AEFFE

# INTERIM FINANCIAL STATEMENT AT 30 SEPTEMBER 2015

*Disclaimer*

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

# SUMMARY

# 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
Sabrina Borocci

## Board of Statutory Auditors

**President**
Pier Francesco Sportoletti

**Statutory Auditors**
Fernando Ciotti
Daniela Saitta

**Alternate Auditors**
Barbara Ceppellini
Luca Sapucci

## Board of Compensation Committee

**President**
Sabrina Borocci

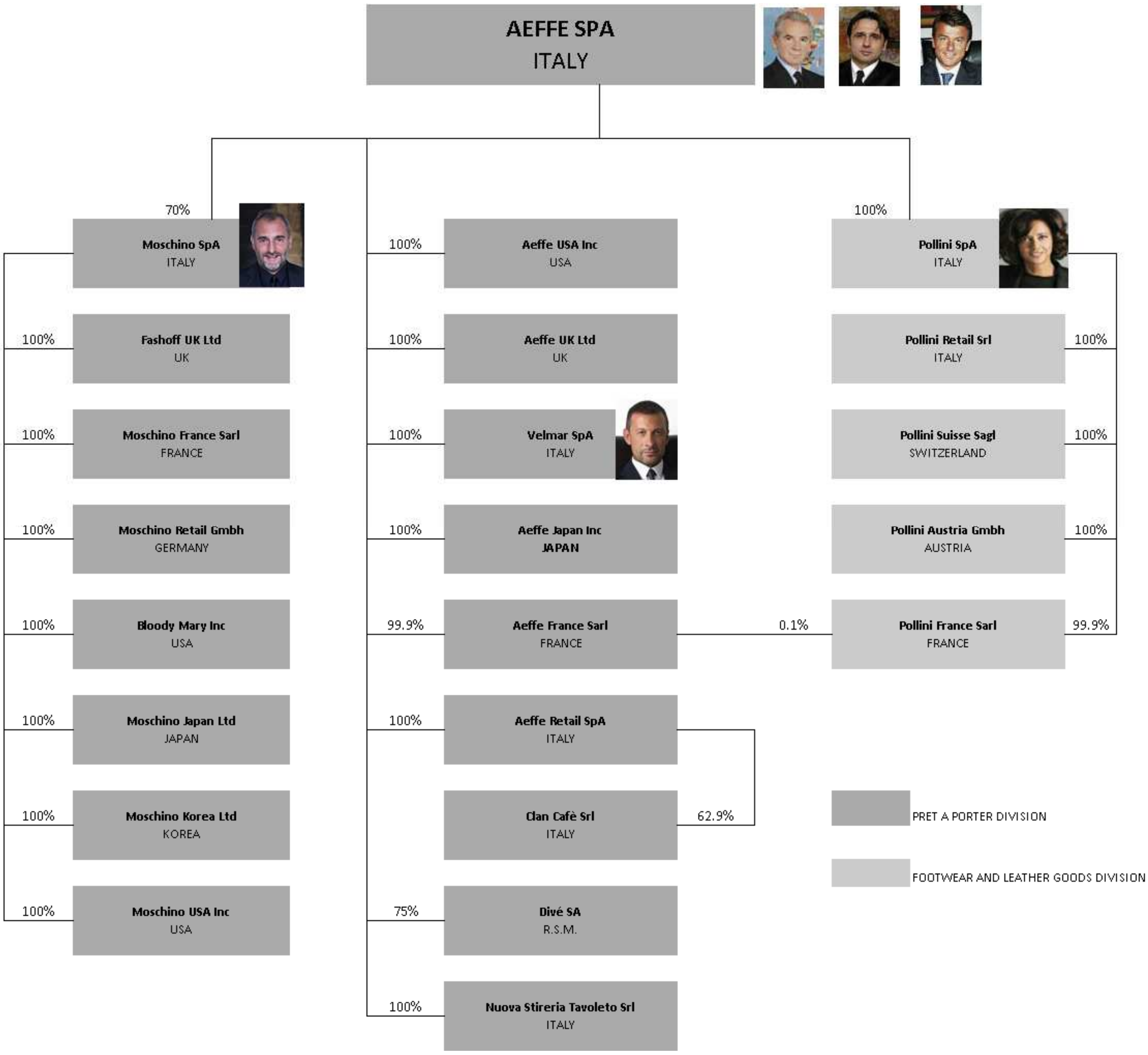
**Members**
Roberto Lugano
Pierfrancesco Giustiniani

## Board of Internal Control Committee

**President**
Roberto Lugano

**Members**
Sabrina Borocci
Pierfrancesco Giustiniani

# Organisation chart



## Brands portfolio

**AEFFE**
Apparel- Accessories

ALBERTA FERRETTI
PHILOSOPHY DI LORENZO SERAFINI
MOSCHINO
BOUTIQUE MOSCHINO
JEREMY SCOTT
CEDRIC CHARLIER

| **POLLINI** Footwear – Leather goods | **MOSCHINO** Licences – Design | **VELMAR** Beachwear - Lingerie |
|---|---|---|
| POLLINI | MOSCHINO | MOSCHINO |
| STUDIO POLLINI | BOUTIQUE MOSCHINO | blugirl beachwear |
| MOSCHINO | LOVE MOSCHINO | blugirl underwear |
| BOUTIQUE MOSCHINO | | Folies BLUGIRL |
| LOVE MOSCHINO | | |

