HALF-YEAR FINANCIAL REPORT AT June 30, 2019

Disclaimer

This Half-year financial report at June 30, 2019 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
Alessandro Bonfiglioli
Bettina Campedelli

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

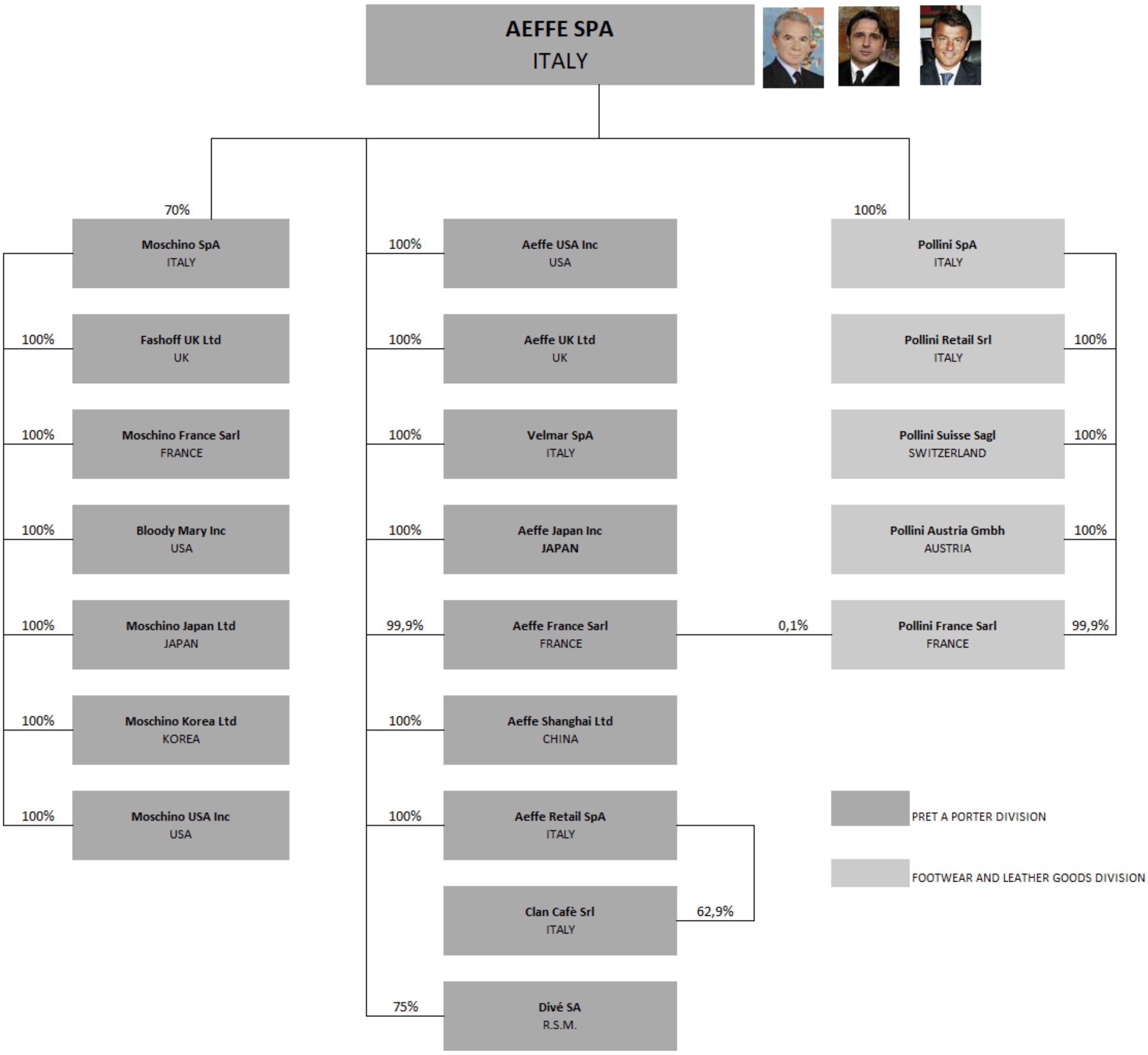
Members
Roberto Lugano
Bettina Campedelli

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	**MOSCHINO** Licences – Design	**VELMAR** Beachwear - Lingerie
POLLINI	MOSCHINO	MOSCHINO
MOSCHINO	BOUTIQUE MOSCHINO	BLUGIRL Folies
LOVE MOSCHINO	LOVE MOSCHINO	

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
Paris
London
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 2019	1st Half 2018
Total revenues	(Values in millions of EUR)	177.6	173.4
Gross operating margin (EBITDA) *	(Values in millions of EUR)	26.7	21.0
Net operating profit (EBIT)	(Values in millions of EUR)	13.2	14.5
Profit before taxes	(Values in millions of EUR)	11.5	13.9
Net profit for the Group	(Values in millions of EUR)	5.1	8.3
Basic earnings per share	(Values in units of EUR)	0.050	0.082
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	18.6	14.1
Cash Flow/Total revenues	(Values in percentage)	10.5	8.1

* 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, 2019	At December 31, 2018	At June 30, 2018	At December 31, 2017
Net capital invested	(Values in millions of EUR)	345.4	228.7	228.6	229.0
Net financial indebtedness	(Values in millions of EUR)	147.2	31.3	40.9	50.6
Group net equity	(Values in millions of EUR)	165.9	164.6	155.3	146.1
Group net equity per share	(Values in units of EUR)	1.5	1.5	1.4	1.4
Current assets/ current liabilities	(Ratio)	2.0	1.8	1.9	1.9
Current assets less invent./ current liabilities (ACID test)	(Ratio)	0.9	0.8	0.9	0.8
Net financial indebtedness/ Net equity	(Ratio)	0.7	0.2	0.2	0.3

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 Shanghai

Aeffe Shanghai is 100% owned by Aeffe S.p.A. and manages the store in Shanghai, which sells clothing and accessories under the Alberta Ferretti label.

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.

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. This contract ended in September 2018.

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)	I H 2019 IFRS 16	% on revenues	I H 2019 No IFRS 16	% on revenues	I H 2018	% on revenues	Change % included IFRS 16	Change % excluded IFRS 16
REVENUES FROM SALES AND SERVICES	**173,301**	**100.0%**	**173,301**	**100.0%**	**171,100**	**100.0%**	**1.3%**	**1.3%**
Other revenues and income	4,264	2.5%	4,264	2.5%	2,308	1.3%	84.8%	84.8%
TOTAL REVENUES	**177,566**	**102.5%**	**177,566**	**102.5%**	**173,407**	**101.3%**	**2.4%**	**2.4%**
Changes in inventory	7,533	4.3%	7,533	4.3%	(74)	(0.0%)	(10,242.3%)	(10,242.3%)
Costs of raw materials, cons. and goods for resale	(62,949)	(36.3%)	(62,949)	(36.3%)	(54,868)	(32.1%)	14.7%	14.7%
Costs of services	(53,650)	(31.0%)	(53,650)	(31.0%)	(49,278)	(28.8%)	8.9%	8.9%
Costs for use of third parties assets	(4,247)	(2.5%)	(12,632)	(7.3%)	(12,634)	(7.4%)	(66.4%)	(0.0%)
Labour costs	(35,880)	(20.7%)	(35,880)	(20.7%)	(33,837)	(19.8%)	6.0%	6.0%
Other operating expenses	(1,698)	(1.0%)	(1,698)	(1.0%)	(1,748)	(1.0%)	(2.9%)	(2.9%)
Total Operating Costs	(150,890)	(87.1%)	(159,275)	(91.9%)	(152,438)	(89.1%)	(1.0%)	4.5%
GROSS OPERATING MARGIN (EBITDA)	**26,675**	**15.4%**	**18,290**	**10.6%**	**20,969**	**12.3%**	**27.2%**	**(12.8%)**
Amortisation of intangible fixed assets	(2,347)	(1.4%)	(3,406)	(2.0%)	(3,225)	(1.9%)	(27.2%)	5.6%
Depreciation of tangible fixed assets	(2,562)	(1.5%)	(2,562)	(1.5%)	(2,529)	(1.5%)	1.3%	1.3%
Depreciation of right-of-use assets	(8,452)	(4.9%)	-	0.0%	-	0.0%	n.a	n.a
Revaluations / (write-downs) and provisions	(107)	(0.1%)	(107)	(0.1%)	(670)	(0.4%)	(84.0%)	(84.0%)
Total Amortisation, write-downs and provisions	(13,467)	(7.8%)	(6,075)	(3.5%)	(6,424)	(3.8%)	109.6%	(5.4%)
NET OPERATING PROFIT / LOSS (EBIT)	**13,208**	**7.6%**	**12,215**	**7.0%**	**14,545**	**8.5%**	**(9.2%)**	**(16.0%)**
Financial income	241	0.1%	241	0.1%	287	0.2%	(16.1%)	(16.1%)
Financial expenses	(743)	(0.4%)	(743)	(0.4%)	(906)	(0.5%)	(18.0%)	(18.0%)
Financial expenses on right-of-use asset	(1,166)	(0.7%)		0.0%	-	0.0%	n.a	n.a
Total Financial Income/(expenses)	(1,668)	(1.0%)	(502)	(0.3%)	(619)	(0.4%)	169.6%	(18.8%)
PROFIT / LOSS BEFORE TAXES	**11,540**	**6.7%**	**11,713**	**6.8%**	**13,926**	**8.1%**	**(17.1%)**	**(15.9%)**
Total Income Taxes	(6,258)	(3.6%)	(6,307)	(3.6%)	(5,566)	(3.3%)	12.4%	13.3%
NET PROFIT / LOSS	**5,282**	**3.0%**	**5,407**	**3.1%**	**8,361**	**4.9%**	**(36.8%)**	**(35.3%)**

