AEFFE

# HALF-YEAR FINANCIAL REPORT AT June 30, 2018

*Disclaimer*

*This Half-year financial report at June 30, 2018 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

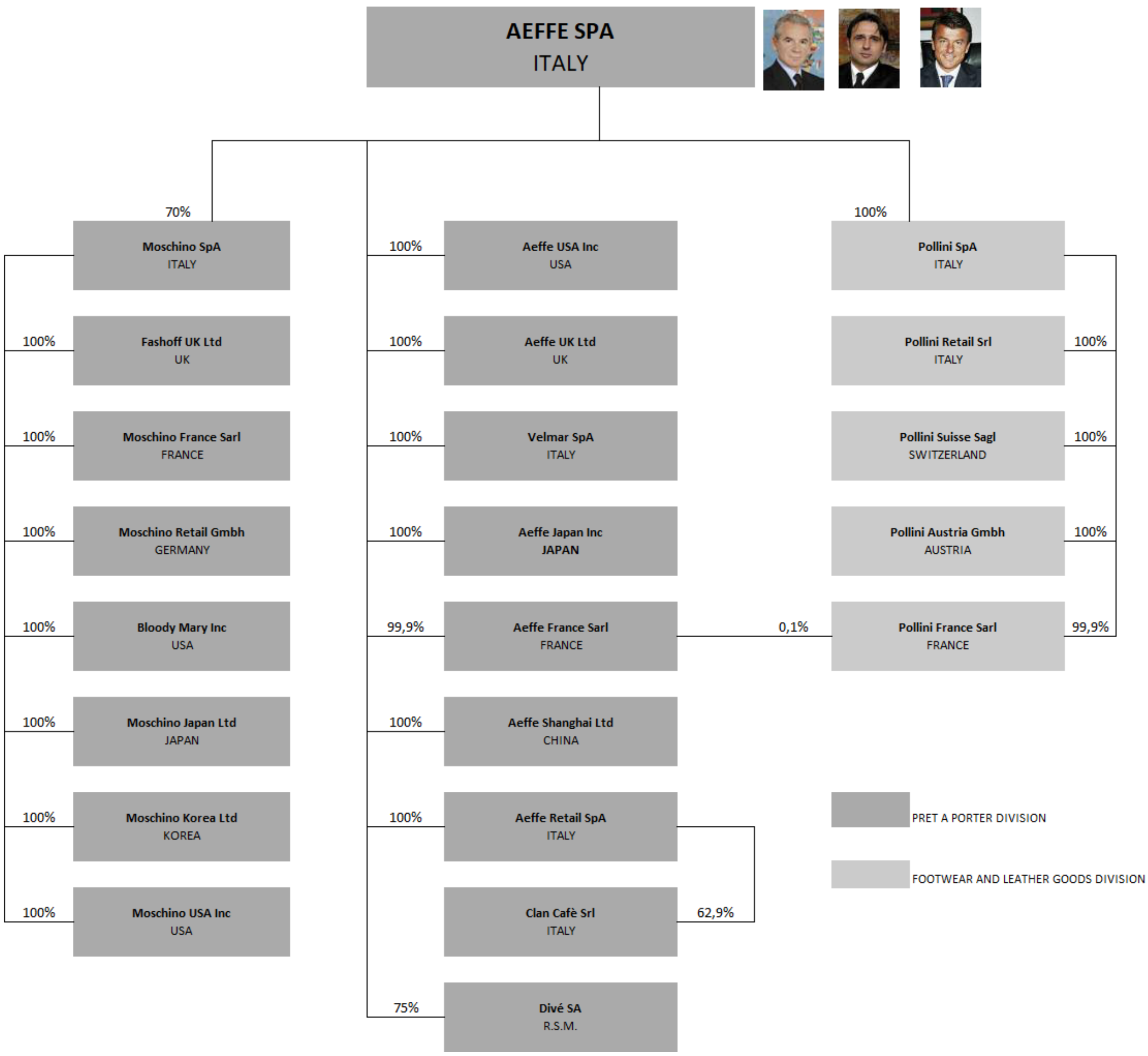
**Members**
Roberto Lugano
Sabrina Borocci

## 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
- CÉDRIC 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

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

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

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

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

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

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

# Main flagshipstore locations under direct management

**ALBERTA FERRETTI**

Milan
Rome
Capri
Paris
London
Los Angeles
Shanghai

**POLLINI**

Milan
Venice
Bolzano
Varese

**SPAZIO A**

Florence
Venice

**MOSCHINO**

Milan
Rome
Capri
Paris
London
Los Angeles
New York
Seoul
Pusan
Daegu

# Main economic-financial data

| | | 1st Half 2018 | 1st Half 2017 |
|---|---|---|---|
| Total revenues | (Values in millions of EUR) | 173.4 | 151.3 |
| Gross operating margin (EBITDA) * | (Values in millions of EUR) | 21.0 | 15.5 |
| Net operating profit (EBIT) | (Values in millions of EUR) | 14.5 | 9.6 |
| Profit before taxes | (Values in millions of EUR) | 13.9 | 7.4 |
| Net profit for the Group | (Values in millions of EUR) | 8.3 | 4.6 |
| Basic earnings per share | (Values in units of EUR) | 0.082 | 0.046 |
| Cash Flow (net profit + depreciation) | (Values in millions of EUR) | 14.1 | 10.4 |
| Cash Flow/Total revenues | (Values in percentage) | 8.1 | 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 June 30, 2018 | At December 31, 2017 | At June 30, 2017 | At December 31, 2016 |
|---|---|---|---|---|---|
| Net capital invested | (Values in millions of EUR) | 228.6 | 229.0 | 239.1 | 227.6 |
| Net financial indebtedness | (Values in millions of EUR) | 40.9 | 50.6 | 67.1 | 59.5 |
| Group net equity | (Values in millions of EUR) | 155.3 | 146.1 | 139.7 | 135.8 |
| Group net equity per share | (Values in units of EUR) | 1.4 | 1.4 | 1.3 | 1.3 |
| Current assets/ current liabilities | (Ratio) | 1.9 | 1.9 | 2.1 | 1.8 |
| Current assets less invent./ current liabilities (ACID test) | (Ratio) | 0.9 | 0.8 | 1.0 | 0.8 |
| Net financial indebtedness/ Net equity | (Ratio) | 0.2 | 0.3 | 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 Folies", "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 Folies", "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 Folies".

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 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 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 brand "Alberta Ferretti". The company also acts as an agent for the French market for the brands "Alberta Ferretti" and "Philosophy di Lorenzo Serafini".

**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 collections Moschino, Alberta Ferretti and Philosophy di Lorenzo Serafini.

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, is actually under 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 2018 | % on revenues | 1st Half 2017 | % on revenues | Change | % |
|---|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **171,099,664** | **100.0%** | **149,952,966** | **100.0%** | **21,146,698** | **14.1%** |
| Other revenues and income | 2,307,563 | 1.3% | 1,389,485 | 0.9% | 918,078 | 66.1% |
| **TOTAL REVENUES** | **173,407,227** | **101.3%** | **151,342,451** | **100.9%** | **22,064,776** | **14.6%** |
| Changes in inventory | ( 74,276) | (0.0%) | 2,319,596 | 1.5% | ( 2,393,872) | (103.2%) |
| Costs of raw materials, cons. and goods for resale | ( 54,868,043) | (32.1%) | ( 49,651,369) | (33.1%) | ( 5,216,674) | 10.5% |
| Costs of services | ( 49,277,860) | (28.8%) | ( 42,558,968) | (28.4%) | ( 6,718,892) | 15.8% |
| Costs for use of third parties assets | ( 12,633,502) | (7.4%) | ( 11,536,474) | (7.7%) | ( 1,097,028) | 9.5% |
| Labour costs | ( 33,836,523) | (19.8%) | ( 32,441,271) | (21.6%) | ( 1,395,252) | 4.3% |
| Other operating expenses | ( 1,748,262) | (1.0%) | ( 1,979,578) | (1.3%) | 231,316 | (11.7%) |
| Total Operating Costs | ( 152,438,466) | (89.1%) | ( 135,848,064) | (90.6%) | ( 16,590,402) | 12.2% |
| **GROSS OPERATING MARGIN (EBITDA)** | **20,968,761** | **12.3%** | **15,494,387** | **10.3%** | **5,474,374** | **35.3%** |
| Amortisation of intangible fixed assets | ( 3,225,169) | (1.9%) | ( 3,321,134) | (2.2%) | 95,965 | (2.9%) |
| Depreciation of tangible fixed assets | ( 2,529,025) | (1.5%) | ( 2,486,579) | (1.7%) | ( 42,446) | 1.7% |
| Revaluations/(write-downs) and provisions | ( 669,645) | (0.4%) | ( 93,841) | (0.1%) | ( 575,804) | 613.6% |
| Total Amortisation, write-downs and provisions | ( 6,423,839) | (3.8%) | ( 5,901,554) | (3.9%) | ( 522,285) | 8.8% |
| **NET OPERATING PROFIT / LOSS (EBIT)** | **14,544,922** | **8.5%** | **9,592,833** | **6.4%** | **4,952,089** | **51.6%** |
| Financial income | 287,360 | 0.2% | 1,018,520 | 0.7% | ( 731,160) | (71.8%) |
| Financial expenses | ( 906,025) | (0.5%) | ( 3,216,475) | (2.1%) | 2,310,450 | (71.8%) |
| Total Financial Income/(Expenses) | ( 618,665) | (0.4%) | ( 2,197,955) | (1.5%) | 1,579,290 | (71.9%) |
| **PROFIT / LOSS BEFORE TAXES** | **13,926,257** | **8.1%** | **7,394,878** | **4.9%** | **6,531,379** | **88.3%** |
| Taxes | ( 5,565,705) | (3.3%) | ( 2,839,075) | (1.9%) | ( 2,726,630) | 96.0% |
| **NET PROFIT / LOSS** | **8,360,552** | **4.9%** | **4,555,803** | **3.0%** | **3,804,749** | **83.5%** |
| (Profit)/loss attributable to minority shareholders | ( 84,381) | (0.0%) | 62,066 | 0.0% | ( 146,447) | (236.0%) |
| **NET PROFIT / LOSS FOR THE GROUP** | **8,276,171** | **4.8%** | **4,617,869** | **3.1%** | **3,658,302** | **79.2%** |

### SALES

In the first semester of 2018, Aeffe consolidated revenues amount to EUR 171,100 thousand compared to EUR 149,953 thousand in the first semester of 2017, with a 14.1% increase at current exchange rates and +15.0% at constant exchange rates.

The revenues of the prêt-à-porter division increase by 13.2% (+14.3% at constant exchange rates) to EUR 131,709 thousand.

