HALF-YEAR FINANCIAL REPORT AT June 30, 2017

Disclaimer

This Half-year financial report at June 30, 2017 has 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.

SUMMARY

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
Daniela Saitta
Sabrina Borocci
Alessandro Bonfiglioli

Board of Statutory Auditors

President
Angelo Miglietta

Statutory Auditors
Fernando Ciotti
Carla Trotti

Alternate Auditors
Nevio Dalla Valle
Daniela Elvira Bruno

Board of Compensation Committee

President
Daniela Saitta

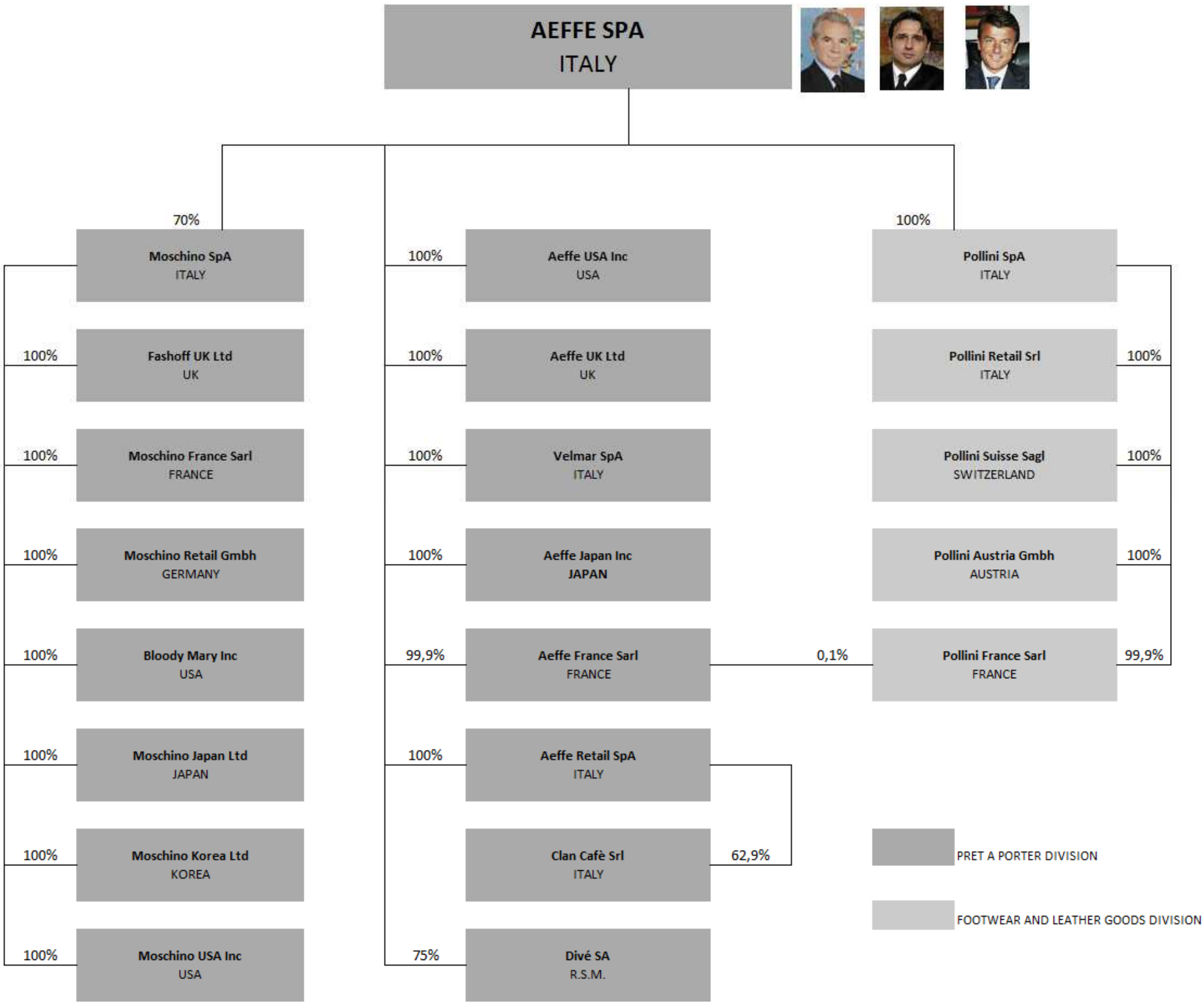
Members
Roberto Lugano
Sabrina Borocci

Board of Internal Control Committee

President
Roberto Lugano

Members
Daniela Saitta
Alessandro Bonfiglioli

Organization chart



Brands portfolio

AEFFE
Clothing - Accessories

ALBERTA FERRETTI
PHILOSOPHY DI LORENZO SERAFINI
MOSCHINO
BOUTIQUE MOSCHINO
JEREMY SCOTT
CEDRIC CHARLIER

POLLINI
Footwear – Leather goods

POLLINI
MOSCHINO
LOVE MOSCHINO

MOSCHINO
Licences – Design

MOSCHINO
BOUTIQUE MOSCHINO
LOVE MOSCHINO

VELMAR
Beachwear - Lingerie

MOSCHINO
BLUGIRL Folies

Headquarters

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

MOSCHINO
Via San Gregorio, 28
20124 – Milan (MI)
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 – PHILOSOPHY – POLLINI – CEDRIC CHARLIER)
Via Donizetti, 48
20122 - Milan
Italy

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

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

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

PARIS
(FERRETTI – PHILOSOPHY – MOSCHINO)
43, Rue du Faubourg Saint Honoré
75008 - Paris
France

PARIS
(CEDRIC CHARLIER)
28 Rue de Sevigne
75004 - Paris
France

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

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
Los Angeles
New York
Seoul
Pusan
Daegu



Main economic-financial data

		1st Half 2016	1st Half 2017
Total revenues	(Values in millions of EUR)	143.6	151.3
Gross operating margin (EBITDA) *	(Values in millions of EUR)	12.2	15.5
Net operating profit (EBIT)	(Values in millions of EUR)	6.1	9.6
Profit before taxes	(Values in millions of EUR)	4.8	7.4
Net profit for the Group	(Values in millions of EUR)	1.5	4.6
Basic earnings per share	(Values in units of EUR)	0.014	0.046
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	7.8	10.4
Cash Flow/Total revenues	(Values in percentage)	5.4	6.8

* EBITDA is represented by operating profit before provisions and depreciation. EBITDA thus defined is a measure used by management to monitor and evaluate the operational performance and is not identified as an accounting measure under both Italian Accounting Principles and IFRS and therefore should not be considered an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by applicable accounting standards, the criteria used by the Group might not be consistent with that adopted by others and therefore may not be comparable.

		At December 31, 2015	At June 30, 2016	At December 31, 2016	At June 30, 2017
Net capital invested	(Values in millions of EUR)	230.2	241.0	227.6	239.1
Net financial indebtedness	(Values in millions of EUR)	80.5	76.3	59.5	67.1
Group net equity	(Values in millions of EUR)	131.7	132.4	135.8	139.7
Group net equity per share	(Values in units of EUR)	1.2	1.2	1.3	1.3
Current assets/ current liabilities	(Ratio)	2.0	2.1	1.8	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.9	0.8	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.5	0.5	0.4	0.4

Aeffe Group

Interim management report

1. 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 di Lorenzo Serafini", "Moschino" and "Pollini", and under licensed brands, which include "Blugirl", "Cedric Charlier" and "Jeremy Scott". 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 di Lorenzo Serafini", "Moschino", "Boutique Moschino" and "Love Moschino") and brands licensed from other companies (such as "Blugirl", "Cedric Charlier" and "Jeremy Scott"). 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, beachwear and loungewear. Collections are produced and distributed under the Group's proprietary brands, as "Moschino", and under third-party licensed brands 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 six single-brand Moschino stores, three in Milan, one in Rome, one in Capri and 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 mono-brand and multi-brand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri, manages also an on-line mono-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.

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 di Lorenzo Serafini brands.

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 di Lorenzo Serafini 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 January 1, 2014, the distributing and franchising activities for the collections branded "Alberta Ferretti" and "Philosophy di Lorenzo Serafini" 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 January 1, 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 by the showroom in London, acting as agent for the Moschino-branded collections produced by Aeffe, and importing the Jeans 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 directly manages a single-brand Moschino store in Paris.

Moschino Gmbh

Moschino Gmbh, company that managed directly a single-brand Moschino store in Berlin, starting from January 1, 2016, is liquidation.

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., directly manage two single-brand Moschino stores, one in Los Angeles and one in New York.

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, foulards 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 has 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 Venice.

