AEFFE CONSOLIDATED FINANCIAL STATEMENTS 2008

Disclaimer

The consolidated financial statements at 31 December 2008 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.

The world economy is going through a period of extreme difficulty.

Since Autumn 2008, the economic indicators have deteriorated one by one and the global economic activity has undergone a significant slowdown, and the GNP is falling for all the main economies, after years of steady growth.

Data relative to the OECD indicate a reduction of 1.5%, the largest decrease on record since the foundation of the OECD in the Sixties.

In the U.S. the drop in the 4th quarter 2008 was 1%, compared to the previous quarter, which was already down by 0.1%; Japan had the most dramatic reduction among the OECD countries, down 3.3% compared to the previous quarter. In the Euro area, the percentage of reduction is 1.5% compared to the previous quarter, which also showed a reduction of 0.2%.

In this difficult scenario, the Aeffe Group increased its revenues in 2008 by 3.2% at constant exchange rates and at comparable perimeter, going from EUR 297 million, confirming the strength of its main brands, like Alberta Ferretti and Moschino.

However, I wish to stress that the current economic situation continues to be very difficult and at the moment there are no signs of improvement for the next 12 months. I am absolutely certain that, in difficult times like those we are experiencing now, companies should concentrate strongly on their core business, on optimizing costs and on improving their efficiency, and it is with this spirit that Aeffe is moving forward in the current situation.

I firmly believe that the clear position of our brands on the luxury market, and the flexibility of our business model will enable the Group to come out of this period stronger than we are now.

The Chairman of the Board of Directors

Massimo Ferretti

AEFFE GROUP

AEFFE S.P.A.

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari - *Managing Director*
Umberto Paolucci
Roberto Lugano
Pierfrancesco Giustiniani

Board of Statutory Auditors

President
Fernando Ciotti

Statutory Auditors
Bruno Piccioni
Romano Del Bianco

Alternate Auditors
Andrea Moretti
Pierfrancesco Gamberini

Board of Compensation Committee

President
Umberto Paolucci

Members
Pierfrancesco Giustiniani
Roberto Lugano

Board of Internal Control Committee

President
Roberto Lugano

Members
Pierfrancesco Giustiniani
Umberto Paolucci


AEFFE S.p.A.
ITALY
70%
Moschino S.p.A.
ITALY
100%
Fashoff UK Ltd
UK
100%
Moschino France S.a.r.l.
FRANCE
100%
Moschino Retail GMBH
GERMANY
100%
Bloody Mary Inc.
USA
50,1%
Moschino Far East
HONG KONG
100%
Aeffe USA Inc.
USA
100%
Aeffe UK Ltd.
UK
92%
Ozbek (London) Ltd.
UK
100%
Nuova Stireria Tavoleto Srl
ITALY
75%
Velmar S.p.A.
ITALY
75%
Divè S.A.
R.S.M.
100%
Aeffe Japan Inc.
JAPAN
99,9%
Aeffe France S.a.r.l.
FRANCE
72%
Pollini S.p.A.
ITALY
99,9%
Pollini Retail S.r.l.
ITALY
99,9%
0,1%
Pollini France S.a.r.l.
FRANCE
100%
Ferretti Studio S.r.l.
ITALY
100%
Aeffe Retail S.p.A.
ITALY
100%
Fashion Retail Co. S.r.o.
CZECH REPUBLIC
62,9%
Clan Cafè S.r.l.
ITALY
Ready-to-wear Division
Footwear and leather goods Division

AEFFE
CLOTHING - ACCESSORIES

ALBERTA FERRETTI

PHILOSOPHY DI ALBERTA FERRETTI

Jean Paul GAULTIER

MOSCHINO

POLLINI

MOSCHINO CHEAPANDCHIC

Authier

GAULTIER²

POLLINI
SHOES - LEATHER GOODS

POLLINI

STUDIO POLLINI

MOSCHINO

MOSCHINO CHEAPANDCHIC

LOVE MOSCHINO

MOSCHINO
LICENCES - DESIGN - RETAIL

MOSCHINO

MOSCHINO CHEAPANDCHIC

LOVE MOSCHINO

VELMAR
BEACHWEAR - UNDERWEAR

ALBERTA FERRETTI

philosophy ALBERTA FERRETTI

MOSCHINO

BLUGIRL UNDERWEAR

BLUGIRL BEACHWEAR

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

MOSCHINO
Via San Gregorio, 28
20124 - Milano
Italy

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

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

Aeffe SpA

Moschino SpA

Pollini SpA

Velmar SpA

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

POLLINI MILAN
Via Bezzecca, 5
20135 - Milan
Italy

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

AEFFE PARIS
(GRUPPO)
6, Rue Caffarelli
75003 - Paris
France

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

MOSCHINO MILAN
Via San Gregorio, 28
20124 - Milan
Italy

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

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

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

Aeffe Milan

Moschino Milan

Pollini Milan

Aeffe New York

Aeffe Milan

ALBERTA FERRETTI
Milan
Rome
Capri
Paris
Lille
London
New York
Los Angeles

POLLINI
Milan
Bologna
Rome
Florence
Venice
Bolzano
Parma
Ravenna
Varese
Verona

SPAZIO A
Florence
Venice

Moschino


Alberta Ferretti


Moschino


Pollini


Moschino


MOSCHINO
Milan
Rome
Capri
Paris
London
Berlin
New York
Osaka
Hong Kong
Kuala Lumpur
Singapore
Taipei
Fukuoka City
Tokyo
Kobe City
Kyoto
Nagoya
Seoul
Pusan
Kaoshiung

Alberta Ferretti


Moschino


Pollini


Alberta Ferretti


Moschino

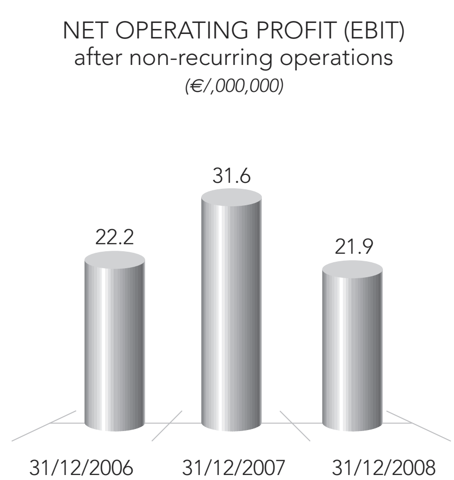
AEFFE MAIN ECONOMIC-FINANCIAL DATA


TOTAL REVENUES
(€/,000,000)
275.1
298.9
300.7
31/12/2006
31/12/2007
31/12/2008


GROSS OPERATING MARGIN (EBITDA)
(€/,000,000)
37.1
44.5
34.3
31/12/2006
31/12/2007
31/12/2008


GROSS OPERATING MARGIN (EBITDA)
after non-recurring operations
(€/,000,000)
32.9
42.3
34.3
31/12/2006
31/12/2007
31/12/2008

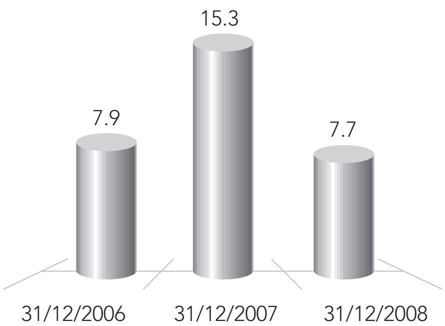

NET OPERATING PROFIT (EBIT)
(€/,000,000)
26.4
33.7
21.9
31/12/2006
31/12/2007
31/12/2008


NET OPERATING PROFIT (EBIT)
after non-recurring operations
(€/,000,000)
22.2
31.6
21.9
31/12/2006
31/12/2007
31/12/2008


PROFIT BEFORE TAXES
(€/,000,000)
19.3
25.6
15.2
31/12/2006
31/12/2007
31/12/2008

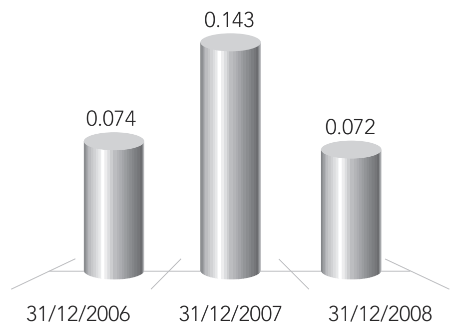
NET PROFIT FOR THE GROUP

(€/,000,000)



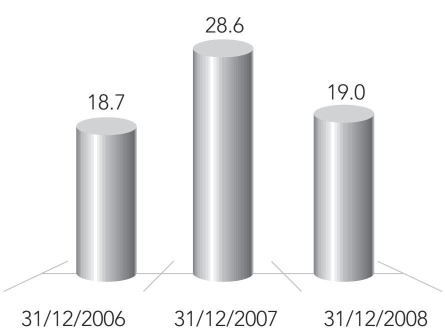
BASIC EARNINGS PER SHARE

(€)



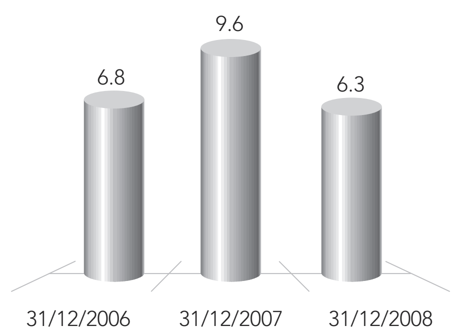
CASH FLOW
(net profit + depreciation)

(€/,000,000)



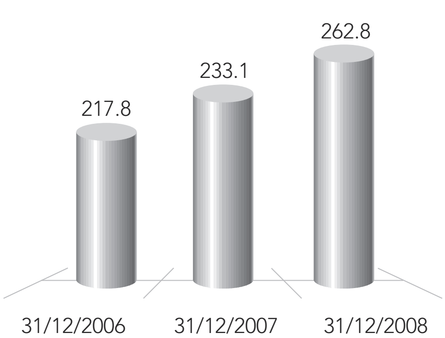
Cash Flow/Total revenues

(Values in percentage)



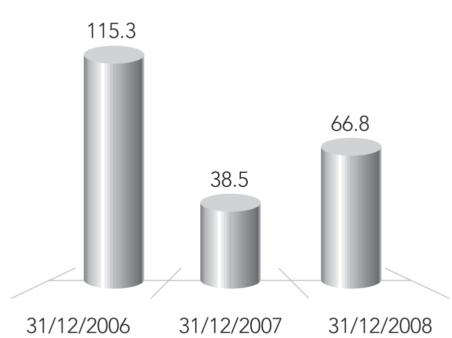
NET CAPITAL INVESTED

(€/,000,000)



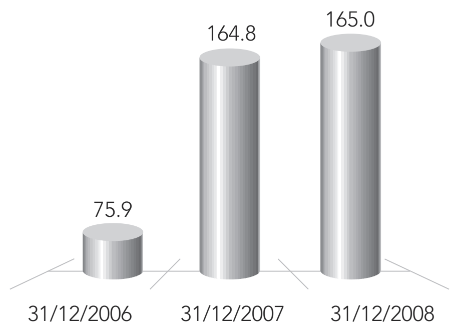
NET FINANCIAL INDEBTEDNESS

(€/,000,000)



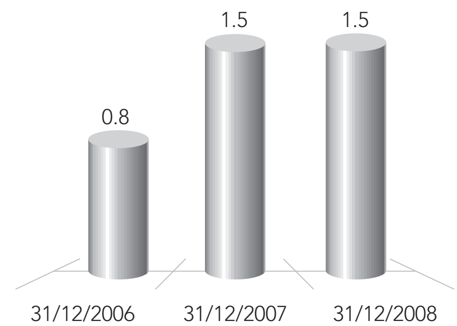
GROUP NET EQUITY

(€/,000,000)



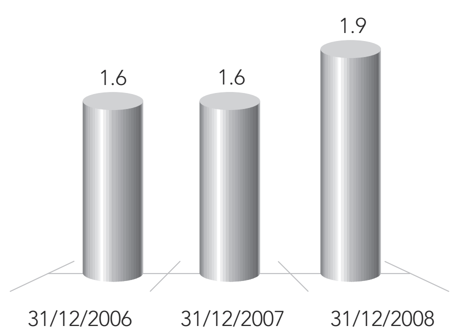
Group net equity per share

(€)



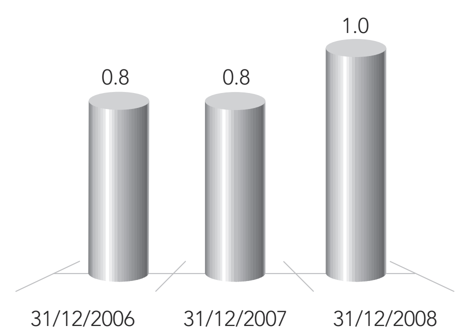
Current assets/
Current liabilities

(Ratio)



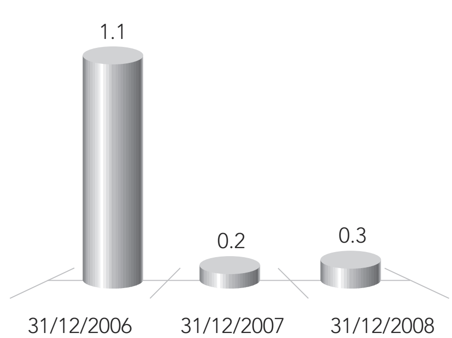
Current assets less invent./
Current liabilities (ACID Test)

(Ratio)



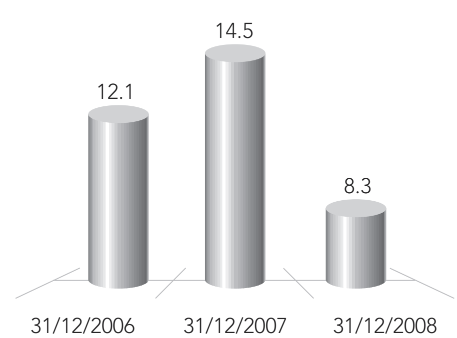
Net financial indebtedness/
Net equity

(Ratio)



ROI:Net operating profit/
Net capital invested

(Values in percentage)



AEFFE FINANCIAL STATEMENTS

CONSOLIDATED ASSETS BALANCE SHEET (*)

(Values in units of EUR)	NOTES	31 December 2008	31 December 2007	Change 2008/07
NON-CURRENT ASSETS				
Intangible fixed assets				
Goodwill		54,962,043	54,316,280	645,763
Trademarks		113,867,489	117,284,499	-3,417,010
Other intangible fixed assets		345,380	169,834	175,546
Total intangible fixed assets	(1)	169,174,912	171,770,613	2,595,701
Tangible fixed assets				
Lands		17,635,695	17,555,245	80,450
Buildings		33,796,853	33,462,497	334,356
Leasehold improvements		15,983,052	11,812,881	4,170,171
Plant and machinary		6,922,775	5,008,897	1,913,878
Equipment		481,667	277,380	204,287
Other tangible fixed assets		3,645,443	3,077,648	567,795
Total tangible fixed assets	(2)	78,465,485	71,194,548	7,270,937
Other fixed assets				
Equity investments	(3)	27,840	21,641	6,199
Other fixed assets	(4)	2,665,776	3,122,044	-456,268
Deferred tax assets	(5)	8,356,878	8,869,181	-512,303
Assets available for sale	(6)	1,636,885	1,636,885	0
Total other fixed assets		12,687,379	13,649,751	-962,372
TOTAL NON-CURRENT ASSETS		**260,327,776**	**256,614,912**	**3,712,864**
CURRENT ASSETS				
Stocks and inventories	(7)	77,433,665	67,761,354	9,672,311
Trade receivables	(8)	43,230,057	36,910,502	6,319,555
Tax receivables	(9)	8,102,477	4,786,640	3,315,837
Cash	(10)	7,705,842	14,525,033	-6,819,191
Other receivables	(11)	28,899,717	27,082,638	1,817,079
TOTAL CURRENT ASSETS		**165,371,758**	**151,066,167**	**14,305,591**
TOTAL ASSETS		**425,699,534**	**407,681,079**	**18,018,455**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 2006, the effects of related parties transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment I, and are further described in Note 37.

CONSOLIDATED LIABILITIES BALANCE SHEET (*)

(Values in units of EUR)	NOTES	31 December 2008	31 December 2007	Change 2008/07
SHAREHOLDERS' EQUITY	(12)			
Group interest				
Share capital		25,766,795	26,840,626	-1,073,831
Share premium reserve		71,796,450	75,307,855	-3,511,405
Translation reserve		-1,269,327	-948,776	-320,551
Other reserves		31,454,778	28,204,017	3,250,761
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profit/(losses) carried-forward		10,236,020	679,150	9,556,870
Net profit for the Group		7,675,504	15,320,586	-7,645,082
Group interest in shareholders' equity		165,020,952	164,764,190	256,762
Minority interests				
Minority interests in share capital and reserves		29,888,628	26,913,875	2,974,753
Net profit for the minority interests		1,101,749	2,949,556	-1,847,807
Minority interests in shareholders' equity		30,990,377	29,863,431	1,126,946
TOTAL SHAREHOLDERS' EQUITY		**196,011,329**	**194,627,621**	**1,383,708**
NON-CURRENT LIABILITIES				
Provisions	(13)	1,744,209	1,707,602	36,607
Deferred tax liabilities	(5)	44,486,859	48,022,235	-3,535,376
Post employment benefits	(14)	10,341,812	11,111,030	-769,218
Long term financial liabilities	(15)	17,528,201	26,646,683	-9,118,482
Long term not financial liabilities	(16)	14,405,694	14,251,237	154,457
TOTAL NON-CURRENT LIABILITIES		**88,506,775**	**101,738,787**	**-13,232,012**
CURRENT LIABILITIES				
Trade payables	(17)	63,004,051	60,577,085	2,426,966
Tax payables	(18)	4,288,323	7,127,302	-2,838,979
Short term financial liabilities	(19)	56,981,547	26,361,882	30,619,665
Other liabilities	(20)	16,907,509	17,248,402	-340,893
TOTAL CURRENT LIABILITIES		**141,181,430**	**111,314,671**	**29,866,759**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**425,699,534**	**407,681,079**	**18,018,455**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 2006, the effects of related parties transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment II, and are further described in Note 37.

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	NOTES	Full Year 2008	% on revenues	Full Year 2007	% on revenues	Change Δ	Change %
REVENUES FROM SALES AND SERVICES	**(21)**	**294,684,156**	**100.0%**	**293,210,633**	**100.0%**	**1,473,523**	**0.5%**
Other revenues and income	(22)	6,049,598	2.1%	5,659,038	1.9%	390,560	6.9%
TOTAL REVENUES		**300,733,754**	**102.1%**	**298,869,671**	**101.9%**	**1,864,083**	**0.6%**
Changes in inventory		10,653,865	3.6%	7,851,559	2.7%	2,802,306	35.7%
Costs of raw materials, cons. and goods for resale	(23)	-89,818,830	-30.5%	-88,772,356	-30.3%	-1,046,474	1.2%
Costs of services	(24)	-103,072,048	-35.0%	-95,743,447	-32.7%	-7,328,601	7.7%
Costs for use of third parties assets	(25)	-17,971,959	-6.1%	-17,049,562	-5.8%	-922,397	5.4%
Labour costs	(26)	-61,710,751	-20.9%	-58,195,922	-19.8%	-3,514,829	6.0%
Other operating expenses	(27)	-4,520,130	-1.5%	-2,509,319	-0.9%	-2,010,811	80.1%
Total Operating Costs		-266,439,853	-90.4%	-254,419,047	-86.8%	-12,020,806	4.7%
GROSS OPERATING MARGIN (EBITDA)		**34,293,901**	**11.6%**	**44,450,624**	**15.2%**	**-10,156,723**	**-22.8%**
Amortisation of intangible fixed assets		-3,630,278	-1.2%	-3,638,463	-1.2%	8,185	-0.2%
Depreciation of tangible fixed assets		-6,607,247	-2.2%	-6,723,449	-2.3%	116,202	-1.7%
Revaluations (write-downs)		-2,191,573	-0.7%	-359,770	-0.1%	-1,831,803	509.2%
Total Amortisation and write-downs	(28)	-12,429,098	-4.2%	-10,721,682	-3.7%	-1,707,416	15.9%
NET OPERATING PROFIT (EBIT)		**21,864,803**	**7.4%**	**33,728,942**	**11.5%**	**-11,864,139**	**-35.2%**
Financial income		823,231	0.3%	602,757	0.2%	220,474	36.6%
Financial expenses		-7,438,103	-2.5%	-8,686,927	-3.0%	1,248,824	-14.4%
Total Financial Income (expenses)	(29)	-6,614,872	-2.2%	-8,084,170	-2.8%	1,469,298	-18.2%
PROFIT BEFORE TAXES		**15,249,931**	**5.2%**	**25,644,772**	**8.7%**	**-10,394,841**	**-40.5%**
Current income taxes		-8,822,874	-3.0%	-11,027,823	-3.8%	2,204,949	-20.0%
Deferred income/(expenses) taxes		2,350,196	0.8%	3,653,193	1.2%	-1,302,997	-35.7%
Total Income Taxes	(30)	-6,472,678	-2.2%	-7,374,630	-2.5%	901,952	-12.2%
NET PROFIT		**8,777,253**	**3.0%**	**18,270,142**	**6.2%**	**-9,492,889**	**-52.0%**
(Profit)/loss attributable to minority shareholders		-1,101,749	-0.4%	-2,949,556	-1.0%	1,847,807	-62.6%
NET PROFIT FOR THE GROUP		**7,675,504**	**2.6%**	**15,320,586**	**5.2%**	**-7,645,082**	**-49.9%**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 2006, the effects of related parties transactions on the Consolidated Income Statement are presented in the specific Income Statement schedule provided in the attachment III and are further described in Note 37.

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	NOTES	Full Year 2008	Full Year 2007
OPENING BALANCE		**14,525**	**15,320**
Profit before taxes		15,250	25,645
Amortisation		12,429	10,722
Accrual (+)/availment (-) of long term provisions and post employment benefits		-733	-2,431
Paid income taxes		-12,335	-9,374
Financial income (-) and financial charges (+)		6,615	8,084
Change in operating assets and liabilities		-18,883	-9,538
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	(31)	**2,343**	**23,108**
Increase (-)/ decrease (+) in intangible fixed assets		-1,035	-336
Increase (-)/ decrease (+) in tangible fixed assets		-13,878	-9,302
Investments (-)/ Disinvestments (+)		-2,198	95
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	(32)	**-17,111**	**-9,543**
Other variations in reserves and profits carried-forward of shareholders' equity		-5,246	71,954
Dividends paid		-2,148	0
Proceeds (+)/repayments (-) of financial payments		21,502	-77,985
Increase (-)/decrease (+) in long term financial receivables		456	-245
Financial income (+) and financial charges (-)		-6,615	-8,084
CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	(33)	**7,949**	**-14,360**
CLOSING BALANCE		**7,706**	**14,525**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 2006, the effects of related parties transactions on the Consolidated Cash Flow are presented in the specific Cash Flow schedule provided in the attachment IV and are further described in Note 37.

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Translation reserve	Partecipatory instruments reserve	Other reserves	Fair Value reserve	IAS reserve	Profit (losses) carried-forward	Net profit for the Group	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2006	**22,500**	**11,345**	**391**	**12,400**	**8,573**	**7,449**	**11,120**	**-5,774**	**7,981**	**75,985**	**26,465**	**102,450**
Allocation of 31 December 2006 profit	-	-	-	-	1,231	-	-	6,750	-7,981	-	-	-
Exchange differences on translation	-	-	-1,340	-	-	-	-	-	-	-1,340	235	-1,105
Cancellation of own shares	-4,500	-16,600	-	2,700	18,400	-	-	-	-	-	-	-
Conversion of partecipatory instruments	4,091	11,009	-	-15,100	-	-	-	-	-	-	-	-
Increase in shareholders' equity for IPO	4,750	69,554	-	-	-	-	-	-	-	74,304	-	74,304
Other movements	-	-	-	-	-	452	339	-297	-	-494	213	707
Net profit at 31 December 2007	-	-	-	-	-	-	-	-	15,321	15,321	2,950	18,271
BALANCES AT 31 December 2007	**26,841**	**75,308**	**-949**	**-**	**28,204**	**7,901**	**11,459**	**679**	**15,321**	**164,764**	**29,863**	**194,627**

(Values in thousands of EUR)	Share capital	Share premium reserve	Translation reserve	Partecipatory instruments reserve	Other reserves	Fair Value reserve	IAS reserve	Profit (losses) carried-forward	Net profit for the Group	Group interest in shareholders' equity	Minority interests in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2007	**26,841**	**75,308**	**-949**	**-**	**28,204**	**7,901**	**11,459**	**679**	**15,321**	**164,764**	**29,863**	**194,627**
Allocation of 31 December 2007 profit	-	-	-	-	3,591	-	-	11,730	-15,321	-	-	-
Dividends paid	-	-	-	-	-	-	-	-2,148	-	-2,148	-	-2,148
Exchange differences on translation	-	-	-320	-	-	-	-	-	-	-320	-	-320
Treasury stock (buyback)/ sale	-1,074	-3,512	-	-	-	-	-	-	-	-4,586	-	-4,586
Net changes in income (expenses) from cash flow hedge	-	-	-	-	-340	-	-	-	-	-340	-	-340
Other movements	-	-	-	-	-	-	-	-25	-	-25	25	-
Net profit at 31 December 2008	-	-	-	-	-		-	-	7,676	7,676	1,102	8,778
BALANCES AT 31 December 2008	**25,767**	**71,796**	**- 1,269**	**-**	**31,455**	**7,901**	**11,459**	**10,236**	**7,676**	**165,021**	**30,990**	**196,011**

AEFFE REPORT ON OPERATIONS

1. ECONOMIC BACKGROUND

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

INTERNATIONAL MACROECONOMIC SITUATION

During 2008 the world's economy entered a stage of severe recession that started in the latter half of 2007 as a financial crisis in the U.S., and that worsened drastically with the failure of the merchant bank Lehman Brother, which triggered a period of panic that quickly spread the crisis to all sector, not only the financial ones, in all countries. At this point we can speak of the first truly global economic crisis that we have ever had to face.
The shortage of liquidity in the system, uncertainty about the value of the assets possessed, the fall in the price of houses and stock, rapidly led to a slowdown in private consumption and the spread of the crisis to the socalled "real economy". The collapse of the system was prevented by massive injections of liquidity by the central banks of the main countries, as well as the introduction of specific packages designed to save the financial institutions and encourage private consumption. In spite of this the situation remains worrisome and still very far from what could be called "normal".
The expectations for 2009 are, as you can readily imagine, rather pessimistic. The situation remains uncertain, while the world is facing the most serious crisis since the end of World War II. The risks for business will depend, among other things, on the impact that the financial crisis has on the confidence of the economic operators and on the real economy, but also on the effectiveness of the fiscal and economic measures applied by the different governments, and whether they are able to restore confidence among investors and consumers.
Growth at the global level is not expected until the second half of 2009, and the question remains whether the recovery will be longlasting. All the forecasts for the countries in the Euro area appear strongly negative, with a generalized reduction of the GNP in 2009 for all countries. Even in the United States, the situation appears serious and a fall in the GNP of 1.6% is expected in 2009, and for Japan, that was already technically in a recession in 2008, and is probably in the worst situation among the developing countries, a reduction of the GNP of 2.5% is expected in 2009.
For the Italian economy, 2008 closes worse than expected. The GNP fell, due to the effects of the recession in particular in the last quarter, by 1%, to the minimum since 1980. In 2009 the situation looks even more negative, with the GNP expected to be down by 2.6%. The main reasons for this reduction can be found in the great reduction of private consumption and in the drop in investments following the deterioration of the financial situation. For 2009 a significant increase in unemployment is expected, after a decade of constant decreases.
It is expected to be a long time before the financial markets stabilize. In the current bleak scenario, the economies of the OECD countries are expected to recover only slowing over the coming years. However there are still enormous uncertainties as regards the depth of the economic recession, that will depend mainly on how quickly we come out of the current crisis.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

With particular reference to the fashion sector and that of socalled "luxury goods", after the positive performance of the last two years we are starting to see growing signs of weakness, particularly as regards domestic consumption. Undoubtedly Italian fashions will be affected by the international crisis, also because purchases of apparel and footwear are among the most keenly attuned to the economic situation. The events that will penalize the sector most will be: the reduction of financial wealth, the fall in consumption in the U.S. and Europe, and the slowdown in growth of the developing countries, with particular emphasis on Russia, that has by now become the locomotive of Italian fashion sales. Our sector, however, has an extended period of reorganization behind it, characterized by the internationalization of the chains, the improvement of the range, the strengthening of the distribution network and, not last, the improved economic and financial conditions. Once again, they are important allies in dealing with this situation will be the quality of the product and flexibility of management.