# Headquarters

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

**MOSCHINO**
Via San Gregorio, 28
20124 - Milan
Italy

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

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

# Showrooms

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

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

**PARIS**
(FERRETTI - MOSCHINO - POLLINI)
43, Rue due Faubourg Saint Honoré
75008 - Paris
France

**NEW YORK**
(GROUP)
30, West 56th Street
10019 - New York
USA

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

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

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

# Main flagshipstore locations under direct management

**ALBERTA FERRETTI**
Milan
Rome
Capri
Paris
London
Los Angeles

**POLLINI**
Milan
Venice
Bolzano
Varese
Verona

**SPAZIO A**
Florence
Venice

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



# Main economic-financial data

| | | 9 M 2014 | 9 M 2015 |
|---|---|---|---|
| Total revenues | (Values in millions of EUR) | 196.1 | 209.7 |
| Gross operating margin (EBITDA) | (Values in millions of EUR) | 22.6 | 17.9 |
| Net operating profit (EBIT) | (Values in millions of EUR) | 12.7 | 8.4 |
| Profit before taxes | (Values in millions of EUR) | 7.6 | 5.7 |
| Net profit for the Group | (Values in millions of EUR) | 2.5 | 1.5 |
| Basic earnings per share | (Values in units of EUR) | 0.024 | 0.015 |
| Cash Flow (net profit + depreciation) | (Values in millions of EUR) | 8.0 | 8.0 |
| Cash Flow/Total revenues | Ratio | 4.1 | 3.8 |

| | | 31 December 2013 | 30 September 2014 | 31 December 2014 | 30 September 2015 |
|---|---|---|---|---|---|
| Net capital invested | (Values in millions of EUR) | 232.0 | 238.3 | 231.5 | 249.1 |
| Net financial indebtedness | (Values in millions of EUR) | 88.6 | 90.2 | 83.6 | 99.5 |
| Group net equity | (Values in millions of EUR) | 126.8 | 130.5 | 130.1 | 131.5 |
| Group net equity per share | (Values in units of EUR) | 1.2 | 1.2 | 1.2 | 1.2 |
| Current assets/Current liabilities | Ratio | 2.2 | 2.5 | 2.1 | 2.6 |
| Current assets less invent./Current liabilities (ACID Test) | Ratio | 1.0 | 1.2 | 1.0 | 1.2 |
| Net financial indebtedness/Net equity | Ratio | 0.6 | 0.6 | 0.6 | 0.7 |

# Financial statements

## Income statement at 30 September

| (Values in units of EUR) | Notes | 9 M 2015 | % on revenues | 9 M 2014 | % on revenues | Change | % |
|---|---|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **(1)** | **206,468,631** | **100.0%** | **192,942,277** | **100.0%** | **13,526,354** | **7.0%** |
| Other revenues and income | | 3,238,518 | 1.6% | 3,196,071 | 1.7% | 42,447 | 1.3% |
| **TOTAL REVENUES** | | **209,707,149** | **101.6%** | **196,138,348** | **101.7%** | **13,568,801** | **6.9%** |
| Changes in inventory | | 1,159,694 | 0.6% | 4,952,688 | 2.6% | ( 3,792,994) | (76.6%) |
| Costs of raw materials, cons. and goods for resale | | ( 67,954,807) | (32.9%) | ( 65,547,910) | (34.0%) | ( 2,406,897) | 3.7% |
| Costs of services | | ( 58,592,608) | (28.4%) | ( 50,096,304) | (26.0%) | ( 8,496,304) | 17.0% |
| Costs for use of third parties assets | | ( 17,730,925) | (8.6%) | ( 15,959,515) | (8.3%) | ( 1,771,410) | 11.1% |
| Labour costs | | ( 45,237,851) | (21.9%) | ( 43,799,417) | (22.7%) | ( 1,438,434) | 3.3% |
| Other operating expenses | | ( 3,402,238) | (1.6%) | ( 3,057,696) | (1.6%) | ( 344,542) | 11.3% |
| Total Operating Costs | | ( 191,758,735) | (92.9%) | ( 173,508,154) | (89.9%) | ( 18,250,581) | 10.5% |
| **GROSS OPERATING MARGIN (EBITDA)** | **(2)** | **17,948,414** | **8.7%** | **22,630,194** | **11.7%** | **( 4,681,780)** | **(20.7%)** |
| Amortisation of intangible fixed assets | | ( 5,350,196) | (2.6%) | ( 5,203,756) | (2.7%) | ( 146,440) | 2.8% |
| Depreciation of tangible fixed assets | | ( 4,078,081) | (2.0%) | ( 3,956,180) | (2.1%) | ( 121,901) | 3.1% |
| Revaluations/(write-downs) and provisions | | ( 160,316) | (0.1%) | ( 723,393) | (0.4%) | 563,077 | (77.8%) |
| Total Amortisation, write-downs and provisions | | ( 9,588,593) | (4.6%) | ( 9,883,329) | (5.1%) | 294,736 | (3.0%) |
| **NET OPERATING PROFIT/LOSS (EBIT)** | | **8,359,821** | **4.0%** | **12,746,865** | **6.6%** | **( 4,387,044)** | **(34.4%)** |
| Financial income | | 584,595 | 0.3% | 374,394 | 0.2% | 210,201 | 56.1% |
| Financial expenses | | ( 3,261,142) | (1.6%) | ( 5,485,405) | (2.8%) | 2,224,263 | (40.5%) |
| Total Financial Income/(expenses) | | ( 2,676,547) | (1.3%) | ( 5,111,011) | (2.6%) | 2,434,464 | (47.6%) |
| **PROFIT/LOSS BEFORE TAXES** | | **5,683,274** | **2.8%** | **7,635,854** | **4.0%** | **( 1,952,580)** | **(25.6%)** |
| Taxes | | ( 3,969,755) | (1.9%) | ( 4,187,526) | (2.2%) | 217,771 | (5.2%) |
| **NET PROFIT/LOSS** | | **1,713,519** | **0.8%** | **3,448,328** | **1.8%** | **( 1,734,809)** | **(50.3%)** |
| (Profit)/loss attributable to minority shareholders | | ( 173,731) | (0.1%) | ( 966,820) | (0.5%) | 793,089 | (82.0%) |
| **NET PROFIT/LOSS FOR THE GROUP** | **(3)** | **1,539,788** | **0.7%** | **2,481,508** | **1.3%** | **( 941,720)** | **(37.9%)** |

