CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Disclaimer

The consolidated and statutory financial statements at 31 December 2011 have 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.

CHAIRMAN'S LETTER

The world economic situation is still dominated by uncertainty deriving from deficit-reduction measures taken by certain countries and continuing tensions in international financial markets. In view of the above, worldwide growth forecasts remain modest, with the exception of a few markets, such as China, which are maintaining a brisk pace.

Against this backdrop, we are highly satisfied with the results achieved in 2011, which saw a substantial rise in turnover and a more than proportional increase in profitability. In particular, operating income in 2011 was 14.9 million euro greater than in 2010, confirming the validity and effectiveness of the action taken to improve efficiency throughout the Group.

The good figures relating to orders in process for the Spring/Summer 2012 collections, combined with the positive response we are witnessing in relation to orders for the Autumn/Winter 2012/2013 collections give grounds for confidence in the favourable development of the business during the current year, both in terms of a rise in turnover and a more than proportional increase in profitability.

The Chairman of the Board of Directors

Massimo Ferretti

INDEX

Corporate boards of the Parent Company

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari – Managing Director
Roberto Lugano
Pierfrancesco Giustiniani
Marco Salomoni

Board of Statutory

President
Pier Francesco Sportoletti

Statutory Auditors
Fernando Ciotti
Romano Del Bianco

Alternate Auditors
Angelo Rivolta
Luca Sapucci

Board of Compensation Committee

President
Marco Salomoni

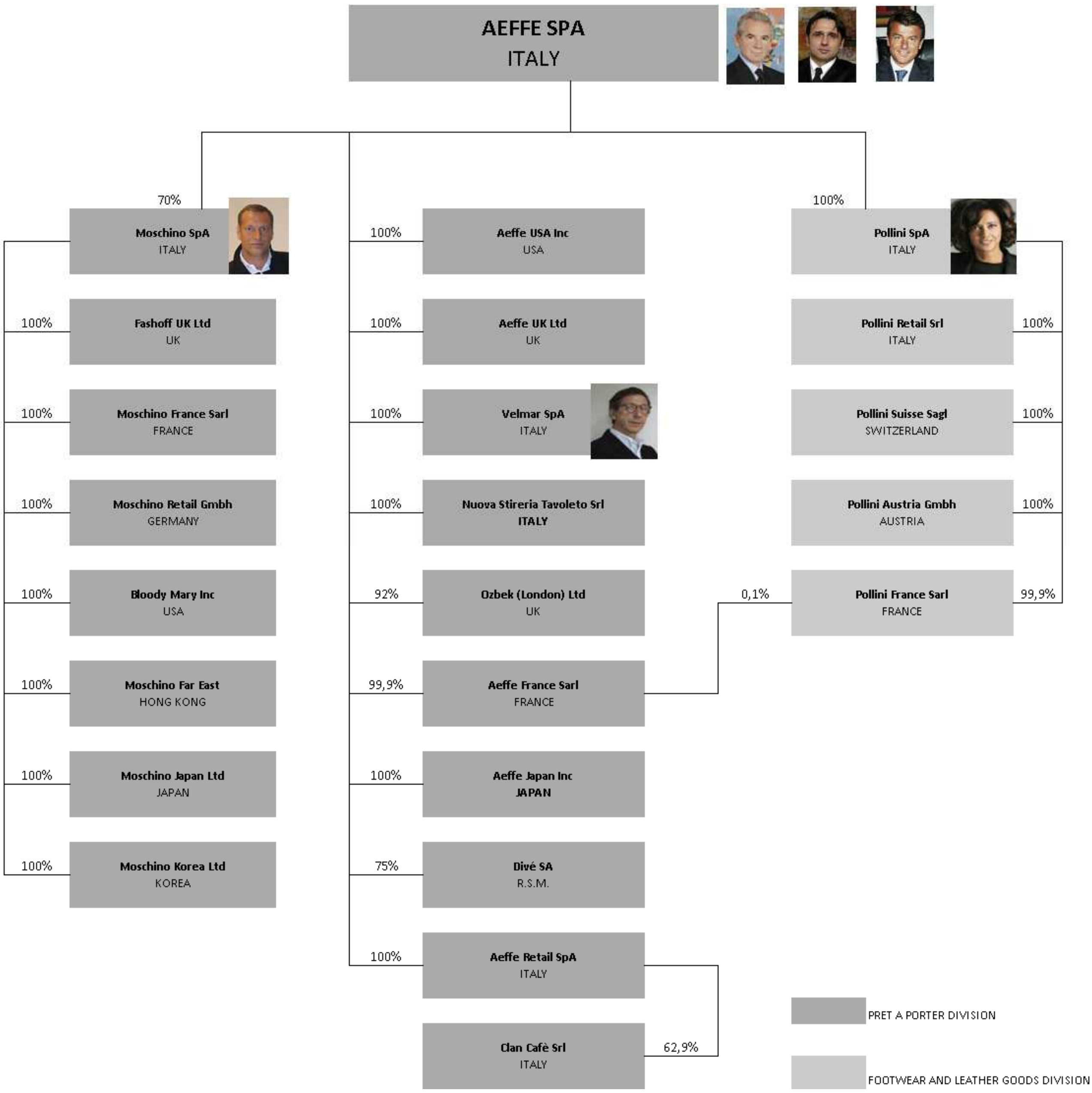
Members
Roberto Lugano
Pierfrancesco Giustiniani

Board of Internal Control Committee

President
Roberto Lugano

Members
Marco Salomoni
Pierfrancesco Giustiniani

Organisation chart



Brands portfolio

Aeffe
Clothing - Accessories

ALBERTA FERRETTI
PHILOSOPHY DI ALBERTA FERRETTI
MOSCHINO
MOSCHINO CHEAPANDCHIC
CEDRIC CHARLIER
Jean Paul GAULTIER
cacharel

Pollini Footwear – Leather goods	**Moschino** Licences – Design	**Velmar** Beachwear - Lingerie
POLLINI	MOSCHINO	MOSCHINO
STUDIO POLLINI	MOSCHINO CHEAPANDCHIC	blugirl beachwear
MOSCHINO	LOVE MOSCHINO	blugirl underwear
MOSCHINO CHEAPANDCHIC		
LOVE MOSCHINO		

Headquarters

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 Degli Ippocastani, 329
San Giovanni in Marignano (RN)
47842 - Italy

Showrooms

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

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

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

TOKYO
(GRUPPO)
Lexington Bldg. 4F
5-11-9, Minami Aoyama Minato-ku
107-0062 - Tokyo
Japan

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

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

LONDON
(MOSCHINO)
28-29 Conduit Street
W1S 2YB - London
UK

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

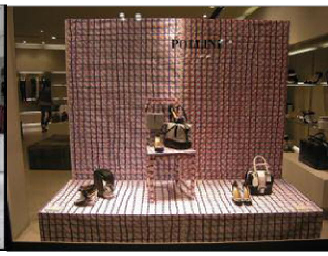
Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Capri
Paris
London
New York
Los Angeles
Osaka
Tokyo
Nagoya
Shinsaibashi
Shinjuku
Ginza

POLLINI
Milan
Venice
Bolzano
Varese
Verona

SPAZIO A
Florence
Venice

MOSCHINO
Milan
Rome
Capri
Paris
London
Berlin
New York
Osaka
Tokyo
Nagoya
Shinsaibashi
Shinjuku
Ginza
Seoul
Pusan
Daegu

Main economic-financial data

		Full Year 2010	Full Year 2011
Total revenues	(Values in millions of EUR)	225.1	252.5
Gross operating margin (EBITDA)	(Values in millions of EUR)	3.5	18.4
Net operating profit (EBIT)	(Values in millions of EUR)	-13.1	3.6
Profit before taxes	(Values in millions of EUR)	-14.6	-1.2
Net profit for the Group	(Values in millions of EUR)	-12.5	-4.3
Basic earnings per share	(Values in units of EUR)	-0.123	-0.042
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	-0.5	9.7
Cash Flow/Total revenues	(Values in percentage)	-0.2	3.8

		31 December 2010	31 December 2011
Net capital invested	(Values in millions of EUR)	251.1	248.3
Net financial indebtedness	(Values in millions of EUR)	95.5	98.1
Group net equity	(Values in millions of EUR)	129.8	134.2
Group net equity per share	(Values in units of EUR)	1.2	1.3
Current assets/ current liabilities	(Ratio)	2.1	1.9
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.9
Net financial indebtedness/ Net equity	(Ratio)	0.6	0.7
ROI: Net operating profit/ Net capital invested	(Values in percentage)	-5.2	1.4

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

AEFFE

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

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

INTERNATIONAL MACROECONOMIC SITUATION

Global activity slowed considerably during 2011, but did not collapse. The tensions affecting sovereign debt in the euro area, combined with ongoing uncertainty about the stability of public sector finances in the United States, are hindering the growth prospects of the advanced economies.

In particular, economic activity in Italy has been affected by the domestic and international situation, with a rise in unemployment and a drop in GDP. Against this, inflationary pressures have eased in view of the moderation of costs and the weakness of demand.

Nevertheless, the outlook for the global economy is still clouded by numerous uncertainties linked to the effects of work to stabilize public sector accounts in the advanced economies. On the one hand, the repercussions of the sovereign debt crisis in Europe are not yet readily quantifiable: continuing difficulties with the sourcing of funds by the European banking sector could reduce its ability to provide credit to the economy, fueling a downward spiral reflected in lower production, the weakness of the financial sector and further sovereign debt risks. On the other, economic growth in the United States might ease by two percentage points in the current year, if certain fiscal stimulus measures implemented in prior years are not extended to 2012 as well.

Internationally, economic activity recovered during the second half of 2011 in the United States, Japan and the United Kingdom, while the emerging countries experienced a moderate slowdown.

Gross world product rose by an average of 3.8% over the course of 2011, and is expected to slow to 3.4% this year. As indicated above, the pace of recovery differed between the advanced and the emerging economies: while growth has increased by 2.0% in the United States and Japan, it is slowing in China (from 10.4% in 2010 to 9.3% in 2011 and a forecast 8.3% in 2012), India (from 10.4% in 2010 to 7.7% in 2011 and a forecast 7.2% in 2012) and Brazil (from 6.6% in 2010 to 4.5% in 2011 and a forecast 3.8% in 2012).

European GDP was essentially stagnant, with a decline of 0.2% reported in December 2011, leading to growing uncertainty, action to contain public sector deficits and a slowdown in exports. By contrast, inflationary pressures have eased.

The euro has depreciated against the dollar, sterling and the yen (by respectively 6.2%, 4.9% and 6.0%). Forecasts for 2012 suggest a rate of 1.2 euro to the dollar if there is a major crisis in the euro area, but about 1.3 otherwise.

Turning to the macroeconomic situation in Italy, the principal challenges include: the slowdown in world trade and the deepening of the sovereign debt crisis, which has increased borrowing costs. Disposable incomes have also been hit by the corrective measures taken in relation to public sector finances, which however have avoided more serious consequences for the real economy.

Italian GDP rose by 0.5% in 2011, but will contract by 1.6% in 2012 before returning to growth in 2013 (+0.6%). Output is affected by slack domestic demand, which reflects the weakness of both household disposable income (+1.0% in 2010; +0.6% in 2011 and -1.0% in 2012) and investment (+2.4% in 2010; +1.1% in 2011 and -4.8% in 2012). By contrast, export sales continue to sustain growth despite the slowdown in world trade (+12.2% in 2010, +4.2% in 2011 and +0.2% in 2012).

The tensions in financial markets, the slackness of demand, the difficulty of obtaining bank finance and the considerable pressures on liquidity all combined to weaken industrial activity in 2011: business confidence in the macroeconomic situation and near-term prospects has deteriorated. The operating profitability of firms was unchanged, but the level of self-financing declined.

The President of Confindustria noted that the pace of recovery from the crisis faltered during 2011, due to the worsening macroeconomic situation. The biggest challenges remain associated with domestic demand. Business growth has been slowing for some time and development of the nation's infrastructure has ceased. The obsolescence of highly strategic networks means that a change of direction is necessary in order to sustain Italy's ability to compete. In the face of the challenges that 2012 is likely to pose, however, investments in infrastructures, both in terms of new works and the maintenance of existing assets, could provide a counter-cyclical instrument for promoting a return to economic growth at national level.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

Finally, with particular reference to the fashion and luxury goods sector, estimates presented by Bain & Company at the Altagamma conference, indicate that the luxury market turned its back on the recession in 2010, with 13% growth in turnover. This performance surpassed expectations, considering the general situation described above and such external factors as the tsunami in Japan and the financial turbulence experienced in the summer. Bain's research shows growth in all markets, but especially in Asia and particularly in China, where the luxury goods sector is thought to have expanded by 35% in 2011. The markets in Turkey and Brazil also performed very well. Growth in Europe was facilitated by the weakness of the euro, which stimulated tourism. Looking at the various distribution channels, retail expansion has been the real driver over the past two years, but on-line shopping is experiencing the fastest rate of growth, although its impact is still marginal (2.6% of total sales).

The outlook for the fashion industry remains positive, despite the above comments and the slowdown seen towards the end of 2011. This optimism reflects the fact that firms are properly prepared to tackle the crisis and, compared with 2008/2009, are more confident of their strength in international markets.

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”, “Blugirl” and “Cacharel”. 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 “Love Moschino”) and brands licensed from other companies (such as “Jean Paul Gaultier”, “Blugirl” and “Cacharel”). 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, such as "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 five single-brand Moschino stores, two in Milan, one in Rome, one in Capri and the last on-line.

In 2007 Moschino signs a licence agreement with Binda Group for the production and distribution of watches and jewellery branded "Moschino Cheap and Chic". Always in 2007, Moschino signs a licence agreement with Newmax 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 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.

In 2010, Aeffe acquires the remaining 25% of Velmar's share capital.

Aeffe USA

Aeffe USA is 100% owned by Aeffe S.p.A. 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, manages also an on-line single-brand store.

Clan Cafè

Clan Cafè S.r.l., 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.

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.

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.

Aeffe Japan

Aeffe Japan is 100% owned by Aeffe S.p.A. and is based in Tokyo. The company operates both in the wholesale and in the retail segment distributing items of clothing and accessories of the collections branded "Alberta Ferretti" and "Philosophy di Alberta Ferretti" through its showroom based in Tokyo and its flagship stores under direct management placed in the most important cities.

Moschino Far East

Moschino Far East is 100% owned by Moschino S.p.A. and is based in Hong Kong. The company has gone into winding up.

Moschino Japan

Moschino Japan is 100% owned by Moschino S.p.A. and is based in Tokyo. The company operates both in the wholesale and in the retail segment distributing items of clothing and accessories of the Moschino-branded collections through its showroom based in Tokyo and its flagship stores under direct management placed in the most important cities.

Moschino Korea

Moschino Korea is 100% owned by Moschino S.p.A. and is based in Seoul. The company exclusively operates in the retail segment through flagship stores under direct management which sell Moschino-branded collections.

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 Milan, Verona, 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 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 S.r.l., for the manufacturing of umbrellas, as well as Larioseta S.p.A., for the manufacturing and distribution of neckwear, including women's shawls, women's and men's scarves and ties.

In 2010, the stylist Nicholas Kirkwood was appointed as creative director of the "Pollini" brand.

In 2011 Aeffe has acquired the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder.

Pollini Retail

Pollini Retail is active in the retail segment of the Italian market and directly manages 18 stores, between boutiques and outlets, in major Italian cities such as Milan and Rome.

Pollini Suisse

Pollini Suisse directly manages the single-brand Pollini store in Mendrisio, Switzerland.

Pollini Austria

Pollini Austria directly manages the single-brand Pollini store in Pandorf, Austria.

3. TREND OF THE GROUP MANAGEMENT

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	Full Year 2011	% on revenues	Full Year 2010	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**246,024,978**	**100.0%**	**219,239,971**	**100.0%**	**26,785,007**	**12.2%**
Other revenues and income	6,518,683	2.6%	5,853,981	2.7%	664,702	11.4%
TOTAL REVENUES	**252,543,661**	**102.6%**	**225,093,952**	**102.7%**	**27,449,709**	**12.2%**
Changes in inventory	-341,150	-0.1%	2,129,664	1.0%	-2,470,814	-116.0%
Costs of raw materials, cons. and goods for resale	-73,240,498	-29.8%	-65,366,354	-29.8%	-7,874,144	12.0%
Costs of services	-73,239,308	-29.8%	-70,528,666	-32.2%	-2,710,642	3.8%
Costs for use of third parties assets	-23,379,506	-9.5%	-22,505,692	-10.3%	-873,814	3.9%
Labour costs	-59,751,520	-24.3%	-61,007,720	-27.8%	1,256,200	-2.1%
Other operating expenses	-4,204,238	-1.7%	-4,276,521	-2.0%	72,283	-1.7%
Total Operating Costs	-234,156,220	-95.2%	-221,555,289	-101.1%	-12,600,931	5.7%
GROSS OPERATING MARGIN (EBITDA)	**18,387,441**	**7.5%**	**3,538,663**	**1.6%**	**14,848,778**	**419.6%**
Amortisation of intangible fixed assets	-7,957,727	-3.2%	-7,775,492	-3.5%	-182,235	2.3%
Depreciation of tangible fixed assets	-5,835,283	-2.4%	-6,006,009	-2.7%	170,726	-2.8%
Revaluations/(write-downs) and provisions	-1,030,170	-0.4%	-2,881,264	-1.3%	1,851,094	-64.2%
Total Amortisation, write-downs and provisions	-14,823,180	-6.0%	-16,662,765	-7.6%	1,839,585	-11.0%
NET OPERATING PROFIT / LOSS (EBIT)	**3,564,261**	**1.4%**	**-13,124,102**	**-6.0%**	**16,688,363**	**-127.2%**
Financial income	248,491	0.1%	2,439,496	1.1%	-2,191,005	-89.8%
Financial expenses	-5,059,909	-2.1%	-3,921,136	-1.8%	-1,138,773	29.0%
Total Financial Income / (expenses)	-4,811,418	-2.0%	-1,481,640	-0.7%	-3,329,778	224.7%
PROFIT / LOSS BEFORE TAXES	**-1,247,157**	**-0.5%**	**-14,605,742**	**-6.7%**	**13,358,585**	**-91.5%**
Current income taxes	-4,560,198	-1.9%	-2,795,651	-1.3%	-1,764,547	63.1%
Deferred income / (expenses) taxes	1,700,313	0.7%	3,145,987	1.4%	-1,445,674	-46.0%
Total Income Taxes	-2,859,885	-1.2%	350,336	0.2%	-3,210,221	-916.3%
NET PROFIT / LOSS	**-4,107,042**	**-1.7%**	**-14,255,406**	**-6.5%**	**10,148,364**	**-71.2%**
(Profit) / loss attributable to minority shareholders	-172,512	-0.1%	1,748,789	0.8%	-1,921,301	-109.9%
NET PROFIT / LOSS FOR THE GROUP	**-4,279,554**	**-1.7%**	**-12,506,617**	**-5.7%**	**8,227,063**	**-65.8%**

Sales

In 2011 consolidated revenues amount to EUR 246,025 thousand compared to EUR 219,240 thousand of the year 2010, showing an increase of 12.2% (+12.1% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 197,189 thousand, +9.1% at current exchange rates and +9.0% at constant exchange rates compared to 2010, while revenues of the footwear and leather goods division grow by 27% compared to 2010 and amount to EUR 63,888 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2011	%	Full Year 2010	%	Change Δ	%
Alberta Ferretti	51,661	21.0%	46,698	21.3%	4,963	10.6%
Moschino	139,039	56.5%	125,441	57.2%	13,598	10.8%
Pollini	32,333	13.1%	28,047	12.8%	4,286	15.3%
J.P.Gaultier	10,864	4.4%	11,330	5.2%	-466	-4.1%
Other	12,128	5.0%	7,724	3.5%	4,404	57.0%
Total	**246,025**	**100.0%**	**219,240**	**100.0%**	**26,785**	**12.2%**

In 2011, the Alberta Ferretti brand increases by 10.6% (+10.3% at constant exchange rates), contributing to 21.0% of consolidated sales. In the same period Moschino brand increases by 10.8% (+10.7% at constant exchange rates), contributing to 56.5% of consolidated sales.

Pollini brand records a growth of 15.3% (+15.3% at constant exchange rates), generating 13.1% of consolidated sales, while the brand under license JP Gaultier decreases by 4.1% (-3.4% at constant exchange rates), equal to 4.4% of consolidated sales.

Sales from other minority brands show an increase of 57.0% (+57.9% at constant exchange rates), contributing to 5.0% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year 2011	%	Full Year 2010	%	Change Δ	%
Italy	102,805	41.8%	93,123	42.5%	9,682	10.4%
Europe (Italy and Russia excluded)	52,343	21.3%	46,726	21.3%	5,617	12.0%
Russia	17,400	7.1%	13,473	6.1%	3,927	29.2%
United States	18,064	7.3%	19,443	8.9%	-1,379	-7.1%
Japan	22,461	9.1%	19,283	8.8%	3,178	16.5%
Rest of the World	32,952	13.4%	27,192	12.4%	5,760	21.2%
Total	**246,025**	**100.0%**	**219,240**	**100.0%**	**26,785**	**12.2%**

In 2011, sales in Italy increase by 10.4% to EUR 102,805 thousand, contributing to 41.8% of consolidated sales.

