



## **PRESS RELEASE**

### **Aeffe: Strong Growth in Revenues and Profitability in 2007**

**San Giovanni in Marignano, 14 February 2008**, the Board of Directors of Aeffe SpA has 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 (+12.2% at constant exchange rates and +13.4% excluding also 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 12.9 million, +62.2% compared to FY 06**
- **Net financial debt of Euro 38.5 million (Euro 115,3 million as of 31 December 2006)**

#### **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.

"We were extremely satisfied with our 2007 results, as we were able to achieve all our targets set at the beginning of the year despite the increasing macroeconomic uncertainties", commented Massimo Ferretti Executive Chairman of Aeffe SpA. "2008 started with good results for the Spring/Summer 08 orders backlog which shows a 10% growth. Thanks to the strength and the 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”.

### **Sales by brand**

| <i>(In thousands of Euro)</i> | <b>FY 07</b>   | <b>FY 06</b>   | <b>% Growth</b> | <b>4Q 07</b>  | <b>4Q 06</b>  | <b>% Growth</b> |
|-------------------------------|----------------|----------------|-----------------|---------------|---------------|-----------------|
| Alberta Ferretti              | 63,004         | 52,780         | 19.4%           | 11,881        | 9,564         | 24.2%           |
| Moschino                      | 136,857        | 125,532        | 9.0%            | 31,239        | 28,927        | 8.0%            |
| Pollini                       | 52,311         | 47,894         | 9.2%            | 11,659        | 10,973        | 6.3%            |
| J. P. Gaultier                | 23,749         | 21,528         | 10.3%           | 2,576         | 2,464         | 4.5%            |
| Others *                      | 17,290         | 18,401         | (6.0%)          | 1,828         | 2,896         | (36.9%)         |
| <b>Total</b>                  | <b>293,211</b> | <b>266,135</b> | <b>10.2%</b>    | <b>59,183</b> | <b>54,824</b> | <b>8.0%</b>     |

(\*) 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%.

### **Sales by region**

| <i>(In thousands of Euro)</i>      | <b>FY 07</b>   | <b>FY 06</b>   | <b>% Growth</b> | <b>4Q 07</b>  | <b>4Q 06</b>  | <b>% Growth</b> |
|------------------------------------|----------------|----------------|-----------------|---------------|---------------|-----------------|
| Italy                              | 113,030        | 104,118        | 8.6%            | 22,590        | 22,042        | 2.5%            |
| Europe (Italy and Russia excluded) | 69,694         | 60,140         | 15.9%           | 17,729        | 16,588        | 6.9%            |
| United States                      | 32,263         | 32,985         | (2.2%)          | 6,887         | 8,087         | (14.8%)         |
| Russia                             | 22,110         | 13,100         | 68.8%           | 2,504         | 1,326         | 88.8%           |
| Japan                              | 19,343         | 21,795         | (11.3%)         | 3,805         | 3,848         | (1.1%)          |
| Rest of the World                  | 36,771         | 33,997         | 8.2%            | 5,668         | 2,933         | 93.2%           |
| <b>Total</b>                       | <b>293,211</b> | <b>266,135</b> | <b>10.2%</b>    | <b>59,183</b> | <b>54,824</b> | <b>8.0%</b>     |

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.

### **Sales by distribution channel**

| <i>(In thousands of Euro)</i> | <b>FY 07</b>   | <b>FY 06</b>   | <b>% Growth</b> | <b>4Q 07</b>  | <b>4Q 06</b>  | <b>% Growth</b> |
|-------------------------------|----------------|----------------|-----------------|---------------|---------------|-----------------|
| Wholesale                     | 206,936        | 187,136        | 10.6%           | 37,121        | 34,177        | 8.6%            |
| Retail                        | 71,273         | 66,261         | 7.6%            | 19,743        | 19,209        | 2.8%            |
| Royalties                     | 15,002         | 12,738         | 17.8%           | 2,319         | 1,438         | 61.3%           |
| <b>Totale</b>                 | <b>293,211</b> | <b>266,135</b> | <b>10.2%</b>    | <b>59,183</b> | <b>54,824</b> | <b>8.0%</b>     |

