

# AEFFE

## PRESS RELEASE

### **AEFFE: In 9M 2017 Sales At €235m (+10.0% At Constant Exchange Rates), Ebitda At €30.4m (+43%) And Net Profit For The Group At €11.9m (+144%)**

**San Giovanni in Marignano, 9 November 2017** - The Board of Directors of Aeffe SpA approved today the Group's Report for the First Nine Months of 2017. 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, Philosophy di Lorenzo Serafini, Moschino, Pollini, Jeremy Scott and Cédric Charlier.

- **Consolidated revenues of €235.0m, compared to €213.8m in 9M 2016, with a 9.9% increase at current exchange rates (+10.0% at constant exchange rates)**
- **Ebitda of €30.4m compared to €21.3m in 9M 2016, with a €9.1m improvement (+43%)**
- **Profit before taxes of €18.6m compared to a profit of €10.5m in 9M 2016, with an €8.1m improvement (+77%)**
- **Net Profit for the Group of €11.9m, compared to €4.9m in 9M 2016, with a €7.0m increase (+144%)**
- **Net financial debt of €66.1m, compared to €77.6m as of September 30, 2016, with an €11.5m improvement (€59.5m as at 31<sup>st</sup> December, 2016)**

## Consolidated Revenues

In the first nine months of 2017, AEF FE consolidated revenues amounted to €235.0m compared to €213.8m in 9M 2016, with a 9.9% increase at current exchange rates (+10.0% at constant exchange rates).

Revenues of the *prêt-à-porter* division amounted to €179.9m, up by 9.8% both at current and constant exchange rates compared with 9M 2016.

Revenues of the footwear and leather goods division increased by 12.8%, equal to Euro 80m, before interdivisional eliminations.

Massimo Ferretti, Executive Chairman of Aeffe Spa, has commented: *"We positively look forward in the light of the results of the first nine months of the year, both in terms of revenue growth and more than proportional increase of profitability, also thanks to a 15% increase of the Spring/Summer 2018 orders' backlog. These results are very encouraging and, especially, confirm the validity of our long-term strategy milestones aimed to strengthen the brands' distinctiveness, with strong focus on the quality of our collections and post-sales service and on market dynamics with attention on e-commerce and retail development"*.

## Revenues Breakdown by Region

<i>(In thousands of Euro)</i>	<b>9M 17 Reported</b>	<b>9M 16 Reported</b>	<b>% Change</b>	<b>% Change*</b>
Italy	115,958	96,509	20.2%	20.2%
Europe (Italy and Russia excluded)	48,849	46,447	5.2%	5.8%
Russia	7,161	7,382	(3.0%)	(3.0%)
United States	14,794	17,061	(13.3%)	(13.4%)
Rest of the World	48,212	46,361	4.0%	3.8%
<b>Total</b>	<b>234,973</b>	<b>213,760</b>	<b>9.9%</b>	<b>10.0%</b>

(\*) Calculated at constant exchange rates

In 9M 2017 sales in Italy, amounting to 49.3% of consolidated sales, registered a very positive trend compared to 9M 2016 posting a 20.2% increase to €116m, thanks to organic growth both in wholesale and in the retail channel.

At constant exchange rates, sales in Europe, contributing to 20.8% of consolidated sales, registered a 5.8% growth.

The Russian market, representing 3.0% of consolidated sales, posted a decrease of €0.2m (-3%) compared to the correspondent period of last year.

Sales in the United States, contributing to 6.3% of consolidated sales, posted a decrease of 13.4% at constant exchange rates. This change was mainly due to the slowdown in sales in the department stores.

In the Rest of the World, the Group's sales totalled €48.2m, amounting to 20.5% of consolidated sales, recording an increase of 3.8% at constant exchange rates compared to 9M 2016, mainly thanks to the excellent trend in Greater China, which increased by 16%.

## Revenues by distribution channel

<i>(In thousands of Euro)</i>	<b>9M 17 Reported</b>	<b>9M 16 Reported</b>	<b>% Change</b>	<b>% Change*</b>
Wholesale	164,430	152,837	7.6%	7.5%
Retail	63,234	53,581	18.0%	18.4%
Royalties	7,310	7,342	(0.4%)	(0.4%)
<b>Total</b>	<b>234,973</b>	<b>213,760</b>	<b>9.9%</b>	<b>10.0%</b>

(\*) Calculated at constant exchange rates

By distribution channel, in 9M 2017, wholesale sales grew by 7.5% at constant exchange rates (+7.6% at current exchange rates), contributing to 70.0% of consolidated sales.

The sales of our directly-operated stores (DOS) increased by 18.4% at constant exchange rates (+18.0% at current exchange rates) and contributed to 26.9% of consolidated sales. Royalty incomes decreased by 0.4% compared to 9M 2016 and represented 3.1% of consolidated sales.

