

AEFFE

PRESS RELEASE

AEFFE:

Sales At €150m (+8.8% At Current Exchange Rates), Ebitda At €15.5m (+27%) And Net Profit For The Group At €4.6m (+214%)

San Giovanni in Marignano, 27 July 2017 - The Board of Directors of Aeffe SpA approved today the Group's Report for the First Half of 2017. The company, listed on the STAR segment of Borsa Italiana, operates in the luxury sector, with a presence in the prêt-à-porter, footwear and leather goods division under renowned brand names such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino, Pollini, Jeremy Scott and Cédric Charlier.

- Consolidated revenues of €150m, compared to €137.8m in 1H 2016, with an 8.8% increase at current exchange rates (+8.6% at constant exchange rates)
- Ebitda of €15.5m (10.3% on consolidated sales), compared to €12.2m in 1H 2016 (8.9% on consolidated sales), with a €3.3m improvement (+26.7%)
- Net Profit for the Group of €4.6m, compared to €1.5m in 1H 2016, with a €3.1m improvement (+214%)
- Net financial debt of €7.1m, compared to €7.3m as of June 30, 2016, with a €0.2m improvement (€9.5m as at 31st December, 2016)

Consolidated Revenues

In the First Half of 2017, AEFEE consolidated revenues amounted to €150m compared to €137.8m in 1H 2016, with an 8.8% increase at current exchange rates (+8.6% at constant exchange rates).

Revenues of the *prêt-à-porter* division amounted to €116.3m, up by 8.8% at current exchange rates compared to 1H 2016 (+8.5% at constant exchange rates).

Revenues of the footwear and leather goods division increased by 12.5%, equal to Euro 50.4m.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: *"We are very satisfied with the Group's results of the First Half of 2017 achieved thanks to the positive performance of all proprietary brands, along with the progressive recovery of the retail channel, especially in Europe. For the current year, we aim to confirm the growth trend of sales and more than proportional progression of profitability, as well as to continue to develop initiatives to promote the excellence and quality of our collections and to enhance the positioning of our brands at international level"*.

Revenues Breakdown by Region

<i>(In thousands of Euro)</i>	1H 17 Reported	1H 16 Reported	% Change	% Change*
Italy	72.051	60.568	19,0%	19,0%
Europe (Italy and Russia excluded)	31.928	30.161	5,9%	6,6%
Russia	4.551	4.837	(5,9%)	(5,9%)
United States	9.735	11.120	(12,5%)	(14,6%)
Rest of the World	31.688	31.096	1,9%	1,2%
Total	149.953	137.783	8,8%	8,6%

(*) Calculated at constant exchange rates

In 1H 2017 sales in Italy, amounting to 48.0% of consolidated sales, registered a very positive trend compared to 1H 2016 posting a 19.0% increase to €72.1m.

At constant exchange rates, sales in Europe, contributing to 21.3% of consolidated sales, registered a 6.6% growth.

The Russian market, representing 3.0% of consolidated sales, decreased by 5.9%, showing signs of weakness compared to the correspondent period of last year.

Sales in the United States, contributing to 6.5% of consolidated sales, posted a decrease of 14.6% at constant exchange rates in 1H 2017. This change was mainly due to the slowdown in sales in the department stores.

In the Rest of the World, the Group's sales totalled €31.7m, amounting to 21.1% of consolidated sales, recording an increase of 1.2% compared to 1H 2016.

Revenues by distribution channel

<i>(In thousands of Euro)</i>	1H 17 Reported	1H 16 Reported	% Change	% Change*
Wholesale	105.242	99.188	6,1%	5,8%
Retail	40.018	33.929	17,9%	18,1%
Royalties	4.693	4.665	0,6%	0,6%
Total	149.953	137.783	8,8%	8,6%

(*) Calculated at constant exchange rates

By distribution channel, in 1H 2017, wholesale sales grew by 5.8% at constant exchange rates (+6.1% at current exchange rates), contributing to 70.2% of consolidated sales.

