AEFFE

PRESS RELEASE

AEFFE: Strong Growth Of Profitability Confirmed
In 9M 2014 Ebitda At €22.6M (+39%); Net Profit Of €2.5M Compared To A Net Loss Of €2.3M In 9M 2013

San Giovanni in Marignano, 11 November 2014 - The Board of Directors of Aeffe SpA has today approved the consolidated results for the First Nine months 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 €192.9m, compared to €193.3m in 9M 2013 (-0.2% at constant exchange rates); net of the effects of already terminated licenses and of the reorganization of the Japanese distribution network, revenues would have increased by 7% at constant exchange rates**
- **Ebitda of €22.6m, compared to €16.3m in 9M 2013 (+39.2%), with a €6.3m increase**
- **Profit before taxes of €7.6m, compared to a profit of €1.6m in 9M 2013, with a €6m improvement (+364%)**
- **Net profit for the Group of €2.5m, compared to a net loss of €2.3m in 9M 2013, with a €4.8m improvement**
- **Net financial debt of €90.1m, compared to €96.8m as of September 30, 2013 with a €6.7m improvement (€88.6m as of December 31, 2013)**

Consolidated Revenues

In the first nine months of 2014, AEFFE consolidated revenues amounted to €192.9m compared to €193.3m in 9M 2013, with a 0.2% decrease at current exchange rates (-0.2% at constant exchange rates).
We highlight that consolidated revenues would have increased by 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 €147.3m, down by 2.2% at constant exchange rates and by 2.2% at current exchange rates compared to 9M 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 7% at constant exchange rates.
Revenues of the footwear and leather goods division increased by 15.2% to €63.7m, before interdivisional eliminations.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: "*The significant acceleration of the Group is the result of a strategy allowing us to redefine our offer. Choices involving portfolio brands, style and distribution have increased the visibility of our brands and building solid bases for a further future development. This positive view is confirmed by a 15% increase in the orders backlog of the Spring/Summer 2015 collections compared to the last year".*

Revenues Breakdown by Region

(In thousands of Euro)	9M 14 Reported	9M 13 Reported	% Change	% Change*
Italy	87,600	82,928	5.6%	5.6%
Europe (Italy and Russia excluded)	42,963	39,330	9.2%	8.8%
Russia	13,637	15,383	(11.4%)	(11.4%)
United States	11,364	11,293	0.6%	3.2%
Japan	4,982	15,249	(67.3%)	(67.3%)
Rest of the World	32,396	29,115	11.3%	11.0%
Total	**192,942**	**193,298**	**(0.2%)**	**(0.2%)**

(*) Calculated at constant exchange rates

In 9M 2014, sales in Italy, amounting to 45.4% of consolidated sales, registered a very positive trend posting a 5.6% increase and amounted to €87.6m.
At constant exchange rates, sales in Europe, contributing to 22.3% of consolidated sales, increased by 8.8%, thanks to a good recovery across the main markets.
The Russian market, representing 7.1% of consolidated sales, decreased by 11.4% compared to the corresponding period of 2013.
Sales in the United States, contributing to 5.9% of consolidated sales, increased by 3.2% at constant exchange rates.
Japanese sales, contributing to 2.6% of consolidated sales, decreased by 67.3%, 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 €32.4m, amounting to 16.7% of consolidated sales, recording an increase of 11% at constant exchange rates compared to 9M 2013, especially thanks to a good trend in Greater China, which posted a 28% growth.

