Disclaimer

The consolidated financial statements at 31 December 2009 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.

AEFFE

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

CHAIRMAN'S LETTER

The effects of the economic crisis are diminishing and a weak sign of recovery was noticed during the last few months of 2009.

The drop in the GDP and reduced world trade were heightened during the first quarter of 2009, and showed an early slowdown of the downturn pace only in the second quarter, where production had already gone back to increasing in many industrial and emerging economies in which it had taken a nose dive.

The weak economic recovery started during the second half of 2009. It was mainly spurred by the emerging economies and driven by the expansive economic policies of the major countries.

The second half of the year showed positive signs. Specifically, with regard to the third quarter of 2009, the GDP in the United States and the Euro area started to rise again, continued to expand in Japan, and demonstrated a certain acceleration in the emerging economies of Asia and Latin American. Recovery of industrial production from the minimum values hit during the first half of 2009 continued during the third quarter, and the drop in employment in the United States and Japan lessened.

A definitely difficult year for our Group went by in this scenario. It was however an important year since it brought with it a series of positive considerations and initiatives: a) first of all, the importance of the DNA of our brands as a factor of competitive advantage; b) the need to go forth with rationalisation of the processes, structures and collections that were more in line with the market's requirements; c) the value of company know-how, which must be preserved in order to be able to take up the challenges that the near future has in store for us. Even if the early months of 2010 will suffer the negative effects of 2009, they have already shown signs of recovery. We are confident that these signs can be further confirmed during the next few months.

The Chairman of the Board of Directors

Massimo Ferretti

INDEX

Board of directors and statutory auditors of the Parent Company

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari – Managing Director
Umberto Paolucci
Roberto Lugano
Pierfrancesco Giustiniani

Board of Statutory

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

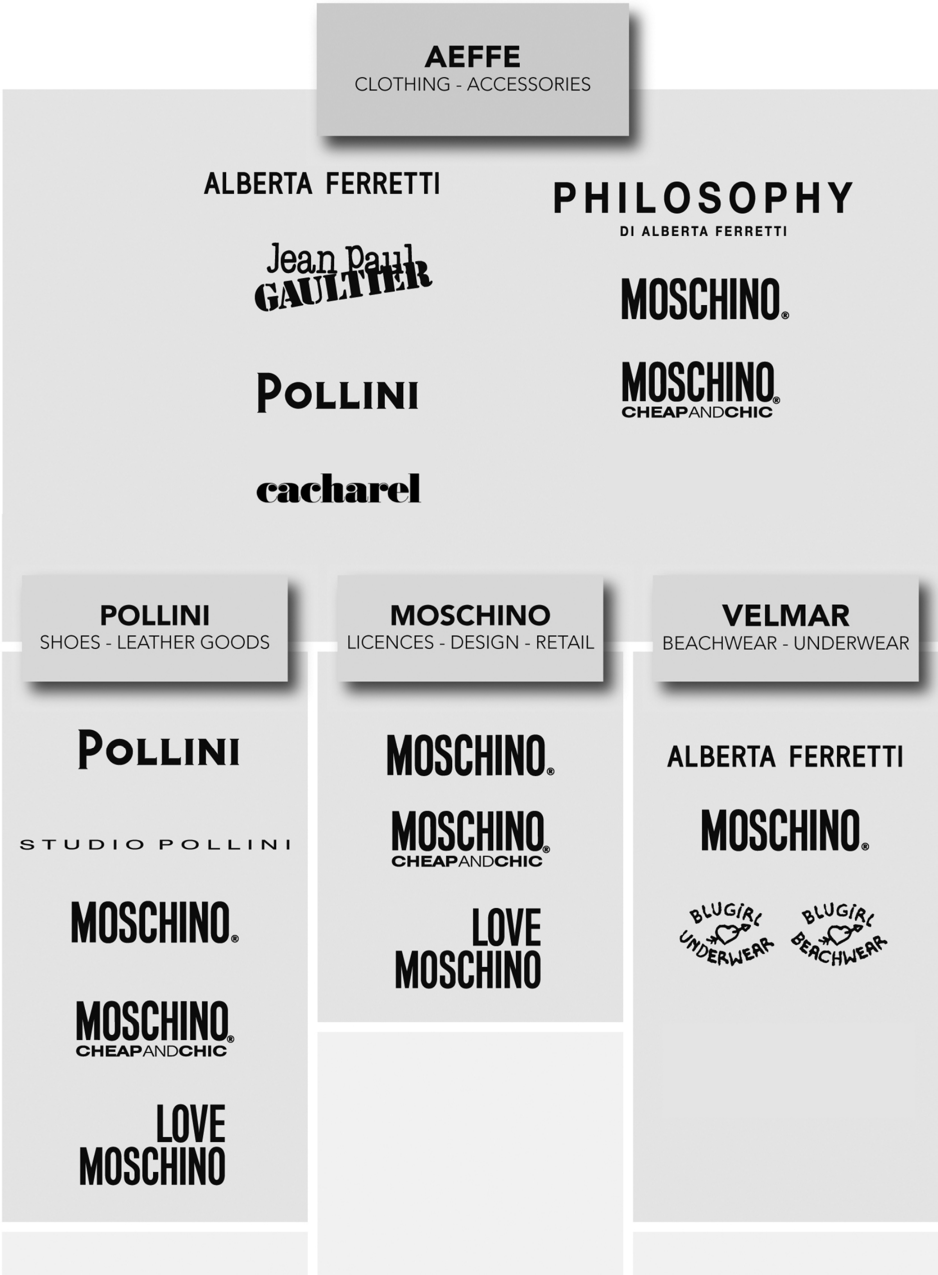
Board of Internal Control Committee

President
Roberto Lugano

Members
Pierfrancesco Giustiniani
Umberto Paolucci

Organisation chart

Brands portfolio



Headquarters

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

MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

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

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

Showrooms

AEFFE MILAN
(FERRETTI – GAULTIER – CACHAREL – POLLINI)
Via Donizetti, 48
20122 - 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

Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Capri
Paris
London
New York
Los Angeles

POLLINI
Milan
Rome
Florence
Venice
Bolzano
Ravenna
Varese
Verona

SPAZIO A
Florence
Venice

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
Daegu

Main economic-financial data

		Full Year 2008	Full Year 2009
Total revenues	(Values in millions of EUR)	300.7	222.9
Gross operating margin (EBITDA)	(Values in millions of EUR)	34.3	-13.0
Net operating profit (EBIT)	(Values in millions of EUR)	21.9	-27.1
Profit before taxes	(Values in millions of EUR)	15.2	-30.8
Net profit for the Group	(Values in millions of EUR)	7.7	-20.1
Basic earnings per share	(Values in units of EUR)	0.072	-0.197
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	19.0	-10.5
Cash Flow/Total revenues	(Values in percentage)	6.3	-4.7

		31 December 2008	31 December 2009
Net capital invested	(Values in millions of EUR)	262.8	258.2
Net financial indebtedness	(Values in millions of EUR)	66.8	87.7
Group net equity	(Values in millions of EUR)	165.0	143.2
Group net equity per share	(Values in units of EUR)	1.5	1.3
Current assets/ current liabilities	(Ratio)	1.9	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.3	0.5
ROI: Net operating profit/ Net capital invested	(Values in percentage)	8.3	-10.5

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

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

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

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

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

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

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

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

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

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

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

2. 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 prêt-a-porter, 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 own-label brands, including "Alberta Ferretti", "Moschino" and "Pollini", and under licensed brands, which include "Jean Paul Gaultier" and "Blugirl". 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, sunglasses and other).

The Group's business is divided, based on the various product lines and brands it sells, into two segments: (i) prêt-a-porter (which includes prêt-a-porter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêt-a-porter Division, which is composed of the companies Aeffe, Moschino and Velmar, is mainly involved in the design, production and distribution of luxury prêt-a-porter garments and lingerie, beachwear and loungewear.

In terms of the prêt-a-porter 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"). 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 and beachwear, and loungewear. Collections are produced and distributed under the Group's proprietary brands, which include "Alberta Ferretti", "Philosophy di Alberta Ferretti" and "Moschino", and under third-party licensed brands such as "Blugirl".

The Prêt-a-porter 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 multi-brand approach, with Aeffe producing and distributing the prêt-a-porter collections of leading fashion houses utilising the know-how acquired in the production of luxury prêt-a-porter 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" 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 in-house 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 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 third-party 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, both single-brand and multi-brand, 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 by the Pollini subsidary.

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 own-label 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”” products such as umbrellas, scarves and ties.

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 long-standing 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, Verona, Bolzano, Bergamo, Varese and Venice.

In 1989, Pollini moved into its new office in Gatteo, in the Italian province of Forlì-Cesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and seven-storey 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 2008, the stylist Johathan Saunders was appointed as creative director for the Pollini Prêt-a-Porter 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

(Values in units of EUR)	Full Year 2009	% on revenues	Full Year 2008	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**217,038,684**	**100.0%**	**294,684,156**	**100.0%**	**-77,645,472**	**-26.3%**
Other revenues and income	5,856,492	2.7%	6,049,598	2.1%	-193,106	-3.2%
TOTAL REVENUES	**222,895,176**	**102.7%**	**300,733,754**	**102.1%**	**-77,838,578**	**-25.9%**
Changes in inventory	-4,444,459	-2.0%	10,653,865	3.6%	-15,098,324	-141.7%
Costs of raw materials, cons. and goods for resale	-65,159,013	-30.0%	-89,818,830	-30.5%	24,659,817	-27.5%
Costs of services	-79,476,770	-36.6%	-103,072,048	-35.0%	23,595,278	-22.9%
Costs for use of third parties assets	-19,232,337	-8.9%	-17,971,959	-6.1%	-1,260,378	7.0%
Labour costs	-63,065,494	-29.1%	-61,710,751	-20.9%	-1,354,743	2.2%
Other operating expenses	-4,473,299	-2.1%	-4,520,130	-1.5%	46,831	-1.0%
Total Operating Costs	-235,851,372	-108.7%	-266,439,853	-90.4%	30,588,481	-11.5%
GROSS OPERATING MARGIN (EBITDA)	**-12,956,196**	**-6.0%**	**34,293,901**	**11.6%**	**-47,250,097**	**-137.8%**
Amortisation of intangible fixed assets	-6,451,667	-3.0%	-3,630,278	-1.2%	-2,821,389	77.7%
Depreciation of tangible fixed assets	-6,821,796	-3.1%	-6,607,247	-2.2%	-214,549	3.2%
Revaluations/(write-downs) and provisions	-901,843	-0.4%	-2,191,573	-0.7%	1,289,730	-58.8%
Total Amortisation, write-downs and provisions	-14,175,306	-6.5%	-12,429,098	-4.2%	-1,746,208	14.0%
NET OPERATING PROFIT / LOSS (EBIT)	**-27,131,502**	**-12.5%**	**21,864,803**	**7.4%**	**-48,996,305**	**-224.1%**
Financial income	295,476	0.1%	823,231	0.3%	-527,755	-64.1%
Financial expenses	-4,000,442	-1.8%	-7,438,103	-2.5%	3,437,661	-46.2%
Total Financial Income / (expenses)	-3,704,966	-1.7%	-6,614,872	-2.2%	2,909,906	-44.0%
PROFIT BEFORE TAXES	**-30,836,468**	**-14.2%**	**15,249,931**	**5.2%**	**-46,086,399**	**-302.2%**
Current income taxes	-2,693,983	-1.2%	-8,822,874	-3.0%	6,128,891	-69.5%
Deferred income / (expenses) taxes	9,753,216	4.5%	2,350,196	0.8%	7,403,020	315.0%
Total Income Taxes	7,059,233	3.3%	-6,472,678	-2.2%	13,531,911	-209.1%
NET PROFIT / LOSS	**-23,777,235**	**-11.0%**	**8,777,253**	**3.0%**	**-32,554,488**	**-370.9%**
(Profit) / loss attributable to minority shareholders	3,689,092	1.7%	-1,101,749	-0.4%	4,790,841	-434.8%
NET PROFIT / LOSS FOR THE GROUP	**-20,088,143**	**-9.3%**	**7,675,504**	**2.6%**	**-27,763,647**	**-361.7%**

Sales

In 2009 consolidated revenues amount to EUR 217,039 thousand compared to EUR 294,684 thousand of the year 2008, down 26.3% (-26.7% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 178,179 thousand, down by 24.7% at current exchange rates and by 25.1% at constant exchange rates compared to 2008, while revenues of the footwear and leather goods division decrease by 33.3% to EUR 50,315 thousand, before interdivisional eliminations.