2. SUMMARY OF THE GROUP'S KEY ACTIVITIES

Aeffe Group operates worldwide in the fashion and luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêtaporter, footwear and leather goods. The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its ownlabel brands, including "Alberta Ferretti", "Moschino" and "Pollini", and under licensed brands, which include "Jean Paul Gaultier", "Blugirl" and "Authier". The Group has also licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children's lines, watches and sunglasses).
The Group's business is divided, based on the various product lines and brands it sells, into two segments: (i) prêtaporter (which includes prêtaporter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêtaporter Division, which is composed of the companies Aeffe, Moschino and Velmar, is mainly involved in the design, production and distribution of luxury prêtaporter garments and lingerie, beachwear and loungewear.
In terms of the prêtaporter collections, the activity is carried out by Aeffe, both for the production of the Group's proprietary brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier", and "Authier"). Aeffe also handles the distribution of all Division products both through the retail channel (via subsidiaries) and through the wholesale channel.
Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear, and loungewear. Collections are produced and distributed under the Group's proprietary brands, which include "Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino" and "Verdemare", and under thirdparty licensed brands such as "Blugirl".
The Prêtaporter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the Moschino brand licensing agreement relating to the Love line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

Aeffe

Aeffe is the brainchild of designer Alberta Ferretti, who set up her own business in 1972. The history of the Parent Company has developed in parallel with that of its founder, whose personal involvement in fashion has been a key factor in Aeffe's development.
The growth of the Parent Company as an industrial and creative entity has been distinguished from the start by a multibrand approach, with Aeffe producing and distributing the prêtaporter collections of leading fashion houses utilising the knowhow acquired in the production of luxury prêtaporter lines.
This provides the context for the partnership between Aeffe and designer Franco Moschino, whose brand "Moschino Couture!" it has produced and distributed under an exclusive licence since 1983.
In 1995, Aeffe began collaborating with designer Jean Paul Gaultier, whose brand "Jean Paul Gaultier" and – since 2006 – "Gaultier^2" it produces and distributes under licence.
In 2001, Aeffe gained control of Pollini, an established manufacturer of footwear and leather goods. This allowed Aeffe to supplement the collections produced inhouse with an accessories line.

In 2002, Aeffe took over Velmar, a firm that had collaborated with Aeffe for some time on the production and distribution of lingerie, beachwear and loungewear lines.
In 2004, as part of its commitment to uncover and showcase new talent, Aeffe began a partnership with an AngloBrazilian pair of upandcoming designers, Bruno Basso and Christopher Brooke, who won the London Fashion Fringe in 2004.
In 2006, Aeffe commenced the licensed production and distribution of Authier skiwear and aprèsskiwear.
In 2007, Aeffe, obtained the Consob Nulla Osta to public the offering memorandum relating to the Public Offering and the listing on the MTA – Star Segment – of Aeffe S.p.A. ordinary shares, closes successfully the Offer of shares and starts to be traded on the MTA – Star Segment – by Borsa Italiana.
In 2008 Aeffe signs a licence agreement with Elizabeth Arden for the development, marketing and distribution of the "Alberta Ferretti" fragrance. Always in 2008 Aeffe signs a master franchising agreement with SE International for the distribution of "Alberta Ferretti" and "Philosophy di Alberta Ferretti" brands in Korea.

Moschino
Moschino was founded in 1983 and grew during the 1990s to become an internationally renowned brand. Following the disappearance in 1994 of its founder, Franco Moschino, his family, staff and friends have kept the designer's legacy alive, respecting his creative identity and philosophy. Rossella Jardini, who has worked for Franco Moschino since 1981, succeeded him as artistic director and is currently in charge of brand image and styling.
The company provides design, marketing and agency services from the Milan showroom for Moschino collections in Italy and overseas.
The company also directly manages four single-brand Moschino stores, two in Milan one in Rome and one in Capri.
In 2007 Moschino signs a licence agreement with Binda Group for the production and distribution of watches and jewellery branded "Moschino Cheap and Chic".
In 2007, Moschino signs a licence agreement with Max Safety Fashion for the production of helmets branded "Moschino".
In 2008 Moschino signs a licence agreement with Altana Spa, for the creation, development and world distribution of the "Moschino" boys' and girls' collections.

Velmar
Velmar was created in 1983 in San Giovanni in Marignano and is active in the production and distribution of lingerie, underwear, beachwear and loungewear.
In 1990, a partnership began between Velmar and designer Anna Molinari to manufacture lingerie and beachwear lines. That same year, talks began with Aeffe and Genny.
Between 1990 and 1995, Velmar worked with Genny and Fendi, producing all of the swimwear lines designed by the two fashion houses. Between 1990 and 2001, Velmar worked with Itierre and Prada on the design and production of the active and sportswear lines sold under the "Extee" and "Prada" menswear labels.
Between 1995 and 1998, Velmar produced and distributed under licence the beachwear line for Byblos menswear and womenswear.
In 1998, Velmar signed a licensing agreement with Blufin for the production and distribution of "Blugirl" lines.
In 2001, Aeffe acquired 75% of Velmar. Again, this represented a natural progression of the existing partnership between the two companies.
In 2001, Velmar began the production and distribution under licence of Alberta Ferretti lingerie, beachwear and loungewear lines.
In 2004, Velmar began the production and distribution of lingerie, beachwear and loungewear lines under the "Philosophy di Alberta Ferretti" brand.
In 2006, Velmar obtained a licence for the production and distribution of the men's beachwear and underwear lines and women's lingerie lines under the "Moschino" brand.

Aeffe USA
Aeffe USA is 100% owned by Aeffe Spa and was incorporated in May 1987 under the laws of

the State of New York.
The company operates in the wholesale segment of the North American market (United States and Canada) distributing items of clothing and accessories produced by the Parent Company, Pollini S.p.A. and Velmar S.p.A. and other thirdparty licensed manufacturers, with different collections, of the brands produced by the Parent Company. The company also acts as agent for some of these lines. The company operates out of its own showroom located in midtown Manhattan. Aeffe USA also manages two single-brand stores; one in Soho, New York and the other in West Hollywood Los Angeles.

Aeffe Retail
Aeffe Retail operates in the retail segment of the Italian market and directly manages 9 stores, 5 of them single-brand and 4 multibrand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri.

Clan Cafè
Clan Cafè Srl, incorporated in 2007, is 62.9% owned by Aeffe Retail and manages a store located in Milan Via Pontaccio 19, which distributes clothing and accessories produced by Aeffe Group and by third parties.

Aeffe Uk
Aeffe UK is 100% owned by Aeffe S.p.A. and manages the store in London's Sloane Street, which sells clothing and accessories under the Alberta Ferretti and Philosophy di Alberta Ferretti labels. The company also acts as an agent for the UK market.

Aeffe France
Aeffe France is 99.9% owned by Aeffe S.p.A. and manages the store in Rue St. Honorè in Paris, selling apparel and accessories under the Alberta Ferretti and Philosophy di Alberta Ferretti brands. The company also acts as an agent for the French market.

Ferretti Studio
The company was founded in 1984 and provides design and communications services to the creative division of Alberta Ferretti for the Alberta Ferretti and Philosophy di Alberta Ferretti collections.

Aeffe Japan
Aeffe Japan was founded at the end of 2008 and is 100% owned by Aeffe S.p.A.; its intention is to develop and strengthen Group's brands in the Japan market.

Nuova Stireria Tavoleto
Nuova Stireria Tavoleto, based in Tavoleto (Pesaro-Urbino), is 100% owned by Aeffe S.p.A. and provides industrial pressing services for the majority of Aeffe and Velmar production and for other clients outside the Group.

Moschino Far East
Moschino Far East is 50.1% owned by Moschino Spa and is based in Hong Kong.
The company operates in the wholesale segment of the Asian market (Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand, Korea, Japan), distributing clothing and accessories from the Moschino lines produced by the Parent Company and Pollini.
The company also manages 38 stores in the Asia region.

Fashoff Uk
Fashoff UK operates from the showroom in London, acting as agent for the Moschino-branded collections produced by Aeffe, Pollini, Forall (men) and Falc (men's/children's shoes), and importing the other collections (jeans, umbrellas, gloves, scarves and Velmar collections).
The company also directly manages a single-brand Moschino store in London.

Moschino France
Moschino France is based in the Paris showroom and acts as agent for all Moschino collections except childrenswear, eyewear, perfumes and watches.
The company also manages a single-brand Moschino store in Paris.

Moschino Gmbh
Moschino Gmbh directly manages a single-brand Moschino store in Berlin.

Bloody Mary
Bloody Mary directly manages a single-brand store Moschino store in New York.

Footwear and leather goods Division
The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials.
The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of ownlabel products, as well as the production and distribution of brands licensed by Group companies.
The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" and "Studio Pollini" products such as sunglasses.

Pollini
Pollini was established in 1953 in the shoemaking district of San Mauro Pascoli, following in the Italian tradition of handmade leather goods and shoes. Italy is a leading producer of footwear: due to expertise required to make these products, nearly all production sites are located in areas with a longstanding shoemaking tradition, such as San Mauro Pascoli, Vigevano and Strà (PD). The company's philosophy is focused on promoting Pollini in other countries as an amalgam of traditional quality and Italian style, offering a range of products that include shoes, bags and matching accessories.
Between 1957 and 1961, Pollini produced the footwear collections of the designer Bruno Magli.
In the 1960s and early 1970s, Pollini began making shoes under its own label, presenting "themed" collections (such as the "Daytona" sports footwear collection, inspired by the world of motorbike racing).
In the 1970s, Pollini rose to international fame: at that point, its collections were shown in Düsseldorf, Paris and New York, as well as in Milan and Bologna. Around the same time, the first stores opened in Florence, Milan, Rome, Bologna, Parma, Verona, Bolzano, Bergamo, Varese and Venice.
In 1989, Pollini moved into its new office in Gatteo, in the Italian province of ForlìCesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and sevenstorey building housing the showroom and offices. The new site brought the footwear and leather goods divisions and sales and administration offices under one roof.
In 2001, Aeffe and Pollini reached an agreement whereby Aeffe would acquire a controlling stake in Pollini. The acquisition was a natural progression of the increasingly concentrated partnership between the two companies, enabling the growth of the footwear and leather goods lines designed by Alberta Ferretti.
In 2003, Pollini's flagship store was opened in the Rue Saint Honorè, Paris.
In 2008, the stylist Johathan Saunders was appointed as creative director for the Pollini PrêtaPorter and the stylist Nicholas Kirkwood was appointed as design director of the Pollini accessory collections and bag collections.
Always in 2008, Pollini entered into new license agreements with Drops Srl, for the manufacturing of umbrellas, as well as Larioseta Spa, for the manufacturing and distribution of neckwear, including women's shawls, women's and men's scarves and ties.

Pollini *Retail*
Pollini Retail is active in the retail segment of the Italian market and directly manages 16 stores in major Italian cities such as Milan, Rome, Venice and Florence.

3. TREND OF THE GROUP MANAGEMENT

CONSOLIDATED INCOME STATEMENT

Sales

Revenues from sales and services rise from EUR 293,211 thousand in 2007 to EUR 294,684 thousand in 2008, up 0.5% (+3.2% at constant exchange rate and excluding the effect of the termination of the Narciso Rodriguez licence).

Revenues of the prêtàporter division increase by 0.7% (+4% at constant exchange rates), while revenues of the footwear and leather goods division rise by 1.2%, before interdivisional eliminations.

Sales by brand

(Values in thousands of EUR)	Full Year 2008	%	Full Year 2007	%	Change Δ	Change %
Alberta Ferretti	65,232	22.1%	63,004	21.5%	2,228	3.5%
Moschino	142,877	48.5%	136,857	46.7%	6,020	4.4%
Pollini	50,944	17.3%	52,311	17.8%	-1,367	-2.6%
J. P. Gaultier	22,452	7.6%	23,749	8.1%	-1,297	-5.5%
Other	13,179	4.5%	17,290	5.9%	-4,111	-23.8%
Total	**294,684**	**100.0%**	**293,211**	**100.0%**	**1,473**	**0.5%**

In 2008, the Alberta Ferretti brand grows by 3.5% (+4.7% at constant exchange rates), contributing to 22.1% of consolidated sales.

In the same period Moschino brand grows by 4.4% (+6.4% at constant exchange rates), contributing to 48.5% of consolidated sales.

Pollini brand decreases by 2.6% (-2.5% at constant exchange rates), generating 17.3% of consolidated sales, while the brand under license JP Gaultier decreases by 5.5% (-4.2% at constant exchange rates), equal to 7.6% of consolidated sales.

Sales from other minority brands decrease by 23.8% (-2.3% at constant exchange rate and excluding the effect of the termination of the Narciso Rodriguez licence), contributing to 4.5% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year 2008	%	Full Year 2007	%	Change Δ	Change %
Italy	115,055	39.0%	113,030	38.5%	2,025	1.8%
Europe (Italy and Russia excluded)	68,871	23.4%	69,694	23.8%	-823	-1.2%
United States	27,576	9.4%	32,263	11.0%	-4,687	-14.5%
Russia	24,429	8.3%	22,110	7.5%	2,319	10.5%
Japan	18,172	6.2%	19,343	6.6%	-1,171	-6.1%
Rest of the World	40,581	13.7%	36,771	12.6%	3,810	10.4%
Total	**294,684**	**100.0%**	**293,211**	**100.0%**	**1,473**	**0.5%**

In 2008, sales in Italy rise by 1.8% to EUR 115,055 thousand, contributing to 39.0% of consolidated sales.
Sales in Europe decrease by 1.2% (+1.1% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections), contributing to 23.4% of consolidated sales. Sales in the United States decrease by 14.5% (-2.8% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections). The Russian market rise by 10.5% (+11.8% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections), contributing to 8.3% of consolidated sales, while Japan sales decrease by 6.1% (-8.4% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections). In the Rest of the World, sales rise by 10.4% (+16.5% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections) to EUR 40,581 thousand, contributing to 13.7% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	**Full Year 2008**	**%**	**Full Year 2007**	**%**	**Change Δ**	**%**
Wholesale	212,014	71.9%	206,936	70.6%	5,078	2.5%
Retail	64,270	21.8%	71,273	24.3%	-7,003	-9.8%
Royalties	18,400	6.3%	15,002	5.1%	3,398	22.6%
Total	**294,684**	**100.0%**	**293,211**	**100.0%**	**1,473**	**0.5%**

The revenues generated by the Group during 2008 are analysed below:

- 71.9% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shopinshops (wholesale channel), which contributes EUR 206,939 thousand in 2007 and EUR 212,014 thousand in 2008, up 2.5% (+5.1% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections).
- 21.8% from sales outlets managed directly by the Group (retail channel), which contributes EUR 71,273 thousand in 2007 and EUR 64,270 thousand in 2008, down 9.8% (-6.6% at constant exchange rates and excluding the effect of the Narciso Rodriguez collections).
- 6.3% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties rise from EUR 15,002 thousand in 2007 to EUR 18,400 thousand in 2008, up 22.6%.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	**Full Year 2008**	**%**	**Full Year 2007**	**%**	**Change Δ**	**%**
Own brands	259,308	88.0%	252,806	86.2%	6,502	2.6%
Brands under license	35,376	12.0%	40,405	13.8%	-5,029	-12.4%
Total	**294,684**	**100.0%**	**293,211**	**100.0%**	**1,473**	**0.5%**

The revenues generated by own brands rise in absolute value of EUR 6,502 (+2.6% compared with the previous year), with an incidence on total revenues which increases from 86.2% in 2007 to 88.0% in 2008. The revenues generated by brands under license decrease by 12.4% (excluding revenues of Narciso brand the decrease would have been of -3.4%).

Labour costs

Labour costs increases from EUR 58,196 thousand in 2007 to EUR 61,711 thousand in 2008 with an incidence on revenues which changes from 19.8% in 2007 to 20.9% in 2008.
The increase in absolute value of this entry is in line with the increase in the workforce, which grows from an average of 1,458 units in 2007 to 1,513 units in 2008.

(Average number of employees by category)	**Full Year 2008**	**Full Year 2007**	**Change Δ**	**%**
Workers	453	437	16	4%
Office staff-supervisors	1,034	996	38	4%
Executive and senior managers	26	25	1	4%
Total	**1,513**	**1,458**	**55**	**4%**

Gross Operating Margin (EBITDA)

In 2008, consolidated EBITDA is equal to EUR 34,294 thousand, down of EUR 10,157 thousand compared to EUR 44,451 thousand in 2007. Net of non recurring items, referring to the sale of 50% stake in Narciso Rodriguez LLC, realized in 2007, EBITDA decreases by EUR 8,002 thousand.
The decrease in margin is largely due to two factors. Firstly, the higher promotional activities in term of markdowns made to support customers, especially in the United States; secondly, the lower contribution to the Group's profitability of the retail channel which suffered for the slowdown in sales and for the costs of the new openings.
EBITDA of the prêt-à-porter division is EUR 30,170 thousand, down 22.8% compared to EUR 39,094 thousand in the year 2007, with a 12.7% margin on sales. Net of non recurring items EBITDA of the prêt-à-porter division decreases by 18.3%.
EBITDA of the footwear and leather goods division decreases from EUR 5,356 thousand in 2007 to EUR 4,124 thousand in 2008 with a 5.5% margin on sales (7.2% in 2007).

Net operating profit (EBIT)

Consolidated EBIT amounts to EUR 21,865 thousand, with a 7.4% margin on sales. EBIT adjusted for extraordinary entries amounts to EUR 23,774 thousand, with a 8.1% margin on sales. Such extraordinary effect is due to the writedown rising from the impairment test on key money, in application of the accounting principle n. 36.

Profit before taxes

Profit before tax decreases by 40.5% from EUR 25,645 thousand in 2007 to EUR 15,250 thousand in 2008. Profit before tax adjusted for extraordinary entries described in the paragraph above, amounts to EUR 17,159 thousand.

Net profit for the Group

Consolidated net profit for the Group decreases by 49.9% from EUR 15,321 thousand in 2007 to EUR 7,676 thousand in 2008. Net profit for the Group adjusted for extraordinary entries amounts to EUR 8.540 thousand.
The tax rate decreases from 49% in the year 2007 (excluding the positive oneoff adjustment effect, due to the adjustment in deferred tax assets and liabilities allocated in previous year to the tax rates approved by the Financial Act for 2008) to 42.4% in the year 2008. This improvement is due to the reduction of IRAP and IRES tax rates approved by the Financial ACT for 2008.

4. CONSOLIDATED RECLASSIFIED BALANCE SHEET

(Values in units of EUR)	31 December 2008	31 December 2007
Trade receivables	43,230,057	36,910,502
Stock and inventories	77,433,665	67,761,354
Trade payables	-63,004,051	-60,577,085
Operating net working capital	**57,659,671**	**44,094,771**
Other short term receivables	28,899,717	27,082,638
Tax receivables	8,102,477	4,786,640
Other short term liabilities	-16,907,509	-17,248,402
Tax payables	-4,288,323	-7,127,302
Net working capital	**73,466,033**	**51,588,345**
Tangible fixed assets	78,465,485	71,194,548
Intangible fixed assets	169,174,912	171,770,613
Equity investments	27,840	21,641
Other fixed assets	2,665,776	3,122,044
Fixed assets	**250,334,013**	**246,108,846**
Post employment benefits	-10,341,812	-11,111,030
Provisions	-1,744,209	-1,707,602
Assets available for sale	1,636,885	1,636,885
Long term not financial liabilities	-14,405,694	-14,251,237
Deferred tax assets	8,356,878	8,869,181
Deferred tax liabilities	-44,486,859	-48,022,235
NET CAPITAL INVESTED	**262,815,235**	**233,111,153**
Share capital	25,766,795	26,840,626
Other reserves	121,342,633	121,923,828
Profits/(Losses) carried-forward	10,236,020	679,150
Profits/(Loss) for the period	7,675,504	15,320,586
Group interest in shareholders' equity	**165,020,952**	**164,764,190**
Minority interests in shareholders' equity	30,990,377	29,863,431
Total shareholders' equity	**196,011,329**	**194,627,621**
Cash	-7,705,842	-14,525,033
Long term financial liabilities	17,528,201	26,646,683
Short term financial liabilities	56,981,547	26,361,882
NET FINANCIAL POSITION	**66,803,906**	**38,483,532**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**262,815,235**	**233,111,153**

NET INVESTED CAPITAL

Net invested capital increases by 12.7% compared with 31 December 2007.

Net working capital

Net working capital amounts to EUR 73,466 thousand (24.9% on sales) compared with EUR 51,588 thousand at 31 December 2007 (17.6% on sales).
The changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables increases by 31% (EUR 13,565 thousand). The increase is due to higher inventories of finished products partially due to the slowdown of the retail sales and to higher trade receivables, related to the decision to give longer payments' extension to clients;
- the increase of EUR 1,817 thousand in other receivables is mainly referred to the increase of EUR 2,220 thousand in credits for prepaid costs. These credits relate to the costs incurred to design and make samples for the Spring/Summer 2009 and Autumn/Winter 2009 collections for which the corresponding revenues from sales have not been realised yet;
- the net increase of EUR 6,155 thousand in tax receivables/payables mainly due to reduction of IRES payable following higher advances paid during the year 2008 compared with 2007.

Fixed assets

At 31 December 2008, fixed assets increase by EUR 4,225 thousand compared to 31 December 2007.
The changes in the main items are described below:

- the increase in tangible fixed assets of EUR 7,271 thousand is determined by new investments only partially compensated by the depreciation of the period. Investments in 2008 are mainly related to the new openings in the retail network, to the renovation of buildings and stores and to the renewable energy system (photovoltaic) for the headquarter in San Giovanni in Marignano;
- the decrease in intangible fixed assets of EUR 2,596 thousand is mainly due to the effect of the stores' asset impairment.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 66,804 thousand as of 31 December 2008 compared with EUR 38,484 thousand as of 31 December 2007. The increase is mainly due to the following events not present in the year 2007:

- dividends distribution for EUR 2,148 thousand;
- purchase of treasury shares for EUR 4,586 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;
- increase in net working capital as described in the paragraph above;
- investments in tangible and intangible fixed assets during the year.

The net financial position includes the effect of the put/call option on the joint venture contract between Moschino and Bluebell Far East for the formation of Moschino Far East. In the absence of this option, the net financial position would have amounted to EUR 61,682 thousand, rather than the EUR 66,804 thousand reported above.

SHAREHOLDERS' EQUITY

The shareholders' equity increases by EUR 1,383 thousand from EUR 194,628 thousand as of 31 December 2007 to EUR 196,011 thousand as of 31 December 2008. The reasons of such increase are illustrated in the Notes to the consolidated financial statements. The number of shares is 107,362,504.
The following institutions hold more than 2% of the Aeffe's shares as of 31 December 2008:

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%

(*) 4% of own shares held by Aeffe S.p.A.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRISPONDING CONSOLIDATED AMOUNTS

(Values in thousands of EUR)	Shareholders' equity at 31 December 2008	Net profit for the full year 2008
Taken from the financial statements of the Parent Company	**145,557**	**5,162**
Reversal of the carrying amount of equity interests	51,392	3,742
Reversal of intercompany inventory margin	-1,725	-103
Transition to Parent Company accounting policies	787	-24
Total consolidation adjustments	**50,454**	**3,615**
Group interest in shareholders' equity	**165,021**	**7,675**
Minority interest in shareholders' equity	**30,990**	**1,102**
Total shareholders' equity	**196,011**	**8,777**

4. RESEARCH & DEVELOPMENT ACTIVITIES

Considering the particular nature of the Group's products, research & development activities consist in the continual technical/stylistic renewal of models and the constant improvement of the materials employed in production.
Although these costs satisfy the requirements for deferral among the intangible assets as R&D expenses, they were charged in full to the Income Statement.

5. GROUP'S OBJECTIVES AND POLICIES ON FINANCIAL RISKS

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

6. CORPORATE GOVERNANCE

Aeffe S.p.A. has aligned its system of corporate governance with the recommendations of the Code of Self-Regulation.
The Code of Self-Regulation provides an organisational and functional reference model for the companies listed on the markets organised and managed by Borsa Italiana; it is nonbinding and offers the flexibility necessary for its adoption by listed companies.
Alignment of the system of governance adopted by listed companies with the recommendations contained in the Code of Self-Regulation is, in fact, not currently a legal requirement: adoption of the standards and organisational models proposed therein is therefore voluntary, and left to the discretion of the listed companies for which it is intended.
Nevertheless, certain recommendations contained in the Code of Self-Regulation are reflected in current legislation and/or regulations including, more precisely, the Italian Civil Code, Decree 58 dated 24 February 1998 as subsequently amended (the "**Consolidated Finance Law**"), Consob Regulation 11971 dated 14 May 1999, as most recently amended by Consob decision 15586 dated 12 October 2006 (the "**Issuers' Regulations**"), the Regulations for Markets Organised and Managed by Borsa Italiana (the "**Market Regulations**") and the Market Instructions relating specifically to companies with shares admitted to trading in the STAR segment.
As required by the regulations, Aeffe prepares and Annual Report on Corporate Governance, stating: (i) which recommendations contained in the Code of Self-Regulation have actually been adopted by the Issuer and how, and (ii) which recommendations have not been adopted, in whole or in part, together with adequate information on the reasons for such partial or nonapplication of them. This report, which also provides information on the ownership structure, is available from the governance section of the following website: www.aeffe.com.

7. TREASURY SHARES

As of 31 December 2008, the Parent Company holds 4.295.321 treasury shares, par value EUR 0.25 each, totalling 4% of its share capital. All shares acquired occurred in the year 2008 and 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 sales of treasury shares have been carried out by the Parent Company.
As of 31 December 2008 the Parent Company does not hold shares of any controlling company either directly or indirectly.

8. STOCK OPTION PLANS

Aeffe S.p.A. has adopted stock option plans (the "Plans") by resolution of the Board of Directors at the meeting held on 23 October 2007. At that time, the Board adopted the recommendations of the Compensation Committee in implementation - under the specific mandate granted - of the resolution adopted at the Extraordinary Shareholders' Meeting held on 26 March 2007.
The Plans adopted are linked to achievement of the objectives set for 2008, 2009 and 2010. The only difference between the Plans lies in the nature of the beneficiaries, being either the executive directors or the employees of the Company (together, the "**Beneficiaries**"): all other conditions are the same.
The Plans, deemed of "particular significance" pursuant to para. 3 of art. 114-bis of Decree 58/1998 and para. 2 of art. 84-bis of the Issuers' Regulations, are governed by two separate

regulations (the "**Regulations**") that were approved in the manner described above by the Board of Directors.
The Beneficiaries were identified by the Board of Directors, acting on recommendations from the Compensation Committee, from among those persons within the Company's organisational structure whose roles are deemed to be strategically significant to the achievement of its business objectives.
Consistent with the best international practice and in compliance with the applicable stock exchange regulations for companies with shares admitted to trading in the STAR segment of the market, the adoption of the Plans is intended to enable the Company to provide incentives to, and promote the loyalty of, those persons within the Company whose roles are deemed to be of particular strategic importance from a managerial and organisational standpoint. The Plans are accordingly intended to guide their performance towards increasing the longterm value of the business, by linking a significant part of their variable remuneration to the achievement of incremental growth targets.
The Plans are also intended to be an effective tool for rewarding and retaining the loyalty of these individuals.
The Plans adopted by the Company involve granting Options to the Beneficiaries, without charge, which enable them to subscribe subsequently for new shares issued by the Company at a predetermined price. Each Option carries the right to subscribe for 1 share. A maximum of 5,920,000 Options can be granted during the period from 1 January 2008 to 30 April 2010. The last date for the exercise of these Options is 31 December 2015; subsequent to this date, it will no longer be possible to exercise any unexercised Options.
The following table shows the number of Options granted to the directors and other employees of the Company in the first grant year with reference to 2007.

