CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2012

CHAIRMAN'S LETTER

Despite a considerable improvement in the fortunes of the EU's financial markets since the summer of 2012, the latest forecasts from the European Commission suggest that the return to growth will be slower than expected. After a disappointing second semester last year, economic growth throughout the EU as a whole will be just 0.1% in 2013. The economy of the Euro zone, on the other hand, is expected to contract by 0.3%.

The improvement in the financial markets has not yet been translated into stronger growth and the outlook for 2013 remains weak. This said, the imbalances existing prior to the crisis continue to shrink, suggesting an upturn in growth in 2014: 1.6% in the EU as a whole and 1.4% in the Euro zone.

In such framework we are satisfied with the choices we made over the last year, and especially those relating the reorganization of the licenses' portfolio. In particular, some unprofitable agreements have been closed and new projects with new creative directions have been launched, as in the case of the brands Philosophy and Emanuel Ungaro.

In a strategic view, the Group is focused on the development of the presence in high-potential markets, such as Russia, Far East and Middle East, which have already contributed significantly to the sales' growth in 2012.

Thanks to the positive backlog for the Spring/summer 2013, together with the positive results we have been registering for the debut of Emanuel Ungaro, we look at the new year with cautious optimism, despite the deterioration of the general economic trend.

The Chairman of the Board of Directors

Massimo Ferretti

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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

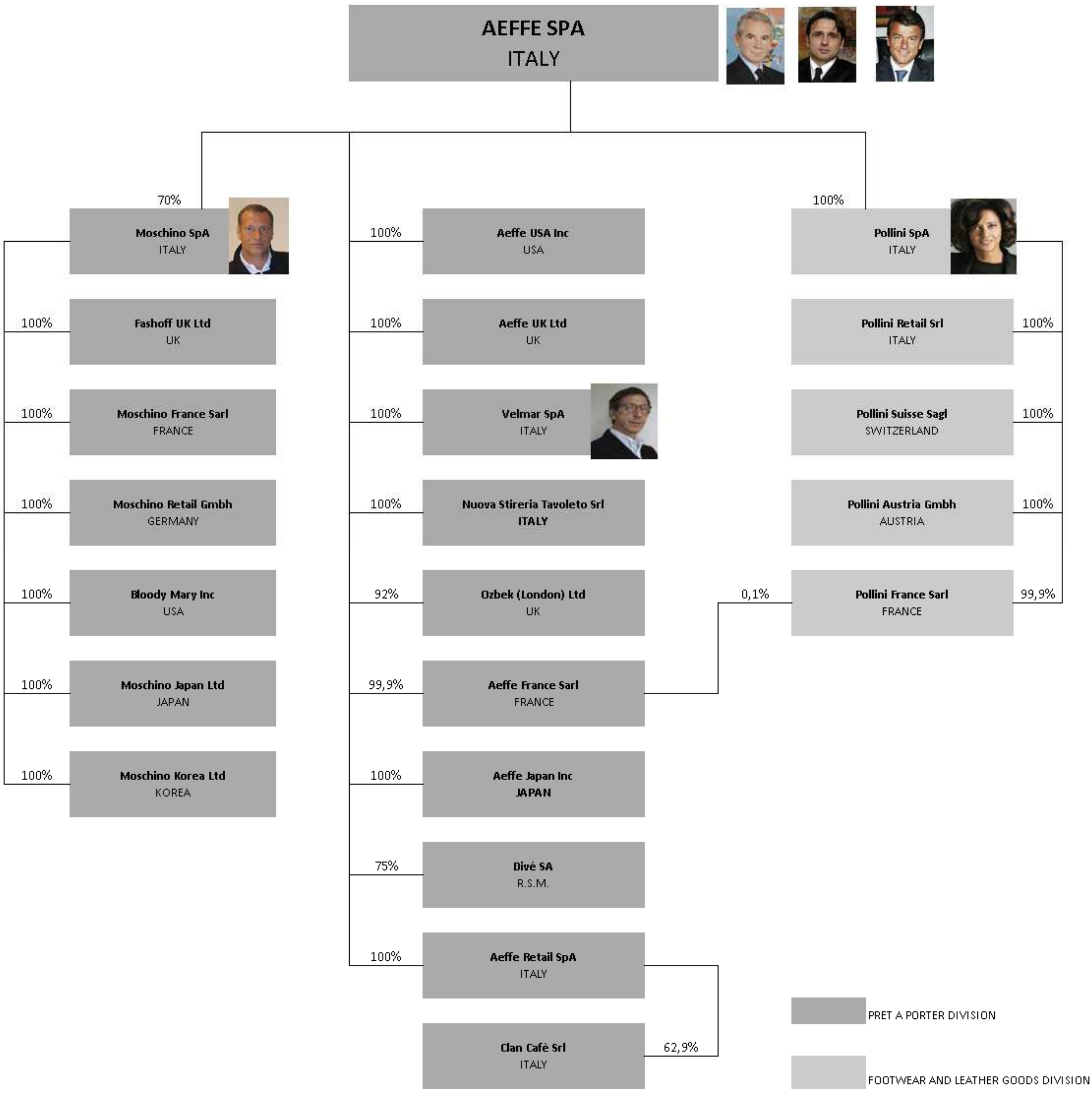
Members
Roberto Lugano
Pierfrancesco Giustiniani

Board of Internal Control Committee

President
Roberto Lugano

Members
Marco Salomoni
Pierfrancesco Giustiniani

Organisation chart



Brands portfolio

AEFFE
Clothing - Accessories

- ALBERTA FERRETTI
- PHILOSOPHY
- MOSCHINO
- MOSCHINO CHEAPANDCHIC
- emanuel ungaro PARIS
- CEDRIC CHARLIER

POLLINI
Footwear – Leather goods

- POLLINI
- STUDIO POLLINI
- MOSCHINO
- MOSCHINO CHEAPANDCHIC
- LOVE MOSCHINO

MOSCHINO
Licences – Design

- MOSCHINO
- MOSCHINO CHEAPANDCHIC
- LOVE MOSCHINO

VELMAR
Beachwear - Lingerie

- MOSCHINO
- blugirl beachwear
- blugirl underwear
- BLUGIRL Folies

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

Showrooms

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

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

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

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

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

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

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

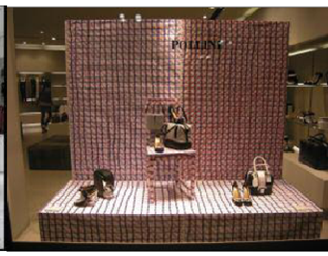
Main flagshipstore locations under direct management

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 2011	Full Year 2012
Total revenues	(Values in millions of EUR)	252.5	261.1
Gross operating margin (EBITDA)	(Values in millions of EUR)	18.4	22.8
Net operating profit (EBIT)	(Values in millions of EUR)	3.6	8.8
Profit before taxes	(Values in millions of EUR)	-1.2	1.4
Net profit for the Group	(Values in millions of EUR)	-4.3	-3.0
Basic earnings per share	(Values in units of EUR)	-0.042	-0.030
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	9.7	10.2
Cash Flow/Total revenues	(Values in percentage)	3.8	3.9

		31 December 2011	31 December 2012
Net capital invested	(Values in millions of EUR)	248.3	234.9
Net financial indebtedness	(Values in millions of EUR)	98.1	87.9
Group net equity	(Values in millions of EUR)	134.2	131.4
Group net equity per share	(Values in units of EUR)	1.3	1.2
Current assets/ current liabilities	(Ratio)	1.9	2.2
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.7	0.6
ROI: Net operating profit/ Net capital invested	(Values in percentage)	1.4	3.8

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

2012 was a difficult year worldwide, for financial reasons and due to the state of the real economy. The current weakness of the global economy, that began in 2011 and continued throughout 2012, is marked by uncertainty and lack of confidence. Accordingly, households and businesses are deferring their spending decisions.

This said, the outlook began to change during the period in certain macro geographic areas.

First of all, there are fairly comforting signs of a recovery of activity in the USA. In particular, GDP there has risen due, above all, to the contribution made by household spending. Growth in the third quarter of 2012 (+2.7%) was actually ahead of expectations. Investment in housing has also increased.

Similarly, the Chinese economy is also recovering strongly. GDP there rose by 7.8% in 2012 and the forecasts are also encouraging for the coming years (+8% in 2013; +7.8% in 2014), although these growth rates are lower than the steady 10% achieved in the pre-crisis years.

The recovery of the Chinese economy is confirmed by the rise in exports (+14% over the year, from +2.9%), production (+10.3% from +10.1%) and sales (+15.2%).

The results of the other BRIC countries were more varied. There were signs of a slow recovery in all these markets, but not all the composite PMI, export and production parameters moved in the same direction.

By comparison, the ongoing recession deepened in Europe. The start of a slow recovery is forecast from the fourth quarter of 2013, following a revision of the initial expectations for an upturn in the second quarter.

The reasons for this situation are attributable to both the financial environment and the real economy, as well as to their close correlation. In particular, the reduced leverage of many operators, the lower recourse to borrowing and the ongoing credit crunch have had a direct, strong impact on the real economy, giving rise to: a generalized lack of confidence, the compression of domestic demand, a drastic reduction in consumption and investment, and a sharp increase in unemployment.

Considering the forecasts for 2013, it is clear above all that politicians must implement effective and efficient policies designed to exit the crisis and support a slow economic recovery.

This said, the necessary appointments have not yet been fixed to take the key action needed at European level. It seems obvious that a number of key points must be implemented in order to exit the crisis: the credit crunch must cease, as a first move, together with the introduction of investment incentives, the replacement of debt with equity and, ideally, increased recourse to private equity and mezzanine financing.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The fashion and luxury goods sector is therefore, of necessity, faced with the extremely unfavorable situation pervading the world economy.

A number of results achieved in 2012 confirm the forecasts for an upturn in growth. The improved results of the fashion and luxury goods sector in 2012 were, however, principally led by Asia (growth of 16.5%) followed by Latin America (growth of 14%). By contrast, the geographic area with the lowest growth was

Europe. Adding to this negative emphasis, this result was essentially achieved due to the purchases made by foreign customers, especially those from outside the EU.

Turning to Italy, 2012 was essentially marked by the consumption of "made in Italy" fashion abroad. According to a survey conducted by the National Foreign Trade Institute, the weighting of clothing sales made abroad has risen, particularly in relation to non-EU countries. This trend is compounded by a decline in the disposable income of Italian households and, consequently, in their propensity to consume.

Based on a survey carried out by Bain & Co., the outlook for 2013 suggests slower growth in the first part of the year, followed by more sustained expansion during the second semester.

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 "Blugirl", "Cedric Charlier" and "Ungaro". 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", "Moschino", "Moschino Cheap and Chic" and "Love Moschino") and brands licensed from other companies (such as "Blugirl", "Cedric Charlier" and "Ungaro"). 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.

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 six single-brand Moschino stores, two in Milan, one in Rome, one in Capri, one in Turin and one 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 10 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 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 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” through its showroom based in Tokyo and its flagship stores under direct management placed in the most important cities.

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 S.p.A. 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 19 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 2012	% on revenues	Full Year 2011	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**254,079,770**	**100.0%**	**246,024,978**	**100.0%**	**8,054,792**	**3.3%**
Other revenues and income	7,033,323	2.8%	6,518,683	2.6%	514,640	7.9%
TOTAL REVENUES	**261,113,093**	**102.8%**	**252,543,661**	**102.6%**	**8,569,432**	**3.4%**
Changes in inventory	4,800,770	1.9%	-341,150	-0.1%	5,141,920	-1507.2%
Costs of raw materials, cons. and goods for resale	-80,171,004	-31.6%	-73,240,498	-29.8%	-6,930,506	9.5%
Costs of services	-71,187,232	-28.0%	-73,239,308	-29.8%	2,052,076	-2.8%
Costs for use of third parties assets	-24,818,175	-9.8%	-23,379,506	-9.5%	-1,438,669	6.2%
Labour costs	-62,327,873	-24.5%	-59,751,520	-24.3%	-2,576,353	4.3%
Other operating expenses	-4,621,846	-1.8%	-4,204,238	-1.7%	-417,608	9.9%
Total Operating Costs	-238,325,360	-93.8%	-234,156,220	-95.2%	-4,169,140	1.8%
GROSS OPERATING MARGIN (EBITDA)	**22,787,733**	**9.0%**	**18,387,441**	**7.5%**	**4,400,292**	**23.9%**
Amortisation of intangible fixed assets	-7,595,555	-3.0%	-7,957,727	-3.2%	362,172	-4.6%
Depreciation of tangible fixed assets	-5,783,781	-2.3%	-5,835,283	-2.4%	51,502	-0.9%
Revaluations/(write-downs) and provisions	-586,840	-0.2%	-1,030,170	-0.4%	443,330	-43.0%
Total Amortisation, write-downs and provisions	-13,966,176	-5.5%	-14,823,180	-6.0%	857,004	-5.8%
NET OPERATING PROFIT / LOSS (EBIT)	**8,821,557**	**3.5%**	**3,564,261**	**1.4%**	**5,257,296**	**147.5%**
Financial income	114,593	0.0%	248,491	0.1%	-133,898	-53.9%
Financial expenses	-7,578,857	-3.0%	-5,059,909	-2.1%	-2,518,948	49.8%
Total Financial Income / (expenses)	-7,464,264	-2.9%	-4,811,418	-2.0%	-2,652,846	55.1%
PROFIT / LOSS BEFORE TAXES	**1,357,293**	**0.5%**	**-1,247,157**	**-0.5%**	**2,604,450**	**-208.8%**
Current income taxes	-7,678,009	-3.0%	-4,560,198	-1.9%	-3,117,811	68.4%
Deferred income / (expenses) taxes	3,098,343	1.2%	1,700,313	0.7%	1,398,030	82.2%
Total Income Taxes	-4,579,666	-1.8%	-2,859,885	-1.2%	-1,719,781	60.1%
NET PROFIT / LOSS	**-3,222,373**	**-1.3%**	**-4,107,042**	**-1.7%**	**884,669**	**-21.5%**
(Profit) / loss attributable to minority shareholders	194,113	0.1%	-172,512	-0.1%	366,625	-212.5%
NET PROFIT / LOSS FOR THE GROUP	**-3,028,260**	**-1.2%**	**-4,279,554**	**-1.7%**	**1,251,294**	**-29.2%**

Sales

In 2012 consolidated revenues amount to EUR 254,080 thousand compared to EUR 246,025 thousand of the year 2011, showing an increase of 3.3% (+1.8% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 201,291 thousand, +2.1% at current exchange rates and +0.3% at constant exchange rates compared to 2011, while revenues of the footwear and leather goods division grow by 8.7% compared to 2011 and amount to EUR 69,461 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2012	%	Full Year 2011	%	Change Δ	%
Alberta Ferretti	49,713	19.6%	51,661	21.0%	-1,948	-3.8%
Moschino	151,842	59.8%	139,039	56.5%	12,803	9.2%
Pollini	31,340	12.3%	32,333	13.1%	-993	-3.1%
J.P.Gaultier	10,625	4.2%	10,864	4.4%	-239	-2.2%
Other	10,560	4.1%	12,128	5.0%	-1,568	-12.9%
Total	**254,080**	**100.0%**	**246,025**	**100.0%**	**8,055**	**3.3%**

In 2012, the Alberta Ferretti brand decreases by 3.8% (-5.6% at constant exchange rates), contributing to 19.6% of consolidated sales. In the same period Moschino brand increases by 9.2% (+7.6% at constant exchange rates), contributing to 59.8% of consolidated sales.

Pollini brand records a reduction of 3.1% (-3.3% at constant exchange rates), generating 12.3% of consolidated sales, while the brand under license JP Gaultier decreases by 2.2% (-3.6% at constant exchange rates), equal to 4.2% of consolidated sales.

Sales from other minority brands show an decline of 12.9% (-14.3% at constant exchange rates), contributing to 4.1% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	Full Year 2012	%	Full Year 2011	%	Change Δ	%
Italy	99,312	39.1%	102,805	41.8%	-3,493	-3.4%
Europe (Italy and Russia excluded)	53,834	21.2%	52,343	21.3%	1,491	2.8%
Russia	21,121	8.3%	17,400	7.1%	3,721	21.4%
United States	19,167	7.5%	18,064	7.3%	1,103	6.1%
Japan	24,207	9.5%	22,461	9.1%	1,746	7.8%
Rest of the World	36,439	14.4%	32,952	13.4%	3,487	10.6%
Total	**254,080**	**100.0%**	**246,025**	**100.0%**	**8,055**	**3.3%**

In 2012, sales in Italy decrease by 3.4% to EUR 99,312 thousand, contributing to 39.1% of consolidated sales.