# Income statement for the third quarter

| (Values in units of EUR) | Notes | III Q 2015 | % on revenues | III Q 2014 | % on revenues | Change | % |
|---|---|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **(1)** | **77,746,056** | **100.0%** | **71,877,344** | **100.0%** | **5,868,712** | **8.2%** |
| Other revenues and income | | ( 48,166) | (0.1%) | 1,170,314 | 1.6% | ( 1,218,480) | (104.1%) |
| **TOTAL REVENUES** | | **77,697,890** | **99.9%** | **73,047,658** | **101.6%** | **4,650,232** | **6.4%** |
| Changes in inventory | | ( 7,771,928) | (10.0%) | ( 840,394) | (1.2%) | ( 6,931,534) | 824.8% |
| Costs of raw materials, cons. and goods for resale | | ( 19,052,560) | (24.5%) | ( 22,905,418) | (31.9%) | 3,852,858 | (16.8%) |
| Costs of services | | ( 21,032,329) | (27.1%) | ( 18,082,992) | (25.2%) | ( 2,949,337) | 16.3% |
| Costs for use of third parties assets | | ( 6,359,500) | (8.2%) | ( 5,504,076) | (7.7%) | ( 855,424) | 15.5% |
| Labour costs | | ( 14,509,720) | (18.7%) | ( 14,593,898) | (20.3%) | 84,178 | (0.6%) |
| Other operating expenses | | ( 787,260) | (1.0%) | ( 1,060,957) | (1.5%) | 273,697 | (25.8%) |
| Total Operating Costs | | ( 69,513,297) | (89.4%) | ( 62,987,735) | (87.6%) | ( 6,525,562) | 10.4% |
| **GROSS OPERATING MARGIN (EBITDA)** | **(2)** | **8,184,593** | **10.5%** | **10,059,923** | **14.0%** | **( 1,875,330)** | **(18.6%)** |
| Amortisation of intangible fixed assets | | ( 1,774,988) | (2.3%) | ( 1,775,334) | (2.5%) | 346 | (0.0%) |
| Depreciation of tangible fixed assets | | ( 1,416,413) | (1.8%) | ( 1,343,949) | (1.9%) | ( 72,464) | 5.4% |
| Revaluations/(write-downs) and provisions | | ( 59,700) | (0.1%) | ( 476,306) | (0.7%) | 416,606 | (87.5%) |
| Total Amortisation, write-downs and provisions | | ( 3,251,101) | (4.2%) | ( 3,595,589) | (5.0%) | 344,488 | (9.6%) |
| **NET OPERATING PROFIT/LOSS (EBIT)** | | **4,933,492** | **6.3%** | **6,464,334** | **9.0%** | **( 1,530,842)** | **(23.7%)** |
| Financial income | | 97,088 | 0.1% | 253,853 | 0.4% | ( 156,765) | (61.8%) |
| Financial expenses | | ( 1,032,078) | (1.3%) | ( 1,827,877) | (2.5%) | 795,799 | (43.5%) |
| Total Financial Income/(expenses) | | ( 934,990) | (1.2%) | ( 1,574,024) | (2.2%) | 639,034 | (40.6%) |
| **PROFIT/LOSS BEFORE TAXES** | | **3,998,502** | **5.1%** | **4,890,310** | **6.8%** | **( 891,808)** | **(18.2%)** |
| Taxes | | ( 2,383,831) | (3.1%) | ( 2,092,031) | (2.9%) | ( 291,800) | 13.9% |
| **NET PROFIT/LOSS** | | **1,614,671** | **2.1%** | **2,798,279** | **3.9%** | **( 1,183,608)** | **(42.3%)** |
| (Profit)/loss attributable to minority shareholders | | ( 109,540) | (0.1%) | ( 467,085) | (0.6%) | 357,545 | (76.5%) |
| **NET PROFIT/LOSS FOR THE GROUP** | **(3)** | **1,505,131** | **1.9%** | **2,331,194** | **3.2%** | **( 826,063)** | **(35.4%)** |

# Reclassified balance sheet

| (Values in units of EUR) | Notes | 30 September 2015 | 31 December 2014 | 30 September 2014 |
|---|---|---|---|---|
| Trade receivables | | 49,990,183 | 36,884,748 | 45,532,343 |
| Stocks and inventories | | 87,440,303 | 83,867,256 | 79,115,769 |
| Trade payables | | ( 46,802,813) | ( 55,052,139) | ( 43,514,050) |
| **Operating net working capital** | **(4)** | **90,627,673** | **65,699,865** | **81,134,062** |
| Other short term receivables | | 24,781,336 | 24,881,205 | 21,873,831 |
| Tax receivables | | 7,226,736 | 8,531,445 | 6,469,688 |
| Other short term liabilities | | ( 17,008,483) | ( 14,319,321) | ( 15,913,026) |
| Tax payables | | ( 2,559,792) | ( 3,124,892) | ( 3,011,852) |
| **Net working capital** | | **103,067,470** | **81,668,302** | **90,552,703** |
| Tangible fixed assets | | 63,692,176 | 63,770,590 | 63,279,075 |
| Intangible fixed assets | | 124,214,974 | 127,926,760 | 128,556,798 |
| Equity investments | | 131,557 | 80,268 | 30,252 |
| Other fixed assets | | 4,430,133 | 4,701,444 | 4,496,134 |
| **Fixed assets** | **(5)** | **192,468,840** | **196,479,062** | **196,362,259** |
| Post employment benefits | | ( 6,871,403) | ( 7,457,710) | ( 7,003,259) |
| Provisions | | ( 974,203) | ( 2,047,384) | ( 1,736,583) |
| Assets available for sale | | 436,885 | 436,885 | 436,885 |
| Long term not financial liabilities | | ( 14,480,132) | ( 14,080,132) | ( 14,080,132) |
| Deferred tax assets | | 12,461,981 | 13,368,052 | 11,050,999 |
| Deferred tax liabilities | | ( 36,984,235) | ( 36,828,733) | ( 37,275,755) |
| **NET CAPITAL INVESTED** | | **249,125,203** | **231,538,342** | **238,307,117** |
| Share capital | | 25,371,407 | 25,371,407 | 25,371,407 |
| Other reserves | | 114,040,678 | 115,285,814 | 114,805,074 |
| Profits/(Losses) carried-forward | | ( 9,405,881) | ( 13,341,832) | ( 12,112,826) |
| Profit/(Loss) of the period | | 1,539,788 | 2,741,670 | 2,481,508 |
| **Group interest in shareholders' equity** | | **131,545,992** | **130,057,059** | **130,545,163** |
| Minority interests in shareholders' equity | | 18,088,453 | 17,914,722 | 17,611,136 |
| **Total shareholders' equity** | **(6)** | **149,634,445** | **147,971,781** | **148,156,299** |
| Short term financial receivables | | ( 2,255,854) | ( 1,000,000) | ( 1,000,000) |
| Cash | | ( 7,084,492) | ( 6,691,668) | ( 6,368,388) |
| Long term financial liabilities | | 16,799,601 | 12,752,273 | 13,582,347 |
| Long term financial receivables | | ( 1,945,640) | ( 1,718,063) | ( 1,622,586) |
| Short term financial liabilities | | 93,977,143 | 80,224,019 | 85,559,445 |
| **NET FINANCIAL POSITION** | **(7)** | **99,490,758** | **83,566,561** | **90,150,818** |
| **SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS** | | **249,125,203** | **231,538,342** | **238,307,117** |

