Disclaimer

The consolidated and statutory financial statements at 31 December 2014 have been translated into English solely for the convenience of the International reader. In the event of conflict or inconsistency between the terms used in the Italian Version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

CHAIRMAN'S LETTER

For the first time since 2007, the economies of all European Union Member States are expected to grow again this year, according to the European Commission's winter forecast. Over the course of this year, economic activity is expected to pick up moderately in the EU and in the euro area, before accelerating further in 2016. Growth this year is forecast to rise to 1.7% for the EU as a whole and to 1.3% for the euro area. In 2016, annual growth should reach 2.1% and 1.9% respectively, on the back of strengthened domestic and foreign demand, very accommodative monetary policy and a broadly neutral fiscal stance.

Growth prospects across Europe are still limited by a weak investment environment and high unemployment. However, since the autumn, a number of key developments have brightened the near-term outlook. Oil prices have declined faster than before, the euro has depreciated noticeably, the ECB has announced quantitative easing, and the European Commission has presented its Investment Plan for Europe. All these factors are set to have a positive impact on growth.

2014 was a crucial year for the Group, which has pursued a strategy conceived to enhance the portfolio's brands. Choices implemented in the renewal of the stylistic offering, in organization and management efficiency have already given good results, which will be fully operative in the coming years. In particular, the return to profit of the Group is definitely a confirmation and a further motivation to look to the future with optimism. We believe that the Group's brands have a significant potential of development, both in mature and in emerging markets, including through the growth in the accessories segment..

The Chairman of the Board of Directors

Massimo Ferretti

INDEX

Corporate boards of the Parent Company

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari – Managing Director
Roberto Lugano
Pierfrancesco Giustiniani
Marco Salomoni
Sabrina Borocci

Board of Statutory

President
Pier Francesco Sportoletti

Statutory Auditors
Fernando Ciotti
Daniela Saitta

Alternate Auditors
Barbara Ceppellini
Luca Sapucci

Board of Compensation Committee

President
Sabrina Borocci

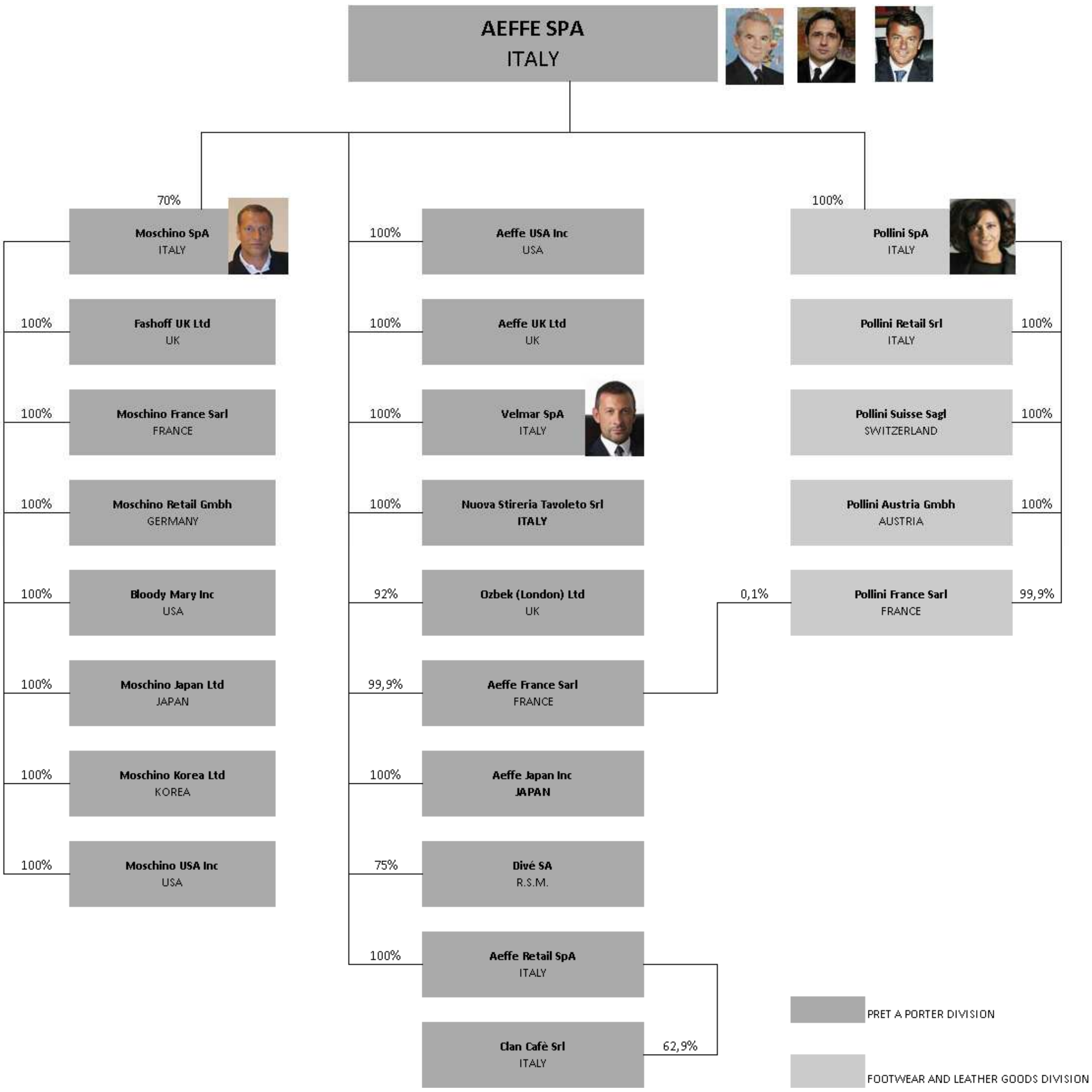
Members
Roberto Lugano
Pierfrancesco Giustiniani

Board of Internal Control Committee

President
Roberto Lugano

Members
Sabrina Borocci
Pierfrancesco Giustiniani

Organisation chart



Brands portfolio

AEFFE
Clothing - Accessories

- ALBERTA FERRETTI
- PHILOSOPHY DI LORENZO SERAFINI
- MOSCHINO
- BOUTIQUE MOSCHINO
- emanuel ungaro PARIS
- CEDRIC CHARLIER

POLLINI Footwear – Leather goods	**MOSCHINO** Licences – Design	**VELMAR** Beachwear - Lingerie
POLLINI	MOSCHINO	MOSCHINO
STUDIO POLLINI	BOUTIQUE MOSCHINO	blugirl beachwear
MOSCHINO	LOVE MOSCHINO	blugirl underwear
BOUTIQUE MOSCHINO		BLUGIRL Folies
LOVE MOSCHINO		

Headquarters

AEFFE
Via Delle Querce, 51
47842 - San Giovanni in Marignano (RN)
Italy

MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

POLLINI
Via Erbosa I° tratto, 92
47030 - Gatteo (FC)
Italy

VELMAR
Via Delle Querce, 51
47842 - San Giovanni in Marignano (RN)
Italy

Showrooms

MILAN
(FERRETTI – POLLINI – CEDRIC CHARLIER – UNGARO)
Via Donizetti, 48
20122 - Milan
Italy

LONDON
(FERRETTI – MOSCHINO)
28-29 Conduit Street
W1S 2YB - London
UK

PARIS
(FERRETTI – MOSCHINO – POLLINI – CEDRIC CHARLIER)
6, Rue Caffarelli
75003 - Paris
France

NEW YORK
(GRUPPO)
30 West 56th Street
10019 - New York
USA

MILAN
(MOSCHINO)
Via San Gregorio, 28
20124 - Milan
Italy

MILAN
(LOVE MOSCHINO)
Via Settembrini, 1
20124 - Milan
Italy

PARIS
(UNGARO)
2, Avenue Montaigne
75008 - Paris
France

Main flagshipstore locations under direct management

ALBERTA FERRETTI
Milan
Rome
Capri
Paris
London
Los Angeles

POLLINI
Milan
Venice
Bolzano
Varese
Verona

SPAZIO A
Florence
Venice

MOSCHINO
Milan
Rome
Capri
Paris
London
Berlin
Seoul
Pusan
Daegu

Main economic-financial data

		Full Year 2013	Full Year 2014
Total revenues	(Values in millions of EUR)	258.6	255.9
Gross operating margin (EBITDA)	(Values in millions of EUR)	20.6	25.7
Net operating profit (EBIT)	(Values in millions of EUR)	6.0	12.0
Profit before taxes	(Values in millions of EUR)	(0.7)	6.1
Net profit for the Group	(Values in millions of EUR)	(3.2)	2.7
Basic earnings per share	(Values in units of EUR)	(0.032)	0.027
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	10.8	16.3
Cash Flow/Total revenues	(Values in percentage)	4.2	6.4

		31 December 2013	31 December 2014
Net capital invested	(Values in millions of EUR)	232.0	231.5
Net financial indebtedness	(Values in millions of EUR)	88.6	83.6
Group net equity	(Values in millions of EUR)	126.8	130.1
Group net equity per share	(Values in units of EUR)	1.2	1.2
Current assets/ current liabilities	(Ratio)	2.2	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.6	0.6
ROI: Net operating profit/ Net capital invested	(Values in percentage)	2.6	5.2

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

AEFFE

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which our Group has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

Economic activity has accelerated sharply in the United States, with growth exceeding expectations. However, the prospects for the world economy remain uncertain in the short and medium term, owing to persistent weakness in the euro area and Japan, the protraction of the slowdown in China, and the brusque downturn in Russia. The drastic fall in oil prices, due both to expanding supply and weakening demand, may help to sustain growth, but at the same time, it is not without risks for financial stability in the oil exporting countries.

The OECD's November forecasts once again revised world GDP growth for 2015 downwards. Worldwide, cyclical conditions should remain heterogeneous. Growth should continue to be robust in the US, the UK and India and slowly gain strength in Japan, the euro area and Brazil. However, the structural slowdown in China is expected to continue. The forecasting risk is still primarily on the downside, reflecting the persistent structural problems of some emerging economies and uncertainty over the timing and strength of the recovery in the euro area.

Consumption has been growing modestly in Italy since the summer of 2013, mirroring disposable income, which has been sustained by government measures. Its contribution to the growth of the economy has been offset by the decline in investment, which is being held back by abundant idle capacity, pronounced uncertainty over the outlook for demand and the problems of the construction industry. The data available indicate that in the fourth quarter GDP again contracted slightly.

Price dynamics are still weak. In December consumer prices fell by 0.2 per cent in the euro area and 0.1 per cent in Italy, and given declining energy prices the downward trend could continue. The latest survey by the Bank of Italy and Il Sole 24 Ore indicates that firms expect to keep their selling prices substantially unchanged in 2015.

According to the latest surveys, credit conditions for firms have improved, but they remain tighter for small businesses. The average interest rates on new loans have come gradually down but are still about 30 basis points above the euro-area average for both firms and households. Demand factors connected with the weakness of investment, combined with perceptions of high credit risk for some categories of firm, are still impeding credit growth.

We project modest growth of the Italian economy this year and stronger growth in 2016: around 0.4 and 1.2 per cent in the two years in our central scenario. These projections are subject to considerable uncertainty. The crucial factor will be the strength of the upturn in investment, which could be bolstered by a rapid improvement in the demand outlook and financing conditions, notwithstanding substantial spare production capacity. Economic activity would grow more if oil prices stayed at the levels of the last few days.

In addition to benefiting from falling oil prices and the gradual acceleration of world trade, economic activity is expected to be sustained by the expansive stance of monetary policy, reflected among other things in the Inflation is affected by weak demand and falling oil prices Credit conditions are improving gradually The outlook for the next two years depends on the strength of the investment recovery … and on economic policies depreciation of the euro, and by the measures enacted in the Stability Law to reduce the tax wedge. Risks for economic activity could derive from a rekindling of international financial market tensions due to the deterioration of the political situation in Greece and the crisis in Russia, as well as from the cyclical slowdown in the emerging economies. The risk that inflation could remain too low for too long stems from the persistence of ample idle capacity, whose impact on price dynamics appears to have increased in recent years, and the possibility of a further worsening of expectations.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The global luxury market is on target to reach 223 billion € in 2014, aided by a 5 percent bump in growth this year (at constant exchange rates, +2 percent at current) – down just slightly from seven percent in 2013 (+3 percent at current exchange rates). Among currency fluctuations, persistent economic weakness in Europe and external forces, demand from Chinese consumers and mature consumers in the U.S. and Japan re-approaching luxury have helped to counter a potentially significant downward momentum. These are top-line findings from Bain & Company in the 13th edition of the "Luxury Goods Worldwide Market Monitor".

Altagamma Consensus 2015, carried out by the Altagamma Foundation with the contribution of the leading international expert analysts, forecasts the trends of the personal luxury goods industry in 2015 converging towards an overall growth rate of around 5%.

With the exception of Japan, China and South America, all markets are now strongly driven by touristic spending – who is buying matters more than where they are buying. Chinese consumers represent the top and fastest growing nationality for luxury, spending abroad more than three times what they spend locally.

In geographical terms, the USA and Japan are the engines of growth while the markets of Asia Pacific have slowed down. There are various different trends within Europe with Italy suffering and Eastern Europe in the middle of a crisis. Chinese consumers remain the leaders of the global market with a share of 29%.

Not to be outdone, personal luxury goods continue to buoy the market. Luxury accessories captured 29 percent of the market and grew by 4 percent in 2014 (at current exchange rates) – more than apparel or hard luxury, the next two largest luxury categories. For the first time since 2007, the growth of high-end shoes surpassed that of leather goods.

According to the Altagamma Consensus 2015 study they expect that all luxury product categories will register positive signs for 2015 with Leather goods, shoes and accessories showing the highest increase rate.

All markets are forecasted to grow steadily in 2015. Rest of the World, Asia and Middle East are the Markets with the highest forecasted growth ratio.

2. SUMMARY OF THE GROUP'S KEY ACTIVITIES

Aeffe Group operates worldwide in the fashion and luxury goods sector and is active in the design, production and distribution of a wide range of products that includes prêt-a-porter, footwear and leather goods. The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including "Alberta Ferretti", "Philosophy" "Moschino" and "Pollini", and under licensed brands, which include "Blugirl", "Cedric Charlier" and "Ungaro". The Group has also licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children's lines, watches, sunglasses and other).

The Group's business is divided, based on the various product lines and brands it sells, into two segments: (i) prêt-a-porter (which includes prêt-a-porter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêt-a-porter Division, which is composed of the companies Aeffe, Moschino and Velmar, is mainly involved in the design, production and distribution of luxury prêt-a-porter garments and lingerie, beachwear and loungewear.

In terms of the prêt-a-porter collections, the activity is carried out by Aeffe, both for the production of the

Group's proprietary brands ("Alberta Ferretti", "Philosophy", "Moschino", "Moschino Cheap and Chic" and "Love Moschino") and brands licensed from other companies (such as "Blugirl", "Cedric Charlier" and "Ungaro"). Aeffe also handles the distribution of all Division products both through the retail channel (via subsidiaries) and through the wholesale channel.

Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear and beachwear, and loungewear. Collections are produced and distributed under the Group's proprietary brands, such as "Moschino", and under third-party licensed brands such as "Blugirl".

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the Moschino brand licensing agreement relating to the Love line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

Aeffe

Aeffe is the brainchild of designer Alberta Ferretti, who set up her own business in 1972. The history of the parent company has developed in parallel with that of its founder, whose personal involvement in fashion has been a key factor in Aeffe's development.

The growth of the parent company as an industrial and creative entity has been distinguished from the start by a multi-brand approach, with Aeffe producing and distributing the prêt-a-porter collections of leading fashion houses utilising the know-how acquired in the production of luxury prêt-a-porter lines.

This provides the context for the partnership between Aeffe and designer Franco Moschino, whose brand "Moschino Couture!" it has produced and distributed under an exclusive licence since 1983.

Between 1995 and 2013, Aeffe worked with designer Jean Paul Gaultier producing and distributing the women prêt-à-porter collections branded "Jean Paul Gaultier".

In 2001, Aeffe gained control of Pollini, an established manufacturer of footwear and leather goods. This allowed Aeffe to supplement the collections produced in-house with an accessories line.

In 2002, Aeffe took over Velmar, a firm that had collaborated with Aeffe for some time on the production and distribution of lingerie, beachwear and loungewear lines.

In 2007, Aeffe, obtained the Consob Nulla Osta to public the offering memorandum relating to the Public Offering and the listing on the MTA – Star Segment – of Aeffe S.p.A. ordinary shares, closes successfully the Offer of shares and starts to be traded on the MTA – Star Segment – by Borsa Italiana.

Moschino

Moschino was founded in 1983 and grew during the 1990s to become an internationally renowned brand. Following the disappearance in 1994 of its founder, Franco Moschino, his family, staff and friends have kept the designer's legacy alive, respecting his creative identity and philosophy. Rossella Jardini, who has worked for Franco Moschino since 1981, succeeded him as artistic director and becoming in charge of brand image and styling.

The company provides design, marketing and agency services from the Milan showroom for Moschino collections in Italy and overseas.

The company also directly manages seven single-brand Moschino stores, three in Milan, one in Rome, one in Capri, one in Turin and one on-line.

In 2013 Jeremy Scott was appointed as creative director of the "Moschino" brand.

Velmar

Velmar was created in 1983 in San Giovanni in Marignano and is active in the production and distribution of lingerie, underwear, beachwear and loungewear.

In 1990, a partnership began between Velmar and designer Anna Molinari to manufacture lingerie and beachwear lines. That same year, talks began with Aeffe and Genny.

Between 1990 and 1995, Velmar worked with Genny and Fendi, producing all of the swimwear lines designed by the two fashion houses. Between 1990 and 2001, Velmar worked with Itierre and Prada on the design and production of the active and sportswear lines sold under the "Extee" and "Prada" menswear labels.

Between 1995 and 1998, Velmar produced and distributed under licence the beachwear line for Byblos menswear and womenswear.

In 1998, Velmar signed a licensing agreement with Blufin for the production and distribution of "Blugirl" lines.

In 2001, Aeffe acquired 75% of Velmar. Again, this represented a natural progression of the existing partnership between the two companies.

In 2006, Velmar obtained a licence for the production and distribution of the men's beachwear and underwear lines and women's lingerie lines under the "Moschino" brand.

In 2010, Aeffe acquires the remaining 25% of Velmar's share capital.

In 2012 Velmar signed a licensing agreement with Blufin for the design, production and international distribution of "teen" women prêt-à-porter line branded Blugirl Folies.

Aeffe USA

Aeffe USA is 100% owned by Aeffe S.p.A. and was incorporated in May 1987 under the laws of the State of New York.

The company operates in the wholesale segment of the North American market (United States and Canada) distributing items of clothing and accessories produced by the parent company, Pollini S.p.A. and Velmar S.p.A. and other third-party licensed manufacturers, with different collections, of the brands produced by the parent company. The company also acts as agent for some of these lines. The company operates out of its showroom located in midtown Manhattan. Aeffe USA also manages a single-brand store in West Hollywood Los Angeles.

Aeffe Retail

Aeffe Retail operates in the retail segment of the Italian market and directly manages 12 stores, both single-brand and multi-brand, located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line single-brand store.

Clan Cafè

Clan Cafè S.r.l., incorporated in 2007, is 62.9% owned by Aeffe Retail. Since 2011 it entered into a lease of a business with the company Jader S.r.l. for the management of a store located in Milan Via Pontaccio 19, which distributes clothing and accessories produced by Aeffe Group and by third parties.

Nuova Stireria Tavoleto

Nuova Stireria Tavoleto, company based in Tavoleto (Pesaro-Urbino), 100% owned by Aeffe S.p.A., has sold, starting from the 1st of January 2014, the business division related to industrial pressing services to a third party.

Aeffe UK

Aeffe UK is 100% owned by Aeffe S.p.A. and manages the store in London's Sloane Street, which sells clothing and accessories under the Alberta Ferretti and Philosophy labels.

Aeffe France

Aeffe France is 99.9% owned by Aeffe S.p.A. and manages the store in Rue St. Honorè in Paris, selling apparel and accessories under the Alberta Ferretti and Philosophy brands. The company also acts as an agent for the French market.

Aeffe Japan

Aeffe Japan, company based in Tokyo and 100% owned by Aeffe S.p.A., has sold, starting from the 1st of January 2014, the distributing and franchising activities for the collections branded “Alberta Ferretti” and “Philosophy” to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Japan

Moschino Japan, company based in Tokyo and 100% owned by Moschino S.p.A., has sold starting from the 1st of January 2014, the distributing and franchising activities for the collections branded Moschino to Woollen Co., Ltd..

In 2014 the company, as owner of a new brand, has decided to develop it in the Japanese market and to that end has licensed it to a third party for the marketing of products in the country.

Moschino Korea

Moschino Korea is 100% owned by Moschino S.p.A. and is based in Seoul. The company exclusively operates in the retail segment through flagship stores under direct management which sell Moschino-branded collections.

Fashoff UK

Fashoff UK operates from the showroom in London, acting as agent for the Moschino-branded collections produced by Aeffe, Pollini, Forall (men) and Falc (men’s/children's shoes), and importing the other collections (jeans, umbrellas, gloves, scarves and Velmar collections).

The company also directly manages a single-brand Moschino store in London.

Moschino France

Moschino France is based in the Paris showroom and acts as agent for all Moschino collections except childrenswear, eyewear, perfumes and watches.

The company also manages a single-brand Moschino store in Paris.

Moschino Gmbh

Moschino Gmbh directly manages a single-brand Moschino store in Berlin.

Bloody Mary

Bloody Mary, company based in New York and 100% owned by Moschino S.p.A., has signed, starting from 2014, a sublease contract for the management of a store placed at 401 West 14th Street New York.

Moschino USA

Moschino USA, company founded in 2014 with base in New York and 100% owned by Moschino S.p.A., will directly manage, since the beginning of 2015, a single-brand Moschino store in the country.

Footwear and leather goods Division

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials.

The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture “Pollini”” products such as umbrellas, scarves and ties.

Pollini

Pollini was established in 1953 in the shoemaking district of San Mauro Pascoli, following in the Italian tradition of handmade leather goods and shoes. Italy is a leading producer of footwear: due to expertise required to make these products, nearly all production sites are located in areas with a long-standing shoemaking tradition, such as San Mauro Pascoli, Vigevano and Strà (PD). The company's philosophy is focused on promoting Pollini in other countries as an amalgam of traditional quality and Italian style, offering a range of products that include shoes, bags and matching accessories.

Between 1957 and 1961, Pollini produced the footwear collections of the designer Bruno Magli.

In the 1960s and early 1970s, Pollini began making shoes under its own label, presenting "themed" collections (such as the "Daytona" sports footwear collection, inspired by the world of motorbike racing).

In the 1970s, Pollini rose to international fame: at that point, its collections were shown in Düsseldorf, Paris and New York, as well as in Milan and Bologna. Around the same time, the first stores opened in Milan, Verona, Varese and Venice.

In 1989, Pollini moved into its new office in Gatteo, in the Italian province of Forlì-Cesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and seven-storey building housing the showroom and offices. The new site brought the footwear and leather goods divisions and sales and administration offices under one roof.

In 2001, Aeffe and Pollini reached an agreement whereby Aeffe would acquire a controlling stake in Pollini. The acquisition was a natural progression of the increasingly concentrated partnership between the two companies, enabling the growth of the footwear and leather goods lines designed by Alberta Ferretti.

Always in 2008, Pollini entered into new license agreements with Drops S.r.l., for the manufacturing of umbrellas, as well as Larioseta S.p.A., for the manufacturing and distribution of neckwear, including women's shawls, women's and men's scarves and ties.

In 2011 Aeffe S.p.A. has acquired the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder.

Pollini Retail

Pollini Retail is active in the retail segment of the Italian market and directly manages 20 stores, between boutiques and outlets, in major Italian cities such as Milan and Rome.

Pollini Suisse

Pollini Suisse directly manages the single-brand Pollini store in Mendrisio, Switzerland.

Pollini Austria

Pollini Austria directly manages the single-brand Pollini store in Pandorf, Austria.

3. TREND OF THE GROUP MANAGEMENT

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	Full Year 2014	% on revenues	Full Year 2013	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**251,537,973**	**100.0%**	**251,071,029**	**100.0%**	**466,944**	**0.2%**
Other revenues and income	4,341,829	1.7%	7,483,859	3.0%	(3,142,030)	(42.0%)
TOTAL REVENUES	**255,879,802**	**101.7%**	**258,554,888**	**103.0%**	**(2,675,086)**	**(1.0%)**
Changes in inventory	10,835,783	4.3%	(171,986)	(0.1%)	11,007,769	(6,400.4%)
Costs of raw materials, cons. and goods for resale	(88,728,702)	(35.3%)	(79,028,390)	(31.5%)	(9,700,312)	12.3%
Costs of services	(68,644,632)	(27.3%)	(66,937,748)	(26.7%)	(1,706,884)	2.5%
Costs for use of third parties assets	(21,245,319)	(8.4%)	(25,452,578)	(10.1%)	4,207,259	(16.5%)
Labour costs	(58,563,102)	(23.3%)	(63,077,684)	(25.1%)	4,514,582	(7.2%)
Other operating expenses	(3,847,835)	(1.5%)	(3,287,898)	(1.3%)	(559,937)	17.0%
Total Operating Costs	(230,193,807)	(91.5%)	(237,956,284)	(94.8%)	7,762,477	(3.3%)
GROSS OPERATING MARGIN (EBITDA)	**25,685,995**	**10.2%**	**20,598,604**	**8.2%**	**5,087,391**	**24.7%**
Amortisation of intangible fixed assets	(6,990,167)	(2.8%)	(7,216,319)	(2.9%)	226,152	(3.1%)
Depreciation of tangible fixed assets	(5,332,336)	(2.1%)	(5,573,473)	(2.2%)	241,137	(4.3%)
Revaluations/(write-downs) and provisions	(1,334,748)	(0.5%)	(1,781,095)	(0.7%)	446,347	(25.1%)
Total Amortisation, write-downs and provisions	(13,657,251)	(5.4%)	(14,570,887)	(5.8%)	913,636	(6.3%)
NET OPERATING PROFIT / LOSS (EBIT)	**12,028,744**	**4.8%**	**6,027,717**	**2.4%**	**6,001,027**	**99.6%**
Financial income	551,124	0.2%	240,655	0.1%	310,469	129.0%
Financial expenses	(6,466,682)	(2.6%)	(6,985,732)	(2.8%)	519,050	(7.4%)
Total Financial Income / (expenses)	(5,915,558)	(2.4%)	(6,745,077)	(2.7%)	829,519	(12.3%)
PROFIT / LOSS BEFORE TAXES	**6,113,186**	**2.4%**	**(717,360)**	**(0.3%)**	**6,830,546**	**(952.2%)**
Taxes	(2,107,267)	(0.8%)	(1,253,908)	(0.5%)	(853,359)	68.1%
NET PROFIT / LOSS	**4,005,919**	**1.6%**	**(1,971,268)**	**(0.8%)**	**5,977,187**	**(303.2%)**
(Profit) / loss attributable to minority shareholders	(1,264,249)	(0.5%)	(1,226,460)	(0.5%)	(37,789)	3.1%
NET PROFIT / LOSS FOR THE GROUP	**2,741,670**	**1.1%**	**(3,197,728)**	**(1.3%)**	**5,939,398**	**(185.7%)**

Sales

In 2014 consolidated revenues amount to EUR 251,538 thousand compared to EUR 251,071 thousand of the year 2013, showing an increase of 0.2% (flat 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, the revenues would have increased by 7.6% at constant exchange rates.

Revenues of the prêt-à-porter division amount to EUR 192,151 thousand, -2.4% at current exchange rates and -2.7% at constant exchange rates compared to 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 7.3% at constant exchange rates.

The revenues of the footwear and leather goods division increase by 19.5% to EUR 85,960 thousand.

Sales by brand

(Values in thousands of EUR)	Full Year 2014	%	Full Year 2013	%	Change Δ	%
Alberta Ferretti	20.456	8,1%	20.076	8,0%	380	1,9%
Philosophy	13.917	5,5%	21.574	8,6%	(7.657)	(35,5%)
Moschino	163.439	65,0%	152.532	60,8%	10.907	7,2%
Pollini	32.924	13,1%	32.714	13,0%	210	0,6%
Other	20.802	8,3%	24.175	9,6%	(3.373)	(14,0%)
Total	**251.538**	**100,0%**	**251.071**	**100,0%**	**467**	**0,2%**

In 2014, the Alberta Ferretti brand increases by 1.9% (+1.6% at constant exchange rates), contributing to 8.1% of consolidated sales, while brand Philosophy brand decreases by 35.5% (-35.7% at constant exchange rates), contributing to 5.5% of consolidated sales.

Net of the effects of the reorganization of the Japanese distribution network, currently managed exclusively through the wholesale channel, the revenues of the Alberta Ferretti brand would have increased by 10.4% at constant exchange rates, while the revenues of the Philosophy brand would have decreased by -26.4% at constant exchange rates.

In the same period Moschino brand increases by 7.2% (+6.9% at constant exchange rates), contributing to 65.0% of consolidated sales.

Pollini brand records a growth of 0.6% (+0.6% at constant exchange rates), generating 13.1% of consolidated sales, while the brand under license decreases by 14.0% (-13.9% at constant exchange rates), equal to 8.3% of consolidated sales.

Net of the effects of the reorganization of the Japanese distribution network, the Pollini brand would have increased by 2.5% at constant exchange rates, while brand under license, net of the effects of already terminated licenses, would have decreased by 6.8%.

Sales by geographical area

(Values in thousands of EUR)	Full Year 2014	%	Full Year 2013	%	Change Δ	%
Italy	113,591	45.2%	104,504	41.6%	9,087	8.7%
Europe (Italy and Russia excluded)	55,858	22.2%	50,043	19.9%	5,815	11.6%
Russia	16,614	6.6%	19,351	7.7%	(2,737)	(14.1%)
United States	16,109	6.4%	17,072	6.8%	(963)	(5.6%)
Japan	7,038	2.8%	21,926	8.7%	(14,888)	(67.9%)
Rest of the World	42,328	16.8%	38,175	15.3%	4,153	10.9%
Total	**251,538**	**100.0%**	**251,071**	**100.0%**	**467**	**0.2%**

In 2014, sales in Italy register a very positive trend posting an 8.7% increase to EUR 113,591 thousand, contributing to 45.2% of consolidated sales.

Sales in Europe increase by 11.6% (+11.1% at constant exchange rates), contributing to 22.2% of consolidated sales, thanks to a good recovery across the main markets.

The Russian market decreases by 14.1% (-14.1% at constant exchange rates), contributing to 6.6% of consolidated sales, solely due to its current difficult economic situation.

Sales in the United States decrease by 5.6% (-5.6% at constant exchange rates), mostly explained by the decrease in revenues related to brands whose license agreements ended.

In Japan sales, contributing to 2.8% of consolidated sales, decreased by 67.9%, 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, sales increase by 10.9% (+10.4% at constant exchange rates) to EUR 42,328 thousand, contributing to 16.8% of consolidated sales, thanks to the positive trends in Greater China (+25.8%).

Sales by distribution channel

(Values in thousands of EUR)	Full Year 2014	%	Full Year 2013	%	Change Δ	%
Wholesale	170,817	67.9%	159,544	63.6%	11,273	7.0%
Retail	69,816	27.8%	79,667	31.7%	(9,851)	(12.4%)
Royalties	10,905	4.3%	11,860	4.7%	(955)	(8.1%)
Total	**251,538**	**100.0%**	**251,071**	**100.0%**	**467**	**0.2%**

The revenues generated by the Group during 2014 are analysed below:

- 67.9% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 159,544 thousand in 2013 and EUR 170,817 thousand in 2014, up 7.0% (+7.0% at constant exchange rates);

Net of the effects of the reorganization of the Japanese distribution network, revenues of the wholesale channel would have increased by 7,9% at constant exchange rates.

- 27.8% from sales outlets managed directly by the Group (retail channel), which contributes EUR 79,667 thousand in 2013 and EUR 69,816 thousand in 2014, -12.4% (-12.9% at constant exchange rates);

Net of the effects of the reorganization of the Japanese distribution network, revenues of the retail channel would have increased by 4,7% at constant exchange rates.

- 4.3% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties decrease from EUR 11,860 thousand in 2013 to EUR 10,905 thousand in 2014, by 8.1%.

Labour costs

Labour costs decrease from EUR 63,078 thousand in 2013 to EUR 58,563 thousand in 2014, recording a decrease of EUR 4,515 thousand, and an incidence on revenues which changes from 25.1% in 2013 to 23.3% in 2014.

Such decrease is mainly determined by the operation of reorganization of the distribution network in Japan.

The workforce decreases from an average of 1,393 units in 2013 to 1,258 units in 2014.