## Network of Monobrand Stores

<b>DOS</b>	<b>9M 17</b>	<b>FY 16</b>	<b>Franchising</b>	<b>9M 17</b>	<b>FY 16</b>
Europe	45	45	Europe	48	50
America	3	3	America	1	2
Asia	14	16	Asia	131	139
<b>Total</b>	<b>62</b>	<b>64</b>	<b>Total</b>	<b>180</b>	<b>191</b>

As far as the franchised stores is concerned, the change mainly regarded the Asian market with openings and closures decided for strategic repositioning of the stores. In this perspective, the Group has defined a plan for about 10 new franchise openings by the end of 2017 to strengthen the presence of its own brands in Asia.

### **Operating and Net Result Analysis**

In 9M 2017 the Group posted a good improvement in margins; consolidated Ebitda was equal to €30.4m (with an incidence of 13.0% of consolidated sales), compared to €21.3m in 9M 2016 (10% on total sales), with a €9.1m increase (+42.9%). The improvement in profitability was mainly driven by sales growth of both divisions. Ebitda of the *prêt-à-porter* division amounted to €21.6m (representing 12% on sales), compared to €14.3m in 9M 2016 (8.8% of sales), posting a €7.3m increase (+51.0%).

Ebitda of the footwear and leather goods division amounted to €8.8m (11% on sales) compared to a €6.9m in 9M 2016 (9.8% of sales), with a €1.9m increase (+26.3%).

Consolidated Ebit was equal to €21.6m, compared to €12.2m in 9M 2016, with a €9.4m increase (+76.9%).

As far the increase in financial expenses in 9M 2017 compared with 9M 2016 is concerned, the positive effect of minor charges on lower financial debt was offset by the valuation at fair value of the contracts entered to cover currency risk for business transactions in foreign currencies.

Thanks to the improvement in operating profit, in 9M 2017 Profit before taxes amounted to €18.6m compared with Profit before taxes of €10.5m in 9M 2016, with an €8.1m increase (+77.4%).

Net result of the Group was equal to €11.9m, compared to the Net Profit for the Group of €4.9m in 9M 2016, with a €7.0m improvement (+143.6%).

### **Balance Sheet Analysis**

Looking at the balance sheet as of September 30, 2017, Shareholders' equity is equal to €146.9m and net financial debt amounts to €66.1m compared to €77.6m as of September 30, 2016, with a €11.5m improvement (€59.5m as of December 31, 2016).

The financial debt decrease compared to 9M 2016 refers mainly to the better economic results and to a better operating cash flow.

As of September 30, 2017, operating net working capital amounts to €88.9m (29.5% of LTM sales) compared to €86.8m as of September 30, 2016 (31.4% of LTM sales).

The reduction of the incidence on sales is mainly related to the better management of the operating net working capital.

Capex in 9M 2017 amount to €3.4m and are mostly related to the maintenance and stores' refurbishment.

### **Other Information**

Reclassified Income Statement, Balance Sheet and Cash Flow Statement are attached below. 9M 2017 and 9M 2016 data included in this press release have not been audited by the Auditors' company.

The Interim financial statements at 30 September 2017, approved by the Board of Directors, is available to the public at Company's registered office.

Please note that the Interim Consolidated Financial Statements and the Results Presentation at 30 September 2017 are available at the following link: <http://www.aeffe.com/aeffeHome.php?lang=ita> , as well as on the authorized storage site [www.emarketstorage.com](http://www.emarketstorage.com).

"The executive responsible for preparing the company's accounting documentation Marcello Tassinari declares pursuant to paragraph 2 of art. 154 bis of Legislative Decree no. 58 of 1998 that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries".

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## CONSOLIDATED INCOME STATEMENT

<i>(In thousands of Euro)</i>	9M 17	%	9M 16	%	Change	Change %
<b>Revenues from sales and services</b>	<b>234,973</b>	<b>100.0%</b>	<b>213,760</b>	<b>100.0%</b>	<b>21,213</b>	<b>9.9%</b>
Other revenues and income	2,573	1.1%	5,351	2.5%	(2,778)	(51.9%)
<b>Total Revenues</b>	<b>237,546</b>	<b>101.1%</b>	<b>219,112</b>	<b>102.5%</b>	<b>18,435</b>	<b>8.4%</b>
Total operating costs	(207,112)	(88.1%)	(197,816)	(92.5%)	(9,295)	4.7%
<b>EBITDA</b>	<b>30,434</b>	<b>13.0%</b>	<b>21,295</b>	<b>10.0%</b>	<b>9,139</b>	<b>42.9%</b>
Total Amortization and Write-downs	(8,832)	(3.8%)	(9,082)	(4.2%)	250	(2.8%)
<b>EBIT</b>	<b>21,602</b>	<b>9.2%</b>	<b>12,213</b>	<b>5.7%</b>	<b>9,389</b>	<b>76.9%</b>
Total Financial Income /(expenses)	(3,032)	(1.3%)	(1,745)	(0.8%)	(1,287)	73.7%
<b>Profit before taxes</b>	<b>18,570</b>	<b>7.9%</b>	<b>10,468</b>	<b>4.9%</b>	<b>8,103</b>	<b>77.4%</b>
Taxes	(6,530)	(2.8%)	(5,056)	(2.4%)	(1,474)	29.2%
<b>Net Profit</b>	<b>12,040</b>	<b>5.1%</b>	<b>5,412</b>	<b>2.5%</b>	<b>6,629</b>	<b>122.5%</b>
(Profit)/loss attributable to minority shareholders	(131)	(0.1%)	(522)	(0.2%)	391	(74.8%)
<b>Net Profit for the Group</b>	<b>11,909</b>	<b>5.1%</b>	<b>4,890</b>	<b>2.3%</b>	<b>7,019</b>	<b>143.6%</b>