Sales by brand

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Alberta Ferretti	47,247	21.8%	65,232	22.1%	-17,985	-27.6%
Moschino	115,886	53.4%	142,877	48.5%	-26,991	-18.9%
Pollini	31,723	14.6%	50,944	17.3%	-19,221	-37.7%
J.P.Gaultier	13,441	6.2%	22,452	7.6%	-9,011	-40.1%
Other	8,742	4.0%	13,179	4.5%	-4,437	-33.7%
Total	**217,039**	**100.0%**	**294,684**	**100.0%**	**-77,645**	**-26.3%**

In 2009, the Alberta Ferretti brand decreases by 27.6% (-27.6% at constant exchange rates), contributing to 21.8% of consolidated sales.

In the same period Moschino brand decreases by 18.9% (-20.1% at constant exchange rates), contributing to 53.4% of consolidated sales.

Pollini brand records a contraction of 37.7% (-37.8% at constant exchange rates), generating 14.6% of consolidated sales, while the brand under license JP Gaultier decreases by 40.1% (-40.6% at constant exchange rates), equal to 6.2% of consolidated sales.

Sales from other minority brands show a reduction of 33.7% (-25.8% at constant exchange rates), contributing to 4.0% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Italy	89,692	41.3%	115,055	39.0%	-25,363	-22.0%
Europe (Italy and Russia excluded)	48,493	22.3%	68,871	23.4%	-20,378	-29.6%
Russia	14,394	6.6%	24,429	8.3%	-10,035	-41.1%
United States	17,832	8.3%	27,576	9.4%	-9,744	-35.3%
Japan	15,226	7.0%	18,172	6.2%	-2,946	-16.2%
Rest of the World	31,402	14.5%	40,581	13.7%	-9,179	-22.6%
Total	**217,039**	**100.0%**	**294,684**	**100.0%**	**-77,645**	**-26.3%**

In 2009, sales in Italy decrease by 22.0% to EUR 89,692 thousand, contributing to 41.3% of consolidated sales.

Sales in Europe decrease by 29.6% (-28.7% at constant exchange rates), contributing to 22.3% of consolidated sales. The Russian market decrease by 41.1% (-41.1% at constant exchange rates), contributing to 6.6% of consolidated sales. Sales in the United States decrease by 35.3% (-36.0% at constant exchange rates), contributing to 8.3% of consolidated sales, while Japan sales decrease by 16.2% (-25.3% at constant exchange rates), contributing to 7.0% of consolidated sales. In the Rest of the World, sales decrease by 22.6% (-22.8% at constant exchange rates) to EUR 31,402 thousand, contributing to 14.5% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Wholesale	142,582	65.7%	212,014	71.9%	-69,432	-32.7%
Retail	59,690	27.5%	64,270	21.8%	-4,580	-7.1%
Royalties	14,767	6.8%	18,400	6.3%	-3,633	-19.7%
Total	**217,039**	**100.0%**	**294,684**	**100.0%**	**-77,645**	**-26.3%**

The revenues generated by the Group during 2009 are analysed below:

- 65.7% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 212,014 thousand in 2008 and EUR 142,582 thousand in 2009, down 32.7% (-33.1% at constant exchange rates).
- 27.5% from sales outlets managed directly by the Group (retail channel), which contributes EUR 64,270 thousand in 2008 and EUR 59,690 thousand in 2009, down 7.1% (-8.0% at constant exchange rates).
- 6.8% 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 decrease from EUR 18,400 thousand in 2008 to EUR 14,767 thousand in 2009, down 19.7%.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Own brands	194,976	89.8%	259,308	88.0%	-64,332	-24.8%
Brands under license	22,063	10.2%	35,376	12.0%	-13,313	-37.6%
Total	**217,039**	**100.0%**	**294,684**	**100.0%**	**-77,645**	**-26.3%**

Revenues generated by own brands decrease in absolute value of EUR 64,332 (-24.8% compared with the previous year), with an incidence on total revenues which increases from 88.0% in 2008 to 89.8% in 2009. Revenues generated by brands under license decrease by 37.6%.

Labour costs

Labour costs increases from EUR 61,711 thousand in 2008 to EUR 63,065 thousand in 2009 with an incidence on revenues which changes from 20.9% in 2008 to 29.1% in 2009. The increase of labour costs is mainly due to the new directly operated stores opened during the second semester 2008, to the labour cost related to the start-up of the subsidiary Aeffe Japan, operative from half 2009 with the intention to develop and strengthen Group’s brands in the Japan market and to the automatic pay increases in compliance with national contracts.

The workforce increases from an average of 1,513 units in 2008 to 1,514 units in 2009.

Average number of employees by category	Full Year	Full Year	Change	
	2009	2008	Δ	%
Workers	448	453	-5	-1%
Office staff-supervisors	1,037	1,034	3	0%
Executive and senior managers	29	26	3	12%
Total	**1,514**	**1,513**	**1**	**0%**

Gross Operating Margin (EBITDA)

In 2009, consolidated EBITDA is negative for EUR 12,956 thousand, down of EUR 44,250 thousand compared to EUR 34,294 thousand in 2008.

Profitability has been negative affected by the slowdown in both wholesale and retail channel, and by the new directly operated stores opened during the second semester 2008, which are still in a start-up phase.

It is to be pointed out that profitability, in view of the Group's cost structure, historically made up of 50% of fixed costs and 50% of variable costs, particularly suffered the drop in turnover in 2009. The actions that management adopted in order to save on fixed costs (in view of the particular seasonality of the business, which leads to paying many costs of this type in advance, before the respective revenues are made) will display their beneficial effects primarily during financial year 2010.

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

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

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

On the subject of the single type of costs, an increase of the cost of sold products is recorded, mainly in the leather goods division. The increased costs for leases and rental is basically attributable to the new boutiques opened during the second half of 2008, whereas the increased personnel costs, as mentioned above, can mainly be ascribed to the opening of the new boutiques during the second half of 2008, to the cost of personnel concerning the start-up of the subsidiary Aeffe Japan, in operation since mid-2009 with the intent to develop and strengthen the Group's brands in the Japanese market and to the automatic remuneration increases in compliance with the national contracts.

For the *Prêt-à-porter division,* the EBITDA was negative for EUR 6,407 thousand, with a EUR 36,577 thousand increase compared to EUR 30,170 thousand in 2008.

The footwear and leather goods division posted a decreased EBITDA, dropping from EUR 4,124 thousand in 2008 to a negative value of EUR 6,549 thousand in 2009.

Net operating profit (EBIT)

Consolidated EBIT is negative for EUR 27,132 thousand compared to EUR 21,865 thousand positive of 2008. Such variation includes the effect of EUR 2,828 thousand deriving from the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised on a systematic basis over their residual term of lease.

Profit before taxes

Profit before tax decreases in absolute value of EUR 46,086 thousand from EUR 15,250 thousand in 2008 to EUR -30,836 thousand in 2009.

Net profit for the Group

Consolidated net profit for the Group decreases in absolute value of EUR 27,764 thousand from EUR 7,676 thousand in 2008 to EUR -20,088 thousand in 2009.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2009	31 December 2008
Trade receivables	26,868,686	43,230,057
Stock and inventories	69,482,860	77,433,665
Trade payables	- 42,133,025	- 63,004,051
Operating net working capital	**54,218,521**	**57,659,671**
Other short term receivables	25,345,033	28,899,717
Tax receivables	6,284,474	8,102,477
Other short term liabilities	- 14,646,542	- 16,907,509
Tax payables	- 3,376,900	- 4,288,323
Net working capital	**67,824,586**	**73,466,033**
Tangible fixed assets	76,586,538	78,465,485
Intangible fixed assets	157,008,475	169,174,912
Equity investments	27,840	27,840
Other fixed assets	2,812,254	2,665,776
Fixed assets	**236,435,107**	**250,334,013**
Post employment benefits	- 9,784,848	- 10,341,812
Provisions	- 1,247,299	- 1,744,209
Assets available for sale	9,257,006	1,636,885
Liabilities available for sale	- 1,853,574	-
Long term not financial liabilities	- 14,241,401	- 14,405,694
Deferred tax assets	14,544,857	8,356,878
Deferred tax liabilities	- 42,773,359	- 44,486,859
NET CAPITAL INVESTED	**258,161,075**	**262,815,235**
Share capital	25,371,407	25,766,795
Other reserves	125,160,336	121,342,633
Profits / (Losses) carried-forward	12,749,353	10,236,020
Profits / (Loss) for the period	- 20,088,143	7,675,504
Group interest in shareholders' equity	**143,192,953**	**165,020,952**
Minority interests in shareholders' equity	27,301,285	30,990,377
Total shareholders' equity	**170,494,238**	**196,011,329**
Cash	- 5,336,905	- 7,705,842
Long term financial liabilities	18,159,414	17,528,201
Short term financial liabilities	74,844,328	56,981,547
NET FINANCIAL POSITION	**87,666,837**	**66,803,906**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**258,161,075**	**262,815,235**

NET INVESTED CAPITAL

Net invested capital decreases by 1.8% compared with 31 December 2008.

Net working capital

Net working capital amounts to EUR 67,825 thousand (31.2% on sales) compared with EUR 73,466 thousand at 31 December 2008 (24.9% on sales).

Changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables decreases in all by 6% (EUR -3,441 thousand), such decrease is mainly related to the sales contraction of the year 2009 compared to 2008.
- the decrease of EUR 3,555 thousand in other receivables is mainly referred to the decrease of EUR 3,761 thousand in credits for prepaid costs. These credits relate to the costs incurred to design and make samples for the Spring/Summer 2010 and Autumn/Winter 2010 collections for which the corresponding revenues from sales have not been realised yet. Such decrease is the consequence of the strategy of control of expenditure and inefficiency reduction in order to face the sales slowdown, as explained in the paragraph on EBITDA;
- tax receivables decrease of EUR 1,818 thousand. Such decrease is mainly due to the decrease of VAT receivables as a consequence of the supplying fall which are mostly made in Italy.
- the decrease of the other amounts due within 12 months, totaling EUR 2,261 thousand, refers mainly to the drop in amounts due tied to employees (for about EUR 913 thousand). This phenomenon is to above all be attributed to the use of past holidays. The decrease of the other amounts due is to also be attributed (for EUR 614 thousand) to reclassification of this type of amounts due under the item liabilities available for sale in connection with several companies controlled by Moschino Far East Ltd. After the call option was exercised, on 31 March 2010 the joint venture with the company Bluebell will end as far as the Asian market is concerned, and Moschino SpA will become, for all practical purposes, the only shareholder of Moschino Far East Ltd, and consequently of the companies it controls. Of these, Moschino Korea and Moschino Japan will be directly managed by Moschino SpA through a local structure, already implemented and that has already started to follow all of the activities since 1 January 2010. The companies operating in the other territories of the Asian market will instead be sold to Bluebell, which will work as distributor for these areas.

Fixed assets

At 31 December 2009, fixed assets decrease by EUR 13,899 thousand compared to 31 December 2008.

Changes in the main items are described below:

- the decrease in tangible fixed assets of EUR 1,879 thousand is determined by the depreciation of the period (equal to EUR 6,822 thousand) only partially compensated by new investments. Investments are mainly related to leasehold improvements;
- the decrease in intangible fixed assets of EUR 12,166 thousand is mainly due to the following effects:
  - amortisation of the year equal to EUR 6,452 thousand. As previously said, from 2009 this entry includes also the effect (equal to EUR 2,828 thousand) deriving from the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised on a systematic basis over their residual term of lease.
  - disposal of some key money made during the year 2009 or planned for the year 2010.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 87,667 thousand as of 31 December 2009 compared with EUR 66,804 thousand as of 31 December 2008. The increase is mainly due to the loss of the year and to the following events:

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

SHAREHOLDERS' EQUITY

At 31 December 2009 the shareholders' equity amounts to EUR 170,494 thousand. The reasons of such decrease compared with the previous year (EUR 196,011 thousand at 31 December 2008) 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 2009:

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

(*) 5,5% of own shares held by Aeffe S.p.A.

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

(Values in thousand of EUR)	Shareholders' equity at 31 december 2009	Net profit for the full year 2009
Taken from the corporate financial statements of the parent company	**138,726**	**-5,171**
Share of the consolidated subsidiaries's equity and profit attributable to the Group, net of the carrying amount of equity interests	-5,867	-18,316
Reversal of equity investment write-downs in the parent company	1,650	1,650
Effect of business combination reopening	37,560	-1,119
Reversal of the intercompany inventory margin	-1,725	-
Transition to parent company accounting policies	102	-686
Other adjustments	48	-135
Total consolidation adjustments	**31,768**	**-18,606**
Group interest in shareholders' equity	**143,193**	**-20,088**
Minority interest	**27,301**	**-3,689**
Total shareholders' equity	**170,494**	**-23,777**

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. These costs 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 non-binding 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 non-application 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 2009, the Parent Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital. The purchase of 1.5% of the total shares has been made in the year 2009 and was 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 2009 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 long-term 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. The Plans include the possibility to grant to the Beneficiaries, during the period from 1 January to 30 April 2010, a maximum of 5,920,000 options. 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 residual number of options at the balance sheet date granted to the directors and other employees of the company.

Massimo Ferretti	396,488
Alberta Ferretti	396,488
Simone Badioli	377,608
Marcello Tassinari	377,608
Other employees	132,162
Total	1,680,354

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. 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 non-renewal 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 non-renewal of the appointment by the company for just cause and subjectively justified reasons, the Beneficiary will, on receipt of the communication of termination or non-renewal, 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.

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 31/12/08	N. of shares bought in 2009	N. of shares sold in 2009	Change in n. of shares held by incoming/(outgoing) members	N. of shares held at 31/12/09
Ferretti Alberta	Aeffe S.p.A	40,000	-	-	-	40,000
Ferretti Massimo	Aeffe S.p.A	63,000	-	-	-	63,000
Badioli Simone	Aeffe S.p.A	26,565	-	-	-	26,565
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 2009.

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, from this year significantly reduced thanks to the investments in the renewable energy system (photovoltaic), and in opposition a further contraction in CO_2 emission. 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 Group, in execution of the plan approved by the Shareholders' Meeting held on 3 March 2008, has acquired during the year 2009, n. 1,581,557 Aeffe ordinary shares, at the average unit price of EUR 0.60 for a total investment of EUR 952 thousand.

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

13. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

During the year 2010 the subsidiary Ferretti Studio S.r.l. will be incorporated in Aeffe S.p.A..

14. OUTLOOK

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

The year 2010 will also mark the end of the joint venture with the company Bluebell as far as the Asian market is concerned. We expect that direct management of two key territories of the area, Korea and Japan, will lead to greater effectiveness of our actions and better compliance to our commercial and brand development policies, and therefore we have forecast better results for 2010 than those of 2009.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2009	31 December 2008	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		46,883,310	54,962,043	-8,078,733
Trademarks		109,923,023	113,867,489	-3,944,466
Other intangible fixed assets		202,142	345,380	-143,238
Total intangible fixed assets	(1)	157,008,475	169,174,912	-12,166,437
Tangible fixed assets				
Lands		17,599,237	17,635,695	-36,458
Buildings		32,751,230	33,796,853	-1,045,623
Leasehold improvements		15,229,172	15,983,052	-753,880
Plant and machinary		7,269,169	6,922,775	346,394
Equipment		400,379	481,667	-81,288
Other tangible fixed assets		3,337,351	3,645,443	-308,092
Total tangible fixed assets	(2)	76,586,538	78,465,485	-1,878,947
Other fixed assets				
Equity investments	(3)	27,840	27,840	0
Other fixed assets	(4)	2,812,254	2,665,776	146,478
Deferred tax assets	(5)	14,544,857	8,356,878	6,187,979
Total other fixed assets		17,384,951	11,050,494	6,334,457
TOTAL NON-CURRENT ASSETS		**250,979,964**	**258,690,891**	**-7,710,927**
CURRENT ASSETS				
Stocks and inventories	(6)	69,482,860	77,433,665	-7,950,805
Trade receivables	(7)	26,868,686	43,230,057	-16,361,371
Tax receivables	(8)	6,284,474	8,102,477	-1,818,003
Cash	(9)	5,336,905	7,705,842	-2,368,937
Other receivables	(10)	25,345,033	28,899,717	-3,554,684
TOTAL CURRENT ASSETS		**133,317,958**	**165,371,758**	**-32,053,800**
Assets available for sale	(11)	9,257,006	1,636,885	7,620,121
TOTAL ASSETS		**393,554,928**	**425,699,534**	**-32,144,606**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party 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 BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	31 December 2009	31 December 2008	Change
SHAREHOLDERS' EQUITY	**(12)**			
Group interest				
Share capital		25,371,407	25,766,795	-395,388
Share premium reserve		71,240,251	71,796,450	-556,199
Translation reserve		-1,690,675	-1,269,327	-421,348
Cash flow hedge reserve		-	-340,504	340,504
Other reserves		36,250,028	31,795,282	4,454,746
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profits / (losses) carried-forward		12,749,353	10,236,020	2,513,333
Net profit / (loss) for the Group		-20,088,143	7,675,504	-27,763,647
Group interest in shareholders' equity		143,192,953	165,020,952	-21,827,999
Minority interest				
Minority interests in share capital and reserves		30,990,377	29,888,628	1,101,749
Net profit / (loss) for the minority interests		-3,689,092	1,101,749	-4,790,841
Minority interests in shareholders' equity		27,301,285	30,990,377	-3,689,092
TOTAL SHAREHOLDERS' EQUITY		**170,494,238**	**196,011,329**	**-25,517,091**
NON-CURRENT LIABILITIES				
Provisions	(13)	1,247,299	1,744,209	-496,910
Deferred tax liabilities	(5)	42,773,359	44,486,859	-1,713,500
Post employment benefits	(14)	9,784,848	10,341,812	-556,964
Long term financial liabilities	(15)	18,159,414	17,528,201	631,213
Long term not financial liabilities	(16)	14,241,401	14,405,694	-164,293
TOTAL NON-CURRENT LIABILITIES		**86,206,321**	**88,506,775**	**-2,300,454**
CURRENT LIABILITIES				
Trade payables	(17)	42,133,025	63,004,051	-20,871,026
Tax payables	(18)	3,376,900	4,288,323	-911,423
Short term financial liabilities	(19)	74,844,328	56,981,547	17,862,781
Other liabilities	(20)	14,646,542	16,907,509	-2,260,967
TOTAL CURRENT LIABILITIES		**135,000,795**	**141,181,430**	**-6,180,635**
Liabilities available for sale	(11)	1,853,574	0	1,853,574
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**393,554,928**	**425,699,534**	**-32,144,606**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party 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 2009	Full Year 2008
REVENUES FROM SALES AND SERVICES	**(21)**	**217,038,684**	**294,684,156**
Other revenues and income	(22)	5,856,492	6,049,598
TOTAL REVENUES		**222,895,176**	**300,733,754**
Changes in inventory		-4,444,459	10,653,865
Costs of raw materials, cons. and goods for resale	(23)	-65,159,013	-89,818,830
Costs of services	(24)	-79,476,770	-103,072,048
Costs for use of third parties assets	(25)	-19,232,337	-17,971,959
Labour costs	(26)	-63,065,494	-61,710,751
Other operating expenses	(27)	-4,473,299	-4,520,130
Total Amortisation, write-downs and provisions	(28)	-14,175,306	-12,429,098
Total Financial Income / (expenses)	(29)	-3,704,966	-6,614,872
PROFIT / LOSS BEFORE TAXES		**-30,836,468**	**15,249,931**
Total Income Taxes	(30)	7,059,233	-6,472,678
NET PROFIT / LOSS		**-23,777,235**	**8,777,253**
(Profit) / loss attributable to minority shareholders		3,689,092	-1,101,749
NET PROFIT / LOSS FOR THE GROUP		**-20,088,143**	**7,675,504**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party 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.

COMPREHENSIVE INCOME STATEMENT

Following the issue in September 2007, the revised IAS 1: Presentation of financial statements is entered in force. The principle introduces the statement of "Comprehensive income". Such statement, reported below, includes all the items of income and expenses of the period recorded in the income statement and in addition all other entries recorded directly in equity.

