



PRESS RELEASE

AEFFE: Approved First Quarter 2014 Results. Significant Improvement In Operating Margins (+13%) And Net Profit (+60%) Compared With First Quarter 2013

San Giovanni in Marignano, 13 May 2014 - The Board of Directors of Aeffe SpA approved today the Interim consolidated financial statement as of March 31, 2014. 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, Emanuel Ungaro and Cédric Charlier.

- **Consolidated revenues of €67.6m, compared to €73m in Q1 2013 (-7.3% at constant exchange rate) ; net of the effects of already terminated licenses and of the reorganization of the Japanese distribution network, revenues would have increased by 3.7% at constant exchange rates**
- **Ebitda of €10.7m (15.8% on consolidated sales), compared to €9.5m in Q1 2013 (13% on consolidated sales), with a €1.2m improvement (+13%)**
- **Net Profit for the Group of €3.2m, compared to €2m in Q1 2013, with a €1.2m improvement (+60%)**
- **Net financial debt of €88.3m, compared to €94.5m as of March 31, 2013 (€88.6m as at 31st December, 2013)**

Consolidated Revenues

In Q1 2014, AEFFE consolidated revenues amounted to €67.6m compared to €73m in Q1 2013, with a 7.4% decrease at current exchange rates and a 7.3% decrease at constant exchange rates. We highlight that consolidated revenues would have increased by 3.7% at constant exchange rates, net of the effects of already terminated licenses and of the reorganization of the Japanese distribution network, currently managed exclusively through the wholesale channel.

Revenues of the prêt-à-porter division amounted to €52.7m, down by 7.2% at constant exchange rates compared to Q1 2013 (-7.4% at current exchange rates). Net of the effects of already terminated licenses and of the reorganization of the Japanese distribution network, revenues of the prêt-à-porter division would have increased by 7.7% at constant exchange rates

Revenues of the footwear and leather goods division decreased by 2.3% and amounted to Euro 19.8m.

Massimo Ferretti, Executive Chairman of Aeffe SpA, has commented: *"We are satisfied with the results achieved by the Group, which records a new boost in profitability. The commitment and the prompt response to a new market scenario, which led to the refocusing of certain aspects of the business strategies: the reorganization of the licenses' portfolio, the stylistic renewal of some brands and the strengthening of the distribution channels, have already registered positive results in the first three months of the year. Therefore, we are confident for the future, also encouraged by a 10% increase in orders' backlog for the next Autumn/Winter collections"*.

Revenues Breakdown by Region

<i>(In thousands of Euro)</i>	1Q 14 Reported	1Q 13 Reported	% Change	% Change*
Italy	28,880	29,229	(1.2%)	(1.2%)
Europe (Italy and Russia excluded)	16,947	14,854	14.1%	13.9%
Russia	5,125	5,735	(10.6%)	(10.6%)
United States	3,504	4,502	(22.2%)	(19.7%)
Japan **	1,461	6,693	(78.2%)	(78.2%)
Rest of the World	11,722	12,052	(2.7%)	(2.5%)
Total	67,639	73,064	(7.4%)	(7.3%)

(*) Calculated at constant exchange rates

(**) Data reflect the reorganization of the distribution network. Further details in the following paragraph.

In Q1 2014 sales in Italy, amounting to 43% of consolidated sales, decreased by 1.2% to €28.9m.

At constant exchange rates, sales in Europe, contributing to 25% of consolidated sales, increased by 13.9%, thanks to a good recovery across all markets.

The Russian market, representing 8% of consolidated sales, declined by 10.6% due to the decreased in revenues related to brands whose license agreements ended.

Sales in the United States, contributing to 5% of consolidated sales, decreased by 19.7% at constant exchange rates especially explained by the decrease in revenues related to brands whose license agreements ended.

Japanese sales, contributing to 2% of consolidated sales, decreased by 78.2%. The decline is due to the reorganization of the local distribution network, effective from the beginning of 2014. Specifically, Aeffe S.p.A. and Moschino S.p.A. have signed with Woollen Co., Ltd. and Mitsubishi Corporation Fashion Co., Ltd. a distribution and franchise agreement whereby Woollen Co., Ltd. has become the exclusive distributor for the whole territory of Japan. Accordingly, as of 2014, sales in this market are exclusively realized through the wholesale and no longer via the retail channel.