Average number of employees by category	Full Year 2014	Full Year 2013	Change Δ	%
Workers	248	335	(87)	(26.0%)
Office staff-supervisors	987	1,032	(45)	(4.4%)
Executive and senior managers	23	26	(3)	(11.5%)
Total	**1,258**	**1,393**	**(135)**	**(9.7%)**

Gross Operating Margin (EBITDA)

In 2014 consolidated EBITDA is positive for EUR 25,686 thousand (with an incidence of 10.2% of consolidated sales), showing an improvement of 24.7% compared to an EBITDA of EUR 20,599 thousand in 2013 (with an incidence of 8.2% of consolidated sales).

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.

EBITDA of the *prêt-à-porter* division amounts to EUR 18,597 thousand (representing 9.7% of sales), compared to an EBITDA of EUR 18,396 thousand in 2013 (representing 9.3% of sales).

EBITDA of the footwear and leather goods division is equal to EUR 7,089 thousand (representing 8.2% of sales), compared to an EBITDA of EUR 2,203 thousand (representing 3.1% of sales) in 2013.

Net operating result (EBIT)

Consolidated EBIT is equal to EUR 12,029 thousand (representing 4.8% of sales), recording an improvement of EUR 6,001 thousand, compared to EUR 6,027 thousand of 2013 (representing 2.4% of sales).

The increase has been determined by the EBITDA improvement, commented above, by lower amortisations following the reorganization of the distribution network in Japan and by lower receivable write-downs.

Result before taxes

Result before taxes posts a profit of EUR 6,113 thousand in 2014 showing a EUR 6,830 thousand progress compared to a loss of EUR 717 thousand in 2013.

Such positive variation has also benefited by the decrease in financial expenses for about EUR 1 million.

Net result

Net result posts a profit of EUR 4,006 thousand in 2014 compared to a loss of EUR 1,971 thousand in 2013, with an improvement in absolute value of EUR 5,997 thousand.

Net result for the Group

Consolidated net result for the Group increases from EUR -3,198 thousand in 2013 to EUR +2,742 thousand in 2014, with an improvement of EUR 5,939 thousand.

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	31 December 2014	31 December 2013	Change Δ	%
Trade receivables	36.884.748	35.796.691	1.088.057	3,0%
Stock and inventories	83.867.256	74.085.293	9.781.963	13,2%
Trade payables	(55.052.139)	(45.448.082)	(9.604.057)	21,1%
Operating net working capital	**65.699.865**	**64.433.902**	**1.265.963**	**2,0%**
Other short term receivables	24.881.205	23.311.361	1.569.844	6,7%
Tax receivables	8.531.445	7.159.456	1.371.989	19,2%
Other short term liabilities	(14.319.321)	(14.430.223)	110.902	(0,8%)
Tax payables	(3.124.892)	(4.045.012)	920.120	(22,7%)
Net working capital	**81.668.302**	**76.429.484**	**5.238.818**	**6,9%**
Tangible fixed assets	63.770.590	64.554.791	(784.201)	(1,2%)
Intangible fixed assets	127.926.760	132.788.262	(4.861.502)	(3,7%)
Equity investments	80.268	30.252	50.016	165,3%
Other fixed assets	4.701.444	4.793.840	(92.396)	(1,9%)
Fixed assets	**196.479.062**	**202.167.145**	**(5.688.083)**	**(2,8%)**
Post employment benefits	(7.457.710)	(7.535.522)	77.812	(1,0%)
Provisions	(2.047.384)	(1.166.839)	(880.545)	75,5%
Assets available for sale	436.885	516.885	(80.000)	(15,5%)
Liabilities available for sale	-	(329.200)	329.200	(100,0%)
Long term not financial liabilities	(14.080.132)	(14.045.132)	(35.000)	0,2%
Deferred tax assets	13.368.052	13.156.227	211.825	1,6%
Deferred tax liabilities	(36.828.733)	(37.173.257)	344.524	(0,9%)
NET CAPITAL INVESTED	**231.538.342**	**232.019.791**	**(481.449)**	**(0,2%)**
Share capital	25.371.407	25.371.407	-	n.a.
Other reserves	115.285.814	118.800.400	(3.514.586)	(3,0%)
Profits / (Losses) carried-forward	(13.341.832)	(14.199.499)	857.667	(6,0%)
Profits / (Loss) for the period	2.741.670	(3.197.728)	5.939.398	n.a.
Group interest in shareholders' equity	**130.057.059**	**126.774.580**	**3.282.479**	**2,6%**
Minority interests in shareholders' equity	17.914.722	16.644.316	1.270.406	7,6%
Total shareholders' equity	**147.971.781**	**143.418.896**	**4.552.885**	**3,2%**
Short term financial receivables	(1.000.000)	(1.000.000)	-	n.a.
Cash	(6.691.668)	(7.524.153)	832.485	(11,1%)
Long term financial liabilities	12.752.273	15.559.284	(2.807.011)	(18,0%)
Long term financial receivables	(1.718.063)	(1.574.143)	(143.920)	9,1%
Short term financial liabilities	80.224.019	83.139.907	(2.915.888)	(3,5%)
NET FINANCIAL POSITION	**83.566.561**	**88.600.895**	**(5.034.334)**	**(5,7%)**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**231.538.342**	**232.019.791**	**(481.449)**	**(0,2%)**

NET INVESTED CAPITAL

Net invested capital decreases by 0.2% compared with 31 December 2013.

Net working capital

Net working capital amounts to EUR 81,668 thousand (32.5% on sales) compared with EUR 76,429 thousand at 31 December 2013 (30.4% on sales).

Changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables increases in all by 2.0% (EUR +1,266 thousand). This increase is mainly related to higher inventories driven by the growth of orders' backlog for the Spring/Summer 2015 collections increased by 15%.
- the sum of other short term receivables and payables increases in all of EUR 1,681 thousand compared with the previous year for higher credits for prepaid costs;
- the sum of tax receivables and tax payables increase in all of EUR 2,292 thousand. Such increase is mainly due to the increase of VAT receivables.

Fixed assets

At 31 December 2014, fixed assets decrease by EUR 5,688 thousand compared to 31 December 2013.

Changes in the main items are described below:

- the decrease in Tangible fixed assets of EUR 784 thousand is mainly due to the following affects:
  - increases related to investments for maintenance and stores' refurbishment, purchase of plant and specific equipment and purchase of electronic machines for EUR 4,301 thousand;
  - decreases for the depreciation of the year equal to EUR 5,332 thousand.
- the decrease in Intangible fixed assets of EUR 4,861 thousand is mainly due to the following effects:
  - increases for EUR 4,827 thousand, mainly related to key money, for the new boutique Alberta Ferretti and the new showroom in Paris at Rue de Fabourg, and software;
  - decreases for disposal equal to EUR 2,698 thousand, mainly related to the disposal of the boutique Alberta Ferretti in Paris at Rue St. Honorè;
  - decreases for the amortisation of the year equal to EUR 6,990 thousand.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 83,567 thousand as of 31 December 2014 compared with EUR 88,601 thousand as of 31 December 2013. The decrease compared to 2013 is mainly due to the increase of the cash flow by operating activity thanks to the improvement of the economic result of the period.

SHAREHOLDERS' EQUITY

The shareholders' equity increases by EUR 4,553 thousand from EUR 143,419 thousand as of 31 December 2013 to EUR 147,972 thousand as of 31 December 2014. The reasons of such decrease are illustrated in the explanatory notes. The number of shares is 107,362,504.

The following institutions hold more than 2% of the Aeffe's shares as of 31 December 2014:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37,387%
I.M. Fashion S.r.l.	24,410%
Tullio Badioli	5,000%
Psquared Master Sicav Ltd	2,936%
Highclere International Investors Llp	2,060%
Other shareholders(*)	28,207%

(*) 5,5% of own shares held by Aeffe S.p.A.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRISPONDING CONSOLIDATED AMOUNTS

Pursuant to the Consob Communication of 28 July 2006, the following table provides reconciliation between the net result and equity of Aeffe S.p.A. for the year ended 31 December 2014 and the comparable items on a consolidated basis (portion attributable to owners of Aeffe S.p.A.):

(Values in thousand of EUR)	Shareholders' equity at 31 December 2014	Net profit /loss for the full year 2014
Taken from the corporate financial statements of the parent company	**133,449**	**35**
Share of the consolidated subsidiaries's equity and profit /loss attributable to the Group, net of the carrying amount of equity interests	(21,817)	5,730
Effect of business combination reopening	34,961	(988)
Reversal of the intercompany inventory margin	(916)	-
Transition to parent company accounting policies	1,323	455
Other adjustments	972	(1,226)
Total consolidation adjustments	**14,523**	**3,971**
Group interest in shareholders' equity	**130,057**	**2,742**
Minority interest	**17,915**	**1,264**
Total shareholders' equity	**147,972**	**4,006**

4. RESEARCH & DEVELOPMENT ACTIVITIES

Considering the particular nature of the Group's products, research & development activities consist in the continual technical/stylistic renewal of models and the constant improvement of the materials employed in production. These costs were charged in full to the Income Statement.

5. GROUP'S OBJECTIVES AND POLICIES ON FINANCIAL RISKS

Regarding the Group's objectives and policies on financial risks refer to the information reported in the Notes.

6. CORPORATE GOVERNANCE

Aeffe S.p.A. has aligned its system of corporate governance with the recommendations of the Code of Self-Regulation for stock-market listed companies approved in March 2006 (and amended in March 2010) by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.. It has also taken account of the recommendations of the Code of Self-Regulation for stock-market listed companies approved in December 2011 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Assogestioni, Assonime and Confindustria. Unless specified otherwise, the references in this paragraph relate to the 2006 Code.

The Code of Self-Regulation provides an organisational and functional reference model for the companies listed on the markets organised and managed by Borsa Italiana; it is non-binding and offers the flexibility necessary for its adoption by listed companies.

Alignment of the system of governance adopted by listed companies with the recommendations contained in the Code of Self-Regulation is, in fact, not currently a legal requirement: adoption of the standards and organisational models proposed therein is therefore voluntary, and left to the discretion of the listed companies for which it is intended. Nevertheless, certain recommendations contained in the Code of Self-Regulation are reflected in current legislation and/or regulations including, more precisely, the Italian Civil Code, Decree 58 dated 24 February 1998 as subsequently amended (the "**Consolidated Finance Law**"), Consob Regulation 11971 dated 14 May 1999, as amended (the "**Issuers' Regulations**"), the Regulations for Markets Organised and Managed by Borsa Italiana (the "**Market Regulations**") and the Market Instructions relating specifically to companies with shares admitted to trading in the STAR segment.

As required by the regulations, Aeffe prepares yearly the "Report on corporate governance and ownership structures", stating: (i) which recommendations contained in the Code of Self-Regulation have actually been adopted by the Issuer and how, and (ii) which recommendations have not been adopted, in whole or in part, together with adequate information on the reasons for such partial or non-application of them. This report, which also provides information on the ownership structure, is available from the governance section of the following *website:* www.aeffe.com.

7. TREASURY SHARES

As of 31 December 2014, the Parent Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital. During the year, no transactions on treasury shares have been carried out by the Parent Company.

As of 31 December 2014 the Parent Company does not hold shares of any controlling company either directly or indirectly.

8. STOCK OPTION PLANS

Aeffe S.p.A. has adopted stock option plans (the "Plans") by resolution of the Board of Directors at the meeting held on 23 October 2007. At that time, the Board adopted the recommendations of the Compensation Committee in implementation - under the specific mandate granted - of the resolution adopted at the Extraordinary Shareholders' Meeting held on 26 March 2007.

The plans adopted are linked to achievement of the objectives set for 2008, 2009 and 2010.

The only difference between the Plans lies in the nature of the beneficiaries, being either the executive directors or the employees of the Company (together, the "**Beneficiaries**"): all other conditions are the same.

The Plans, deemed of "particular significance" pursuant to para. 3 of art. 114-bis of Decree 58/1998 and para. 2 of art. 84-bis of the Issuers' Regulations, are governed by two separate regulations (the "**Regulations**") that were approved in the manner described above by the Board of Directors.

The Beneficiaries were identified by the Board of Directors, acting on recommendations from the Compensation Committee, from among those persons within the company's organisational structure whose roles are deemed to be strategically significant to the achievement of its business objectives.

The Plans adopted by the company involved granting options to the Beneficiaries, without charge, which enable them to subscribe subsequently for new shares issued by the company at a predetermined price. Each option carries the right to subscribe for 1 share. The last date for the exercise of these options is 31 December 2015; subsequent to this date, it will be no longer possible to exercise any unexercised options.

Being the Plans granting options to the Beneficiairies expired at 31/12/10, no options have been vested during the 2014.

The effect of current tax regulations was considered when devising the Plans. In particular, the exercise price of the options was set at an amount not lower than the "fair value" of the shares, as determined in accordance with current interpretations of the applicable regulations.

The price for the shares was therefore fixed by the Board of Directors, acting on a recommendation from the Compensation Committee, at EUR 4.10, having regard for the above, the requirements of the Italian Civil Code regarding capital increases that exclude pre-emption rights and the need (evaluated and deemed appropriate at the Shareholders' Meeting held on 26 March 2007) to fix a price that is not lower than the company's IPO placement price of EUR 4.10.

Accordingly, each time the vested Options are exercised, the subscription price to be paid to the company by the Plan Beneficiaries will be EUR 4.10 per share. The options are personal and cannot be transferred by deed between living persons; furthermore, they cannot be pledged or the subject of other transactions of any kind.

Exercise of the options is dependent on the Beneficiaries remaining employees or directors of the company. In particular, without prejudice to the right of the Board of Directors to decide differently, as envisaged in the related Regulations, if the employee/director relationship terminates between the Option grant date and the related exercise date:

- due to termination by the Beneficiary without just cause, the Beneficiary may exercise any Vested options that vested at least 24 months prior to termination, without prejudice to the start date referred to in the preceding paragraph;

- due to termination or non-renewal of the appointment by the company without just cause and subjectively justified reasons (and even with objectively justified reasons), or due to termination by the Beneficiary with just cause, the Beneficiary will retain the right to exercise the vested options outstanding on the date of receipt by the intended recipient of the communication of termination by the party concerned, as well as the right to exercise 50% (fifty percent) of any other granted options that may vest subsequently;

- due to termination or non-renewal of the appointment by the company for just cause and subjectively justified reasons, the Beneficiary will, on receipt of the communication of termination or non-renewal, immediately and definitively lose the right to exercise all granted options (without prejudice to the right to exercise the vested options outstanding at that date);

- due to retirement, subsequent permanent invalidity of the Beneficiary that prevents continuation of the employee/director relationship, or the death of the Beneficiary, the Beneficiary or his/her legitimate heirs and successors will retain the right to exercise the granted options.

For further information related to the Plans, please refers to the prospectus available on the website www.aeffe.com section investor relations/ company documents/ stock options.

9. INTEREST HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(art. 79 of Consob Regulation n. 11971/99)

Surname and Name	Shares held	N. of shares held at 31/12/13	N. of shares bought in 2014	N. of shares sold in 2014	Change in n. of shares held by incoming/(outgoing) members	N. of shares held at 31/12/14
Ferretti Alberta	Aeffe S.p.A	40,000	-	-	-	40,000
Ferretti Massimo	Aeffe S.p.A	63,000	-	-	-	63,000
Badioli Simone	Aeffe S.p.A	26,565	-	-	-	26,565

10. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note 40 of the Consolidated Financial Statements.

11. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

With regard to the activities performed by our Group, that do not involve particular levels of risk for the employees, we have no serious accidents to report, or the emergence of any pathologies linked to professional diseases. Our Group has not been charged with any actions of mobbing.

As regards the environment, once again, the business of our Group does not have any particular impact on the environment, other than energy consumption, significantly reduced thanks to the installation of a renewable energy system (photovoltaic), and in opposition a further contraction in CO_2 emission. We can therefore report that, during the year, the Group was not declared guilty of causing any damage to the environment, and did not receive any sanctions or penalties for environmental crimes or damage.

12. SIGNIFICANT EVENTS OF THE PERIOD

No significant events occurred during the year have to be reported.

13. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, no significant events regarding the Group’s activities have to be reported.

14. OUTLOOK

2014 was a crucial year for the Group, which has pursued a strategy conceived to enhance the portfolio’s brands. Choices implemented in the renewal of the stylistic offering, in organization and management efficiency have already given good results, which will be fully operative in the coming years. In particular, the return to profit of the Group is definitely a confirmation and a further motivation to look to the future with optimism. We believe that the Group's brands have a significant potential of development, both in mature and in emerging markets, including through the growth in the accessories segment.

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2014	31 December 2013	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		34,916,804	36,273,469	(1,356,665)
Trademarks		92,455,759	95,949,341	(3,493,582)
Other intangible fixed assets		554,197	565,452	(11,255)
Total intangible fixed assets	(1)	127,926,760	132,788,262	(4,861,502)
Tangible fixed assets				
Lands		16,828,413	16,176,219	652,194
Buildings		23,688,050	24,163,170	(475,120)
Leasehold improvements		16,177,831	16,025,208	152,623
Plant and machinary		2,953,095	3,647,099	(694,004)
Equipment		308,741	339,479	(30,738)
Other tangible fixed assets		3,814,460	4,203,616	(389,156)
Total tangible fixed assets	(2)	63,770,590	64,554,791	(784,201)
Other fixed assets				
Equity investments	(3)	80,268	30,252	50,016
Long term financial receivables	(4)	1,718,063	1,574,143	143,920
Other fixed assets	(5)	4,701,444	4,793,840	(92,396)
Deferred tax assets	(6)	13,368,052	13,156,227	211,825
Total other fixed assets		19,867,827	19,554,462	313,365
TOTAL NON-CURRENT ASSETS		**211,565,177**	**216,897,515**	**(5,332,338)**
CURRENT ASSETS				
Stocks and inventories	(7)	83,867,256	74,085,293	9,781,963
Trade receivables	(8)	36,884,748	35,796,691	1,088,057
Tax receivables	(9)	8,531,445	7,159,456	1,371,989
Cash	(10)	6,691,668	7,524,153	(832,485)
Short term financial receivables	(11)	1,000,000	1,000,000	-
Other receivables	(12)	24,881,205	23,311,361	1,569,844
TOTAL CURRENT ASSETS		**161,856,322**	**148,876,954**	**12,979,368**
Assets available for sale	(13)	436,885	516,885	(80,000)
TOTAL ASSETS		**373,858,384**	**366,291,354**	**7,567,030**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment I, and are further described in Note "Transactions with related parties".

CONSOLIDATED BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	31 December 2014	31 December 2013	Change
SHAREHOLDERS' EQUITY	**(14)**			
Group interest				
Share capital		25,371,407	25,371,407	-
Other reserves		115,285,814	118,800,400	(3,514,586)
Profits / (losses) carried-forward		(13,341,832)	(14,199,499)	857,667
Net profit / (loss) for the Group		2,741,670	(3,197,728)	5,939,398
Group interest in shareholders' equity		130,057,059	126,774,580	3,282,479
Minority interest				
Minority interests in share capital and reserves		16,650,473	15,417,856	1,232,617
Net profit / (loss) for the minority interests		1,264,249	1,226,460	37,789
Minority interests in shareholders' equity		17,914,722	16,644,316	1,270,406
TOTAL SHAREHOLDERS' EQUITY		**147,971,781**	**143,418,896**	**4,552,885**
NON-CURRENT LIABILITIES				
Provisions	(15)	2,047,384	1,166,839	880,545
Deferred tax liabilities	(6)	36,828,733	37,173,257	(344,524)
Post employment benefits	(16)	7,457,710	7,535,522	(77,812)
Long term financial liabilities	(17)	12,752,273	15,559,284	(2,807,011)
Long term not financial liabilities	(18)	14,080,132	14,045,132	35,000
TOTAL NON-CURRENT LIABILITIES		**73,166,232**	**75,480,034**	**(2,313,802)**
CURRENT LIABILITIES				
Trade payables	(19)	55,052,139	45,448,082	9,604,057
Tax payables	(20)	3,124,892	4,045,012	(920,120)
Short term financial liabilities	(21)	80,224,019	83,139,907	(2,915,888)
Other liabilities	(22)	14,319,321	14,430,223	(110,902)
TOTAL CURRENT LIABILITIES		**152,720,371**	**147,063,224**	**5,657,147**
Liabilities available for sale		-	329,200	(329,200)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**373,858,384**	**366,291,354**	**7,567,030**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Balance Sheet are presented in the specific Balance Sheet schedule provided in the attachment II, and are further described in Note "Transactions with related parties ".

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full Year 2014	Full Year 2013
REVENUES FROM SALES AND SERVICES	**(23)**	**251,537,973**	**251,071,029**
Other revenues and income	(24)	4,341,829	7,483,859
TOTAL REVENUES		**255,879,802**	**258,554,888**
Changes in inventory		10,835,783	(171,986)
Costs of raw materials, cons. and goods for resale	(25)	(88,728,702)	(79,028,390)
Costs of services	(26)	(68,644,632)	(66,937,748)
Costs for use of third parties assets	(27)	(21,245,319)	(25,452,578)
Labour costs	(28)	(58,563,102)	(63,077,684)
Other operating expenses	(29)	(3,847,835)	(3,287,898)
Amortisation, write-downs and provisions	(30)	(13,657,251)	(14,570,887)
Financial Income / (expenses)	(31)	(5,915,558)	(6,745,077)
PROFIT / LOSS BEFORE TAXES		**6,113,186**	**(717,360)**
Taxes	(32)	(2,107,267)	(1,253,908)
NET PROFIT / LOSS		**4,005,919**	**(1,971,268)**
(Profit) / loss attributable to minority shareholders		(1,264,249)	(1,226,460)
NET PROFIT / LOSS FOR THE GROUP		**2,741,670**	**(3,197,728)**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific Income Statement schedule provided in the attachment III and are further described in Note "Transactions with related parties".

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Notes	Full Year 2014	Full Year 2013
Profit/(loss) for the period (A)		**4.005.919**	**(1.971.268)**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans		(408.436)	210.648
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(408.436)**	**210.648**
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges			
Gains/(losses) on exchange differences on translating foreign operations		955.389	(717.163)
Income tax relating to components of Other Comprehensive income / (loss)		-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)		**955.389**	**(717.163)**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)		**546.953**	**(506.515)**
Total Comprehensive income / (loss) (A) + (B)		**4.552.872**	**(2.477.783)**
Total Comprehensive income / (loss) attributable to:		**4.552.872**	**(2.477.783)**
Owners of the parent		3.282.478	(3.584.359)
Non-controlling interests		1.270.394	1.106.576

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2014	Full Year 2013
OPENING BALANCE		**7,524**	**5,362**
Profit before taxes		6,113	(717)
Amortisation / write-downs		13,657	14,571
Accrual (+)/availment (-) of long term provisions and post employment benefits		507	(1,099)
Paid income taxes		(3,584)	(3,029)
Financial income (-) and financial charges (+)		5,916	6,745
Change in operating assets and liabilities		(5,651)	(499)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**16,958**	**15,972**
Increase (-)/ decrease (+) in intangible fixed assets		(2,129)	(2,185)
Increase (-)/ decrease (+) in tangible fixed assets		(4,468)	(5,044)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(50)	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**(6,647)**	**(7,229)**
Other variations in reserves and profits carried-forward of shareholders' equity		547	(507)
Dividends paid		-	-
Proceeds (+)/ repayments (-) of financial payments		(5,723)	227
Increase (-)/ decrease (+) in long term financial receivables		(51)	444
Financial income (+) and financial charges (-)		(5,916)	(6,745)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**(11,143)**	**(6,581)**
CLOSING BALANCE		**6,692**	**7,524**

(*) Pursuant to Consob Resolution N. 15519 of 27th July 2006, the effects of related party transactions on the Consolidated Cash Flow are presented in the specific Cash Flow schedule provided in the attachment IV and are further described in Note 40.

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS’ EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(losses) carried-forward	Remeasurement of defined benefit plans reserve	Net profit / loss for the Group	Translation reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 1 January 2013	**25,371**	**71,240**	**30,605**	**7,901**	**11,459**	**(10,010)**	**(1,039)**	**(3,028)**	**(2,140)**	**130,359**	**15,538**	**145,897**
Allocation of 2012 profit/(loss)	-	-	1,160	-	-	(4,188)	-	3,028	-	-	-	-
Dividends paid	-	-		-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2013	-	-	-	-	-	-	206	(3,198)	(593)	(3,585)	1,106	(2,479)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
BALANCES AT 31 December 2013	**25,371**	**71,240**	**31,765**	**7,901**	**11,459**	**(14,198)**	**(833)**	**(3,198)**	**(2,733)**	**126,774**	**16,644**	**143,418**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profits/(losses) carried-forward	Remeasurement of defined benefit plans reserve	Net profit / loss for the Group	Translation reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 1 January 2014	**25,371**	**71,240**	**31,765**	**7,901**	**11,459**	**(14,198)**	**(833)**	**(3,198)**	**(2,733)**	**126,774**	**16,644**	**143,418**
Allocation of 2013 profit/(loss)	-	-	(5,284)	-	-	2,086	-	3,198	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) of 2014	-	-	-	-	-	-	(396)	2,742	937	3,283	1,271	4,554
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
BALANCES AT 31 December 2014	**25,371**	**71,240**	**26,481**	**7,901**	**11,459**	**(12,112)**	**(1,229)**	**2,742**	**(1,796)**	**130,057**	**17,915**	**147,972**

MAZARS

Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree no. 39 dated January 27, 2010

To the Shareholders of
Aeffe S.p.A.

1. We have audited the consolidated financial statements of Aeffe S.p.A. and its subsidiaries (the "Aeffe Group") as of December 31, 2014, which comprise the balance sheet statement, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes. The Directors of Aeffe S.p.A. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, the amounts of which are presented for comparative purpose reference should be made to our report dated March 24, 2014.

3. In our opinion, the consolidated financial statements of the Aeffe Group as of December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Aeffe Group for the period then ended.

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and the report on corporate and governance and shareholding structure, published in section "Governance" of the internet site of Aeffe S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure, with the financial statements, as required by law. For this purpose, with have performed the procedures required under Auditing Standards no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by

Consob. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure are consistent with the consolidated financial statements of Aeffe S.p.A. as of December 31, 2014.

Bologna (Italy), March 25, 2015

Mazars S.p.A.

Alessandro Gallo
Partner

This report has been translated from the original which was issued in accordance with Italian legislation.

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe Group operates worldwide in the luxury goods sector and is active in the design, production and distribution of products of high quality and stylistic uniqueness.

The Group develops, produces and distributes, with a constant focus on the qualities of uniqueness and exclusivity, its own collections both under its own-label brands, including “Alberta Ferretti”, “Philosophy”, “Moschino” and “Pollini”, and licensed brands, which include “Blugirl”, “Cedric Charlier” and “Ungaro”.

The Group also has licensed to key partners the production and distribution of other accessories and products with which it supplements its product range (perfumes, junior and children’s lines, watches sunglasses and other).

The Group’s business is divided, based on the various product lines and brands it sells, into two segments: prêt-a-porter (which includes prêt-a-porter, lingerie and swimwear) and footwear and leather goods.

The Parent Company Aeffe, an Italian legal entity incorporated as a public limited company (società per azioni) based in San Giovanni in Marignano (RN), is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

Aeffe is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment VII are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

These consolidated financial statements include the financial statements of the Parent Company Aeffe and its subsidiaries and the Group’s equity interests in affiliated companies. They consist of the balance sheet, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and these notes.

The financial statements are expressed in euro, since this is the currency in which most of the Group’s transactions are conducted. Foreign operations are included in the consolidated financial statements according to the principles stated in the notes that follow.

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

Pursuant to art. 3 of Decree 38/2005 dated 28th February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CONSOB and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27th July 2006 and communication DEM/6064293 dated 28th July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information are presented in the Directors' Report (Report on operations).

Unless otherwise indicated in the measurement bases described below, these consolidated financial statements were prepared in accordance with the historic cost principle.

The measurement bases were applied uniformly by all Group companies.

CONSOLIDATION PRINCIPLES

The scope of consolidation at 31 December 2014 includes the financial statements of the Parent Company Aeffe and those of the Italian and foreign companies in which Aeffe holds control either directly or through its subsidiaries and associates or in which it exerts a dominant influence.

If necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting polices into line with those adopted by the Group.

Companies are consolidated using the line-by-line method. The principles adopted for the application of this method are essentially as follows:

- the book value of equity investments held by the Parent Company or other consolidated companies is written-off against the corresponding net equity at 31 December 2014 in relation to assumption of the assets and liabilities of the subsidiaries;
- the difference between historical cost and fair value of the net equity of shareholdings on the acquisition date is allocated as much as possible to the assets and liabilities of the shareholdings. The remainder is allocated to goodwill. In accordance with the transitional provisions of IFRS 3, the Group, in case it was present, has ceased to depreciate goodwill, instead subjecting it to impairment tests;
- significant transactions between consolidated companies are written-off, as are receivables and payables and earnings not yet realised from third parties arising from transactions between Group companies, excluding any tax effect;
- minority interests in shareholders' equity and net profit are reported in the relevant items of the consolidated balance sheet and income statement;
- companies acquired during the period are consolidated from the date on which majority control was achieved.

Subsidiaries

Subsidiaries are enterprises controlled by the company. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated from the date on which the Group acquires control and until the date when such control ceases.

The acquisition of subsidiaries is accounted for using the historical method. Historical cost is determined by adding together the fair values of the assets contributed, the shares issued and the liabilities assumed on the acquisition date, plus the costs directly associated with the acquisition. Any surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill.

If the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate exceeds historical cost, the difference is immediately recorded in the income statement.

Intercompany balances, transactions, revenue and costs are eliminated in the consolidated statements.

Furthermore, intercompany business combinations are recognised by maintaining the same book value of assets and liabilities as previously recorded in the consolidated financial statements.

Associates

An associate is an enterprise in which the Group has significant influence, but has neither sole or joint control, by taking part in decisions regarding the company's financial and operating strategy.

Trading results and the assets and liabilities of associates are accounted for in the consolidated financial statements based on the equity method, except where they are classified as held for sale.

According to this method, equity interests in associates are recorded in the balance sheet at cost, adjusted to take account of changes following the acquisition of their net assets, excluding any loss in value of individual investments. Losses of associates that exceed the Group's percentage interest in them (including long-term receivables that essentially form part of the Group's net investment in the associate) are not recognised unless the Group has an obligation to cover them. The surplus acquisition cost over the parent's percentage share of the present value of the identifiable assets, liabilities and contingent liabilities of the associate on the acquisition date is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subjected to impairment tests. The historical cost deficit compared with the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of associates on the acquisition date is credited to the income statement in the year of acquisition. With reference to operations between a Group company and an associate, unrealised gains and losses are eliminated in equal measure to the Group's percentage interest in the associate, except for cases where the unrealised losses constitute evidence of impairment of the asset transferred.

SCOPE OF CONSOLIDATION

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2014 is provided in the following table.

Company	Location	Currency	Share capital	Direct interest	Indirect interest
Companies included in the scope of consolidation					
Italian companies					
Aeffe Retail S.p.A.	S.G. in Marignano (RN) Italy	EUR	8.585.150	100%	
Clan Cafè S.r.l.	S.G. in Marignano (RN) Italy	EUR	100.000		62,9% (iii)
Moschino S.p.A.	S.G. in Marignano (RN) Italy	EUR	20.000.000	70%	
Nuova Stireria Tavoleto S.r.l.	Tavoleto (PU) Italy	EUR	10.400	100%	
Pollini S.p.A.	Gatteo (FC) Italy	EUR	6.000.000	100%	
Pollini Retail S.r.l.	Gatteo (FC) Italy	EUR	5.000.000		100% (i)
Velmar S.p.A.	S.G. in Marignano (RN) Italy	EUR	120.000	100%	
Foreign companies					
Aeffe France S.a.r.l.	Paris (FR)	EUR	50.000	99,9%	
Aeffe UK Ltd.	London (GB)	GBP	310.000	100%	
Aeffe USA Inc.	New York (USA)	USD	600.000	100%	
Divè S.a.	Galazzano (RSM)	EUR	260.000	75%	
Fashoff UK Ltd.	London (GB)	GBP	1.550.000		70% (ii)
Moschino Japan Inc.	Tokyo (J)	JPY	120.000.000		70% (ii)
Moschino Korea Ltd.	Seoul (ROK)	KRW	6.192.940.000		70% (ii)
Moschino France S.a.r.l.	Paris (FR)	EUR	50.000		70% (ii)
Moschino Retail G.m.b.h.	Berlin (D)	EUR	306.500		70% (ii)
Moschino USA Inc.	New York (USA)	USD	400.000		70% (ii)
Aeffe Japan Inc.	Tokyo (J)	JPY	3.600.000	100%	
Bloody Mary Inc.	New York (USA)	USD	100.000		70% (ii)
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20.000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35.000		100% (i)

Notes (details of in direct shareholdings):

(i) 100% owned by Pollini S.p.A.;

(ii) 100% owned by Moschino S.p.A.;

(iii) 62,893% owned by Aeffe Retail.