Network of Monobrand Stores

DOS	9M 14	FY 13
Europe	47	46
United States	1	3
Asia	10	42
Total	58	91

Franchising	9M 14	FY 13
Europe	49	62
United States	3	3
Asia	133	113
Total	185	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 9M 2014 there has been a strong improvement in margins; consolidated Ebitda was equal to €22.6m (with an incidence of 11.7% of consolidated sales), compared to €16.3m in 9M 2013 (8.4% of total sales), with a €6.3m increase (+39.2%).
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 9M 2014 Ebitda of the *prêt-à-porter* division amounted to €17.1m (representing 11.6% of sales), compared to €14.4m in 9M 2013 (9.6% of sales), with a €2.7m improvement.
In 9M 2014 Ebitda of the footwear and leather goods division was of €5.5m (8.6% of sales), compared to the Ebitda of €1.8m in 9M 2013, with a €3.7m improvement.
Consolidated Ebit was equal to €12.7m, compared to €6.7m in 9M 2013, with a €6m increase.
Thanks to the improvement in operating profit, in 9M 2014 the Group posted a significant growth in the net result, registering a Net Profit of €2.5m, compared to the net loss of €2.3m in 9M 2013 with a €4.8m improvement.

Balance Sheet Analysis

Looking at the balance sheet as of September 30, 2014, Shareholders' equity was equal to €130.5m and net financial debt amounted to €90.1m compared to €96.8m as of June 30, 2014 (€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 September 30, 2014 operating net working capital amounted to €81.1m (32% 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 both for Autumn/Winter 2014 and Spring/Summer 2015 collections compared to the corresponding seasons of 2014.
Capex in 9M 2014 amounted to €6.4m and were mainly related to the maintenance and stores' refurbishment and to key money paid for new shops; disinvestments were equal to €2.8m and mainly referred to the sale of stores.

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below.
9M 2014 and 9M 2013 data included in this press release have not been audited by the Auditors' company.

The Interim financial statements for the quarter ending 30 September 2014, approved by the Board of Directors, is available to the public at the Company's registered office.

Please note also that the Financial Report and the Results Presentation at 30 September 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)	9M 14	%	9M 13	%	Change	Change %	Q3 14	%	Q3 13	%	Change%
Revenues from sales and services	**192,942**	**100.0%**	**193,298**	**100.0%**	**(355)**	**(0.2%)**	**71,877**	**100.0%**	**70,378**	**100.0%**	**2.1%**
Other revenues and income	3,196	1.7%	3,570	1.8%	(374)	(10.5%)	1,170	1.6%	660	0.9%	77.3%
Total Revenues	**196,138**	**101.7%**	**196,868**	**101.8%**	**(729)**	**(0.4%)**	**73,048**	**101.6%**	**71,039**	**100.9%**	**2.8%**
Total operating costs	(173,508)	(89.9%)	(180,608)	(93.4%)	7,100	(3.9%)	(62,988)	(87.6%)	(62,113)	(88.3%)	1.4%
EBITDA	**22,630**	**11.7%**	**16,260**	**8.4%**	**6,370**	**39.2%**	**10,060**	**14.0%**	**8,925**	**12.7%**	**12.7%**
Total Amortization and Write-downs	(9,883)	(5.1%)	(9,507)	(4.9%)	(377)	4.0%	(3,596)	(5.0%)	(3,200)	(4.5%)	12.4%
EBIT	**12,747**	**6.6%**	**6,753**	**3.5%**	**5,994**	**88.7%**	**6,464**	**9.0%**	**5,726**	**8.1%**	**12.9%**
Total Financial Income /(expenses)	(5,111)	(2.6%)	(5,107)	(2.6%)	(4)	0.1%	(1,574)	(2.2%)	(1,867)	(2.7%)	(15.7%)
Profit/(Loss) before taxes	**7,636**	**4.0%**	**1,646**	**0.9%**	**5,990**	**363.9%**	**4,890**	**6.8%**	**3,859**	**5.5%**	**26.7%**
Taxes	(4,188)	(2.2%)	(3,113)	(1.6%)	(1,074)	34.5%	(2,092)	(2.9%)	(2,026)	(2.9%)	3.3%
Net Profit/(Loss) net of taxes	**3,448**	**1.8%**	**(1,467)**	**(0.8%)**	**4,915**	**(335.1%)**	**2,798**	**3.9%**	**1,833**	**2.6%**	**52.7%**
(Profit)/ Loss attributable to minority shareholders	(967)	(0.5%)	(864)	(0.4%)	(103)	12.0%	(467)	(0.6%)	(462)	(0.7%)	1.1%
Net Profit/(Loss) for the Group	**2,482**	**1.3%**	**(2,331)**	**(1.2%)**	**4,812**	**(206.5%)**	**2,331**	**3.2%**	**1,371**	**1.9%**	**70.0%**