Sales in Europe increase by 2.8% (+2.3% at constant exchange rates), contributing to 21.2% of consolidated sales. The Russian market increases by 21.4% (+21.4% at constant exchange rates), contributing to 8.3% of consolidated sales. Sales in the United States increase by 6.1% (-0.5% at constant exchange rates), contributing to 7.5% of consolidated sales, while Japan sales record a 7.8% increase (+0.3% at constant exchange rates), contributing to 9.5% of consolidated sales. In the Rest of the World, sales increase by 10.6% (+9.5% at constant exchange rates) to EUR 36,439 thousand, contributing to 14.4% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	Full Year 2012	%	Full Year 2011	%	Change Δ	%
Wholesale	159,164	62.6%	154,226	62.7%	4,938	3.2%
Retail	81,731	32.2%	77,447	31.5%	4,284	5.5%
Royalties	13,185	5.2%	14,352	5.8%	-1,167	-8.1%
Total	**254,080**	**100.0%**	**246,025**	**100.0%**	**8,055**	**3.3%**

The revenues generated by the Group during 2012 are analysed below:

- 62.6% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 154,226 thousand in 2011 and EUR 159,164 thousand in 2012, up 3.2% (+2.3% at constant exchange rates).
- 32.2% from sales outlets managed directly by the Group (retail channel), which contributes EUR 77,447 thousand in 2011 and EUR 81,731 thousand in 2012, +5.5% (+2.8% at constant exchange rates).
- 5.2% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties decrease from EUR 14,352 thousand in 2011 to EUR 13,185 thousand in 2012, down 8.1%.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	Full Year 2012	%	Full Year 2011	%	Change Δ	%
Own brands	232,896	91.7%	223,034	90.7%	9,862	4.4%
Brands under license	21,184	8.3%	22,991	9.3%	-1,807	-7.9%
Total	**254,080**	**100.0%**	**246,025**	**100.0%**	**8,055**	**3.3%**

Revenues generated by own brands increase in absolute value of EUR 9,862 (+4.4% compared with the previous year), with an incidence on total revenues which increases from 90.7% in 2011 to 91.7% in 2012. Revenues generated by brands under license decrease by 7.9%.

Labour costs

Labour costs increase from EUR 59,752 thousand in 2011 to EUR 62,328 thousand in 2012 with an incidence on revenues which changes from 24.3% in 2011 to 24.5% in 2012.

The workforce decreases from an average of 1,472 units in 2011 to 1,451 units in 2012.

Average number of employees by category	Full Year 2012	Full Year 2011	Change Δ	%
Workers	382	405	-23	-6%
Office staff-supervisors	1,042	1,041	1	0%
Executive and senior managers	27	26	1	4%
Total	**1,451**	**1,472**	**-21**	**-1%**

Gross Operating Margin (EBITDA)

In 2012 consolidated EBITDA is positive for EUR 22,788 thousand (with an incidence of 9.0% of consolidated sales), showing an improvement of 23.9% compared to an EBITDA of EUR 18,387 thousand in 2011 (with an incidence of 7.5% of consolidated sales).

The improvement in EBITDA has been positively influenced by both 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 20,663 thousand (representing 10.3% of sales), compared to an EBITDA of EUR 17,793 thousand in 2011 (representing 9.0% of sales), showing a recovery of EUR 2,870 thousand.

EBITDA of the footwear and leather goods division is equal to EUR 2,125 thousand (representing 3.1% of sales), compared to an EBITDA of EUR 594 (representing 0.9% of sales) thousand in 2011, showing a recovery of EUR 1,531 thousand.

Net operating result (EBIT)

Consolidated EBIT is equal to EUR 8,822 thousand (representing 3.5% of sales), compared to EUR 3,564 thousand of 2011 (representing 1.4% of sales), with a EUR 5,258 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 profit of EUR 1,357 thousand in 2012 compared to a loss of EUR 1,247 thousand in 2011, with an improvement in absolute value of EUR 2,604 thousand.

Net result for the Group

Consolidated net result for the Group increases in absolute value of EUR 1,252 thousand from EUR -4,280 thousand in 2011 to EUR -3,028 thousand in 2012.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2012	31 December 2011
Trade receivables	32,355,321	32,547,133
Stock and inventories	77,121,718	74,259,636
Trade payables	-48,147,543	-54,809,403
Operating net working capital	**61,329,496**	**51,997,366**
Other short term receivables	24,412,210	25,113,491
Tax receivables	10,052,200	8,394,168
Other short term liabilities	-14,354,556	-14,944,263
Tax payables	-3,940,805	-3,342,381
Net working capital	**77,498,545**	**67,218,381**
Tangible fixed assets	65,391,289	74,536,548
Intangible fixed assets	138,073,473	145,090,553
Equity investments	30,252	29,625
Other fixed assets	2,621,329	2,915,138
Fixed assets	**206,116,343**	**222,571,864**
Post employment benefits	-7,549,956	-7,942,941
Provisions	-1,098,481	-1,070,987
Assets available for sale	436,885	7,711,633
Long term not financial liabilities	-14,241,401	-14,241,401
Deferred tax assets	11,521,932	14,549,218
Deferred tax liabilities	-37,817,754	-40,515,662
NET CAPITAL INVESTED	**234,866,113**	**248,280,105**
Share capital	25,371,407	25,371,407
Other reserves	119,066,179	117,064,291
Profits / (Losses) carried-forward	-10,011,170	-3,937,904
Profits / (Loss) for the period	-3,028,260	-4,279,554
Group interest in shareholders' equity	**131,398,156**	**134,218,240**
Minority interests in shareholders' equity	15,549,204	15,979,197
Total shareholders' equity	**146,947,360**	**150,197,437**
Short term financial receivables	-3,500,000	-
Cash	-5,362,315	-8,443,724
Long term financial liabilities	4,006,802	7,059,804
Long term financial receivables	-1,690,617	-
Short term financial liabilities	94,464,883	99,466,588
NET FINANCIAL POSITION	**87,918,753**	**98,082,668**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**234,866,113**	**248,280,105**

NET INVESTED CAPITAL

Net invested capital decreases by 5.4% compared with 31 December 2011.

Net working capital

Net working capital amounts to EUR 77,499 thousand (30.5% on sales) compared with EUR 67,218 thousand at 31 December 2011 (27.3% 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 increases in all by 17.9% (EUR +9,332 thousand). This increase was mainly related to the growth in inventories for the introduction of new licenses and to lower trade payables for higher cost savings referred to efficiencies achieved in the production process;
- the sum of other short term receivables and payables remains substantially stable compared with the previous year;
- tax receivables increase of EUR 1,658 thousand. Such increase is mainly due to the increase of VAT receivables which increase of EUR 2,287 thousand;
- tax payables increase for EUR 598 thousand in particular for the increase payables with tax authority.

Fixed assets

At 31 December 2012, fixed assets decrease by EUR 16,456 thousand compared to 31 December 2011.

Changes in the main items are described below:

- the decrease in tangible fixed assets of EUR 9,145 thousand is mainly due to the following affects:
    - o increase related to investments for leasehold improvements and furniture and fittings for the opening of new shops for EUR 5,555 thousand;
    - o decrease related to the sale of Aeffe USA’s real estates for EUR 8,642 thousand;
    - o decrease for the depreciation of the year equal to EUR 5,784 thousand.
- the decrease in intangible fixed assets of EUR 7,017 thousand is mainly due to the following effects:
    - o increase for EUR 1,709 thousand;
    - o decrease related to the sale of a store located in Paris for EUR 1,052 thousand;
    - o decrease for the amortisation of the year equal to EUR 7,596 thousand.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 87,919 thousand as of 31 December 2012 compared with EUR 98,083 thousand as of 31 December 2011. The decrease is mainly due to the economic result of the year 2012 and to the transaction for the rationalization of the group’s real estate properties already decided at the time of the IPO in 2007.

SHAREHOLDERS’ EQUITY

The shareholders’ equity decreases by EUR 3,250 thousand from EUR 150,197 thousand as of 31 December 2011 to EUR 146,947 thousand as of 31 December 2012. 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 2012:

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	5.000%
Other shareholders(*)	31.143%

(*) 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 2012 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 2012	Net profit /loss for the full year 2012
Taken from the corporate financial statements of the parent company	**139,379**	**1,160**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	-28,052	-6,799
Effect of business combination reopening	37,295	1,322
Reversal of the intercompany inventory margin	-2,376	206
Transition to parent company accounting policies	953	518
Other adjustments	-252	371
Total consolidation adjustments	**7,568**	**-4,382**
Group interest in shareholders' equity	**131,398**	**-3,028**
Minority interest	**15,549**	**-194**
Total shareholders' equity	**146,947**	**-3,222**

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 2012, 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 2012 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 2012.

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 31/12/11	N. of shares bought in 2012	N. of shares sold in 2012	Change in n. of shares held by incoming/(outgoing) members	N. of shares held at 31/12/12
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 39 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

The 100% owned subsidiary Aeffe USA has completed on 28th September 2012 a real estate transaction with the related company Ferrim USA, 100% owned by Ferrim Srl. In particular, Aeffe USA sold Ferrim USA, a company controlled by Ferrim Srl and therefore by shareholders Mr. and Mrs. Massimo and Alberta Ferretti, the properties owned by Aeffe USA and located in New York used as a showroom and as a boutique. The purchase of the property by Ferrim USA was completed by Aeffe USA's exercise of the put option agreement dated 23 May 2007 between Aeffe USA and Ferrim Srl., agreement existing since the Aeffe's IPO. The considerations on the basis of the operation were the planned will (already described in details in the IPO's prospectus) to execute to proceed with the gradual sale of the Group's real estate properties aimed at allowing its better utilisation and more efficient management and also to reduce the Group's indebtedness and financial expenses associated with the current cost of money. The price of 14 million USD will be paid by Ferrim USA to Aeffe USA as follows: 10 million USD have been already paid at the time of the signing the contract of sale, while the remaining part will be paid in 5 years.

In December 2012, the end-of lease purchase of EUR 1,750 thousand, related to the leaseback transaction arranged by Aeffe SpA in relation to the building that is still used by Pollini, has been concluded. The original amount of this loan, arranged in 2002, was EUR 17,500 thousand.

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

In 2012 the Group's results confirm a 24% growth in operating profitability, which shows a more than proportional increase compared to revenues. We are satisfied with the choices we made over the last year, and especially those relating the reorganization of the licenses' portfolio. In particular, some unprofitable agreements have been closed and new projects with new creative directions have been launched, as in the case of the brands Philosophy and Emanuel Ungaro.

In a strategic view, the Group is focused on the development of the presence in high-potential markets, such as Russia, Far East and Middle East, which have already contributed significantly to the sales' growth in 2012.

Thanks to the positive backlog for the Spring/summer 2013, together with the positive results we have been registering for recently presented Autumn/Winter 2013/2014 collections, that have just been presented, including the debut of Emanuel Ungaro, we look at the new year with optimism 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 2012	31 December 2011	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		37,586,914	40,917,446	-3,330,532
Trademarks		99,442,455	102,935,979	-3,493,524
Other intangible fixed assets		1,044,104	1,237,128	-193,024
Total intangible fixed assets	(1)	138,073,473	145,090,553	-7,017,080
Tangible fixed assets				
Lands		16,176,219	17,760,576	-1,584,357
Buildings		24,689,217	32,381,230	-7,692,013
Leasehold improvements		13,956,417	13,227,883	728,534
Plant and machinary		6,043,425	7,108,806	-1,065,381
Equipment		301,814	377,417	-75,603
Other tangible fixed assets		4,224,197	3,680,636	543,561
Total tangible fixed assets	(2)	65,391,289	74,536,548	-9,145,259
Other fixed assets				
Equity investments	(3)	30,252	29,625	627
Long term financial receivables	(4)	1,690,617	0	1,690,617
Other fixed assets	(5)	2,621,329	2,915,138	-293,809
Deferred tax assets	(6)	11,521,932	14,549,218	-3,027,286
Total other fixed assets		15,864,130	17,493,981	-1,629,851
TOTAL NON-CURRENT ASSETS		**219,328,892**	**237,121,082**	**-17,792,190**
CURRENT ASSETS				
Stocks and inventories	(7)	77,121,718	74,259,636	2,862,082
Trade receivables	(8)	32,355,321	32,547,133	-191,812
Tax receivables	(9)	10,052,200	8,394,168	1,658,032
Cash	(10)	5,362,315	8,443,724	-3,081,409
Short term financial receivables	(11)	3,500,000	0	3,500,000
Other receivables	(12)	24,412,210	25,113,491	-701,281
TOTAL CURRENT ASSETS		**152,803,764**	**148,758,152**	**4,045,612**
Assets available for sale	(13)	436,885	7,711,633	-7,274,748
TOTAL ASSETS		**372,569,541**	**393,590,867**	**-21,021,326**

(*) 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 39.

CONSOLIDATED BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	31 December 2012	31 December 2011	Change
SHAREHOLDERS' EQUITY	**(14)**			
Group interest				
Share capital		25,371,407	25,371,407	0
Share premium reserve		71,240,251	71,240,251	0
Translation reserve		-2,140,056	-2,425,059	285,003
Other reserves		30,605,252	28,888,367	1,716,885
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profits / (losses) carried-forward		-10,011,170	-3,937,904	-6,073,266
Net profit / (loss) for the Group		-3,028,260	-4,279,554	1,251,294
Group interest in shareholders' equity		131,398,156	134,218,240	-2,820,084
Minority interest				
Minority interests in share capital and reserves		15,743,317	15,806,685	-63,368
Net profit / (loss) for the minority interests		-194,113	172,512	-366,625
Minority interests in shareholders' equity		15,549,204	15,979,197	-429,993
TOTAL SHAREHOLDERS' EQUITY		**146,947,360**	**150,197,437**	**-3,250,077**
NON-CURRENT LIABILITIES				
Provisions	(15)	1,098,481	1,070,987	27,494
Deferred tax liabilities	(6)	37,817,754	40,515,662	-2,697,908
Post employment benefits	(16)	7,549,956	7,942,941	-392,985
Long term financial liabilities	(17)	4,006,802	7,059,804	-3,053,002
Long term not financial liabilities	(18)	14,241,401	14,241,401	0
TOTAL NON-CURRENT LIABILITIES		**64,714,394**	**70,830,795**	**-6,116,401**
CURRENT LIABILITIES				
Trade payables	(19)	48,147,543	54,809,403	-6,661,860
Tax payables	(20)	3,940,805	3,342,381	598,424
Short term financial liabilities	(21)	94,464,883	99,466,588	-5,001,705
Other liabilities	(22)	14,354,556	14,944,263	-589,707
TOTAL CURRENT LIABILITIES		**160,907,787**	**172,562,635**	**-11,654,848**
Liabilities available for sale		0	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**372,569,541**	**393,590,867**	**-21,021,326**

(*) 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 39.

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full Year 2012	Full Year 2011
REVENUES FROM SALES AND SERVICES	**(23)**	**254,079,770**	**246,024,978**
Other revenues and income	(24)	7,033,323	6,518,683
TOTAL REVENUES		**261,113,093**	**252,543,661**
Changes in inventory		4,800,770	-341,150
Costs of raw materials, cons. and goods for resale	(25)	-80,171,004	-73,240,498
Costs of services	(26)	-71,187,232	-73,239,308
Costs for use of third parties assets	(27)	-24,818,175	-23,379,506
Labour costs	(28)	-62,327,873	-59,751,520
Other operating expenses	(29)	-4,621,846	-4,204,238
Amortisation, write-downs and provisions	(30)	-13,966,176	-14,823,180
Financial Income / (expenses)	(31)	-7,464,264	-4,811,418
PROFIT / LOSS BEFORE TAXES		**1,357,293**	**-1,247,157**
Income Taxes	(32)	-4,579,666	-2,859,885
NET PROFIT / LOSS		**-3,222,373**	**-4,107,042**
(Profit) / loss attributable to minority shareholders		194,113	-172,512
NET PROFIT / LOSS FOR THE GROUP		**-3,028,260**	**-4,279,554**

(*) 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 39.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Notes	Full Year 2012	Full Year 2011
Profit/(loss) for the period (A)		**-3,222,373**	**-4,107,042**
Gains/(losses) on cash flow hedges		-	-
Gains/(losses) on exchange differences on translating foreign operations		-27,704	-40,074
Income tax relating to components of other comprehensive income / (loss)		-	-
Total Other comprehensive income / (loss), net of tax (B)		**-27,704**	**-40,074**
Total Comprehensive income / (loss) (A) + (B)		**-3,250,077**	**-4,147,116**
Total Comprehensive income / (loss) attributable to:		**-3,250,077**	**-4,147,116**
Owners of the parent		-3,055,964	-4,319,628
Non-controlling interests		-194,113	172,512

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2012	Full Year 2011
OPENING BALANCE		**8,444**	**4,512**
Profit before taxes		1,357	-1,247
Amortisation / write-downs		13,966	14,823
Accrual (+)/availment (-) of long term provisions and post employment benefits		-365	-1,605
Paid income taxes		-3,652	-2,579
Financial income (-) and financial charges (+)		7,464	4,811
Change in operating assets and liabilities		-11,420	-233
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**7,350**	**13,970**
Increase (-)/ decrease (+) in intangible fixed assets		-587	-6,082
Increase (-)/ decrease (+) in tangible fixed assets		3,324	-4,820
Investments and write-downs (-)/ Disinvestments and revaluations (+)		7,275	353
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**10,012**	**-10,549**
Other variations in reserves and profits carried-forward of shareholders' equity		-28	-1,240
Dividends paid		0	0
Proceeds (+)/ repayments (-) of financial payments		-8,055	6,489
Increase (-)/ decrease (+) in long term financial receivables		-4,897	73
Financial income (+) and financial charges (-)		-7,464	-4,811
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**-20,444**	**511**
CLOSING BALANCE		**5,362**	**8,444**

(*) 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 39.