Massimo Ferretti	1,189,466
Alberta Ferretti	1,189,466
Simone Badioli	1,132,825
Marcello Tassinari	1,132,825
Other employees	509,769
Total	**5,154,351**

Pursuant to the Regulations, the Plans envisage that the Options will vest on the achievement of the percentage thresholds, established by the Board of Directors with reference to the objectives set in the Company's business plan, for consolidated EBITDA and consolidated net sales deemed appropriate by the Board of Directors for each of the calendar years ending on 31 December 2008-2009-2010, in order to assure constant incentives for the Beneficiaries for vesting purposes, achievement of the target consolidated EBITDA and consolidated net sales for each calendar year each carry a weighting of 50%.
The effect of current tax regulations was considered when devising the Plans. In particular, the exercise price of the Options was set at an amount not lower than the "fair value" of the shares, as determined in accordance with current interpretations of the applicable regulations. The price for the shares was therefore fixed by the Board of Directors, acting on a recommendation from the Compensation Committee, at EUR 4.10, having regard for the above, the requirements of the Italian Civil Code regarding capital increases that exclude pre-emption rights and the need (evaluated and deemed appropriate at the Shareholders' Meeting held on 26 March 2007) to fix a price that is not lower than the Company's IPO placement price of EUR 4.10.
Accordingly, each time the vested Options are exercised, the subscription price to be paid to the Company by the Plan Beneficiaries will be EUR 4.10 per share. The Options are personal and cannot be transferred by deed between living persons; furthermore, they cannot be pledged or the subject of other transactions of any kind.

The shares acquired on the exercise of Options pursuant to the Plans will be the subject of certain temporary restrictions. In particular, without prior written consent from the Board of Directors, such shares may only be sold, contributed, exchanged, loaned, given in guarantee or involved in other transactions between living persons to the extent described below:

- with regard to the number of shares obtained by (i) calculating the difference between the fair value of the shares subscribed for by the Beneficiary and the subscription price actually paid by the Beneficiary and; (ii) dividing the result of this subtraction (if positive) by the fair value of the shares concerned,
  a) 1/3rd of this quantity of shares will only become available from the 1st (first) Working Day subsequent to the 5th (fifth) anniversary of their subscription date;
  b) 2/3rds of this quantity of shares will only become available from the last Working Day of the 6th (sixth) calendar month subsequent to that in which the time period referred to in letter a) above expires; and
  c) the remainder will only become available from the last Working Day of the 6th (sixth) calendar month subsequent to that in which the time period referred to in letter b) above expires;
- the other shares will become available on the following dates:
  a) 1/3rd from 30 November 2010;
  b) 2/3rds from 30 June 2011;
  c) the remainder from 15 December 2011.

The Company may require that the shares subject to lock up be registered in the name of a trust company that will hold an irrevocable mandate granted by the Beneficiaries, pursuant inter alia to art. 1723.2 of the Italian Civil Code since granted in the Company's interest as well. Such mandate will prevent the trust company from carrying out any unilateral instructions given by the Beneficiaries in relation to transactions that do not comply with the restrictions set out in the Regulations.

Exercise of the Options is dependent on the Beneficiaries remaining employees or directors of the Company. In particular, without prejudice to the right of the Board of Directors to decide differently, as envisaged in the related Regulations, if the employee/director relationship terminates between the Option grant date and the related exercise date:

- due to termination by the Beneficiary without just cause, the Beneficiary may exercise any Vested Options that vested at least 24 months prior to termination, without prejudice to the start date referred to in the preceding paragraph;
- due to termination or nonrenewal of the appointment by the Company without just cause and subjectively justified reasons (and even with objectively justified reasons), or due to termination by the Beneficiary with just cause, the Beneficiary will retain the right to exercise the Vested Options outstanding on the date of receipt by the intended recipient of the communication of termination by the party concerned, as well as the right to exercise 50% (fifty percent) of any other Granted Options that may vest subsequently;
- due to termination or nonrenewal of the appointment by the Company for just cause and subjectively justified reasons, the Beneficiary will, on receipt of the communication of termination or nonrenewal, immediately and definitively lose the right to exercise all Granted Options (without prejudice to the right to exercise the Vested Options outstanding at that date);
- due to retirement, subsequent permanent invalidity of the Beneficiary that prevents continuation of the employee/director relationship, or the death of the Beneficiary, the Beneficiary or his/her legitimate heirs and successors will retain the right to exercise the Granted Options (without prejudice to the exercise dates exposed above).

The shares servicing the Plans represent 4.58% (four point five eight percent) of the Company's fullydiluted share capital. The effects on the share price and the possible dilution of share capital are not deemed to be significant, considering that: (i) the Options will be granted on a number occasions spread over time (ii) the minimum length of the vesting period is 3 years (iii) the exercise period is extended (5 years after the expiry of the vesting period and therefore 8 years from the grant date of the first tranche) (iv) current tax regulations provide an incentive not to sell part of the shares for at least five years after the exercise date.

9. 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)

Surname and Name	Shares held	N. of shares held at 31/12/07	N. of shares bought in 2008	N. of shares sold in 2008	Change in n. of shares held by incoming/ (outgoing) members	N. of shares held at 31/12/08
Ferretti Alberta	Aeffe S.p.A	40,000	-	-	-	40,000
Ferretti Massimo	Aeffe S.p.A	37,000	26,000	-	-	63,000
Badioli Simone	Aeffe S.p.A	26,565	-	-	-	26,565
Vanzini Gianfranco	Aeffe S.p.A	2,000	-	-	-2,000	0
Del Bianco Romano	Aeffe S.p.A	-	55,556	-	-	55,556

10. 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 Note 37 of the Consolidated Financial Statements at 31 December 2008.

11. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

With regard to the activities performed by our Group, 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 Group has not been charged with any actions of mobbing.
As regards the environment, once again, the business of our Group does not have any particular impact on the environment, other than energy consumption. We can therefore report that, during the year, the Group was not declared guilty of causing any damage to the environment, and did not receive any sanctions or penalties for environmental crimes or damage.

12. SIGNIFICANT EVENTS OF THE PERIOD

The Shareholders' Meeting held on 3 March 2008 approved a plan for the purchase and use of treasury shares pursuant to art. 2357 et seq. of the Italian Civil Code.
This plan authorises the Board of Directors to purchase up to 10% of the Company's share capital, on one or more occasions on a revolving basis, over a maximum period of 18 months, and to use such shares without time limit.
The mandate envisages that the unit price paid for the shares may not be more than 10% higher or lower than the reference price established for them in trading session immediately prior to each transaction.
The plan approved by the shareholders will enable Aeffe, acting in compliance with current regulations, 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.
During the year 2008 Aeffe S.p.A has acquired n. 4,295,321 Aeffe ordinary shares, at the average price of EUR 1.07 each, for a total amount of EUR 4,586 thousand.
On 29 April 2008 the Shareholders' Meeting of Aeffe S.p.A has approved the distribution of a dividend of EUR 0.02 per share, gross of statutory tax applicable. The clipping and payment of the coupon n.1 occurred respectively on 12 and 15 May 2008.

13.SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events happened subsequent to the balance sheet date.

14.OUTLOOK

As we have already seen, in the autumn of 2008 the world economy further deteriorated, and levels of consumption worsened. This deterioration makes it even more difficult to make predictions with any degree of certainty, on the performance of the Group. We firmly believe that the business world should concentrate, right now, on its core business, place the emphasis on improving efficiency and keeping costs down.
We know that our business model, our constant attention to costs, and the professional skill of the people in the Group, the licensees and the partners we cooperate with, will enable us to face the crisis with "serenity" and deal with it in the most constructive way so as to come out of it stronger, if possible.

AEFFE

REPORT OF THE AUDITING COMPANY

AEFFE S.P.A.
AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998

To the Shareholders of Aeffe S.p.A.

1. We have audited the consolidated financial statements of Aeffe S.p.A. and its subsidiaries (the "Aeffe Group") as of and for the year ended December 31, 2008, which comprise the consolidated balance sheet, the consolidated statements of income, changes in shareholders' equity, and cash flows and the related explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. For the opinion on the prior year's consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 10, 2008.

3. In our opinion, the consolidated financial statements present fairly the financial position of the Aeffe Group as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

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SPA - CAPITALE SOCIALE DELIBERATO € 3.000.000,00, SOTTOSCRITTO € 2.703.000,00, VERSATO € 2.587.500,00 - SEDE LEGALE: C.SO DI PORTA VIGENTINA, 35 - 20122 MILANO

REA N. 1059307 - COD. FISC. N. 01507630489 - P. IVA 05902570158 - AUTORIZZATA AI SENSI DI L. 1966/39 - REGISTRO DEI REVISORI CONTABILI GU 60/1997
ALBO SPECIALE DELLE SOCIETÀ DI REVISIONE CON DELIBERA CONSOB N° 10829 DEL 16/07/1997
UFFICI IN ITALIA: BOLOGNA - FIRENZE - MILANO - NAPOLI - PADOVA - PALERMO - ROMA – TORINO - UDINE

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the consolidated financial statements, as required by art. 156, paragraph 4-bis, letter d), of Legislative Decree n. 58/98. For this purpose, with reference to the financial information included therein, we have read the Report on Operations and verified the consistency of such financial information with the consolidated financial statements of the Aeffe Group as of December 31, 2008. With reference to the other information included in the Report on Operations, our procedures consisted solely in a reading of the Report on Operations as a whole in light of the information acquired during our audit, carried out in accordance with the auditing standards indicated in the paragraph 2. above. In our opinion, based on this activity, the Report on Operations is consistent ith the consolidated financial statements of the Aeffe Group as of December 31, 2008.

Mazars & Guerard S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

April 09, 2009, Milan, Italy

This report has been translated into the English language solely for the convenience of international readers.

AEFFE EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêtaporter, footwear and leather goods.
The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its ownlabel brands, including "Alberta Ferretti", "Moschino" and "Pollini", and licensed brands, which include "Jean Paul Gaultier", "Blugirl" and "Authier".
The Group also has licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children's lines, watches sunglasses and other).
The Group's business is divided, based on the various product lines and brands it sells, into two segments: prêtaporter (which includes prêtaporter, lingerie and swimwear) and footwear and leather goods.
The Parent Company Aeffe, an Italian legal entity incorporated as a public limited company (società per azioni) based in San Giovanni in Marignano (RN), is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.
Aeffe is controlled by Fratelli Ferretti Holding S.r.l. (see attachment VII).
These consolidated financial statements include the financial statements of the Parent Company Aeffe and its subsidiaries and the Group's equity interests in affiliated companies. They consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and these notes.
The financial statements are expressed in euro, since this is the currency in which most of the Group's transactions are conducted. Foreign operations are included in the consolidated financial statements according to the principles stated in the notes that follow.

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

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 are presented in the Directors' Report (Report on operations).
Unless otherwise indicated in the measurement bases described below, these consolidated financial statements were prepared in accordance with the historic cost principle.
The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at 31 December 2008 includes the financial statements of the Parent Company Aeffe and those of the Italian and foreign companies in which Aeffe holds control either directly or through its subsidiaries and associates or in which it exerts a dominant influence.
If necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting polices into line with those adopted by the Group.
Companies are consolidated using the linebyline method. The principles adopted for the application of this method are essentially as follows:

- the book value of equity investments held by the the book value of equity investments

held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at 31 December 2008 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are writtenoff, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries
Subsidiaries are enterprises controlled by the company. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated from the date on which the Group acquires control and until the date when such control ceases.
The acquisition of subsidiaries is accounted for using the historical method. Historical cost is determined by adding together the fair values of the assets contributed, the shares issued and the liabilities assumed on the acquisition date, plus the costs directly associated with the acquisition. Any surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill.
If the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate exceeds historical cost, the difference is immediately recorded in the income statement.
Intercompany balances, transactions, revenue and costs are eliminated in the consolidated statements.
Furthermore, intercompany business combinations are recognised by maintaining the same book value of assets and liabilities as previously recorded in the consolidated financial statements.

Associates
An associate is an enterprise in which the Group has significant influence, but has neither sole or joint control, by taking part in decisions regarding the company's financial and operating strategy. Trading results and the assets and liabilities of associates are accounted for in the consolidated financial statements based on the equity method, except where they are classified as held for sale. According to this method, equity interests in associates are recorded in the balance sheet at cost, adjusted to take account of changes following the acquisition of their net assets, excluding any loss in value of individual investments. Losses of associates that exceed the Group's percentage interest in them (including longterm receivables that essentially form part of the Group's net investment in the associate) are not recognised unless the Group has an obligation to cover them. The surplus acquisition cost over the parent's percentage share of the present value of the identifiable assets, liabilities and contingent liabilities of the associate on the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subjected to impairment tests. The historical cost deficit compared with the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of associates on the acquisition date is credited to the income statement in the year of acquisition. With reference to operations between a Group company and an associate, unrealised gains and losses are eliminated in equal measure to the Group's percentage interest in the associate, except for cases where the unrealised losses constitute evidence of impairment of the asset transferred.

SCOPE OF CONSOLIDATION

The companies included in the scope of consolidation are listed in the following table:

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Italian companies					
Aeffe Retail	S. G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Clan Cafè	S. G. in Marignano (RN) Italy	EUR	100,000		62.9% (v)
Ferretti Studio	S. G. in Marignano (RN) Italy	EUR	10,400	100%	
Moschino	S. G. in Marignano (RN) Italy	EUR	20,000,000	70%	
Nuova Stireria Tavoleto	Tavoleto (PU) Italy	EUR	10,400	100%	
Pollini	Gatteo (FC) Italy	EUR	6,000,000	72%	
Pollini Retail	Gatteo (FC) Italy	EUR	5,000,000		71.9% (i)
Velmar	S. G. in Marignano (RN) Italy	EUR	492,264	75%	
Foreign companies					
Aeffe France	Paris (FR)	EUR	1,550,000	99.9%	
Aeffe UK	London (GB)	GBP	310,000	100%	
Aeffe USA	New York (USA)	USD	600,000	100%	
Divè	Galazzano (RSM)	EUR	260,000	75%	
Fashion Retail Company	Brno (Czech Republic)	CZK	200,000		100.0% (iv)
Fashoff UK	London (GB)	GBP	1,550,000		70.0% (ii)
Moschino Far East	Hong Kong (HK)	USD	128,866		35.1%(iii)
Moschino France	Paris (FR)	EUR	50,000		70.0%(ii)
Moschino Retail	Berlin (D)	EUR	100,000		70.0% (ii)
Ozbek (London)	London (GB)	GBP	300,000	92%	
Aeffe Japan	Tokyo (J)	JPY	3,600,000	100.0%	
Bloody Mary	New York (USA)	USD	100,000		70.0% (ii)

Notes (details of indirect interests):
(i) 99.9% owned by Pollini;
(ii) 100% owned by Moschino;
(iii) 50.1% owned by Moschino;
(iv) 100% owned by Aeffe Retail;
(v) 62.893% owned by Aeffe Retail.

During the period the following operations have been completed:
a) Aeffe Spa has acquired the remaining 30% of AV Suisse and afterwards AV Suisse has been incorporated in Aeffe S.p.A;
b) Aeffe Spa has set up a new company Aeffe Japan, 100% owned;
c) Bloody Mary has entered into the scope of consolidation of Moschino subconsolidated balance.

FOREIGN CURRENCIES

Functional and reporting currency

The amounts in the financial statements of each Group enterprise are measured using the operating currency or the currency of the economic area in which the enterprise operates. These consolidated financial statements are presented in EUR, which is the operating and reporting currency of the Parent Company.

Foreign currency transactions

Foreign currency transactions are converted into the operating currency at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the balance sheet date. Any exchange rate differences arising from the elimination of these transactions or from the conversion of cash assets and liabilities are posted to the income statement. Non-cash assets and liabilities in foreign currencies that are measured at fair value are converted at the exchange rates in force on the date on which the fair value was determined.

Financial statements of foreign companies

The financial statements of companies outside the EUR zone are translated into EUR based on the following procedures:

- assets and liabilities, including goodwill and fair value adjustments arising from consolidation are converted at the exchange rate in force on the balance sheet date;
- revenue and costs are converted at the average rate for the period, which must be close to the exchange rate in force on the transaction date;
- exchange rate differences are recognised in a separate account in shareholders' equity. When a foreign company is sold, the total amount of accumulated exchange rate differences relating to that company are recorded in the income statement.

The exchange rates used for the conversion into euro of the financial and equity statements of companies included in the scope of consolidation are listed in the following table:

Currency description	Actual exchange rate 31 December 2008	Average exchange rate 2008	Actual exchange rate 31 December 2007	Average exchange rate 2007
United States Dollars	1.3917	1.4706	1.4721	1.3706
United Kingdom Pounds	0.9525	0.7965	0.7334	0.6845
Japanese Yen	126.1400	152.3307	164.9300	161.2408
Czech Republic Koruny	26.8750	24.9590	26.6280	27.7583

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Group has elected to adopt a balance sheet format that distinguishes between current and noncurrent 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 27 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

- Issuing of accounting principle IFRS 8 *Operating Segment*. This according principle replaces IAS 14 "Sector informative note" requiring that companies identify the operating segments by the same means with which internal reporting is predisposed, on the basis of which management assesses the performance of the segments and decides how to allocate resources to the operating segments. This interpretation will enter in force on 1 January 2009.
- Amendment to accounting principle IAS 23 *Financial costs*. The main modification concerns the elimination of the option to immediately register in the income statement the financial costs concerning assets that require a considerable time period before they are ready for use or sale. This principle will enter in force on 1 January 2009.
- Introduction of IFRIC 13 *Client trust programmes*. This interpretation is applicable to client trust programmes for the purchase of goods and services and requires principally the allocation of part of the revenues achieved to "receivables" accrued by clients, differentiating their registration in the income statement only at the time at which the "receivables" are used. This interpretation will be applicable from 1 January 2009.
- Revised version of IAS 1 *Presentation of financial statements*. The revised principle IAS 1 Presentation of financial statement, issued in September 2007, will enter in force on 1 January 2009. The standard divides changes in equity related to owners and non owners. The revised standard requires an entity to present changes in its equity resulting from transactions with owners in a statement of changes in equity, while whole non owner changes are required to be presented in a single line. Moreover the standard introduces the statement of comprehensive income: this statement includes all the items of income and expense of the period. The statement of comprehensive income can be presented in a single statement or in two related statements. The Group is considering how to adopt the new standard.
- Revised IFRS 3 *Business Combinations and Amended* IAS 27 *Consolidated and separate financial statements*. The two revised principles, issued in January 2008, will enter in force on 1 July 2009. The revised IFRS 3 requires some changes in the recording of business combinations which will have effects on the goodwill, on the profit or loss of the period in which the acquisition has been made and on the profit or loss of the following periods. The amended IAS 27 requires that a change in the parent's interest in a subsidiary must be accounted as equity transaction. As a consequence, this change will not have effect on the goodwill and will not result in profits or losses. Moreover, the revised principles introduce changes in the recording of a loss sustained by a subsidiary as for the loss of control of a subsidiary. The new rules will apply prospectively and will have impact on the future business combinations with minority shareholders.
- IFRS 2 *Sharebased payments vesting conditions and cancellations*. This amendment to IFRS 2 sharebased payments vesting conditions and cancellations has been issued on January 2008 and will be applicable from 1 January 2009. This principle limits "vesting conditions" to service conditions and performance conditions. Any other features of a sharebased payment should not be considered "vesting condition" and must be considered to determine the fair value of share based payment transaction. This amendment proposes that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. The Group has not entered in sharebased payments with nonvesting conditions and as a consequence they are not expected relevant effects from the application of this amendment.
- Amendment to IAS 32 *Financial Instruments*: Presentation and to IAS 1 *Presentation of financial statements*: puttable financial instruments and obligations arising on liquidation. In particular, the amendment requires an entity to classify some financial instruments (puttable financial instruments and instruments, or components of instruments that impose on an entity

an obligation to deliver to another party a pro rata share) in the assets of an entity as equity instruments. This amendment, will be applicable from 1 January 2009.

- Amendments to IFRS 1 *First time adoption of International Financial reporting Standard* and to IAS 27 *Consolidated and separate financial statements*. The amendment allows entities to use, in their separate financial statement, a deemed cost option for determining the cost (in accordance with IAS 27) of an investment in a subsidiary, jointly controlled entity or associate. The amendment also clarifies that entities should recognise as income all dividends received from a subsidiary jointly controlled entity or associate in their separate financial statement without splitting dividends in pre and post acquisition. These amendments will be applicable from 1 January 2009.
- IFRS 5 – *Non Current Assets Held for Sale and Discontinued Operations*. This amendment, that shall be applied from 1 January 2010, 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 noncontrolling interest in its former subsidiary after the sale.
- IAS 1 – *Presentation of Financial Statements*. This amendment, which shall be applied from 1 January 2009, requires an entity to classify assets and liabilities arising from derivate financial instruments that are not classified as held for trading between current and noncurrent assets and liabilities.
- IAS 16 – *Property, Plant and Equipment*. This amendment, effective from 1 January 2009, requires an entity that in the course of its ordinary activities routinely sells items of property, plant and equipment that it has held for rental to other, to transfer such assets to inventories when they cease to be rented and become held for sale. As a consequence, the proceeds from the sale of such assets shall be recognised as revenue. Cash payments to manufacture or acquire assets held for rental to others or subsequently held for sale are cash flows from operating activities (and not from investing activities).
- IAS 19 – *Employee Benefits*. This amendment, effective prospectively from 1 January 2009 to change its benefits that occur after that date, clarifies the definition of positive/negative past service costs and states that in the case of a curtailment, only the effect of the reduction for future services shall be recognised immediately in the income statement, while the effect arising from past service periods shall be considered a negative past service cost. The Board also revised the definition of shortterm employee benefits and other longterm employee benefits and the definition of a return on plan assets, stating that this amount should be net of any costs for administering the plan (other than those included in the measurement of the defined benefit obligation).
- IAS 20 – *Government Grants and Disclosure of Government Assistance*. This amendment, applicable prospectively from 1 January 2009, states that the benefit of a government loan at a belowmarket rate of interest shall be treated as a government grant and then accounted for in accordance with IAS 20.
- IAS 23 – *Borrowing Costs*. This amendment, applicable from 1 January 2009, revises the definition of borrowing costs.
- IAS 28 – *Investments in Associates*. This amendment shall be applied from 1 January 2009 with prospective application also permitted, requires that for investments accounted for using the equity method a recognised impairment loss should not be allocated to any assets (and in particular goodwill) that forms part of the carrying amount of the investment in the associate, but to the carrying amount of the investment overall. Accordingly any reversal of that impairment loss is recognised in full.
- IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The previous version of the standard did not reflect the fact that a number of assets and liabilities may or must be measured on the basis of a current value rather than historical value. This amendment, made in order to reflect this, is effective from 1 January 2009.
- IAS 36 – *Impairment of Assets*. This amendment, effective from 1 January 2009, requires

additional disclosures to be made in the case in which an entity determines the recoverable amount of a cashgenerating unit using discounted cash flows.

- IAS 38 – *Intangible Assets*. This amendment, effective from 1 January 2009, requires expenditure on advertising and promotional activities to be recognised in the income statement. Further, it states that in the case expenditure is incurred to provide future economic benefits to an entity, but no intangible assets is recognised, in the case of the supply goods, the entity recognised such expenditure as an expense when it has the right to access the goods. In the case of the supply of services, an entity shall recognise the expenditure as an expense when it receives the services. Moreover, the standard has been revised in order to allow entities to use the unit of production method for determining the amortisation charge for an intangible asset with a finite useful life.
- IAS 39 – *Financial Instruments: recognition and measurement*. This amendment, effective from 1 January 2009, clarifies how to calculate the revised affective interest rate on ceasing fair value hedge accounting and notes additionally that the prohibition on the reclassification of financial instruments into or out of the fair value through profit or loss category after initial recognition should not prevent a derivate from being accounted for at fair value though profit or loss when it does not qualify for hedge accounting and vice versa. Finally, in order to eliminate conflict with IFRS 8 – *Operating Segments*, it removes the reference to designating and documenting hedges at sector level.
- IAS 40 – *Investment Property*. This amendment, to be adopted prospectively from 1 January 2009, states that property under construction falls within the scope of IAS 40 and not that of IAS 16.
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*. The main change expected to arise from this interpretation is the elimination of the possibility for an entity to apply hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. Moreover, the interpretation clarifies that in a hedge of a net investment in a foreign operation the hedging instrument may be held by any entity or entities within the group and that IAS 21 – *The effects of changes in Foreign Exchange* rates shall be applied to determine the amount that needs to be reclassified from equity to profit or loss for the hedged item when an entity disposes of the investment. This interpretation, effective from 1 January 2009.
- On 31 July 2008, the IASB issued an amendment to IAS 39 – *Financial Instruments: recognition and measurement* which is to be applied retrospectively from 1 January 2010. The amendment clarifies how the existing principles underlying hedge accounting should be applied in particular situations.
- On 13 October 2008, the IASB issued amendments to IAS 39 – *Financial Instruments: recognition and measurement* and IFRS 7 – *Financial Instruments: Disclosures* that would permit the reclassification, in particular circumstances, of some nonderivative financial assets out of the fair value through profit or loss category. The amendment also permits an entity to transfer a financial asset from the availableforsale category to the loans and receivables category where it has the intention and ability to hold such asset for the foreseeable future. This amendment applies from 1 July 2008.

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2008 are presented below:

Intangible fixed assets
Intangible fixed assets are identifiable nonmonetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Group.

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.
Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill and key money, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Goodwill
Goodwill arising from the acquisition of a subsidiary or joint venture represents the surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture on the acquisition date. Goodwill is recognised as an asset and reviewed annually to make sure that there is no impairment. Impairment losses are recognised in the income statement and are not restated. In case of the disposal of a subsidiary or joint venture, the amount of goodwill not yet amortised is included in the calculation of the capital gain or loss on disposal.
If the net fair value of the identifiable assets, liabilities and contingent liabilities of the shareholding exceeds the acquisition cost, the difference is immediately recorded in the income statement.
When the acquisition contract allows the adjustment of the acquisition price based on future events, the estimated adjustment must be included in the acquisition cost if the adjustment seems probable and the amount can be reliably estimated. Any future adjustments to the estimate are recorded as a goodwill adjustment.

Key money
Intangible fixed assets also include key money, or amounts paid by the Group to take over contracts relating to directly managed stores or, in the case of business combinations, the fair value of these assets at the time of acquisition. These assets are treated as intangible fixed assets with an "infinite" useful life and as such are not amortised. "Infinite" useful life, according to IAS 38, does not mean an endless useful life, but a useful life with no fixed end. In this respect, based on the valuations of independent experts, the period linked with the lease term is not relevant. This includes protection given to the tenant by standard market conditions and by special legal provisions, together with a strategy of gradual expansion of the network by Group companies, which usually involves renewing lease agreements before they expire, regardless of whether the Group intends to maintain the stores or not, in view of the inherent value of the premises themselves. These values are subjected to impairment tests on the transition date and are recognised at the lesser of historical cost initially incurred and the value in use or the market value determined based on an expert valuation.
If, when financial statements are prepared in future, the impairment test carried out in accordance with IAS 36 must indicate a value in use and market value which are less than the carrying amount, impairment losses will be recorded in the income statement. Conversely, if the expert valuation indicates an increase in market value of some stores that were written down compared with their original historic values, the corresponding carrying amount may be increased so that it reflects the new market value, provided that it does not exceed the original cost.

Brands
Brands are recognised at cost and are amortised systematically on a straightline basis during their estimated useful life (40 years) from when the asset is available for use. By applying IFRS 3, all business combinations since 31 December 2001 have been restated, with an

indication, based on an independent estimate, of the new value of intangible fixed assets that were not reported when the shareholdings were acquired.
The Group has seen fit to give brands a finite life of 40 years in view of the policies adopted by other market operators. Prudently, it has adopted an extremely long – although not infinite and thus unidentifiable – useful life for its own brands (reflecting the prolonged benefits derived from these). This decision is in line with intangible fixed assets typical of the fashion industry, based on previous experience of other international operators in the sector (market comparables).

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 intellectual property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

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 directlyattributable expenses.
Tangible fixed assets are depreciated systematically each year on a straightline basis using economictechnical 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 straightline basis over the new estimated useful lives of the buildings: 50 years (2%).
The depreciation rates applied are summarised below:

Category	**%**
Industrial buildings	2% - 2.56%
Plant and machinery	10% - 12.5%
Industrial and commercial equipment	25%
Electronic machines	20%
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 Group, 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 Group 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

Financial leases
Assets held under finance leases, which transfer to the Group 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 Group 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
Goodwill, key money and other intangible fixed assets are subjected to impairment testing each year, or more frequently if there is evidence of a possible loss of value.
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.
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 Group'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
Equity investments in non-consolidated subsidiaries, associates and joint ventures are recognised according to the equity method. The surplus cost over shareholders' equity on the acquisition date is treated in the same way as described in the section on consolidation principles. Other equity investments are recognised using the cost method, which is reduced for impairment losses. The original value is restated in subsequent years if the reasons for the write-down no longer apply.

