>	<b>11,908,891</b>	<b>5.1%</b>	<b>4,181,472</b>	<b>35.1%</b>
Basic earnings per share	(4)	0.159		0.117			
Dilutive earnings per share	(4)	0.159		0.117			

## Income statement for the third quarter

(Values in units of EUR)	Notes	III Q 2018	% on revenues	III Q 2017	% on revenues	Change	%
<b>REVENUES FROM SALES AND SERVICES</b>	(1)	<b>93,516,740</b>	<b>100.0%</b>	<b>85,020,528</b>	<b>100.0%</b>	<b>8,496,212</b>	<b>10.0%</b>
Other revenues and income		972,516	1.0%	1,183,367	1.4%	( 210,851)	(17.8%)
<b>TOTAL REVENUES</b>		<b>94,489,256</b>	<b>101.0%</b>	<b>86,203,895</b>	<b>101.4%</b>	<b>8,285,361</b>	<b>9.6%</b>
Changes in inventory		( 2,162,829)	(2.3%)	( 446,839)	(0.5%)	( 1,715,990)	384.0%
Costs of raw materials, cons. and goods for resale		( 28,130,116)	(30.1%)	( 25,289,616)	(29.7%)	( 2,840,500)	11.2%
Costs of services		( 23,889,521)	(25.5%)	( 22,677,060)	(26.7%)	( 1,212,461)	5.3%
Costs for use of third parties assets		( 6,814,464)	(7.3%)	( 6,145,936)	(7.2%)	( 668,528)	10.9%
Labour costs		( 16,567,741)	(17.7%)	( 15,329,010)	(18.0%)	( 1,238,731)	8.1%
Other operating expenses		( 771,780)	(0.8%)	( 1,375,354)	(1.6%)	603,574	(43.9%)
<b>Total Operating Costs</b>		<b>( 78,336,451)</b>	<b>(83.8%)</b>	<b>( 71,263,815)</b>	<b>(83.8%)</b>	<b>( 7,072,636)</b>	<b>9.9%</b>
<b>GROSS OPERATING MARGIN (EBITDA)</b>	(2)	<b>16,152,805</b>	<b>17.3%</b>	<b>14,940,080</b>	<b>17.6%</b>	<b>1,212,725</b>	<b>8.1%</b>
Amortisation of intangible fixed assets		( 1,602,688)	(1.7%)	( 1,613,619)	(1.9%)	10,931	(0.7%)
Depreciation of tangible fixed assets		( 1,347,351)	(1.4%)	( 1,243,886)	(1.5%)	( 103,465)	8.3%
Revaluations/(write-downs) and provisions		( 49,918)	(0.1%)	( 73,299)	(0.1%)	23,381	(31.9%)
<b>Total Amortisation, write-downs and provisions</b>		<b>( 2,999,957)</b>	<b>(3.2%)</b>	<b>( 2,930,804)</b>	<b>(3.4%)</b>	<b>( 69,153)</b>	<b>2.4%</b>
<b>NET OPERATING PROFIT/LOSS (EBIT)</b>		<b>13,152,848</b>	<b>14.1%</b>	<b>12,009,276</b>	<b>14.1%</b>	<b>1,143,572</b>	<b>9.5%</b>
Financial income		192,391	0.2%	276,741	0.3%	( 84,350)	(30.5%)
Financial expenses		( 264,170)	(0.3%)	( 1,110,399)	(1.3%)	846,229	(76.2%)
<b>Total Financial Income/(expenses)</b>		<b>( 71,779)</b>	<b>(0.1%)</b>	<b>( 833,658)</b>	<b>(1.0%)</b>	<b>761,879</b>	<b>(91.4%)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>13,081,069</b>	<b>14.0%</b>	<b>11,175,618</b>	<b>13.1%</b>	<b>1,905,451</b>	<b>17.1%</b>
Taxes		( 4,422,881)	(4.7%)	( 3,691,193)	(4.3%)	( 731,688)	19.8%
<b>NET PROFIT/LOSS</b>		<b>8,658,188</b>	<b>9.3%</b>	<b>7,484,425</b>	<b>8.8%</b>	<b>1,173,763</b>	<b>15.7%</b>
(Profit)/loss attributable to minority shareholders		( 843,996)	(0.9%)	( 193,403)	(0.2%)	( 650,593)	336.4%
<b>NET PROFIT/LOSS FOR THE GROUP</b>	(3)	<b>7,814,192</b>	<b>8.4%</b>	<b>7,291,022</b>	<b>8.6%</b>	<b>523,170</b>	<b>7.2%</b>