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 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**

(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 2011	**25,371**	**71,240**	**28,890**	**7,901**	**11,459**	**-3,938**	**-4,280**	**-2,425**	**134,218**	**15,979**	**150,197**
Changes in equity for 2012											
Allocation of 2011 profit/(loss)	-	-	1,715	-	-	-5,995	4,280	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2012	-	-	-	-	-	-	-3,028	-28	-3,056	-194	-3,250
Other changes	-	-	-	-	-	-77	-	313	236	-236	-
BALANCES AT 31 December 2012	**25,371**	**71,240**	**30,605**	**7,901**	**11,459**	**-10,010**	**-3,028**	**-2,140**	**131,398**	**15,549**	**146,947**

Report of the Board of Statutory Auditors on the consolidated financial statements as of 31 December 2012 of AEFFE S.p.A.

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

Shareholders,

Pursuant to the regulatory requirements contained in art. 41 of Decree No. 127/1991, we hereby report on the monitoring activities carried out by the Board of Statutory Auditors during 2012. 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 six meetings held by the Board of Statutory Auditors during 2012.

Our work was focused on checking compliance with the law, the memorandum of association and the articles of association, 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 shareholders held during 2012; 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, as well as with the auditors of the principal Italian subsidiaries.

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 articles of association, were not obviously imprudent, did not involve potential conflicts of interest or conflict with resolutions adopted at the shareholders' meeting, and did not jeopardize the net assets of the group.

During 2012, 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 investment.

The significant events that took place during the year are detailed in the report on operations attached to the consolidated financial statements. They complied with the law and the articles of association, were not obviously imprudent or risky, did not involve potential conflicts of interest or conflict with resolutions adopted at the shareholders' 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 significant observations worthy of being brought to your attention.

Based on an analysis of the internal information system, we can confirm that it ensures 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 No. 58/98 on information provided to the public.

The consolidated financial statements as of 31st December 2012 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 dated 27th January 2010, expressing an opinion containing no significant matters 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, 25 March 2013

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".

MAZARS

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, 2012, 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 28, 2012.

3. In our opinion, the consolidated financial statements of the Aeffe Group as of December 31, 2012 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, 2012.

Mazars S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

Milan, Italy, March 25, 2013

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 "Blugirl", "Cedric Charlier" and "Ungaro".

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 2012 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 2012 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 2012 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.p.A.	S.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Clan Cafè S.r.l.	S.G. in Marignano (RN) Italy	EUR	100,000		62,9% (iii)
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	20,000,000	70%	
Nuova Stireria Tavoleto S.r.l.	Tavoleto (PU) Italy	EUR	10,400	100%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6,000,000	100%	
Pollini Retail S.r.l.	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar S.p.A.	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50,000	99.9%	
Aeffe UK Ltd.	London (GB)	GBP	310,000	100%	
Aeffe USA Inc.	New York (USA)	USD	600,000	100%	
Divè S.a.	Galazzano (RSM)	EUR	260,000	75%	
Fashoff UK Ltd.	London (GB)	GBP	1,550,000		70% (ii)
Moschino Japan Inc.	Tokyo (J)	JPY	120,000,000		70% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6,192,940,000		70% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50,000		70% (ii)
Moschino Retail G.m.b.h.	Berlin (D)	EUR	240,000		70% (ii)
Ozbek (london) Ltd.	London (GB)	GBP	300,000	92%	
Aeffe Japan Inc.	Tokyo (J)	JPY	3,600,000	100%	
Bloody Mary Inc.	New York (USA)	USD	100,000		70% (ii)
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	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) Moschino Far East has been closed.;

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 2012	Average exchange rate 2012	Actual exchange rate 31 December 2011	Average exchange rate 2011
United States Dollars	1.3194	1.2856	1.2939	1.3917
United Kingdom Pounds	0.8161	0.8111	0.8353	0.8678
Japanese Yen	113.6100	102.6212	100.2000	111.0208
South Korean Won	1406.2300	1448.1950	1498.6900	1541.0467
Swiss franc	1.2072	1.2053	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 retrospectively, 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 or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. 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 the income statement.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures,* adopted prospectively by the Group from 1 January 2012. The amendments allow 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 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* (subsequently reissued as IAS 27 - *Separate Financial Statements* which 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 in 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, at the latest for annual reporting periods beginning on or after 1 January 2014.

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, at the latest for annual periods beginning on or after 1 January 2014. 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 at the latest for annual reporting periods beginning on or after 1 January 2014.

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* applicable retrospectively for the year beginning 1 January 2013. The amendment modified the requirements for recognizing defined benefits plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined plans. In details:

- Recognition of the plan deficit or surplus: the amendment removes the previous option of being able to defer actuarial gains and losses under the off balance sheet "corridor method", requiring these to be recognised directly in other comprehensive income. In addition, the amendment requires the immediate recognition of past service costs in profit or loss.

- Net interest expense: The concept of interest expense and expected return on plan assets are replaced by the concept of net interest expense on the net plan deficit or surplus, which consists of:
    - o the interest expense calculated on the present value of the liability for defined benefit plans,
    - o the interest income arising from the valuation of the plan assets, and
    - o the interest expense or income arising from any limits to the recognition of the plan surplus.

  Net interest expense is calculated for all above components by using the discount rate applied for valuing the obligation for defined benefit plans at the beginning of the period
- Classification of net interest expense: In accordance with the new definition of net interest expense set out in the standard, net interest expense on defined benefit plans will be recognised as Financial income/(expenses) in the income statement.

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 2012 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 2012, 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 2012, 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.

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 all taxes calculated on taxable income. 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.

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

The estimates used to calculate the values as indicated above are illustrated below:

- annual value of the rental contracts from the total spent in 2012;
- 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 2012;
- 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 2013 from a budget simulation that, depending on the boutique, foresees increases of turnover around a range that goes from +10% in the most optimistic cases to -15% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2013 but were used to make a prudential calculation for the test purpose only. For the years 2014 and 2015 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 7.97%.

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 2013 the Group budget approved by Aeffe's Board of Directors. 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 7.97%.

- 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 2.40%;
- * 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 2.40%.

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 2012 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 673 thousand annually (EUR 411 thousand as of 31 December 2011).

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 2012 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 20,016 thousand as of 31 December 2012, represent 62% 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 2012	31 December 2011	Change Δ	%
Trade receivables	32,355	32,547	-192	-0.6%
Other current receivables	24,412	25,113	-701	-2.8%
Other fixed assets	2,621	2,915	-294	-10.1%
Total	**59,388**	**60,575**	**-1,187**	**-2.0%**

See note 5 for the comment and breakdown of the item "other fixed assets" note 8 "trade receivables" and note 12 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 2012, overdue but not written-down trade receivables amount to EUR 12,340 thousand (EUR 12,625 thousand in 2011). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
By 30 days	4,049	5,403	-1,354	-25.1%
31 - 60 days	2,530	1,892	638	33.7%
61 - 90 days	732	1,358	-626	-46.1%
Exceeding 90 days	5,029	3,972	1,057	26.6%
Total	**12,340**	**12,625**	**-285**	**-2.3%**

Cash flow statement

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

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

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

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

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);
- cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;
- cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. *Intangible fixed assets*

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

(Values in thousands of EUR)	Brands	Key money	Other	Total
Net book value as of 01.01.11	**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**
Increases	-	1,396	313	1,709
- increases externally acquired	*-*	*1,396*	*313*	*1,709*
- increases from business aggregations	-	-	-	-
Disposals	-	-1,052	-6	-1,058
Translation differences and other variations	-	0	-73	-73
Amortisation	-3,494	-3,674	*-428*	-7,596
Net book value as of 31.12.12	**99,442**	**37,587**	**1,044**	**138,073**

The intangible fixed assets highlight the following variations:

- increases, equal to EUR 1,709 thousand, are related to key money and software;
- decreases, equal to EUR 1,058 thousand, are mainly due to sale of a store located in Paris (equivalent to EUR 1,052 thousand);
- translation differences and other variations are related to the differences arising on translation of the foreign subsidiaries;
- amortisation of the period is EUR 7,596 thousand.

Brands

This item includes the Group's own-label brands ("Alberta Ferretti", "Philosophy", "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 2012	31 December 2011
Alberta Ferretti	30	3,777	3,903
Moschino	32	55,332	57,260
Pollini	28	40,333	41,773
Total		**99,442**	**102,936**

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 01.01.11	**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**
Increases	-	90	3,419	251	84	1,711	5,555
Disposals	-1,595	-7,047	-51	-65	-	-17	-8,775
Translation differences and other variations	10	46	-148	-	-	-50	-142
Depreciation	-	-781	-2,492	-1,251	-159	-1,101	-5,784
Net book value as of 31.12.12	**16,176**	**24,689**	**13,956**	**6,044**	**302**	**4,224**	**65,391**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 5,555 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 8,775 thousand (of which EUR 8,642 thousand related to the sale of a real estate in New York).
- Decrease for differences arising on translation and other variation of EUR 142 thousand which mainly relates to the translation differences of the subsidiary Aeffe USA.
- Depreciation of EUR 5,784 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 2012 is almost unchanged compared with the value at 31 December 2011.

4. *Long term financial receivables*

The value as of 31 December 2012 is related to the long term portion of financial receivables generated by the sale of the real estate properties owned by Aeffe USA that will be paid in 5 years.

5. *Other fixed assets*

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

6. *Deferred tax assets and liabilities*

The table below illustrates the breakdown of this item at 31 December 2012 and at 31 December 2011:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Tangible fixed assets	-	-	-215	-292
Intangible fixed assets	3	3	-180	-192
Provisions	1,707	1,545	-	-
Costs deductible in future periods	460	255	-	-
Income taxable in future periods	575	768	-1,046	-1,206
Tax losses carried forward	6,959	10,097	-	-
Other	-	-	-73	-53
Tax assets (liabilities) from transition to IAS	1,818	1,881	-36,304	-38,773
Total	**11,522**	**14,549**	**-37,818**	**-40,516**

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	-292	3	74	-	-215
Intangible fixed assets	-189	-	12	-	-177
Provisions	1,545	-4	209	-43	1,707
Costs deductible in future periods	255	-	326	-121	460
Income taxable in future periods	-438	-	45	-78	-471
Tax losses carried forward	10,097	-121	679	-3,696	6,959
Other	-53	2	244	-266	-73
Tax assets (liabilities) from transition to IAS	-36,892	-	2,246	160	-34,486
Total	**-25,967**	**-120**	**3,835**	**-4,044**	**-26,296**

The negative variation of EUR 4,044 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

7. *Stocks and inventories*

This item comprises:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Raw, ancillary and consumable materials	15,080	15,539	-459	-3.0%
Work in progress	6,842	6,099	743	12.2%
Finished products and goods for resale	54,938	52,145	2,793	5.4%
Advance payments	262	477	-215	-45.1%
Total	**77,122**	**74,260**	**2,862**	**3.9%**

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2013 collections, while finished products mainly concern the Autumn/Winter 2012 and the Spring/Summer 2013 collections and the Autumn/Winter 2013 sample collections.

8. *Trade receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Trade receivables	34,040	34,465	-425	-1.2%
(Allowance for doubtful account)	-1,685	-1,918	233	-12.1%
Total	**32,355**	**32,547**	**-192**	**-0.6%**

Trade receivables amount to EUR 34,040 thousand at 31 December 2012, down 1.2% since 31 December 2011.

Management considers that the fair value of amounts due from customers approximates their book value.

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

9. Tax receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
VAT	5,748	3,461	2,287	66.1%
Corporate income tax (IRES)	2,070	2,084	-14	-0.7%
Local business tax (IRAP)	118	66	52	78.8%
Amounts due to tax authority for withheld taxes	866	1,399	-533	-38.1%
Other tax receivables	1,250	1,384	-134	-9.7%
Total	**10,052**	**8,394**	**1,658**	**19.8%**

As of 31 December 2012, the Group's tax receivables amount to EUR 10,052 thousand. The variation of EUR 1,658 thousand compared with the value at 31 December 2011 is mainly due to the increase of VAT receivables.

10. Cash

This item includes:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Bank and post office deposits	4,295	7,777	-3,482	-44.8%
Cheques	340	17	323	1900.0%
Cash in hand	727	650	77	11.8%
Total	**5,362**	**8,444**	**-3,082**	**-36.5%**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date. Cash in hand represents the nominal value of the cash held on the balance sheet date. The decrease in cash and cash equivalents, recorded at 31 December 2012 compared with the amount recorded at 31 December 2011, is EUR 3,082 thousand. About the reason of this variation see the Cash Flow Statement.

11. Short term financial receivables

This item includes:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Financial receivables	3,500	0	3,500	n.a.
Total	**3,500**	**-**	**3,500**	**n.a.**

The financial receivable as of 31 December 2012 is related to the disposal of a rent contract related to a real estate, used for commercial purposes, located in Rome and to the current portion of the financial receivable generated by the sale of the real estate properties owned by Aeffe USA.

12. *Other receivables*

This caption comprises:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Credits for prepaid costs	18,031	18,770	-739	-3.9%
Advances for royalties and commissions	1,103	1,375	-272	-19.8%
Advances to suppliers	470	287	183	63.8%
Accrued income and prepaid expenses	1,656	1,500	156	10.4%
Other	3,152	3,181	-29	-0.9%
Total	**24,412**	**25,113**	**-701**	**-2.8%**

Other short term receivables decrease of EUR 701 thousand mainly for the reduction of credits for prepaid costs. Credits for prepaid costs, that relate to the costs incurred to design and make samples for the Spring/Summer 2013 and Autumn/Winter 2013 collections for which the corresponding revenues from sales have not been realised yet, remain substantially in line compared to the previous period.

13. Assets and liabilities available for sale

The change in the captions assets and liabilities available for sale mainly concerns the sale, happened in 2012, of a boutique Pollini based in Milan.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011
Key money	-	7,207
Tangible fixed assets	-	68
Other fixed assets	437	437
Total	**437**	**7,712**

14. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2012, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Translation reserve	-2,140	-2,425	285
Other reserves	30,605	28,890	1,715
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	-10,010	-3,938	-6,072
Net profit / (loss) for the Group	-3,028	-4,280	1,252
Minority interests	15,549	15,979	-430
Total	**146,947**	**150,197**	**-3,250**

Share capital

Share capital as of 31 December 2012, 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 2012 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 2011.

Translation reserve

The increase of EUR 285 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 2011.

Minority interests

The variation in minority interests is due to the portion of profit/loss attributable to the minority shareholders.

Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve.

NON-CURRENT LIABILITIES

15. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2011	Increases	Decreases	31 December 2012
Pensions and similar obligations	926	83	-50	959
Other	145		-6	139
Total	**1,071**	**83**	**-56**	**1,098**

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”.

16. 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 2011	Increases	Decreases	31 December 2012
Post employment benefits	7,943	508	-901	7,550
Total	**7,943**	**508**	**-901**	**7,550**

Increases include financial expenses for EUR 338 thousand.

17. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Loans from financial institutions	3,919	7,024	-3,105	-44.2%
Amounts due to other creditors	88	36	52	144.4%
Total	**4,007**	**7,060**	**-3,053**	**-43.2%**

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 following table contains details of bank loans as of 31 December 2012, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	7,024	3,105	3,919
Total	**7,024**	**3,105**	**3,919**

There are no amounts due beyond five years, except for a loan of EUR 198 thousand expiring in 2018 .

18. 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 S.p.A. in relation to an interest-free shareholder loan from Sinv S.p.A.. This liability is treated to a payment on capital account and arose on the purchase of Moschino S.p.A. by the Parent Company and Sinv S.p.A. in 1999, divided into proportional shares according to the equity interest held by Aeffe S.p.A. and Sinv S.p.A. in Moschino S.p.A..

CURRENT LIABILITIES

19. Trade payables

Tax payables are analysed in comparison with the related balances as of 31 December 2011:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Trade payables	48,148	54,809	-6,661	-12.2%
Total	**48,148**	**54,809**	**-6,661**	**-12.2%**

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

20. Tax payables

Tax payables are analysed in comparison with the related balances as of 31 December 2011 in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Local business tax (IRAP)	501	448	53	11.8%
Corporate income tax (IRES)	118	78	40	51.3%
Amounts due to tax authority for withheld taxes	2,446	2,280	166	7.3%
VAT due to tax authority	231	420	-189	-45.0%
Other	645	116	529	456.0%
Total	**3,941**	**3,342**	**599**	**17.9%**

The change occurred in the year equal to EUR 599 is mainly due to the increase of the entry "Other" for taxes related to previous years.