Sales in Europe increase by 12.0% (+12.1% at constant exchange rates), contributing to 21.3% of consolidated sales. The Russian market increases by 29.2% (+29.2% at constant exchange rates), contributing to 7.1% of consolidated sales. Sales in the United States decrease by 7.1% (-3.4% at constant exchange rates), contributing to 7.3% of consolidated sales, while Japan sales record a 16.5% increase (+11.4% at constant exchange rates), contributing to 9.1% of consolidated sales. In the Rest of the World, sales increase by 21.2% (+21.3% at constant exchange rates) to EUR 32,952 thousand, contributing to 13.4% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	Full Year 2011	%	Full Year 2010	%	Change Δ	%
Wholesale	154,226	62.7%	134,968	61.6%	19,258	14.3%
Retail	77,447	31.5%	70,272	32.1%	7,175	10.2%
Royalties	14,352	5.8%	14,000	6.3%	352	2.5%
Total	**246,025**	**100.0%**	**219,240**	**100.0%**	**26,785**	**12.2%**

The revenues generated by the Group during 2011 are analysed below:

- 62.7% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 134,968 thousand in 2010 and EUR 154,226 thousand in 2011, up 14.3% (+14.5% at constant exchange rates).
- 31.5% from sales outlets managed directly by the Group (retail channel), which contributes EUR 70,272 thousand in 2010 and EUR 77,447 thousand in 2011, +10.2% (+9.5% at constant exchange rates).
- 5.8% 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 increase from EUR 14,000 thousand in 2010 to EUR 14,352 thousand in 2011, up 2.5%.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	Full Year 2011	%	Full Year 2010	%	Change Δ	%
Own brands	223,034	90.7%	200,251	91.3%	22,783	11.4%
Brands under license	22,991	9.3%	18,989	8.7%	4,002	21.1%
Total	**246,025**	**100.0%**	**219,240**	**100.0%**	**26,785**	**12.2%**

Revenues generated by own brands increase in absolute value of EUR 22,783 (+11.4% compared with the previous year), with an incidence on total revenues which decreases from 91.3% in 2010 to 90.7% in 2011. Revenues generated by brands under license increase by 21.1%.

Labour costs

Labour costs decreases from EUR 61,008 thousand in 2010 to EUR 59,752 thousand in 2011 with an incidence on revenues which changes from 27.8% in 2010 to 24.3% in 2011.

The workforce increases from an average of 1,465 units in 2010 to 1,472 units in 2011.

Average number of employees by category	Full Year 2011	Full Year 2010	Change Δ	%
Workers	405	421	-16	-4%
Office staff-supervisors	1,041	1,017	24	2%
Executive and senior managers	26	27	-1	-4%
Total	**1,472**	**1,465**	**7**	**0%**

Gross Operating Margin (EBITDA)

In 2011 consolidated EBITDA is positive for EUR 18,387 thousand (with an incidence of 7.5% of consolidated sales), showing an improvement of 420% compared to an EBITDA of EUR 3,539 thousand in 2010 (with an incidence of 1.6% of consolidated sales).

Profitability is positively influenced by the increase in revenues and the lower incidence of the operating costs thanks to the policy of costs' reduction and efficiency improvement implemented at Group level.

The strong improvement in EBITDA involves both divisions. EBITDA of the *prêt-à-porter* division amounts to EUR 17,793 thousand (representing 9.0% of sales), compared to an EBITDA of EUR 6,506 thousand in 2010, showing a recovery of EUR 11,287 thousand.

EBITDA of the footwear and leather goods division is equal to EUR 594 thousand (representing 0.9% of sales), compared to a negative EBITDA of EUR 2,967 thousand in 2010, showing a recovery of EUR 3,561 thousand.

Net operating result (EBIT)

Consolidated EBIT is equal to EUR 3,564 thousand (representing 1.4% of sales), compared to EUR 13,124 thousand negative of 2010, with a EUR 16,688 thousand improvement.

Result before taxes

Thanks to the improvement in net operating result, the Group shows a very strong growth also in the result before taxes, posting a loss of EUR 1,247 thousand in 2011 compared to a loss of EUR 14,606 thousand in 2010, with an improvement in absolute value of EUR 13,359 thousand.

Net result for the Group

Consolidated net result for the Group increases in absolute value of EUR 8,227 thousand from EUR -12,507 thousand in 2010 to EUR -4,280 thousand in 2011.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2011	31 December 2010
Trade receivables	32,547,133	27,487,606
Stock and inventories	74,259,636	73,086,479
Trade payables	-54,809,403	-47,643,680
Operating net working capital	**51,997,366**	**52,930,405**
Other short term receivables	25,113,491	26,973,677
Tax receivables	8,394,168	5,118,017
Other short term liabilities	-14,944,263	-13,668,204
Tax payables	-3,342,381	-2,892,460
Net working capital	**67,218,381**	**68,461,435**
Tangible fixed assets	74,536,548	75,619,540
Intangible fixed assets	145,090,553	154,173,121
Equity investments	29,625	28,840
Other fixed assets	2,915,138	2,988,617
Fixed assets	**222,571,864**	**232,810,118**
Post employment benefits	-7,942,941	-9,204,059
Provisions	-1,070,987	-1,414,943
Assets available for sale	7,711,633	793,885
Liabilities available for sale	-	-
Long term not financial liabilities	-14,241,401	-14,241,401
Deferred tax assets	14,549,218	15,026,668
Deferred tax liabilities	-40,515,662	-41,161,918
NET CAPITAL INVESTED	**248,280,105**	**251,069,785**
Share capital	25,371,407	25,371,407
Other reserves	117,064,291	119,294,593
Profits / (Losses) carried-forward	-3,937,904	-2,341,726
Profits / (Loss) for the period	-4,279,554	-12,506,617
Group interest in shareholders' equity	**134,218,240**	**129,817,657**
Minority interests in shareholders' equity	15,979,197	25,726,864
Total shareholders' equity	**150,197,437**	**155,544,521**
Cash	-8,443,724	-4,512,265
Long term financial liabilities	7,059,804	13,211,420
Short term financial liabilities	99,466,588	86,826,109
NET FINANCIAL POSITION	**98,082,668**	**95,525,264**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**248,280,105**	**251,069,785**

NET INVESTED CAPITAL

Net invested capital decreases by 1.1% compared with 31 December 2010.

Net working capital

Net working capital amounts to EUR 67,218 thousand (27.3% on sales) compared with EUR 68,461 thousand at 31 December 2010 (31.2% 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 1.8% (EUR -933 thousand). Such decrease is mainly related to the modest increase in inventories compared to the increase in sales;
- other short term receivables decrease of EUR 1,861 thousand mainly due to compensation in 2011 of a fiscal receivable for EUR 363 thousand and of a welfare receivable for EUR 457 thousand both belonging to Pollini S.p.A. and for the shift of a receivable with the tax authority "Agenzia delle Entrate" claimed by the Pollini Group (for EUR 1.3 million and misplaced in the entry "Other short term receivables" at 31 December 2010) to the entry "Tax receivables";
- tax receivables increase of EUR 3,276 thousand. Such increase is mainly due to the increase of VAT receivables which increase of EUR 1,712 thousand and to the variation described in the comment above;
- the increase of other short term liabilities, totaling EUR 1,276 thousand, refers to the advance for the sale of a boutique (for EUR 900 thousand) classified between the assets available for sale;
- tax payables increase for EUR 450 thousand mainly for the increase of IRAP and VAT payables.

Fixed assets

At 31 December 2011, fixed assets decrease by EUR 10,238 thousand compared to 31 December 2010.

Changes in the main items are described below:

- the decrease in tangible fixed assets of EUR 1,083 thousand is determined by the depreciation of the period (equal to EUR 5,835 thousand) only partially compensated by new investments. Investments are mainly related to leasehold improvements and to furniture and fittings for the opening of new shops;
- the decrease in intangible fixed assets of EUR 9,083 thousand is mainly due to the following effects:
    - increase for an advance regarding the key money of a new store located in Milan for EUR 4,150 thousand;
    - decrease related to the key money of a store located in Milan for EUR 7,207 thousand reclassified between the assets available for sale;
    - decrease for the amortisation of the year equal to EUR 7,958 thousand.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 98,083 thousand as of 31 December 2011 compared with EUR 95,525 thousand as of 31 December 2010. The increase is mainly due to the economic result of the year 2011, to the investments realized in the period for EUR 10,549 thousand and to the payment of EUR 1,200 thousand connected to the acquisition of the remaining 28% of Pollini S.p.A..

SHAREHOLDERS’ EQUITY

The shareholders’ equity decreases by EUR 5,348 thousand from EUR 155,545 thousand as of 31 December 2010 to EUR 150,197 thousand as of 31 December 2011. The reasons of such decrease are illustrated in the explanatory notes. The number of shares is 107,362,504.

The following institutions hold more than 2% of the Aeffe's shares as of 31 December 2011:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37.387%
I.M. Fashion S.r.l.	24.410%
Mediobanca S.p.A.	2.060%
Tullio Badioli	4.680%
Other shareholders(*)	31.463%

(*) 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

Pursuant to the Consob Communication of 28 July 2006, the following table provides reconciliation between the net result and equity of Aeffe S.p.A. for the year ended 31 December 2011 and the comparable items on a consolidated basis (portion attributable to owners of Aeffe S.p.A.):

(Values in thousand of EUR)	Shareholders' equity at 31 December 2011	Net profit /loss for the full year 2011
Taken from the corporate financial statements of the parent company	**138,219**	**1,717**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	-21,326	-4,401
Effect of business combination reopening	35,972	-1,345
Reversal of the intercompany inventory margin	-2,582	-34
Transition to parent company accounting policies	435	-129
Other adjustments	-521	85
Total consolidation adjustments	**11,978**	**-5,824**
Group interest in shareholders' equity	**134,218**	**-4,280**
Minority interest	**15,979**	**173**
Total shareholders' equity	**150,197**	**-4,107**

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 for stock-market listed companies approved in March 2006 (and amended in March 2010) by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.. It has also taken account of the recommendations of the Code of Self-Regulation for stock-market listed companies approved in December 2011 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Assogestioni, Assonime and Confindustria. Unless specified otherwise, the references in this paragraph relate to the 2006 Code.

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 amended (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 yearly the "Report on corporate governance and ownership structures", 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 2011, the Parent Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital. During the year no transactions on treasury shares have been carried out by the Parent Company.

As of 31 December 2011 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.

The Plans adopted by the company involved 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 last date for the exercise of these options is 31 December 2015; subsequent to this date, it will be no longer possible to exercise any unexercised options.

Being the Plans granting options to the Beneficiairies expired at 31/12/10, no options have been vested during the 2011.

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.

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.

For further information related to the Plans, please refers to the prospectus available on the website www.aeffe.com section investor relations/ company documents/ stock 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 31/12/10	N. of shares bought in 2011	N. of shares sold in 2011	Change in n. of shares held by incoming/(outgoing) members	N. of shares held at 31/12/11
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.

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 serious 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, significantly reduced thanks to the installation of a 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

On 16 February 2011, Aeffe S.p.A. has acquired from York S.r.l. the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1.2 million, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

13. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date no significant events regarding the Group’s activities have to be reported.

14. OUTLOOK

The good data collected from the Spring/summer 2012 and the positive trend we are registering on the orders backlog for Autumn/Winter 2012/2013 make us confident for the positive evolution of the business for the current year both in term of revenues growth and a more than proportional increase in profitability.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2011	31 December 2010	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		40,917,446	46,779,471	-5,862,025
Trademarks		102,935,979	106,429,503	-3,493,524
Other intangible fixed assets		1,237,128	964,147	272,981
Total intangible fixed assets	(1)	145,090,553	154,173,121	-9,082,568
Tangible fixed assets				
Lands		17,760,576	17,710,420	50,156
Buildings		32,381,230	32,623,344	-242,114
Leasehold improvements		13,227,883	14,593,956	-1,366,073
Plant and machinary		7,108,806	6,335,774	773,032
Equipment		377,417	338,648	38,769
Other tangible fixed assets		3,680,636	4,017,398	-336,762
Total tangible fixed assets	(2)	74,536,548	75,619,540	-1,082,992
Other fixed assets				
Equity investments	(3)	29,625	28,840	785
Other fixed assets	(4)	2,915,138	2,988,617	-73,479
Deferred tax assets	(5)	14,549,218	15,026,668	-477,450
Total other fixed assets		17,493,981	18,044,125	-550,144
TOTAL NON-CURRENT ASSETS		**237,121,082**	**247,836,786**	**-10,715,704**
CURRENT ASSETS				
Stocks and inventories	(6)	74,259,636	73,086,479	1,173,157
Trade receivables	(7)	32,547,133	27,487,606	5,059,527
Tax receivables	(8)	8,394,168	5,118,017	3,276,151
Cash	(9)	8,443,724	4,512,265	3,931,459
Other receivables	(10)	25,113,491	26,973,677	-1,860,186
TOTAL CURRENT ASSETS		**148,758,152**	**137,178,044**	**11,580,108**
Assets available for sale	(11)	7,711,633	793,885	6,917,748
TOTAL ASSETS		**393,590,867**	**385,808,715**	**7,782,152**

(*) 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 2011	31 December 2010	Change
SHAREHOLDERS' EQUITY	**(12)**			
Group interest				
Share capital		25,371,407	25,371,407	0
Share premium reserve		71,240,251	71,240,251	0
Translation reserve		-2,425,059	-2,384,986	-40,073
Other reserves		28,888,367	31,078,596	-2,190,229
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profits / (losses) carried-forward		-3,937,904	-2,341,726	-1,596,178
Net profit / (loss) for the Group		-4,279,554	-12,506,617	8,227,063
Group interest in shareholders' equity		134,218,240	129,817,657	4,400,583
Minority interest				
Minority interests in share capital and reserves		15,806,685	27,475,653	-11,668,968
Net profit / (loss) for the minority interests		172,512	-1,748,789	1,921,301
Minority interests in shareholders' equity		15,979,197	25,726,864	-9,747,667
TOTAL SHAREHOLDERS' EQUITY		**150,197,437**	**155,544,521**	**-5,347,084**
NON-CURRENT LIABILITIES				
Provisions	(13)	1,070,987	1,414,943	-343,956
Deferred tax liabilities	(5)	40,515,662	41,161,918	-646,256
Post employment benefits	(14)	7,942,941	9,204,059	-1,261,118
Long term financial liabilities	(15)	7,059,804	13,211,420	-6,151,616
Long term not financial liabilities	(16)	14,241,401	14,241,401	0
TOTAL NON-CURRENT LIABILITIES		**70,830,795**	**79,233,741**	**-8,402,946**
CURRENT LIABILITIES				
Trade payables	(17)	54,809,403	47,643,680	7,165,723
Tax payables	(18)	3,342,381	2,892,460	449,921
Short term financial liabilities	(19)	99,466,588	86,826,109	12,640,479
Other liabilities	(20)	14,944,263	13,668,204	1,276,059
TOTAL CURRENT LIABILITIES		**172,562,635**	**151,030,453**	**21,532,182**
Liabilities available for sale	(11)	0	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**393,590,867**	**385,808,715**	**7,782,152**

(*) 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 2011	Full Year 2010
REVENUES FROM SALES AND SERVICES	**(21)**	**246,024,978**	**219,239,971**
Other revenues and income	(22)	6,518,683	5,853,981
TOTAL REVENUES		**252,543,661**	**225,093,952**
Changes in inventory		-341,150	2,129,664
Costs of raw materials, cons. and goods for resale	(23)	-73,240,498	-65,366,354
Costs of services	(24)	-73,239,308	-70,528,666
Costs for use of third parties assets	(25)	-23,379,506	-22,505,692
Labour costs	(26)	-59,751,520	-61,007,720
Other operating expenses	(27)	-4,204,238	-4,276,521
Amortisation, write-downs and provisions	(28)	-14,823,180	-16,662,765
Financial Income / (expenses)	(29)	-4,811,418	-1,481,640
PROFIT / LOSS BEFORE TAXES		**-1,247,157**	**-14,605,742**
Income Taxes	(30)	-2,859,885	350,336
NET PROFIT / LOSS		**-4,107,042**	**-14,255,406**
(Profit) / loss attributable to minority shareholders		-172,512	1,748,789
NET PROFIT / LOSS FOR THE GROUP		**-4,279,554**	**-12,506,617**

(*) 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

(Values in units of EUR)	Notes	Full Year 2011	Full Year 2010
Profit/(loss) for the period (A)		**-4,107,042**	**-14,255,406**
Gains/(losses) on cash flow hedges		-	-
Gains/(losses) on exchange differences on translating foreign operations		-40,074	-694,309
Income tax relating to components of other comprehensive income / (loss)		-	-
Total Other comprehensive income / (loss), net of tax (B)		**-40,074**	**-694,309**
Total Comprehensive income / (loss) (A) + (B)		**-4,147,116**	**-14,949,715**
Total Comprehensive income / (loss) attributable to:		**-4,147,116**	**-14,949,715**
Owners of the parent		-4,319,628	-13,200,926
Non-controlling interests		172,512	-1,748,789

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2011	Full Year 2010
OPENING BALANCE		**4,512**	**5,337**
Profit before taxes		-1,247	-14,606
Amortisation / write-downs		14,823	16,662
Accrual (+)/availment (-) of long term provisions and post employment benefits		-1,605	-413
Paid income taxes		-2,579	-2,227
Financial income (-) and financial charges (+)		4,811	1,482
Change in operating assets and liabilities		-233	-152
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**13,970**	**746**
Increase (-)/ decrease (+) in intangible fixed assets		-6,082	-4,940
Increase (-)/ decrease (+) in tangible fixed assets		-4,820	-5,039
Investments and write-downs (-)/ Disinvestments and revaluations (+)		353	3,727
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-10,549**	**-6,252**
Other variations in reserves and profits carried-forward of shareholders' equity		-1,240	-694
Dividends paid		0	0
Proceeds (+)/ repayments (-) of financial payments		6,489	7,033
Increase (-)/ decrease (+) in long term financial receivables		73	-176
Financial income (+) and financial charges (-)		-4,811	-1,482
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**511**	**4,681**
CLOSING BALANCE		**8,444**	**4,512**

(*) 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.

STATEMENTS 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	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
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**
Changes in equity for 2010											
Allocation of 2009 profit/(loss)	-	-	-5,172	-	-	-14,916	20,088	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2010	-	-	-	-	-	-	-12,507	-694	-13,201	-1,749	-14,950
Other changes	-	-	-	-	-	-175	-	-	-175	175	-
BALANCES AT 31 December 2010	**25,371**	**71,240**	**31,080**	**7,901**	**11,459**	**-2,342**	**-12,507**	**-2,385**	**129,817**	**25,727**	**155,544**

(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	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2010	**25,371**	**71,240**	**31,080**	**7,901**	**11,459**	**-2,342**	**-12,507**	**-2,385**	**129,817**	**25,727**	**155,544**
Changes in equity for 2011											
Allocation of 2010 profit/(loss)	-	-	-2,191	-	-	-10,316	12,507	-	-	-	-
Dividends paid	-	-	-	-	-		-	-	-	-	-
Treasury stock (buyback)/sale		-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2011	-	-	-	-	-	-	-4,280	-40	-4,320	172	-4,148
Other changes	-	-	-	-	-	8,720	-	-	8,720	-9,920	-1,200
BALANCES AT 31 December 2011	**25,371**	**71,240**	**28,890**	**7,901**	**11,459**	**-3,938**	**-4,280**	**-2,425**	**134,218**	**15,979**	**150,197**

Report of the Board of Statutory Auditors on the consolidated financial statements as of 31 December 2011 of AEFFE S.p.A.

(issued pursuant to art. 41 of Legislative Decree 127/1991)

Stockholders,

Pursuant to the regulatory requirements contained in art. 41 of Decree 127/1991, we hereby report on the monitoring activities carried out by the Board of Statutory Auditors during 2011. These activities covered both ordinary and non-recurring operations, as well as relations with related parties and group companies, taking due account of the Principles of Conduct for Boards of Statutory Auditors approved by the Italian Accounting Profession. The work we performed is documented in the minutes of the seven meetings held by the Board of Statutory Auditors during 2011.

Our work was focused on checking compliance with the law, the memorandum of association and the statute, as well as compliance with the principles of proper administration. In this regard, we attended the meetings of the Board of Directors and the only meeting of the Parent Company's stockholders held during 2011; we also held periodic meetings with the representatives of the auditing firm engaged to audit and perform accounting checks on the financial statements of group companies and on the consolidated financial statements.

Pursuant to current regulations, during the year we obtained information from the Directors of the Parent Company on the general results of operations and likely future developments, as well as on the most significant economic and financial transactions - in terms of nature or scale - carried out by the Parent Company and its subsidiaries. In relation to this last-mentioned activity, we can reasonably assert that such transactions complied with the law and the statute, were not obviously imprudent, did not involve potential conflicts of interest or conflict with resolutions adopted at the stockholders' meeting, and did not jeopardize the net assets of the group.

During 2011, the AEFFE group continued the process of restructuring both the Parent Company and its subsidiaries that began in the prior year, with a view to reducing and rationalizing their operating costs and expenses, and consolidating their economic and financial position by means of appropriate investments.

The significant events that took place during the year are detailed in the relevant paragraph of the report on operations attached to the consolidated financial statements. They complied with the law and the statute, were not obviously imprudent or risky, did not involve potential conflicts of interest or conflict with resolutions adopted at the stockholders' meeting, and did not jeopardize the net assets of the group.

During the year we obtained information about and monitored the adequacy of the Parent Company's organizational structure, partly by obtaining information from functional managers, and we assessed and monitored the adequacy of the administrative and accounting system, as well as its reliability in terms of fairly presenting the results of operations, by obtaining information from the managers concerned and also from the auditing firm. With regard to these activities, we have no specifically significant observations worthy of being brought to your attention.

Based on an analysis of the internal information system, we can confirm that the system centres upon an appropriate flow of administrative and accounting information from subsidiaries, in order to comply with the disclosure requirements established in art. 114.2 of Decree 58/98 on information provided to the public.

The consolidated financial statements as of 31 December 2011 were prepared in the form and with the content required by international financial reporting standards (IAS/IFRS). Since we were not responsible for the detailed verification of the content of these statements, we monitored their overall preparation, their compliance with the law regarding their form and content, and their consistency with the facts and information known to us. We have no particular observations to make in this regard. The explanatory notes to the financial statements and the content of the report on operations appear to be complete and suitable for providing readers with the required information.

We have checked compliance with the laws on the preparation of the report on operations and, in this regard, we note that the Board of Directors of the Parent Company has described in full the aspects required by art. 2428 of the Italian Civil Code: its assessment of the results of operations, both overall and in the sectors in which the Group operates; the costs; the revenues; the capital investment; the corporate events that took place during the year; the outlook for the near future.

With regard to the periodic checks carried out at the Parent Company, we did not identify any omissions or shortcomings worthy of drawing to your attention.