In the Rest of the World, the Group's sales totalled €11.7m, amounting to 17% of consolidated sales, recording a decrease by 2.5% compared to Q1 2013.

Network of Monobrand Stores

DOS	1Q 14	FY 13	Franchising	1Q 14	FY 13
Europe	46	46	Europe	58	62
United States	1	3	United States	3	3
Asia	10	42	Asia	139	113
Total	57	91	Total	200	178

The change in the number of the Asian stores is explained by the transfer of the shops located in Japan from the group of the Dos (directly operated stores) to the group of the Franchised stores; specifically, Aeffe S.p.A. and Moschino S.p.A. have signed with Woollen Co., Ltd. and Mitsubishi Corporation Fashion Co., Ltd. a distribution and franchise agreement whereby Woollen Co., Ltd. has become the exclusive distributor for the whole territory of Japan. Accordingly, as of 2014, sales in this market are exclusively realized through the wholesale and no longer via the retail channel.

Operating and Net Result Analysis

In Q1 2014 there has been a good improvement in margins; consolidated Ebitda was equal to €10.7m (with an incidence of 15.8% of consolidated sales), compared to €9.5m in Q1 2013 (13% of total sales), with a €1.2m

increase (+13%). The growth was mainly driven by the lower incidence of the operating costs thanks to the policies of rationalization and efficiency improvement implemented at Group level. The improvement in profitability has involved both divisions.

Ebitda of the *prêt-à-porter* division amounted to €9.6m (representing 18.2% of sales), compared to €8.6m in Q1 2013 (15.2% of sales) with a €0.9m increase (+11%).

Ebitda of the footwear and leather goods division amounted to €1.1m (5.7% of sales) compared to a €0.8m in Q1 2013 (4.1% of sales), with a €0.3m increase.

Consolidated Ebit was equal to €7.7m, compared to €6.3m in Q1 2013, with a €1.4m increase (+22%).

In Q1 2014 the Group posted a net profit of €3.2m, compared to the net profit of €2m in Q1 2013, with a €1.2m improvement (+60%), mainly attributable to the Ebitda growth.

Balance Sheet Analysis

Looking at the balance sheet as of March 31, 2014, Shareholders' equity was equal to €129.8m and net financial debt amounted to €88.3m compared to €94.5m as of March 31, 2013 (€88.6m as of December 31, 2013).

As of March 31, 2014 operating net working capital amounted to €72.2m (29.4% of LTM sales) compared to €64.4m as of December 31, 2013 (25.7% of sales); the increase in the percentage on sales was related to the seasonality of the business.

Capex in Q1 2014 amounted to €1.3m and were mainly related to the maintenance and stores' refurbishment; disinvestments were equal to €2.7m and mainly referred to the sale of the Alberta Ferretti store in Paris (St. Honorè).

Other information

The Board of Directors of Aeffe S.p.A. evaluated the independence of its non –executive directors Marco Salomoni Roberto Lugano and Sabrina Borocci, considering that they satisfy the requirements envisaged in Code Criterion 3.C.1 and the criteria laid down in arts. 2.2.3.3.(l) (l) of the Market Regulations and IA.2.13.6, Section IA.2.13, Chapter IA.2, of the Stock Market Instructions. As a matter of fact, the above directors do not have and have not recently had any direct or indirect relations with the company, or parties related to it, that might currently influence the independence of their judgment, nor do they find themselves in any of the situations whereby a non-executive director may not be deemed independent; the above mentioned directors do not have commercial nor financial relationships with Aeffe S.p.A., with its parent company nor with its significant representatives; they do not provide the company, directly and personally, with any professional service, as well as they do not provide, directly and personally, with any professional service, Aeffe's parent company its significant representatives.

It is finally communicated that the minutes of the Meeting of the company on 16th April 2014 is now available for the consultation at the legal seat of the company, at Borsa Italiana S.p.A as well as on the company's website, section Investor Relations/Company Documents, link: <http://www.aeffe.com/aeffeHome.php?pattern=78&lang=eng>.

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below.

Q1 2014 data included in this press release are not audited by the Auditors' company.

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 31 March 2014 are available at the following link: <http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>.