21. Short term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Due to banks	94,465	96,326	-1,861	-1.9%
Due to other creditors	0	3,141	-3,141	-100.0%
Total	**94,465**	**99,467**	**-5,002**	**-5.0%**

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, are absent in the financial statement closing at 31 December 2012 for the conclusion in November 2012 of the amortization schedule of the building that is still used by Pollini.

22. Other liabilities

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

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Due to total security organization	3,637	3,441	196	5.7%
Due to employees	4,841	4,503	338	7.5%
Trade debtors - credit balances	1,631	1,678	-47	-2.8%
Accrued expenses and deferred income	2,321	2,609	-288	-11.0%
Other	1,925	2,713	-788	-29.0%
Total	**14,355**	**14,944**	**-589**	**-3.9%**

The decrease of other short term liabilities, totaling EUR 589 thousand, refers mainly to the payment in 2012 of a payable recorded at 31 December 2011 in the entry "Other" related to the advance for the sale of a boutique (for EUR 900 thousand).

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", "Moschino", "Moschino Cheap and Chic" and "Love Moschino") and brands licensed from other companies (such as "Blugirl", "Cedric Charlier" and "Ungaro"). 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 2012 and 2011 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2012	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**201,291**	**69,461**	**-16,672**	**254,080**
Intercompany revenues	-5,145	-11,527	16,672	0
Revenues with third parties	**196,146**	**57,934**	-	**254,080**
Gross operating margin (EBITDA)	**20,663**	**2,125**	-	**22,788**
Amortisation	-10,567	-2,812	-	-13,379
Other non monetary items:				
Write-downs	-506	-81	-	-587
Net operating profit / loss (EBIT)	**9,590**	**-768**	-	**8,822**
Financial income	971	31	-887	115
Financial expenses	-6,529	-1,937	887	-7,579
Profit / loss before taxes	**4,032**	**-2,674**	**-**	**1,358**
Income taxes	-4,808	228	-	-4,580
Net profit / loss	**-776**	**-2,446**	**-**	**-3,222**

(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**

The following tables indicate the main patrimonial and financial data at 31 December 2012 and 2011 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 December 2012	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*291,880*	*103,089*	*-43,973*	350,996
of which non-current assets (*)				
Intangible fixed assets	*90,218*	*47,855*	-	*138,073*
Tangible fixed assets	*61,407*	*3,984*	-	*65,391*
Other non-current assets	*8,226*	*1,585*	*-5,469*	*4,342*
OTHER ASSETS	*18,740*	*2,834*	-	21,574
CONSOLIDATED ASSETS	**310,620**	**105,923**	**-43,973**	**372,570**

(*) 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 2012	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	166,026	61,810	*-43,973*	183,863
OTHER LIABILITIES	26,774	14,985	-	41,759
CONSOLIDATED LIABILITIES	**192,800**	**76,795**	**-43,973**	**225,622**

(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**

Segment information by geographical area

The following table indicates the revenues for the full year 2012 and 2011 divided by geographical area:

(Values in thousands of EUR)	Full Year 2012	%	Full Year 2011	%	Change Δ	%
Italy	99,312	39.1%	102,805	41.8%	-3,493	-3.4%
Europe (Italy and Russia excluded)	53,834	21.2%	52,343	21.3%	1,491	2.8%
Russia	21,121	8.3%	17,400	7.1%	3,721	21.4%
United States	19,167	7.5%	18,064	7.3%	1,103	6.1%
Japan	24,207	9.5%	22,461	9.1%	1,746	7.8%
Rest of the World	36,439	14.4%	32,952	13.4%	3,487	10.6%
Total	**254,080**	**100.0%**	**246,025**	**100.0%**	**8,055**	**3.3%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

23. Revenues from sales and services

In 2012 consolidated revenues amount to EUR 254,080 thousand compared to EUR 246,025 thousand of the year 2011, showing an increase of 3.3% (+1.8% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 201,291 thousand, +2.1% at current exchange rates and +0.3% at constant exchange rates compared to 2011, while revenues of the footwear and leather goods division grow by 8.7% compared to 2011 and amount to EUR 69,461 thousand.

24. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	Change %
Extraordinary income	1,004	1,047	-43	-4.1%
Other income	6,029	5,472	557	10.2%
Total	**7,033**	**6,519**	**514**	**7.9%**

The caption extraordinary income, composed by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, remains substantially stable compared to the previous year.

The caption other income, which amounts to EUR 6,029 thousand in 2012, mainly refers to exchange gains on commercial transaction, rental income, sales of raw materials and packaging. The variation of EUR 557 thousand compared to the previous year is mainly due to the record in 2012 of the capital gain realized by the subsidiary Aeffe USA for the sale of two real estates counterbalanced by the decrease of exchange gains on commercial transaction.

25. Costs of raw materials

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	Change %
Raw, ancillary and consumable materials and goods for resale	80,171	73,240	6,931	9.5%
Total	**80,171**	**73,240**	**6,931**	**9.5%**

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

26. Costs of services

This item comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Subcontracted work	20,941	23,577	-2,636	-11.2%
Consultancy fees	14,796	14,169	627	4.4%
Advertising	11,182	12,199	-1,017	-8.3%
Commission	4,463	4,644	-181	-3.9%
Transport	4,320	3,836	484	12.6%
Utilities	2,417	2,223	194	8.7%
Directors' and auditors' fees	2,602	2,654	-52	-2.0%
Insurance	799	803	-4	-0.5%
Bank charges	1,651	1,325	326	24.6%
Travelling expenses	2,485	2,323	162	7.0%
Other services	5,531	5,486	45	0.8%
Total	**71,187**	**73,239**	**-2,052**	**-2.8%**

Costs of services decrease from EUR 73,239 thousand in the year 2011 to EUR 71,187 thousand in the year 2012, down 2.8%. The decrease is due to:

- the decrease 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 39.5% of 2011 to 37.9% of 2012;
- the increase of costs for "Consultancy fees" mainly for the stylistic and administrative ones;
- the decrease of costs for "Advertising". 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, in line with previous periods.

27. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Rental expenses	21,390	20,028	1,362	6.8%
Royalties	2,534	2,577	-43	-1.7%
Hire charges and similar	894	775	119	15.4%
Total	**24,818**	**23,380**	**1,438**	**6.2%**

The costs for use of third parties assets increases by EUR 1,438 thousand from EUR 23,380 thousand in 2011 to EUR 24,818 thousand in 2012. Such increase is mainly due to the opening of new shops, both the ones realized during the 2011 and fully operative in the 2012 and the ones realized in 2012.

28. Labour costs

Labour costs increases from EUR 59,752 thousand in 2011 to EUR 62,328 thousand in 2012 with an incidence on revenues which remains substantially stable changing from 24.3% in 2011 to 24.5% in 2012.

This item comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Labour costs	62,328	59,752	2,576	4.3%
Total	**62,328**	**59,752**	**2,576**	**4.3%**

In 2012 the average number of employees of the Group is:

Average number of employees by category	Full Year 2012	Full Year 2011	Change Δ	%
Workers	382	405	-23	-6%
Office staff-supervisors	1,042	1,041	1	0%
Executive and senior managers	27	26	1	4%
Total	**1,451**	**1,472**	**-21**	**-1%**

29. Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Taxes	798	645	153	23.7%
Gifts	249	156	93	59.6%
Contingent liabilities	891	750	141	18.8%
Write-down of current receivables	201	518	-317	-61.2%
Foreign exchange losses	1,898	1,587	311	19.6%
Other operating expenses	585	548	37	6.8%
Total	**4,622**	**4,204**	**418**	**9.9%**

The caption other operating expenses amounts to EUR 4,622 thousand and increase in absolute value of EUR 418 thousand compared to the previous year, in particular for the increase of foreign exchange losses.

30. Amortisation, write-downs and provisons

This item includes:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Amortisation of intangible fixed assets	7,596	7,958	-362	-4.5%
Depreciation of tangible fixed assets	5,784	5,835	-51	-0.9%
Write-downs and provisions	586	1,030	-444	-43.1%
Total	**13,966**	**14,823**	**-857**	**-5.8%**

The decrease from EUR 14,823 thousand in 2011 to EUR 13,966 thousand in 2012 is substantially due to fewer amortisations of key money for the sale of a store located in Milan and fewer receivable write-downs.

31. Financial income/expenses

This item include:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Interest income	82	80	2	2.5%
Foreign exchange gains	19	133	-114	-85.7%
Financial discounts	14	33	-19	-57.6%
Other income	0	3	-3	-100.0%
Financial income	**115**	**249**	**-134**	**-53.8%**
Bank interest expenses	6,226	3,844	2,382	62.0%
Other interest expenses	558	313	245	78.3%
Lease interest	120	192	-72	-37.5%
Foreign exchange losses	21	2	19	950.0%
Other expenses	654	709	-55	-7.8%
Financial expenses	**7,579**	**5,060**	**2,519**	**49.8%**
Total	**7,464**	**4,811**	**2,653**	**55.1%**

The increase in financial income/expenses amounts to EUR 2,653 thousand. Such effect is substantially linked to:

- lower financial income for EUR 134 thousand related to the major positive exchange differences generated by loans in foreign currency in 2011 compared with the ones in 2012;
- major financial expenses for EUR 2,519 thousand related to the increase of the average interest rate of the year 2012 compared to the one of 2011.

32. Income taxes

This item includes:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Current income taxes	7,678	4,560	3,118	68.4%
Deferred income (expenses) taxes	-3,835	-1,700	-2,135	125.6%
Taxes related to previous years	737	0	737	n.a.
Total income taxes	**4,580**	**2,860**	**1,720**	**60.1%**

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 2012 and 2011 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Profit / loss before taxes	1,357	-1,247
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**373**	**-343**
Fiscal effect	1,954	-325
Effect of foreign tax rates	1,446	2,015
Total income taxes excluding IRAP (current and deferred)	**3,773**	**1,347**
IRAP (current and deferred)	**807**	**1,513**
Total income taxes (current and deferred)	**4,580**	**2,860**

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

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2012 is EUR 3,082 thousand.

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
OPENING BALANCE (A)	**8,444**	**4,512**
Cash flow (absorbed)/ generated by operating activity (B)	7,350	13,970
Cash flow (absorbed)/ generated by investing activity (C)	10,012	-10,549
Cash flow (absorbed)/ generated by financing activity (D)	-20,444	511
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**-3,082**	**3,932**
CLOSING BALANCE (F)=(A)+(E)	**5,362**	**8,444**

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

The cash flow generated by operating activity during 2012 amounts to EUR 7,350 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Profit before taxes	1,357	-1,247
Amortisation / write-downs	13,966	14,823
Accrual (+)/availment (-) of long term provisions and post employment benefits	-365	-1,605
Paid income taxes	-3,652	-2,579
Financial income (-) and financial charges (+)	7,464	4,811
Change in operating assets and liabilities	-11,420	-233
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**7,350**	**13,970**

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

The cash flow generated by investing activity during 2012 amounts to EUR 10,012 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Increase (-)/ decrease (+) in intangible fixed assets	-587	-6,082
Increase (-)/ decrease (+) in tangible fixed assets	3,324	-4,820
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	7,275	353
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**10,012**	**-10,549**

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

The cash flow absorbed by financing activity during 2012 amounts to EUR 20,444 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Other variations in reserves and profits carried-forward of shareholders' equity	-28	-1,240
Dividends paid	0	0
Proceeds (+)/ repayments (-) of financial payments	-8,055	6,489
Increase (-)/ decrease (+) in long term financial receivables	-4,897	73
Financial income (+) and financial charges (-)	-7,464	-4,811
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**-20,444**	**511**

OTHER INFORMATION

36. 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.

37. 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 2012 is analysed below:

(Values in thousands of EUR)	31 December 2012	31 December 2011
A - Cash in hand	1,067	667
B - Other available funds	4,295	7,777
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*5,362*	*8,444*
E - Short term financial receivables	3,500	-
F - Current bank loans	-91,360	-93,314
G - Current portion of long-term bank borrowings	-3,105	-3,012
H - Current portion of loans from other financial istitutions	0	-3,141
I - Current financial indebtedness (F) + (G) + (H)	*-94,465*	*-99,467*
J - Net current financial indebtedness (I) + (E) + (D)	*-85,603*	*-91,023*
K - Non current bank loans	-3,919	-7,024
L - Issued obbligations	1,691	-
M - Other non current loans	-88	-36
N - Non current financial indebtedness (K) + (L) + (M)	*-2,316*	*-7,060*
O - Net financial indebtedness (J) + (N)	**-87,919**	**-98,083**

The net financial position of the Group amounts to EUR 87,919 thousand as of 31 December 2012 compared with EUR 98,083 thousand as of 31 December 2011. The decrease is mainly due to the economic result of the year 2012 and to the transaction for the rationalization of the group's real estate properties already decided at the time of the IPO in 2007.

38. Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	31 December 2012	31 December 2011
Consolidated earnings for the period for shareholders of the parent company	-3,028	-4,280
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**-0.030**	**-0.042**

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.

39. 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 2012	Full Year 2011	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	1,248	1,225	Cost
Rent advance	293	0	Other receivable
Ferrim with Moschino S.p.a.			
Property rental	845	828	Cost
Commercial	0	6	Revenue
Commercial	0	49	Receivable
Commerciale Valconca with Aeffe S.p.a.			
Commercial	160	210	Revenue
Cost of services	102	102	Cost
Commercial	875	856	Receivable
Commercial	0	113	Payable
Aeffe France with Solide Real Estate France			
Property rental	291	277	Cost
Commercial	8	49	Payable
Commercial	80	5	Other receivable
Moschino France with Solide Real Estate France			
Property rental	355	338	Cost
Commercial	353	823	Payable
Aeffe USA with Ferrim USA			
Real estate sale	2,247	0	Revenues
Non current financial	1,691	0	Receivable
Current financial	1,000	0	Receivable

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 2012 and 31 December 2011.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2012	%	Balance Full Year	Value rel. party 2011	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	254,080	160	0.1%	246,025	216	0.1%
Other revenues	7,033	2,247	32.0%	6,519	0	0.0%
Costs of services	71,187	402	0.6%	73,239	402	0.5%
Costs for use of third party assets	24,818	2,739	11.0%	23,380	2,668	11.4%
Incidence of related party transactions on the balance sheet						
Non current financial receivables	1,691	1,691	100.0%	0	0	n.a.
Trade receivables	32,355	875	2.7%	32,547	905	2.8%
Current financial receivables	3,500	1,000	28.6%	0	0	n.a.
Other receivables	24,412	373	1.5%	25,113	5	0.0%
Trade payables	48,148	361	0.7%	54,809	985	1.8%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	7,350	-1,696	n.a.	13,970	-2,744	n.a.
Cash flow (absorbed) / generated by financing activities	-20,444	-2,691	13.2%	511	0	0.0%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-87,919	-4,387	5.0%	-98,083	-2,744	2.8%

40. *Atypical and/or unusual transactions*

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2012 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

41. *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 the subsidiary Aeffe USA has completed on 28th September 2012 a real estate transaction with the related company Ferrim USA, 100% owned by Ferrim Srl. In particular, Aeffe USA sold Ferrim USA, a company controlled by Ferrim Srl and therefore by shareholders Mr. and Mrs. Massimo and Alberta Ferretti, the properties owned by Aeffe USA and located in New York used as a showroom and as a boutique. The purchase of the property by Ferrim USA was completed by Aeffe USA's exercise of the put option agreement dated 23 May 2007 between Aeffe USA and Ferrim Srl., agreement existing since the Aeffe's IPO. The considerations on the basis of the operation were the planned will (already described in details in the IPO's prospectus) to execute to proceed with the gradual sale of the Group's real estate properties aimed at allowing its better utilisation and more efficient management and also to reduce the Group's indebtedness and financial expenses associated with the current cost of money. The price of 14 million USD will be paid by Ferrim USA to Aeffe USA as follows: 10 million USD have been already paid at the time of the signing the contract of sale, while the remaining part will be paid in 5 years.

The following table indicates the main data of the operation:

(Values in thousands of EUR)	Surplus value	Fiscal effect	Effect on fixed assets	Effect on cash flow
Sale of Aeffe USA's real estates	2,247	-877	-8,421	10,611

42. Guarantees and commitments

As of 31 December 2012, the Group has given performance guarantees to third parties totaling EUR 2,215 thousand (EUR 4,186 thousand as of 31 December 2011) and has received guarantees totaling EUR 650 thousand (EUR 650 thousand as of 31 December 2011).

43. 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. This tax dispute has been disputed in December 2012 before the Bologna Provincial Tax Commission, who, with sentence no. 40/13/13, filed on 14 March 2013, upheld the appeal.

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 has timely appealed 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.

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.

