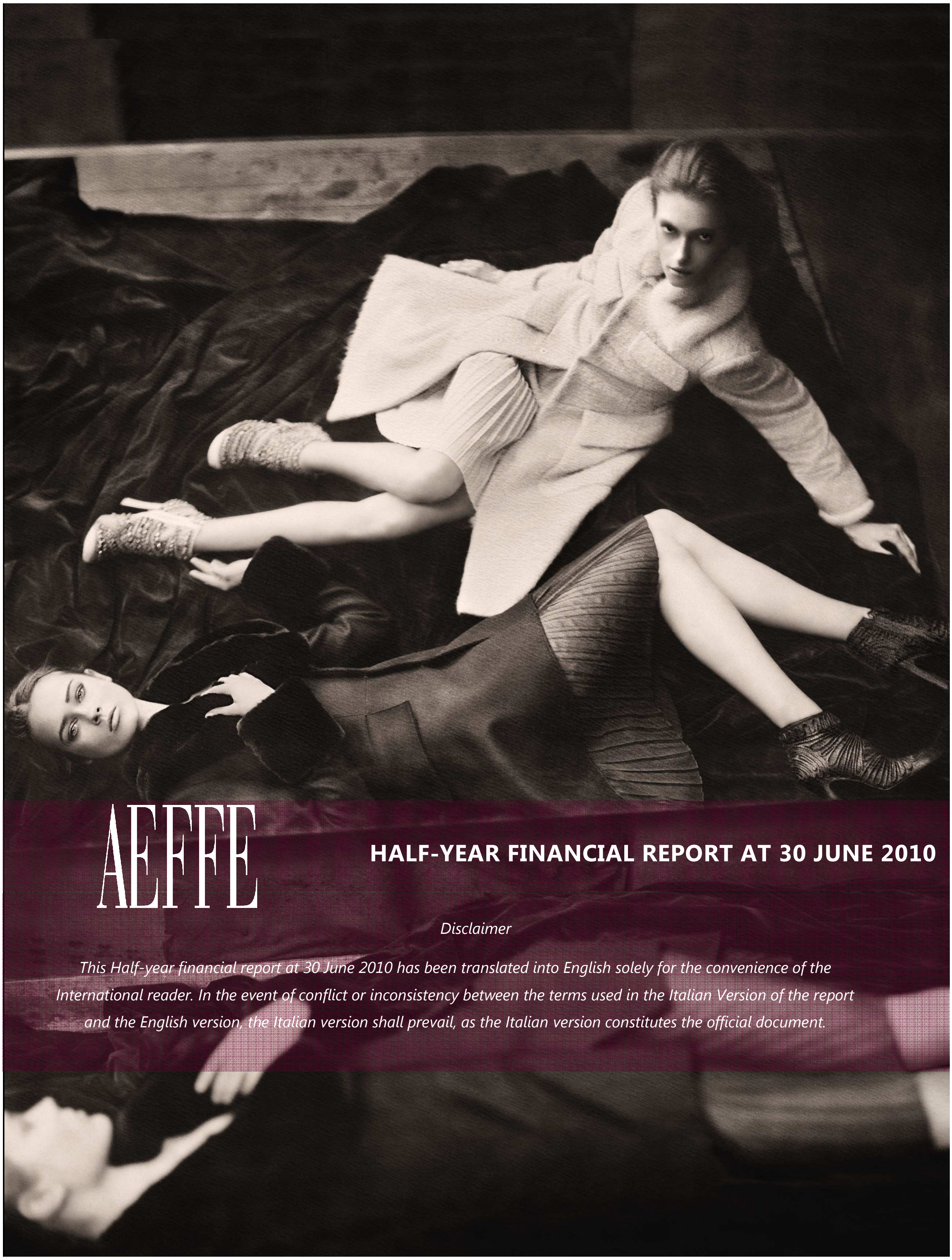


AEFFE

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2010

Disclaimer

This Half-year financial report at 30 June 2010 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

Board of directors and auditors

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

Directors
Marcello Tassinari – Managing Director
Umberto Paolucci
Roberto Lugano
Pierfrancesco Giustiniani

Board of Statutory Auditors

President
Fernando Ciotti

Statutory Auditors
Bruno Piccioni
Romano Del Bianco

Alternate Auditors
Andrea Moretti
Pierfrancesco Gamberini

Board of Compensation Committee

President
Umberto Paolucci

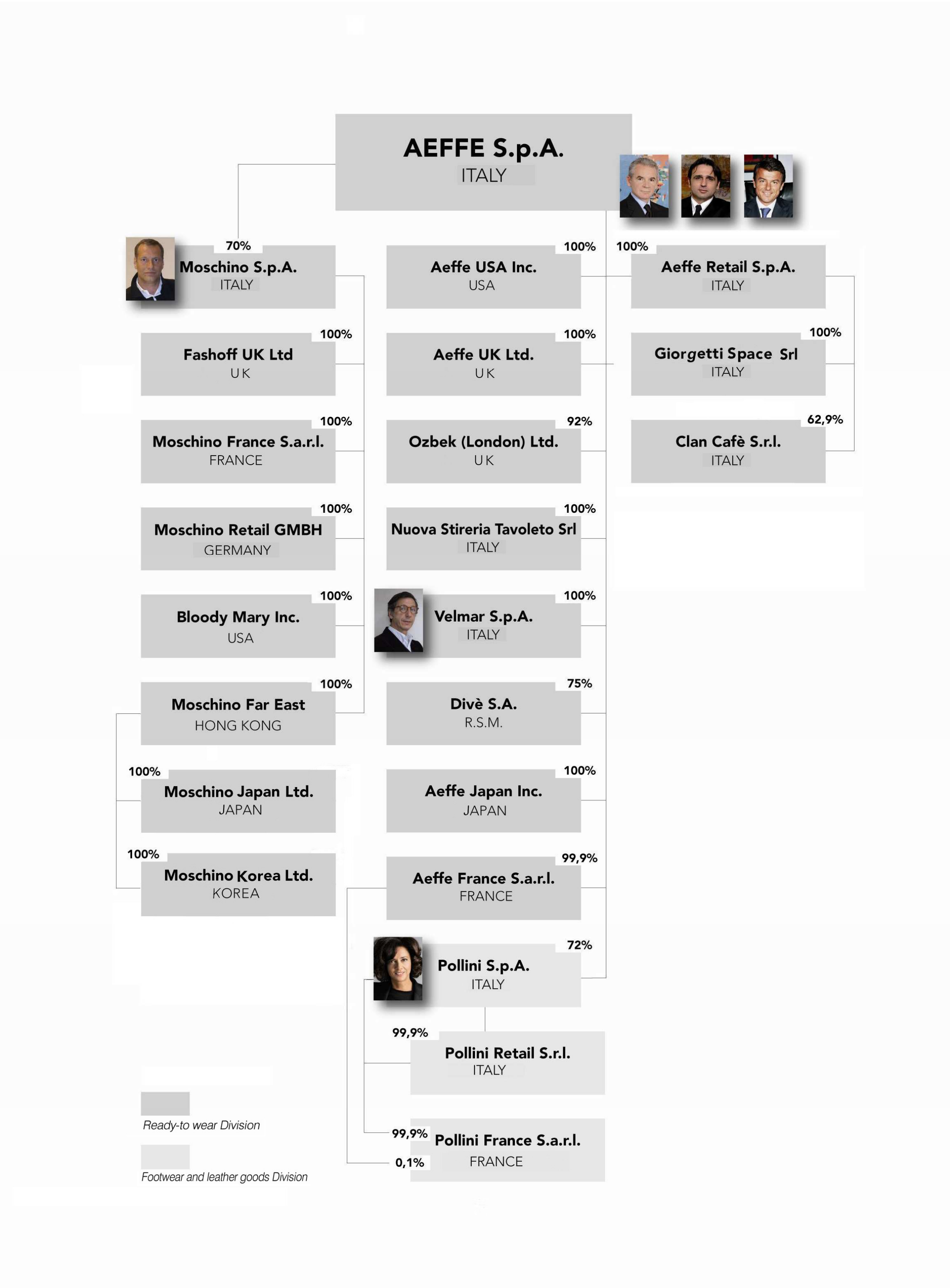
Members
Pierfrancesco Giustiniani
Roberto Lugano

Board of Internal Control Committee

President
Roberto Lugano

Members
Pierfrancesco Giustiniani
Umberto Paolucci

Organisation chart



Brands portfolio

AEFFE
CLOTHING - ACCESSORIES

ALBERTA FERRETTI
Jean Paul GAULTIER
POLLINI
cacharel
PHILOSOPHY DI ALBERTA FERRETTI
MOSCHINO
MOSCHINO CHEAPANDCHIC

POLLINI
SHOES - LEATHER GOODS

POLLINI
STUDIO POLLINI
MOSCHINO
MOSCHINO CHEAPANDCHIC
LOVE MOSCHINO

MOSCHINO
LICENCES - DESIGN - RETAIL

MOSCHINO
MOSCHINO CHEAPANDCHIC
LOVE MOSCHINO

VELMAR
BEACHWEAR - UNDERWEAR

ALBERTA FERRETTI
MOSCHINO
BLUGIRL UNDERWEAR
BLUGIRL BEACHWEAR

Headquarters

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

MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

POLLINI
Via Erbosa I° tratto, 92
Gatteo (FC)
47043 - Italy

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

Showrooms

MILAN
(FERRETTI – GAULTIER – CACHAREL - POLLINI)
Via Donizetti, 48
20122 - Milan
Italy

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

LONDON
(FERRETTI)
205-206 Sloane Street
SW1X9QX - London
UK

LONDON
(MOSCHINO)
28-29 Conduit Street
W1R 9TA - London
UK

PARIS
(GROUP)
6, Rue Caffarelli
75003 - Paris
France

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

TOKYO
(GROUP)
Lexington Bldg. 4F
5-11-9, Minami Aoyama Minato-ku
107-0062 - Tokyo
Japan

Main flagshipstore locations under direct management

ALBERTA FERRETTI

Milan
Rome
Capri
Paris
London
New York
Los Angeles

POLLINI

Milan
Rome
Florence
Venice
Bolzano
Ravenna
Varese
Verona

SPAZIO A

Florence
Venice

MOSCHINO

Milan
Rome
Capri
Paris
London
Berlin
New York
Osaka
Fukuoka City
Tokyo
Kobe City
Kyoto
Nagoya
Seoul
Pusan
Daegu
Bungang City


Main economic-financial data

		1st Half 2009	1st Half 2010
Total revenues	(Values in millions of EUR)	113.7	106.8
Gross operating margin (EBITDA)	(Values in millions of EUR)	-7.2	-2.3
Net operating profit (EBIT)	(Values in millions of EUR)	-12.4	-8.9
Profit before taxes	(Values in millions of EUR)	-14.3	-8.5
Net profit for the Group	(Values in millions of EUR)	-10.0	-6.3
Basic earnings per share	(Values in units of EUR)	-0.096	-0.062
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	-6.8	-0.4
Cash Flow/Total revenues	(Values in percentage)	-5.9	-0.4

		31 December 2008	30 June 2009	31 December 2009	30 June 2010
Net capital invested	(Values in millions of EUR)	262.8	271.8	258.2	259.1
Net financial indebtedness	(Values in millions of EUR)	66.8	88.9	87.7	95.6
Group net equity	(Values in millions of EUR)	165.0	153.8	143.2	136.7
Group net equity per share	(Values in units of EUR)	1.5	1.4	1.3	1.3
Current assets/ current liabilities	(Ratio)	1.9	2.2	2.1	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	1.1	1.0	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.3	0.5	0.5	0.6

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", "Moschino" and "Pollini", and under licensed brands, which include "Jean Paul Gaultier" and "Blugirl". 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 Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier"). 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, which include "Alberta Ferretti", "Philosophy di Alberta Ferretti" and "Moschino", and under third-party licensed brands such as "Blugirl".

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

Aeffe

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

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

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

In 1995, Aeffe began collaborating with designer Jean Paul Gaultier, whose brand "Jean Paul Gaultier" it produces and distributes under licence.

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.

In 2008 Aeffe has signed a licence agreement with Elizabeth Arden for the development, marketing and distribution of the fragrance branded "Alberta Ferretti". Always in 2008 Aeffe signs a master franchising agreement with SE International for the distribution of "Alberta Ferretti" and "Philosophy di Alberta Ferretti" brands in Korea.

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 is currently 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 four single-brand Moschino stores, two in Milan, one in Rome and one in Capri.

In 2007 Moschino signed a licence agreement with Binda Group for the production and distribution of watches and jewellery branded "Moschino Cheap and Chic".

