AEFFE

PRESS RELEASE

Aeffe: Strong Growth in Revenues and Profitability in 2007

San Giovanni in Marignano, 28 March 2008, the Board of Directors of Aeffe SpA approved the consolidated results for the Full Year 07. 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 293.2 million, +10.2% compared to FY 06 (+13.4% at constant exchange rates and excluding the effect of the termination of the Narciso Rodriguez licence)**
- **EBITDA of Euro 44.5 million (15.2% of sales), +19.8% compared to FY 06 (+21.7% at constant exchange rates, Euro 45.2 million). EBITDA net of non-recurring items of Euro 42.3 million (14.4% of sales),+28.5% compared to FY 06 (+29.3% at constant exchange rates)**
- **Net income of Euro 15.3 million, +92% compared to FY 06**
- **Net financial debt of Euro 38.5 million (Euro 115.3 million as of 31 December 2006)**
- **Proposed dividend of Euro 0.02 per share**

Consolidated Revenues

In the FY 07, consolidated revenues rose to Euro 293.2 million from Euro 266.1 million in the FY 06, up 10.2% (+12.2% at constant exchange rates and 13.4% excluding also the effect of the termination of the Narciso Rodriguez licence).
This improvement reflects the excellent performance achieved by the Group's two divisions: the revenues of the prêt-à-porter division increased by 9.8% (+12.3% at constant exchange rates) to Euro 235.2 million, while the revenues of the footwear and leather goods division rose by 13.8% to Euro 74.5 million, before interdivisional eliminations.
These extremely positive results highlight the effectiveness of the strategic decisions made by the Group in the prior years.

"As already commented when we released fourth quarter 2007 results on February 14, 2008, we are extremely satisfied with Aeffe 2007 achievements, as we were able to meat all our targets set at the beginning of the year despite the increasing macroeconomic uncertainties", commented Massimo Ferretti Executive Chairman of Aeffe SpA. "The year 2008 started with the signing of 4 important license agreements, 2 for Alberta Ferretti and 2 for Pollini, confirming the appeal of our Group worldwide. Thanks to the strength and complementarity of our brands, all with a clear positioning in the high-end luxury goods segment, and thanks to our presence in both emerging markets with high growth rates and in developed markets where demand is less volatile, we are confident in reaching also in 2008 a good growth in turnover and a more than proportional growth in net profit, notwithstanding that we are all aware of the difficult trend in the consumption environment".

Revenues by Brand

(In thousands of Euro)	**FY 07**	**FY 06**	**% Growth**
Alberta Ferretti	63,004	52,780	19.4%
Moschino	136,857	125,532	9.0%
Pollini	52,311	47,894	9.2%
J. P. Gaultier	23,749	21,528	10.3%
Others *	17,290	18,401	(6.0%)
Total	**293,211**	**266,135**	**10.2%**

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

All Group brands performed well during 2007.
Strong growth for Alberta Ferretti brand that increased by 19.4% (+20.3% at constant exchange rates) contributing 21.5% of consolidated sales, while Moschino grew by 9.0% (+12.3% at constant exchange rates) contributing 46.7% of consolidated sales. Good results for Pollini brand that rose by 9.2%, generating 17.8% of consolidated sales. The brand under license JP Gaultier grew by 10.3% (+12.5% at constant exchange rates), equal to 8.1% of consolidated sales.
The Other brands sales fell by 6%; excluding Narciso Rodriguez collections, other brand's sales would have increased by 12.6%.

Revenues by Region

(In thousands of Euro)	**FY 07**	**FY 06**	**% Growth**
Italy	113,030	104,118	8.6%
Europe (Italy and Russia excluded)	69,694	60,140	15.9%
United States	32,263	32,985	(2.2%)
Russia	22,110	13,100	68.8%
Japan	19,343	21,795	(11.3%)
Rest of the World	36,771	33,997	8.2%
Total	**293,211**	**266,135**	**10.2%**

Sales recorded good trend in Italy (+8.6% to Euro 113 million), contributing to 38.5% of consolidated sales.
Abroad, the Group achieved significant growth. Sales performance in Europe (+15.9%) was very positive, contributing to 23.8% of consolidated sales. The Russian market has continued to perform in an exceptional way (+68.8% compared to 2006), contributing to 7.5% of consolidated sales. Sales in United States fell by 2.2% (8.2% at constant exchange rates and excluding the effect of Narciso Rodriguez collections), contributing to 11% of consolidated sales. Sales in the rest of the world rose by 8.2% to Euro 36.8 million (+12.5% at constant exchange rates), contributing to 12.6% of consolidated sales, while sales in Japan fell by 11.3% (-2.2% at constant exchange rate and excluding also the effect of Narciso Rodriguez collections), contributing to 6.6% of consolidated sales.

