AEFFE

PRESS RELEASE

Aeffe: Net Income rose by 73% in the first nine months of 2007

San Giovanni in Marignano, 12 November 2007, the Board of Directors of Aeffe SpA has approved the consolidated results for the first nine months of 2007. 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, Moschino, Pollini and JP Gaultier.

- **Consolidated revenues of Euro 234 million, +10.7% compared to 9M 2006 (+14% at constant exchange rates)**
- **EBITDA of Euro 39,2 million (16.8% of sales), +38.1% compared to 9M 2006 (+39.8% at constant exchange rates, Euro 39,7 million). EBITDA net of non-recurring items of Euro 37,2 million (15.9% of sales),+31% compared to 9M 2006 (+32.2% at constant exchange rates)**
- **Net income of Euro 12,2 million, +72.6% compared to 9M 2006**
- **Net financial debt of Euro 48,7 million (Euro 115,3 million as of 31 December 2006)**

Consolidated revenues

In the first nine months of 2007, consolidated revenues rose to Euro 234 million from Euro 211,3 million in the first nine months of 2006, up 10.7% or +14% at constant exchange rates.
This improvement reflects the excellent performance achieved by the Group's two divisions: the revenues of the prêt-à-porter division increased by 9.3% (+13.5% at constant exchange rates) to Euro 188,9 million, while the revenues of the footwear and leather goods division rose by 19.2% to Euro 58,7 million.
These extremely positive results highlight the effectiveness of the strategic decisions made by the Group in the prior years.

"We are satisfied with the results achieved in the first nine months 2007" commented Massimo Ferretti Executive Chairman of Aeffe SpA "which are in line with our targets. Furthermore the orders backlog for spring/summer 2008 is showing a 10% growth and this leaves us confident for the future, despite the ongoing unfavourable trend in currencies".

Sales by brand

(In thousands of Euro)	9M 07	9M 06	% Growth	3Q 07	3Q 06	% Growth
Alberta Ferretti	51,123	43,216	18.3%	21,487	17,704	21.4%
Moschino	105,618	96,605	9.3%	38,202	37,584	1.6%
J. P. Gaultier	21,173	19,064	11.1%	9,987	8,329	19.9%
Pollini	40,652	36,921	10.1%	16,784	16,500	1.7%
Others *	15,461	15,506	(0.3%)	5,925	5,549	6.8%
Total	**234,027**	**211,312**	**10.7%**	**92,385**	**85,666**	**7.8%**

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

All Group brands performed well during the first nine months of 2007.
The Alberta Ferretti brand grew by 18.3% contributing to 21.8% of consolidated sales; while Moschino brand grew by 9.3% (+12.4% at constant exchange rates) contributing to 45.1% of consolidated sales.
Pollini brand rose by 10.1%, generating 17.4% of consolidated sales, while the brand under license JP Gaultier grew by 11.1%, equal to 9% of consolidated sales.

Sales by region

(In thousands of Euro)	9M 07	9M 06	% Growth	3Q 07	3Q 06	% Growth
Italy	90,440	82,076	10.2%	35,375	32,834	7.7%
Europe (Italy and Russia excluded)	51,965	43,552	19.3%	21,649	18,456	17.3%
United States	25,376	24,898	1.9%	8,591	9,506	(9.6%)
Russia	19,606	11,774	66.5%	8,258	3,956	108.7%
Japan	15,538	17,947	(13.4%)	5,771	7,094	(18.7%)
Rest of the World	31,102	31,065	0.1%	12,742	13,820	(7.8%)
Total	**234,027**	**211,312**	**10.7%**	**92,385**	**85,666**	**7.8%**

The domestic market performed extremely well during the first nine months of 2007.
Sales in Italy rose by 10.2% to Euro 90,4 million, contributing to 38.6% of consolidated sales.
Abroad, the Group achieved significant growth. Sales in Europe rose by 19.3%, contributing to 22.2% of consolidated sales. The Russian market rose by 66.5%, contributing to 8.4% of consolidated sales, while sales in the United States grew by 1.9% (+12% at constant exchange rates), contributing to 10.8% of consolidated sales. Sales in the rest of the world were stable at Euro 31,1 million (+8% at constant exchange rates), contributing to 13.4% of consolidated sales, while sales in Japan fell by 13.4% (-3.5% at constant exchange rates) due both to the weak economic conditions and to the lower sales of Narciso Rodriguez collections, contributing to 6.6% of consolidated sales.