Always in 2007, Moschino signed a licence agreement with Max Safety Fashion for the production of helmets branded "Moschino".

In 2008 Moschino signs a licence agreement with Altana Spa, for the creation, development and world distribution of the "Moschino" boys' and girls' collections.

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 2001, Velmar began the production and distribution under licence of Alberta Ferretti lingerie, beachwear and loungewear lines.

In 2004, Velmar began the production and distribution of lingerie, beachwear and loungewear lines under the "Philosophy di Alberta Ferretti" brand.

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.

Aeffe USA

Aeffe USA is 100% owned by Aeffe Spa 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 own showroom located in midtown Manhattan. Aeffe USA also manages two single-brand stores; one in Soho, New York and the other in West Hollywood, Los Angeles.

Aeffe Retail

Aeffe Retail operates in the retail segment of the Italian market and directly manages 9 stores, both mono-brand and multi-brand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri.

Clan Cafè

Clan Cafè Srl, incorporated in 2007, is 62.9% owned by Aeffe Retail and manages a store located in Milan, Pontaccio 19 Street, which distributes clothing and accessories produced by Aeffe Group and by third parties.

Giorgetti Space

Giorgetti Space joints the Aeffe Group in 2010 and is 100% owned by Aeffe Retail; the company will directly manage a new mono-brand store to be open, which will sell clothing under the Alberta Ferretti and Philosophy di Alberta Ferretti labels.

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 Alberta Ferretti labels. The company also acts as an agent for the UK market.

Aeffe France

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

Aeffe Japan

Aeffe Japan was founded at the end of 2008 and is 100% owned by Aeffe S.p.A.; its intention is to develop and strengthen Group's brands in the Japan market.

Nuova Stireria Tavoleto

Nuova Stireria Tavoleto, based in Tavoleto (Pesaro-Urbino), is 100% owned by Aeffe S.p.A. and provides industrial pressing services for the majority of Aeffe and Velmar production and for other clients outside the Group.

Moschino Far East

Moschino Far East is 100% owned by Moschino Spa and is based in Hong Kong. The company is the holding company of Moschino Japan and Moschino Korea.

Moschino Japan

Moschino Japan is 100% owned by Moschino Far East and is based in Tokyo. The company operates both in the wholesale and in the retail segment distributing items of clothing and accessories of the Moschino-branded collections through its showroom based in Tokyo and its flagship stores under direct management placed in the most important cities.

Moschino Korea

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

Fashoff UK

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

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

Moschino France

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

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

Moschino Gmbh

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

Bloody Mary

Bloody Mary directly manages a single-brand Moschino store 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 Florence, Milan, Rome, Verona, Bolzano, Bergamo, 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.

In 2008 the stylist Nicholas Kirkwood was appointed as design director of the Pollini accessory collections and bag collections.

Always in 2008, Pollini has entered into new license agreements with Drops Srl, for the manufacturing of umbrellas, as well as Larioseta Spa, for the manufacturing and distribution of neckwear, including women’s shawls, women’s and men’s scarves and ties.

Pollini Retail

Pollini Retail is active in the retail segment of the Italian market and directly manages 16 stores in major Italian cities such as Milan, Rome, Venice and Florence.

2. CONSOLIDATED RICLASSIFIED INCOME STATEMENT

(Values in units of EUR)	1st Half 2010	% on revenues	1st Half 2009	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**102,869,523**	**100.0%**	**111,148,148**	**100.0%**	**-8,278,625**	**-7.4%**
Other revenues and income	3,885,318	3.8%	2,600,295	2.3%	1,285,023	49.4%
TOTAL REVENUES	**106,754,841**	**103.8%**	**113,748,443**	**102.3%**	**-6,993,602**	**-6.1%**
Changes in inventory	642,634	0.6%	562,960	0.5%	79,674	14.2%
Costs of raw materials, cons. and goods for resale	-30,606,017	-29.8%	-35,881,096	-32.3%	5,275,079	-14.7%
Costs of services	-34,838,821	-33.9%	-41,966,622	-37.8%	7,127,801	-17.0%
Costs for use of third parties assets	-10,510,062	-10.2%	-9,692,811	-8.7%	-817,251	8.4%
Labour costs	-30,478,472	-29.6%	-32,026,862	-28.8%	1,548,390	-4.8%
Other operating expenses	-3,236,945	-3.1%	-1,975,736	-1.8%	-1,261,209	63.8%
Total Operating Costs	-109,027,683	-106.0%	-120,980,167	-108.8%	11,952,484	-9.9%
GROSS OPERATING MARGIN (EBITDA)	**-2,272,842**	**-2.2%**	**-7,231,724**	**-6.5%**	**4,958,882**	**-68.6%**
Amortisation of intangible fixed assets	-3,219,896	-3.1%	-1,806,595	-1.6%	-1,413,301	78.2%
Depreciation of tangible fixed assets	-3,362,904	-3.3%	-3,372,215	-3.0%	9,311	-0.3%
Revaluations/(write-downs) and provisions	-35,533	0.0%	0	0.0%	-35,533	n.a.
Total Amortisation, write-downs and provisions	-6,618,333	-6.4%	-5,178,810	-4.7%	-1,439,523	27.8%
NET OPERATING PROFIT / LOSS (EBIT)	**-8,891,175**	**-8.6%**	**-12,410,534**	**-11.2%**	**3,519,359**	**-28.4%**
Financial income	2,253,870	2.2%	380,974	0.3%	1,872,896	491.6%
Financial expenses	-1,874,540	-1.8%	-2,221,012	-2.0%	346,472	-15.6%
Total Financial Income/(Expenses)	379,330	0.4%	-1,840,038	-1.7%	2,219,368	-120.6%
PROFIT / LOSS BEFORE TAXES	**-8,511,845**	**-8.3%**	**-14,250,572**	**-12.8%**	**5,738,727**	**-40.3%**
Current income taxes	-1,171,824	-1.1%	-1,664,401	-1.5%	492,577	-29.6%
Deferred income/(expenses) taxes	2,672,451	2.6%	3,982,294	3.6%	-1,309,843	-32.9%
Total Income Taxes	1,500,627	1.5%	2,317,893	2.1%	-817,266	-35.3%
NET PROFIT / LOSS	**-7,011,218**	**-6.8%**	**-11,932,679**	**-10.7%**	**4,921,461**	**-41.2%**
(Profit)/loss attributable to minority shareholders	709,030	0.7%	1,898,309	1.7%	-1,189,279	-62.6%
NET PROFIT / LOSS FOR THE GROUP	**-6,302,188**	**-6.1%**	**-10,034,370**	**-9.0%**	**3,732,182**	**-37.2%**

SALES

In 1stH 2010, consolidated revenues decrease from EUR 111,148 thousand in 1stH 2009 to EUR 102,870 thousand, down 7.4% (-8.1% at constant exchange rates). Revenues have been positively influenced by the 7% increase in the second quarter 2010 compared to the same period of the previous year.

The revenues of the prêt-à-porter division decrease by 4.9% (-5.7% at constant exchange rates) to EUR 85,842 thousand, while the revenues of the footwear and leather goods division decrease by 19.2% to EUR 22,277 thousand, before interdivisional eliminations.

Sales by brand

(Values in thousands of EUR)	1st Half 2010	%	1st Half 2009	%	Change Δ	%
Alberta Ferretti	21,434	20.8%	22,917	20.6%	-1,483	-6.5%
Moschino	59,553	57.9%	58,743	52.9%	810	1.4%
Pollini	12,927	12.6%	16,832	15.1%	-3,905	-23.2%
J.P.Gaultier	5,476	5.3%	7,711	6.9%	-2,235	-29.0%
Other	3,480	3.4%	4,945	4.5%	-1,465	-29.6%
Total	**102,870**	**100.0%**	**111,148**	**100.0%**	**-8,278**	**-7.4%**

In 1stH 2010, Alberta Ferretti brand decreases by 6.5% (-6.9% at constant exchange rates), generating 20.8% of the group's consolidated sales.

In the same period, Moschino brand sales increase by 1.4% (+0.2% at constant exchange rates), contributing to 57.9% of consolidated sales.

Pollini brand records a contraction of 23.2% (-23.2% at constant exchange rates), largely predicted, because the season spring-summer 2010 has been particularly negative compared to the one of the previous year. Pollini brand generates the 12.6% of consolidated sales.

Brand under licence JP Gaultier decreases by 29.0% (-29.0% at constant exchange rates), contributing to 5.3% of consolidated sales.

Other brands sales decrease by 29.6% (-29.6% at constant exchange rates), equal to 3.4% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1st Half 2010	%	1st Half 2009	%	Change Δ	%
Italy	44,071	42.8%	46,404	41.7%	-2,333	-5.0%
Europe (Italy and Russia excluded)	22,263	21.6%	23,772	21.4%	-1,509	-6.3%
Russia	6,115	5.9%	7,347	6.6%	-1,232	-16.8%
United States	9,370	9.1%	9,081	8.2%	289	3.2%
Japan	8,294	8.1%	8,163	7.3%	131	1.6%
Rest of the World	12,757	12.5%	16,381	14.8%	-3,624	-22.1%
Total	**102,870**	**100.0%**	**111,148**	**100.0%**	**-8,278**	**-7.4%**

All geographical areas have seen a recovery in comparison with the previous quarters.

In 1stH 2010, the Group records sales in Italy for EUR 44,071 thousand, contributing to 42.8% of consolidated sales with a 5.0% decrease.

In Europe Group's sales decline by 6.3% (-6.6% at constant exchange rates), contributing to 21.6% of consolidated sales, while sales in Russia are EUR 6,115 thousand contributing to 5.9% of consolidated sales, with a decrease of 16.8% (-16.8% at constant exchange rates). Sales in the United States are EUR 9,370 thousand contributing to 9.1% of consolidated sales, with an increase of 3.2% (+2.9% at constant exchange rates). Sales in Japan increase by 1.6% (-2.7% at constant exchange rates) to EUR 8,294 thousand, contributing to 8.1% of consolidated sales.

The Rest of the world records sales for EUR 12,757 thousand, down 22.1% (-24.2% at constant exchange rates), contributing to 12.5% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	1st Half 2010	%	1st Half 2009	%	Change Δ	%
Wholesale	63,191	61.4%	73,227	65.9%	-10,036	-13.7%
Retail	31,921	31.0%	28,803	25.9%	3,118	10.8%
Royalties	7,758	7.6%	9,118	8.2%	-1,360	-14.9%
Total	**102,870**	**100.0%**	**111,148**	**100.0%**	**-8,278**	**-7.4%**

Revenues generated by the Group in the 1stH 2010 are analysed below:

- 61.4% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 73,227 thousand in 1stH 2009 and EUR 63,191 thousand in 1stH 2010, with a decrease of 13.7% (-13.8% at constant exchange rates).
- 31.0% from sales managed directly by the Group (retail channel), which contributes EUR 28,803 thousand in 1stH 2009 and EUR 31,921 thousand in 1stH 2010, up 10.8% (+8.5% at constant exchange rates).
- 7.6% 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 decrease by 14.9% from EUR 9,118 thousand in 1stH 2009 to EUR 7,758 thousand in 1stH 2010.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	1st Half 2010	%	1st Half 2009	%	Change Δ	%
Own brands	93,940	91.3%	98,609	88.7%	-4,669	-4.7%
Brands under license	8,930	8.7%	12,539	11.3%	-3,609	-28.8%
Total	**102,870**	**100.0%**	**111,148**	**100.0%**	**-8,278**	**-7.4%**

Revenues generated by own brands decrease in absolute value of EUR 4,669 thousand, -4.7% compared with the previous period, with an incidence on total revenues which increases from 88.7% in 1stH 2009 to 91.3% in 1stH 2010. Revenues generated by brands under license decrease by 28.8%.

LABOUR COSTS

Labour costs decrease from EUR 32,027 thousand in 1stH 2009 to EUR 30,478 thousand in 1stH 2010 with an incidence on revenues which changes from 28.8% in the 1stH 2009 to 29.6% in the 1stH 2010. The increase of labour costs, related to the opening of new directly operated stores and to the start-up of the subsidiary Aeffe Japan, operative from half 2009 with the intention to develop and strengthen Group’s brands in the Japan market, has been largely compensated by the cost-saving strategy adopted by the Group’s management in order to face the particular historical moment.

The workforce decreases from an average of 1,518 units in the 1stH 2009 to 1,471 units in the 1stH 2010.