Mazars S.p.A. has sent the Board of Statutory Auditors its report on the Group's consolidated financial statements, issued pursuant to articles 14 and 16 of Decree No. 39 of 27 January 2010, expressing an opinion containing no significant findings and/or exceptions.

In conclusion, considering the results of the work performed by the auditing firm and our expression of a favorable opinion on the resolution proposed by the Board of Directors, we confirm that these consolidated financial statements contain all the related information required under current regulations.

San Giovanni in Marignano, 28 March 2012

For the Board of Statutory Auditors

Pier Francesco SPORTOLETTI **Chairman**

Romano DEL BIANCO **Statutory auditor**

Fernando CIOTTI **Statutory auditor**

"Free translation from the original in Italian".

Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree no. 39 dated January 27, 2010

To the Shareholders of Aeffe S.p.A.

1. We have audited the consolidated financial statements of Aeffe S.p.A. and its subsidiaries (the "Aeffe Group") as of December 31, 2011, which comprise the balance sheet statement, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes. The Directors of Aeffe S.p.A. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, the amounts of which are presented for comparative purpose reference should be made to our report dated March 30, 2011.

3. In our opinion, the consolidated financial statements of the Aeffe Group as of December 31, 2011 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Aeffe Group for the period then ended.

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and the report on corporate and governance and shareholding structure, published in section "Governance" of the internet site of Aeffe S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding

structure, with the financial statements, as required by law. For this purpose, with have performed the procedures required under Auditing Standards no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure are consistent with the consolidated financial statements of Aeffe S.p.A. as of December 31, 2011.

Mazars S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

Milan, Italy, March 28, 2012

This report has been translated from the original which was issued in accordance with Italian legislation.

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", "Blugirl" and "Cacharel".

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 2011 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 2011 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

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2011 is provided 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% (iii)
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	100%	
Pollini Retail	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
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%	
Fashoff UK	London (GB)	GBP	1,550,000		70% (ii)
Moschino Far East	Hong Kong (HK)	HKD	1,000,000		70% (ii)
Moschino Japan	Tokyo (J)	JPY	120,000,000		70% (ii)
Moschino Korea	Seoul (ROK)	KRW	50,000,000		70% (ii)
Moschino France	Paris (FR)	EUR	50,000		70% (ii)
Moschino Retail	Berlin (D)	EUR	180,000		70% (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% (ii)
Pollini Suisse	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria	Vienna (A)	EUR	35,000		100% (i)

Notes (details of in direct shareholdings):

(i) 100% owned by Pollini S.p.A.;

(ii) 100% owned by Moschino S.p.A.;

(iii) 62,893% owned by Aeffe Retail.

During the year the following operations have been completed:

a) Aeffe S.p.A. has acquired the remaining 28% of Pollini S.p.A.;

b) Pollini S.p.A has increased its shareholding in Pollini Retail reaching the 100%;

c) Pollini S.p.A. has set up a new company Pollini Suisse, 100% owned.

d) Pollini S.p.A. has set up a new company Pollini Austria, 100% owned.

e) Moschino S.p.A. has acquired the 100% of Moschino Japan from Moschino Far East;

f) Moschino S.p.A. has acquired the 100% of Moschino Korea from Moschino Far East.

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 2011	Average exchange rate 2011	Actual exchange rate 31 December 2010	Average exchange rate 2010
United States Dollars	1.2939	1.3917	1.3362	1.3268
United Kingdom Pounds	0.8353	0.8678	0.8608	0.8582
Japanese Yen	100.2000	111.0208	108.6500	116.4552
South Korean Won	1498.6900	1541.0467	1499.0600	1532.5125
Swiss franc	1.2156	1.2340	-	-

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 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial instruments* that was subsequently amended. This standard, having an effective date for mandatory adoption of 1 January 2015, represents the completion of the first part of a project to replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost of 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. The most significant effect of the standard regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. Under the new standard these changes are recognised in Other comprehensive income and are not subsequently reclassified to profit or loss.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. The amendments will enable users of financial statements to improve their understanding of transfers ("derecognition") of financial assets, including an understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period.

On 20 December 2010, the IASB issued minor amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*. The first amendment replaces references to a fixed date of "1 January 2004" with the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments are effective from 1 July 2011.

On 20 December 2010, the IASB issued amendments to IAS 12 – *Income Taxes* that require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. As a result of the amendments, SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* no longer applies. These amendments are effective from 1 January 2012.

On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* replacing SIC-12 – *Consolidation-Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed *Separate Financial Statements* and addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective retrospectively from 1 January 2013.

On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements* superseding IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly-controlled Entities-Non-monetary Contributions by Ventures*. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form and requires a single method to account for interests in jointly-controlled entities, the equity method. The standard is effective retrospectively from 1 January 2013. Following the issue of the new standard, IAS 28 – *Investments in Associates* has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).

On 12 May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities , including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. The standard is effective for annual periods beginning after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective prospectively from 1 January 2013.

On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Financial Statements* requiring companies to group together items within Other Comprehensive income (loss) that may be reclassified to the profit or loss section of the income statement. The amendment is applicable from periods beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 – *Employee Benefits*. The amendments make improvements to the previous version by eliminating the option to defer the recognition of gains and losses, known as the "corridor method", and by requiring the whole of the fund's deficit or surplus to be presented in the statement of financial position, the components of cost relating to service and net interest to be recognized in profit or loss and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognized in Other comprehensive income (loss). In addition, the return on assets included in net interest costs must now be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendments also introduce the requirement for additional disclosures to be provided in the notes. The amended version of IAS 19 is applicable on retrospective basis from 1 January 2013.

On 16 December 2011, the IASB issued certain amendment to IFRS 32 – *Financial Instruments: Presentation* to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are affective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

On 16 December 2011, the IASB issued certain amendment to IFRS 7 – *Financial Instruments: Disclosures*. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. Entities are required to apply the amendments for annual reporting periods beginning on or after 1 January 2013, and interim period within those annual periods. The required disclosures should be provided retrospectively.

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2011 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 2011, 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.

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 2011, 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 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 happened in the aftermath of the actual difficult situation of the world markets. Therefore, the market value is not considered representative of the Group value, this is confirmed by the remarkable recovery of the share's value realized in 2011.

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.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

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.

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.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations 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.

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 2011;
- annual hypothetical increase in rents for about 2.5%;
- possible renewal on expiration of each contract for a period equal to that foreseen by the contract in existence as of 31 December 2011;
- 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 2012 from a budget simulation that, depending on the boutique, foresees increases of turnover around a range that goes from +15% in the most optimistic cases to -8% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2012 but were used to make a prudential calculation for the test purpose only. For the years 2013 and 2014 and to calculate the terminal value we considered generally a turnover growth rate of 5%. As a discount rate we used the average cost of capital (WACC) which is 8.3%.

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 it has been used for the year 2012 the budget approved by the Group management. For the remaining periods it has been used an increase in turnover with a CAGR variable from 2.2% to 2.5%. As royalty rates we used the averages for the sector and as discount rate we used the average cost of capital (WACC) which is 8.3%.

- 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 4.25%;
- * 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, 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 4.25%.

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 doesn't use derivative financial instruments.

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) it is managed by the individual companies that, however, are coordinated by the treasury on the basis of the guidelines established by the Managing Director of the Group and approved by the Chief Executive Officer.

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 an elevated solid equity.

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 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 for the main companies of the Group exposed to the exchange risk, the opening of 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 2011 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 411 thousand annually (EUR 190 thousand as of 31 December 2010).

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 2011 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 19,922 thousand as of 31 December 2011, represent 61% of the receivables entered in the financial statements. This percentage remains substantially stable compared to 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 is equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Trade receivables	32,547	27,488	5,059	18.4%
Other current receivables	25,113	26,974	-1,861	-6.9%
Other fixed assets	2,915	2,989	-74	-2.5%
Total	**60,575**	**57,451**	**3,124**	**5.4%**

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 2011, overdue but not written-down trade receivables amount to EUR 12,625 thousand (EUR 10,034 thousand in 2010). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
By 30 days	5,403	2,116	3,287	155.3%
31 - 60 days	1,892	838	1,054	125.8%
61 - 90 days	1,358	1,323	35	2.6%
Exceeding 90 days	3,972	5,757	-1,785	-31.0%
Total	**12,625**	**10,034**	**2,591**	**25.8%**

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 01.01.10	**109,923**	**46,883**	**202**	**157,008**
Increases	-	6,876	762	7,638
- increases externally acquired	*-*	*6,876*	*762*	*7,638*
- increases from business aggregations	*-*	*-*	*-*	*-*
Disposals	-	-2,494	*-11*	-2,505
Translation differences and other variations	-	-364	171	-193
Amortisation	-3,493	-4,122	*-160*	-7,775
Net book value as of 31.12.10	**106,430**	**46,779**	**964**	**154,173**
Increases	-	5,486	560	6,046
- increases externally acquired	*-*	*5,486*	*560*	*6,046*
- increases from business aggregations	*-*	*-*	*-*	*-*
Disposals	-	-	-	-
Translation differences and other variations	-	-7,207	37	-7,170
Amortisation	-3,494	-4,141	*-323*	-7,958
Net book value as of 31.12.11	**102,936**	**40,917**	**1,238**	**145,091**

The intangible fixed assets highlight the following variations:

- increases, equivalent to EUR 6,046 thousand, are mainly due to an advance regarding the key money of a store located in Milan (equivalent to EUR 4,150 thousand) and to a new software used by the parent company Aeffe S.p.A. (equivalent to EUR 212 thousand);
- translation differences and other variations are mainly related to the key money of a store located in Milan reclassified in the assets available for sale;
- amortisation of the period is EUR 7,958 thousand.

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 2011	31 December 2010
Alberta Ferretti	31	3,903	4,029
Moschino	33	57,260	59,187
Pollini	29	41,773	43,214
Total		**102,936**	**106,430**

The decrease between the two period refers exclusively 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.

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 01.01.10	**17,599**	**32,751**	**15,229**	**7,270**	**401**	**3,337**	**76,587**
Increases	-	161	1,832	372	96	1,732	4,193
Disposals	-	-	-100	-57	-9	-45	-211
Translation differences and other variations	111	552	358	-8	1	43	1,057
Depreciation	-	-841	-2,725	-1,240	-150	-1,050	-6,006
Net book value as of 31.12.10	**17,710**	**32,623**	**14,594**	**6,337**	**339**	**4,017**	**75,620**
Increases	-	372	1,356	1,991	210	796	4,725
Disposals	-	-	-239	-11	-	-66	-316
Translation differences and other variations	51	217	104	-9	-1	-19	343
Depreciation	-	-831	-2,587	-1,199	-171	-1,047	-5,835
Net book value as of 31.12.11	**17,761**	**32,381**	**13,228**	**7,109**	**377**	**3,681**	**74,537**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 4,725 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 316 thousand.
- Decrease for differences arising on translation and other variation of EUR 343 thousand which mainly relates to the translation differences of the subsidiary Aeffe USA.
- Depreciation of EUR 5,835 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 2011 is almost unchanged compared with the value at 31 December 2010.

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 2011 and at 31 December 2010:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Tangible fixed assets	-	-	-292	-351
Intangible fixed assets	3	3	-192	-203
Provisions	1,545	1,344	-	-
Costs deductible in future periods	255	1,007	-	-2
Income taxable in future periods	768	707	-1,206	-970
Tax losses carried forward	10,097	10,004	-	-
Other	-	-	-53	-60
Tax assets (liabilities) from transition to IAS	1,881	1,962	-38,773	-39,576
Total	**14,549**	**15,027**	**-40,516**	**-41,162**

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	-351	-6	65	-	-292
Intangible fixed assets	-200	-	11	-	-189
Provisions	1,344	4	196	1	1,545
Costs deductible in future periods	1,005	1	-440	-311	255
Income taxable in future periods	-263	-	-92	-83	-438
Tax losses carried forward	10,004	72	985	-964	10,097
Other	-60	-1	300	-292	-53
Tax assets (liabilities) from transition to IAS	-37,614	14	675	33	-36,892
Total	**-26,135**	**84**	**1,700**	**-1,616**	**-25,967**

The negative variation of EUR 1,616 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 2011	31 December 2010	Change Δ	%
Raw, ancillary and consumable materials	15,539	15,942	-403	-2.5%
Work in progress	6,099	6,407	-308	-4.8%
Finished products and goods for resale	52,145	50,568	1,577	3.1%
Advance payments	477	169	308	182.2%
Total	**74,260**	**73,086**	**1,174**	**1.6%**

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2012 collections, while finished products mainly concern the Autumn/Winter 2011 and the Spring/Summer 2012 collections and the Autumn/Winter 2012 sample collections.

The value of stock is almost unchanged compared with the value at 31 December 2010.

7. *Trade receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Trade receivables	34,465	28,932	5,533	19.1%
(Allowance for doubtful account)	-1,918	-1,444	-474	32.8%
Total	**32,547**	**27,488**	**5,059**	**18.4%**

Trade receivables amount to EUR 34,465 thousand at 31 December 2011, up 19.1% since 31 December 2010. The increase is substantially in line with sales variation.

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. *Trade receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
VAT	3,461	1,749	1,712	97.9%
Corporate income tax (IRES)	2,084	2,102	-18	-0.9%
Local business tax (IRAP)	66	198	-132	-66.7%
Amounts due to tax authority for withheld taxes	1,399	903	496	54.9%
Other tax receivables	1,384	166	1,218	733.7%
Total	**8,394**	**5,118**	**3,276**	**64.0%**

As of 31 December 2011, the Group's tax receivables amount to EUR 8,394 thousand. The variation of EUR 3,276 thousand compared with the value at 31 December 2010 is mainly due to the increase of VAT receivables and to the shift of a receivable with the tax authority "Agenzia delle Entrate" claimed by the Pollini Group (misplaced in the entry "Other short term receivables" at 31 December 2010) to the entry "Tax receivables".

9. *Cash*

This item includes:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Bank and post office deposits	7,777	3,713	4,064	109.5%
Cheques	17	37	-20	-54.1%
Cash in hand	650	762	-112	-14.7%
Total	**8,444**	**4,512**	**3,932**	**87.1%**

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 increase in cash and cash equivalents, recorded at 31 December 2011 compared with the amount recorded at 31 December 2010, is EUR 3,932 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 2011	31 December 2010	Change Δ	%
Credits for prepaid costs	18,770	18,907	-137	-0.7%
Advances for royalties and commissions	1,375	1,335	40	3.0%
Advances to suppliers	287	340	-53	-15.6%
Accrued income and prepaid expenses	1,500	1,268	232	18.3%
Other	3,181	5,124	-1,943	-37.9%
Total	**25,113**	**26,974**	**-1,861**	**-6.9%**

Other short term receivables decrease of EUR 1,861 thousand mainly due to compensation in 2011 of a fiscal receivable for EUR 363 thousand and of a welfare receivable for EUR 457 thousand both belonging to Pollini S.p.A. and for the shift of a receivable with the tax authority "Agenzia delle Entrate" claimed by the Pollini

Group (for EUR 1.3 million and misplaced in the entry "Other short term receivables" at 31 December 2010) to the entry "Tax receivables".

Credits for prepaid costs, that relate to the costs incurred to design and make samples for the Spring/Summer 2012 and Autumn/Winter 2012 collections for which the corresponding revenues from sales have not been realised yet, remain substantially in line compared to the previous period.

11. Assets and liabilities available for sale

The change in the captions assets and liabilities available for sale mainly concerns the sale, happened in 2011, of two boutique Pollini based in Rome and Florence (sales that have generated an extraordinary income of EUR 16 thousand classified in the entry "Other revenues and income" of the income statement) and to the reclassification from the intangible and tangible fixed assets to the assets available for sale of a boutique Pollini based in Milan.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010
Key money	7,207	357
Tangible fixed assets	68	-
Other fixed assets	437	437
Total	**7,712**	**794**

12. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2011, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Translation reserve	-2,425	-2,385	-40
Other reserves	28,890	31,080	-2,190
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	-3,938	-2,342	-1,596
Net profit / (loss) for the Group	-4,280	-12,507	8,227
Minority interests	15,979	25,727	-9,748
Total	**150,197**	**155,544**	**-5,347**

Share capital

Share capital as of 31 December 2011, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2011 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 is not changed during the period.

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2010.

Translation reserve

The decrease of EUR 40 thousand related to such reserve is due to the conversion of companies' financial statements in other currency than EUR.

Other reserves

During the period these reserves have been used to cover the prior-year loss.

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 negative variation as a consequence of the consolidated net loss at 31 December 2010 (for EUR 10,316 thousand) partially compensated (for EUR 8,720 thousand) by the increase of the Group shareholders' equity as a result of the acquisition of the 28% of Pollini S.p.A..

Minority interests

The decrease in capital and reserves is due to the variation subsequent to the acquisition of the 28% shareholding of Pollini S.p.A. (for EUR 9,920 thousand) by Aeffe S.p.A. and to the portion of profit attributable to the minority shareholders (for EUR 172 thousand).

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 2010	Increases	Decreases	31 December 2011
Pensions and similar obligations	1,018	107	-199	926
Other	397	-	-252	145
Total	**1,415**	**107**	**-451**	**1,071**

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 2010	Increases	Decreases	31 December 2011
Post employment benefits	9,204	546	-1,807	7,943
Total	**9,204**	**546**	**-1,807**	**7,943**

Increases include financial expenses for EUR 375 thousand.

15. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Loans from financial institutions	7,024	10,035	-3,011	-30.0%
Amounts due to other creditors	36	3,176	-3,140	-98.9%
Total	**7,060**	**13,211**	**-6,151**	**-46.6%**

The entry "Loans from financial institutions" 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 decrease of the entry "Amounts due to other creditors" compared with 31 December 2010 is exclusively due to the reduction of the payable with the leasing company.

The following table contains details of bank loans as of 31 December 2011, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	10,036	3,012	7,024
Total	**10,036**	**3,012**	**7,024**

There are no amounts due beyond five years, except for a loan of EUR 8531 thousand expiring in 2018 .

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Financial leases	0	3,140	-3,140	-100.0%
Due to other creditors	36	36	0	n.a.
Total	**36**	**3,176**	**-3,140**	**-98.9%**

The reduction in the amount due to other long term creditors compared with the prior year is almost entirely due to the termination in 2011 of the long-term lease liability.

The lease liability relates to the leaseback transaction arranged by the Parent Company in relation to the building that is still used by Pollini. The original amount of this loan, arranged in 2002, is EUR 17,500 thousand. The loan contract envisages a repayment schedule that terminates in November 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 2010:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Trade payables	54,809	47,644	7,165	15.0%
Total	**54,809**	**47,644**	**7,165**	**15.0%**

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

18. Tax payables

Tax payables are analysed in comparison with the related balances as of 31 December 2010 in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Local business tax (IRAP)	448	136	312	229.4%
Corporate income tax (IRES)	78	0	78	n.a.
Amounts due to tax authority for withheld taxes	2,280	2,324	-44	-1.9%
VAT due to tax authority	420	256	164	64.1%
Other	116	176	-60	-34.1%
Total	**3,342**	**2,892**	**450**	**15.6%**

The change occurred in the year equal to EUR 450 is mainly due the increase of IRAP and VAT payables.

19. Short term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Due to banks	96,326	85,371	10,955	12.8%
Due to other creditors	3,141	1,455	1,686	115.9%
Total	**99,467**	**86,826**	**12,641**	**14.6%**

Current bank debts include 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.

Amounts due to other creditors, that mainly include financial payables recorded in the consolidated financial statements in application of the financial accounting method for leasing operations, increase, compared with 31 December 2010, for the registration in the short term financial liabilities of the end-of-lease purchase payment in relation to the building that is still used by Pollini. This payables was previously classified in the long-term financial payables.