Assets held for sale
This item includes assets where the book value will be recovered mainly through sale rather than continuous use. For this to happen, the asset (or group) must be available for sale in its current condition, subject to standard conditions applicable to the sale of such assets (or groups), and the sale must be highly probable. An asset classified as held for sale is recognised at the lesser of its book value and fair value, excluding selling costs, as stipulated in IFRS 5.

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 estimated net 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 realisability.

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. Group contributions to defined benefit

plans are charged to the income statement on an accruals basis.
The Group'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 1 January 2005, the IFRS transition date, have been recognised.
Actuarial gains and losses arising subsequent to 1 January 2005, on calculation of the Group'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 Group 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 Group 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:

- retail sales - on delivery of the goods;
- wholesale sales - on shipment of the goods;
- royalties and commissions - on an accrual basis.

Costs
Costs and expenses are recognised on an accrual basis.
Design and production costs for sample collections incurred during the period are correlated to the turnover from sales of collection and are thus carried in the income statement in proportion to the revenue generated. The remaining portion to be carried in the income statement during the period in which the corresponding revenue is generated is posted to other current assets.

Financial income and expenses

These include all items of a financial nature written to the income statement for the period, including interest payable on financial debts calculated using the effective interest method (mainly current account overdrafts and medium and long-term loans), foreign currency gains and losses, dividends received, and the portion of interest payable deriving from the accounting treatment of assets under finance leases (IAS 17).
Interest income and expenses are reported in the income statement for the period in which they are realised/incurred.
Dividends are recognised in the period when the Group's right to a dividend payment matures, subject to ratification.
The amount of interest payable on finance leases is booked to the income statement using the effective interest method.

Taxes

Income taxes for the period include current and deferred taxes. Income taxes for the period are recorded in the income statement; however, when they relate to components recorded directly as shareholders' equity, they are recognised as shareholders' equity.
Taxes other than income taxes, such as property tax, are reported under operating expenses.
Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date and any adjustments to tax liabilities calculated in prior periods.
Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.
Deferred taxes relate to:

- temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated financial statements, except for goodwill that is not tax deductible and differences arising from investments in subsidiaries that are not likely to be written off in the foreseeable future;
- positive components of income for the current period and prior periods, but taxable in future periods;
- credits for deferred tax assets are recognised;
- for all deductible temporary differences, if it is probable that taxable income will be generated for which the deductible temporary difference can be used, unless the deferred tax asset derives from the initial measurement of an asset or liability in a transaction other than a business combination that, on the transaction date, affects neither accounting profit nor taxable profit (tax loss);
- for the carryover of unused tax losses and tax credits, if it is probable that taxable income will be generated for which the tax loss or tax credit may be used.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to changes in income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force or essentially in force on the balance sheet date.
The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs. Credits for deferred tax assets and debits for deferred tax liabilities are netted when they refer to taxes imposed by the same tax authorities.

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 consolidated financial statement, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Group.

- 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".

Key Money

The recoverable value of key money was calculated using the higher between the current value and the value determinable by use.

Current value: this value was calculated by estimating both the cost of establishing the network of boutiques, subject to the impairment test at current values, and as the current market value in case of transfer to others of the rental contract for each boutique (considered as "cash generating units").
The estimates used to calculate the values as indicated above are illustrated below:

- annual value of the rental contracts from the total spent in 2008;
- annual hypothetical increase in rents for 2.5%;
- possible renewal on expiration of each contract for a period equal to that foreseen by the contract in existence as of December 31, 2008;
- terminal value after first renewal.

The discount rates used are as follows:

- Risk-free rate for established contracts, 3%;
- Hypothetical renewal rate after the first expiration, 5%;
- Terminal value rate, 25%.

Value calculable on the basis of use: the evaluation derives from the cash flow analyses of the characteristic activity of each boutique ("cash generating unit"). The cash flows of the "cash generating units" attributable to startup were derived for the year 2009 from a budget simulation that, depending on the boutique, foresees increases of turnover around a range that goes from 0% in the most optimistic cases to -30% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2009 but were used to make a prudential calculation for the test purpose only. For the years 2010 and 2011 and to calculate the terminal value we considered a turnover growth rate of 5%. As a discount rate we used the average cost of capital (WACC) which is 8.4%.

Brands

To calculate the recoverable value of the brands entered in the financial statement, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of these intangible assets, for a period equal to the residual live of the brands as of the date of drafting this financial statement. To calculate the values on this basis we prepared a budget simulation for 2009 that, depending on the brand, foresees increases of turnover around a range that goes from -7% in the most optimistic cases to -20% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2009 but were used to make a prudential calculation for the test purpose only. For the remaining periods, we estimated an increase in turnover of 5%. As royalty rates we used the averages for the sector and as discount rate we used the average cost of capital (WACC) which is 8.4%.

- 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 3.20%;

- The discount rate used is 4.30%;
- *The expected rates of retribution increases (inclusive of inflation) are divided as follows:
  - Management 1.50%;
  - Office staff/department heads 0.50%;
  - laborers 0.50%
- The annual rate in increase of the severance indemnity fund foreseen is 3.90%;
- The expected turn-over of employees is 6% for Aeffe S.p.A, 10% for Aeffe Retail S.p.A, 13% for Ferretti Studio, 8% for Moschino S.p.A. and Pollini Retail and 5% for N.S.T. S.r.l, Pollini S.p.A and Velmar S.p.A.

* The estimated rates of salary increase were used only for the companies with 50 or fewer employees.

- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
  - The voluntary turn-over rate foreseen is 0.00%;
  - The corporate turn-over rate foreseen is 5.00% for all the Group's companies;
  - The discount rate used is 4.30%.

OTHER INFORMATION

Segment information
Within a group, various segments are distinguishable providing a series of homogeneous products or services (business segment) or providing products and services in a specific geographical area (geographical segment). Specifically, in Aeffe Group, two areas of activity are identified:
- Prêt-a-porter Division;
- Footwear and leather goods Division.

In accordance with IAS 14, segment information can be found in the section entitled "Comments on the income statement and segment information".

Management of financial risks
The financial risks to which the Group is exposed in the performance of its business are as follows:
- risk of liquidity;
- market risk (inclusive the currency risk, rate risk, price risk);
- credit risk.

The Group uses derivative financial instruments for the sole purpose of covering certain nonfunctional 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 and, except in a few cases (Pollini Group and Moschino Far East) it is managed by the individual companies that, however, are coordinated by the treasury on the basis of the guidelines established by the General Management of the Group and approved by the Managing Director.
The main goal of these guidelines consists of:

- ***Liquidity risk:***
  The Group manages the liquidity risk with a view to guarantee, at the consolidated level, 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 Group 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.
The credit lines, though negotiated at the Group level, are granted to the individual companies.
As of the date of this financial statement, the companies in the Group with the main short and medium/long-term loans from banks are the Parent Company, Pollini, Moschino and Velmar.

- ***Exchange risk:***
  The Group operates internationally and is therefore not 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 companies in the Group exposed to the exchange risk are covered by loans in foreign currency.

- ***Rate risk:***
  The interest rate risk to which the companies in the Group are exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Group 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 2008 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 370 thousand annually (EUR 623 thousand as of 31 December 2007).
  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 2008 there are no instruments that hedge interest-rate risk.

- ***Price risk:***
  The Group 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 Group deals only with known and reliable clients. It is a policy of the Group 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, 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 Group proceeds as follows:

a) Most of the foreign credits are guaranteed by primary credit insurance companies;
b) The residual uninsured part of the receivable is managed by request of letter of credit and 50% advances within two weeks of the order confirmation.

The unexpired receivables, amounting to a total of EUR 30,105 thousand as of 31 December 2008, represent 70% of the receivables entered in the financial statement, compared to 64% of the same period of the previous year. 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 2008	31 December 2007	Change Δ	%
Trade receivables	43,230	36,911	6,319	17.1%
Other current receivables	28,900	27,083	1,817	6.7%
Other fixed assets	2,666	3,122	-456	-14.6%
Total	**74,796**	**67,116**	**7,680**	**11.4%**

See note 4 for the comment and breakdown of the item "other fixed assets" note 8 "trade receivables" and note 11 "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 2008, overdue but not written-down trade receivables amount to EUR 13,125 thousand (they amounted to EUR 13,172 thousand in 2007). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
By 30 days	2,850	4,113	-1,263	-30.7%
31 - 60 days	3,699	2,452	1,247	50.9%
61 - 90 days	1,931	1,087	844	77.6%
Exceeding 90 days	4,645	5,520	-875	-15.9%
Total	**13,125**	**13,172**	**-47**	**-0,4%**

Cash flow statement
The cash flow statement presented by the Group 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:

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group 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);
- 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;
- 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 CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	**Brands**	**Goodwill**	**Other**	**Total**
Net book value as of 01.01.07	**120,799**	**54,102**	**172**	**175,073**
Increases	-	215	121	336
- increases externally acquired	-	-	*121*	*121*
- increases from business aggregations	-	*215*	-	*215*
Disposals	-	-	-	-
Amortisation	-3,515	-	-124	-3,638
Net book value as of 01.01.08	**117,284**	**54,317**	**170**	**171,771**
Increases	98	4,225	291	4,614
- increases externally acquired	*98*	*4,225*	*291*	*4,614*
- increases from business aggregations	-	-	-	-
Disposals	-	-3,579	-	-3,579
Amortisation	-3,515	-	-116	-3,631
Net book value as of 31.12.08	**113,867**	**54,963**	**345**	**169,175**

The increase in the intangible fixed assets of EUR 4,614 thousand is mainly due to the goodwill paid for a store based in Milan. The decrease (equivalent to EUR 7,210 thousand) is due for EUR 2,236 thousand to the write-downs of Key money principally relating to a store based in Florence in compliance with the result rising from the impairment test in application of the accounting principle n. 36, for EUR 1,343 thousand to the sale of a store based in Milan and for EUR 3,631 thousand to the amortisation of the period.

Brands

This item includes the Group's ownlabel brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap & Chic", "Love Moschino", "Pollini", "Studio Pollini", "Verdemare"). A breakdown of brands is given below:

(Values in thousands of EUR)	**Brand residual life**	**31 December 2008**	**31 December 2007**
Alberta Ferretti	34	4,250	4,375
Moschino	36	63,042	64,968
Pollini	32	46,192	47,535
Verdemare	37	383	406
Total		**113,867**	**117,284**

The decrease between the two period refers to the amortisation of brands.

Goodwill

Goodwill refers to the amounts paid by the Group to take over leases relating to directly managed stores or, in the case of business combinations, the fair value of these assets at the time of acquisition. Under Italian accounting standards, the amounts paid to previous tenants to take over commercial positions relating to stores were capitalised under intangible assets and amortised over the term of the lease. When the Group switched to IFRS, the accounting treatment of goodwill changed, since these items are considered intangible assets with an infinite useful life and as such are not amortised. In accordance with that provided by IAS 36, these assets are subjected to impairment tests and are therefore recognised at the lesser of historical cost and market value. In view of the Group's past experience, the duration of store leases is thought to have little relevance for maintaining key money values, given the strategy pursued successfully by the Group of renewing leases before their natural expiry date.

Other

The item other mainly includes software licences.

2. Tangible fixed assets

The table below illustrates the breakdown and the changes of this item:

(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 01.01.07	**17,719**	**34,266**	**10,998**	**3,614**	**207**	**3,091**	**69,895**
Increases	-	898	4,578	2,554	159	1,125	9,314
Disposals	-	-	-	-3	-9	-	-12
Translation differences and other variations	-164	-886	-215	-1	-	-13	-1,279
Depreciation	-	-815	-3,548	-1,155	-80	-1,125	-6,723
Net book value as of 01.01.08	**17,555**	**33,463**	**11,813**	**5,009**	**277**	**3,078**	**71,195**
Increases	-	721	7,489	3,658	364	1,569	13,801
Disposals	-	-	-228	-5	-40	-102	-375
Translation differences and other variations	80	413	333	-477	6	96	451
Depreciation	-	-800	-3,424	-1,262	-125	-996	-6,607
Net book value as of 31.12.08	**17,635**	**33,797**	**15,983**	**6,923**	**482**	**3,645**	**78,465**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 13,801 thousand. These mainly refer to new investments in the construction of buildings, the renovation and modernisation of shops, the purchase of plant and equipment and the purchase of electronic machines.
- Disposals, net of the accumulated depreciation, of EUR 375 thousand.

- Decrease for differences arising on translation and other variation of EUR 451 thousand which mainly relates to the translation differences of the subsidiary Aeffe USA.
- Depreciation of EUR 6,607 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 item includes holdings in non-consolidated associates accounted for using the equity method, in addition to other holdings measured at fair value, mainly represented by the cost.

4. Other fixed assets

This item mainly includes receivables for security deposits relating to commercial leases. At 31 December 2008 the value is in line with that of 31 December 2007.

5. Deferred tax assets and liabilities

The table below illustrates the breakdown of this item at 31 December 2008 and at 31 December 2007:

	Receivables		Liabilities	
(Values in thousands of EUR)	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Tangible fixed assets	-	-	-442	-518
Intangible fixed assets	3	3	-219	-1,930
Provisions	1,268	1,134	-38	-136
Costs deductible in future periods	1,520	2,171	-	-
Income taxable in future periods	-	-	-676	-741
Tax losses carried forward	3,434	3,015	-	-
Other	-	69	-74	-
Tax assets (liabilities) from transition to IAS	2,132	2,477	-43,038	-44,697
Total	**8,357**	**8,869**	**-44,487**	**-48,022**

Changes in temporary differences during the period are illustrated in the following table:

(Values in thousands of EUR)	Opening balance	Differences arising on translation	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	-518	-23	99	-	-442
Intangible fixed assets	-1,927	-	1,711	-	-216
Provisions	998	7	231	-6	1,230
Costs deductible in future periods	2,171	1	-652	-	1,520
Income taxable in future periods	-741	-	65	-	-676
Tax losses carried forward	3,015	-110	550	-21	3,434
Other	69	-4	-70	-69	-74
Tax assets (liabilities) from transition to IAS	-42,220	1,099	416	-201	-40,906
Total	**-39,153**	**970**	**2,350**	**-297**	**-36,130**

6. Assets available for sale

This item mainly refers to the fair value of the shareholding Pollini France and the corresponding financial receivable; the Group has already started to finalise the sale, which it intends to complete by 2009.

CURRENT ASSETS

7. Stocks and inventories

This item comprises:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Raw, ancillary and consumable materials	18,268	17,520	748	4.3%
Work in progress	9,020	10,814	-1,794	-16.6%
Finished products and goods for resale	49,718	38,796	10,922	28.2%
Advance payments	428	631	-203	-32.2%
Total	**77,434**	**67,761**	**9,673**	**14.3%**

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2009 collection.
Finished products mainly concern the Autumn/Winter 2008 and the Spring/Summer 2009 collections and the Autumn/Winter 2009 sample collection.
The increase in inventories compared with the previous period is mainly due to higher inventories of finished products partially due to the slowdown of the retail sales.

8. Trade receivables

This item is illustrated in detail in the following table:

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**	**Change Δ**	**%**
Trade receivables	44,834	38,711	6,123	15.8%
(Allowance for doubtfull account)	-1,604	-1,800	196	-10.9%
Total	**43,230**	**36,911**	**6,319**	**17.1%**

Trade receivables amount to EUR 43,230 thousand at 31 December 2008, up 17.1% since 31 December 2007. The increase in trade receivables is related to the decision to give longer payments' extension to clients. Management considers that the fair value of amounts due from customers approximates their book value. The allowance for doubtful accounts is determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

9. Tax receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**	**Change Δ**	**%**
IVA	4,560	4,706	-146	-3.1%
IRES	2,648	-	2,648	n.a.
IRAP	265	30	235	783.3%
Amounts due by tax authority for withheld taxes	555	35	520	1485.7%
Other tax receivables	74	16	58	362.5%
Total	**8,102**	**4,787**	**3,315**	**69.3%**

As of 31 December 2008, the Group's tax receivables amount to EUR 8,102 thousand principally in relation to VAT recoverable (EUR 4,560 thousand). The increase in IRES and IRAP receivables are mainly due to higher advances paid during the year 2008 compared with 2007.

10. Cash

This item includes:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Bank and post office deposits	6,947	13,076	-6,129	-46.9%
Cheques	145	157	-12	-7.6%
Cash in hand	614	1,292	-678	-52.5%
Total	**7,706**	**14,525**	**-6,819**	**-46.9%**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date. Cash in hand represents the nominal value of the cash held on the balance sheet date.
The decrease in cash and cash equivalents, recorded at 31 December 2008 compared with the amount recorded at 31 December 2007, is EUR 6,819 thousand. About the reasons of this variation see the Cash Flow Statement.

11. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Credits for prepaid costs	23,281	21,061	2,220	10.5%
Advances for royalties and commissions	1,408	1,519	-111	-7.3%
Advances to suppliers	599	452	147	32.5%
Accrued income and prepaid expenses	1,766	1,650	116	7.0%
Other	1,846	2,401	-555	-23.1%
Total	**28,900**	**27,083**	**1,817**	**6.7%**

Other current assets increase by EUR 1,817 thousand for the increase of credits for prepaid expenses for EUR 2,220 thousand.
Credits for prepaid expenses relate to the costs incurred to design and make samples for the Spring-Summer 2009 and Autumn/Winter 2009 collections. Such costs have been deferred and will be matched with the corresponding revenue from sales.

12.Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2008, while the corresponding variations are described in the prospect of shareholders'equity.

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**	**Change Δ**	**%**
Share capital	25,767	26,841	-1,074	-4.0%
Legal reserve	2,459	2,173	286	13.2%
Share premium reserve	71,796	75,308	-3,512	-4.7%
Translation reserve	-1,269	-949	-320	33.7%
Other reserves	28,996	26,031	2,965	11.4%
Fair value reserve	7,901	7,901	-	n.a.
IAS reserve	11,459	11,459	-	n.a.
Profits (losses) carried-forward	10,236	679	9,557	1407.5%
Net profit for the Group	7,676	15,321	-7,645	-49.9%
Minority interests	30,990	29,863	1,127	3.8%
Total	**196,011**	**194,627**	**1,384**	**0.7%**

Share capital

Share capital as of 31 December 2007 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 year 2008 is only due to the purchase of n. 4,295,321 treasury shares by the Parent Company.
There are no shares with restricted voting rights, without voting rights or with preferential rights. The number of outstanding shares (excluding treasury shares) is not changed during the period.

Legal reserve

The legal reserve increases from EUR 2,173 thousand as of 31 December 2007 to Euro 2,459 thousand as of 31 December 2008 following the allocation of prioryear profits decided at the shareholders' meeting held on 29 April 2008.

Share premium reserve

The share premium reserve decreases from EUR 75,308 thousand as of 31 December 2007 to EUR 71,796 thousand as of 31 December 2008 due to the purchase of treasury shares.

Translation reserve

The translation reserve decreases of EUR 320 thousand due to the conversion of companies' financial statements in other currency than EUR.

Other reserves

The item increased by EUR 3,305 thousand following allocation of the profit from the previous year, and decreased by EUR 340 thousand following reporting of the hedges used to cover the exposure of future cash flow variables relative to a transactions deemed highly probable and whose effects on the income statement will be felt in the coming years.

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. Each difference is allocated on a pro rata basis to minority interests.

Profits/(Losses) carried-forward

The caption profits/(losses) carried forward records a positive variation as a consequence of the consolidated net profit earned during the year ended at 31 December 2007.

Minority interests

The increase in capital and reserves is mainly due to the portion of net profit for the period to 31 December 2008 attributable to the minority shareholders.
Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve.

NON-CURRENT LIABILITIES

13.Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	**31 December 2007**	**Increases**	**Decreases**	**31 December 2008**
Pensions and similar obligations	1,570	62	-13	1,619
Other	138	45	-58	125
Total	**1,708**	**107**	**-71**	**1,744**

The additional client expenses reserve is determined based on an estimate of the liability relating to the severance of agency contracts, taking account of statutory provisions and any other relevant factor, such as statistical data, average duration of agency contracts and their rate of turnover. The item is calculated based on the actual value of the outflow necessary to extinguish the obligation.
Potential tax liabilities for which no reserves have been established, since it is not considered probable that they will give rise to a liability for the Group, are described in the paragraph "Potential liabilities".

14.Post employment benefits

The severance indemnities payable on a deferred basis to all employees of the Group 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.

Starting from 1 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).
Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2007	Increases	Decreases	31 December 2008
Post employment benefits	11,111	518	-1,287	10,342
Total	**11,111**	**518**	**-1,287**	**10,342**

Increases include financial expenses for EUR 459 thousand.

15. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Loans from financial institutions	6,307	14,200	-7,893	-55.6%
Amounts due to other creditors	11,221	12,447	-1,226	-9.8%
Total	**17,528**	**26,647**	**-9,119**	**-34.2%**

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 contains details of bank loans current as of 31 December 2008, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long-term portion
Bank borrowings	14,035	7,728	6,307
Total	**14,035**	**7,728**	**6,307**

There are no amounts due beyond five years.
The following table contains details of amounts due to other creditors:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Financial leases	5,981	7,301	-1,320	-18.1%
Due to other creditors	118	82	36	43.9%
Due to shareholders (Bluebell, Moschino Far East)	4,908	4,850	58	1.2%
Long-term debt for Moschino Far East put/call	214	214	-	n.a.
Total	**11,221**	**12,447**	**-1,226**	**-9.8%**

The reduction in the amount due to other long term creditors compared with the prior year is almost entirely due to the decrease in the lease liability.
The lease liability relates to the leaseback transaction arranged by the Parent Company in relation to the building that is still used by Pollini. The original amount of this loan, arranged in 2002, is 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.
The amount due to shareholders relates to the loan granted by Bluebell Far East (49.9% interest in Moschino Far East) to Moschino Far East on 18 December 2002, under the terms of the joint venture agreement with Moschino.
The non-current payable on recognising the put/call option on Moschino Far East relates to the put/call option included in the joint venture contract with Moschino. This contract provides for a reciprocal put/call mechanism, for Bluebell and Moschino respectively, for the sale/purchase of the investment in Moschino Far East held by Bluebell. The exercise price is based on a specific earn-out formula, the value of which depends - among other factors - on the profit performance of Moschino Far East.
The amounts reported on recognition of the put/call option are subject to adjustment with reference to the variable earn-out parameters.

16.Long-term not financial liabilities

This caption, in the amount of EUR 14,406 thousand, mainly refers to the debt due by the subsidiary Moschino in relation to an interest-free shareholder loan from Sinv. This liability is treated to a payment on capital account and arose on the purchase of Moschino by the Parent Company and Sinv in 1999, divided into proportional shares according to the equity interest held the Parent Company and Sinv in Moschino.

CURRENT LIABILITIES

17. Trade payables

Tax payables are analysed in comparison with the related balances as of 31 December 2007 in the following table:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Trade payables	63,004	60,577	2,427	4.0%
Total	**63,004**	**60,577**	**2,427**	**4.0%**

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

18. Tax payables

Tax payables are analysed in comparison with the related balances as of 31 December 2007 in the following table:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Local business tax (IRAP)	-	666	-666	-100.0%
Corporate income tax (IRES)	107	3,479	-3,372	-96.9%
Amounts due to tax authority for withheld taxes	2,385	2,412	-27	-1.1%
VAT due to tax authority	233	297	-64	-21.5%
Other	1,563	273	1,290	472.5%
Total	**4,288**	**7,127**	**-2,839**	**-39.8%**

The Irap and Ires payables reflect the current tax charge, net of advances paid during the year. The considerable decreases in IRES and IRAP payables are linked to higher advances paid during the year 2008 compared with 2007. The change in the item Other is mainly due to the payable related to the substitute tax owed to the release of the fiscal misalignment.

19. Short-term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Due to banks	55,158	25,105	30,053	119.7%
Due to other creditors	1,824	1,257	567	45.1%
Total	**56,982**	**26,362**	**30,620**	**116.2%**

Current bank debt includes advances granted by credit institutions, current loans and the current portion of long-term financing commitments. Advances mainly consist of withdrawals from short-term credit facilities to finance the working capital requirement. Current loans (due within 12 months) are loans granted by banks to the Parent Company and to other Group companies.
At 31 December 2007, amounts due to other creditors mainly includes financial payables recorded in the consolidated financial statements in application of the financial accounting method for leasing operations.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Due to total security organization	3,992	3,711	281	7.6%
Due to employees	5,165	4,518	647	14.3%
Trade debtors - credit balances	2,197	3,931	-1,734	-44.1%
Accrued expenses and deferred income	2,671	3,113	-442	-14.2%
Other	2,883	1,975	908	46.0%
Total	**16,908**	**17,248**	**-340**	**-2.0%**

Other liabilities at 31 December 2008 are in line with the amount at 31 December 2007 due to the reason that changes in the single captions counterbalance each other.
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 Group's employees.
The decrease in trade debtors – credit balances is due to the reduction of advances received.
The caption accrued expenses and deferred income mainly refers to the deferred income relating to the deferment to the next year of revenues not of competence.
The other liabilities mainly include commission payables.

SEGMENT INFORMATION BY ACTIVITY AND BY GEOGRAPHICAL AREA

A segment is part of a distinct group providing products and services (activity segment) or providing products and services in a specific geographical area (geographical segment), subject to risks and benefits different from those of other sectors. Within the Group, activity sectors have been identified at primary (numeric) level, while at a secondary level a geographical distribution has been applied from which information is derived on the distribution of net revenue and activities.

Segment information by activity
At international level, the Group is divided into two main business sectors:
- Prêt-à porter Division;
- Footwear and leather goods Division.