Average number of employees by category	1st Half 2010	1st Half 2009	Change Δ	% %
Workers	402	451	-49	-11%
Office staff-supervisors	1,040	1,039	1	0%
Executive and senior managers	29	28	1	4%
Total	**1,471**	**1,518**	**-47**	**-3%**

GROSS OPERATING MARGIN (EBITDA)

In 1stH 2010, consolidated EBITDA is negative for EUR 2,273 thousand, better that EUR - 7,232 thousand in 1stH 2009. EBITDA has an incidence of -2.2% of total sales. Profitability has been influenced, on one side, by the slowdown in revenues and, on the other side, by the lower incidence of the operating costs thanks to the policy of costs' reduction taken by the Group.

EBITDA of the *prêt-à-porter* division is positive for EUR 1,965 thousand with an increase in absolute value of EUR 5,203 thousand compared to EUR - 3,238 thousand in 1stH 2009. This division shows a strong recovery of profitability in the second quarter 2010 compared to the second quarter 2009.

EBITDA of the Footwear and leather goods division decreases of EUR 244 thousand from EUR -3,994 thousand in 1stH 2009 to EUR -4,238 thousand in 1stH 2010.

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is negative for EUR 8,891 thousand compared to a negative EBIT of EUR 12,411 thousand in 1stH 2009. The difference also includes EUR 1,414 thousand deriving from the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised on a systematic basis over their residual term of lease.

PROFIT / LOSS BEFORE TAXES

Loss before tax decreases of EUR 5.739 thousand from EUR -14,251 thousand in 1stH 2009 to EUR -8,512 thousand in 1stH 2010.

NET PROFIT / LOSS FOR THE GROUP

The net loss for the Group decreases to EUR -6,302 thousand in 1stH 2010 from EUR -10,034 thousand in 1stH 2009, with a decrease in absolute value of EUR 3,732.

3. RECLASSIFIED CONSOLIDATED STATEMENT OF FINACIAL POSITION

(Values in units of EUR)	30 June 2010	31 December 2009
Trade receivables	26,507,038	26,868,686
Stock and inventories	71,276,701	69,482,860
Trade payables	-44,003,156	-42,133,025
Operating net working capital	**53,780,583**	**54,218,521**
Other short term receivables	28,002,786	25,345,033
Tax receivables	5,124,524	6,284,474
Other short term liabilities	-16,050,149	-14,646,542
Tax payables	-2,668,569	-3,376,900
Net working capital	**68,189,175**	**67,824,586**
Tangible fixed assets	78,101,277	76,586,538
Intangible fixed assets	159,864,683	157,008,475
Equity investments	28,840	27,840
Other fixed assets	3,081,211	2,812,254
Fixed assets	**241,076,011**	**236,435,107**
Post employment benefits	-9,362,487	-9,784,848
Provisions	-1,276,444	-1,247,299
Assets available for sale	436,885	9,257,006
Liabilities availables for sale	-	-1,853,574
Long term not financial liabilities	-14,241,401	-14,241,401
Deferred tax assets	17,389,504	14,544,857
Deferred tax liabilities	-43,082,587	-42,773,359
NET CAPITAL INVESTED	**259,128,656**	**258,161,075**
Share capital	25,371,407	25,371,407
Other reserves	119,987,495	125,160,336
Profits/(Losses) carried-forward	-2,363,216	12,749,353
Profits/(Loss) for the period	-6,302,188	-20,088,143
Group interest in shareholders' equity	**136,693,498**	**143,192,953**
Minority interest in shareholders' equity	26,788,114	27,301,285
Total shareholders' equity	**163,481,612**	**170,494,238**
Cash	-5,868,020	-5,336,905
Long term financial liabilities	15,426,986	18,159,414
Short term financial liabilities	86,088,078	74,844,328
NET FINANCIAL POSITION	**95,647,044**	**87,666,837**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**259,128,656**	**258,161,075**

NET INVESTED CAPITAL

Net invested capital increases by 0.4% compared with 31 December 2009.

NET WORKING CAPITAL

Net working capital amounts to EUR 68,189 thousand (32.7% of LTM sales) compared with EUR 67,825 thousand of 31 December 2009 (31.2% of sales).

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

- operating net working capital (EUR 53,781 thousand) is in line with the one at 31 December 2009 (EUR 54,219 thousand);
- other current receivables increase of EUR 2,658 thousand mainly due to increase of credits for prepaid costs generated by the seasonality of the business:
- other current payables increase from 31 December 2009 of EUR 1,404 thousand mainly due to the effect of the thirteenth monthly salary accrual, which doesn't have a corresponding value in the balance of ending period;
- the net effect of tax payables/receivables decreases net working capital of EUR 452 thousand and it is mainly due to the decrease of VAT receivable as a consequent of the normal trend of the operative management of the business.

FIXED ASSETS

Fixed assets increase by EUR 4,641 thousand from 31 December 2009 to 30 June 2010.

The changes in the main items are described below:

- the increase in tangible fixed assets of EUR 1,514 thousand is mainly determined by new investments for EUR 2,678 thousand and by positive exchange rates differences for EUR 2,310 thousand generated by the conversion of companies' financial statement in other currency than EUR. The semester amortisations (EUR 3,363 thousand) compensate only partially the two effects described above;
- the increase in intangible fixed assets of EUR 2,857 thousand is mainly due to:
  - o the increase of the Key money category for EUR 5,640 thousand: such increase is generated by the entry in the 100% of the share capital of the company Giorgetti Space Srl, holder of a boutique's lease placed in Milan.
  - o the decrease generated by the amortisation of the period for EUR 3,220 thousand.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 95,647 thousand as of 30 June 2010 compared with EUR 87,667 thousand as of 31 December 2009. Such increase is mainly due to the economic result of the first semester 2010 and to the investments realized in the period for EUR 4.024 thousand.

SHAREHOLDERS' EQUITY

The shareholders' equity decreases by EUR 7,012 thousand from EUR 170,494 thousand as of 31 December 2009 to EUR 163,482 thousand as of 30 June 2010. The reasons of such decrease are illustrated in the explanatory notes. The number of shares is 107,362,504.

4. RESEARCH & DEVELOPMENT ACTIVITIES

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

5. TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note 36 of the Half-year Condensed Financial Statements at 30 June 20010.

6. SIGNIFICANT EVENTS OCCURRING IN THE SEMESTER

After the call option was exercised, on 31 March 2010 the joint venture with the company Bluebell was terminated as far as the Asian market is concerned, and Moschino SpA became, for all practical purposes, the only shareholder of Moschino Far East Ltd, and consequently of the companies it controls. Of these, Moschino Korea and Moschino Japan are directly managed by Moschino SpA through a local structure, already implemented and that has already started to follow all of the activities since 1 January 2010. The companies operating in the other territories of the Asian market have instead been sold to Bluebell, which works as distributor for these areas.

On 5 May 2010 the company Aeffe Retail S.p.A. (entirely held by the parent company Aeffe S.p.A.) has acquired the full shareholding in the company Giorgetti Space Srl (equal to the 100% of its share capital) which is holder of a boutique's lease placed in Milan. The company Giorgetti Space Srl has been consolidated in the present half-year condensed financial statements with effects subsequent to the acquisition date.

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

As emerged from the data published in the economic report of Banca d'Italia, the world economic recovery continues in the first half of 2010 with elevated growth rates in the emerging economies, sustained in USA and Japan, still fragile in Europe. The international trade has recovered part of the lost ground compared to 2008. In the advanced countries the wide margins of not utilized production capacity has contained the inflationary tendencies.

The major risks and uncertainties on the recovery sustainability relate to the possibility of a general slowdown of the growth in the next months. The world economy evolution is still partially depending by the measures adopted by the governments and is restrained by unfavorable conditions of the job market and by recurring financial tensions. Forecasts are better for the economies where the internal demand for consumptions and investments appears stronger.

Also Altagamma Foundation, following researches conducted with the company Bain & Co., confirms a growth in the year 2010 compared to the same period of 2009. Such recovery should establish, for the high segment of the market, around at 4%, with a positive contribution of all markets excluding Japan, where for the sixth consecutive year sales are forecasted down of 3.6%.

In the second quarter of 2010 the signs of recovery, that had begun to glimpse in the previous quarter, have strengthened further, both in the retail and in the wholesale channel, whose turnover showed, respectively, a 12% and a 7% growth. Also the operating results have been improving, especially in the prêt-à-porter division, thanks to the actions taken in past months to improve the efficiency of the Group and reduce the operating costs, the benefits of which we believe will be more evident in the second semester of the year.

Half-year condensed financial statements at 30 June 2010

Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(Values in units of EUR)	Notes	30 June 2010	31 December 2009	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		51,108,665	46,883,310	4,225,355
Trademarks		108,176,264	109,923,023	-1,746,759
Other intangible fixed assets		579,754	202,142	377,612
Total intangible fixed assets	(1)	159,864,683	157,008,475	2,856,208
Tangible fixed assets				
Lands		17,846,824	17,599,237	247,587
Buildings		33,560,714	32,751,230	809,484
Leasehold improvements		15,377,993	15,229,172	148,821
Plant and machinary		6,825,942	7,269,169	-443,227
Equipment		390,241	400,379	-10,138
Other tangible fixed assets		4,099,563	3,337,351	762,212
Total tangible fixed assets	(2)	78,101,277	76,586,538	1,514,739
Other fixed assets				
Equity investments	(3)	28,840	27,840	1,000
Other fixed assets	(4)	3,081,211	2,812,254	268,957
Deferred tax assets	(5)	17,389,504	14,544,857	2,844,647
Total other fixed assets		20,499,555	17,384,951	3,114,604
TOTAL NON-CURRENT ASSETS		**258,465,515**	**250,979,964**	**7,485,551**
CURRENT ASSETS				
Stocks and inventories	(6)	71,276,701	69,482,860	1,793,841
Trade receivables	(7)	26,507,038	26,868,686	-361,648
Tax receivables	(8)	5,124,524	6,284,474	-1,159,950
Cash	(9)	5,868,020	5,336,905	531,115
Other receivables	(10)	28,002,786	25,345,033	2,657,753
TOTAL CURRENT ASSETS		**136,779,069**	**133,317,958**	**3,461,111**
Assets available for sale	(11)	436,885	9,257,006	-8,820,121
TOTAL ASSETS		**395,681,469**	**393,554,928**	**2,126,541**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 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 STATEMENT OF FINANCIAL POSITION (*)

(Values in units of EUR)	Notes	30 June 2010	31 December 2009	Change
SHAREHOLDERS' EQUITY	**(12)**			
Group interest				
Share capital		25,371,407	25,371,407	0
Share premium reserve		71,240,251	71,240,251	0
Translation reserve		-1,692,082	-1,690,675	-1,407
Cash flow hedge reserve		0	0	0
Other reserves		31,078,594	36,250,028	-5,171,434
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profits/(losses) carried-forward		-2,363,216	12,749,353	-15,112,569
Net profit/(loss) for the Group		-6,302,188	-20,088,143	13,785,955
Group interest in shareholders' equity		136,693,498	143,192,953	-6,499,455
Minority interest				
Minority interest in share capital and reserves		27,497,144	30,990,377	-3,493,233
Net profit/(loss) for the minority interest		-709,030	-3,689,092	2,980,062
Minority interest in shareholders' equity		26,788,114	27,301,285	-513,171
TOTAL SHAREHOLDERS' EQUITY		**163,481,612**	**170,494,238**	**-7,012,626**
NON-CURRENT LIABILITIES				
Provisions	(13)	1,276,444	1,247,299	29,145
Deferred tax liabilities	(5)	43,082,587	42,773,359	309,228
Post employment benefits	(14)	9,362,487	9,784,848	-422,361
Long term financial liabilities	(15)	15,426,986	18,159,414	-2,732,428
Long term not financial liabilities	(16)	14,241,401	14,241,401	0
TOTAL NON-CURRENT LIABILITIES		**83,389,905**	**86,206,321**	**-2,816,416**
CURRENT LIABILITIES				
Trade payables	(17)	44,003,156	42,133,025	1,870,131
Tax payables	(18)	2,668,569	3,376,900	-708,331
Short term financial liabilities	(19)	86,088,078	74,844,328	11,243,750
Other liabilities	(20)	16,050,149	14,646,542	1,403,607
TOTAL CURRENT LIABILITIES		**148,809,952**	**135,000,795**	**13,809,157**
Liabilities available for sale	(11)	0	1,853,574	-1,853,574
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**395,681,469**	**393,554,928**	**2,126,541**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 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 2010	%	1st Half 2009	%
REVENUES FROM SALES AND SERVICES	**(21)**	**102,869,523**	**100.0%**	**111,148,148**	**100.0%**
Other revenues and income	(22)	3,885,318	3.8%	2,600,295	2.3%
TOTAL REVENUES		**106,754,841**	**103.8%**	**113,748,443**	**102.3%**
Changes in inventory		642,634	0.6%	562,960	0.5%
Costs of raw materials, cons. and goods for resale	(23)	-30,606,017	-29.8%	-35,881,096	-32.3%
Costs of services	(24)	-34,838,821	-33.9%	-41,966,622	-37.8%
Costs for use of third parties assets	(25)	-10,510,062	-10.2%	-9,692,811	-8.7%
Labour costs	(26)	-30,478,472	-29.6%	-32,026,862	-28.8%
Other operating expenses	(27)	-3,236,945	-3.1%	-1,975,736	-1.8%
Amortisation, write-downs and provisions	(28)	-6,618,333	-6.4%	-5,178,810	-4.7%
Financial income/(expenses)	(29)	379,330	0.4%	-1,840,038	-1.7%
PROFIT / LOSS BEFORE TAXES		**-8,511,845**	**-8.3%**	**-14,250,572**	**-12.8%**
Income taxes	(30)	1,500,627	1.5%	2,317,893	2.1%
NET PROFIT / LOSS		**-7,011,218**	**-6.8%**	**-11,932,679**	**-10.7%**
(Profit)/loss attributable to minority shareholders		709,030	0.7%	1,898,309	1.7%
NET PROFIT / LOSS FOR THE GROUP		**-6,302,188**	**-6.1%**	**-10,034,370**	**-9.0%**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 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".