20. Other liabilities

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Due to total security organization	3,441	3,400	41	1.2%
Due to employees	4,503	4,546	-43	-0.9%
Trade debtors - credit balances	1,678	1,509	169	11.2%
Accrued expenses and deferred income	2,609	2,620	-11	-0.4%
Other	2,713	1,593	1,120	70.3%
Total	**14,944**	**13,668**	**1,276**	**9.3%**

The increase of other short term liabilities, totaling EUR 1,276 thousand, refers mainly to the increase of the entry “Other” related to the advance for the sale of a boutique (for EUR 900 thousand) classified between the assets available for sale.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

In order to apply the IFRS 8 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 "Love Moschino") and brands licensed from other companies (such as "Jean Paul Gaultier", "Blugirl" and "Cacharel"). 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 "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 2011 and 2010 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**197,189**	**63,888**	**-15,052**	**246,025**
Intercompany revenues	-4,247	-10,805	15,052	0
Revenues with third parties	**192,942**	**53,083**	-	**246,025**
Gross operating margin (EBITDA)	**17,793**	**594**	-	**18,387**
Amortisation	-10,639	-3,154	-	-13,793
Other non monetary items:				
Write-downs	-703	-327	-	-1,030
Net operating profit / loss (EBIT)	**6,451**	**-2,887**	-	**3,564**
Financial income	664	50	-466	248
Financial expenses	-4,371	-1,154	466	-5,059
Profit / loss before taxes	**2,744**	**-3,991**	**-**	**-1,247**
Income taxes	-3,638	778	-	-2,860
Net profit / loss	**-894**	**-3,213**	**-**	**-4,107**

(Values in thousands of EUR) 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**180,767**	**50,292**	**-11,819**	**219,240**
Intercompany revenues	-3,569	-8,250	11,819	0
Revenues with third parties	**177,198**	**42,042**	-	**219,240**
Gross operating margin (EBITDA)	**6,506**	**-2,967**	-	**3,539**
Amortisation	-10,433	-3,349	-	-13,782
Other non monetary items:				
Write-downs	-500	-2,381	-	-2,881
Net operating profit / loss (EBIT)	**-4,427**	**-8,697**	-	**-13,124**
Financial income	2,624	50	-234	2,440
Financial expenses	-3,374	-781	234	-3,921
Profit / loss before taxes	**-5,177**	**-9,428**	**-**	**-14,605**
Income taxes	-2,103	2,453	-	350
Net profit / loss	**-7,280**	**-6,975**	**-**	**-14,255**

The following tables indicate the main patrimonial and financial data at 31 December 2011 and 2010 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 December 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*301,770*	*111,304*	*-42,426*	370,648
of which non-current assets (*)				
Intangible fixed assets	*95,305*	*49,786*	-	*145,091*
Tangible fixed assets	*71,046*	*3,491*	-	*74,537*
Other non-current assets	*6,830*	*1,567*	*-5,452*	*2,945*
OTHER ASSETS	*20,073*	*2,870*	-	22,943
CONSOLIDATED ASSETS	**321,843**	**114,174**	**-42,426**	**393,591**

(*) 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 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*176,872*	*65,089*	*-42,426*	199,535
OTHER LIABILITIES	26,347	17,511	-	43,858
CONSOLIDATED LIABILITIES	**203,219**	**82,600**	**-42,426**	**243,393**

(Values in thousands of EUR) 31 December 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*297,278*	*106,806*	*-38,420*	365,664
of which non-current assets (*)				
Intangible fixed assets	*98,942*	*55,231*	*-*	*154,173*
Tangible fixed assets	*72,043*	*3,577*	*-*	*75,620*
Other non-current assets	*6,916*	*1,137*	*-5,036*	*3,017*
OTHER ASSETS	*18,378*	*1,767*	*-*	20,145
CONSOLIDATED ASSETS	**315,656**	**108,573**	**-38,420**	**385,809**

(*) 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 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*168,850*	*55,780*	*-38,420*	186,210
OTHER LIABILITIES	26,048	18,006	-	44,054
CONSOLIDATED LIABILITIES	**194,898**	**73,786**	**-38,420**	**230,264**

Segment information by geographical area

The following table indicates the revenues for the full year 2011 and 2010 divided by geographical area:

(Values in thousands of EUR)	Full Year 2011	%	Full Year 2010	%	Change Δ	%
Italy	102,805	41.8%	93,123	42.5%	9,682	10.4%
Europe (Italy and Russia excluded)	52,343	21.3%	46,726	21.3%	5,617	12.0%
Russia	17,400	7.1%	13,473	6.1%	3,927	29.2%
United States	18,064	7.3%	19,443	8.9%	-1,379	-7.1%
Japan	22,461	9.1%	19,283	8.8%	3,178	16.5%
Rest of the World	32,952	13.4%	27,192	12.4%	5,760	21.2%
Total	**246,025**	**100.0%**	**219,240**	**100.0%**	**26,785**	**12.2%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

21. Revenues from sales and services

In 2011 consolidated revenues amount to EUR 246,025 thousand compared to EUR 219,240 thousand of the year 2010, showing an increase of 12.2% (+12.1% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 197,189 thousand, +9.1% at current exchange rates and +9.0% at constant exchange rates compared to 2010, while revenues of the footwear and leather goods division grow by 27% compared to 2010 and amount to EUR 63,888 thousand.

22. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	Change %
Extraordinary income	1,047	1,411	-364	-25.8%
Other income	5,472	4,443	1,029	23.2%
Total	**6,519**	**5,854**	**665**	**11.4%**

In 2011, the caption extraordinary income, composed by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, decreases by 364 thousand compared to 2010 for the prescription of less debts related to previous years.

The caption other income, which amounts to EUR 5,472 thousand in 2011, mainly refers to exchange gains on commercial transaction, rental income, sales of raw materials and packaging. The variation of EUR 1,029 thousand compared to the previous year is mainly due to the increase of exchange gains on commercial transaction, in particular the ones related to the variation of the Japanese Jen.

23. Costs of raw materials

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	Change %
Raw, ancillary and consumable materials and goods for resale	73,240	65,366	7,874	12.0%
Total	**73,240**	**65,366**	**7,874**	**12.0%**

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

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

24. Costs of services

This item comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Subcontracted work	23,577	23,175	402	1.7%
Consultancy fees	14,169	13,727	442	3.2%
Advertising	12,199	10,992	1,207	11.0%
Commission	4,644	4,161	483	11.6%
Transport	3,836	3,781	55	1.5%
Utilities	2,223	2,284	-61	-2.7%
Directors' and auditors' fees	2,654	2,768	-114	-4.1%
Insurance	803	773	30	3.9%
Bank charges	1,325	1,163	162	13.9%
Travelling expenses	2,323	2,248	75	3.3%
Other services	5,486	5,457	29	0.5%
Total	**73,239**	**70,529**	**2,710**	**3.8%**

Costs of services increase from EUR 70,529 thousand in the year 2010 to EUR 73,239 thousand in the year 2011, up 3.8%. The increase is due to:

- the increase 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 change from 39.4% of 2010 to 39.5% of 2011, remaining substantially stable;
- the increase of costs for "Consultancy fees" mainly for the stylistic ones;
- the increase of costs for "Advertising" in particular for the company Aeffe S.p.A., Moschino S.p.A. and Pollini S.p.A.. The Group expenses for advertising and public relations in total (classified by nature in different entries of the income statement) keep an incidence of about 8% on turnover;
- the increase of costs for "Commissions" consequent to the sales growth related to the wholesale channel.

25. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Rental expenses	20,028	19,614	414	2.1%
Royalties	2,577	2,090	487	23.3%
Hire charges and similar	775	802	-27	-3.4%
Total	**23,380**	**22,506**	**874**	**3.9%**

The costs for use of third parties assets increases by EUR 874 thousand from EUR 22,506 thousand in 2010 to EUR 23,380 thousand in 2011, mainly due to the rent updates and to the increase of royalties on the brand "Cacharel", as a consequence of the related sales growth.

26. Labour costs

Labour costs decreases from EUR 61,008 thousand in 2010 to EUR 59,752 thousand in 2011 with an incidence on revenues which changes from 27.8% in 2010 to 24.3% in 2011.

This item comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Labour costs	59,752	61,008	-1,256	-2.1%
Total	**59,752**	**61,008**	**-1,256**	**-2.1%**

In 2011 the average number of employees of the Group is:

Average number of employees by category	Full Year 2011	Full Year 2010	Change Δ	%
Workers	405	421	-16	-4%
Office staff-supervisors	1,041	1,017	24	2%
Executive and senior managers	26	27	-1	-4%
Total	**1,472**	**1,465**	**7**	**0%**

27. Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Taxes	645	612	33	5.4%
Gifts	156	286	-130	-45.5%
Contingent liabilities	750	1,032	-282	-27.3%
Write-down of current receivables	518	373	145	38.9%
Foreign exchange losses	1,587	1,317	270	20.5%
Other operating expenses	548	657	-109	-16.6%
Total	**4,204**	**4,277**	**-73**	**-1.7%**

The caption other operating expenses amounts to EUR 4,204 thousand and is substantially in line with the value of the previous year.

28. Amortisation, write-downs and provisons

This item includes:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Amortisation of intangible fixed assets	7,958	7,775	183	2.4%
Depreciation of tangible fixed assets	5,835	6,006	-171	-2.8%
Write-downs and provisions	1,030	2,882	-1,852	-64.3%
Total	**14,823**	**16,663**	**-1,840**	**-11.0%**

The decrease from EUR 16,663 thousand in 2010 to EUR 14,823 thousand in 2011 is substantially due to the caption "write-downs and provisions" that in 2010 was related, for EUR 2,316 thousand, to the write-down of the key money related to two boutiques based in Rome and Florence.

29. Financial income/ expenses

This item include:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2011	2010	Δ	%
Interest income	80	50	30	60.0%
Foreign exchange gains	133	2,326	-2,193	-94.3%
Financial discounts	33	62	-29	-46.8%
Other income	3	1	2	200.0%
Financial income	**249**	**2,439**	**-2,190**	**-89.8%**
Bank interest expenses	3,844	2,439	1,405	57.6%
Other interest expenses	313	187	126	67.4%
Lease interest	192	262	-70	-26.7%
Foreign exchange losses	2	444	-442	-99.5%
Other expenses	709	589	120	20.4%
Financial expenses	**5,060**	**3,921**	**1,139**	**29.0%**
Total	**4,811**	**1,482**	**3,329**	**224.6%**

The increase in financial income/expenses amounts to EUR 3,329 thousand. Such effect is substantially linked to:

- lower financial income for EUR 2,190 thousand related to the major positive exchange differences generated by loans in foreign currency in 2010 compared with the ones in 2011 (in particular those active in Japanese yen);
- major financial expenses for EUR 1,139 thousand related to the increase of the average interest rate of the year 2011 compared to the one of 2010.

30. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2011	2010	Δ	%
Current income taxes	4,560	2,796	1,764	63.1%
Deferred income (expenses) taxes	-1,700	-3,146	1,446	-46.0%
Total income taxes	**2,860**	**-350**	**3,210**	**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 2011 and 2010 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Profit / loss before taxes	-1,247	-14,606
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**-343**	**-4,017**
Fiscal effect	-325	1,362
Effect of foreign tax rates	2,015	1,358
Total income taxes excluding IRAP (current and deferred)	**1,347**	**-1,297**
IRAP (current and deferred)	**1,513**	**947**
Total income taxes (current and deferred)	**2,860**	**-350**

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 generated during 2011 is EUR 3,932 thousand.

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
OPENING BALANCE (A)	**4,512**	**5,337**
Cash flow (absorbed)/ generated by operating activity (B)	13,970	746
Cash flow (absorbed)/ generated by investing activity (C)	-10,549	-6,252
Cash flow (absorbed)/ generated by financing activity (D)	511	4,681
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**3,932**	**-825**
CLOSING BALANCE (F)=(A)+(E)	**8,444**	**4,512**

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

The cash flow generated by operating activity during 2011 amounts to EUR 13,970 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Profit before taxes	-1,247	-14,606
Amortisation / write-downs	14,823	16,662
Accrual (+)/availment (-) of long term provisions and post employment benefits	-1,605	-413
Paid income taxes	-2,579	-2,227
Financial income (-) and financial charges (+)	4,811	1,482
Change in operating assets and liabilities	-233	-152
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**13,970**	**746**

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

The cash flow absorbed by investing activity during 2011 amounts to EUR 10,549 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Increase (-)/ decrease (+) in intangible fixed assets	-6,082	-4,940
Increase (-)/ decrease (+) in tangible fixed assets	-4,820	-5,039
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	353	3,727
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-10,549**	**-6,252**

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

The cash flow generated by financing activity during 2011 amounts to EUR 511 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Other variations in reserves and profits carried-forward of shareholders' equity	-1,240	-694
Dividends paid	0	0
Proceeds (+)/ repayments (-) of financial payments	6,489	7,033
Increase (-)/ decrease (+) in long term financial receivables	73	-176
Financial income (+) and financial charges (-)	-4,811	-1,482
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**511**	**4,681**

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 2011 is analysed below:

(Values in thousands of EUR)	31 December 2011	31 December 2010
A - Cash in hand	667	799
B - Other available funds	7,777	3,713
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*8,444*	*4,512*
E - Short term financial receivables	-	-
F - Current bank loans	-93,314	-82,122
G - Current portion of long-term bank borrowings	-3,012	-3,249
H - Current portion of loans from other financial istitutions	-3,141	-1,455
I - Current financial indebtedness (F) + (G) + (H)	*-99,467*	*-86,826*
J - Net current financial indebtedness (I) + (E) + (D)	*-91,023*	*-82,314*
K - Non current bank loans	-7,024	-10,035
L - Issued obbligations	-	-
M - Other non current loans	-36	-3,176
N - Non current financial indebtedness (K) + (L) + (M)	*-7,060*	*-13,211*
O - Net financial indebtedness (J) + (N)	***-98,083***	***-95,525***

The net financial position of the Group amounts to EUR 98,083 thousand as of 31 December 2011 compared with EUR 95,525 thousand as of 31 December 2010. The increase is mainly due to the economic result of the year 2011, to the investments realized in the period for EUR 10,549 thousand and to the payment of EUR 1,200 thousand connected to the acquisition of the remaining 28% of Pollini S.p.A..

36. Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	31 December 2011	31 December 2010
Consolidated earnings for the period for shareholders of the parent company	-4,280	-12,507
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**-0.042**	**-0.123**

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 2011	Full Year 2010	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	1,225	1,206	Cost
Ferrim with Moschino S.p.a.			
Property rental	828	979	Cost
Commercial	6	211	Revenue
Commercial	0	244	Payable
Commercial	49	110	Receivable
Commerciale Valconca with Aeffe S.p.a.			
Commercial	210	523	Revenue
Cost of services	102	104	Cost
Commercial	856	873	Receivable
Commercial	113	92	Payable
Gir + A&f with Aeffe S.p.a.			
Commercial	293	289	Other revenues
Commercial	463	169	Receivable
Aeffe France with Solide Real Estate France			
Property rental	277	272	Cost
Commercial	49	100	Payable
Commercial	5	6	Other receivable
Moschino France with Solide Real Estate France			
Property rental	338	333	Cost
Commercial	823	518	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 2011 and 31 December 2010.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2011	%	Balance Full Year	Value rel. party 2010	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	246,025	216	0.1%	219,240	734	0.3%
Other revenues	6,519	293	4.5%	5,854	289	4.9%
Costs of services	73,239	402	0.5%	70,529	404	0.6%
Costs for use of third party assets	23,380	2,668	11.4%	22,506	2,790	12.4%
Incidence of related party transactions on the balance sheet						
Trade receivables	32,547	1,368	4.2%	27,488	1,152	4.2%
Other receivables	25,113	5	0.0%	26,974	6	0.0%
Trade payables	54,809	985	1.8%	47,644	954	2.0%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	13,970	-2,745	n.a.	-10,624	-1,942	18.3%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-98,083	-2,745	2.8%	-95,525	-1,942	2.0%

38. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2011 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

Pursuant to Consob regulation of 28th July 2006 n. DEM/6064293, it discloses that on 16 February 2011, Aeffe S.p.A. has acquired from York S.r.l. the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1.2 million, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

The following table indicates the main data of the operation:

(Values in thousands of EUR)	Operation cost	% acquired	Acquired shareholders' equity	Effect on Group shareholders' equity	Effect on cash Flow
Pollini Spa acquisition	1,200	28%	9,920	8,720	-1,200

40. Guarantees and commitments

As of 31 December 2011, the Group has given performance guarantees to third parties totaling EUR 4,186 thousand (EUR 4,920 thousand as of 31 December 2010) and has received guarantees totaling EUR 650 thousand (EUR 235 thousand as of 31 December 2010).

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 Bologna Regional Tax Commission, as set during the hearing of 27 September 2010, has rejected the appeal, confirming the first level ruling.

On 12 January 2012, the State Legal Bar disputed the validity of the judgment of the Bologna regional tax commission, by bringing an appeal before the Court of Cassation. The company presented its counter-submission within the time limit established by the law.

The positive outcome at the first two levels of judgment means that the further development of this dispute can be considered in a positive light.

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 appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. For this tax dispute the company is waiting for the date for discussion of the dispute before the Bologna Regional Tax Commission to be set.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totaling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies. On 30 August 2010, the Major Taxpayers Office of the Emilia Romagna Regional Tax Department notified assessments TGB03B500172/2010 (IRAP), TGB08B500181/2010 (theoretical IRES) and TGB09B500185/2010 (actual IRES), containing the matters indicated above. The company challenged these assessments before the Bologna Provincial Tax Commissioners ahead of the legal deadline, trusting that the valid defensive reasoning will be accepted. On 13 July 2011, with tax return n. 137 2011 00031537 15 the company has been ordered to pay the amount registered in the roll by the Tax Office, provisionally awaiting trial, equal to half of the taxes in dispute, besides interests, for a total amount of EUR 161 thousand. The application for suspension, lodged by the company in a timely manner, was refused on 22 November 2011.

On 25 October 2010 it has been notified the communication of irregularities, discovered during the automatic control of the Form of declaration "CNM 2008 – tax period 2007" and requested the full payment of EUR 599 thousand (EUR 516 thousand related to VAT, besides penalties –reduced- and interests) for incorrect compensation in the payment form F24 on 30 November 2007, of part of VAT receivable, arising from the VAT declaration concerning the year 2006, with a debt of the EUR 516 thousand due as second advance IRES for the tax period 2007. On 13 May 2011 it has been notified the folder payment n. 137 2011 00031537 37, through which the Tax Office – Regional Tax Commission of Bologna (by the Concessionaire of Collection) has required to pay an amount of totaling EUR 752 thousand (EUR 516 thousand related to VAT, besides penalties and interests). On 6 June 2011 the company has submitted to the Regional Tax Commission of Bologna relevant application for cancellation, in self-defense, of the communication of irregularities received and on 11 July 2011 appealed the registration in the roll contained in the tax return, with notice of timely appeal to the Tax Office, pleading the total inconsistency of the tax claim with many and valid defensive arguments and demanding the judicial suspension. The suspension was then granted on 13 January 2012 by order of the Commission in question, which fixed a hearing on the matter for 20 April 2012.

Aeffe Retail S.p.A.: the company has been subjected to an inspection covering its direct taxes, VAT and Irap for the 2007 tax year by officials from the Rimini Provincial Tax Department. Following this inspection, on 15 December 2010 the company was notified of the Inspection Minutes which disallow the deduction of costs totaling Euro 309 thousand (resulting in additional IRES of Euro 102 thousand, IRAP of Euro 13 thousand and VAT of Euro 62 thousand).

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 has appealed against said sentence with recourse to the Court of Cassation and is waiting for the hearing to be set.

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 that, in its judgment filed on 5 September 2011, rejected the company's appeal. In response to this judgment, the company will bring a timely appeal before the Bologna regional tax commission.

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.

Because the Office has served the ruling n. 23/13/10 on 23 September 2010, on 22 November 2010 it has been presented recourse to the Court of Cassation. The company is waiting for the hearing to be set.

Moschino S.p.A.: the company has been subjected to an inspection covering its direct taxes, VAT and Irap for the 2007 tax year by officials from the Milan Provincial Tax Department II. Following this inspection, on 23 December 2010 the company was notified of the Inspection Minutes which raise matters relevant for the purposes of IRES (with additional taxation of Euro 674 thousand), IRAP (with additional taxation of Euro 67 thousand) and VAT (with additional taxation of Euro 203 thousand). The company has taken the opportunity to present observations refuting the conclusions of the inspectors, as allowed by art. 12.7 of Law 212/2000 (Taxpayers Statute).

Furthermore, on 26 August 2011, Milan's Provincial Directorate II sent the company questionnaire No. Q02069/2011, requesting the company to produce a copy of specific documentation regarding the application of articles 167 and 110 of the Italian income tax code and the reconciliation of the fiscal and accounting effects deriving from a merger completed in 2000. The company responded to the request by filing the relevant documentation with the Milan Provincial Directorate on 21/11/2011.

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 2011 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2011 fees
Audit	MAZARS	226
Audit	WARD DIVECHA	15
Audit	ARI AUDIT	2
Total		**243**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I

Consolidated Assets Balance Sheet with related parties

Pursuant to Consob Resolution n. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2011	of which Related parties	31 December 2010	of which Related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		40,917,446		46,779,471	
Trademarks		102,935,979		106,429,503	
Other intangible fixed assets		1,237,128		964,147	
Total intangible fixed assets	(1)	145,090,553		154,173,121	
Tangible fixed assets					
Lands		17,760,576		17,710,420	
Buildings		32,381,230		32,623,344	
Leasehold improvements		13,227,883		14,593,956	
Plant and machinary		7,108,806		6,335,774	
Equipment		377,417		338,648	
Other tangible fixed assets		3,680,636		4,017,398	
Total tangible fixed assets	(2)	74,536,548		75,619,540	
Other fixed assets					
Equity investments	(3)	29,625		28,840	
Other fixed assets	(4)	2,915,138		2,988,617	
Deferred tax assets	(5)	14,549,218		15,026,668	
Total other fixed assets		17,493,981		18,044,125	
TOTAL NON-CURRENT ASSETS		**237,121,082**		**247,836,786**	
CURRENT ASSETS					
Stocks and inventories	(6)	74,259,636		73,086,479	
Trade receivables	(7)	32,547,133	1,367,805	27,487,606	1,152,134
Tax receivables	(8)	8,394,168		5,118,017	
Cash	(9)	8,443,724		4,512,265	
Other receivables	(10)	25,113,491	5,042	26,973,677	5,980
TOTAL CURRENT ASSETS		**148,758,152**		**137,178,044**	
Assets available for sale	(11)	7,711,633		793,885	
TOTAL ASSETS		**393,590,867**		**385,808,715**	

ATTACHMENT II

Consolidated Liabilities Balance Sheet with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2011	of which Related parties	31 December 2010	of which Related parties
SHAREHOLDERS' EQUITY	**(12)**				
Group interest					
Share capital		25,371,407		25,371,407	
Share premium reserve		71,240,251		71,240,251	
Translation reserve		-2,425,059		-2,384,986	
Other reserves		28,888,367		31,078,596	
Fair Value reserve		7,901,240		7,901,240	
IAS reserve		11,459,492		11,459,492	
Profits / (losses) carried-forward		-3,937,904		-2,341,726	
Net profit / (loss) for the Group		-4,279,554		-12,506,617	
Group interest in shareholders' equity		134,218,240		129,817,657	
Minority interest					
Minority interests in share capital and reserves		15,806,685		27,475,653	
Net profit / (loss) for the minority interests		172,512		-1,748,789	
Minority interests in shareholders' equity		15,979,197		25,726,864	
TOTAL SHAREHOLDERS' EQUITY		**150,197,437**		**155,544,521**	
NON-CURRENT LIABILITIES					
Provisions	(13)	1,070,987		1,414,943	
Deferred tax liabilities	(5)	40,515,662		41,161,918	
Post employment benefits	(14)	7,942,941		9,204,059	
Long term financial liabilities	(15)	7,059,804		13,211,420	
Long term not financial liabilities	(16)	14,241,401		14,241,401	
TOTAL NON-CURRENT LIABILITIES		**70,830,795**		**79,233,741**	
CURRENT LIABILITIES					
Trade payables	(17)	54,809,403	984,969	47,643,680	954,041
Tax payables	(18)	3,342,381		2,892,460	
Short term financial liabilities	(19)	99,466,588		86,826,109	
Other liabilities	(20)	14,944,263		13,668,204	
TOTAL CURRENT LIABILITIES		**172,562,635**		**151,030,453**	
Liabilities available for sale	(11)	-		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**393,590,867**		**385,808,715**	