## Cash flow

| (Values in thousands of EUR) | Notes | 9 M 2015 | 9 M 2014 |
|---|---|---|---|
| **OPENING BALANCE** | | **6,692** | **7,524** |
| Profit / loss before taxes | | 5,683 | 7,636 |
| Amortisation / write-downs | | 9,428 | 9,160 |
| Accrual (+) / availment (-) of long term provisions and post employment benefits | | ( 1,659) | ( 258) |
| Paid income taxes | | ( 3,473) | ( 3,013) |
| Financial income (-) and financial charges (+) | | 2,677 | 5,111 |
| Change in operating assets and liabilities | | ( 20,434) | ( 13,089) |
| **CASH FLOW (ABSORBED) / GENERATED BY OPERATING ACTIVITY** | | **( 7,778)** | **5,547** |
| Increase (-) / decrease (+) in intangible fixed assets | | ( 1,639) | ( 972) |
| Increase (-) / decrease (+) in tangible fixed assets | | ( 4,000) | ( 2,601) |
| Investments and write-downs (-)/ Disinvestments and revaluations (+) | | ( 51) | - |
| **CASH FLOW (ABSORBED) / GENERATED BY INVESTING ACTIVITY** | | **( 5,690)** | **( 3,573)** |
| Other variations in reserves and profits carried-forward of shareholders'equity | | ( 51) | 1,289 |
| Dividends paid | | - | - |
| Increase (+) / decrease (-) of financial liabilities | | 17,800 | 443 |
| Increase (-) / decrease (+) of financial receivables | | ( 1,212) | 249 |
| Financial income (+) and financial charges (-) | | ( 2,677) | ( 5,111) |
| **CASH FLOW (ABSORBED) / GENERATED BY FINANCING ACTIVITY** | | **13,860** | **( 3,130)** |
| **CLOSING BALANCE** | | **7,084** | **6,368** |

## 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 | Reamisurement of defined benefit plans reserve | Net profit / loss for the Group | Translation reserve | Group interest in shareholders' equity | Minority interests in shareholders' equity | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCES AT 1 January 2014** | **25,371** | **71,240** | **31,765** | **7,901** | **11,459** | **( 14,198)** | **( 833)** | **( 3,198)** | **( 2,733)** | **126,774** | **16,644** | **143,418** |
| Allocation of 31/12/13 profit/(loss) | - | - | ( 5,284) | - | - | 2,086 | - | 3,198 | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury stock (buy-back)/ sale | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income/(loss) at 30/09/14 | - | - | - | - | - | - | - | 2,482 | 1,289 | 3,771 | 967 | 4,738 |
| Other changes | - | - | - | - | - | - | - | - | - | - | - | - |
| **BALANCES AT 30 September 2014** | **25,371** | **71,240** | **26,481** | **7,901** | **11,459** | **( 12,112)** | **( 833)** | **2,482** | **( 1,444)** | **130,545** | **17,611** | **148,156** |

| *(Values in thousands of EUR)* | Share capital | Share premium reserve | Other reserves | Fair Value reserve | IAS reserve | Profits/(Losses) carried-forward | Reamisurement of defined benefit plans reserve | Net profit / loss for the Group | Translation reserve | Group interest in shareholders' equity | Minority interests in shareholders' equity | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCES AT 1 January 2015** | **25,371** | **71,240** | **26,481** | **7,901** | **11,459** | **( 12,112)** | **( 1,229)** | **2,742** | **( 1,796)** | **130,057** | **17,915** | **147,972** |
| Allocation of 31/12/14 profit/(loss) | - | - | 35 | - | - | 2,707 | - | ( 2,742) | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury stock (buy-back)/ sale | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income/(loss) at 30/09/15 | - | - | - | - | - | - | - | 1,540 | ( 51) | 1,489 | 173 | 1,662 |
| Other changes | - | - | - | - | - | - | - | - | - | - | - | - |
| **BALANCES AT 30 September 2015** | **25,371** | **71,240** | **26,516** | **7,901** | **11,459** | **( 9,405)** | **( 1,229)** | **1,540** | **( 1,847)** | **131,546** | **18,088** | **149,634** |