"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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<i>(In thousands of Euro)</i>	1Q 14	%	1Q 13	%	Change	Change %
Revenues from sales and services	67,639	100.0%	73,064	100.0%	(5,424)	(7.4%)
Other revenues and income	1,872	2.8%	2,191	3.0%	(320)	(14.6%)
Total Revenues	69,511	102.8%	75,255	103.0%	(5,744)	(7.6%)
Total operating costs	(58,793)	(86.9%)	(65,780)	(90.0%)	6,987	(10.6%)
EBITDA	10,718	15.8%	9,475	13.0%	1,243	13.1%
Total Amortization and Write-downs	(2,971)	(4.4%)	(3,139)	(4.3%)	168	(5.4%)
EBIT	7,747	11.5%	6,336	8.7%	1,411	22.3%
Total Financial Income /(expenses)	(1,635)	(2.4%)	(1,705)	(2.3%)	71	(4.1%)
Profit before taxes	6,113	9.0%	4,630	6.3%	1,482	32.0%
Taxes	(2,570)	(3.8%)	(2,005)	(2.7%)	(565)	28.2%
Net Profit	3,543	5.2%	2,625	3.6%	917	34.9%
Profit attributable to minority shareholders	(309)	(0.5%)	(598)	(0.8%)	289	(48.3%)
Net Profit for the Group	3,234	4.8%	2,027	2.8%	1,207	59.5%

(In thousands of Euro)

	1Q 14	FY 13	1Q 13
Trade receivables	41,228	35,797	42,137
Stock and inventories	72,765	74,085	75,315
Trade payables	(41,751)	(45,448)	(46,377)
Operating net working capital	72,242	64,434	71,075
Other receivables	29,530	30,471	34,821
Other liabilities	(16,947)	(18,475)	(19,411)
Net working capital	84,825	76,429	86,486
Tangible fixed assets	64,290	64,555	66,916
Intangible fixed assets	128,747	132,788	136,562
Investments	30	30	30
Other long term receivables	4,805	4,794	2,749
Fixed assets	197,872	202,167	206,257
Post employment benefits	(7,155)	(7,536)	(7,346)
Long term provisions	(1,184)	(1,167)	(728)
Assets available for sale	437	517	437
Liabilities available for sale		(329)	
Other long term liabilities	(14,045)	(14,045)	(14,241)
Deferred tax assets	11,500	13,156	11,086
Deferred tax liabilities	(37,184)	(37,173)	(37,897)
NET CAPITAL INVESTED	235,066	232,020	244,054
Capital issued	25,371	25,371	25,371
Other reserves	119,400	118,800	119,025
Profits/(Losses) carried-forward	(18,230)	(14,199)	(13,039)
Profit/(Loss) for the period	3,234	(3,198)	2,027
Group share capital and reserves	129,775	126,775	133,384
Minority interests	16,953	16,644	16,148
Shareholders' equity	146,728	143,419	149,532
Short term financial receivables	(1,580)	(1,000)	(1,000)
Liquid assets	(5,996)	(7,524)	(4,110)
Long term financial payables	14,987	15,559	2,951
Long term financial receivables	(1,393)	(1,574)	(1,772)
Short term financial payables	82,321	83,140	98,454
NET FINANCIAL POSITION	88,338	88,601	94,523
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	235,066	232,020	244,054

<i>(In thousands of Euro)</i>	1Q 14	FY 13	1Q 13
OPENING BALANCE	7,524	5,362	5,362
Profit before taxes	6,113	(717)	4,630
Amortizations, provisions and depreciations	2,971	14,571	3,139
Accruals (availments) of long term provisions and post employment benefits	(659)	(1,099)	(574)
Taxes	(2,214)	(3,029)	(1,674)
Financial incomes and financial charges	1,635	6,745	1,705
Change in operating assets and liabilities	(7,119)	(499)	(8,803)
NET CASH FLOW FROM OPERATING ASSETS	727	15,972	(1,577)
Increase (decrease) in intangible fixed assets	2,384	(2,185)	(269)
Increase (decrease) in tangible fixed assets	(938)	(5,044)	(2,858)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)	(31)	-	(25)
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	1,415	(7,229)	(3,152)
Other changes in reserves and profit carried-forward to shareholders'equity	(233)	(507)	(41)
Proceeds (repayment) of financial payments	(1,392)	227	2,933
Increase (decrease) financial receivables	(411)	444	2,290
Financial incomes and financial charges	(1,634)	(6,745)	(1,705)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	(3,670)	(6,581)	3,477
CLOSING BALANCE	5,996	7,524	4,110