ATTACHMENT III

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	Full Year 2011	of which Related parties	Full Year 2010	of which Related parties
REVENUES FROM SALES AND SERVICES	**(21)**	**246,024,978**	**215,808**	**219,239,971**	**734,243**
Other revenues and income	(22)	6,518,683	293,396	5,853,981	288,544
TOTAL REVENUES		**252,543,661**		**225,093,952**	
Changes in inventory		-341,150		2,129,664	
Costs of raw materials, cons. and goods for resale	(23)	-73,240,498		-65,366,354	
Costs of services	(24)	-73,239,308	-401,830	-70,528,666	-403,524
Costs for use of third parties assets	(25)	-23,379,506	-2,667,442	-22,505,692	-2,790,254
Labour costs	(26)	-59,751,520		-61,007,720	
Other operating expenses	(27)	-4,204,238		-4,276,521	
Amortisation, write-downs and provisions	(28)	-14,823,180		-16,662,765	
Financial Income / (expenses)	(29)	-4,811,418		-1,481,640	
PROFIT / LOSS BEFORE TAXES		**-1,247,157**		**-14,605,742**	
Income Taxes	(30)	-2,859,885		350,336	
NET PROFIT / LOSS		**-4,107,042**		**-14,255,406**	
(Profit) / loss attributable to minority shareholders		-172,512		1,748,789	
NET PROFIT / LOSS FOR THE GROUP		**-4,279,554**		**-12,506,617**	

ATTACHMENT IV

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2011	of which Related parties	Full Year 2010	of which Related parties
OPENING BALANCE		**4,512**		**5,337**	
Profit before taxes		-1,247	-2,561	-14,606	-2,171
Amortisation / write-downs		14,823		16,662	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-1,605		-413	
Paid income taxes		-2,579		-2,227	
Financial income (-) and financial charges (+)		4,811		1,482	
Change in operating assets and liabilities		-233	-184	-152	229
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**13,970**		**746**	
Increase (-)/ decrease (+) in intangible fixed assets		-6,082		-4,940	
Increase (-)/ decrease (+) in tangible fixed assets		-4,820		-5,039	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		353		3,727	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-10,549**		**-6,252**	
Other variations in reserves and profits carried-forward of shareholders' equity		-1,240		-694	
Dividends paid		0		0	
Proceeds (+)/ repayments (-) of financial payments		6,489		7,033	
Increase (-)/ decrease (+) in long term financial receivables		73		-176	
Financial income (+) and financial charges (-)		-4,811		-1,482	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**511**		**4,681**	
CLOSING BALANCE		**8,444**		**4,512**	

ATTACHMENT V

Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities (art.78 regolamento Consob n. 11971/99)

Name	Office held in 2011	Period in office	Expiration *	Compensa-tion for office held	Non-cash benefits	Bonuses and other incentives	Other fees	Total
DIRECTORS								
Massimo Ferretti	Chairman	01/01-31/12/2011	2014	605			256	861
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2011	2014	455			110	565
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2011	2014	254			98	352
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2011	2014	331 **			87	418
Marco Salomoni	Indipendent, non executive Director	21/04-31/12/2011	2014	20				20
Umberto Paolucci	Indipendent, non executive Director	01/01-21/04/2011		20				20
Roberto Lugano	Indipendent, non executive Director	01/01-31/12/2011	2014	27			3	30
Pierfrancesco Giustiniani	Indipendent, non executive Director	01/01-31/12/2011	2014	30				30
STATUTORY AUDITORS								
Pierfrancesco Sportoletti	President of the Board of Statutory Auditors	21/04-31/12/2011	2014	7				7
Romano Del Bianco	Statutory auditor	01/01-31/12/2011	2014	10			9	19
Bruno Piccioni	Statutory auditors	01/01-21/04/2011		3			8	11
Fernando Ciotti	Statutory auditor	01/01-31/12/2011	2014	10			16	26
EXECUTIVE WITH STRATEGIC RESPONSABILITIES								
Antonella Tomasetti	Chief Executive Officer of Pollini and Pollini Retail					62	320	382
Alessandro Varisco	Managing Director of Moschino						401	401
Matsumi Mitsuyasu	Chief Executive Officer of Aeffe Japan and Moschino Japan				49		307	356
Michelle Stein	Chairman of Aeffe Usa						323	323
Total				**1,772**	**49**	**62**	**1,938**	**3,822**
							(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 and fees for Inspection committee

(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 2010	Options held at 31/12/10			Options granted in 2011			Options exercised in 2011			Expired options	Options held at the end of 2011		
(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	198,244	4.1	2015								198,244	4.1	2015
Alberta Ferretti	Deputy Chairman and Executive Director	198,244	4.1	2015								198,244	4.1	2015
Simone Badioli	Chif Executive Officer and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Marcello Tassinari	Managing Director and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Other employees of the Group		66,081	4.1	2015								66,081	4.1	2015
Total		**840,177**										**840,177**		

ATTACHMENT VII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2010

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2010	STATUTORY FINANCIAL STATEMENTS 2009
BALANCE SHEET		
ASSETS		
Intangible fixed assets	288,854	296,269
Equity investments	81,124,592	80,785,928
Non current assets	**81,413,446**	**81,082,197**
Trade receivables	429,335	273,510
Tax receivables	7,346,874	7,217,792
Cash	21,345	417,540
Other receivables	121,897	102,444
Current assets	**7,919,451**	**8,011,286**
Total assets	**89,332,897**	**89,093,483**
LIABILITIES		
Share capital	100,000	100,000
Share premium reserve	67,783,322	67,783,322
Other reserves	284,850	31,125
Profits / (losses) carried-forward	-	-
Net profit / loss	-89,475	253,725
Shareholders' equity	**68,078,697**	**68,168,172**
Long term financial liabilities	10,500,000	10,500,000
Non-current liabilities	**10,500,000**	**10,500,000**
Trade payables	10,754,200	10,425,311
Current liabilities	**10,754,200**	**10,425,311**
Total shareholders' equity and liabilities	**89,332,897**	**89,093,483**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	49,500	-
Total revenues	**49,500**	**0**
Operating expenses	-61,889	-92,870
Amortisation and write-downs	-18,699	-18,201
Provisions	-1,467	-1,490
Financial income / (expenses)	22,395	43,808
Income / (expenses) from affiliates	-	280,980
Financial assets adjustments	-	-
Extraordinary income /(expenses)	-2,063	37,864
Profit / (loss) before taxes	**-12,223**	**250,091**
Income taxes	-77,252	3,634
Net profit / (loss)	**-89,475**	**253,725**

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 2011.

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.

8 March 2012

President of the board of directors

Massimo Ferretti

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

Marcello Tassinari

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2011

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

Global activity slowed considerably during 2011, but did not collapse. The tensions affecting sovereign debt in the euro area, combined with ongoing uncertainty about the stability of public sector finances in the United States, are hindering the growth prospects of the advanced economies.

In particular, economic activity in Italy has been affected by the domestic and international situation, with a rise in unemployment and a drop in GDP. Against this, inflationary pressures have eased in view of the moderation of costs and the weakness of demand.

Nevertheless, the outlook for the global economy is still clouded by numerous uncertainties linked to the effects of work to stabilize public sector accounts in the advanced economies. On the one hand, the repercussions of the sovereign debt crisis in Europe are not yet readily quantifiable: continuing difficulties with the sourcing of funds by the European banking sector could reduce its ability to provide credit to the economy, fueling a downward spiral reflected in lower production, the weakness of the financial sector and further sovereign debt risks. On the other, economic growth in the United States might ease by two percentage points in the current year, if certain fiscal stimulus measures implemented in prior years are not extended to 2012 as well.

Internationally, economic activity recovered during the second half of 2011 in the United States, Japan and the United Kingdom, while the emerging countries experienced a moderate slowdown.

Gross world product rose by an average of 3.8% over the course of 2011, and is expected to slow to 3.4% this year. As indicated above, the pace of recovery differed between the advanced and the emerging economies: while growth has increased by 2.0% in the United States and Japan, it is slowing in China (from 10.4% in 2010 to 9.3% in 2011 and a forecast 8.3% in 2012), India (from 10.4% in 2010 to 7.7% in 2011 and a forecast 7.2% in 2012) and Brazil (from 6.6% in 2010 to 4.5% in 2011 and a forecast 3.8% in 2012).

European GDP was essentially stagnant, with a decline of 0.2% reported in December 2011, leading to growing uncertainty, action to contain public sector deficits and a slowdown in exports. By contrast, inflationary pressures have eased.

The euro has depreciated against the dollar, sterling and the yen (by respectively 6.2%, 4.9% and 6.0%). Forecasts for 2012 suggest a rate of 1.2 euro to the dollar if there is a major crisis in the euro area, but about 1.3 otherwise.

Turning to the macroeconomic situation in Italy, the principal challenges include: the slowdown in world trade and the deepening of the sovereign debt crisis, which has increased borrowing costs. Disposable incomes have also been hit by the corrective measures taken in relation to public sector finances, which however have avoided more serious consequences for the real economy.

Italian GDP rose by 0.5% in 2011, but will contract by 1.6% in 2012 before returning to growth in 2013 (+0.6%). Output is affected by slack domestic demand, which reflects the weakness of both household disposable income (+1.0% in 2010; +0.6% in 2011 and -1.0% in 2012) and investment (+2.4% in 2010; +1.1% in 2011 and -4.8% in 2012). By contrast, export sales continue to sustain growth despite the slowdown in world trade (+12.2% in 2010, +4.2% in 2011 and +0.2% in 2012).

The tensions in financial markets, the slackness of demand, the difficulty of obtaining bank finance and the considerable pressures on liquidity all combined to weaken industrial activity in 2011: business confidence in the macroeconomic situation and near-term prospects has deteriorated. The operating profitability of firms was unchanged, but the level of self-financing declined.

The President of Confindustria noted that the pace of recovery from the crisis faltered during 2011, due to the worsening macroeconomic situation. The biggest challenges remain associated with domestic demand. Business growth has been slowing for some time and development of the nation's infrastructure has ceased. The obsolescence of highly strategic networks means that a change of direction is necessary in order to sustain Italy's ability to compete. In the face of the challenges that 2012 is likely to pose, however, investments in infrastructures, both in terms of new works and the maintenance of existing assets, could provide a counter-cyclical instrument for promoting a return to economic growth at national level.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

Finally, with particular reference to the fashion and luxury goods sector, estimates presented by Bain & Company at the Altagamma conference, indicate that the luxury market turned its back on the recession in 2010, with 13% growth in turnover. This performance surpassed expectations, considering the general situation described above and such external factors as the tsunami in Japan and the financial turbulence experienced in the summer. Bain's research shows growth in all markets, but especially in Asia and particularly in China, where the luxury goods sector is thought to have expanded by 35% in 2011. The markets in Turkey and Brazil also performed very well. Growth in Europe was facilitated by the weakness of the euro, which stimulated tourism. Looking at the various distribution channels, retail expansion has been the real driver over the past two years, but on-line shopping is experiencing the fastest rate of growth, although its impact is still marginal (2.6% of total sales).

The outlook for the fashion industry remains positive, despite the above comments and the slowdown seen towards the end of 2011. This optimism reflects the fact that firms are properly prepared to tackle the crisis and, compared with 2008/2009, are more confident of their strength in international markets.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in units of EUR)	Full year 2011	% on revenues	Full year 2010	% on revenues	Change 2011/10	%
REVENUES FROM SALES AND SERVICES	**125,238,939**	**100.0%**	**115,918,073**	**100.0%**	**9,320,866**	**8.0%**
Other revenues and income	5,858,211	4.7%	5,060,659	4.4%	797,552	15.8%
TOTAL REVENUES	**131,097,150**	**104.7%**	**120,978,732**	**104.4%**	**10,118,418**	**8.4%**
Changes in inventory	996,681	0.8%	-1,833,195	-1.6%	2,829,876	-154.4%
Costs of raw materials, cons. and goods for resale	-43,128,112	-34.4%	-37,470,337	-32.3%	-5,657,775	15.1%
Costs of services	-43,124,831	-34.4%	-42,482,589	-36.6%	-642,242	1.5%
Costs for use of third parties assets	-12,115,424	-9.7%	-11,045,884	-9.5%	-1,069,540	9.7%
Labour costs	-22,088,460	-17.6%	-23,132,976	-20.0%	1,044,516	-4.5%
Other operating expenses	-1,908,860	-1.5%	-2,171,782	-1.9%	262,922	-12.1%
Total Operating Costs	-121,369,006	-96.9%	-118,136,763	-101.9%	-3,232,243	2.7%
GROSS OPERATING MARGIN (EBITDA)	**9,728,144**	**7.8%**	**2,841,969**	**2.5%**	**6,886,175**	**242.3%**
Amortisation of intangible fixed assets	-235,154	-0.2%	-154,031	-0.1%	-81,123	52.7%
Depreciation of tangible fixed assets	-2,313,140	-1.8%	-2,416,627	-2.1%	103,487	-4.3%
Revaluations (write-downs)	-400,000	-0.3%	-200,000	-0.2%	-200,000	100.0%
Total Amortisation and write-downs	-2,948,294	-2.4%	-2,770,658	-2.4%	-177,636	6.4%
NET OPERATING PROFIT / LOSS (EBIT)	**6,779,850**	**5.4%**	**71,311**	**0.1%**	**6,708,539**	**9407.4%**
Financial income	731,654	0.6%	687,429	0.6%	44,225	6.4%
Financial expenses	-4,292,688	-3.4%	-2,857,180	-2.5%	-1,435,508	50.2%
Total Financial Income / (expenses)	-3,561,034	-2.8%	-2,169,751	-1.9%	-1,391,283	64.1%
PROFIT / LOSS BEFORE TAXES	**3,218,816**	**2.6%**	**-2,098,440**	**-1.8%**	**5,317,256**	**-253.4%**
Current income taxes	-766,945	-0.6%	-414,206	-0.4%	-352,739	85.2%
Deferred income / (expenses) taxes	-734,984	-0.6%	322,419	0.3%	-1,057,403	-328.0%
Total Income Taxes	-1,501,929	-1.2%	-91,787	-0.1%	-1,410,142	1536.3%
NET PROFIT / LOSS	**1,716,887**	**1.4%**	**-2,190,227**	**-1.9%**	**3,907,114**	**-178.4%**

Revenues from sales and services

Revenues increase by 8%, from EUR 115,918 thousand in 2010 to EUR 125,239 thousand in 2011.

Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services increase by 5.7%;
- Moschino and Cheap & Chic - revenues from sales and services increase by 7.8%;
- Jean Paul Gaultier - revenues from sales and services decrease by 3.7%.
- Other minority brands - revenues from sales and services reported a general increase;

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

Labour costs

Labour costs decrease from EUR 23,133 thousand in 2010 to EUR 22,088 thousand in 2011.

Gross Operating Margin (EBITDA)

EBITDA increases from 2.5% in 2010 to 7.8% in 2011, representing an increase in absolute terms of EUR 6,886 thousand.

Profitability is positively influenced by the increase in revenues and the lower incidence of the operating costs thanks to the policy of costs' reduction and efficiency improvement implemented by the company's management.

Net operating profit (EBIT)

Net operating profit increases from 0.1% in 2010 to 5.4% in 2011.

Profit / loss before taxes

Profit / loss before taxes increases from EUR -2,098 thousand in 2010 to EUR 3,219 thousand in 2011.

Net profit / loss

Net Profit / loss increases from EUR -2,190 thousand in 2010 to EUR 1,717 thousand in 2011.

BALANCE SHEET

(Values in units of EUR)	31 December 2011	31 December 2010
Trade receivables	77,364,637	69,056,407
Stock and inventories	24,217,397	23,359,095
Trade payables	-75,903,318	-68,854,572
Operating net working capital	**25,678,716**	**23,560,930**
Other short term receivables	14,365,289	14,289,535
Tax receivables	6,424,568	4,255,102
Other short term liabilities	-6,164,357	-5,746,750
Tax payables	-1,461,254	-1,392,063
Net working capital	**38,842,962**	**34,966,754**
Tangible fixed assets	47,686,978	49,087,028
Intangible fixed assets	4,167,825	4,190,589
Equity investments	102,949,424	95,570,635
Other fixed assets	42,179,874	42,331,582
Fixed assets	**196,984,101**	**191,179,834**
Post employment benefits	-4,652,492	-5,217,927
Provisions	-496,775	-661,800
Long term not financial liabilities	-4,578,343	-3,292,540
Deferred tax assets	6,543,558	7,038,552
Deferred tax liabilities	-8,226,319	-7,775,163
NET CAPITAL INVESTED	**224,416,692**	**216,237,710**
Share capital	25,371,407	25,371,407
Other reserves	108,956,227	111,146,453
Profits/(Losses) carried-forward	2,174,878	2,174,878
Profits/(Loss) for the period	1,716,887	-2,190,227
Shareholders' equity	**138,219,399**	**136,502,511**
Cash	-105,532	-852,067
Long term financial liabilities	7,023,827	13,175,551
Short term financial liabilities	79,278,998	67,411,715
NET FINANCIAL POSITION	**86,197,293**	**79,735,199**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**224,416,692**	**216,237,710**

NET CAPITAL INVESTED

Net capital invested increases by 3.8% since 31 December 2010.

Net working capital

Net working capital amounts to EUR 38,843 thousand at 31 December 2011 compared with EUR 34,967 thousand at 31 December 2010. Changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables increases in all by 9% (EUR 2,118 thousand). Such change is mainly related to the positive trend of sales recorded during the 2011;

- the variation in tax receivables is mainly due to the increase of VAT receivables as a consequence of the rise in supplying made in Italy.

Fixed assets

Fixed assets increase by EUR 5,804 thousand since 31 December 2010. The changes in the main items are described below:

- tangible fixed assets decrease of EUR 1,400 thousand as a consequence of the investments for EUR 923 thousand for setting up new corners and shop in shops, information tools and general and specific plant and machinery, depreciation for EUR 2,313 thousand and disposals for EUR 10 thousand;
- intangible fixed assets decrease of EUR 23 thousand due to investments in software for EUR 212 thousand and amortisation for EUR 235 thousand;
- equity investments increase of EUR 7,379 thousand due to the following operation:
    - cover of operating losses of the subsidiary Velmar S.p.A. for EUR 1,300 thousand through a capital contribution payment;
    - cover of operating losses of the subsidiary Aeffe Retail S.p.A. for EUR 4,000 thousand through a credit waiver;
    - equity increase in the subsidiary Aeffe Japan Co. Ltd. for EUR 879 thousand through a credit waiver;
    - acquisition from York S.r.l. of the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1,200 thousand, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

NET FINANCIAL POSITION

The Company's net financial position improves from EUR 79,375 thousand as of 31 December 2010 to EUR 86,197 thousand as of 31 December 2011. The increase is mainly due to the following events:

- investments in intangible and tangible fixed assets during the year;
- loans and payment extension to the subsidiaries, in line with the management strategy of the group financial needs;
- cover of operating losses of the subsidiary Velmar S.p.A. through a capital contribution payment of EUR 1,300 thousand;
- payment of EUR 1,200 thousand related to the acquisition of the remaining 28% of Pollini S.p.A..

SHAREHOLDERS' EQUITY

Total shareholders' equity increases by EUR 1,717 thousand due to the profits of the year.

3. RESEARCH & DEVELOPMENT

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

These costs, totalling EUR 19,037 thousand, have been charged to the 2011 Income Statement.

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

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

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

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

The average cost of borrowing is essentially linked to 3/6-month EURIBOR plus a spread that principally depends on the type of financial instrument used.

The exchange risk associated with commercial transactions not denominated in the functional currency is hedged by the opening of loans in foreign currency.

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

5. INFORMATION ABOUT SHARE CAPITAL

Information about the share capital is provided in the Report on Corporate Governance prepared pursuant to arts. 124 bis of the Consolidated Finance Law and 89 bis of the Consob's Issuers' Regulations, and art. IA2.6 of the related Market Instructions. This report was approved by the Board of Directors on 08 March 2012 and is available in the Governance section of the Company's website: www.aeffe.com

The following parties hold each more than 2% of the Company's shares as of 31 December 2011:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37.387%
I.M. Fashion S.r.l.	24.410%
Mediobanca S.p.A.	2.060%
Tullio Badioli	4.680%
Other shareholders(*)	31.463%

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

6. TREASURY SHARES

As of 31 December 2011, the Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital. During the year no transactions on treasury shares have been carried out by the Company.

As of 31 December 2011 the Company does not hold shares of any controlling company either directly or indirectly.

7. INTEREST HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(art. 79 of Consob Regulation n. 11971/99)

Name and Surname	N. of shares held at 31/12/10	N. of shares bought in 2011	Change in n, of shares held by incoming/(outgoing) membersN. of shares	N. of shares held at 31/12/11
Alberta Ferretti	40,000	-	-	40,000
Massimo Ferretti	63,000	-	-	63,000
Simone Badioli	26,565	-	-	26,565
Romano Del Bianco	55,556	-	-	55,556

8. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Notes 36 and 37 of the Financial Statements at 31 December 2011.

9. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

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

As regards the environment, once again, the business of our Company does not have any particular impact on the environment, other than energy consumption, significantly reduced thanks to the installation of a renewable energy system (photovoltaic), and in opposition a further contraction in CO_2 emission. We can therefore report that, during the year, the Company was not declared guilty of causing any damage to the environment, and did not receive any sanctions or penalties for environmental crimes or damage.

10. SIGNIFICANT EVENTS OF THE PERIOD

On 16 February 2011, Aeffe S.p.A. has acquired from York S.r.l. the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1,200 thousand, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date no significant events regarding the Company's activities have to be reported.

12. OUTLOOK

The good data collected from the Spring/summer 2012 and the positive trend we are registering on the orders backlog for Autumn/Winter 2012/2013 make us confident for the positive evolution of the business for the current year both in term of revenues growth and a more than proportional increase in profitability.

13. PRIVACY

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

14. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2011

Shareholders,

In presenting the financial statements as of 31 December 2011 for your approval, we propose to allocate that the profit of the year of EUR 1,716,887 be allocated as follows:

- Legal Reserve, EUR 85,844;
- Extraordinary Reserve, EUR 1,631,043.