STATEMENT OF COMPREHENSIVE INCOME

(Values in units of EUR)	I° Half 2010	I° Half 2009
Profit/(loss) for the period (A)	**-7,011,218**	**-11,932,679**
Gains/(losses) on cash flow hedges	-	252,414
Gains/(losses) on exchange differences on translating foreign operations	-1,407	187,882
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total Other comprehensive income / (loss), net of tax (B)	**-1,407**	**440,296**
Total Comprehensive income / (loss) (A) + (B)	**-7,012,625**	**-11,492,383**
Total Comprehensive income / (loss) attributable to:	**-7,012,625**	**-11,492,383**
Owners of the parent	-6,303,595	-9,594,074
Non-controlling interests	-709,030	-1,898,309

CONSOLIDATED STATEMENT OF CASH FLOWS (*)

(Values in thousands of EUR)	Notes	1st Half 2010	1st Half 2009
OPENING BALANCE		**5,337**	**7,706**
Profit / loss before taxes		-8,512	-14,251
Amortisation / write-downs		6,618	5,179
Accrual (+)/availment (-) of long term provisions and post employment benefits		-393	-147
Paid income taxes		-1,743	-2,181
Financial income (-) and financial charges (+)		-379	1,840
Change in operating assets and liabilities		344	-5,695
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-4,065**	**-15,255**
Increase (-)/ decrease (+) in intangible fixed assets		-6,076	-329
Increase (-)/ decrease (+) in tangible fixed assets		-4,878	-3,394
Investments and write-downs (-)/ Disinvestments and revaluations (+)		6,930	0
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-4,024**	**-3,723**
Other variations in reserves and profits carried-forward of shareholders' equity		-1	-509
Dividends paid		0	-710
Proceeds (+)/repayment (-) of financial payments		8,511	20,777
Increase (-)/ decrease (+) in long term financial receivables		-269	-53
Financial income (+) and financial charges (-)		379	-1,840
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**8,620**	**17,665**
CLOSING BALANCE		**5,868**	**6,393**

(*) Pursuant to Consob Resolution N. 15519 of 27 July 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”.

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Net profit / loss for the Group	Translation reserve	Cash flow hedge reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2008	**25,767**	**71,796**	**31,795**	**7,901**	**11,459**	**10,236**	**7,676**	**- 1,269**	**- 340**	**165,021**	**30,990**	**196,011**
Changes in equity for 1st H 2009												
Allocation of 31 December 2008 profit	-	-	4,453	-	-	3,223	- 7,676	-	-	-	-	-
Dividends paid	-	-	-	-	-	- 710	-		-	- 710	-	- 710
Treasury stock (buyback)/sale	- 396	- 556	-	-	-	-	-	-	-	- 952	-	- 952
Total comprehensive income/(loss) at 30/06/09	-	-	-	-	-	-	- 10,034	188	252	- 9,594	- 1,898	- 11,492
Other changes	-	-	3	-	-	-	-	-	-	3	-	3
BALANCES AT 30 June 2009	**25,371**	**71,240**	**36,251**	**7,901**	**11,459**	**12,749**	**- 10,034**	**- 1,081**	**- 88**	**153,768**	**29,092**	**182,860**

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Fair Value reserve	IAS reserve	Profit/(losses) carried-forward	Net profit / loss for the Group	Translation reserve	Cash flow hedge reserve	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2009	**25,371**	**71,240**	**36,252**	**7,901**	**11,459**	**12,749**	**- 20,088**	**- 1,691**	**-**	**143,193**	**27,301**	**170,494**
Changes in equity for 1st H 2010												
Loss settlement 31/12/09	-	-	- 5,172	-	-	- 14,916	20,088	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/10	-	-	-	-	-	-	- 6,302	- 1		- 6,304	- 709	- 7,013
Other changes	-	-	-	-	-	- 196	-	-	-	- 196	196	-
BALANCES AT 30 June 2010	**25,371**	**71,240**	**31,080**	**7,901**	**11,459**	**- 2,363**	**- 6,302**	**- 1,692**	**-**	**136,693**	**26,788**	**163,482**

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", "Moschino" and "Pollini", and licensed brands, which include "Jean Paul Gaultier" and "Blugirl". 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 statement of financial position, income statement, statement of changes in equity, cash flow statement and these notes.

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

DECLARATION OF CONFORMITY AND REPORTING PRINCIPLES

The half-year condensed financial statements at 30 June 2010 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 19 July 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 30 June 2010 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 30 June 2010 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.G. in Marignano (RN) Italy	EUR	8,585,150	100%	
Clan Cafè	S.G. in Marignano (RN) Italy	EUR	100,000		62,9% (v)
Moschino	S.G. in Marignano (RN) Italy	EUR	20,000,000	70%	
Nuova Stireria Tavoleto	Tavoleto (PU) Italy	EUR	10,400	100%	
Pollini	Gatteo (FC) Italy	EUR	6,000,000	72%	
Pollini Retail	Gatteo (FC) Italy	EUR	5,000,000		71,9% (i)
Velmar	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Giorgetti Space	Medda (MI) Italia	EUR	16,000		100,0% (iv)
Foreign companies					
Aeffe France	Paris (FR)	EUR	1,550,000	100%	
Aeffe UK	London (GB)	GBP	310,000	100%	
Aeffe USA	New York (USA)	USD	600,000	100%	
Divè	Galazzano (RSM)	EUR	260,000	75%	
Fashoff UK	London (GB)	GBP	1,550,000		70,0% (ii)
Moschino Far East	Hong Kong (HK)	HKD	1,000,000		70,0% (ii)
Moschino Japan	Tokio (J)	JPY	120,000,000		70,0% (iii)
Moschino Korea	Seoul (ROK)	KRW	50,000,000		70,0% (iii)
Moschino France	Paris (FR)	EUR	50,000		70,0% (ii)
Moschino Retail	Berlin (D)	EUR	100,000		70,0% (ii)
Ozbek (london)	London (GB)	GBP	300,000	92%	
Aeffe Japan	Tokio (J)	JPY	3,600,000	100%	
Bloody Mary	New York (USA)	USD	100,000		70,0% (ii)

Notes (details of indirect shareholdings):

(i) 99,9% owned by Pollini;

(ii) 100% owned by Moschino;

(iii) 100% owned by Moschino Far East;

(iv) 100% owned by Aeffe Retail;

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

During the semester the following operations have been completed:

a) Moschino Spa has acquired the remaining 49.9% of Moschino Far East; company which controls the 100% of Moschino Japan and Moschino Korea;

b) Fashion Retail Company has been excluded by the scope of consolidation because it has been liquidated;

c) Aeffe Retail has acquired the 100% of the company Giorgetti Space Srl;

d) Ferretti Studio has been incorporated in Aeffe Spa;

e) Aeffe Spa has increased its shareholding in Velmar Spa achieving the 100%.

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 main 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 30 June 2010	Average exchange rate 1st Half 2010	Actual exchange rate 31 December 2009	Average exchange rate FY 2009	Actual exchange rate 30 June 2009	Average exchange rate 1st Half 2009
United States Dollars	1.2271	1.3268	1.4406	1.3948	1.4134	1.3322
United Kingdom Pounds	0.8175	0.8700	0.8881	0.8909	0.8521	0.8939
Japanese Yen	108.7900	121.3197	133.1600	130.3370	135.5100	127.1952

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. The cash flow statement is presented using the "indirect" format.

With reference to Consob Resolution n. 15519 dated 27 July 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 31 December 2009, as described in the consolidated financial statements for the year ended 31 December 2009, except for the following interpretations and amendments to the accounting principles that have been mandatory since 1 January 2010 (unless otherwise indicated):

On January 2008 the IASB issued a revised version of IFRS 3 - *Business Combinations* and an amended version of IAS 27 - *Consolidated and separate financial statements*. The main changes that revised IFRS 3 makes to existing requirements are the elimination of the need to measure every asset and liability at fair value at each stage in a step acquisition of subsidiaries. Goodwill is only to be measured on acquiring control, as the difference at acquisition date between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Moreover, for a business combination in which the acquirer achieves control without purchasing all of the acquire, the remaining (non-controlling) equity interests are measured either at fair value or by using the method already provided previously in IFRS3. The revised IFRS 3 also requires acquisition-related costs to be recognised as expenses and the acquirer to recognise the obligation to make an additional payment as part of the business combination (contingent consideration). In the amended version of IAS 27, the IASB has added a requirement specifying that changes in a parent's interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions and recognised within equity. Moreover, when a parent loses control of a subsidiary but retains an ownership interest it must initially measure any retained investment at fair value. At the date when control is lost, the difference between the fair value and the carrying amount of the retained interest must be recognised in income statement. Finally, the amendment to IAS 27 requires losses pertaining to non-controlling interests to be allocated to non-controlling interest equity, even if this results in the non-controlling interest having a deficit balance. The new rules will apply prospectively from 1 January 2010. The adoption of the amendment has not involved any accounting effect.

As part of its 2008 annual improvements project, the IASB issued an amendment to IFRS 5 – *Non Current Assets Held for Sale and Discontinued Operations*. This amendment requires an entity that is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liability of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The amendment, if relevant for the Group, will apply from 1 January 2010, early application is allowed. The adoption of the amendment is not relevant for the Group.

On 31 July 2008, the IASB issued an amendment to IAS 39 – *Financial Instruments: recognition and measurement*. The amendment clarifies how the existing principles underlying hedge accounting should be applied in particular situations. The amendment is effective retrospectively from 1 January 2010. The adoption of the amendment has not involved any accounting effect.

On 27 November 2008 the IFRIC issued IFRIC 17 – *Distributions of Non-cash assets to owners* that will standardise practice in the accounting treatment of the distribution of non-cash assets to owners. In particular, the interpretation clarifies that a dividend payable should be recognised when dividend is appropriately authorised and that an entity should measure this dividend payable at the fair value of the net assets to be distributed. Finally, an entity should recognise the difference between the dividend paid and the carrying amount of the net assets used for payment in income statement. This interpretation is effective prospectively from 1 January 2010. The adoption of the amendment has not involved any accounting effect.

On 29 January 2009 the IFRIC issued the interpretation IFRIC 18 – *Transfers of assets from customers* that clarifies the accounting treatment to be followed for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which will then be used to acquire or construct the item of property, plant and equipment to be used to fulfil the requirements of the contract. The interpretation is effective prospectively from 1 January 2010. The adoption of the amendment has not involved any accounting effect.

On 16 April 2009 the IASB issued a series of amendments to IFRS (*Improvements to IFRSs*). Details are provided in the following paragraphs of those identified by the IASB as resulting in accounting changes for presentation, recognition and measurement purposes, leaving out any amendment regarding changes in terminology or editorial changes which are likely to have minimal effects in accounting and amended standards or interpretations not applicable to the Aeffe Group.