Notes (details of in direct shareholdings):

a) Capital increase of EUR 31.500 for Moschino Retail G.m.b.h.;

b) Moschino S.p.A. has set up a new company Moschino USA, 100% owned;

c) Ozbek (London) Ltd went into liquidation.

FOREIGN CURRENCIES

Functional and reporting currency

The amounts in the financial statements of each Group enterprise are measured using the operating currency or the currency of the economic area in which the enterprise operates. These consolidated financial statements are presented in EUR, which is the operating and reporting currency of the parent company.

Foreign currency transactions

Foreign currency transactions are converted into the operating currency at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies are converted at the exchange rate in force on the balance sheet date. Any exchange rate differences arising from the elimination of these transactions or from the conversion of cash assets and liabilities are posted to the income statement. Non-cash assets and liabilities in foreign currencies that are measured at fair value are converted at the exchange rates in force on the date on which the fair value was determined.

Financial statements of foreign companies

The financial statements of companies outside the EUR zone are translated into EUR based on the following procedures:

(i) assets and liabilities, including goodwill and fair value adjustments arising from consolidation are converted at the exchange rate in force on the balance sheet date;

(ii) revenue and costs are converted at the average rate for the period, which must be close to the exchange rate in force on the transaction date;

(iii) exchange rate differences are recognised in a separate account in shareholders' equity. When a foreign company is sold, the total amount of accumulated exchange rate differences relating to that company are recorded in the income statement.

The exchange rates used for the conversion into euro of the financial and equity statements of companies included in the scope of consolidation are listed in the following table:

Currency description	Actual exchange rate 31 December 2014	Average exchange rate 2014	Actual exchange rate 31 December 2013	Average exchange rate 2013
United States Dollars	1.2141	1.3285	1.3791	1.3281
United Kingdom Pounds	0.7789	0.8061	0.8337	0.8493
Japanese Yen	145.2300	140.3061	144.7200	129.6597
South Korean Won	1,324.8000	1,398.1424	1,450.9300	1,453.8550
Swiss franc	1.2024	1.2146	1.2276	1.2309

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Group has elected to adopt a balance sheet format that distinguishes between current and non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT YET EARLY ADOPTED BY THE GROUP

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share based payment, the disclosure on judgment used in the aggregation of operating segments in IFRS 8 – Operating Segments, the identification and disclosure of a related party transaction that arise when a management entity provides key management personnel service to a reporting entity in IAS 24 - Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement.

On 6 May 2014, the IASB issued amendments to IFRS 11 – Joint arrangements: Accounting for acquisitions of interests in joint operations, clarifying the accounting for acquisitions of an interest in a joint operation that constitutes a business. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 with earlier application permitted.

On 24 July 2014 the IASB issued the final version of IFRS 9 - Financial Instruments.

There follows the main aspects of the new international accounting principle:

- Classification and Measurement

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

- Impairment

During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. As part of IFRS 9, the IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The IASB has already announced its intention to create a transition resource group to support stakeholders in the transition to the new impairment requirements.

- Hedge accounting

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

- Own credit

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Early application of this improvement to financial reporting, prior to any other changes in the accounting for financial instruments, is permitted by IFRS 9.

On 12 August 2014 the IASB published Equity Method in Separate Financial Statements (Amendments to IAS 27). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.

The amendments respond to requests that the IASB had received during its inaugural public agenda consultation. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

On 11 September 2014 the IASB published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

On 25 September 2014 the IASB published Annual Improvements to IFRSs 2012 – 2014 Cycle. The document introduces amendments to the following principles: IFRS 5, 'Non-current assets held for sale and discontinued operations'; IFRS 7, 'Financial instruments: Disclosures'; IAS 19, 'Employee benefits'; IAS 34, 'Interim financial reporting'. They will apply for annual periods beginning on or after 1 January 2016.

On 18 December 2014 the IASB published 'Disclosure Initiative (Amendments to IAS 1)'. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

On 18 December 2014 the IASB published "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2014 are presented below:

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Group. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill, which are not amortised but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Goodwill

Goodwill arising from the acquisition of a subsidiary or joint venture represents the surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture on the acquisition date. Goodwill is recognised as an asset and reviewed annually to make sure that there is no impairment. Impairment losses are recognised in the income statement and are not restated.

In case of the disposal of a subsidiary or joint venture, the amount of goodwill not yet amortised is included in the calculation of the capital gain or loss on disposal.

If the net fair value of the identifiable assets, liabilities and contingent liabilities of the shareholding exceeds the acquisition cost, the difference is immediately recorded in the income statement.

When the acquisition contract allows the adjustment of the acquisition price based on future events, the estimated adjustment must be included in the acquisition cost if the adjustment seems probable and the amount can be reliably estimated. Any future adjustments to the estimate are recorded as a goodwill adjustment.

At 31 December 2014, the company has not recorded values related to goodwill in the financial statements.

Key money

Intangible fixed assets also include key money, or amounts paid by the Group to take over contracts relating to directly managed stores or, in the case of business combinations, the fair value of these assets at the time of acquisition. These assets have been treated, up to the financial statements 2008, as intangible fixed assets with an "infinite" useful life and as such have not been amortised. "Infinite" useful life, according to IAS 38, does not mean an endless useful life, but a useful life with no fixed end.

The Group, up to the financial statements 2008, based on the valuations of independent experts, has considered the period linked with the lease term as not relevant. This included protection given to the tenant by standard market conditions and by special legal provisions, together with a strategy of gradual expansion of the network by Group companies, which usually involves renewing lease agreements before they expire, regardless of whether the Group intends to maintain the stores or not, in view of the inherent value of the premises themselves.

Following the change of the key money market, the Group deemed it proper to introduce a change of estimate on their useful life, switching from an indefinite useful life to a finite useful life.

A reversed trend has been noted starting in 2009. Although not generalised, it has led several of the lessors of the market to ask that the contract be terminated as the expiration date draws near. Even if the most recent transactions carried out by the Group are reassuring with regard to the entire recoverability of the original value of the key money, by virtue of the new market definition, the directors prudentially deemed it correct to change the estimate of useful life. Based on the experience of the renewals obtained from the lessors in past financial years, the directors deemed it fitting to estimate a useful life corresponding to the residual term of the contract, and generally plan a renewal for another 6 years, considering a final end value equal to the amounts due by way of indemnity for taking over the lease if provided for by the national regulations.

Brands

Brands are recognised at cost and are amortised systematically on a straight-line basis during their estimated useful life (40 years) from when the asset is available for use. By applying IFRS 3, all business combinations since 31 December 2001 have been restated, with an indication, based on an independent estimate, of the new value of intangible fixed assets that were not reported when the shareholdings were acquired.

The Group has seen fit to give brands a finite life of 40 years in view of the policies adopted by other market operators. Prudently, it has adopted an extremely long – although not infinite and thus unidentifiable – useful life for its own brands (reflecting the prolonged benefits derived from these). This decision is in line with intangible fixed assets typical of the fashion industry, based on previous experience of other international operators in the sector (market comparables).

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectua property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2014, the company has not recorded intangible fixed assets with an "infinite" useful life in the financial statements.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2% - 2,56%
Plant and machinery	10% - 12,5%
Industrial and commercial equipment	25%
Electronic machines	20%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Group, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Group are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing

Financial leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits of ownership, are recognised as part of property, plant and equipment at their fair value or, if lower, at the present value of the minimum lease payments, and stated net of accumulated depreciation. The corresponding liability to the lessor is classified among financial payables in the balance sheet. These assets are depreciated using the rates set out above.

On disposal, or when no further economic benefits are expected from use of the asset, leased assets are eliminated from the balance sheet and any gains or losses (difference between disposal proceeds and carrying amount) are reflected in the income statement for the year.

Operating leases

Leases that do not transfer to the Group substantially all the risks and benefits of ownership are recognised as operating leases. Payments under operating leases are recognised as a cost on a straight-line basis over the duration of the related lease contracts.

Impairment

Key money, brands and other intangible fixed assets are subjected to impairment testing each year, or more frequently if there is evidence of a possible loss of value.

Tangible fixed assets and other non-current assets are subjected to impairment testing whenever events or a change of circumstances suggest that their value may be impaired.

Impairment losses arise and are recognised when the carrying amount of an asset or a cash generating unit exceeds its recoverable value. The carrying amount of such assets is aligned with their recoverable value and the impairment loss is charged to the income statement.

The comparison between the value of the Group shareholders' equity per share and the share list value at year-end and during the period until the date these financial statements were drawn up shows a book value higher than the market value. The directors believe that this evidence is basically attributable to the particular situation of the financial markets happened in the aftermath of the actual difficult situation of the world markets. Therefore, the market value is not considered representative of the Group value.

Determination of recoverable value

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value. As already mentioned, this test is performed annually, or more frequently, in relation to assets with an indefinite useful life.

The recoverable value of these assets is the higher between their fair value, net of disposal costs, and their value in use. In order to determine value in use, the estimated future cash flows, including those deriving from the disposal of the asset at the end of its useful life, are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Group's activities. If separate cash flows cannot be estimated for an individual asset, the separate cash generating unit to which the asset belongs is identified.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Equity investments in non-consolidated subsidiaries, associates and joint ventures are recognised according to the equity method. The surplus cost over shareholders' equity on the acquisition date is treated in the same way as described in the section on consolidation principles. Other equity investments are recognised using the cost method, which is reduced for impairment losses. The original value is restated in subsequent years if the reasons for the write-down no longer apply.

Assets held for sale

This item includes assets where the book value will be recovered mainly through sale rather than continuous use. For this to happen, the asset (or group) must be available for sale in its current condition, subject to standard conditions applicable to the sale of such assets (or groups), and the sale must be highly probable. An asset classified as held for sale is recognised at the lesser of its book value and fair value, excluding selling costs, as stipulated in IFRS 5.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their estimated net realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realisability.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Group contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Group's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1 January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the company will meet all the conditions foreseen to receive the contributions and actually receives them. The Group has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Revenue

Revenues are stated net of returns, discounts, allowances and rebates, as well as the taxes associated with the sale of goods and the provision of services. Revenues from sales are recognised when the seller has transferred the principal risks and benefits of ownership to the purchaser. The principal types of revenue realised by the Company are recognised on the following basis:

- retail sales – on delivery of the goods;
- wholesale sales – on shipment of the goods;
- royalties and commissions – on an accrual basis.

Costs

Costs and expenses are recognised on an accrual basis.

Design and production costs for sample collections incurred during the period are correlated to the turnover from sales of collection and are thus carried in the income statement in proportion to the revenue generated. The remaining portion to be carried in the income statement during the period in which the corresponding revenue is generated is posted to other current assets.

Financial income and expenses

These include all items of a financial nature written to the income statement for the period, including interest payable on financial debts calculated using the effective interest method (mainly current account overdrafts and medium and long-term loans), foreign currency gains and losses, dividends received, and the portion of interest payable deriving from the accounting treatment of assets under finance leases (IAS 17).

Interest income and expenses are reported in the income statement for the period in which they are realised/incurred.

Dividends are recognised in the period when the Group’s right to a dividend payment matures, subject to ratification.

The amount of interest payable on finance leases is booked to the income statement using the effective interest method.

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;

- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the consolidated financial statement, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Group.

- Estimates used to evaluate value impairment of assets other than financial assets

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the company applied the method described above in the paragraph entitled "Impairment of value of assets".

Key money

The recoverable value of key money was calculated using the higher between the current value and the value determinable by use.

<u>Current value</u>: this value was calculated by estimating both the cost of establishing the network of boutiques, subject to the impairment test at current values, and as the current market value in case of transfer to others of the rental contract for each boutique (considered as "cash generating units").

The estimates used to calculate the values as indicated above are illustrated below:

- annual value of the rental contracts from the total spent in 2014;
- annual hypothetical increase in rents for about 2.5%;
- possible renewal on expiration of each contract for a period equal to that foreseen by the contract in existence as of 31 December 2014;
- terminal value after first renewal.

The discount rates used are as follows:

- Risk-free rate for established contracts, 3%;
- Hypothetical renewal rate after the first expiration, 5%;
- Terminal value rate, 20%.

<u>Value calculable on the basis of use</u>: the evaluation derives from the cash flow analyses of the characteristic activity of each boutique ("cash generating unit"). The cash flows of the "cash generating units" attributable to each key money were derived for the year 2015 from a budget simulation that, depending on the

boutique, foresees increases of turnover around a range that goes from +24% in the most optimistic cases to -1% in the most pessimistic. These estimates are not an indication of the performance of the retail business for 2015 but were used to make a prudential calculation for the test purpose only. For the years 2016 and 2017 and to calculate the terminal value we considered generally a turnover growth rate of 5%. As a discount rate we used the average cost of capital (WACC) which is 5.23%.

Brands

To calculate the recoverable value of the brands entered in the financial statement, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of these intangible assets, for a period equal to 40 years. To calculate the values on this basis it has been used for the year 2015 the Group budget approved by Aeffe's Board of Directors. For the remaining periods it has been used an increase in turnover with a CAGR variable from 2.2% to 2.5%. As royalty rates we used the averages for the sector and as discount rate we used the average cost of capital (WACC) which is 5.23%.

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
- The inflation rate foreseen is 2.00%;
- The discount rate used is 1.25%;
- * The expected rates of retribution increases (inclusive of inflation) are divided as follows: (i) Management 1.50%; (ii) Office staff/department heads 0.50%; (iii) laborers 0.50%
- The annual rate in increase of the severance indemnity fund foreseen is 3.00%;
- The expected turn-over of employees is 6% for Aeffe S.p.A., 10% for Aeffe Retail S.p.A, 8% for Moschino S.p.A. and Pollini Retail and 5% for Pollini S.p.A and Velmar S.p.A.

* The estimated rates of salary increase were used only for the companies with 50 or fewer employees.

- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
- The voluntary turnover rate foreseen is 0.00%;
- The corporate turnover rate foreseen is 5.00% for all the Group's companies;
- The discount rate used is 1.25%.

OTHER INFORMATION

Segment information

Within a group, various segments are distinguishable providing a series of homogeneous products or services (business segment) or providing products and services in a specific geographical area (geographical segment). Specifically, in Aeffe Group, two areas of activity are identified:

(i) Prêt-a-porter Division;

(ii) Footwear and leather goods Division.

In accordance with IFRS 8, segment information can be found in the section entitled "Comments on the income statement and segment information".

Management of financial risk

The financial risks to which the Group is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the currency risk, rate risk, price risk);
- credit risk;

The Group doesn't use derivative financial instruments.

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury and, except in a few cases (Pollini Group) it is managed by the individual companies that, however, are coordinated by the treasury on the basis of the guidelines established by the Managing Director of the Group and approved by the Chief Executive Officer.

The main goal of these guidelines consists of:

(i) **Liquidity risk**

The Group manages the liquidity risk with a view to guarantee, at the consolidated level, the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

The credit lines, though negotiated at the Group level, are granted to the individual companies.

As of the date of this financial statement, the companies in the Group with the main short and medium/long-term loans from banks are the parent company, Pollini, Moschino and Velmar.

(ii) **Exchange risk:**

The Group operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using for the main companies of the Group exposed to the exchange risk, the opening of loans in foreign currency.

(iii) **Rate risk:**

The interest rate risk to which the companies in the Group are exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Group to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards. As of 31 December 2014 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 531 thousand annually (EUR 641 thousand as of 31 December 2013).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2014 there are no instruments that hedge interest-rate risk.

(iv) **Price risk**

The Group makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Group deals only with known and reliable clients. It is a policy of the Group that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, customer's reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Group proceeds as follows:

a) Part of the foreign credits are guaranteed by primary credit insurance companies;
b) The residual uninsured part of the receivable is managed:
    a. Most of it by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The residual receivables not covered by insurance, by letter of credit or by advances, are specifically authorized and managed as settled by the Italian receivable procedure.

The unexpired receivables, amounting to a total of EUR 22,442 thousand as of 31 December 2014, represent 61% of the receivables entered in the financial statements. This percentage remains substantially stable compared to the same period of the previous year.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the company an income from the relationship.

As of the reference date of the financial statement, the maximum credit risk exposure is equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Trade receivables	36,885	35,797	1,088	3.0%
Other current receivables	24,881	23,311	1,570	6.7%
Other fixed assets	4,701	4,794	(93)	(1.9%)
Total	**66,467**	**63,902**	**2,565**	**4.0%**

See note 5 for the comment and breakdown of the item "other fixed assets" note 8 "trade receivables" and note 12 for "other current receivables".

The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.

As of 31 December 2014, overdue but not written-down trade receivables amount to EUR 14,443 thousand (EUR 14,058 thousand in 2013). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
By 30 days	4,757	5,170	(413)	(8.0%)
31 - 60 days	1,811	1,120	691	61.7%
61 - 90 days	1,053	984	69	7.0%
Exceeding 90 days	6,822	6,784	38	0.6%
Total	**14,443**	**14,058**	**385**	**2.7%**

No significant risk of default with respect to such overdue receivables.

Cash flow statement

The cash flow statement presented by the Group in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

- cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Group using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);
- cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;
- cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1. *Intangible fixed assets*

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	Brands	Key money	Other	Total
Net book value as of 01.01.13	**99,442**	**37,587**	**1,044**	**138,073**
Increases	-	1,982	454	2,436
- increases externally acquired	*-*	*1,982*	*454*	*2,436*
- increases from business aggregations	-	-	-	-
Disposals	-	(25)	(265)	*(290)*
Translation differences and other variations	-	-	(215)	(215)
Amortisation	(3,493)	(3,270)	*(453)*	(7,216)
Net book value as of 31.12.13	**95,949**	**36,274**	**565**	**132,788**
Increases	-	4,507	320	4,827
- increases externally acquired	*-*	*4,507*	*320*	*4,827*
- increases from business aggregations	-	-	-	-
Disposals	-	(2,698)	-	(2,698)
Translation differences and other variations	-	-	-	-
Amortisation	(3,493)	(3,166)	*(331)*	(6,990)
Net book value as of 31.12.14	**92,456**	**34,917**	**554**	**127,927**

The intangible fixed assets highlight the following variations:

- increases, equal to EUR 4,827 thousand, mainly related to key money, for the new boutique Alberta Ferretti and the new showroom in Paris at Rue de Fabourg, and software;
- decreases, equal to EUR 2,698 thousand, mainly related to the disposal of the boutique Alberta Ferretti in Paris at Rue St. Honorè;
- amortisation of the period is EUR 6,990 thousand.

Brands

This item includes the Group's own-label brands ("Alberta Ferretti", "Philosophy", "Moschino", "Moschino Cheap and Chic", "Love Moschino", "Pollini", "Studio Pollini"). A breakdown of brands is given below:

(Values in thousands of EUR)	Brand residual life	31 December 2014	31 December 2013
Alberta Ferretti	28	3,526	3,652
Moschino	30	51,478	53,405
Pollini	26	37,452	38,892
Total		**92,456**	**95,949**

The decrease between the two periods refers exclusively to the amortisation of the period.

Key money

Key money refers to the amounts paid by the Group to take over leases relating to directly managed stores or, in the case of business combinations, the fair value of these assets at the time of acquisition.

The Group, until financial year 2008, even on the stock of valuations drawn up by independent experts, pointed out the scarce significance of the deadline attributable to the term of the leases. Indeed, to this regard the safeguards given to the lessee by the market routine and by specific legal provisions, which are combined with a strategy of progressive further expansion of the network carried forward by the companies of the Group that usually renews the leases before their natural expiration and regardless of the intention to continue using the locations as Group boutiques, in view of the value attributable to the commercial positions concerned.

Following the change of the key money market, the Group deemed it proper to introduce a change of estimate on their useful life, switching from an indefinite useful life to a finite useful life.

A reversed trend has been noted starting in 2009. Although not generalised, it has led several of the lessors of the market to ask that the contract be terminated as the expiration date draws near. Even if the most recent transactions carried out by the Group are reassuring with regard to the entire recoverability of the original value of the key money, by virtue of the new market definition, the directors prudentially deemed it correct to change the estimate of useful life. Based on the experience of the renewals obtained from the lessors in past financial years, the directors deemed it fitting to estimate a useful life corresponding to the residual term of the contract, and generally plan a renewal for another 6 years, considering a final end value equal to the amounts due by way of indemnity for taking over the lease if provided for by the national regulations.

Other

The item other mainly includes software licences.

2. *Tangible fixed assets*

The table below illustrates the breakdown and the changes of this item:

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.13	**16,176**	**24,689**	**13,956**	**6,044**	**302**	**4,224**	**65,391**
Increases	-	24	3,657	283	176	1,364	5,504
Disposals	-	-	(344)	(73)	(13)	(234)	(664)
Translation differences and other variations	-	-	1,456	(1,553)	(3)	(3)	(103)
Depreciation	-	(550)	(2,700)	(1,053)	(123)	(1,147)	(5,573)
Net book value as of 31.12.13	**16,176**	**24,163**	**16,025**	**3,648**	**339**	**4,204**	**64,555**
Increases	731	76	2,458	275	94	667	4,301
Disposals	(79)	-	(111)	(41)	(4)	(14)	(249)
Translation differences and other variations	-	-	459	80	(7)	(36)	496
Depreciation	-	(551)	(2,653)	(1,009)	(113)	(1,006)	(5,332)
Net book value as of 31.12.14	**16,828**	**23,688**	**16,178**	**2,953**	**309**	**3,815**	**63,771**

Tangible fixed assets have changed as follows:

- Increases for new investments of EUR 4,301 thousand. These mainly refer to new investments in the renovation and modernisation of shops, the purchase of plant and equipment and the purchase of electronic machines.
- Disposals, net of the accumulated depreciation, of EUR 249 thousand;
- Increase for differences arising on translation and other variation of EUR 496 thousand which mainly relates to the translation differences of the foreign subsidiaries.
- Depreciation of EUR 5,332 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

Other non-current assets

3. Equity Investments

This item includes shareholdings measured at the cost.

4. Long term financial receivables

The value at 31 December 2014 is related to the long term portion of the financial receivable in foreign currency generated by the sale of the real estate properties owned by Aeffe USA to the company Ferrim USA, a 100% subsidiary of the company Ferrim Srl. The variation compared to the previous year is determined by the collection of credit more than compensated by the effect of the exchange rate between US and Euro. On that credit accrues interest.

5. Other fixed assets

This item mainly includes a long-term receivable related to the income recognized by Woollen Co., Ltd. to Aeffe Group as a result of the reorganization of the Japanese Distribution Network and receivables for security deposits related to commercial leases.

6. Deferred tax assets and liabilities

The table below illustrates the breakdown of this item at 31 December 2014 and at 31 December 2013:

(Values in thousands of EUR)	Receivables		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Tangible fixed assets	-	-	(88)	(139)
Intangible fixed assets	3	3	(169)	(177)
Provisions	1,720	1,499	-	-
Costs deductible in future periods	5,046	2,916	-	-
Income taxable in future periods	579	549	(1,292)	(1,297)
Tax losses carried forward	4,090	6,280	-	-
Other	6	-	(63)	(63)
Tax assets (liabilities) from transition to IAS	1,924	1,909	(35,217)	(35,497)
Total	**13,368**	**13,156**	**(36,829)**	**(37,173)**

Changes in temporary differences during the period are illustrated in the following table:

(Values in thousands of EUR)	Opening balance	Differences arising on translation	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(139)	(10)	61	-	(88)
Intangible fixed assets	(174)	-	8	-	(166)
Provisions	1.499	21	200	-	1.720
Costs deductible in future periods	2.916	3	2.237	(110)	5.046
Income taxable in future periods	(748)	-	35	-	(713)
Tax losses carried forward	6.280	85	918	(3.193)	4.090
Other	(63)	(5)	241	(230)	(57)
Tax assets (liabilities) from transition to IAS	(33.588)	-	490	(195)	(33.293)
Total	**(24.017)**	**94**	**4.190**	**(3.728)**	**(23.461)**

The negative variation of EUR 3,728 thousand in the column "Other" refers mainly to the compensation of the tax payable for IRES of the period matured in some of the Group's subsidiaries with the receivable for deferred tax generated in Aeffe Spa as a consequence of the adhesion of the subsidiaries to the fiscal consolidation.

Deferred tax assets related to costs deductible in future periods mainly relate to the deferred taxation on provisions for doubtful investments and for risks and charges related to Moschino Japan Ltd. and Bloody Mary Inc., both subsidiaries of Moschino Spa, and to Aeffe Japan Inc., a subsidiary of Aeffe Spa.

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

7. Stocks and inventories

This item comprises:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Raw, ancillary and consumable materials	14,556	14,800	(244)	(1.6%)
Work in progress	8,339	5,827	2,512	43.1%
Finished products and goods for resale	60,969	53,250	7,719	14.5%
Advance payments	3	208	(205)	(98.6%)
Total	**83,867**	**74,085**	**9,782**	**13.2%**

The increase of inventories, equal to EUR 9,782 thousand, is linked to the orders' backlog for the Spring/Summer 2015 collections increased by 15%.

Inventories of raw materials and work in progress mainly relate to the production of the Spring/Summer 2015 collections, while finished products mainly concern the Autumn/Winter 2014 and the Spring/Summer 2015 collections and the Autumn/Winter 2015 sample collections.

8. Trade receivables

This item is illustrated in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Trade receivables	38,487	37,426	1,061	2.8%
(Allowance for doubtful account)	(1,602)	(1,629)	27	(1.7%)
Total	**36,885**	**35,797**	**1,088**	**3.0%**

Trade receivables amount to EUR 38,487 thousand at 31 December 2014, up 2.8% since 31 December 2013.

Management considers that the fair value of amounts due from customers approximates their book value.

The allowance for doubtful accounts is determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

9. *Tax receivables*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
VAT	4,274	2,185	2,089	95.6%
Corporate income tax (IRES)	1,660	1,879	(219)	(11.7%)
Local business tax (IRAP)	288	706	(418)	(59.2%)
Amounts due to tax authority for withheld taxes	985	1,122	(137)	(12.2%)
Other tax receivables	1,324	1,267	57	4.5%
Total	**8,531**	**7,159**	**1,372**	**19.2%**

As of 31 December 2014, the Group's tax receivables amount to EUR 8,531 thousand. The variation of EUR 1,372 thousand compared with the value at 31 December 2013 is mainly due to the increase of VAT receivables.

10. *Cash*

This item includes:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Bank and post office deposits	6,087	7,001	(914)	(13.1%)
Cheques	31	33	(2)	(6.1%)
Cash in hand	574	490	84	17.1%
Total	**6,692**	**7,524**	**(832)**	**(11.1%)**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date. Cash in hand represents the nominal value of the cash held on the balance sheet date.

The decrease in cash and cash equivalents, recorded at 31 December 2014 compared with the amount recorded at 31 December 2013, is EUR 832 thousand. About the reason of this variation see the Cash Flow Statement.

11. Short term financial receivables

This item includes:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Financial receivables	1,000	1,000	-	n.a.
Total	**1,000**	**1,000**	**-**	**n.a.**

The value at 31 December 2014 is related to the short term portion of the financial receivable generated by the sale of the real estate properties owned by Aeffe USA to the company Ferrim USA, a 100% subsidiary of the company Ferrim Srl. On that credit accrues interest.

12. *Other receivables*

This caption comprises:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Credits for prepaid costs	17,749	17,079	670	3.9%
Advances for royalties and commissions	761	548	213	38.9%
Advances to suppliers	618	537	81	15.1%
Accrued income and prepaid expenses	2,421	1,775	646	36.4%
Other	3,332	3,372	(40)	(1.2%)
Total	**24,881**	**23,311**	**1,570**	**6.7%**

Other short term receivables increase of EUR 1,570 thousand mainly for the growth of credits for prepaid costs.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2015 and Autumn/Winter 2015 collections for which the corresponding revenues from sales have not been realised yet.

13. Assets and liabilities available for sale

The change in the captions assets and liabilities available for sale mainly concerns the sale of the line of business of the subsidiary Nuova Stireria Tavoleto to a third party that has been finalised in January 2014.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013
Plant and machinery	-	80
Other fixed assets	437	437
Total Assets	**437**	**517**
Post employment benefits	-	296
Due to total security organization	-	33
Total Liabilities	**-**	**329**

14. Shareholders' equity

Described below are main categories of shareholders' equity at 31 December 2014, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Other reserves	26,481	31,765	(5,284)
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	(12,112)	(14,198)	2,086
Remeasurement of defined benefit plans reserve	(1,229)	(833)	(396)
Net profit / (loss) for the Group	2,742	(3,198)	5,940
Translation reserve	(1,796)	(2,733)	937
Minority interests	17,915	16,644	1,271
Total	**147,972**	**143,418**	**4,554**

Share capital

Share capital as of 31 December 2014, totally subscribed and paid, (gross of treasury shares) totals EUR 26,841 thousand, and is represented by 107,362,504 shares, par value EUR 0.25 each. At 31 December 2014 the Parent Company holds 5,876,878 treasury shares, representing the 5.5% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. The number of outstanding shares is not changed during the period.

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2013.

Other reserves

The changes in these reserves reflect the allocation of prior-year loss of the Parent Company.

Fair value reserve

The fair value reserve derives from the application of IAS 16 in order to measure the land and buildings owned by the Company at their fair value, as determined with reference to an independent appraisal.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1. Each difference is allocated on a pro rata basis to minority interests.

Profits/(losses) carried-forward

The caption profits/(losses) carried forward records a positive variation as a consequence of the consolidated result at 31 December 2013.

Remeasurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2013 (retrospectively), of the amendment to IAS 19, decreases of EUR 396 thousand compared to the value at 31 December 2013.

Translation reserve

The increase of EUR 937 thousand related to such reserve is due to the conversion of companies' financial statements in other currency than EUR.

Minority interests

The variation in minority interests is due to the portion of profit/loss attributable to the minority shareholders.

Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve.

NON-CURRENT LIABILITIES

15. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2013	Increases	Decreases	31 December 2014
Pensions and similar obligations	955	55	-	1,010
Other	212	940	(115)	1,037
Total	**1,167**	**995**	**(115)**	**2,047**

The additional client expenses reserve is determined based on an estimate of the liability relating to the severance of agency contracts, taking account of statutory provisions and any other relevant factor, such as statistical data, average duration of agency contracts and their rate of turnover. The item is calculated based on the actual value of the outflow necessary to extinguish the obligation.

The entry Other includes provisions for risks and charges.

Potential tax liabilities for which no reserves have been established, since it is not considered probable that they will give rise to a liability for the Group, are described in the paragraph "Potential liabilities".

16. Post employment benefits

The severance indemnities payable on a deferred basis to all employees of the Group are deemed to represent a defined benefits plan (IAS 19), since the employer's obligation does not cease on payment of the contributions due on the remuneration paid, but continue until termination of the employment relationship.

For plans of this type, the standard requires the amount accrued to be projected forward in order to determine the amount that will be paid on the termination of employment, based on an actuarial valuation that takes account of employee turnover, likely future pay increases and any other applicable factors. This methodology does not apply to those employees whose severance indemnities are paid into approved supplementary pension funds, which, in the circumstances, are deemed to represent defined contributions plans.

Starting from 1 January 2007, the Finance Law and related enabling decrees introduced significant changes to the regulations governing severance indemnities, including the ability of employees to choose how their individual severance indemnities will be allocated. In particular, employees can now allocate the new amounts accrued to approve pension plans or decide to retain them with the employer (which must pay the related severance contributions into a treasury account managed by INPS).

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2013	Increases	Decreases / Other changes	31 December 2014
Post employment benefits	7,536	332	(410)	7,458
Total	**7,536**	**332**	**(410)**	**7,458**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits for EUR 973 thousand, partially compensated by an actuarial gain of EUR 563 thousand.

17. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Loans from financial institutions	12,680	15,488	(2,808)	(18.1%)
Amounts due to other creditors	72	71	1	1.4%
Total	**12,752**	**15,559**	**(2,807)**	**(18.0%)**

The entry "Loans from financial institutions" relates to the portion of bank loans due beyond 12 months. This entry is mainly due to a ten-year mortgage loan to the Parent company Aeffe Spa for an amount of EUR 11.5 million on a real estate based in Gatteo, headquarter of the subsidiary Pollini Spa. It should be noted that such real estate from 2002 to 2012 was object of a lease-back operation.

All other operations are unsecured loans and bank finance not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice. Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

The following table contains details of bank loans as of 31 December 2014, including the current portion and the long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	15,488	2,808	12,680
Total	**15,488**	**2,808**	**12,680**

The total due beyond five years amount to EUR 5,092 thousand.

18. Long-term not financial liabilities

This caption, in the amount of EUR 14,080 thousand, mainly refers to the debt due by the subsidiary Moschino S.p.A. in relation to an interest-free shareholder loan from Sinv S.p.A.. This liability is treated to a payment on capital account and arose on the purchase of Moschino S.p.A. by the Parent Company and Sinv S.p.A. in 1999, divided into proportional shares according to the equity interest held by Aeffe S.p.A. and Sinv S.p.A. in Moschino S.p.A..