The sales of our directly-operated stores (DOS) increased by 18.1% at constant exchange rates (+17.9% at current exchange rates) and contributed to 26.7% of consolidated sales. Royalty incomes increased by 0.6% compared to 1H 2016 and represented 3.1% of consolidated sales.

Network of Monobrand Stores

DOS	1H 17	FY 16	Franchising	1H 17	FY 16
Europe	45	45	Europe	47	50
America	3	3	America	1	2
Asia	14	16	Asia	132	139
Total	62	64	Total	180	191

As far as the franchised stores is concerned, the change mainly regarded the Asian market with openings and closures decided for strategic repositioning of the stores. In this perspective, the Group has defined a plan for about 10 new franchise openings by the end of 2017 to strengthen the presence of its own brands in Asia.

Operating and Net Result Analysis

In 1H 2017 the Group posted a good improvement in margins; consolidated Ebitda was equal to €15.5m (with an incidence of 10.3% of consolidated sales), compared to €12.2m in 1H 2016 (8.9% of total sales), with a €3.3m increase (+26.7%). The improvement in profitability was mainly driven by sales growth of both divisions. Ebitda of the *prêt-à-porter* division amounted to €11.4m (representing 9.8% of sales), compared to €8.5m in 1H 2016 (8% of sales), posting a €2.9m increase (+33.7%).

Ebitda of the footwear and leather goods division amounted to €4.1m (8.1% of sales) compared to a €3.7m in 1H 2016 (8.2% of sales), with a €0.4m increase (+10.6%).

Consolidated Ebit was equal to €9.6m, compared to €6.1m in 1H 2016, with a €3.5m increase (+56%).

As far the increase in financial expenses in 1H 2017 compared with 1H 2016 is concerned, the positive effect of minor charges on lower financial debt was offset by the valuation at fair value of the contracts entered to cover currency risk for business transactions in foreign currencies.

Thanks to the improvement in operating profit, in 1H 2017 Profit before taxes amounted to €7.4m compared with Profit before taxes of €4.8m in 1H 2016, with a €2.6m increase (+55%).

Net result of the Group was equal to €4.6m, compared to the Net Profit for the Group of €1.5m in 1H 2016, with a €3.1m improvement (+214%).

Balance Sheet Analysis

Looking at the balance sheet as of June 30, 2017, Shareholders' equity is equal to €139.7m and net financial debt amounts to €67.1m compared to €76.3m as of June 30, 2016, with a €9.2m improvement (€59.5m as of December 31, 2016). The financial debt decrease compared to 1H 2016 refers mainly to the better economic results and a better operating cash flow.

As of June 30, 2017, operating net working capital amounts to €77.1m (26.3% of LTM sales) compared to €75.9m as of June 30, 2016 (27.3% of LTM sales).

The reduction of the incidence on sales is mainly related to the better management of the operating net working capital.

Capex in 1H 2017 amount to €1.9m and are mostly related to the maintenance and stores' refurbishment.

Other Information

Reclassified Income Statement, Balance Sheet and Cash Flow Statement are attached below. 1H 2017 data included in this press release were subject to limited review by the Auditors' company.

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 30 June 2017 are available at the following link: <http://www.aeffe.com/aeffeHome.php?lang=ita> , as well as on the authorized storage site www.emarketstorage.com.

"The executive responsible for preparing the company's accounting documentation Marcello Tassinari declares pursuant to paragraph 2 of art. 154 bis of Legislative Decree no. 58 of 1998 that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries".