Pollini Suisse

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

Pollini Austria

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

2. CONSOLIDATED RICLASSIFIED INCOME STATEMENT

(Values in units of EUR)	1st Half 2017	% on revenues	1st Half 2016	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**149,952,966**	**100.0%**	**137,782,668**	**100.0%**	**12,170,298**	**8.8%**
Other revenues and income	1,389,485	0.9%	5,786,582	4.2%	(4,397,097)	(76.0%)
TOTAL REVENUES	**151,342,451**	**100.9%**	**143,569,250**	**104.2%**	**7,773,201**	**5.4%**
Changes in inventory	2,319,596	1.5%	57,084	0.0%	2,262,512	3,963.5%
Costs of raw materials, cons. and goods for resale	(49,651,369)	(33.1%)	(45,196,354)	(32.8%)	(4,455,015)	9.9%
Costs of services	(42,558,968)	(28.4%)	(40,551,797)	(29.4%)	(2,007,171)	4.9%
Costs for use of third parties assets	(11,536,474)	(7.7%)	(11,517,391)	(8.4%)	(19,083)	0.2%
Labour costs	(32,441,271)	(21.6%)	(31,835,354)	(23.1%)	(605,917)	1.9%
Other operating expenses	(1,979,578)	(1.3%)	(2,299,620)	(1.7%)	320,042	(13.9%)
Total Operating Costs	(135,848,064)	(90.6%)	(131,343,432)	(95.3%)	(4,504,632)	3.4%
GROSS OPERATING MARGIN (EBITDA)	**15,494,387**	**10.3%**	**12,225,818**	**8.9%**	**3,268,569**	**26.7%**
Amortisation of intangible fixed assets	(3,321,134)	(2.2%)	(3,446,474)	(2.5%)	125,340	(3.6%)
Depreciation of tangible fixed assets	(2,486,579)	(1.7%)	(2,545,359)	(1.8%)	58,780	(2.3%)
Revaluations/(write-downs) and provisions	(93,841)	(0.1%)	(84,724)	(0.1%)	(9,117)	10.8%
Total Amortisation, write-downs and provisions	(5,901,554)	(3.9%)	(6,076,557)	(4.4%)	175,003	(2.9%)
NET OPERATING PROFIT / LOSS (EBIT)	**9,592,833**	**6.4%**	**6,149,261**	**4.5%**	**3,443,572**	**56.0%**
Financial income	1,018,520	0.7%	206,453	0.1%	812,067	393.3%
Financial expenses	(3,216,475)	(2.1%)	(1,581,899)	(1.1%)	(1,634,576)	103.3%
Total Financial Income/(Expenses)	(2,197,955)	(1.5%)	(1,375,446)	(1.0%)	(822,509)	59.8%
PROFIT / LOSS BEFORE TAXES	**7,394,878**	**4.9%**	**4,773,815**	**3.5%**	**2,621,063**	**54.9%**
Taxes	(2,839,075)	(1.9%)	(2,949,380)	(2.1%)	110,305	(3.7%)
NET PROFIT / LOSS	**4,555,803**	**3.0%**	**1,824,435**	**1.3%**	**2,731,368**	**149.7%**
(Profit)/loss attributable to minority shareholders	62,066	0.0%	(355,487)	(0.3%)	417,553	(117.5%)
NET PROFIT / LOSS FOR THE GROUP	**4,617,869**	**3.1%**	**1,468,948**	**1.1%**	**3,148,921**	**214.4%**

SALES

In the first semester of 2017, Aeffe consolidated revenues amount to EUR 149,953 thousand compared to EUR 137,783 thousand in the first semester of 2016, with a 8.8% increase at current exchange rates and +8.6% at constant exchange rates.

The revenues of the prêt-à-porter division increase by 8.8% (+8.5% at constant exchange rates) to EUR 116,331 thousand.

The revenues of the footwear and leather goods division increase by 12.5% to EUR 50,401 thousand.

Sales by brand

(Values in thousands of EUR)	1st Half 2017	%	1st Half 2016	%	Change Δ	%
Alberta Ferretti	15,775	10.5%	12,986	9.4%	2,789	21.5%
Philosophy	8,494	5.7%	7,203	5.2%	1,291	17.9%
Moschino	104,787	69.9%	95,407	69.2%	9,380	9.8%
Pollini	15,673	10.5%	13,593	9.9%	2,080	15.3%
Other	5,224	3.4%	8,594	6.3%	(3,370)	(39.2%)
Total	**149,953**	**100.0%**	**137,783**	**100.0%**	**12,170**	**8.8%**

In 1H 2017, Alberta Ferretti brand increases by 21.5% (+22% at constant exchange rates), generating 10.5% of consolidated sales, while Philosophy brand increases by 17.9% (+17.7% at constant exchange rates), generating 5.7% of consolidated sales.

In the same period, Moschino brand sales increase by 9.8% (+9.6% at constant exchange rates), contributing to 69.9% of consolidated sales.

Pollini brand records an increase of 15.3% (+15.2% at constant exchange rates), generating the 10.5% of consolidated sales.

Other brands sales decrease by 39.2% (-39.6% at constant exchange rates), equal to 3.4% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1st Half 2017	%	1st Half 2016	%	Change Δ	%
Italy	72,051	48.0%	60,568	44.0%	11,483	19.0%
Europe (Italy and Russia excluded)	31,928	21.3%	30,161	21.9%	1,767	5.9%
Russia	4,551	3.0%	4,837	3.5%	(286)	(5.9%)
United States	9,735	6.5%	11,121	8.1%	(1,386)	(12.5%)
Rest of the World	31,688	21.2%	31,096	22.5%	592	1.9%
Total	**149,953**	**100.0%**	**137,783**	**100.0%**	**12,170**	**8.8%**

In 1H 2017 sales in Italy, amounting to 48.0% of consolidated sales, registered a good growth posting a 19.0% increase to EUR 72,051 thousand.

At constant exchange rates, sales in Europe, contributing to 21.3% of consolidated sales, registered a positive trend reporting a 5.9% increase (+6.6% at constant exchange rates). The Russian market, representing 3.0% of consolidated sales, decrease by 5.9%.

Sales in the United States, contributing to 6.5% of consolidated sales, posted in 1H 2017 a drop of 12.5% at current exchange rates and 14.6% at constant exchange rates.

In the Rest of the World, the Group's sales total EUR 31,688 thousand, amounting to 21.1% of consolidated sales, recording an increase of 1.9% (+1.2% at constant exchange rates) compared to 1H 2016.

Sales by distribution channel

(Values in thousands of EUR)	1st Half 2017	%	1st Half 2016	%	Change Δ	%
Wholesale	105,242	70.2%	99,188	72.0%	6,054	6.1%
Retail	40,018	26.7%	33,930	24.6%	6,088	17.9%
Royalties	4,693	3.1%	4,665	3.4%	28	0.6%
Total	**149,953**	**100.0%**	**137,783**	**100.0%**	**12,170**	**8.8%**

Revenues generated by the Group in the 1 H 2017 are analysed below:

- 70.2% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 99,188 thousand in 1H 2016 and EUR 105,242 thousand in 1H 2017, with an increase of 6.1% (+5.8% at constant exchange rates).
- 26.7% from sales managed directly by the Group (retail channel), which contributes EUR 33,930 thousand in 1H 2016 and EUR 40,018 thousand in 1H 2017, up by 17.9% (+18.1% at constant exchange rates).
- 3.1% 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 increase by 0.6% from EUR 4,665 thousand in 1H 2016 to EUR 4,693 thousand in 1H 2017.

LABOUR COSTS

Labour costs increase from EUR 31,835 thousand in 1H 2016 to EUR 32,441 thousand in 1H 2017 with an incidence on revenues which decrease from 23.1% in the first semester 2016 to 21.6% in the first semester 2017.

The workforce increases from an average of 1,291 units in the 1H 2016 to 1,311 units in the 1H 2017.

Average number of employees by category	1st Half 2017	1st Half 2016	Change Δ	%
Workers	231	227	4	1.8%
Office staff-supervisors	1,056	1,041	15	1.4%
Executive and senior managers	24	23	1	4.3%
Total	**1,311**	**1,291**	**20**	**1.5%**

GROSS OPERATING MARGIN (EBITDA)

In 1H 2017 consolidated EBITDA is EUR 15,494 thousand (with an incidence of 10.3% of sales) compared to EUR 12,226 thousand in 1H 2016 (with an incidence of 8.9% of sales).

The improvement in profitability is mainly driven by sales growth of both divisions.

EBITDA of the *prêt-à-porter* division is equal to EUR 11,410 thousand (representing the 9.8% of sales) compared to EUR 8,534 thousand in 1H 2016 (representing the 8.0% of sales); posting a EUR 2,876 thousand increase (+33.7%)

EBITDA of the Footwear and leather goods division amounts to EUR 4,084 thousand (8.1% of sales) compared to EUR 3,692 thousand 1H 2016 (8.2% of sales), with a EUR 392 thousand increase (+10.6%).

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is positive for EUR 9,593 thousand compared to EUR 6,149 thousand in 1H 2016, showing an increase of EUR 3,444 thousand (+56.0%).

PROFIT / LOSS BEFORE TAXES

As far the increase in financial expenses in 1H 2017 compared with 1H 2016 is concerned, the positive effect of minor charges on lower financial debt is offset by the valuation at fair value of the contracts entered to cover currency risk for business transactions in foreign currencies. The effect is posted in the P&L statement because the forward-exchange contracts mentioned above are accounted as not "Cash flow hedge".

Thanks to the improvement in operating profit, the result before taxes amounts to EUR 7,395 thousand compared with result before taxes of EUR 4,774 thousand in the first semester 2016, with a EUR 2,621 thousand increase.

NET PROFIT / LOSS FOR THE GROUP

The net result for the Group changes from EUR 1,469 thousand in 1H 2016 to EUR 4,618 thousand in 1H 2017, with an increase in absolute value of EUR 3,149 thousand.

3. RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	At June 30, 2017	At December 31, 2016	At June 30, 2016
Trade receivables	40,666,801	40,711,059	37,785,445
Stock and inventories	91,314,205	89,389,833	88,919,660
Trade payables	(54,868,082)	(61,880,670)	(50,761,587)
Operating net working capital	**77,112,924**	**68,220,222**	**75,943,518**
Other short term receivables	28,816,724	25,082,908	26,868,667
Tax receivables	5,258,109	4,094,261	5,353,104
Other short term liabilities	(18,315,508)	(16,958,605)	(18,808,238)
Tax payables	(4,506,419)	(7,376,339)	(4,892,709)
Net working capital	**88,365,830**	**73,062,447**	**84,464,342**
Tangible fixed assets	60,092,197	61,376,021	62,080,083
Intangible fixed assets	112,505,385	115,131,885	117,713,371
Equity investments	131,558	131,558	131,558
Other fixed assets	3,352,006	3,961,836	3,801,941
Fixed assets	**176,081,146**	**180,601,300**	**183,726,953**
Post employment benefits	(6,127,050)	(6,366,872)	(6,468,870)
Provisions	(2,407,363)	(2,558,786)	(949,767)
Assets available for sale	436,885	436,885	436,885
Long term not financial liabilities	(446,000)	(469,000)	(285,000)
Deferred tax assets	13,834,057	13,856,302	11,411,682
Deferred tax liabilities	(30,650,140)	(30,985,927)	(31,308,390)
NET CAPITAL INVESTED	**239,087,365**	**227,576,349**	**241,027,835**
Share capital	25,371,407	25,371,407	25,371,407
Other reserves	116,674,402	115,641,684	114,468,233
Profits/(Losses) carried-forward	(6,956,308)	(8,883,005)	(8,883,005)
Profits/(Loss) for the period	4,617,869	3,641,244	1,468,948
Group interest in shareholders' equity	**139,707,370**	**135,771,330**	**132,425,583**
Minority interest in shareholders' equity	32,236,128	32,298,194	32,284,767
Total shareholders' equity	**171,943,498**	**168,069,524**	**164,710,350**
Short term financial receivables	(2,235,854)	(2,235,854)	(2,235,854)
Cash	(9,777,714)	(14,521,334)	(10,820,132)
Long term financial liabilities	18,929,737	23,840,201	21,010,272
Long term financial receivables	(2,731,693)	(3,390,633)	(3,232,437)
Short term financial liabilities	62,959,391	55,814,445	71,595,636
NET FINANCIAL POSITION	**67,143,867**	**59,506,825**	**76,317,485**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**239,087,365**	**227,576,349**	**241,027,835**

NET INVESTED CAPITAL

Net invested capital increases by 5.1% compared with December 31, 2016.

NET WORKING CAPITAL

Net working capital amounts to EUR 88,366 thousand (30.2% of LTM sales) compared with EUR 73,062 thousand of December 31, 2016 (26.0% of sales).

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

- Operating net working capital (EUR 77,113 thousand) increases of EUR 8,893 thousand compared with the value at December 31, 2016 (EUR 68,220 thousand). Such increase is mainly due to the seasonality of the business;
- Other short term receivables increase of EUR 3,734 thousand mainly due to increase of credits for prepaid costs and of prepayments and accrued income generated by the seasonality of the business;
- Other short term payables increase from December 31, 2016 of EUR 1,357 thousand mainly due to the effect of the thirteenth monthly salary accrual, which doesn't have a corresponding value in the balance of ending period 2016 and for the increase of accrued and deferred income;
- The net effect of tax payables/receivables increases net working capital of EUR 4,034 thousand. Such variation is mainly determined by the decrease of IRES payable, effect that has more than compensated the increase of VAT receivable.

FIXED ASSETS

Fixed assets decrease by EUR 4,520 thousand from December 31, 2016 to June 30, 2017.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 67,144 thousand as of June 30, 2017 compared with EUR 59,507 thousand as of December 31, 2016 and with EUR 76,317 thousand as of June 30, 2016. Such decrease compared to the first semester 2016 is mainly due to the better economic results and a better operating cash flow.

SHAREHOLDERS' EQUITY

The shareholders' equity increases for EUR 3,873 thousand from EUR 168,070 thousand as of December 31, 2016 to EUR 171,943 thousand as of June 30, 2017. The reasons of such increase are illustrated in the explanatory notes. The number of shares is 107,362,504.

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. Such costs were charged in full to the Income Statement.

5. 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 July 28, 2006, is provided in Note 39 of the Half-year Condensed Financial Statements at June 30, 2017.

6. SIGNIFICANT EVENTS OF THE PERIOD

No significant events occurred during the semester.

7. 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.

8. RISKS, UNCERTAINTIES AND PROSPECTIVES FOR THE REMAINING SIX MONTHS OF THE YEAR

Global economic recovery is gaining strength. The acceleration of investment in most of the economies is driving world trade, which has been picking up rapidly since the end of 2016. The volatility of the financial markets is very low. However, there is a high level of uncertainty about economic policies at the global level, which could have negative repercussions on investors' assessments. In the United States the timing and composition of the fiscal stimulus measures announced at the start of the year have not yet been decided. Possible protectionist measures could hamper international trade.

In the euro area the latest indications are mixed: the positive signs of economic growth were more marked, while inflation surprisingly fell below the expectations of the last few months. The ECB Governing Council believes that a substantial degree of monetary accommodation is still needed to secure a sustained adjustment of inflation towards its aim.

Based on the estimation of Banca d'Italia, in Italy the GDP growth, which was revised upwards by Istat in the first quarter, continued, is settling at around 0.4 per cent in the second. GDP appears to have benefited from the positive trend in the services sector, in line with the indications given by firms, and from the recovery of valued added in industry, following the brief dip recorded at the start of the year.

Firms say they are more optimistic about the general economic situation; their assessments of investment conditions improved for all sectors. The respondents also indicated that capital investment, weaker in the first quarter, appears to have recovered in the second, pointing to an acceleration in the second half of 2017. The latest economic data are also consistent with the continuing growth in household spending in recent months.

This macroeconomic sce-nario incorporates market expectations of a gradual adjustment of long-term interest rates and generally relaxed credit conditions, in keeping with the assumption that there will be no particular tensions in the financial system or any episodes involving significantly higher volatility or higher risk premiums.

These growth projections are subject to mainly downside risks: in addition to the uncertainties linked to the financial markets there are those connected with future global economic and trade policies. Downside risks to inflation could stem from slower than projected wage growth, while the evolution of energy commodity prices in the near future continues to be highly uncertain.

We are very satisfied with the Group's results of the First Half of 2017 achieved thanks to the positive performance of all proprietary brands, along with the progressive recovery of the retail channel, especially in Europe. For the current year, we aim to confirm the growth trend of sales and more than proportional progression of profitability, as well as to continue to develop initiatives to promote the excellence and quality of our collections and to enhance the positioning of our brands at international level.

Half-year condensed financial statements at June 30, 2017

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	At June 30, 2017	At December 31, 2016	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		28,007,186	28,923,062	(915,876)
Trademarks		83,721,960	85,468,751	(1,746,791)
Other intangible fixed assets		776,239	740,072	36,167
Total intangible fixed assets	(1)	112,505,385	115,131,885	(2,626,500)
Tangible fixed assets				
Lands		17,118,773	17,118,773	-
Buildings		22,413,374	22,658,662	(245,288)
Leasehold improvements		13,749,194	14,465,641	(716,447)
Plant and machinary		2,465,833	2,665,840	(200,007)
Equipment		285,454	311,406	(25,952)
Other tangible fixed assets		4,059,569	4,155,699	(96,130)
Total tangible fixed assets	(2)	60,092,197	61,376,021	(1,283,824)
Other fixed assets				
Equity investments	(3)	131,558	131,558	-
Long term financial receivables	(4)	2,731,693	3,390,633	(658,940)
Other fixed assets	(5)	3,352,006	3,961,836	(609,830)
Deferred tax assets	(6)	13,834,057	13,856,302	(22,245)
Total other fixed assets		20,049,314	21,340,329	(1,291,015)
TOTAL NON-CURRENT ASSETS		**192,646,896**	**197,848,235**	**(5,201,339)**
CURRENT ASSETS				
Stocks and inventories	(7)	91,314,205	89,389,833	1,924,372
Trade receivables	(8)	40,666,801	40,711,059	(44,258)
Tax receivables	(9)	5,258,109	4,094,261	1,163,848
Cash	(10)	9,777,714	14,521,334	(4,743,620)
Financial receivables	(11)	2,235,854	2,235,854	-
Other receivables	(12)	28,816,724	25,082,908	3,733,816
TOTAL CURRENT ASSETS		**178,069,407**	**176,035,249**	**2,034,158**
Assets available for sale	(13)	436,885	436,885	-
TOTAL ASSETS		**371,153,188**	**374,320,369**	**(3,167,181)**

Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated statement of financial position are presented in the specific scheme provided in the attachment I and are further described in the paragraph “Related party transactions”.

CONSOLIDATED BALANCE SHEET LIABILITIES (*)

(Values in units of EUR)	Notes	At June 30, 2017	At December 31, 2016	Change
SHAREHOLDERS' EQUITY	**(14)**			
Group interest				
Share capital		25,371,407	25,371,407	-
Other reserves		116,674,402	115,641,684	1,032,718
Profits / (losses) carried-forward		(6,956,308)	(8,883,005)	1,926,697
Net profit / (loss) for the Group		4,617,869	3,641,244	976,625
Group interest in shareholders' equity		139,707,370	135,771,330	3,936,040
Minority interest				
Minority interests in share capital and reserves		32,298,194	31,563,069	735,125
Net profit / (loss) for the minority interests		(62,066)	735,125	(797,191)
Minority interests in shareholders' equity		32,236,128	32,298,194	(62,066)
TOTAL SHAREHOLDERS' EQUITY		**171,943,498**	**168,069,524**	**3,873,974**
NON-CURRENT LIABILITIES				
Provisions	(15)	2,407,363	2,558,786	(151,423)
Deferred tax liabilities	(6)	30,650,140	30,985,927	(335,787)
Post employment benefits	(16)	6,127,050	6,366,872	(239,822)
Long term financial liabilities	(17)	18,929,737	23,840,201	(4,910,464)
Long term not financial liabilities	(18)	446,000	469,000	(23,000)
TOTAL NON-CURRENT LIABILITIES		**58,560,290**	**64,220,786**	**(5,660,496)**
CURRENT LIABILITIES				
Trade payables	(19)	54,868,082	61,880,670	(7,012,588)
Tax payables	(20)	4,506,419	7,376,339	(2,869,920)
Short term financial liabilities	(21)	62,959,391	55,814,445	7,144,946
Other liabilities	(22)	18,315,508	16,958,605	1,356,903
TOTAL CURRENT LIABILITIES		**140,649,400**	**142,030,059**	**(1,380,659)**
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**371,153,188**	**374,320,369**	**(3,167,181)**

Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated statement of financial position are presented in the specific scheme provided in the attachment II and are further described in the paragraph "Related party transactions".