# Interim management report

In the first nine months of 2015, revenues from sales and services are equal to EUR 206,469 thousand with an increase of 7.0%, at current exchange rates and +5.1% at constant exchange rates, compared to EUR 192,942 thousand in the first nine months of 2014.
Revenues of the prêt-à-porter division increase by 7.7% (+5.2% at constant exchange rates) to EUR 158,610 thousand, while revenues of the footwear and leather goods division increase by 14.1%, before inter-divisional eliminations, to EUR 72,733 thousand.
In the first nine months of 2015 consolidated EBITDA is equal to EUR 17,948 thousand (with an incidence of 8.7% of consolidated sales), compared to EUR 22,630 thousand in the first nine months of 2014 (11.7% of total sales), with a decrease of EUR 4,682 thousand (-20.7%), related to the prêt-à-porter division.
In detail, in the first nine months of 2015 EBITDA of the prêt-à-porter division amounts to EUR 10,663 thousand (representing 6.7% of sales), compared to EUR 17,147 thousand in the same period of 2014 (11.6% of sales), with a decrease of EUR 6,484 thousand.
In the period under review, the profitability is affected by a series of factors, mainly attributable to long-term strategic initiatives to strengthen the visibility of the group's brands, which have already produced a 14.3% increase of the orders' backlog of the Spring/Summer 2016 collections compared to the corresponding season of 2015.
The main expense items that affect the decrease in marginality in the period are as follows:
a) increase in marketing and advertising activities aimed at further enhancing Moschino and Alberta Ferretti brands, along with Philosophy brand's relaunch;
b) costs for events dedicated to Moschino brand to promote the new men's collection, which will be produced in house starting from the Autumn/Winter 2015 season;
c) investments for the reorganization of the Moschino boutiques network.
Moreover, significant discounts were granted to Russian customers to support them in the current difficult economic local situation, given the importance of this market for the Group. Finally, there is a decrease in income from royalties and commissions attributable to both Love Moschino apparel and Moschino minor licenses, that need progressive adjustments following to the change in style of Maison Moschino.
The EBITDA of the footwear and leather goods division increases from EUR 5,483 thousand in the first nine months of 2014 (representing 8.6% of consolidated sales) to EUR 7,285 thousand in the first nine months of 2015 (representing 10.0% of consolidated sales), with an improvement of EUR 1,802 thousand, attributable to the excellent sales growth of the Moschino accessories lines.

Consolidated EBIT amounts to EUR 8,360 thousand, showing a decrease of EUR 4,387 thousand compared to an EBIT of EUR 12,747 thousand in the first nine months of 2014. The decrease reflects the reduction in EBITDA.

In the first nine months of 2015 there is an important decline of the financial expenses that amounts to EUR 2,677 thousand from EUR 5,111 thousand in the first nine months of 2014, with a 47.6% decrease.

Thanks to the significant drop in financial charges, the Profit before taxes for the period partially recovers the decrease in EBITDA to EUR 5,683 thousand, compared to EUR 7,636 thousand in the first nine months of 2014, reporting a decrease of EUR 1,953 thousand.

Despite significant investments, the Group post a Net Profit of EUR 1,540 thousand, compared to the net profit of EUR 2,482 thousand in the first nine months of 2014, with a decrease of 942 thousand, result obtained thanks to the significant reduction in financial charges.

Looking at the balance sheet as of 30 September 2015, shareholders' equity is equal to EUR 131,546 thousand and net financial debt amounts to EUR 99,491 thousand compared to EUR 90,151 thousand as of 30 September 2014 and EUR 83,567 thousand as of 31 December 2014. The increase in net financial debt compared to the first nine months of 2014 referred mainly to the increase in net working capital and to higher capex of the period.

As of 30 September 2015 operating net working capital amounts to EUR 90,628 thousand (34% of LTM sales) compared to EUR 81,668 as of 30 September 2014 (32% of sales).

The percentage increase on sales is mainly related to the increase in inventories driven, in turn, by the growth of the sales of the period and of orders' backlog for Autumn/Winter 2015 and Spring/Summer 2016 collections compared to the corresponding seasons of last year.

Capex in the first nine months of 2015 amounts to EUR 5,690 thousand and are mainly related to stores' refurbishment and maintenance.

# Explanatory notes

## Income statement

## 1. Revenues from sales and services

### *Nine months 2015 vs 2014*

In the first nine months of 2015, revenues from sales and services are equal to EUR 206,469 thousand with an increase of 7.0%, at current exchange rates and +5.1% at constant exchange rates, compared to EUR 192,942 thousand in the first nine months of 2014.

**Sales by brand**

| (Values in thousands of EUR) | 9 M 2015 | % | 9 M 2014 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Alberta Ferretti | 19,904 | 9.6% | 16,371 | 8.5% | 3,533 | 21.6% |
| Philosophy | 8,748 | 4.2% | 11,811 | 6.1% | ( 3,063) | (25.9%) |
| Moschino | 140,781 | 68.2% | 121,573 | 63.0% | 19,208 | 15.8% |
| Pollini | 22,519 | 10.9% | 25,636 | 13.3% | ( 3,117) | (12.2%) |
| Other | 14,517 | 7.1% | 17,551 | 9.1% | ( 3,034) | (17.3%) |
| **Total** | **206,469** | **100.0%** | **192,942** | **100.0%** | **13,527** | **7.0%** |

In the first nine months of 2015, Alberta Ferretti brand increases by 21.6% (+18.8% at constant exchange rates), generating 9.6% of consolidated sales, while Philosophy brand decreases by 25.9% (-27.7% at constant exchange rates), generating 4.2% of consolidated sales.

In the same period, Moschino brand sales increase by 15.8% (+14.0% at constant exchange rates) contributing to 68.2% of consolidated sales.

Pollini brand decreases by 12.2% (-12.7% at constant exchange rates), generating 10.9% of consolidated sales, while the other brands sales decrease by 17.3% (-20.8% at constant exchange rates) contributing to 7.1% of consolidated sales.