(Values in units of EUR)	Notes	Full Year 2009	Full Year 2008
Profit/(loss) for the period (A)		**-23,777,235**	**8,777,253**
Gains/(losses) on cash flow hedges		340,504	-340,504
Gains/(losses) on exchange differences on translating foreign operations		-421,349	-320,552
Income tax relating to components of other comprehensive income / (loss)		-	-
Total Other comprehensive income / (loss), net of tax (B)		**-80,845**	**-661,056**
Total Comprehensive income / (loss) (A) + (B)		**-23,858,080**	**8,116,197**
Total Comprehensive income / (loss) attributable to:		**-23,858,080**	**8,116,197**
Owners of the parent		-20,271,139	7,116,599
Non-controlling interests		-3,586,941	999,598

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2009	Full Year 2008
OPENING BALANCE		**7,706**	**14,525**
Profit before taxes		-30,836	15,250
Amortisation / write-downs		13,636	12,429
Accrual (+)/availment (-) of long term provisions and post employment benefits		-1,054	-733
Paid income taxes		-1,783	-12,335
Financial income (-) and financial charges (+)		3,705	6,615
Change in operating assets and liabilities		5,708	-18,883
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-10,624**	**2,343**
Increase (-)/ decrease (+) in intangible fixed assets		1,142	-1,035
Increase (-)/ decrease (+) in tangible fixed assets		-4,999	-13,878
Investments ans write-downs (-)/ Disinvestments and revaluations (+)		-362	-2,198
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-4,219**	**-17,111**
Other variations in reserves and profits carried-forward of shareholders' equity		-1,030	-5,246
Dividends paid		-710	-2,148
Proceeds (+)/ repayments (-) of financial payments		18,494	21,502
Increase (-)/ decrease (+) in long term financial receivables		-575	456
Financial income (+) and financial charges (-)		-3,705	-6,615
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**12,474**	**7,949**
CLOSING BALANCE		**5,337**	**7,706**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party 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.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(losses) carried-forward	Net profit / loss for the Group	Translation reserve	Cash flow hedge reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2007	**26,841**	**75,308**	**28,204**	**7,901**	**11,459**	**679**	**15,321**	**-949**	**-**	**164,764**	**29,863**	**194,627**
Changes in equity												
Allocation of 31 December 2007 profit	-	-	3,591	-	-	11,730	-15,321	-	-	-	-	-
Dividends paid	-	-	-	-	-	-2,148	-	-	-	-2,148	-	-2,148
Treasury stock (buyback)/sale	-1,074	-3,512	-	-	-	-	-	-	-	-4,586	-	-4,586
Total comprehensive income/(loss) of 2008	-	-	-	-	-	-	7,676	-320	-340	7,016	1,102	8,118
Other changes	-	-		-	-	-25	-	-	-	-25	25	-
BALANCES AT 31 December 2008	**25,767**	**71,796**	**31,795**	**7,901**	**11,459**	**10,236**	**7,676**	**-1,269**	**-340**	**165,021**	**30,990**	**196,011**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(losses) carried-forward	Net profit / loss for the Group	Translation reserve	Cash flow hedge reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2008	**25,767**	**71,796**	**31,795**	**7,901**	**11,459**	**10,236**	**7,676**	**-1,269**	**-340**	**165,021**	**30,990**	**196,011**
Changes in equity												
Allocation of 31 December 2008 profit	-	-	4,453	-	-	3,223	-7,676	-	-	-	-	-
Dividends paid	-	-	-	-	-	-710	-	-	-	-710	-	-710
Treasury stock (buyback)/sale	-396	-556	-	-	-	-	-	-	-	-952	-	-952
Total comprehensive income/(loss) of 2009	-	-	-	-	-	-	-20,088	-422	340	-20,170	-3,689	-23,859
Other changes	-	-	4	-	-	-	-	-	-	4	-	4
BALANCES AT 31 December 2009	**25,371**	**71,240**	**36,252**	**7,901**	**11,459**	**12,749**	**-20,088**	**-1,691**	**-**	**143,193**	**27,301**	**170,494**

Report of the Auditing company

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of products of high quality and stylistic uniqueness.

The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including "Alberta Ferretti", "Moschino" and "Pollini", and licensed brands, which include "Jean Paul Gaultier" and "Blugirl".

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: prêt-a-porter (which includes prêt-a-porter, 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 the company Fratelli Ferretti Holding S.r.l., of which in the attachment VII are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

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 28th 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 27th July 2006 and communication DEM/6064293 dated 28th 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 2009 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 line-by-line method. The principles adopted for the application of this method are essentially as follows:

- 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 2009 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, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, 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 long-term 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
Companies included in the scope of consolidation					
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	Brno (CZ)	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%	
Bloody Mary	New York (USA)	USD	100,000		70,0% (ii)

Notes (details of in direct shareholdings):

(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.

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:

(i) 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;

(ii) 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;

(iii) 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 2009	Average exchange rate 2009	Actual exchange rate 31 December 2008	Average exchange rate 2008
United States Dollars	1.4406	1.3948	1.3917	1.4706
United Kingdom Pounds	0.8881	0.8909	0.9525	0.7965
Japanese Yen	133.1600	130.3370	126.1400	152.3307
Czech Republic Koruny	26.4730	26.4349	26.8750	24.9590

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 non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. The cash flow statement is presented using the "indirect" format.

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

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

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

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

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

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

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

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

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

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

- IFRS 2 – Share-based payment: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that following the change made by IFRS 3 to the definition of a business combination the contribution of a business on the formation of a joint venture and the combination of entities or businesses under common control do not fall within the scope of IFRS 2.
- IFRS 5 – Non-current assets held for sale and discontinued operations: this amendment, which shall be applied prospectively from 1 January 2010, clarifies that IFRS 5 and other IFRS that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations.
- IFRS 8 – Operating segments: this amendment, effective from 1 January 2010 (with early application permitted), requires an entity to report a measure of total assets for each reportable segment if such amount is regularly provided to the chief operating decision maker. Before the amendment, disclosure of total assets for each segment was required even if that condition was not met.
- IAS 1 – Presentation of financial statement: this amendment, effective from 1 January 2010 (with early application permitted), amends the definition of a current liability contained in IAS 1. The previous definition required liabilities which could be extinguished at any time by issuing equity instruments to be classified as current. That led to liabilities relating to convertible bonds which could be converted at any time into the shares of the issuer to be classified as current. Following this amendment the existence of a current exercisable option for conversion into equity instruments becomes irrelevant for the purposes of the current/non-current classification of a liability.
- IAS 7 – Statement of cash flows: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities in the statement of cash flows; cash flows originating from expenditures that do not result in a recognised asset (as could be the case for advertising and promotional activities and staff training) must be classified as cash flows from operating activities.
- IAS 17 – Leases: following the changes, the general conditions required by IAS 17 for classifying a lease as a finance lease or an operating lease will also be applicable to the leasing of land, independent of whether the lease transfers ownership by the end of the lease term. Before these changes the standard required the lease to be classified as an operating lease if ownership of the leased land was not transferred at the end of the lease term because land has an indefinite useful life. The amendment is applicable from 1 January 2010 (with early application permitted). At the date of adoption the classification of all land elements of unexpired leases must be reassessed, with any lease newly classified as a finance lease to be recognised retrospectively.
- IAS 36 – Impairment of Assets: this amendment, applicable prospectively from 1 January 2010 (with early application permitted), states that each unit or group of units to which goodwill is allocated for the purpose of impairment testing shall not be larger than an operating segment as defined by paragraph 5 of IFRS 8 – Operating segments before any aggregation on the basis of similar economic characteristics and other similarities as permitted by paragraph 12 of IFRS 8.
- IAS 38 – Intangible assets: IFRS 3 (as revised in 2008) states that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient

information exists to measure its fair value reliably; amendments are made to IAS 38 to reflect that revision of IFRS 3. Moreover these amendments clarify the valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market; in particular, such techniques include discounting the estimated future net cash flows from an asset, and estimating the costs the entity avoids by owning an intangible asset and not having to license it from another party in an arm's length transaction or the costs to recreate or replace it (as in the cost approach). The amendment is applicable prospectively from 1 January 2010 (with early application permitted); if an entity applies the revised IFRS 3 for an earlier period it shall also apply this amendment to IAS 38.

- IAS 39 – Financial instruments: recognition and measurement: this amendment restricts the non-applicability of IAS 39 under paragraph 2(g) of the standard to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date when the completion of the business combination is not dependant on further actions of either party and only the passage of a normal of period of time is required. Option contracts, whether or not currently exercisable, which allow one party to control the occurrence or non-occurrence of future events and on exercise will result in control of an entity are therefore included in the scope of IAS 39. The amendment also clarifies that embedded prepayment options whose exercise price compensates the lender for the loss of interest income resulting from the prepayment of the loan shall be considered closely related to the host debt contract and therefore not accounted for separately. Finally, the amendment clarifies that the gains or losses on a hedged instrument must be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment is applicable prospectively from 1 January 2010 although early application is permitted.
- IFRIC 9 – Reassessment of embedded derivates: this amendment excludes from the scope of IFRIC 9 embedded derivates in contracts acquired in a business combination, a combination of entities or businesses under common control or the formation of a joint venture. The amendment is applicable prospectively from 1 January 2010. The European Union had not yet endorsed the amendment at the date of these financial statements.

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

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

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

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

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

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

ACCOUNTING POLICIES

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

Intangible fixed assets

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

At 31 December 2009, the company has not recorded values related to goodwill in the financial statements.

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 have been treated, up to the financial statements 2008, as intangible fixed assets with an "infinite" useful life and as such have not been amortised. "Infinite" useful life, according to IAS 38, does not mean an endless useful life, but a useful life with no fixed end.

The Group, up to the financial statements 2008, based on the valuations of independent experts, has considered the period linked with the lease term as not relevant. This included 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.

Following the change of the key money market, the Group deemed it proper to introduce a change of estimate on their useful life, switching from an indefinite useful life to a finite useful life.

A reversed trend has been noted starting in 2009. Although not generalised, it has led several of the lessors of the market to ask that the contract be terminated as the expiration date draws near. Even if the most recent transactions carried out by the Group are reassuring with regard to the entire recoverability of the original value of the key money, by virtue of the new market definition, the directors prudentially deemed it correct to change the estimate of useful life. Based on the experience of the renewals obtained from the lessors in past financial years, the directors deemed it fitting to estimate a useful life corresponding to the residual term of the contract, and generally plan a renewal for another 6 years, considering a final end value equal to the amounts due by way of indemnity for taking over the lease if provided for by the national regulations.

The effect on the statement of operations of financial year 2009 amounts to a total of EUR 1,940 thousand after taxes (the value of the amortisation alone amounts to EUR 2,828 thousand). The residual value to be amortised in future years instead amounts to EUR 40,003 thousand.

Brands

Brands are recognised at cost and are amortised systematically on a straight-line 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 intellectua property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

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

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% - 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

Key money, brands 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.

The comparison between the value of the Group shareholders' equity per share and the share list value at year-end and during the period until the date these draft financial statements were drawn up shows a book value higher than the market value. The directors believe that this evidence is basically attributable to the particular situation of the financial markets in the aftermath of the world crisis in progress. Therefore, the market value is not considered representative of the Group value.

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.

Revenue

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 is 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 is 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.