The revenues of the footwear and leather goods division increase by 15.4% to EUR 58,143 thousand.

**Sales by brand**

| (Values in thousands of EUR) | 1st Half 2018 | % | 1st Half 2017 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Alberta Ferretti | 16,953 | 9.9% | 15,775 | 10.5% | 1,178 | 7.5% |
| Philosophy | 9,561 | 5.6% | 8,494 | 5.7% | 1,067 | 12.6% |
| Moschino | 122,309 | 71.5% | 104,787 | 69.9% | 17,522 | 16.7% |
| Pollini | 17,121 | 10.0% | 15,673 | 10.5% | 1,448 | 9.2% |
| Other | 5,156 | 3.0% | 5,224 | 3.4% | ( 68) | (1.3%) |
| **Total** | **171,100** | **100.0%** | **149,953** | **100.0%** | **21,147** | **14.1%** |

In 1H 2018, Alberta Ferretti brand increases by 7.5% (+8.3% at constant exchange rates), generating 9.9% of consolidated sales, while Philosophy brand increases by 12.6% (+13.8% at constant exchange rates), generating 5.6% of consolidated sales.

In the same period, Moschino brand sales increase by 16.7% (+17.5% at constant exchange rates), contributing to 71.5% of consolidated sales.

Pollini brand records an increase of 9.2% (+9.5% at constant exchange rates), generating the 10.0% of consolidated sales.

Other brands sales decrease by 1.3% (+1.2% at constant exchange rates), equal to 3.0% of consolidated sales.

**Sales by geographical area**

| (Values in thousands of EUR) | 1st Half 2018 | % | 1st Half 2017 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Italy | 81,170 | 47.4% | 72,051 | 48.0% | 9,119 | 12.7% |
| Europe (Italy and Russia excluded) | 36,125 | 21.1% | 31,928 | 21.3% | 4,197 | 13.1% |
| Russia | 5,185 | 3.0% | 4,551 | 3.0% | 634 | 13.9% |
| United States | 9,002 | 5.3% | 9,735 | 6.5% | ( 733) | (7.5%) |
| Rest of the World | 39,618 | 23.2% | 31,688 | 21.2% | 7,930 | 25.0% |
| **Total** | **171,100** | **100.0%** | **149,953** | **100.0%** | **21,147** | **14.1%** |

In 1H 2018 sales in Italy, amounting to 47.4% of consolidated sales, registered a good growth posting a 12.7% increase to EUR 81,170 thousand.

At constant exchange rates, sales in Europe, contributing to 21.1% of consolidated sales, registered a 13.1% growth (+13.4% at constant exchange rates) growth driven especially by good performance in the UK, Germany, France and Eastern Europe. The Russian market, representing 3.0% of consolidated sales, increase by 13.9%, showing a good recovery compared to the last year.

Sales in the United States, contributing to 5.3% of consolidated sales, posted in 1H 2018 a drop of 7.5% at current exchange rates and a growth of 1.6% at constant exchange rates.

In the Rest of the World the growth has been of 25% (+26.0% at constant exchange rates), with sales equal to EUR 39,618 thousand, especially thanks to excellent trend in Greater China which posted a 41% growth.

**Sales by distribution channel**

| (Values in thousands of EUR) | 1st Half 2018 | % | 1st Half 2017 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Wholesale | 123,889 | 72.4% | 105,242 | 70.2% | 18,647 | 17.7% |
| Retail | 42,181 | 24.7% | 40,018 | 26.7% | 2,163 | 5.4% |
| Royalties | 5,030 | 2.9% | 4,693 | 3.1% | 337 | 7.2% |
| **Total** | **171,100** | **100.0%** | **149,953** | **100.0%** | **21,147** | **14.1%** |

Revenues generated by the Group in the 1H 2018 are analysed below:

- 72.4% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 105,242 thousand in 1H 2017 and EUR 123,889 thousand in 1H 2018, with an increase of 17.7% (+18.7% at constant exchange rates).
- 24.7% from sales managed directly by the Group (retail channel), which contributes EUR 40,018 thousand in 1H 2017 and EUR 42,181 thousand in 1H 2018, up by 5.4% (+6.1% at constant exchange rates).
- 2.9% 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 7.2% from EUR 4,693 thousand in 1H 2017 to EUR 5,030 thousand in 1H 2018.

## LABOUR COSTS

Labour costs increase from EUR 32,441 thousand in 1H 2017 to EUR 33,837 thousand in 1H 2018 with an incidence on revenues which decrease from 21.6% in the first semester 2017 to 19.8% in the first semester 2018.

The workforce increases from an average of 1,311 units in the 1H 2017 to 1,344 units in the 1H 2018.

| Average number of employees by category | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Workers | 240 | 231 | 9 | 3.9% |
| Office staff-supervisors | 1,082 | 1,056 | 26 | 2.5% |
| Executive and senior managers | 22 | 24 | ( 2) | (8.3%) |
| **Total** | **1,344** | **1,311** | **33** | **2.5%** |

## GROSS OPERATING MARGIN (EBITDA)

In 1H 2018 consolidated EBITDA is EUR 20,969 thousand (with an incidence of 12.3% of sales) compared to EUR 15,494 thousand in 1H 2017 (with an incidence of 10.3% 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 14,316 thousand (representing the 10.9% of sales) compared to EUR 11,410 thousand in 1H 2017 (representing the 9.8% of sales); posting a EUR 2,906 thousand increase (+25.5%)

EBITDA of the Footwear and leather goods division amounts to EUR 6,653 thousand (11.4% of sales) compared to EUR 4,084 thousand 1H 2017 (8.1% of sales), with a EUR 2,569 thousand increase (+62.9%).

## ***NET OPERATING PROFIT / LOSS (EBIT)***

Consolidated EBIT is positive for EUR 14,545 thousand compared to EUR 9,593 thousand in 1H 2017, showing an increase of EUR 4,952 thousand (+51.6%).

## ***PROFIT / LOSS BEFORE TAXES***

In 1H 2018 net financial charges amount to EUR 619 thousand compared to EUR 2,198 thousand in 1H 2017; the decrease was mainly driven by the fall of both bank charges and foreign exchange losses.

Thanks to the improvement in operating profit, the result before taxes amounts to EUR 13,926 thousand compared with result before taxes of EUR 7,395 thousand in the first semester 2017, with a EUR 6,531 thousand increase.

## ***NET PROFIT / LOSS FOR THE GROUP***

The net result for the Group changes from EUR 4,618 thousand in 1H 2017 to EUR 8,276 thousand in 1H 2018, with an increase in absolute value of EUR 3,658 thousand.

## 3. RECLASSIFIED CONSOLIDATED BALANCE SHEET

| (Values in units of EUR) | At June 30, 2018 | At December 31, 2017 | At June 30, 2017 |
|---|---|---|---|
| Trade receivables | 44,043,270 | 42,064,915 | 40,666,801 |
| Stock and inventories | 97,718,444 | 97,817,891 | 91,314,205 |
| Trade payables | ( 64,656,285) | ( 68,618,776) | ( 54,868,082) |
| **Operating net working capital** | **77,105,429** | **71,264,030** | **77,112,924** |
| Other short term receivables | 30,849,887 | 26,914,468 | 28,816,724 |
| Tax receivables | 5,058,798 | 5,411,024 | 5,258,109 |
| Derivative assets | 185,822 | - | - |
| Other short term liabilities | ( 19,684,507) | ( 17,642,193) | ( 18,315,508) |
| Tax payables | ( 9,648,309) | ( 3,611,468) | ( 4,506,419) |
| Derivative liabilities | - | ( 997,532) | - |
| **Net working capital** | **83,867,120** | **81,338,329** | **88,365,830** |
| Tangible fixed assets | 58,693,753 | 59,104,297 | 60,092,197 |
| Intangible fixed assets | 106,538,343 | 109,678,612 | 112,505,385 |
| Equity investments | 131,558 | 131,558 | 131,558 |
| Other fixed assets | 2,834,869 | 3,564,214 | 3,352,006 |
| **Fixed assets** | **168,198,523** | **172,478,681** | **176,081,146** |
| Post employment benefits | ( 5,696,211) | ( 5,916,166) | ( 6,127,050) |
| Provisions | ( 2,492,531) | ( 2,415,237) | ( 2,407,363) |
| Assets available for sale | 436,885 | 436,885 | 436,885 |
| Long term not financial liabilities | ( 695,924) | ( 787,692) | ( 446,000) |
| Deferred tax assets | 14,954,927 | 14,335,779 | 13,834,057 |
| Deferred tax liabilities | ( 29,983,738) | ( 30,436,700) | ( 30,650,140) |
| **NET CAPITAL INVESTED** | **228,589,051** | **229,033,879** | **239,087,365** |
| Share capital | 25,371,407 | 25,371,407 | 25,371,407 |
| Other reserves | 123,350,309 | 116,229,168 | 116,674,402 |
| Profits/(Losses) carried-forward | ( 1,663,268) | ( 6,957,390) | ( 6,956,308) |
| Profits/(Loss) for the period | 8,276,171 | 11,490,343 | 4,617,869 |
| **Group interest in shareholders' equity** | **155,334,619** | **146,133,528** | **139,707,370** |
| Minority interest in shareholders' equity | 32,391,321 | 32,306,940 | 32,236,128 |
| **Total shareholders' equity** | **187,725,940** | **178,440,468** | **171,943,498** |
| Short term financial receivables | ( 1,420,000) | ( 1,420,000) | ( 2,235,854) |
| Cash | ( 22,074,195) | ( 22,808,913) | ( 9,777,714) |
| Long term financial liabilities | 15,573,037 | 22,079,795 | 18,929,737 |
| Long term financial receivables | ( 2,250,674) | ( 2,591,605) | ( 2,731,693) |
| Short term financial liabilities | 51,034,943 | 55,334,134 | 62,959,391 |
| **NET FINANCIAL POSITION** | **40,863,111** | **50,593,411** | **67,143,867** |
| **SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS** | **228,589,051** | **229,033,879** | **239,087,365** |

## ***NET INVESTED CAPITAL***

Net invested capital decreases by 0.2% compared with December 31, 2017.

### ***NET WORKING CAPITAL***

Net working capital amounts to EUR 83,867 thousand (25.1% of LTM sales) compared with EUR 81,338 thousand of December 31, 2017 (26.0% of sales).

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

- Operating net working capital (EUR 77,105 thousand) increases of EUR 5,841 thousand compared with the value at December 31, 2017 (EUR 71,264 thousand). Such increase is mainly due to the seasonality of the business;
- Other short term receivables increase of EUR 3,935 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, 2017 of EUR 2,042 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 2017 and for the increase of accrued and deferred income;
- The net effect of tax payables/receivables decreases net working capital of EUR 6,389 thousand. Such variation is mainly determined by the increase of IRES payable.