- IFRS 2 – *Share-based payment*: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that following the change made by IFRS 3 to the definition of a business combination the contribution of a business on the formation of a joint venture and the combination of entities or businesses under common control do not fall within the scope of IFRS 2. The adoption of the amendment has not involved any accounting effect.
- IFRS 5 – *Non-current assets held for sale and discontinued operations*: this amendment, which shall be applied prospectively from 1 January 2010, clarifies that IFRS 5 and other IFRS that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. The adoption of the amendment has not involved any accounting effect in the valuation and recording of balance-sheet items, but only in the information present in the Notes.
- IFRS 8 – *Operating segments*: this amendment, effective from 1 January 2010 (with early application permitted), requires an entity to report a measure of total assets for each reportable segment if such amount is regularly provided to the chief operating decision maker. Before the amendment, disclosure of total assets for each segment was required even if that condition was not met. The Group has accordingly adjusted the information related to the operative sectors.
- IAS 1 – *Presentation of financial statement*: this amendment, effective from 1 January 2010 (with early application permitted), amends the definition of a current liability contained in IAS 1. The previous definition required liabilities which could be extinguished at any time by issuing equity instruments to be classified as current. That led to liabilities relating to convertible bonds which could be converted at any time into the shares of the issuer to be classified as current. Following this amendment the existence of a current exercisable option for conversion into equity instruments becomes irrelevant for the purposes of the current/non-current classification of a liability. The adoption of the amendment is not relevant for the Group.
- IAS 7 – *Statement of cash flows*: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities in the statement of cash flows; cash flows originating from expenditures that do not result in a recognised asset (as could be the case for advertising and promotional activities and staff training) must be classified as cash flows from operating activities. The adoption of the amendment is not relevant for the Group.
- IAS 17 – *Leases*: following the changes, the general conditions required by IAS 17 for classifying a lease as a finance lease or an operating lease will also be applicable to the leasing of land, independent of whether the lease transfers ownership by the end of the lease term. Before these changes the standard required the lease to be classified as an operating lease if ownership of the leased land was not transferred at the end of the lease term because land has an indefinite useful life. The amendment is applicable from 1 January 2010 (with early application permitted). At the date of adoption the classification of all land elements of unexpired leases must be reassessed, with any lease newly classified as a finance lease to be recognised retrospectively. The adoption of the amendment is not relevant for the Group.
- IAS 36 – *Impairment of Assets*: this amendment, applicable prospectively from 1 January 2010 (with early application permitted), states that each unit or group of units to which goodwill is allocated for the purpose of impairment testing shall not be larger than an operating segment as defined by paragraph 5 of IFRS 8 – Operating segments before any aggregation on the basis of similar economic characteristics and other similarities as permitted by paragraph 12 of IFRS 8. The adoption of the amendment has not involved any accounting effect.

- IAS 38 – *Intangible assets*: IFRS 3 (as revised in 2008) states that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure its fair value reliably; amendments are made to IAS 38 to reflect that revision of IFRS 3. Moreover these amendments clarify the valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market; in particular, such techniques include discounting the estimated future net cash flows from an asset, and estimating the costs the entity avoids by owning an intangible asset and not having to license it from another party in an arm's length transaction or the costs to recreate or replace it (as in the cost approach). The amendment is applicable prospectively from 1 January 2010 (with early application permitted). The adoption of the amendment has not involved any accounting effect.
- IAS 39 – *Financial instruments: recognition and measurement*: this amendment restricts the non-applicability of IAS 39 under paragraph 2(g) of the standard to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date when the completion of the business combination is not dependant on further actions of either party and only the passage of a normal of period of time is required. Option contracts, whether or not currently exercisable, which allow one party to control the occurrence or non-occurrence of future events and on exercise will result in control of an entity are therefore included in the scope of IAS 39. The amendment also clarifies that embedded prepayment options whose exercise price compensates the lender for the loss of interest income resulting from the prepayment of the loan shall be considered closely related to the host debt contract and therefore not accounted for separately. Finally, the amendment clarifies that the gains or losses on a hedged instrument must be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment is applicable prospectively from 1 January 2010 although early application is permitted. The adoption of the amendment is not relevant for the Group.
- IFRIC 9 – *Reassessment of embedded derivates*: this amendment excludes from the scope of IFRIC 9 embedded derivates in contracts acquired in a business combination, a combination of entities or businesses under common control or the formation of a joint venture. The amendment is applicable prospectively from 1 January 2010. The adoption of the amendment is not relevant for the Group.

In June 2009, the IASB issued an amendment to IFRS 2 – *Share based payment: Group cash-settled share-based payment transactions*. The amendment clarifies the scope of IFRS 2 and the interactions of IFRS 2 and other standards. In particular, it clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash; moreover, it clarifies that a "group" has the same meaning as in IAS 27 – Consolidated and separate financial statement, that is, it includes only a parent and its subsidiaries. In addition, the amendment clarifies that an entity must measure the goods and services it received as either an equity-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognised by the consolidated group. The amendments also incorporate guidance previously included in IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – IFRS 2 – Group and treasury share transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendment is effective from 1 January 2010. The adoption of the amendment is not relevant for the Group.

On 8 October 2009, the IASB issued an amendment to IAS 32 – *Classification of Rights Issues* in order to address the accounting for rights issued (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable from 1 January 2011 retrospectively. The adoption of the amendment is not relevant for the Group.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011. The revised standard had not yet been endorsed by the European Union at the date of these financial statements.

On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial instruments* on the classification and measurement of financial assets, having an effective date for mandatory adoption of 1 January 2013. The new standard represents the completion of the first part of a project to replace IAS 39. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used. The new standard had not yet been endorsed by the European Union at the date of these financial statements.

On 26 November 2009, the IASB issued a minor amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*. The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits an entity to treat benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of 1 January 2011; the amendment had not yet been endorsed by the European Union at the date of these financial statements.

On 26 November 2009, the IFRIC issued the interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially, then the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the profit or loss for the period. The amendment has an effective date for mandatory adoption of 1 January 2011; the amendment had not yet been endorsed by the European Union at the date of these financial statements.

On 28 January 2010, the IASB issued an amendment to IFRS 1 – *Limited exemption from comparative IFRS 7 Disclosures for First-time Adopters*. The effective date of the amendment is 1 July 2010, with earlier application permitted. The adoption of the amendment is not relevant for the Group.

On 6 May 2010 the IASB issued a set of amendments to IFRSs ("*Improvement to IFRSs*") that are applicable from 1 January 2011; set out below are those that will lead to changes in terminology or editorial changes having a limited accounting effect and those that affect standards or interpretations that are not applicable to the Group.

- IFRS 3 (2008) – *Business combinations*: this amendment clarifies that the components of non-controlling interests that do not entitle their holders to a proportionate share of the entity's net assets must be measured at fair value or as required by the applicable accounting standards. For example, therefore, stock options granted to employees must be measured in accordance with the requirements of IFRS 2 in the case of a business combination, while the equity portion of a convertible debt instrument must be measure in accordance with IAS 32. In addition, the Board goes into further detail on the question of share-based payment plans that are replaced as part of a business combination by adding specific guidance to clarify the accounting treatment.
- IFRS 7 – *Financial instruments: disclosures*: this amendment emphasis the interaction between the qualitative and quantitative disclosures required by the standard concerning the nature and extent of risks arising from financial instruments. This should assist users of financial statements to link related

disclosures and hence form an overall picture of the nature and extent of risks arising from financial statements. In addition, the disclosure requirement concerning financial assets that are past due or impaired but whose terms have been renegotiated, and that relating to the fair value of collateral, have been eliminated.

- IAS 1 – *Presentation of financial statements:* the amendment requires the reconciliation in the changes of each component of equity to be presented in the notes or in the primary statements.
- IAS 34 – *Interim financial reporting*: by using a series of examples certain clarifications are provided concerning the additional disclosures that must be presented in interim financial reports.

At the date of these half-year condensed financial statements the competent bodies of the European Union had not yet completed their endorsement process for the above improvements.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Reference should be made to the section "Main estimates used by the Management" in the consolidated financial statements for the year 31 December 2009 for a detailed description of the more significant valuation procedures used by the Group.

COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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 as of 01.01.10	**109,923**	**46,883**	**202**	**157,008**
Increases	0	5,640	362	6,002
- increases externally acquired	*-*	*5,640*	*362*	*6,002*
- increases from business aggregations	-	-	-	-
Disposals	-	-	-11	-11
Translation diff. / other variations	-	-	86	86
Amortisation	-1,747	-1,414	-59	-3,220
Net book value as of 30.06.10	**108,176**	**51,109**	**580**	**159,865**

The changes in the intangible fixed assets (for global EUR 2,857 thousand) are mainly related to:

- the decrease generated by the amortisation of the period for EUR 3,220 thousand.
- the increase of the Key money category for EUR 5,640 thousand: such increase is generated by the entry in the 100% of the share capital of the company Giorgetti Space Srl, holder of a boutique's lease placed in Milan.

The details of the purchase consideration and of the net assets acquired are described as follows:

(Values in thousands of EUR)	Purchase consideration
- Price paid	*5,500*
- Direct cost relating to the acquisition	*169*
Total purchase consideration	**5,669**
Fair value of net assets identifiable	**-5,669**
Goodwill	**-**

The details of the net assets identifiable determined in conformity with the IFRS and in the accounting values of the company acquired immediately before the acquisition are illustrated below:

(Values in thousands of EUR)	Fair value of acquired assets and liabilities	Book value of acquired company
Tangible fixed assets	16	16
Tax receivables	3	3
Cash	16	16
Trade payables	-6	-6
Key Money	5,640	0
Fair value of net identifiable assets at the acquisition date (5 May 2010)	**5,669**	**29**

Since the acquisition date, the operation, not being the boutique acquired open yet, has contributed to the Group's loss for EUR 41 thousand.

Brands

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

(Values in thousands of EUR)	Brand residual life	30 June 2010	31 December 2009
Alberta Ferretti	33	4,092	4,155
Moschino	35	60,150	61,114
Pollini	31	43,934	44,654
Total		**108,176**	**109,923**

Key money

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

The Group, in the first semester of 2009 (such as in all previous periods), even on the stock of valuations drawn up by independent experts, pointed out the scarce significance of the deadline attributable to the term of the leases. Indeed, to this regard the safeguards given to the lessee by the market routine and by specific legal provisions, which are combined with a strategy of progressive further expansion of the network carried forward by the companies of the Group that usually renews the leases before their natural expiration and regardless of the intention to continue using the locations as Group boutiques, in view of the value attributable to the commercial positions concerned.

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

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

The effect on the statement of operations of the first semester 2010 amounts to a total of EUR 970 thousand after taxes (the value of the amortisation alone amounts to EUR 1,414 thousand). The residual value to be amortised in future years instead amounts to EUR 39,797 thousand.

Other

The item other mainly includes software licences.

2. *TANGIBLE FIXED ASSETS*

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

(Values in thousands of EUR)	Lands	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Net book value as of 01.01.10	**17,599**	**32,751**	**15,229**	**7,270**	**401**	**3,337**	**76,587**
Increases	-	17	1,263	215	67	1,116	2,678
Disposals	-	-	-31	-60	-	-20	-111
Translation diff. / other variations	248	1,212	675	37	-6	144	2,310
Depreciation	-	-420	-1,758	-636	-72	-477	-3,363
Net book value as of 30.06.10	**17,847**	**33,560**	**15,378**	**6,826**	**390**	**4,100**	**78,101**

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 2,678 thousand. These mainly refer to new investments in the renovation and modernisation of shops.
- Disposals, net of the accumulated depreciation, of EUR 111 thousand.
- Increase for differences arising on translation and other variations of EUR 2,310 thousand.
- Depreciation of EUR 3,363 thousand charged in relation to all tangible fixed assets, except for land, using the rates applicable to each category.

OTHER NON-CURRENT ASSETS

3. *EQUITY INVESTMENTS*

This item includes holdings represented by the cost.

4. *OTHER FIXED ASSETS*

This item mainly includes receivables for security deposits relating to commercial leases. At 30 June 2010 the value is substantially in line with that of 31 December 2009.

5. *DEFERRED TAX ASSETS AND LIABILITIES*

The table below illustrates the breakdown of this item at 30 June 2010 and at 31 December 2009:

(Values in thousands of EUR)	Receivables		Liabilities	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Tangible fixed assets	-	-	-445	-382
Intangible fixed assets	3	3	-203	-208
Provisions	1,436	1,467	-	-
Costs deductible in future periods	1,912	1,367	-	-3
Income taxable in future periods	-	405	-1,573	-1,016
Tax losses carried forward	12,117	9,328	-	-
Other	-	-	-75	-63
Tax assets (liabilities) from transition to IAS	1,922	1,975	-40,787	-41,101
Total	**17,390**	**14,545**	**-43,083**	**-42,773**

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	-382	-63	-	-	-445
Intangible fixed assets	-205	-	5	-	-200
Provisions	1,467	17	-48	-	1,436
Costs deductible in future periods	1,364	400	139	9	1,912
Income taxable in future periods	-611	-398	-555	-9	-1,573
Tax losses carried forward	9,328	369	2,810	-390	12,117
Other	-63	-12	-	-	-75
Tax assets (liabilities) from transition to IAS	-39,126	-4	321	-56	-38,865
Total	**-28,228**	**309**	**2,672**	**-446**	**-25,693**

The negative variation of EUR 446 thousand in the column "Other" mainly refers to the compensation of the tax payables for IRES of the period matured in some of the Group's subsidiaries with the receivable for deferred tax generated in Aeffe Spa as a consequence of the adhesion of the subsidiaries to the fiscal consolidation.