44. 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 2012 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2012 fees
Audit	MAZARS	224
Audit	WARD DIVECHA	16
Audit	ARI AUDIT	3
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 2012	of which Related parties	31 December 2011	of which Related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		37,586,914		40,917,446	
Trademarks		99,442,455		102,935,979	
Other intangible fixed assets		1,044,104		1,237,128	
Total intangible fixed assets	(1)	138,073,473		145,090,553	
Tangible fixed assets					
Lands		16,176,219		17,760,576	
Buildings		24,689,217		32,381,230	
Leasehold improvements		13,956,417		13,227,883	
Plant and machinary		6,043,425		7,108,806	
Equipment		301,814		377,417	
Other tangible fixed assets		4,224,197		3,680,636	
Total tangible fixed assets	(2)	65,391,289		74,536,548	
Other fixed assets					
Equity investments	(3)	30,252		29,625	
Long term financial receivables	(4)	1,690,617	1,690,617	0	
Other fixed assets	(5)	2,621,329		2,915,138	
Deferred tax assets	(6)	11,521,932		14,549,218	
Total other fixed assets		15,864,130		17,493,981	
TOTAL NON-CURRENT ASSETS		**219,328,892**		**237,121,082**	
CURRENT ASSETS					
Stocks and inventories	(7)	77,121,718		74,259,636	
Trade receivables	(8)	32,355,321	875,400	32,547,133	905,082
Tax receivables	(9)	10,052,200		8,394,168	
Cash	(10)	5,362,315		8,443,724	
Short term financial receivables	(11)	3,500,000	1,000,000	0	
Other receivables	(12)	24,412,210	373,096	25,113,491	5,042
TOTAL CURRENT ASSETS		**152,803,764**		**148,758,152**	
Assets available for sale	(13)	436,885		7,711,633	
TOTAL ASSETS		**372,569,541**		**393,590,867**	

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 2012	of which Related parties	31 December 2011	of which Related parties
SHAREHOLDERS' EQUITY	**(14)**				
Group interest					
Share capital		25,371,407		25,371,407	
Share premium reserve		71,240,251		71,240,251	
Translation reserve		-2,140,056		-2,425,059	
Other reserves		30,605,252		28,888,367	
Fair Value reserve		7,901,240		7,901,240	
IAS reserve		11,459,492		11,459,492	
Profits / (losses) carried-forward		-10,011,170		-3,937,904	
Net profit / (loss) for the Group		-3,028,260		-4,279,554	
Group interest in shareholders' equity		131,398,156		134,218,240	
Minority interest					
Minority interests in share capital and reserves		15,743,317		15,806,685	
Net profit / (loss) for the minority interests		-194,113		172,512	
Minority interests in shareholders' equity		15,549,204		15,979,197	
TOTAL SHAREHOLDERS' EQUITY		**146,947,360**		**150,197,437**	
NON-CURRENT LIABILITIES					
Provisions	(15)	1,098,481		1,070,987	
Deferred tax liabilities	(6)	37,817,754		40,515,662	
Post employment benefits	(16)	7,549,956		7,942,941	
Long term financial liabilities	(17)	4,006,802		7,059,804	
Long term not financial liabilities	(18)	14,241,401		14,241,401	
TOTAL NON-CURRENT LIABILITIES		**64,714,394**		**70,830,795**	
CURRENT LIABILITIES					
Trade payables	(19)	48,147,543	361,361	54,809,403	984,969
Tax payables	(20)	3,940,805		3,342,381	
Short term financial liabilities	(21)	94,464,883		99,466,588	
Other liabilities	(22)	14,354,556		14,944,263	
TOTAL CURRENT LIABILITIES		**160,907,787**		**172,562,635**	
Liabilities available for sale		-		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**372,569,541**		**393,590,867**	

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 2012	of which Related parties	Full Year 2011	of which Related parties
REVENUES FROM SALES AND SERVICES	**(23)**	**254,079,770**	**159,661**	**246,024,978**	**215,808**
Other revenues and income	(24)	7,033,323	2,247,493	6,518,683	
TOTAL REVENUES		**261,113,093**		**252,543,661**	
Changes in inventory		4,800,770		-341,150	
Costs of raw materials, cons. and goods for resale	(25)	-80,171,004		-73,240,498	
Costs of services	(26)	-71,187,232	-401,975	-73,239,308	-401,830
Costs for use of third parties assets	(27)	-24,818,175	-2,739,734	-23,379,506	-2,667,442
Labour costs	(28)	-62,327,873		-59,751,520	
Other operating expenses	(29)	-4,621,846		-4,204,238	
Amortisation, write-downs and provisions	(30)	-13,966,176		-14,823,180	
Financial Income / (expenses)	(31)	-7,464,264		-4,811,418	
PROFIT / LOSS BEFORE TAXES		**1,357,293**		**-1,247,157**	
Income Taxes	(32)	-4,579,666		-2,859,885	
NET PROFIT / LOSS		**-3,222,373**		**-4,107,042**	
(Profit) / loss attributable to minority shareholders		194,113		-172,512	
NET PROFIT / LOSS FOR THE GROUP		**-3,028,260**		**-4,279,554**	

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 2012	of which Related parties	Full Year 2011	of which Related parties
OPENING BALANCE		**8,444**		**4,512**	
Profit before taxes		1,357	-734	-1,247	-2,854
Amortisation / write-downs		13,966		14,823	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-365		-1,605	
Paid income taxes		-3,652		-2,579	
Financial income (-) and financial charges (+)		7,464		4,811	
Change in operating assets and liabilities		-11,420	-962	-233	110
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**7,350**		**13,970**	
Increase (-)/ decrease (+) in intangible fixed assets		-587		-6,082	
Increase (-)/ decrease (+) in tangible fixed assets		3,324		-4,820	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		7,275		353	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**10,012**		**-10,549**	
Other variations in reserves and profits carried-forward of shareholders' equity		-28		-1,240	
Dividends paid		0		0	
Proceeds (+)/ repayments (-) of financial payments		-8,055		6,489	
Increase (-)/ decrease (+) in long term financial receivables		-4,897	-2,691	73	
Financial income (+) and financial charges (-)		-7,464		-4,811	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**-20,444**		**511**	
CLOSING BALANCE		**5,362**		**8,444**	

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 2012	Period in office	Expiration *	Compensa-tion for office held		Bonuses and other incentives	Other fees	Total
DIRECTORS								
Massimo Ferretti	Chairman	01/01-31/12/2012	2014	605			256	861
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2012	2014	455			110	565
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2012	2014	254			119	373
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2012	2014	333	**	125	87	545
Marco Salomoni	Indipendent, non executive Director	01/01-31/12/2012	2014	30				30
Roberto Lugano	Indipendent, non executive Director	01/01-31/12/2012	2014	27			3	30
Pierfrancesco Giustiniani	Indipendent, non executive Director	01/01-31/12/2012	2014	30				30
STATUTORY AUDITORS								
Pierfrancesco Sportoletti	President of the Board of Statutory Auditors	01/01-31/12/2012	2014	10				10
Romano Del Bianco	Statutory auditor	01/01-31/12/2012	2014	10			6	16
Fernando Ciotti	Statutory auditor	01/01-31/12/2012	2014	10			14	24
Total				**1,764**		**125**	**595**	**2,484**
							(1)	**(2)**

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

(**) only executive of which 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 2012	Options held at 31/12/11			Options granted in 2012			Options exercised in 2012			Expired options	Options held at the end of 2012		
(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 2011

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2011	STATUTORY FINANCIAL STATEMENTS 2010
BALANCE SHEET		
ASSETS		
Intangible fixed assets	295,692	288,854
Equity investments	80,532,303	81,124,592
Non current assets	**80,827,995**	**81,413,446**
Trade receivables	506,784	429,335
Tax receivables	4,181,615	7,346,874
Cash	61,274	21,345
Other receivables	63,335	121,897
Current assets	**4,813,008**	**7,919,451**
Total assets	**85,641,003**	**89,332,897**
LIABILITIES		
Share capital	100,000	100,000
Share premium reserve	67,783,322	67,783,322
Other reserves	195,376	284,850
Profits / (losses) carried-forward		
Net profit / loss	-3,327,786	-89,475
Shareholders' equity	**64,750,912**	**68,078,697**
Long term financial liabilities	9,913,000	10,500,000
Non-current liabilities	**9,913,000**	**10,500,000**
Trade payables	10,977,091	10,754,200
Current liabilities	**10,977,091**	**10,754,200**
Total shareholders' equity and liabilities	**85,641,003**	**89,332,897**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	72,000	49,500
Total revenues	**72,000**	**49,500**
Operating expenses	-79,920	-61,889
Amortisation and write-downs	-50,804	-18,699
Provisions	-8,002	-1,467
Financial income / (expenses)	-142,228	22,395
Income / (expenses) from affiliates		
Financial assets adjustments	-3,175,268	
Extraordinary income /(expenses)		-2,063
Profit / (loss) before taxes	**-3,384,222**	**-12,223**
Income taxes	56,435	-77,252
Net profit / (loss)	**-3,327,787**	**-89,475**

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 2012.

The undersigned moreover attest that the consolidated financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

12 March 2013

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 2012

AEFFE SPA

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

2012 was a difficult year worldwide, for financial reasons and due to the state of the real economy. The current weakness of the global economy, that began in 2011 and continued throughout 2012, is marked by uncertainty and lack of confidence. Accordingly, households and businesses are deferring their spending decisions.

This said, the outlook began to change during the period in certain macro geographic areas.

First of all, there are fairly comforting signs of a recovery of activity in the USA. In particular, GDP there has risen due, above all, to the contribution made by household spending. Growth in the third quarter of 2012 (+2.7%) was actually ahead of expectations. Investment in housing has also increased.

Similarly, the Chinese economy is also recovering strongly. GDP there rose by 7.8% in 2012 and the forecasts are also encouraging for the coming years (+8% in 2013; +7.8% in 2014), although these growth rates are lower than the steady 10% achieved in the pre-crisis years.

The recovery of the Chinese economy is confirmed by the rise in exports (+14% over the year, from +2.9%), production (+10.3% from +10.1%) and sales (+15.2%).

The results of the other BRIC countries were more varied. There were signs of a slow recovery in all these markets, but not all the composite PMI, export and production parameters moved in the same direction.

By comparison, the ongoing recession deepened in Europe. The start of a slow recovery is forecast from the fourth quarter of 2013, following a revision of the initial expectations for an upturn in the second quarter.

The reasons for this situation are attributable to both the financial environment and the real economy, as well as to their close correlation. In particular, the reduced leverage of many operators, the lower recourse to borrowing and the ongoing credit crunch have had a direct, strong impact on the real economy, giving rise to: a generalized lack of confidence, the compression of domestic demand, a drastic reduction in consumption and investment, and a sharp increase in unemployment.

Considering the forecasts for 2013, it is clear above all that politicians must implement effective and efficient policies designed to exit the crisis and support a slow economic recovery.

This said, the necessary appointments have not yet been fixed to take the key action needed at European level. It seems obvious that a number of key points must be implemented in order to exit the crisis: the credit crunch must cease, as a first move, together with the introduction of investment incentives, the replacement of debt with equity and, ideally, increased recourse to private equity and mezzanine financing.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The fashion and luxury goods sector is therefore, of necessity, faced with the extremely unfavorable situation pervading the world economy.

A number of results achieved in 2012 confirm the forecasts for an upturn in growth. The improved results of the fashion and luxury goods sector in 2012 were, however, principally led by Asia (growth of 16.5%)

followed by Latin America (growth of 14%). By contrast, the geographic area with the lowest growth was Europe. Adding to this negative emphasis, this result was essentially achieved due to the purchases made by foreign customers, especially those from outside the EU.

Turning to Italy, 2012 was essentially marked by the consumption of "made in Italy" fashion abroad. According to a survey conducted by the National Foreign Trade Institute, the weighting of clothing sales made abroad has risen, particularly in relation to non-EU countries. This trend is compounded by a decline in the disposable income of Italian households and, consequently, in their propensity to consume.

Based on a survey carried out by Bain & Co., the outlook for 2013 suggests slower growth in the first part of the year, followed by more sustained expansion during the second semester.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in units of EUR)	Full year 2012	% on revenues	Full year 2011	% on revenues	Change 2012/11	%
REVENUES FROM SALES AND SERVICES	**125,186,495**	**100.0%**	**125,238,939**	**100.0%**	**-52,444**	**0.0%**
Other revenues and income	4,989,413	4.0%	5,858,211	4.7%	-868,798	-14.8%
TOTAL REVENUES	**130,175,908**	**104.0%**	**131,097,150**	**104.7%**	**-921,242**	**-0.7%**
Changes in inventory	91,488	0.1%	996,681	0.8%	-905,193	-90.8%
Costs of raw materials, cons. and goods for resale	-40,979,929	-32.7%	-43,128,112	-34.4%	2,148,183	-5.0%
Costs of services	-40,064,455	-32.0%	-43,124,831	-34.4%	3,060,376	-7.1%
Costs for use of third parties assets	-12,771,268	-10.2%	-12,115,424	-9.7%	-655,844	5.4%
Labour costs	-23,413,359	-18.7%	-22,088,460	-17.6%	-1,324,899	6.0%
Other operating expenses	-2,433,271	-1.9%	-1,908,860	-1.5%	-524,411	27.5%
Total Operating Costs	-119,570,794	-95.5%	-121,369,006	-96.9%	1,798,212	-1.5%
GROSS OPERATING MARGIN (EBITDA)	**10,605,114**	**8.5%**	**9,728,144**	**7.8%**	**876,970**	**9.0%**
Amortisation of intangible fixed assets	-290,583	-0.2%	-235,154	-0.2%	-55,429	23.6%
Depreciation of tangible fixed assets	-2,239,041	-1.8%	-2,313,140	-1.8%	74,099	-3.2%
Revaluations (write-downs)	-248,591	-0.2%	-400,000	-0.3%	151,409	-37.9%
Total Amortisation and write-downs	-2,778,215	-2.2%	-2,948,294	-2.4%	170,079	-5.8%
NET OPERATING PROFIT / LOSS (EBIT)	**7,826,899**	**6.3%**	**6,779,850**	**5.4%**	**1,047,049**	**15.4%**
Financial income	1,104,690	0.9%	731,654	0.6%	373,036	51.0%
Financial expenses	-6,324,444	-5.1%	-4,292,688	-3.4%	-2,031,756	47.3%
Total Financial Income / (expenses)	-5,219,754	-4.2%	-3,561,034	-2.8%	-1,658,720	46.6%
PROFIT / LOSS BEFORE TAXES	**2,607,145**	**2.1%**	**3,218,816**	**2.6%**	**-611,671**	**-19.0%**
Current income taxes	-2,040,073	-1.6%	-766,945	-0.6%	-1,273,128	166.0%
Deferred income / (expenses) taxes	592,978	0.5%	-734,984	-0.6%	1,327,962	-180.7%
Total Income Taxes	-1,447,095	-1.2%	-1,501,929	-1.2%	54,834	-3.7%
NET PROFIT / LOSS	**1,160,050**	**0.9%**	**1,716,887**	**1.4%**	**-556,837**	**-32.4%**

Revenues from sales and services

In 2012 revenues remain constant compared to the previous year, moving from EUR 125,239 thousand in 2011 to EUR 125,186 thousand in 2012.

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

Labour costs

Labour costs increase from EUR 22,088 thousand in 2011 to EUR 23,413 thousand in 2012.

Gross Operating Margin (EBITDA)

EBITDA increases from 7.8% in 2011 to 8.5% in 2012, representing an increase in absolute terms of EUR 877 thousand.

Profitability is positively influenced by 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 5.4% in 2011 to 6.3% in 2012.

Profit / loss before taxes

Profit before taxes decreases from EUR 3,219 thousand in 2011 to EUR 2,607 thousand in 2012.

Net profit / loss

Net profit decreases from EUR 1,717 thousand in 2011 to EUR 1,160 thousand in 2012.

BALANCE SHEET

(Values in units of EUR)	31 December 2012	31 December 2011
Trade receivables	65,357,863	77,364,637
Stock and inventories	23,945,367	24,217,397
Trade payables	-69,657,169	-75,903,318
Operating net working capital	**19,646,061**	**25,678,716**
Other short term receivables	14,219,096	14,365,289
Tax receivables	8,095,180	6,424,568
Other short term liabilities	-6,407,684	-6,164,357
Tax payables	-1,365,832	-1,461,254
Net working capital	**34,186,821**	**38,842,962**
Tangible fixed assets	46,391,472	47,686,978
Intangible fixed assets	4,133,571	4,167,825
Equity investments	103,950,832	102,949,424
Other fixed assets	41,856,774	42,179,874
Fixed assets	**196,332,649**	**196,984,101**
Post employment benefits	-4,476,381	-4,652,492
Provisions	-416,453	-496,775
Long term not financial liabilities	-5,058,270	-4,578,343
Deferred tax assets	3,556,008	6,543,558
Deferred tax liabilities	-7,995,412	-8,226,319
NET CAPITAL INVESTED	**216,128,962**	**224,416,692**
Share capital	25,371,407	25,371,407
Other reserves	110,673,114	108,956,227
Profits/(Losses) carried-forward	2,174,878	2,174,878
Profits/(Loss) for the period	1,160,050	1,716,887
Shareholders' equity	**139,379,449**	**138,219,399**
Cash	-40,482	-105,532
Long term financial liabilities	3,918,750	7,023,827
Short term financial liabilities	72,871,245	79,278,998
NET FINANCIAL POSITION	**76,749,513**	**86,197,293**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**216,128,962**	**224,416,692**

NET CAPITAL INVESTED

Net capital invested decreases by 3.7% since 31 December 2011.