## CONSOLIDATED BALANCE SHEET

<i>(In thousands of Euro)</i>	<b>9M 17</b>	<b>FY 16</b>	<b>9M 16</b>
Trade receivables	50,627	40,711	45,626
Stock and inventories	91,884	89,390	88,774
Trade payables	(53,553)	(61,881)	(47,564)
<b>Operating net working capital</b>	<b>88,958</b>	<b>68,220</b>	<b>86,836</b>
Other receivables	29,567	29,177	27,074
Other liabilities	(22,699)	(24,335)	(22,192)
<b>Net working capital</b>	<b>95,827</b>	<b>73,062</b>	<b>91,718</b>
Tangible fixed assets	60,087	61,376	61,527
Intangible fixed assets	111,179	115,132	116,430
Investments	132	132	132
Other long term receivables	3,325	3,962	3,801
<b>Fixed assets</b>	<b>174,722</b>	<b>180,601</b>	<b>181,889</b>
Post employment benefits	(6,047)	(6,367)	(6,423)
Long term provisions	(2,436)	(2,559)	(796)
Assets available for sale	437	437	437
Liabilities available for sale			
Other long term liabilities	(471)	(469)	(285)
Deferred tax assets	13,945	13,856	11,068
Deferred tax liabilities	(30,603)	(30,986)	(31,328)
<b>NET CAPITAL INVESTED</b>	<b>245,373</b>	<b>227,576</b>	<b>246,280</b>
Capital issued	25,371	25,371	25,371
Other reserves	116,530	115,642	114,797
Profits/(Losses) carried-forward	(6,956)	(8,883)	(8,883)
Profit/(Loss) for the period	11,909	3,641	4,890
<b>Group share capital and reserves</b>	<b>146,854</b>	<b>135,771</b>	<b>136,175</b>
Minority interests	32,430	32,298	32,451
<b>Shareholders' equity</b>	<b>179,283</b>	<b>168,070</b>	<b>168,626</b>
Short term financial receivables	(2,236)	(2,236)	(2,236)
Liquid assets	(14,937)	(14,521)	(8,594)
Long term financial payables	24,965	23,840	20,531
Long term financial receivables	(2,635)	(3,391)	(3,217)
Short term financial payables	60,933	55,814	71,169
<b>NET FINANCIAL POSITION</b>	<b>66,090</b>	<b>59,507</b>	<b>77,654</b>
<b>SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS</b>	<b>245,373</b>	<b>227,576</b>	<b>246,280</b>

## CONSOLIDATED CASH FLOW

<i>(In thousands of Euro)</i>	<b>9M 17</b>	<b>FY 16</b>	<b>9M 16</b>
<b>OPENING BALANCE</b>	<b>14,521</b>	<b>9,993</b>	<b>9,993</b>
Profit before taxes	18,570	8,331	10,468
Amortizations, provisions and depreciations	8,665	15,110	8,929
Accruals (availments) of long term provisions and post employment benefits	( 442)	1,305	( 402)
Taxes	( 8,618)	( 3,583)	( 3,062)
Financial incomes and financial charges	3,032	1,754	1,745
Change in operating assets and liabilities	( 21,145)	( 12,195)	( 26,295)
<b>NET CASH FLOW FROM OPERATING ASSETS</b>	<b>62</b>	<b>10,722</b>	<b>( 8,617)</b>
Increase (decrease) in intangible fixed assets	( 982)	883	1,291
Increase (decrease) in tangible fixed assets	( 2,441)	( 3,265)	( 2,095)
Investments and Write-downs (-)/Disinvestments and Revaluations (+)		77	
<b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES</b>	<b>( 3,423)</b>	<b>( 2,305)</b>	<b>( 804)</b>
Other changes in reserves and profit carried-forward to shareholders'equity	( 826)	20	13,586
Proceeds (repayment) of financial payments	6,243	( 679)	( 2,678)
Increase (decrease) financial receivables	1,392	( 1,476)	( 1,141)
Financial incomes and financial charges	( 3,032)	( 1,754)	( 1,745)
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES</b>	<b>3,777</b>	<b>( 3,889)</b>	<b>8,022</b>
<b>CLOSING BALANCE</b>	<b>14,937</b>	<b>14,521</b>	<b>8,594</b>