### ***FIXED ASSETS***

Fixed assets decrease by EUR 4,280 thousand from December 31, 2017 to June 30, 2018.

## ***NET FINANCIAL POSITION***

The net financial position of the Group amounts to EUR 40,863 thousand as of June 30, 2018 compared with EUR 50,593 thousand as of December 31, 2017 and with EUR 67,144 thousand as of June 30, 2017. Such decrease compared to the first semester 2017 is mainly due to the better economic results and a better operating cash flow.

## ***SHAREHOLDERS' EQUITY***

The shareholders' equity increases for EUR 9,286 thousand from EUR 178,440 thousand as of December 31, 2017 to EUR 187,726 thousand as of June 30, 2018. 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 "Related party transactions".

## 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

The global outlook remains favourable but the risk of protectionist policies. After the slowdown observed in the first quarter, the short-term outlook for the global economy remains positive overall. While continuing to expand, world trade decelerated: there is an increasing risk that global trade and the activities of firms operating on the international markets could be held back by an exacerbation of commercial tensions between the United States and its main trading partners.

Growth continues in the euro area despite the slowdown recorded in recent months.

According to the estimations of Banca d'Italia, the Italian economy continued to grow despite the signs of a slowdown that emerged in the spring. The available indicators suggest that industrial production was stationary in the second quarter, while activity in the service sector continued to increase. Overall, GDP appears to have risen by around 0.2 per cent on the previous period, with downward risks connected to the weakness of manufacturing.

Exports in all the main euro-area economies have been affected by the slowdown in world trade at the beginning of the year. In Italy, after the marked upswing observed in 2017, sales abroad fell in the first quarter of 2018.

The macroeconomic projections indicate that economic growth will continue in the next three years, though its pace will be affected by higher crude oil prices. Based on annual data (not calendar-adjusted), GDP will increase by 1.3 per cent this year, 1.0 per cent next year, and 1.2 per cent in 2020.

The risks to economic activity mostly stem from an accentuation of the protectionist stance in the main economic areas. Repercussions on global demand could arise not only from the direct effect on trade, but also via confidence and firms' investment plans. Sudden surges in financial market volatility, connected to a rekindling of uncertainty about economic policies, could affect the cost of borrowing for households and firms.

We assess very positively the results of the first half and we are satisfied with the continuous growing trend of our proprietary brands, especially in a macroeconomic context characterized by volatility and high competitiveness. The long-term development and investment strategy reconfirms to be effective whilst sustainable, both in terms of an increase in sales and out of proportion growth in profitability. We are therefore optimistic for 2018 and, in light of the orders' backlog of the pre-collections of the Spring/Summer 2019 season, we are confident also for the next year.

# Half-year condensed financial statements at June 30, 2018

# Financial statements

## CONSOLIDATED BALANCE SHEET ASSETS (*)

| (Values in units of EUR) | Notes | At June 30, 2018 | At December 31, 2017 | Change |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Intangible fixed assets | | | | |
| Key money | | 25,395,232 | 26,852,574 | ( 1,457,342) |
| Trademarks | | 80,228,378 | 81,975,169 | ( 1,746,791) |
| Other intangible fixed assets | | 914,733 | 850,869 | 63,864 |
| Total intangible fixed assets | (1) | 106,538,343 | 109,678,612 | ( 3,140,269) |
| Tangible fixed assets | | | | |
| Lands | | 17,118,773 | 17,118,773 | - |
| Buildings | | 22,189,815 | 22,167,805 | 22,010 |
| Leasehold improvements | | 12,379,911 | 12,597,761 | ( 217,850) |
| Plant and machinary | | 2,773,216 | 2,863,830 | ( 90,614) |
| Equipment | | 228,194 | 260,126 | ( 31,932) |
| Other tangible fixed assets | | 4,003,844 | 4,096,002 | ( 92,158) |
| Total tangible fixed assets | (2) | 58,693,753 | 59,104,297 | ( 410,544) |
| Other fixed assets | | | | |
| Equity investments | (3) | 131,558 | 131,558 | - |
| Long term financial receivables | (4) | 2,250,674 | 2,591,605 | ( 340,931) |
| Other fixed assets | (5) | 2,834,869 | 3,564,214 | ( 729,345) |
| Deferred tax assets | (6) | 14,954,927 | 14,335,779 | 619,148 |
| Total other fixed assets | | 20,172,028 | 20,623,156 | ( 451,128) |
| **TOTAL NON-CURRENT ASSETS** | | **185,404,124** | **189,406,065** | **( 4,001,941)** |
| **CURRENT ASSETS** | | | | |
| Stocks and inventories | (7) | 97,718,444 | 97,817,891 | ( 99,447) |
| Trade receivables | (8) | 44,043,270 | 42,064,915 | 1,978,355 |
| Tax receivables | (9) | 5,058,798 | 5,411,024 | ( 352,226) |
| Derivate assets | (10) | 185,822 | - | 185,822 |
| Cash | (11) | 22,074,195 | 22,808,913 | ( 734,718) |
| Financial receivables | (12) | 1,420,000 | 1,420,000 | - |
| Other receivables | (13) | 30,849,887 | 26,914,468 | 3,935,419 |
| **TOTAL CURRENT ASSETS** | | **201,350,416** | **196,437,211** | **4,913,205** |
| Assets available for sale | (14) | 436,885 | 436,885 | - |
| **TOTAL ASSETS** | | **387,191,425** | **386,280,161** | **911,264** |

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, 2018 | At December 31, 2017 | Change |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | **(15)** | | | |
| Group interest | | | | |
| Share capital | | 25,371,407 | 25,371,407 | - |
| Other reserves | | 123,350,309 | 116,229,168 | 7,121,141 |
| Profits / (losses) carried-forward | | ( 1,663,268) | ( 6,957,390) | 5,294,122 |
| Net profit / (loss) for the Group | | 8,276,171 | 11,490,343 | ( 3,214,172) |
| Group interest in shareholders' equity | | 155,334,619 | 146,133,528 | 9,201,091 |
| Minority interest | | | | |
| Minority interests in share capital and reserves | | 32,306,940 | 32,295,224 | 11,716 |
| Net profit / (loss) for the minority interests | | 84,381 | 11,716 | 72,665 |
| Minority interests in shareholders' equity | | 32,391,321 | 32,306,940 | 84,381 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **187,725,940** | **178,440,468** | **9,285,472** |
| **NON-CURRENT LIABILITIES** | | | | |
| Provisions | (16) | 2,492,531 | 2,415,237 | 77,294 |
| Deferred tax liabilities | (6) | 29,983,738 | 30,436,700 | ( 452,962) |
| Post employment benefits | (17) | 5,696,211 | 5,916,166 | ( 219,955) |
| Long term financial liabilities | (18) | 15,573,037 | 22,079,795 | ( 6,506,758) |
| Long term not financial liabilities | (19) | 695,924 | 787,692 | ( 91,768) |
| **TOTAL NON-CURRENT LIABILITIES** | | **54,441,441** | **61,635,590** | **( 7,194,149)** |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | (20) | 64,656,285 | 68,618,776 | ( 3,962,491) |
| Tax payables | (21) | 9,648,309 | 3,611,468 | 6,036,841 |
| Derivate liabilities | (10) | - | 997,532 | ( 997,532) |
| Short term financial liabilities | (22) | 51,034,943 | 55,334,134 | ( 4,299,191) |
| Other liabilities | (23) | 19,684,507 | 17,642,193 | 2,042,314 |
| **TOTAL CURRENT LIABILITIES** | | **145,024,044** | **146,204,103** | **( 1,180,059)** |
| Liabilities available for sale | | - | - | - |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **387,191,425** | **386,280,161** | **911,264** |

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 2018 | % | 1st Half 2017 | % |
|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **(24)** | **171,099,664** | **100.0%** | **149,952,966** | **100.0%** |
| Other revenues and income | (25) | 2,307,563 | 1.3% | 1,389,485 | 0.9% |
| **TOTAL REVENUES** | | **173,407,227** | **101.3%** | **151,342,451** | **100.9%** |
| Changes in inventory | | ( 74,276) | (0.0%) | 2,319,596 | 1.5% |
| Costs of raw materials, cons. and goods for resale | (26) | ( 54,868,043) | (32.1%) | ( 49,651,369) | (33.1%) |
| Costs of services | (27) | ( 49,277,860) | (28.8%) | ( 42,558,968) | (28.4%) |
| Costs for use of third parties assets | (28) | ( 12,633,502) | (7.4%) | ( 11,536,474) | (7.7%) |
| Labour costs | (29) | ( 33,836,523) | (19.8%) | ( 32,441,271) | (21.6%) |
| Other operating expenses | (30) | ( 1,748,262) | (1.0%) | ( 1,979,578) | (1.3%) |
| Amortisation, write-downs and provisions | (31) | ( 6,423,839) | (3.8%) | ( 5,901,554) | (3.9%) |
| Financial income/(expenses) | (32) | ( 618,665) | (0.4%) | ( 2,197,955) | (1.5%) |
| **PROFIT / LOSS BEFORE TAXES** | | **13,926,257** | **8.1%** | **7,394,878** | **4.9%** |
| Taxes | (33) | ( 5,565,705) | (3.3%) | ( 2,839,075) | (1.9%) |
| **NET PROFIT / LOSS** | | **8,360,552** | **4.9%** | **4,555,803** | **3.0%** |
| (Profit)/loss attributable to minority shareholders | | ( 84,381) | (0.0%) | 62,066 | 0.0% |
| **NET PROFIT / LOSS FOR THE GROUP** | | **8,276,171** | **4.8%** | **4,617,869** | **3.1%** |
| Basic earnings per share | (34) | 0.082 | | 0.046 | |
| Dilutive earnings per share | (34) | 0.082 | | 0.046 | |

(*) 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 2018 | 1st Half 2017 |
|---|---|---|
| **Profit/(loss) for the period (A)** | **8,360,552** | **4,555,803** |
| **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 | 755,308 | - |
| Gains/(losses) on exchange differences on translating foreign operations | 169,614 | ( 681,830) |
| 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)** | **924,922** | **( 681,830)** |
| **Totale Other comprehensive income, net of tax(B1)+(B2)=(B)** | **924,922** | **( 681,830)** |
| **Total Comprehensive income / (loss) (A) + (B)** | **9,285,474** | **3,873,973** |
| **Total Comprehensive income / (loss) attributable to:** | **9,285,474** | **3,873,973** |
| Owners of the parent | 9,201,093 | 3,936,039 |
| Non-controlling interests | 84,381 | ( 62,066) |