CURRENT LIABILITIES

19. Trade payables

Tax payables are analysed in comparison with the related balances as of 31 December 2013:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Trade payables	55,052	45,448	9,604	21.1%
Total	**55,052**	**45,448**	**9,604**	**21.1%**

Trade payables are due within 12 months and concern the debts for supplying goods and services.

The increase of Euro 9,604 thousand is mainly attributable to higher purchases linked to orders' backlog for the Spring/Summer 2015 collections increased by 15%.

20. Tax payables

Tax payables are analysed in comparison with the related balances as of 31 December 2013 in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Local business tax (IRAP)	222	362	(140)	(38.7%)
Amounts due to tax authority for withheld taxes	2,364	2,663	(299)	(11.2%)
VAT due to tax authority	399	598	(199)	(33.3%)
Other	140	422	(282)	(66.8%)
Total	**3,125**	**4,045**	**(920)**	**(22.7%)**

21. Short term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Due to banks	80,224	83,140	(2,916)	(3.5%)
Total	**80,224**	**83,140**	**(2,916)**	**(3.5%)**

Current bank debts include advances granted by credit institutions, current loans and the current portion of long-term financing commitments. Advances mainly consist of withdrawals from short-term credit facilities to finance the working capital requirement. Current loans (due within 12 months) are loans granted by banks to the Parent Company and to other Group companies.

22. Other liabilities

Other current liabilities are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Due to total security organization	3,015	3,466	(451)	(13.0%)
Due to employees	5,011	4,958	53	1.1%
Trade debtors - credit balances	1,529	1,543	(14)	(0.9%)
Accrued expenses and deferred income	2,163	2,198	(35)	(1.6%)
Other	2,601	2,265	336	14.8%
Total	**14,319**	**14,430**	**(111)**	**(0.8%)**

The other short term liabilities amount to EUR 14,319 thousand at 31 December 2014 remaining substantially stable compared with the previous year.

SEGMENT INFORMATION REGARDING PROFIT OR LOSS, ASSETS AND LIABILITIES

In order to apply the IFRS 8 the Group has considered to delineate as operative sectors the same used by IAS 14 Segment reporting: *Prêt-à porter* Division and footwear and leather goods Division. Such decision has been taken because they represent business activities from which the entity may earn revenues and incur expenses, whose operating result are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Prêt-à porter Division is mainly represented by the companies Aeffe, Moschino and Velmar, operating in the design, production and distribution of luxury prêt-à porter and lingerie, beachwear and loungewear collections.

In terms of prêt-à porter collections, the activity is carried out by Aeffe, both for the production of the Group's own-label brands ("Alberta Ferretti", "Philosophy", "Moschino", "Moschino Cheap and Chic" and "Love Moschino") and brands licensed from other companies (such as "Blugirl", "Cedric Charlier" and "Ungaro"). Aeffe also handles the distribution of all Division products, which takes place via the retail channel through subsidiaries and via the wholesale channel.

Velmar manufactures and distributes lingerie and swimwear collections, and specifically men's/women's lingerie, underwear, beachwear and loungewear. Collections are produced and distributes under the Group's own-label brands such as "Moschino" and under third-party licensed brands such as "Blugirl".

The Prêt-a-porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino branded product lines such as the "Moschino" brand licensing agreement relating to the *love* line, "Moschino" branded perfumes and "Moschino" branded sunglasses.

The footwear and leather goods Division, which is composed of Pollini and its subsidiaries, mainly handles the design, production and distribution of footwear, small leather goods, bags and matching accessories made from exclusive materials. The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies.

The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" products such as umbrellas, foulards and ties.

The following table indicates the main economic data for the full year 2014 and 2013 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 2014	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**192,151**	**85,960**	**(26,573)**	**251,538**
Intercompany revenues	(6,261)	(20,312)	26,573	-
Revenues with third parties	**185,890**	**65,648**	-	**251,538**
Gross operating margin (EBITDA)	**18,597**	**7,089**	-	**25,686**
Amortisation	(9,469)	(2,853)	-	(12,322)
Other non monetary items:				
Write-downs	(1,140)	(195)	-	(1,335)
Net operating profit / loss (EBIT)	**7,988**	**4,041**	-	**12,029**
Financial income	1,435	35	(919)	551
Financial expenses	(5,523)	(1,863)	919	(6,467)
Profit / loss before taxes	**3,900**	**2,213**	**-**	**6,113**
Income taxes	(1,008)	(1,099)	-	(2,107)
Net profit / loss	**2,892**	**1,114**	**-**	**4,006**

(Values in thousands of EUR) 2013	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**196,926**	**71,924**	**(17,779)**	**251,071**
Intercompany revenues	(5,722)	(12,057)	17,779	-
Revenues with third parties	**191,204**	**59,867**	-	**251,071**
Gross operating margin (EBITDA)	**18,396**	**2,203**	-	**20,599**
Amortisation	(9,935)	(2,855)	-	(12,790)
Other non monetary items:				
Write-downs	(1,256)	(525)	-	(1,781)
Net operating profit / loss (EBIT)	**7,205**	**(1,177)**	-	**6,028**
Financial income	1,008	38	(805)	241
Financial expenses	(5,877)	(1,914)	805	(6,986)
Profit / loss before taxes	**2,336**	**(3,053)**	**-**	**(717)**
Income taxes	(1,751)	497	-	(1,254)
Net profit / loss	**585**	**(2,556)**	**-**	**(1,971)**

The following tables indicate the main patrimonial and financial data at 31 December 2014 and 2013 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousands of EUR) 31 December 2014	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*295.549*	*109.518*	*(53.108)*	351.959
of which non-current assets (*)				
Intangible fixed assets	*84.097*	*43.830*	-	*127.927*
Tangible fixed assets	*60.553*	*3.218*	-	*63.771*
Other non-current assets	*10.338*	*604*	*(4.442)*	*6.500*
OTHER ASSETS	*18.819*	*3.080*	-	21.899
CONSOLIDATED ASSETS	**314.368**	**112.598**	**(53.108)**	**373.858**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 2014	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total (**)
SECTOR LIABILITIES	167.711	71.330	*(53.108)*	185.933
OTHER LIABILITIES	26.040	13.914	-	39.954
CONSOLIDATED LIABILITIES	**193.751**	**85.244**	**(53.108)**	**225.887**

(Values in thousands of EUR) 31 December 2013	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*291,825*	*103,384*	*(49,234)*	345,975
of which non-current assets (*)				
Intangible fixed assets	*86,902*	*45,886*	*-*	*132,788*
Tangible fixed assets	*60,913*	*3,642*	*-*	*64,555*
Other non-current assets	*10,284*	*1,583*	*(5,469)*	*6,398*
OTHER ASSETS	*16,966*	*3,350*	*-*	20,316
CONSOLIDATED ASSETS	**308,791**	**106,734**	**(49,234)**	**366,291**

(*) Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts

(Values in thousands of EUR) 31 December 2013	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*165,102*	*65,786*	*(49,234)*	181,654
OTHER LIABILITIES	26,607	14,611	-	41,218
CONSOLIDATED LIABILITIES	**191,709**	**80,397**	**(49,234)**	**222,872**

Segment information by geographical area

The following table indicates the revenues for the full year 2014 and 2013 divided by geographical area:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2014	%	2013	%	Δ	%
Italy	113,591	45.2%	104,504	41.6%	9,087	8.7%
Europe (Italy and Russia excluded)	55,858	22.2%	50,043	19.9%	5,815	11.6%
Russia	16,614	6.6%	19,351	7.7%	(2,737)	(14.1%)
United States	16,109	6.4%	17,072	6.8%	(963)	(5.6%)
Japan	7,038	2.8%	21,926	8.7%	(14,888)	(67.9%)
Rest of the World	42,328	16.8%	38,175	15.3%	4,153	10.9%
Total	**251,538**	**100.0%**	**251,071**	**100.0%**	**467**	**0.2%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

23. Revenues from sales and services

In 2014 consolidated revenues amount to EUR 251,538 thousand compared to EUR 251,071 thousand of the year 2013, showing an increase of 0.2% (flat 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, the revenues would have increased by 7,6% at constant exchange rates.

Revenues of the prêt-à-porter division amount to EUR 192,151 thousand, -2.4% at current exchange rates and -2.7% at constant exchange rates compared to 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 7.3% at constant exchange rates.

24. Other revenues and income

This item comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	Change %
Extraordinary income	1,052	915	137	15.0%
Other income	3,290	6,569	(3,279)	(49.9%)
Total	**4,342**	**7,484**	**(3,142)**	**(42.0%)**

The caption extraordinary income, composed mainly by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, increases of EUR 137 thousand compared to the previous year.

The caption other income decreases of EUR 3,279 thousand compared to the previous year.

Such decrease is mainly determined by the registration in the year 2013 of an income totalling overall EUR 3,500 thousand recognized by Woollen Co., Ltd. to Aeffe Japan Co., Ltd. and Moschino Japan Co., Ltd., controlled companies, respectively, by Aeffe S.p.A. and Moschino S.p.A., as a result of the reorganization of the Japanese Distribution Network.

25. Costs of raw materials

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	Change %
Raw, ancillary and consumable materials and goods for resale	88,729	79,028	9,701	12.3%
Total	**88,729**	**79,028**	**9,701**	**12.3%**

The increase of inventories, equal to EUR 9,701 thousand, is linked to the orders' backlog for the Spring/Summer 2015 collections increased by 15%.

This item mainly includes costs for the acquisition of raw materials such as fabrics, threads, skins and accessories, purchases of finished products for resale (products sold) and packaging.

26. *Costs of services*

This item comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Subcontracted work	22,414	19,773	2,641	13.4%
Consultancy fees	13,290	13,235	55	0.4%
Advertising	9,321	9,961	(640)	(6.4%)
Commission	4,740	4,384	356	8.1%
Transport	4,452	4,469	(17)	(0.4%)
Utilities	2,098	2,458	(360)	(14.6%)
Directors' and auditors' fees	2,888	2,646	242	9.1%
Insurance	586	700	(114)	(16.3%)
Bank charges	1,541	1,558	(17)	(1.1%)
Travelling expenses	2,016	2,088	(72)	(3.4%)
Other services	5,299	5,666	(367)	(6.5%)
Total	**68,645**	**66,938**	**1,707**	**2.5%**

Costs of services increase from EUR 66,938 thousand in the year 2013 to EUR 686,645 thousand in the year 2014, by 2.5%. The increase is mainly due to:

- the increase of costs for subcontracted work driven by the growth of orders' backlog for the Spring/Summer 2015;
- the decrease of other entries mainly determined by the reorganization of the Japanese Distribution Network;

27. *Costs for use of third parties assets*

This item comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Rental expenses	18,409	21,415	(3,006)	(14.0%)
Royalties	2,040	3,116	(1,076)	(34.5%)
Hire charges and similar	796	922	(126)	(13.7%)
Total	**21,245**	**25,453**	**(4,208)**	**(16.5%)**

The costs for use of third parties assets decreases by EUR 4,208 thousand from EUR 25,453 thousand in 2013 to EUR 21,245 thousand in 2014. Such decrease is mainly determined by lower rental expenses as a result of the reorganization of the Japanese distribution network and by lower royalties related to the license termination.

28. *Labour costs*

Labour costs decrease from EUR 63,078 thousand in 2013 to EUR 58,563 thousand in 2014, recording a decrease of EUR 4,515 thousand, and an incidence on revenues which changes from 25.1% in 2013 to 23.3% in 2014. Such decrease is mainly determined by the operation of reorganization of the distribution network in Japan. This item comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Labour costs	58,563	63,078	(4,515)	(7.2%)
Total	**58,563**	**63,078**	**(4,515)**	**(7.2%)**

In 2014 the average number of employees of the Group is:

Average number of employees by category	Full Year 2014	Full Year 2013	Change Δ	%
Workers	248	335	(87)	(26.0%)
Office staff-supervisors	987	1,032	(45)	(4.4%)
Executive and senior managers	23	26	(3)	(11.5%)
Total	**1,258**	**1,393**	**(135)**	**(9.7%)**

29. Other operating expenses

This item includes:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Taxes	644	829	(185)	(22.3%)
Gifts	268	192	76	39.6%
Contingent liabilities	491	318	173	54.4%
Write-down of current receivables	295	198	97	49.0%
Foreign exchange losses	1,462	1,209	253	20.9%
Other operating expenses	688	542	146	26.9%
Total	**3,848**	**3,288**	**560**	**17.0%**

The caption other operating expenses amounts to EUR 3,848 thousand and increases in absolute value of EUR 560 thousand compared to the previous year, in particular for the increase of contingent liabilities and foreign exchange losses.

30. Amortisation, write-downs and provisons

This item includes:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Amortisation of intangible fixed assets	6,990	7,216	(226)	(3.1%)
Depreciation of tangible fixed assets	5,332	5,574	(242)	(4.3%)
Write-downs and provisions	1,335	1,781	(446)	(25.0%)
Total	**13,657**	**14,571**	**(914)**	**(6.3%)**

The decrease of this caption from EUR 14,571 thousand in 2013 to EUR 13,657 thousand in 2014 is substantially generated by lower amortisations as a result of the reorganization of the distribution network in Japan and by lower receivable write-downs.

31. Financial income/expenses

This item include:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Interest income	203	167	36	21.6%
Foreign exchange gains	324	29	295	1,017.2%
Financial discounts	24	44	(20)	(45.5%)
Other income	-	1	(1)	(100.0%)
Financial income	**551**	**241**	**310**	**128.6%**
Bank interest expenses	5,044	6,181	(1,137)	(18.4%)
Other interest expenses	306	366	(60)	(16.4%)
Foreign exchange losses	726	8	718	8,975.0%
Other expenses	391	431	(40)	(9.3%)
Financial expenses	**6,467**	**6,986**	**(519)**	**(7.4%)**
Total	**5,916**	**6,745**	**(829)**	**(12.3%)**

The decrease in financial income/expenses amounts to EUR 829 thousand. Such effect is substantially linked to lower financial expenses a result of a reduction in the average indebtedness of the Group compared to the year 2013 and to the better banking conditions applied by banks, partially compensated by higher foreign exchange losses.

32. *Income taxes*

This item includes:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Current income taxes	6,309	4,547	1,762	38.8%
Deferred income (expenses) taxes	(4,190)	(3,409)	(781)	22.9%
Taxes related to previous years	(12)	116	(128)	n.a.
Total taxes	**2,107**	**1,254**	**853**	**68.1%**

Details of deferred tax assets and liabilities and changes in this item are described in the paragraph on deferred tax assets and liabilities. The reconciliation between actual and theoretical taxation for 2014 and 2013 is illustrated in the following table:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Profit / loss before taxes	6,113	(717)
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**1,681**	**(197)**
Fiscal effect	(1,589)	(1,858)
Effect of foreign tax rates	1,384	1,782
Total income taxes excluding IRAP (current and deferred)	**1,476**	**(273)**
IRAP (current and deferred)	**631**	**1,527**
Total income taxes (current and deferred)	**2,107**	**1,254**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow absorbed during 2014 is EUR 832 thousand.

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
OPENING BALANCE (A)	**7,524**	**5,362**
Cash flow (absorbed)/ generated by operating activity (B)	16,958	15,972
Cash flow (absorbed)/ generated by investing activity (C)	(6,647)	(7,229)
Cash flow (absorbed)/ generated by financing activity (D)	(11,143)	(6,581)
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**(832)**	**2,162**
CLOSING BALANCE (F)=(A)+(E)	**6,692**	**7,524**

33. Cash flow (absorbed)/ generated by operating activity

The cash flow generated by operating activity during 2014 amounts to EUR 16,958 thousand.

The cash flow from operating activity is analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Profit before taxes	6,113	(717)
Amortisation / write-downs	13,657	14,571
Accrual (+)/availment (-) of long term provisions and post employment benefits	507	(1,099)
Paid income taxes	(3,584)	(3,029)
Financial income (-) and financial charges (+)	5,916	6,745
Change in operating assets and liabilities	(5,651)	(499)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**16,958**	**15,972**

34. Cash flow (absorbed)/ generated by investing activity

The cash flow absorbed by investing activity during 2014 amounts to EUR 6,647 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Increase (-)/ decrease (+) in intangible fixed assets	(2,129)	(2,185)
Increase (-)/ decrease (+) in tangible fixed assets	(4,468)	(5,044)
Investments ans write-downs (-)/ Disinvestments and revaluations (+)	(50)	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(6,647)**	**(7,229)**

35. Cash flow (absorbed)/ generated by financing activity

The cash flow absorbed by financing activity during 2014 amounts to EUR 11,143 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Other variations in reserves and profits carried-forward of shareholders' equity	547	(507)
Dividends paid	-	-
Proceeds (+)/ repayments (-) of financial payments	(5,723)	227
Increase (-)/ decrease (+) in long term financial receivables	(51)	444
Financial income (+) and financial charges (-)	(5,916)	(6,745)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(11,143)**	**(6,581)**

OTHER INFORMATION

36. *Stock options plans*

Regarding the information on stock options plan see Report on operations.

For the details relating to the stock options granted to directors, general managers and executive with strategic responsibilities see attachment VI.

37. *Incentive plans*

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following *website:* www.aeffe.com.

38. *Net financial position*

As required by Consob communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10th February 2005, the Group's net financial position as of 31 December 2014 is analysed below:

(Values in thousands of EUR)	31 December 2014	31 December 2013
A - Cash in hand	604	523
B - Other available funds	6,087	7,001
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*6,691*	*7,524*
E - Short term financial receivables	1,000	1,000
F - Current bank loans	(77,416)	(78,210)
G - Current portion of long-term bank borrowings	(2,808)	(4,930)
H - Current portion of loans from other financial istitutions	-	-
I - Current financial indebtedness (F) + (G) + (H)	*(80,224)*	*(83,140)*
J - Net current financial indebtedness (I) + (E) + (D)	*(72,533)*	*(74,616)*
K - Non current bank loans	(12,680)	(15,488)
L - Issued obbligations	1,718	1,574
M - Other non current loans	(72)	(71)
N - Non current financial indebtedness (K) + (L) + (M)	*(11,034)*	*(13,985)*
O - Net financial indebtedness (J) + (N)	**(83,567)**	**(88,601)**

The net financial position of the Group amounts to EUR 83,567 thousand as of 31 December 2014 compared with EUR 88,601 thousand as of 31 December 2013.

39. Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	31 December 2014	31 December 2013
Consolidated earnings for the period for shareholders of the parent company	2,742	(3,198)
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**0.027**	**(0.032)**

Following the issue on 24 July 2007 of 19 million new shares, taken up in full, the number of shares currently outstanding is 107,362.5 thousand.

40. Related party transactions

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here. Operations carried out with related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The Group's business dealing with other related parties are summarised below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	300	300	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	494	235	Revenue
Property rental	50	50	Cost
Cost of services	74	72	Cost
Commercial	986	926	Receivable
Montegridolfo S.p.a. with Aeffe S.p.a.			
Commercial	888	-	Payable
Land purchase	727	-	Lands
Ferrim with Aeffe S.p.a.			
Property rental	1.771	1.433	Cost
Rent advance	412	290	Other receivable
Ferrim with Moschino S.p.a.			
Property rental	864	859	Cost
Aeffe France with Solide Real Estate France			
Property rental	311	305	Cost
Commercial	163	-	Payable
Commercial	-	96	Other receivable
Moschino France with Solide Real Estate France			
Property rental	384	375	Cost
Commercial	51	508	Payable
Aeffe USA with Ferrim USA			
Lump sum	-	2.259	Revenues
Property rental	602	678	Cost
Financial income	105	112	Financial income
Non current financial	1.718	1.574	Receivable
Current financial	1.000	1.000	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness as of 31 December 2014 and 31 December 2013.

(Values in thousands of EUR)	Balance Full Year	Value rel. party 2014	%	Balance Full Year	Value rel. party 2013	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	251.538	494	0,2%	251.071	2.494	1,0%
Costs of services	68.645	374	0,5%	66.938	372	0,6%
Costs for use of third party assets	21.245	3.982	18,7%	25.453	3.700	14,5%
Financial Income / expenses	5.916	105	1,8%	6.745	112	1,7%
Incidence of related party transactions on the balance sheet						
Non current financial receivables	16.828	727	4,3%	16.176	-	0,0%
Non current financial receivables	1.718	1.718	100,0%	1.574	1.574	100,0%
Trade receivables	36.885	986	2,7%	35.797	926	2,6%
Current financial receivables	1.000	1.000	100,0%	1.000	1.000	100,0%
Other receivables	24.881	412	1,7%	23.311	386	1,7%
Trade payables	55.052	1.102	2,0%	45.448	508	1,1%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	16.958	(3.460)	n.a.	15.972	(1.607)	n.a.
Cash flow (absorbed) / generated by investing activities	(6.647)	(727)	10,9%	(6.647)	-	0,0%
Cash flow (absorbed) / generated by financing activities	(11.143)	(144)	1,3%	(6.581)	116	n.a.
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(83.567)	(4.331)	5,2%	(88.601)	(1.491)	1,7%

41. Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064293 dated 28th July 2006, it is confirmed that in 2014 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

42. Significant non-recurring events and transactions pursuant to Consob regulation of 28th July 2006

No significant non-recurring events, occurred during the year, have to be reported.

43. Guarantees and commitments

As of 31 December 2014, the Group has given performance guarantees to third parties totaling EUR 2,253 thousand (EUR 2,087 thousand as of 31 December 2013) and has received guarantees totaling EUR 150 thousand (EUR 150 thousand as of 31 December 2013).

44. Contingent liabilities

Fiscal disputes

The Group's fiscal disputes refer to the following companies:

Aeffe S.p.A.: the Rimini Provincial Tax Commission with ruling no. 101/2/06 filed on 16 December 2006 cancelled notices of assessment 81203T100562 (RG no. 43/05) and 81203T100570 (RG no. 69/05) issued by the Rimini Tax Authorities in November 2004. The issues raised related to the 1999 and 2000 tax years concern costs deemed not allowable and the write-down of the investment in Moschino. The Rimini tax office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners. The Company presented its counter analysis within the legally-prescribed time period. The Bologna Regional Tax Commission, as set during the hearing of 27 September 2010, has rejected the appeal, confirming the first level ruling.

On 12 January 2012, the State Legal Bar disputed the validity of the judgment of the Bologna regional tax commission, by bringing an appeal before the Court of Cassation. The company, presented its counter-submission within the time limit established by the law.

The positive outcome at the first two levels of judgment means that the further development of this dispute can be considered in a positive light.

The Rimini Provincial Tax Commission with ruling no. 37/02/08 of 28 January 2008, filed on 9 April 2008, cancelled notices of assessment no. 81203T300390/06 and no. 81203T300393/06 issued by the Rimini Tax Authorities in June 2006. The assessments concern tax years 2001 and 2002, and are connected with non-recognition of utilisation of the tax loss achieved during tax period 2000. The Rimini Tax Office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners with notification sent to the company on 29 May 2009. The appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. The Bologna Regional Tax Commission ordered on 14 April 2011 the suspension of this judgment pending resolution of the dispute ruling related to the notice of assessment 81203T100570/20042 (tax year 2000) with sentence become final.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totaling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies. On 30 August 2010, the Major Taxpayers Office of the Emilia Romagna Regional Tax Department notified assessments TGB03B500172/2010 (IRAP), TGB08B500181/2010 (theoretical IRES) and TGB09B500185/2010 (actual IRES), containing the matters indicated above. The company challenged these assessments before the Bologna Provincial Tax Commissioners ahead of the legal deadline, trusting that the valid defensive reasoning will be accepted. On 13 July 2011, with tax return n. 137 2011 00031537 15 the company has been ordered to pay the amount registered in the roll by the Tax Office, provisionally awaiting trial, equal to half of the taxes in dispute, besides interests, for a total amount of EUR 161 thousand. This tax dispute has been disputed in December 2012 before the Bologna Provincial Tax Commission, who, with sentence no. 40/13/13, filed on 14 March 2013, has accepted the request of the company, annulling the contested measures with reference to the matter relating to intra-group costs for advertising contributions and confirming the contested measures related to the reliefs for costs to be incurred and intra-group costs for lease payments. The Office, with act of appeal notified to the company on 28 October 2013, appealed against the sentence of the Bologna Provincial Tax Commission requesting the reform in relation to the matter relating to intra-group costs for advertising contributions. The Company, on 23 December 2013, filed a timely notice of cross-appeal counterclaims and contextual interlocutory appeal.

On 30 May 2014, following a general tax audit for IRES, IRAP and VAT for the tax years 2009, 2010 and 2011, by the Emilia Romagna Regional Management, Large Taxpayers Office, was issued a formal notice of assessment, with which the Tax Office has formulated remarks with recoveries of total taxes (IRES and IRAP) of EUR 210 thousand for 2009, EUR 350 thousand for 2010 and EUR 299 thousand for 2011. The complaints mainly concern the recovery of costs for commissions and advertising contributions granted to certain foreign subsidiaries and the failure to account for interest income on loans to foreign subsidiaries.

The company, on 29 July 2014, submitted comments pursuant to Article 12, paragraph 7, of Law 212 of 2000.

On 3 December 2014 the Large Taxpayers Office of Emilia Romagna Regional Management has notified, for 2009, the assessment notices n. TGB0EC700238/2014 (IRES) and n. TGB03C700239/2014 (IRAP), with a total recovery of taxes of EUR 210 thousand.

It is currently ongoing the voluntary tax assessment proceeding.

About it is noted that regarding the deductibility of advertising contributions to foreign subsidiaries (which constitute the bulk of disputes) the company has already received feedback from the Provincial Tax Commission of Bologna that, with judgment 40/13/13 filed on 14th March 2013 on the litigation referred to in paragraph above, has already rejected this type of dispute.

Pollini Retail S.r.l.: the case regarding the dispute in connection with non-recognition of VAT credit which arose in 2001, equal to approximately EUR 505 thousand, was discussed before the Regional Tax Commission of Bologna on 12 December 2008; on 12 February 2009 the injunction of the regional tax commission of Bologna ordering the Rimini office to provide the information necessary for assessing the amount due of VAT credit accrued by the company during FY 2001 was filed; with sentence no. 106/01/09, filed on 19 November 2009, the Regional Tax Commission of Bologna upheld the first level sentence. The company has appealed against said sentence with recourse to the Court of Cassation and is waiting for the hearing to be set.

The tax dispute introduced with the appeal against the silent refusal of the Rimini Office to the application presented by the company, aimed at recognising the 2001 VAT credit that was the subject matter of the case specified in the foregoing paragraph, was discussed on 26 February 2010 before the Rimini Provincial Tax Commissioners that, in its judgment filed on 5 September 2011, rejected the company's appeal. In response to this judgment, the company has timely appealed before the Bologna regional tax commission and is waiting for the hearing to be set.

Pollini S.p.A.: in connection with the tax dispute regarding recovery of VAT for FY 2002 due to non-invoicing of taxable transactions concerning the company (also in its capacity of merging company of the former Pollini Industriale S.r.l.), please be reminded that:

- in 2008 the Cesena Tax Office appealed against the order handed down by the Forlì Provincial Tax Commissioners, which fully upheld the company's appeal, and the appellee company appeared before the Regional Tax Commission of Bologna within the prescribed time;
- in January 2009 the company appealed against the order of the Forlì Provincial Tax Commissioners, which had rejected the defence's arguments on that specific point.

The cases, together, were discussed on 25 January 2010 by the Regional Tax Commission of Bologna. With sentences no. 27/13/10 and no. 23/13/10, filed on 17 February 2010, it confirmed the legitimacy of the notices of assessment issued to the company.

Because the Office has served the ruling n. 23/13/10 on 23 September 2010, on 22 November 2010 it has been presented recourse to the Court of Cassation. The company is waiting for the hearing to be set.

No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the companies and its professional advisors are fully sustainable.

The directors, in receipt of the opinion of their fiscal and legal consultants, do not deem it likely that any liabilities will derive from the above-mentioned.

45. Information requested by art. 149-duodecies of the "Regolamento Emittenti" issued by Consob

The following table, prepared in accordance with art. 149-duodecies of the "Regolamento Emittenti" issued by Consob, reports the amount of fees charged in 2014 for the audit and audit related services provided by the Audit Firm.

(Values in thousand of EUR)	Service provider	2014 fees
Audit	MAZARS	202
Audit	WARD DIVECHA	15
Audit	ARI AUDIT	2
Total		**219**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I	Consolidated Assets Balance Sheet with related parties.
ATTACHMENT II	Consolidated Liabilities Balance Sheet with related parties.
ATTACHMENT III	Consolidated Income Statement with related parties.
ATTACHMENT IV	Consolidated Cash Flow Statement with related parties.
ATTACHMENT V	Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities.
ATTACHMENT VI	Stock options granted to directors, statutory, general managers and executives with strategic responsibilities.
ATTACHMENT VII	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2013.