## Reclassified balance sheet

(Values in units of EUR)	Notes	30 September 2018	31 December 2017	30 September 2017
Trade receivables		48,468,675	42,064,915	50,627,137
Stocks and inventories		96,556,700	97,817,891	91,884,436
Trade payables		(60,750,520)	(68,618,776)	(53,553,114)
<b>Operating net working capital</b>	<b>(5)</b>	<b>84,274,855</b>	<b>71,264,030</b>	<b>88,958,459</b>
Other short term receivables		29,426,565	26,914,468	26,626,430
Tax receivables		7,668,571	5,411,024	2,940,427
Derivative assets		-	-	-
Other short term liabilities		(18,447,355)	(17,642,193)	(16,939,190)
Tax payables		(12,510,267)	(3,611,468)	(5,759,411)
Derivative liabilities		(6,315)	(997,532)	-
<b>Net working capital</b>		<b>90,406,054</b>	<b>81,338,329</b>	<b>95,826,715</b>
Tangible fixed assets		59,641,980	59,104,297	60,086,705
Intangible fixed assets		105,331,743	109,678,612	111,179,468
Equity investments		131,558	131,558	131,558
Other fixed assets		3,138,172	3,564,214	3,324,621
<b>Fixed assets</b>	<b>(6)</b>	<b>168,243,453</b>	<b>172,478,681</b>	<b>174,722,352</b>
Post employment benefits		(5,665,450)	(5,916,166)	(6,047,103)
Provisions		(2,519,524)	(2,415,237)	(2,436,095)
Assets available for sale		436,885	436,885	436,885
Long term not financial liabilities		(695,924)	(787,692)	(471,152)
Deferred tax assets		15,094,881	14,335,779	13,944,734
Deferred tax liabilities		(29,944,589)	(30,436,700)	(30,603,337)
<b>NET CAPITAL INVESTED</b>		<b>235,355,786</b>	<b>229,033,879</b>	<b>245,372,999</b>
Share capital		25,371,407	25,371,407	25,371,407
Other reserves		123,228,952	116,229,168	116,529,898
Profits/(Losses) carried-forward		(1,663,268)	(6,957,390)	(6,956,308)
Profit/(Loss) of the period		16,090,363	11,490,343	11,908,891
<b>Group interest in shareholders' equity</b>		<b>163,027,454</b>	<b>146,133,528</b>	<b>146,853,888</b>
Minority interests in shareholders' equity		33,235,317	32,306,940	32,429,531
<b>Total shareholders' equity</b>	<b>(7)</b>	<b>196,262,771</b>	<b>178,440,468</b>	<b>179,283,419</b>
Short term financial receivables		(1,420,000)	(1,420,000)	(2,236,173)
Cash		(28,444,400)	(22,808,913)	(14,937,148)
Long term financial liabilities		15,620,442	22,079,795	24,964,974
Long term financial receivables		(2,270,726)	(2,591,605)	(2,635,189)
Short term financial liabilities		55,607,699	55,334,134	60,933,116
<b>NET FINANCIAL POSITION</b>	<b>(8)</b>	<b>39,093,015</b>	<b>50,593,411</b>	<b>66,089,580</b>
<b>SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS</b>		<b>235,355,786</b>	<b>229,033,879</b>	<b>245,372,999</b>

