AEFFE

PRESS RELEASE

AEFFE: First Semester 2014 Results Confirmed Significant Growth Of Profitability: Ebitda At €12.5M (+71%); Net Profit Of €0.15M Compared To A Net Loss Of €3.7M In First Semester 2013

San Giovanni in Marignano, 28 July 2014 - The Board of Directors of Aeffe SpA approved today the Group's Report for the First Half of 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 €121.1m, compared to €122.9m in 1H 2013 (-1.4% 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 7.1% at constant exchange rates**

- **Ebitda of €12.5m, compared to €7.3m in 1H 2013 (+71%), with a €5.2m increase**

- **Profit before taxes of €2.7m, compared to a loss of €2.2m in 1H 2013, with a €4.9m improvement**

- **Net Profit for the Group of €0.15m, compared to a net loss of €3.7m in 1H 2013, with a €3.85m improvement**

- **Net financial debt of €89.9m, compared to €97m as of June 30, 2013, with a €7.1m improvement (€88.6m as of December 31, 2013)**

Consolidated Revenues

In the first semester of 2014, AEFFE consolidated revenues amounted to €121.1m compared to €122.9m in the first semester of 2013, with a 1.5% decrease at current exchange rates (-1.4% at constant exchange rates).
We highlight that consolidated revenues would have increased by 7.1% 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 €94.8m, down by 2.9% at constant exchange rates and by 3% at current exchange rates compared to 1H 2013. 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 8% at constant exchange rates
Revenues of the footwear and leather goods division increased by 12% to €37.7m.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: "*1H 2014 results, in terms of revenues and profitability, represent a significant confirmation of the effectiveness of the strategic actions implemented, both with regard to style and to distribution. Looking forward to the next months, we feel confident of the potential of the business development, also in the light of the orders' backlog for Autumn/Winter 2014 collections, which registered a 10% increase compared to last year* ".

Revenues Breakdown by Region

(In thousands of Euro)	1H 14 Reported	1H 13 Reported	% Change	% Change*
Italy	52,925	52,763	0.3%	0.3%
Europe (Italy and Russia excluded)	28,416	24,097	17.9%	17.5%
Russia	9,482	9,541	(0.6%)	(0.6%)
United States	7,100	7,724	(8.1%)	(4.6%)
Japan **	3,223	10,151	(68.2%)	(68.2%)
Rest of the World	19,919	18,643	6.8%	6.7%
Total	**121,065**	**122,919**	**(1.5%)**	**(1.4%)**

(*) Calculated at constant exchange rates
(**) Data reflect the reorganization of the distribution network. Further details in the following paragraph.

In 1H 2014, sales in Italy, amounting to 44% of consolidated sales, registered a stable trend compared to 1H 2013 with a 0.3% increase and amounted to €52.9m.
At constant exchange rates, sales in Europe, contributing to 23% of consolidated sales, increased by 17.5%, thanks to a good recovery across the main markets.
The Russian market, representing 8% of consolidated sales, was substantially in line to the corresponding period of 2013, posting a 0.6% decrease.
Sales in the United States, contributing to 6% of consolidated sales, decreased by 4.6% at constant exchange rates.
Japanese sales, contributing to 3% of consolidated sales, decreased by 68.2%, as a consequence of the reorganization of the local distribution network, effective from the beginning of 2014. Specifically, on the basis of an exclusive distribution and franchise agreement with Woollen Co., Ltd. and Mitsubishi Corporation Fashion Co., Ltd., since the beginning of the year, sales of the collections under the brands Alberta Ferretti, Philosophy, Moschino, Moschino C&C and Love Moschino, are exclusively realized through the wholesale and no longer via retail channel.
In the Rest of the World, the Group's sales totalled €19.9m, amounting to 16% of consolidated sales, recording an increase of 6.7% at constant exchange rates compared to 1H 2013, especially thanks to a good trend in Greater China.