CONSOLIDATED INCOME STATEMENT (*)

(Values in units of EUR)	Notes	1st Half 2017	%	1st Half 2016	%
REVENUES FROM SALES AND SERVICES	**(23)**	**149,952,966**	**100.0%**	**137,782,668**	**100.0%**
Other revenues and income	(24)	1,389,485	0.9%	5,786,582	4.2%
TOTAL REVENUES		**151,342,451**	**100.9%**	**143,569,250**	**104.2%**
Changes in inventory		2,319,596	1.5%	57,084	0.0%
Costs of raw materials, cons. and goods for resale	(25)	(49,651,369)	(33.1%)	(45,196,354)	(32.8%)
Costs of services	(26)	(42,558,968)	(28.4%)	(40,551,797)	(29.4%)
Costs for use of third parties assets	(27)	(11,536,474)	(7.7%)	(11,517,391)	(8.4%)
Labour costs	(28)	(32,441,271)	(21.6%)	(31,835,354)	(23.1%)
Other operating expenses	(29)	(1,979,578)	(1.3%)	(2,299,620)	(1.7%)
Amortisation, write-downs and provisions	(30)	(5,901,554)	(3.9%)	(6,076,557)	(4.4%)
Financial income/(expenses)	(31)	(2,197,955)	(1.5%)	(1,375,446)	(1.0%)
PROFIT / LOSS BEFORE TAXES		**7,394,878**	**4.9%**	**4,773,815**	**3.5%**
Taxes	(32)	(2,839,075)	(1.9%)	(2,949,380)	(2.1%)
NET PROFIT / LOSS		**4,555,803**	**3.0%**	**1,824,435**	**1.3%**
(Profit)/loss attributable to minority shareholders		62,066	0.0%	(355,487)	(0.3%)
NET PROFIT / LOSS FOR THE GROUP		**4,617,869**	**3.1%**	**1,468,948**	**1.1%**

(*) Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated Income Statement are presented in the specific scheme provided in the attachment III and are further described in the paragraph “Related party transactions”.

COMPREHENSIVE INCOME STATEMENT

(Values in units of EUR)	1st Half 2017	1st Half 2016
Profit/(loss) for the period (A)	**4,555,803**	**1,824,435**
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	-	-
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)	**-**	**-**
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	(681,830)	(787,230)
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)	**(681,830)**	**(787,230)**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(681,830)**	**(787,230)**
Total Comprehensive income / (loss) (A) + (B)	**3,873,973**	**1,037,205**
Total Comprehensive income / (loss) attributable to:	**3,873,973**	**1,037,205**
Owners of the parent	3,936,039	681,718
Non-controlling interests	(62,066)	355,487

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	1st Half 2017	1st Half 2016
OPENING BALANCE		**14,521**	**9,993**
Profit / loss before taxes		7,395	4,774
Amortisation / write-downs		5,808	5,992
Accrual (+)/availment (-) of long term provisions and post employment benefits		(391)	(202)
Paid income taxes		(6,023)	(2,294)
Financial income (-) and financial charges (+)		2,198	1,375
Change in operating assets and liabilities		(12,456)	(18,066)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**(3,469)**	**(8,421)**
Increase (-)/ decrease (+) in intangible fixed assets		(694)	1,661
Increase (-)/ decrease (+) in tangible fixed assets		(1,203)	(1,365)
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**(1,897)**	**296**
Other variations in reserves and profits carried-forward of shareholders' equity		(682)	13,258
Dividends paid		-	-
Proceeds (+)/repayment (-) of financial payments		2,234	(1,772)
Increase (-)/ decrease (+) in long term financial receivables		1,269	(1,158)
Financial income (+) and financial charges (-)		(2,198)	(1,376)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**623**	**8,952**
CLOSING BALANCE		**9,778**	**10,820**

(*) Pursuant to Consob Resolution N. 15519 of July 27, 2006, the effects of related party transactions on the Consolidated statement of cash flows are presented in the specific scheme provided in the attachment IV and are further described in the paragraph "Related party transactions".

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS’ EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Reamisurement 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
At January 1, 2016	**25,371**	**71,240**	**26,516**	**7,901**	**11,459**	**(9,486)**	**(1,017)**	**1,522**	**(1,762)**	**131,744**	**17,884**	**149,628**
Allocation of 2015 income/(loss)	-	-	919	-	-	603	-	(1,522)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/16	-	-	-	-	-	-	-	1,469	(787)	682	355	1,037
Other changes	-	-	-	-	-		-	-			14,045	14,045
At June 30, 2016	**25,371**	**71,240**	**27,435**	**7,901**	**11,459**	**(8,883)**	**(1,017)**	**1,469**	**(2,549)**	**132,426**	**32,284**	**164,710**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Reamisurement 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
At January 1, 2017	**25,371**	**71,240**	**27,435**	**7,901**	**11,459**	**(8,883)**	**(1,130)**	**3,641**	**(1,262)**	**135,772**	**32,298**	**168,070**
Allocation of 2016 income/(loss)	-	-	1,715	-		1,926	-	(3,641)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/17	-	-	-	-	-	-	-	4,618	(683)	3,935	(62)	3,873
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
At June 30, 2017	**25,371**	**71,240**	**29,150**	**7,901**	**11,459**	**(6,957)**	**(1,130)**	**4,618**	**(1,945)**	**139,707**	**32,236**	**171,943**

Explanatory notes

GENERAL INFORMATION

Aeffe Group operates worldwide in the 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 di Lorenzo Serafini", "Moschino" and "Pollini", and licensed brands, which include "Blugirl", "Cedric Charlier" and "Jeremy Scott". 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 Fratelli Ferretti Holding S.r.l..

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, cash flow statement, statement of changes in equity 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

The half-year condensed financial statements at June 30, 2016 have been prepared in accordance with International Financial Reporting Standards –"IFRS"- (the designation IFRS also includes all valid International Accounting Standards -"IAS"-, as well as all interpretations of the International Financial Reporting Interpretations Committee -"IFRIC"-, formerly the Standing Interpretations Committee -"SIC"-), issued by the International Accounting Standards Board –"IASB"– endorsed by the European Commission according to the procedures in art. 6 of (EC) Regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002. In particular, these half-year condensed financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*.

In the "Accounting policies" section are showed the international accounting principles adopted.

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 June 30, 2017 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 June 30, 2017 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 acquisition method. Acquisition cost is determined by adding together the fair values of the assets transferred, 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 acquisition 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

The companies included in the scope of consolidation are listed 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	66,817,108	70%	
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	100%	
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.	Tokio (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	1,612,000		70% (ii)
Moschino Retail G.m.b.h.	Berlin (D)	EUR	395,500		70% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		70% (ii)
Aeffe Japan Inc.	Tokio (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 indirect shareholdings):

(i) 100% owned by Pollini Spa;

(ii) 100% owned by Moschino Spa;

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

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 euro, 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 euro-zone are translated into euro 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 At June 30, 2017	Average exchange rate I° sem 2017	Actual exchange rate At December 31, 2016	Average exchange rate 2016	Actual exchange rate At June 30, 2016	Average exchange rate I° sem 2016
United States Dollars	1.1412	1.0830	1.0541	1.1069	1.1102	1.1159
United Kingdom Pounds	0.8793	0.8606	0.8562	0.8195	0.8265	0.7788
Japanese Yen	127.7500	121.7804	123.4000	120.1967	114.0500	124.4136
South Korean Won	1304.5600	1236.3302	1269.3600	1284.1811	1278.4800	1318.9161
Swiss Franc	1.0930	1.0766	1.0739	1.0902	1.0867	1.0960

FINANCIAL STATEMENT FORMATS

As part of the options available under IAS 1 for the preparation 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. Within the income statement, as intermediate results, they are exposed EBITDA and EBIT, considered representative indicators of company performance. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution n. 15519 dated July 27, 2006 regarding the format of the financial statements, additional schedules have also been presented for the income statement, the statement of financial position and the statement of cash flows in order to identify any significant transactions with related parties. This has been done to avoid any compromising the overall legibility of the main financial statements.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this half-year financial report are the same used as those used in the preparation of the consolidated financial statement as of December 31, 2016, as described in the consolidated financial statements for the year ended December 31, 2016, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2017 (unless otherwise indicated):

On July 24, 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.

The amendments will apply for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

On September 11, 2015 the IASB published the document Effective Date of IFRS 15, in which it has been deferred by one year, from the January 1, 2017 to the January 1, 2018, the effective date of the IFRS 15 "Revenue from Contracts with Customers".

On January 13, 2016 the IASB published the new accounting Standard, IFRS 16 Leases that will replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

It sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15. it is yet to be endorsed for application in the European Union.

On February 2016 the IASB published amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

On 25 February 2016 the IASB published amendments to IAS 7 Statement of Cash Flows. The improvements to disclosures require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The IAS 7 amendments become mandatory for annual periods beginning on or after 1 January 2017.