ATTACHMENT I

Consolidated Assets Balance Sheet with related parties

Pursuant to Consob Resolution n. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2014	of which Related parties	31 December 2013	of which Related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		34,916,804		36,273,469	
Trademarks		92,455,759		95,949,341	
Other intangible fixed assets		554,197		565,452	
Total intangible fixed assets	(1)	127,926,760		132,788,262	
Tangible fixed assets					
Lands		16,828,413	727,000	16,176,219	
Buildings		23,688,050		24,163,170	
Leasehold improvements		16,177,831		16,025,208	
Plant and machinary		2,953,095		3,647,099	
Equipment		308,741		339,479	
Other tangible fixed assets		3,814,460		4,203,616	
Total tangible fixed assets	(2)	63,770,590		64,554,791	
Other fixed assets					
Equity investments	(3)	80,268		30,252	
Long term financial receivables	(4)	1,718,063	1,718,063	1,574,143	1,574,143
Other fixed assets	(5)	4,701,444		4,793,840	
Deferred tax assets	(6)	13,368,052		13,156,227	
Total other fixed assets		19,867,827		19,554,462	
TOTAL NON-CURRENT ASSETS		**211,565,177**		**216,897,515**	
CURRENT ASSETS					
Stocks and inventories	(7)	83,867,256		74,085,293	
Trade receivables	(8)	36,884,748	986,072	35,796,691	926,412
Tax receivables	(9)	8,531,445		7,159,456	
Cash	(10)	6,691,668		7,524,153	
Short term financial receivables	(11)	1,000,000	1,000,000	1,000,000	1,000,000
Other receivables	(12)	24,881,205	412,408	23,311,361	386,000
TOTAL CURRENT ASSETS		**161,856,322**		**148,876,954**	
Assets available for sale	(13)	436,885		516,885	
TOTAL ASSETS		**373,858,384**		**366,291,354**	

ATTACHMENT II

Consolidated Liabilities Balance Sheet with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	31 December 2014	of which Related parties	31 December 2013	of which Related parties
SHAREHOLDERS' EQUITY	**(14)**				
Group interest					
Share capital		25,371,407		25,371,407	
Other reserves		115,285,814		118,800,400	
Profits / (losses) carried-forward		(13,341,832)		(14,199,499)	
Net profit / (loss) for the Group		2,741,670		(3,197,728)	
Group interest in shareholders' equity		130,057,059		126,774,580	
Minority interest					
Minority interests in share capital and reserves		16,650,473		15,417,856	
Net profit / (loss) for the minority interests		1,264,249		1,226,460	
Minority interests in shareholders' equity		17,914,722		16,644,316	
TOTAL SHAREHOLDERS' EQUITY		**147,971,781**		**143,418,896**	
NON-CURRENT LIABILITIES					
Provisions	(15)	2,047,384		1,166,839	
Deferred tax liabilities	(6)	36,828,733		37,173,257	
Post employment benefits	(16)	7,457,710		7,535,522	
Long term financial liabilities	(17)	12,752,273		15,559,284	
Long term not financial liabilities	(18)	14,080,132		14,045,132	
TOTAL NON-CURRENT LIABILITIES		**73,166,232**		**75,480,034**	
CURRENT LIABILITIES					
Trade payables	(19)	55,052,139	1,102,806	45,448,082	508,209
Tax payables	(20)	3,124,892		4,045,012	
Short term financial liabilities	(21)	80,224,019		83,139,907	
Other liabilities	(22)	14,319,321		14,430,223	
TOTAL CURRENT LIABILITIES		**152,720,371**		**147,063,224**	
Liabilities available for sale		-		329,200	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**373,858,384**		**366,291,354**	

ATTACHMENT III

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	Full Year 2014	of which Related parties	Full Year 2013	of which Related parties
REVENUES FROM SALES AND SERVICES	**(23)**	**251,537,973**	**494,240**	**251,071,029**	**2,494,278**
Other revenues and income	(24)	4,341,829		7,483,859	
TOTAL REVENUES		**255,879,802**		**258,554,888**	
Changes in inventory		10,835,783		(171,986)	
Costs of raw materials, cons. and goods for resale	(25)	(88,728,702)		(79,028,390)	
Costs of services	(26)	(68,644,632)	(373,780)	(66,937,748)	(371,948)
Costs for use of third parties assets	(27)	(21,245,319)	(3,982,376)	(25,452,578)	(3,699,148)
Labour costs	(28)	(58,563,102)		(63,077,684)	
Other operating expenses	(29)	(3,847,835)		(3,287,898)	
Amortisation, write-downs and provisions	(30)	(13,657,251)		(14,570,887)	
Financial Income / (expenses)	(31)	(5,915,558)	105,294	(6,745,077)	112,266
PROFIT / LOSS BEFORE TAXES		**6,113,186**		**(717,360)**	
Taxes	(32)	(2,107,267)		(1,253,908)	
NET PROFIT / LOSS		**4,005,919**		**(1,971,268)**	
(Profit) / loss attributable to minority shareholders		(1,264,249)		(1,226,460)	
NET PROFIT / LOSS FOR THE GROUP		**2,741,670**		**(3,197,728)**	

ATTACHMENT IV

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	Full Year 2014	of which Related parties	Full Year 2013	of which Related parties
OPENING BALANCE		**7,524**		**5,362**	
Profit before taxes		6,113	(3,968)	(717)	(1,690)
Amortisation / write-downs		13,657		14,571	
Accrual (+)/availment (-) of long term provisions and post employment benefits		507		(1,099)	
Paid income taxes		(3,584)		(3,029)	
Financial income (-) and financial charges (+)		5,916		6,745	
Change in operating assets and liabilities		(5,651)	508	(499)	(142)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**16,958**		**15,972**	
Increase (-)/ decrease (+) in intangible fixed assets		(2,129)		(2,185)	
Increase (-)/ decrease (+) in tangible fixed assets		(4,468)	(727)	(5,044)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		(50)		-	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**(6,647)**		**(7,229)**	
Other variations in reserves and profits carried-forward of shareholders' equity		547		(507)	
Dividends paid		-		-	
Proceeds (+)/ repayments (-) of financial payments		(5,723)		227	
Increase (-)/ decrease (+) in long term financial receivables		(51)	(144)	444	116
Financial income (+) and financial charges (-)		(5,916)		(6,745)	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**(11,143)**		**(6,581)**	
CLOSING BALANCE		**6,692**		**7,524**	

ATTACHMENT V

Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities (art.78 Consob regulation n. 11971/99)

Name	Office held in 2014	Period in office	Expiration *	Compensa-tion for office held ***		Bonuses and other incentives	Other fees	Total
DIRECTORS								
Massimo Ferretti	Chairman	01/01-31/12/2014	2017	608			256	864
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2014	2017	453			110	563
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2014	2017	254		200	142	596
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2014	2017	335	**	200	87	622
Roberto Lugano	Indipendent, non executive Director	01/01-31/12/2014	2017	27			3	30
Pierfrancesco Giustiniani	Indipendent, non executive Director	01/01-31/12/2014	2017	30				30
Marco Salomoni	Indipendent, non executive Director	01/01-31/12/2014	2017	30				30
Sabrina Borocci	Indipendent, non executive Director	16/04-31/12/2014	2017	21				21
STATUTORY AUDITORS								
Pierfrancesco Sportoletti	President of the Board of Statutory Auditors	01/01-31/12/2014	2017	10				10
Romano Del Bianco	Statutory auditor	01/01-16/04/2014	2014	3			6	9
Fernando Ciotti	Statutory auditor	01/01-31/12/2014	2017	10			14	24
Daniela Saitta	Statutory auditor	16/04-31/12/2014	2017	7				7
Total				**1.788**		**400**	**618**	**2.806**
							(1)	**(2)**

(*) year in which the shareholders' meeting is held to approve the financial statements and at which the mandate expires

(**) only executive of which 30 thousand as director's emoluments and the balance as executive of the Parent Company

(***) in compliance with the provisions of art 21 of the Bylaws andart.2389 of the Civil Code, the remuneration paid to executive directors shown in the table have been approved by the Board of Directors of the Issuer on July 28, 2014

(1) includes remuneration for work as employee and on behalf of subsidiary companies and fees for Inspection committee

(2) excludes employer's social security contributions

ATTACHMENT VI

Stock options granted to directors, general managers and executives with strategic responsibilities

Name and Surname	Appointments held in 2014	Options held at 31/12/13			Options granted in 2014			Options exercised in 2014			Expired options	Options held at the end of 2014		
(A)	(B)	N. of options (1)	Average exercise price (2)	Average expiry (3)	N. of options (4)	Average exercise price (5)	Average expiry (6)	N. of options (7)	Average exercise price (8)	Average expiry (9)	N. of options (10)	N. of options (11) = 1+4-7-10	Average exercise price (12)	Average expiry (13)
Massimo Ferretti	Chairman	198,244	4.1	2015								198,244	4.1	2015
Alberta Ferretti	Deputy Chairman and Executive Director	198,244	4.1	2015								198,244	4.1	2015
Simone Badioli	Chif Executive Officer and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Marcello Tassinari	Managing Director and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Other employees of the Group		66,081	4.1	2015								66,081	4.1	2015
Total		**840,177**										**840,177**		

ATTACHMENT VII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2013

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2013	STATUTORY FINANCIAL STATEMENTS 2012
BALANCE SHEET		
ASSETS		
Intangible fixed assets	150.017	126.073
Tangible fixed assets	1.665.110	1.706.455
Equity investments	68.614.657	68.070.374
Non current assets	**70.429.784**	**69.902.902**
Trade receivables	1.309.541	1.260.514
Tax receivables	1.975.239	2.396.418
Cash	41.736	58.790
Other receivables	297.961	408.018
Current assets	**3.624.477**	**4.123.740**
Total assets	**74.054.261**	**74.026.642**
LIABILITIES		
Share capital	100.000	100.000
Share premium reserve	63.720.595	64.635.873
Other reserves	15.038	15.038
Profits / (losses) carried-forward	-	-
Net profit / loss	(92.980)	(915.278)
Shareholders' equity	**63.742.653**	**63.835.633**
Provisions	230.526	230.526
Long term financial liabilities	-	-
Non-current liabilities	**230.526**	**230.526**
Trade payables	10.081.082	9.960.483
Current liabilities	**10.081.082**	**9.960.483**
Total shareholders' equity and liabilities	**74.054.261**	**74.026.642**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	396.867	497.011
Total revenues	**396.867**	**497.011**
Operating expenses	(451.927)	(495.862)
Costs for use of third parties assets	(460.558)	(458.805)
Amortisation and write-downs	(59.766)	(48.491)
Provisions	(19.250)	(281.555)
Financial income / (expenses)	463.449	1.420
Income / (expenses) from affiliates	-	23.101.899
Financial assets adjustments	-	(23.101.899)
Extraordinary income /(expenses)	(1)	2
Profit / (loss) before taxes	**(131.186)**	**(786.280)**
Income taxes	38.206	(128.998)
Net profit / (loss)	**(92.980)**	**(915.278)**

Certification of the Consolidated Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of 14 May 1999, as amended

The undersigned Massimo Ferretti as President of the Board of Directors, and Marcello Tassinari as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure and
- the effective application;

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements at 31 December 2014.

The undersigned moreover attest that the consolidated financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) correspond to the amounts shown in Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

11 March 2015

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Aeffe S.p.A. financial reports

Marcello Tassinari

STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Report on operations

1. ECONOMIC BACKGROUND

Shareholders,

We find it necessary to focus on the main macroeconomic variables in the sphere of which our Group has found itself operating.

INTERNATIONAL MACROECONOMIC SITUATION

Economic activity has accelerated sharply in the United States, with growth exceeding expectations. However, the prospects for the world economy remain uncertain in the short and medium term, owing to persistent weakness in the euro area and Japan, the protraction of the slowdown in China, and the brusque downturn in Russia. The drastic fall in oil prices, due both to expanding supply and weakening demand, may help to sustain growth, but at the same time, it is not without risks for financial stability in the oil exporting countries.

The OECD's November forecasts once again revised world GDP growth for 2015 downwards. Worldwide, cyclical conditions should remain heterogeneous. Growth should continue to be robust in the US, the UK and India and slowly gain strength in Japan, the euro area and Brazil. However, the structural slowdown in China is expected to continue. The forecasting risk is still primarily on the downside, reflecting the persistent structural problems of some emerging economies and uncertainty over the timing and strength of the recovery in the euro area.

Consumption has been growing modestly in Italy since the summer of 2013, mirroring disposable income, which has been sustained by government measures. Its contribution to the growth of the economy has been offset by the decline in investment, which is being held back by abundant idle capacity, pronounced uncertainty over the outlook for demand and the problems of the construction industry. The data available indicate that in the fourth quarter GDP again contracted slightly.

Price dynamics are still weak. In December consumer prices fell by 0.2 per cent in the euro area and 0.1 per cent in Italy, and given declining energy prices the downward trend could continue. The latest survey by the Bank of Italy and Il Sole 24 Ore indicates that firms expect to keep their selling prices substantially unchanged in 2015.

According to the latest surveys, credit conditions for firms have improved, but they remain tighter for small businesses. The average interest rates on new loans have come gradually down but are still about 30 basis points above the euro-area average for both firms and households. Demand factors connected with the weakness of investment, combined with perceptions of high credit risk for some categories of firm, are still impeding credit growth.

We project modest growth of the Italian economy this year and stronger growth in 2016: around 0.4 and 1.2 per cent in the two years in our central scenario. These projections are subject to considerable uncertainty. The crucial factor will be the strength of the upturn in investment, which could be bolstered by a rapid improvement in the demand outlook and financing conditions, notwithstanding substantial spare production capacity. Economic activity would grow more if oil prices stayed at the levels of the last few days.

In addition to benefiting from falling oil prices and the gradual acceleration of world trade, economic activity is expected to be sustained by the expansive stance of monetary policy, reflected among other things in the Inflation is affected by weak demand and falling oil prices Credit conditions are improving gradually The outlook for the next two years depends on the strength of the investment recovery … and on economic policies depreciation of the euro, and by the measures enacted in the Stability Law to reduce the tax wedge. Risks for economic activity could derive from a rekindling of international financial market tensions due to the deterioration of the political situation in Greece and the crisis in Russia, as well as from the cyclical slowdown in the emerging economies. The risk that inflation could remain too low for too long stems from the persistence of ample idle capacity, whose impact on price dynamics appears to have increased in recent years, and the possibility of a further worsening of expectations.

MACROECONOMIC BACKGROUND TO THE CLOTHING SECTOR

The global luxury market is on target to reach 223 billion € in 2014, aided by a 5 percent bump in growth this year (at constant exchange rates, +2 percent at current) – down just slightly from seven percent in 2013 (+3 percent at current exchange rates). Among currency fluctuations, persistent economic weakness in Europe and external forces, demand from Chinese consumers and mature consumers in the U.S. and Japan re-approaching luxury have helped to counter a potentially significant downward momentum. These are top-line findings from Bain & Company in the 13th edition of the "Luxury Goods Worldwide Market Monitor".

Altagamma Consensus 2015, carried out by the Altagamma Foundation with the contribution of the leading international expert analysts, forecasts the trends of the personal luxury goods industry in 2015 converging towards an overall growth rate of around 5%.

With the exception of Japan, China and South America, all markets are now strongly driven by touristic spending – who is buying matters more than where they are buying. Chinese consumers represent the top and fastest growing nationality for luxury, spending abroad more than three times what they spend locally.

In geographical terms, the USA and Japan are the engines of growth while the markets of Asia Pacific have slowed down. There are various different trends within Europe with Italy suffering and Eastern Europe in the middle of a crisis. Chinese consumers remain the leaders of the global market with a share of 29%.

Not to be outdone, personal luxury goods continue to buoy the market. Luxury accessories captured 29 percent of the market and grew by 4 percent in 2014 (at current exchange rates) – more than apparel or hard luxury, the next two largest luxury categories. For the first time since 2007, the growth of high-end shoes surpassed that of leather goods.

According to the Altagamma Consensus 2015 study they expect that all luxury product categories will register positive signs for 2015 with Leather goods, shoes and accessories showing the highest increase rate.

All markets are forecasted to grow steadily in 2015. Rest of the World, Asia and Middle East are the Markets with the highest forecasted growth ratio.

2. TREND OF THE COMPANY MANAGEMENT

INCOME STATEMENT

(Values in units of EUR)	Full year 2014	% on revenues	Full year 2013	% on revenues	Change 2014/13	%
REVENUES FROM SALES AND SERVICES	**123,261,454**	**100.0%**	**114,806,060**	**100.0%**	**8,455,394**	**7.4%**
Other revenues and income	5,452,827	4.4%	5,615,574	4.9%	(162,747)	(2.9%)
TOTAL REVENUES	**128,714,281**	**104.4%**	**120,421,634**	**104.9%**	**8,292,647**	**6.9%**
Changes in inventory	3,892,338	3.2%	1,606,990	1.4%	2,285,348	142.2%
Costs of raw materials, cons. and goods for resale	(47,095,929)	(38.2%)	(38,724,564)	(33.7%)	(8,371,365)	21.6%
Costs of services	(37,877,416)	(30.7%)	(37,778,612)	(32.9%)	(98,804)	0.3%
Costs for use of third parties assets	(14,667,480)	(11.9%)	(12,854,082)	(11.2%)	(1,813,398)	14.1%
Labour costs	(24,541,169)	(19.9%)	(23,939,118)	(20.9%)	(602,051)	2.5%
Other operating expenses	(1,837,865)	(1.5%)	(2,617,796)	(2.3%)	779,931	(29.8%)
Total Operating Costs	(122,127,521)	(99.1%)	(114,307,182)	(99.6%)	(7,820,339)	6.8%
GROSS OPERATING MARGIN (EBITDA)	**6,586,760**	**5.3%**	**6,114,452**	**5.3%**	**472,308**	**7.7%**
Amortisation of intangible fixed assets	(434,430)	(0.4%)	(398,357)	(0.3%)	(36,073)	9.1%
Depreciation of tangible fixed assets	(2,087,083)	(1.7%)	(2,118,519)	(1.8%)	31,436	(1.5%)
Revaluations (write-downs)	(150,000)	(0.1%)	(4,054,856)	(3.5%)	3,904,856	(96.3%)
Total Amortisation and write-downs	(2,671,513)	(2.2%)	(6,571,732)	(5.7%)	3,900,219	(59.3%)
NET OPERATING PROFIT / LOSS (EBIT)	**3,915,247**	**3.2%**	**(457,280)**	**(0.4%)**	**4,372,527**	**(956.2%)**
Financial income	866,694	0.7%	1,299,099	1.1%	(432,405)	(33.3%)
Financial expenses	(4,559,695)	(3.7%)	(6,020,933)	(5.2%)	1,461,238	(24.3%)
Total Financial Income / (expenses)	(3,693,001)	(3.0%)	(4,721,834)	(4.1%)	1,028,833	(21.8%)
PROFIT / LOSS BEFORE TAXES	**222,246**	**0.2%**	**(5,179,114)**	**(4.5%)**	**5,401,360**	**(104.3%)**
Current income taxes	(881,519)	(0.7%)	(557,613)	(0.5%)	(323,906)	58.1%
Deferred income / (expenses) taxes	694,011	0.6%	452,314	0.4%	241,697	53.4%
Total Income Taxes	(187,508)	(0.2%)	(105,299)	(0.1%)	(82,209)	78.1%
NET PROFIT / LOSS	**34,738**	**0.0%**	**(5,284,413)**	**(4.6%)**	**5,319,151**	**(100.7%)**

Revenues from sales and services

In 2014 revenues amount to EUR 123,261 thousand compared to EUR 114,806 thousand of the year 2013, showing an increase of 7.4%. Such increase has mainly interested the brands Alberta Ferretti, Moschino and Cèdric Charlier.

33% of revenues are earned in Italy while 67% come from foreign markets.

Labour costs

Labour costs increase from EUR 23,939 thousand in 2013 to EUR 24,541 thousand in 2014.

Gross Operating Margin (EBITDA)

EBITDA increased in absolute terms of EUR 472 thousand, moving from 6,114 thousand in 2013 to 6,586 thousand in 2014, remaining unchanged in percentage terms to 5.3% compared to the previous year.

Net operating profit (EBIT)

Net operating profit increases of 4,372 thousand, moving from -457 thousand in 2013 to 3,915 thousand in 2014.

The increase has been mainly determined by lower write-downs recorded in 2014 compared to 2013 when was made the write-downs of the investment and receivables toward the subsidiary Aeffe Japan Inc..

Profit / loss before taxes

Result before taxes increases from EUR -5,179 thousand in 2013 to EUR 222 thousand in 2014, showing a growth of EUR 5,401 thousand.

Such result is mainly due to lower financial expenses and lower write-downs as described above.

Net profit / loss

Net result increases from EUR -5,284 thousand in 2013 to EUR 35 thousand in 2014, improving for EUR 5,319 thousand.

Such result is mainly due to lower financial expenses and lower write-downs as described above.

BALANCE SHEET

(Values in units of EUR)	31 December 2014	31 December 2013	Change 2014/2013	%
Trade receivables	57,742,693	59,405,859	(1,663,166)	(2.8%)
Stock and inventories	28,143,686	24,865,452	3,278,234	13.2%
Trade payables	(73,066,753)	(62,020,810)	(11,045,943)	17.8%
Operating net working capital	**12,819,626**	**22,250,501**	**(9,430,875)**	**(42.4%)**
Other short term receivables	13,419,182	12,533,986	885,196	7.1%
Tax receivables	6,187,591	4,553,135	1,634,456	35.9%
Other short term liabilities	(5,480,011)	(5,247,806)	(232,205)	4.4%
Tax payables	(1,232,621)	(1,230,899)	(1,722)	0.1%
Net working capital	**25,713,767**	**32,858,917**	**(7,145,150)**	**(21.7%)**
Tangible fixed assets	43,850,295	44,629,877	(779,582)	(1.7%)
Intangible fixed assets	4,046,346	4,172,442	(126,096)	(3.0%)
Equity investments	105,098,457	103,018,424	2,080,033	2.0%
Other fixed assets	41,649,516	41,779,863	(130,347)	(0.3%)
Fixed assets	**194,644,614**	**193,600,606**	**1,044,008**	**0.5%**
Post employment benefits	(4,696,709)	(4,421,815)	(274,894)	6.2%
Provisions	(366,878)	(357,728)	(9,150)	2.6%
Long term not financial liabilities	(2,452,441)	(4,812,128)	2,359,687	(49.0%)
Deferred tax assets	2,195,179	3,791,991	(1,596,812)	(42.1%)
Deferred tax liabilities	(7,680,195)	(8,033,749)	353,554	(4.4%)
NET CAPITAL INVESTED	**207,357,337**	**212,626,094**	**(5,268,757)**	**(2.5%)**
Share capital	25,371,407	25,371,407	-	0.0%
Other reserves	105,868,341	111,413,258	(5,544,917)	(5.0%)
Profits/(Losses) carried-forward	2,174,878	2,174,878	-	0.0%
Profits/(Loss) for the period	34,738	(5,284,413)	5,319,151	(100.7%)
Shareholders' equity	**133,449,364**	**133,675,130**	**(225,766)**	**(0.2%)**
Cash	(578,803)	(309,572)	(269,231)	87.0%
Long term financial liabilities	12,679,940	15,488,129	(2,808,189)	(18.1%)
Short term financial liabilities	61,806,836	63,772,407	(1,965,571)	(3.1%)
NET FINANCIAL POSITION	**73,907,973**	**78,950,964**	**(5,042,991)**	**(6.4%)**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**207,357,337**	**212,626,094**	**(5,268,757)**	**(2.5%)**

NET CAPITAL INVESTED

Net capital invested decreases by 2.5% since 31 December 2013.

Net working capital

Net working capital amounts to EUR 25,713 thousand at 31 December 2014 compared with EUR 32,858 thousand at 31 December 2013.

Changes in the main items included in the net working capital are described below:

- the sum of trade receivables, inventories and trade payables decreases in all by 42.4% (EUR 9,430 thousand). Such change is mainly related to the increase of receivables and payables that has more than compensated the increase in inventories. Both changes follows the revenues increase occurred in 2014. The value of commercial receivables decreases as a result of a more and more careful treasury management;

- the sum of other short term receivables and payables increases in all of EUR 652 thousand compared with the previous year for higher credits for prepaid costs;
- the sum of tax receivables and tax payables increase in all of EUR 1,632 thousand. Such increase is mainly due to the increase of VAT receivables.

Fixed assets

Fixed assets increase by EUR 1,044 thousand since 31 December 2013. The changes in the main items are described below:

- tangible fixed assets decrease of EUR 779 thousand as a consequence of:
  - depreciations for EUR 2,087 thousand;
  - disposals for EUR 6 thousand;
  - investments for EUR 1,314 thousand for lands, setting up new corners and shop in shops, information tools and general and specific plant and machinery.
- intangible fixed assets decrease of EUR 126 thousand as a consequence of:
  - investments for EUR 308 thousand in software;
  - amortisations for EUR 434 thousand;
- equity investments increase of EUR 2,080 thousand due to capital contributions payments and waive receivable towards our subsidiaries Aeffe Retail S.p.A. Velmar S.p.A..

NET FINANCIAL POSITION

The Company's net financial position moves from EUR 78,950 thousand as of 31 December 2013 to EUR 73,907 thousand as of 31 December 2014. The decrease is mainly due to the increase of the operating net working capital.

SHAREHOLDERS' EQUITY

Total shareholders' equity decreases by EUR 225 thousand. The reason of this decrease are widely illustrated in the Explanatory notes.

3. RESEARCH & DEVELOPMENT

Considering the particular nature of our products, research & development activities consist in the continual technical/stylistic renewal of our models and the constant improvement of the materials employed in production.

These costs, totalling EUR 16,773 thousand, have been charged to the 2014 Income Statement.

4. INFORMATION PURSUANT TO POINT 6-BIS OF ART. 2428.3 OF THE ITALIAN CIVIL CODE

Pursuant to point 6-bis of art. 2428.3 of the Italian Civil Code, it is confirmed that the Company does not use financial instruments.

Financing requirements and the related risks are managed by the central treasury.

The principal objective is to ensure that the composition of liabilities and assets remains balanced, so that a high degree of financial strength is maintained.

The average cost of borrowing is essentially linked to 3/6-month EURIBOR plus a spread that principally depends on the type of financial instrument used.

The exchange risk associated with commercial transactions not denominated in the functional currency is hedged by the opening of loans in foreign currency.

Regarding the Company’s objectives and policies on financial risks refer to the information reported in the Notes.

5. INFORMATION ABOUT SHARE CAPITAL

Information about the share capital is provided in the Report on Corporate Governance prepared pursuant to arts. 124 bis of the Consolidated Finance Law and 89 bis of the Consob's Issuers' Regulations, and art. IA2.6 of the related Market Instructions. This report was approved by the Board of Directors on 11 March 2015 and is available in the Governance section of the Company's website: www.aeffe.com.

The following parties hold each more than 2% of the Company's shares as of 31 December 2014:

Main shareholders	%
Fratelli Ferretti Holding S.r.l.	37.387%
I.M. Fashion S.r.l.	24.410%
Tullio Badioli	5.000%
Psquared Master Sicav Ltd	2.936%
Highclere International Investors Llp	2.060%
Other shareholders(*)	28.207%

(*) 5.5% of own shares held by Aeffe S.p.A.

6. TREASURY SHARES

As of 31 December 2014, the Company holds 5,876,878 treasury shares, par value EUR 0.25 each, totalling 5.5% of its share capital. During the year no transactions on treasury shares have been carried out by the Company.

As of 31 December 2014 the Company does not hold shares of any controlling company either directly or indirectly.

7. INTEREST HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(art. 79 of Consob Regulation n. 11971/99)

Name and Surname	N. of shares held at 31/12/13	N. of shares bought in 2014	Change in n, of shares held by incoming/(outgoing) membersN. of shares	N. of shares held at 31/12/14
Alberta Ferretti	40,000	-	-	40,000
Massimo Ferretti	63,000	-	-	63,000
Simone Badioli	26,565	-	-	26,565

8. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intragroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Notes 37 and 38 of the Financial Statements at 31 December 2013.

9. INFORMATION RELATIVE TO PERSONNEL AND THE ENVIRONMENT

With regard to the activities performed by our Company, that do not involve particular levels of risk for the employees, we have no serious accidents to report, or the emergence of any pathologies linked to professional diseases. Our Company has not been charged with any actions of mobbing.

As regards the environment, once again, the business of our Company does not have any particular impact on the environment, other than energy consumption, significantly reduced thanks to the installation of a renewable energy system (photovoltaic), and in opposition a further contraction in CO_2 emission. We can therefore report that, during the year, the Company was not declared guilty of causing any damage to the environment, and did not receive any sanctions or penalties for environmental crimes or damage.

10. SIGNIFICANT EVENTS OF THE PERIOD

No significant events regarding the Company’s activities have to be reported during 2014.

11. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date no significant events regarding the Company’s activities have to be reported.

12. OUTLOOK

2014 was a crucial year for the Group, which has pursued a strategy conceived to enhance the portfolio’s brands. Choices implemented in the renewal of the stylistic offering, in organization and management efficiency have already given good results, which will be fully operative in the coming years. In particular, the return to profit of the Group is definitely a confirmation and a further motivation to look to the future with optimism. We believe that the Group's brands have a significant potential of development, both in mature and in emerging markets, including through the growth in the accessories segment.

13. PROPOSALS TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE THE RESULT FOR THE YEAR 2014

Shareholders,
In presenting the financial statements as of 31 December 2014 for your approval, we propose to allocate the profit of the year of EUR 34.738 as follows:

- legal reserve EUR 1,737
- extraordinary reserve EUR 33,001

11 March 2015

For the Board of Directors
Chairman Massimo Ferretti

Financial Statements

BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	31 December 2014	31 December 2013	Change 2014/13
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademarks		3,525,957	3,651,718	(125,761)
Other intangible fixed assets		520,389	520,724	(335)
Total intangible fixed assets	(1)	4,046,346	4,172,442	(126,096)
Tangible fixed assets				
Lands		16,534,871	15,803,400	731,471
Buildings		23,009,314	23,478,235	(468,921)
Leasehold improvements		1,807,852	2,089,390	(281,538)
Plant and machinary		1,981,839	2,670,753	(688,914)
Equipment		24,593	20,574	4,019
Other tangible fixed assets		491,826	567,525	(75,699)
Total tangible fixed assets	(2)	43,850,295	44,629,877	(779,582)
Other fixed assets				
Equity investments	(3)	105,098,457	103,018,424	2,080,033
Other fixed assets	(4)	41,649,516	41,779,863	(130,347)
Deferred tax assets	(5)	2,195,179	3,791,991	(1,596,812)
Total other fixed assets		148,943,152	148,590,278	352,874
TOTAL NON-CURRENT ASSETS		**196,839,793**	**197,392,597**	**(552,804)**
CURRENT ASSETS				
Stocks and inventories	(6)	28,143,686	24,865,452	3,278,234
Trade receivables	(7)	57,742,693	59,405,859	(1,663,166)
Tax receivables	(8)	6,187,591	4,553,135	1,634,456
Cash	(9)	578,803	309,572	269,231
Other receivables	(10)	13,419,182	12,533,986	885,196
TOTAL CURRENT ASSETS		**106,071,955**	**101,668,004**	**4,403,951**
TOTAL ASSETS		**302,911,748**	**299,060,601**	**3,851,147**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment IV and described in Notes 37 and 38.

BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	31 December 2014	31 December 2013	Change 2014/13
SHAREHOLDERS' EQUITY				
Share capital		25,371,407	25,371,407	-
Share premium reserve		71,240,251	71,240,251	-
Other reserves		26,480,892	31,765,305	(5,284,413)
Fair Value reserve		7,742,006	7,742,006	-
IAS reserve		405,192	665,696	(260,504)
Profits / (Losses) carried-forward		2,174,878	2,174,878	-
Net profit / loss		34,738	(5,284,413)	5,319,151
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**133,449,364**	**133,675,130**	**(225,766)**
NON-CURRENT LIABILITIES				
Provisions	(12)	366,878	357,728	9,150
Deferred tax liabilities	(5)	7,680,195	8,033,749	(353,554)
Post employment benefits	(13)	4,696,709	4,421,815	274,894
Long term financial liabilities	(14)	12,679,940	15,488,129	(2,808,189)
Long term not financial liabilities	(15)	2,452,441	4,812,128	(2,359,687)
TOTAL NON-CURRENT LIABILITIES		**27,876,163**	**33,113,549**	**(5,237,386)**
CURRENT LIABILITIES				
Trade payables	(16)	73,066,753	62,020,810	11,045,943
Tax payables	(17)	1,232,621	1,230,899	1,722
Short term financial liabilities	(18)	61,806,836	63,772,407	(1,965,571)
Other liabilities	(19)	5,480,011	5,247,806	232,205
TOTAL CURRENT LIABILITIES		**141,586,221**	**132,271,922**	**9,314,299**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,911,748**	**299,060,601**	**3,851,147**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the balance sheet of Aeffe S.p.A. are shown in Attachment V and described in Note 37 and 38.

INCOME STATEMENT (*)

(Values in units of EUR)	Notes	Full year 2014	Full year 2013
REVENUES FROM SALES AND SERVICES	**(20)**	**123,261,454**	**114,806,060**
Other revenues and income	(21)	5,452,827	5,615,574
TOTAL REVENUES		**128,714,281**	**120,421,634**
Changes in inventory		3,892,338	1,606,990
Costs of raw materials, cons. and goods for resale	(22)	(47,095,929)	(38,724,564)
Costs of services	(23)	(37,877,416)	(37,778,612)
Costs for use of third parties assets	(24)	(14,667,480)	(12,854,082)
Labour costs	(25)	(24,541,169)	(23,939,118)
Other operating expenses	(26)	(1,837,865)	(2,617,796)
Amortisation and write-downs	(27)	(2,671,513)	(6,571,732)
Financial Income / (expenses)	(28)	(3,693,001)	(4,721,834)
PROFIT / LOSS BEFORE TAXES		**222,246**	**(5,179,114)**
Income Taxes	(29)	(187,508)	(105,299)
NET PROFIT / LOSS		**34,738**	**(5,284,413)**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the income statement of Aeffe S.p.A. are shown in the income statement presented in Attachment VI and described in Notes 37 and 38.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	Notes	Full Year 2014	Full Year 2013
Profit/(loss) for the period (A)		**34,738**	**(5,284,413)**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans		(260,505)	111,670
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)		**(260,505)**	**111,670**
Other comprehensive income that will be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges			
Gains/(losses) on exchange differences on translating foreign operations			
Income tax relating to components of Other Comprehensive income / (loss)		-	-
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)		**-**	**-**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)		**(260,505)**	**111,670**
Total Comprehensive income / (loss) (A) + (B)		**(225,767)**	**(5,172,743)**

CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	Full Year 2014	Full Year 2013
OPENING BALANCE		**309**	**40**
Profit before taxes		222	(5.179)
Amortisation		2.672	5.462
Accrual (+)/availment (-) of long term provisions and post employment benefits		284	(847)
Paid income taxes		(880)	(693)
Financial income (-) and financial charges (+)		3.693	4.722
Change in operating assets and liabilities		6.571	(2.382)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**12.561**	**1.084**
Increase (-)/ decrease (+) in intangible fixed assets		(308)	(437)
Increase (-)/ decrease (+) in tangible fixed assets		(1.308)	(357)
Investments (-)/ Disinvestments (+)		(2.080)	2.042
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**(3.696)**	**1.248**
Other variations in reserves and profits carried-forward of shareholders' equity		(261)	112
Dividends paid		-	-
Proceeds (+)/repayments (-) of financial payments		(4.774)	2.471
Increase (-)/ decrease (+) in long term financial receivables		130	77
Financial income (+) and financial charges (-)		(3.693)	(4.722)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**(8.596)**	**(2.063)**
CLOSING BALANCE		**578**	**309**

(*) Pursuant to Consob Resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the cash flows of Aeffe S.p.A. are shown in the cash flow statement presented in Attachment VII and described in Notes 37 and 38.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Reamisurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 1 January 2013	**25,371**	**71,240**	**30,606**	**7,742**	**1,086**	**(532)**	**2,175**	**1,160**	**138,848**
Allocation of 2012 profit			1,160					(1,160)	-
Total comprehensive income/(loss) of 2013						111			111
Profit/(loss) of 2013								(5,284)	(5,284)
BALANCES AT 31 December 2013	**25,371**	**71,240**	**31,766**	**7,742**	**1,086**	**(421)**	**2,175**	**(5,284)**	**133,675**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Reamisurement of defined benefit plans reserve	Profits / (Losses) carried-forward	Net profit / loss	Total shareholders' equity
BALANCES AT 1 January 2014	**25,371**	**71,240**	**31,766**	**7,742**	**1,086**	**(421)**	**2,175**	**(5,284)**	**133,675**
Cover of 2013 loss			(5,284)					5,284	-
Total comprehensive income/(loss) of 2014						(261)			(261)
Profit/(loss) of 2014								35	35
BALANCES AT 31 December 2014	**25,371**	**71,240**	**26,482**	**7,742**	**1,086**	**(682)**	**2,175**	**35**	**133,449**

Report of the Board of Statutory Auditors to the shareholders' meeting of AEFFE S.p.A. on the 2014 financial statements, issued pursuant to article 153 of Italian Legislative Decree 58/98 and art. 2429, paragraph 3 of the Italian Civil Code.