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<i>(In thousands of Euro)</i>	1H 17	%	1H 16	%	Change	Change %
Revenues from sales and services	149,953	100.0%	137,783	100.0%	12,170	8.8%
Other revenues and income	1,389	0.9%	5,787	4.2%	(4,397)	(76.0%)
Total Revenues	151,342	100.9%	143,569	104.2%	7,773	5.4%
Total operating costs	(135,848)	(90.6%)	(131,343)	(95.3%)	(4,505)	3.4%
EBITDA	15,494	10.3%	12,226	8.9%	3,269	26.7%
Total Amortization and Write-downs	(5,902)	(3.9%)	(6,077)	(4.4%)	175	(2.9%)
EBIT	9,593	6.4%	6,149	4.5%	3,444	56.0%
Total Financial Income /(expenses)	(2,198)	(1.5%)	(1,375)	(1.0%)	(823)	59.8%
Profit before taxes	7,395	4.9%	4,774	3.5%	2,621	54.9%
Taxes	(2,839)	(1.9%)	(2,949)	(2.1%)	110	(3.7%)
Net Profit	4,556	3.0%	1,824	1.3%	2,731	149.7%
(Profit)/loss attributable to minority shareholders	62	0.0%	(355)	(0.3%)	418	(117.5%)
Net Profit for the Group	4,618	3.1%	1,469	1.1%	3,149	214.4%

<i>(In thousands of Euro)</i>	1H 17	FY 16	1H 16
Trade receivables	40,667	40,711	37,785
Stock and inventories	91,314	89,390	88,920
Trade payables	(54,868)	(61,881)	(50,762)
Operating net working capital	77,113	68,220	75,944
Other receivables	34,075	29,177	32,222
Other liabilities	(22,822)	(24,335)	(23,701)
Net working capital	88,366	73,062	84,464
Tangible fixed assets	60,092	61,376	62,080
Intangible fixed assets	112,505	115,132	117,713
Investments	132	132	132
Other long term receivables	3,352	3,962	3,802
Fixed assets	176,081	180,601	183,727
Post employment benefits	(6,127)	(6,367)	(6,469)
Long term provisions	(2,407)	(2,559)	(950)
Assets available for sale	437	437	437
Liabilities available for sale			
Other long term liabilities	(446)	(469)	(285)
Deferred tax assets	13,834	13,856	11,412
Deferred tax liabilities	(30,650)	(30,986)	(31,308)
NET CAPITAL INVESTED	239,087	227,576	241,028
Capital issued	25,371	25,371	25,371
Other reserves	116,674	115,642	114,468
Profits/(Losses) carried-forward	(6,956)	(8,883)	(8,883)
Profit/(Loss) for the period	4,618	3,641	1,469
Group share capital and reserves	139,707	135,771	132,426
Minority interests	32,236	32,298	32,285
Shareholders' equity	171,943	168,070	164,710
Short term financial receivables	(2,236)	(2,236)	(2,236)
Liquid assets	(9,778)	(14,521)	(10,820)
Long term financial payables	18,930	23,840	21,010
Long term financial receivables	(2,732)	(3,391)	(3,232)
Short term financial payables	62,959	55,814	71,596
NET FINANCIAL POSITION	67,144	59,507	76,317
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	239,087	227,576	241,028

<i>(In thousands of Euro)</i>	1H 17	FY 16	1H 16
OPENING BALANCE	14,521	9,993	9,993
Profit before taxes	7,395	8,331	4,774
Amortizations, provisions and depreciations	5,808	15,110	5,992
Accruals (availments) of long term provisions and post employment benefits	(391)	1,305	(202)
Taxes	(6,023)	(3,583)	(2,294)
Financial incomes and financial charges	2,198	1,754	1,375
Change in operating assets and liabilities	(12,456)	(12,195)	(18,066)
NET CASH FLOW FROM OPERATING ASSETS	(3,469)	10,722	(8,421)
Increase (decrease) in intangible fixed assets	(694)	883	1,661
Increase (decrease) in tangible fixed assets	(1,203)	(3,265)	(1,365)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)		77	
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	(1,897)	(2,305)	296
Other changes in reserves and profit carried-forward to shareholders'equity	(682)	20	13,258
Proceeds (repayment) of financial payments	2,234	(679)	(1,772)
Increase (decrease) financial receivables	1,269	(1,476)	(1,158)
Financial incomes and financial charges	(2,198)	(1,754)	(1,376)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	623	(3,889)	8,952
CLOSING BALANCE	9,778	14,521	10,820