Revenues by Distribution Channel

(In thousands of Euro)	**FY 07**	**FY 06**	**% Growth**
Wholesale	206,936	187,136	10.6%
Retail	71,273	66,261	7.6%
Royalties	15,002	12,738	17.8%
Totale	**293,211**	**266,135**	**10.2%**

Looking at the Group's distribution channels during 2007, the wholesale channel grew by 10.6% (+12.4 % at constant exchange rates), contributing to 70.6% of consolidated sales.
The sales of our directly-operated stores (DOS) grew by 7.6% (+12% at constant exchange rates and excluding the effect of Narciso Rodriguez collections), and contributed to 24.3% of consolidated sales.
Royalty income was 17.8% higher than in the corresponding period of 2006 (representing 5.1% of consolidated sales).

Network of Monobrand Stores

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

Franchising	**FY 07**	**FY 06**
Europe	41	33
United States	6	4
Asia	52	37
Totale	**99**	**74**

Analysis of Operating Results and Net Income

In 2007, consolidated EBITDA amounted to Euro 44.5 million, up 19,8% compared to Euro 37.1 million of 2006, and represents 15.2% of consolidated sales. The EBITDA calculated at constant exchange rates would have been equal to Euro 45.2 million, up to 21.7%. This result for 2007 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, while the same item for 2006 includes Euro 4.2 million arising from the sale by the subsidiary Aeffe Retail of the part of the business relating to the Narciso Rodriguez store in Milan. Net of this income, EBITDA was Euro 42.3 million (+28.5%), representing 14.4% of consolidated sales, with an improvement of 200 bp compared to 2006 (12.4%), in line with the targets set at the beginning of the year.
EBITDA of the *prêt-à-porter* division was Euro 36.9 million in 2007 (net of non-recurring item), up 28.3% compared to Euro 28.8 million in 2006, and represents 15.7% of consolidated sales with a 230 bp improvement in margin compared to 2006 (13.4%).
EBITDA of the footwear and leather goods division rose by 30.4% to Euro 5.4 million compared to Euro 4.1 million in the corresponding period of 2006, representing 7.2% of consolidated sales (6.3% in 2006).
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 33.7 million, up 27.6% and representing 11.5% of consolidated sales.
Also consolidated net income for the group reported a strong performance rising by 92% to Euro 15.3 million from Euro 8 million in 2006.
This reflects an improvement in operating income and a reduction in the tax rate from 56% in 2006 to 29% in 2007. This reduction is due both to the lower incidence of IRAP tax and to the one-off adjustment deriving from the application of the Document n. 1 of Consob, dated 21 February 2008, regarding deferred tax and liabilities allocated in previous year as a consequence of the reduction in the tax rate approved by the 2008 Financial Act.

Excluding this one-off adjustment effect, the Group's 2007 net income would have been equal to Euro 11.4 million and 2007 the tax rate would have been 49% compared to 56% in 2006, with an effective decrease of 700 bp.

Balance Sheet Analysis

Compared to 31 December 2006, the Group's balance sheet as of 31 December 2007 shows an increase in shareholders' equity by Euro 76 million to Euro 165 million, mainly 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 38.5 million consistent with the Group's targets.
Net working capital amounts to Euro 51.5 million at the end of 2007 (17.6% of sales), compared with Euro 44 million (16.5% of sales) at the end of 2006. The slight increase of working capital as compared to net sales is fully related to the expansion of the group's business with a consequent increase in inventory.
In 2007 the group's capital expenditure are mainly related to the construction of warehouse facilities in Aeffe, as well as to stores refurbishment made by both Aeffe and Moschino.

(In thousands of Euro)	**FY 07**	**%**	**FY 06**	**%**	**% Growth**
Revenues from sales and services	**293,211**	**100.0%**	**266,135**	**100.0%**	**10.2%**
Other revenues and income	3,505	1.2%	4,742	1.8%	(26.1%)
Total Revenues	**296,716**	**101.2%**	**270,877**	**101.8%**	**9.5%**
Total operating costs	(254,419)	(86.8%)	(237,973)	(89.4%)	6.9%
Gross Operating Margin (EBITDA) net of non-recurring items	**42,296**	**14.4%**	**32,904**	**12.4%**	**28.5%**
Non-recurring revenues	2,154	0.7%	4,197	1.6%	(48.7%)
EBITDA	**44,451**	**15.2%**	**37,101**	**13.9%**	**19.8%**
Total Amortization and Write-downs	(10,722)	(3.7%)	(10,666)	(4.0%)	0.5%
EBIT	**33,729**	**11.5%**	**26,435**	**9.9%**	**27.6%**
Total Financial Income /(expenses)	(8,084)	(2.8%)	(7,022)	(2.6%)	15.1%
Profit/ (loss) from affiliates			(119)	(0.0%)	nd
Profit before taxes	**25,645**	**8.7%**	**19,294**	**7.2%**	**32.9%**
Taxes	(7,375)	(2.5%)	(10,750)	(4.0%)	(31.4%)
Profit Net of taxes	**18,270**	**6.2%**	**8,543**	**3.2%**	**113.9%**
(Profit)/ Loss attributable to minority shareholders	(2,950)	(1.0%)	(562)	(0.2%)	424.9%
Net Profit adjusted for the Group *	**11,424**	**3.9%**	**7,981**	**3.0%**	**43.1%**
Net Profit for the Group	**15,322**	**5.2%**	**7,981**	**3.0%**	**92.0%**