Statement of reconciliation of the income statement as of June 30TH

The effects of the application of the new IFRS 16 are as follows:

(Values in thousands of EUR)	I H 2019	IFRS 16 Effects	I H 2019 Comparable	I H 2018	Change	Change %
TOTAL REVENUES	**177,566**	**0**	**177,566**	**173,407**	**4,158**	**2.4%**
Total Operating Costs	(150,890)	(8,385)	(159,275)	(152,438)	1,548	4.5%
GROSS OPERATING MARGIN (EBITDA)	**26,675**	**(8,385)**	**18,290**	**20,969**	**5,707**	**-12.8%**
Total Amortisation, write-downs and provisions	(13,467)	7,392	(6,075)	(6,424)	(7,044)	-5.4%
NET OPERATING PROFIT / LOSS (EBIT)	**13,208**	**(993)**	**12,215**	**14,545**	**(1,337)**	**-16.0%**
Total Financial Income / (expenses)	(1,668)	1,166	(502)	(619)	(1,049)	-18.9%
PROFIT / LOSS BEFORE TAXES	**11,540**	**173**	**11,713**	**13,926**	**(2,386)**	**-15.9%**
Taxes	(6,258)	(48)	(6,307)	(5,566)	(693)	13.3%
NET PROFIT / LOSS	**5,282**	**125**	**5,407**	**8,361**	**(3,079)**	**-35.3%**

SALES

In the first semester of 2019, Aeffe consolidated revenues amount to EUR 173,301 thousand compared to EUR 171,100 thousand in the first semester of 2018, with a 1.3% increase at current exchange rates and +1.0% at constant exchange rates.

The revenues of the prêt-à-porter division increase by 0.4% (+0.0% at constant exchange rates) to EUR 132,233 thousand.

The revenues of the footwear and leather goods division increase by 4.4% to EUR 60,698 thousand.

Sales by brand

(Values in thousands of EUR)	1st Half 2019	%	1st Half 2018	%	Change Δ	%
Alberta Ferretti	14,232	8.2%	16,953	9.9%	(2,721)	(16.1%)
Philosophy	8,936	5.2%	9,561	5.6%	(625)	(6.5%)
Moschino	130,076	75.1%	122,309	71.5%	7,767	6.3%
Pollini	16,461	9.5%	17,121	10.0%	(660)	(3.9%)
Other	3,596	2.0%	5,156	3.0%	(1,560)	(30.2%)
Total	**173,301**	**100.0%**	**171,100**	**100.0%**	**2,201**	**1.3%**

In 1H 2019, Alberta Ferretti brand decreases by 16.1% (-16.4% at constant exchange rates), generating 8.2% of consolidated sales, while Philosophy brand decreases by 6.5% (-7.2% at constant exchange rates), generating 5.2% of consolidated sales.

In the same period, Moschino brand sales increase by 6.3% (+6.1% at constant exchange rates), contributing to 75.1% of consolidated sales.

Pollini brand records a decrease of 3.9% (-4.0% at constant exchange rates), generating the 9.5% of consolidated sales.

Other brands sales decrease by 30.2% (-31.4% at constant exchange rates), equal to 2.1% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1st Half 2019	%	1st Half 2018	%	Change Δ	%
Italy	80,136	46.2%	81,170	47.4%	(1,034)	(1.3%)
Europe (Italy excluded)	38,655	22.3%	41,310	24.1%	(2,655)	(6.4%)
Asia and Rest of the World	45,528	26.3%	39,618	23.2%	5,910	14.9%
America	8,982	5.2%	9,002	5.3%	(20)	(0.2%)
Total	**173,301**	**100.0%**	**171,100**	**100.0%**	**2,201**	**1.3%**

In 1H 2019 sales in Italy, amounting to 46.2% of consolidated sales, registered a trend substantially in line with the year 2018, posting a 1.3% decrease to EUR 80,136 thousand.

At constant exchange rates, sales in Europe, contributing to 22.3% of consolidated sales, registered a 6.4% reduction (-6.5% at constant exchange rates).

In the Rest of the World the growth has been of 14.9% (+14.8% at constant exchange rates), with sales equal to EUR 45,529 thousand, equal to 26.3% of consolidated sales, especially thanks to excellent trend in Greater China which posted a 9.7% growth.

Sales in the United States, contributing to 5.2% of consolidated sales, posted in 1H 2019 a drop of 0.2% at current exchange rates (-5,5% at constant exchange rates).

Sales by distribution channel

(Values in thousands of EUR)	1st Half 2019	%	1st Half 2018	%	Change Δ	%
Wholesale	120,927	69.8%	123,889	72.4%	(2,962)	(2.4%)
Retail	46,175	26.6%	42,181	24.7%	3,994	9.5%
Royalties	6,199	3.6%	5,030	2.9%	1,169	23.2%
Total	**173,301**	**100.0%**	**171,100**	**100.0%**	**2,201**	**1.3%**

Revenues generated by the Group in the 1H 2019 are analysed below:

- 69.8% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 123,889 thousand in 1H 2018 and EUR 120,927 thousand in 1H 2019, with a decrease of 2.4% (-2.8% at constant exchange rates).
- 26.6% from sales managed directly by the Group (retail channel), which contributes EUR 42,181 thousand in 1H 2018 and EUR 46,175 thousand in 1H 2019, up by 9.5% (+9.2% at constant exchange rates).
- 3.6% 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 23.2% from EUR 5,030 thousand in 1H 2018 to EUR 6,199 thousand in 1H 2019.

LABOUR COSTS

Labour costs increase from EUR 33,837 thousand in 1H 2018 to EUR 35,880 thousand in 1H 2019 with an incidence on revenues which increase from 19.8% in the first semester 2018 to 20.7% in the first semester 2019.

The workforce increases from an average of 1,344 units in the 1H 2018 to 1,347 units in the 1H 2019.

Average number of employees by category	1st Half 2019	1st Half 2018	Change Δ	%
Workers	231	240	(9)	(3.8%)
Office staff-supervisors	1,092	1,082	10	0.9%
Executive and senior managers	24	22	2	9.1%
Total	**1,347**	**1,344**	**3**	**0.2%**

GROSS OPERATING MARGIN (EBITDA)

In 1H 2019 consolidated EBITDA is EUR 26,675 thousand (with an incidence of 15.4% of sales) compared to EUR 20,969 thousand in 1H 2018 (with an incidence of 12.3% of sales).

The increase in EBITDA is mainly related to the application of IFRS 16. The application of the new standard has led to the cancellation of operating lease instalments recognized as costs for services that will be re-allocated to depreciation of the rights to use assets and charges financial related to the valuation of the amortized cost of the financial debt of the lease. The cumulative effect deriving from the application of IFRS 16 is equal to EUR 8,365 thousand.

EBITDA of the *prêt-à-porter* division is equal to EUR 19,974 thousand (representing the 15.1% of sales) compared to EUR 14,316 thousand in 1H 2018 (representing the 10.9% of sales); posting a EUR 5,659 thousand increase of which EUR 7,676 thousand relating to the application of IFRS 16.

EBITDA of the Footwear and leather goods division amounts to EUR 6,701 thousand (11.0% of sales) compared to EUR 6,653 thousand 1H 2018 (11.4% of sales), with a EUR 48 thousand increase (+1.0%). The effect on the EBITDA of the IFRS 16 was equal to EUR 709 thousand.

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is positive for EUR 13,208 thousand compared to EUR 14,545 thousand in 1H 2018, showing a decrease of EUR 1,337 thousand (-9.2%). The effect on the EBIT of the IFRS 16 is equal to EUR 993 thousand.

PROFIT / LOSS BEFORE TAXES

In 1H 2019 net financial charges amount to EUR 1,668 thousand (of which EUR 1,166 thousand relating to the application of IFRS 16) compared to EUR 619 thousand in 1H 2018 and the increase is mainly driven by the application of IFRS 16.

The result before taxes amounts to EUR 11,540 thousand compared with result before taxes of EUR 13,926 thousand in the first semester 2018, with a EUR 2,386 thousand decrease.

The effect on the result before taxes of the IFRS 16 is equal to EUR -173 thousand.

NET PROFIT / LOSS FOR THE GROUP

The net result for the Group changes from EUR 8,276 thousand in 1H 2018 to EUR 5,114 thousand in 1H 2019, with a decrease in absolute value of EUR 3,162 thousand.

3. RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	At June 30, 2019	31 December 2018 Included IFRS 16	31 December 2018 Excluded IFRS 16	At June 30, 2018
Trade receivables	42,269,927	43,138,560	43,138,560	44,043,270
Stock and inventories	110,641,142	104,261,515	104,261,515	97,718,444
Trade payables	(67,215,409)	(76,949,819)	(76,949,819)	(64,656,285)
Operating net working capital	**85,695,660**	**70,450,256**	**70,450,256**	**77,105,429**
Other short term receivables	35,654,758	34,852,460	34,852,460	30,849,887
Tax receivables	8,247,580	7,759,828	7,759,828	5,058,798
Derivative assets	195,051	219,632	219,632	185,822
Other short term liabilities	(19,667,370)	(21,081,936)	(21,081,936)	(19,684,507)
Tax payables	(11,531,586)	(6,452,612)	(6,452,612)	(9,648,309)
Derivative liabilities	-	-	-	-
Net working capital	**98,594,093**	**85,747,628**	**85,747,628**	**83,867,120**
Tangible fixed assets	60,005,457	60,298,801	60,298,801	58,693,753
Intangible fixed assets	77,833,392	80,098,155	103,132,467	106,538,343
Right-of-use assets	126,810,868	133,511,706	-	-
Equity investments	131,558	131,558	131,558	131,558
Other fixed assets	3,076,786	2,810,046	2,810,046	2,834,869
Fixed assets	**267,858,061**	**276,850,266**	**166,372,872**	**168,198,523**
Post employment benefits	(5,200,168)	(5,491,570)	(5,491,570)	(5,696,211)
Provisions	(1,888,802)	(2,558,544)	(2,558,544)	(2,492,531)
Assets available for sale	436,885	436,885	436,885	436,885
Long term not financial liabilities	(683,963)	(770,731)	(770,731)	(695,924)
Deferred tax assets	15,837,270	16,789,691	15,073,001	14,954,927
Deferred tax liabilities	(29,511,346)	(30,093,668)	(30,093,668)	(29,983,738)
NET CAPITAL INVESTED	**345,442,030**	**340,909,957**	**228,715,873**	**228,589,051**
Share capital	25,371,407	25,371,407	25,371,407	25,371,407
Other reserves	128,707,084	119,946,675	123,799,107	123,350,309
Profits/(Losses) carried-forward	6,658,420	(1,243,243)	(1,287,069)	(1,663,268)
Profits/(Loss) for the period	5,114,326	16,726,101	16,726,101	8,276,171
Group interest in shareholders' equity	**165,851,237**	**160,800,940**	**164,609,546**	**155,334,619**
Minority interest in shareholders' equity	32,433,213	32,265,958	32,849,847	32,391,321
Total shareholders' equity	**198,284,450**	**193,066,898**	**197,459,393**	**187,725,940**
Short term financial receivables	(1,122,988)	(1,420,000)	(1,420,000)	(1,420,000)
Cash	(29,351,134)	(28,037,213)	(28,037,213)	(22,074,195)
Long term financial liabilities	18,285,069	16,408,975	16,408,975	15,573,037
Long term financial receivables	(2,196,837)	(2,302,096)	(2,302,096)	(2,250,674)
Short term financial liabilities	50,958,138	46,606,814	46,606,814	51,034,943
NET FINANCIAL POSITION WITHOUT IFRS 16 EFFECTS	**36,572,248**	**31,256,480**	**31,256,480**	**40,863,111**
Short term lease liabilities	14,550,853	13,691,310	-	-
Long term lease liabilities	96,034,479	102,895,269	-	-
NET FINANCIAL POSITION	**147,157,580**	**147,843,059**	**31,256,480**	**40,863,111**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**345,442,030**	**340,909,957**	**228,715,873**	**228,589,051**

NET INVESTED CAPITAL

Compared to December 31, 2018, net invested capital increased by 51% due to the application of the new standard which had an impact of EUR 112 million on the opening balance sheet as of 01.01.2019.

NET WORKING CAPITAL

Net working capital amounts to EUR 98,594 thousand (28.3% of LTM sales) compared with EUR 83,867 thousand of December 31, 2018 (25.1% of sales).

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

- Operating net working capital (EUR 85,696 thousand) increases of EUR 15,246 thousand compared with the value at December 31, 2018 (EUR 70,450 thousand). Such increase is mainly due to the seasonality of the business;
- Other short term receivables increase of EUR 803 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 decrease from December 31, 2018 of EUR 1,415 thousand mainly due to the effect of the accrued and deferred income;
- The net effect of tax payables/receivables decreases net working capital of EUR 4,591 thousand. Such variation is mainly determined by the increase of IRES payable.

FIXED ASSETS

Fixed assets increase by EUR 101,482 thousand from December 31, 2018, mainly relating to the application of IFRS 16 (effect on 01/01/2019 amounting to EUR 110,494 thousand).

NET FINANCIAL POSITION

The increase in the net financial position relates to the application of IFRS 16 which weighed for EUR 110,585 thousand. Without considering the effect of the application of the new standard, the net financial position decreases by EUR 4,291 thousand, rising from EUR 40,863 thousand at June 30, 2018 to EUR 36,572 thousand at June 30, 2019.

(Values in thousands of EUR)	*30 June 2019*	*IFRS 16 Effects*	*30 June 2019 comparable*	*31 December 2018*	*30 June 2018*	Change on December 2018	Change on March 2018
Short term financial receivables	(1,123)		(1,123)	(1,420)	(1,420)	297	297
Cash	(29,351)		(29,351)	(28,037)	(22,074)	(1,314)	(7,277)
Long term financial liabilities	18,285		18,285	16,409	15,573	1,876	2,712
Long term financial receivables	(2,197)		(2,197)	(2,302)	(2,251)	105	54
Short term financial liabilities	50,958		50,958	46,607	51,035	4,351	(77)
Short term lease liabilities (IFRS 16)	14,551	14,551	-			-	-
Long term lease liabilities (IFRS 16)	96,034	96,034	-	-		-	-
NET FINANCIAL POSITION	**147,158**	**110,585**	**36,572**	**31,256**	**40,863**	**5,316**	**(4,291)**

SHAREHOLDERS' EQUITY

The shareholders' equity increases for EUR 825 thousand from EUR 197,459 thousand as of December 31, 2018 to EUR 198,284 thousand as of June 30, 2019. The effect of IFRS 16 on the result carried forward was equal to EUR -4,392 thousand.

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 risks for the world economic outlook stemming from the ongoing international trade tensions and from the slowdown of economic activity in China have not subsided. Long-term yields have declined in the advanced countries, affected by the poorer growth prospects and by the more accommodative stance of the main central banks: the Federal Reserve has indicated the possibility of future reductions in interest rates.

Economic activity in the euro area remains weak and prone to downward risks, and inflation is still at low levels. The ECB Governing Council has extended the time horizon over which it expects to keep interest rates low and has set out the details of a new series of refinancing operations (TLTRO III). It announced that, in the absence of improvements, additional stimulus will be required, and discussed the options that could be used.

According to the latest cyclical indicators, economic activity in Italy may have remained unchanged or decreased slightly in the second quarter. The main contributory factor is the weak industrial cycle, common to Germany too, caused by persisting trade tensions. The Bank of Italy's surveys show that firms' assessments of demand for their own products have improved slightly; however, they point to a slowdown over the next few months and indicate a very modest growth in planned investment for the current year.

Despite the contraction in international trade, exports grew moderately in the first four months of the year. Uncertainty over developments in the global context is nevertheless reflected in firms' unfavourable assessments of the outlook for foreign orders.

The central projection for GDP growth is 0.1 per cent this year, 0.8 per cent next year and 1.0 per cent in 2021. The scenario indicates a slowdown in investment, in line with the findings of our business surveys and with the gradual increase in borrowing costs; exports are projected to be affected by the deceleration in world trade, although Italian firms maintain their market shares. From the second half of this year, economic activity should gradually recover, thanks above all to household spending and exports. Inflation is expected to fall to 0.7 per cent in 2019, and then progressively strengthen owing to the gradual recovery driven by core inflation.

This scenario is subject to risks for growth. Continued tensions over trade policies, by curbing exports and adversely affecting firms' propensity to invest, would undermine the recovery in economic activity projected for the second half of 2019 in Italy and the euro area. On the domestic side, a heightened uncertainty about budget policy from next year on could generate new turbulence in the financial markets and influence firms' investment plans; a virtuous circle between fiscal policy and financial conditions could instead boost economic activity. Inflation risks, stemming on the one hand from increases in energy prices, and on the other from weak economic activity, are balanced overall.

Encouraged by the good performance of our monobrand stores, the results approved today are influenced by the slowdown in the wholesale channel recorded in the second quarter, penalized by an uncertain macroeconomic situation with consequent impact on margins. In this global and highly challenging market environment, the Group is committed to the design and development of increasingly desirable collections that are able to offer usage opportunities in line with the current demand, supported also by strengthened R&D, Production and Marketing divisions.

Half-year condensed financial statements at June 30, 2019

Financial statements

CONSOLIDATED BALANCE SHEET ASSETS (*)

(Values in units of EUR)	Notes	At June 30, 2019	At December 31, 2018	Change
Key money		-	23,556,467	(23,556,467)
Trademarks		76,734,798	78,481,588	(1,746,790)
Other intangible fixed assets		1,098,594	1,094,412	4,182
Total intangible fixed assets	(1)	77,833,392	103,132,467	(25,299,075)
Lands		17,319,592	17,118,773	200,819
Buildings		23,992,109	23,436,161	555,948
Leasehold improvements		11,602,461	12,551,514	(949,053)
Plant and machinary		3,026,523	3,050,863	(24,340)
Equipment		225,204	260,569	(35,365)
Other tangible fixed assets		3,839,568	3,880,921	(41,353)
Total tangible fixed assets	(2)	60,005,457	60,298,801	(293,344)
Right-of-use assets	(3)	126,810,868	-	126,810,868
Equity investments	(4)	131,558	131,558	-
Long term financial receivables	(5)	2,196,837	2,302,096	(105,259)
Other fixed assets	(6)	3,076,786	2,810,046	266,740
Deferred tax assets	(7)	15,837,270	15,073,001	764,269
TOTAL NON-CURRENT ASSETS		**285,892,168**	**183,747,969**	**102,144,199**
Stocks and inventories	(8)	110,641,142	104,261,515	6,379,627
Trade receivables	(9)	42,269,927	43,138,560	(868,633)
Tax receivables	(10)	8,247,580	7,759,828	487,752
Derivate assets	(11)	195,051	219,632	(24,581)
Cash	(12)	29,351,134	28,037,213	1,313,921
Financial receivables	(13)	1,122,988	1,420,000	(297,012)
Other receivables	(14)	35,654,758	34,852,460	802,298
TOTAL CURRENT ASSETS		**227,482,580**	**219,689,208**	**7,793,372**
Assets available for sale	(15)	436,885	436,885	-
TOTAL ASSETS		**513,811,633**	**403,874,062**	**109,937,571**