**Sales by geographical area**

| (Values in thousands of EUR) | 9 M 2015 | % | 9 M 2014 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Italy | 92,583 | 44.8% | 87,600 | 45.4% | 4,983 | 5.7% |
| Europe (Italy and Russia excluded) | 44,460 | 21.5% | 42,963 | 22.3% | 1,497 | 3.5% |
| Russia | 7,036 | 3.4% | 13,637 | 7.1% | ( 6,601) | (48.4%) |
| United States | 16,280 | 7.9% | 11,364 | 5.9% | 4,916 | 43.3% |
| Japan | 5,622 | 2.7% | 4,982 | 2.6% | 640 | 12.8% |
| Rest of the World | 40,488 | 19.7% | 32,396 | 16.7% | 8,092 | 25.0% |
| **Total** | **206,469** | **100.0%** | **192,942** | **100.0%** | **13,527** | **7.0%** |

In the first nine months of 2015 sales in Italy register a very positive trend increasing by 5.7% to EUR 92,583 thousand. Sales in Europe, that amount to EUR 44,460 thousand, increase by 3.5% (+2.0% at constant exchange rates), contributing to 21.5% of consolidated sales, while the Russian market records sales equal to EUR 7,036 thousand, contributing to 3.4% of consolidated sales, with a reduction of 48.4% compared to the corresponding period of 2014, solely due to current difficulties of the domestic economic situation.

Sales in the United States are equal to EUR 16,280 thousand, contributing to 7.9% of consolidated sales, posting in the period a very important growth equal to 43.3% (+20.9% at constant exchange rates). Also Japanese sales, contributing to 2.7% of consolidated sales, register a significant increase of 12.8% both at current and constant exchange rates.

In the Rest of the World, sales are equal to EUR 40,488 thousand, contributing to 19.7% of consolidated sales, with an increase of 25.0% (+23.4% at constant exchange rates) compared to the corresponding period of 2014, especially thanks to a good trend in Greater China, which grows by 65% in the period.

**Sales by distribution channel**

| (Values in thousands of EUR) | 9 M 2015 | % | 9 M 2014 | % | Change Δ | Change % |
|---|---|---|---|---|---|---|
| Wholesale | 140,700 | 68.1% | 129,306 | 67.0% | 11,394 | 8.8% |
| Retail | 58,251 | 28.2% | 52,883 | 27.4% | 5,368 | 10.1% |
| Royalties | 7,518 | 3.7% | 10,753 | 5.6% | ( 3,235) | (30.1%) |
| **Total** | **206,469** | **100.0%** | **192,942** | **100.0%** | **13,527** | **7.0%** |

By distribution channel in the first nine months of 2015, wholesale sales increase by 8.8% (+7.0% at constant exchange rates) contributing to 68.1% of consolidated sales.

Sales of our directly-operated stores (retail channel) amount to EUR 58,251 thousand with an increase of 10.1% (+7.7% at constant exchange rates) contributing to 28.2% of consolidated sales.

Royalty income is 30.1% lower than in the corresponding period of the previous year, representing 3.7% of consolidated sales.

## *Third quarter 2015 vs 2014*

In the third quarter of 2015, revenues from sales and services are equal to EUR 77,746 thousand with an increase of 8.2% compared with EUR 71,877 thousand in the third quarter of 2014.

**Sales by brand**

| (Values in thousands of EUR) | III Q 2015 | % | III Q 2014 | % | Change Δ | Change % |
|---|---|---|---|---|---|---|
| Alberta Ferretti | 7,046 | 9.1% | 6,014 | 8.4% | 1,032 | 17.2% |
| Philosophy | 2,836 | 3.6% | 3,580 | 5.0% | ( 744) | (20.8%) |
| Moschino | 53,480 | 68.8% | 46,232 | 64.3% | 7,248 | 15.7% |
| Pollini | 8,610 | 11.1% | 10,187 | 14.2% | ( 1,577) | (15.5%) |
| Other | 5,774 | 7.4% | 5,864 | 8.1% | ( 90) | (1.5%) |
| **Total** | **77,746** | **100.0%** | **71,877** | **100.0%** | **5,869** | **8.2%** |

In the third quarter of 2015, Alberta Ferretti brand increases by 17.2% generating 9.1% of consolidated sales, while Philosophy brand decreases by 20.8% generating 3.6% of consolidated sales.

In the same period, Moschino brand sales increase by 15.7% contributing to 68.8% of consolidated sales.

Pollini brand decreases by 15.5% generating 11.1% of consolidated sales, while the other brands sales decrease by 1.5% contributing to 7.4% of consolidated sales.

### Sales by geographical area

| (Values in thousands of EUR) | III Q 2015 | % | III Q 2014 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Italy | 35,449 | 45.6% | 34,675 | 48.2% | 774 | 2.2% |
| Europe (Italy and Russia excluded) | 15,803 | 20.4% | 14,547 | 20.2% | 1,256 | 8.6% |
| Russia | 2,370 | 3.0% | 4,155 | 5.8% | ( 1,785) | (43.0%) |
| United States | 6,551 | 8.4% | 4,264 | 5.9% | 2,287 | 53.6% |
| Japan | 1,733 | 2.2% | 1,759 | 2.4% | ( 26) | (1.5%) |
| Rest of the World | 15,840 | 20.4% | 12,477 | 17.5% | 3,363 | 27.0% |
| **Total** | **77,746** | **100.0%** | **71,877** | **100.0%** | **5,869** | **8.2%** |

In the third quarter of 2015 sales in Italy increase by 2.2% to EUR 35,449 thousand, contributing to 45.6% of consolidated sales.

Sales in Europe increase by 8.6% contributing to 20.4% of consolidated sales, while the Russian market records sales equal to EUR 2,370 thousand, contributing to 3.0% of consolidated sales, with a decrease of 43.0%. Sales in the United States are equal to EUR 6,551 thousand, contributing to 8.4% of consolidated sales, with an increase of 53.6%. In Japan sales decrease by 1.5% to EUR 1,733 thousand, contributing to 2.2% of consolidated sales.