# CONSOLIDATED CASH FLOW STATEMENT (*)

| (Values in thousands of EUR) | Notes | 1st Half 2018 | 1st Half 2017 |
|---|---|---|---|
| **OPENING BALANCE** | | **22,809** | **14,521** |
| Profit / loss before taxes | | 13,926 | 7,395 |
| Amortisation / write-downs | | 6,325 | 5,808 |
| Accrual (+)/availment (-) of long term provisions and post employment benefits | | ( 143) | ( 391) |
| Paid income taxes | | ( 601) | ( 6,023) |
| Financial income (-) and financial charges (+) | | 619 | 2,198 |
| Change in operating assets and liabilities | | ( 8,657) | ( 12,456) |
| **CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY** | **(35)** | **11,469** | **( 3,469)** |
| Increase (-)/ decrease (+) in intangible fixed assets | | ( 633) | ( 694) |
| Increase (-)/ decrease (+) in tangible fixed assets | | ( 2,141) | ( 1,203) |
| Investments and write-downs (-)/ Disinvestments and revaluations (+) | | - | - |
| **CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY** | **(36)** | **( 2,774)** | **( 1,897)** |
| Other variations in reserves and profits carried-forward of shareholders' equity | | 925 | ( 682) |
| Dividends paid | | - | - |
| Proceeds (+)/repayment (-) of financial payments | | ( 10,806) | 2,234 |
| Increase (-)/ decrease (+) in long term financial receivables | | 1,070 | 1,269 |
| Financial income (+) and financial charges (-) | | ( 619) | ( 2,198) |
| **CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY** | **(37)** | **( 9,430)** | **623** |
| **CLOSING BALANCE** | | **22,074** | **9,778** |

(*) 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 | Cash flow 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** |

| *(Values in thousands of EUR)* | Share capital | Share premium reserve | Cash flow 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 December 31, 2017** | **25,371** | **71,240** | | **29,150** | **7,901** | **11,459** | **( 6,957)** | **( 1,173)** | **11,490** | **( 2,348)** | **146,133** | **32,307** | **178,440** |
| Effects deriving from the application of IFRS 9 | | | **( 621)** | | | | **621** | | | | | | |
| **At January 1, 2018** | **25,371** | **71,240** | **( 621)** | **29,150** | **7,901** | **11,459** | **( 6,336)** | **( 1,173)** | **11,490** | **( 2,348)** | **146,133** | **32,307** | **178,440** |
| Allocation of 2017 income/(loss) | - | - | | 6,817 | - | - | 4,673 | - | ( 11,490) | - | - | - | - |
| Dividends paid | - | - | | - | - | - | - | - | - | - | - | - | - |
| Treasury stock (buyback)/sale | - | - | | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income/(loss) at 30/06/18 | - | - | 755 | - | - | - | - | - | 8,276 | 171 | 9,202 | 84 | 9,286 |
| Other changes | - | - | | - | - | - | | - | - | - | - | - | - |
| **At June 30, 2018** | **25,371** | **71,240** | **134** | **35,967** | **7,901** | **11,459** | **( 1,663)** | **( 1,173)** | **8,276** | **( 2,177)** | **155,335** | **32,391** | **187,726** |

# 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 Folies", "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, 2018 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, 2018 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, 2018 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% | |
| Aeffe Shanghai | Shanghai (CN) | CNY | 10,000,000 | 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.

**The following operations have been carried out during the period:**

9. Inserted in the scope of consolidation the new found company Aeffe Shanghai

## 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 I° sem 2018 | Average exchange rate At June 30, 2018 | Actual exchange rate 2017 | Average exchange rate At December 31, | Actual exchange rate I° sem 2017 | Average exchange rate At June 30, 2017 |
|---|---|---|---|---|---|---|
| Renminbi chinese (yuan) | 7.7086 | 7.7170 | 7.6264 | 7.8044 | - | - |
| United States Dollars | 1.2104 | 1.1658 | 1.1293 | 1.1993 | 1.0830 | 1.1412 |
| United Kingdom Pounds | 0.8798 | 0.8861 | 0.8762 | 0.8872 | 0.8606 | 0.8793 |
| Japanese Yen | 131.6057 | 129.0400 | 126.6545 | 135.0100 | 121.7804 | 127.7500 |
| South Korean Won | 1302.3800 | 1296.7200 | 1275.8300 | 1279.6100 | 1236.3302 | 1304.5600 |
| Swiss Franc | 1.1697 | 1.1569 | 1.1115 | 1.1702 | 1.0766 | 1.0930 |

## 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, 2017, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2018.

**Accounting standards, amendments and interpretations approved by the European Union, applicable from 1 January 2018, which were applied for the first time in the consolidated half-yearly financial statements of the AEFFE Group closed as at 30 June 2018**

- **IFRS 15 "Revenues from contracts with customers"**: issued in May 2014, introduces a new five-phase model that will apply to revenues deriving from contracts with customers and replaces all the current requirements in the IFRS for the recognition of revenues ( IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 provides for the recognition of revenues for an amount that reflects the consideration that the entity deems to be entitled in exchange for the transfer of goods or services to the customer. The standard is effective for annual periods beginning on or after 1 January 2018, with full or modified retrospective application.

  The Group has applied the new standard from the mandatory effective date that, in the case of the AEFFE Group, is from 1 January 2018. In 2017, the Group carried out an assessment of the impact of IFRS 15 simulating the application of the standard to contracts belonging to the main revenue flows identified at Group level; considering the nature of the business, the impacts have been estimated as non-material for the Group. It should also be noted that the Group has chosen, for the transition, the modified retrospective application method and therefore the comparative data will not be changed (year 2017).

  In applying IFRS 15, the Group has considered the following points:

  Retail and Wholesale Sales: the application of IFRS 15 to contracts with customers in which the sale of goods is the only obligation did not have an impact on the Group, especially with regard to retail flows. Revenue recognition takes place when the control of the activity has been transferred to the customer, generally at the time of delivery of the asset, similarly to what happens according to the currently applicable standards. As part of the process of identifying the various performance obligations, the right to return was identified as an element that could result in deferred recognition of revenues compared to the present accounting treatment. In particular, when a contract with a customer provides for a right of return of the goods, the Group currently accounts for the right of return (albeit of non-material amount) using an approach based on the return forecast, similar to the expected value method provided by IFRS 15.

- **IFRS 9 "Financial instruments"**: on 22 November 2016 the European Union issued Regulation no. 2016/2067 which approved IFRS 9 (Financial Instruments), which replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all aspects related to the subject accounting for financial instruments: classification and measurement, loss of value and hedge accounting.

  The group decided to adopt the hedge accounting provisions relating to the forward excange contracts envisaged by IFRS 9. These transactions were not designated as hedges for IAS 39 as they did not meet the efficacy ratio of 80-125%. The change in policy due to the adoption of the new IFRS 9 was applied prospectively from 1 January 2018.

- **Amendment to IFRS 4**: "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". Amendments issued by the IASB on 12 September 2016, endorsed by the European Union on 3 November 2017 and applicable with effective date as from 1 January 2018. The amendment deals with concerns arising in the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. In addition, two options are provided for companies that underwrite insurance contracts with reference to IFRS 4: i) an option that allows companies to reclassify from the income statement to the statement of comprehensive income some revenues or costs deriving from certain financial assets; ii) a temporary exemption from the application of IFRS 9 whose main activity is the signing of contracts as described by IFRS 4. The adoption of this standard did not have any impact on the Group's financial statements;

- **Amendment to IFRS 2**: "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)". Amendments published by the IASB on 20 June 2016. The document contains some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-shared share-based payments, the classification of share-based payments with net settlement characteristics and the accounting for changes. the terms and conditions of a share-based payment that modify the classification from cash-settle to equity-settled. The amendments apply as of January 1, 2018. The adoption of this standard did not have any impact on the Group's financial statements;

**New accounting standards and interpretations approved by the European Union and effective from financial years after 31 January 2018**

- **IFRS 16 "Leases"**: on 13 January 2016, the IASB published the new IFRS 16 - Leases. The document will replace the previous IAS 17 standard no longer suitable for the representation of leasing in the current economic context. The new accounting standard provides that all leasing contracts must be recognized in the balance sheet as assets and liabilities, whether they are "financial" or "operational". Leasing contracts with a duration of 12 months or less and those with low-value items are excluded from application of IFRS 16. IFRS 16 applies from financial years beginning on or after 1 January 2019. Early application is permitted for companies that also adopt IFRS 15 (Revenue from contracts with customers). The group decided not to opt for the early application of IFRS 16 therefore the effects of this principle will be reflected starting from 01/01/2019. It was therefore decided to use a retrospective application, without restatement of the comparative information. The cumulative effect will be recognized as a reduction in the new opening earnings. The incremental borrowing rate will be the one on the application date of the principle excluding the initial direct costs from the valuation of the right to use the asset.

  The application of the new standard will also lead to the cancellation of operating lease installments, recognized as costs for services, which will be recalculated amortization of "Right of use Assets" and financial charges linked to the amortized cost valuation of the financial debt for leasing. This will therefore result in an increase in EBITDA.

  An internal analysis of the main contracts in progress was launched aimed at finding the information base necessary to define the foreseeable economic and financial effects.

**Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union**

| Description | Effective date foreseen by the principle |
|---|---|
| IFRS 14 Regulatory Deferral Accounts | **(*)** |
| IFRS 17 Insurance Contracts | 01/01/2021 |
| ***Interpretations*** | 01/01/2019 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 01/01/2018 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 01/01/2019 |
| ***Amendments*** | 01/01/2019 |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until completion of the IASB project on the *equity method* |
| Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions | 1° January 2018 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle | 1° January 2017/ 2018 |
| Amendments to IAS 40: Transfers of Investment Property | 1° January 2018 |
| Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures | 1° January 2019 |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation | 1° January 2019 |

**(*)** IFRS 14 came into force on 1 January 2016, but the European Commission decided to suspend the approval process pending the new accounting principle on "rate-regulated activities".

## 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, 2018** | **81,975** | **26,853** | **851** | **109,679** |
| Increases | - | 356 | 278 | 634 |
| *- increases externally acquired* | - | *356* | *278* | *634* |
| *- increases from business aggregations* | - | - | - | - |
| Disposals | - | ( 549) | ( 1) | ( 550) |
| Translation diff. / other variations | - | - | - | - |
| Amortisation | ( 1,747) | ( 1,265) | *( 213)* | ( 3,225) |
| **Net book value at June 30, 2018** | **80,228** | **25,395** | **915** | **106,538** |

Changes in intangible fixed assets highlight the following variations:

- increases equal to EUR 634 thousand, mainly related to key money;
- decreases equal to EUR 550 thousand, mainly related to key money;
- amortisation of the period equal to EUR 3,225 thousand.