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, 2019	At December 31, 2018	Change
Share capital		25,371,407	25,371,407	-
Other reserves		128,707,084	123,799,107	4,907,977
Profits / (losses) carried-forward		6,658,420	(1,287,069)	7,945,489
Net profit / (loss) for the Group		5,114,326	16,726,101	(11,611,775)
Group interest in shareholders' equity		165,851,237	164,609,546	1,241,691
Minority interests in share capital and reserves		32,265,957	32,377,912	(111,955)
Net profit / (loss) for the minority interests		167,256	471,935	(304,679)
Minority interests in shareholders' equity		32,433,213	32,849,847	(416,634)
TOTAL SHAREHOLDERS' EQUITY	**(16)**	**198,284,450**	**197,459,393**	**825,057**
Provisions	(17)	1,888,802	2,558,544	(669,742)
Deferred tax liabilities	(7)	29,511,346	30,093,668	(582,322)
Post employment benefits	(18)	5,200,168	5,491,570	(291,402)
Long term financial liabilities	(19)	114,319,548	16,408,975	97,910,573
Long term not financial liabilities	(20)	683,963	770,731	(86,768)
TOTAL NON-CURRENT LIABILITIES		**151,603,827**	**55,323,488**	**96,280,339**
Trade payables	(21)	67,215,409	76,949,819	(9,734,410)
Tax payables	(10)	11,531,586	6,452,612	5,078,974
Derivate liabilities	(22)	-	-	-
Short term financial liabilities	(23)	65,508,991	46,606,814	18,902,177
Other liabilities	(24)	19,667,370	21,081,936	(1,414,566)
TOTAL CURRENT LIABILITIES		**163,923,356**	**151,091,181**	**12,832,175**
Liabilities available for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**513,811,633**	**403,874,062**	**109,937,571**

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 2019	%	1st Half 2018	%
REVENUES FROM SALES AND SERVICES	**(25)**	**173,301,456**	**100.0%**	**171,099,664**	**100.0%**
Other revenues and income	(26)	4,264,055	2.5%	2,307,563	1.3%
TOTAL REVENUES		**177,565,511**	**102.5%**	**173,407,227**	**101.3%**
Changes in inventory		7,533,319	4.3%	(74,276)	(0.0%)
Costs of raw materials, cons. and goods for resale	(27)	(62,948,559)	(36.3%)	(54,868,043)	(32.1%)
Costs of services	(28)	(53,649,729)	(31.0%)	(49,277,860)	(28.8%)
Costs for use of third parties assets	(29)	(4,247,140)	(2.5%)	(12,633,502)	(7.4%)
Labour costs	(30)	(35,880,050)	(20.7%)	(33,836,523)	(19.8%)
Other operating expenses	(31)	(1,697,928)	(1.0%)	(1,748,262)	(1.0%)
Accantonamenti	(32)	(13,467,413)	(7.8%)	(6,423,839)	(3.8%)
Financial income/(expenses)	(33)	(1,667,982)	(1.0%)	(618,665)	(0.4%)
PROFIT / LOSS BEFORE TAXES		**11,540,029**	**6.7%**	**13,926,257**	**8.1%**
Taxes	(34)	(6,258,447)	(3.6%)	(5,565,705)	(3.3%)
NET PROFIT / LOSS		**5,281,582**	**3.0%**	**8,360,552**	**4.9%**
(Profit)/loss attributable to minority shareholders		(167,256)	(0.1%)	(84,381)	(0.0%)
NET PROFIT / LOSS FOR THE GROUP		**5,114,326**	**3.0%**	**8,276,171**	**4.8%**
Basic earnings per share	(35)	0.050		0.082	
Dilutive earnings per share	(35)	0.050		0.082	

(*) 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 2019	1st Half 2018
Profit/(loss) for the period (A)	**5,281,582**	**8,360,552**
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	(46,311)	755,308
Gains/(losses) on exchange differences on translating foreign operations	(17,723)	169,614
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)	**(64,034)**	**924,922**
Totale Other comprehensive income, net of tax(B1)+(B2)=(B)	**(64,034)**	**924,922**
Total Comprehensive income / (loss) (A) + (B)	**5,217,548**	**9,285,474**
Total Comprehensive income / (loss) attributable to:	**5,217,548**	**9,285,474**
Owners of the parent	5,050,292	9,201,093
Non-controlling interests	167,256	84,381

CONSOLIDATED CASH FLOW STATEMENT (*)

(Values in thousands of EUR)	Notes	1st Half 2019	1st Half 2018
OPENING BALANCE		**28,037**	**22,809**
Profit / loss before taxes		11,540	13,926
Amortisation / write-downs		13,467	6,325
Accrual (+)/availment (-) of long term provisions and post employment benefits		(961)	(143)
Paid income taxes		(826)	(601)
Financial income (-) and financial charges (+)		1,668	619
Change in operating assets and liabilities		(18,091)	(8,657)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(36)**	**6,797**	**11,469**
Increase (-)/ decrease (+) in intangible fixed assets		(82)	(633)
Increase (-)/ decrease (+) in tangible fixed assets		(2,268)	(2,141)
Increase (-)/ decrease (+) in right-of-use assets (1)		(1,751)	-
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(37)**	**(4,101)**	**(2,774)**
Other variations in reserves and profits carried-forward of shareholders' equity		(77)	925
Dividends paid		-	-
Proceeds (+)/repayment (-) of financial payments		6,227	(10,806)
Proceeds (+)/ repayment (-) of lease payments (2)		(6,001)	
Increase (-)/ decrease (+) in long term financial receivables		136	1,070
Financial income (+) and financial charges (-)		(1,668)	(619)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(38)**	**(1,383)**	**(9,430)**
CLOSING BALANCE		**29,351**	**22,074**

1: cash flow changes on assets for rights of use relating to the application of IFRS 16

2: cash flow changes on lease payables relating to the application of IFRS 16

(*) 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 December 31, 2018	**25,371**	**71,240**	**158**	**35,967**	**7,901**	**11,459**	**(1,286)**	**(1,095)**	**16,726**	**(1,832)**	**164,609**	**32,850**	**197,459**
Effects deriving from the application of IFRS 16						**(3,808)**					**(3,808)**	**(584)**	**(4,392)**
At January 1, 2019	**25,371**	**71,240**	**158**	**35,967**	**7,901**	**7,651**	**(1,286)**	**(1,095)**	**16,726**	**(1,832)**	**160,801**	**32,266**	**193,067**
Allocation of 2018 income/(loss)	-	-	-	8,781	-	-	7,945	-	(16,726)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/19	-	-	(17)	-	-	-	-	-	5,114	(47)	5,050	167	5,217
Other changes	-	-	-	-	-	-		-	-	-	-	-	-
At June 30, 2019	**25,371**	**71,240**	**141**	**44,748**	**7,901**	**7,651**	**6,659**	**(1,095)**	**5,114**	**(1,879)**	**165,851**	**32,433**	**198,284**

(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, 2019 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, 2019 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, 2019 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 Japan Inc.	Tokio (J)	JPY	3,600,000	100%	
Aeffe Shanghai	Shanghai (CN)	CNY	17,999,960	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	50,000		70% (ii)
Moschino USA Inc.	New York (USA)	USD	10,000		70% (ii)
Bloody Mary Inc.	New York (USA)	USD	100,000		70% (ii)
Pollini Suisse S.a.g.l.	Chiasso (CH)	CHF	20,000		100% (i)
Pollini Austria G.m.b.h.	Vienna (A)	EUR	35,000		100% (i)

Notes (details of indirect shareholdings):

(i) 100% owned by Pollini Spa;

(ii) 100% owned by Moschino Spa;

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

FOREIGN CURRENCIES

Functional and reporting currency

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

Foreign currency transactions

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

Financial statements of foreign companies

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

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

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

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

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

Currency description	Actual exchange rate I° sem 2019	Average exchange rate At June 30, 2019	Actual exchange rate 2018	Average exchange rate At December 31, 2018	Actual exchange rate I° sem 2018	Average exchange rate At June 30, 2018
Renminbi chinese (yuan)	7.6678	7.8185	7.8081	7.8751	7.7086	7.7170
United States Dollars	1.1298	1.1380	1.1810	1.1450	1.2104	1.1658
United Kingdom Pounds	0.8736	0.8966	0.8847	0.8945	0.8798	0.8861
Japanese Yen	124.2836	122.6000	130.3959	125.8500	131.6057	129.0400
South Korean Won	1295.2000	1315.3500	1299.0713	1277.9300	1302.3800	1296.7200
Swiss Franc	1.1295	1.1105	1.1550	1.1269	1.1697	1.1569

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, 2018, except for the following interpretations and amendments to the accounting principles that have been mandatory since January 1, 2019.

Accounting standards, amendments and interpretations approved by the European Union, applicable

from 1 January 2019, which were applied for the first time in the consolidated half-yearly financial statements of the AEFFE Group closed as at 30 June 2019

IFRS 16 "Leases": the Group has opted for a retrospective application of the standard, without restatement of comparative information. The cumulative effect has been noted as a reduction of the retained opening earnings. The incremental borrowing rate used is the one at the transaction date.

The effect reflected in the financial statements at 01/01/2019 mainly concerned lease liabilities of around EUR 116.5 million and assets deriving from the right to use assets of approximately EUR 110.4 million.

Leasing contracts with a duration equal to or less than 12 months and those that have assets of modest value have been excluded.

Lease liabilities have been discounted at a weighted average interest rate of 2%. The following is a representation of the leases in the opening balance sheet as at 01/01/2019.