In the Rest of the World, sales are equal to EUR 15,840 thousand with an increase of 27.0% and a contribution of 20.4% of consolidated sales.

### Sales by distribution channel

| (Values in thousands of EUR) | III Q 2015 | % | III Q 2014 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Wholesale | 55,150 | 70.9% | 50,041 | 69.6% | 5,109 | 10.2% |
| Retail | 20,026 | 25.8% | 18,369 | 25.6% | 1,657 | 9.0% |
| Royalties | 2,570 | 3.3% | 3,467 | 4.8% | ( 897) | (25.9%) |
| **Total** | **77,746** | **100.0%** | **71,877** | **100.0%** | **5,869** | **8.2%** |

By distribution channel in the third quarter of 2015, wholesale sales increase by 10.2% contributing to 70.9% of consolidated sales.

Sales of our directly-operated stores (retail channel) amount to EUR 20,026 thousand with an increase of 9.0% contributing to 25.8% of consolidated sales.

Royalty income is 25.9% lower than in the corresponding period of the previous year, representing 3.3% of consolidated sales.

## 2. Gross Operating Margin (EBITDA)

### *Nine months 2015 vs 2014*

In the first nine months of 2015 consolidated EBITDA is equal to EUR 17,948 thousand (with an incidence of 8.7% of consolidated sales), compared to EUR 22,630 thousand in the first nine months of 2014 (11.7% of total sales). In the period under review, the profitability is affected by a series of factors, mainly attributable to long-term strategic initiatives to strengthen the visibility of the group's brands, which have already produced a 14.3% increase of the orders' backlog of the Spring/Summer 2016 collections compared to the corresponding season of 2015.

The main expense items that affect the decrease in marginality in the period are as follows:

a) increase in marketing and advertising activities aimed at further enhancing Moschino and Alberta Ferretti brands, along with Philosophy brand's relaunch;

b) costs for events dedicated to Moschino brand to promote the new men's collection, which will be produced in house starting from the Autumn/Winter 2015 season

c) investments for the reorganization of the Moschino boutiques network.

Moreover, significant discounts were granted to Russian customers to support them in the current difficult economic local situation, given the importance of this market for the Group. Finally, there is a decrease in income from royalties and commissions attributable to both Love Moschino apparel and Moschino minor licenses, that need progressive adjustments following to the change in style of Maison Moschino.

### *Third quarter 2015 vs 2014*

In the third quarter of 2015 consolidated EBITDA is EUR 8,185 thousand (with an incidence of 10.5% of consolidated sales), showing a decrease of profitability compared to EUR 10,060 thousand in the third quarter of 2014, (with an incidence of 14.0% of consolidated sales).

## 3. Net profit for the Group

### *Nine months 2015 vs 2014*

Despite significant investments, the Group posts a Net Profit of EUR 1,540 thousand, compared to the net profit of EUR 2,482 thousand in the first nine months of 2014, with a EUR 942 thousand decrease, result obtained thanks to the significant reduction in financial charges.

### *Third quarter 2015 vs 2014*

In the third quarter of 2015 Group records a net profit of EUR 1,505 thousand showing a decrease compared to a net profit of EUR 2,331 thousand in the third quarter of 2014.

## Segment information

### *Economic performance by Divisions*

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

*(i)* *Prêt-à porter* Division;

*(ii)* Footwear and leather goods Division.

### *Nine months 2015 vs 2014*

The following tables indicate the main economic data for the first nine months of 2015 and 2014 of the *Prêt-à porter* and Footwear and leather goods Divisions.

| (Values in thousand of EUR)<br>9M 2015 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| **SECTOR REVENUES** | **158,610** | **72,733** | **( 24,874)** | **206,469** |
| Intercompany revenues | ( 5,609) | ( 19,265) | 24,874 | - |
| **Revenues with third parties** | **153,001** | **53,468** | - | **206,469** |
| **Gross operating margin (EBITDA)** | **10,663** | **7,285** | - | **17,948** |
| Amortisation | ( 7,309) | ( 2,119) | - | ( 9,428) |
| Other non monetary items: | | | | |
| Revaluations / write-downs | | ( 160) | | ( 160) |
| **Net operating profit / loss (EBIT)** | **3,354** | **5,006** | - | **8,360** |
| Financial income | 987 | 5 | ( 408) | 584 |
| Financial expenses | ( 2,688) | ( 981) | 408 | ( 3,261) |
| **Profit / loss before taxes** | **1,653** | **4,030** | **-** | **5,683** |
| Income taxes | ( 2,489) | ( 1,481) | - | ( 3,970) |
| **Net profit / loss** | **( 836)** | **2,549** | **-** | **1,713** |

| (Values in thousand of EUR)<br>9M 2014 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| **SECTOR REVENUES** | **147,319** | **63,758** | **( 18,135)** | **192,942** |
| Intercompany revenues | ( 4,836) | ( 13,299) | 18,135 | - |
| **Revenues with third parties** | **142,483** | **50,459** | - | **192,942** |
| **Gross operating margin (EBITDA)** | **17,147** | **5,483** | - | **22,630** |
| Amortisation | ( 7,027) | ( 2,133) | - | ( 9,160) |
| Other non monetary items: | | | | |
| Revaluations / write-downs | ( 609) | ( 114) | | ( 723) |
| **Net operating profit / loss (EBIT)** | **9,511** | **3,236** | - | **12,747** |
| Financial income | 983 | 9 | ( 618) | 374 |
| Financial expenses | ( 4,746) | ( 1,357) | 618 | ( 5,485) |
| **Profit / loss before taxes** | **5,748** | **1,888** | **-** | **7,636** |
| Income taxes | ( 3,339) | ( 849) | - | ( 4,188) |
| **Net profit / loss** | **2,409** | **1,039** | **-** | **3,448** |

### *Third Quarter 2015 vs 2014*

The following tables indicate the main economic data for the third quarter of 2015 and 2014 of the *Prêt-à porter* and Footwear and leather goods Divisions.