### Brands

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

| (Values in thousands of EUR) | Brand residual life | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| Alberta Ferretti | 25 | 3,086 | 3,149 |
| Moschino | 27 | 44,732 | 45,696 |
| Pollini | 23 | 32,410 | 33,130 |
| **Total** | | **80,228** | **81,975** |

### 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, 2018** | **17,119** | **22,168** | **12,597** | **2,864** | **260** | **4,096** | **59,104** |
| Increases | - | 304 | 1,212 | 257 | 19 | 467 | 2,259 |
| Disposals | - | - | ( 144) | ( 5) | - | ( 52) | ( 201) |
| Translation diff. / other variations | - | - | 27 | - | 1 | 33 | 61 |
| Depreciation | - | ( 282) | ( 1,312) | ( 343) | ( 52) | ( 540) | ( 2,529) |
| **Net book value at June 30, 2018** | **17,119** | **22,190** | **12,380** | **2,773** | **228** | **4,004** | **58,694** |

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 2,259 thousand. These mainly refer to new investments in leasehold improvements.
- Disposals, net of the accumulated depreciation, of EUR 201 thousand.
- Increases for differences arising on translation and other variations of EUR 61 thousand.
- Depreciation of EUR 2,529 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 2,592 thousand at December 31, 2017 to EUR 2,251 thousand at June 30, 2018.

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, 2018 and at December 31, 2017:

| (Values in thousands of EUR) | Receivables | | Liabilities | |
|---|---|---|---|---|
| | At June 30, 2018 | At December 31, 2017 | At June 30, 2018 | At December 31, 2017 |
| Tangible fixed assets | - | 49 | ( 17) | ( 17) |
| Intangible fixed assets | 3 | 3 | ( 144) | ( 144) |
| Provisions | 2,772 | 2,926 | ( 1) | ( 2) |
| Costs deductible in future periods | 6,423 | 6,224 | ( 34) | ( 35) |
| Income taxable in future periods | 1,132 | 360 | ( 1,369) | ( 1,565) |
| Tax losses carried forward | 3,831 | 3,684 | - | - |
| Other | 5 | 5 | ( 85) | ( 84) |
| Tax assets (liabilities) from transition to IAS | 789 | 1,085 | ( 28,334) | ( 28,590) |
| **Total** | **14,955** | **14,336** | **( 29,984)** | **( 30,437)** |

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 | 32 | - | ( 49) | - | ( 17) |
| Intangible fixed assets | ( 141) | - | - | - | ( 141) |
| Provisions | 2,924 | 8 | ( 161) | - | 2,771 |
| Costs deductible in future periods | 6,189 | 3 | 197 | - | 6,389 |
| Income taxable in future periods | ( 1,205) | - | 968 | - | ( 237) |
| Tax losses carried forward | 3,684 | 56 | 352 | ( 261) | 3,831 |
| Other | ( 79) | ( 2) | 2 | ( 1) | ( 80) |
| Tax assets (liabilities) from transition to IAS | ( 27,505) | - | 15 | ( 55) | ( 27,545) |
| **Total** | **( 16,101)** | **65** | **1,324** | **( 317)** | **( 15,029)** |

The negative variation of EUR 317 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.

## *CURRENT ASSETS*

### *7. STOCKS AND INVENTORIES*

This item comprises:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Raw, ancillary and consumable materials | 13,211 | 14,563 | ( 1,352) | (9.3%) |
| Work in progress | 9,699 | 8,901 | 798 | 9.0% |
| Finished products and goods for resale | 74,759 | 74,328 | 431 | 0.6% |
| Advance payments | 49 | 26 | 23 | 88.5% |
| **Total** | **97,718** | **97,818** | **( 100)** | **(0.1%)** |

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2018 collections, while finished products mainly concern the Spring/Summer 2018 and the Autumn/Winter 2018 collections and the Spring/Summer 2019 sample collections.

### 8. TRADE RECEIVABLES

This item is illustrated in details in the following table:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Trade receivables | 47,671 | 45,796 | 1,875 | 4.1% |
| (Allowance for doubtfull account) | ( 3,628) | ( 3,731) | 103 | (2.8%) |
| **Total** | **44,043** | **42,065** | **1,978** | **4.7%** |

Trade receivables amount to EUR 44,043 thousand at June 30, 2018, with a 4.1% increase compared with the amount at December 31, 2017.

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, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| VAT | 2,664 | 2,972 | ( 308) | (10.4%) |
| Corporate income taxes (IRES) | 880 | 846 | 34 | 4.0% |
| Local business tax (IRAP) | 200 | 292 | ( 92) | (31.5%) |
| Amounts due by tax authority for withheld taxes | - | 4 | ( 4) | (100.0%) |
| Other tax receivables | 1,315 | 1,297 | 18 | 1.4% |
| **Total** | **5,059** | **5,411** | **( 352)** | **(6.5%)** |

As of June 30, 2018, the Group's tax receivables amount to EUR 5,059 thousand, recording a decrease of EUR 352 thousand compared to December 31, 2017, mainly due to the decrease of VAT receivable.

### 10. DERIVATE ASSETS AND LIABILITIES

The group decided to adopt the hedge accounting provisions relating to the forward exchange contracts envisaged by IFRS 9. These transactions were not designated as hedges for IAS 39 as they did not comply with the efficiency ratio of 80-125%. The change in policy due to the adoption of the new IFRS 9 was applied prospectively from 1 January 2018.

At the closing date of the half-yearly financial statements, the amount of forward contracts hedging the exchange risk on the Group's purchases in USD amounted to USD 9,500 thousand (EUR 8,123 thousand).

At each reporting date, the financial statement follows the hedge accounting method, which requires the recognition in the balance sheet of the derivatives at their fair value.

The fair value of derivative financial instruments outstanding at 30 June 2018 can be classified as 2nd level and was determined using the official rates quoted on active markets.

At June 30, 2018, the net fair value of derivative instruments, to hedge the exchange risk, totaled EUR 186 thousand (EUR 998 thousand negative as of December 31, 2017).

The reserve for derivatives on forward transactions on currencies that are used to hedge expected transactions (purchases in USD), is positive for EUR 134 thousand, net of the related tax effect.

### 11. CASH

This item includes:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Bank and post office deposits | 21,536 | 22,057 | ( 521) | (2.4%) |
| Cheques | 81 | 24 | 57 | 237.5% |
| Cash in hand | 457 | 728 | ( 271) | (37.2%) |
| **Total** | **22,074** | **22,809** | **( 735)** | **(3.2%)** |

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, 2018 compared with the amount recorded at December 31, 2017, is EUR 735 thousand. About the reason of this variation refer to the Statement of Cash Flows.

### 12. FINANCIAL RECEIVABLES

The item is compared with the respective value at December 31, 2017:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Financial receivables | 1,420 | 1,420 | - | n.a. |
| **Total** | **1,420** | **1,420** | **-** | **n.a.** |

There was no change in the item during the period.

### 13. OTHER RECEIVABLES

This caption comprises:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Credits for prepaid costs | 22,716 | 20,549 | 2,167 | 10.5% |
| Advances for royalties and commissions | 555 | 235 | 320 | 136.2% |
| Advances to suppliers | 283 | 186 | 97 | 52.2% |
| Accrued income and prepaid expenses | 3,808 | 2,748 | 1,060 | 38.6% |
| Other | 3,488 | 3,196 | 292 | 9.1% |
| **Total** | **30,850** | **26,914** | **3,936** | **14.6%** |

Other current receivables increase by EUR 3,936 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 2019 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 2018 collections.

### 14. ASSETS AND LIABILITIES AVAILABLE FOR SALE

This item is illustrated in details in the following table:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 |
|---|---|---|
| Other fixed assets | 437 | 437 |
| **Total Assets** | **437** | **437** |

### 15. SHAREHOLDERS' EQUITY

Described below are the main categories of shareholders' equity at June 30, 2018, while the corresponding variations are described in the prospect of shareholders' equity.

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ |
|---|---|---|---|
| Share capital | 25,371 | 25,371 | - |
| Share premium reserve | 71,240 | 71,240 | - |
| Cash flow reserve | 134 | - | 134 |
| Other reserves | 35,967 | 29,150 | 6,817 |
| Fair value reserve | 7,901 | 7,901 | - |
| IAS reserve | 11,459 | 11,459 | - |
| Profits / (losses) carried-forward | ( 1,663) | ( 6,957) | 5,294 |
| Reamisurement of defined benefit plans reserve | ( 1,173) | ( 1,173) | - |
| Net profit / (loss) for the Group | 8,276 | 11,490 | ( 3,214) |
| Translation reserve | ( 2,177) | ( 2,348) | 171 |
| Minority interest | 32,391 | 32,307 | 84 |
| **Total** | **187,726** | **178,440** | **9,286** |

#### SHARE CAPITAL

Share capital as of June 30, 2018, 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, 2018 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, 2017.

#### 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, 2017.

### *REAMISUREMENT OF DEFINED BENEFIT PLANS RESERVE*

The reamisurement of defined benefit plans reserve amounts to EUR -1.173 thousand and it remains unchanged since December 31, 2017.

### *TRANSLATION RESERVE*

The translation reserve amounts to EUR -2,177 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*

### *16. PROVISIONS*

Provisions are illustrated in the following statement:

| (Values in thousands of EUR) | At December 31, 2017 | Increases | Decreases | At June 30, 2018 |
|---|---|---|---|---|
| Pensions and similar obligations | 460 | 80 | ( 2) | 538 |
| Other | 1,955 | - | - | 1,955 |
| **Total** | **2,415** | **80** | **( 2)** | **2,493** |

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 other provisions mainly relate to provisions for future charges and risks linked to organizational changes.

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".

### *17. 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, 2017 | Increases | Decreases/ Other variations | At June 30, 2018 |
|---|---|---|---|---|
| Post employment benefits | 5,916 | 166 | ( 386) | 5,696 |
| **Total** | **5,916** | **166** | **( 386)** | **5,696** |

Increases include the share of post employment benefits matured in the year and the related revaluation, while the entry decreases/other changes includes the decrease for the liquidation of the post employment benefits for EUR 319 thousand and the actuarial loss of EUR 67 thousand.

### *18. Long-term financial liabilities*

The following table contains details of long-term borrowings:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Loans from financial institutions | 15,501 | 22,008 | ( 6,507) | (29.6%) |
| Amounts due to other creditors | 72 | 72 | - | n.a. |
| **Total** | **15,573** | **22,080** | **( 6,507)** | **(29.5%)** |

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.