CURRENT ASSETS

6. STOCKS AND INVENTORIES

This item comprises:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Raw, ancillary and consumable materials	15,114	16,258	-1,144	-7.0%
Work in progress	7,839	8,092	-253	-3.1%
Finished products and goods for resale	48,144	44,514	3,630	8.2%
Advance payments	180	619	-439	-70.9%
Total	**71,277**	**69,483**	**1,794**	**2.6%**

Inventories of raw materials, work in progress and finished products mainly relate to the production of the Autumn/Winter 2010 collections and the Spring/Summer 2011 sample collections.

7. TRADE RECEIVABLES

This item is illustrated in details in the following table:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Trade receivables	27,726	28,258	-532	-1.9%
(Allowance for doubtfull account)	-1,219	-1,389	170	-12.2%
Total	**26,507**	**26,869**	**-362**	**-1.3%**

Trade receivables amount to EUR 26,507 thousand at 30 June 2010, in line with the amount at 31 December 2009 (EUR 26,869 thousand).

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.

8. TAX RECEIVABLES

This item in illustrated in details in the following table:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
VAT	1,624	2,985	-1,361	-45.6%
Corporate income taxes (IRES)	2,127	2,112	15	0.7%
Local business tax (IRAP)	298	477	-179	-37.5%
Amounts due by tax authority for withheld taxes	830	627	203	32.4%
Other tax receivables	246	83	163	196.4%
Total	**5,125**	**6,284**	**-1,159**	**-18.4%**

As of 30 June 2010, the Group's tax receivables from the various authorities amount to EUR 5,125 thousand and are principally receivables related to VAT recoverable (EUR 1,624 thousand), which decrease as a consequent of the normal trend of the operative management of the business, and to the IRES receivable (for EUR 2,127 thousand).

9. CASH

This item includes:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Bank and post office deposits	5,536	4,161	1,375	33.0%
Cheques	13	291	-278	-95.5%
Cash in hand	319	885	-566	-64.0%
Total	**5,868**	**5,337**	**531**	**9.9%**

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 30 June 2010 compared with the amount recorded at 31 December 2009, is EUR 531 thousand. About the reason of this variation refer to the Statement of Cash Flows.

10. OTHER RECEIVABLES

This caption comprises:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Credits for prepaid costs	21,090	19,520	1,570	8.0%
Advances for royalties and commissions	1,258	1,170	88	7.5%
Advances to suppliers	81	169	-88	-52.1%
Accrued income and prepaid expenses	2,106	1,496	610	40.8%
Other	3,468	2,990	478	16.0%
Total	**28,003**	**25,345**	**2,658**	**10.5%**

Other current receivables increase by EUR 2,658 thousand mainly for the increase of credits for prepaid costs of EUR 1,570 thousand.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2011 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 2010 collections.

11. ASSETS AND LIABILITIES AVAILABLE FOR SALE

The change in the captions assets and liabilities available for sale mainly concerns the sale of the boutique Pollini based in Paris, the goodwill of a boutique based in Milan and some activities of Moschino Far East Ltd. After the call option was exercised, on 31 March 2010 the joint venture with the company Bluebell was terminated as far as the Asian market is concerned, and Moschino SpA became, for all practical purposes, the only shareholder of Moschino Far East Ltd, and consequently of the companies it controls. Of these, Moschino Korea and Moschino Japan are directly managed by Moschino SpA through a local structure, already implemented and that has already started to follow all of the activities since 1 January 2010. The companies operating in the other territories of the Asian market have instead been sold to Bluebell, which works as distributor for these areas.

Between the sales described above, the only one that has generated an effect in the income statement during the semester is the sale of the boutique based in Milan. Such sale has generated an extraordinary income of EUR 165 thousand classified in the entry "Other revenues and income" of the income statement.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	30 June 2010	31 December 2009
Key money	-	4,573
Tangible fixed assets	-	56
Other fixed assets	437	1,687
Deferred tax assets	-	378
Stocks and inventories	-	1,497
Trade receivables	-	754
Tax receivables	-	27
Other receivables	-	285
Total	**437**	**9,257**
Post employment benefits	-	17
Trade payables	-	1,193
Tax payables	-	30
Other payables	-	614
Total	**0**	**1,854**

12. SHAREHOLDERS' EQUITY

Described below are the main categories of shareholders' equity at 30 June 2010, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Translation reserve	-1,692	-1,691	-1
Cash flow hedge reserve	-	-	-
Other reserves	31,080	36,252	-5,172
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	-2,363	12,749	-15,112
Net profit / (loss) for the Group	-6,302	-20,088	13,786
Minority interest	26,788	27,301	-513
Total	**163,482**	**170,494**	**-7,012**

Share capital

Share capital as of 30 June 2010, 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 30 June 2010 the Parent Company holds 5,876,878 treasury shares, representing the 5.5% of its share capital.

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

Share premium reserve

The share premium reserve amounts to EUR 71,240 thousand and it remains unchanged since 31 December 2009.

Other reserves

The changes in these reserve reflect partially the allocation of prior-year loss.

Fair value reserve

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

IAS reserve

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

Profits/(losses) carried-forward

The caption Profits/(losses) carried-forward decrease as a consequence of the consolidated net loss recorded during the year ended at 31 December 2009.

Minority interests

The decrease is mainly due to the portion of loss for the period at 30 June 2010 attributable to the minority shareholders.

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

NON-CURRENT LIABILITIES

13. Provisions

Provisions are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2009	Increases	Decreases	30 June 2010
Pensions and similar obligations	997	6	-	1,003
Other	251	22	-	273
Total	**1,248**	**28**	**0**	**1,276**

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.

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".

14. Post employment benefits

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

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

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

Changes in the provision are illustrated in the following statement:

(Values in thousands of EUR)	31 December 2009	Increases	Decreases/ Other variations	30 June 2010
Post employment benefits	9,785	234	-657	9,362
Total	**9,785**	**234**	**-657**	**9,362**

Increases include financial expenses for EUR 179 thousand.

15. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Loans from financial institutions	11,507	13,295	-1,788	-13.4%
Amounts due to other creditors	3,920	4,865	-945	-19.4%
Total	**15,427**	**18,160**	**-2,733**	**-15.0%**

The amounts due to banks relate to the portion of bank loans due beyond 12 months. This caption solely comprises unsecured loans and bank finance. Such loans are not assisted by any form of security and they are not subject to special clauses, except for the early repayment clauses normally envisaged in commercial practice.

Furthermore, there are no covenants to comply with specific financial terms or negative pledges.

The following table contains details of bank loans as of 30 June 2010, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	15,712	4,205	11,507
Total	**15,712**	**4,205**	**11,507**

There are no amounts due beyond five years, except for EUR 1,019 thousand of a loan expiring in 2018.

The following table contains details of amounts due to other creditors:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Financial leases	3,877	4,596	-719	-15.6%
Due to other creditors	43	55	-12	-21.8%
Long-term debt for Moschino Far East put/call	-	214	-214	-100.0%
Total	**3,920**	**4,865**	**-945**	**-19.4%**

The reduction in the amount due to other long term creditors compared with the prior year is almost entirely due to the decrease in the lease liability.

The lease liability relates to the leaseback transaction arranged by the Parent Company in relation to the building that is still used by Pollini. The original amount of this loan, arranged in 2002, is EUR 17,500 thousand. The loan contract envisages a repayment schedule that terminates in September 2012. This contract includes an end-of-lease purchase payment of EUR 1,750 thousand.

The non-current payable on recognising the put/call option on Moschino Far East relates to the put/call option included in the joint venture contract with Moschino. This contract provided for a reciprocal put/call mechanism, for Bluebell and Moschino respectively, for the sale/purchase of the investment in Moschino Far East held by Bluebell. The exercise price was based on a specific earn-out formula, the value of which depended - among other factors - on the profit performance of Moschino Far East. The option has been exercised during the first semester 2010, at a price of 0, and the debt has been released in the income statement.

16. Long-term not financial liabilities

This caption, in the amount of EUR 14,241 thousand, mainly refers to the debt due by the subsidiary Moschino in relation to an interest-free shareholder loan from Sinv. This liability is treated as a payment on capital account and arose on the purchase of Moschino by the Parent Company and Sinv in 1999, divided into proportional shares according to the equity interest held the Parent Company and Sinv in Moschino.

CURRENT LIABILITIES

17. TRADE PAYABLES

The item is compared with the respective value at 31 December 2009:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Trade payables	44,003	42,133	1,870	4.4%
Total	**44,003**	**42,133**	**1,870**	**4.4%**

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

18. TAX PAYABLES

Tax payables are analysed in comparison with the related balances as of 31 December 2009 in the following table:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Local business tax (IRAP)	101	2	99	4950.0%
Corporate income tax (IRES)	231	135	96	71.1%
Amounts due to tax authority for withheld taxes	1,929	2,482	-553	-22.3%
VAT due to tax authority	204	140	64	45.7%
Other	204	618	-414	-67.0%
Total	**2,669**	**3,377**	**-708**	**-21.0%**

The variation related to the item "Other" is mainly due to the debt recorded in 2008 and related to the substitute tax owed to the release of the fiscal misalignment on the Moschino brand. Such debt has been definitely paid during the first semester 2010, causing the drop in object.

19. SHORT-TERM FINANCIAL LIABILITIES

A breakdown of this item is given below:

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Due to banks	84,668	67,616	17,052	25.2%
Due to other creditors	1,420	7,228	-5,808	-80.4%
Total	**86,088**	**74,844**	**11,244**	**15.0%**

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

At 30 June 2010, amounts due to other creditors mainly include financial payables recorded in the consolidated financial statements in application of the financial accounting method for leasing operations.

At 31 December 2009 liabilities due to other creditors included a payable due to shareholders for a loan granted by Bluebell Far East (which was, at such date, shareholder of a 49,9% interest in Moschino Far East) to Moschino Far East on 18 December 2002, under the terms of the joint venture agreement with Moschino. The payment, happened during the first semester 2010, is the main reason of the variation.

20. OTHER LIABILITIES

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

(Values in thousands of EUR)	30 June 2010	31 December 2009	Change Δ	%
Due to total security organization	2,473	3,663	-1,190	-32.5%
Due to employees	6,498	4,581	1,917	41.8%
Trade debtors - credit balances	2,363	1,902	461	24.2%
Accrued expenses and deferred income	2,999	2,753	246	8.9%
Other	1,717	1,748	-31	-1.8%
Total	**16,050**	**14,647**	**1,403**	**9.6%**

The amounts due to social security and pension institutions, recorded at nominal value, relate to the social security charges on the wages and salaries of the Group's employees. Their decrease compared to the value at 31 December 2009 is mainly due to the welfare contributions paid in January 2010 on the quota of the thirteenth monthly pay paid in December 2009.

The considerable increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual which has no equivalent as of 31 December 2009.

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 (applicable by 1 January 2009) 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 di Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier"). 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 "Alberta Ferretti", "Philosophy di Alberta Ferretti" and "Moschino", and under third-party licensed brands such as "Blugirl".

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

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

The operating activity is mainly carried out by Pollini, which directly handles the design, production and distribution of own-label products, as well as the production and distribution of brands licensed by Group companies. The footwear and leather goods division also manages licensing agreements granted to other companies to manufacture "Pollini" products such as umbrellas, foulards and ties.