<u>Current value</u>: 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 2009;
- annual hypothetical increase in rents for 2%;
- possible renewal on expiration of each contract for a period equal to that foreseen by the contract in existence as of 31 December 2009;
- 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, 20%.

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 each key money were derived for the year 2010 from a budget simulation that, depending on the boutique, foresees increases of turnover around a range that goes from 16% in the most optimistic cases to -7% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2010 but were used to make a prudential calculation for the test purpose only. For the years 2011 and 2012 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 6.1%.

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 40 years. To calculate the values on this basis we prepared a budget simulation for 2010 that, depending on the brand, foresees increases of turnover around a range that goes from 0% in the most optimistic cases to -10% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2010 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 6.1%.

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
- The inflation rate foreseen is 2.00%;
- The discount rate used is 3.50%;
- * The expected rates of retribution increases (inclusive of inflation) are divided as follows: (i) Management 1.50%; (ii) Office staff/department heads 0.50%; (iii) laborers 0.50%
- The annual rate in increase of the severance indemnity fund foreseen is 3.00%;
- The expected turn-over of employees is 6% for Aeffe S.p.A, 10% for Aeffe Retail S.p.A and 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 turnover rate foreseen is 0.00%;
- The corporate turnover rate foreseen is 5.00% for all the Group's companies;
- The discount rate used is 3.50%;

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:

(i) Prêt-a-porter Division;

(ii) Footwear and leather goods Division.

In accordance with IFRS 8, segment information can be found in the section entitled "Comments on the income statement and segment information".

Management of financial risk

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 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 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:

(i) **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.

(ii) **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.

(iii) **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 2009 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 220 thousand annually (EUR 370 thousand as of 31 December 2008).

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

(iv) **Price risk**

The 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) Part of the foreign credits are guaranteed by primary credit insurance companies;
b) The residual uninsured part of the receivable is managed:
    a. Most of it by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The residual receivables not covered by insurance, by letter of credit or by advances, are specifically authorized and managed as settled by the Italian receivable procedure.

The unexpired receivables, amounting to a total of EUR 17,452 thousand as of 31 December 2009, represent 65% of the receivables entered in the financial statement, compared to 70% 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 2009	31 December 2008	Change Δ	%
Trade receivables	26,869	43,230	-16,361	-37.8%
Other current receivables	25,345	28,900	-3,555	-12.3%
Other fixed assets	2,812	2,666	146	5.5%
Total	**55,026**	**74,796**	**-19,770**	**-26.4%**

See note 4 for the comment and breakdown of the item "other fixed assets" note 7 "trade receivables" and 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 2009, overdue but not written-down trade receivables amount to EUR 9,417 thousand (they amounted to EUR 13,125 thousand in 2008). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
By 30 days	1,592	2,850	-1,258	-44.1%
31 - 60 days	1,472	3,699	-2,227	-60.2%
61 - 90 days	622	1,931	-1,309	-67.8%
Exceeding 90 days	5,731	4,645	1,086	23.4%
Total	**9,417**	**13,125**	**-3,708**	**-28.3%**

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	Key money	Other	Total
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**
Increases	33	412	155	600
- increases externally acquired	*33*	*412*	*155*	*600*
- increases from business aggregations	-	-	-	-
Disposals	-462	-5,664	*-189*	-6,315
Amortisation	-3,515	-2,828	-109	-6,452
Net book value as of 31.12.09	**109,923**	**46,883**	**202**	**157,008**

Increases in the intangible fixed assets of EUR 600 thousand are mainly due to the goodwill paid for a new boutique.

Disposals (equivalent to EUR 6,315 thousand) are due for EUR 4,573 thousand to the key money related to one boutique based in Milan reclassified in the assets available for sale.

Amortisation of the period is EUR 6,452 thousand. Such variation compared with the previous year is due to the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised on a systematic basis over their residual term of lease.

Brands

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

(Values in thousands of EUR)	Brand residual life	31 December 2009	31 December 2008
Alberta Ferretti	33	4,155	4,250
Moschino	35	61,114	63,042
Pollini	31	44,654	46,192
Verdemare		-	383
Total		**109,923**	**113,867**

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

Key money

Key money 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.

The Group, until financial year 2008, even on the stock of valuations drawn up by independent experts, pointed out the scarce significance of the deadline attributable to the term of the leases. Indeed, to this regard the safeguards given to the lessee by the market routine and by specific legal provisions, which are combined with a strategy of progressive further expansion of the network carried forward by the companies of the Group that usually renews the leases before their natural expiration and regardless of the intention to continue using the locations as Group boutiques, in view of the value attributable to the commercial positions concerned.

Following the change of the key money market, the Group deemed it proper to introduce a change of estimate on their useful life, switching from an indefinite useful life to a finite useful life.

A reversed trend has been noted starting in 2009. Although not generalised, it has led several of the lessors of the market to ask that the contract be terminated as the expiration date draws near. Even if the most recent transactions carried out by the Group are reassuring with regard to the entire recoverability of the original value of the key money, by virtue of the new market definition, the directors prudentially deemed it correct to change the estimate of useful life. Based on the experience of the renewals obtained from the lessors in past financial years, the directors deemed it fitting to estimate a useful life corresponding to the residual term of the contract, and generally plan a renewal for another 6 years, considering a final end value equal to the amounts due by way of indemnity for taking over the lease if provided for by the national regulations.

The effect on the statement of operations of financial year 2009 amounts to a total of EUR 1,940 thousand after taxes (the value of the amortisation alone amounts to EUR 2,828 thousand). The residual value to be amortised in future years instead amounts to EUR 40,003 thousand.

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 01.01.08	**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**
Increases	14	27	2,954	1,709	114	890	5,708
Disposals	-	-	-137	-36	-1	-116	-290
Translation differences and other variations	-50	-249	-126	39	-40	-48	-474
Depreciation	-	-824	-3,445	-1,365	-154	-1,034	-6,822
Net book value as of 31.12.09	**17,599**	**32,751**	**15,229**	**7,270**	**401**	**3,337**	**76,587**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 5,708 thousand. These mainly refer to new investments in 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 290 thousand.
- Decrease for differences arising on translation and other variation of EUR 474 thousand which mainly relates to the translation differences of the subsidiary Aeffe USA.
- Depreciation of EUR 6,822 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 shareholdings measured at the cost. The value at 31 December 2009 is unchanged compared with the value at 31 December 2008.

4. Other fixed assets

This item mainly includes receivables for security deposits relating to commercial leases.

5. Deferred tax assets and liabilities

The table below illustrates the breakdown of this item at 31 December 2009 and at 31 December 2008:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Tangible fixed assets	-	-	-382	-442
Intangible fixed assets	3	3	-208	-219
Provisions	1,467	1,268	-	-38
Costs deductible in future periods	1,367	1,520	-3	-
Income taxable in future periods	405	-	-1,016	-676
Tax losses carried forward	9,328	3,434	-	-
Other	-	-	-63	-74
Tax assets (liabilities) from transition to IAS	1,975	2,132	-41,101	-43,038
Total	**14,545**	**8,357**	**-42,773**	**-44,487**

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	-442	13	47	-	-382
Intangible fixed assets	-216	-	11	-	-205
Provisions	1,230	-3	341	-101	1,467
Costs deductible in future periods	1,520	-	-119	-37	1,364
Income taxable in future periods	-676	-556	569	52	-611
Tax losses carried forward	3,434	-29	7,658	-1,735	9,328
Other	-74	2	8	1	-63
Tax assets (liabilities) from transition to IAS	-40,906	556	1,238	-14	-39,126
Total	**-36,130**	**-17**	**9,753**	**-1,834**	**-28,228**

The negative variation of EUR 1,834 thousand in the column "Other" refers mainly to the compensation of the tax payable for IRES of the period matured in some of the Group's subsidiaries with the receivable for deferred tax generated in Aeffe Spa as a consequence of the adhesion of the subsidiaries to the fiscal consolidation.

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

CURRENT ASSETS

6. Stocks and inventories

This item comprises:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Raw, ancillary and consumable materials	16,258	18,268	-2,010	-11.0%
Work in progress	8,092	9,020	-928	-10.3%
Finished products and goods for resale	44,514	49,718	-5,204	-10.5%
Advance payments	619	428	191	44.6%
Total	**69,483**	**77,434**	**-7,951**	**-10.3%**

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

Finished products mainly concern the Autumn/Winter 2009 and the Spring/Summer 2010 collections and the Autumn/Winter 2010 sample collections.

The decrease in inventories compared with the previous period is mainly due to the sales slowdown.

7. Trade receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Trade receivables	28,258	44,834	-16,576	-37.0%
(Allowance for doubtful account)	-1,389	-1,604	215	-13.4%
Total	**26,869**	**43,230**	**-16,361**	**-37.8%**

Trade receivables amount to EUR 26,869 thousand at 31 December 2009, down 37.8% since 31 December 2008. The decrease is due to the sales slowdown.

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.

8. Tax receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
VAT	2,985	4,560	-1,575	-34.5%
Corporate income tax (IRES)	2,112	2,648	-536	-20.2%
Local business tax (IRAP)	477	265	212	80.0%
Amounts due to tax authority for withheld taxes	627	555	72	13.0%
Other tax receivables	83	74	9	12.2%
Total	**6,284**	**8,102**	**-1,818**	**-22.4%**

As of 31 December 2009, the Group's tax receivables amount to EUR 6,284 thousand principally in relation to VAT recoverable (EUR 2,985 thousand).

9. *Cash*

This item includes:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Bank and post office deposits	4,161	6,947	-2,786	-40.1%
Cheques	291	145	146	100.7%
Cash in hand	885	614	271	44.1%
Total	**5,337**	**7,706**	**-2,369**	**-30.7%**

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 2009 compared with the amount recorded at 31 December 2008, is EUR 2,369 thousand. About the reason of this variation see the Cash Flow Statement.

10. *Other receivables*

This caption comprises:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Credits for prepaid costs	19,520	23,281	-3,761	-16.2%
Advances for royalties and commissions	1,170	1,408	-238	-16.9%
Advances to suppliers	169	599	-430	-71.8%
Accrued income and prepaid expenses	1,496	1,766	-270	-15.3%
Other	2,990	1,846	1,144	62.0%
Total	**25,345**	**28,900**	**-3,555**	**-12.3%**

Other receivables decrease by EUR 3,555 thousand for the decrease of credits for prepaid expenses for EUR 3,761 thousand.

Credits for prepaid expenses relate to the costs incurred to design and make samples for the Spring/Summer 2010 and Autumn/Winter 2010 collections. Such costs have been deferred and will be matched with the corresponding revenue from sales. This decrease is the result of a cost containment and inefficiency reduction policy, and is to be placed within the following actions undertaken by management to stand up to the drop in turnover:

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

11. Assets and liabilities available for sale

The caption concerns mainly the fair value of the shareholding Pollini France, the goodwill of a boutique based in Milan and some activities of Moschino Far East Ltd. After the call option was exercised, on 31 March 2010 the joint venture with the company Bluebell will end as far as the Asian market is concerned, and Moschino SpA will become, for all practical purposes, the only shareholder of Moschino Far East Ltd, and consequently of the companies it controls. Of these, Moschino Korea and Moschino Japan will be directly managed by Moschino SpA through a local structure, already implemented and that has already started to follow all of the activities since 1 January 2010. The companies operating in the other territories of the Asian market will instead be sold to Bluebell, which will work as distributor for these areas.