## Cash flow

(Values in thousands of EUR)	Notes	9 M 2018	9 M 2017
<b>OPENING BALANCE</b>		<b>22,809</b>	<b>14,521</b>
Profit / loss before taxes		27,007	18,570
Amortisation / write-downs		9,275	8,665
Accrual (+) / availment (-) of long term provisions and post employment benefits		( 146)	( 442)
Paid income taxes		( 2,341)	( 8,618)
Financial income (-) and financial charges (+)		690	3,032
Change in operating assets and liabilities		( 18,058)	( 21,145)
<b>CASH FLOW (ABSORBED) / GENERATED BY OPERATING ACTIVITY</b>		<b>16,427</b>	<b>62</b>
Increase (-) / decrease (+) in intangible fixed assets		( 1,030)	( 982)
Increase (-) / decrease (+) in tangible fixed assets		( 4,436)	( 2,441)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-	-
<b>CASH FLOW (ABSORBED) / GENERATED BY INVESTING ACTIVITY</b>		<b>( 5,466)</b>	<b>( 3,423)</b>
Other variations in reserves and profits carried-forward of shareholders'equity		804	( 826)
Dividends paid		-	-
Increase (+) / decrease (-) of financial liabilities		( 6,186)	6,243
Increase (-) / decrease (+) of financial receivables		746	1,392
Financial income (+) and financial charges (-)		( 690)	( 3,032)
<b>CASH FLOW (ABSORBED) / GENERATED BY FINANCING ACTIVITY</b>		<b>( 5,326)</b>	<b>3,777</b>
<b>CLOSING BALANCE</b>		<b>28,444</b>	<b>14,937</b>

## Changes in shareholders' equity

(Values in thousands of EUR)

	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(Losses) carried-forward	Reassessment of defined benefit plans reserve	Net profit / loss for the Group	Translation reserve	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
At January 1, 2017	25,371	71,240		27,435	7,901	11,459	(8,883)	(1,130)	3,641	(1,262)	135,772	32,298	168,070
Allocation of 31/12/16 profit/(loss)	-	-		1,715	-		1,926	-	(3,641)	-	-	-	-
Dividends paid	-	-		-	-	-	-	-	-	-	-	-	-
Treasury stock (buy-back)/ sale	-	-		-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/09/17	-	-		-	-	-	-	-	11,909	(827)	11,082	131	11,213
Other changes	-	-		-	-	-	-	-	-	-	-	-	-
At September 30, 2017	25,371	71,240	-	29,150	7,901	11,459	(6,957)	(1,130)	11,909	(2,089)	146,854	32,429	179,283

(Values in thousands of EUR)

	Share capital	Share premium reserve	Cash flow reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(Losses) carried-forward	Reassessment of defined benefit plans reserve	Net profit / loss for the Group	Translation reserve	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
At December 31, 2017	25,371	71,240		29,150	7,901	11,459	(6,957)	(1,173)	11,490	(2,348)	146,133	32,307	178,440
Effects deriving from the application of IFRS 9			(621)				621						
At January 1, 2018	25,371	71,240	(621)	29,150	7,901	11,459	(6,336)	(1,173)	11,490	(2,348)	146,133	32,307	178,440
Allocation of 31/12/17 profit/(loss)	-	-		6,817	-	-	4,673	-	(11,490)	-	-	-	-
Dividends paid	-	-		-	-	-	-	-	-	-	-	-	-
Treasury stock (buy-back)/ sale	-	-		-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/09/18	-	-	617	-	-	-	-	-	16,090	188	16,895	928	17,823
Other changes	-	-		-	-	-	-	-	-	-	-	-	-
At September 30, 2018	25,371	71,240	(4)	35,967	7,901	11,459	(1,663)	(1,173)	16,090	(2,160)	163,028	33,235	196,263

## Interim management report

In the first nine months of 2018, revenues from sales and services are equal to EUR 264,616 thousand with an increase of 12.6%, at current exchange rates and +13.1% at constant exchange rates, compared to EUR 234,973 thousand in the first nine months of 2017.

In the first nine months of 2018, revenues of the prêt-à-porter division increase by 12.8% (+13.5% at constant exchange rates) to EUR 202,957 thousand, while revenues of the footwear and leather goods division increase by 10.7%, before inter-divisional eliminations, to EUR 88,651 thousand.

In the first nine months of 2018 consolidated EBITDA is equal to EUR 37,122 thousand (with an incidence of 14.0% of consolidated sales), compared to EUR 30,434 thousand in the first nine months of 2017 (13.0% of total sales).

The improvement in profitability is mainly driven by sales growth of both divisions.

In particular, EBITDA of the *prêt-à-porter* division is equal to EUR 26,044 thousand (representing the 12.8% of sales) compared to EUR 21,657 thousand in the first nine months of 2017 (representing the 12.0% of sales).