Network of Monobrand Stores

DOS	1H 14	FY 13
Europe	47	46
United States	1	3
Asia	10	42
Total	**58**	**91**

Franchising	1H 14	FY 13
Europe	58	62
United States	3	3
Asia	139	113
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 brands Alberta Ferretti, Philosophy, Moschino, Moschino C&C and Love Moschino for the whole territory of Japan. Accordingly, as of 2014, sales in this market are exclusively realized through wholesale and no longer via retail channel.

Operating and Net Result Analysis

In 1H 2014 there has been a strong improvement in margins; consolidated Ebitda was equal to €12.5m (with an incidence of 10% of consolidated sales), compared to €7.3m in 1H 2013 (6% of total sales), with a €5.2m increase (+71%).
The growth was significantly driven by the positive effects resulting from 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.
In 1H 2014 Ebitda of the *prêt-à-porter* division amounted to €10.6m (representing 11.2% of sales), compared to €7.7m in 1H 2013 (7.9% of sales), with a €2.9m improvement.
In 1H 2014 Ebitda of the footwear and leather goods division was of €1.9m (5.1% of sales), compared to a negative Ebitda of €0.4m in 1H 2013, with a €2.3m improvement.
Consolidated Ebit was equal to €6.2m, compared to €1m in 1H 2013, with a €5.2m increase.
Thanks to the improvement in operating profit, in the first semester of 2014 the Group posted a significant growth in the net result, registering a Net Profit of €0.15m, compared to the net loss of €3.7m in 1H 2013 with a €3.85m improvement.

Balance Sheet Analysis

Looking at the balance sheet as of June 30, 2014, Shareholders' equity was equal to €127.8m and net financial debt amounted to €89.9m compared to €97m as of June 30, 2013 (€88.6m as of December 31, 2013). The increase in net financial debt with respect to December 31, 2013 was due to the seasonality of the business.
As of June 30, 2014 operating net working capital amounted to €70.3m (28% of LTM sales) compared to €64.4m as of December 31, 2013 (25.7% of sales); the percentage increase on sales was mainly related to the seasonality of the business and to the increase in inventories driven by the growth of orders' backlog for Autumn/Winter 2014 collections compared to the Autumn/Winter 2013 collections.
Capex in 1H 2014 amounted to €5.3m and were mainly related to the maintenance and stores' refurbishment and to key money paid for new shops; disinvestments were equal to €2.6m and mainly referred to the sale of stores.

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below.
1H 2014 data included in this press release are currently subject to limited review by the Auditors' company.

Please note that the Financial Report and the Results Presentation at 30 June 2014 are available at the following link: http://www.aeffe.com/aeffeHome.php?lang=eng

"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".

Contacts:
Investor Relations
AEFFE S.p.A
Annalisa Aldrovandi
+39 0541 965494
annalisa.aldrovandi@aeffe.com
www.aeffe.com

Press Relations
Barabino & Partners
Marina Riva
m.riva@barabino.it
+39 02 72023535

(In thousands of Euro)	**1H 14**	**%**	**1H 13**	**%**	**Change**	**Change %**
Revenues from sales and services	**121,065**	**100.0%**	**122,919**	**100.0%**	**(1,854)**	**(1.5%)**
Other revenues and income	2,026	1.7%	2,910	2.4%	(884)	(30.4%)
Total Revenues	**123,091**	**101.7%**	**125,829**	**102.4%**	**(2,738)**	**(2.2%)**
Total operating costs	(110,520)	(91.3%)	(118,494)	(96.4%)	7,974	(6.7%)
EBITDA	**12,570**	**10.4%**	**7,335**	**6.0%**	**5,236**	**71.4%**
Total Amortization and Write-downs	(6,288)	(5.2%)	(6,307)	(5.1%)	19	(0.3%)
EBIT	**6,283**	**5.2%**	**1,028**	**0.8%**	**5,255**	**511.3%**
Total Financial Income/(expenses)	(3,537)	(2.9%)	(3,240)	(2.6%)	(297)	9.2%
Profit/(Loss) before taxes	**2,746**	**2.3%**	**(2,213)**	**(1.8%)**	**4,958**	**nd**
Taxes	(2,095)	(1.7%)	(1,087)	(0.9%)	(1,008)	92.7%
Net Profit/(Loss) net of taxes	**650**	**0.5%**	**(3,300)**	**(2.7%)**	**3,950**	**nd**
(Profit)/Loss attributable to minority shareholders	(500)	(0.4%)	(402)	(0.3%)	(98)	24.4%
Net Profit/(Loss) for the Group	**150**	**0.1%**	**(3,702)**	**(3.0%)**	**3,852**	**nd**