The Group has already started to finalise the sale, which it intends to complete by 2010.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008
Key money	4,573	-
Tangible fixed assets	56	-
Other fixed assets	1,687	1,637
Deferred tax assets	378	-
Stocks and inventories	1,497	-
Trade receivables	754	-
Tax receivables	27	-
Other receivables	285	-
Total	**9,257**	**1,637**
Post employment benefits	17	-
Trade payables	1,193	-
Tax payables	30	-
Other liabilities	614	-
Total	**1,854**	**0**

12. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2009, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change
Share capital	25,371	25,767	-396
Share premium reserve	71,240	71,796	-556
Translation reserve	-1,691	-1,269	-422
Cash flow hedge reserve	-	-340	340
Other reserves	36,252	31,795	4,457
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	12,749	10,236	2,513
Net profit / (loss) for the Group	-20,088	7,676	-27,764
Minority interests	27,301	30,990	-3,689
Total	**170,494**	**196,011**	**-25,517**

Share capital

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

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

Legal reserve

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

Share premium reserve

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

Other reserves

The changes in these reserve reflect partially the allocation of prior-year profit.

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 2008.

Minority interests

The decrease in capital and reserves is mainly due to the portion of loss for the period to 31 December 2009 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 2008	Increases	Decreases	31 December 2009
Pensions and similar obligations	1,619	-	-622	997
Other	125	150	-24	251
Total	**1,744**	**150**	**-646**	**1,248**

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 2008	Increases	Decreases	31 December 2009
Post employment benefits	10,342	567	-1,124	9,785
Total	**10,342**	**567**	**-1,124**	**9,785**

Increases include financial expenses for EUR 454 thousand.

15. *Long-term financial liabilities*

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Loans from financial institutions	13,295	6,307	6,988	110.8%
Amounts due to other creditors	4,865	11,221	-6,356	-56.6%
Total	**18,160**	**17,528**	**632**	**3.6%**

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 contains details of bank loans as of 31 December 2009, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	18,109	4,815	13,294
Total	**18,109**	**4,815**	**13,294**

There are no amounts due beyond five years, except for EUR 1,178 thousand of a loan expiring in 2018 .

The following table contains details of amounts due to other creditors:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Financial leases	4,596	5,981	-1,385	-23.2%
Due to other creditors	55	118	-63	-53.4%
Due to shareholders (Bluebell, Moschino Far East)	-	4,908	-4,908	-100.0%
Long-term debt for Moschino Far East put/call	214	214	-	-
Total	**4,865**	**11,221**	**-6,356**	**-56.6%**

The reduction in the amount due to other long term creditors compared with the prior year is due to the payables versus shareholders reclassified in the current liabilities because become collectable within the year and to the decrease in the lease liability related 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.

16. Long-term not financial liabilities

This caption, in the amount of EUR 14,241 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 by Aeffe and Sinv in Moschino.

CURRENT LIABILITIES

17. Trade payables

Tax payables are analysed in comparison with the related balances as of 31 December 2008:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Trade payables	42,133	63,004	-20,871	-33.1%
Total	**42,133**	**63,004**	**-20,871**	**-33.1%**

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 2008 in the following table:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Local business tax (IRAP)	2	-	2	n.a.
Corporate income tax (IRES)	135	107	28	26.2%
Amounts due to tax authority for withheld taxes	2,482	2,385	97	4.1%
VAT due to tax authority	140	233	-93	-39.9%
Other	618	1,563	-945	-60.5%
Total	**3,377**	**4,288**	**-911**	**-21.2%**

The main change occurred in the year is related to the item “Other” and it is mainly due to the payable recorded in the year 2008 related to the substitute tax owed to the release of the fiscal misalignment on the Moschino brand. Such payable has been partially paid during the year 2009 causing the decrease in argument.

19. Short term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Due to banks	67,616	55,158	12,458	22.6%
Due to other creditors	7,228	1,824	5,404	296.3%
Total	**74,844**	**56,982**	**17,862**	**31.3%**

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.

The increase in the amount due to other creditors compared with the prior year is due to the payables versus shareholders reclassified from non-current liabilities in current liabilities because become collectable within the year.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2009	31 December 2008	Change Δ	%
Due to total security organization	3,663	3,992	-329	-8.2%
Due to employees for deferred wages and salaries	4,581	5,165	-584	-11.3%
Trade debtors - credit balances	1,902	2,197	-295	-13.4%
Accrued expenses and deferred income	2,753	2,671	82	3.1%
Other	1,748	2,883	-1,135	-39.4%
Total	**14,647**	**16,908**	**-2,261**	**-13.4%**

The decrease of the other amounts due within 12 months, totaling EUR 2,261 thousand, refers mainly to the drop in amounts due tied to employees (for about EUR 913 thousand). This phenomenon is to above all be attributed to the use of past holidays. The decrease of the other amounts due is to also be attributed (for EUR 614 thousand) to reclassification of this type of amounts due under the item liabilities available for sale in connection with several companies controlled by Moschino Far East Ltd. After the call option was exercised, on 31 March 2010 the joint venture with the company Bluebell will end as far as the Asian market is concerned, and Moschino SpA will become, for all practical purposes, the only shareholder of Moschino Far East Ltd, and consequently of the companies it controls. Of these, Moschino Korea and Moschino Japan will be directly managed by Moschino SpA through a local structure, already implemented and that has already started to follow all of the activities since 1 January 2010. The companies operating in the other territories of the Asian market will instead be sold to Bluebell, which will work as distributor for these areas.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

In order to apply the IFRS 8 (applicable by 1 January 2009) the Group has considered to delineate as operative sectors the same used by IAS 14 Segment reporting: *Prêt-à porter* Division and footwear and leather goods Division. Such decision has been taken because they represent business activities from which the entity may earn revenues and incur expenses, whose operating result are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 own-label 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"). 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 under third-party licensed brands such as "Blugirl".

The Prêt-a-porter 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.

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 own-label 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" products such as umbrellas, foulards and ties.

The following table indicates the main economic data for the full year 2009 and 2008 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**178,179**	**50,315**	**-11,455**	**217,039**
Intercompany revenues	**-2,439**	**-9,016**	11,455	0
Revenues with third parties	**175,740**	**41,299**	-	**217,039**
Gross operating margin (EBITDA)	**-6,407**	**-6,549**	-	**-12,956**
Amortisation	-9,921	-3,353	-	-13,274
Other non monetary items:				
Write-downs	-862	-40	-	-902
Net operating profit / loss (EBIT)	**-17,190**	**-9,942**	-	**-27,132**
Financial income	551	99	-354	296
Financial expenses	-3,334	-1,020	354	-4,000
Profit / loss before taxes	**-19,973**	**-10,863**	**-**	**-30,836**
Income taxes	4,232	2,827	-	7,059
Net profit / loss	**-15,741**	**-8,036**	**-**	**-23,777**

(Values in thousands of EUR) 2008	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**236,727**	**75,447**	**-17,490**	**294,684**
Intercompany revenues	**-3,847**	**-13,643**	17,490	0
Revenues with third parties	**232,880**	**61,804**	-	**294,684**
Gross operating margin (EBITDA)	**30,170**	**4,124**	-	**34,294**
Amortisation	-8,129	-2,108	-	-10,237
Other non monetary items:				
Write-downs	-42	-2,150	-	-2,192
Net operating profit / loss (EBIT)	**21,999**	**-134**	-	**21,865**
Financial income	1,329	207	-713	823
Financial expenses	-6,069	-2,082	713	-7,438
Profit / loss before taxes	**17,259**	**-2,009**	**-**	**15,250**
Income taxes	-6,812	339	-	-6,473
Net profit / loss	**10,447**	**-1,670**	**-**	**8,777**

The following table indicates the main patrimonial and financial data at 31 December 2009 and 2008 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 December 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*298,075*	*108,116*	*-33,465*	372,726
of which non-current assets (*)				
Intangible fixed assets	*96,310*	*60,698*	-	*157,008*
Tangible fixed assets	*73,698*	*2,889*	-	*76,587*
Other non-current assets	*6,735*	*105*	*-4,000*	*2,840*
OTHER ASSETS	*19,098*	*1,731*	-	20,829
CONSOLIDATED ASSETS	**317,173**	**109,847**	**-33,465**	**393,555**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*161,877*	*48,499*	*-33,465*	176,911
OTHER LIABILITIES	26,563	19,587	-	46,150
CONSOLIDATED LIABILITIES	**188,440**	**68,086**	**-33,465**	**223,061**

(Values in thousands of EUR) 31 December 2008	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*323,662*	*115,101*	*-29,522*	409,241
of which non-current assets (*)				
Intangible fixed assets	*105,043*	*64,132*	*-*	*169,175*
Tangible fixed assets	*75,569*	*2,896*	*-*	*78,465*
Other non-current assets	*6,564*	*130*	*-4,000*	*2,694*
OTHER ASSETS	15,026	1,433	-	16,459
CONSOLIDATED ASSETS	**338,688**	**116,534**	**-29,522**	**425,700**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 2008	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
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**

Segment information by geographical area

The following table indicates the revenues for the full year 2009 and 2008 divided by geographical area:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2009	%	2008	%	Δ	%
Italy	89,692	41.3%	115,055	39.0%	-25,363	-22.0%
Europe (Italy and Russia excluded)	48,493	22.3%	68,871	23.4%	-20,378	-29.6%
Russia	14,394	6.6%	24,429	8.3%	-10,035	-41.1%
United States	17,832	8.3%	27,576	9.4%	-9,744	-35.3%
Japan	15,226	7.0%	18,172	6.2%	-2,946	-16.2%
Rest of the World	31,402	14.5%	40,581	13.7%	-9,179	-22.6%
Total	**217,039**	**100.0%**	**294,684**	**100.0%**	**- 77,645**	**-26.3%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

21. *Revenues from sales and services*

Revenues from sales and services generated in 2009 amount to EUR 217,039 thousand, down 26.3% compared with EUR 294,684 of the same period in the previous year (-26.6% at constant exchange rates).

Revenues of the *prêt-à port* division decrease by 24.7% (-25.1% at constant exchange rates), to EUR 178,179 thousand, while revenues of the footwear and leather goods division decrease by 33.3% to EUR 50,315 thousand, before interdivisional eliminations.

22. *Other revenues and income*

This item comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2009	2008	Δ	%
Extraordinary income	1,017	1,113	-96	-8.6%
Other income	4,839	4,937	-98	-2.0%
Total	**5,856**	**6,050**	**-194**	**-3.2%**

In 2009, the caption extraordinary income, composed by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, amounts to EUR 1,017 thousand and is substantially in line with the previous year.