EBITDA of the Footwear and leather goods division amounts to EUR 11,078 thousand (12.5% of sales) compared to EUR 8,777 thousand in the first nine months of 2017 (11.0% of sales), with a EUR 2,301 thousand increase.

Consolidated EBIT amounts to EUR 27,698 thousand, showing an increase of EUR 6,096 thousand compared to an EBIT of EUR 21,602 thousand in the first nine months of 2017. The increase reflects the growth in EBITDA.

In the first nine months of 2018, financial charges amount to EUR 690 thousand compared to EUR 3,032 thousand in the first nine months of 2017 and the decrease is mainly driven by the reduction of both bank charges and foreign exchange losses.

The Group post a Net Profit of EUR 16,090 thousand, compared to a net profit of EUR 11,909 thousand in the first nine months of 2017, with an increase of 4,181 thousand.

Compared to 31 December 2017, the balance sheet at 30 September 2018 shows an increase in shareholders' equity from EUR 178,440 thousand to EUR 196,263 thousand. The main variation is due to the economic result of the period.

At 30 September 2018, operating net working capital amounts to EUR 84,275 thousand (24.6% of LTM sales) compared to EUR 71,264 thousand at 31 December 2017 (22.8% of LTM sales) and to EUR 88,958 thousand at 30 September 2017 (29.5% of LTM sales).

Fixed assets decrease by EUR 4,235 thousand from December 31, 2017 to September 30, 2018.

## Explanatory notes

### Income statement

#### 1. Revenues from sales and services

##### *Nine months 2018 vs 2017*

In the first nine months of 2018, revenues from sales and services are equal to EUR 264,616 thousand with an increase of 12.6%, at current exchange rates and +13.1% at constant exchange rates, compared to EUR 234,973 thousand in the first nine months of 2017.

#### Sales by brand

(Values in thousands of EUR)	9 M		9 M		Change	
	2018	%	2017	%	Δ	%
Alberta Ferretti	25,057	9.5%	23,566	10.0%	1,491	6.3%
Philosophy	14,670	5.5%	12,987	5.5%	1,683	13.0%
Moschino	189,997	71.8%	163,405	69.5%	26,592	16.3%
Pollini	27,157	10.3%	26,439	11.3%	718	2.7%
Other	7,735	2.9%	8,576	3.7%	( 841)	(9.9%)
<b>Total</b>	<b>264,616</b>	<b>100.0%</b>	<b>234,973</b>	<b>100.0%</b>	<b>29,643</b>	<b>12.6%</b>

In the first nine months of 2018, Alberta Ferretti brand increases by 6.3% (+6.8% at constant exchange rates), generating 9.5% of consolidated sales, while Philosophy brand increases by 13.0% (+13.8% at constant exchange rates), generating 5.5% of consolidated sales.

In the same period, Moschino brand sales increase by 16.3% (+16.8% at constant exchange rates) contributing to 71.8% of consolidated sales.

Pollini brand increases by 2.7% (+2.9% at constant exchange rates), generating 10.3% of consolidated sales, while the other brands sales decrease by 9.9% (-8.4% at constant exchange rates) contributing to 2.9% of consolidated sales.

#### Sales by geographical area

(Values in thousands of EUR)	9 M		9 M		Change	
	2018	%	2017	%	Δ	%
Italy	128,923	48.7%	115,958	49.3%	12,965	11.2%
Europe (Italy and Russia excluded)	53,675	20.3%	48,849	20.8%	4,826	9.9%
Russia	7,290	2.8%	7,161	3.0%	129	1.8%
United States	13,330	5.0%	14,794	6.3%	( 1,464)	(9.9%)
Rest of the World	61,398	23.2%	48,211	20.6%	13,187	27.4%
<b>Total</b>	<b>264,616</b>	<b>100.0%</b>	<b>234,973</b>	<b>100.0%</b>	<b>29,643</b>	<b>12.6%</b>

In the first nine months of 2018 sales in Italy, amounting to 48.7% of consolidated sales, register a positive trend increasing by 11.2% to EUR 128,923 thousand, thanks to organic growth both of wholesale and retail channel.



Sales in Europe, that amount to EUR 53,675 thousand, increase by 9.9% (+10.0% at constant exchange rates), contributing to 20.3% of consolidated sales, growth mostly driven by good performance in the UK, Germany, France and Eastern Europe, while the Russian market records sales equal to EUR 7,290 thousand, contributing to 2.8% of consolidated sales, with an increase of 1.8% compared to the corresponding period of 2017.