* Excluding one-off adjustment deriving from the application of the Document n. 1 of Consob, dated 21 February 2008, regarding deferred tax and liabilities allocated in previous year as a consequence of the reduction in the tax rate approved by the 2008 Financial Act.

(In thousands of Euro)	FY 07	FY 06
Trade receivables	36,911	33,430
Stock and inventories	67,761	57,658
Trade payables	(60,577)	(57,545)
Operating net working capital	**44,095**	**33,543**
Other receivables	31,869	28,197
Other liabilities	(24,376)	(17,720)
Net working capital	**51,588**	**44,020**
Tangible fixed assets	71,195	69,895
Intangible fixed assets	171,771	175,073
Investments	22	121
Other long term receivables	3,122	2,877
Fixed assets	**246,109**	**247,966**
Post employment benefits	(11,111)	(13,509)
Long term provisions	(1,708)	(1,741)
Net financial assets available for sale	1,637	1,637
Other long term liabilities	(14,251)	(14,045)
Deferred tax assets	8,869	10,741
Deferred tax liabilities	(48,022)	(57,304)
NET CAPITAL INVESTED	**233,111**	**217,765**
Capital issued	26,841	22,500
Other reserves	121,924	51,278
Profits/(Losses) carried-forward	679	(5,773)
Profit for the period	15,321	7,981
Group share capital and reserves	**164,764**	**75,986**
Minority interests	29,863	26,465
Shareholders' equity	**194,627**	**102,451**
Other short term financial receivables		(4,175)
Liquid assets	(14,525)	(11,145)
Long term financial payables	26,647	66,197
Short term financial payables	26,362	64,437
NET FINANCIAL POSITION	**38,484**	**115,314**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**233,111**	**217,765**

(In thousands of Euro)	FY 07	FY 06
OPENING BALANCE	**15,320**	**7,020**
Profit before taxes	25,645	19,293
Amortizations, provisions and depreciations	10,722	10,225
Accruals (availments) of long term provisions and post employment benefits	(2,431)	694
Taxes	(9,374)	(4,851)
Financial incomes and financial charges	8,084	7,022
Change in operating assets and liabilities	(9,538)	613
NET CASH FLOW FROM OPERATING ASSETS	**23,108**	**32,996**
Increase (decrease) in intangible fixed assets	(336)	(40)
Increase (decrease) in tangible fixed assets	(9,302)	(4,034)
Investments	95	135
Assets available for sale	-	53
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(9,543)**	**(3,886)**
Increase in reserves and profit carried-forward to shareholders'equity	71,954	(6,000)
Proceeds (repayment) of financial payments	(77,985)	(9,270)
Increase (decrease) in long term financial receivables	(245)	1,482
Financial incomes and financial charges	(8,084)	(7,022)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**(14,360)**	**(20,810)**
CLOSING BALANCE	**14,525**	**15,320**

Dividend proposal

The Board of Directors proposed to the Annual General Meeting which will be held on 29 April 2008, the payment of a dividend of Euro 0.02 per share, or Euro 2.1 million of total dividends equal to a payout ratio of roughly 37%.

Other informations

The Board of Directors of Aeffe Spa has convened the annual Shareholder's meeting on the 29th April 2008 in Montegridolfo (RN) at Palazzo Viviani, via Roma 38, at 10.00 a.m. to discuss and deliberate on the following

AGENDA

1. Approval of the financial statement for Aeffe Spa for the year ended on 31 December 2007 and resolutions related and consequential. Presentation of the consolidated balance sheet on 31 December 2007.
2. Appointment of Boards of Directors and the President, and resolutions ex art. 2389 first paragraph Civil Code.
3. Appointment of the Boards of Statutory Auditors and resolutions ex art. 2402 Civil Code.

The documentation required by the current legislation for the topics and proposals on the Agenda will be available to the public in accordance with the law, at the registered offices and at Borsa Italiana Spa.
The Shareholders may consult and obtain copies of that documentation that will be made available, in terms of the law, also on the company's website: www.aeffe.com.

The Board of Directors of Aeffe Spa has also resolved the adoption of the Model Organization, Management and Control provide in Article 6 of D. Lgs. No 231/2001, which can be consulted on the company's website at www.aeffe.com.

"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".

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