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, 2018, including the current portion and long term portion:

| (Values in thousands of EUR) | Total amount | Current portion | Long term portion |
|---|---|---|---|
| Bank borrowings | 24,819 | 9,318 | 15,501 |
| **Total** | **24,819** | **9,318** | **15,501** |

The total due beyond five years amount to EUR 370 thousand.

### *19. LONG-TERM NOT FINANCIAL LIABILITIES*

There were no significant changes in the item during the period.

## *CURRENT LIABILITIES*

### *20. TRADE PAYABLES*

The item is compared with the respective value at December 31, 2017:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Trade payables | 64,656 | 68,619 | ( 3,963) | (5.8%) |
| **Total** | **64,656** | **68,619** | **( 3,963)** | **(5.8%)** |

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

### *21. TAX PAYABLES*

Tax payables are analysed in comparison with the related balances as of December 31, 2017 in the following table:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Local business tax (IRAP) | 1,483 | 382 | 1,101 | 288.2% |
| Corporate income tax (IRES) | 5,070 | 332 | 4,738 | 1,427.1% |
| Amounts due to tax authority for withheld taxes | 2,448 | 2,397 | 51 | 2.1% |
| VAT due to tax authority | 609 | 390 | 219 | 56.2% |
| Other | 38 | 110 | ( 72) | (65.5%) |
| **Total** | **9,648** | **3,611** | **6,037** | **167.2%** |

Tax payables increase of EUR 6,037 thousand compared with December 31, 2017, mainly for the increase in the period of IRES and IRAP payables.

### *22. SHORT-TERM FINANCIAL LIABILITIES*

A breakdown of this item is given below:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Due to banks | 51,035 | 55,334 | ( 4,299) | (7.8%) |
| **Total** | **51,035** | **55,334** | **( 4,299)** | **(7.8%)** |

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.

### *23. OTHER LIABILITIES*

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

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 | Change Δ | % |
|---|---|---|---|---|
| Due to total security organization | 3,555 | 4,221 | ( 666) | (15.8%) |
| Due to employees | 7,648 | 5,810 | 1,838 | 31.6% |
| Trade debtors - credit balances | 1,954 | 1,608 | 346 | 21.5% |
| Accrued expenses and deferred income | 2,949 | 2,221 | 728 | 32.8% |
| Other | 3,579 | 3,782 | ( 203) | (5.4%) |
| **Total** | **19,685** | **17,642** | **2,043** | **11.6%** |

The entry Other liabilities records an increase of EUR 2,043 thousand compared to December 31, 2017.

The increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of June 30, 2018 which has no equivalent as of December 31, 2017.

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 Folies", "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 Folies".

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 2018 and 2017 of the *Prêt-à porter* and Footwear and leather goods Divisions:

| (Values in thousand of EUR)<br>1st Half 2018 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| **SECTOR REVENUES** | **131,709** | **58,143** | **( 18,752)** | **171,100** |
| Intercompany revenues | ( 4,307) | ( 14,445) | 18,752 | - |
| **Revenues with third parties** | **127,402** | **43,698** | - | **171,100** |
| **Gross operating margin (EBITDA)** | **14,316** | **6,653** | - | **20,969** |
| Amortisation | ( 4,341) | ( 1,413) | - | ( 5,754) |
| Other non monetary items: | | | | |
| Write-downs | ( 571) | ( 99) | - | ( 670) |
| **Net operating profit / loss (EBIT)** | **9,404** | **5,141** | - | **14,545** |
| Financial income | 169 | 219 | ( 101) | 287 |
| Financial expenses | ( 601) | ( 406) | 101 | ( 906) |
| **Profit / loss before taxes** | **8,972** | **4,954** | **-** | **13,926** |
| Income taxes | ( 3,867) | ( 1,698) | - | ( 5,565) |
| **Net profit / loss** | **5,105** | **3,256** | **-** | **8,361** |

| (Values in thousand of EUR)<br>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** |

The following tables indicate the main patrimonial and financial data at June 30, 2018 and December 31, 2017 of the Prêt-à porter and Footwear and leather goods Divisions:

| (Values in thousand of EUR)<br>At June 30, 2018 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| SECTOR ASSETS | *295,731* | *119,668* | *( 48,222)* | 367,177 |
| *of which non-current assets (*)* | | | | |
| *Intangible fixed assets* | *69,574* | *36,964* | *-* | *106,538* |
| *Tangible fixed assets* | *54,830* | *3,864* | *-* | *58,694* |
| *Other non-current assets* | *4,908* | *699* | *( 390)* | *5,217* |
| OTHER ASSETS | *17,317* | *2,697* | *-* | 20,014 |
| **CONSOLIDATED ASSETS** | **313,048** | **122,365** | **( 48,222)** | **387,191** |

(*) 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)<br>At June 30, 2018 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| SECTOR LIABILITIES | 134,924 | 73,131 | *( 48,222)* | 159,833 |
| OTHER LIABILITIES | 29,278 | 10,354 | - | 39,632 |
| **CONSOLIDATED LIABILITIES** | **164,202** | **83,485** | **( 48,222)** | **199,465** |

| (Values in thousand of EUR)<br>At December 31, 2017 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| SECTOR ASSETS | *300,470* | *118,309* | *( 52,246)* | 366,533 |
| *of which non-current assets (*)* | | | | |
| *Intangible fixed assets* | *71,743* | *37,936* | *-* | *109,679* |
| *Tangible fixed assets* | *55,289* | *3,815* | *-* | *59,104* |
| *Other non-current assets* | *6,080* | *597* | *( 390)* | *6,287* |
| OTHER ASSETS | *17,132* | *2,615* | *-* | 19,747 |
| **CONSOLIDATED ASSETS** | **317,602** | **120,924** | **( 52,246)** | **386,280** |

(*) 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)<br>At December 31, 2017 | Prêt-à porter Division | Footwear and leather goods Division | Elimination of intercompany transactions | Total |
|---|---|---|---|---|
| SECTOR LIABILITIES | 150,189 | 75,849 | *( 52,246)* | 173,792 |
| OTHER LIABILITIES | 23,851 | 10,197 | - | 34,048 |
| **CONSOLIDATED LIABILITIES** | **174,040** | **86,046** | **( 52,246)** | **207,840** |

### Segment information by geographical area

The following table indicates the revenues for the first half-year 2018 and 2017 divided by geographical area:

| (Values in thousands of EUR) | 1st Half 2018 | % | 1st Half 2017 | % | Change Δ | % |
|---|---|---|---|---|---|---|
| Italy | 81,170 | 47.4% | 72,051 | 48.0% | 9,119 | 12.7% |
| Europe (Italy and Russia excluded) | 36,125 | 21.1% | 31,928 | 21.3% | 4,197 | 13.1% |
| Russia | 5,185 | 3.0% | 4,551 | 3.0% | 634 | 13.9% |
| United States | 9,002 | 5.3% | 9,735 | 6.5% | ( 733) | (7.5%) |
| Rest of the World | 39,618 | 23.2% | 31,688 | 21.2% | 7,930 | 25.0% |
| **Total** | **171,100** | **100.0%** | **149,953** | **100.0%** | **21,147** | **14.1%** |

## COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

### *24. Revenues from sales and services*

In the first semester of 2018, Aeffe consolidated revenues amount to EUR 171,100 thousand compared to EUR 149,953 thousand in the first semester of 2017, with a 14.1% increase at current exchange rates and +15.0% at constant exchange rates.

The revenues of the prêt-à-porter division increase by 13.2% (+14.3% at constant exchange rates) to EUR 131,709 thousand.

The revenues of the footwear and leather goods division increase by 15.4% to EUR 58,143 thousand.

### *25. Other revenues and income*

This item comprises:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Other income | 2,308 | 1,389 | 919 | 66.2% |
| **Total** | **2,308** | **1,389** | **919** | **66.2%** |

In 1H 2018, the caption other revenues and income, which amounts to EUR 2,308 thousand, is composed by recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

### *26. Costs of raw materials*

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Raw, ancillary and consumable materials and goods for resale | 54,868 | 49,651 | 5,217 | 10.5% |
| **Total** | **54,868** | **49,651** | **5,217** | **10.5%** |

The entry purchase of raw materials increase of EUR 5,217 thousand.

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.

### *27. Costs of services*

This item comprises:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Subcontracted work | 16,409 | 13,737 | 2,672 | 19.5% |
| Consultancy fees | 9,745 | 7,749 | 1,996 | 25.8% |
| Advertising | 7,057 | 6,349 | 708 | 11.2% |
| Commission | 4,243 | 3,305 | 938 | 28.4% |
| Transport | 3,168 | 2,996 | 172 | 5.7% |
| Utilities | 957 | 1,032 | ( 75) | (7.3%) |
| Directors' and auditors' fees | 1,750 | 1,473 | 277 | 18.8% |
| Insurance | 299 | 306 | ( 7) | (2.3%) |
| Bank charges | 818 | 938 | ( 120) | (12.8%) |
| Travelling expenses | 1,213 | 1,034 | 179 | 17.3% |
| Other services | 3,619 | 3,640 | ( 21) | (0.6%) |
| **Total** | **49,278** | **42,559** | **6,719** | **15.8%** |

Costs of services increase from EUR 42,559 thousand in the 1H 2017 to EUR 49,278 thousand in the 1H 2018, up 15.8%. The increase is mainly due to:

- increase of costs for "subcontracted work" linked to the growth of sales;
- increase in "consultancy fees" and "adverting" related to both the increase of marketing and advertising activities aimed at further enhancing Moschino, Alberta Ferretti and Philosophy di Lorenzo Serafini brands.
- increase of costs for "commission" linked to the growth of sales.

### *28. Costs for use of third parties assets*

This item comprises:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Rental expenses | 10,981 | 10,523 | 458 | 4.4% |
| Royalties | 1,151 | 573 | 578 | 100.9% |
| Hire charges and similar | 502 | 440 | 62 | 14.1% |
| **Total** | **12,634** | **11,536** | **1,098** | **9.5%** |

The costs for use of third parties assets increases by EUR 1,098 thousand from EUR 11,536 thousand in 1H 2017 to EUR 12,634 thousand in 1H 2018.

### *29. Labour costs*

The item includes:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Labour costs | 33,837 | 32,441 | 1,396 | 4.3% |
| **Total** | **33,837** | **32,441** | **1,396** | **4.3%** |

Labour costs increase from EUR 32,441 thousand in 1H 2017 to EUR 33,837 thousand in 1H 2018 with an incidence on revenues which decreases from 21.6% in the first semester 2017 to 19.8% in the first semester 2018.