Sales in the United States are equal to EUR 13,330 thousand, contributing to 5.0% of consolidated sales, posting in the period a decrease of 9.9% (-4.4% at constant exchange rates).

In the Rest of the World, sales are equal to EUR 61,398 thousand, contributing to 23.2% of consolidated sales, with an increase of 27.4% (+27.9% at constant exchange rates) compared to the corresponding period of 2017, mainly thanks to the excellent trend in Far East, that increased by 38%.

### Sales by distribution channel

(Values in thousands of EUR)	9 M		9 M		Change	
	2018	%	2017	%	Δ	%
Wholesale	190,440	72.0%	164,429	70.0%	26,011	15.8%
Retail	65,670	24.8%	63,234	26.9%	2,436	3.9%
Royalties	8,506	3.2%	7,310	3.1%	1,196	16.4%
<b>Total</b>	<b>264,616</b>	<b>100.0%</b>	<b>234,973</b>	<b>100.0%</b>	<b>29,643</b>	<b>12.6%</b>

By distribution channel in the first nine months of 2018, wholesale sales increase by 15.8% (+16.4% at constant exchange rates) contributing to 72.0% of consolidated sales.

Sales of our directly-operated stores (retail channel) amount to EUR 65,670 thousand with an increase of 3.9% (+4.2% at constant exchange rates) contributing to 24.8% of consolidated sales.

Royalty income is 16.4% higher than in the corresponding period of the previous year, representing 3.2% of consolidated sales.

### Third quarter 2018 vs 2017

In the third quarter of 2018, revenues from sales and services are equal to EUR 93,516 thousand with an increase of 10.0% compared with EUR 85,020 thousand in the third quarter of 2017.

### Sales by brand

(Values in thousands of EUR)	III Q		III Q		Change	
	2018	%	2017	%	Δ	%
Alberta Ferretti	8,104	8.7%	7,791	9.2%	313	4.0%
Philosophy	5,109	5.5%	4,493	5.3%	616	13.7%
Moschino	67,688	72.4%	58,618	68.9%	9,070	15.5%
Pollini	10,036	10.7%	10,766	12.7%	( 730)	(6.8%)
Other	2,579	2.7%	3,352	3.9%	( 773)	(23.1%)
<b>Total</b>	<b>93,516</b>	<b>100.0%</b>	<b>85,020</b>	<b>100.0%</b>	<b>8,496</b>	<b>10.0%</b>

In the third quarter of 2018, Alberta Ferretti brand increases by 4.0% generating 8.7% of consolidated sales, while Philosophy brand increases by 13.7% generating 5.5% of consolidated sales.

In the same period, Moschino brand sales increase by 15.5% contributing to 72.4% of consolidated sales.

Pollini brand decreases by 6.8% generating 10.7% of consolidated sales, while the other brands sales decrease by 23.1% contributing to 2.7% of consolidated sales.

### Sales by geographical area

(Values in thousands of EUR)	III Q		III Q		Change	
	2018	%	2017	%	Δ	%
Italy	47,753	51.1%	43,907	51.6%	3,846	8.8%
Europe (Italy and Russia excluded)	17,550	18.8%	16,921	19.9%	629	3.7%
Russia	2,105	2.3%	2,610	3.1%	( 505)	(19.3%)
United States	4,328	4.6%	5,059	6.0%	( 731)	(14.4%)
Rest of the World	21,780	23.2%	16,523	19.4%	5,257	31.8%
<b>Total</b>	<b>93,516</b>	<b>100.0%</b>	<b>85,020</b>	<b>100.0%</b>	<b>8,496</b>	<b>10.0%</b>

In the third quarter of 2018 sales in Italy increase by 8.8% to EUR 47,753 thousand, contributing to 51.1% of consolidated sales.

Sales in Europe increase by 3.7% contributing to 18.8% of consolidated sales, while the Russian market records sales equal to EUR 2,105 thousand, contributing to 2.3% of consolidated sales, with a decrease of 19.3%. Sales in the United States are equal to EUR 4,328 thousand, contributing to 4.6% of consolidated sales, with a decrease of 14.4%.