Adjustments on the opening balance sheet:

(Values in thousands of EUR)	Notes	1 January 2019	IFRS 16 Adjustment	31 December 2018
Operating net working capital		70,450		70,450
Net working capital		85,748		85,748
Fixed assets	*a*	276,867	110,494	166,373
NET CAPITAL INVESTED	*b*	340,910	112,194	228,716
Total shareholders' equity	*c*	193,067	(4,392)	197,459
Short term financial receivables		(1,420)	-	(1,420)
Cash		(28,037)	-	(28,037)
Long term financial liabilities		16,409	-	16,409
Long term lease liabilities	*d*	102,309	102,309	-
Long term financial receivables		(2,302)	-	(2,302)
Short term financial liabilities		46,607	-	46,607
Short term lease liabilities	*e*	14,277	14,277	-
NET FINANCIAL POSITION		147,843	116,587	31,256
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS		340,910	112,194	228,716

a) Increase due to the recognition of assets for rights of use;

b) Detection of the tax effect;

c) Cumulative effect on previous years to reduce opening results to new;

d) - e) Increase in financial liabilities due to the recognition of debts for leasing;

Concurrently with the application of IFRS 16 and to give a more truthful and correct representation the amortization plan of the Key Money has been modified making them fall within the rights of use of assets as they represent the initial direct costs of the lessee. The change in the estimate (Vita Utile) was made prospectively, resulting in a non-significant change.

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, 2019	**78,482**	**-**	**1,094**	**79,576**
Increases	-	347	257	604
- increases externally acquired	-	*347*	*257*	*604*
- increases from business aggregations	-	-	-	-
Disposals	-	-	-	-
Translation diff. / other variations	-	-	-	-
Amortisation	(1,747)	(347)	*(252)*	(2,346)
Net book value at June 30, 2019	**76,735**	**-**	**1,099**	**77,834**

Changes in intangible fixed assets highlight the following variations:

- increases equal to EUR 604 thousand, mainly related to key money;
- amortisation of the period equal to EUR 2,346 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, 2019	December 31, 2018
Alberta Ferretti	24	2,960	3,023
Moschino	26	42,805	43,769
Pollini	22	30,970	31,690
Total		**76,735**	**78,482**

Key money

Concurrently with the application of IFRS 16 and to give a more truthful and correct representation the amortization plan of the Key Money has been modified making them fall within the rights of use of assets as they represent the initial direct costs of the lessee. The change in the estimate (Vita Utile) was made prospectively, resulting in a non-significant change.

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, 2019	**17,119**	**23,436**	**12,551**	**3,051**	**261**	**3,881**	**60,299**
Increases	375	856	249	372	26	538	2,416
Disposals	(174)	-	-	-	-	(1)	(175)
Translation diff. / other variations	-	-	(7)	-	-	34	27
Depreciation	-	(300)	(1,191)	(396)	(62)	(613)	(2,562)
Net book value at June 30, 2019	**17,320**	**23,992**	**11,602**	**3,027**	**225**	**3,839**	**60,005**

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 2,416 thousand. These mainly refer to new investments in leasehold improvements and buildings.
- Disposals, net of the accumulated depreciation, of EUR 175 thousand.
- Depreciation of EUR 2,562 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category.

3. RIGHT-OF-USE ASSETS

The table below illustrates the changes of this item:

(Values in thousands of EUR)	Right-of-use assets
Net book value at January 1, 2019	**133,468**
Increases	1,641
Disposals	
Translation diff. / other variations	154
Depreciation	(8,452)
Net book value at June 30, 2019	**126,811**

The balance mainly includes the usage rights linked to the rental contracts of the retail channel, showrooms and other properties.

The entry is changed as follows:

- Increases for new investments of EUR 1,641 thousand.
- Differences arising on translation of EUR 154 thousand.
- Depreciation of EUR 8,452 thousand.

4. EQUITY INVESTMENTS

This item includes holdings represented by the cost.

5. LONG TERM FINANCIAL RECEIVABLES

Long term financial receivables decrease from EUR 2,302 thousand at December 31, 2018 to EUR 2,197 thousand at June 30, 2019.

6. 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.

7. DEFERRED TAX ASSETS AND LIABILITIES

The table below illustrates the breakdown of this item at June 30, 2019 and at December 31, 2018:

(Values in thousands of EUR)	Receivables		Liabilities	
	At June 30, 2019	At December 31, 2018	At June 30, 2019	At December 31, 2018
Tangible fixed assets	5	5	(18)	(19)
Intangible fixed assets	41	46	(144)	(144)
Provisions	3,752	3,992	(4)	(1)
Costs deductible in future periods	4,566	5,637	(27)	(27)
Income taxable in future periods	1,640	1,195	(1,243)	(1,608)
Tax losses carried forward	2,621	3,121	-	-
Other	154	5	(88)	(87)
Tax assets (liabilities) from transition to IAS	3,058	1,072	(27,987)	(28,208)
Total	**15,837**	**15,073**	**(29,511)**	**(30,094)**

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	(14)	-	1	-	(13)
Intangible fixed assets	(98)	-	(5)	-	(103)
Provisions	3,991	2	(245)	-	3,748
Costs deductible in future periods	5,610	1	(1,072)	-	4,539
Income taxable in future periods	(413)	-	810	-	397
Tax losses carried forward	3,121	17	(382)	(135)	2,621
Other	(82)	(1)	9	140	66
Tax assets (liabilities) from transition to IAS	(25,419)	-	638	(148)	(24,929)
Total	**(13,304)**	**19**	**(246)**	**(143)**	**(13,674)**

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

8. STOCKS AND INVENTORIES

This item comprises:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Raw, ancillary and consumable materials	13,649	14,412	(763)	(5.3%)
Work in progress	8,199	9,770	(1,571)	(16.1%)
Finished products and goods for resale	88,710	79,830	8,880	11.1%
Advance payments	83	250	(167)	(66.8%)
Total	**110,641**	**104,262**	**6,379**	**6.1%**

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2019 collections, while finished products mainly concern the Spring/Summer 2019 and the Autumn/Winter 2019 collections and the Spring/Summer 2020 sample collections.

9. Trade receivables

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Trade receivables	45,455	46,537	(1,082)	(2.3%)
(Allowance for doubtfull account)	(3,185)	(3,398)	213	(6.3%)
Total	**42,270**	**43,139**	**(869)**	**(2.0%)**

Trade receivables amount to EUR 42,270 thousand at June 30, 2019, with a 2.0% decrease compared with the amount at December 31, 2018.

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.

10. Tax receivables

This item in illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
VAT	4,459	3,702	757	20.4%
Corporate income taxes (IRES)	951	1,133	(182)	(16.1%)
Local business tax (IRAP)	52	196	(144)	(73.5%)
Amounts due by tax authority for withheld taxes	-	4	(4)	(100.0%)
Other tax receivables	2,786	2,725	61	2.2%
Total	**8,248**	**7,760**	**488**	**6.3%**

As of June 30, 2019, the Group's tax receivables amount to EUR 8,248 thousand, recording an increase of EUR 488 thousand compared to December 31, 2018, mainly due to the increase of VAT receivable.

11. Derivate assets and liabilities

The AEFFE Group, characterized by an important presence in international markets, is exposed to exchange rate risk mainly for purchases by the subsidiary Pollini in US Dollars (USD). The Group signs forward currency derivative contracts (USD) at term (Forward) with primary credit institutions to cover the aforementioned risk. These contracts are set up to cover a specific percentage of expected purchase volumes in USD. At the balance sheet date, the notional amount of forward currency contracts stipulated is USD 9,500 thousand (USD 25,500 thousand at 31/12/2018). All contracts opened at 30/06/2019 will expire in 2019.

The composition of the derivative financial instruments in place at June 30, 2019 and December 31, 2018 is summarized below with an indication of the respective current and non-current accounting values referring to the fair value and fair value of the cash flow hedge reserve, this last shown net of the related deferred tax effect:

(Values in thousands of EUR)	30 June 2019			31 December 2018		
	Assets	Liabilities	Hedging Reserve	Assets	Liabilities	Hedging Reserve
Forward contracts for cash flow hedge exchange rate risk	-	-	-	-	-	-
TOTAL NON CURRENT	**-**	**-**	**-**	**-**	**-**	**-**
Forward contracts for cash flow hedge exchange rate risk	195	-	141	220	-	158
TOTAL CURRENT	**195**	**-**	**141**	**220**	**-**	**158**

The cash flow hedge reserve relating to forward contracts hedging the currency risk on currencies amounts to EUR 141 thousand net of the related tax effect (EUR -54 thousand).

The transfer to the 1st Half 2019 income statement of the effect of the hedging transactions on exchange rate risk was equal to EUR 426 thousand brought to increase costs.

12. *CASH*

This item includes:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Bank and post office deposits	28,766	27,483	1,283	4.7%
Cheques	86	61	25	41.0%
Cash in hand	499	493	6	1.2%
Total	**29,351**	**28,037**	**1,314**	**4.7%**

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

The increase in cash and cash equivalent, recorded at June 30, 2019 compared with the amount recorded at December 31, 2018, is EUR 1,314 thousand. About the reason of this variation refer to the Statement of Cash Flows.

13. *FINANCIAL RECEIVABLES*

The item is compared with the respective value at December 31, 2018:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Financial receivables	1,123	1,420	(297)	(20.9%)
Total	**1,123**	**1,420**	**(297)**	**(20.9%)**

14. OTHER RECEIVABLES

This caption comprises:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Credits for prepaid costs	27,651	26,851	800	3.0%
Advances for royalties and commissions	371	191	180	94.2%
Advances to suppliers	260	235	25	10.6%
Accrued income and prepaid expenses	4,076	3,455	621	18.0%
Other	3,297	4,120	(823)	(20.0%)
Total	**35,655**	**34,852**	**803**	**2.3%**

Other current receivables increase by EUR 803 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 2020 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 2019 collections.

15. ASSETS AND LIABILITIES AVAILABLE FOR SALE

This item is illustrated in details in the following table:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018
Other fixed assets	437	437
Total Assets	**437**	**437**

16. SHAREHOLDERS' EQUITY

Described below are the main categories of shareholders' equity at June 30, 2019, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Cash flow reserve	141	158	(17)
Other reserves	44,748	35,967	8,781
Fair value reserve	7,901	7,901	-
IAS reserve	7,651	11,459	(3,808)
Profits / (losses) carried-forward	6,659	(1,286)	7,945
Reamisurement of defined benefit plans reserve	(1,095)	(1,095)	-
Net profit / (loss) for the Group	5,114	16,726	(11,612)
Translation reserve	(1,879)	(1,832)	(47)
Minority interest	32,433	32,850	(417)
Total	**198,284**	**197,459**	**825**

SHARE CAPITAL

Share capital as of June 30, 2019, 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, 2019 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, 2018.