Sales by distribution channel

(In thousands of Euro)	9M 07	9M 06	% Growth	3Q 07	3Q 06	% Growth
Wholesale	169,815	152,959	11.0%	70,038	64,835	8.0%
Retail	51,530	47,052	9.5%	17,805	16,498	7.9%
Royalties	12,682	11,301	12.2%	4,541	4,333	4.8%
Totale	**234,027**	**211,312**	**10.7%**	**92,385**	**85,666**	**7.8%**

Looking at the Group's distribution channels during the first nine months of 2007, the wholesale channel grew by 11% (+14% at constant exchange rates), contributing to 72.6% of consolidated sales. The sales of our directly-operated stores (retail channel) grew by 9.5% (+14% at constant exchange rates), and contributed to 22% of consolidated sales. Royalty income rose by 12.2% representing 5.4% of consolidated sales.

Network of Monobrand stores

DOS	**9M 07**	**1H 07**	**FY 06**
Europe	36	36	36
United States	1	1	1
Asia	38	38	38
Total	**75**	**75**	**75**

Franchising	**9M 07**	**1H 07**	**FY 06**
Europe	40	37	33
United States	5	5	4
Asia	48	44	37
Total	**93**	**86**	**74**

Analysis of operating results and net income

In the first nine months of 2007, consolidated EBITDA amounted to Euro 39,2 million, up 38.1% compared to Euro 28,4 million of 9M 2006, and represents 16.8% of consolidated sales. The EBITDA calculated at constant exchange rates would have been equal to Euro 39,7 million, up to 39.8%. This result includes net gains of roughly Euro 2 million realised by Aeffe Usa from the sale, on 18 May 2007, of its 50% stake in Narciso Rodriguez LLC. Net of this income, EBITDA was Euro 37,2 million (+31%), representing 15.9% of consolidated sales. EBITDA of the prêt-à-porter division was Euro 33,3 million (net of non-recurring income) up 25.5% compared to Euro 26,5 million in September 2006, and represents 17.6% of consolidated sales. EBITDA of the footwear and leather goods division rose by 107.2% to Euro 3,98 million compared to Euro 1,92 million in the corresponding period of 2006, representing 6.8% of consolidated sales.
The significant improvement in EBITDA of both divisions reflects the strength of our business model which, when the sales grows significantly, allows to exploit strong operating leverage by reducing the incidence of fixed costs as % of sales, while nevertheless maintaining a strong focus on product quality.
Consolidated EBIT amounted to Euro 31,4 million, up 53.7% and representing 13.4% of consolidated sales.
Also consolidated net income reported a strong performance rising by 72.6% to Euro 12,2 million from Euro 7,1 million in the first nine months of 2006. This reflects the improvement in operating income and a reduction in the effective tax rate from 51% in the first nine months of 2006 to 45% in the first nine months of 2007. This reduction, in line with expectations, was mainly due to the dilutive effect of IRAP, the regional business tax.

Balance sheet analysis

Compared to 31 December 2006, the Group's balance sheet as of 30 September 2007 shows an increase in shareholders' equity by Euro 76 million to Euro 161,4 million due to the IPO proceeds of Euro 74,3 million and a consequent decrease in net financial debt from Euro 115,3 million to Euro 48,7 million consistent with the Group's targets. Net working capital amounts to Euro 63,2 million (21.8% of LTM sales), compared with Euro 44 million (16.5% of sales) at the end of 2006. The worsening of net working capital-on sales-ratio is due to the seasonality of the business.
Capital investment during the period mainly related to the construction of warehouse facilities, as well as to stores refurbishment made by both Aeffe and Moschino Far East.

(In thousands of Euro)	9M 07	%	9M 06	%	% Growth	3Q 07	%	3Q 06	%	% Growth
Revenues from sales and services	**234,027**	**100.0%**	**211,312**	**100.0%**	**10.7%**	**92,385**	**100.0%**	**85,666**	**100.0%**	**7.8%**
Other revenues and income	2,539	1.1%	2,814	1.3%	(9.8%)	310	0.3%	923	1.1%	(66.5%)
Total Revenues	**236,566**	**101.1%**	**214,126**	**101.3%**	**10.5%**	**92,695**	**100.3%**	**86,588**	**101.1%**	**7.1%**
Total operating costs	(199,337)	(85.2%)	(185,717)	(87.9%)	7.3%	(76,377)	(82.7%)	(73,288)	(85.6%)	4.2%
Gross Operating Margin (EBITDA) net of non-recurring items	**37,228**	**15.9%**	**28,409**	**13.4%**	**31.0%**	**16,317**	**17.7%**	**13,300**	**15.5%**	**22.7%**
Non-recurring revenues	1,990	0.9%			nd					nd
EBITDA	**39,219**	**16.8%**	**28,409**	**13.4%**	**38.1%**	**16,317**	**17.7%**	**13,300**	**15.5%**	**22.7%**
Total Amortization and Write-downs	(7,841)	(3.4%)	(8,000)	(3.8%)	(2.0%)	(2,673)	(2.9%)	(2,604)	(3.0%)	2.6%
EBIT	**31,378**	**13.4%**	**20,409**	**9.7%**	**53.7%**	**13,644**	**14.8%**	**10,696**	**12.5%**	**27.6%**
Total Financial Income /(expenses)	(5,993)	(2.6%)	(4,714)	(2.2%)	27.1%	(1,703)	(1.8%)	(1,617)	(1.9%)	5.3%
Profit/ (loss) from affiliates			(90)	(0.0%)	nd			(29)	(0.0%)	nd
Profit before taxes	**25,385**	**10.8%**	**15,605**	**7.4%**	**62.7%**	**11,941**	**12.9%**	**9,049**	**10.6%**	**32.0%**
Taxes	(11,473)	(4.9%)	(7,923)	(3.7%)	44.8%	(4,690)	(5.1%)	(4,038)	(4.7%)	16.2%
Profit Net of taxes	**13,912**	**5.9%**	**7,682**	**3.6%**	**81.1%**	**7,251**	**7.8%**	**5,011**	**5.8%**	**44.7%**
(Profit)/ Loss attributable to minority shareholders	(1,730)	(0.7%)	(622)	(0.3%)	178.3%	(931)	(1.0%)	(607)	(0.7%)	53.6%
Net Profit for the Group	**12,182**	**5.2%**	**7,060**	**3.3%**	**72.6%**	**6,320**	**6.8%**	**4,404**	**5.1%**	**43.5%**