In the Rest of the World, sales are equal to EUR 21,780 thousand with an increase of 31.8% and a contribution of 23.2% of consolidated sales.

### Sales by distribution channel

(Values in thousands of EUR)	III Q		III Q		Change	
	2018	%	2017	%	Δ	%
Wholesale	66,551	71.2%	59,187	69.6%	7,364	12.4%
Retail	23,489	25.1%	23,216	27.3%	273	1.2%
Royalties	3,476	3.7%	2,617	3.1%	859	32.8%
<b>Total</b>	<b>93,516</b>	<b>100.0%</b>	<b>85,020</b>	<b>100.0%</b>	<b>8,496</b>	<b>10.0%</b>

By distribution channel in the third quarter of 2018, wholesale sales increase by 12.4% contributing to 71.2% of consolidated sales.

Sales of our directly-operated stores (retail channel) amount to EUR 23,489 thousand with an increase of 1.2% contributing to 25.1% of consolidated sales.

Royalty income is 32.8% higher than in the corresponding period of the previous year, representing 3.7% of consolidated sales.

## 2. Gross Operating Margin (EBITDA)

### *Nine months 2018 vs 2017*

In the first nine months of 2018 consolidated EBITDA is equal to EUR 37,122 thousand (with an incidence of 14.0% of consolidated sales), compared to EUR 30,434 thousand in the first nine months of 2017 (13.0% of total sales).

The improvement in profitability is mainly driven by sales growth of both divisions.

EBITDA of the *prêt-à-porter* division is equal to EUR 26,044 thousand (representing the 12.8% of sales) compared to EUR 21,657 thousand in the first nine months of 2017 (representing the 12.0% of sales).

EBITDA of the Footwear and leather goods division amounts to EUR 11,078 thousand (12.5% of sales) compared to EUR 8,777 thousand in the first nine months of 2017 (11.0% of sales), with a EUR 2,301 thousand increase.

### *Third quarter 2018 vs 2017*

In the third quarter of 2018 consolidated EBITDA is EUR 16,153 thousand (with an incidence of 17.3% of consolidated sales), showing an increase of profitability compared to EUR 14,940 thousand in the third quarter of 2017, (with an incidence of 17.6% of consolidated sales).

## 3. Net profit for the Group

### *Nine months 2018 vs 2017*

The Group posts a Net Profit of EUR 16,090 thousand, compared to the net profit of EUR 11,909 thousand in the first nine months of 2017, with a EUR 4,181 thousand increase.

In the first nine months of 2018, financial charges amount to EUR 690 thousand compared to EUR 3,032 thousand in the first nine months of 2017 and the decrease is mainly driven by the reduction of both bank charges and foreign exchange losses.

### *Third quarter 2018 vs 2017*

In the third quarter of 2018 Group records a net profit of EUR 7,814 thousand showing an increase compared to a net profit of EUR 7,291 thousand in the third quarter of 2017.

## 4. Earnings per share

### *Reference earnings*

The calculation of basic and dilutive earnings per share is based on the following elements:

(Values in thousands of EUR)	30 September	30 September
From continuing and discontinued activities	2018	2017
Earnings for determining basic earnings per share	16,090	11,909
Dilutive effects	-	-
<b>Earnings for determining dilutive earnings per share</b>	<b>16,090</b>	<b>11,909</b>

(Values in thousands of EUR)	30 September	30 September
From continuing activities	2018	2017
Earnings for the period	16,090	11,909
Earnings from discontinued operations	-	-
<b>Earnings for determining basic earnings per share</b>	<b>16,090</b>	<b>11,909</b>
Dilutive effects	-	-
<b>Earnings for determining dilutive earnings per share</b>	<b>16,090</b>	<b>11,909</b>

In both periods, September 2018 and September 2017, there is no evidence of dilution of consolidated net earnings.

#### *Number of reference share*

	30 September	30 September
	2018	2017
<b>Average number of shares for determining earnings per share</b>	<b>101,486</b>	<b>101,486</b>
Share options	-	-
<b>Average number of shares for determining diluted earnings per share</b>	<b>101,486</b>	<b>101,486</b>

#### *Basic earnings per share*

Group net earnings attributable to holders of ordinary shares of parent company AEFSE S.p.A., amounts to EUR 16,090 thousand (September 2017: EUR 11,909 thousand).