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. The change refers to the application to 1 January 2019 of IFRS 16 to which reference is made (EUR 3,808 thousand).

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, 2018.

Reamisurement of defined benefit plans reserve

The reamisurement of defined benefit plans reserve amounts to EUR -1.095 thousand and it remains unchanged since December 31, 2018.

Translation reserve

The translation reserve amounts to EUR -1,878 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, 2019 attributable to the minority shareholders.

Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve. The change in the application of IFRS 16 on the IAS reserve of third parties is equal to EUR -584 thousand.

NON-CURRENT LIABILITIES

17. PROVISIONS

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	At December 31, 2018	Increases	Decreases	At June 30, 2019
Pensions and similar obligations	465	129	(39)	555
Other	2,094	-	(760)	1,334
Total	**2,559**	**129**	**(799)**	**1,889**

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”.

18. 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, 2018	Increases	Decreases/ Other variations	At June 30, 2019
Post employment benefits	5,492	67	(359)	5,200
Total	**5,492**	**67**	**(359)**	**5,200**

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 377 thousand and the actuarial gain of EUR 18 thousand.

19. *LONG-TERM FINANCIAL LIABILITIES*

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Loans from financial institutions	18,213	16,337	1,876	11.5%
Lease liabilities	96,035	-	96,035	n.a.
Amounts due to other creditors	72	72	-	n.a.
Total	**114,320**	**16,409**	**97,911**	**596.7%**

The entry "Loans from financial institutions" relate to the portion of bank loans due beyond 12 months. This entry also includes 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. Lease payables relate to the application of IFRS 16.

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, 2019, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	26,593	8,380	18,213
Total	**26,593**	**8,380**	**18,213**

There are no amounts due beyond five years.

20. *LONG-TERM NOT FINANCIAL LIABILITIES*

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

CURRENT LIABILITIES

21. *TRADE PAYABLES*

The item is compared with the respective value at December 31, 2018:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Trade payables	67,215	76,950	(9,735)	(12.7%)
Total	**67,215**	**76,950**	**(9,735)**	**(12.7%)**

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

22. Tax payables

Tax payables are analysed in comparison with the related balances as of December 31, 2018 in the following table:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Local business tax (IRAP)	1,154	374	780	208.6%
Corporate income tax (IRES)	6,925	3,325	3,600	108.3%
Amounts due to tax authority for withheld taxes	2,295	2,569	(274)	(10.7%)
VAT due to tax authority	570	165	405	245.5%
Other	588	20	568	2,840.0%
Total	**11,532**	**6,453**	**5,079**	**78.7%**

Tax payables increase of EUR 5,079 thousand compared with December 31, 2018, mainly for the increase in the period of IRES and IRAP payables.

23. Short-term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Due to banks	50,958	46,607	4,351	9.3%
Lease liabilities	14,551	-	14,551	n.a.
Total	**65,509**	**46,607**	**18,902**	**40.6%**

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.

24. Other liabilities

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

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018	Change Δ	%
Due to total security organization	3,574	4,442	(868)	(19.5%)
Due to employees	7,829	5,989	1,840	30.7%
Trade debtors - credit balances	1,999	2,162	(163)	(7.5%)
Accrued expenses and deferred income	2,740	4,703	(1,963)	(41.7%)
Other	3,525	3,786	(261)	(6.9%)
Total	**19,667**	**21,082**	**(1,415)**	**(6.7%)**

The entry Other liabilities records a decrease of EUR 1,415 thousand compared to December 31, 2018.

The increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of June 30, 2019 which has no equivalent as of December 31, 2018.

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 2019 and 2018 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR) 1st Half 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**132,233**	**60,698**	**(19,630)**	**173,301**
Intercompany revenues	(5,203)	(14,427)	19,630	-
Revenues with third parties	**127,030**	**46,271**	-	**173,301**
Gross operating margin (EBITDA)	**19,974**	**6,701**	-	**26,675**
Amortisation	(11,382)	(1,978)	-	(13,360)
Other non monetary items:				
Write-downs		(107)	-	(107)
Net operating profit / loss (EBIT)	**8,592**	**4,616**	-	**13,208**
Financial income	170	166	(95)	241
Financial expenses	(1,557)	(447)	95	(1,909)
Profit / loss before taxes	**7,205**	**4,335**	**-**	**11,540**
Income taxes	(5,029)	(1,229)	-	(6,258)
Net profit / loss	**2,176**	**3,106**	**-**	**5,282**

(Values in thousand of EUR) 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**

The following tables indicate the main patrimonial and financial data at June 30, 2019 and December 31, 2018 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR) At June 30, 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*401,579*	*136,241*	*(48,093)*	489,727
of which non-current assets (*)				
Intangible fixed assets	*46,632*	*31,201*	-	*77,833*
Tangible fixed assets	*55,970*	*4,035*	-	*60,005*
Right-of-use assets	*113,852*	*12,959*	-	*126,811*
Other non-current assets	*4,077*	*328*	-	*4,405*
OTHER ASSETS	*20,336*	*3,749*	-	24,085
CONSOLIDATED ASSETS	**421,915**	**139,990**	**(48,093)**	**513,812**

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

(Values in thousand of EUR) At June 30, 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	237,697	84,880	(48,093)	274,484
OTHER LIABILITIES	30,675	10,368	-	41,043
CONSOLIDATED LIABILITIES	**268,372**	**95,248**	**(48,093)**	**315,527**

(Values in thousand of EUR) At December 31, 2018	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*308,635*	*120,993*	*(48,587)*	381,041
of which non-current assets (*)				
Intangible fixed assets	*67,305*	*35,827*	*-*	*103,132*
Tangible fixed assets	*56,635*	*3,664*	*-*	*60,299*
Right-of-use assets	*-*	*-*	*-*	*-*
Other non-current assets	*4,895*	*739*	*(390)*	*5,244*
OTHER ASSETS	*19,445*	*3,388*	*-*	22,833
CONSOLIDATED ASSETS	**328,080**	**124,381**	**(48,587)**	**403,874**

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

(Values in thousand of EUR) At December 31, 2018	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	145,796	72,660	(48,587)	169,869
OTHER LIABILITIES	26,637	9,909	-	36,546
CONSOLIDATED LIABILITIES	**172,433**	**82,569**	**(48,587)**	**206,415**

Segment information by geographical area

The following table indicates the revenues for the first half-year 2019 and 2018 divided by geographical area:

(Values in thousands of EUR)	1st Half 2019	%	1st Half 2018	%	Change Δ	%
Italy	80,136	46.2%	81,170	47.4%	(1,034)	(1.3%)
Europe (Italy excluded)	38,655	22.3%	41,310	24.1%	(2,655)	(6.4%)
Asia and Rest of the World	45,528	26.3%	39,618	23.2%	5,910	14.9%
America	8,982	5.2%	9,002	5.3%	(20)	(0.2%)
Total	**173,301**	**100.0%**	**171,100**	**100.0%**	**2,201**	**1.3%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

25. REVENUES FROM SALES AND SERVICES

Accounting Policy:

Revenues from sales and services derive mainly from the sale of goods with the recognition of "at poin in time" revenues when the asset was transferred to the customer. This is provided for both the Wholesale distribution (shipment of goods to the customer, and for retail distribution when the asset is sold through a physical store. With regard to the export of goods, the control can be transferred in various stages depending on the type of product). Incoterm applied to the specific customer This premise leads to a limited judgment on the identification of the control passage of the asset and the consequent recognition of the revenue.

A part of the group's revenues derives from the recognition of the Roylalties, agreed, based on a predetermined percentage in the contract with the customer, on the net turnover. The royalties accrue "at point in time", therefore at the time of issue by the Licensee, of the invoices for the sale of the products granted.

Determination of the transaction price:

Most of the Group's revenues derive from list prices that can vary depending on the type of product, brand and geographical region. Some contracts with the Group's Retail Companies provide for the transfer of control with the right of return. Being intra-group transactions they do not impact the consolidated financial statements as they are eliminated.

With regard to the recognition of Royalties, these are calculated based on a percentage of the Licensee's net sales. The percentage may vary depending on the type of product.

Breakdown of revenues from sales and services (IFRS 15)

(Values in thousands of EUR) 1st Half 2019	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
Geographical area	**132,233**	**60,698**	**(19,630)**	**173,301**
Italy	60,254	38,326	(18,444)	80,136
Europe (Italy excluded)	21,397	17,871	(613)	38,655
Asia and Rest of the World	41,790	3,746	(8)	45,528
America	8,791	755	(564)	8,982
Brand	**132,233**	**60,698**	**(19,630)**	**173,301**
Alberta Ferretti	14,261	1,239	(1,268)	14,232
Philosophy	8,938	250	(252)	8,936
Moschino	105,397	42,649	(17,970)	130,076
Pollini	22	16,460	(21)	16,461
Other	3,615	100	(119)	3,596
Distribution channel	**132,233**	**60,698**	**(19,630)**	**173,301**
Wholesale	85,917	50,694	(15,684)	120,927
Retail	36,203	9,974	(2)	46,175
Royalties	10,113	30	(3,944)	6,199
Timing of goods and services transfer	**132,233**	**60,698**	**(19,630)**	**173,301**
POINT IN TIME (transfer of significant risks and benefits connected to the property of the asset)	122,120	60,668	(15,686)	167,102
POINT IN TIME (Royalties accrual on Licensee's turnover)	10,113	30	(3,944)	6,199

In the 1H 2019 consolidated revenues amount to EUR 173,301 thousand compared to EUR 171,100 thousand of the 1H 2018, showing an increase of 1.3% (+1.0% at constant exchange rates).