Net working capital

Net working capital amounts to EUR 34,187 thousand at 31 December 2012 compared with EUR 38,843 thousand at 31 December 2011.

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 23,5% (EUR 6,033 thousand). Such change is mainly related to the decrease of receivables and payables with the subsidiaries due to a better Group's treasury management and to the decrease of trade payables following the lower incidence of the operating costs thanks to the policy of costs' reduction and efficiency improvement implemented by the company's management;

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

Fixed assets

Fixed assets decrease by EUR 651 thousand since 31 December 2011. The changes in the main items are described below:

- tangible fixed assets decrease of EUR 1,295 thousand as a consequence of the investments for EUR 1,076 thousand for setting up new corners and shop in shops, information tools and general and specific plant and machinery, depreciation for EUR 2,239 thousand and disposals for EUR 132 thousand;
- intangible fixed assets decrease of EUR 35 thousand due to investments in software for EUR 256 thousand and amortisation for EUR 291 thousand;
- equity investments increase of EUR 1,001 thousand due to capital contributions payments for EUR 780 thousand and to the waive receivable for EUR 220 thousand towards our subsidiary Velmar S.p.A.

NET FINANCIAL POSITION

- The Company's net financial position moves from EUR 86,197 thousand as of 31 December 2011 to EUR 76,749 thousand as of 31 December 2012. This improvement is mainly due to the net profit in 2012 and to a better management by the Group Treasury.

SHAREHOLDERS' EQUITY

Total shareholders' equity increases by EUR 1,160 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 17,755 thousand, have been charged to the 2012 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 12 March 2013 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 2012:

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	5.000%
Other shareholders(*)	31.143%

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

6. TREASURY SHARES

As of 31 December 2012, 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 2012 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 31/12/11	N. of shares bought in 2012	Change in n, of shares held by incoming/(outgoing) membersN. of shares	N. of shares held at 31/12/12
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 2012.

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

In December 2012, the end-of lease purchase of EUR 1,750 thousand, related to the leaseback transaction arranged by Aeffe S.p.A. in relation to the building that is still used by Pollini S.p.A., has been concluded. The original amount of this loan, arranged in 2002, was EUR 17,500 thousand.

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

Thanks to the positive backlog for the Spring/summer 2013, together with the positive results we have been registering for recently presented Autumn/Winter 2013/2014 collections, that have just been presented, including the debut of Emanuel Ungaro, we look at the new year with optimism both in term of revenues growth and a more than proportional increase in profitability.

13. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2012

Shareholders,

In presenting the financial statements as of 31 December 2012 for your approval, we propose to allocate that the profit of the year of EUR 1,160,050 be allocated as follows:

- Legal Reserve, EUR 58,002;
- Extraordinary Reserve, EUR 1,102,048.

12 March 2013

For the Board of Directors

Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2012	31 December 2011	Change 2012/11
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademarks		3,777,480	3,903,241	-125,761
Other intangible fixed assets		356,091	264,584	91,507
Total intangible fixed assets	(1)	4,133,571	4,167,825	-34,254
Tangible fixed assets				
Lands		15,803,400	15,803,400	0
Buildings		23,998,082	24,454,154	-456,072
Leasehold improvements		2,511,358	2,657,259	-145,901
Plant and machinary		3,440,922	4,122,878	-681,956
Equipment		23,858	49,236	-25,378
Other tangible fixed assets		613,852	600,051	13,801
Total tangible fixed assets	(2)	46,391,472	47,686,978	-1,295,506
Other fixed assets				
Equity investments	(3)	103,950,832	102,949,424	1,001,408
Other fixed assets	(4)	41,856,774	42,179,874	-323,100
Deferred tax assets	(5)	3,556,008	6,543,558	-2,987,550
Total other fixed assets		149,363,614	151,672,856	-2,309,242
TOTAL NON-CURRENT ASSETS		**199,888,657**	**203,527,659**	**-3,639,002**
CURRENT ASSETS				
Stocks and inventories	(6)	23,945,367	24,217,397	-272,030
Trade receivables	(7)	65,357,863	77,364,637	-12,006,774
Tax receivables	(8)	8,095,180	6,424,568	1,670,612
Cash	(9)	40,482	105,532	-65,050
Other receivables	(10)	14,219,096	14,365,289	-146,193
TOTAL CURRENT ASSETS		**111,657,988**	**122,477,423**	**-10,819,435**
TOTAL ASSETS		**311,546,645**	**326,005,082**	**-14,458,437**

(*) 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 2012	31 December 2011	Change 2012/11
SHAREHOLDERS' EQUITY				
Share capital		25,371,407	25,371,407	0
Share premium reserve		71,240,251	71,240,251	0
Other reserves		30,605,255	28,888,368	1,716,887
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		1,160,050	1,716,887	-556,837
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**139,379,449**	**138,219,399**	**1,160,050**
NON-CURRENT LIABILITIES				
Provisions	(12)	416,453	496,775	-80,322
Deferred tax liabilities	(5)	7,995,412	8,226,319	-230,907
Post employment benefits	(13)	4,476,381	4,652,492	-176,111
Long term financial liabilities	(14)	3,918,750	7,023,827	-3,105,077
Long term not financial liabilities	(15)	5,058,270	4,578,343	479,927
TOTAL NON-CURRENT LIABILITIES		**21,865,266**	**24,977,756**	**-3,112,490**
CURRENT LIABILITIES				
Trade payables	(16)	69,657,169	75,903,318	-6,246,149
Tax payables	(17)	1,365,832	1,461,254	-95,422
Short term financial liabilities	(18)	72,871,245	79,278,998	-6,407,753
Other liabilities	(19)	6,407,684	6,164,357	243,327
TOTAL CURRENT LIABILITIES		**150,301,930**	**162,807,927**	**-12,505,997**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**311,546,645**	**326,005,082**	**-14,458,437**

(*) 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 2012	Full year 2011
REVENUES FROM SALES AND SERVICES	**(20)**	**125,186,495**	**125,238,939**
Other revenues and income	(21)	4,989,413	5,858,211
TOTAL REVENUES		**130,175,908**	**131,097,150**
Changes in inventory		91,488	996,681
Costs of raw materials, cons. and goods for resale	(22)	-40,979,929	-43,128,112
Costs of services	(23)	-40,064,455	-43,124,831
Costs for use of third parties assets	(24)	-12,771,268	-12,115,424
Labour costs	(25)	-23,413,359	-22,088,460
Other operating expenses	(26)	-2,433,271	-1,908,860
Amortisation and write-downs	(27)	-2,778,215	-2,948,294
Financial Income / (expenses)	(28)	-5,219,754	-3,561,034
PROFIT / LOSS BEFORE TAXES		**2,607,145**	**3,218,816**
Income Taxes	(29)	-1,447,095	-1,501,929
NET PROFIT / LOSS		**1,160,050**	**1,716,887**

(*) 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 2012	Full Year 2011
OPENING BALANCE		**105**	**851**
Profit before taxes		2,607	3,219
Amortisation		2,778	2,948
Accrual (+)/availment (-) of long term provisions and post employment benefits		-256	-730
Paid income taxes		-2,135	-698
Financial income (-) and financial charges (+)		5,220	3,561
Change in operating assets and liabilities		8,332	-2,848
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**16,545**	**5,452**
Increase (-)/ decrease (+) in intangible fixed assets		-256	-212
Increase (-)/ decrease (+) in tangible fixed assets		-944	-913
Investments (-)/ Disinvestments (+)		-1,000	-7,379
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**-2,200**	**-8,504**
Other variations in reserves and profits carried-forward of shareholders' equity		0	0
Dividends paid		0	0
Proceeds (+)/repayments (-) of financial payments		-9,513	5,716
Increase (-)/ decrease (+) in long term financial receivables		323	152
Financial income (+) and financial charges (-)		-5,220	-3,561
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**-14,409**	**2,306**
CLOSING BALANCE		**40**	**105**

(*) 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 thousands 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 2011	**25,371**	**71,240**	**28,889**	**7,742**	**1,086**	**2,175**	**1,717**	**138,220**
Allocation of 2011 profit / loss			1,717				- 1,717	-
Total income/(loss) of 2012							1,160	1,160
BALANCES AT 31 December 2012	**25,371**	**71,240**	**30,606**	**7,742**	**1,086**	**2,175**	**1,160**	**139,380**

(Values in thousands 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**	**2,175**	**1,717**	**138,220**

Report of the Board of Statutory Auditors to the shareholders' meeting of AEFFE S.p.A. on the 2012 financial statements, issued pursuant to article 153 of Italian Legislative Decree 58/98 and art. 2429, paragraph 3 of the Italian Civil Code.

Shareholders,

During the year ended 31st December 2012, we performed the monitoring activities required by the Italian Civil Code, article 148 et seq. of Decree No. 58 dated 24th February 1998, Decree No. 39 dated 27th January 2010 and the guidelines set out in CONSOB's communications regarding company audits and the activities of the Board of Statutory Auditors. Our activities took account of the Principles of Conduct recommended by the Italian Accounting Profession.

This report has been prepared in accordance with the regulations governing companies listed on the stock exchange, since the shares of AEFFE S.p.A. are traded in the STAR segment of the market operated by Borsa Italiana S.p.A.

The financial statements were prepared in compliance with international accounting standards (I.A.S./I.F.R.S.), pursuant to article 2 of Decree No. 38 dated 28th February 2005.

During the year, the Board of Statutory Auditors obtained all the useful information needed to perform its monitoring functions, both by interviewing management and by regular attendance at all meetings of the Board of Directors.

The duty of disclosure to the Board of Statutory Auditors established in art. 150.1 of Decree No. 58 dated 24th February 1998 and art. 19.2 of the articles of association, was met by consultations with the Chief Executive Officer and the Chairman of the Company. 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 this Report.

1. Based on the information received and on the specific analyses conducted, it emerged that the principal economic, financial and capital transactions carried out by the Company, or by directly or indirectly-held companies, were essentially as follows:

- redemption of the leaseback transaction arranged by Aeffe Spa in relation to the property used by Pollini Spa;
- sale by Aeffe USA to Ferrim USA, a related party, of the property situated in New York that is used as a showroom and boutique;
- ownership at year end of 5,876,878 treasury shares, nominal value €uro 0.25 each, representing about 5.5% of share capital. No purchases of treasury shares were made during the year covered by this Report.

The Board of Statutory Auditors has verified that the above transactions complied with the law, the articles of association 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 shareholders, 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 held by:

- the Supervisory Board, established pursuant to Decree No. 231 dated 8th June 2001, obtaining information on the work performed and on the implement of the new models following the identification of new types of crime;

- the Audit Committee, obtaining information about the activities in progress, the audit programs and the implementation of the system of internal control;
- the Compensation Committee, taking note of the work performed during the year.

3. With regard to CONSOB Communication no. 1025564 dated 6th April 2001, we confirm that, during 2012 and subsequent to year end, we did not identify any atypical and/or unusual transactions with third parties and/or with related parties.

4. The Board of Statutory Auditors has checked that the Procedure for Related-Party Transactions, established by the Company in the prior year in accordance with Consob Regulation no. 17221 dated 12th March 2010, is consistent with the principles set down in that Regulation, and has monitored compliance with the Procedure by the Company.

With regard to such 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 intercompany financial transactions, the Board of Statutory Auditors believes that the amounts were reasonable and the transactions - carried out at market values - were in the interests of the Company and can be reasonably considered to adhere to the principles of proper administration, consistent with the articles of association and the spirit of current regulations.

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 has 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 dated 27th January 2010, expressing opinions containing no significant matters and/or exceptions in relation to both the statutory and the consolidated financial statements.

7. On 23rd July 2012, the Board of Statutory Auditors received a complaint pursuant to art. 2408 of the Italian Civil Code from the holder of 99 shares in the Company, representing 0.0001% of the share capital, as identified from the list of shareholders participating at the shareholders' meeting held on 19th April 2012. This shareholder lamented that the business of the meeting did not include reading the questions posed to the Board of Directors and the required answers, and that these were not included in the meeting minutes, as they should have been.

The Board of Statutory Auditors attended this Shareholders' Meeting and remembers that the questions posed by the shareholder and the related answers were read out at the meeting and then attached to the meeting minutes; accordingly, the Board of Statutory Auditors believes that the behavior of the corporate officers at that meeting cannot be deemed to be censurable.

8. The Board of Statutory Auditors did not release any opinions during 2012.

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 has 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 2012, the Board of Directors of the Company held six meetings, the Audit Committee held six and the Compensation Committee held one. The Board of Statutory Auditors met six times during the year; in addition, it attended: (i) the shareholders' meeting held to approve the financial statements as of 31st December 2011; (ii) all the meetings of the Board of Directors; (iii) all the meetings of the Audit Committee

held in 2012 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 has obtained information about and monitored compliance with the principles of proper administration, and monitored the legal audit work performed on the statutory and consolidated financial statements, by both direct observation and meetings with the partners and managers of the Auditing Firm, as required by article 150.3 of Decree No. 58 dated 24th February 1998, and by CONSOB Communication no. DAC/99023932 dated 29th March 1999. Based on the above meetings, the Board of Statutory Auditors was able to assess the plan of the audit and its implementation, taking note that the auditing process did not reveal any significant data and information worthy of mention in this Report.

In particular, with regard to the decision-making processes adopted by the Board of Directors, the Board of Statutory Auditors has checked, by direct participation at board meetings and otherwise, that the operational decisions taken by the Directors complied with the law and the articles of association, and has 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 has also:

- obtained knowledge about and monitored, within its sphere of competence, the adequacy of the Company's organizational structure and its functioning;
- monitored the Company's system of internal control and assessed its adequacy, not least via: (i) periodic meetings with the internal audit manager; (ii) participation at 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 Decree No. 58 dated 24th February 1998;
- exchanged information with the corresponding bodies at subsidiaries pursuant to article 151.2 of Decree No. 58 dated 24th February 1998;
- verified compliance with the law and the articles of association, and with the principles of proper administration;
- monitored the practical implementation of the rules of corporate governance envisaged by the Code of Self-Regulation adopted by Borsa Italiana S.p.A. and accepted by the Company, and assessed the internal procedures adopted by the Board of Directors and the internal committees;
- checked compliance with the independence criteria by each of its members, as required by the Code of Self-Regulation;
- monitored the independence of the Auditing Firm and checked compliance with the related current regulations, as well as the nature and extent of any non-audit services provided to the Company and its subsidiaries by the Auditing Firm and members of its network.

14. The Board of Statutory Auditors has 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, other than those

described earlier. In addition, the Board of Statutory Auditors has examined the accounting policies adopted for the preparation of the financial statements, which comply with 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.

The composition of the Board of Directors, comprising seven members, did not change during the year.

The Board of Directors has established a Compensation Committee, made up of independent and non-executive directors, and an Audit Committee, also comprising independent and non-executive directors.

16. The Board of Statutory Auditors has checked 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 of 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. Noting the content of the financial statements as of 31st December 2012, and pursuant and consequent to art. 153 of Decree No. 58 dated 24th February 1998, the Board of Statutory Auditors has no objections to raise with regard to the proposed resolution presented by the Board of Directors.

San Giovanni in Marignano, 25 March 2013

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 25 March 2013, 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
Asteroide S.r.l.	Sole Director	Resignation/termination
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	31/12/14
Banca Popolare Valconca Soc. Coop.	Chairman of the Board of Statutory	31/12/14
Velmar S.p.A.	Serving Auditor	31/12/14
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	31/12/14
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	31/12/14

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, 2012, 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 28, 2012.

3. In our opinion, the financial statements of Aeffe S.p.A. as of December 31, 2012 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

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, 2012.

Mazars S.p.A.

signed by Simone Del Bianco
Simone Del Bianco
Partner

Milan, Italy, March 25, 2013

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 2012. 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 retrospectively, 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 or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. 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 the income statement.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures,* adopted prospectively by the Group from 1 January 2012. The amendments allow 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 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* (subsequently reissued as IAS 27 - *Separate Financial Statements* which 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 in 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, at the latest for annual reporting periods beginning on or after 1 January 2014.

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, at the latest for annual periods beginning on or after 1 January 2014. 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 at the latest for annual reporting periods beginning on or after 1 January 2014.

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* applicable retrospectively for the year beginning 1 January 2013. The amendment modified the requirements for recognizing defined benefits plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined plans. In details:

- Recognition of the plan deficit or surplus: the amendment removes the previous option of being able to defer actuarial gains and losses under the off balance sheet "corridor method", requiring these to be recognised directly in other comprehensive income. In addition, the amendment requires the immediate recognition of past service costs in profit or loss.
- Net interest expense: The concept of interest expense and expected return on plan assets are replaced by the concept of net interest expense on the net plan deficit or surplus, which consists of:
    - the interest expense calculated on the present value of the liability for defined benefit plans,
    - the interest income arising from the valuation of the plan assets, and
    - the interest expense or income arising from any limits to the recognition of the plan surplus.