08 March 2012

For the Board of Directors

Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2011	31 December 2010	Change 2010/09
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademarks		3,903,241	4,029,003	-125,762
Other intangible fixed assets		264,584	161,586	102,998
Total intangible fixed assets	(1)	4,167,825	4,190,589	-22,764
Tangible fixed assets				
Lands		15,803,400	15,803,400	0
Buildings		24,454,154	24,740,373	-286,219
Leasehold improvements		2,657,259	3,135,972	-478,713
Plant and machinary		4,122,878	4,739,367	-616,489
Equipment		49,236	81,668	-32,432
Other tangible fixed assets		600,051	586,248	13,803
Total tangible fixed assets	(2)	47,686,978	49,087,028	-1,400,050
Other fixed assets				
Equity investments	(3)	102,949,424	95,570,635	7,378,789
Other fixed assets	(4)	42,179,874	42,331,582	-151,708
Deferred tax assets	(5)	6,543,558	7,038,552	-494,994
Total other fixed assets		151,672,856	144,940,769	6,732,087
TOTAL NON-CURRENT ASSETS		**203,527,659**	**198,218,386**	**5,309,273**
CURRENT ASSETS				
Stocks and inventories	(6)	24,217,397	23,359,095	858,302
Trade receivables	(7)	77,364,637	69,056,407	8,308,230
Tax receivables	(8)	6,424,568	4,255,102	2,169,466
Cash	(9)	105,532	852,067	-746,535
Other receivables	(10)	14,365,289	14,289,535	75,754
TOTAL CURRENT ASSETS		**122,477,423**	**111,812,206**	**10,665,217**
TOTAL ASSETS		**326,005,082**	**310,030,592**	**15,974,490**

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

BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	31 December 2011	31 December 2010	Change 2010/09
SHAREHOLDERS' EQUITY				
Share capital		25,371,407	25,371,407	0
Share premium reserve		71,240,251	71,240,250	1
Other reserves		28,888,368	31,078,595	-2,190,227
Fair Value reserve		7,742,006	7,742,006	0
IAS reserve		1,085,602	1,085,602	0
Profits / (Losses) carried-forward		2,174,878	2,174,878	0
Net profit / loss		1,716,887	-2,190,227	3,907,114
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**138,219,399**	**136,502,511**	**1,716,888**
NON-CURRENT LIABILITIES				
Provisions	(12)	496,775	661,800	-165,025
Deferred tax liabilities	(5)	8,226,319	7,775,163	451,156
Post employment benefits	(13)	4,652,492	5,217,927	-565,435
Long term financial liabilities	(14)	7,023,827	13,175,551	-6,151,724
Long term not financial liabilities	(15)	4,578,343	3,292,540	1,285,803
TOTAL NON-CURRENT LIABILITIES		**24,977,756**	**30,122,981**	**-5,145,225**
CURRENT LIABILITIES				
Trade payables	(16)	75,903,318	68,854,572	7,048,746
Tax payables	(17)	1,461,254	1,392,063	69,191
Short term financial liabilities	(18)	79,278,998	67,411,715	11,867,283
Other liabilities	(19)	6,164,357	5,746,750	417,607
TOTAL CURRENT LIABILITIES		**162,807,927**	**143,405,100**	**19,402,827**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**326,005,082**	**310,030,592**	**15,974,490**

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

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2011	Full year 2010
REVENUES FROM SALES AND SERVICES	**(20)**	**125,238,939**	**115,918,073**
Other revenues and income	(21)	5,858,211	5,060,659
TOTAL REVENUES		**131,097,150**	**120,978,732**
Changes in inventory		996,681	-1,833,195
Costs of raw materials, cons. and goods for resale	(22)	-43,128,112	-37,470,337
Costs of services	(23)	-43,124,831	-42,482,589
Costs for use of third parties assets	(24)	-12,115,424	-11,045,884
Labour costs	(25)	-22,088,460	-23,132,976
Other operating expenses	(26)	-1,908,860	-2,171,782
Amortisation and write-downs	(27)	-2,948,294	-2,770,658
Financial Income / (expenses)	(28)	-3,561,034	-2,169,751
PROFIT / LOSS BEFORE TAXES		**3,218,816**	**-2,098,440**
Income Taxes	(29)	-1,501,929	-91,787
NET PROFIT / LOSS		**1,716,887**	**-2,190,227**

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

CASH FLOW STATEMENT (*)

	Notes	Full Year 2011	Full Year 2010
OPENING BALANCE		**851**	**454**
Profit before taxes		3,219	-2,098
Amortisation		2,948	2,771
Accrual (+)/availment (-) of long term provisions and post employment benefits		-730	-1,770
Paid income taxes		-698	-373
Financial income (-) and financial charges (+)		3,561	2,170
Change in operating assets and liabilities		-2,848	-4,418
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**5,452**	**-3,719**
Increase (-)/ decrease (+) in intangible fixed assets		-212	-139
Increase (-)/ decrease (+) in tangible fixed assets		-913	-556
Investments (-)/ Disinvestments (+)		-7,379	-7,574
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**-8,504**	**-8,268**
Other variations in reserves and profits carried-forward of shareholders' equity		0	-33
Dividends paid		0	0
Proceeds (+)/repayments (-) of financial payments		5,716	11,793
Increase (-)/ decrease (+) in long term financial receivables		152	2,795
Financial income (+) and financial charges (-)		-3,561	-2,170
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**2,306**	**12,385**
CLOSING BALANCE		**105**	**851**

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in units of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 31 December 2009	**25,371**	**71,240**	**36,250**	**7,742**	**1,139**	**2,155**	**- 5,171**	**138,726**
Allocation of 2009 profit/(loss)			- 5,171				5,171	
Total income/(loss) of 2010							- 2,190	- 2,190
Other movements (incorporation of Ferretti Studio)					- 53	20		- 33
BALANCES AT 31 December 2010	**25,371**	**71,240**	**31,079**	**7,742**	**1,086**	**2,175**	**- 2,190**	**136,503**

(Values in units of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 31 December 2010	**25,371**	**71,240**	**31,079**	**7,742**	**1,086**	**2,175**	**-2,190**	**136,503**
Allocation of 2010 profit / loss			-2,190				2,190	
Total income/(loss) of 2011							1,717	1,717
BALANCES AT 31 December 2011	**25,371**	**71,240**	**28,889**	**7,742**	**1,086**	**2,155**	**1,717**	**138,220**

Report of the Board of Statutory Auditors to the shareholders' meeting of AEFFE S.p.A. on the 2011 financial statements, issued pursuant to article 153 of Italian Legislative Decree 58/98 and art. 2429, paragraph 3 of the Italian Civil Code.

Stockholders,

in the course of the year ended 31 December 2011, we performed monitoring activities in accordance with the civil code, articles 148 et seq. of Legislative Decree No. 58 of 24 February 1998, Legislative Decree No. 39 of 27 January 2010 and the guidelines set out in CONSOB's communications regarding company audits and the activities of the Board of Statutory Auditors, and taking account of the Principles of Conduct recommended by the Italian Accounting Profession.

This report has been written in accordance with the legislation governing stock-market listed companies, because AEFFE S.p.A.'s stocks are traded in the STAR segment of the market operated by Borsa Italiana S.p.A..

The financial statements were drawn up in compliance with the international accounting principles (I.A.S./I.F.R.S.), in observance of article 2 of Legislative Decree 38 dated 28 February 2005.

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

The duty of disclosure to the Board of Statutory Auditors established in art. 150.1 of Legislative Decree No. 58 of 24 February 1998 and art. 19.2 of the Statute, was fulfilled by means of consultations with the Company's Managing Director. These consultations, intended to ensure a constant and systematic flow of information to the Board of Statutory Auditors and to the Directors - particularly the "non-executive" Directors - enabled the Board of Statutory Auditors to obtain information about: the activities carried out; the principal economic, financial and capital transactions; intra-group and related-party transactions; any atypical or unusual transactions, and all other activities and transactions deemed worthy of the attention of the recipients of the Report.

1. Based on the information received and on the specific analyses conducted, it emerged that the operations of greatest economic and financial impact that the company carried out, including through directly or indirectly held companies, are essentially the following:

- acquisition of the residual capital stock of POLLINI S.p.A., to become the sole stockholder. POLLINI S.p.A., in turn, acquired the entire capital stock of POLLINI Retail S.r.l., thus becoming the latter's sole stockholder;
- adoption of a solidarity contract aimed at reducing the working hours of skilled workers, in accordance with a specific agreement signed between the company and the local union representatives and union organisations, and use throughout 2011 of the short-time allowance fund on an exceptional basis, for approximately 30 employees;
- holding at year-end of 5,876,878 treasury shares, with a nominal value €uro 0.25 each, representing 5.473% of capital stock. No purchases were made during the year covered by this Report.

The Board of Statutory Auditors verified that the above transactions complied with the law, the Statute and the principles of proper administration, checking that they were not obviously imprudent or risky, subject to potential conflicts of interest, in contrast with resolutions adopted by the stockholders, or likely to jeopardize the net assets of the Company.

2. The Board of Statutory Auditors regularly exchanged information with the committees and bodies tasked with the control of the company, and attended all meetings with the following:

- The Supervisory Board, established according to Legislative Decree No. 231 of 8 June 2001, for the purpose of verifying the implementation of new models and application of the procedures;

- the Internal Audit Committee, for the purpose of obtaining information about activities in progress, inspection programmes and internal audit system implementation plans;
- The Compensation Committee, for the purpose of taking note of the work done during the year.

3. With regard to Co.N.So.B. Communication 1025564 dated 6 April 2001, we confirm that, during 2011 and subsequent to year end, we identified no atypical and/or unusual transactions carried out with third parties and/or with related parties.

4. The Statutory Board of Auditors verified the conformity of the Procedure for Transactions with Related Parties established by the Company in the prior year in accordance with Consob Regulation 17221 of 12 March 2010 and the principles set down in the Regulation, and monitored the company's effective compliance with the Procedure.

With regard to the above transactions, the Company carries out economic, financial and capital transactions with Group companies. These are appropriately described in the explanatory notes attached to the Report on Operations and are highlighted in the various captions of the financial statements. Having examined the documentation governing infra-group financial transactions, the Board of Statutory auditors believes that the amounts are congruous and the transactions - carried out at market values - are in the interests of the company and can be reasonably considered to adhere to principles of good administration, consistent with the Statute and in keeping with the spirit of the legislation in force.

5. The Board of Statutory Auditors believes that the information about intercompany and related-party transactions provided by the Directors in the explanatory notes to the financial statements of AEFFE S.p.A. is adequate.

6. The auditing firm sent the Board of Statutory Auditors its reports on the company's statutory financial statements and on the Group's consolidated financial statements, issued pursuant to articles 14 and 16 of Decree No. 39 of 27 January 2010, expressing an opinion containing no significant findings and/or exceptions.

7. During the year, the Board of Statutory Auditors received no reports of alleged irregularities pursuant to article 2408 of the civil code, or any other reports of alleged irregularities of any kind.

8. The Board of Statutory Auditors did not release any opinions during 2011.

9. The auditing firm was not engaged to perform any work additional to the accounting checks and legal audit of the financial statements, and no issues emerged with regard to the independence of the auditing firm. The Board of Statutory Auditors requested and received a specific declaration in this regard from the auditing firm, pursuant to the provisions of art. 17.9.a) of Decree 39/2010.

10. Based on a declaration from the Directors, confirmed by the auditing firm, no parties linked to the latter by an ongoing relationship have been engaged to perform work.

11. During 2011, the company's Board of Directors held four meetings, the Audit Committee held five and the Compensation Committee held three. The Board of Statutory Auditors met seven times during the year; in addition, it attended: (i) the stockholders' meeting held to approve the financial statements as of 31 December 2010; (ii) all the meetings of the Board of Directors; (iii) all the meetings of the Audit Committee held in 2011 which, under the regulations, must be attended by the Chairman of the Board of Statutory Auditors or by an Auditor designated by him.

12. Within its own sphere of competence, the Board of Statutory Auditors apprised itself of and monitored the company's adherence to the principles of correct administration, by means of direct observations and meetings with the managers of the Auditing Firm, as established by article 150.3 of Legislative Decree No. 58 of 24 February 1998, and by CONSOB Communication No. DAC/99023932 of 29 March 1999. The above meetings did not reveal any significant information or data that should be presented in this report.

In particular, with regard to the decision-making processes adopted by the Board of Directors, the Board of Statutory Auditors checked, by direct participation at board meetings and otherwise, that the operational decisions taken by the Directors complied with the law and the Statute, and checked that the related resolutions were supported by analyses and opinions - prepared internally or, when necessary, by external professionals - concerning, in particular, the economic and financial fairness of the transactions and, consequently, their consistency with the interests of the Company.

13. The Board of Statutory Auditors also:

- acquainted itself with and supervised, within its own sphere of competence, the adequacy of the organisational structure of the company and its operation;
- supervised the company's audit system and assessed its adequacy, also through: (i) periodic meetings with the internal audit manager; (ii) participation in the meetings of the Audit Committee; (iii) consultation of documentation relating to the control procedures adopted;
- assessed and monitored the adequacy of the administrative and accounting system, and its reliability in terms of presenting fairly the results of operations, by obtaining information from the managers of the competent business functions, examining corporate documentation, and noting the results of the work performed by the auditing firm;
- monitored the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114.2 of Legislative Decree No. 58 dated 24 February 1998;
- exchanged information with the corresponding bodies of the subsidiary companies pursuant to article 151.2 of Legislative Decree No. 58 dated 24 February 1998;
- verified the company's compliance with the provisions of the law and the statute, and with the principles of correct administration;
- monitored the practical implementation of rules of corporate governance established by the Code of Self-Regulation adopted by Borsa Italiana S.p.A. to which the company subscribed, including the assessment of the endo-procedural criteria adopted by the Board of Directors and the internal committees;
- verified adherence to the criteria of independence of each of its members throughout the year, as required by the Code of Self-Regulation.

14. The Board of Statutory Auditors checked, by direct verification and information obtained from the auditing firm, that the preparation and format of the financial statements and the report on operations comply with the related laws and regulations. The monitoring activities performed and the information obtained from the auditing firm did not reveal any omissions, censurable facts, irregularities or other significant facts that should be reported to the control bodies or mentioned in this report. In addition, the Board of Statutory Auditors examined the accounting policies adopted for the preparation of the financial statements, which comply with the regulatory requirements.

15. The Company adheres to the principles and recommendations contained in the Code of Self-Regulation prepared, at the request of Borsa Italiana, by the Committee for the Corporate Governance of Listed Companies.

In the course of the year under examination, the Company renewed the membership of its administrative body, which is made up of seven directors, by appointing three non-executive directors, two of whom were certified as independent by the Board of Directors, further to the appropriate checks. The company also appointed a Lead Independent Director.

The Board of Directors set up, from among its own members, both the Compensation Committee, made up of independent and non-executive directors, and the Audit Committee, also made up of independent and non-executive directors.

16. The Board of Statutory Auditors checked the proper application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members, in accordance with the

requirements envisaged in the Code of Self-Regulation prepared, at the request of Borsa Italiana, by the Committee for the Corporate Governance of Listed Companies.

Further information about the corporate governance of the Company is available in the specific report on the subject.

In conclusion, the Board of Statutory Auditors expresses a positive opinion on the system of corporate governance adopted by the Company.

17. The monitoring and control activities carried out by the Board of Statutory Auditors - described above - did not identify any significant facts to be reported to the supervisory and control bodies, or worthy of mention in this report.

18. Having seen the disclosures of the financial statements for the year ended 31 December 2011, and pursuant to and by virtue of art. 153 of Legislative Decree No. 58 of 24 February 1998, the Board of Statutory Auditors has no objections to raise with regard to the proposed resolution submitted by the Board of Directors.

San Giovanni in Marignano, 28 March 2012

For the Board of Statutory Auditors

Pier Francesco SPORTOLETTI	**Chairman**
Romano DEL BIANCO	**Statutory auditor**
Fernando CIOTTI	**Statutory auditor**

"Free translation from the original in Italian".

List of directorships and audit appointments held by the members of the Board of Statutory Auditors as of 28 March 2012, date of issue of that Board's Report to the Stockholders' Meeting

Attachment pursuant to art. 144 quinquesdecies of the Issuers' Regulation, prepared in accordance with the instructions contained in Attachment 5-bis, Template 4 of the above Regulation

Name	Appointment held	Expiry of mandate (approval financial statements at)
Pier Francesco SPORTOLETTI		
Appointments in other issuer: 0		
Aeffe S.p.A	Chairman of the Board of Statutory	31/12/13
Cofiter S.p.A.	Serving Auditor	31/12/13
Azienda Agricola Terenzi S.r.l.	Serving Auditor	31/12/12
Telse S.r.l.	Sole Director	Resignation/termination
Numeralia S.r.l.	Sole Director	Resignation/termination
DMT System S.p.A. in winding up	Liquidator	Resignation/termination
DMT System S.r.l. in winding up	Liquidator	Resignation/termination
Tower Service S.p.A. in winding up	Liquidator	Resignation/termination
Romano DEL BIANCO		
Appointments in other issuer: 1		
Aeffe Retail S.r.l.	Chairman of the Board of Statutory	31/12/11
Banca Popolare Valconca Soc. Coop.	Chairman of the Board of Statutory	31/12/11
Velmar S.p.A.	Serving Auditor	31/12/11
Adriatica Veicoli Industriali S.r.l.	Serving Auditor	31/12/12
Aeffe S.p.A	Serving Auditor	31/12/13
Fernando CIOTTI		
Appointments in other issuer: 0		
Pollini Retail S.r.l.	Chairman of the Board of Statutory	31/12/13
Velmar S.p.A.	Chairman of the Board of Statutory	31/12/11
Fratelli Ferretti Holding S.r.l.	Chairman of the Board of Statutory	31/12/12
IM Fashion S.r.l.	Chairman of the Board of Statutory	31/12/13
Aeffe S.p.A	Serving Auditor	31/12/13
Aeffe Retail S.r.l	Serving Auditor	31/12/11

Auditors’ Report in accordance with Articles 14 and 16 of Legislative Decree no. 39 dated January 27, 2010

To the Shareholders of Aeffe S.p.A.

1. We have audited the financial statements of Aeffe S.p.A. as of December 31, 2011, which comprise the balance sheet statement, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes. The Directors of Aeffe S.p.A. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, the amounts of which are presented for comparative purpose, reference should be made to our report dated March 30, 2011.

3. In our opinion, the financial statements of Aeffe S.p.A. as of December 31, 2011 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Aeffe S.p.A. for the period then ended.

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and the report on corporate and governance and shareholding structure, published in section “Governance” of the internet site of Aeffe S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure, with the financial statements, as required by law. For this purpose, with

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have performed the procedures required under Auditing Standards no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure are consistent with the financial statements of Aeffe S.p.A. as of December 31, 2011.

Mazars S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

Milan, Italy, March 28, 2012

This report has been translated from the original which was issued in accordance with Italian legislation.

EXPLANATORY NOTES

GENERAL INFORMATION

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

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

The Company has the following branch offices and local units:

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

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

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

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

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

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2011. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

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

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

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

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

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

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

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

FINANCIAL STATEMENT FORMATS

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

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

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

On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial instruments* that was subsequently amended. This standard, having an effective date for mandatory adoption of 1 January 2015, represents the completion of the first part of a project to replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost of 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. The most significant effect of the standard regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. Under the new standard these changes are recognised in Other comprehensive income and are not subsequently reclassified to profit or loss.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. The amendments will enable users of financial statements to improve their understanding of transfers ("derecognition") of financial assets, including an understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period.

On 20 December 2010, the IASB issued minor amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*. The first amendment replaces references to a fixed date of "1 January 2004" with the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments are effective from 1 July 2011.

On 20 December 2010, the IASB issued amendments to IAS 12 – *Income Taxes* that require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. As a result of the amendments, SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* no longer applies. These amendments are effective from 1 January 2012.

On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* replacing SIC-12 – *Consolidation-Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed *Separate Financial Statements* and addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective retrospectively from 1 January 2013.

On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements* superseding IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly-controlled Entities-Non-monetary Contributions by Ventures*. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form and requires a single method to account for interests in jointly-controlled entities, the equity method. The standard is effective retrospectively from 1 January 2013. Following the issue of the new standard, IAS 28 – *Investments in Associates* has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).

On 12 May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities , including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. The standard is effective for annual periods beginning after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective prospectively from 1 January 2013.

On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Financial Statements* requiring companies to group together items within Other Comprehensive income (loss) that may be reclassified to the profit or loss section of the income statement. The amendment is applicable from periods beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 – *Employee Benefits*. The amendments make improvements to the previous version by eliminating the option to defer the recognition of gains and losses, known as the "corridor method", and by requiring the whole of the fund's deficit or surplus to be presented in the statement of financial position, the components of cost relating to service and net interest to be recognized in profit or loss and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognized in Other comprehensive income (loss). In addition, the return on assets included in net interest costs must now be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendments also introduce the requirement for additional disclosures to be provided in the notes. The amended version of IAS 19 is applicable on retrospective basis from 1 January 2013.

On 16 December 2011, the IASB issued certain amendment to IFRS 32 – *Financial Instruments: Presentation* to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are affective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

On 16 December 2011, the IASB issued certain amendment to IFRS 7 – *Financial Instruments: Disclosures.* The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. Entities are required to apply the amendments for annual reporting periods beginning on or after 1 January 2013, and interim period within those annual periods. The required disclosures should be provided retrospectively.

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2011 are presented below:

Intangible fixed assets

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

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

Brands

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

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

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

In order to calculate the recoverable value of this brand, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to 40 years. To calculate the values on this basis is has been used for the year 2012 the budget approved by the Company management. For the remaining periods it has been used an increase in turnover with a CAGR of 2.5%. As royalty rates we used the average for the sector and as discount rate we used the average cost of capital (WACC) which is 8.3%.

Other intangible fixed assets

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

The principal amortisation rates applied are summarised below:

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

Research costs are charged to the income statement as incurred.

At 31 December 2011, the Company has not recorded intangible fixed assets with an “infinite” useful life in the intangible fixed assets.