Revenues of the prêt-à-porter division amount to EUR 132,233 thousand with an increase of 0.4% at current exchange rates (+0.0% at constant exchange rates) compared to 2018. The revenues of the footwear and leather goods division increase by 4.4% to EUR 60,698 thousand.

26. OTHER REVENUES AND INCOME

This item comprises:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Other income	4,264	2,308	1,956	84.8%
Total	**4,264**	**2,308**	**1,956**	**84.7%**

In 1H 2019, the caption other revenues and income, which amounts to EUR 4,264 thousand, is composed by co-branding activities, time expiry of receivables and payables that arose in prior years, exchange gains on commercial transaction, rental income, sales of raw materials and packaging.

27. COSTS OF RAW MATERIALS

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	62,949	54,868	8,081	14.7%
Total	**62,949**	**54,868**	**8,081**	**14.7%**

The entry purchase of raw materials increase of EUR 8,081 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.

28. COSTS OF SERVICES

This item comprises:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Subcontracted work	14,615	16,409	(1,794)	(10.9%)
Consultancy fees	12,956	9,745	3,211	33.0%
Advertising	8,621	7,057	1,564	22.2%
Commission	4,361	4,243	118	2.8%
Transport	4,020	3,168	852	26.9%
Utilities	985	957	28	2.9%
Directors' and auditors' fees	1,785	1,750	35	2.0%
Insurance	306	299	7	2.3%
Bank charges	807	818	(11)	(1.3%)
Travelling expenses	1,213	1,213	-	n.a.
Other services	3,981	3,619	362	10.0%
Total	**53,650**	**49,278**	**4,372**	**8.9%**

Costs of services increase from EUR 49,278 thousand in the 1H 2018 to EUR 53,650 thousand in the 1H 2019, up 8.9%. The increase is mainly due to:

- 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.

29. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Rental expenses	2,930	10,981	(8,051)	(73.3%)
Royalties	727	1,151	(424)	(36.8%)
Hire charges and similar	590	502	88	17.5%
Total	**4,247**	**12,634**	**(8,387)**	**(66.4%)**

The costs for use of third parties assets decreases by EUR 8,387 thousand from EUR 12,634 thousand in 1H 2018 to EUR 4,247 thousand in 1H 2019.

30. Labour costs

The item includes:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Labour costs	35,880	33,837	2,043	6.0%
Total	**35,880**	**33,837**	**2,043**	**6.0%**

Labour costs increase from EUR 33,837 thousand in 1H 2018 to EUR 35,880 thousand in 1H 2019 with an incidence on revenues which increases from 19.8% in the first semester 2018 to 20.7% in the first semester 2019.

The workforce increases from an average of 1,344 units in the 1H 2018 to 1,347 units in the 1H 2019.

Average number of employees by category	1st Half 2019	1st Half 2018	Change Δ	%
Workers	231	240	(9)	(3.8%)
Office staff-supervisors	1,092	1,082	10	0.9%
Executive and senior managers	24	22	2	9.1%
Total	**1,347**	**1,344**	**3**	**0.2%**

31. Other operating expenses

This item includes:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Taxes	547	396	151	38.1%
Gifts	207	89	118	132.6%
Contingent liabilities	22	233	(211)	(90.6%)
Write-down of current receivables	137	55	82	149.1%
Foreign exchange losses	348	662	(314)	(47.4%)
Other operating expenses	437	313	124	39.6%
Total	**1,698**	**1,748**	**(50)**	**(2.9%)**

The caption other operating expenses amounts to EUR 1,698 thousand, with a decrease of 2.9% compared with EUR 1,748 thousand in the 1H 2018, mainly for a decrease of contingent liabilities and foreign exchange losses.

32. Amortisation, write-downs and provisions

This item includes:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Amortisation of intangible fixed assets	2,347	3,225	(878)	(27.2%)
Depreciation of tangible fixed assets	2,562	2,529	33	1.3%
Depreciation of right-of-use assets	8,451	-	8,451	n.a.
Write-downs	107	670	(563)	(84.0%)
Total	**13,467**	**6,424**	**7,043**	**109.6%**

33. Financial income/ expenses

This item includes:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Interest income	69	68	1	1.5%
Foreign exchange gains	112	173	(61)	(35.3%)
Financial discounts	59	46	13	28.3%
Financial income	**240**	**287**	**(47)**	**(16.4%)**
Bank interest expenses	154	268	(114)	(42.5%)
Other interest expenses	195	189	6	3.2%
Leasing interest expenses	1,166	-	1,166	n.a.
Foreign exchange losses	135	219	(84)	(38.4%)
Other expenses	258	230	28	12.2%
Financial expenses	**1,908**	**906**	**1,002**	**110.6%**
Total	**1,668**	**619**	**1,049**	**169.5%**

The increase in financial income/expenses amounts to EUR 1,049 thousand. This effect is mainly related to the application of IFRS 16 (an effect equal to higher interests of EUR 1,166 thousand).

For the effects deriving from the use of derivative instruments, please refer to note 11.

34. Income taxes

This item includes:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018	Change Δ	%
Current income taxes	5,525	6,727	(1,202)	(17.9%)
Deferred income/(expenses) taxes	246	(1,324)	1,570	n.a.
Taxes related to previous years	487	163	324	198.8%
Total income taxes	**6,258**	**5,566**	**692**	**12.4%**

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 2019 and 1H 2018 is illustrated in the following table:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018
Profit before taxes	11,540	13,926
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes (IRES)	**2,770**	**3,342**
Fiscal effect	3,008	1,649
Effect of foreign tax rates	1,070	1,206
Total income taxes excluding IRAP (current and deferred)	**6,848**	**6,197**
IRAP (current and deferred)	**(590)**	**(631)**
Total income taxes (current and deferred)	**6,258**	**5,566**

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.

35. *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) From continuing and discontinued activities	1st Half 2019	1st Half 2018
Earnings for determining basic earnings per share	5,114	8,276
Dilutive effects	-	-
Earnings for determing dilutive earnings per share	**5,114**	**8,276**

(Values in thousands of EUR) From continuing activities	1st Half 2019	1st Half 2018
Earnings for the period	5,114	8,276
Earnings from discontinued operations	-	-
Earnings for determining basic earnings per share	**5,114**	**8,276**
Dilutive effects	-	-
Earnings for determing dilutive earnings per share	**5,114**	**8,276**

In both periods, June 2019 and June 2018, there is no evidence of dilution of consolidated net earnings.

Number of reference share

	1st Half 2019	1st Half 2018
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 5,114 thousand (June 2018: EUR 8,276 thousand).

Dilutive earnings per share

The calculation of diluted earnings per share for the period January - June 2019, 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 generated during the first half of 2019 is EUR 1,314 thousand.

(Values in thousands of EUR)	1st Half 2019	1st Half 2018
OPENING BALANCE (A)	**28,037**	**22,809**
Cash flow (absorbed)/ generated by operating activity (B)	6,797	11,469
Cash flow (absorbed)/ generated by investing activity (C)	(4,101)	(2,774)
Cash flow (absorbed)/ generated by financing activity (D)	(1,383)	(9,430)
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	**1,314**	**(735)**
CLOSING BALANCE (F)=(A)+(E)	**29,351**	**22,074**

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

The cash flow generated by operating activity during the first half of 2019 amounts to EUR 6,797 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018
Profit before taxes	11,540	13,926
Amortisation / write-downs	13,467	6,325
Accrual (+)/availment (-) of long term provisions and post employment benefits	(961)	(143)
Paid income taxes	(826)	(601)
Financial income (-) and financial charges (+)	1,668	619
Change in operating assets and liabilities	(18,091)	(8,657)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**6,797**	**11,469**

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

The cash flow absorbed by investing activity during the first half of 2019 amounts to EUR 4,101 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018
Increase (-)/ decrease (+) in intangible fixed assets	(82)	(633)
Increase (-)/ decrease (+) in tangible fixed assets	(2,268)	(2,141)
Increase (-)/ decrease (+) in right-of-use assets assets	(1,751)	
Investments and write-downs (-)/ Disinvestments and revaluations (+)	-	-
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(4,101)**	**(2,774)**

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

The cash flow absorbed by financing activity during the first half of 2019 amounts to EUR 1,383 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2019	1st Half 2018
Other variations in reserves and profits carried-forward of shareholders' equity	(77)	925
Dividends paid	-	-
Proceeds (+)/repayment (-) of financial payments	6,227	(10,806)
Proceeds (+)/repayment (-) of leasing payments	(6,001)	1,070
Increase (-)/ decrease (+) in long term financial receivables	136	-
Financial income (+) and financial charges (-)	(1,668)	(619)
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(1,383)**	**(9,430)**

OTHER INFORMATION

39. 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.

40. 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, 2019 is analysed below:

(Values in thousands of EUR)	At June 30, 2019	At December 31, 2018
A - Cash in hand	585	554
B - Other available funds	28,766	27,483
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*29,351*	*28,037*
E - Short term financial receivables	1,123	1,420
F - Current bank loans	(42,579)	(33,672)
G - Current portion of long-term bank borrowings	(8,380)	(12,934)
H - Current portion of loans from other financial istitutions	(14,550)	-
I - Current financial indebtedness (F) + (G) + (H)	*(65,509)*	*(46,606)*
J - Net current financial indebtedness (I) + (E) + (D)	*(35,035)*	*(17,149)*
K - Non current bank loans	(18,213)	(16,337)
L - Issued obbligations	2,197	2,302
M - Other non current loans	(96,107)	(72)
N - Non current financial indebtedness (K) + (L) + (M)	*(112,123)*	*(14,107)*
O - Net financial indebtedness (J) + (N)	**(147,158)**	**(31,256)**

The net financial position of the Group amounts to EUR 147,158 thousand as of June 30, 2019 compared with EUR 31,256 thousand as of December 31, 2018. The increase is mainly related to the application of IFRS 16 with an incremental effect of EUR 110.585 thousand. The financial debt gross of IFRS 16 is equal to EUR 36,572 thousand with an increase of EUR 5,316 thousand compared to December 31, 2018.

