



## **PRESS RELEASE**

### **Aeffe: Strong Growth in Revenues +13%, and EBITDA +52%, with Net Income More than Doubled in the First Half of 2007**

**San Giovanni in Marignano, 18 September 2007**, The Board of Directors of Aeffe SpA has approved the consolidated results for the first half of 2007. The company, listed on the STAR segment of Borsa Italiana, which operates at an international level in the luxury sector, has a presence in the prêt-à-porter, footwear and leather goods division under world-wide brand names as Alberta Ferretti, Moschino, Pollini and JP Gaultier.

- **Consolidated revenues of Euro 141.6 million, + 12.7% compared with the first half of 2006**
- **EBITDA of Euro 22.9 million (16.2% of revenues), +51.6% compared with the first half of 2006; EBITDA net of non-recurring items of Euro 20.9 million (14.7% of revenues)**
- **Net income of Euro 5.9 million, +121% compared with the first half of 2006**
- **Net financial debt of Euro 118.9 million (Euro 115.3 million as of 31 December 2006 and Euro 135.7 million as of 30 June 2006)**

"The Aeffe Group's results for the first semester of 2007 are very satisfactory." Commented Massimo Ferretti, Executive Chairman of Aeffe SpA. "The excellent growth in sales and even more in profitability is the result of all the investments we made in the past years. Based on the orders backlog for Fall/Winter 2007, which has increased by 12%, I can today anticipate that we will reach our targets for this year both in term of sales growth and profitability".

#### **Consolidated revenues**

Consolidated revenues rose from Euro 125.6 million in the first half of 2006 to Euro 141.6 million in the first half of 2007, up 12.7%. At constant exchange rates, the rise would have been +14.9%.

This improvement reflects the excellent performance achieved by the Group's two divisions: the revenues of the prêt-à-porter division increased by 10% (+13% at constant exchange rates) to Euro 115.1 million, while the revenues of the footwear and leather goods division rose by 26% to Euro 35.4 million.

These extremely positive results highlight the effectiveness of the strategic decisions made by the Group in prior years.

### **Analysis of sales by brand**

<i>(In thousands of Euro)</i>	<b>1 H 2007</b>	<b>1 H 2006</b>	<b>Changes %</b>
Ferretti	29,637	25,512	16.2%
Moschino	67,415	59,021	14.2%
J. P. Gaultier	11,186	10,734	4.2%
Pollini	23,868	20,422	16.9%
Others	9,536	9,957	(4.2%)
<b>Total</b>	<b>141,642</b>	<b>125,646</b>	<b>12.7%</b>

(\*) Blugirl, Authier, Narciso Rodriguez and Basso&Brooke

All Group brands performed well during the first half of 2007.

The Alberta Ferretti and Moschino brands grew by 16.2% and 14.2% respectively, contributing 21% and 48% of consolidated sales; Pollini brand rose by 16.9%, contributing 17% of consolidated sales.

### **Analysis of sales by geographical area**

<i>(In thousands of Euro)</i>	<b>1 H 2007</b>	<b>1 H 2006</b>	<b>Changes %</b>
Italy	55,065	49,242	11.8%
Russia	11,348	7,818	45.2%
Europe ( without Italy and Russia)	30,316	25,096	20.8%
United States	16,785	15,392	9.0%
Japan	9,767	10,853	(10.0%)
Rest of the World	18,361	17,245	6.5%
<b>Total</b>	<b>141,642</b>	<b>125,646</b>	<b>12.7%</b>

The domestic market performed extremely well during the first six months of 2007. Sales in Italy rose by 11.8% to Euro 55.1 million, contributing 39% of consolidated sales.

Abroad, the Group achieved significant growth in Europe, +20.8%, which contributed 21% of consolidated sales. The Russian market expanded by 45.2%, contributing 8% of consolidated sales, while sales in the United States grew by 9% (+17% at constant exchange rates), contributing 12% of consolidated sales. Growth in the rest of the world was 6.5%, contributing 13% of consolidated sales, while sales in Japan fell by 10% (-3% at constant exchange rates) due to the weak economic conditions there, contributing 7% of consolidated sales.

### **Analysis of sales by distribution channel**

<i>(In thousands of Euro)</i>	<b>1 H 2007</b>	<b>1 H 2006</b>	<b>Changes %</b>
Wholesale	99,776	88,124	13.2%
Retail	33,725	30,553	10.4%
Royalties	8,141	6,969	16.8%
<b>Totale</b>	<b>141,642</b>	<b>125,646</b>	<b>12.7%</b>

Looking at the Group's distribution channels during the first half of 2007, the wholesale channel grew by 13.2%, contributing 70% of consolidated sales.

The sales of our directly-operated stores (DOS) rose by 10.4% and contributed 24% of consolidated sales.