Prêt-à porter Division is mainly represented by the companies Aeffe, Moschino and Velmar, operating in the design, production and distribution of luxury prêt-à porter and lingerie, beachwear and loungewear collections.
In terms of prêt-à porter collections, the activity is carried out by Aeffe, both for the production of the Group's ownlabel brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier" and "Authier"). Aeffe also handles the distribution of all Division products, which takes place via the retail channel through subsidiaries and via the wholesale channel.
Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear, and loungewear. Collections are produced and distributes under the Group's own-label brands such as "Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino" and "Verdemare", and under third-party licensed brands such as "Blugirl".
The prêt-à porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino product lines, such as the "Moschino" brand licensing agreement for the Love line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

The following table indicates the main economic data for the full year 2008 and 2007 of the Prêt-à porter and Footwear and leather goods Divisions:

2008 *(Values in thousands of EUR)*	**Prêt-à porter Division**	**Footwear and leather goods Division**	**Elimination of intercompany transactions**	**Total**
SECTOR REVENUES	**236,727**	**75,447**	**-17,490**	**294,684**
of which intercompany	3,847	13,643	17,490	-
GROSS OPERATING MARGIN (EBITDA) after non-recurring operations	**30,170**	**4,124**	**-**	**34,294**
Total non-recurring operations	-	-	-	-
GROSS OPERATING MARGIN (EBITDA)	**30,170**	**4,124**	**-**	**34,294**
Total Amortisation and write-downs	-8,171	-4,258	-	-12,429
NET OPERATING PROFIT (EBIT)	**21,999**	**-134**	**-**	**21,865**
OTHER INFORMATION				
Investments	15,873	1,238	-	17,111
Amortisations	8,129	2,108	-	10,237
Revaluations (write-downs)	42	2,150	-	2,192
Other non monetary costs	-	-	-	-

2007 *(Values in thousands of EUR)*	**Prêt-à porter Division**	**Footwear and leather goods Division**	**Elimination of intercompany transactions**	**Total**
SECTOR REVENUES	**235,178**	**74,535**	**-16,502**	**293,211**
of which intercompany	3,884	12,618	16,502	-
GROSS OPERATING MARGIN (EBITDA) after non-recurring operations	**36,940**	**5,356**	**-**	**42,296**
Total non-recurring operations	2,154	-	-	2,154
GROSS OPERATING MARGIN (EBITDA)	**39,094**	**5,356**	**-**	**44,450**
Total Amortisation and write-downs	-8,720	-2,002	-	-10,722
NET OPERATING PROFIT (EBIT)	**30,374**	**3,354**	**-**	**33,728**
OTHER INFORMATION				
Investments	8,886	656	-	9,543
Amortisations	8,360	2,002	-	10,362
Revaluations (write-downs)	360	-	-	360
Other non monetary costs	-	-	-	-

The following table indicates the main patrimonial and financial data at 31 December 2008 and 2007 of the Prêt-à porter and Footwear and leather goods Divisions:

31 December 2008 *(Values in thousands of EUR)*	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	323,662	115,101	-29,522	409,241
OTHER ASSETS	15,026	1,433	-	16,459
CONSOLIDATED ASSETS	**338,688**	**116,534**	**-29,522**	**425,700**
SECTOR LIABILITIES	163,909	46,526	-29,522	180,913
OTHER LIABILITIES	28,565	20,210	-	48,775
CONSOLIDATED LIABILITIES	**192,474**	**66,736**	**-29,522**	**229,688**

31 December 2007 *(Values in thousands of EUR)*	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	302,412	113,596	-21,983	394,025
OTHER ASSETS	12,407	1,249	-	13,656
CONSOLIDATED ASSETS	**314,819**	**114,844**	**-21,983**	**407,681**
SECTOR LIABILITIES	138,136	41,750	-21,983	157,903
OTHER LIABILITIES	33,524	21,626	-	55,150
CONSOLIDATED LIABILITIES	**171,660**	**63,376**	**-21,983**	**213,053**

Segment information by geographical area

The following table indicates the revenues for the full year 2008 and 2007 divided by geographical area:

(Values in thousands of EUR)	Full Year 2008	%	Full Year 2007	%	Change Δ	%
Italy	115,055	39.0%	113,030	38.5%	2,025	1.8%
Europe (Italy and Russia excluded)	68,871	23.4%	69,694	23.8%	-823	-1.2%
United States	27,576	9.4%	32,263	11.0%	-4,687	-14.5%
Russia	24,429	8.3%	22,110	7.5%	2,319	10.5%
Japan	18,172	6.2%	19,343	6.6%	-1,171	-6.1%
Rest of the World	40,581	13.7%	36,771	12.6%	3,810	10.4%
Total	**294,684**	**100.0%**	**293,211**	**100.0%**	**1,473**	**0.5%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

21.Revenues from sales and services

The revenues from sales and services generated in 2008 amount to EUR 294,684 thousand, up 0.5% compared with EUR 293,211 of the same period in the previous year (+3.2% at constant exchange rates and excluding also the effect of the termination of the Narciso Rodriguez license).
The revenues of the prêt-à port division increases by 0.7% (+4% at constant exchange rates), while the revenues of the footwear and leather goods division rise by 1.2%, before interdivisional eliminations.

22.Other revenues and income

This item comprises:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change Δ**	**%**
Extraordinary income	1,113	1,201	-88	-7.3%
Capital gains	-	2,405	-2,405	-100.0%
Other income	4,937	2,053	2,884	140.5%
Total	**6,050**	**5,659**	**391**	**6.9%**

In 2008, the caption extraordinary income amounts to EUR 1,113 thousand and decreases compared with the previous year of EUR 88 thousand due to a general reduction of the items which compose the caption (recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years).
The considerable decrease in the caption capital gains relates to the registration of a net gains of roughly EUR 2 million realised by Aeffe USA from the sale, on 18 May 2007, of its 50% stake in Narciso Rodriguez LLC..
The increase of EUR 2,884 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 increase of exchange gains compared with the previous period.

23.Costs of raw materials

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change Δ**	**%**
Raw, ancillary and consumable materials and goods for resale	89,819	88,772	1,047	1.2%
Total	**89,819**	**88,772**	**1,047**	**1.2%**

This item mainly includes costs for the acquisition of raw materials such as fabrics, threads, skins and accessories, purchases of finished products for resale (products sold) and packaging.

The increase in this item is closely linked with the increase in volumes sold, with the consequent increase in revenue and production.

24.Costs of services

This item comprises:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change Δ**	**%**
Subcontracted work	36,830	34,056	2,774	8.1%
Consultancy fees	16,455	12,911	3,544	27.4%
Advertising	18,187	17,148	1,039	6.1%
Commission	7,726	7,771	-45	-0.6%
Transport	5,190	5,787	-597	-10.3%
Utilities	2,685	2,448	237	9.7%
Directors' and auditors' fees	3,508	3,688	-180	-4.9%
Insurance	918	868	50	5.8%
Bank charges	1,218	1,281	-63	-4.9%
Travelling expenses	2,925	2,472	453	18.3%
Other services	7,430	7,313	117	1.6%
Total	**103,072**	**95,743**	**7,329**	**7.7%**

Costs of services increase from EUR 95,743 thousand of 2007 to EUR 103,072 thousand of 2008, up 7.7%. The increase in this caption essentially reflects the growth of subcontracted work, which has to be examined jointly with the cost of raw materials because together form the cost of goods sold, consultancy fees and advertising.

25.Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change Δ**	**%**
Rental expenses	13,047	11,487	1,560	13.6%
Royalties	3,439	4,170	-731	-17.5%
Hire charges and similar	1,486	1,393	93	6.7%
Total	**17,972**	**17,050**	**922**	**5.4%**

26.Labour costs

Labour costs increase from EUR 58,196 thousand in 2007 to EUR 61,711 thousand in 2008. The impact of labour costs on revenues increase from 19.8% in 2007 to 20.9% in 2008. The increase of 6% is in line with the increase in the workforce.

This item comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Labour costs	61,711	58,196	3,515	6.0%
Total	**61,711**	**58,196**	**3,515**	**6.0%**

In 2008 the average number of employees of the Group is:

(Average number of employees by category)	Full Year 2008	Full Year 2007	Change Δ	%
Workers	453	437	16	4%
Office staff - supervisors	1,034	996	38	4%
Executive and senoir managers	26	25	1	4%
Total	**1,513**	**1,458**	**55**	**4%**

The average number of employees in 2007 has been amended from 1,431 units to 1,458 units, the amendment is imputable to a change in the criteria used for the calculation of the media.

27.Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Taxes	568	580	-12	-2.1%
Gifts	339	277	62	22.4%
Contingent liabilities	583	430	153	35.6%
Write-down of current receivables	689	497	192	38.6%
Foreign exchange losses	1,759	255	1,504	589.8%
Other operating expenses	582	470	112	23.8%
Total	**4,520**	**2,509**	**2,011**	**80.1%**

The caption other operating expenses increases from EUR 2,509 thousand in 2007 to EUR 4,520 thousand in 2008 in particular for the increase in foreign exchange losses.

28. Amortisation and write-downs

This item includes:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Amortisation of intangible fixed assets	3,630	3,638	-8	-0.2%
Depreciation of tangible fixed assets	6,607	6,723	-116	-1.7%
Write-downs	2,192	360	1,832	508.8%
Total	**12,429**	**10,722**	**1,707**	**15.9%**

Amortisation of intangible fixed assets mainly refer to the amortisation of brands. Brands are amortised over 40 years.
The increase in the item amortisation and write-downs is mainly due to the write-down of a store based in Florence in compliance with the result rising from the impairment test on key money in application of the accounting principle n. 36.

29. Financial income/expenses

This item includes:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Interest income	299	274	25	9.1%
Foreign exchange gains	500	76	424	557.9%
Financial discounts	23	34	-11	-32.4%
Other income	1	219	-218	-99.5%
Financial income	**823**	**603**	**220**	**36.6%**
Bank interest expenses	4,566	7,151	-2,585	-36.1%
Lease interest	504	450	54	12.0%
Foreign exchange losses	1,359	880	479	54.4%
Other expenses	1,009	206	803	389.8%
Financial expenses	**7,438**	**8,687**	**-1,249**	**-14.4%**
Total	**6,615**	**8,084**	**-1,469**	**-18.2%**

The decrease in financial expenses is mainly due to the reduction of net financial indebtedness as consequence of the Company's listing occurred on 24 July 2007.

30. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Current income taxes	8,823	11,028	-2,205	-20.0%
Deferred income (expenses) taxes	-2,350	-3,653	1,303	-35.7%
Total income taxes	**6,473**	**7,375**	**-902**	**-12.2%**

Details of deferred tax assets and liabilities and changes in this item are described in the paragraph on deferred tax assets and liabilities.
The reconciliation between actual and theoretical taxation for 2008 and 2007 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007
Profit before taxes	15,250	25,645
Theoretical tax rate	27.5%	33%
Theoretical income taxes (IRES)	**4,194**	**8,463**
Fiscal effect	-702	-4,337
Effect of foreign tax rates	985	635
Total income taxes excluding IRAP (current and deferred)	**4,477**	**4,761**
IRAP (current and deferred)	**1,996**	**2,614**
Total income taxes (current and deferred)	**6,473**	**7,375**

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. The tax rate decreased from 49% in the year 2007 (excluding the positive one-off adjustment effect, due to the adjustment in deferred tax assets and liabilities allocated in previous year to the tax rates approved by the Financial Act for 2008) to 42.4% in the year 2008. This improvement is due to the reduction of IRAP and IRES tax rates approved by the Financial ACT for 2008.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2008 is EUR 6,819 thousand.

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change
OPENING BALANCE (A)	**14,525**	**15,320**	**-795**
Cash flow (absorbed)/ generated by operating activity (B)	2,343	23,108	-20,765
Cash flow (absorbed)/ generated by investing activity (C)	-17,111	-9,543	-7,568
Cash flow (absorbed)/ generated by financing activity (D)	7,949	-14,360	22,309
INCREASE (DECREASE) IN CASH FLOW (E)=(B)+(C)+(D)	**-6,819**	**-795**	**-6,024**
CLOSING BALANCE (F)=(A)+(E)	**7,706**	**14,525**	**-6,819**

31. Cash flow (absorbed)/generated by operating activity

The cash flow generated by operating activity during 2008 amounts to EUR 2,343 thousand. The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change
Profit before taxes	15,250	25,645	-10,395
Amortisation	12,429	10,722	1,707
Accrual (+)/availment (-) of long term provisions and post employment benefits	-733	-2,431	1,698
Paid income taxes	-12,335	-9,374	-2,961
Financial income (-) and financial charges (+)	6,615	8,084	-1,469
Change in operating assets and liabilities	-18,883	-9,538	-9,345
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**2,343**	**23,108**	**-20,765**

32.Cash flow (absorbed)/generated by investing activity

The cash flow absorbed by investing activity during 2008 amounts to EUR 17,111 thousand. The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change**
Increase (-)/ decrease (+) in intangible fixed assets	-1,035	-336	-699
Increase (-)/ decrease (+) in tangible fixed assets	-13,878	-9,302	-4,576
Investments (-)/ Disinvestments (+)	-2,198	95	-2,293
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-17,111**	**-9,543**	**-7,568**

33.Cash flow (absorbed)/generated by financing activity

The cash flow generated by financing activity during 2008 amounts to EUR 7,949 thousand. The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change**
Other variations in reserves and profits carried-forward of shareholders' equity	-5,246	71,954	-77,200
Dividends paid	-2,148	-	-2,148
Proceeds (+)/repayments (-) of financial payments	21,502	-77,985	99,487
Increase (-)/decrease (+) in long term financial receivables	456	-245	701
Financial income (+) and financial charges (-)	-6,615	-8,084	1,469
CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	**7,949**	**-14,360**	**22,309**

OTHER INFORMATION

34. Stock options plan

For the details relating to the stock options granted to directors, general managers and executive with strategic responsibilities see attachment VI.

35. Net financial position

As required by Consob communication DEM/6264293 dated 28 July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Group's net financial position as of 31 December 2008 is analysed below:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change
A - Cash in hand	759	1,449	-690
B - Other available funds	6,947	13,076	-6,129
C - Securities held for trading	-	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*7,706*	*14,525*	*-6,819*
E - Short term financial receivables	-	-	-
F - Current bank loans	-47,430	-6,657	-40,773
G - Current portion of long-term bank borrowings	-7,728	-18,447	10,719
H - Current portion of loans from other financial istitutions	-1,824	-1,257	-567
I - Current financial indebtedness (F) + (G) + (H)	*-56,982*	*-26,362*	*-30,620*
J - Net current financial indebtedness (I) + (E) + (D)	*-49,276*	*-11,837*	*-37,439*
K - Non current bank loans	-6,307	-14,200	7,893
L - Issued obbligations	-	-	-
M - Other non current loans	-11,221	-12,447	1,226
N - Non current financial indebtedness (K) + (L) + (M)	*-17,528*	*-26,647*	*9,119*
O - Net financial indebtedness (J) + (N)	*-66,804*	*-38,484*	*-28,320*

Net financial indebtedness of the Group amounts to EUR 66,804 thousand as of 31 December 2008 compared with EUR 38,484 thousand as of 31 December 2007.
Net financial indebtedness includes the recognition of the put/call option under the joint venture agreement between Moschino and Bluebell Far East for the formation of Moschino far East. In the absence of this option, net financial indebtedness would have amounted to EUR 61,683 thousand rather than 66,804 thousand as reported above.

36. Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**
Consolidated earnings for the period for shareholders of the Parent Company	7,676	15,321
Medium number of shares for the period	106,650	107,363
Basic earnings per share	**0.072**	**0.143**

Following the issue on 24 July 2007 of 19 million new shares, taken up in full, the number of shares currently outstanding is 107,362.5 thousand.

37. Related party transactions

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here.
Operations carried out with 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 Group's business dealing with other related parties are summarised below:

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**	**Nature of the transaction**
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	300	300	Cost
Ferrim with Aeffe S.p.a.			
Property rental	1,388	1,355	Cost
Ferrim with Moschino S.p.a.			
Property rental	956	776	Cost
Commerciale Valconca with Aeffe S.p.a.			
Revenues	190	187	Revenue
Cost of services	87	-	Cost
Commercial	775	547	Receivable
Commercial	92	-	Payable

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 2008 and 31 December 2007.

(Values in thousands of EUR)	Balance Year	Value rel. part. 2008	%	Balance Year	Value rel. part. 2007	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	294,684	190	0.1%	293,211	187	0.1%
Costs of services	103,072	387	0.4%	95,743	300	0.3%
Costs for use of third party assets	17,972	2,344	13.0%	17,050	2,131	12.5%
Incidence of related party transactions on the balance sheet						
Trade receivables	43,230	775	1.8%	36,910	547	1.5%
Trade payables	63,004	92	0.1%	60,577	-	n.a.
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by financing activity	7,949	-	n.a.	-14,360	-1,000	7.0%
Cash flow (absorbed) / generated by operating activity	2,343	-2,677	n.a.	23,108	-1,800	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-66,804	-2,677	4.0%	-38,484	-2,800	7.3%

38. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064296 dated 28 July 2006, it is confirmed that in 2008 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

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

In the year 2008 no non-recurring events or transactions have been realised.

40. Guarantees and commitments

As of 31 December 2008, the Group has given performance guarantees to third parties totalling EUR 8,543 thousand (EUR 2,878 thousand as of 31 December 2007) and has received guarantees totalling EUR 85 thousand (EUR 633 thousand as of 31 December 2007).

41.Contingent liabilities

Fiscal disputes

The fiscal dispute of the Group refers to the following companies:

Aeffe: on 16 December 2006, the Rimini Provincial Tax Commissioners published sentence no. 101/2/06 cancelling notices of assessment n. 81203T100562 (RG n. 43/05) and 81203T100570 (RG n. 69/05) issued by the Rimini Tax Authorities in November 2004. The issues rose related to the 1999 and 2000 tax years and concerned 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 firstlevel decision means that further developments in this dispute can be considered in a positive light. The Company is waiting for the hearing date to be fixed.

On 1 October 2008 the local tax office of Rimini notified Aeffe S.p.A. of an inspection report concerning direct taxes and regional taxes 2005. The controls also concerned VAT and focused mainly on the relations with other companies in the Group and costs for services. In particular, the tax office found costs not applicable to the year, for about EUR 130 thousand and other inapplicable costs for EUR 580 thousand. With reference to the latter, we observe that it refers to non-acceptance by the financial administration of advertising costs linked to contributions made by the company to its subsidiaries.

No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the Company and its professional advisors are fully sustainable.

Pollini: The fiscal disputes involving Pollini S.p.A. refer to the following:

a) recovery of VAT for the year 2001 on inventory differences; in January 2009, the company presented its appeal to the decision of the Provincial Tax Commission of Forlì, that - in partial agreement with the defensive reasoning - calculated the higher VAT due in the amount of EUR 13 thousand, plus fines and interest.
b) recovery of VAT and regional tax for the year 2002 for omission of invoicing on taxable transactions; also with reference to this suit, the company presented an appeal against the decision of the Provincial Tax Commission of Forlì in January 2009 , that rejected the company's defence on this particular point;
c) recovery of VAT and regional tax for the year 2002 (charged to the incorporated company Pollini Industrial S.r.l.) for omission of invoicing on taxable transactions; The Tax Office of Cesena presented an appeal in 2008 against the decision of the Provincial Tax Commission of Forlì that accepted the company's objection in full.

The company appeared for the appeal within the terms of the law, before the Regional Tax Commission of Bologna that, to date, has not been able to set a date for the discussion.

Pollini Retail S.r.l.: The fiscal disputes involving Pollini Retail S.r.l. refer to:

a) the controversy surrounding failure to recognize the VAT credit going back to 2001 for about EUR 505 thousand; on the amount entered, which became final after the negative of the Provincial Tax Commission of Rimini, the company obtained permission to pay the amount in instalments to the tax collecting authority; the suit was discussed by the Regional Tax Commission of Bologna on December 12, 2008; on February 12, 2009 the ordinance of the regional commission was filed, ordering the company to furnish the necessary information to ascertain the amount of the VAT credit accrued by the company in 2001;
b) the objection to silent refusal of the Office of the motion made by the company to recognize VAT receivables for 2001 that had been the subject of the dispute indicated above; that dispute is currently pending before the Tax Commission of Rimini.

No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the Company and its professional advisors are fully sustainable.

The directors, in receipt of the opinion of their fiscal consultants, do not deem it likely that any liabilities will derive from the above-mentioned.

42. Information requested by art. 149-duodecies of the "Regolamento Emittenti" issued by Consob

The following table, prepared in accordance with art. 149-duodecies of the "Regolamento Emittenti" issued by Consob, reports the amount of fees charged in 2008 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	**Service provider**	**2008 fees**
Audit	MAZARS & GUERARD	230
Audit	WARD DIVECHA	14
Total		**244**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I - CONSOLIDATED ASSETS BALANCE SHEET with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	NOTES	31 December 2008	of which related parties	31 December 2007	of which related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Goodwill		54,962,043		54,316,280	
Trademarks		113,867,489		117,284,499	
Other intangible fixed assets		345,380		169,834	
Total intangible fixed assets	(1)	169,174,912		171,770,613	
Tangible fixed assets					
Lands		17,635,695		17,555,245	
Buildings		33,796,853		33,462,497	
Leasehold improvements		15,983,052		11,812,881	
Plant and machinary		6,922,775		5,008,897	
Equipment		481,667		277,380	
Other tangible fixed assets		3,645,443		3,077,648	
Total tangible fixed assets	(2)	78,465,485		71,194,548	
Other fixed assets					
Equity investments	(3)	27,840		21,641	
Other fixed assets	(4)	2,665,776		3,122,044	
Deferred tax assets	(5)	8,356,878		8,869,181	
Assets available for sale	(6)	1,636,885		1,636,885	
Total other fixed assets		12,687,379		13,649,751	
TOTAL NON-CURRENT ASSETS		**260,327,776**		**256,614,912**	
CURRENT ASSETS					
Stocks and inventories	(7)	77,433,665		67,761,354	
Trade receivables	(8)	43,230,057	774,620	36,910,502	546,792
Tax receivables	(9)	8,102,477		4,786,640	
Cash	(10)	7,705,842		14,525,033	
Other receivables	(11)	28,899,717		27,082,638	
TOTAL CURRENT ASSETS		**165,371,758**		**151,066,167**	
TOTAL ASSETS		**425,699,534**		**407,681,079**	

ATTACHMENT II - CONSOLIDATED LIABILITIES BALANCE SHEET with related parties

Pursuant to Consob Resolution N. 15519 of 27July 2006

(Values in units of EUR)	NOTES	31 December 2008	of which related parties	31 December 2007	of which related parties
SHAREHOLDERS' EQUITY	**(12)**				
Group interest					
Share capital		25,766,795		26,840,626	
Share premium reserve		71,796,450		75,307,855	
Translation reserve		-1,269,327		-948,776	
Other reserves		31,454,778		28,204,017	
Fair Value reserves		7,901,240		7,901,240	
IAS reserves		11,459,492		11,459,492	
Profit/(losses) carried-forward		10,236,020		679,150	
Net profit for the Group		7,675,504		15,320,586	
Group interests in shareholder's equity		165,020,952		164,764,190	
Minority interests					
Minority interests in share capital and reserves		29,888,628		26,913,875	
Net profit for the minority interests		1,101,749		2,949,556	
Minority interests in shareholder's equity		30,990,377		29,863,431	
TOTAL SHAREHOLDERS' EQUITY		**196,011,329**		**194,627,621**	
NON-CURRENT LIABILITIES					
Provisions	(13)	1,744,209		1,707,602	
Deferred tax liabilities	(5)	44,486,859		48,022,235	
Post employment benefits	(14)	10,341,812		11,111,030	
Long term financial liabilities	(15)	17,528,201		26,646,683	
Long term not financial liabilities	(16)	14,405,694		14,251,237	
TOTAL NON-CURRENT LIABILITIES		**88,506,775**		**101,738,787**	
CURRENT LIABILITIES					
Trade payables	(17)	63,004,051	92,151	60,577,085	
Tax payables	(18)	4,288,323		7,127,302	
Short term financial liabilities	(19)	56,981,547		26,361,882	
Other liabilities	(20)	16,907,509		17,248,402	
TOTAL CURRENT LIABILITIES		**141,181,430**		**111,314,671**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**425,699,534**		**407,681,079**	

ATTACHMENT III - CONSOLIDATED INCOME STATEMENT with related parties
Pursuant to Consob Resolution N. 15519 of 27 July 2006

(*Values in units of EUR*)	NOTES	Full Year 2008	of which related parties	Full Year 2007	of which related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**294,684,156**	**189,820**	**293,210,633**	**187,000**
Other revenues and income	(22)	6.049.598		5.659.038	
TOTAL REVENUES		**300,733,754**		**298,869,671**	
Changes in inventory		10,653,865		7,851,559	
Costs of raw materials, cons. and goods for resale	(23)	-89,818,830		-88,772,356	
Costs of services	(24)	-103,072,048	-387,033	-95,743,447	-300,000
Costs for use of third parties assets	(25)	-17,971,959	-2,344,011	-17,049,562	-2,131,000
Labour costs	(26)	-61,710,751		-58,195,922	
Other operating expenses	(27)	-4,520,130		-2,509,319	
Total Operating Costs		-266,439,853		-254,419,047	
GROSS OPERATING MARGIN (EBITDA)		**34,293,901**		**44,450,624**	
Amortisation of intangible fixed assets		-3,630,278		-3,638,463	
Depreciation of tangible fixed assets		-6,607,247		-6,723,449	
Revaluations (write-downs)		-2,191,573		-359,770	
Total Amortisation and write-downs	(28)	-12,429,098		-10,721,682	
NET OPERATING PROFIT (EBIT)		**21,864,803**		**33,728,942**	
Financial income		823,231		602,757	
Financial expenses		-7,438,103		-8,686,927	
Total Financial Income (expenses)	(29)	-6,614,872		-8,084,170	
PROFIT BEFORE TAXES		**15,249,931**		**25,644,772**	
Current income taxes		-8,822,874		-11,027,823	
Deferred income (expenses) taxes		2,350,196		3,653,193	
Total Income Taxes	(30)	-6,472,678		-7,374,630	
NET PROFIT		**8,777,253**		**18,270,142**	
(Profit)/loss attributable to minority shareholders		-1,101,749		-2,949,556	
NET PROFIT FOR THE GROUP		**7,675,504**		**15,320,586**	

ATTACHMENT IV - CONSOLIDATED CASH FLOW STATEMENT with related parties
Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	NOTES	Full Year 2008	of which related parties	Full Year 2007	of which related parties
OPENING BALANCE		**14,525**		**15,320**	
Profit before taxes		15,250	-2,541	25,645	-2,245
Amortisation		12,429		10,722	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-733		-2,431	
Paid income taxes		-12,335		-9,374	
Financial income (-) and financial charges (+)		6,615		8,084	
Change in operating assets and liabilities		-18,883	-135	-9,538	445
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**2,343**		**23,108**	
Increase (-)/ decrease (+) in intangible fixed assets		-1,035		-336	
Increase (-)/ decrease (+) in tangible fixed assets		-13,878		-9,302	
Investments (-)/ Disinvestments (+)		-2,198		95	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-17,111**		**-9,543**	
Other variations in reserves and profits carried-forward of shareholders' equity		-5,246		71,954	
Dividends paid		-2,148		-	
Proceeds (+)/repayments (-) of financial payments		21,502		-77,985	-1,000
Increase (-)/decrease (+) in long term financial receivables		456		-245	
Financial income (+) and financial charges (-)		-6,615		-8,084	
CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	**(33)**	**7,949**		**-14,360**	
CLOSING BALANCE		**7,706**		**14,525**	

ATTACHMENT V - REMUNERATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(art. 78 regolamento Consob n. 11971/99)

Name and Surname	Appointments held in 2008	Period in office	Mandate expiry date*	Emoluments for office	Other remuneration	Total
(Values in thousands of EUR)						
DIRECTORS						
Massimo Ferretti	Chairman	01/01-31/12/2008	2010	600	255	855
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2008	2010	450	110	560
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2008	2010	250	101	351
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2008	2010	268 **	86	354
Gianfranco Vanzini	Non-executive Director	01/01-30/04/2008	2008	10	-	10
Umberto Paolucci	Independent, non-executive Director	01/01-31/12/2008	2010	60	-	60
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2008	2010	40	2	42
Pierfrancesco Giustiniani	Independent, non-executive Director	01/05-31/12/2008	2010	20	-	20
STATUTORY AUDITORS						
Romano Del Bianco	President of the Board of Statutory Auditors up to 30/04/08 after Statutory Auditor	01/01-31/12/2008	2010	11	4	15
Bruno Piccioni	Statutory Auditor	01/01-31/12/2008	2010	10	7	17
Vittorio Baiocchi	Statutory Auditor	01/01-30/04/2008	2008	5	-	5
Fernando Ciotti	President of the Board of Statutory Auditors since 01/05/08	01/05-31/12/2008	2010	9	14	23
EXECUTIVES WITH STRATEGIC RESPONSABILITIES (***)					**981**	**981**
Total				**1,733**	**1,560 (1)**	**3,293 (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 Parent Company

(***) includes three executives

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

(2) excludes employer's social security contributions

ATTACHMENT VI - STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSABILITIES

(art. 78 regolamento Consob n. 11971/99)

Name and Surname	Appointments held in 2008	Options held at 31/12/07			Options granted in 2008			Options exercised in 2008			Expired options	Options held at the end of 2008		
		N. of options	Average exercise price	Average expiry	N. of options	Average exercise price	Average expiry	N. of options	Average exercise price	Average expiry	N. of options	N. of options (11)= 1+4-7-10	Average exercise price	Average expiry
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(12)	(13)
Massimo Ferretti	Chairman	1,189,466	4.1	2.010								1,189,466	4.1	2.010
Alberta Ferretti	Deputy Chairman and Executive Director	1,189,466	4.1	2.010								1,189,466	4.1	2.010
Simone Badioli	Chif Executive Officer and Executive Director	1,132,825	4.1	2.010								1,132,825	4.1	2.010
Marcello Tassinari	Managing Director and Executive Director	1,132,825	4.1	2.010								1,132,825	4.1	2.010
Other employees of the Group		509,769	4.1	2.010								509,769	4.1	2.010
Total		**5,154,351**										**5,154,351**		

ATTACHMENT VII - PROSPECT OF CRUCIAL DATA FROM THE CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS OF FRATELLI FERRETTI HOLDING AT 31 DECEMBER 2007

STATUTORY FINANCIAL STATEMENTS	31 DECEMBER 2007	CONSOLIDATED FINANCIAL STATEMENTS
	(Values in units of EUR)	
	BALANCE SHEET ASSETS	
9,883	Intangible fixed assets	175,255,999
-	Tangible fixed assets	71,194,547
69,238,590	Equity investments	-281,682
-	Other fixed assets	7,450,261
-	Deferred tax assets	8,873,029
-	Assets available for sale	1,636,885
69,248,473	**Non-current assets**	**264,129,040**
-	Stocks and inventories	67,761,354
13,817	Trade receivables	36,910,502
-	Tax receivables	4,786,640
13,972	Cash	36,186,406
-	Other receivables	27,096,456
27,789	**Current assets**	**172,741,358**
69,276,262	**TOTAL ASSETS**	**436,870,398**
	LIABILITIES	
	Group interest	
100,000	Share capital	100,000
67,783,322	Share premium reserve	67,783,322
-15,912	Net profit for the Group	58,255,408
67,867,410	Group interest in shareholders’ equity	126,138,730
	Minority interest	
-	Minority interests in share capital and reserves	84,004,585
-	Net profit for the minority interests	8,802,020
-	Minority interests in shareholders’ equity	92,806,605
67,867,410	**Shareholders' equity**	**218,945,335**
-	Provisions	1,707,664
-	Deferred tax liabilities	48,022,235
-	Post employment benefits	11,111,030
1,372,289	Long term financial liabilities	26,646,683
-	Long term not financial liabilities	14,251,237
1,372,289	**Non-current liabilities**	**101,738,849**
36,563	Trade payables	60,598,310
-	Tax payables	7,127,302
-	Short term financial liabilities	26,361,882
-	Other liabilities	22,098,719
36,563	**Current liabilities**	**116,186,213**
69,276,262	**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**	**436,870,398**
	INCOME STATEMENT	
-	**Revenues from sales and services**	**293,210,633**
-	Other revenues and income	5,659,038
-	**Total revenues**	**298,869,671**
-10,099	Operating costs	-254,725,819
-2,504	Amortisation and write-downs	-10,721,682
-904	Provisions	-
-8,441	Financial income (expenses)	41,747,091
-	Profit/(loss) from affiliates	-746,300
-21,948	**Profit before taxes**	**74,422,961**
6,036	Income Taxes	-7.365.533
-15,912	**Net profit**	**67.057.428**
-	(Profit)/loss attributable to minority shareholders	-8,802,020
-15,912	**Net profit for the Group**	**58,255,408**

Certification of the Consolidated 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 consolidated financial statements at 31 December 2008.