Tangible fixed assets

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

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

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

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

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

The depreciation rates applied are summarised below:

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

Land is not depreciated.

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

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

Leasing

Finance leases

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

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

Operating leases

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

Impairment

At 31 December 2011, the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

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

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

Determination of recoverable value

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

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

Reinstatement of value

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

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

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

The written down value of goodwill is never reinstated.

Equity investments

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

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

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

Trade and other receivables

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

Inventories

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

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

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

Cash and cash equivalents

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

Provisions

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

Employee benefits

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

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

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

Financial payables

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

Bank overdrafts and loans

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

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

Trade and other payables

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

Treasury shares

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

Contributions to the capital account and for overheads

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

Revenues

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

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

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

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

Costs

Costs and expenses are recorded on an accruals basis.

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

Financial income and expense

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

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

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

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

Taxes

Income taxes for the period include current and deferred taxes. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

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.

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.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations 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.

Earnings per share

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

Main estimates used by the Management

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

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

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

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

<u>Equity investment in Pollini S.p.A.</u>: the evaluation emerges from the cash flow analysis of the entire Pollini Group. The cash flows have been gathered, for the year 2012, by the budget approved the Management. It has been also estimated cash flow projections for the year 2013, 2014, 2015 and 2016 at a growth rate in fall compared to the one used in the budget 2012. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2016. The rate

used for the cash flow discounting back is the weighted average cost of capital (WACC), specifically calculated for the Pollini Group, equal to 10.35%.

Equity investment in Aeffe Retail S.p.A., Velmar S.p.A. and Aeffe France S.a.r.l.: the evaluation emerges from the cash flow analysis of each single company. The cash flows have been gathered, for the year 2012, by the budget approved the Management. It has been also estimated cash flow projections for the year 2013, 2014, 2015 and 2016 at a growth rate basically stable compared to the one used in the budget 2012. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2016. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC) of the Group equal to 8.3%.

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
  - The inflation rate foreseen is 2.0%;
  - The discount rate used is 4.25%;
  - The expected rates of retribution increases (inclusive of inflation) are divided as follows: (i) Management 1.50%; (ii) Office staff/department heads 0.50%; (iii) laborers 0.50%
  - The annual rate in increase of the severance indemnity fund foreseen is 3.0%;
  - The expected turn-over of employees is 6% for Aeffe S.p.A.

- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
  - The voluntary turnover rate foreseen is 0.00%;
  - The corporate turnover rate foreseen is 5.00%;
  - The discount rate used is 4.25%;

OTHER INFORMATION

Management of financial risk

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

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

Liquidity and market risk

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

The main goal of these guidelines consists of:

(v) Liquidity risk

The Company manages the liquidity risk with a view to guarantee the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

(vi) Exchange risk:

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

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(vii) **Rate risk:**

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

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

As of 31 December 2011 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 360 thousand annually (EUR 138 thousand as of 31 December 2010).

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 2011 there are no instruments that hedge interest-rate risk.

(viii) **Price risk**

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

Credit risk

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

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

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

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

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

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

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

As regards foreign receivables, the Company proceeds as follows:

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

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Trade receivables	77,364	69,056	8,308	12.0%
Other current receivables	14,365	14,290	75	0.5%
Total	**91,729**	**83,346**	**8,383**	**10.1%**

See note 7 for the comment and breakdown of the item "trade receivables" notes 10 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2011, overdue but not written-down trade receivables amount to EUR 55,286 thousand (EUR 50,769 thousand in 2010). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
By 30 days	7,448	3,477	3,971	114.2%
31 - 60 days	3,258	2,222	1,036	46.6%
61 - 90 days	3,351	3,902	-551	-14.1%
Exceeding 90 days	41,229	41,168	61	0.1%
Total	**55,286**	**50,769**	**4,517**	**8.9%**

Cash flow statement

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

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

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

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

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

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

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

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

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

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 01.01.10	**4,155**	**51**	**4,206**
Increases externally acquired		139	139
Disposals			0
Other changes			0
Amortisation	-126	-28	-154
Net book value as of 01.01.11	**4,029**	**162**	**4,191**
Increases externally acquired		212	212
Disposals			0
Other changes			0
Amortisation	-126	-109	-235
Net book value as of 31.12.11	**3,903**	**265**	**4,168**

Brands

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

The residual amortisation period for this caption is 31 years.

Other

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

2. Tangible fixed assets

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

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.10	**15,804**	**25,114**	**3,690**	**5,479**	**128**	**732**	**50,947**
Increases		162	357	19	10	95	643
Disposals			-74	-2		-10	-86
Depreciation		-536	-837	-757	-56	-231	-2,417
Net book value as of 01.01.11	**15,804**	**24,740**	**3,136**	**4,739**	**82**	**586**	**49,087**
Increases		253	299	137	27	207	923
Disposals				-10			-10
Depreciation		-539	-777	-744	-60	-193	-2,313
Net book value as of 31.12.11	**15,804**	**24,454**	**2,658**	**4,122**	**49**	**600**	**47,687**

Tangible fixed assets have changed as follows:

- Increases of EUR 923 thousand for new investments. These mainly comprise the setting up of new corners and shop in shops, information tools and general and specific plant and machinery.
- Decreases of EUR 10 thousand. These relate to the replacement of specific plant and machinery and furniture .
- Depreciation of EUR 2,313 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

Other non-current assets

3. Equity investments

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

Equity investments change of EUR 7,379 thousand mainly for the following operations:

- cover of operating losses of the subsidiary Velmar S.p.A. for EUR 1,300 thousand through a capital contribution payment;
- cover of operating losses of the subsidiary Aeffe Retail S.p.A. for EUR 4,000 thousand through a credit waiver;
- equity increase in the subsidiary Aeffe Japan Co. Ltd. for EUR 879 thousand through a credit waiver;
- acquisition from York S.r.l. of the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1,200 thousand, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

4. *Other fixed assets*

This caption principally includes amounts due by subsidiaries.

5. *Deferred tax assets and liabilities*

This caption is analysed below as of 31 December 2011 and 2010:

(Values in thousands of EUR)	Receivables		Liabilities	
	2011	2010	2011	2010
Tangible fixed assets			-20	-21
Intangible fixed assets			-156	-159
Provisions	312	252		
Costs deducible in future periods	32	515		
Income taxable in future periods			-559	-182
Tax losses carried forward	5,768	5,840		
Other Tax assets (liabilities) from transiation to IAS	431	431	-7,491	-7,413
Total	**6,543**	**7,038**	**-8,226**	**-7,775**

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	-21	1		-20
Intangible fixed assets	-159	3		-156
Provisions	252	60		312
Costs deducible in future periods	515	-427	-56	32
Income taxable in future periods	-182	-294	-83	-559
Tax losses carried forward	5,840	0	-72	5,768
Other Tax assets (liabilities) from transiation to IAS	-6,982	-78		-7,060
Total	**-737**	**-735**	**-211**	**-1,683**

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

CURRENT ASSETS

6. *Stocks and inventories*

This caption comprises:

(Values in thousands of EUR)	31 December	31 December	Change	
	2011	2010	Δ	%
Raw, ancillary and consumable materials	5,263	5,457	-194	-3.6%
Work in progress	4,704	5,276	-572	-10.8%
Finished products and goods for resale	14,148	12,579	1,569	12.5%
Advance payments	102	47	55	117.0%
Total	**24,217**	**23,359**	**858**	**3.7%**

Inventories of raw materials and work in process essentially relate to production of the Spring/Summer 2012 collections.

Finished products mainly relate to the Autumn/Winter 2011 and to the Spring/Summer 2012 collections and to the Autumn/Winter 2012 samples collections.

The increase in inventories since 31 December 2010 is mainly due to sales growth.

7. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December	31 December	Change	
	2011	2010	Δ	%
Customers receivables	9,346	3,782	5,564	147.1%
Subsidiaries receivables	68,419	65,474	2,945	4.5%
(Allowance for doubtful receivables)	-400	-200	-200	100.0%
Total	**77,365**	**69,056**	**8,309**	**12.0%**

Trade receivables amount to EUR 77,365 thousand at 31 December 2011, showing a 12% increase compared to the value at 31 December 2010. The increase is substantially in line with the sales variation.

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

In particular the allowance existing at 31 December 2010 has been used for the full amount to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 400 thousand to allowance for doubtful receivables.

8. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December	31 December	Change	
	2011	2010	Δ	%
VAT	2,974	1,303	1,671	128.2%
Corporate income tax (IRES)	2,026	2,026	0	n.a.
Amounts due to tax authority for withheld taxes	941	786	155	19.7%
Other tax receivables	483	140	343	245.0%
Total	**6,424**	**4,255**	**2,169**	**51.0%**

The change in tax receivables is mainly due to the increase of the Group VAT receivable as a consequence of the growth in supplying occurred in Italy.

9. Cash

This caption comprises:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Bank and post office deposits	85	807	-722	-89.5%
Cheques	2	21	-19	-90.5%
Cash in hand	19	24	-5	-20.8%
Total	**106**	**852**	**-746**	**-87.6%**

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

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

As of 31 December 2011, cash and cash equivalents are EUR 746 thousand lower than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

10. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Credits for prepaid costs (costs of producing collections)	10,525	10,619	-94	-0.9%
Advances for royalties and commissions	1,309	1,284	25	1.9%
Advances to suppliers	1,023	882	141	16.0%
Accrued income and prepaid expenses	460	397	63	15.9%
Other	1,048	1,108	-60	-5.4%
Total	**14,365**	**14,290**	**75**	**0.5%**

Credits for prepaid costs, that are related to the costs incurred to design and make samples for the Spring/Summer 2012 and Autumn/Winter 2012 collections for which the corresponding revenues from sales have not been realised yet, remain substantially stable compared with the previous year.

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

11. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2011 are described below.

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Share capital	25,371	25,371	0	n.a.
Legal reserve	2,718	2,718	0	n.a.
Share premium reserve	71,240	71,240	0	n.a.
Other reserves	26,171	28,361	-2,190	-7.7%
Fair value reserve	7,742	7,742	0	n.a.
IAS reserve	1,085	1,085	0	n.a.
Profits/(Losses) carried-forward	2,175	2,175	0	n.a.
Net profit / (loss)	1,717	-2,190	3,907	n.a.
Total	**138,219**	**136,502**	**1,717**	**1.3%**

Share capital

Share capital as of 31 December 2011 (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. As of 31 December 2011 the Company holds 5,876,878 treasury shares, representing the 5.5% of its share capital.

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

Legal reserve

The legal reserve amounts to EUR 2,718 thousand and it remains unchanged since 31 December 2010.

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2010.

Other reserves

The caption records a negative variation as a consequence of the net loss of the previous year. We specify that reserves haven't changed for income or expenses recognized directly in equity.

Fair value reserve

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

IAS reserve

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

Profits/(Losses) carried-forward

Profits/(losses) carried-forward at 31 December 2011 amount to EUR 2,175 thousand and has not changed since 31 December 2010.

Net Profit /loss

This caption highlights a profit of EUR 1,717 thousand. It states that there are no income or expenses recognized directly in equity.

Information on distributable reserves

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

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	es in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	25,371					
Legal reserve	2,718	B				
Share premium reserve:						
- including	68,884	A,B,C	68,884			
- including	2,356	B				
Other reserves:						
- inc. extraordinary reserve	26,170	A,B,C	26,170	7,361		710
IAS reserve (art.6 D.Lgs. 38/2005)	1,086	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	A,B				
Profit/(losses) carried-forward	2,175	A,B,C				2,147
Total	**136,502**		**95,054**	**7,361**		**2,857**

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

Restricted Reserves

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, restricted reserves as of 31 December 2011 amount to EUR 1,302 thousand.

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

NON-CURRENT LIABILITIES

12. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2010	Increases	Decreases	31 December 2011
Pensions and similar obligations	662		-165	497
Total	**662**	**0**	**-165**	**497**

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

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

13. Post-employment benefits

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

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

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

The main changes are described below

(Values in thousands of EUR)	31 December 2010	Increases	Decreases	31 December 2011
Post employment benefits	5,218	226	-792	4,652
Total	**5,218**	**226**	**-792**	**4,652**

The entry increases is related to the quota of financial expenses for EUR 216 thousand.

14. Non-current financial liabilities

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Loans from financial institutions	7,024	10,035	-3,011	-30.0%
Amounts due to other creditors	0	3,140	-3,140	-100.0%
Total	**7,024**	**13,175**	**-6,151**	**-46.7%**

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

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

The following table details the bank loans outstanding as of 31 December 2011, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	10,036	3,012	7,024
Total	**10,036**	**3,012**	**7,024**

There are no amounts due beyond five years, except for a loan of EUR 531 thousand expiring in 2018 .

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

(Values in thousands of EUR)	31 December	31 December	Change	
	2011	2010	Δ	%
Financial leases	0	3,140	-3,140	-100.0%
Total	**0**	**3,140**	**-3,140**	**-100.0%**

The decrease in the non-current amounts due to other creditors since 31 December 2010 reflects the reduction in the liability to leasing company.

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

15. Non-current not financial liabilities

This caption refers to tax payable generated in Aeffe Spa, as a consequence of the adhesion of the subsidiaries to the fiscal consolidation, related to the fiscal losses of the years 2009, 2010 and 2011.

CURRENT LIABILITIES

16. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December	31 December	Change	
	2011	2010	Δ	%
Trade payables	75,903	68,855	7,048	10.2%
Total	**75,903**	**68,855**	**7,048**	**10.2%**

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

The increase in trade payables is mainly due to the increase of payables with subsidiaries following a management of financial needs handled at the level of the central treasury while payables versus third parties increased for the sales growth realized in 2011.

17. Tax payables

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Amounts due to tax authority for withheld taxes	1,245	1,313	-68	-5.2%
Local business tax (IRAP)	208	72	136	188.9%
Other	8	7	1	14.3%
Total	**1,461**	**1,392**	**69**	**5.0%**

18. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Due to banks	76,139	65,957	10,182	15.4%
Due to other creditors	3,140	1,455	1,685	115.8%
Total	**79,279**	**67,412**	**11,867**	**17.6%**

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

As of 31 December 2011, other providers of finance principally include the payables recorded in the financial statements in accordance with finance lease accounting methodology.

These captions are analysed in the following table:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Current bank loans	73,127	62,708	10,419	16.6%
Current portion of long-term bank borrowings	3,012	3,249	-237	-7.3%
Current portion of leasing payables	3,140	1,455	1,685	115.8%
Total	**79,279**	**67,412**	**11,867**	**17.6%**

19. Other liabilities

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Due to total security organization	1,744	1,660	84	5.1%
Due to employees	1,952	1,861	91	4.9%
Trade debtors - credit balances	2,089	1,923	166	8.6%
Accrued expenses and deferred income	55	47	8	17.0%
Other	324	256	68	26.6%
Total	**6,164**	**5,747**	**417**	**7.3%**

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

COMMENTS ON THE INCOME STATEMENT

20. Revenues from sales and services

Revenues increase by 8%, from EUR 115,918 thousand in 2010 to EUR 125,239 thousand in 2011.

Analysing brand performance in greater detail:

- Alberta Ferretti and Philosophy - revenues from sales and services increase by 5.7%;
- Moschino and Cheap & Chic - revenues from sales and services increase by 7.8%;
- Jean Paul Gaultier - revenues from sales and services decrease by 3.7%.
- Other minority brands - revenues from sales and services reported a general increase;

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

Revenues are analysed by geographical area below:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2011	%	2010	%	Δ	%
Italy	37,761	30.2%	35,704	30.8%	2,057	5.8%
Europe (Italy and Russia excluded)	33,547	26.8%	31,625	27.3%	1,922	6.1%
United States	9,961	8.0%	10,155	8.8%	-194	-1.9%
Russia	12,155	9.7%	9,438	8.1%	2,717	28.8%
Japan	7,640	6.1%	8,697	7.5%	-1,057	-12.2%
Resto del mondo	24,175	19.3%	20,299	17.5%	3,876	19.1%
Total	**125,239**	**100.0%**	**115,918**	**100.0%**	**9,321**	**8.0%**

21. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2011	2010	Δ	%
Rental income	2,760	2,724	36	1.3%
Extraordinary income	255	347	-92	-26.5%
Other income	2,843	1,990	853	42.9%
Total	**5,858**	**5,061**	**797**	**15.7%**

In 2011, the caption extraordinary income, composed mainly by recovery of receivables from bankrupt customers decreases by 92 thousand mainly for the prescription of less debts related to previous years.

The caption other income, which amounts to EUR 2,843 thousand in 2011, mainly refers to exchange gains on commercial transaction and sales of raw materials and packaging.

22. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	43,128	37,470	5,658	15.1%
Total	**43,128**	**37,470**	**5,658**	**15.1%**

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

23. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Subcontracted work	18,377	18,314	63	0.3%
Consultancy fees	7,504	7,549	-45	-0.6%
Advertising	3,709	3,666	43	1.2%
Commission	6,515	6,045	470	7.8%
Transport	1,532	1,567	-35	-2.2%
Utilities	604	608	-4	-0.7%
Directors' and auditors' fees	1,535	1,599	-64	-4.0%
Insurance	183	199	-16	-8.0%
Bank charges	280	281	-1	-0.4%
Travelling expenses	932	986	-54	-5.5%
Sundry industrial services	599	477	122	25.6%
Other services	1,355	1,192	163	13.7%
Total	**43,125**	**42,483**	**642**	**1.5%**

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

Costs of services change from EUR 42,483 thousand of 2010 to EUR 43,125 thousand of 2011, showing an increase of 1.5%. The increase in this caption essentially reflect the major costs for “Commissions” consequent to the sales growth related to the wholesale channel.

24. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Rental expenses	1,703	1,580	123	7.8%
Royalties	10,027	8,964	1,063	11.9%
Hire charges and similar	385	502	-117	-23.3%
Total	**12,115**	**11,046**	**1,069**	**9.7%**

The entry cost of use of third parties assets increase of EUR 1,069 thousand from EUR 11,046 thousand in 2010 to EUR 12,115 thousand in 2011, mainly due to the higher royalties consequent of the sales growth.

25. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Labour costs	22,088	23,133	-1,045	-4.5%
Total	**22,088**	**23,133**	**-1,045**	**-4.5%**

Labour costs decrease from EUR 23,133 thousand in 2010 to EUR 22,088 thousand in 2011.

The applicable national payroll contract is the textile and clothing sector contract dated 9 July 2010.

The average number of employees as of 31 December 2011 is analysed below:

(Average number of employees by category)	31 December 2011	31 December 2010	Change Δ	%
Workers	172	179	-7	-4%
Office staff - supervisors	396	393	3	1%
Executive and senior managers	14	15	-1	-7%
Total	**582**	**587**	**-5**	**-0.9%**

26. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Taxes	248	236	12	5.1%
Gifts	132	257	-125	-48.6%
Contingent liabilities	50	173	-123	-71.1%
Other operating expenses	1,479	1,506	-27	-1.8%
Total	**1,909**	**2,172**	**-263**	**-12.1%**

The caption other operating expenses decreases from EUR 2,172 thousand in 2010 to EUR 1,909 thousand in 2011.

27. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Amortisation of intangible fixed assets	235	154	81	52.6%
Depreciation of tangible fixed assets	2,313	2,417	-104	-4.3%
Write-downs	400	200	200	100.0%
Total	**2,948**	**2,771**	**177**	**6.4%**

28. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Interest income	478	331	147	44.4%
Financial discounts	34	54	-20	-37.0%
Other	219	302	-83	-27.5%
Total	**731**	**687**	**44**	**6.4%**

The increase in financial income amounts to EUR 44 thousand and it is mainly determined by the increase of the average interest rate of the year 2011 compared to the one of 2010.

The caption "Financial expenses" comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
interest expenses	3,645	2,148	1,497	69.7%
lease interest	192	262	-70	-26.7%
foreign exchange losses	278	313	-35	-11.2%
other expenses	177	134	43	32.1%
Totale	**4,292**	**2,857**	**1,435**	**50.2%**

The increase in financial expenses amounts to EUR 1,435 thousand and it is mainly determined by the increase of the average interest rate of the year 2011 compared to the one of 2010.

Interest expenses are detailed as follow:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Interest expenses to subsidiaries	420	242	178	73.6%
Interest expenses to banks	2,943	1,771	1,172	66.2%
Interest expenses to others	282	135	147	108.9%
Totale	**3,645**	**2,148**	**1,497**	**69.7%**

29. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010	Change Δ	%
Current income taxes	767	414	353	85.3%
Deferred income (expenses) taxes	735	-322	1,057	n.a.
Total income taxes	**1,502**	**92**	**1,410**	**1,532.6%**

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

The effective tax rates for 2010 and 2011 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Profit before taxes	3,219	-2,098
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**885**	**-577**
Fiscal effect	-53	211
Total income taxes excluding IRAP (current and deferred)	**832**	**-366**
IRAP (current and deferred)	**670**	**458**
Total income taxes (current and deferred)	**1,502**	**92**

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

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow absorbed in 2011 amounts to EUR 747 thousand.