Shareholders,

During the year to 31st December 2014, the Board of Statutory Auditors of AEFFE S.p.A. (**the "Company"**) performed the monitoring activities required by law, taking account of the principles of conduct for the Boards of Statutory Auditors of companies listed on regulated markets recommended by the Italian Accounting Profession, as well as CONSOB's communications regarding company audit work performed by Boards of Statutory Auditors.

* * *

The current Board of Statutory Auditors was appointed at the shareholders' meeting held on 16th April 2014 which, with the appointment of Daniela SAITTA, complied with the regulations contained in Law No. 120 dated 12th July 2011 (Official Gazette No. 174 dated 28th July 2011) on equal gender access to the boards of directors and control bodies of companies listed in regulated markets, which amended the consolidated finance law (TUF or Decree No. 58 dated 24th February 1998) and came into force on 12th August 2011, as well as with CONSOB Decision No. 18098 dated 8th February 2012, which added "Chapter I-bis Gender balance in the composition of boards of directors and control bodies" and, consequently, art. 144-undecies (gender balance) to Issuers' Regulation No. 11971/99.

The mandate of the Board of Statutory Auditors will expire at the shareholders' meeting held to approve the Company's financial statements at 31st December 2016.

It is confirmed that the members of the Board of Statutory Auditors have complied with the limit on the number of appointments specified in art. 23.2 of the Company's articles of association, art. 144-terdecies of Decree No. 58/98 and the Issuers' Regulation, as modified by CONSOB Decision No. 18671 dated 8th December 2013, and made the required disclosures during the year.

The shareholders' meeting held on 26th March 2007 appointed MAZARS S.p.A. to perform the legal audit of the accounts pursuant to Decree No. 58/1998 "Consolidated Finance Law" and Decree No. 39/2010. Reference is made to the reports issued by that auditing firm. The mandate of the auditing firm has a duration of 9 years (2007 - 2015), as envisaged by current regulations.

This report was prepared in conformity with the current regulations applying to Listed Companies, in compliance with CONSOB Communication No. DEM/1025564 dated 6th April 2001, given that the shares of AEFFE S.p.A. are traded in the STAR segment of the market managed by Borsa Italiana.

The accounting policies adopted for the preparation of the 2014 financial statements reflect the established international standards (I.A.S./I.F.R.S.), pursuant to art. 2 of Decree No. 38/2005.

* * *

With regard to the performance of the supervisory activities required of the Board of Statutory Auditors, we confirm that, among other work, we:

- ✓ attended the shareholders' meetings and the meetings of the Board of Directors held during the year, obtaining from the Directors - in compliance with art. 150, para. 1, of Decree No. 58 dated 24th February 1998 and art. 19.2 of the articles of association - timely and appropriate information about the general results of operations and the outlook for the future, as well as about the principal transactions, having regard for their nature and size, carried out by the Company and its subsidiaries:

- ✓ obtained the information needed to perform our work regarding compliance with the law and the articles of association, compliance with the principles of proper administration and the adequacy of the Company's organizational structure, by direct investigation, by gathering information from the managers of the functions concerned, by periodic exchanges of information both with the firm appointed to perform the annual legal audit of the separate and consolidated financial statements, and with the Supervisory Body, and by attending the meetings of the Audit Committee;
- ✓ checked the functioning and effectiveness of the systems of internal control, holding regular meetings with the internal audit manager and focusing attention on the adequacy of the administrative and accounting system with regard, in particular, to the reliability with which it presents the results of operations;
- ✓ performed the functions attributed to the Board of Statutory Auditors by art. 19 of Decree No. 39/2010. In this context, we: *i)* noted the information provided to us regarding the quarterly checks on the proper keeping of the accounting records carried out by the firm appointed to perform the legal audit of the accounts; *ii)* received from that auditing firm the Report envisaged in arts. 14 and 16 of Decree No. 39/2010; *iii) received from that auditing firm the "Annual confirmation of independence*" required pursuant to art. 17, para. 9.a) of Decree No. 39/2010; *vi)* analyzed, again pursuant to art. 17, para. 9.a) of Decree No. 39/2010, the risks relating to the independence of the firm appointed to perform the legal audit of the accounts and the measures adopted by such firm to limit these risks, examining in this regard the transparency report issued on 31st August 2014 and published on the institutional website;
- ✓ monitored the functioning of the system of control over Group companies and the adequacy of the instructions given to them, not least pursuant to art. 114, para. 2, of Decree No. 58/1998;
- ✓ noted the preparation of the Compensation Report pursuant to art. 123-ter of Decree No. 58 dated 24th February 1998 and art. 84-quater of CONSOB Regulation no. 11971/1999 ("Issuers' Regulation"), without having any particular observations to make;
- ✓ checked the consistency of the amendments made to the articles of association with the requirements of the law and current regulations, including Law No. 120 dated 12th July 2011 that, as stated in the introduction, added arts. 147-ter and 148 to Decree No. 58 dated 24th February 1998 on gender balance on the boards of directors and control bodies of listed companies;
- ✓ monitored the effective implementation of the corporate governance rules envisaged in the Code of Self-Regulation for listed companies issued by Borsa Italiana SpA, which has adopted Council Recommendation (EU) No. 208/2014, as well as CONSOB Communication No. DCG/DSR/0051400 dated 19th June 2014;
- ✓ monitored compliance by the internal procedure regarding transactions with related parties with the principles indicated in the Regulation approved by CONSOB in decision no. 17221 dated 12th March 2010 and subsequent amendments, as well as compliance with such procedure pursuant to art. 4, para. 6, of the Regulation; for this purpose, it is noted that that the Company has prepared and adopted a procedure governing related-party transactions since 10th November 2010;

- ✓ checked compliance with the laws and regulations concerning the format and preparation of the Company's separate and consolidated financial statements, as well as the related accompanying documentation.

  The separate and consolidated financial statements are accompanied by the required attestations of conformity signed by the Executive Director who is also the executive responsible for preparing the Company's accounting documentation;

- ✓ checked that the Report on operations during 2014 prepared by the Directors complies with the law and current regulations, and is consistent with the resolutions adopted by the Board of Directors and the facts reported in the separate and consolidated financial statements of the Company. The Board of Statutory Auditors had no observations to make in relation to the consolidated half-year Report; both the quarterly Reports and the half-year Report were published in accordance with the law and current regulations.

* * *

The specific information to be presented in this Report, pursuant to the Consob Communication No. DEM/1025564 dated 6th April 2001 and subsequent amendments, is provided below.

1. Based on the information received and the analysis performed by the Board of Statutory Auditors, the Board of Directors did not examine and approve any economic, financial or equity transactions of particular significance carried out by the Company or subsidiaries; reference is made to the Report on Operations prepared by the Directors for matters unrelated to the general economic, financial and equity context in which the Company operates.

2. The characteristics of the intercompany and related-party transactions carried out during 2014, the parties involved and the related economic effects are appropriately described in the section on "Intercompany and related-party transactions" contained in the 2014 consolidated financial statements, to which reference is made.

   The routine intercompany and related-party transactions carried out were mostly commercial transactions arranged on market terms, in compliance with the transfer pricing rules;

   In general, the related-party transactions examined by the Board of Statutory Auditors were deemed to be reasonable and in the interests of the Company.

   Pursuant to art. 4, para. 6, of the CONSOB regulation approved by decision No. 17221/2010, we confirm that the Board of Statutory Auditors has monitored the consistency of the procedure adopted by the Company with the principles indicated in the "*Settlement of transactions with related parties*" document, and its effective application.

3. The report on operations prepared by the directors appears to contain suitable and complete information about the atypical and/or unusual transactions carried out with group companies and related parties.

4. Following completion of the verification and audit work performed, on this day the auditing firm, Mazars S.p.A., released its auditors' report on the financial statements pursuant to arts. 14 and 16 of Decree No. 39 dated 27th January 2010, certifying that: *i)* the separate and consolidated financial statements of the Company at 31st December 2014 have been prepared clearly and present a true and fair view of the financial position, the results of operations and the other components of comprehensive income, the changes in shareholders' equity and the cash flows of the Company and the Group; *ii)* the Report on operations and the information required by art. 123-bis, para. 4, of Decree No. 58/1998, contained in the

Report on Corporate Governance and the Ownership Structure, is consistent with the separate financial statements of the Company and the consolidated financial statements of the Group.

The report issued by the auditing firm on the 2014 financial statements does not contain any observations and/or exceptions or, indeed, any emphasis of matter.

5. During 2014, the Board of Statutory Auditors did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
6. The Board of Statutory Auditors has not received any statements from third parties.
7. Other than the appointment to audit group companies, the Company did not engage Mazars S.p.A. to carry out any additional activities during 2014.
8. The Board of Statutory Auditors has monitored the independence of the auditing firm, pursuant to art. 19 of Decree no. 39/2010 and otherwise, checking compliance with the related regulations and compatibility with the legal restrictions placed on the provision of non-audit services to the Company and its subsidiaries, identifying that no work was given during the year to parties belonging to the same network as that of the auditing firm.
9. During 2014, the Board of Statutory Auditors did not release any opinions required by law.
10. In the performance of its functions and in order to obtain the information needed to carry out its supervisory duties, the Board of Statutory Auditors:
    - ✓ met regularly and prepared 7 reports on the work performed;
    - ✓ attended all 5 meetings of the Board of Directors, obtaining from the Directors a continuous flow of information about the activities performed and the principal economic, financial and equity transactions carried out by the Company and its subsidiaries;
    - ✓ attended, in the person of the Chairman of the Board of Statutory Auditors or another authorized Serving Auditor, all the meetings of the Audit Committee;
    - ✓ attended the annual shareholders' meeting held on 16th April 2014;
    - ✓ maintained relations with the supervisory bodies of the subsidiary companies, pursuant to art. 151 of Decree No. 58/1998, via both period consultations and joint meetings with them;
    - ✓ attended, represented by one of the Serving Auditors as a permanent member, the meetings of the Supervisory Body established to monitor the Organizational Model envisaged by Law No. 231/2001.
11. The Board of Statutory Auditors has obtained information about and monitored compliance with the law and the articles of association, ensuring that the transactions decided and implemented by the Directors were in compliance with the law and the articles of association, were founded on the principles of economic rationality and were not obviously imprudent or risky, in conflict with the interests of the Company, in contrast with the resolutions adopted at the shareholders' meeting, or likely to jeopardize the net assets of the Company, concluding that the governance tools and procedures adopted by the Company represent a valid approach to ensuring operational compliance with the principles of proper administration.
12. With regard to the adequacy of the organizational structure of the Company and the Group, the monitoring work performed by the Board of Statutory Auditors involved obtaining a knowledge of the organizational structure and gathering information from the various responsibility centers concerned, as

well as meeting with the managers of the various business functions, the internal audit manager and the auditing firm for a mutual exchange of information.

In this regard, with reference to the powers and mandates granted, the Board of Statutory Auditors has determined that:

- ✓ the Board of Directors is responsible for managing the Company, directly and via the mandates granted to other bodies;
- ✓ pursuant to the articles of association, the Chairman and the Chief Executive Officer represent the Company legally in dealings with third parties and in judgment;
- ✓ the Chairman holds operational powers and performs institutional, directive and control duties;
- ✓ the Chief Executive Officer exercises wide powers for the management of the Company.

13. In terms of supervising the adequacy and effectiveness of the system of internal control, pursuant to art. 19 of Decree No. 39/2010 and otherwise, the Board of Statutory Auditors held periodic meetings with the internal audit manager and the managers of other business functions and attended, via the presence of Serving Auditors, the meetings of the Audit Committee and the Supervisory Body for the Organizational Model envisaged by Decree No. 231/2001.

The Company's system of internal control comprises a structured and organic set of rules, procedures and organizational structures that encompass the entire Company. Their purpose is to prevent or limit the consequences of unexpected results and allow the strategic and operational objectives to be achieved (by ensuring the consistency of the activities with the objectives, the efficiency and effectiveness of the activities, and the safeguarding of the Company's net assets), and ensure compliance with the applicable laws and regulations, as well as proper and transparent reporting, both internally and to the market.

The Board of Directors is responsible, with support from the Audit Committee for: *i)* establishing guidelines for the system of internal control; *ii)* examining periodically the principal business risks identified by the Chief Executive Officer, who is also responsible for implementing the guidelines for the system of internal control, and *iii)* assessing the adequacy, effectiveness and practical functioning of the system of internal control.

The system of internal control includes an internal audit function whose role is to assist the Board of Directors and the Audit Committee, as well as the management of the Company. The Board of Directors has given the internal audit manager the task of assessing the adequacy and effectiveness of the overall system of internal controls. The activities of this function principally include implementing an annual audit and compliance-testing plan, as well as monitoring the actual adoption of the recommendations made by performing follow-up work.

The Group also uses other tools to monitor its operational and compliance objectives. These include a structured and periodic system of planning, management control and reporting, as well as a structure for the governance of financial risks.

The Company has approved the organizational model envisaged by Decree No. 231/2001 ("Model 231"), the purpose of which is to impede the commission of significant offenses, as defined in that Decree, and, consequently, to mitigate, if not eliminate, the administrative responsibility of the Company for such offenses. Commencing from an analysis of business activities designed to identify those potentially at risk, the Model 231 adopted comprises a set of general principles, rules of conduct, control tools, organizational procedures, training and information-providing activities, and disciplinary systems intended to ensure, to the extent possible, that the commission of criminally-significant offenses is prevented. The Board of Directors has appointed a Supervisory Body tasked with monitoring the proper functioning of the Model 231 and keeping it updated.

As mentioned earlier, the Board of Statutory Auditors has attended, via the Serving Auditors, the meetings of the Audit Committee and the Supervisory Body, and has analyzed the related periodic reports addressed to the Board of Directors.

14. The Board of Statutory Auditors has also monitored the adequacy and reliability of the administrative-accounting system in terms of properly representing the results of operations, via direct observation, obtaining information from the managers of the relevant functions, examining company documents and analyzing the results of the work carried out by the auditing firm.

    As required by law and after obtaining the opinion from the Board of Statutory Auditors, the Board of Directors has appointed an Executive responsible for preparing the company's accounting documentation, who was granted the powers and functions envisaged by law and appropriate powers and resources to performed the related tasks.

    The Company has adopted the "*Accounting control model*" envisaged by Law No. 262/2005, with a view to defining guidelines for application throughout Group concerning the obligations, arising under art. 154-bis of Decree No. 58/1998, to prepare corporate accounting documents and give the related attestations.

    The Board of Statutory Auditors has taken note of the attestations given by the Chairman of the Board of Directors and the Executive responsible for preparing the company's accounting documentation regarding the adequacy in relation to the characteristics of the business and the effective application of the administrative and accounting procedures for preparing the separate and consolidated financial statements.

15. The Board of Statutory Auditors has monitored without identifying any exceptions the adequacy of the instructions given by the Company to its subsidiaries pursuant to art. 114, para. 2, of Decree No. 58/98, so that they provide the information needed to satisfy the disclosure requirements envisaged by law.

16. The periodic meetings between the Board of Statutory Auditors and the firm appointed to perform the legal audit of the accounts, pursuant to art. 150, para. 3, of Decree No. 58/1998, did not identify any matters that are considered necessary to highlight in this Report.

17. In terms of checking the way the corporate governance rules are actually implemented, as envisaged by the current Code of Self-Regulation issued by Borsa Italiana, the Board of Statutory Auditors performed this work with assistance from the manager of the Corporate Governance Office.

    The Board of Directors in office from 16th April 2014 comprises 8 members, including 3 non-executive directors, of whom 2 were qualified as independent by the Board with reference to the declarations made by them. When co-opting directors, the requirement to maintain the "gender balance" of corporate bodies was met.

    The Board of Statutory Auditors has made the assessments required of it, identifying proper application of the criteria and procedures adopted by the Board of Directors to verify the independence status of the individual directors and compliance with the requirements for the composition of the Board taken as a whole.

    In addition, the Board of Statutory Auditors has checked that the Serving Auditors meet the same independence requirements expected of the directors and has adopted the recommendations of the

Code, which require a declaration of personal interest or that of third parties in specific transactions presented to the Board of Directors. In this regard, it is confirmed that no situations arose in 2014 for which the members of the Board of Statutory Auditors had to make such declarations.

Reference is made to the Report on Corporate Governance and the Ownership Structure for further information about the corporate governance of the Company. The Board of Statutory Auditors has no observations to make to the shareholders' meeting in this regard.

The Company has adopted the Code of self-regulation issued by the Committee for the corporate governance of companies listed in the STAR segment.

18. Lastly, the Board of Statutory Auditors has performed checks on compliance with the laws governing the preparation of the draft separate financial statements and the consolidated financial statements at 31st December 2014, the respective explanatory notes and the accompanying Directors' Report, both directly and with assistance from function managers, as well as with reference to the information obtained from the auditing firm.

    No omissions, censurable facts or irregularities perpetrated by the corporate bodies were identified during the supervisory activities carried out by the Board of Statutory Auditors.

19. In particular, it is confirmed that the accounting policies adopted for the preparation of the separate and consolidated financial statements at 31st December 2014 reflect the IFRS (International Financial Reporting Standards) issued by the International Accounting Standards Board.

    With regard to art. 153, para. 2, of Decree No. 58/98, the Board of Statutory Auditors has no particular proposals to present to the shareholders' meeting.

    As described above, the supervision and control activities carried out by the Board of Statutory Auditors did not identify any significant matters worth mentioning in the Report to the Meeting, or reporting to the supervisory and control bodies.

    Based on all of the above, in conclusion to the supervisory activities performed during the year, the Board of Statutory Auditors has no observations to make pursuant to art. 153 of Decree No. 58/1998 concerning the matters for which it is responsible regarding the financial statements, the related explanatory notes and the report on operations, and concurs with the recommendation made by the Board of Directors to the shareholders' meeting concerning the allocation of the results for the year.

San Giovanni in Marignano, 25 March 2015

For the Board of Statutory Auditors

Pier Francesco SPORTOLETTI **Chairman**

Daniela Saitta **Statutory auditor**

Fernando CIOTTI **Statutory auditor**

"Free translation from the original in Italian".

List of directorships and audit appointments held by the members of the Board of Statutory Auditors as of 25 March 2015, date of issue of that Board's Report to the Stockholders' Meeting

Attachment pursuant to art. 144 quinquesdecies of the Issuers' Regulation, prepared in accordance with the instructions contained in Attachment 5-bis, Template 4 of the above Regulation

Name	Appointment held	Expiry of mandate (approval financial statements at)
Pier Francesco SPORTOLETTI		
Appointments in other issuer: 0		
Aeffe S.p.A	Chairman of the Board of Statutory	31/12/16
Equilybra Capital Partners S.p.A.	Member of the Board of Directors	31/12/17
Telse S.r.l.	Sole Director	Resignation/termination
Numeralia S.r.l.	Sole Director	Resignation/termination
DMT System S.r.l. in winding up	Liquidator	Resignation/termination
Daniela SAITTA		
Appointments in other issuer: 1		
Aeffe S.p.A	Serving Auditor	31/12/16
Atac S.p.A	Serving Auditor	31/12/15
Impresa S.p.A.	Special Commissioner	Resignation/termination
Dirpa S.C. a r.l.	Special Commissioner	Resignation/termination
Impresa P.I. Giuseppe Rabbiosi S.p.A.	Special Commissioner	Resignation/termination
S.a.f. S.r.l.	Special Commissioner	Resignation/termination
Eutelia S.p.A.	Special Commissioner	Resignation/termination
Equiter S.r.l.	Special Commissioner	Resignation/termination
Di Pietro Real estate S.p.A.	Special Commissioner	Resignation/termination
Fernando CIOTTI		
Appointments in other issuer: 0		
Aeffe S.p.A	Serving Auditor	31/12/16
Pollini Retail S.r.l.	Chairman of the Board of Statutory	31/12/14
Velmar S.p.A.	Chairman of the Board of Statutory	31/12/14
Fratelli Ferretti Holding S.r.l.	Chairman of the Board of Statutory	31/12/15
Aeffe Retail S.r.l	Serving Auditor	31/12/14

Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree no. 39 dated January 27, 2010

To the Shareholders of
Aeffe S.p.A.

1. We have audited the financial statements of Aeffe S.p.A. as of December 31, 2014, which comprise the balance sheet statement, the income statement, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes. The Directors of Aeffe S.p.A. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, the amounts of which are presented for comparative purpose, reference should be made to our report dated March 24, 2014.

3. In our opinion, the financial statements of Aeffe S.p.A. as of December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cash flows of Aeffe S.p.A. for the period then ended.

4. The Directors of Aeffe S.p.A. are responsible for the preparation of the report on operations and the report on corporate and governance and shareholding structure, published in section "Governance" of the internet site of Aeffe S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure, with the financial statements, as required by law. For this purpose, with have performed the procedures required under Auditing Standards no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by

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MAZARS

Consob. In our opinion the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree n. 58/98 presented in the report on corporate governance and shareholding structure are consistent with the financial statements of Aeffe S.p.A. as of December 31, 2014.

Bologna (Italy), March 25, 2015

Mazars S.p.A.

Alessandro Gallo
Partner

This report has been translated from the original which was issued in accordance with Italian legislation.

EXPLANATORY NOTES

GENERAL INFORMATION

Aeffe S.p.A. (the "Company") is an Italian legal entity and a Parent Company that holds, directly or indirectly, equity investments in the companies that lead the business sectors in which the Aeffe Group is active.

The Company is based in San Giovanni in Marignano (Rimini) and is currently listed in the – STAR Segment – of the MTA, the Italian Stock Exchange operated by Borsa Italiana.

The Company has the following branch offices and local units:

1) Office and showroom in Donizetti street n.48 – Milan (MI);
2) Storage in Olmi street – San Giovanni in Marignano (RN);
3) Office and showroom in Donizetti street n.47 – Milan (MI);
4) Storage in Chitarrara n. 910 – Monte Colombo (RN);
5) Storage in Tavollo snc street – San Giovanni in Marignano (RN);
6) Storage in Erbosa II street n. 92 – Gatteo (FC).

These financial statements have been prepared in EUR, which is the functional currency of the economy in which the Company operates.

The financial statements are accompanied by notes that explain the Company's economic and financial position as of and for the year ended 31 December 2014. This information is presented on a comparative basis, after adjusting the prior year's financial statements for consistency.

Unless stated otherwise, all amounts have been rounded to thousands of EUR.

The financial statements comprise the balance sheet, the income statement, comprehensive income statement the statement of changes in shareholders' equity, the cash flow statement and these explanatory notes.

Unless stated otherwise in the accounting policies described below, these financial statements have been prepared on an historical cost basis.

The financial statements have been audited by Mazars S.p.A..

The Company is controlled by the company Fratelli Ferretti Holding S.r.l., of which in the attachment VIII are reported the data of the latest approved statutory financial statements. The company Fratelli Ferretti Holding also draws up the consolidated financial statement in accordance with the international accounting standards.

DECLARATION OF CONFORMITY AND BASIS OF PRESENTATION

Pursuant to art. 3 of Decree 38/2005 dated 28 February 2005, these financial statements have been prepared in accordance with International Accounting Standards (IAS/IFRS). The explanatory notes, also prepared in accordance with IAS/IFRS, have been supplemented by the additional information requested by CONSOB and by its instructions issued in accordance with art. 9 of Decree 38/2005 (resolutions 15519 and 15520 dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 114.5 of the Consolidated Finance Law), by art. 78 of the Issuers' Regulations, by the EC document issued in November 2003 and, where applicable, by the Italian Civil Code. Consistent with last year's annual report, some of the required information is presented in the Directors' Report (Report on operations).

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the presentation of its economic and financial position, the Company has elected to adopt a balance sheet format that distinguishes between current and non-current assets and liabilities, and an income statement that classifies costs by type of expenditure, since this is deemed to reflect more closely its business activities. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution no. 15519 dated 27th July 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the balance sheet and the cash flow statement in order to identify any significant transactions with related parties. This has been done to avoid compromising the overall legibility of the main financial statements.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT YET EARLY ADOPTED BY THE GROUP

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share based payment, the disclosure on judgment used in the aggregation of operating segments in IFRS 8 – Operating Segments, the identification and disclosure of a related party transaction that arise when a management entity provides key management personnel service to a reporting entity in IAS 24 - Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement.

On 6 May 2014, the IASB issued amendments to IFRS 11 – Joint arrangements: Accounting for acquisitions of interests in joint operations, clarifying the accounting for acquisitions of an interest in a joint operation that constitutes a business. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 with earlier application permitted.

On 24 July 2014 the IASB issued the final version of IFRS 9 - Financial Instruments.

There follows the main aspects of the new international accounting principle:

- Classification and Measurement

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

- Impairment

During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. As part of IFRS 9, the IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The IASB has already announced its intention to create a transition resource group to support stakeholders in the transition to the new impairment requirements.

- Hedge accounting

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

- Own credit

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Early application of this improvement to financial reporting, prior to any other changes in the accounting for financial instruments, is permitted by IFRS 9.

On 12 August 2014 the IASB published Equity Method in Separate Financial Statements (Amendments to IAS 27). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.

The amendments respond to requests that the IASB had received during its inaugural public agenda consultation. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

On 11 September 2014 the IASB published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

On 25 September 2014 the IASB published Annual Improvements to IFRSs 2012 – 2014 Cycle. The document introduces amendments to the following principles: IFRS 5, 'Non-current assets held for sale and discontinued operations'; IFRS 7, 'Financial instruments: Disclosures'; IAS 19, 'Employee benefits'; IAS 34, 'Interim financial reporting'. They will apply for annual periods beginning on or after 1 January 2016.

On 18 December 2014 the IASB published 'Disclosure Initiative (Amendments to IAS 1)'. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

On 18 December 2014 the IASB published "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted

ACCOUNTING POLICIES

The accounting policies and valuation criteria adopted for the preparation of the financial statements as of 31 December 2014 are presented below:

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, without physical substance, that are controlled by the company and able to generate future economic benefits for the Company. Intangible fixed assets are initially recorded at purchase cost (being their fair value in the case of business combinations), as represented by the acquisition price paid including any charges directly attributable to the preparatory or production phase, if the conditions are met for the capitalisation of costs incurred on the internal generation of assets. Following initial recognition, intangible fixed assets are carried at cost, net of accumulated amortisation and any impairment recorded in accordance with IAS 36 (*Impairment of Assets*). Subsequent expenditure on intangible fixed assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are charged to the income statement as incurred.

Intangible fixed assets contain those with a finite useful life that are other intangible fixed assets, the accounting policies for which are described in the following paragraphs.

Brands

Brands are recorded at cost and amortised systematically on a straight-line basis over their estimated useful life (40 years), commencing from the time the asset becomes available for use.

The Company has deemed it fair to attribute a finite life of 40 years to its brands, having regard for the prudent approach taken by other operators in the sector that consider the useful lives of their brands to be very long (given the extended utility of such assets), but not eternal or indefinite (duration not identifiable). This approach is consistent with the type of intangibles found in the fashion industry and with the long-established practices of other firms in the sector (market comparables).

Regarding the only brand owned by the Company, the Alberta Ferretti brand, the exclusivity of the business, its historical profitability and its future income allow to consider its value recoverable, even in presence of difficult market conditions.

In order to calculate the recoverable value of this brand, we estimated the current value, discounting the hypothetical value of the royalties deriving from the transfer in use to others of this intangible asset, for a period equal to 40 years. To calculate the values on this basis is has been used for the year 2015 the Group budget approved by Aeffe’s Board of Directors. For the remaining periods it has been used an increase in turnover with a CAGR variable from 2.2% to 2.5%.. As royalty rates we used the average for the sector and as discount rate we used the average cost of capital (WACC) which is 5.23%.

Other intangible fixed assets

This caption comprises the costs incurred to acquire software, which is amortised over a period not exceeding 3 years.

The principal amortisation rates applied are summarised below:

Category	%
Royalties from patents and intellectual property	33%
Brands	2.5%

Research costs are charged to the income statement as incurred.

At 31 December 2014, the Company has not recorded intangible fixed assets with an “infinite” useful life in the intangible fixed assets.

Tangible fixed assets

Tangible fixed assets, stated net of accumulated depreciation, are recorded at purchase or production cost except for those assets which have been revalued in accordance with specific laws. Cost includes related charges and directly-attributable expenses.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using economic-technical rates that reflect the residual useful lives of each asset. Tangible fixed assets are written down in the event of permanent impairment, regardless of the depreciation already accumulated.

Ordinary maintenance expenses are charged in full to the income statement. Improvement expenditure is allocated to the fixed assets concerned and depreciated over their residual useful lives.

Construction in progress and advances to suppliers are recorded at the cost incurred, including directly-related charges.

As an exception to the general principle, the carrying amount of land and buildings has been adjusted to reflect the value determined by reference to an independent appraisal. This was performed to identify the separate value of land that was previously included in the "land and buildings" caption and consequently depreciated. The depreciation rates are applied on a straight-line basis over the new estimated useful lives of the buildings: 50 years (2%).

The depreciation rates applied are summarised below:

Category	%
Industrial buildings	2%
Plant and machinery	12,5%
Industrial and commercial equipment	25%
Electronic machines	20%
Furniture and furnishings	12%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

Leasehold improvements, including the costs of fitting and modernising directly-managed shops and all other property used for business purposes but not owned by the Company, are depreciated over the shorter of the duration of the lease, including any renewal periods, or their useful lives.

Improvement expenditure is added to the carrying amount of the assets concerned if the future economic benefits for the Company are likely to exceed those determined originally. Such expenditure is depreciated over the residual useful lives of the assets concerned. All other maintenance costs are charged to the income statement as incurred.

Leasing

Finance leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits of ownership, are recognised as part of property, plant and equipment at their fair value or, if lower, at the present value of the minimum lease payments, and stated net of accumulated depreciation. The corresponding liability to the lessor is classified among financial payables in the balance sheet. These assets are depreciated using the rates set out above.

On disposal, or when no further economic benefits are expected from use of the asset, leased assets are eliminated from the balance sheet and any gains or losses (difference between disposal proceeds and carrying amount) are reflected in the income statement for the year.

Operating leases

Leases that do not transfer to the Company substantially all the risks and benefits of ownership are recognised as operating leases. Payments under operating leases are recognised as a cost on a straight-line basis over the duration of the related lease contracts.

Impairment

At 31 December 2014, the Company has not recorded intangible fixed assets with an "infinite" useful life in the intangible fixed assets.

Intangible fixed assets, equity investments, tangible fixed assets and other non-current assets are subjected to impairment testing whenever events or a change of circumstances suggest that their value may be impaired in order to determine if such activities may have been subject to a loss of value. If such evidence exists the activity's carrying amount is reduced to the related recoverable value.

Impairment losses arise and are recognised when the carrying amount of an asset or a cash generating unit exceeds its recoverable value. The carrying amount of such assets is aligned with their recoverable value and the impairment loss is charged to the income statement.

Determination of recoverable value

Under IAS 36, intangible and tangible fixed assets must be subjected to impairment testing if there is evidence (events, change of circumstances) to suggest a possible loss of value. The purpose of this is to ensure that assets are not recorded in the balance sheet at an amount that exceeds their recoverable value. As already mentioned, this test is performed annually, or more frequently, in relation to assets with an indefinite useful life.

The recoverable value of these assets is the higher between their fair value, net of disposal costs and their value in use. In order to determine value in use, the estimated future cash flows - including those deriving from the disposal of the asset at the end of its useful life - are discounted using a post-tax rate that reflects the current market assessment of the value of money and the risks associated with the Company's activities. If separate cash flows cannot be estimated for an individual asset, the separate cash generating unit to which the asset belongs is identified.

Reinstatement of value

The value of financial assets recorded at amortised cost is reinstated when a subsequent increase in their recoverable value can, objectively, be attributed to an event that took place subsequent to recognition of the impairment loss.

The value of other non-financial assets is reinstated if the reasons for impairment no longer apply and the basis for determining their recoverable value has changed.

Write-backs are credited immediately to the income statement and the carrying amount of the asset concerned is adjusted to reflect its recoverable value. Recoverable value cannot exceed the carrying amount that would have been recognised, net of depreciation, had the value of the asset not been written down due to impairment in prior years.

The written down value of goodwill is never reinstated.

Equity investments

Investments in subsidiary, associated companies and joint venture are recorded as historical cost, as written down by any impairment recognised pursuant to IAS 36. Their original value is reinstated in subsequent years if the reasons for write-downs cease to apply.

It is signalled that the situation caused by the international economic and financial crisis, even if in recover, has induced the Company to estimate the recoverable amount of some equity investments in subsidiaries of particular importance in order to verify the consistency of the book value.