The workforce increases from an average of 1,311 units in the 1H 2017 to 1,344 units in the 1H 2018.

| Average number of employees by category | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Workers | 240 | 231 | 9 | 3.9% |
| Office staff-supervisors | 1,082 | 1,056 | 26 | 2.5% |
| Executive and senior managers | 22 | 24 | ( 2) | (8.3%) |
| **Total** | **1,344** | **1,311** | **33** | **2.5%** |

### 30. Other operating expenses

This item includes:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Taxes | 396 | 418 | ( 22) | (5.3%) |
| Gifts | 89 | 87 | 2 | 2.3% |
| Contingent liabilities | 233 | 474 | ( 241) | (50.8%) |
| Write-down of current receivables | 55 | 96 | ( 41) | (42.7%) |
| Foreign exchange losses | 662 | 584 | 78 | 13.4% |
| Other operating expenses | 313 | 321 | ( 8) | (2.5%) |
| **Total** | **1,748** | **1,980** | **( 232)** | **(11.7%)** |

The caption other operating expenses amounts to EUR 1,748 thousand, with a decrease of 11.7% compared with EUR 1,980 thousand in the 1H 2017, mainly for a decrease of contingent liabilities.

### 31. Amortisation, write-downs and provisions

This item includes:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Amortisation of intangible fixed assets | 3,225 | 3,321 | ( 96) | (2.9%) |
| Depreciation of tangible fixed assets | 2,529 | 2,487 | 42 | 1.7% |
| Write-downs | 670 | 94 | 576 | 612.8% |
| **Total** | **6,424** | **5,902** | **522** | **8.8%** |

### 32. Financial income/ expenses

This item includes:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Interest income | 68 | 77 | ( 9) | (11.7%) |
| Foreign exchange gains | 173 | 933 | ( 760) | (81.5%) |
| Financial discounts | 46 | 8 | 38 | 475.0% |
| **Financial income** | **287** | **1,018** | **( 731)** | **(71.8%)** |
| Bank interest expenses | 268 | 642 | ( 374) | (58.3%) |
| Other interest expenses | 189 | 151 | 38 | 25.2% |
| Foreign exchange losses | 219 | 2,028 | ( 1,809) | (89.2%) |
| Other expenses | 230 | 395 | ( 165) | (41.8%) |
| **Financial expenses** | **906** | **3,216** | **( 2,310)** | **(71.8%)** |
| **Total** | **619** | **2,198** | **( 1,579)** | **(71.8%)** |

The decrease in financial income/expenses amounts to EUR 1,579 thousand. The change is mainly linked to lower exchange losses and lower bank interest expenses partially counterbalanced by lower exchange gains. With regard to the effects deriving from the use of derivative instruments, please refer to note 10.

### 33. INCOME TAXES

This item includes:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Change Δ | % |
|---|---|---|---|---|
| Current income taxes | 6,727 | 3,710 | 3,017 | 81.3% |
| Deferred income/(expenses) taxes | ( 1,324) | ( 795) | ( 529) | 66.5% |
| Taxes related to previous years | 163 | ( 76) | 239 | n.a. |
| **Total income taxes** | **5,566** | **2,839** | **2,727** | **96.1%** |

Details of deferred tax assets and liabilities and changes in this item are described in the paragraph on deferred tax assets and liabilities.

The reconciliation between actual and theoretical taxation for the 1H 2018 and 1H 2017 is illustrated in the following table:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 |
|---|---|---|
| Profit before taxes | 13,926 | 7,395 |
| Theoretical tax rate | 24.0% | 24.0% |
| **Theoretical income taxes (IRES)** | **3,342** | **1,775** |
| Fiscal effect | 1,649 | 995 |
| Effect of foreign tax rates | 1,206 | 510 |
| **Total income taxes excluding IRAP (current and deferred)** | **6,197** | **3,280** |
| **IRAP (current and deferred)** | **( 631)** | **( 441)** |
| **Total income taxes (current and deferred)** | **5,566** | **2,839** |

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.

### 34. EARNINGS PER SHARE

*Reference earnings*

The calculation of basic and dilutive earnings per share is based on the following elements:

| (Values in thousands of EUR)<br>From continuing and discontinued activities | 1st Half<br>2018 | 1st Half<br>2017 |
|---|---|---|
| Earnings for determining basic earnings per share | 8,276 | 4,618 |
| Dilutive effects | - | - |
| **Earnings for determing dilutive earnings per share** | **8,276** | **4,618** |

| (Values in thousands of EUR)<br>From continuing activities | 1st Half<br>2018 | 1st Half<br>2017 |
|---|---|---|
| Earnings for the period | 8,276 | 4,618 |
| Earnings from discontinued operations | - | - |
| **Earnings for determining basic earnings per share** | **8,276** | **4,618** |
| Dilutive effects | - | - |
| **Earnings for determing dilutive earnings per share** | **8,276** | **4,618** |

In both periods, June 2018 and June 2017, there is no evidence of dilution of consolidated net earnings.

*Number of reference share*

| | 1st Half<br>2018 | 1st Half<br>2017 |
|---|---|---|
| **Average number of shares for determing earnings per share** | **101,486** | **101,486** |
| Share options | - | - |
| **Average number of shares for determing diluted earnings per** | **101,486** | **101,486** |

*Basic earnings per share*

Group net earnings attributable to holders of ordinary shares of parent company AEFFE S.p.A., amounts to EUR 8,276 thousand (June 2017: EUR 4,618 thousand).

*Dilutive earnings per share*

The calculation of diluted earnings per share for the period January - June 2018, matches with the calculation of basic earnings per share, as there are no tools with potential dilutive effects.

## COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow absorbed during the first half of 2018 is EUR 735 thousand.

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 |
|---|---|---|
| **OPENING BALANCE (A)** | **22,809** | **14,521** |
| Cash flow (absorbed)/ generated by operating activity (B) | 11,469 | ( 3,469) |
| Cash flow (absorbed)/ generated by investing activity (C) | ( 2,774) | ( 1,897) |
| Cash flow (absorbed)/ generated by financing activity (D) | ( 9,430) | 623 |
| **Increase/(decrease) in cash flow (E)=(B)+(C)+(D)** | **( 735)** | **( 4,743)** |
| **CLOSING BALANCE (F)=(A)+(E)** | **22,074** | **9,778** |

### *35. CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY*

The cash flow generated by operating activity during the first half of 2018 amounts to EUR 11,469 thousand.

The cash flow comprising these funds is analysed below:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 |
|---|---|---|
| Profit before taxes | 13,926 | 7,395 |
| Amortisation / write-downs | 6,325 | 5,808 |
| Accrual (+)/availment (-) of long term provisions and post employment benefits | ( 143) | ( 391) |
| Paid income taxes | ( 601) | ( 6,023) |
| Financial income (-) and financial charges (+) | 619 | 2,198 |
| Change in operating assets and liabilities | ( 8,657) | ( 12,456) |
| **CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY** | **11,469** | **( 3,469)** |

### *36. CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY*

The cash flow absorbed by investing activity during the first half of 2018 amounts to EUR 2,774 thousand.

The factors comprising these funds are analysed below:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 |
|---|---|---|
| Increase (-)/ decrease (+) in intangible fixed assets | ( 633) | ( 694) |
| Increase (-)/ decrease (+) in tangible fixed assets | ( 2,141) | ( 1,203) |
| Investments and write-downs (-)/ Disinvestments and revaluations (+) | - | - |
| **CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY** | **( 2,774)** | **( 1,897)** |

### *37. CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY*

The cash flow absorbed by financing activity during the first half of 2018 amounts to EUR 9,430 thousand.

The factors comprising these funds are analysed below:

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 |
|---|---|---|
| Other variations in reserves and profits carried-forward of shareholders' equity | 925 | ( 682) |
| Dividends paid | - | - |
| Proceeds (+)/repayment (-) of financial payments | ( 10,806) | 2,234 |
| Increase (-)/ decrease (+) in long term financial receivables | 1,070 | 1,269 |
| Financial income (+) and financial charges (-) | ( 619) | ( 2,198) |
| **CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY** | **( 9,430)** | **623** |

# OTHER INFORMATION

## 38. 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.

## 39. 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, 2018 is analysed below:

| (Values in thousands of EUR) | At June 30, 2018 | At December 31, 2017 |
|---|---|---|
| A - Cash in hand | 538 | 752 |
| B - Other available funds | 21,536 | 22,057 |
| C - Securities held for trading | - | - |
| *D - Cash and cash equivalents (A) + (B) + (C)* | *22,074* | *22,809* |
| E - Short term financial receivables | 1,420 | 1,420 |
| F - Current bank loans | ( 41,717) | ( 44,488) |
| G - Current portion of long-term bank borrowings | ( 9,318) | ( 10,847) |
| H - Current portion of loans from other financial istitutions | - | - |
| *I - Current financial indebtedness (F) + (G) + (H)* | *( 51,035)* | *( 55,335)* |
| *J - Net current financial indebtedness (I) + (E) + (D)* | *( 27,541)* | *( 31,106)* |
| K - Non current bank loans | ( 15,501) | ( 22,007) |
| L - Issued obbligations | 2,251 | 2,592 |
| M - Other non current loans | ( 72) | ( 72) |
| *N - Non current financial indebtedness (K) + (L) + (M)* | *( 13,322)* | *( 19,487)* |
| ***O - Net financial indebtedness (J) + (N)*** | **( 40,863)** | **( 50,593)** |

The net financial position of the Group amounts to EUR 40,863 thousand as of June 30, 2018 compared with EUR 50,593 thousand as of December 31, 2017.

## 40. RELATED PARTY TRANSACTIONS

Reciprocal transactions and balances between Group companies included within the scope of consolidation are eliminated from the consolidated financial statements and as such will not be described here.

Operations carried out with related parties mainly concern the exchange of goods, the performance of services and the provision of financial resources. All transactions arise in the ordinary course of business and are settled on market terms i.e. on the terms that are or would be applied between two independent parties.