The caption other income, which amounts to EUR 4,839 thousand in 2009, mainly refers to exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

23. *Costs of raw materials*

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2009	2008	Δ	%
Raw, ancillary and consumable materials and goods for resale	65,159	89,819	-24,660	-27.5%
Total	**65,159**	**89,819**	**-24,660**	**-27.5%**

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

24. *Costs of services*

This item comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Subcontracted work	25,435	36,830	-11,395	-30.9%
Consultancy fees	15,833	16,455	-622	-3.8%
Advertising	13,749	18,187	-4,438	-24.4%
Commission	4,621	7,726	-3,105	-40.2%
Transport	3,869	5,190	-1,321	-25.5%
Utilities	2,523	2,685	-162	-6.0%
Directors' and auditors' fees	2,910	3,508	-598	-17.0%
Insurance	803	918	-115	-12.5%
Bank charges	1,099	1,218	-119	-9.8%
Travelling expenses	2,133	2,925	-792	-27.1%
Other services	6,502	7,430	-928	-12.5%
Total	**79,477**	**103,072**	**-23,595**	**-22.9%**

Costs of services decrease from EUR 103,072 thousand of 2008 to EUR 79,477 thousand of 2009, down 22.9%. The decrease in this caption essentially reflects the reduction of subcontracted work, which has to be examined jointly with the cost of raw materials because together form the cost of goods sold. In terms of incidence on turnover, this cost component rises from 39.4% of the year 2008 to 43.8% of the year 2009. The rise of this incidence is to be mainly attributed to the higher discounts granted to customers. The decreased costs for "Consultancy fees", "Advertising" and "Travelling expenses" results from the cost reduction policy enacted by management to stand up to the drop in turnover recorded during the year. The decreased costs tied to the item "Commission" are strictly correlated with the lower turnover on the basis of which commissions paid to the agents are calculated.

25. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Rental expenses	16,114	13,047	3,067	23.5%
Royalties	2,146	3,439	-1,293	-37.6%
Hire charges and similar	972	1,486	-514	-34.6%
Total	**19,232**	**17,972**	**1,260**	**7.0%**

The increased costs for leases and rental of EUR 1,260 thousand are attributable to two opposite movements. An increase of EUR 3,067 thousand of rentals payable, due to the opening of new boutiques and the renewal of several contracts, and a total decrease of EUR 1,807 thousand, mainly due to fewer royalties payable, which can be attributed to the drop in turnover of the licensed brands.

26. Labour costs

Labour costs increases from EUR 61,711 thousand in 2008 to EUR 63,065 thousand in 2009 with an incidence on revenues which changes from 20.9% in 2008 to 29.1% in 2009. The increase of labour costs is mainly due to the new directly operated stores opened during the second semester 2008, to the labour cost related to the start-up of the subsidiary Aeffe Japan, operative from half 2009 with the intention to develop and strengthen Group's brands in the Japan market and to the automatic pay increases in compliance with national contracts.

This item comprises:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Labour costs	63,065	61,711	1,354	2.2%
Total	**63,065**	**61,711**	**1,354**	**2.2%**

In 2009 the average number of employees of the Group is:

Average number of employees by category	Full Year 2009	Full Year 2008	Change Δ	%
Workers	448	453	-5	-1%
Office staff-supervisors	1,037	1,034	3	0%
Executive and senior managers	29	26	3	12%
Total	**1,514**	**1,513**	**1**	**0%**

27. Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Taxes	591	568	23	4.0%
Gifts	166	339	-173	-51.0%
Contingent liabilities	1,447	583	864	148.2%
Write-down of current receivables	409	689	-280	-40.6%
Foreign exchange losses	1,316	1,759	-443	-25.2%
Other operating expenses	544	582	-38	-6.5%
Total	**4,473**	**4,520**	**-47**	**-1.0%**

The caption other operating expenses amounts to EUR 4,473 thousand and is substantially in line with the value of the previous year.

The increase in the caption Contingent liabilities is related to the failed achievement of active royalties and advertising contributions allocated in 2008 by Moschino Spa.

28. Amortisation, write-downs and provisions

This Item include:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Amortisation of intangible fixed assets	6,452	3,630	2,822	77.7%
Depreciation of tangible fixed assets	6,822	6,607	215	3.3%
Write-downs and provisions	901	2,192	-1,291	-58.9%
Total	**14,175**	**12,429**	**1,746**	**14.0%**

The variation in the caption amortisation of intangible fixed assets is mainly due to the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised on a systematic basis over their residual term of lease.

29. Financial income/ expenses

This item include:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Interest income	63	299	-236	-78.9%
Foreign exchange gains	205	500	-295	-59.0%
Financial discounts	20	23	-3	-13.0%
Other income	7	1	6	600.0%
Financial income	**295**	**823**	**-528**	**-64.2%**
Bank interest expenses	2,386	4,070	-1,684	-41.4%
Other interest expenses	262	496	-234	-47.2%
Lease interest	328	504	-176	-34.9%
Foreign exchange losses	234	1,359	-1,125	-82.8%
Other expenses	790	1,009	-219	-21.7%
Financial expenses	**4,000**	**7,438**	**-3,438**	**-46.2%**
Total	**3,705**	**6,615**	**-2,910**	**-44.0%**

The decrease in financial income / expenses amounts to EUR 2,910 thousand. Such saving is substantially related to the reduction of the average interest rate of 2009 compared with the one of 2008, reason that has more than compensated the increase in the net financial indebtedness.

30. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008	Change Δ	%
Current income taxes	2,694	8,823	-6,129	-69.5%
Deferred income (expenses) taxes	-9,753	-2,350	-7,403	315.0%
Total income taxes	**-7,059**	**6,473**	**-13,532**	**n.a.**

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 2009 and 2008 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008
Profit before taxes	-30,836	15,250
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**-8,480**	**4,194**
Fiscal effect	-74	-702
Effect of foreign tax rates	657	985
Total income taxes excluding IRAP (current and deferred)	**-7,897**	**4,477**
IRAP (current and deferred)	**838**	**1,996**
Total income taxes (current and deferred)	**-7,059**	**6,473**

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 CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2009 is EUR 2,369 thousand.

(Values in thousands of EUR)	Full Year 2009	Full Year 2008
OPENING BALANCE (A)	**7,706**	**14,525**
Cash flow (absorbed)/ generated by operating activity (B)	-10,624	2,343
Cash flow (absorbed)/ generated by investing activity (C)	-4,219	-17,111
Cash flow (absorbed)/ generated by financing activity (D)	12,474	7,949
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**-2,369**	**-6,819**
CLOSING BALANCE (F)=(A)+(E)	**5,337**	**7,706**

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

The cash flow absorbed by operating activity during 2009 amounts to EUR 10,624 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008
Profit before taxes	-30,836	15,250
Amortisation / write-downs	13,636	12,429
Accrual (+)/availment (-) of long term provisions and post employment benefits	-1,054	-733
Paid income taxes	-1,783	-12,335
Financial income (-) and financial charges (+)	3,705	6,615
Change in operating assets and liabilities	5,708	-18,883
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**-10,624**	**2,343**

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

The cash flow absorbed by investing activity during 2009 amounts to EUR 4,219 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008
Increase (-)/ decrease (+) in intangible fixed assets	1,142	-1,035
Increase (-)/ decrease (+) in tangible fixed assets	-4,999	-13,878
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	-362	-2,198
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-4,219**	**-17,111**

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

The cash flow generated by financing activity during 2009 amounts to EUR 12,474 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2009	Full Year 2008
Other variations in reserves and profits carried-forward of shareholders' equity	-1,030	-5,246
Dividends paid	-710	-2,148
Proceeds (+)/ repayments (-) of financial payments	18,494	21,502
Increase (-)/ decrease (+) in long term financial receivables	-575	456
Financial income (+) and financial charges (-)	-3,705	-6,615
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**12,474**	**7,949**

OTHER INFORMATION

34. Stock options plan

Regarding the information on stock options plan see Report on operations.

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 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10th February 2005, the Group's net financial position as of 31 December 2009 is analysed below:

(Values in thousands of EUR)	31 December 2009	31 December 2008
A - Cash in hand	1,176	759
B - Other available funds	4,161	6,947
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*5,337*	*7,706*
E - Short term financial receivables	-	-
F - Current bank loans	-62,801	-47,430
G - Current portion of long-term bank borrowings	-4,815	-7,728
H - Current portion of loans from other financial istitutions	-7,228	-1,824
I - Current financial indebtedness (F) + (G) + (H)	*-74,844*	*-56,982*
J - Net current financial indebtedness (I) + (E) + (D)	*-69,507*	*-49,276*
K - Non current bank loans	-13,295	-6,307
L - Issued obbligations	-	-
M - Other non current loans	-4,865	-11,221
N - Non current financial indebtedness (K) + (L) + (M)	*-18,160*	*-17,528*
O - Net financial indebtedness (J) + (N)	***-87,667***	***-66,804***

Net financial indebtedness of the Group amounts to EUR 87,667 thousand as of 31 December 2009 compared with EUR 66,804 thousand as of 31 December 2008. Such increase is mainly due to the economic result of the year and to the following events:

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

36. *Earnings per share*

Basic earnings per share:

(Values in thousands of EUR)	31 December 2009	31 December 2008
Consolidated earnings for the period for shareholders of the parent company	-20,088	7,676
Medium number of shares for the period	101,740	106,650
Basic earnings per share	**-0.197**	**0.072**

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)	Full Year 2009	Full Year 2008	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	1,409	1,388	Cost
Ferrim with Moschino S.p.a.			
Property rental	971	956	Cost
Commerciale Valconca with Aeffe S.p.a.			
Revenues	181	190	Revenue
Cost of services	27	87	Cost
Property rental	85	-	Cost
Commercial	662	775	Receivable
Commercial	105	92	Payable

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

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2009	%	Balance Full Year	Value rel. party 2008	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	217,039	181	0.1%	294,684	190	0.1%
Costs of services	79,477	327	0.4%	103,072	387	0.4%
Costs for use of third party assets	19,232	2,465	12.8%	17,972	2,344	13.0%
Incidence of related party transactions on the balance sheet						
Trade receivables	26,869	662	2.5%	43,230	775	1.8%
Trade payables	42,133	105	0.2%	63,004	92	0.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	-10,624	-2,486	23.4%	2,343	-2,677	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-87,667	-2,486	2.8%	-66,804	-2,677	4.0%

38. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064296 dated 28th July 2006, it is confirmed that in 2009 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 28th July 2006

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

40. Guarantees and commitments

As of 31 December 2009, the Group has given performance guarantees to third parties totalling EUR 8,757 thousand (EUR 8,543 thousand as of 31 December 2008) and has received guarantees totalling EUR 85 thousand (EUR 85 thousand as of 31 December 2008).

41. Contingent liabilities

Fiscal disputes

The Group's tax disputes refer to the following companies:

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

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

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

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

Pollini S.p.A.: in connection with the assessment of recovery of VAT for FY 2001 totalling EUR 25 thousand on inventory differences, in January 2009 the company appealed against the sentence of the Forlì Provincial Tax Commissioners that in partially upholding the arguments of the defence, determined the greater amount of VAT due (EUR 13 thousand), in addition to sanctions and interest; the Regional Tax Commission of Bologna, receiving application from both the company and the Cesena Tax Office, with ruling no. 49/11/09 filed on 14 August 2009, confirmed the Office's collection for the amount of EUR 25 thousand.