For the companies Aeffe Retail S.p.A., Pollini S.p.A., Velmar S.p.A., Aeffe France S.a.r.l., and Aeffe USA Inc., the recoverable amount has been determined using the method called Discounted Cash Flow (DCF). From such analyses no impairment losses have been emerged.

Trade and other receivables

Receivables are stated at their estimated realisable value, being their nominal value less the allowance for collection losses on doubtful accounts. They are review regularly in terms of ageing and seasonality in order to avoid adjustments for unexpected losses. Non-current receivables that include an element of embedded interest are discounted using a suitable market rate. This caption also includes the accrued income and prepaid expenses recorded to match income and costs relating to more than one year in the accounting periods to which they relate.

Inventories

Inventories are recorded at purchase or production cost or, if lower, at their market or estimated realisable value. Net realisable value is the estimated selling price under normal operating conditions, net of completion costs and all other selling-related expenses.

The cost of production of finished products includes the cost of raw materials, outsourced materials and processing, and all other direct and indirect manufacturing costs reasonably attributable to them, with the exclusion of financing costs.

Obsolete and slow-moving inventories are written down to reflect their likely use or realization.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and all highly liquid investments with an original maturity of three months or less. Securities included in cash and cash equivalents are measured at their fair value.

Provisions

The provisions for risks and charges cover known or likely losses or charges, the timing and extent of which cannot be determined at period end. Provisions are recorded only when there is a legal or implicit obligation that, to be settled, requires the consumption of resources capable of generating economic benefits, and the amount concerned can be estimated reliably. If the effect is significant, provisions are calculated by discounting expected future cash flows using a pre-tax rate that reflects the current market assessment of the present value of money and the specific risks associated with the liability.

Employee benefits

Employee severance indemnities are covered by IAS 19 ("Employee Benefits") since they are deemed to be a form of defined benefit plan. Company contributions to defined benefit plans are charged to the income statement on an accruals basis.

The Company's net liability for defined benefit plans is determined on an actuarial basis, using the projected unit credit method. All actuarial gains and losses determined as of 1st January 2005, the IFRS transition date, have been recognised.

Financial payables

Financial payables, excepting derivates, are recorded at their fair value, after transactions costs directly attributable.

Bank overdrafts and loans

Loans are initially measured at cost, which approximates their fair value, net of any transaction-related expenses. Subsequently, they are measured at amortised cost. Any difference between cost and the redemption value is recorded in the income statement over the duration of the loan, using the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer their settlement for at least twelve months subsequent to the accounting reference date.

Trade and other payables

Payables are stated at the nominal value. The financial element embedded in non-current payables is separated using a market rate of interest.

Treasury shares

Treasury shares are presented as a deduction from capital for the part of their nominal value, and from a specific reserve for the part in excess to their nominal value.

Contributions to the capital account and for overheads

Any public contributions are reported when there is a reasonable certainty that the company will meet all the conditions foreseen to receive the contributions and actually receives them. The company has opted to present any contributions to the capital account in the financial statement as items in adjustment of the book value of the property to which they refer, and any contributions to overhead as a direct deduction from the relative cost.

Revenues

Revenues are stated net of returns, discounts, allowances and rebates, as well as the taxes associated with the sale of goods and the provision of services. Revenues from sales are recognised when the seller has transferred the principal risks and benefits of ownership to the purchaser. The principal types of revenue realised by the Company are recognised on the following basis:

(i) retail sales – on delivery of the goods;

(ii) wholesale sales – on shipment of the goods;

(*iii)* royalties and commissions – on an accruals basis.

Costs

Costs and expenses are recorded on an accruals basis.

The costs incurred during the year for the creation and production of samples are matched with revenues from the sales of the related collections; accordingly, they are charged to the income statement in proportion to the revenues earned. The residual costs to be expensed when the related revenues are earned are classified as other current assets.

Financial income and expense

This comprises all the financial items recorded in the income statement for the year, including the interest accrued on financial payables using the effective interest method (mainly bank overdrafts, long-term loans), exchange gains and losses, dividend income, and the lease interest identified using finance lease accounting (IAS 17).

Interest income and expense is recorded in the income statement in the year in which it is earned/incurred.

Dividends are recognised in the year in which the Company's right to collect them is established (when they are declared).

The interest embedded in finance lease payments is charged to the income statement using the effective interest method.

Taxes

Income taxes for the period include all taxes calculated on taxable income. Income taxes for the period are recorded in the income statement.

Taxes other than income taxes, such as property tax, are reported under operating expenses or, if the necessary conditions are fulfilled, are capitalized in the related real estate.

Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date.

Deferred taxes are recognised for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.

Payables for deferred taxes relate to:

- positive components of income for the current period but taxable in future periods;
- negative components of income deductible in excess compared to the amount recorded in the income statement as a result of the application of the International Accounting Standards.

Receivables for deferred taxes are recognised:

- for all negative components of income non-deductible in the period under examination but that could be deducted in future periods;
- for the carryover of unused tax losses, if it is probable that taxable income, for which the tax loss may be used, will be generated.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to tax calculation on income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force on the balance sheet date.

The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding.

Main estimates used by the Management

Hereafter we report the main estimates and assumptions used by the Management to draft the financial statements, whose variations, not foreseeable at the moment, could affect the economic and equity situation of the Company.

- Estimates used to evaluate value impairment of assets other than financial assets

For the purposes of ascertaining any impairment of value of assets other than current assets entered in the financial statement, the Company applied the method described above in the paragraph entitled "Impairment of value of assets".

In particular, regarding the impairment tests related to equity investments, the main estimations used are the following:

Equity investment in Pollini S.p.A.: the evaluation emerges from the cash flow analysis of the entire Pollini Group. The cash flows have been gathered, for the year 2015, by the Group budget approved by Aeffe's Board of Directors. It has been also estimated cash flow projections for the year 2016, 2017, 2018 and 2019 at a flat growth flat of 9%. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2019. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC), specifically calculated for the Pollini Group, equal to 6.89%.

Equity investment in Aeffe Retail S.p.A., Velmar S.p.A. Aeffe France S.a.r.l., and Aeffe USA Inc.: the evaluation emerges from the cash flow analysis of each single company. The cash flows have been gathered, for the year 2015, by the Group budget approved Aeffe's Board of Directors. It has been also estimated cash flow projections for the year 2016, 2017, 2018 and 2019 at a growth rate basically stable compared to the one used in the budget 2015. The terminal value has been determined using the formula of perpetual annuity and assuming, prudentially, a growth rate G equal to 0. The cash flow useful to determine the terminal value has been gathered by the latest year of the cash flow projections, that is 2019. The rate used for the cash flow discounting back is the weighted average cost of capital (WACC) of the Group equal to 5.23%.

- These estimates used for actuarial calculation serve to calculate the benefit plans in the sphere of future benefits of the working relationship:
– The inflation rate foreseen is 2.0%;
– The discount rate used is 1.25%;
– The expected rates of retribution increases (inclusive of inflation) are divided as follows: (i) Management 1.50%; (ii) Office staff/department heads 0.50%; (iii) laborers 0.50%
– The annual rate in increase of the severance indemnity fund foreseen is 3.0%;
– The expected turn-over of employees is 6% for Aeffe S.p.A.

- Estimates used in the actuarial calculations to determine the supplementary clientele severance indemnity fund:
– The voluntary turnover rate foreseen is 0.00%;
– The corporate turnover rate foreseen is 5.00%;
– The discount rate used is 1.25%;

OTHER INFORMATION

Management of financial risk

The financial risks to which the Company is exposed in the performance of its business are as follows:

- risk of liquidity
- market risk (inclusive the exchange risk, rate risk, price risk);
- credit risk;

Liquidity and market risk

Management of the financial needs and relative risks (mainly rate and exchange risks) is handled at the level of the central treasury.

The main goal of these guidelines consists of:

(v) **Liquidity risk**

The Company manages the liquidity risk with a view to guarantee the presence of a liability structure in balance with the asset composition of the financial statement, in order to maintain an elevated solid equity.

(vi) **Exchange risk:**

The Company operates internationally and is therefore exposed to the exchange risk. The exchange risk arises when assets and liabilities are reported in a currency other than that in which the Company operates.

The mode of management of this risk consists of minimizing the risk connected with exchange rates by using operating coverage. Alternatively, the Company, if exposed to the exchange risk, covers itself by loans in foreign currency.

(vii) **Rate risk:**

The interest rate risk to which the Company is exposed originates mainly from the medium and long-term financial payables in existence, that are almost all at variable rates and expose the Company to the risk of variation in cash flows as the interest rates vary.

The average cost of indebtedness tends to be parametrized with the status of the EURIBOR rate at 3/6 months, plus a spread that depends mainly on the type of financial instrument used. In general, the margins applied are in line with the best market standards.

As of 31 December 2014 a hypothetical upward variation of 10% in the interest rate, all other variables being equal, would have produced a higher cost before taxes (and thus a corresponding reduction in the shareholders' equity) of about EUR 441 thousand annually (EUR 478 thousand as of 31 December 2013).

The *cash flow risk* on interest rates has never been managed in the past with recourse to derivative contracts - *interest rate swaps* - that would transform the variable rate into a fixed rate. As of 31 December 2014 there are no instruments that hedge interest-rate risk.

(viii) **Price risk**

The Company makes its purchases and sales worldwide and is therefore exposed to the normal risk of variations in price, typical of the sector.

Credit risk

With reference to receivables in Italy, the Company deals only with known and reliable clients. It is a policy of the Company that clients requesting extended payment terms are subject to procedures of audit of the class of merit. Moreover, the balance of receivables is monitored during the year to ensure that the doubtful positions are not significant.

The credit quality of unexpired financial assets and those that have not undergone value impairment can be valued with reference to the internal credit management procedure.

Customer monitoring activity consists mainly of a preliminary stage, in which we gather data and information about new clients, and a subsequent activation stage in which a credit is recognized and the development of the credit position is supervised.

The preliminary stage consists of collecting the administrative and fiscal data necessary to make a complete and correct assessment of the risks connected with the new client. Activation of the client is subject to the completeness of the data and approval, after any further clarification by the Customer Office.

Every new customer has a credit line: its concession is linked to further information (years in business, payment terms, and customer's reputation) all of which are essential to make an evaluation of the level of solvency. After gathering this information, the documentation on the potential customer is submitted for approval by the company organizations.

Management of overdue receivable is differentiated depending on the seniority of the client (overdue payment group).

For overdue payments up to 60 days, reminders are sent through the branch or directly by the Customer Office; clearly, if an overdue payment exceeds 15 days or the amount of the credit granted, all further supplied to the client are suspended. For overdue credits "exceeding 90 days", where necessary, legal steps are taken.

As regards foreign receivables, the Company proceeds as follows:

a) some of foreign receivables are guaranteed by primary credit insurance companies.
b) the residual uninsured part of receivables is managed:
    a. Most of them by request of letter of credit and 30% advances within two weeks of the order confirmation;
    b. The remaining uninsured receivables not covered by insurance nor by request of letter of credit or by advance, are specifically authorized and managed following the procedure for Italian receivables.

This procedure serves to define the rules and operating mechanisms that guarantee a flow of payments sufficient to ensure the solvency of the client and guarantee the Company an income from the relationship.

As of the reference date of the financial statement, the maximum credit risk exposure was equal to the value of each category of receivable indicated here below:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Trade receivables	57,743	59,406	(1,663)	(2.8%)
Other current receivables	13,419	12,534	885	7.1%
Total	**71,162**	**71,940**	**(778)**	**(1.1%)**

See note 7 for the comment and breakdown of the item "trade receivables" notes 10 for "other current receivables".
The fair value of the above categories has not been indicated, as the book value is a reasonable approximation.
As of 31 December 2014, overdue but not written-down trade receivables amount to EUR 37,016 thousand (EUR 45,143 thousand in 2013). The breakdown by due date is as follows:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
By 30 days	3,763	4,825	(1,062)	(22.0%)
31 - 60 days	719	2,599	(1,880)	(72.3%)
61 - 90 days	2,277	2,328	(51)	(2.2%)
Exceeding 90 days	30,257	35,391	(5,134)	(14.5%)
Total	**37,016**	**45,143**	**(8,127)**	**(18.0%)**

The decrease of overdue commercial receivables of EUR 8,127 is the result of a more and more careful Group's treasury management.

No risks of default with respect to such overdue receibables have to be highlighted.

Cash flow statement

The cash flow statement presented by the Company in accordance with IAS 7 has been prepared using the indirect method. The cash and cash equivalents included in the cash flow statement represent the amounts reported in the balance sheet at the accounting reference date. Cash equivalents comprise short term and highly liquid applications of funds that can be readily converted into cash; the risk of changes in their value is minimal. Accordingly, a financial investment is usually classified as a cash equivalent if it matures rapidly, i.e. within three months or less of the acquisition date.

Bank overdrafts are generally part of financing activities, except when they are repayable on demand and are an integral part of the management of a company's cash and cash equivalents, in which case they are classified as a reduction of its cash equivalents.

Foreign currency cash flows have been translated using the average exchange rate for the year. Income and expenses deriving from interest, dividends received and income taxes are included in the cash flows from operating activities.

Under IAS 7, the cash flow statement must identify separately the cash flow deriving from operating, investing and financing activities:

(i) cash flow from operating activities: the cash flow deriving from operating activities mainly relates to income-generating activities and is presented by the Company using the indirect method; on this basis, net profit is adjusted for the effects of items that did not give rise to payments or cash inflows during the year (non-monetary transactions);

(ii) cash flow from investing activities: investing activities are presented separately since, among other factors, they reflect the investment/disposals made in order to obtain future revenues and cash inflows;

(iii) cash flow from financing activities: financing activities comprise the cash flows that modify the size and composition of shareholders' equity and financial payables.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangible fixed assets

The composition of intangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)	Brands	Other	Total
Net book value as of 01.01.13	**3,777**	**356**	**4,133**
Increases externally acquired		440	440
Disposals		(3)	(3)
Other changes			-
Amortisation	(126)	(272)	(398)
Net book value as of 01.01.14	**3,651**	**521**	**4,172**
Increases externally acquired		308	308
Disposals			-
Other changes			-
Amortisation	(125)	(309)	(434)
Net book value as of 31.12.14	**3,526**	**520**	**4,046**

Brands

This caption comprises the value of the brand names owned by the Company: "Alberta Ferretti" and "Philosophy".

The residual amortisation period for this caption is 28 years.

Other

The caption "Other" relates to user licenses for software.

2. Tangible fixed assets

The composition of tangible fixed assets is analysed in the following table, together with the changes that took place during the year:

(Values in thousands of EUR)

	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.13	**15,804**	**23,998**	**2,511**	**3,441**	**24**	**614**	**46,392**
Increases		24	216	28	17	167	452
Disposals				(74)		(21)	(95)
Depreciation		(544)	(638)	(725)	(20)	(192)	(2,119)
Net book value as of 01.01.14	**15,804**	**23,478**	**2,089**	**2,670**	**21**	**568**	**44,630**
Increases	731	76	328	41	20	118	1,314
Disposals				(5)	(1)		(6)
Depreciation		(545)	(609)	(724)	(15)	(194)	(2,087)
Net book value as of 31.12.14	**16,535**	**23,009**	**1,808**	**1,982**	**25**	**492**	**43,851**

Tangible fixed assets have changed as follows:

- Increases of EUR 1,314 thousand for new investments. These mainly comprise lands, leasehold improvements, information tools and general and specific plant and machinery.
- Disposals of EUR 6 thousand. These relate to the closure of obsolete plant and machinery.
- Depreciation of EUR 2,087 thousand, charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category (see the accounting policies relating to tangible fixed assets for further details).

Other non-current assets

3. Equity investments

This caption comprises the investments held in subsidiary and associated companies. A complete list, together with the information requested by Consob, is presented in Attachment I.

The investments increase of EUR 2,080 thousand due to capital contributions payments and waive receivable towards our subsidiaries Aeffe Retail S.p.A. Velmar S.p.A..

4. Other fixed assets

This caption principally includes amounts due by subsidiaries.

5. Deferred tax assets and liabilities

This caption is analysed below as of 31 December 2014 and 2013:

(Values in thousands of EUR)	Receivables		Liabilities	
	2014	2013	2014	2013
Tangible fixed assets			(20)	(20)
Intangible fixed assets			(149)	(149)
Provisions	415	251		
Costs deducible in future periods	842	667		
Income taxable in future periods			(83)	(407)
Tax losses carried forward	508	2,443		
Other tax assets (liabilities) from transition to IAS	431	431	(7,428)	(7,458)
Total	**2,196**	**3,792**	**(7,680)**	**(8,034)**

Changes in temporary differences during the year are shown in the following table:

(Values in thousands of EUR)	Opening balance	Recorded in the income statement	Other	Closing balance
Tangible fixed assets	(20)	-		(20)
Intangible fixed assets	(149)	-		(149)
Provisions	251	164		415
Costs deducible in future periods	667	231	(56)	842
Income taxable in future periods	(407)	407	(83)	(83)
Tax losses carried forward	2,443	(1,863)	(72)	508
Other tax assets (liabilities) from transition to IAS	(7,027)	30		(6,997)
Total	**(4,242)**	**(1,031)**	**(211)**	**(5,484)**

Deferred tax assets have been determined estimating the future recoverability of such activities.

CURRENT ASSETS

6. Stocks and inventories

This caption comprises:

(Values in thousands of EUR)	31 December	31 December	Change	
	2014	2013	Δ	%
Raw, ancillary and consumable materials	3,685	4,184	(499)	(11.9%)
Work in progress	5,887	3,958	1,929	48.7%
Finished products and goods for resale	18,556	16,593	1,963	11.8%
Advance payments	15	130	(115)	(88.5%)
Total	**28,143**	**24,865**	**3,278**	**13.2%**

The increase by EUR 3,278 in inventories is mainly related to the growth by 18% of orders' backlog for the Spring/Summer 2015 collections.

Raw materials and work in progress products mainly concern the Spring/Summer 2015 collections.

Finished products mainly relate to the Autumn/Winter 2014 and to the Spring/Summer 2015 collections and to the Autumn/Winter 2015 samples collections.

7. *Trade receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Customers receivables	9,664	7,146	2,518	35.2%
Subsidiaries receivables	48,229	52,510	(4,281)	(8.2%)
(Allowance for doubtful receivables)	(150)	(250)	100	(40.0%)
Total	**57,743**	**59,406**	**(1,663)**	**(2.8%)**

Trade receivables amount to EUR 57,743 thousand at 31 December 2014, showing a 2.8% decrease compared to the value at 31 December 2013. This change is mainly due to the reduction of receivables towards the subsidiary companies following an increasingly careful management of the Group Treasury.

The allowance for doubtful receivables was determined by reference to a detailed analysis of the available information and, in general, is based on historical trends.

In particular the allowance existing at 31 December 2013 has been used for the amount of EUR 250 thousand to cover losses related to receivables arisen in previous years.

The adjustment of the receivables nominal value to the estimated realisable value has been obtained through the allocation of EUR 150 thousand to allowance for doubtful receivables.

8. *Tax receivables*

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
VAT	3,502	1,592	1,910	120.0%
Corporate income tax (IRES)	1,626	1,626	-	n.a.
Local business tax (IRAP)	927	1,037	(110)	(10.6%)
Amounts due to tax authority for withheld taxes	60	101	(41)	(40.6%)
Other tax receivables	73	197	(124)	(62.9%)
Total	**6,188**	**4,553**	**1,635**	**35.9%**

The change in tax receivables is mainly due to the raise of the VAT receivables.

9. *Cash*

This caption comprises:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Bank and post office deposits	556	263	293	111.4%
Cheques	1	18	(17)	(94.4%)
Cash in hand	22	28	(6)	(21.4%)
Total	**579**	**309**	**270**	**87.4%**

Bank and postal deposits represent the nominal value of the current account balances with banks, including the interest accrued at period end.

Cash and cash equivalents represent the nominal value of the cash held at period end.

As of 31 December 2014, cash and cash equivalents are EUR 270 thousand higher than at the end of the previous year. The reasons for this are analysed in the cash flow statement.

10. Other receivables

This caption comprises:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	Change %
Credits for prepaid costs (costs of producing collections)	9,654	9,199	455	4.9%
Advances for royalties and commissions	873	544	329	60.5%
Advances to suppliers	1,016	1,029	(13)	(1.3%)
Accrued income and prepaid expenses	382	270	112	41.5%
Other	1,494	1,492	2	0.1%
Total	**13,419**	**12,534**	**885**	**7.1%**

Credits for prepaid costs are related to the costs incurred to design and make samples for the Spring/Summer 2015 and Autumn/Winter 2015 collections, for which the corresponding revenues from sales have not been realised yet.

Accrued income and prepaid expenses refer mainly to owed rent, insurance premium, maintenance and subscriptions fees.

11. SHAREHOLDERS' EQUITY

The main elements comprising shareholders' equity as of 31 December 2014 are described below.

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ
Share capital	25,371	25,371	-
Legal reserve	2,861	2,861	-
Share premium reserve	71,240	71,240	-
Other reserves	23,620	28,904	(5,284)
Fair value reserve	7,742	7,742	-
IAS reserve	1,086	1,086	-
Reamisurement of defined benefit plans reserve	(681)	(420)	(261)
Profits/(Losses) carried-forward	2,175	2,175	-
Net profit / (loss)	35	(5,284)	5,319
Total	**133,449**	**133,675**	**(226)**

Share capital

Share capital as of 31 December 2014 (gross of treasury shares) is represented by 107,362,504 issued and fully-paid ordinary shares, par value EUR 0.25 each, totalling EUR 26,841 thousand. As of 31 December 2014 the Company holds 5,876,878 treasury shares, representing the 5.5% of its share capital.

There are no shares with restricted voting rights, without voting rights or with preferential rights. The number of outstanding shares (non-considering treasury shares) is not changed during the period.

Legal reserve

The legal reserve amounts to EUR 2,861 thousand at 31 December 2014.

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2013.

Other reserves

The caption records a negative variation as a consequence of the loss cover of the previous year. We specify that reserves haven't changed for income or expenses recognized directly in equity.

Fair value reserve

The fair value reserve derives from the application of IAS 16 in order to measure the land and buildings owned by the Company at their fair value, as determined with reference to an independent appraisal.

IAS reserve

The IAS reserve, formed on the first-time adoption of IFRS, reflects the differences in value that emerged on the transition from ITA GAAP to IFRS. The differences reflected in this equity reserve are stated net of tax effect, as required by IFRS 1.

Reamisurement of defined benefit plans reserve

The remeasurement of defined benefit plans reserve, formed as a result of the application, from 1st January 2013 (retrospectively), of the amendment to IAS 19, decreases of EUR 261 thousand compared to the value at 31 December 2013.

Profits/(Losses) carried-forward

Profits/(losses) carried-forward at 31 December 2014 amount to EUR 2,175 thousand and has not changed since 31 December 2013.

Net Profit /loss

This caption highlights a net profit of EUR 35 thousand.

Information on distributable reserves

The following schedule provides information on the way each equity reserve can be used and/or distributed, together with how they have been used in the past three years.

(Values in thousands of EUR)	Amount	Possible uses	Amount distributable	Uses in prior years: To cover losses	For capital increases	For distribution to shareholders
Share capital	25,371					
Legal reserve	2,861	B				
Share premium reserve:						
- including	69,028	A,B,C	69,028			
- including	2,212	B				
Other reserves:						
- inc. extraordinary reserve	23,620	A,B,C	23,620			
IAS reserve (art.6 D.Lgs. 38/2005)	405	B				
Fair Value reserve (art. 6 D.Lgs. 38/2005)	7,742	B				
Profit/(losses) carried-forward	2,175	A,B,C	2,175			
Total	**133,414**		**94,823**	**-**		**-**

<u>Restricted Reserves</u>

Pursuant to art. 109.4.b) of the Consolidated Income Tax Law approved by Decree 917 dated 22 December 1986, as modified by Decree 344 dated 12 December 2003, restricted reserves as of 31 December 2014 amount to EUR 1,302 thousand.

In the absence of freely-distributable reserves or profits, these reserves would be taxable upon distribution.

NON-CURRENT LIABILITIES

12. Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	31 December 2013	Increases	Decreases	31 December 2014
Pensions and similar obligations	358	9	-	367
Total	**358**	**9**	**-**	**367**

The agents' termination indemnities reflect an estimate of the costs to be incurred on the termination of agency contracts, considering legal requirements and all other useful information, such as historical experience, the average duration of agency contracts and their rate of turnover. The amount stated represents the present value of the payments required to settle the obligation.

The section on "Contingent liabilities" describes the tax contingencies that are not covered by provisions since the Company is unlikely to incur charges in relation to them.

13. Post-employment benefits

The severance indemnities payable on a deferred basis to all employees of the Company are deemed to represent a defined benefits plan (IAS 19), since the employer's obligation does not cease on payment of the contributions due on the remuneration paid, but continue until termination of the employment relationship.

For plans of this type, the standard requires the amount accrued to be projected forward in order to determine the amount that will be paid on the termination of employment, based on an actuarial valuation that takes account of employee turnover, likely future pay increases and any other applicable factors. This methodology does not apply to those employees whose severance indemnities are paid into approved supplementary pension funds which, in the circumstances, are deemed to represent defined contributions plans.

Commencing from 1st January 2007, the Finance Law and related enabling decrees introduced significant changes to the regulations governing severance indemnities, including the ability of employees to choose how their individual severance indemnities will be allocated. In particular, employees can now allocate the new amounts accrued to approve pension plans or decide to retain them with the employer (which must pay the related severance contributions into a treasury account managed by INPS).

The main changes are described below:

(Values in thousands of EUR)	31 December 2013	Increases	Decreases / Other changes	31 December 2014
Post employment benefits	4,422	65	210	4,697
Total	**4,422**	**65**	**210**	**4,697**

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits and the actuarial variation.

14. Non-current financial liabilities

Non-current financial payables are analysed in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Loans from financial institutions	12,680	15,488	(2,808)	(18.1%)
Total	**12,680**	**15,488**	**(2,808)**	**(18.1%)**

The increase in this entry is mainly due to the disbursement of a ten-year mortgage loan for an amount of EUR 11.5 million on a real estate based in Gatteo, headquarter of the subsidiary Pollini Spa. It should be noted that such real estate from 2002 to 2012 was object of a lease-back operation.

All other amounts due to banks relate to the portion of bank loans due beyond 12 months and comprise solely unsecured loans and bank finance. Such loans are not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice.

Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

The following table details the bank loans outstanding as of 31 December 2014, including both the current and the non-current portion:

(Values in thousands of EUR)	Total amount	Current portion	Non-current portion
Bank borrowings	15,488	2,808	12,680
Total	**15,488**	**2,808**	**12,680**

The total due beyond five years amount to EUR 5,092 thousand.

15. Non-current not financial liabilities

Non-current not financial liabilities refers to tax payable generated in Aeffe Spa, as a consequence of the adhesion of the subsidiaries to the fiscal consolidation, related to the fiscal losses.

Such caption decreases of EUR 2,359 thousand due to the use tax losses carried forward by the parent company Aeffe S.p.A. thereby reducing the liability as a result of such use becomes a payable liability.

CURRENT LIABILITIES

16. Trade payables

This caption is analysed below on a comparative basis:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Payables with subsidiaries	47,927	39,584	8,343	21.1%
Payables with third parties	25,140	22,437	2,703	12.0%
Total	**73,067**	**62,021**	**11,046**	**17.8%**

Trade payables are due within 12 months and concern the debts for supplying goods and services.

The increase of trade payable is mostly due to the growth of revenues for sales and services during the year

17. Tax payables

Tax payables are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Amounts due to tax authority for withheld taxes	1,233	1,231	2	0.2%
Total	**1,233**	**1,231**	**2**	**0.2%**

18. Short-term financial liabilities

This caption is analysed in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Due to banks	61,807	63,772	(1,965)	(3.1%)
Total	**61,807**	**63,772**	**(1,965)**	**(3.1%)**

Bank overdrafts include advances from banks, short-term loans and the current portion of long-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital. Short-term loans (due within 12 months) represent loans granted to the Company by the banking system.

These captions are analysed in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Current bank loans	58,999	58,842	157	0.3%
Current portion of long-term bank borrowings	2,808	4,930	(2,122)	(43.0%)
Total	**61,807**	**63,772**	**(1,965)**	**(3.1%)**

19. Other liabilities

Other current liabilities are analysed on a comparative basis in the following table:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Due to total security organization	1,183	1,676	(493)	(29.4%)
Due to employees	2,102	1,638	464	28.3%
Trade debtors - credit balances	1,684	1,650	34	2.1%
Accrued expenses and deferred income	-	-	-	n.a.
Other	511	284	227	79.9%
Total	**5,480**	**5,248**	**232**	**4.4%**

The amounts due to social security and pension institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Company's employees.

COMMENTS ON THE INCOME STATEMENT

20. Revenues from sales and services

In 2014 revenues amount to EUR 123,261 thousand compared to EUR 114,806 thousand of the year 2013, showing an increase of 7.4%. Such increase has mainly interested the brands Alberta Ferretti, Moschino and Cèdric Charlier.

33% of revenues are earned in Italy while 67% come from foreign markets.

Revenues are analysed by geographical area below:

(Values in thousands of EUR)	Full Year		Full Year		Change	
	2014	%	2013	%	Δ	%
Italy	41,446	33.6%	35,021	30.5%	6,425	18.3%
Europe (Italy and Russia excluded)	28,039	22.7%	27,547	24.0%	492	1.8%
United States	7,255	5.9%	6,975	6.1%	280	4.0%
Russia	11,591	9.4%	13,810	12.0%	(2,219)	(16.1%)
Japan	6,283	5.1%	5,896	5.1%	387	6.6%
Rest of the world	28,647	23.2%	25,557	22.3%	3,090	12.1%
Total	**123,261**	**100.0%**	**114,806**	**100.0%**	**8,455**	**7.4%**

21. Other revenues and income

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2014	2013	Δ	%
Rental income	3,332	2,812	520	18.5%
Extraordinary income	726	380	346	91.1%
Other income	1,395	2,424	(1,029)	(42.5%)
Total	**5,453**	**5,616**	**(163)**	**(2.9%)**

In 2014, the caption extraordinary income, mainly composed by recovery of receivables from bankrupt customers, increases by EUR 346 thousand.

The caption other income, which amounts to EUR 1,395 thousand in 2014, mainly refers to exchange gains on commercial transaction and sales of raw materials and packaging.

22. Costs of raw materials

This caption comprises:

(Values in thousands of EUR)	Full Year	Full Year	Change	
	2014	2013	Δ	%
Raw, ancillary and consumable materials and goods for resale	47,096	38,725	8,371	21.6%
Total	**47,096**	**38,725**	**8,371**	**21.6%**

This caption mainly reflects the purchase of raw materials, such as fabrics, yarns, hides and accessories, finished products acquired for resale and packaging.

The increase of Costs for raw materials by EUR 8,371 is related to the growth by 18% of the Spring/Summer 2015 collection orders.

23. Costs of services

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Subcontracted work	14,497	15,082	(585)	(3.9%)
Consultancy fees	5,956	6,563	(607)	(9.2%)
Advertising	3,283	2,819	464	16.5%
Commission	7,123	6,360	763	12.0%
Transport	1,466	1,471	(5)	(0.3%)
Utilities	582	650	(68)	(10.5%)
Directors' and auditors' fees	1,762	1,529	233	15.2%
Insurance	166	164	2	1.2%
Bank charges	360	334	26	7.8%
Travelling expenses	914	896	18	2.0%
Sundry industrial services	652	669	(17)	(2.5%)
Other services	1,116	1,243	(127)	(10.2%)
Total	**37,877**	**37,779**	**96**	**0.3%**

The remuneration of directors and statutory auditors is detailed in Attachment II.

Costs of services change from EUR 37,779 thousand of 2013 to EUR 37,877 thousand of 2014, showing an increase of 0.3%.

24. Costs of use of third parties assets

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Rental expenses	2,499	2,064	435	21.1%
Royalties	11,710	10,258	1,452	14.2%
Hire charges and similar	459	532	(73)	(13.7%)
Total	**14,668**	**12,854**	**1,814**	**14.1%**

The entry cost of use of third parties assets increase of EUR 1,814 thousand from EUR 12,854 thousand in 2013 to EUR 14,668 thousand in 2014, mainly due to higher rental expenses and royalties.

25. Labour costs

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Labour costs	24,541	23,939	602	2.5%
Total	**24,541**	**23,939**	**602**	**2.5%**

Labour costs move from EUR 23,939 thousand in 2013 to EUR 24,541 thousand in 2014.

The applicable national payroll contract is the textile and clothing sector contract of December 2013.