On 12 April 2016 the IASB published Clarifications to IFRS 15 'Revenue from Contracts with Customers". The amendments include additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

On 20 June 2016 the IASB published some amendments to IFRS 2 "Share-based Payment" clarifying the classification and measurement of share-based payment transactions and the accounting of some types of share-based paymentss. It also introduces an exception to IFRS 2 requesting to be treated entirely share-based payment the awards for which the Tax legislation provides for a deduction and therefore a subsequent payment to the Treasury. The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

On 8 December 2016, the IASB published the 'Transfers of Investment Property (Amendments to IAS 40)' to clarify transfers of property to, or from, investment property, stating that the transfer occurred when, and only when, there is evidence of a change in use. The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

On 8 December 2016, the IASB published Annual Improvements to IFRSs 2014 – 2016 Cycle. The document introduces amendments to the following principles: (i) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters The IASB proposes to delete the short-term exemptions in IFRS 7, IAS 19 and IFRS 10 because they have now served their intended purpose; (ii) amendments to IFRS 12 Disclosure of Interests in Other Entities: amendments to IAS 28 Investments in Associates and Joint Ventures related to the measurement at fair value of an investment in an associate or a joint venture. The application is effective for annual reporting periods beginning on or after 1 January 2018.

On 8 December 2016 the IASB published IFRIC Interpretation 22 "Foreign Currency Transactions and Advance

Consideration". The document clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The application is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group will adopt these new standards, amendments and interpretations, based on the data of scheduled Application, and assess potential impacts, when these will be approved by the European Union.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

At the date of these half-year condensed financial statements there are no indications that assets may be impaired.

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 at January 1, 2017	**85,469**	**28,923**	**740**	**115,132**
Increases	-	486	208	694
- increases externally acquired	*-*	*486*	*208*	*694*
- increases from business aggregations	-	-	-	-
Disposals	-	-	-	-
Translation diff. / other variations	-	8	(8)	-
Amortisation	(1,747)	(1,410)	*(164)*	(3,321)
Net book value at June 30, 2017	**83,722**	**28,007**	**776**	**112,505**

Changes in intangible fixed assets highlight the following variations:

- increases equal to EUR 694 thousand, mainly related to key money;
- amortisation of the period equal to EUR 3,321 thousand.

Brands

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

(Values in thousands of EUR)	Brand residual life	June 30, 2017	December 31, 2016
Alberta Ferretti	26	3,211	3,275
Moschino	28	46,660	47,623
Pollini	24	33,851	34,571
Total		**83,722**	**85,469**

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. Such assets are deemed intangible fixed assets at finite 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 at January 1, 2017	**17,119**	**22,659**	**14,465**	**2,666**	**311**	**4,156**	**61,376**
Increases	-	36	736	106	38	510	1,426
Disposals	-	-	(20)	-	(3)	(2)	(25)
Translation diff. / other variations	-	-	(124)	-	(6)	(68)	(198)
Depreciation	-	(282)	(1,308)	(306)	(55)	(536)	(2,487)
Net book value at June 30, 2017	**17,119**	**22,413**	**13,749**	**2,466**	**285**	**4,060**	**60,092**

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 1,426 thousand. These mainly refer to new investments in leasehold improvements.
- Disposals, net of the accumulated depreciation, of EUR 25 thousand.
- Decreases for differences arising on translation and other variations of EUR 198 thousand.
- Depreciation of EUR 2,487 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category.

OTHER NON-CURRENT ASSETS

3. EQUITY INVESTMENTS

This item includes holdings represented by the cost.

4. LONG TERM FINANCIAL RECEIVABLES

Long term financial receivables decrease from EUR 3,391 thousand at December 31, 2016 to EUR 2,732 thousand at June 30, 2017.

The variation is determined by the collection of the short-term portion of the financial receivable generated by the sale of a boutique.

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 June 30, 2017 and at December 31, 2016:

(Values in thousands of EUR)	Receivables		Liabilities	
	At June 30, 2017	At December 31, 2016	At June 30, 2017	At December 31, 2016
Tangible fixed assets	53	35	(17)	(26)
Intangible fixed assets	3	3	(144)	(144)
Provisions	1,935	2,425	(2)	-
Costs deductible in future periods	5,994	5,958	-	-
Income taxable in future periods	368	399	(1,517)	(1,638)
Tax losses carried forward	4,628	4,174	-	-
Other	5	5	(136)	(156)
Tax assets (liabilities) from transition to IAS	848	857	(28,834)	(29,022)
Total	**13,834**	**13,856**	**(30,650)**	**(30,986)**

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	9	(4)	31	-	36
Intangible fixed assets	(141)	-	-	-	(141)
Provisions	2,425	(29)	(450)	(13)	1,933
Costs deductible in future periods	5,958	(15)	51	-	5,994
Income taxable in future periods	(1,239)	-	90	-	(1,149)
Tax losses carried forward	4,174	(126)	875	(295)	4,628
Other	(151)	11	12	(3)	(131)
Tax assets (liabilities) from transition to IAS	(28,165)	-	186	(7)	(27,986)
Total	**(17,130)**	**(163)**	**795**	**(318)**	**(16,816)**

The negative variation of EUR 318 thousand in the column "Other" mainly refers to the partial compensation of the tax payable for IRES of the period generated in Aeffe Spa, as a consequence of the adhesion of the subsidiaries to the fiscal consolidation, with the receivable for deferred tax generated in some of the Group's subsidiaries.

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.

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)	At June 30, 2017	At December 31, 2016	Change Δ	%
Raw, ancillary and consumable materials	15,517	15,887	(370)	(2.3%)
Work in progress	9,435	6,696	2,739	40.9%
Finished products and goods for resale	66,258	66,787	(529)	(0.8%)
Advance payments	104	20	84	420.0%
Total	**91,314**	**89,390**	**1,924**	**2.2%**

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2017 collections, while finished products mainly concern the Spring/Summer 2017 and the Autumn/Winter 2017 collections and the Spring/Summer 2018 sample collections.

8. *TRADE RECEIVABLES*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Trade receivables	43,456	43,499	(43)	(0.1%)
(Allowance for doubtfull account)	(2,789)	(2,788)	(1)	0.0%
Total	**40,667**	**40,711**	**(44)**	**(0.1%)**

Trade receivables amount to EUR 40,667 thousand at June 30, 2017, substantially in line compared with the amount at December 31, 2016.

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 in illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
VAT	2,919	1,917	1,002	52.3%
Corporate income taxes (IRES)	1,142	844	298	35.3%
Local business tax (IRAP)	233	150	83	55.3%
Amounts due by tax authority for withheld taxes	-	17	(17)	(100.0%)
Other tax receivables	964	1,166	(202)	(17.3%)
Total	**5,258**	**4,094**	**1,164**	**28.4%**

As of June 30, 2017, the Group's tax receivables amount to EUR 5,258 thousand, recording an increase of EUR 1,164 thousand compared to December 31, 2016, mainly due to the increase of VAT receivable.

10. *CASH*

This item includes:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Bank and post office deposits	9,339	13,489	(4,150)	(30.8%)
Cheques	37	34	3	8.8%
Cash in hand	402	998	(596)	(59.7%)
Total	**9,778**	**14,521**	**(4,743)**	**(32.7%)**

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 and equivalents represent the nominal value of the cash held on the balance sheet date.

The decrease in cash and cash equivalent, recorded at June 30, 2017 compared with the amount recorded at December 31, 2016, is EUR 4,743 thousand. About the reason of this variation refer to the Statement of Cash Flows.

11. *FINANCIAL RECEIVABLES*

The item is compared with the respective value at December 31, 2016:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Financial receivables	2,236	2,236	-	n.a.
Total	**2,236**	**2,236**	**-**	**n.a.**

There was no change in the item during the period.

12. *OTHER RECEIVABLES*

This caption comprises:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Credits for prepaid costs	20,594	18,506	2,088	11.3%
Advances for royalties and commissions	430	774	(344)	(44.4%)
Advances to suppliers	94	79	15	19.0%
Accrued income and prepaid expenses	4,338	2,646	1,692	63.9%
Other	3,361	3,078	283	9.2%
Total	**28,817**	**25,083**	**3,734**	**14.9%**

Other current receivables increase by EUR 3,734 thousand mainly for the increase of prepaid leases and credits for prepaid costs and of prepayments and accrued income generated by the seasonality of the business.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2018 collections, which the corresponding revenues from sales have not been realised yet for and the partial suspension of the same costs for the Autumn/Winter 2017 collections.

13. *ASSETS AND LIABILITIES AVAILABLE FOR SALE*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016
Other fixed assets	437	437
Total Assets	**437**	**437**

14. *SHAREHOLDERS' EQUITY*

Described below are the main categories of shareholders' equity at June 30, 2017, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Other reserves	29,150	27,435	1,715
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	(6,957)	(8,883)	1,926
Reamisurement of defined benefit plans reserve	(1,130)	(1,130)	-
Net profit / (loss) for the Group	4,618	3,641	977
Translation reserve	(1,945)	(1,262)	(683)
Minority interest	32,236	32,298	(62)
Total	**171,943**	**168,070**	**3,873**

SHARE CAPITAL

Share capital as of June 30, 2017, 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 June 30, 2017 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 December 31, 2016.

OTHER RESERVES

The changes in these reserves reflect the allocation of prior-year profit 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 was allocated on a pro rata basis to minority interests.

PROFITS/(LOSSES) CARRIED-FORWARD

The caption Profits/(losses) carried-forward increase mainly as a consequence of the consolidated result recorded during the year ended at December 31, 2016.

Reamisurement of defined benefit plans reserve

The reamisurement of defined benefit plans reserve amounts to EUR -1.130 thousand and it remains unchanged since December 31, 2016.

Translation reserve

The translation reserve amounts to EUR -1,945 thousand and is related to the conversion of companies' financial statements in other currency than EUR.