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

| (Values in thousands of EUR) | 1st Half 2018 | 1st Half 2017 | Nature of the transactions |
|---|---|---|---|
| **Shareholder Alberta Ferretti with Aeffe S.p.a.** | | | |
| Contract for the sale of artistic assets and design | 500 | 375 | Cost |
| **Ferrim with Aeffe S.p.a.** | | | |
| Property rental | 897 | 887 | Cost |
| Land purchase | - | 379 | Lands |
| **Commerciale Valconca with Aeffe S.p.a.** | | | |
| Commercial | 540 | 666 | Revenue |
| Property rental | 61 | 61 | Cost |
| Commercial | 871 | 823 | Receivable |
| Commercial | 58 | 56 | Payable |
| **Aeffe USA with Ferrim USA** | | | |
| Long term financial | 1,831 | 1,892 | Receivable |
| Short term financial | 1,000 | 1,000 | Receivable |
| Commercial | 371 | 258 | Receivable |
| Commercial | 59 | - | Payable |
| Commercial | 57 | 64 | Revenue |
| Property rental | 340 | 369 | 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, 2018 and at June 30, 2017.

| (Values in thousands of EUR) | Balance 1st Half | Value rel. party 2018 | % | Balance 1st Half | Value rel. party 2017 | % |
|---|---|---|---|---|---|---|
| **Incidence of related party transactions on the income statement** | | | | | | |
| Revenues from sales and services | 171,100 | 540 | 0.3% | 149,953 | 666 | 0.4% |
| Costs of services | 49,278 | 500 | 1.0% | 42,559 | 375 | 0.9% |
| Costs for use of third party assets | 12,634 | 1,298 | 10.3% | 11,536 | 1,317 | 11.4% |
| Financial income | 287 | 57 | 19.9% | 1,019 | 64 | 6.3% |
| **Incidence of related party transactions on the balance sheet** | | | | | | |
| Long term financial receivables | 2,251 | 1,831 | 81.3% | 2,732 | 1,892 | 69.3% |
| Trade receivables | 44,043 | 1,242 | 2.8% | 40,667 | 1,081 | 2.7% |
| Short term financial receivables | 1,420 | 1,000 | 70.4% | 2,236 | 1,000 | 44.7% |
| Trade payables | 64,656 | 117 | 0.2% | 54,868 | 435 | 0.8% |
| **Incidence of related party transactions on the cash flow** | | | | | | |
| Cash flow (absorbed) / generated by operating activities | 11,469 | ( 1,493) | n.a. | ( 3,469) | ( 631) | 18.2% |
| Cash flow (absorbed) / generated by financial activities | ( 9,430) | ( 79) | 0.8% | 623 | 239 | 38.4% |
| **Incidence of related party transactions on the indebtedness** | | | | | | |
| Net financial indebtedness | ( 40,863) | ( 1,572) | 3.8% | ( 67,144) | ( 392) | 0.6% |

## 41. *ATYPICAL AND/OR UNUSUAL TRANSACTIONS*

Pursuant to Consob communication DEM/6064293 dated July 28, 2006, it is confirmed that in the first half of 2018 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

## 42. 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.

## 43. 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.

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, 2018 | of which Rel. parties | At December 31, 2017 | of which Rel. parties |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Intangible fixed assets | | | | | |
| Key money | | 25,395,232 | | 26,852,574 | |
| Trademarks | | 80,228,378 | | 81,975,169 | |
| Other intangible fixed assets | | 914,733 | | 850,869 | |
| Total intangible fixed assets | (1) | 106,538,343 | | 109,678,612 | |
| Tangible fixed assets | | | | | |
| Lands | | 17,118,773 | | 17,118,773 | |
| Buildings | | 22,189,815 | | 22,167,805 | |
| Leasehold improvements | | 12,379,911 | | 12,597,761 | |
| Plant and machinary | | 2,773,216 | | 2,863,830 | |
| Equipment | | 228,194 | | 260,126 | |
| Other tangible fixed assets | | 4,003,844 | | 4,096,002 | |
| Total tangible fixed assets | (2) | 58,693,753 | | 59,104,297 | |
| Other fixed assets | | | | | |
| Equity investments | (3) | 131,558 | | 131,558 | |
| Long term financial receivables | (4) | 2,250,674 | 1,830,674 | 2,591,605 | 1,751,605 |
| Other fixed assets | (5) | 2,834,869 | | 3,564,214 | |
| Deferred tax assets | (6) | 14,954,927 | | 14,335,779 | |
| Total other fixed assets | | 20,172,028 | | 20,623,156 | |
| **TOTAL NON-CURRENT ASSETS** | | **185,404,124** | | **189,406,065** | |
| **CURRENT ASSETS** | | | | | |
| Stocks and inventories | (7) | 97,718,444 | | 97,817,891 | |
| Trade receivables | (8) | 44,043,270 | 1,242,917 | 42,064,915 | 1,039,292 |
| Tax receivables | (9) | 5,058,798 | | 5,411,024 | |
| Derivate assets | (10) | 185,822 | | - | |
| Cash | (11) | 22,074,195 | | 22,808,913 | |
| Financial receivables | (12) | 1,420,000 | 1,000,000 | 1,420,000 | 1,000,000 |
| Other receivables | (13) | 30,849,887 | | 26,914,468 | |
| **TOTAL CURRENT ASSETS** | | **201,350,416** | | **196,437,211** | |
| Assets available for sale | (14) | 436,885 | | 436,885 | |
| **TOTAL ASSETS** | | **387,191,425** | | **386,280,161** | |

## 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, 2018 | of which Rel. parties | At December 31, 2017 | of which Rel. parties |
|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | **(15)** | | | | |
| Group interest | | | | | |
| Share capital | | 25,371,407 | | 25,371,407 | |
| Other reserves | | 123,350,309 | | 116,229,168 | |
| Profits/(losses) carried-forward | | ( 1,663,268) | | ( 6,957,390) | |
| Net profit/(loss) for the Group | | 8,276,171 | | 11,490,343 | |
| Group interest in shareholders' equity | | 155,334,619 | | 146,133,528 | |
| Minority interest | | | | | |
| Minority interest in share capital and reserves | | 32,306,940 | | 32,295,224 | |
| Net profit/(loss) for the minority interest | | 84,381 | | 11,716 | |
| Minority interest in shareholders' equity | | 32,391,321 | | 32,306,940 | |
| **TOTAL SHAREHOLDERS' EQUITY** | | **187,725,940** | | **178,440,468** | |
| **NON-CURRENT LIABILITIES** | | | | | |
| Provisions | (16) | 2,492,531 | | 2,415,237 | |
| Deferred tax liabilities | (6) | 29,983,738 | | 30,436,700 | |
| Post employment benefits | (17) | 5,696,211 | | 5,916,166 | |
| Long term financial liabilities | (18) | 15,573,037 | | 22,079,795 | |
| Long term not financial liabilities | (19) | 695,924 | | 787,692 | |
| **TOTAL NON-CURRENT LIABILITIES** | | **54,441,441** | | **61,635,590** | |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | (20) | 64,656,285 | 117,247 | 68,618,776 | 204,906 |
| Tax payables | (21) | 9,648,309 | | 3,611,468 | |
| Derivate liabilities | (10) | | | 997,532 | |
| Short term financial liabilities | (22) | 51,034,943 | | 55,334,134 | |
| Other liabilities | (23) | 19,684,507 | | 17,642,193 | |
| **TOTAL CURRENT LIABILITIES** | | **145,024,044** | | **146,204,103** | |
| Liabilities available for sale | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **387,191,425** | | **386,280,161** | |

## 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 2018 | of which Rel. parties | 1st Half 2017 | of which Rel. parties |
|---|---|---|---|---|---|
| **REVENUES FROM SALES AND SERVICES** | **(24)** | **171,099,664** | **539,801** | **149,952,966** | **666,119** |
| Other revenues and income | (25) | 2,307,563 | | 1,389,485 | |
| **TOTAL REVENUES** | | **173,407,227** | | **151,342,451** | |
| Changes in inventory | | ( 74,276) | | 2,319,596 | |
| Costs of raw materials, cons. and goods for resale | (26) | ( 54,868,043) | | ( 49,651,369) | |
| Costs of services | (27) | ( 49,277,860) | ( 500,000) | ( 42,558,968) | ( 375,342) |
| Costs for use of third parties assets | (28) | ( 12,633,502) | ( 1,299,175) | ( 11,536,474) | ( 1,317,784) |
| Labour costs | (29) | ( 33,836,523) | | ( 32,441,271) | |
| Other operating expenses | (30) | ( 1,748,262) | | ( 1,979,578) | |
| Amortisation, write-downs and provisions | (31) | ( 6,423,839) | | ( 5,901,554) | |
| Financial income/(expenses) | (32) | ( 618,665) | 56,783 | ( 2,197,955) | 63,464 |
| **PROFIT / LOSS BEFORE TAXES** | | **13,926,257** | | **7,394,878** | |
| Income taxes | (33) | ( 5,565,705) | | ( 2,839,075) | |
| **NET PROFIT / LOSS** | | **8,360,552** | | **4,555,803** | |
| (Profit)/loss attributable to minority shareholders | | ( 84,381) | | 62,066 | |
| **NET PROFIT / LOSS FOR THE GROUP** | | **8,276,171** | | **4,617,869** | |

## 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 2018 | of which Rel. parties | 1st Half 2017 | of which Rel. parties |
|---|---|---|---|---|---|
| **OPENING BALANCE** | | **22,809** | | **14,521** | |
| Profit / loss before taxes | | 13,926 | ( 1,201) | 7,395 | ( 963) |
| Amortisation / write-downs | | 6,325 | | 5,808 | |
| Accrual (+)/availment (-) of long term provisions and post employment benefits | | ( 143) | | ( 391) | |
| Paid income taxes | | ( 601) | | ( 6,023) | |
| Financial income (-) and financial charges (+) | | 619 | | 2,198 | |
| Change in operating assets and liabilities | | ( 8,657) | ( 291) | ( 12,456) | 332 |
| **CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY** | **(35)** | **11,469** | | **( 3,469)** | |
| Increase (-)/ decrease (+) in intangible fixed assets | | ( 633) | | ( 694) | |
| Increase (-)/ decrease (+) in tangible fixed assets | | ( 2,141) | | ( 1,203) | |
| Investments and write-downs (-)/ Disinvestments and revaluations (+) | | - | | - | |
| **CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY** | **(36)** | **( 2,774)** | | **( 1,897)** | |
| Other variations in reserves and profits carried-forward of shareholders' equity | | 925 | | ( 682) | |
| Dividends paid | | - | | - | |
| Proceeds (+)/repayment (-) of financial payments | | ( 10,806) | ( 79) | 2,234 | 239 |
| Increase (-)/ decrease (+) in long term financial receivables | | 1,070 | | 1,269 | |
| Financial income (+) and financial charges (-) | | ( 619) | | ( 2,198) | |
| **CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY** | **(37)** | **( 9,430)** | | **623** | |
| **CLOSING BALANCE** | | **22,074** | | **9,778** | |

# 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, 2018.

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, 2018

| 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)**

**Ria Grant Thornton S.p.A.**
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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, 2018, 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, 2018, 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, 2018

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.*