Royalty income, deriving from licenses granted to third parties to produce and distribute product lines using the Group's brand names, was 16.8% higher than in the corresponding period of 2006 (representing 6% of consolidated sales). This principally reflects the higher royalties earned by Moschino and Pollini.

#### Network of Single-brand Shops

<i>DOS</i>	<b>30<sup>th</sup> June 2007</b>	<b>31.12.2006</b>	<i>Franchising</i>	<b>30<sup>th</sup> June 2007</b>	<b>31.12.2006</b>
Europe	36	36	Europe	37	33
United States	1	1	United States	5	4
Asia	38	38	Asia	44	37
<b>Total</b>	<b>75</b>	<b>75</b>	<b>Total</b>	<b>86</b>	<b>74</b>

#### **Analysis of operating results and net income**

In the first half of 2007, consolidated EBITDA amounted to Euro 22.9 million, up 51.6% compared with the first half of 2006, and represents 16.2% of consolidated sales. This result includes net gains of roughly Euro 2 million realised by Aeffe Usa from the sale, on 18 May 2007, of its stake (50% of capital) in Narciso Rodriguez LLC. Net of this income, EBITDA was Euro 20.9 million (+38.2%), representing 14.7% of consolidated sales. The EBITDA of the prêt-à-porter division was Euro 19.1 million, net of non-recurring income, following growth of 32.4% compared with the first half of 2006. This represents 16.6% of consolidated sales. EBITDA of the footwear and leather goods division rose by 163.3% to Euro 1.8 million, representing 5% of consolidated sales.

The major improvement in EBITDA by both divisions reflects the adoption of a business model that has leveraged the significant rise in sales to lower the ratio of fixed costs to consolidated sales, while nevertheless maintaining a strong focus on product quality.

Consolidated EBIT amounted to Euro 17.7 million, up by 82.6% and representing 12.5% of consolidated sales.

There was also a strong rise in the net income of the Group, which increased from Euro 2.7 million in the first half of 2006 to Euro 5.9 million in the first half of 2007, up 120.8%. This reflects the improvement in operating income and a reduction in the effective tax rate by about 9 percentage points, from 59.3% in the first half of 2006 to 50.5% in the first half of 2007. This reduction, in line with expectations, was mainly due to the dilutive effect of IRAP, the regional business tax.

#### **Financial position of the Group**

Compared with the situation as of 31 December 2006, the financial position of the Group as of 30 June 2007 reflects an increase in shareholders' equity by Euro 76 million to Euro 81.2 million and a rise in net financial debt from Euro 115.3 million to Euro 118.9 million, due to the seasonality of the business, before considering the proceeds of the IPO on 24 July 2007. Consistent with the Group's objectives, net financial debt as of 30 June 2007 is Euro 16.8 million lower than it was at the comparative date last year.

Net working capital amounts to Euro 54 million (19% of sales for the last 12 months), compared with Euro 44 million (16.5% of consolidated sales) at the end of 2006. The worsening net working capital-consolidated revenues ratio was due to the seasonality of the business.

Free cash flow generated in the period to 30 June 2007 amounted to Euro 1.1 million, representing an improvement compared with the corresponding period in 2006 when net absorption totalled Euro 0.45 million.

Capital investment during the period mainly related to the construction of warehouse facilities by Aeffe, as well as to leasehold improvements made by both Aeffe and Moschino Far East.

<i>(In thousands of Euro)</i>	<b>1 H 2007</b>	<b>%</b>	<b>1 H 2006</b>	<b>%</b>	<b>Changes %</b>
<b>Revenues from sales and services</b>	<b>141,642</b>	<b>100.0%</b>	<b>125,646</b>	<b>100.0%</b>	<b>12.7%</b>
Other revenues and income	2,201	1.6%	1,892	1.5%	16.4%
<b>Total Revenues</b>	<b>143,843</b>	<b>101.6%</b>	<b>127,538</b>	<b>101.5%</b>	<b>12.8%</b>
Total operating costs	(122,960)	(86.8%)	(112,429)	(89.5%)	9.4%
<b>Gross Operating Margin (EBITDA)</b>	<b>20,883</b>	<b>14.7%</b>	<b>15,109</b>	<b>12.0%</b>	<b>38.2%</b>
Not current revenues	2,018	1.4%	0	0.0%	n.d.
Not current costs	0	0.0%	0	0.0%	n.d.
<b>EBITDA</b>	<b>22,901</b>	<b>16.2%</b>	<b>15,109</b>	<b>12.0%</b>	<b>51.6%</b>
Total Amortization and Write-downs	(5,168)	(3.6%)	(5,396)	(4.3%)	(4.2%)
<b>EBIT</b>	<b>17,733</b>	<b>12.5%</b>	<b>9,713</b>	<b>7.7%</b>	<b>82.6%</b>
Total Financial Income (expenses)	(4,289)	(3.0%)	(3,096)	(2.5%)	38.5%
Profit (loss) from affiliates	0	0.0%	(61)	(0.0%)	(100.0%)
Profit before taxes	13,444	9.5%	6,556	5.2%	105.1%
Current taxes	(6,783)	(4.8%)	(3,886)	(3.1%)	74.6%
Profit Net of taxes	6,661	4.7%	2,671	2.1%	149.4%
Profit (loss) attributable to minority shareholders	(799)	(0.6%)	(15)	(0.0%)	5,156.3%
<b>Net Profit for the Group</b>	<b>5,862</b>	<b>4.1%</b>	<b>2,656</b>	<b>2.1%</b>	<b>120.8%</b>