(In thousands of Euro)	**1H 14**	**FY 13**	**1H 13**
Trade receivables	36,464	35,797	33,901
Stock and inventories	78,628	74,085	77,859
Trade payables	(44,827)	(45,448)	(45,238)
Operating net working capital	**70,265**	**64,434**	**66,522**
Other receivables	32,502	30,471	36,775
Other liabilities	(19,488)	(18,475)	(19,803)
Net working capital	**83,279**	**76,429**	**83,494**
Tangible fixed assets	63,827	64,555	66,724
Intangible fixed assets	130,092	132,788	135,090
Investments	30	30	30
Other long term receivables	4,784	4,794	2,706
Fixed assets	**198,734**	**202,167**	**204,550**
Post employment benefits	(7,040)	(7,536)	(8,697)
Long term provisions	(1,356)	(1,167)	(887)
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	12,047	13,156	12,130
Deferred tax liabilities	(37,132)	(37,173)	(37,291)
NET CAPITAL INVESTED	**234,923**	**232,020**	**239,494**
Capital issued	25,371	25,371	25,371
Other reserves	115,266	118,800	119,057
Profits/(Losses) carried-forward	(12,947)	(14,199)	(14,199)
Profit/(Loss) for the period	150	(3,198)	(3,702)
Group share capital and reserves	**127,841**	**126,775**	**126,527**
Minority interests	17,144	16,644	15,940
Shareholders' equity	**144,985**	**143,419**	**142,467**
Short term financial receivables	(1,000)	(1,000)	(1,000)
Liquid assets	(5,606)	(7,524)	(4,390)
Long term financial payables	13,910	15,559	2,418
Long term financial receivables	(1,416)	(1,574)	(1,714)
Short term financial payables	84,050	83,140	101,714
NET FINANCIAL POSITION	**89,938**	**88,601**	**97,028**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**234,923**	**232,020**	**239,494**

(In thousands of Euro)	**1H 14**	**FY 13**	**1H 13**
OPENING BALANCE	**7,524**	**5,362**	**5,362**
Profit (Loss) before taxes	2,746	(717)	(2,213)
Amortizations, provisions and depreciations	6,288	14,571	6,307
Accruals (availments) of long term provisions and post employment benefits	(602)	(1,099)	(513)
Taxes	(2,124)	(3,029)	(2,262)
Financial incomes and financial charges	3,537	6,745	3,240
Change in operating assets and liabilities	(5,787)	(499)	(5,557)
NET CASH FLOW FROM OPERATING ASSETS	**4,058**	**15,972**	**(998)**
Increase (decrease) in intangible fixed assets	(732)	(2,185)	(575)
Increase (decrease) in tangible fixed assets	(1,805)	(5,044)	(4,036)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)	(247)	-	(45)
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(2,784)**	**(7,229)**	**(4,656)**
Other changes in reserves and profit carried-forward to shareholders'equity	916	(507)	(130)
Proceeds (repayment) of financial payments	(739)	227	5,660
Increase (decrease) in financial receivables	168	444	2,392
Financial incomes and financial charges	(3,537)	(6,745)	(3,240)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**(3,192)**	**(6,581)**	**4,682**
CLOSING BALANCE	**5,606**	**7,524**	**4,390**