The undersigned also certify that the consolidated 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 and of the Group companies included in the scope of consolidation.

12 March 2009

President of the board of directors

Massimo Ferretti

Manager responsible for preparing
Aeffe S.p.A. financial reports
Marcello Tassinari

ANNUAL REPORT OF AEFFE SPA AS OF 31 DECEMBER 2008

AEFFE SpA FINANCIAL STATEMENTS

ASSETS BALANCE SHEET (*)

(Values in units of EUR)	NOTES	31 December 2008	31 December 2007	Change 2008/07
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademarks		4,250,000	4,375,000	-125,000
Other intangible fixed assets		50,434	22,779	27,655
Total intangible fixed assets	(1)	4,300,434	4,397,779	-97,345
Tangible fixed assets				
Lands		15,803,400	15,803,400	-
Buildings		25,628,536	25,437,905	190,631
Leasehold improvements		4,340,842	3,324,212	1,016,630
Plant and machinary		4,876,614	2,468,259	2,408,355
Equipment		162,242	17,116	145,126
Other tangible fixed assets		949,913	924,945	24,968
Total tangible fixed assets	(2)	51,761,547	47,975,837	3,785,710
Other fixed assets				
Equity investments	(3)	86,183,228	86,155,455	27,773
Other fixed assets	(4)	47,183,259	44,226,437	2,956,822
Deferred tax assets	(5)	1,904,493	2,242,115	-337,622
Total other fixed assets		135,270,980	132,624,007	2,646,973
TOTAL NON-CURRENT ASSETS		**191,332,961**	**184,997,623**	**6,335,338**
CURRENT ASSETS				
Stocks and inventories	(6)	27,536,415	23,491,098	4,045,317
Trade receivables	(7)	56,861,866	42,815,191	14,046,675
Tax receivables	(8)	6,792,358	4,407,963	2,384,395
Cash	(9)	673,633	4,036,674	-3,363,041
Other receivables	(10)	14,117,355	13,624,030	493,325
TOTAL CURRENT ASSETS		**105,981,627**	**88,374,956**	**17,606,671**
TOTAL ASSETS		**297,314,588**	**273,372,579**	**23,942,009**

(*) 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 37 and 38.

LIABILITIES BALANCE SHEET (*)

(Values in units of EUR)	NOTES	31 December 2008	31 December 2007	Change 2008/07
SHAREHOLDERS' EQUITY				
Share capital		25,766,796	26,840,626	-1,073,830
Share premium reserve		71,796,450	75,307,855	-3,511,405
Other reserves		31,795,283	28,204,015	3,591,268
Fair Value reserve		7,742,006	7,742,006	-
IAS reserve		1,139,140	-203,646	1,342,786
Profit/(losses) carried-forward		2,154,670	2,171,895	-17,225
Net profit		5,162,174	5,738,517	-576,343
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**145,556,519**	**145,801,268**	**-244,749**
NON-CURRENT LIABILITIES				
Provisions	(12)	1,318,754	1,330,955	-12,201
Deferred tax liabilities	(5)	7,911,353	7,972,888	-61,535
Post employment benefits	(13)	5,697,396	6,096,530	-399,134
Long term financial liabilities	(14)	11,666,278	19,325,528	-7,659,250
Long term not financial liabilities	(15)	165,940	-	165,940
TOTAL NON-CURRENT LIABILITIES		**26,759,721**	**34,725,901**	**-7,966,180**
CURRENT LIABILITIES				
Trade payables	(16)	75,380,246	63,805,483	11,574,763
Tax payables	(17)	1,462,942	4,388,607	-2,925,665
Short term financial liabilities	(18)	41,080,475	17,926,043	23,154,432
Other liabilities	(19)	7,074,685	6,725,277	349,408
TOTAL CURRENT LIABILITIES		**124,998,348**	**92,845,410**	**32,152,938**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**297,314,588**	**273,372,579**	**23,942,009**

(*) 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 VI and described in Note 37 and 38.

INCOME STATEMENT (*)

(Values in units of EUR)	NOTES	Full Year 2008	% on revenues	Full Year 2007	% on revenues	Change Δ	%
REVENUES FROM SALES AND SERVICES	**(20)**	**154,078,292**	**100.0%**	**155,388,756**	**100.0%**	**-1,310,464**	**-0.8%**
Other revenues and income	(21)	5,943,768	3.9%	3,437,264	2.2%	2,506,504	72.9%
TOTAL REVENUES		**160,022,060**	**103.9%**	**158,826,020**	**102.2%**	**1,196,040**	**0.8%**
Changes in inventory of work in process, semi-finished, finished goods		6,033,822	3.9%	1,613,998	1.0%	4,419,824	273.8%
Costs of raw materials, cons. and goods for resale	(22)	-51,076,947	-33.1%	-48,802,236	-31.4%	-2,274,711	4.7%
Costs of services	(23)	-52,857,073	-34.3%	-49,185,147	-31.7%	-3,671,926	7.5%
Costs for use of third parties assets	(24)	-19,831,482	-12.9%	-19,753,106	-12.7%	-78,376	0.4%
Labour costs	(25)	-25,018,712	-16.2%	-22,597,997	-14.5%	-2,420,715	10.7%
Other operating expenses	(26)	-2,419,131	-1.6%	-873,988	-0.6%	-1,545,143	176.8%
Total Operating Costs		-145,169,523	-94.2%	-139,598,476	-89.8%	-5,571,047	4.0%
GROSS OPERATING MARGIN (EBITDA)		**14,852,537**	**9,6%**	**19,227,544**	**12.4%**	**-4,375,007**	**-22.8%**
Amortisation of intangible fixed assets		-150,172	-0.1%	-175,050	-0.1%	24,878	-14.2%
Depreciation of tangible fixed assets		-2,195,685	-1.4%	-2,011,279	-1.3%	-184,406	9.2%
Revaluations (write-downs)		-80,482	-1.4%	-	0.0%	-80,482	-
Total Amortisation and write-downs	(27)	-2,426,339	-1.6%	-2,186,329	-1.4%	-240,010	11.0%
NET OPERATING PROFIT (EBIT)		**12,426,198**	**8.1%**	**17,041,215**	**11.00%**	**-4,615,017**	**-27.10%**
Financial income	(28)	1,159,170	0.8%	402,243	0.3%	756,927	188.2%
Financial expenses	(29)	-4,724,547	-3.1%	-6,384,666	-4.1%	1,660,119	-26.0%
Total Financial Income/(expenses)		-3,565,377	-2.3%	-5,982,423	-3.8%	2,417,046	-40.4%
PROFIT BEFORE TAXES		**8,860,821**	**5.8%**	**11,058,792**	**7.1%**	**-2,197,971**	**-19.90%**
Current income taxes		-3,414,726	-2.2%	-4,330,682	-2.8%	915,956	-21.2%
Deferred income/(expenses) taxes		-283,921	-0.2%	-989,593	-0.6%	705,672	-71.3%
Total Income Taxes	(30)	-3,698,647	-2.4%	-5,320,275	-3.4%	1,621,628	-30.5%
NET PROFIT		**5,162,174**	**3.4%**	**5,738,517**	**3.7%**	**-576,343**	**-10.0%**

(*) 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 VII and described in Note 37 and 38.

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	NOTES	Full Year 2008	Full Year 2007
OPENING BALANCE		**4,036**	**1,812**
Profit before taxes		8,861	11,059
Amortisation		2,426	2,186
Accrual (+)/availment (-) of long term provisions and post employment benefits		-411	-1,682
Paid income taxes		-6,340	-2,544
Financial income (-) and financial charges (+)		3,565	5,982
Change in operating assets and liabilities		-8,887	-4,066
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-787**	**10,935**
Increase (-)/ decrease (+) in intangible fixed assets		-53	-16
Increase (-)/ decrease (+) in tangible fixed assets		-5,981	-4,771
Investments (-)/ Disinvestments (+)		-108	-1
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-6,142**	**-4,788**
Other variations in reserves and profits carried-forward of shareholders' equity		-3,259	72,168
Dividends paid		-2,148	-
Proceeds (+) / repayments (-) of financial payments		15,495	-74,609
Increase (-) / decrease (+) in long term financial receivables		-2,957	4,500
Financial income (+) and financial charges (-)		-3,565	-5,982
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**3,566**	**-3,923**
CLOSING BALANCE		**673**	**4,036**

(*) 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 VIII and described in Note 38.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Partecipatory instruments reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Net profit	Total shareholders' equity
BALANCES AT 31 December 2006	**22,500**	**11,345**	**12,400**	**7,439**	**7,306**	**-552**	**1,134**	**3,403**	**64,975**
Allocation of 31 December 2006 profit	-	-	-	2,365	-	-	1,038	-3,403	-
Net profit at 31 December 2007	-	-	-	-	-	-	-	5,739	5,739
Cancellation of own shares	-4,500	-16,600	2,700	18,400	-	-	-	-	-
Conversion of partecipatory instruments	4,091	11,009	-15,100	-	-	-	-	-	-
Increase in shareholders' equity for IPO	4,750	69,553	-	-	-	-	-	-	74,303
Other movements	-	-	-	-	436	348	-	-	784
BALANCES AT 31 December 2007	**26,841**	**75,307**	**-**	**28,204**	**7,742**	**-204**	**2,172**	**5,739**	**145,801**

(Values in thousands of EUR)	Share capital	Share premium reserve	Partecipatory instruments reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Net profit	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	-
Net profit at 31 December 2008	-	-	-	-	-	-	-	5,162	5,162
Dividends paid	-	-	-	-	-	-	-2,148	-	-2,148
Treasury stock (buy-back)/ sale	-1,074	-3,511	-	-	-	-	-	-	-4,585
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**

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

During 2008 the world's economy entered a stage of severe recession that started in the latter half of 2007 as a financial crisis in the U.S., and that worsened drastically with the failure of the merchant bank Lehman Brother, which triggered a period of panic that quickly spread the crisis to all sector, not only the financial ones, in all countries. At this point we can speak of the first truly global economic crisis that we have ever had to face.
The shortage of liquidity in the system, uncertainty about the value of the assets possessed, the fall in the price of houses and stock, rapidly led to a slowdown in private consumption and the spread of the crisis to the so-called "real economy". The collapse of the system was prevented by massive injections of liquidity by the central banks of the main countries, as well as the introduction of specific packages designed to save the financial institutions and encourage private consumption. In spite of this the situation remains worrisome and still very far from what could be called "normal".
The expectations for 2009 are, as you can readily imagine, rather pessimistic. The situation remains uncertain, while the world is facing the most serious crisis since the end of World War II. The risks for business will depend, among other things, on the impact that the financial crisis has on the confidence of the economic operators and on the real economy, but also on the effectiveness of the fiscal and economic measures applied by the different governments, and whether they are able to restore confidence among investors and consumers.
Growth at the global level is not expected until the second half of 2009, and the question remains whether the recovery will be long-lasting. All the forecasts for the countries in the Euro area appear strongly negative, with a generalized reduction of the GNP in 2009 for all countries. Even in the United States, the situation appears serious and a fall in the GNP of 1.6% is expected in 2009, and for Japan, that was already technically in a recession in 2008, and is probably in the worst situation among the developing countries, a reduction of the GNP of 2.5% is expected in 2009.
For the Italian economy, 2008 closes worse than expected. The GNP fell, due to the effects of the recession in particular in the last quarter, by 1%, to the minimum since 1980. In 2009 the situation looks even more negative, with the GNP expected to be down by 2.6%. The main reasons for this reduction can be found in the great reduction of private consumption and in the drop in investments following the deterioration of the financial situation. For 2009 a significant increase in unemployment is expected, after a decade of constant decreases.
It is expected to be a long time before the financial markets stabilize. In the current bleak scenario, the economies of the OECD countries are expected to recover only slowing over the coming years. However there are still enormous uncertainties as regards the depth of the economic recession, that will depend mainly on how quickly we come out of the current crisis.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

With particular reference to the fashion sector and that of so-called "luxury goods", after the positive performance of the last two years we are starting to see growing signs of weakness, particularly as regards domestic consumption. Undoubtedly Italian fashions will be affected by the international crisis, also because purchases of apparel and footwear are among the most keenly attuned to the economic situation. The events that will penalize the sector most will be: the reduction of financial wealth, the fall in consumption in the U.S. and Europe, and the slowdown in growth of the developing countries, with particular emphasis on Russia, that has by now become the locomotive of Italian fashion sales. Our sector, however, has an extended period of reorganization behind it, characterized by the internationalization of the chains, the improvement of the range, the strengthening of the distribution network and, not last, the improved economic and financial conditions. Once again, they are important allies in dealing with this situation will be the quality of the product and flexibility of management.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

<u>**Revenues from sales and services**</u>
Revenues decrease by 0.8%, from EUR 155,389 thousand in 2007 to EUR 154,078 thousand in 2008.
Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services rise by 3.5%;
- Moschino and Cheap & Chic - revenues from sales and services rise by 4.1%;
- Pollini - revenues from sales and services rise by 13.3%;
- Jean Paul Gaultier - revenues from sales and services decrease by 9.4%.
- Other minority brands - revenues from sales and services report a general decrease;

In line with historical trends, 28% of revenues are earned in Italy and 72% come from foreign markets.

<u>**Labour costs**</u>
Labour costs rise from EUR 22,598 thousand in 2007 to EUR 25,018 thousand in 2008.
This increase is consistent with the increase in employment from 592 units as of 31 December 2007 to 616 units as of 31 December 2008 and with the increase due to the national textile contract.

<u>**Gross operating margin (EBITDA)**</u>
EBITDA decreases from 12.4% in 2007 to 9.6% in 2008, representing a decrease in absolute terms of EUR 4,375 thousand.
The decrease in margin is largely due to two factors. Firstly, the higher promotional activities in term of markdowns made to support customers, especially in the United States; secondly, the increase of labour costs connected with the increase due to the national textile contract and to the increase in the workforce.

<u>**Net operating profit (EBIT)**</u>
Net operating profit decreases from 11% in 2007 to 8.1% in 2008.

<u>**Profit before taxes**</u>
Profit before taxes decreases from EUR 11,059 thousand in 2007 to EUR 8,861 thousand in 2008, by 19.9%.

<u>**Net profit**</u>
Net profit decreases from EUR 5,739 thousand in 2007 to EUR 5,162 thousand in 2008, by 10%.

BALANCE SHEET (See Attachment IV)

<u>NET CAPITAL INVESTED</u>
Net capital invested increases by 10.4% since 31 December 2007.

Net working capital
Net working capital increases by EUR 11,971 thousand. The changes in the main items are described below:

- the sum of trade receivables, inventories and trade payables increases by EUR 6,517 thousand. The is due to higher inventories of finished products partially due to the slowdown of the retail sales and to higher trade receivables, related to the decision to give longer payments' extension to clients;
- other receivables increase of EUR 493 thousand. This increase is substantially due to

the costs incurred to design and make samples for the Spring/Summer and Autumn/Winter 2009/2010 collections compared with the Spring/Summer and Autumn/Winter 2008/2009 collections, for whitch the corresponding revenues from sales have not been realised yet;
- the net increase of tax receivables/payables is mainly due to the reduction of IRES and IRAP payables following higher advances paid during the year 2008 compared with 2007.

Fixed assets
Fixed assets increase by EUR 6,672 thousand since 31 December 2007. The changes in the main items are described below:

- the increase in tangible fixed assets of EUR 3,785 thousand is determined for EUR 5,987 thousand by new investments realized in 2008 connected to the renewable energy system (photovoltaic) for the headquarter in San Giovanni in Marignano, to the completion of buildings under construction, the renovation and modernisation of shops, and the purchase of specific plant and machinery, net of depreciation and retirements totalling respectively EUR 2196 thousand and EUR 6 thousand;
- intangible fixed assets decrease by EUR 97 thousand, following investment of EUR 53 thousand in a new software for the management of the expense account and amortisation of EUR 150 thousand;
- equity investments increase by EUR 28 thousand due to the following operations:
  - subscription on 13 November 2008, by notary deed, of 100% interest in Aeffe Japan for EUR 29 thousand. The company's intention is to develop and strengthen Group's brands in the Japan market.
  - subscription on 24 October 2008 of a quota in Effegidi Fund (Guaranty fund for privacy employees of companies based in the province of Rimini) for EUR 6 thousand.
  - fusion for incorporation of the company AV Suisse, made on 10 October 2008 by notary deed, for EUR 7 thousand;
- other non-current activities increase by EUR 2,956 thousand following the repayment of loans previously granted to Group companies.

<u>NET FINANCIAL POSITION</u>
The Company's net financial position improves from EUR 33,214 thousand as of 31 December 2007 to EUR 52,073 thousand as of 31 December 2008.
The increase is mainly due to the following events not present in the year 2007:

- dividends distribution for EUR 2,148 thousand;
- purchase of treasury shares for EUR 4,586 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;
- increase in the net working capital as described in the paragraph above;
- investments in tangible and intangible fixed assets realized during the year.

<u>SHAREHOLDERS' EQUITY</u>
Total shareholders' equity decreases by EUR 244 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 25,745 thousand, satisfy the requirements for deferral among the intangible fixed assets as R&D expenses; nevertheless, they have been charged to the 2008 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 12 March 2009 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 2008:

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%

(*) 4% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2008, the Company holds 4,295,321 treasury shares, par value EUR 0.25 each, totalling 4% of its share capital, acquired a total amount of EUR 4,585 thousands. All the acquisitions of shares occurred in the year 2008 and 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 2008 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 31/12/07	N. of shares bought in 2008	Change in n. of shares held by incoming/ (outgoing) members	N. of shares held at 31/12/08
Alberta Ferretti	40,000	-	-	40,000
Massimo Ferretti	37,000	26,000	-	63,000
Simone Badioli	26,565	-	-	26,565
Gianfranco Vanzini	2,000	-	-2,000	-
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 Note 37 and 38 of the Financial Statements at 31 December 2008.

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 SUBSEQUENT TO THE BALANCE SHEET DATE

No significant events happened subsequent to the balance sheet date.

11. OUTLOOK

As we have already seen, in the autumn of 2008 the world economy further deteriorated, and levels of consumption worsened. This deterioration makes it even more difficult to make predictions with any degree of certainty, on the performance of the Company. We firmly believe that the business world should concentrate, right now, on its core business, place the emphasis on improving efficiency and keeping costs down.
We know that our business model, our constant attention to costs, and the professional skill

of the people present in the Company, the licensees and the partners we cooperate with, will enable us to face the crisis with "serenity" and deal with it in the most constructive way so as to come out of it stronger, if possible.

12.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.

13.PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE PROFIT FOR 2008

Shareholders,
In presenting the financial statements as of 31 December 2008 for your approval, we propose that the profit for the year of EUR 5,162,174 be allocated as follows:

- Legal Reserve, EUR 258,108;
- Dividend to the shareholders, EUR 0.007 for each ordinary share, totalling about EUR 0.7 million;
- Extraordinary Reserve, the residual balance of about EUR 4.2 million.

The dividend will be payable from 21 May 2009, with a coupon detachment date of 18 May 2009, on the shares outstanding at that date.

12 March 2009

For the Board of Directors

Chairman

Massimo Ferretti

AEFFE SPA

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDER'S MEETING OF AEFFE S.P.A. ON THE 2008 ANNUAL FINANCIAL STATEMENTS, ISSUED AS PER ARTICLE 153 OF THE D.LGS. 58/98 AND ARTICLE 2429, PARAGRAPH 3 OF THE ITALIAN CIVIL CODE.

Shareholders,
during the year to 31 December 2008, the Board of Statutory Auditors of AEFFE S.p.A. carried out the supervision duties provided for by the law, also taking into account the procedural principles recommended by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri (now Consiglio Nazionale dei Commercialisti ed Esperti Contabili) [the Italian Professional Accounting Board] and the Co.N.So.B. [National Commission for Listed Companies and the Stock Exchange] communications on the subject of corporate audits and activities of the Board of Statutory Auditors.

During the year the Board of Statutory Auditors acquired the information to carry out its functions through discussions with the corporate structures and by virtue of always attending the meetings of the Board of Directors.

The obligation to inform the Board of Statutory Auditors as per article 150, first paragraph of Legislative Decree no. 58/1998 and article 19.2 of the Articles of Association, was discharged through consultations with the Chairman of the Board of Directors and the Company's Chief Executive Officer. Those consultations, aimed at guaranteeing a constant and systematic direct flow of information both to the Board of Statutory Auditors and the Directors, especially the non-executive directors, allowed the Board of Statutory Auditors to gain information on the activities carried out, the operations of major economic, financial and capital significance, the operations with potential conflicts of interest (i.e. the intergroup operations and operations with associated parties), as well as any non-typical or unusual operations and any other activity or operation deemed useful to the readers of the Report.

1. Based on the information received and the analyses carried out by the Board of Statutory Auditors, it emerged that the operations of major economic, financial and capital interest effected by the Company, also including companies directly or indirectly controlled, are essentially represented by the following:
   - on 3 March 2008, the Extraordinary General Meeting of Shareholders resolved the purchase of treasury shares up to an amount equal to 10% of the corporate capital;
   - on 31 July 2008 the Board of Directors resolved the merger through incorporation of "AV Suisse S.r.l." (company invested in), which was finalised during the year.

   The Board of Statutory Auditors ascertained conformity of the operations described with the law, the articles of association, and the principles of correct management, checking that they were not glaringly imprudent or rash, in opposition to the resolutions made by the Shareholders' General Meeting or such as to compromise the integrity of the Company's business assets.

2. During the year 2008 and subsequently, the Board of Statutory Auditors did not come across non-typical and/or unusual operations effected with third or associated parties.
   As regards operations with potential conflicts of interest, the Directors, in the notes to the consolidated financial statements, in commenting on the individual financial statements items of the year and in the annexes accompanying them, indicate and illustrate the main inter-group operations and those with other associated parties, reference is therefore made to those sections, also as regards the description of the characteristics of the operations and their economic effects.

3. As regards operations with associated parties:
   - on 26 March 2007 the Board of Directors resolved to adopt a " Procedural Code on the subject of operations with associated parties" as per article 114 of the Legislative Decree of 24 February 1998 no. 58, as well as Co.N.So.B. resolution no. 11971 of 14 May1999. The Board of Statutory Auditors supervised observance of the regulations issued;

- during the year 2008 the application of the principles contained in the abovementioned code continued, implementing the activities to allow for a better and more secure application of the indications therein, also assessing the suitability of the regulations issued to the subsidiaries, in order to accomplish the obligations as regards communication;
- the Company maintains capital, economic and financial relations with group companies; such relations are shown in the notes to the financial statements and are indicated in the various items in the statutory and consolidated financial statements. Transactions are carried out at market values;
- as regards the inter-group operations and those with associated parties mentioned above, the Board is of the opinion that the amounts are proper and that the operations carried out meet the interests of the Company.

4. The Board believes that the information given by the Directors in their report on the financial statements of AEFFE S.p.A., as regards the inter-group operations and those with associated companies, are adequate.

5. At the meeting which took place on 31 March 2009, the auditing company Mazars & Guérard S.p.A., which subjected the accounting to the audits provided for by the current regulations, said that they do not anticipate formulating observations and/or objections in their report on the financial statements, issued pursuant to article 156, first paragraph, of the Legislative Decree of 24 February 1998 no. 58 and article 2409 ter of the Civil Code.

6. During the year, the Board of Statutory Auditors received a complaint pursuant to article 2408 of the Civil Code, in regard to which, after the necessary investigations, it discovered some marginal criticisms and has acknowledged the swift reaction of the Board of Directors to remove the causes of the voiced grievance. The foregoing circumstance was immediately communicated to the complainant.

7. Except for the foregoing, the Board of Statutory Auditors was not presented with notices, reports and/or complaints during 2008.

8. Other than auditing and legal adjustments, Mazars & Guérard S.p.A. were not called upon to perform other duties.

9. The Company has not conferred duties on parties connected with the auditors Mazars & Guérard S.p.A., as far as ongoing relations are concerned.

10. During the year 2008 the Board of Statutory Auditors issued an opinion to the Board of Directors pursuant to article 2389, paragraph 3 of the Civil Code, about the remuneration for the directors invested with special duties or proxies, in conformity with article 21 of the articles of association.

11. The Board of Directors of the Company held nine meetings during 2008; the Committee for Internal Auditing held five and the Remuneration Committee four meetings respectively. The Board of Statutory Auditors met five times during 2008; it also attended:
    - the Shareholders' General Meeting to approve the financial statements to 31 December 2007;
    - all of the meetings of the Board of Directors;
    - all of the meetings held in the year 2008 by the Committee for Internal Auditing.

12. The Board of Statutory Auditors acquainted itself with and supervised, to the extent of what is competent to it, conformity with the principles of correct administration by means of direct observations, gathering information from the managers of the corporate functions, meetings with the Person in charge of internal auditing, the Committee for Internal Auditing and the controllers of the auditing company Mazars & Guérard S.p.A., in order to exchange data and important information on a reciprocal basis.
    As regards the deliberative processes of the Board of Directors in particular, the Board of Statutory Auditors ascertained, once again by direct attendance at the directors meetings,

conformity of the management choices made by the Directors with the law and the articles of association. It also verified that the relative resolutions were backed up by analyses and opinions – from within the company or, where necessary, by external professionals - regarding principally the economic-financial appropriateness to the interests of the Company.

13. The Board of Statutory Auditors acquired knowledge of and supervised, to the extent of its competence, the suitability of the organisational structure of the Company and its operation. The Board of Statutory Auditors supervised the Company's internal auditing system, also assessing its suitability by means of:
   - periodic meetings with the Person in charge of internal auditing;
   - meetings with the Committee for Internal Auditing;
   - obtaining documentation, showing that the system had not revealed significant criticality.

   Following introduction by the 28 December 2005 law no. 262 (protection of savings), article 154 bis, legislative decree of 24 February1998 no. 58 and subsequent changes to the articles of association adopted by the Shareholders' General Meeting, during 2007 the Company appointed the Manager in charge of drawing up the Company's accounting documents.

14. The Board assessed and supervised the suitability of the administrative-accounting system and its reliability in correctly representing operational items, by means of obtaining information from the competent corporate function managers, examining corporate documents and analysing results of the work done by the auditing company Mazars & Guérard S.p.A.