Minority interests

The variation is due to the portion of result for the period ended at June 30, 2017 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)	At December 31, 2016	Increases	Decreases	At June 30, 2017
Pensions and similar obligations	732	33	(165)	600
Other	1,827	10	(30)	1,807
Total	**2,559**	**43**	**(195)**	**2,407**

The supplementary clientele severance indemnity fund 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 decrease of EUR 195 thousand is related to the liquidation of agents.

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 "Contingent 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.

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2016	Increases	Decreases/ Other variations	At June 30, 2017
Post employment benefits	6,367	124	(364)	6,127
Total	**6,367**	**124**	**(364)**	**6,127**

The entry decreases/other variations includes the decrease for the liquidation of the post employment benefits.

17. LONG-TERM FINANCIAL LIABILITIES

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Loans from financial institutions	18,858	23,768	(4,910)	(20.7%)
Amounts due to other creditors	72	72	-	n.a.
Total	**18,930**	**23,840**	**(4,910)**	**(20.6%)**

The entry "Loans from financial institutions" relate to the portion of bank loans due beyond 12 months. This entry mainly refers to a ten-year mortgage loan disbursed in November 2013 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 June 30, 2017, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	32,697	13,839	18,858
Total	**32,697**	**13,839**	**18,858**

The total due beyond five years amount to EUR 2,151 thousand.

18. LONG-TERM NOT FINANCIAL LIABILITIES

There was no change in the item during the period.

CURRENT LIABILITIES

19. Trade payables

The item is compared with the respective value at December 31, 2016:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Trade payables	54,868	61,881	(7,013)	(11.3%)
Total	**54,868**	**61,881**	**(7,013)**	**(11.3%)**

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

20. Tax payables

Tax payables are analysed in comparison with the related balances as of December 31, 2016 in the following table:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Local business tax (IRAP)	304	271	33	12.2%
Corporate income tax (IRES)	-	4,235	(4,235)	(100.0%)
Amounts due to tax authority for withheld taxes	2,289	2,556	(267)	(10.4%)
VAT due to tax authority	1,841	287	1,554	541.5%
Other	72	27	45	166.7%
Total	**4,506**	**7,376**	**(2,870)**	**(38.9%)**

Tax payables decrease of EUR 2,870 thousand compared with December 31, 2016, mainly for the payment in the period of IRES payable.

21. Short-term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016	Change Δ	%
Due to banks	62,959	55,814	7,145	12.8%
Total	**62,959**	**55,814**	**7,145**	**12.8%**

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)	At June 30,	At December 31,	Change	
	2017	2016	Δ	%
Due to total security organization	3,327	3,993	(666)	(16.7%)
Due to employees	7,185	5,501	1,684	30.6%
Trade debtors - credit balances	1,660	1,921	(261)	(13.6%)
Accrued expenses and deferred income	3,072	2,052	1,020	49.7%
Other	3,072	3,492	(420)	(12.0%)
Total	**18,316**	**16,959**	**1,357**	**8.0%**

The entry Other liabilities records an increase of EUR 1,357 thousand compared to December 31, 2016.

The increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of June 30, 2017 which has no equivalent as of December 31, 2016.

The caption accrued expenses and deferred income mainly refers to the deferred income relating to the deferment to the next half year of the revenues not of competence. The other liabilities mainly include commission payables.

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”, “Boutique Moschino” and “Love Moschino”) and brands licensed from other companies (such as “Blugirl”, “Cedric Charlier” and “Jeremy Scott”). 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 distributed 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 tables indicate the main economic data for the first half-year 2017 and 2016 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR) 1st Half 2017	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**116,331**	**50,401**	**(16,779)**	**149,953**
Intercompany revenues	(3,927)	(12,852)	16,779	-
Revenues with third parties	**112,404**	**37,549**	-	**149,953**
Gross operating margin (EBITDA)	**11,410**	**4,084**	-	**15,494**
Amortisation	(4,389)	(1,419)	-	(5,808)
Other non monetary items:				
Write-downs		(94)	-	(94)
Net operating profit / loss (EBIT)	**7,021**	**2,571**	-	**9,592**
Financial income	298	933	(212)	1,019
Financial expenses	(983)	(2,445)	212	(3,216)
Profit / loss before taxes	**6,336**	**1,059**	**-**	**7,395**
Income taxes	(2,383)	(456)	-	(2,839)
Net profit / loss	**3,953**	**603**	**-**	**4,556**

(Values in thousand of EUR) 1st Half 2016	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**106,954**	**44,819**	**(13,990)**	**137,783**
Intercompany revenues	(3,535)	(10,455)	13,990	-
Revenues with third parties	**103,419**	**34,364**	-	**137,783**
Gross operating margin (EBITDA)	**8,534**	**3,692**	-	**12,226**
Amortisation	(4,590)	(1,402)	-	(5,992)
Other non monetary items:				
Write-downs	-	(85)	-	(85)
Net operating profit / loss (EBIT)	**3,944**	**2,205**	-	**6,149**
Financial income	299	123	(216)	206
Financial expenses	(1,210)	(588)	216	(1,582)
Profit / loss before taxes	**3,033**	**1,740**	**-**	**4,773**
Income taxes	(2,238)	(711)	-	(2,949)
Net profit / loss	**795**	**1,029**	**-**	**1,824**

The following tables indicate the main patrimonial and financial data at June 30, 2017 and December 31, 2016 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR) At June 30, 2017	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*292,451*	*113,915*	*(54,305)*	352,061
of which non-current assets (*)				
Intangible fixed assets	*73,335*	*39,170*	*-*	*112,505*
Tangible fixed assets	*56,682*	*3,410*	*-*	*60,092*
Other non-current assets	*10,010*	*595*	*(4,390)*	*6,215*
OTHER ASSETS	*16,892*	*2,200*	*-*	19,092
CONSOLIDATED ASSETS	**309,343**	**116,115**	**(54,305)**	**371,153**

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

(Values in thousand of EUR) At June 30, 2017	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	145,802	72,556	*(54,305)*	164,053
OTHER LIABILITIES	24,630	10,527	-	35,157
CONSOLIDATED LIABILITIES	**170,432**	**83,083**	**(54,305)**	**199,210**

(Values in thousand of EUR) At December 31, 2016	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*296,856*	*117,117*	*(57,604)*	356,369
of which non-current assets (*)				
Intangible fixed assets	*74,990*	*40,142*	*-*	*115,132*
Tangible fixed assets	*58,308*	*3,068*	*-*	*61,376*
Other non-current assets	*11,260*	*666*	*(4,442)*	*7,484*
OTHER ASSETS	*15,322*	*2,629*	*-*	17,951
CONSOLIDATED ASSETS	**312,178**	**119,746**	**(57,604)**	**374,320**

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

(Values in thousand of EUR) At December 31, 2016	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	148,916	76,577	*(57,604)*	167,889
OTHER LIABILITIES	27,609	10,753	-	38,362
CONSOLIDATED LIABILITIES	**176,525**	**87,330**	**(57,604)**	**206,251**

Segment information by geographical area

The following table indicates the revenues for the first half-year 2017 and 2016 divided by geographical area:

(Values in thousands of EUR)	1st Half 2017	%	1st Half 2016	%	Change Δ	%
Italy	72,051	48.0%	60,568	44.0%	11,483	19.0%
Europe (Italy and Russia excluded)	31,928	21.3%	30,161	21.9%	1,767	5.9%
Russia	4,551	3.0%	4,837	3.5%	(286)	(5.9%)
United States	9,735	6.5%	11,121	8.1%	(1,386)	(12.5%)
Rest of the World	31,688	21.2%	31,096	22.5%	592	1.9%
Total	**149,953**	**100.0%**	**137,783**	**100.0%**	**12,170**	**8.8%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

23. Revenues from sales and services

In the first semester of 2017, Aeffe consolidated revenues amount to EUR 149,953 thousand compared to EUR 137,783 thousand in the first semester of 2016, with a 8.8% (8.6% at constant exchange rates).

The revenues of the prêt-à-porter division increase by 8.8% (8.5% at constant exchange rates) to EUR 116,331 thousand.

The revenues of the footwear and leather goods division increase by 12.5% to EUR 50,401 thousand, before interdivisional eliminations.

24. Other revenues and income

This item comprises:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Extraordinary income	15	197	(182)	(92.4%)
Other income	1,374	5,590	(4,216)	(75.4%)
Total	**1,389**	**5,787**	**(4,398)**	**(76.0%)**

In 1H 2017, the caption extraordinary income, composed by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, decreases by 182 thousand compared to the previous semester.

The caption other income, which amounts to EUR 1,374 thousand, mainly refers to exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

25. Costs of raw materials

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	49,651	45,196	4,455	9.9%
Total	**49,651**	**45,196**	**4,455**	**9.9%**

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)	1st Half 2017	1st Half 2016	Change Δ	%
Subcontracted work	13,737	12,663	1,074	8.5%
Consultancy fees	7,749	7,937	(188)	(2.4%)
Advertising	6,349	6,318	31	0.5%
Commission	3,305	3,322	(17)	(0.5%)
Transport	2,996	2,419	577	23.9%
Utilities	1,032	1,002	30	3.0%
Directors' and auditors' fees	1,473	1,363	110	8.1%
Insurance	306	269	37	13.8%
Bank charges	938	829	109	13.1%
Travelling expenses	1,034	1,096	(62)	(5.7%)
Other services	3,640	3,334	306	9.2%
Total	**42,559**	**40,552**	**2,007**	**4.9%**

Costs of services increase from EUR 40,552 thousand in the 1H 2016 to EUR 42,559 thousand in the 1H 2017, up 4.9%. The increase is mainly due to:

- the increase of costs for "Subcontracted work" linked to the growth of sales;
- the increase of costs for "Transport" linked to the growth of sales;

27. COSTS FOR USE OF THIRD PARTIES ASSETS

This item comprises:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Rental expenses	10,523	10,094	429	4.3%
Royalties	573	983	(410)	(41.7%)
Hire charges and similar	440	440	-	0.0%
Total	**11,536**	**11,517**	**19**	**0.2%**

The caption costs for use of third parties assets is in line with the first semester 2016.