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**

| <b>DOS</b>    | <b>FY 07</b> | <b>FY 06</b> | <b>Franchising</b> | <b>FY 07</b> | <b>FY 06</b> |
|---------------|--------------|--------------|--------------------|--------------|--------------|
| Europe        | 36           | 36           | Europe             | 41           | 33           |
| United States | 1            | 1            | United States      | 6            | 4            |
| Asia          | 38           | 38           | Asia               | 52           | 37           |
| <b>Total</b>  | <b>75</b>    | <b>75</b>    | <b>Totale</b>      | <b>99</b>    | <b>74</b>    |

### **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 62.2% to Euro 12.9 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 41% in 2007. This reduction is due both to the lower incidence of IRAP tax and to the adjustment in deferred tax and liabilities allocated in previous year to the tax rates approved by the Financial Act for 2008. Excluding this one-

off adjustment effect , the 2007 tax rate would have been 49% compared to 56% of 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 167 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 ratio as compared to net sales is fully related to the expansion of our business with a consequent increase in inventory .

Capital investment in 2007 are mainly related to the construction of warehouse facilities in Aeffe, as well as to stores refurbishment made by both Aeffe and Moschino.

| <i>(In thousands of Euro)</i>                                     | <b>FY 07</b>   | <b>%</b>      | <b>FY 06</b>   | <b>%</b>      | <b>%<br/>Growth</b> | <b>4Q 07</b>  | <b>%</b>      | <b>4Q 06</b>  | <b>%</b>      | <b>%<br/>Growth</b> |
|---|----------------|---------------|----------------|---------------|---------------------|---------------|---------------|---------------|---------------|---------------------|
| <b>Revenues from sales and services</b>                           | <b>293,211</b> | <b>100.0%</b> | <b>266,135</b> | <b>100.0%</b> | <b>10.2%</b>        | <b>59,183</b> | <b>100.0%</b> | <b>54,824</b> | <b>100.0%</b> | <b>8.0%</b>         |
| Other revenues and income   | 3,505          | 1.2%          | 4,742          | 1.8%          | (26.1%)             | 966           | 1.6%          | 1,927         | 3.5%          | (49.9%)             |
| <b>Total Revenues</b>   | <b>296,716</b> | <b>101.2%</b> | <b>270,877</b> | <b>101.8%</b> | <b>9.5%</b>         | <b>60,149</b> | <b>101.6%</b> | <b>56,751</b> | <b>103.5%</b> | <b>6.0%</b>         |
| Total operating costs   | (254,419)      | (86.8%)       | (237,973)      | (89.4%)       | 6.9%                | (55,082)      | (93.1%)       | (52,256)      | (95.3%)       | 5.4%                |
| <b>Gross Operating Margin (EBITDA) net of non-recurring items</b> | <b>42,296</b>  | <b>14.4%</b>  | <b>32,904</b>  | <b>12.4%</b>  | <b>28.5%</b>        | <b>5,068</b>  | <b>8.6%</b>   | <b>4,495</b>  | <b>8.2%</b>   | <b>12.7%</b>        |
| Non-recurring revenues  | 2,154          | 0.7%          | 4,197          | 1.6%          | (48.7%)             | 164           | 0.3%          | 4,197         | 7.7%          | (96.1%)             |
| <b>EBITDA</b>   | <b>44,451</b>  | <b>15.2%</b>  | <b>37,101</b>  | <b>13.9%</b>  | <b>19.8%</b>        | <b>5,232</b>  | <b>8.8%</b>   | <b>8,692</b>  | <b>15.9%</b>  | <b>(39.8%)</b>      |
| Total Amortization and Write-downs                                | (10,722)       | (3.7%)        | (10,666)       | (4.0%)        | 0.5%                | (2,881)       | (4.9%)        | (2,666)       | (4.9%)        | 8.0%                |
| <b>EBIT</b>   | <b>33,729</b>  | <b>11.5%</b>  | <b>26,435</b>  | <b>9.9%</b>   | <b>27.6%</b>        | <b>2,351</b>  | <b>4.0%</b>   | <b>6,026</b>  | <b>11.0%</b>  | <b>(61.0%)</b>      |
| Total Financial Income /(expenses)                                | (8,084)        | (2.8%)        | (7,022)        | (2.6%)        | 15.1%               | (2,091)       | (3.5%)        | (2,308)       | (4.2%)        | (9.4%)              |
| Profit/ (loss) from affiliates                                    |                |               | (119)          | (0.0%)        | nd                  |               |               | (29)          | (0.1%)        | nd                  |
| <b>Profit before taxes</b>  | <b>25,645</b>  | <b>8.7%</b>   | <b>19,294</b>  | <b>7.2%</b>   | <b>32.9%</b>        | <b>260</b>    | <b>0.4%</b>   | <b>3,688</b>  | <b>6.7%</b>   | <b>(93.0%)</b>      |
| Taxes   | (10,483)       | (3.6%)        | (10,750)       | (4.0%)        | (2.5%)              | 990           | 1.7%          | (2,827)       | (5.2%)        | (135.0%)            |
| <b>Profit Net of taxes</b>  | <b>15,162</b>  | <b>5.2%</b>   | <b>8,543</b>   | <b>3.2%</b>   | <b>77.5%</b>        | <b>1,250</b>  | <b>2.1%</b>   | <b>861</b>    | <b>1.6%</b>   | <b>45.1%</b>        |
| (Profit)/ Loss attributable to minority shareholders              | (2,218)        | (0.8%)        | (562)          | (0.2%)        | 294.7%              | (488)         | (0.8%)        | 60            | 0.1%          | (915.8%)            |
| <b>Net Profit for the Group</b>                                   | <b>12,944</b>  | <b>4.4%</b>   | <b>7,981</b>   | <b>3.0%</b>   | <b>62.2%</b>        | <b>762</b>    | <b>1.3%</b>   | <b>921</b>    | <b>1.7%</b>   | <b>(17.3%)</b>      |