The average number of employees as of 31 December 2014 is analysed below:

(Average number of employees by category)	31 December 2014	31 December 2013	Change Δ	%
Workers	135	143	(8)	(5.6%)
Office staff - supervisors	378	385	(7)	(1.8%)
Executive and senior managers	13	14	(1)	(7.1%)
Total	**526**	**542**	**(16)**	**(3.0%)**

26. Other operating expenses

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Taxes	284	281	3	1.1%
Gifts	231	144	87	60.4%
Contingent liabilities	35	81	(46)	(56.8%)
Other operating expenses	1,289	2,112	(823)	(39.0%)
Total	**1,839**	**2,618**	**(779)**	**(29.8%)**

The caption other operating expenses decreases from EUR 2,618 thousand in 2013 to EUR 1,839 thousand in 2014, mainly as effect of the foreign exchange losses reduction.

27. Amortisation and write-downs

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Amortisation of intangible fixed assets	434	398	36	9.0%
Depreciation of tangible fixed assets	2,087	2,119	(32)	(1.5%)
Write-downs	150	4,055	(3,905)	(96.3%)
Total	**2,671**	**6,572**	**(3,901)**	**(59.4%)**

Such decrease has been mainly determined by lower write-downs recorded in 2014 compared to 2013 when was made the write-downs of the investment and receivables toward the subsidiary Aeffe Japan Inc..

28. Financial income/ expenses

The caption "Financial income" comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Interest income	828	728	100	13.7%
Financial discounts	7	30	(23)	(76.7%)
Foreign exchange gains	32	541	(509)	(94.1%)
Total	**867**	**1,299**	**(432)**	**(33.3%)**

The caption "Financial expenses" comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Interest expenses	4,451	5,403	(952)	(17.6%)
Lease interest	-	-	-	n.a.
Foreign exchange losses	-	532	(532)	(100.0%)
Other expenses	109	86	23	26.7%
Totale	**4,560**	**6,021**	**(1,461)**	**(24.3%)**

The decrease in financial expenses is substantially linked to lower financial expenses as a result of a reduction in the average indebtedness of the Company compared to the year 2013 and the better banking conditions applied by banks.

Interest expenses are detailed as follow:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Interest expenses to subsidiaries	431	487	(56)	(11.5%)
Interest expenses to banks	3,743	4,576	(833)	(18.2%)
Interest expenses to others	278	340	(62)	(18.2%)
Totale	**4,452**	**5,403**	**(951)**	**(17.6%)**

29. Income taxes

This caption comprises:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013	Change Δ	%
Current income taxes	882	557	325	58.3%
Deferred income (expenses) taxes	(694)	(452)	(242)	53.5%
Total income taxes	**188**	**105**	**83**	**79.0%**

The changes in deferred income (expenses) taxes are analysed in the note on deferred tax assets and liabilities.

The effective tax rates for 2013 and 2014 are reconciled with the theoretical rate in the following table:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Profit before taxes	222	(5,179)
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**61**	**(1,424)**
Fiscal effect	(381)	972
Total income taxes excluding IRAP (current and deferred)	**(320)**	**(452)**
IRAP (current and deferred)	**507**	**557**
Total income taxes (current and deferred)	**187**	**105**

This reconciliation of the theoretical and effective tax rates does not take account of IRAP, given that it does not use profit before taxes to calculate the taxable amount. Accordingly, the inclusion of IRAP in the reconciliation would generate distorting effects between years.

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow generated in 2014 amounts to EUR 269 thousand.

(Values in thousands of EUR)	Full year 2014	Full year 2013
OPENING BALANCE (A)	**309**	**40**
Cash flow (absorbed)/generated by operating activity (B)	12,561	1,084
Cash flow (absorbed)/generated by investing activity (C)	(3,696)	1,248
Cash flow (absorbed)/generated by financing activity (D)	(8,596)	(2,063)
Increase (decrease) in cash flow (E)=(B)+(C)+(D)	**269**	**269**
CLOSING BALANCE (F)=(A)+(E)	**578**	**309**

30. Net cash flow (absorbed)/generated by operating activity

The cash flow generated by operating activity during 2014 amounts to EUR 12,561 thousand.

The cash flow from operating activities is analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Profit before taxes	222	(5,179)
Amortisation	2,672	5,462
Accrual (+)/availment (-) of long term provisions and post employment benefits	284	(847)
Paid income taxes	(880)	(693)
Financial income (-) and financial charges (+)	3,693	4,722
Change in operating assets and liabilities	6,571	(2,382)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**12,561**	**1,084**

31. Net cash flow (absorbed)/generated by investing activity

The cash flow generated by investing activity during 2014 amounts to EUR 3,696 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Increase (-)/ decrease (+) in intangible fixed assets	(308)	(437)
Increase (-)/ decrease (+) in tangible fixed assets	(1,308)	(357)
Investments (-)/ Disinvestments (+)	(2,080)	2,042
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(3,696)**	**1,248**

32. Net cash flow (absorbed)/generated by financing activity

The cash flow absorbed by financing activity during 2014 amounts to EUR 8,596 thousand.

The factors comprising this use of funds are analysed below:

(Values in thousands of EUR)	Full Year 2014	Full Year 2013
Other variations in reserves and profits carried-forward of shareholders' equity	(261)	112
Dividends paid	-	-
Proceeds (+)/repayments (-) of financial payments	(4,774)	2,471
Increase (-)/ decrease (+) in long term financial receivables	130	77
Financial income (+) and financial charges (-)	(3,693)	(4,722)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(8,596)**	**(2,063)**

OTHER INFORMATION

33. Stock option plans

Details about the stock options allocated to directors, general managers and executives with strategic responsibilities are provided in Attachment III.

34. Incentive plans

Regarding the long term incentive plans reserved to executive directors of Aeffe S.p.A., please refer to the indicated in the Report on remuneration available from the governance section of the following website: www.aeffe.com.

35. Net financial position

As required by Consob communication DEM/6264293 dated 28th July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Company's net financial position as of 31 December 2014 is analysed below:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change
A - Cash in hand	23	46	(23)
B - Other available funds	556	263	293
C - Securities held for trading			
D - Cash and cash equivalents (A) + (B) + (C)	*579*	*309*	*270*
E - Short term financial receivables			
F - Current bank loans	(58,999)	(58,842)	(157)
G - Current portion of long-term bank borrowings	(2,808)	(4,930)	2,122
H - Current portion of loans from other financial istitutions			-
I - Current financial indebtedness (F) + (G) + (H)	*(61,807)*	*(63,772)*	*1,965*
J - Net current financial indebtedness (I) + (E) + (D)	*(61,228)*	*(63,463)*	*2,235*
K - Non current bank loans	(12,680)	(15,488)	2,808
L - Issued obbligations			
M - Other non current loans			-
N - Non current financial indebtedness (K) + (L) + (M)	*(12,680)*	*(15,488)*	*2,808*
O - Net financial indebtedness (J) + (N)	***(73,908)***	***(78,951)***	***5,043***

Short-term financial liabilities include advances from banks that mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

36. Earnings per share

Basic earnings per share

(Values in thousands of EUR)	31 December 2014	31 December 2013
Earnings for the period	35	(5,284)
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**0.0003**	**(0.052)**

37. Intercompany transactions

Aeffe S.p.A. also operates via its own direct or indirect subsidiaries. Operations carried out with them mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The effect of these transactions on the individual captions reported in the 2014 and 2013 financial statements, as shown in the supplementary income statement and balance sheet prepared for this purpose, is summarised in the following tables:

COSTS AND REVENUES

(Values in thousands of EUR) Year 2014	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	8,933	266	151	3,351	11	2	(431)
Pollini Group	856	2,435	15,217	24			731
Aeffe Retail Group	6,728	871	111	137			
Velmar S.p.A.	82	207	30	1			
Nuova Stireria Tavoleto S.r.l.	3	5		17			
Aeffe Usa Inc.	5,081	7		866			
Aeffe UK L.t.d.	732	13	55	251			15
Aeffe France S.a.r.l.	331	5	86	1,021			68
Fashoff UK	882	1	10	937			
Total Group companies	**23,628**	**3,810**	**15,660**	**6,605**	**11**	**2**	**383**
Total income statement	123,261	5,453	47,096	37,877	14,667	(1,838)	(3,693)
Incidence % on income statement	**19.2%**	**69.9%**	**33.3%**	**17.4%**	**0.1%**	**(0.1%)**	**(10.4%)**

(Values in thousands of EUR) Year 2013	Revenues from sales and services	Other revenues and income	Costs of raw materials, cons. and goods for	Costs of services	Costs for use of third parties assets	Other operating costs	Financial income (expenses)
Moschino Group	10,773	38	127	3,471	8,293		(487)
Pollini Group	986	2,442	7,568	19		2	659
Aeffe Retail Group	6,921	567	58	141			
Velmar S.p.A.	74	198	15	12			
Nuova Stireria Tavoleto S.r.l.	5	10	281	528			
Aeffe Usa Inc.	4,598	8		260			
Aeffe Uk L.t.d.		24	55	218	14		
Aeffe France S.a.r.l.	544	5	24	873			
Aeffe Japan Inc.	1,569	8				2	57
Fashoff UK	1,036			765			
Total Group companies	**26,506**	**3,300**	**8,128**	**6,287**	**8,307**	**4**	**229**
Total income statement	114,806	5,616	38,725	37,779	12,854	(2,618)	(4,722)
Incidence % on income statement	**23.1%**	**58.8%**	**21.0%**	**16.6%**	**64.6%**	**(0.2%)**	**(4.8%)**

RECEIVABLES AND PAYABLES

(Values in thousands of EUR) Year 2014	Other fixed assets	Trade receivables	Trade payables
Moschino Group	32,772	9,081	36,299
Pollini Group	4,000	30,251	6,585
Aeffe Retail Group		3,979	1,858
Velmar S.p.A.		10	3,010
Nuova Stireria Tavoleto S.r.l.		44	1,097
Aeffe Usa Inc.		1,079	739
Aeffe UK L.t.d.	481	2,563	90
Aeffe France S.a.r.l.	3,350	1,023	700
Ozbek London L.t.d.			
Aeffe Japan Inc.		200	
Total Group companies	**40,603**	**48,230**	**50,378**
Total balance sheet	41,650	57,743	73,067
Incidence % on balance sheet	**97.5%**	**83.5%**	**68.9%**

(Values in thousands of EUR) Year 2013	Other fixed assets	Trade receivables	Trade payables
Moschino Group	32,772	8,198	30,983
Pollini Group	4,000	28,732	4,427
Aeffe Retail Group		6,749	3,916
Velmar S.p.A.		283	2,517
Nuova Stireria Tavoleto S.r.l.		199	1,528
Aeffe Usa Inc.		1,728	170
Aeffe UK L.t.d.	450	1,710	30
Aeffe France S.a.r.l.	2,575	3,151	620
Ozbek London L.t.d.			205
Aeffe Japan Inc.	1,942	1,760	
Total Group companies	**41,739**	**52,510**	**44,396**
Total balance sheet	41,780	59,406	62,021
Incidence % on balance sheet	**99.9%**	**88.4%**	**71.6%**

38. Transactions with related parties

Transactions between the Company and related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

The following schedule summarises the Company's transactions with other related parties:

(Values in thousands of EUR)	31 December 2014	31 December 2013	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.A.			
Contract for the sale of artistic assets and design	300	300	Cost
Ferrim with Aeffe S.p.A.			
Property rental	1,771	1,433	Cost
Advance rental payments	412	290	Other current receivables
Commerciale Valconca with Aeffe S.p.A.			
Revenues	494	235	Revenue
Cost of services	124	122	Cost
Commercial	986	926	Receivable
Montegridolfo with Aeffe S.p.A.			
Land acquired	727		Lands
Commercial	888		Payable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet and cash flow as of 31 December 2014 and 31 December 2013:

(Values in thousands of EUR)	Balance 2014	Value rel. party 2014	%	Balance 2013	Value rel. party 2013	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	123,261	494	0.4%	114,806	235	0.2%
Costs of services	37,877	424	1.1%	37,779	422	1.1%
Costs for use of third party assets	14,667	1,771	12.1%	12,854	1,433	11.1%
Other operating expenses	1,838	-	0.0%	2,618	-	0.0%
Incidence of related party transactions on the balance sheet						
Lands	16,535	727	4.4%	15,803	-	0.0%
Other current receivables	13,419	412	3.1%	12,534	290	2.3%
Trade receivables	57,743	986	1.7%	59,406	926	1.6%
Trade payables	73,067	888	1.2%	62,021	-	0.0%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activity	12,561	(995)	n.a.	1,084	(1,668)	n.a.
Cash flow (absorbed) / generated by investing activity	(3,696)	(727)	19.7%	1,248	-	0.0%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(73,908)	(1,722)	2.3%	(78,951)	(1,668)	2.1%

39. Atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 dated 28 July 2006, it is confirmed that the Company did not enter into any atypical and/or unusual transactions (as defined in such Communication) during 2014.

40. Significant non-recurring events and transactions pursuant to the Consob regulation of 28 July 2006

No significant non-recurring events, occurred the year, have to be reported.

41. Guarantees and commitments

(Values in thousands of EUR)	31 December 2014	31 December 2013	Change Δ	%
Guarantees given				
- on behalf of third parties	1,357	1,044	313	30.0%
Total	**1,357**	**1,044**	**313**	**30.0%**

42. Contingent liabilities

Fiscal disputes

Aeffe S.p.A.: the Rimini Provincial Tax Commission with ruling no. 101/2/06 filed on 16 December 2006 cancelled notices of assessment 81203T100562 (RG no. 43/05) and 81203T100570 (RG no. 69/05) issued by the Rimini Tax Authorities in November 2004. The issues raised related to the 1999 and 2000 tax years concern costs deemed not allowable and the write-down of the investment in Moschino. The Rimini tax office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners. The Company presented its counter analysis within the legally-prescribed time period. The Bologna Regional Tax Commission, as set during the hearing of 27 September 2010, has rejected the appeal, confirming the first level ruling.

On 12 January 2012, the State Legal Bar disputed the validity of the judgment of the Bologna regional tax commission, by bringing an appeal before the Court of Cassation. The company, presented its counter-submission within the time limit established by the law.

The positive outcome at the first two levels of judgment means that the further development of this dispute can be considered in a positive light.

The Rimini Provincial Tax Commission with ruling no. 37/02/08 of 28 January 2008, filed on 9 April 2008, cancelled notices of assessment no. 81203T300390/06 and no. 81203T300393/06 issued by the Rimini Tax Authorities in June 2006. The assessments concern tax years 2001 and 2002, and are connected with non-recognition of utilisation of the tax loss achieved during tax period 2000. The Rimini Tax Office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners with notification sent to the company on 29 May 2009. The appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. The Bologna Regional Tax Commission ordered on 14 April 2011 the suspension of this judgment pending resolution of the dispute ruling related to the notice of assessment 81203T100570/20042 (tax year 2000) with sentence become final.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totaling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies. On 30 August 2010, the Major Taxpayers Office of the Emilia Romagna Regional Tax Department notified assessments TGB03B500172/2010 (IRAP), TGB08B500181/2010 (theoretical IRES) and TGB09B500185/2010 (actual IRES), containing the matters indicated above. The company challenged these assessments before the Bologna Provincial Tax Commissioners ahead of the legal deadline, trusting that the valid defensive reasoning will be accepted. On

13 July 2011, with tax return n. 137 2011 00031537 15 the company has been ordered to pay the amount registered in the roll by the Tax Office, provisionally awaiting trial, equal to half of the taxes in dispute, besides interests, for a total amount of EUR 161 thousand. This tax dispute has been disputed in December 2012 before the Bologna Provincial Tax Commission, who, with sentence no. 40/13/13, filed on 14 March 2013, has accepted the request of the company, annulling the contested measures with reference to the matter relating to intra-group costs for advertising contributions and confirming the contested measures related to the reliefs for costs to be incurred and intra-group costs for lease payments. The Office, with act of appeal notified to the company on 28 October 2013, appealed against the sentence of the Bologna Provincial Tax Commission requesting the reform in relation to the matter relating to intra-group costs for advertising contributions. The Company, on 23 December 2013, filed a timely notice of cross-appeal counterclaims and contextual interlocutory appeal.

On 30 May 2014, following a general tax audit for IRES, IRAP and VAT for the tax years 2009, 2010 and 2011, by the Emilia Romagna Regional Management, Large Taxpayers Office, was issued a formal notice of assessment, with which the Tax Office has formulated remarks with recoveries of total taxes (IRES and IRAP) of EUR 210 thousand for 2009, EUR 350 thousand for 2010 and EUR 299 thousand for 2011. The complaints mainly concern the recovery of costs for commissions and advertising contributions granted to certain foreign subsidiaries and the failure to account for interest income on loans to foreign subsidiaries.

The company, on 29 July 2014, submitted comments pursuant to Article 12, paragraph 7, of Law 212 of 2000.

On 3 December 2014 the Large Taxpayers Office of Emilia Romagna Regional Management has notified, for 2009, the assessment notices n. TGB0EC700238/2014 (IRES) and n. TGB03C700239/2014 (IRAP), with a total recovery of taxes of EUR 210 thousand.

It is currently ongoing the voluntary tax assessment proceeding.

About it is noted that regarding the deductibility of advertising contributions to foreign subsidiaries (which constitute the bulk of disputes) the company has already received feedback from the Provincial Tax Commission of Bologna that, with judgment 40/13/13 filed on 14th March 2013 on the litigation referred to in paragraph above, has already rejected this type of dispute.

No provisions have been recorded in relation to the above disputes, since the defensive arguments put forward by the companies and its professional advisors are fully sustainable.

The directors, in receipt of the opinion of their fiscal and legal consultants, do not deem it likely that any liabilities will derive from the above-mentioned.

43. Information pursuant to art. 149-duodecies of Consob's Issuers' Regulations

The following schedule, prepared pursuant to art. 149-duodecies of Consob's Issuers' Regulation, shows the fees incurred in 2014 for auditing services and non-auditing services provided by the appointed firm for auditors. No services were provided by members of the auditing firm's network.

(Values in thousands of EUR)	Service provider	2014 fees
Audit	MAZARS S.p.A	82
Total		**82**

ATTACHMENTS TO THE EXPLANATORY NOTES

ATTACHMENT I:	List of investments in subsidiary and other companies
ATTACHMENT II:	Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT III:	Stock options granted to directors, statutory auditors, general managers and executives with strategic responsibilities
ATTACHMENT IV:	Assets Balance Sheet with related parties
ATTACHMENT V:	Liabilities Balance Sheet with related parties
ATTACHMENT VI:	Income Statement with related parties
ATTACHMENT VII:	Cash Flow Statement with related parties
ATTACHMENT VIII:	Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2013

ATTACHMENT I

List of investments in subsidiary companies

requested by Consob Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares		Book value
(Values in units of EUR)									
In subsidiaries companies:									
Italian companies									
Aeffe Retail S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/13			8,585,150	(711,846)	9,043,251	100%	8,585,150		25,493,345
At 31/12/14			8,585,150	(626,432)	9,216,819	100%	8,585,150		26,293,345
Moschino S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/13			20,000,000	(7,078,186)	30,601,864	70%	14,000,000		14,085,199
At 31/12/14			20,000,000	1,315,012	31,916,877	70%	14,000,000		14,085,199
Nuova Stireria Tavoleto S.r.l.	**Tavoleto (PU) Italy**								
At 31/12/13			10,400	(223,372)	920,666	100%	n.d.	*	773,215
At 31/12/14			10,400	183,572	1,104,238	100%	n.d.	*	773,215
Pollini S.p.A.	**Gatteo (FC) Italy**								
At 31/12/13			6,000,000	312,291	12,590,091	100%	6,000,000		41,945,452
At 31/12/14			6,000,000	4,439,104	17,029,195	100%	6,000,000		41,945,452
Velmar S.p.A.	**S.G. in Marignano (RN) Italy**								
At 31/12/13			120,000	106,456	443,870	100%	60,000		5,448,395
At 31/12/14			120,000	(1,463,824)	260,078	100%	60,000		6,728,427
Foreign companies									
Aeffe France S.a.r.l.	**Paris (FR)**								
At 31/12/13			50,000	(1,003,560)	(871,904)	100%	n.d.	*	4,118,720
At 31/12/14			50,000	881,399	9,495	100%	n.d.	*	4,118,720
Aeffe UK L.t.d.	**London (GB)**								
At 31/12/13		GBP	310,000	(216,539)	548,804	100%	n.d.	*	
			371,836	(259,733)	658,275	100%	n.d.	*	478,400
At 31/12/14		GBP	310,000	(825,248)	(276,444)	100%	n.d.	*	
			397,997	(1,059,504)	(354,916)	100%	n.d.	*	478,400
Aeffe USA Inc.	**New York (USA)**								
At 31/12/13		USD	600,000	502,266	12,318,949	100%	n.d.	*	
			435,066	364,198	8,932,600	100%	n.d.	*	10,664,812
At 31/12/14		USD	600,000	(91,369)	12,227,580	100%	n.d.	*	
			494,193	(75,257)	10,071,312	100%	n.d.	*	10,664,812
Aeffe Japan Inc.	**Tokyo (Japan)**								
At 31/12/13		JPY	3,600,000	(11,088,932)	(251,596,621)	100%	n.d.	*	-
			24,876	(76,623)	(1,738,506)	100%	n.d.	*	-
At 31/12/14		JPY	3,600,000	(27,969,947)	(265,969,925)	100%	n.d.	*	-
			24,788	(192,591)	(1,831,370)	100%	n.d.	*	-
Total interests in subsidiaries:									**105,087,570**

* quota

List of investments in other companies

requested by Consob Communication no. DEM/6064293 dated 28 July 2006

Company	Registered office	Currency	Share Capital (EUR)	Net profit for the period (EUR)	Net equity (EUR)	Direct interest	Number of shares	Book value
(Values in units of EUR)								
In other companies								
Conai								
At 31/12/13								103
At 31/12/14								103
Caaf Emilia Romagna								
At 31/12/13						0.688%	5,000	2,600
At 31/12/14						0.688%	5,000	2,600
Assoform								
At 31/12/13						1.670%	n.d. *	1,667
At 31/12/14						1.670%	n.d. *	1,667
Consorzio Assoenergia Rimini								
At 31/12/13						2.100%	n.d. *	517
At 31/12/14						2.100%	n.d. *	517
Effegidi								
At 31/12/13								6,000
At 31/12/14								6,000
Total interests in other companies:								**10,887**
* quota								
Total interests:								**105,098,457**

ATTACHMENT II

Remuneration paid to directors, statutory auditors, general managers and executives with strategic responsibilities (art. 78 of Consob Regulation no. 11971/99)

(Values in thousands of EUR)

Name	Office held in 2014	Period in office	Expiration *	Compensa-tion for office held ***		Bonuses and other incentives	Other fees	Total
DIRECTORS								
Massimo Ferretti	Chairman	01/01-31/12/2014	2017	608			256	864
Alberta Ferretti	Deputy Chairman and Executive Director	01/01-31/12/2014	2017	453			110	563
Simone Badioli	Chief Executive Officer and Executive Director	01/01-31/12/2014	2017	254		200	142	596
Marcello Tassinari	Managing Director and Executive Director	01/01-31/12/2014	2017	335	**	200	87	622
Roberto Lugano	Indipendent, non executive Director	01/01-31/12/2014	2017	27			3	30
Pierfrancesco Giustiniani	Indipendent, non executive Director	01/01-31/12/2014	2017	30				30
Marco Salomoni	Indipendent, non executive Director	01/01-31/12/2014	2017	30				30
Sabrina Borocci	Indipendent, non executive Director	16/04-31/12/2014	2017	21				21
STATUTORY AUDITORS								
Pierfrancesco Sportoletti	President of the Board of Statutory Auditors	01/01-31/12/2014	2017	10				10
Romano Del Bianco	Statutory auditor	01/01-16/04/2014	2014	3			6	9
Fernando Ciotti	Statutory auditor	01/01-31/12/2014	2017	10			14	24
Daniela Saitta	Statutory auditor	16/04-31/12/2014	2017	7				7
Total				**1.788**		**400**	**618**	**2.806**
							(1)	**(2)**

(*) year in which the shareholders' meeting is held to approve the financial statements and at which the mandate expires

(**) only executive of which 30 thousand as director's emoluments and the balance as executive of the Parent Company

(***) in compliance with the provisions of art 21 of the Bylaws andart.2389 of the Civil Code, the remuneration paid to executive directors shown in the table have been approved by the Board of Directors of the Issuer on July 28, 2014

(1) includes remuneration for work as employee and on behalf of subsidiary companies and fees for Inspection committee

(2) excludes employer's social security contributions

ATTACHMENT III

Stock options granted to directors, general managers and executives with strategic responsibilities (art. 78 of Consob Regulation no. 11971/99)

Name and Surname	Appointments held in 2014	Options held at 31/12/13			Options granted in 2014			Options exercised in 2014			Expired options	Options held at the end of 2014		
(A)	(B)	N. of options (1)	Average exercise price (2)	Average expiry (3)	N. of options (4)	Average exercise price (5)	Average expiry (6)	N. of options (7)	Average exercise price (8)	Average expiry (9)	N. of options (10)	N. of options (11) = 1+4-7-10	Average exercise price (12)	Average expiry (13)
Massimo Ferretti	Chairman	198,244	4.1	2015								198,244	4.1	2015
Alberta Ferretti	Deputy Chairman and Executive Director	198,244	4.1	2015								198,244	4.1	2015
Simone Badioli	Chif Executive Officer and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Marcello Tassinari	Managing Director and Executive Director	188,804	4.1	2015								188,804	4.1	2015
Other employees of the		66,081	4.1	2015								66,081	4.1	2015
Totale		**840,177**										**840,177**		

ATTACHMENT IV

Balance Sheet Assets, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2014	of which related parties	31 December 2013	of which related parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Trademarks		3,526		3,652	
Other intangible fixed assets		520		521	
Total intangible fixed assets	(1)	4,046		4,172	
Tangible fixed assets					
Lands		16,535	727	15,803	
Buildings		23,009		23,478	
Leasehold improvements		1,808		2,089	
Plant and machinary		1,982		2,671	
Equipment		25		21	
Other tangible fixed assets		492		568	
Total tangible fixed assets	(2)	43,850		44,630	
Other fixed assets					
Equity investments	(3)	105,098	105,088	103,018	103,007
Other fixed assets	(4)	41,650	40,603	41,780	41,739
Deferred tax assets	(5)	2,195		3,792	
Total other fixed assets		148,943		148,590	
TOTAL NON-CURRENT ASSETS		**196,840**		**197,393**	
CURRENT ASSETS					
Stocks and inventories	(6)	28,144		24,865	
Trade receivables	(7)	57,743	49,216	59,406	53,436
Tax receivables	(8)	6,188		4,553	
Cash	(9)	579		310	
Other receivables	(10)	13,419	412	12,534	290
TOTAL CURRENT ASSETS		**106,072**		**101,668**	
TOTAL ASSETS		**302,912**		**299,061**	

ATTACHMENT V

Balance Sheet Liabilities, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	31 December 2014	of which related parties	31 December 2013	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		25,371		25,371	
Share premium reserve		71,240		71,240	
Other reserves		26,481		31,765	
Fair Value reserve		7,742		7,742	
IAS reserve		405		666	
Profits / (Losses) carried-forward		2,175		2,175	
Net profit / loss		35		(5,284)	
TOTAL SHAREHOLDERS' EQUITY	**(11)**	**133,449**		**133,675**	
NON-CURRENT LIABILITIES		-			
Provisions	(12)	367		358	
Deferred tax liabilities	(5)	7,680		8,034	
Post employment benefits	(13)	4,697		4,422	
Long term financial liabilities	(14)	12,680		15,488	
Long term not financial liabilities	(15)	2,452		4,812	
TOTAL NON-CURRENT LIABILITIES		**27,876**		**33,114**	
CURRENT LIABILITIES		-			
Trade payables	(16)	73,067	51,266	62,021	44,396
Tax payables	(17)	1,233		1,231	
Short term financial liabilities	(18)	61,807		63,772	
Other liabilities	(19)	5,480		5,248	
TOTAL CURRENT LIABILITIES		**141,586**		**132,272**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,912**		**299,061**	

ATTACHMENT VI

Income Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

(Values in thousands of EUR)	Notes	Full year 2014	of which related parties	Full year 2013	of which related parties
REVENUES FROM SALES AND SERVICES	**(20)**	**123,261**	**24,122**	**114,806**	**26,741**
Other revenues and income	(21)	5,453	3,810	5,616	3,300
TOTAL REVENUES		**128,714**		**120,422**	
Changes in inventory		3,892		1,607	
Costs of raw materials, cons. and goods for resale	(22)	(47,096)	(15,660)	(38,725)	(8,128)
Costs of services	(23)	(37,877)	(7,029)	(37,779)	(6,709)
Costs for use of third parties assets	(24)	(14,667)	(1,782)	(12,854)	(9,740)
Labour costs	(25)	(24,541)		(23,939)	
Other operating expenses	(26)	(1,838)	(2)	(2,618)	(4)
Amortisation and write-downs	(27)	(2,672)		(6,572)	
Financial income/(expenses)	(28)	(3,693)	383	(4,722)	229
PROFIT / LOSS BEFORE TAXES		**222**		**(5,179)**	
Income taxes	(29)	(188)		(105)	
NET PROFIT / LOSS		**35**		**(5,284)**	

ATTACHMENT VII

Cash Flow Statement, with related parties

Pursuant to Consob Resolution no. 15519 dated 27 July 2006

	Notes	Full Year 2014	Full Year 2013
OPENING BALANCE		**309**	**40**
Profit before taxes		222	(5,179)
Amortisation		2,672	5,462
Accrual (+)/availment (-) of long term provisions and post employment benefits		284	(847)
Paid income taxes		(880)	(693)
Financial income (-) and financial charges (+)		3,693	4,722
Change in operating assets and liabilities		6,571	(2,382)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(30)**	**12,561**	**1,084**
Increase (-)/ decrease (+) in intangible fixed assets		(308)	(437)
Increase (-)/ decrease (+) in tangible fixed assets		(1,308)	(357)
Investments (-)/ Disinvestments (+)		(2,080)	2,042
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(31)**	**(3,696)**	**1,248**
Other variations in reserves and profits carried-forward of shareholders' equity		(261)	112
Dividends paid		-	-
Proceeds (+)/repayments (-) of financial payments		(4,774)	2,471
Increase (-)/ decrease (+) in long term financial receivables		130	77
Financial income (+) and financial charges (-)		(3,693)	(4,722)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(32)**	**(8,596)**	**(2,063)**
CLOSING BALANCE		**578**	**309**

ATTACHMENT VIII

Prospect of crucial data from the statutory financial statements of Fratelli Ferretti Holding at 31 December 2013

(Values in units of EUR)	STATUTORY FINANCIAL STATEMENTS 2013	STATUTORY FINANCIAL STATEMENTS 2012
BALANCE SHEET		
ASSETS		
Intangible fixed assets	150,017	126,073
Tangible fixed assets	1,665,110	1,706,455
Equity investments	68,614,657	68,070,374
Non current assets	**70,429,784**	**69,902,902**
Trade receivables	1,309,541	1,260,514
Tax receivables	1,975,239	2,396,418
Cash	41,736	58,790
Other receivables	297,961	408,018
Current assets	**3,624,477**	**4,123,740**
Total assets	**74,054,261**	**74,026,642**
LIABILITIES		
Share capital	100,000	100,000
Share premium reserve	63,720,595	64,635,873
Other reserves	15,038	15,038
Profits (Losses) carried-forward		
Net profit	(92,980)	(915,278)
Shareholders' equity	**63,742,653**	**63,835,633**
Provisions	230,526	230,526
Long term financial liabilities		
Non-current liabilities	**230,526**	**230,526**
Trade payables	10,081,082	9,960,483
Current liabilities	**10,081,082**	**9,960,483**
Total shareholders' equity and liabilities	**74,054,261**	**74,026,642**

INCOME STATEMENT		
Revenues from sales and services		
Other revenues and income	396,867	497,011
Total revenues	**396,867**	**497,011**
Operating costs	(451,927)	(495,862)
Costs for use of third parties assets	(460,558)	(458,805)
Amortisation and write-downs	(59,766)	(48,491)
Provisions	(19,250)	(281,555)
Financial income (expenses)	460,274	1,420
Profit (loss) from affiliates	-	23,101,899
Financial assets adjustments	-	(23,101,899)
Extraordinary profit/(loss)	3,175	2
Profit before taxes	**(131,185)**	**(786,280)**
Income taxes	38,206	(128,998)
Net profit	**(92,979)**	**(915,278)**

Certification of the Financial Statements pursuant to art.81-ter of Consob Regulation N. 11971 of 14 May 1999, as amended

The undersigned Massimo Ferretti as President of the Board of Directors, and Marcello Tassinari as manager responsible for preparing Aeffe S.p.A.'s financial reports, pursuant to the provisions of art. 154 bis, clauses 3 and 4, of Legislative Decree n. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure and
- the effective application

of the administrative and accounting procedures applied in the preparation of the statutory financial statements at 31 December 2014.

The undersigned moreover attest that the statutory financial statements:

i. have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;
ii. correspond to the amounts shown in Company's accounts, books and records;
iii. provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which they are exposed.

11 March 2015

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Aeffe S.p.A. financial reports

Marcello Tassinari