  Net interest expense is calculated for all above components by using the discount rate applied for valuing the obligation for defined benefit plans at the beginning of the period
- Classification of net interest expense: In accordance with the new definition of net interest expense set out in the standard, net interest expense on defined benefit plans will be recognised as Financial income/(expenses) in the income statement.

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 2012 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 2013 the Group budget approved by Aeffe's Board of Directors. 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 7.97%.

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 2012, 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 2012, 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., Aeffe France S.a.r.l., Aeffe Japan Inc. and Aeffe USA Inc., 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 all taxes calculated on taxable income. 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 2013, by the Group budget approved by Aeffe's Board of Directors. It has been also estimated cash flow projections for the year 2014, 2015, 2016 and 2017 at a flat growth flat of 9%. 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 2017. 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 9.05%.

<u>Equity investment in Aeffe Retail S.p.A., Velmar S.p.A. Aeffe France S.a.r.l., Aeffe Japan Inc. and Aeffe USA Inc.</u>: the evaluation emerges from the cash flow analysis of each single company. The cash flows have been gathered, for the year 2013, by the Group budget approved Aeffe's Board of Directors. It has been also estimated cash flow projections for the year 2014, 2015, 2016 and 2017 at a growth rate basically stable compared to the one used in the budget 2013. 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 2017. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC) of the Group equal to 7.97%.

- 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 2.40%;
– 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 2.40%;

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 2012 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 510 thousand annually (EUR 360 thousand as of 31 December 2011).

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 2012 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 2012	31 December 2011	Change Δ	%
Trade receivables	65,358	77,364	-12,006	-15.5%
Other current receivables	14,219	14,365	-146	-1.0%
Total	**79,577**	**91,729**	**-12,152**	**-13.2%**

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 2012, overdue but not written-down trade receivables amount to EUR 45,199 thousand (EUR 55,286 thousand in 2011). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
By 30 days	4,440	7,448	-3,008	-40.4%
31 - 60 days	2,282	3,258	-976	-30.0%
61 - 90 days	2,997	3,351	-354	-10.6%
Exceeding 90 days	35,480	41,229	-5,749	-13.9%
Total	**45,199**	**55,286**	**-10,087**	**-18.2%**

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 01.01.11	**4,029**	**162**	**4,191**
Increases externally acquired		212	212
Disposals			0
Other changes			0
Amortisation	-126	-109	-235
Net book value as of 01.01.12	**3,903**	**265**	**4,168**
Increases externally acquired		256	256
Disposals			0
Other changes			0
Amortisation	-126	-165	-291
Net book value as of 31.12.12	**3,777**	**356**	**4,133**

Brands

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

The residual amortisation period for this caption is 30 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 01.01.11	**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 01.01.12	**15,804**	**24,454**	**2,658**	**4,122**	**49**	**600**	**47,687**
Increases		88	687	66	16	219	1,076
Disposals			-128			-4	-132
Depreciation		-544	-706	-747	-41	-201	-2,239
Net book value as of 31.12.12	**15,804**	**23,998**	**2,511**	**3,441**	**24**	**614**	**46,392**

Tangible fixed assets have changed as follows:

- Increases of EUR 1,076 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.
- Disposals of EUR 132 thousand. These relate to the closure of some corners and shop in shops .
- Depreciation of EUR 2,239 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

Other non-current assets

3. Equity investments

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

Equity investments increase of EUR 1,001 thousand due to capital contributions payments for EUR 780 thousand and to receivable write-down for EUR 220 thousand towards our subsidiary Velmar S.p.A.

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 2012 and 2011:

(Values in thousands of EUR)	Receivables		Liabilities	
	2012	2011	2012	2011
Tangible fixed assets			-20	-20
Intangible fixed assets			-152	-156
Provisions	302	312		
Costs deducible in future periods	245	32		
Income taxable in future periods			-255	-559
Tax losses carried forward	2,578	5,768		
Other tax assets (liabilities) from transition to IAS	431	431	-7,568	-7,491
Total	**3,556**	**6,543**	**-7,995**	**-8,226**

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	-20	0		-20
Intangible fixed assets	-156	4		-152
Provisions	312	-10		302
Costs deducible in future periods	32	269	-56	245
Income taxable in future periods	-559	387	-83	-255
Tax losses carried forward	5,768	-3,118	-72	2,578
Other tax assets (liabilities) from transition to IAS	-7,060	-77		-7,137
Total	**-1,683**	**-2,545**	**-211**	**-4,439**

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 2012	31 December 2011	Change Δ	%
Raw, ancillary and consumable materials	4.750	5.263	-513	-9,7%
Work in progress	5.619	4.704	915	19,5%
Finished products and goods for resale	13.325	14.148	-823	-5,8%
Advance payments	251	102	149	146,1%
Total	**23.945**	**24.217**	**-272**	**-1,1%**

Inventories of raw materials and work in process essentially relate to production of the Spring/Summer 2013 collections.

Finished products mainly relate to the Autumn/Winter 2012 and to the Spring/Summer 2013 collections and to the Autumn/Winter 2013 samples collections.

7. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Customers receivables	8.273	9.346	-1.073	-11,5%
Subsidiaries receivables	57.448	68.419	-10.971	-16,0%
(Allowance for doubtful receivables)	-363	-400	37	-9,3%
Total	**65.358**	**77.365**	**-12.007**	**-15,5%**

Trade receivables amount to EUR 65,358 thousand at 31 December 2012, showing a 15.5% decrease compared to the value at 31 December 2011. This change is mainly due to the reduction of receivables towards the subsidiary companies following a careful management of the Group Treasury.

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 2011 has been used for the amount of EUR 287 thousand to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 250 thousand to allowance for doubtful receivables.

8. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
VAT	5.180	2.974	2.206	74,2%
Corporate income tax (IRES)	2.026	2.026	0	n.a.
Amounts due to tax authority for withheld taxes	763	941	-178	-18,9%
Other tax receivables	126	483	-357	-73,9%
Total	**8.095**	**6.424**	**1.671**	**26,0%**

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 2012	31 December 2011	Change Δ	%
Bank and post office deposits	13	85	-72	-84,7%
Cheques	4	2	2	100,0%
Cash in hand	23	19	4	21,1%
Total	**40**	**106**	**-66**	**-62,3%**

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

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

As of 31 December 2012, cash and cash equivalents are EUR 66 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 2012	31 December 2011	Change Δ	%
Credits for prepaid costs (costs of producing collections)	9.996	10.525	-529	-5,0%
Advances for royalties and commissions	1.050	1.309	-259	-19,8%
Advances to suppliers	787	1.023	-236	-23,1%
Accrued income and prepaid expenses	585	460	125	27,2%
Other	1.801	1.048	753	71,9%
Total	**14.219**	**14.365**	**-146**	**-1,0%**

Credits for prepaid costs, that are related to the costs incurred to design and make samples for the Spring/Summer 2013 and Autumn/Winter 2013 collections for which the corresponding revenues from sales have not been realised yet, remain substantially stable compared with the previous year. The reduction of credits for prepaid costs is determined by the lower design and production costs of the 2013 sample collections following the policy of costs' reduction and efficiency improvement implemented by the company's management.

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 2012 are described below.

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ
Share capital	25.371	25.371	0
Legal reserve	2.803	2.718	85
Share premium reserve	71.240	71.240	0
Other reserves	27.802	26.171	1.631
Fair value reserve	7.742	7.742	0
IAS reserve	1.086	1.085	1
Profits/(Losses) carried-forward	2.175	2.175	0
Net profit / (loss)	1.160	1.717	-557
Total	**139.379**	**138.219**	**1.160**

Share capital

Share capital as of 31 December 2012 (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 2012 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 2,803 thousand at 31 December 2012, showing an increasing of EUR 85 thousand compared to the previous year as effect of the allocation of the 2011 profit.

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2011.

Other reserves

The caption records a positive variation as a consequence of the profit 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 2012 amount to EUR 2,175 thousand and has not changed since 31 December 2011.

Net Profit /loss

This caption highlights a profit of EUR 1,160 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	Uses in prior years		
				To cover losses	For capital increases	For distribution to shareholders
Share capital	25,371					
Legal reserve	2,803	B				
Share premium reserve:						
- including	68,969	A,B,C	68,884			
- including	2,271	B				
Other reserves:						
- inc. extraordinary reserve	27,802	A,B,C	27,802	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	B				
Profit/(losses) carried-forward	2,175	A,B,C	2,175			2,147
Total	**138,219**		**98,861**	**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 2012 amount to EUR 1,291 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 2011	Increases	Decreases	31 December 2012
Pensions and similar obligations	497	15	-95	417
Total	**497**	**15**	**-95**	**417**

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 2011	Increases	Decreases	31 December 2012
Post employment benefits	4.652	237	-413	4.476
Total	**4.652**	**237**	**-413**	**4.476**

The entry increases is related to the quota of financial expenses for EUR 198 thousand.

14. Non-current financial liabilities

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

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Loans from financial institutions	3.919	7.024	-3.105	-44,2%
Total	**3.919**	**7.024**	**-3.105**	**-44,2%**

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

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

The following table details the bank loans outstanding as of 31 December 2012, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	7.025	3.106	3.919
Total	**7.025**	**3.106**	**3.919**

There are no amounts due beyond five years, except for a loan of EUR 198 thousand expiring in 2018 .

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 2012	31 December 2011	Change Δ	%
Trade payables	69.657	75.903	-6.246	-8,2%
Total	**69.657**	**75.903**	**-6.246**	**-8,2%**

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

The fall in trade payables is mainly due to the decrease of payables with subsidiaries due to a better Group's treasury management and to the decrease of trade payables following the lower incidence of the operating costs thanks to the policy of costs' reduction and efficiency improvement implemented by the company's management.

17. Tax payables

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

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Amounts due to tax authority for withheld taxes	1.256	1.245	11	0,9%
Local business tax (IRAP)	110	208	-98	-47,1%
Other	0	8	-8	-100,0%
Total	**1.366**	**1.461**	**-95**	**-6,5%**

18. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Due to banks	72.871	76.139	-3.268	-4,3%
Due to other creditors	0	3.140	-3.140	-100,0%
Total	**72.871**	**79.279**	**-6.408**	**-8,1%**

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.

Amounts due to other creditors decrease compared with 31 December 2011 for the conclusion in November 2012 of the amortization schedule of the building that is still used by Pollini S.p.A..

These captions are analysed in the following table:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Current bank loans	69.765	73.127	-3.362	-4,6%
Current portion of long-term bank borrowings	3.106	3.012	94	3,1%
Current portion of leasing payables	0	3.140	-3.140	-100,0%
Total	**72.871**	**79.279**	**-6.408**	**-8,1%**

19. Other liabilities

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

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Due to total security organization	1.890	1.744	146	8,4%
Due to employees	2.139	1.952	187	9,6%
Trade debtors - credit balances	2.019	2.089	-70	-3,4%
Accrued expenses and deferred income	7	55	-48	-87,3%
Other	353	324	29	9,0%
Total	**6.408**	**6.164**	**244**	**4,0%**

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

In 2012 revenues remain constant compared to the previous year ones, moving from EUR 125,239 thousand in 2011 to EUR 125,186 thousand in 2012.

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

Revenues are analysed by geographical area below:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2012	%	2011	%	Δ	%
Italy	35,445	28.3%	37,761	30.2%	-2,316	-6.1%
Europe (Italy and Russia excluded)	32,473	25.9%	33,547	26.8%	-1,074	-3.2%
United States	9,519	7.6%	9,961	8.0%	-442	-4.4%
Russia	15,225	12.2%	12,155	9.7%	3,070	25.3%
Japan	8,286	6.6%	7,640	6.1%	646	8.5%
Rest of the world	24,238	19.4%	24,175	19.3%	63	0.3%
Total	**125,186**	**100.0%**	**125,239**	**100.0%**	**-53**	**0.0%**

21. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2012	2011	Δ	%
Rental income	2.749	2.760	-11	-0,4%
Extraordinary income	510	255	255	100,0%
Other income	1.730	2.843	-1.113	-39,1%
Total	**4.989**	**5.858**	**-869**	**-14,8%**

In 2012, the caption extraordinary income, mainly composed by recovery of receivables from bankrupt customers, increases by 255 thousand.

The caption other income, which amounts to EUR 1,730 thousand in 2012, 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	Full Year	Change	
	2012	2011	Δ	%
Raw, ancillary and consumable materials and goods for resale	40.980	43.128	-2.148	-5,0%
Total	**40.980**	**43.128**	**-2.148**	**-5,0%**

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 2012	Full Year 2011	Change Δ	%
Subcontracted work	15.896	18.377	-2.481	-13,5%
Consultancy fees	7.571	7.504	67	0,9%
Advertising	3.150	3.709	-559	-15,1%
Commission	6.479	6.515	-36	-0,6%
Transport	1.493	1.532	-39	-2,5%
Utilities	652	604	48	7,9%
Directors' and auditors' fees	1.530	1.535	-5	-0,3%
Insurance	173	183	-10	-5,5%
Bank charges	380	280	100	35,7%
Travelling expenses	897	932	-35	-3,8%
Sundry industrial services	573	599	-26	-4,3%
Other services	1.270	1.355	-85	-6,3%
Total	**40.064**	**43.125**	**-3.061**	**-7,1%**

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

Costs of services change from EUR 43,125 thousand of 2011 to EUR 40,064 thousand of 2012, showing a reduction of 7.1%.

The decrease is due to:

- the decrease 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 48.4% of 2011 to 45.6% of 2012;
- the decrease of costs for "Advertising".

24. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Rental expenses	1.927	1.703	224	13,2%
Royalties	10.404	10.027	377	3,8%
Hire charges and similar	441	385	56	14,5%
Total	**12.772**	**12.115**	**657**	**5,4%**

The entry cost of use of third parties assets increase of EUR 657 thousand from EUR 12,115 thousand in 2011 to EUR 12,772 thousand in 2012, mainly due to higher royalties and rental expenses.

25. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2012	2011	Δ	%
Labour costs	23.413	22.088	1.325	6,0%
Total	**23.413**	**22.088**	**1.325**	**6,0%**

Labour costs move from EUR 22,088 thousand in 2011 to EUR 23,413 thousand in 2012.

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 2012 is analysed below:

(Average number of employees by category)	31 December	31 December	Change	
	2012	2011	Δ	%
Workers	162	172	-10	-6%
Office staff - supervisors	399	396	3	1%
Executive and senior managers	15	14	1	7%
Total	**576**	**582**	**-6**	**-1,0%**

26. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2012	2011	Δ	%
Taxes	255	248	7	2,8%
Gifts	185	132	53	40,2%
Contingent liabilities	74	50	24	48,0%
Other operating expenses	1.919	1.479	440	29,7%
Total	**2.433**	**1.909**	**524**	**27,4%**

The caption other operating expenses increases from EUR 1,909 thousand in 2011 to EUR 2,433 thousand in 2012. This variation is mainly due to the increasing of exchange losses as effect of the fluctuations of the exchange rates during 2012.

27. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2012	2011	Δ	%
Amortisation of intangible fixed assets	291	235	56	23,8%
Depreciation of tangible fixed assets	2.239	2.313	-74	-3,2%
Write-downs	248	400	-152	-38,0%
Total	**2.778**	**2.948**	**-170**	**-5,8%**

28. Financial income/ expenses

The caption “Financial income” comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Interest income	783	478	305	63,8%
Financial discounts	7	34	-27	-79,4%
Foreign exchange gains	314	219	95	43,4%
Total	**1.104**	**731**	**373**	**51,0%**

The caption "Financial expenses" comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Interest expenses	5,713	3,645	2,068	56.7%
Lease interest	120	192	-72	-37.5%
Foreign exchange losses	331	278	53	19.1%
Other expenses	160	177	-17	-9.6%
Totale	**6,324**	**4,292**	**2,032**	**47.3%**

The increase in financial expenses amounts to EUR 2,032 thousand and it is mainly determined by the increase of the average interest rate of the year 2012 compared to the one of 2011.

Interest expenses are detailed as follow:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Interest expenses to subsidiaries	563	420	143	34,0%
Interest expenses to banks	4.764	2.943	1.821	61,9%
Interest expenses to others	386	282	104	36,9%
Totale	**5.713**	**3.645**	**2.068**	**56,7%**

29. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011	Change Δ	%
Current income taxes	2.040	767	1.273	166,0%
Deferred income (expenses) taxes	-593	735	-1.328	n.a.
Total income taxes	**1.447**	**1.502**	**-55**	**-3,7%**

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

The effective tax rates for 2011 and 2012 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Profit before taxes	2.607	3.219
Theoretical tax rate	27,5%	27,5%
Theoretical income taxes (IRES)	**717**	**885**
Fiscal effect	-3	-53
Total income taxes excluding IRAP (current and deferred)	**714**	**832**
IRAP (current and deferred)	**733**	**670**
Total income taxes (current and deferred)	**1.447**	**1.502**

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 2012 amounts to EUR 65 thousand.