The following tables indicate the main economic data for the first half-year 2010 and 2009 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR) 1st Half 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**85,842**	**22,277**	**-5,249**	**102,870**
Intercompany revenues	-1,565	-3,684	5,249	0
Revenues with third parties	**84,277**	**18,593**	-	**102,870**
Gross operating margin (EBITDA)	**1,965**	**-4,238**	-	**-2,273**
Amortisation	-4,922	-1,661	-	-6,583
Other non monetary items:				
Write-downs	-16	-19	-	-35
Net operating profit / loss (EBIT)	**-2,973**	**-5,918**	-	**-8,891**
Financial income	2,303	50	-99	2,254
Financial expenses	-1,600	-374	99	-1,875
Profit / loss before taxes	**-2,270**	**-6,242**	**-**	**-8,512**
Income taxes	-218	1,719	-	1,501
Net profit / loss	**-2,488**	**-4,523**	**-**	**-7,011**

(Values in thousand of EUR) 1st Half 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**90,218**	**27,567**	**-6,637**	**111,148**
Intercompany revenues	-1,328	-5,309	6,637	0
Revenues with third parties	**88,890**	**22,258**	-	**111,148**
Gross operating margin (EBITDA)	**-3,238**	**-3,994**	-	**-7,232**
Amortisation	-4,122	-1,057	-	-5,179
Other non monetary items:				
Write-downs	-	-	-	0
Net operating profit / loss (EBIT)	**-7,360**	**-5,051**	-	**-12,411**
Financial income	511	93	-223	381
Financial expenses	-1,812	-632	223	-2,221
Profit / loss before taxes	**-8,661**	**-5,590**	**-**	**-14,251**
Income taxes	1,139	1,179	-	2,318
Net profit / loss	**-7,522**	**-4,411**	**-**	**-11,933**

The following tables indicate the main patrimonial and financial data at 30 June 2010 and 31 December 2009 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR) 30 June 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*297,096*	*108,830*	*-32,759*	373,167
of which non-current assets (*)				
Intangible fixed assets	*100,478*	*59,387*	-	*159,865*
Tangible fixed assets	*74,439*	*3,662*	-	*78,101*
Other non-current assets	*7,005*	*105*	*-4,000*	*3,110*
OTHER ASSETS	*20,611*	*1,903*	-	22,514
CONSOLIDATED ASSETS	**317,707**	**110,733**	**-32,759**	**395,681**

(*) 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) 30 June 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*164,896*	*54,312*	*-32,759*	186,449
OTHER LIABILITIES	26,568	19,183	-	45,751
CONSOLIDATED LIABILITIES	**191,464**	**73,495**	**-32,759**	**232,200**

(Values in thousand of EUR) 31 December 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*298,075*	*108,116*	*-33,465*	372,726
of which non-current assets (*)				
Intangible fixed assets	*96,310*	*60,698*	*-*	*157,008*
Tangible fixed assets	*73,698*	*2,889*	*-*	*76,587*
Other non-current assets	*6,735*	*105*	*-4,000*	*2,840*
OTHER ASSETS	*19,098*	*1,731*	*-*	20,829
CONSOLIDATED ASSETS	**317,173**	**109,847**	**-33,465**	**393,555**

(*) 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) 31 December 2009	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*161,877*	*48,499*	*-33,465*	176,911
OTHER LIABILITIES	26,563	19,587	-	46,150
CONSOLIDATED LIABILITIES	**188,440**	**68,086**	**-33,465**	**223,061**

Segment information by geographical area

The following table indicates the revenues for the first half-year 2010 and 2009 divided by geographical area:

(Values in thousands of EUR)	1st Half 2010	%	1st Half 2009	%	Change Δ	%
Italy	44,071	42.8%	46,404	41.7%	-2,333	-5.0%
Europe (Italy and Russia excluded)	22,263	21.6%	23,772	21.4%	-1,509	-6.3%
Russia	6,115	5.9%	7,347	6.6%	-1,232	-16.8%
United States	9,370	9.1%	9,081	8.2%	289	3.2%
Japan	8,294	8.1%	8,163	7.3%	131	1.6%
Rest of the World	12,757	12.5%	16,381	14.8%	-3,624	-22.1%
Total	**102,870**	**100.0%**	**111,148**	**100.0%**	**-8,278**	**-7.4%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

21. REVENUES FROM SALES AND SERVICES

In 1stH 2010, consolidated revenues decrease from EUR 111,148 thousand in 1stH 2009 to EUR 102,870 thousand, down 7.4% (-8.1% at constant exchange rates). Revenues have been positively influenced by the 7% increase in the second quarter 2010 compared to the same period of the previous year.

The revenues of the prêt-à-porter division decrease by 4.9% (-5.7% at constant exchange rates) to EUR 85,842 thousand, while the revenues of the footwear and leather goods division decrease by 19.2% to EUR 22,277 thousand, before interdivisional eliminations.

22. OTHER REVENUES AND INCOME

This item comprises:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Extraordinary income	726	453	273	60.3%
Other income	3,159	2,147	1,012	47.1%
Total	**3,885**	**2,600**	**1,285**	**49.4%**

In the first half of 2010, the caption extraordinary income amounts to EUR 726 thousand and increases compared with the corresponding period of the previous year of EUR 273 thousand due to:

- the release in the income statement of the debt present at 31 December 2009 and relating to the record of the put/call option on Moschino Far East (see note n. 15);
- a light increase of the items which compose the above caption (recovery of receivables from bankrupt customers, time expiry of receivables and payables that arose in prior years).

In the first half of 2010 other income, which mainly refer to exchange gains on commercial transaction, rental income, sales of raw materials and packaging, amount to EUR 3,159 thousand and increase compared with the corresponding period of the previous year mainly for the increase in exchange gains.

23. COSTS OF RAW MATERIALS

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	30,606	35,881	-5,275	-14.7%
Total	**30,606**	**35,881**	**-5,275**	**-14.7%**

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.

The decrease in this caption is closely linked with the contraction in volumes sold.

24. COSTS OF SERVICES

This item comprises:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Subcontracted work	11,712	13,736	-2,024	-14.7%
Consultancy fees	6,750	7,877	-1,127	-14.3%
Advertising	5,135	7,621	-2,486	-32.6%
Commission	2,387	2,270	117	5.2%
Transport	1,686	2,111	-425	-20.1%
Utilities	1,099	1,280	-181	-14.1%
Directors' and auditors' fees	1,381	1,485	-104	-7.0%
Insurance	391	429	-38	-8.9%
Bank charges	497	522	-25	-4.8%
Travelling expenses	1,107	1,087	20	1.8%
Other services	2,694	3,549	-855	-24.1%
Total	**34,839**	**41,967**	**-7,128**	**-17.0%**

Costs of services decrease from EUR 41,967 thousand in the first half of 2009 to EUR 34,839 thousand in the first half of 2010, down 17%. The decrease is due to:

- the reduction of subcontracted work, which has to be examined jointly with the cost of raw materials because together form the cost of goods sold. In terms of incidence on turnover, this cost component declines from 44.1% of the first semester 2009 to 40.5 of the first semester 2010. The decrease of such incidence is mainly attributable to the major importance of the turnover of the retail channel (which benefits of a better profitability compared to the wholesale channel) on the Group's whole turnover and to the optimization of sample costs consequent to the cost containment policy undertaken by the Group.
- the reduction of costs for "Consultancy fees" and "Advertising" consequent to the cost reduction policy enacted by the management to stand up the drop in turnover recorded during the semester. We clarify that the expenses of the Group for advertising and public relations in total (classified by nature in different entries of the income statement) keep an incidence of 8% on turnover, in line compared to previous years.
- the reduction of costs linked to the entry "Transport" is strictly connected to the drop in turnover and to the purchase of raw materials.

25. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Rental expenses	9,191	8,036	1,155	14.4%
Royalties	970	1,174	-204	-17.4%
Hire charges and similar	349	483	-134	-27.7%
Total	**10,510**	**9,693**	**817**	**8.4%**

The caption costs for use of third parties assets increases of EUR 817 thousand from EUR 9,693 thousand in the first half 2009 to EUR 10,510 thousand in the first half 2010, in particular for the opening of new shops happened afterwards 1 January 2009.

26. Labour costs

The item includes:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Wages and salaries	22,834	23,956	-1,122	-4.7%
Contributions and other costs	7,644	8,071	-427	-5.3%
Total	**30,478**	**32,027**	**-1,549**	**-4.8%**

Labour costs decrease from EUR 32,027 thousand in 1stH 2009 to EUR 30,478 thousand in 1stH 2010 with an incidence on revenues which changes from 28.8% in the 1stH 2009 to 29.6% in the 1stH 2010. The increase of labour costs related to the opening of new directly operated stores and to the start-up of the subsidiary Aeffe Japan, operative from half 2009 with the intention to develop and strengthen Group's brands in the Japan market, has been largely compensated by the cost-saving strategy adopted by the Group's management in order to face the particular historical moment.

A breakdown of the average number of employees is illustrated in the table below:

Average number of employees by category	1st Half 2010	1st Half 2009	Change Δ	% %
Workers	402	451	-49	-11%
Office staff-supervisors	1,040	1,039	1	0%
Executive and senior managers	29	28	1	4%
Total	**1,471**	**1,518**	**-47**	**-3%**

27. OTHER OPERATING EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Taxes	347	304	43	14.1%
Gifts	181	74	107	144.6%
Contingent liabilities	609	480	129	26.9%
Write-down of current receivables	126	218	-92	-42.2%
Foreign exchange losses	1,598	707	891	126.0%
Other operating expenses	376	193	183	94.8%
Total	**3,237**	**1,976**	**1,261**	**63.8%**

The caption other operating expenses amounts to EUR 3,237 thousand, with an increase of 63.8% compared with EUR 1,976 thousand of the first half of 2009. Such increase is mainly due to the major commercial foreign exchange losses realized in the semester. It has to be clarified that such increase is compensated (for EUR 750 thousand) with the commercial foreign exchange gains recorded in the caption "Other revenues and income" and explained in note 22.

28. AMORTISATION, WRITE-DOWNS AND PROVISIONS

This item includes:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Amortisation of intangible fixed assets	3,220	1,807	1,413	78.2%
Depreciation of tangible fixed assets	3,363	3,372	-9	-0.3%
Write-downs	35	0	35	n.a.
Total	**6,618**	**5,179**	**1,439**	**27.8%**

The variation in the caption amortisation of intangible fixed assets is mainly due to the change in accounting estimates of the key money useful life from indefinite to finite. The change has been accounted in accordance with IAS 8 and, in details, key money have been amortised an a systematic basis over their residual term of lease.

29. Financial income/ expenses

This item includes:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Interest income	27	42	-15	-35.7%
Foreign exchange gains	2,182	324	1,858	573.5%
Financial discounts	45	11	34	309.1%
Other income	0	4	-4	-100.0%
Financial income	**2,254**	**381**	**1,873**	**491.6%**
Bank interest expenses	1,060	1,350	-290	-21.5%
Other interest expenses	71	162	-91	-56.2%
Lease interest	68	172	-104	-60.5%
Foreign exchange losses	391	111	280	252.3%
Other expenses	285	426	-141	-33.1%
Financial expenses	**1,875**	**2,221**	**-346**	**-15.6%**
Total	**-379**	**1,840**	**-2,219**	**-120.6%**

The decrease in financial income/expenses amounts to EUR 2,219 thousand. Such effect is substantially linked to:

- the positive exchange differences generated by loans in foreign currency (in particular those passive in Japanese yen and US dollars);
- the reduction of the average interest rate of the first semester 2010 compared to the one of 2009, that has more than compensated the increase in the net financial indebtedness.

30. Income taxes

This item includes:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009	Change Δ	%
Current income taxes	1,172	1,664	-492	-29.6%
Deferred income/(expenses) taxes	-2,673	-3,982	1,309	-32.9%
Total income taxes	**-1,501**	**-2,318**	**817**	**-35.2%**

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 first half of 2010 and 2009 is illustrated in the following table:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
Profit before taxes	-8,512	-14,251
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**-2,341**	**-3,919**
Fiscal effect	-98	21
Effect of foreign tax rates	501	1,058
Total income taxes excluding IRAP (current and deferred)	**-1,938**	**-2,840**
IRAP (current and deferred)	**437**	**522**
Total income taxes (current and deferred)	**-1,501**	**-2,318**

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

COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow generated during the first half of 2010 is EUR 531 thousand.