	30th June 2007	31st December 2006	30th June 2006
Trade receivables	36,766	33,430	42,970
Stock and inventories	65,315	57,658	57,137
Trade payables	(59,506)	(57,545)	(52,981)
<b>Operating net working capital</b>	<b>42,575</b>	<b>33,543</b>	<b>47,126</b>
Other receivables	32,741	28,197	30,720
Other liabilities	(21,272)	(17,720)	(20,194)
<b>Net working capital</b>	<b>54,044</b>	<b>44,020</b>	<b>57,652</b>
Tangible fixed assets	70,030	69,895	65,899
Intangible fixed assets	173,299	175,073	176,953
Investments	22	121	183
Other long term receivables	2,868	2,877	3,101
<b>Fixed assets</b>	<b>246,219</b>	<b>247,966</b>	<b>246,137</b>
Post employment benefits	(11,482)	(13,509)	(12,292)
Long term provisions	(1,699)	(1,741)	(2,117)
Not financial assets available for sale	1,637	1,637	1,663
Other long term liabilities	(14,045)	(14,045)	(14,045)
Deferred tax assets	11,228	10,741	11,377
Deferred tax liabilities	(58,333)	(57,304)	(54,207)
<b>NET CAPITAL INVESTED</b>	<b>227,568</b>	<b>217,765</b>	<b>234,168</b>
Capital issued	22,091	22,500	22,500
Other reserves	53,909	51,278	51,892
Profits (Losses) carried-forward	(582)	(5,773)	(4,646)
Profits (Loss) for the period	5,862	7,981	2,656
<b>Group share capital and reserves</b>	<b>81,280</b>	<b>75,986</b>	<b>72,402</b>
Minority interests	27,311	26,465	25,970
<b>Shareholders' equity</b>	<b>108,591</b>	<b>102,451</b>	<b>98,372</b>
Other short term financial receivables	0	(4,175)	0
Liquid assets	(11,123)	(11,145)	(9,949)
Long term derivatives	60,934	66,197	67,115
Short term derivatives	69,166	64,437	78,630
<b>NET FINANCIAL POSITION</b>	<b>118,977</b>	<b>115,314</b>	<b>135,796</b>
<b>SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS</b>	<b>227,568</b>	<b>217,765</b>	<b>234,168</b>

<i>(In thousands of Euro)</i>	<b>30th June 2007</b>	<b>31st December 2006</b>	<b>30th June 2006</b>
<b>OPENING BALANCE</b>	<b>15,320</b>	<b>7,020</b>	<b>7,020</b>
Profit before taxes	13,444	19,293	6,556
Amortizations, provisions and depreciations	4,927	10,225	5,154
Accruals (availments) of long term provisions and post employment benefits	(2,069)	694	(147)
Taxes	(5,561)	(4,851)	(1,793)
Financial incomes and financial charges	4,289	7,022	3,096
Change in operating assets and liabilities	(10,703)	613	(12,174)
<b>NET CASH FLOW FROM OPERATING ASSETS</b>	<b>4,327</b>	<b>32,996</b>	<b>692</b>
Increase (decrease) in intangible fixed assets	(45)	(42)	(47)
Increase (decrease) in tangible fixed assets	(3,242)	(4,034)	(1,200)
Investments	99	135	74
Assets available for sale		53	26
<b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES</b>	<b>(3,188)</b>	<b>(3,886)</b>	<b>(1,147)</b>
Increase in reserves and profit carried-forward to shareholders' equity	(521)	(6,000)	(619)
Proceeds (repayment) of financial payments	(534)	(9,270)	5,841
Increase (decrease) in long term financial receivables	9	1,482	1,258
Financial incomes and financial charges	(4,289)	(7,022)	(3,096)
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES</b>	<b>(5,337)</b>	<b>(20,810)</b>	<b>3,384</b>
<b>CLOSING BALANCE</b>	<b>11,123</b>	<b>15,320</b>	<b>9,949</b>

**Contact:** **Investor Relations**  
 AEFPE S.p.A.  
 Annalisa Aldrovandi  
 +39 0541 965494  
 annalisa.aldrovandi@aefpe.com  
 www.aefpe.com

**Press Relations**  
**Barabino & Partners**  
 Federica Pezzi  
 +39 02 72023535  
 f.pezzi@barabino.it