(Values in thousands of EUR)	Full year 2012	Full year 2011
OPENING BALANCE (A)	**105**	**851**
Cash flow (absorbed)/generated by operating activity (B)	16.545	5.452
Cash flow (absorbed)/generated by investing activity (C)	-2.200	-8.504
Cash flow (absorbed)/generated by financing activity (D)	-14.409	2.306
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**-65**	**-747**
CLOSING BALANCE (F)=(A)+(E)	**40**	**105**

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

The cash flow generated by operating activity during 2012 amounts to EUR 16,545 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Profit before taxes	2.607	3.219
Amortisation	2.778	2.948
Accrual (+)/availment (-) of long term provisions and post employment benefits	-256	-730
Paid income taxes	-2.135	-698
Financial income (-) and financial charges (+)	5.220	3.561
Change in operating assets and liabilities	8.332	-2.848
CASH FLOW (ABSORBED)/GENERATED BY OPERATING ACTIVITY	**16.545**	**5.452**

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

The cash flow absorbed by investing activity during 2012 amounts to EUR 2,200 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Increase (-)/ decrease (+) in intangible fixed assets	-256	-212
Increase (-)/ decrease (+) in tangible fixed assets	-944	-913
Investments (-)/ Disinvestments (+)	-1.000	-7.379
CASH FLOW (ABSORBED)/GENERATED BY INVESTING ACTIVITY	**-2.200**	**-8.504**

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

The cash flow absorbed by financing activity during 2012 amounts to EUR 14,409 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2012	Full Year 2011
Other variations in reserves and profits carried-forward of shareholders' equity	0	0
Dividends paid	0	0
Proceeds (+)/repayments (-) of financial payments	-9.513	5.716
Increase (-)/ decrease (+) in long term financial receivables	323	152
Financial income (+) and financial charges (-)	-5.220	-3.561
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**-14.409**	**2.306**

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 2012 is analysed below:

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change
A - Cash in hand	27	21	6
B - Other available funds	13	85	-72
C - Securities held for trading			
D - Cash and cash equivalents (A) + (B) + (C)	*40*	*106*	*-66*
E - Short term financial receivables			
F - Current bank loans	-69.765	-73.127	3.362
G - Current portion of long-term bank borrowings	-3.106	-3.012	-94
H - Current portion of loans from other financial istitutions	0	-3.140	3.140
I - Current financial indebtedness (F) + (G) + (H)	*-72.871*	*-79.279*	*6.408*
J - Net current financial indebtedness (I) + (E) + (D)	*-72.831*	*-79.173*	*6.342*
K - Non current bank loans	-3.919	-7.024	3.105
L - Issued obbligations			
M - Other non current loans			0
N - Non current financial indebtedness (K) + (L) + (M)	*-3.919*	*-7.024*	*3.105*
O - Net financial indebtedness (J) + (N)	***-76.750***	***-86.197***	***9.447***

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

35. Earnings per share

Basic earnings per share

(Values in thousands of EUR)	31 December 2012	31 December 2011
Earnings for the period	1.160	1.717
Medium number of shares for the period	101.486	101.486
Basic earnings per share	**0,011**	**0,017**

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 2012 and 2011 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 2012	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)
Moschino Group	10,987	-691	33	3,473	8,235	-563
Pollini Group	829	2,399	6,981	14		736
Aeffe Retail Group	6,172	374	40	144		
Ozbek London Ltd		-5				
Velmar S.p.A.	65	178	5	71		
Nuova Stireria Tavoleto S.r.l.	91	10	459	487		
Aeffe Usa Inc.	6,301	-502		309		
Aeffe UK L.t.d.	718	-11	29	459	15	
Aeffe France S.a.r.l.	503	11	16	354		
Aeffe Japan Inc.	3,034	-356				32
Fashoff UK	664	-1		594		
Total Group companies	**29,364**	**1,406**	**7,563**	**5,905**	**8,250**	**205**
Total income statement	125,186	4,989	40,980	40,064	12,771	-5,220
Incidence % on income statement	**23.5%**	**28.2%**	**18.5%**	**14.7%**	**64.6%**	**-3.9%**

(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)
Moschino Group	10,502	797	2	3,243	7,971	-420
Pollini Group	650	2,360	6,895	8		435
Aeffe Retail Group	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%**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2012	Other fixed assets	Trade receivables	Trade payables
Moschino Group	32,772	12,980	35,682
Pollini Group	4,000	25,896	4,083
Aeffe Retail Group		8,471	3,661
Velmar S.p.A.		153	3,179
Nuova Stireria Tavoleto S.r.l.		356	1,752
Aeffe Usa Inc.		1,189	297
Aeffe UK L.t.d.		506	578
Aeffe France S.a.r.l.	2,575	2,550	563
Ozbek London L.t.d.			210
Aeffe Japan Inc.	2,473	5,347	23
Total Group companies	**41,820**	**57,448**	**50,028**
Total balance sheet	41,857	65,358	69,657
Incidence % on balance sheet	**99.9%**	**87.9%**	**71.8%**

(Values in thousands of EUR) Year 2011	Other fixed assets	Trade receivables	Trade payables
Moschino Group	32,772	18,226	38,511
Pollini Group	4,000	25,683	3,650
Aeffe Retail Group		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%**

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 2012	31 December 2011	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	1,248	1,225	Cost
Advance rental payments	293	0	Other current receivables
Commerciale Valconca with Aeffe S.p.A.			
Revenues	160	210	Revenue
Cost of services	102	102	Cost
Commercial	875	856	Receivable
Commercial	0	113	Payable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2012 and 31 December 2011:

(Values in thousands of EUR)	Balance 2012	Value rel. party 2012	%	Balance 2011	Value rel. party 2011	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	125,186	160	0.1%	125,239	210	0.2%
Costs of services	40,064	402	1.0%	43,125	402	0.9%
Costs for use of third party assets	12,771	1,248	9.8%	12,115	1,225	10.1%
Incidence of related party transactions on the balance sheet						
Other current receivables	14,219	293	2.1%	14,365	0	0.0%
Trade receivables	65,358	875	1.3%	77,365	856	1.1%
Trade payables	69,657	0	0.0%	75,903	113	0.1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	16,545	-1,915	n.a.	5,452	-1,210	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-76,750	-1,915	2.5%	-86,197	-1,210	1.4%

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 2012.

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

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2012 the company did not enter into any atypical and/or unusual transactions, as defined in that communication.

40. Guarantees and commitments

(Values in thousands of EUR)	31 December 2012	31 December 2011	Change Δ	%
Guarantees given				
- on behalf of Group companies	0	2.566	-2.566	-100,0%
- on behalf of third parties	1038	584	454	77,7%
Total	**1.038**	**3.150**	**-2.112**	**-67,0%**

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. This tax dispute has been disputed in December 2012 before the Bologna Provincial Tax Commission, who, with sentence no. 40/13/13, filed on 14 March 2013, upheld the appeal.

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 2012 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	2012 fees
Audit	MAZARS S.p.A	76
Total		**76**

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
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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 2011

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 31/12/11			8,585,150	-3,100,215	9,672,431	100%	8,585,150		25,493,345
At 31/12/12			8,585,150	82,666	9,755,097	100%	8,585,150		25,493,345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/11			20,000,000	5,112,030	41,420,485	70%	14,000,000		14,085,199
At 31/12/12			20,000,000	366,247	37,680,051	70%	14,000,000		14,085,199
Nuova Stireria Tavoleto S.r.l.	**Tavoleto (PU) Italy**								
At 31/12/11			10,400	57,707	1,385,006	100%	n.d.	*	773,215
At 31/12/12			10,400	-240,968	1,144,038	100%	n.d.	*	773,215
Pollini S.p.A.	**Gatteo (FC) Italy**								
At 31/12/11			6,000,000	-986,411	12,655,795	100%	6,000,000		41,945,452
At 31/12/12			6,000,000	-377,996	12,277,799	100%	6,000,000		41,945,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/11			120,000	-1,240,872	446,736	100%	60,000		4,448,395
At 31/12/12			120,000	-1,109,322	337,414	100%	60,000		5,448,395
Foreign companies									
Aeffe France S.a.r.l.	**Paris (FR)**								
At 31/12/11			1,550,000	-292,956	1,026,662	100%	n.d.	*	4,118,720
At 31/12/12			1,550,000	-895,000	131,656	100%	n.d.	*	4,118,720
Aeffe UK L.t.d.	**London (GB)**								
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
At 31/12/12		GBP	310,000	278,502	765,339	100%	n.d.	*	
			379,855	341,260	937,801	100%	n.d.	*	478,400
Aeffe USA Inc.	**New York (USA)**								
At 31/12/11		USD	600,000	44,006	10,917,210	100%			
			463,714	34,010	8,437,445	100%			10,664,812
At 31/12/12		USD	600,000	899,473	11,816,683	100%			
			454,752	681,729	8,956,104	100%			10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**								
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
At 31/12/12		JPY	3,600,000	-59,452,606	-169,211,509	100%	n.d.	*	
			31,687	-523,304	-1,489,407	100%	n.d.	*	932,408
Total interests in subsidiaries:									**103,939,946**

* 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 31/12/11								103
At 31/12/12								103
Caaf Emilia Romagna								
At 31/12/11						0,520%	5.000	2.600
At 31/12/12						0,688%	5.000	2.600
Assoform								
At 31/12/11						1,670%	n.d. *	258
At 31/12/12						1,670%	n.d. *	1.667
Consorzio Assoenergia Rimini								
At 31/12/11						2,100%	n.d. *	517
At 31/12/12						2,100%	n.d. *	517
Effegidi								
At 31/12/11								6.000
At 31/12/12								6.000
Total interests in other companies:								**10.887**
* quota								
Total interests:								**103.950.833**

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 2012	Peridod in office	Mandate expiry date *	Emoluments for office	Bonuses and other incentives	Other remunerations	Total
DIRECTORS							
Massimo Ferretti	Chairman	01/01-31/12/2012	2014	605		256	861
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2012	2014	455		110	565
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2012	2014	254		119	373
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2012	2014	333 **	125	87	545
Roberto Lugano	Independent, non-executive Director	01/01-31/12/2012	2014	27		3	30
Pierfrancesco Giustiniani	Independent, non-executive Director	01/01-31/12/2012	2014	30			30
Marco Salomoni	Independent, non-executive Director	01/01-31/12/2012	2014	30			30
STATUTORY AUDITORS							
Pierfancesco Sportoletti	President of the Board of Statutory Auditors	01/01-31/12/2012	2014	10			10
Romano Del Bianco	Statutory Auditor	01/01-31/12/2012	2014	10		6	16
Fernando Ciotti	Statutory Auditor	01/01-31/12/2012	2014	10		14	24
Total				**1,764**	**125**	**595**	**2,484**
						(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 2012	Options held at 31/12/11			Options granted in 2012			Options exercised in 2012			Expired options	Options held at the end of 2012		
(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**										**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 2012	of which related parties	31 December 2011	of which related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Trademarks		3.777		3.903	
Other intangible fixed assets		356		265	
Total intangible fixed assets	(1)	4.134		4.168	
Tangible fixed assets					
Lands		15.803		15.803	
Buildings		23.998		24.454	
Leasehold improvements		2.511		2.657	
Plant and machinary		3.441		4.123	
Equipment		24		49	
Other tangible fixed assets		614		600	
Total tangible fixed assets	(2)	46.391		47.687	
Other fixed assets					
Equity investments	(3)	103.951	103.940	102.949	102.940
Other fixed assets	(4)	41.857	41.820	42.180	42.151
Deferred tax assets	(5)	3.556		6.544	
Total other fixed assets		149.364		151.673	
TOTAL NON-CURRENT ASSETS		**199.889**		**203.528**	
CURRENT ASSETS					
Stocks and inventories	(6)	23.945		24.217	
Trade receivables	(7)	65.358	58.323	77.365	69.275
Tax receivables	(8)	8.095		6.425	
Cash	(9)	40		106	
Other receivables	(10)	14.219	293	14.365	
TOTAL CURRENT ASSETS		**111.658**		**122.477**	
TOTAL ASSETS		**311.547**		**326.005**	

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 2012	of which related parties	31 December 2011	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		25.371		25.371	
Share premium reserve		71.240		71.240	
Other reserves		30.605		28.888	
Fair Value reserve		7.742		7.742	
IAS reserve		1.086		1.086	
Profits / (Losses) carried-forward		2.175		2.175	
Net profit / loss		1.160		1.717	
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**139.379**		**138.219**	
NON-CURRENT LIABILITIES					
Provisions	(12)	416		497	
Deferred tax liabilities	(5)	7.995		8.226	
Post employment benefits	(13)	4.476		4.652	
Long term financial liabilities	(14)	3.919		7.024	
Long term not financial liabilities	(15)	5.058		4.578	
TOTAL NON-CURRENT LIABILITIES		**21.865**		**24.978**	
CURRENT LIABILITIES					
Trade payables	(16)	69.657	50.028	75.903	52.386
Tax payables	(17)	1.366		1.461	
Short term financial liabilities	(18)	72.871		79.279	
Other liabilities	(19)	6.408		6.164	
TOTAL CURRENT LIABILITIES		**150.302**		**162.808**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**311.547**		**326.005**	

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 2012	of which related parties	Full year 2011	of which related parties
REVENUES FROM SALES AND SERVICES	**(20)**	**125,186**	**29,524**	**125,239**	**29,669**
Other revenues and income	(21)	4,989	1,406	5,858	4,620
TOTAL REVENUES		**130,176**		**131,097**	
Changes in inventory		91		997	
Costs of raw materials, cons. and goods for resale	(22)	-40,980	-7,563	-43,128	-7,723
Costs of services	(23)	-40,064	-6,307	-43,125	-6,838
Costs for use of third parties assets	(24)	-12,771	-9,498	-12,115	-9,210
Labour costs	(25)	-23,413		-22,088	
Other operating expenses	(26)	-2,433		-1,909	
Amortisation and write-downs	(27)	-2,778		-2,948	
Financial income/(expenses)	(28)	-5,220	205	-3,561	46
PROFIT / LOSS BEFORE TAXES		**2,607**		**3,219**	
Income taxes	(29)	-1,447		-1,502	
NET PROFIT / LOSS		**1,160**		**1,717**	

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 2012	of which related parties	Full Year 2011	of which related parties
OPENING BALANCE		**105**		**851**	
Profit before taxes		2.607		3.219	
Amortisation		2.778		2.948	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-256		-730	
Paid income taxes		-2.135		-698	
Financial income (-) and financial charges (+)		5.220		3.561	
Change in operating assets and liabilities		8.332	8.594	-2.848	3.970
CASH FLOW (ABSORBED)/GENERATED BY OPERATING ACTIVITY	**(30)**	**16.545**		**5.452**	
Increase (-)/ decrease (+) in intangible fixed assets		-256		-212	
Increase (-)/ decrease (+) in tangible fixed assets		-944		-913	
Investments (-)/ Disinvestments (+)		-1.000	-1.000	-7.379	-7.379
CASH FLOW (ABSORBED)/GENERATED BY INVESTING ACTIVITY	**(31)**	**-2.200**		**-8.504**	
Other variations in reserves and profits carried-forward of shareholders' equity		0		0	
Dividends paid		0		0	
Proceeds (+)/repayment (-) of financial payments		-9.513		5.716	
Increase (-)/ decrease (+) in long term financial receivables		323	331	152	150
Financial income (+) and financial charges (-)		-5.220		-3.561	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**-14.409**		**2.306**	
CLOSING BALANCE		**40**		**105**	

ATTACHMENT VIII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2011

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2011	STATUTORY FINANCIAL STATEMENTS 2010
BALANCE SHEET		
ASSETS		
Intangible fixed assets	295.692	288.854
Equity investments	80.532.303	81.124.592
Non current assets	**80.827.995**	**81.413.446**
Trade receivables	506.784	429.335
Tax receivables	4.181.615	7.346.874
Cash	61.274	21.345
Other receivables	63.335	121.897
Current assets	**4.813.008**	**7.919.451**
Total assets	**85.641.003**	**89.332.897**
LIABILITIES		
Share capital	100.000	100.000
Share premium reserve	67.783.322	67.783.322
Other reserves	195.376	284.850
Profits (Losses) carried-forward		
Net profit	-3.327.786	-89.475
Shareholders' equity	**64.750.912**	**68.078.697**
Long term financial liabilities	9.913.000	10.500.000
Non-current liabilities	**9.913.000**	**10.500.000**
Trade payables	10.977.091	10.754.200
Current liabilities	**10.977.091**	**10.754.200**
Total shareholders' equity and liabilities	**85.641.003**	**89.332.897**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	72.000	49.500
Total revenues	**72.000**	**49.500**
Operating costs	-79.920	-61.889
Amortisation and write-downs	-50.804	-18.699
Provisions	-8.002	-1.467
Financial income (expenses)	-142.228	22.395
Profit (loss) from affiliates		
Financial assets adjustments	-3.175.268	
Extraordinary profit/(loss)		-2.063
Profit before taxes	**-3.384.222**	**-12.223**
Income taxes	56.435	-77.252
Net profit	**-3.327.787**	**-89.475**

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 statutory financial statements at 31 December 2012.

The undersigned moreover attest that the statutory financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which they are exposed.

12 March 2013

President of the board of directors

Massimo Ferretti

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

Marcello Tassinari