15. The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2 of legislative decree dated 24 February 1998 no. 58.

16. The Board of Statutory Auditors verified, with direct checks and information acquired from the auditing company Mazars & Guérard S.p.A., observance of regulations and laws for the drafting and layout of the statutory financial statements, the consolidated financial statements and the management report. The Board of Statutory Auditors also examined the valuation criteria adopted in drawing up the financial statements presented - they conform to regulatory prescriptions.

   The Board of Statutory Auditors confirms, pursuant to article 2423, fourth paragraph of the Civil Code, that the Directors did not deviate from the legal regulations in drafting the financial statements.

17. The Company adheres to the principles and recommendations summarised in the Self-Discipline Code drafted, on the initiative of Borsa Italiana, by the Committee for *Corporate Governance* of quoted companies. The Board of Directors (composed of 7 members) of the Company includes 3 non-executive directors, 2 of whom have been designated by the Board of Directors as independent; The Board of Directors has set up internally the Remuneration Committee, composed of independent and non-executive Directors, and the Internal Auditing Committee, this too composed of independent and non-executive Directors.

   Still on the subject of independent Directors, note that during the year 2008 the Company confirmed the position of *"Lead Independent Director"* (in the person of the Chairman of the Remuneration Committee), the reference and coordination figure for the requests and contributions of the independent Directors, assuring the fullest autonomy of judgment of the latter with respect to the conduct of the *management*.

   The *Lead Independent Director* is given, among other things, the power to call special meetings of exclusively independent Directors to examine closely issues connected with management, that is to say the functioning of the Board of Directors.

   The Board of Statutory Auditors has verified the correct application of the checking procedures, adopted by the Board of Directors, to assess the independence of its own members, in compliance with the requirements provided for by the self-discipline code, drafted on the initiative of Borsa Italiana, by the Committee for *Corporate Governance* of quoted companies.

For further details on the *Corporate Governance* of the Company, refer to the specific section of the management report.
In conclusion, the Board of Statutory Auditors gives a positive judgment on the *Corporate Governance* system of the Company.

18. As described in the foregoing, the supervisory and auditing operations carried out by the Board of Statutory Auditors did not evidence significant issues liable to be communicated to the Supervisory and Auditing Bodies, or worth mentioning in this Report.

19. The Directors did not deem it useful to carry out a revaluation of the real estate of the company, as provided for by the bill of law of 29 November 2008, number 185, which passed into law number 2 of 28 January 2009 and subsequent changes.

20. The Board of Statutory Auditors, having taken due note of the results of the financial statements to 31 December 2008, has no objections to the draft resolution presented by the Board of Directors as to the allocation of profits for the year 2008.

The Board of Statutory Auditors

Fernando Ciotti	Chairman
Romano Del Bianco	Statutory auditor
Bruno Piccioni	Statutory auditor

LIST OF THE POSITIONS HELD BY MEMBERS OF THE BOARD OF STATUTORY AUDITORS OF AEFFE S.P.A. (ART. 144 QUINQUIESDECIES OF CONSOB REGULATION N. 11971/99)

Mr Fernando CIOTTI

President of the Board of Statutory Auditors
AEFFE S.p.A.; POLLINI RETAIL S.r.l.; ECOTRON S.r.l.; GREEN LINE TOUR S.p.A.; ABC INDUSTRIA & FINANZA S.p.A.; ESCHILO 1 S.r.l.; GIR + A&F S.r.l.

Statutory auditor
AEFFE Retail S.p.A.; VELMAR S.p.A.; AIR BEE S.p.A.

Sole director
SAVING COMPANY S.r.l.

Council member
R.E. Service S.r.l.

Mr Bruno PICCIONI

President of the Board of Statutory Auditors
CORIT RISCOSSIONI LOCALI S.p.A.; ACT GROUP S.p.A.; GEAT S.p.A.

Statutory auditor
CARIM – Cassa di Risparmio di Rimini SpA; AEFFE S.p.A.; MOSCHINO S.p.A.; PUTZMEISTER ITALIA S.r.l.; ADRIATICA VEICOLI INDUSTRIALI S.r.l.; UNIVERSAL PACK S.r.l.; EDILCERAMICHE S.r.l.; AUTO IN S.r.l.; C.I.V. COOPERATIVA VALCONCA; HOLDING INDUSTRIALE COMPOSITI S.r.l.

Sole auditor
SANT'ANDREA SERVIZI S.r.l.

Mr. Romano DEL BIANCO

President of the Board of Statutory Auditors
BANCA POPOLARE VALCONCA S.c.a.r.l.; AEFFE Retail S.p.A.; VELMAR S.p.A.

Statutory auditor
AEFFE S.p.A.; MOSCHINO S.p.A.; PUTZMEISTER ITALIA S.r.l.; ADRIATICA VEICOLI INDUSTRIALI S.r.l.; UNIVERSAL PACK S.r.l.; AFIN INTERNATIONAL S.r.l.

REPORT OF THE AUDITING COMPANY

MAZARS

AEFFE S.P.A.
AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998

To the Shareholders of Aeffe S.p.A.

1. We have audited the statutory financial statements of Aeffe S.p.A. as of and for the year ended December 31, 2008, which comprise the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 10, 2008.

3. In our opinion, the statutory financial statements present fairly the financial position of Aeffe S.p.A. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the

statutory financial statements, as required by art. 156, paragraph 4-bis, letter d), of Legislative Decree n. 58/98. For this purpose, with reference to the financial information included therein, we have read the Report on Operations and verified the consistency of such financial information with the financial statements of Aeffe S.p.A. as of December 31, 2008. With reference to the other information included in the Report on Operations, our procedures consisted solely in a reading of the Report on Operations as a whole in light of the information acquired during our audit, carried out in accordance with the auditing standards indicated in the paragraph 2. above. In our opinion, based on this activity, the Report on Operations is consistent with the statutory financial statements of Aeffe S.p.A. as of December 31, 2008.

Mazars & Guerard S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

April 09, 2009, Milan, Italy

This report has been translated into the English language solely for the convenience of international readers.

AEFFE SPA 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:

- Office and showroom in Donizzetti street n.48 - Milan (MI)
- Storage in Olmi street - San Giovanni in Marignano (RN)
- Showroom in Bezzecca street n.5 - Milan (MI)
- Office and showroom in Donizzetti street n.47 - Milan (MI)
- 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 2008. 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 & Guérard S.p.A..
The Company is controlled by the company Fratelli Ferretti Holding S.r.l. (see attachment IX for the financial statements at 31 December 2007).

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 27 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 COMPANY

- Issuing of accounting principle IFRS 8 *Operating Segment*. This according principle replaces IAS 14 "Sector informative note" requiring that companies identify the operating segments by the same means with which internal reporting is predisposed, on the basis of which management assesses the performance of the segments and decides how to allocate resources to the operating segments. This interpretation will enter in force on 1 January 2009.
- Amendment to accounting principle IAS 23 *Financial costs*. The main modification concerns the elimination of the option to immediately register in the income statement the financial costs concerning assets that require a considerable time period before they are ready for use or sale. This principle will enter in force on 1 January 2009.
- Introduction of IFRIC 13 *Client trust programmes*. This interpretation is applicable to client trust programmes for the purchase of goods and services and requires principally the allocation of part of the revenues achieved to "receivables" accrued by clients, differentiating their registration in the income statement only at the time at which the "receivables" are used. This interpretation will be applicable from 1 January 2009.
- Revised version of IAS 1 *Presentation of financial statements*. The revised principle IAS 1 Presentation of financial statement, issued in September 2007, will enter in force on 1 January 2009. The standard divides changes in equity related to owners and non owners. The revised standard requires an entity to present changes in its equity resulting from transactions with owners in a statement of changes in equity, while whole non owner changes are required to be presented in a single line. Moreover the standard introduces the statement of comprehensive income: this statement includes all the items of income and expense of the period. The statement of comprehensive income can be presented in a single statement or in two related statements. The Group is considering how to adopt the new standard.
- Revised IFRS 3 *Business Combinations and Amended* IAS 27 *Consolidated and separate financial statements*. The two revised principles, issued in January 2008, will enter in force on 1 July 2009. The revised IFRS 3 requires some changes in the recording of business combinations which will have effects on the goodwill, on the profit or loss of the period in which the acquisition has been made and on the profit or loss of the following periods. The amended IAS 27 requires that a change in the parent's interest in a subsidiary must be accounted as equity transaction. As a consequence, this change will not have effect on the goodwill and will not result in profits or losses. Moreover, the revised principles introduce changes in the recording of a loss sustained by a subsidiary as for the loss of control of a subsidiary. The new rules will apply prospectively and will have impact on the future business combinations with minority shareholders.
- IFRS 2 *Sharebased payments vesting conditions and cancellations*. This amendment to IFRS 2 sharebased payments vesting conditions and cancellations has been issued on January 2008 and will be applicable from 1 January 2009. This principle limits "vesting conditions" to service conditions and performance conditions. Any other features of a sharebased payment should not be considered "vesting condition" and must be considered to determine the fair value of share based payment transaction. This amendment proposes that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. The Group has not entered in sharebased payments with nonvesting conditions and as a consequence they are not expected relevant effects from the application of this amendment.
- Amendment to IAS 32 *Financial Instruments*: Presentation and to IAS 1 *Presentation of financial statements*: puttable financial instruments and obligations arising on liquidation. In particular, the amendment requires an entity to classify some financial instruments (puttable financial instruments and instruments, or components of instruments that impose on an entity an obligation to deliver to another party a pro rata share) in the assets of an entity as equity instruments. This amendment will be applicable from 1 January 2009.
- Amendments to IFRS 1 *First time adoption of International Financial reporting Standard* and to IAS 27 *Consolidated and separate financial statements*. The amendment allows

entities to use, in their separate financial statement, a deemed cost option for determining the cost (in accordance with IAS 27) of an investment in a subsidiary, jointly controlled entity or associate. The amendment also clarifies that entities should recognise as income all dividends received from a subsidiary jointly controlled entity or associate in their separate financial statement without splitting dividends in pre and post acquisition. These amendments will be applicable from 1 January 2009.

- IFRS 5 – *Non Current Assets Held for Sale and Discontinued Operations*. This amendment, that shall be applied from 1 January 2010, 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 noncontrolling interest in its former subsidiary after the sale.
- IAS 1 – *Presentation of Financial Statements*. This amendment, which shall be applied from 1 January 2009, requires an entity to classify assets and liabilities arising from derivate financial instruments that are not classified as held for trading between current and noncurrent assets and liabilities.
- IAS 16 – *Property, Plant and Equipment*. This amendment, effective from 1 January 2009, requires an entity that in the course of its ordinary activities routinely sells items of property, plant and equipment that it has held for rental to other, to transfer such assets to inventories when they cease to be rented and become held for sale. As a consequence, the proceeds from the sale of such assets shall be recognised as revenue. Cash payments to manufacture or acquire assets held for rental to others or subsequently held for sale are cash flows from operating activities (and not from investing activities).
- IAS 19 – *Employee Benefits*. This amendment, effective prospectively from 1 January 2009 to change its benefits that occur after that date, clarifies the definition of positive/negative past service costs and states that in the case of a curtailment, only the effect of the reduction for future services shall be recognised immediately in the income statement, while the effect arising from past service periods shall be considered a negative past service cost. The Board also revised the definition of shortterm employee benefits and other longterm employee benefits and the definition of a return on plan assets, stating that this amount should be net of any costs for administering the plan (other than those included in the measurement of the defined benefit obligation).
- IAS 20 – *Government Grants and Disclosure of Government Assistance*. This amendment, applicable prospectively from 1 January 2009, states that the benefit of a government loan at a belowmarket rate of interest shall be treated as a government grant and then accounted for in accordance with IAS 20.
- IAS 23 – *Borrowing Costs*. This amendment, applicable from 1 January 2009, revises the definition of borrowing costs.
- IAS 28 – *Investments in Associates*. This amendment shall be applied from 1 January 2009 with prospective application also permitted, requires that for investments accounted for using the equity method a recognised impairment loss should not be allocated to any assets (and in particular goodwill) that forms part of the carrying amount of the investment in the associate, but to the carrying amount of the investment overall. Accordingly any reversal of that impairment loss is recognised in full.
- IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The previous version of the standard did not reflect the fact that a number of assets and liabilities may or must be measured on the basis of a current value rather than historical value. This amendment, made in order to reflect this, is effective from 1 January 2009.
- IAS 36 – *Impairment of Assets*. This amendment, effective from 1 January 2009, requires additional disclosures to be made in the case in which an entity determines the recoverable amount of a cashgenerating unit using discounted cash flows.
- IAS 38 – *Intangible Assets*. This amendment, effective from 1 January 2009, requires expenditure on advertising and promotional activities to be recognised in the income statement. Further, it states that in the case expenditure is incurred to provide future economic benefits to an entity, but no intangible assets is recognised, in the case of the supply goods, the entity recognised such expenditure as an expense when it has the right to access the goods. In the case of the supply of services, an entity shall recognise the expenditure as an expense when it receives the services. Moreover, the standard has

been revised in order to allow entities to use the unit of production method for determining the amortisation charge for an intangible asset with a finite useful life.

- IAS 39 – *Financial Instruments: recognition and measurement*. This amendment, effective from 1 January 2009, clarifies how to calculate the revised affective interest rate on ceasing fair value hedge accounting and notes additionally that the prohibition on the reclassification of financial instruments into or out of the fair value through profit or loss category after initial recognition should not prevent a derivate from being accounted for at fair value though profit or loss when it does not qualify for hedge accounting and vice versa. Finally, in order to eliminate conflict with IFRS 8 – *Operating Segments*, it removes the reference to designating and documenting hedges at sector level.
- IAS 40 – *Investment Property*. This amendment, to be adopted prospectively from 1 January 2009, states that property under construction falls within the scope of IAS 40 and not that of IAS 16.
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*. The main change expected to arise from this interpretation is the elimination of the possibility for an entity to apply hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. Moreover, the interpretation clarifies that in a hedge of a net investment in a foreign operation the hedging instrument may be held by any entity or entities within the group and that IAS 21 – *The effects of changes in Foreign Exchange* rates shall be applied to determine the amount that needs to be reclassified from equity to profit or loss for the hedged item when an entity disposes of the investment. This interpretation, effective from 1 January 2009.
- On 31 July 2008, the IASB issued an amendment to IAS 39 – *Financial Instruments: recognition and measurement* which is to be applied retrospectively from 1 January 2010. The amendment clarifies how the existing principles underlying hedge accounting should be applied in particular situations.
- On 13 October 2008, the IASB issued amendments to IAS 39 – *Financial Instruments: recognition and measurement* and IFRS 7 – *Financial Instruments: Disclosures* that would permit the reclassification, in particular circumstances, of some nonderivative financial assets out of the fair value through profit or loss category. The amendment also permits an entity to transfer a financial asset from the availableforsale category to the loans and receivables category where it has the intention and ability to hold such asset for the foreseeable future. This amendment applies from 1 July 2008.

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2008 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).

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	2.50%

Research costs are charged to the income statement as incurred.

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
Other intangible fixed assets are subjected to impairment testing each year, or more frequently if there is evidence of a possible loss of value.
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.

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.

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 realisability.

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 1 January 2005, the IFRS transition date, have been recognised.
Actuarial gains and losses arising subsequent to 1 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:

- retail sales - on delivery of the goods;
- wholesale sales - on shipment of the goods;
- 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:

- 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;
- income recorded in the current and prior years that will become taxable in future years;
- deferred tax assets are recorded in the financial statements;
- 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;
- 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".
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.

- 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 3.20%;
  - The discount rate used is 4.30%;
  - The expected rates of retribution increases (inclusive of inflation) are divided as follows:
    - Management 1.50%;
    - Office staff/department heads 0.50%;
    - laborers 0.50%;
  - The annual rate in increase of the severance indemnity fund foreseen is 3.90%;
  - 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 4.30%.

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:

- ***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.

- ***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.

- ***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 2008 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 309 thousand annually (EUR 394 thousand as of 31 December 2007).
  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 2008 there are no instruments that hedge interest-rate risk.

- ***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, 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, most of them are guaranteed by primary credit insurance companies. The residual uninsured part of the receivable is managed by request of letter of credit and 50% advances within two weeks of the order confirmation.
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 2008**	**31 December 2007**	**Change Δ**	**%**
Trade receivables	56,862	42,815	14,047	32.8%
Other current receivables	14,117	13,624	493	3.6%
Total	**70,979**	**56,439**	**14,540**	**25.8%**

See note 7 for the comment and breakdown of the item "trade receivables" note 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 2008, overdue but not written-down trade receivables amount to EUR 25,982 thousand (EUR 17,242 thousand in 2007). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
By 30 days	3,924	4,545	-621	-13.7%
31 - 60 days	3,478	1,415	2,063	145.8%
61 - 90 days	3,024	1,681	1,343	79.9%
Exceeding 90 days	15,556	9,601	5,955	62.0%
Total	**25,982**	**17,242**	**8,740**	**50.7%**

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:

- 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);
- 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;
- 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 01.01.07	**4,500**	**57**	**4,557**
Increases externally acquired	-	16	16
Amortisation	-125	-50	-175
Net book value as of 01.01.08	**4,375**	**23**	**4,398**
Increases externally acquired	-	53	53
Amortisation	-125	-25	-150
Net book value as of 31.12.08	**4,250**	**51**	**4,301**

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 34 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 01.01.07	**15,804**	**25,059**	**2,856**	**785**	**5**	**707**	**45,216**
Increases	-	898	1,107	2,162	43	583	4,793
Disposals	-	-	-	-	-5	-17	-22
Depreciation	-	-519	-639	-479	-26	-348	-2,011
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 31.12.08	**15,804**	**25,628**	**4,341**	**4,876**	**162**	**950**	**51,761**

Tangible fixed assets have changed as follows:

- Increases of EUR 5,987 thousand for new investments. These mainly comprise the renewable energy system (photovoltaic) for the headquarter in San Giovanni in Marignano, the completion of buildings under construction, the renovation and modernisation of shops, and the purchase of plant and machinery.
- Decreases of EUR 6 thousand. These relate to the replacement of specific plant and machinery, furniture and electronic machines.
- Depreciation of EUR 2,196 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 increase by EUR 28 thousand due to the following operations:

- subscription on 13 November 2008, by notary deed, of 100% interest in Aeffe Japan for EUR 29 thousand. The company's intention is to develop and strengthen our brands in the Japan market;
- subscription on 24 October 2008 of a quota in Effegidi Fund (Guaranty fund for privacy employees of companies based in the province of Rimini) for EUR 6 thousand;
- fusion for incorporation of the company AV Suisse, made on 10 October 2008 by notary deed, for EUR 7 thousand.

4. Other fixed assets

This caption principally includes amounts due from subsidiary companies, which increase by EUR 2,957 thousand following the disbursement of new loans to the Group companies.

5. Deferred tax assets and liabilities

This caption is analysed below as of 31 December 2008 and 2007:

	Receivables		Liabilities	
(Values in thousands of EUR)	**2008**	**2007**	**2008**	**2007**
Tangible fixed assets	-	-	-22	-299
Intangible fixed assets	-	-	-165	-169
Provisions	202	275	-38	-38
Costs deductible in future periods	-199	-39	-	-
Income taxable in future periods	1,493	1,535	-161	-4
Tax losses carried forward	-	-	-	-
Other	-	-	-	-
Tax assets (liabilities) from transition to IAS	408	471	-7,525	-7,463
Total	**1,904**	**2,242**	**-7,911**	**-7,973**

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	-299	277	-	-22
Intangible fixed assets	-169	4	-	-165
Provisions	237	-73	-	164
Costs deductible in future periods	-39	-160	-	-199
Income taxable in future periods	1,531	-199	-	1,332
Tax losses carried forward	-	-	-	-
Other	-	-	-	-
Tax assets (liabilities) from transition to IAS	-6,992	-125	-	-7,117
Total	**-5,731**	**-276**	**-**	**-6,007**

CURRENT ASSETS

6. Stocks and inventories

This caption comprises:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Raw, ancillary and consumable materials	6,432	6,861	-429	-6.3%
Work in progress	6,028	6,443	-415	-6.4%
Finished products and goods for resale	15,060	10,059	5,001	49.7%
Advance payments	16	128	-112	-87.5%
Total	**27,536**	**23,491**	**4,045**	**17.2%**

Inventories of raw materials and work in process essentially relate to production of the 2009 Spring/Summer collections.
Finished products mainly relate to the Autumn/Winter 2008 and to the Spring/Summer 2009 collections and to the Autumn/Winter 2009 samples collections.
The increase in inventories since 31 December 2007 is mainly due to higher inventories of finished products partially due to the slowdown of the retail sales.

7. Trade receivables

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Customers receivables	14,832	14,327	505	3.5%
Subsidiaries receivables	42,325	29,052	13,273	45.7%
(Allowance for doubtfull receivables)	-296	-564	268	-47.5%
Total	**56,861**	**42,815**	**14,046**	**32.8%**

The rise in trade receivables is due to the decision to give longer payments' extension to clients and to other Group's companies.
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.

8. Tax receivables

Tax receivables mainly comprise the VAT recoverable transferred from Group companies and the receivables versus tax authorities due to IRES and IRAP advances.

9. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Δ	Change %
Bank and post office deposits	541	3,937	-3,396	-86.3%
Cheques	102	80	22	27.5%
Cash in hand	31	19	12	63.2%
Total	**674**	**4,036**	**-3,362**	**-83.3%**

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 2008, cash and cash equivalents are EUR 3,362 thousand higher 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 2008	31 December 2007	Δ	Change %
Credits for prepaid costs (costs of producing collections)	10,919	10,680	239	2.2%
Advances for royalties and commissions	1,362	1,508	-146	-9.7%
Advances to suppliers	1,207	870	337	38.7%
Accrued income and prepaid expenses	522	332	190	57.2%
Other	107	234	-127	-54.3%
Total	**14,117**	**13,624**	**493**	**3.6%**

Prepaid expenses relate to the costs incurred to design and make samples for the Spring-Summer 2009-2010 and Autumn/Winter 2009-2010 collections. Such costs have been deferred and will be matched with the corresponding revenue from sales.
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 2008 are described below.

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Share capital	25,767	26,841	-1,074	-4.0%
Legal reserve	2,459	2,173	286	13.2%
Share premium reserve	71,796	75,307	-3,511	-4.7%
Other reserves	29,336	26,031	3,305	12.7%
Fair value reserve	7,742	7,742	-	n.a.
IAS reserve	1,139	-204	1,343	n.a.
Profits/(losses) carried-forward	2,155	2,172	-17	-0.8%
Net profit	5,162	5,739	-577	-10.1%
Total	**145,556**	**145,801**	**-245**	**-0.2%**

Share capital

Share capital as of 31 December 2007 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 year 2008 is only due to the purchase of n. 4,295,321 treasury shares by the Company.

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

Legal reserve

The legal reserve increases from EUR 2,173 thousand as of 31 December 2007 to EUR 2,459 thousand as of 31 December 2008 following the allocation of prior-year profits decided at the shareholders' meeting held on 29 April 2008.

Share premium reserve

The share premium reserve decreases from EUR 75,307 thousand as of 31 December 2007 to EUR 71,796 thousand as of 31 December 2008 due to the purchase of treasury shares.

Other reserves

The changes in this reserve reflect an allocation of prior-year profit.

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.

Profits/(Losses) carried-forward

Retained earnings increase as a consequence of the merge for incorporation of AV Suisse S.r.l.

Net profit

This caption highlight the positive profit of the period equal to EUR 5,162 thousand.

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)				Uses in prior years		
	Amount	**Possible uses**	**Amount distributable**	**To cover losses**	**For capital increases**	**For distribution to shareholders**
Share capital	25,767					
Legal reserve	2,459	B				
Share premium reserve:						
- including	69,102	A,B,C	69,102			
- including	2,694	B				
Other reserves:						
- inc. non-distributable reserve for unrealised exchange gains	303	A,B				
- inc. extraordinary reserve	29,033	A,B,C	29,033			
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	**140,394**		**100,290**			**2,147**

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

Restricted Reserves

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 2,311.

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 2007	Increases	Decreases	31 December 2008
Pensions and similar obligations	1,331	-	-12	1,319
Total	**1,331**	**-**	**-12**	**1,319**

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 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 1 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 approved 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 2007	Increases	Decreases	31 December 2008
Post employment benefits	6,096	211	-610	5,697
Total	**6,096**	**211**	**-610**	**5,697**

14. Non-current financial liabilities

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

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Loans from financial institutions	5,685	12,024	-6,339	-52.7%
Amounts due to other creditors	5,981	7,301	-1,320	-18.1%
Total	**11.666**	**19,325**	**-7,659**	**-39.6%**

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 2008, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	12,114	6,429	5,685
Total	**12,114**	**6,429**	**5,685**

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 2008	31 December 2007	Change Δ	%
Financial leases	5,981	7,301	-1,320	-18.1%
Total	**5,981**	**7,301**	**-1,320**	**-18.1%**

The decrease in the non-current amounts due to other creditors since 31 December 2007 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 refers to a payment by instalments due to the tax office "Agenzia delle Entrate".

CURRENT LIABILITIES

16. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Δ	Change %
Trade payables	75,380	63,805	11,575	18.1%
Total	**75,380**	**63,805**	**11,575**	**18.1%**

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

The increase in trade payables is mainly due to a longer payments' extension granted by the Group's companies.

17. Tax payables

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

(Values in thousands of EUR)	31 December 2008	31 December 2007	Δ	Change %
Local business tax (IRAP)	-	233	-233	-100.0%
Corporate income tax (IRES)	-	2,893	-2,893	-100.0%
Amounts due to tax authority for withheld taxes	1,462	1,255	207	16.5%
Other	1	8	-7	-87.5%
Total	**1,463**	**4,389**	**-2,926**	**-66.7%**

The Irap and Ires payables reflect the current tax charge, net of advances paid during the year. The considerable decreases in IRES and IRAP payables are linked to higher advances paid during the year 2008 compared with 2007.

18. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Δ	Change %
Due to banks	39,761	16,669	23,092	138.5%
Due to other creditors	1,320	1,257	63	5.0%
Total	**41,081**	**17,926**	**23,155**	**129.2%**

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 2008, 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 2008	31 December 2007	Δ	Change %
Current bank loans	33,332	469	32,863	7007.0%
Current portion of long-term bank borrowings	6,429	16,200	-9,771	-60.3%
Current portion of leasing payables	1,320	1,257	63	5.0%
Total	**41,081**	**17,926**	**23,155**	**129.2%**

19. Other liabilities

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

(Values in thousands of EUR)	31 December 2008	31 December 2007	Δ	Change %
Due to total security organization	1,864	1,788	76	4.3%
Due to employees	2,329	2,061	268	13.0%
Trade debtors - credit balances	2,652	2,688	-36	-1.3%
Accrued expenses and deferred income	46	93	-47	-50.5%
Other	184	95	89	93.7%
Total	**7,075**	**6,725**	**350**	**5.2%**

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.

COMMENTS ON THE INCOME STATEMENT

20.Revenues from sales and services

Revenues decrease by 0.8%, from EUR 155,389 thousand in 2007 to EUR 154,078 thousand in 2008.
Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services rise by 3.5%;
- Moschino and Cheap&Chic - revenues from sales and services rise by 4.1%;
- Pollini - revenues from sales and services rise by 13.3%;
- Jean Paul Gaultier - revenues from sales and services decrease by 9.4%;
- Other minority brands - revenues from sales and services report a general decrease.

In line with historical trends, 28% of revenues are earned in Italy and 72% come from foreign markets.
Revenues are analysed by geographical area below:

(Values in thousands of EUR)	Full Year 2008	%	Full Year 2007	%	Change Δ	%
Italy	43,362	28.1%	44,768	28.8%	-1,406	-3.1%
Europe (Italy and Russia excluded)	42,910	27.8%	43,118	27.7%	-208	-0.5%
United States	16,212	10.5%	21,266	13.7%	-5,054	-23.8%
Russia	14,511	9.4%	13,117	8.4%	1,394	10.6%
Japan	10,221	6.6%	11,252	7.2%	-1,031	-9.2%
Rest of the World	26,862	17.4%	21,868	14.1%	4,994	22.8%
Total	**154,078**	**100.0%**	**155,389**	**100.0%**	**-1,311**	**-0.8%**

21. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Rental income	2,721	2,580	141	5.5%
Extraordinary income	296	363	-67	-18.5%
Other income	2,927	494	2,433	492.5%
Totale	**5,944**	**3,437**	**2,507**	**72.9%**

The increase of EUR 2,433 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 increase of exchange gains compared with the previous period.

22. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	51,077	48,802	2,275	4.7%
Total	**51,077**	**48,802**	**2,275**	**4.7%**

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

23. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Subcontracted work	26,346	24,402	1,944	8.0%
Consultancy fees	7,517	6,597	920	13.9%
Advertising	2,343	1,963	380	19.4%
Commission	8,761	8,593	168	2.0%
Transport	1,817	2,053	-236	-11.5%
Utilities	855	774	81	10.5%
Directors' and auditors' fees	1,612	1,523	89	5.8%
Insurance	236	247	-11	-4.5%
Bank charges	231	235	-4	-1.7%
Travelling expenses	1,363	1,109	254	22.9%
Sundry industrial services	803	723	80	11.1%
Other services	973	966	7	0.7%
Total	**52,857**	**49,185**	**3,672**	**7.5%**

The remuneration of directors and statutory auditors is detailed in Attachment II.
Costs of services increase from EUR 49,185 thousand of 2007 to EUR 52,857 thousand of 2008, up 7.5%. The increase in this caption essentially reflects the growth of subcontracted work, which has to be examined jointly with the cost of raw materials because together form the cost of goods sold, consultancy fees and advertising.

24. Costs for use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Δ	Change %
Rental expenses	1,806	1,847	-41	-2.2%
Royalties	17,110	17,191	-81	-0.5%
Hire charges and similar	915	715	200	28.0%
Total	**19,831**	**19,753**	**78**	**0.4%**

25. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Δ	Change %
Labour costs	25,059	22.598	2,461	10.9%
Total	**25,059**	**22,598**	**2,461**	**10.9%**

Labour costs rise from EUR 22,598 thousand in 2007 to EUR 25,059 thousand in 2008.
This increase is consistent with the increase in employment from 597 persons as of 31 December 2007 to 616 persons as of 31 December 2008 and with the increase due to the national payroll contract.
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 2008 is analysed below:

(Average number of employees by category)	Full Year 2008	Full Year 2007	Δ	Change %
Workers	191	181	10	6%
Office staff - supervisors	410	396	14	4%
Executive and senior managers	15	15	0	n.a.
Total	**616**	**592**	**24**	**4%**

26. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Taxes	165	153	12	7.8%
Gifts	259	158	101	63.9%
Contingent liabilities	40	30	10	33.3%
Other operating expenses	1,955	533	1,422	266.8%
Total	**2,419**	**874**	**1,545**	**176.8%**

The caption other operating expenses increases from EUR 874 thousand in 2007 to EUR 2,419 thousand in 2008.
The increase of EUR 1,545 thousand is mainly due to the increase in foreign exchange losses compared with the previous year.

27. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Amortisation of intangible fixed assets	150	175	-25	-14.3%
Depreciation of tangible fixed assets	2,196	2,011	185	9.2%
Write-downs	80	-	80	n.a.
Total	**2,426**	**2,186**	**240**	**11.0%**

The write-down of EUR 80 thousand refer to the equity in AV Suisse S.r.l., company merged for incorporation.

28. Financial income

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	%
Interest income	1,137	375	762	203.2%
Financial discounts	22	27	-5	-18.5%
Total	**1,159**	**402**	**757**	**188.3%**

The interest income increase of EUR 762 thousand mainly due to the higher interests paid by the Group's companies for allocated loans.

29. Financial expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	Change %
Interest expenses	4,030	5,758	-1,728	-30.0%
Lease interests	504	450	54	12.0%
Other expenses	191	177	14	7.9%
Total	**4,725**	**6,385**	**-1,660**	**-26.0%**

30. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change Δ	Change %
Current income taxes	3,415	4,331	-916	-21.1%
Deferred income (expenses) taxes	284	989	-705	-71.3%
Total income taxes	**3,699**	**5,320**	**-1,621**	**-30.5%**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.
The effective tax rates for 2007 and 2008 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007
Profit before taxes	8,861	11,059
Theoretical tax rate	27.5%	33%
Theoretical income taxes (IRES)	**2,437**	**3,649**
Fiscal effect	277	365
Total income taxes excluding IRAP (current and deferred)	**2,714**	**4,014**
IRAP (current and deferred)	**985**	**1,306**
Total income taxes (current and deferred)	**3,699**	**5,320**

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 2008 amounts to EUR 3,363 thousand.

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change
OPENING BALANCE (A)	**4,036**	**1,812**	**2,224**
Cash flow (absorbed)/ generated by operating activity (B)	-787	10,935	-11,722
Cash flow (absorbed)/ generated by investing activity (C)	-6,142	-4,788	-1,355
Cash flow (absorbed)/ generated by financing activity (D)	3,566	-3,923	7,489
INCREASE (DECREASE) IN CASH FLOW (E)=(B)+(C)+(D)	**-3,363**	**2,224**	**-5,587**
CLOSING BALANCE (F)=(A)+(E)	**673**	**4,036**	**-3,363**

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

The cash flow absorbed by operating activity during 2008 amounts to EUR 787 thousand. The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2008	Full Year 2007	Change
Profit before taxes	8,861	11,059	-2,198
Amortisation	2,426	2,186	240
Accrual (+)/availment (-) of long term provisions and post employment benefits	-411	-1,682	1,270
Paid income taxes	-6,340	-2,544	-3,796
Financial income (-) and financial charges (+)	3,565	5,982	-2,417
Change in operating assets and liabilities	-8,887	-4,066	-4,821
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**-787**	**10,935**	**-11,722**

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

The cash flow absorbed by investing activity during 2008 amounts to EUR 6,142 thousand. The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change**
Increase (-)/ decrease (+) in intangible fixed assets	-53	-16	-37
Increase (-)/ decrease (+) in tangible fixed assets	-5,981	-4,771	-1,210
Investments (-)/ Disinvestments (+)	-108	-1	-107
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-6,142**	**-4,788**	**-1,355**

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

The cash flow generated by financing activity during 2008 amounts to EUR 3,566 thousand. The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	**Full Year 2008**	**Full Year 2007**	**Change**
Other variations in reserves and profits carried-forward of shareholders' equity	-3,259	72,168	-75,427
Dividends paid	-2,148	-	-2,148
Proceeds (+) / repayments (-) of financial payments	15,495	-74,609	90,104
Increase (-)/ decrease (+) in long term financial receivables	-2,957	4,500	-7,457
Financial income (+) and financial charges (-)	-3,565	-5,982	2,417
CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	**3,566**	**-3,923**	**7,489**

OTHER INFORMATION

34.Stock option plans

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

35.Net financial position

As required by Consob communication DEM/6264293 dated 28 July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Company's net financial position as of 31 December 2008 is analysed below:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change
A - Cash in hand	135	99	36
B - Other available funds	541	3,937	-3,396
C - Securities held for trading	-	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*676*	*4,036*	*-3,360*
E - Short term financial receivables	-	-	-
F - Current bank loans	-33,332	-469	-32,863
G - Current portion of long-term bank borrowings	-6,429	-16,200	9,771
H - Current portion of loans from other financial istitutions	-1,320	-1,257	-63
I - Current financial indebtedness (F) + (G) + (H)	*-41,081*	*-17,926*	*-23,155*
J - Net current financial indebtedness (I) + (E) + (D)	*-40,405*	*-13,890*	*-26,515*
K - Non current bank loans	-5,685	-12,024	6,339
L - Issued obbligations	-	-	-
M - Other non current loans	-5,981	-7,301	1,320
N - Non current financial indebtedness (K) + (L) + (M)	*-11,666*	*-19,325*	*7,659*
O - Net financial indebtedness (J) + (N)	*-52,071*	*-33,215*	*-18,856*

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.

36. Earnings per share

Basic earnings per share

(Values in thousands of EUR)	**31 December 2008**	**31 December 2007**
Earnings for the period	5,162	5,739
Medium number of shares for the period	106,650	107,363
Basic earnings per share	**0,048**	**0,053**

37. 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 2008 and 2007 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

Year 2008 *(Values in thousands of EUR)*	**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	-	-
Av Suisse S.r.l.	-	-	-	-	-	-
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%**

Year 2007 *(Values in thousands of EUR)*	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	11,384	35	493	2,946	7,831	-463
Gruppo Pollini	1,479	2,158	8,023	1	165	199
Gruppo Aeffe Retail	5,576	414	16	458	1	97
Ferretti Studio S.r.l.	171	12	-	-	5,536	-
Velmar S.p.A.	206	31	9	39	-	-
Nuova Stireria Tavoleto S.r.l.	116	11	-	1,128	-	-
Av Suisse S.r.l.	3	1	-	-	186	-
Aeffe Usa Inc.	17,524	1	-	242	-	8
Aeffe UK L.t.d.	1,032	7	-	535	17	-
Aeffe France S.a.r.l.	921	4	-	525	-	-
Fashion Retail S.r.o.	71	-	-	-	-	-
Fashoff UK	585	-	-	586	-	-
Total Group companies	**39,068**	**2,674**	**8,541**	**6,460**	**13,736**	**-159**
Total income statement	**155,389**	**3,437**	**48,802**	**49,185**	**19,753**	**-5,982**
Incidence % on income statement	**25.1%**	**77.8%**	**17.5%**	**13.1%**	**69.5%**	**2.7%**

Year 2008 *(Values in thousands of EUR)*	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
Av Suisse S.r.l.	-	-	-
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%**

Year 2007 *(Values in thousands of EUR)*	Other fixed assets	Trade receivables	Trade payables
Gruppo Moschino	32,772	7,551	21,879
Gruppo Pollini	4,000	12,893	1,963
Gruppo Aeffe Retail	2,000	2,150	886
Ferretti Studio S.r.l.	-	19	1,013
Velmar S.p.A.	-	1,063	905
Nuova Stireria Tavoleto S.r.l.	-	270	1,187
Av Suisse S.r.l.	100	311	216
Aeffe Usa Inc.	-	4,139	478
Aeffe UK L.t.d.	432	313	505
Aeffe France S.a.r.l.	4,899	88	407
Fashion Retail S.r.o.	-	222	-
Ozbek London L.t.d.	-	-	236
Narciso Rodriguez LLC	-	34	188
Total Group companies	**44,203**	**29,053**	**29,863**
Total balance sheet	**44,226**	**42,815**	**63,805**
Incidence % on balance sheet	**99.9%**	**67.9%**	**46.8%**

38. 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:

(Values in thousands of EUR)	31 December 2008	31 December 2007	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	300	300	Cost
Ferrim with Aeffe S.p.A.			
Property rental	1,388	1,355	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	190	187	Revenue
Cost of services	87	-	Cost
Commercial	775	547	Receivable
Commercial	92	-	Payable

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 2008 and 31 December 2007:

(*Values in thousands of EUR*)	Balance 2008	Value rel. party 2008	%	Balance 2007	Value rel. party 2007	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	154,078	190	0.1%	155,389	187	0.1%
Costs of services	52,857	387	0.7%	49,185	300	0.6%
Costs for use of third party assets	19,831	1,388	7.0%	19,753	1,355	6.9%
Incidence of related party transactions on the balance sheet						
Trade receivables	56,862	775	1.4%	42,815	547	1.3%
Trade payables	75,380	92	0.1%	63,805	-	0.0%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by financing activity	3,566	-	0.0%	-3,923	-1,000	25.5%
Cash flow (absorbed) / generated by operating activity	-787	-1,721	218.8%	10,935	-1,023	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-52,073	-1,721	3.3%	-33,215	-2,023	6.1%

39. Atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064296 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2008.

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

In the year 2008 no non-recurring events or transactions have been realised.

41. Guarantees and commitments

(Values in thousands of EUR)	31 December 2008	31 December 2007	Change Δ	%
Guarantees given				
- on behalf of Group companies	3,106	2,700	406	15.0%
- on behalf of third parties	380	334	46	13.8%
Total	**3,486**	**3,034**	**452**	**14.9%**

42. Contingent liabilities

Fiscal disputes

Aeffe: on 16 December 2006, the Rimini Provincial Tax Commissioners published sentence no. 101/2/06 cancelling notices of assessment n. 81203T100562 (RG n. 43/05) and 81203T100570 (RG n. 69/05) issued by the Rimini Tax Authorities in November 2004. The issues rose related to the 1999 and 2000 tax years and concerned 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 hearing date to be fixed.
On 1 October 2008 the local tax office of Rimini notified Aeffe S.p.A. of an inspection report concerning direct taxes and regional taxes 2005. The controls also concerned VAT and focused mainly on the relations with other companies in the Group and costs for services. In particular, the tax office found costs not applicable to the year, for about EUR 130 thousand and other inapplicable costs for EUR 580 thousand. With reference to the latter, we observe that it refers to non-acceptance by the financial administration of advertising costs linked to contributions made by the company to its subsidiaries.
No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the Company and its professional advisors are fully sustainable.

43. 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 2008 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	2008 fees
Audit	MAZARS & GUERARD	68
Total		**68**

ATTACHMENTS TO THE EXPLANATORY NOTES

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)								
Subsidiaries companies:								
Italian companies								
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/07			8,585,150	-143,050	13,118,763	100%	8,585,150	16,493,345
At 31/12/08			8,585,150	-1,376,699	11,742,064	100%	8,585,150	16,493,345
AV Suisse S.r.l.	**Contrà Canove (VI) Italy**							
At 31/12/07			10,000	-87,772	-72,641	70%	7,000	7,839
Merge dated 01/12/08			-	-	-	-	-	-7,839
At 31/12/08			-	-	-	-	-	-
Ferretti Studio S.r.l.	**S.G. in Marignano (RN) Italy**							
At 31/12/07			10,400	41,282	530,606	100%	n.d.*	10,333
At 31/12/08			10,400	-544,629	-14,023	100%	n.d.*	10,333
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/07			20,000,000	1,915,157	27,548,180	70%	14,000,000	14,085,199
At 31/12/08			20,000,000	6,842,028	34,390,209	70%	14,000,000	14,085,199
Nuova Stireria Tavoleto S.r.l.	**Tavoleto (PU) Italy**							
At 31/12/07			10,400	136,935	922,793	100%	n.d.*	773,215
At 31/12/08			10,400	183,397	1,106,190	100%	n.d.*	773,215
Pollini S.p.A.	**Gatteo (FC) Italy**							
At 31/12/07			6,000,000	64,738	23,290,928	72%	4,320,000	40,745,452
At 31/12/08			6,000,000	9,955	23,300,883	72%	4,320,000	40,745,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**							
At 31/12/07			492,264	482,161	1,544,182	75%	71,550	774,685
At 31/12/08			492,264	146,751	1,690,930	75%	71,550	774,685
Foreign Companies								
Aeffe France S.a.r.l.	**Paris (FR)**							
At 31/12/07			1,550,000	-224,821	875,841	99.9%	n.d.*	2,118,720
At 31/12/08			1,550,000	-423,215	452,626	99.9%	n.d.*	2,118,720
Aeffe UK L.t.d.	**London (GB)**							
At 31/12/07		GBP	310,000	160,714	417,484	100%		
			422,689	234,790	569,245	100%	n.d.*	478,400
At 31/12/08		GBP	310,000	17,459	434,943	100%		
			325,459	21,920	456,633	100%	n.d.*	478,400
Aeffe USA Inc.	**New York (USA)**							
At 31/12/07		USD	600,000	1,871,500	14,408,904	100%		
			407,581	1,365,460	9,787,993	100%	800	10,664,812
At 31/12/08		USD	600,000	-911,600	13,497,304	100%		
			431,127	-619,883	9,698,429	100%	800	10,664,812
Aeffe JAPAN Inc.	**Tokyo (JAPAN)**							
At 31/12/08		JPY	3,600,000	-425,764	3,174,187	100%		
			28,540	-2,795	25,164	100%	n.d.*	29,607
Total interests in subsidiaries:								**86,173,768**

(*) 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								
At 31/12/07						-	-	98
At 31/12/08						-	-	103
Caaf Emilia Romagna								
At 31/12/07						0.688%	5.000	2,582
At 31/12/08						-	-	2,582
Assoform								
At 31/12/07						1.670%	n.d.*	258
At 31/12/08						-	-	258
Consorzio Assoenergia Rimini								
At 31/12/07						1.620%	n.d.*	517
At 31/12/08						-	-	517
Effegidi								
At 31/12/08						-	-	6,000
Total interests in other companies:								**9,460**

(*) quota

Total interests:	**86,183,228**

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 2008	Period in office	Mandate expiry date*	Emoluments for office	Other remuner-ations	Total
(Values in thousands of EUR)						
DIRECTORS						
Massimo Ferretti	Chairman	01/01-31/12/2008	2010	600	255	855
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2008	2010	450	110	560
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2008	2010	250	101	351
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2008	2010	268**	86	354
Gianfranco Vanzini	Non-executive Director	01/01-30/04/2008	2008	10		10
Umberto Paolucci	Independent, non-executive Director	01/01-31/12/2008	2010	60		60
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2008	2010	40	3	43
Pierfrancesco Giustiniani	Independent, non-executive Director	01/05-31/12/2008	2010	20		20
STATUTORY AUDITORS						
Romano Del Bianco	President of the Board of Statutory Auditors up to 30/04/08 after Statutory Auditor	01/01-31/12/2008	2010	11	4	15
Bruno Piccioni	Statutory Auditor	01/01-31/12/2008	2010	10	7	17
Vittorio Baiocchi	Statutory Auditor	01/01-30/04/2008	2008	5		5
Fernando Ciotti	President of the Board of Statutory Auditors since 01/05/08	01/05-31/12/2008	2010	9	14	23
EXECUTIVES WITH STRATEGIC RESPONSABILITIES (***)					**981**	**981**
Total				**1,733**	**1,561 (1)**	**3,294 (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
(***) includes three executives
(1) includes remuneration for work as employee, emoluments for the compensation committee and emoluments on 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 31/12/07			Options granted in 2008			Options exercised in 2008			Expired options	Options held at the end of 2008		
(A)	(B)	Nr. of options (1)	Average exercise price (2)	Average expiry (3)	Nr. of options (4)	Average exercise price (5)	Average expiry (6)	Nr. of options (7)	Average exercise price (8)	Average expiry (9)	Nr. of options (10)	Nr. of options (11)= 1+4-7-10	Average exercise price (12)	Average expiry (13)
Massimo Ferretti	Chairman	1,189,466	4.1	2,010								1,189,466	4.1	2,010
Alberta Ferretti	Deputy Chairman and Executive Director	1,189,466	4.1	2,010								1,189,466	4.1	2,010
Simone Badioli	Chif Executive Officer and Executive Director	1,132,825	4.1	2,010								1.132,825	4.1	2,010
Marcello Tassinari	Managing Director and Executive Director	1,132,825	4.1	2,010								1,132,825	4.1	2,010
Other employees of the Company		509,769	4.1	2,010								509,769	4.1	2,010
Total		**5,154,351**										**5,154,351**		

ATTACHMENT IV - RECLASSIFIED BALANCE SHEET

(Values in units of EUR)	31 December 2008	31 December 2007
Trade receivables	56,861,866	42,815,191
Stock and inventories	27,536,415	23,491,098
Trade payables	-75,380,246	-63,805,483
Operating net working capital	**9,018,035**	**2,500,806**
Other short term receivables	14,117,355	13,624,030
Tax receivables	6,792,358	4,407,963
Other short term liabilities	-7,074,685	-6,725,277
Tax payables	-1,462,942	-4,388,607
Net working capital	**21,390,121**	**9,418,915**
Tangible fixed assets	51,761,547	47,975,837
Intangible fixed assets	4,300,435	4,397,779
Equity investments	86,183,228	86,155,455
Other fixed assets	47,183,259	44,226,437
Fixed assets	**189,428,469**	**182,755,508**
Post employment benefits	-5,697,396	-6,096,530
Provisions	-1,318,754	-1,330,955
Long term not financial liabilities	-165,940	-
Deferred tax assets	1,904,493	2,242,115
Deferred tax liabilities	-7,911,353	-7,972,888
NET CAPITAL INVESTED	**197,629,640**	**179,016,165**
Share capital	25,766,796	26,840,626
Other reserves	112,472,880	111,050,230
Profits/(Losses) carried-forward	2,154,670	2,171,895
Profits/(Loss) for the period	5,162,174	5,738,517
Shareholders' equity	**145,556,520**	**145,801,268**
Cash	-673,633	-4,036,674
Long term financial liabilities	11,666,278	19,325,528
Short term financial liabilities	41,080,475	17,926,043
NET FINANCIAL POSITION	**52,073,120**	**33,214,897**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**197,629,640**	**179,016,165**

ATTACHMENT V - BALANCE SHEET ASSETS, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	NOTES	31 December 2008	of which related parties	31 December 2007	of which related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Trademarks		4,250		4,375	
Other intangible fixed assets		50		23	
Total intangible fixed assets	(1)	4,300		4,398	
Tangible fixed assets					
Lands		15,803		15,803	
Buildings		25,629		25,438	
Leasehold improvements		4,341		3,324	
Plant and machinary		4,877		2,468	
Equipment		162		17	
Other tangible fixed assets		950		925	
Total tangible fixed assets	(2)	51,762		47,976	
Other fixed assets					
Equity investments	(3)	86,183	86,174	86,155	86,152
Other fixed assets	(4)	47,183	47,132	44,226	44,203
Deferred tax assets	(5)	1,904		2,242	
Total other fixed assets		135,271		132,624	
TOTAL NON-CURRENT ASSETS		**191,333**		**184,998**	
CURRENT ASSETS					
Stocks and inventories	(6)	27,536		23,491	
Trade receivables	(7)	56,862	43,100	42,815	29,600
Tax receivables	(8)	6,792		4,408	
Cash	(9)	674		4,037	
Other receivables	(10)	14,117		13,624	
TOTAL CURRENT ASSETS		**105,982**		**88,375**	
TOTAL ASSETS		**297,315**		**273,373**	

ATTACHMENT VI - BALANCE SHEET LIABILITIES, with related parties
Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	NOTES	31 December 2008	of which related parties	31 December 2007	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		25,767		26,841	
Share premium reserve		71,796		75,308	
Other reserves		31,795		28,204	
Fair Value reserve		7,742		7,742	
IAS reserve		1,139		-204	
Profits/(Losses) carried-forward		2,155		2,172	
Net profit		5,162		5,739	
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**145,557**		**145,801**	
NON-CURRENT LIABILITIES					
Provisions	(12)	1,319		1,331	
Deferred tax liabilities	(5)	7,911		7,973	
Post employment benefits	(13)	5,697		6,097	
Long term financial liabilities	(14)	11,666		19,326	
Long term not financial liabilities	(15)	166		-	
TOTAL NON-CURRENT LIABILITIES		**26,760**		**34,726**	
CURRENT LIABILITIES					
Trade payables	(16)	75,380	41,213	63,805	29,863
Tax payables	(17)	1,463		4,389	
Short term financial liabilities	(18)	41,080		17,926	
Other liabilities	(19)	7,075		6,725	
TOTAL CURRENT LIABILITIES		**124,998**		**92,845**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**297,315**		**273,373**	

ATTACHMENT VII - INCOME STATEMENT, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	NOTES	Full Year 2008	of which related parties	Full Year 2007	of which related parties
REVENUES FROM SALES AND SERVICES	**(20)**	**154,078**	**33,079**	**155,389**	**39,255**
Other revenues and income	(21)	5,944	2,720	3,437	2,674
TOTAL REVENUES		**160,022**		**158,826**	
Changes in inventory		6,034		1,614	
Costs of raw materials, cons. and goods for resale	(22)	-51,077	-10,047	-48,802	-8,541
Costs of services	(23)	-52,857	-7,226	-49,185	-6,760
Costs for use of third parties assets	(24)	-19,831	-15,860	-19,753	-15,091
Labour costs	(25)	-25,019		-22,598	
Other operating expenses	(26)	-2,419		-874	
Total Operating Costs		-145,170		-139,598	
GROSS OPERATING MARGIN (EBITDA)		**14,853**		**19,228**	
Amortisation of intangible fixed assets		-150		-175	
Depreciation of tangible fixed assets		-2,196		-2,011	
Revaluations (write-downs)		-80		-175	
Total Amortisation and write-downs	(27)	-2,426		-2,361	
NET OPERATING PROFIT (EBIT)		**12,426**		**16,866**	
Financial income	(28)	1,159	937	402	304
Financial expenses	(29)	-4,725	-765	-6,385	-463
Total Financial Income (expenses)		-3,565		-5,982	
PROFIT BEFORE TAXES		**8,861**		**10,884**	
Current income taxes		-3,415		-4,331	
Deferred income (expenses) taxes		-284		-990	
Total Income Taxes	(30)	-3,699		-5,320	
NET PROFIT		**5,162**		**5,563**	

ATTACHMENT VIII - CASH FLOW STATEMENT, with related parties
Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	NOTES	Full Year 2008	of which related parties
OPENING BALANCE		**4,036**	
Profit before taxes		8,861	
Amortisation		2,426	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-411	
Paid income taxes		-6,340	
Financial income (-) and financial charges (+)		3,565	
Change in operating assets and liabilities		-8,887	-2,150
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**-787**	
Increase (-)/ decrease (+) in intangible fixed assets		-53	
Increase (-)/ decrease (+) in tangible fixed assets		-5,981	
Investments (-)/ Disinvestments (+)		-108	-22
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**-6,142**	
Other variations in reserves and profits carried-forward of shareholders' equity		-3,259	
Dividends paid		-2,148	
Proceeds (+) / repayments (-) of financial payments		15,495	
Increase (-)/ decrease (+) in long term financial receivables		-2,957	-2,929
Financial income (+) and financial charges (-)		-3,565	
CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	**(32)**	**3,566**	
CLOSING BALANCE		**673**	

ATTACHMENT IX - PROSPECT OF CRUCIAL DATA FROM THE CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS OF FRATELLI FERRETTI HOLDING AT 31 DECEMBER 2007

STATUTORY FINANCIAL STATEMENTS	31 DECEMBER 2007	CONSOLIDATED FINANCIAL STATEMENTS
	(Values in units of EUR)	
	BALANCE SHEET **ASSETS**	
9,883	Intangible fixed assets	175,255,999
-	Tangible fixed assets	71,194,547
69,238,590	Equity investments	-281,682
-	Other fixed assets	7,450,261
-	Deferred tax assets	8,873,029
-	Assets available for sale	1,636,885
69,248,473	**Non-current assets**	**264,129,040**
-	Stocks and inventories	67,761,354
13,817	Trade receivables	36,910,502
-	Tax receivables	4,786,640
13,972	Cash	36,186,406
-	Other receivables	27,096,456
27,789	**Current assets**	**172,741,358**
69,276,262	**TOTAL ASSETS**	**436,870,398**
	LIABILITIES	
	Group interest	
100,000	Share capital	100,000
67,783,322	Share premium reserve	67,783,322
-15,912	Net profit for the Group	58,255,408
67,867,410	Group interest in shareholders’ equity	126,138,730
	Minority interest	
-	Minority interests in share capital and reserves	84,004,585
-	Net profit for the minority interests	8,802,020
-	Minority interests in shareholders’ equity	92,806,605
67,867,410	**Shareholders' equity**	**218,945,335**
-	Provisions	1,707,664
-	Deferred tax liabilities	48,022,235
-	Post employment benefits	11,111,030
1,372,289	Long term financial liabilities	26,646,683
-	Long term not financial liabilities	14,251,237
1,372,289	**Non-current liabilities**	**101,738,849**
36,563	Trade payables	60,598,310
-	Tax payables	7,127,302
-	Short term financial liabilities	26,361,882
-	Other liabilities	22,098,719
36,563	**Current liabilities**	**116,186,213**
69,276,262	**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**	**436,870,398**
	INCOME STATEMENT	
-	**Revenues from sales and services**	**293,210,633**
-	Other revenues and income	5,659,038
-	**Total revenues**	**298,869,671**
-10,099	Operating costs	-254,725,819
-2,504	Amortisation and write-downs	-10,721,682
-904	Provisions	-
-8,441	Financial income (expenses)	41,747,091
-	Profit/(loss) from affiliates	-746,300
-21,948	**Profit before taxes**	**74,422,961**
6,036	Income Taxes	-7.365.533
-15,912	**Net profit**	**67.057.428**
-	(Profit)/loss attributable to minority shareholders	-8,802,020
-15,912	**Net profit for the Group**	**58,255,408**

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 2008.

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.

12 March 2009

President of the board of directors

Massimo Ferretti

Manager responsible for preparing
Aeffe S.p.A. financial reports
Marcello Tassinari

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