| (Values in thousand of EUR)<br>III Q 2015 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| **SECTOR REVENUES** | **59,073** | **26,700** | **( 8,027)** | **77,746** |
| Intercompany revenues | ( 2,181) | ( 5,846) | 8,027 | - |
| **Revenues with third parties** | **56,892** | **20,854** | | **77,746** |
| **Gross operating margin (EBITDA)** | **5,129** | **3,055** | | **8,184** |
| Amortisation | ( 2,462) | ( 729) | | ( 3,191) |
| Other non monetary items: | | | | |
| Revaluations / write-downs | | ( 59) | | ( 59) |
| **Net operating profit / loss (EBIT)** | **2,667** | **2,267** | | **4,934** |
| Financial income | 232 | ( 3) | ( 133) | 96 |
| Financial expenses | ( 821) | ( 344) | 133 | ( 1,032) |
| **Profit / loss before taxes** | **2,078** | **1,920** | | **3,998** |
| Income taxes | ( 1,677) | ( 707) | | ( 2,384) |
| **Net profit / loss** | **401** | **1,213** | | **1,614** |

| (Values in thousand of EUR)<br>III Q 2014 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| **SECTOR REVENUES** | **52,496** | **26,029** | **( 6,648)** | **71,877** |
| Intercompany revenues | ( 2,069) | ( 4,579) | 6,648 | - |
| **Revenues with third parties** | **50,427** | **21,450** | | **71,877** |
| **Gross operating margin (EBITDA)** | **6,491** | **3,569** | | **10,060** |
| Amortisation | ( 2,408) | ( 712) | | ( 3,120) |
| Other non monetary items: | | | | |
| Revaluations / write-downs | ( 425) | ( 51) | | ( 476) |
| **Net operating profit / loss (EBIT)** | **3,658** | **2,806** | | **6,464** |
| Financial income | 436 | ( 2) | ( 181) | 253 |
| Financial expenses | ( 1,578) | ( 430) | 181 | ( 1,827) |
| **Profit / loss before taxes** | **2,516** | **2,374** | | **4,890** |
| Income taxes | ( 1,243) | ( 849) | | ( 2,092) |
| **Net profit / loss** | **1,273** | **1,525** | | **2,798** |

Prêt-à porter Division

In the first nine months of 2015, revenues of the prêt-à-porter division increase by 7.7% (+5.2% at constant exchange rates) to EUR 158,610 thousand. This division contributes to 69.8% of consolidated revenues in the first nine months of 2014 and 68.6% in the first nine months of 2015, before inter-divisional eliminations.

EBITDA of the *prêt-à-porter* division is equal to EUR 10,663 thousand in the first nine months of 2015 (representing 6.7% of consolidated sales) compared to an EBITDA of EUR 17,147 thousand in the first nine months of 2014 (representing 11.6% of consolidated sales), showing a decrease of EUR 6,484 thousand.

Footwear and leather goods Division

Revenues of the footwear and leather goods division increase by 14.1% from EUR 63,758 thousand in the first nine months of 2014 to EUR 72,733 thousand in the first nine months of 2015.

The EBITDA of the footwear and leather goods division increases from EUR 5,483 thousand in the first nine months of 2014 (representing 8.6% of consolidated sales) to EUR 7,285 thousand in the first nine months of 2015 (representing 10.0% of consolidated sales), with an improvement of EUR 1,802 thousand, attributable to the excellent sales growth of the Moschino accessories lines.

## Balance sheet

Compared to 31 December 2014, the balance sheet at 30 September 2015 shows an increase in shareholders' equity from EUR 147,972 thousand to EUR 149,634 thousand.

## 4. Net working capital

At 30 September 2015, net working capital amounts to EUR 103,067 thousand (38.9% of LTM sales) compared to EUR 81,668 thousand at 31 December 2014 (32.5% of sales) and to EUR 90,553 thousand (36.1% of LTM sales) at 30 September 2014; the increase of net working capital's incidence on sales is mainly related to the increase in inventories driven, in turn, by the growth of the sales of the period and of orders' backlog for Autumn/Winter 2015 and Spring/Summer 2016 collections compared to the corresponding seasons of last year.

## *5. Fixed assets*

Capex realised in the period, for EUR 5,690 thousand, are mainly related to stores' refurbishment and maintenance.

## 6. Shareholders' equity

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

## 7. Net financial position

The net financial indebtedness amounts to EUR 99,491 thousand in growth compared to EUR 90,151 thousand at 30 September 2014 and EUR 83,567 thousand at 31 December 2014.

## Other information

## Earnings per share

Basic earnings per share:

| (Values in thousands of EUR) | 30 September 2015 | 30 September 2014 |
|---|---|---|
| Consolidated earnings/(losses) for the period for the shareholders of the Parent Company | 1,540 | 2,482 |
| Weighted average number of oustabding shares | 101,486 | 101,486 |
| **Basic earnings per share** | **0.015** | **0.024** |

## Accounting policies

The main accounting policies and measurement basis adopted in preparing the consolidated financial statements at 30 September 2015, except for the interpretations and amendments to the accounting principles that have been mandatory since 1 January 2015 and illustrated in the half yearly financial statement at 30 June 2015, are the same used in preparing the consolidated financial statements at 31 December 2014.

## Significant events subsequent to the balance sheet date

After the 30 September 2015 no significant events regarding the Group's activities have to be reported.

## Outlook

The Group is embarking on a steady growth path, both in the prêt-à-porter and accessories segments, together with an expansion of its geographic presence in high-potential markets for our brands, such as United States and Asia. Looking forward with foresight, we are focused in the implementation of a significant strategic investment plan for the development of our brands, which will allow us to catch new growth opportunities in the medium-long term. We are therefore optimistic, encouraged by the results of the first nine months of the year and by the orders intake for next Spring/Summer collections, up by 14.3%.

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