#### *Dilutive earnings per share*

The calculation of diluted earnings per share for the period January - September 2018, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

## **Segment information**

### ***Economic performance by Divisions***

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

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

## Nine months 2018 vs 2017

The following tables indicate the main economic data for the first nine months of 2018 and 2017 of the *Prêt-à porter* and Footwear and leather goods Divisions.

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
9M 2018				
<b>SECTOR REVENUES</b>	<b>202,957</b>	<b>88,651</b>	<b>( 26,992)</b>	<b>264,616</b>
Intercompany revenues	( 6,745)	( 20,247)	26,992	-
<b>Revenues with third parties</b>	<b>196,212</b>	<b>68,404</b>	-	<b>264,616</b>
<b>Gross operating margin (EBITDA)</b>	<b>26,044</b>	<b>11,078</b>	-	<b>37,122</b>
Amortisation	( 6,580)	( 2,124)	-	( 8,704)
Other non monetary items:				
Revaluations / write-downs	( 551)	( 169)		( 720)
<b>Net operating profit / loss (EBIT)</b>	<b>18,913</b>	<b>8,785</b>	-	<b>27,698</b>
Financial income	257	373	( 150)	480
Financial expenses	( 818)	( 502)	150	( 1,170)
<b>Profit / loss before taxes</b>	<b>18,352</b>	<b>8,656</b>	-	<b>27,008</b>
Income taxes	( 7,167)	( 2,822)	-	( 9,989)
<b>Net profit / loss</b>	<b>11,185</b>	<b>5,834</b>	-	<b>17,019</b>

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
9M 2017				
<b>SECTOR REVENUES</b>	<b>179,928</b>	<b>80,111</b>	<b>( 25,066)</b>	<b>234,973</b>
Intercompany revenues	( 5,828)	( 19,238)	25,066	-
<b>Revenues with third parties</b>	<b>174,100</b>	<b>60,873</b>	-	<b>234,973</b>
<b>Gross operating margin (EBITDA)</b>	<b>21,657</b>	<b>8,777</b>	-	<b>30,434</b>
Amortisation	( 6,536)	( 2,129)	-	( 8,665)
Other non monetary items:				
Revaluations / write-downs		( 167)		( 167)
<b>Net operating profit / loss (EBIT)</b>	<b>15,121</b>	<b>6,481</b>	-	<b>21,602</b>
Financial income	698	911	( 314)	1,295
Financial expenses	( 1,326)	( 3,315)	314	( 4,327)
<b>Profit / loss before taxes</b>	<b>14,493</b>	<b>4,077</b>	-	<b>18,570</b>
Income taxes	( 5,106)	( 1,424)	-	( 6,530)
<b>Net profit / loss</b>	<b>9,387</b>	<b>2,653</b>	-	<b>12,040</b>

### Prêt-à porter Division

In the first nine months of 2018, revenues of the prêt-à-porter division increase by 12.8% (+13.5% at constant exchange rates) to EUR 202,957 thousand. This division contributes to 69.2% of consolidated revenues in the first nine months of 2017 and 69.6% in the first nine months of 2018, before inter-divisional eliminations.

EBITDA of the *prêt-à-porter* division is equal to EUR 26,044 thousand in the first nine months of 2018 (representing 12.8% of consolidated sales) compared to an EBITDA of EUR 21,657 thousand in the first nine months of 2017 (representing 12.0% of consolidated sales), showing an increase of EUR 4,387 thousand mainly driven by sales growth.

### Footwear and leather goods Division

Revenues of the footwear and leather goods division increase by 10.7% from EUR 80,111 thousand in the first nine months of 2017 to EUR 88,651 thousand in the first nine months of 2018.

EBITDA of the Footwear and leather goods division amounts to EUR 11,078 thousand (12.5% of sales) compared to EUR 8,777 thousand in the first nine months of 2017 (11.0% of sales), with a EUR 2,301 thousand increase.

### Third Quarter 2018 vs 2017

The following tables indicate the main economic data for the third quarter of 2018 and 2017 of the *Prêt-à-porter* and Footwear and leather goods Divisions.