28. LABOUR COSTS

The item includes:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Labour costs	32,441	31,835	606	1.9%
Total	**32,441**	**31,835**	**606**	**1.9%**

Labour costs increase from EUR 31,835 thousand in 1H 2016 to EUR 32,441 thousand in 1H 2017 with an incidence on revenues which decreases from 23.1% in the first semester 2016 to 21.6% in the first semester 2017.

The workforce increases from an average of 1,291 units in the 1H 2016 to 1,311 units in the 1H 2017.

Average number of employees by category	1st Half 2017	1st Half 2016	Change Δ	%
Workers	231	227	4	1.8%
Office staff-supervisors	1,056	1,041	15	1.4%
Executive and senior managers	24	23	1	4.3%
Total	**1,311**	**1,291**	**20**	**1.5%**

29. OTHER OPERATING EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Taxes	418	360	58	16.1%
Gifts	87	134	(47)	(35.1%)
Contingent liabilities	474	275	199	72.4%
Write-down of current receivables	96	356	(260)	(73.0%)
Foreign exchange losses	584	903	(319)	(35.3%)
Other operating expenses	321	272	49	18.0%
Total	**1,980**	**2,300**	**(320)**	**(13.9%)**

The caption other operating expenses amounts to EUR 1,980 thousand, with a decrease of 13.9% compared with EUR 2,300 thousand in the 1H 2016, mainly for a decrease of foreign exchange losses.

30. AMORTISATION, WRITE-DOWNS AND PROVISIONS

This item includes:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Amortisation of intangible fixed assets	3,321	3,447	(126)	(3.7%)
Depreciation of tangible fixed assets	2,487	2,545	(58)	(2.3%)
Write-downs	94	85	9	10.6%
Total	**5,902**	**6,077**	**(175)**	**(2.9%)**

The entry decreases of EUR 175 thousand compared with the previous semester.

31. FINANCIAL INCOME/ EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Interest income	77	82	(5)	(6.1%)
Foreign exchange gains	933	122	811	664.8%
Financial discounts	8	3	5	166.7%
Financial income	**1,018**	**207**	**811**	**391.8%**
Bank interest expenses	642	1,127	(485)	(43.0%)
Other interest expenses	151	124	27	21.8%
Foreign exchange losses	2,028	106	1,922	1,813.2%
Other expenses	395	225	170	75.6%
Financial expenses	**3,216**	**1,582**	**1,634**	**103.3%**
Total	**2,198**	**1,375**	**823**	**59.9%**

The increase in financial income/expenses amounts to EUR 823 thousand. The change is mainly linked to exchange differences on currency transactions. The dollar's depreciation against the Euro at June 30, 2017 has led to a change in negative fair value on forward-exchange contracts, which are directly included in the income statement as these contracts are treated as non-hedging. This effect is partially offset by the reduction in bank interest rates that fall due to the reduction in the average bank debt and the reduction in the cost of money.

32. INCOME TAXES

This item includes:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016	Change Δ	%
Current income taxes	3,710	4,608	(898)	(19.5%)
Deferred income/(expenses) taxes	(795)	(1,510)	715	(47.4%)
Taxes related to previous years	(76)	(149)	73	(49.0%)
Total income taxes	**2,839**	**2,949**	**(110)**	**(3.7%)**

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 the 1H 2017 and 1H 2016 is illustrated in the following table:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
Profit before taxes	7,395	4,774
Theoretical tax rate	24.0%	27.5%
Theoretical income taxes (IRES)	**1,775**	**1,313**
Fiscal effect	995	(68)
Effect of foreign tax rates	510	1,090
Total income taxes excluding IRAP (current and deferred)	**3,280**	**2,335**
IRAP (current and deferred)	**(441)**	**614**
Total income taxes (current and deferred)	**2,839**	**2,949**

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 STATEMENT OF CASH FLOWS

The cash flow absorbed during the first half of 2017 is EUR 4,743 thousand.

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
OPENING BALANCE (A)	**14,521**	**9,993**
Cash flow (absorbed)/ generated by operating activity (B)	(3,469)	(8,421)
Cash flow (absorbed)/ generated by investing activity (C)	(1,897)	296
Cash flow (absorbed)/ generated by financing activity (D)	623	8,952
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	**(4,743)**	**827**
CLOSING BALANCE (F)=(A)+(E)	**9,778**	**10,820**

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

The cash flow absorbed by operating activity during the first half of 2017 amounts to EUR 3,469 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
Profit before taxes	7,395	4,774
Amortisation / write-downs	5,808	5,992
Accrual (+)/availment (-) of long term provisions and post employment benefits	(391)	(202)
Paid income taxes	(6,023)	(2,294)
Financial income (-) and financial charges (+)	2,198	1,375
Change in operating assets and liabilities	(12,456)	(18,066)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(3,469)**	**(8,421)**

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

The cash flow absorbed by investing activity during the first half of 2017 amounts to EUR 1,897 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
Increase (-)/ decrease (+) in intangible fixed assets	(694)	1,661
Increase (-)/ decrease (+) in tangible fixed assets	(1,203)	(1,365)
Investments and write-downs (-)/ Disinvestments and revaluations (+)	-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(1,897)**	**296**

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

The cash flow generated by financing activity during the first half of 2017 amounts to EUR 623 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
Other variations in reserves and profits carried-forward of shareholders' equity	(682)	13,258
Dividends paid	-	-
Proceeds (+)/repayment (-) of financial payments	2,234	(1,772)
Increase (-)/ decrease (+) in long term financial receivables	1,269	(1,158)
Financial income (+) and financial charges (-)	(2,198)	(1,376)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**623**	**8,952**

OTHER INFORMATION

36. 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.

37. NET FINANCIAL POSITION

As required by Consob communication DEM/6264293 dated July 28, 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated February 10, 2005, the Group's net financial position as of June 30, 2017 is analysed below:

(Values in thousands of EUR)	At June 30, 2017	At December 31, 2016
A - Cash in hand	439	1,032
B - Other available funds	9,339	13,489
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*9,778*	*14,521*
E - Short term financial receivables	2,236	2,236
F - Current bank loans	(76,798)	(47,205)
G - Current portion of long-term bank borrowings	13,839	(8,610)
H - Current portion of loans from other financial istitutions	-	-
I - Current financial indebtedness (F) + (G) + (H)	*(62,959)*	*(55,815)*
J - Net current financial indebtedness (I) + (E) + (D)	*(50,945)*	*(39,058)*
K - Non current bank loans	(18,858)	(23,768)
L - Issued obbligations	2,731	3,391
M - Other non current loans	(72)	(72)
N - Non current financial indebtedness (K) + (L) + (M)	*(16,199)*	*(20,449)*
O - Net financial indebtedness (J) + (N)	**(67,144)**	**(59,507)**

The net financial position of the Group amounts to EUR 67,144 thousand as of June 30, 2017 compared with EUR 59,507 thousand as of December 31, 2016.

38. EARNINGS PER SHARE

Basic earnings per share:

(Values in thousands of EUR)	1st Half 2017	1st Half 2016
Consolidated earnings for the period for shareholders of the Parent Company	4,618	1,469
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**0.046**	**0.014**

Following the issue on July 24, 2007 of 19 million new shares, taken up in full, the number of shares currently outstanding is 107,362,504.

39. *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)	1st Half 2017	1st Half 2016	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	375	150	Cost
Ferrim with Aeffe S.p.a.			
Property rental	887	886	Cost
Land purchase	379	-	Lands
Commerciale Valconca with Aeffe S.p.a.			
Commercial	666	538	Revenue
Property rental	61	62	Cost
Commercial	823	1,034	Receivable
Commercial	56	58	Payable
Aeffe USA with Ferrim USA			
Long term financial	1,892	1,972	Receivable
Short term financial	1,000	1,000	Receivable
Commercial	258	381	Receivable
Commercial	-	180	Payable
Commercial	64	62	Revenue
Property rental	369	360	Cost

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness at June 30, 2017 and at June 30, 2016.

(Values in thousands of EUR)	Balance 1st Half	Value rel. party 2017	%	Balance 1st Half	Value rel. party 2016	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	149,953	666	0.4%	137,783	538	0.4%
Costs of services	42,559	375	0.9%	40,552	150	0.4%
Costs for use of third party assets	11,536	1,317	11.4%	11,517	1,308	11.4%
Financial income	1,019	64	6.3%	206	62	30.2%
Incidence of related party transactions on the balance sheet						
Long term financial receivables	2,732	1,892	69.3%	3,232	1,972	61.0%
Trade receivables	40,667	1,081	2.7%	37,785	1,415	3.7%
Short term financial receivables	2,236	1,000	44.7%	2,236	1,000	44.7%
Trade payables	54,868	435	0.8%	50,762	238	0.5%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	(3,469)	(631)	18.2%	(8,421)	(1,292)	15.3%
Cash flow (absorbed) / generated by financial activities	623	239	38.4%	8,952	59	0.7%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(67,144)	(392)	0.6%	(76,317)	(1,233)	1.6%

40. *ATYPICAL AND/OR UNUSUAL TRANSACTIONS*

Pursuant to Consob communication DEM/6064293 dated July 28, 2006, it is confirmed that in the first half of 2017 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

41. *SIGNIFICANT NON RECURRING EVENTS AND TRANSACTIONS*

It is confirmed that in the first six months of 2017 no significant non-recurring events and transactions have been realised.