(Values in thousands of EUR)	Full year 2011	Full year 2010
OPENING BALANCE (A)	**851**	**454**
Cash flow (absorbed)/generated by operating activity (B)	5,452	-3,719
Cash flow (absorbed)/generated by investing activity (C)	-8,504	-8,268
Cash flow (absorbed)/generated by financing activity (D)	2,306	12,385
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**-747**	**397**
CLOSING BALANCE (F)=(A)+(E)	**105**	**851**

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

The cash flow generated by operating activity during 2011 amounts to EUR 5,452 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Profit before taxes	3,219	-2,098
Amortisation	2,948	2,771
Accrual (+)/availment (-) of long term provisions and post employment benefits	-730	-1,770
Paid income taxes	-698	-373
Financial income (-) and financial charges (+)	3,561	2,170
Change in operating assets and liabilities	-2,848	-4,418
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**5,452**	**-3,719**

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

The cash flow absorbed by investing activity during 2011 amounts to EUR 8,504 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Increase (-)/ decrease (+) in intangible fixed assets	-212	-139
Increase (-)/ decrease (+) in tangible fixed assets	-913	-556
Investments (-)/ Disinvestments (+)	-7,379	-7,574
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-8,504**	**-8,268**

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

The cash flow generated by financing activity during 2011 amounts to EUR 2,306 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2011	Full Year 2010
Other variations in reserves and profits carried-forward of shareholders' equity	0	-33
Dividends paid	0	0
Proceeds (+)/repayments (-) of financial payments	5,716	11,793
Increase (-)/ decrease (+) in long term financial receivables	152	2,795
Financial income (+) and financial charges (-)	-3,561	-2,170
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**2,306**	**12,385**

OTHER INFORMATION

33. Stock option plans

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

34. Net financial position

As required by Consob communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Company's net financial position as of 31 December 2011 is analysed below:

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change
A - Cash in hand	21	45	-24
B - Other available funds	85	807	-722
C - Securities held for trading			
D - Cash and cash equivalents (A) + (B) + (C)	*106*	*852*	*-746*
E - Short term financial receivables			
F - Current bank loans	-73,127	-62,708	-10,419
G - Current portion of long-term bank borrowings	-3,012	-3,249	237
H - Current portion of loans from other financial istitutions	-3,140	-1,455	-1,685
I - Current financial indebtedness (F) + (G) + (H)	*-79,279*	*-67,412*	*-11,867*
J - Net current financial indebtedness (I) + (E) + (D)	*-79,173*	*-66,560*	*-12,613*
K - Non current bank loans	-7,024	-10,035	3,011
L - Issued obbligations			
M - Other non current loans	0	-3,140	3,140
N - Non current financial indebtedness (K) + (L) + (M)	*-7,024*	*-13,175*	*6,151*
O - Net financial indebtedness (J) + (N)	***-86,197***	***-79,735***	***-6,462***

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

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

35. Earnings per share

Basic earnings per share

(Values in thousands of EUR)	31 December 2011	31 December 2010
Earnings for the period	1,717	-2,190
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**0.017**	**-0.022**

36. Intercompany transactions

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

The effect of these transactions on the individual captions reported in the 2011 and 2010 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2011	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Financial income (expenses)
Gruppo Moschino	10,502	797	2	3,243	7,971	-420
Gruppo Pollini	650	2,360	6,895	8		435
Gruppo Aeffe Retail	6,825	338	3	263		
Ozbek London Ltd		55				
Velmar S.p.A.	104	49	24	151		
Nuova Stireria Tavoleto S.r.l.	119	11	784	701		
Aeffe Usa Inc.	6,473	533		280		
Aeffe UK L.t.d.	766	50	9	486	14	
Aeffe France S.a.r.l.	564	5	6	773		
Aeffe Japan Inc.	2,847	414				31
Fashoff UK	609	8		531		
Total Group companies	**29,459**	**4,620**	**7,723**	**6,436**	**7,985**	**46**
Total income statement	125,239	5,858	43,128	43,125	12,115	-3,561
Incidence % on income statement	**23.5%**	**78.9%**	**17.9%**	**14.9%**	**65.9%**	**-1.3%**

(Values in thousands of EUR) Year 2010	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for resale	Costs of services	Costs for use of third parties assets	Financial income (expenses)
Gruppo Moschino	9,874	37	3	3,203	7,293	- 242
Gruppo Pollini	998	2,344	5,569	11	46	231
Gruppo Aeffe Retail	7,447	311		501		67
Velmar S.p.A.	131	20	9	89		
Nuova Stireria Tavoleto S.r.l.	116	11	794	766		
Aeffe Usa Inc.	6,778	13		182		
Aeffe Uk L.t.d.	791	9		287	14	
Aeffe France S.a.r.l.	442	5		906		
Aeffe Japan Inc.	3,267	18				24
Fashoff UK	562	6		774		
Total Group companies	**30,406**	**2,774**	**6,375**	**6,719**	**7,353**	**80**
Total income statement	115,918	5,061	37,470	42,483	11,046	- 2,170
Incidence % on income statement	**26.2%**	**54.8%**	**17.0%**	**15.8%**	**66.6%**	**-3.7%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2011	Other fixed assets	Trade receivables	Trade payables
Gruppo Moschino	32,772	18,226	38,511
Gruppo Pollini	4,000	25,683	3,650
Gruppo Aeffe Retail		8,650	3,878
Velmar S.p.A.		127	2,428
Nuova Stireria Tavoleto S.r.l.		471	1,861
Aeffe Usa Inc.		8,114	328
Aeffe UK L.t.d.		721	461
Aeffe France S.a.r.l.	2,575	2,050	945
Ozbek London L.t.d.			205
Aeffe Japan Inc.	2,804	4,377	6
Total Group companies	**42,151**	**68,419**	**52,273**
Total balance sheet	42,180	77,365	75,903
Incidence % on balance sheet	**99.9%**	**88.4%**	**68.9%**

(Values in thousands of EUR) Year 2010	Other fixed assets	Trade receivables	Trade payables
Gruppo Moschino	32,772	11,926	33,211
Gruppo Pollini	4,000	24,206	2,770
Gruppo Aeffe Retail		13,017	3,366
Velmar S.p.A.		87	1,864
Nuova Stireria Tavoleto S.r.l.		434	1,920
Aeffe Usa Inc.		8,731	132
Aeffe UK L.t.d.	368	1,148	803
Aeffe France S.a.r.l.	2,575	1,846	835
Ozbek London L.t.d.			198
Aeffe Japan Inc.	2,586	4,077	1
Total Group companies	**42,301**	**65,472**	**45,100**
Total balance sheet	42,332	69,056	68,855
Incidence % on balance sheet	**99.9%**	**94.8%**	**65.5%**

37. Transactions with related parties

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

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

(Values in thousands of EUR)	31 December 2011	31 December 2010	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	1,225	1,206	Cost
Commerciale Valconca with Aeffe S.p.A.			
Revenues	210	523	Revenue
Cost of services	102	104	Cost
Commercial	856	873	Receivable
Commercial	113	92	Payable
Gir + A&F with Aeffe S.p.A.			
Commercial	293	289	Other revenues
Commercial	463	169	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2011 and 31 December 2010:

(Values in thousands of EUR)	Balance 2011	Value rel. party 2011	%	Balance 2010	Value rel. party 2010	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	125,239	210	0.2%	115,918	523	0.5%
Other revenues	5,858	293	5.0%	5,061	289	5.7%
Costs of services	43,125	402	0.9%	42,483	404	1.0%
Costs for use of third party assets	12,115	1,225	10.1%	11,046	1,206	10.9%
Incidence of related party transactions on the balance sheet						
Trade receivables	77,365	1,319	1.7%	69,056	1,042	1.5%
Trade payables	75,903	113	0.1%	68,855	92	0.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	5,452	-1,380	n.a.	-3,719	-1,191	32.0%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-86,197	-1,380	1.6%	-79,735	-1,191	1.5%

38. Atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2011.

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

Pursuant to Consob regulation of 28th July 2006 n. DEM/6064293, it discloses that on 16 February 2011, Aeffe S.p.A. has acquired from York S.r.l. the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1,200 thousand, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

40. Guarantees and commitments

(Values in thousands of EUR)	31 December 2011	31 December 2010	Change Δ	%
Guarantees given				
- on behalf of Group companies	2,566	2,566	0	n.a.
- on behalf of third parties	584	966	-382	-39.5%
Total	**3,150**	**3,532**	**-382**	**-10.8%**

41. Contingent liabilities

Fiscal disputes

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 Bologna Regional Tax Commission, as set during the hearing of 27 September 2010, has rejected the appeal, confirming the first level ruling.

On 12 January 2012, the State Legal Bar disputed the validity of the judgment of the Bologna regional tax commission, by bringing an appeal before the Court of Cassation. The company presented its counter-submission within the time limit established by the law.

The positive outcome at the first two levels of judgment means that the further development of this dispute can be considered in a positive light.

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 appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. For this tax dispute the company is waiting for the date for discussion of the dispute before the Bologna Regional Tax Commission to be set.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totaling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies. On 30 August 2010, the Major Taxpayers Office of the Emilia Romagna Regional Tax Department notified assessments TGB03B500172/2010 (IRAP), TGB08B500181/2010 (theoretical IRES) and TGB09B500185/2010 (actual IRES), containing the matters indicated above. The company challenged these assessments before the Bologna Provincial Tax Commissioners ahead of the legal deadline, trusting that the valid defensive reasoning will be accepted. On 13 July 2011, with tax return n. 137 2011 00031537 15 the company has been ordered to pay the amount registered in the roll by the Tax Office, provisionally awaiting trial, equal to half of the taxes in dispute, besides interests, for a total amount of EUR 161 thousand. The application for suspension, lodged by the company in a timely manner, was refused on 22 November 2011.

On 25 October 2010 it has been notified the communication of irregularities, discovered during the automatic control of the Form of declaration "CNM 2008 – tax period 2007" and requested the full payment of EUR 599 thousand (EUR 516 thousand related to VAT, besides penalties –reduced- and interests) for incorrect compensation in the payment form F24 on 30 November 2007, of part of VAT receivable, arising from the VAT declaration concerning the year 2006, with a debt of the EUR 516 thousand due as second advance IRES for the tax period 2007. On 13 May 2011 it has been notified the folder payment n. 137 2011 00031537 37, through which the Tax Office – Regional Tax Commission of Bologna (by the Concessionaire of Collection) has required to pay an amount of totaling EUR 752 thousand (EUR 516 thousand related to VAT, besides penalties and interests). On 6 June 2011 the company has submitted to the Regional Tax Commission of Bologna relevant application for cancellation, in self-defense, of the communication of irregularities received and on 11 July 2011 appealed the registration in the roll contained in the tax return, with notice of timely appeal to the Tax Office, pleading the total inconsistency of the tax claim with many and valid defensive arguments and demanding the judicial suspension. The suspension was then granted on 13 January 2012 by order of the Commission in question, which fixed a hearing on the matter for 20 April 2012.

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

The following schedule, prepared pursuant to art. 149-duodecies of Consob's Issuers' Regulation, shows the fees incurred in 2011 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2011 fees
Audit	MAZARS	75
Total		**75**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I:	List of investments in subsidiary and other companies
ATTACHMENT II:	Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT III:	Stock options granted to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT IV:	Assets Balance Sheet with related parties
ATTACHMENT V:	Liabilities Balance Sheet with related parties
ATTACHMENT VI:	Income Statement with related parties
ATTACHMENT VII:	Cash Flow Statement with related parties
ATTACHMENT VIII:	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2010

ATTACHMENT I

List of investments in subsidiary companies

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

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares		Book value
(Values in units of EUR)									
In subsidiaries companies:									
Italian companies									
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/10			8,585,150	-5,054,527	8,772,646	100%	8,585,150		21,493,345
At 31/12/11			8,585,150	-3,100,215	9,672,431	100%	8,585,150		25,493,345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/10			20,000,000	232,828	36,308,455	70%	14,000,000		14,085,199
At 31/12/11			20,000,000	5,112,030	41,420,485	70%	14,000,000		14,085,199
Nuova Stireria Tavoleto S.r.l.	**Tavoleto (PU) Italy**								
At 31/12/10			10,400	122,919	1,327,299	100%	n.d.	*	773,215
At 31/12/11			10,400	57,707	1,385,006	100%	n.d.	*	773,215
Pollini S.p.A.	**Gatteo (FC) Italy**								
At 31/12/10			6,000,000	-3,482,127	13,642,206	72%	4,320,000		40,745,452
At 31/12/11			6,000,000	-986,411	12,655,795	100%	6,000,000		41,945,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/10			120,000	-1,175,166	387,608	100%	60,000		3,148,395
At 31/12/11			120,000	-1,240,872	446,736	100%	60,000		4,448,395
Foreign companies									
Aeffe France S.a.r.l.	**Paris (FR)**								
At 31/12/10			1,550,000	-393,892	1,319,618	100%	n.d.	*	4,118,720
At 31/12/11			1,550,000	-292,956	1,026,662	100%	n.d.	*	4,118,720
Aeffe UK L.t.d.	**London (GB)**								
At 31/12/10		GBP	310,000	3,456	320,569	100%	n.d.	*	
			360,151	4,015	372,408	100%	n.d.	*	478,400
At 31/12/11		GBP	310,000	166,262	486,831	100%	n.d.	*	
			371,124	199,045	582,822	100%	n.d.	*	478,400
Aeffe USA Inc.	**New York (USA)**								
At 31/12/10		USD	600,000	-24,924	10,873,204	100%			
			449,034	-18,652	8,137,407	100%			10,664,812
At 31/12/11		USD	600,000	44,006	10,917,210	100%			
			463,714	34,010	8,437,445	100%			10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**								
At 31/12/10		JPY	3,600,000	-125,993,194	-127,202,070	100%	n.d.	*	
			33,133	-1,159,624	-1,170,750	100%	n.d.	*	53,637
At 31/12/11		JPY	3,600,000	17,443,167	-109,758,903	100%	n.d.	*	
			35,928	11,573	-1,095,398	100%	n.d.	*	932,408
Total interests in subsidiaries:									**102,939,946**

* quota

List of investments in other companies

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

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares		Book value
(Values in units of EUR)									
In other companies									
Conai									
At 31/12/10									103
At 31/12/11									103
Caaf Emilia Romagna									
At 31/12/10						0.688%	5,000		2,582
At 31/12/11						0.520%	5,000		2,600
Assoform									
At 31/12/10						1.670%	n.d.	*	258
At 31/12/11						1.670%	n.d.	*	258
Consorzio Assoenergia Rimini									
At 31/12/10						1.620%	n.d.	*	517
At 31/12/11						2.100%	n.d.	*	517
Effegidi									
At 31/12/10									6,000
At 31/12/11									6,000
Total interests in other companies:									**9,478**
* quota									
Total interests:									**102,949,424**

ATTACHMENT II

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

(Values in thousands of EUR)

Name and surname	Appointments held in 2011	Peridod in office	Mandate expiry date *	Emoluments for office	Other remunera tions	Total
DIRECTORS						
Massimo Ferretti	Chairman	01/01-31/12/2011	2014	605	256	861
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2011	2014	455	110	565
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/201	2014	254	98	352
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2011	2014	331 **	87	418
Umberto Paolucci	Independent, non-executive Director	01/01-21/04/2011		20		20
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2011	2014	27	3	30
Pierfrancesco Giustiniani	Independent, non-executive Director	01/01-31/12/2011	2014	30		30
Marco Salomoni	Independent, non-executive Director	21/04-31/12/2011	2014	20		20
STATUTORY AUDITORS						
Pierfancesco Sportoletti	President of the Board of Statutory Auditors	21/04-31/12/2011	2014	7		7
Romano Del Bianco	Statutory Auditor	01/01-31/12/2011	2014	10	9	19
Bruno Piccioni	Statutory Auditor	01/01-21/04/2011		3	8	11
Fernando Ciotti	Statutory Auditor	01/01-31/12/2011	2014	10	16	26
Total				**1,772**	**587**	**2,359**
					(1)	**(2)**

(*) year in which the shareholders' meeting is held to approve the financial statements and at which the mandate expires
(**) includes 30 thousand as director's emoluments and the balance as executive of the Company
(1) includes remuneration for work as employee, emoluments for the compensation committee and emolumentson behalf of subsidiary companies
(2) excludes employer's social security contributions

ATTACHMENT III

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

Name and Surname	Appointments held in 2011	Options held at 31/12/10			Options granted in 2011			Options exercised in 2011			Expired options	Options held at the end of 2011		
(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	198,244	4.1	2015								198,244	4.1	2015
Alberta Ferretti	Deputy Chairman and Executive Director	198,244	4.1	2015								198,244	4.1	2015
Simone Badioli	Chif Executive Officer and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Marcello Tassinari	Managing Director and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Other employees of the		66,081	4.1	2015								66,081	4.1	2015
Totale		**840,177**									**0**	**840,177**		

ATTACHMENT IV

Balance Sheet Assets, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2011	of which related parties	31 December 2010	of which related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Trademarks		3,903		4,029	
Other intangible fixed assets		265		162	
Total intangible fixed assets	(1)	4,168		4,191	
Tangible fixed assets					
Lands		15,803		15,803	
Buildings		24,454		24,740	
Leasehold improvements		2,657		3,136	
Plant and machinary		4,123		4,739	
Equipment		49		82	
Other tangible fixed assets		600		586	
Total tangible fixed assets	(2)	47,687		49,087	
Other fixed assets					
Equity investments	(3)	102,949	102,940	95,571	95,561
Other fixed assets	(4)	42,180	42,151	42,332	42,301
Deferred tax assets	(5)	6,544		7,039	
Total other fixed assets		151,673		144,941	
TOTAL NON-CURRENT ASSETS		**203,528**		**198,218**	
CURRENT ASSETS					
Stocks and inventories	(6)	24,217		23,359	
Trade receivables	(7)	77,365	69,738	69,056	66,514
Tax receivables	(8)	6,425		4,255	
Cash	(9)	106		852	
Other receivables	(10)	14,365		14,290	
TOTAL CURRENT ASSETS		**122,477**		**111,812**	
TOTAL ASSETS		**326,005**		**310,031**	

ATTACHMENT V

Balance Sheet Liabilities, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2011	of which related parties	31 December 2010	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		25,371		25,371	
Share premium reserve		71,240		71,240	
Other reserves		28,888		31,079	
Fair Value reserve		7,742		7,742	
IAS reserve		1,086		1,086	
Profits / (Losses) carried-forward		2,175		2,175	
Net profit / loss		1,717		-2,190	
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**138,219**		**136,503**	
NON-CURRENT LIABILITIES					
Provisions	(12)	497		662	
Deferred tax liabilities	(5)	8,226		7,775	
Post employment benefits	(13)	4,652		5,218	
Long term financial liabilities	(14)	7,024		13,176	
Long term not financial liabilities	(15)	4,578		3,293	
TOTAL NON-CURRENT LIABILITIES		**24,978**		**30,123**	
CURRENT LIABILITIES					
Trade payables	(16)	75,903	52,386	68,855	45,192
Tax payables	(17)	1,461		1,392	
Short term financial liabilities	(18)	79,279		67,412	
Other liabilities	(19)	6,164		5,747	
TOTAL CURRENT LIABILITIES		**162,808**		**143,405**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**326,005**		**310,031**	

ATTACHMENT VI

Income Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full year 2011	of which related parties	Full year 2010	of which related parties
REVENUES FROM SALES AND SERVICES	**(20)**	**125,239**	**29,669**	**115,918**	**30,929**
Other revenues and income	(21)	5,858	4,913	5,061	3,063
TOTAL REVENUES		**131,097**		**120,979**	
Changes in inventory		997		-1,833	
Costs of raw materials, cons. and goods for resale	(22)	-43,128	-7,723	-37,470	-6,375
Costs of services	(23)	-43,125	-6,838	-42,483	-7,123
Costs for use of third parties assets	(24)	-12,115	-9,210	-11,046	-8,559
Labour costs	(25)	-22,088		-23,133	
Other operating expenses	(26)	-1,909		-2,172	
Amortisation and write-downs	(27)	-2,948		-2,771	
Financial income/(expenses)	(28)	-3,561	46	-2,170	80
PROFIT / LOSS BEFORE TAXES		**3,219**		**-2,098**	
income taxes	(29)	-1,502		-92	
NET PROFIT / LOSS		**1,717**		**-2,190**	

ATTACHMENT VII

Cash Flow Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2011	of which related parties	Full Year 2010	of which related parties
OPENING BALANCE		**851**		**454**	
Profit before taxes		3,219		-2,098	
Amortisation		2,948		2,771	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-730		-1,770	
Paid income taxes		-698		-373	
Financial income (-) and financial charges (+)		3,561		2,170	
Change in operating assets and liabilities		-2,848	3,970	-4,418	-10,430
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**5,452**		**- 3,719**	
Increase (-)/ decrease (+) in intangible fixed assets		-212		-139	
Increase (-)/ decrease (+) in tangible fixed assets		-913		-556	
Investments (-)/ Disinvestments (+)		-7,379	-7,379	-7,574	-7,374
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**- 8,504**		**- 8,268**	
Other variations in reserves and profits carried-forward of shareholders' equity		0		-33	
Dividends paid		0		0	
Proceeds (+)/repayment (-) of financial payments		5,716		11,793	
Increase (-)/ decrease (+) in long term financial receivables		152	150	2,795	2,791
Financial income (+) and financial charges (-)		-3,561		-2,170	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**2,306**		**12,385**	
CLOSING BALANCE		**105**		**851**	

ATTACHMENT VIII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2010

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2010	STATUTORY FINANCIAL STATEMENTS 2009
BALANCE SHEET		
ASSETS		
Intangible fixed assets	288,854	296,269
Equity investments	81,124,592	80,785,928
Non current assets	**81,413,446**	**81,082,197**
Trade receivables	429,335	273,510
Tax receivables	7,346,874	7,217,792
Cash	21,345	417,540
Other receivables	121,897	102,444
Current assets	**7,919,451**	**8,011,286**
Total assets	**89,332,897**	**89,093,483**
LIABILITIES		
Share capital	100,000	100,000
Share premium reserve	67,783,322	67,783,322
Other reserves	284,850	31,125
Profits (Losses) carried-forward		
Net profit	-89,475	253,725
Shareholders' equity	**68,078,697**	**68,168,172**
Long term financial liabilities	10,500,000	10,500,000
Non-current liabilities	**10,500,000**	**10,500,000**
Trade payables	10,754,200	10,425,311
Current liabilities	**10,754,200**	**10,425,311**
Total shareholders' equity and liabilities	**89,332,897**	**89,093,483**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	49,500	
Total revenues	**49,500**	**-**
Operating costs	-61,889	-92,870
Amortisation and write-downs	-18,699	-18,201
Provisions	-1,467	-1,490
Financial income (expenses)	22,395	43,808
Profit (loss) from affiliates		280,980
Financial assets adjustments		
Extraordinary profit/(loss)	-2,063	37,864
Profit before taxes	**- 12,223**	**250,091**
Income taxes	-77,252	3,634
Net profit	**- 89,475**	**253,725**

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

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

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

of the administrative and accounting procedures applied in the preparation of the financial statements at 31 December 2011.

The undersigned also certify that the financial statements:

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

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

8 March 2012

President of the board of directors

Massimo Ferretti

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

Marcello Tassinari