(In thousands of Euro)	**9M 14**	**FY 13**	**9M 13**
Trade receivables	45,532	35,797	41,658
Stock and inventories	79,116	74,085	74,253
Trade payables	(43,514)	(45,448)	(38,079)
Operating net working capital	**81,134**	**64,434**	**77,832**
Other receivables	28,344	30,471	30,371
Other liabilities	(18,925)	(18,475)	(19,737)
Net working capital	**90,553**	**76,429**	**88,466**
Tangible fixed assets	63,279	64,555	65,798
Intangible fixed assets	128,557	132,788	133,642
Investments	30	30	30
Other long term receivables	4,496	4,794	2,471
Fixed assets	**196,362**	**202,167**	**201,941**
Post employment benefits	(7,003)	(7,536)	(8,348)
Long term provisions	(1,737)	(1,167)	(824)
Assets available for sale	437	517	437
Liabilities available for sale		(329)	
Other long term liabilities	(14,080)	(14,045)	(14,045)
Deferred tax assets	11,051	13,156	11,160
Deferred tax liabilities	(37,276)	(37,173)	(37,587)
NET CAPITAL INVESTED	**238,307**	**232,020**	**241,200**
Capital issued	25,371	25,371	25,371
Other reserves	114,805	118,800	119,104
Profits/(Losses) carried-forward	(12,113)	(14,199)	(14,199)
Profit/(Loss) for the period	2,482	(3,198)	(2,331)
Group share capital and reserves	**130,545**	**126,775**	**127,945**
Minority interests	17,611	16,644	16,401
Shareholders' equity	**148,156**	**143,419**	**144,346**
Short term financial receivables	(1,000)	(1,000)	
Liquid assets	(6,368)	(7,524)	(4,617)
Long term financial payables	13,582	15,559	3,328
Long term financial receivables	(1,623)	(1,574)	(2,629)
Short term financial payables	85,559	83,140	100,771
NET FINANCIAL POSITION	**90,151**	**88,601**	**96,853**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**238,307**	**232,020**	**241,200**

(In thousands of Euro)	**9M 14**	**FY 13**	**9M 13**
OPENING BALANCE	**7,524**	**5,362**	**5,362**
Profit before taxes	7,636	(717)	1,646
Amortizations, provisions and depreciations	9,160	14,571	9,439
Accruals (availments) of long term provisions and post employment benefits	(258)	(1,099)	(926)
Taxes	(3,013)	(3,029)	(3,170)
Financial incomes and financial charges	5,111	6,745	5,107
Change in operating assets and liabilities	(13,089)	(499)	(10,578)
NET CASH FLOW FROM OPERATING ASSETS	**5,547**	**15,972**	**1,518**
Increase (decrease) in intangible fixed assets	(972)	(2,185)	(880)
Increase (decrease) in tangible fixed assets	(2,601)	(5,044)	(4,535)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)		-	
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES	**(3,573)**	**(7,229)**	**(5,415)**
Other changes in reserves and profit carried-forward to shareholders'equity	1,289	(507)	(83)
Proceeds (repayment) of financial payments	443	227	5,628
Increase (decrease) in long term financial receivables	249	444	2,714
Financial incomes and financial charges	(5,111)	(6,745)	(5,107)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**(3,130)**	**(6,581)**	**3,152**
CLOSING BALANCE	**6,368**	**7,524**	**4,617**