| <i>(In thousands of Euro)</i>                              | <b>FY 07</b>   | <b>FY 06</b>   |
|--|----------------|----------------|
| Trade receivables  | 36,910         | 33,430         |
| Stock and inventories                                      | 67,761         | 57,658         |
| Trade payables   | (60,577)       | (57,545)       |
| <b>Operating net working capital</b>                       | <b>44,095</b>  | <b>33,543</b>  |
| Other receivables  | 31,869         | 28,197         |
| Other liabilities  | (24,477)       | (17,720)       |
| <b>Net working capital</b>                                 | <b>51,487</b>  | <b>44,020</b>  |
| 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          |
| <b>Fixed assets</b>  | <b>246,109</b> | <b>247,966</b> |
| 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                                   | (46,799)       | (57,304)       |
| <b>NET CAPITAL INVESTED</b>                                | <b>234,233</b> | <b>217,765</b> |
| Capital issued   | 26,841         | 22,500         |
| Other reserves   | 126,116        | 51,278         |
| Profits/(Losses) carried-forward                           | 690            | (5,773)        |
| Profit for the period                                      | 12,944         | 7,981          |
| <b>Group share capital and reserves</b>                    | <b>166,591</b> | <b>75,986</b>  |
| Minority interests   | 29,159         | 26,465         |
| <b>Shareholders' equity</b>                                | <b>195,749</b> | <b>102,451</b> |
| Other short term financial receivables                     | (1,266)        | (4,175)        |
| Liquid assets  | (13,259)       | (11,145)       |
| Long term financial payables                               | 26,647         | 66,197         |
| Short term financial payables                              | 26,362         | 64,437         |
| <b>NET FINANCIAL POSITION</b>                              | <b>38,484</b>  | <b>115,314</b> |
| <b>SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS</b> | <b>234,233</b> | <b>217,765</b> |

| <i>(In thousands of Euro)</i>  | <b>FY 07</b>     | <b>FY 06</b>     |
|--|------------------|------------------|
| <b>OPENING BALANCE</b>   | <b>15,320</b>    | <b>7,020</b>     |
| Profit before taxes  | 25,645           | 19,294           |
| 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              |
| <b>NET CASH FLOW FROM OPERATING ASSETS</b>                                 | <b>23,108</b>    | <b>32,998</b>    |
| Increase (decrease) in intangible fixed assets                             | ( 336)           | ( 42)            |
| Increase (decrease) in tangible fixed assets                               | ( 9,302)         | ( 4,034)         |
| Investments  | 95               | 137              |
| Assets available for sale  | -                | 52               |
| <b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES</b>              | <b>( 9,543)</b>  | <b>( 3,887)</b>  |
| 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                     | ( 1,511)         | 1,482            |
| Financial incomes and financial charges                                    | ( 8,084)         | ( 7,022)         |
| <b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES</b>              | <b>( 15,626)</b> | <b>( 20,810)</b> |
| <b>CLOSING BALANCE</b>   | <b>13,259</b>    | <b>15,320</b>    |

"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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