Pollini S.p.A.: in connection with the tax dispute regarding recovery of VAT for FY 2002 due to non-invoicing of taxable transactions concerning the company (also in its capacity of merging company of the former *Pollini Industriale S.r.l.*), please be reminded that:

- in 2008 the Cesena Tax Office appealed against the order handed down by the Forlì Provincial Tax Commissioners, which fully upheld the company's appeal, and the appellee company appeared before the Regional Tax Commission of Bologna within the prescribed time;
- in January 2009 the company appealed against the order of the Forlì Provincial Tax Commissioners, which had rejected the defence's arguments on that specific point.

The cases, together, were discussed on 25 January 2010 by the Regional Tax Commission of Bologna. With sentences no. 27/13/10 and no. 23/13/10, filed on 17 February 2010, it confirmed the legitimacy of the notices of assessment issued to the company.

Pollini Retail S.r.l.: the case regarding the dispute in connection with non-recognition of VAT credit which arose in 2001, equal to approximately EUR 505 thousand, was discussed before the Regional Tax Commission of Bologna on 12 December 2008; on 12 February 2009 the injunction of the regional tax commission of Bologna ordering the Rimini office to provide the information necessary for assessing the amount due of VAT credit accrued by the company during FY 2001 was filed; with sentence no. 106/01/09, filed on 19 November 2009, the Regional Tax Commission of Bologna upheld the first level sentence. The company plans to appeal against said sentence with recourse to the Court of Cassation.

Pollini Retail S.r.l.: the tax dispute introduced with the appeal against the silent refusal of the Rimini Office to the application presented by the company, aimed at recognising the 2001 VAT credit that was the subject matter of the case specified in the foregoing paragraph, was discussed on 26 February 2010 before the Rimini Provincial Tax Commissioners. They have not yet registered the sentence.

No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the companies 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 2009 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2009 fees
Audit	MAZARS	272
Audit	WARD DIVECHA	12
Total		**284**

ATTACHMENTS TO THE EXPLANATORY NOTES

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

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 2009	of which Related parties	31 December 2008	of which Related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		46,883,310		54,962,043	
Trademarks		109,923,023		113,867,489	
Other intangible fixed assets		202,142		345,380	
Total intangible fixed assets	(1)	157,008,475		169,174,912	
Tangible fixed assets					
Lands		17,599,237		17,635,695	
Buildings		32,751,230		33,796,853	
Leasehold improvements		15,229,172		15,983,052	
Plant and machinary		7,269,169		6,922,775	
Equipment		400,379		481,667	
Other tangible fixed assets		3,337,351		3,645,443	
Total tangible fixed assets	(2)	76,586,538		78,465,485	
Other fixed assets					
Equity investments	(3)	27,840		27,840	
Other fixed assets	(4)	2,812,254		2,665,776	
Deferred tax assets	(5)	14,544,857		8,356,878	
Total other fixed assets		17,384,951		11,050,494	
TOTAL NON-CURRENT ASSETS		**250,979,964**		**258,690,891**	
CURRENT ASSETS					
Stocks and inventories	(6)	69,482,860		77,433,665	
Trade receivables	(7)	26,868,686	661,814	43,230,057	774,620
Tax receivables	(8)	6,284,474		8,102,477	
Cash	(9)	5,336,905		7,705,842	
Other receivables	(10)	25,345,033		28,899,717	
TOTAL CURRENT ASSETS		**133,317,958**		**165,371,758**	
Assets available for sale	(11)	9,257,006		1,636,885	
TOTAL ASSETS		**393,554,928**		**425,699,534**	

ATTACHMENT II

Consolidated Liabilities Balance Sheet with related parties

Pursuant to Consob Resolution N. 15519 of 27th July 2006

(Values in units of EUR)	Notes	31 December 2009	of which Related parties	31 December 2008	of which Related parties
SHAREHOLDERS' EQUITY	**(12)**				
Group interest					
Share capital		25,371,407		25,766,795	
Share premium reserve		71,240,251		71,796,450	
Translation reserve		-1,690,675		-1,269,327	
Cash flow hedge reserve		-		-340,504	
Other reserves		36,250,028		31,795,282	
Fair Value reserve		7,901,240		7,901,240	
IAS reserve		11,459,492		11,459,492	
Profits / (losses) carried-forward		12,749,353		10,236,020	
Net profit / (loss) for the Group		-20,088,143		7,675,504	
Group interest in shareholders' equity		143,192,953		165,020,952	
Minority interest					
Minority interests in share capital and reserves		30,990,377		29,888,628	
Net profit / (loss) for the minority interests		-3,689,092		1,101,749	
Minority interests in shareholders' equity		27,301,285		30,990,377	
TOTAL SHAREHOLDERS' EQUITY		**170,494,238**		**196,011,329**	
NON-CURRENT LIABILITIES					
Provisions	(13)	1,247,299		1,744,209	
Deferred tax liabilities	(5)	42,773,359		44,486,859	
Post employment benefits	(14)	9,784,848		10,341,812	
Long term financial liabilities	(15)	18,159,414		17,528,201	
Long term not financial liabilities	(16)	14,241,401		14,405,694	
TOTAL NON-CURRENT LIABILITIES		**86,206,321**		**88,506,775**	
CURRENT LIABILITIES					
Trade payables	(17)	42,133,025	105,166	63,004,051	92,151
Tax payables	(18)	3,376,900		4,288,323	
Short term financial liabilities	(19)	74,844,328		56,981,547	
Other liabilities	(20)	14,646,542		16,907,509	
TOTAL CURRENT LIABILITIES		**135,000,795**		**141,181,430**	
Liabilities available for sale	(11)	1,853,574		0	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**393,554,928**		**425,699,534**	

ATTACHMENT III

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27th July 2006

(Values in units of EUR)	Notes	Full Year 2009	of which Related parties	Full Year 2008	of which Related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**217,038,684**	**181,250**	**294,684,156**	**189,820**
Other revenues and income	(22)	5,856,492		6,049,598	
TOTAL REVENUES		**222,895,176**		**300,733,754**	
Changes in inventory		-4,444,459		10,653,865	
Costs of raw materials, cons. and goods for resale	(23)	-65,159,013		-89,818,830	
Costs of services	(24)	-79,476,770	-327,371	-103,072,048	-387,033
Costs for use of third parties assets	(25)	-19,232,337	-2,465,232	-17,971,959	-2,344,011
Labour costs	(26)	-63,065,494		-61,710,751	
Other operating expenses	(27)	-4,473,299		-4,520,130	
Total Amortisation, write-downs and provisions	(28)	-14,175,306		-12,429,098	
Total Financial Income / (expenses)	(29)	-3,704,966		-6,614,872	
PROFIT / LOSS BEFORE TAXES		**-30,836,468**		**15,249,931**	
Total Income Taxes	(30)	7,059,233		-6,472,678	
NET PROFIT / LOSS		**-23,777,235**		**8,777,253**	
(Profit) / loss attributable to minority shareholders		3,689,092		-1,101,749	
NET PROFIT / LOSS FOR THE GROUP		**-20,088,143**		**7,675,504**	

ATTACHMENT IV

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27th July 2006

(Values in thousands of EUR)	Notes	Full Year 2009	of which Related parties	Full Year 2008	of which Related parties
OPENING BALANCE		**7,706**		**14,525**	
Profit before taxes		-30,836	-2,611	15,250	-2,541
Amortisation / write-downs		13,636		12,429	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-1,054		-733	
Paid income taxes		-1,783		-12,335	
Financial income (-) and financial charges (+)		3,705		6,615	
Change in operating assets and liabilities		5,708	126	-18,883	-135
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-10,624**		**2,343**	
Increase (-)/ decrease (+) in intangible fixed assets		1,142		-1,035	
Increase (-)/ decrease (+) in tangible fixed assets		-4,999		-13,878	
Investments ans write-downs (-)/ Disinvestments and revaluations (+)		-362		-2,198	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-4,219**		**-17,111**	
Other variations in reserves and profits carried-forward of shareholders' equity		-1,030		-5,246	
Dividends paid		-710		-2,148	
Proceeds (+)/ repayments (-) of financial payments		18,494		21,502	
Increase (-)/ decrease (+) in long term financial receivables		-575		456	
Financial income (+) and financial charges (-)		-3,705		-6,615	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**12,474**		**7,949**	
CLOSING BALANCE		**5,337**		**7,706**	

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 2009	Period in office	Mandate expiry date *	Emoluments for office		Other remuner-ation	Total
DIRECTORS							
Massimo Ferretti	Chairman	01/01-31/12/2009	2010	600		255	855
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2009	2010	450		110	560
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2009	2010	250		102	352
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2009	2010	321	**	87	408
Umberto Paolucci	Independent, non-executive Director	01/01-31/12/2009	2010	60		-	60
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2009	2010	27		3	30
Pierfrancesco Giustiniani	Independent, non-executive Director	01/01-31/12/2009	2010	30		-	30
STATUTORY AUDITORS							
Romano Del Bianco	Statutory auditor	01/01-31/12/2009	2010	10		9	19
Bruno Piccioni	Statutory auditors	01/01-31/12/2009	2010	10		8	18
Fernando Ciotti	President of the Board of Statutory Auditors	01/01-31/12/2009	2010	13		19	32
EXECUTIVE WITH STRATEGIC RESPONSABILITIES							
Antonella Tomasetti	Chief Executive Officer of Pollini and Pollini Retail					381	381
Alessandro Varisco	Managing Director of Moschino since 15/04/2009					252	252
Matsumi Mitsuyasu	Chief Executive Officer of Aeffe Japan since 01/06/2009					204	204
Michelle Stein	Chairman of Aeffe Usa					406	406
Total				**1,771**		**1,836**	**3,607**
						(1)	**(2)**

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

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

(1) includes remuneration for work as employee and 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 responsibilities

Name and Surname	Appointments held in 2009	Options held at 31/12/08			Options granted in 2009			Options exercised in 2009			Expired options	Options held at the end of 2009		
(A)	(B)	N. of options (1)	Average exercise price (2)	Average expiry (3)	N. of options (4)	Average exercise price (5)	Average expiry (6)	N. of options (7)	Average exercise price (8)	Average expiry (9)	N. of options (10)	N. of options (11) = 1+4-7-10	Average exercise price (12)	Average expiry (13)
Massimo Ferretti	Chairman	792,976	4.1	2010							396,488	396,488	4.1	2010
Alberta Ferretti	Deputy Chairman and Executive Director	792,976	4.1	2010							396,488	396,488	4.1	2010
Simone Badioli	Chif Executive Officer and Executive Director	755,216	4.1	2010							377,608	377,608	4.1	2010
Marcello Tassinari	Managing Director and Executive Director	755,216	4.1	2010							377,608	377,608	4.1	2010
Other employees of the Group		264,324	4.1	2010							132,162	132,162	4.1	2010
Total		**3,360,708**									**1,680,354**	**1,680,354**		

ATTACHMENT VII

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

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

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 2009.

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.

11 March 2010

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