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
III Q 2018				
<b>SECTOR REVENUES</b>	<b>71,248</b>	<b>30,508</b>	<b>( 8,240)</b>	<b>93,516</b>
Intercompany revenues	( 2,438)	( 5,802)	8,240	-
<b>Revenues with third parties</b>	<b>68,810</b>	<b>24,706</b>		<b>93,516</b>
<b>Gross operating margin (EBITDA)</b>	<b>11,728</b>	<b>4,425</b>		<b>16,153</b>
Amortisation	( 2,239)	( 711)		( 2,950)
Other non monetary items:				
Revaluations / write-downs	20	( 70)		( 50)
<b>Net operating profit / loss (EBIT)</b>	<b>9,509</b>	<b>3,644</b>		<b>13,153</b>
Financial income	88	154	( 49)	193
Financial expenses	( 217)	( 96)	49	( 264)
<b>Profit / loss before taxes</b>	<b>9,380</b>	<b>3,702</b>		<b>13,082</b>
Income taxes	( 3,300)	( 1,124)		( 4,424)
<b>Net profit / loss</b>	<b>6,080</b>	<b>2,578</b>		<b>8,658</b>

(Values in thousand of EUR)	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
III Q 2017				
<b>SECTOR REVENUES</b>	<b>63.597</b>	<b>29.710</b>	<b>( 8.287)</b>	<b>85.020</b>
Intercompany revenues	( 1.901)	( 6.386)	8.287	-
<b>Revenues with third parties</b>	<b>61.696</b>	<b>23.324</b>		<b>85.020</b>
<b>Gross operating margin (EBITDA)</b>	<b>10.247</b>	<b>4.693</b>		<b>14.940</b>
Amortisation	( 2.147)	( 710)		( 2.857)
Other non monetary items:				
Revaluations / write-downs		( 73)		( 73)
<b>Net operating profit / loss (EBIT)</b>	<b>8.100</b>	<b>3.910</b>		<b>12.010</b>
Financial income	400	( 22)	( 102)	276
Financial expenses	( 343)	( 870)	102	( 1.111)
<b>Profit / loss before taxes</b>	<b>8.157</b>	<b>3.018</b>		<b>11.175</b>
Income taxes	( 2.723)	( 968)		( 3.691)
<b>Net profit / loss</b>	<b>5.434</b>	<b>2.050</b>		<b>7.484</b>

### **Balance sheet**

Compared to 31 December 2017, the balance sheet at 30 September 2018 shows an increase in shareholders' equity from EUR 178,440 thousand to EUR 196,263 thousand. The main variation is due to the economic result of the period.

### **5. Operating net working capital**

At 30 September 2018, operating net working capital amounts to EUR 84,275 thousand (24.6% of LTM sales) compared to EUR 71,264 thousand at 31 December 2017 (22.8% of sales) and to EUR 88,958 thousand (29.5% of LTM sales) at 30 September 2017.

The reduction of incidence on sales is mainly related to better management of the operating net working capital.

## **6. Fixed assets**

Fixed assets decrease by EUR 4,235 thousand from December 31, 2017 to September 30, 2018.

## **7. Shareholders' equity**

Changes in shareholders' equity are presented in tables at page 14.

## **8. Net financial position**

The net financial indebtedness amounts to EUR 39,093 thousand in improvement compared to EUR 66,090 thousand at 30 September 2017. The financial debt decrease mainly refers to cash flow increase.

## **Other information**

### **Accounting policies**

The main accounting policies and measurement basis adopted in preparing the consolidated financial statements at 30 September 2018, except for the interpretations and amendments to the accounting principles that have been mandatory since 1 January 2018 and illustrated in the half yearly financial statement at 30 June 2018, are the same used in preparing the consolidated financial statements at 31 December 2017.

### **Significant events subsequent to the balance sheet date**

After the 30 September 2018 no significant events regarding the Group's activities have to be reported.

### **Outlook**

The Group confirms a path of solid and continuous development, thanks to the creation of high quality and distinctiveness collections. Despite the challenging scenario also at macroeconomic level, we are confident about the remaining part of the year and we expect increase in sales and a more than proportional growth in profitability for the full 2018. Moreover, the orders' backlog of the Spring/Summer 2019 season, which posted a 6% increase, contributes to a positive sentiment on the growth over the mid-long term.

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