41. 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 2019	1st Half 2018	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	500	500	Cost
Ferrim with Aeffe S.p.a.			
Property rental	900	897	Cost
Commerciale Valconca with Aeffe S.p.a.			
Commercial	216	540	Revenue
Property rental	63	61	Cost
Commercial	654	871	Receivable
Commercial	63	58	Payable
Aeffe USA with Ferrim USA			
Long term financial	2,197	1,831	Receivable
Short term financial	703	1,000	Receivable
Commercial	380	371	Receivable
Commercial	61	59	Payable
Commercial	61	57	Revenue
Property rental	365	340	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, 2019 and at June 30, 2018.

(Values in thousands of EUR)	Balance 1st Half	Value rel. party 2019	%	Balance 1st Half	Value rel. party 2018	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	173,301	216	0.1%	171,100	540	0.3%
Costs of services	53,650	500	0.9%	49,278	500	1.0%
Costs for use of third party assets	4,247	1,328	31.3%	12,634	1,298	10.3%
Financial income	241	61	25.3%	287	57	19.9%
Incidence of related party transactions on the balance sheet						
Long term financial receivables	2,197	2,197	100.0%	2,251	1,831	81.3%
Trade receivables	42,270	1,034	2.4%	44,043	1,242	2.8%
Short term financial receivables	1,123	703	62.6%	1,307	1,000	76.5%
Trade payables	67,215	124	0.2%	64,656	117	0.2%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	6,797	(1,444)	n.a.	11,469	(1,493)	n.a.
Cash flow (absorbed) / generated by financial activities	(1,383)	(18)	1.3%	(9,430)	(79)	0.8%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	(147,158)	(1,462)	1.0%	(40,863)	(1,572)	3.8%

42. 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.

43. 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.

44. 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.

On 31 May 2019, the Company presented "Request for facilitated settlement of pending tax disputes" pursuant to Article 6 of Legislative Decree 23 October 2018 n. 119, converted with amendments by Law 17 December 2018 n. 136.

The Rimini Provincial Tax Commission with ruling no. 37/02/08 of 28 January 2008, filed on 9 April 2008, cancelled notices of assessment no. 81203T300390/06 and no. 81203T300393/06 issued by the Rimini Tax Authorities in June 2006. The assessments concern tax years 2001 and 2002, and are connected with non-recognition of utilisation of the tax loss achieved during tax period 2000. The Rimini Tax Office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners with notification sent to the company on 29 May 2009. The appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. The Bologna Regional Tax Commission ordered on 14 April 2011 the suspension of this judgment pending resolution of the dispute ruling related to the notice of assessment 81203T100570/20042 (tax year 2000). The judgment was summarized by Section 1 of the Regional Tax Commission of Bologna with the hearing on the merits on 26 May 2016, after postponed to 12 December 2016 and again postponed to 15 December 2016.

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

On 31 May 2019, the Company presented, for both annuities, "Request for facilitated settlement of pending tax disputes" pursuant to Article 6 of Legislative Decree 23 October 2018 n. 119, converted with amendments by Law 17 December 2018 n. 136.

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, 2019	of which Rel. parties	At December 31, 2018	of which Rel. parties
Key money		-		23,556,467	
Trademarks		76,734,798		78,481,588	
Other intangible fixed assets		1,098,594		1,094,412	
Total intangible fixed assets	(1)	77,833,392		103,132,467	
Lands		17,319,592		17,118,773	
Buildings		23,992,109		23,436,161	
Leasehold improvements		11,602,461		12,551,514	
Plant and machinary		3,026,523		3,050,863	
Equipment		225,204		260,569	
Other tangible fixed assets		3,839,568		3,880,921	
Total tangible fixed assets	(2)	60,005,457		60,298,801	
Right-of-use assets	(3)	126,810,868			
Equity investments	(4)	131,558		131,558	
Long term financial receivables	(5)	2,196,837	2,196,837	2,302,096	1,882,096
Other fixed assets	(6)	3,076,786		2,810,046	
Deferred tax assets	(7)	15,837,270		15,073,001	
TOTAL NON-CURRENT ASSETS		**285,892,168**		**183,747,969**	
Stocks and inventories	(8)	110,641,142		104,261,515	
Trade receivables	(9)	42,269,927	1,034,809	43,138,560	1,077,496
Tax receivables	(10)	8,247,580		7,759,828	
Derivate assets	(11)	195,051		219,632	
Cash	(12)	29,351,134		28,037,213	
Financial receivables	(13)	1,122,988	702,988	1,420,000	1,000,000
Other receivables	(14)	35,654,758		34,852,460	
TOTAL CURRENT ASSETS		**227,482,580**		**219,689,208**	
Assets available for sale	(15)	436,885		436,885	
TOTAL ASSETS		**513,811,633**		**403,874,062**	

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, 2019	of which Rel. parties	At December 31, 2018	of which Rel. parties
Share capital		25,371,407		25,371,407	
Other reserves		128,707,084		123,799,107	
Profits/(losses) carried-forward		6,658,420		(1,287,069)	
Net profit/(loss) for the Group		5,114,326		16,726,101	
Group interest in shareholders' equity		165,851,237		164,609,546	
Minority interest in share capital and reserves		32,265,957		32,377,912	
Net profit/(loss) for the minority interest		167,256		471,935	
Minority interest in shareholders' equity		32,433,213		32,849,847	
TOTAL SHAREHOLDERS' EQUITY	**(16)**	**198,284,450**		**197,459,393**	
Provisions	(17)	1,888,802		2,558,544	
Deferred tax liabilities	(7)	29,511,346		30,093,668	
Post employment benefits	(18)	5,200,168		5,491,570	
Long term financial liabilities	(19)	114,319,548		16,408,975	
Long term not financial liabilities	(20)	683,963		770,731	
TOTAL NON-CURRENT LIABILITIES		**151,603,827**		**55,323,488**	
Trade payables	(21)	67,215,409	122,942	76,949,819	59,971
Tax payables	(22)	11,531,586		6,452,612	
Derivate liabilities	(11)	-		-	
Short term financial liabilities	(23)	65,508,991		46,606,814	
Other liabilities	(24)	19,667,370		21,081,936	
TOTAL CURRENT LIABILITIES		**163,923,356**		**151,091,181**	
Liabilities available for sale					
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**513,811,633**		**403,874,062**	

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 2019	of which Rel. parties	1st Half 2018	of which Rel. parties
REVENUES FROM SALES AND SERVICES	**(25)**	**173,301,456**	**215,942**	**171,099,664**	**539,801**
Other revenues and income	(26)	4,264,055		2,307,563	
TOTAL REVENUES		**177,565,511**		**173,407,227**	
Changes in inventory		7,533,319		(74,276)	
Costs of raw materials, cons. and goods for resale	(27)	(62,948,559)		(54,868,043)	
Costs of services	(28)	(53,649,729)	(500,000)	(49,277,860)	(500,000)
Costs for use of third parties assets	(29)	(4,247,140)	(1,327,611)	(12,633,502)	(1,299,175)
Labour costs	(30)	(35,880,050)		(33,836,523)	
Other operating expenses	(31)	(1,697,928)		(1,748,262)	
Amortisation, write-downs and provisions	(32)	(13,467,413)		(6,423,839)	
Financial income/(expenses)	(33)	(1,667,982)	60,834	(618,665)	56,783
PROFIT / LOSS BEFORE TAXES		**11,540,029**		**13,926,257**	
Income taxes	(34)	(6,258,447)		(5,565,705)	
NET PROFIT / LOSS		**5,281,582**		**8,360,552**	
(Profit)/loss attributable to minority shareholders		(167,256)		(84,381)	
NET PROFIT / LOSS FOR THE GROUP		**5,114,326**		**8,276,171**	

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 2019	of which Rel. parties	1st Half 2018	of which Rel. parties
OPENING BALANCE		**28,037**		**22,809**	
Profit / loss before taxes		11,540	(1,551)	13,926	(1,201)
Amortisation / write-downs		13,467		6,325	
Accrual (+)/availment (-) of long term provisions and post employment benefits		(961)		(143)	
Paid income taxes		(826)		(601)	
Financial income (-) and financial charges (+)		1,668		619	
Change in operating assets and liabilities		(18,091)	106	(8,657)	(291)
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(35)**	**6,797**		**11,469**	
Increase (-)/ decrease (+) in intangible fixed assets		(82)		(633)	
Increase (-)/ decrease (+) in tangible fixed assets		(2,268)		(2,141)	
Increase (-)/ decrease (+) in right-of-use assets		(1,751)		-	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-		-	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(36)**	**(4,101)**		**(2,774)**	
Other variations in reserves and profits carried-forward of shareholders' equity		(77)		925	
Dividends paid		-		-	
Proceeds (+)/repayment (-) of financial payments		6,227	(18)	(10,806)	(79)
Proceeds (+)/ repayment (-) of lease payments		(6,001)		-	-
Increase (-)/ decrease (+) in long term financial receivables		136		1,070	
Financial income (+) and financial charges (-)		(1,668)		(619)	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(37)**	**(1,383)**		**(9,430)**	
CLOSING BALANCE		**29,351**		**22,074**	

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, 2019.

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 30, 2019

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

Ria
Grant Thornton

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

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To the shareholders of
Aeffe S.p.A.

Introduction
We have reviewed the accompanying condensed balance sheet as of June 30, 2019, 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, 2019, 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 30, 2019

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.