(In thousands of Euro)	**9M 07**	**FY 06**	**9M 06**
Trade receivables	56,625	33,430	54,817
Stock and inventories	59,247	57,658	49,664
Trade payables	(59,419)	(57,545)	(51,662)
Operating net working capital	**56,453**	**33,543**	**52,818**
Other receivables	31,437	28,197	25,789
Other liabilities	(24,685)	(17,720)	(20,999)
Net working capital	**63,205**	**44,020**	**57,608**
Tangible fixed assets	70,541	69,895	65,267
Intangible fixed assets	172,405	175,073	176,082
Investments	22	121	154
Other long term receivables	2,751	2,877	3,140
Fixed assets	**245,719**	**247,966**	**244,642**
Post employment benefits	(11,235)	(13,509)	(13,070)
Long term provisions	(1,660)	(1,741)	(1,631)
Net financial assets available for sale	1,637	1,637	1,650
Other long term liabilities	(14,045)	(14,045)	(14,045)
Deferred tax assets	13,373	10,741	11,223
Deferred tax liabilities	(58,621)	(57,304)	(54,666)
NET CAPITAL INVESTED	**238,373**	**217,765**	**231,711**
Capital issued	26,841	22,500	22,500
Other reserves	121,825	51,278	51,974
Profits/(Losses) carried-forward	587	(5,773)	(4,641)
Profit for the period	12,182	7,981	7,060
Group share capital and reserves	**161,435**	**75,986**	**76,892**
Minority interests	28,161	26,465	26,591
Shareholders' equity	**189,596**	**102,451**	**103,483**
Other short term financial receivables		(4,175)	
Liquid assets	(17,471)	(11,145)	(15,089)
Long term financial payables	40,155	66,197	72,540
Short term financial payables	26,093	64,437	70,777
NET FINANCIAL POSITION	**48,777**	**115,314**	**128,228**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**238,373**	**217,765**	**231,711**

(In thousands of Euro)	9M 07	FY 06	9M 06
OPENING BALANCE	**15,320**	**7,020**	**7,020**
Profit before taxes	25,385	19,294	15,605
Amortizations, provisions and depreciations	7,841	10,225	8,000
Accruals (availments) of long term provisions and post employment benefits	(2,356)	694	145
Taxes	(5,687)	(4,851)	(1,674)
Financial incomes and financial charges	5,993	7,022	4,714
Change in operating assets and liabilities	(24,150)	613	(15,674)
NET CASH FLOW FROM OPERATING ASSETS	**7,026**	**32,998**	**11,115**
Increase (decrease) in intangible fixed assets	(61)	(42)	(84)
Increase (decrease) in tangible fixed assets	(5,409)	(4,034)	(2,173)
Investments	(251)	137	(228)
Assets available for sale	-	52	39
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(5,720)**	**(3,887)**	**(2,447)**
Increase in reserves and profit carried-forward to shareholders'equity	71,097	(6,000)	(518)
Proceeds (repayment) of financial payments	(64,386)	(9,270)	3,413
Increase (decrease) in long term financial receivables	126	1,482	1,220
Financial incomes and financial charges	(5,993)	(7,022)	(4,714)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**845**	**(20,810)**	**(599)**
CLOSING BALANCE	**17,471**	**15,320**	**15,089**

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

Contact: **Investor Relations**
AEFFE S.p.A.
Annalisa Aldrovandi
+39 0541 9654 94
annalisa.aldrovandi@aeffe.com
www.aeffe.com

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