42. *CONTINGENT LIABILITIES*

Fiscal disputes

The Group's tax 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). The judgment was summarized by Section 1 of the Regional Tax Commission of Bologna with the hearing on the merits on 26 May 2016, after postponed to 12 December 2016 and again postponed to 15 December 2016.

It was again placed the suspension of the trial pending a ruling of the Supreme Court.

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 13 September 2016, the Company has formulated a proposed conciliation agreement aimed at achieving a settlement agreement that, if reached would not involve any outlay for the Company.

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.

Both assessment notices were challenged before the competent Provincial Tax Commission of Bologna.

On 25 September 2015 the Large Taxpayers Office of Emilia Romagna Regional Management has notified, for 2010, the assessment notices n. TGB0EC700149/2015 (IRES) and n. TGB03C700150/2015 (IRAP), with a total recovery of taxes of EUR 350 thousand.

Both assessment notices were challenged before the competent Provincial Tax Commission of Bologna.

On 6 June 2016, the Large Taxpayers Office of Emilia Romagna Regional Management has notified, for 2011, the assessment notices n. TGB0EC700080/2016 (IRES) and n. TGB0CC700083/2016 (IRAP), with total tax recoveries of Euro 299 thousand. Both assessment notices have been challenged before the competent Provincial Tax Commission of Bologna.

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 14 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.

Attachments of the explanatory notes

ATTACHMENT I	Consolidated Balance Sheet Assets with related parties
ATTACHMENT II	Consolidated Balance Sheet Liabilities with related parties
ATTACHMENT III	Consolidated Income Statement with related parties
ATTACHMENT IV	Consolidated Cash Flow Statement with related parties

ATTACHMENT I

Consolidated Balance Sheet Assets with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in units of EUR)	Notes	At June 30, 2017	of which Rel. parties	At December 31, 2016	of which Rel. parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		28,007,186		28,923,062	
Trademarks		83,721,960		85,468,751	
Other intangible fixed assets		776,239		740,072	
Total intangible fixed assets	(1)	112,505,385		115,131,885	
Tangible fixed assets					
Lands		17,118,773		17,118,773	
Buildings		22,413,374		22,658,662	
Leasehold improvements		13,749,194		14,465,641	
Plant and machinary		2,465,833		2,665,840	
Equipment		285,454		311,406	
Other tangible fixed assets		4,059,569		4,155,699	
Total tangible fixed assets	(2)	60,092,197		61,376,021	
Other fixed assets					
Equity investments	(3)	131,558		131,558	
Long term financial receivables	(4)	2,731,693	1,891,693	3,390,633	2,130,633
Other fixed assets	(5)	3,352,006		3,961,836	
Deferred tax assets	(6)	13,834,057		13,856,302	
Total other fixed assets		20,049,314		21,340,329	
TOTAL NON-CURRENT ASSETS		**192,646,896**		**197,848,235**	
CURRENT ASSETS					
Stocks and inventories	(7)	91,314,205		89,389,833	
Trade receivables	(8)	40,666,801	1,080,772	40,711,059	1,230,887
Tax receivables	(9)	5,258,109		4,094,261	
Cash	(10)	9,777,714		14,521,334	
Financial receivables	(11)	2,235,854	1,000,000	2,235,854	1,000,000
Other receivables	(12)	28,816,724		25,082,908	
TOTAL CURRENT ASSETS		**178,069,407**		**176,035,249**	
Assets available for sale	(13)	436,885		436,885	
TOTAL ASSETS		**371,153,188**		**374,320,369**	

ATTACHMENT II

Consolidated Balance Sheet Liabilities with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in units of EUR)	Notes	At June 30, 2017	of which Rel. parties	At December 31, 2016	of which Rel. parties
SHAREHOLDERS' EQUITY	**(14)**				
Group interest					
Share capital		25,371,407		25,371,407	
Other reserves		116,674,402		115,641,684	
Profits/(losses) carried-forward		(6,956,308)		(8,883,005)	
Net profit/(loss) for the Group		4,617,869		3,641,244	
Group interest in shareholders' equity		139,707,370		135,771,330	
Minority interest					
Minority interest in share capital and reserves		32,298,194		31,563,069	
Net profit/(loss) for the minority interest		(62,066)		735,125	
Minority interest in shareholders' equity		32,236,128		32,298,194	
TOTAL SHAREHOLDERS' EQUITY		**171,943,498**		**168,069,524**	
NON-CURRENT LIABILITIES					
Provisions	(15)	2,407,363		2,558,786	
Deferred tax liabilities	(6)	30,650,140		30,985,927	
Post employment benefits	(16)	6,127,050		6,366,872	
Long term financial liabilities	(17)	18,929,737		23,840,201	
Long term not financial liabilities	(18)	446,000		469,000	
TOTAL NON-CURRENT LIABILITIES		**58,560,290**		**64,220,786**	
CURRENT LIABILITIES					
Trade payables	(19)	54,868,082	434,700	61,880,670	252,981
Tax payables	(20)	4,506,419		7,376,339	
Short term financial liabilities	(21)	62,959,391		55,814,445	
Other liabilities	(22)	18,315,508		16,958,605	
TOTAL CURRENT LIABILITIES		**140,649,400**		**142,030,059**	
Liabilities available for sale					
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**371,153,188**		**374,320,369**	

ATTACHMENT III

Consolidated Income Statement with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in units of EUR)	Notes	1st Half 2017	of which Rel. parties	1st Half 2016	of which Rel. parties
REVENUES FROM SALES AND SERVICES	**(23)**	**149,952,966**	**666,119**	**137,782,668**	**538,468**
Other revenues and income	(24)	1,389,485		5,786,582	
TOTAL REVENUES		**151,342,451**		**143,569,250**	
Changes in inventory		2,319,596		57,084	
Costs of raw materials, cons. and goods for resale	(25)	(49,651,369)		(45,196,354)	
Costs of services	(26)	(42,558,968)	(375,342)	(40,551,797)	(150,000)
Costs for use of third parties assets	(27)	(11,536,474)	(1,317,784)	(11,517,391)	(1,308,762)
Labour costs	(28)	(32,441,271)		(31,835,354)	
Other operating expenses	(29)	(1,979,578)		(2,299,620)	
Amortisation, write-downs and provisions	(30)	(5,901,554)		(6,076,557)	
Financial income/(expenses)	(31)	(2,197,955)	63,464	(1,375,446)	62,250
PROFIT / LOSS BEFORE TAXES		**7,394,878**		**4,773,815**	
Income taxes	(32)	(2,839,075)		(2,949,380)	
NET PROFIT / LOSS		**4,555,803**		**1,824,435**	
(Profit)/loss attributable to minority shareholders		62,066		(355,487)	
NET PROFIT / LOSS FOR THE GROUP		**4,617,869**		**1,468,948**	

ATTACHMENT IV

Consolidated Cash Flow Statement with related parties

Pursuant to Consob Resolution N. 15519 of July 27, 2006

(Values in thousands of EUR)	Notes	1st Half 2017	of which Rel. parties	1st Half 2016	of which Rel. parties
OPENING BALANCE		**14,521**		**9,993**	
Profit / loss before taxes		7,395	(963)	4,774	(858)
Amortisation / write-downs		5,808		5,992	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(391)		(202)	
Paid income taxes		(6,023)		(2,294)	
Financial income (-) and financial charges (+)		2,198		1,375	
Change in operating assets and liabilities		(12,456)	332	(18,066)	(434)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(33)**	**(3,469)**		**(8,421)**	
Increase (-)/ decrease (+) in intangible fixed assets		(694)		1,661	
Increase (-)/ decrease (+) in tangible fixed assets		(1,203)		(1,365)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-		-	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(34)**	**(1,897)**		**296**	
Other variations in reserves and profits carried-forward of shareholders' equity		(682)		13,258	
Dividends paid		-		-	
Proceeds (+)/repayment (-) of financial payments		2,234	239	(1,772)	59
Increase (-)/ decrease (+) in long term financial receivables		1,269		(1,158)	
Financial income (+) and financial charges (-)		(2,198)		(1,376)	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(35)**	**623**		**8,952**	
CLOSING BALANCE		**9,778**		**10,820**	

Attestation of the Half Year condensed financial statements pursuant to art.81-ter of Consob Regulation N. 11971 of May 14, 1999, and subsequent amendments and additions

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 Article 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 preparation of the Half year condensed financial statements at June 30, 2017.

The undersigned moreover attest that:

The Half Year condensed financial statements:

- 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 Counsel, dated July 19, 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The interim management report contains a reliable analysis of important events which took place during the first six months of the current fiscal year and their impact on the half-year condensed financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the year. The interim management report also contains information concerning related party transactions.

July 27, 2017

President of the board of directors	Manager responsible for preparing Company's financial reports
Massimo Ferretti	Marcello Tassinari

Ria
Grant Thornton

Review report on interim consolidated financial statements (Translation from the Original Issued in Italian)

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To the shareholders of
Aeffe S.p.A.

Introduction
We have reviewed the accompanying condensed balance sheet as of June 30, 2017, and the related financial statements, consisting of the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, consolidated statement of cash flows and statement of changes in equity and related explanatory notes of Aeffe S.p.A. and its subsidiaries (Aeffe Group). Management is responsible for the preparation of this interim condensed financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed financial reporting based on our review.

Audit Scope
We conducted our review in accordance with review standard recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Opinion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of Aeffe Group as of June 30, 2017, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, July 27, 2017

Ria Grant Thornton S.p.A.
Signed by

Sandro Gherardini
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international.