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
OPENING BALANCE (A)	**5,337**	**7,706**
Cash flow (absorbed)/ generated by operating activity (B)	-4,065	-15,255
Cash flow (absorbed)/ generated by investing activity (C)	-4,024	-3,723
Cash flow (absorbed)/ generated by financing activity (D)	8,620	17,665
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	**531**	**-1,313**
CLOSING BALANCE (F)=(A)+(E)	**5,868**	**6,393**

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

The cash flow absorbed by operating activity during the first half of 2010 amounts to EUR 4,065 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
Profit before taxes	-8,512	-14,251
Amortisation / write-downs	6,618	5,179
Accrual (+)/availment (-) of long term provisions and post employment benefits	-393	-147
Paid income taxes	-1,743	-2,181
Financial income (-) and financial charges (+)	-379	1,840
Change in operating assets and liabilities	344	-5,695
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**-4,065**	**-15,255**

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

The cash flow absorbed by investing activity during the first half of 2010 amounts to EUR 4,024 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
Increase (-)/ decrease (+) in intangible fixed assets	-6,076	-329
Increase (-)/ decrease (+) in tangible fixed assets	-4,878	-3,394
Investments and write-downs (-)/ Disinvestments and revaluations (+)	6,930	0
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-4,024**	**-3,723**

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

The cash flow generated by financing activity during the first half of 2010 amounts to EUR 8,620 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
Other variations in reserves and profits carried-forward of shareholders' equity	-1	-509
Dividends paid	0	-710
Proceeds (+)/repayment (-) of financial payments	8,511	20,777
Increase (-)/ decrease (+) in long term financial receivables	-269	-53
Financial income (+) and financial charges (-)	379	-1,840
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**8,620**	**17,665**

OTHER INFORMATION

34. NET FINANCIAL POSITION

As required by Consob communication DEM/6264293 dated 28 July 2006 and in compliance with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" dated 10 February 2005, the Group's net financial position as of 30 June 2010 is analysed below:

(Values in thousands of EUR)	30 June 2010	31 December 2009
A - Cash in hand	332	1,176
B - Other available funds	5,536	4,161
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*5,868*	*5,337*
E - Short term financial receivables	-	-
F - Current bank loans	-80,463	-62,801
G - Current portion of long-term bank borrowings	-4,205	-4,815
H - Current portion of loans from other financial istitutions	-1,420	-7,228
I - Current financial indebtedness (F) + (G) + (H)	*-86,088*	*-74,844*
J - Net current financial indebtedness (I) + (E) + (D)	*-80,220*	*-69,507*
K - Non current bank loans	-11,507	-13,295
L - Issued obbligations	-	-
M - Other non current loans	-3,920	-4,865
N - Non current financial indebtedness (K) + (L) + (M)	*-15,427*	*-18,160*
O - Net financial indebtedness (J) + (N)	***-95,647***	***-87,667***

The net financial position of the Group amounts to EUR 95,647 thousand as of 30 June 2010 compared with EUR 87,667 thousand as of 31 December 2009. Such increase is mainly due to the economic result of the first semester 2010 and to the investments realized in the period for EUR 4.024 thousand.

35. EARNINGS PER SHARE

Basic earnings per share:

(Values in thousands of EUR)	1st Half 2010	1st Half 2009
Consolidated earnings for the period for shareholders of the Parent Company	-6,302	-10,034
Medium number of shares for the period	101,486	104,426
Basic earnings per share	**-0.062**	**-0.096**

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

36. *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 2010	1st Half 2009	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	150	134	Cost
Ferrim with Aeffe S.p.a.			
Property rental	619	690	Cost
Ferrim with Moschino S.p.a.			
Commercial	211	-	Receivable
Property rental	491	408	Cost
Commercial	193	-	Receivable
Commerciale Valconca with Aeffe S.p.a.			
Commercial	178	38	Revenue
Property rental	59	35	Cost
Commercial	1,037	820	Receivable
Commercial	164	162	Payable
Gir+A&f with Aeffe S.p.a.			
Other	153	146	Other revenues
Commercial	32	-	Receivable

The following table indicates the data related on the incidence of related party transactions on the income statement, balance sheet, cash flow and indebtedness at 30 June 2010 and at 30 June 2009.

(Values in thousands of EUR)	Balance 1st Half	Value rel. party 2010	%	Balance 1st Half	Value rel. party 2009	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	102,870	389	0.4%	111,148	38	0.0%
Other revenues	3,885	153	3.9%	2,600	146	5.6%
Costs of services	34,839	150	0.4%	41,967	134	0.3%
Costs for use of third party assets	10,510	1,169	11.1%	9,693	1,133	11.7%
Incidence of related party transactions on the balance sheet						
Trade payables	44,003	164	0.4%	43,999	162	0.4%
Trade receivables	26,507	1,262	4.8%	31,651	820	2.6%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	-4,065	-1,319	32.4%	-15,255	-1,059	6.9%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-95,647	-1,319	1.4%	-88,893	-1,059	1.2%

37. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication DEM/6064293 dated 28 July 2006, it is confirmed that in the first half of 2010 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

38. SIGNIFICANT NON RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob communication DEM/6064293 dated 28 July 2006, it is confirmed that in the first six months of 2010 no significant non recurring events and transactions have been realised.

39. 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 favourable first-level decision means that further developments in this dispute can be considered in a positive light. The date for the discussion of the dispute before the Bologna Regional Tax Commission has been set for the next 27 September 2010.

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 appellee presented its counter analysis to the Regional Tax Commission of

Bologna within the legally-prescribed time period. For this tax dispute the company is waiting for the date for discussion of the dispute before the Bologna Regional Tax Commission to be set.

On 1 October 2008 the Rimini Tax Office notified the company of inspection minutes in relation to direct taxes and IRAP for FY 2005. The audits also concerned VAT and were mainly focused on relations with group companies and costs for services. Specifically, the Tax Office raised issues on non-pertinent costs totalling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies.

The issues raised against the audited company are considered challengeable with sound defensive arguments.

Pollini S.p.A.: in connection with the assessment of recovery of VAT for FY 2001 totalling EUR 25 thousand on inventory differences, in January 2009 the company appealed against the sentence of the Forlì Provincial Tax Commissioners that in partially upholding the arguments of the defence, determined the greater amount of VAT due (EUR 13 thousand), in addition to sanctions and interest; the Regional Tax Commission of Bologna, receiving application from both the company and the Cesena Tax Office, with ruling no. 49/11/09 filed on 14 August 2009, confirmed the Office's collection for the amount of EUR 25 thousand.

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

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

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

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

The tax dispute introduced with the appeal against the silent refusal of the Rimini Office to the application presented by the company, aimed at recognising the 2001 VAT credit that was the subject matter of the case specified in the foregoing paragraph, was discussed on 26 February 2010 before the Rimini Provincial Tax Commissioners. They have not yet registered the sentence.

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

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

Attachments of the explanatory notes

ATTACHMENT I	Consolidated Statement of Financial Position with related parties
ATTACHMENT II	Consolidated Statement of Financial Position with related parties
ATTACHMENT III	Consolidated Income Statement with related parties
ATTACHMENT IV	Consolidated Statement of Cash Flows with related parties

ATTACHMENT I – CONSOLIDATED STATEMENT OF FINANCIAL POSITION with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	30 June 2010	of which Rel. parties	31 December 2009	of which Rel. parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		51,108,665		46,883,310	
Trademarks		108,176,264		109,923,023	
Other intangible fixed assets		579,754		202,142	
Total intangible fixed assets	(1)	159,864,683		157,008,475	
Tangible fixed assets					
Lands		17,846,824		17,599,237	
Buildings		33,560,714		32,751,230	
Leasehold improvements		15,377,993		15,229,172	
Plant and machinary		6,825,942		7,269,169	
Equipment		390,241		400,379	
Other tangible fixed assets		4,099,563		3,337,351	
Total tangible fixed assets	(2)	78,101,277		76,586,538	
Other fixed assets					
Equity investments	(3)	28,840		27,840	
Other fixed assets	(4)	3,081,211		2,812,254	
Deferred tax assets	(5)	17,389,504		14,544,857	
Total other fixed assets		20,499,555		17,384,951	
TOTAL NON-CURRENT ASSETS		**258,465,515**		**250,979,964**	
CURRENT ASSETS					
Stocks and inventories	(6)	71,276,701		69,482,860	
Trade receivables	(7)	26,507,038	1,261,533	26,868,686	661,814
Tax receivables	(8)	5,124,524		6,284,474	
Cash	(9)	5,868,020		5,336,905	
Other receivables	(10)	28,002,786		25,345,033	
TOTAL CURRENT ASSETS		**136,779,069**		**133,317,958**	
Assets available for sale	(11)	436,885		9,257,006	
TOTAL ASSETS		**395,681,469**		**393,554,928**	

ATTACHMENT II – CONSOLIDATED STATEMENT OF FINANCIAL POSITION with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	30 June 2010	of which Rel. parties	31 December 2009	of which Rel. parties
SHAREHOLDERS' EQUITY	**(12)**				
Group interest					
Share capital		25,371,407		25,371,407	
Share premium reserve		71,240,251		71,240,251	
Translation reserve		-1,692,082		-1,690,675	
Cash flow hedge reserve		-		-	
Other reserves		31,078,594		36,250,028	
Fair Value reserve		7,901,240		7,901,240	
IAS reserve		11,459,492		11,459,492	
Profits/(losses) carried-forward		-2,363,216		12,749,353	
Net profit/(loss) for the Group		-6,302,188		-20,088,143	
Group interest in shareholders' equity		136,693,498		143,192,953	
Minority interest					
Minority interest in share capital and reserves		27,497,144		30,990,377	
Net profit/(loss) for the minority interest		-709,030		-3,689,092	
Minority interest in shareholders' equity		26,788,114		27,301,285	
TOTAL SHAREHOLDERS' EQUITY		**163,481,612**		**170,494,238**	
NON-CURRENT LIABILITIES					
Provisions	(13)	1,276,444		1,247,299	
Deferred tax liabilities	(5)	43,082,587		42,773,359	
Post employment benefits	(14)	9,362,487		9,784,848	
Long term financial liabilities	(15)	15,426,986		18,159,414	
Long term not financial liabilities	(16)	14,241,401		14,241,401	
TOTAL NON-CURRENT LIABILITIES		**83,389,905**		**86,206,321**	
CURRENT LIABILITIES					
Trade payables	(17)	44,003,156	163,918	42,133,025	105,166
Tax payables	(18)	2,668,569		3,376,900	
Short term financial liabilities	(19)	86,088,078		74,844,328	
Other liabilities	(20)	16,050,149		14,646,542	
TOTAL CURRENT LIABILITIES		**148,809,952**		**135,000,795**	
Liabilities available for sale	(11)	-		1,853,574	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**395,681,469**		**393,554,928**	

ATTACHMENT III – CONSOLIDATED INCOME STATEMENT with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in units of EUR)	Notes	1st Half 2010	of which Rel. parties	1st Half 2009	of which Rel. parties
REVENUES FROM SALES AND SERVICES	**(21)**	**102,869,523**	**388,862**	**111,148,148**	**37,573**
Other revenues and income	(22)	3,885,318	152,666	2,600,295	145,582
TOTAL REVENUES		**106,754,841**		**113,748,443**	
Changes in inventory		642,634		562,960	
Costs of raw materials, cons. and goods for resale	(23)	-30,606,017		-35,881,096	
Costs of services	(24)	-34,838,821	-150,000	-41,966,622	-133,500
Costs for use of third parties assets	(25)	-10,510,062	-1,168,965	-9,692,811	-1,132,668
Labour costs	(26)	-30,478,472		-32,026,862	
Other operating expenses	(27)	-3,236,945		-1,975,736	
Amortisation, write-downs and provisions	(28)	-6,618,333		-5,178,810	
Financial income/(expenses)	(29)	379,330		-1,840,038	
PROFIT / LOSS BEFORE TAXES		**-8,511,845**		**-14,250,572**	
Income taxes	(30)	1,500,627		2,317,893	
NET PROFIT / LOSS		**-7,011,218**		**-11,932,679**	
(Profit)/loss attributable to minority shareholders		709,030		1,898,309	
NET PROFIT / LOSS FOR THE GROUP		**-6,302,188**		**-10,034,370**	

ATTACHMENT IV – CONSOLIDATED STATEMENT OF CASH FLOWS with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	1st Half 2010	of which Rel. parties	1st Half 2009	of which Rel. parties
OPENING BALANCE		**5,337**		**7,706**	
Profit / loss before taxes		-8,512	-777	-14,251	-1,083
Amortisation / write-downs		6,618		5,179	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-393		-147	
Paid income taxes		-1,743		-2,181	
Financial income (-) and financial charges (+)		-379		1,840	
Change in operating assets and liabilities		344	-542	-5,695	24
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-4,065**		**-15,255**	
Increase (-)/ decrease (+) in intangible fixed assets		-6,076		-329	
Increase (-)/ decrease (+) in tangible fixed assets		-4,878		-3,394	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		6,930		0	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-4,024**		**-3,723**	
Other variations in reserves and profits carried-forward of shareholders' equity		-1		-509	
Dividends paid		0		-710	
Proceeds (+)/repayment (-) of financial payments		8,511		20,777	
Increase (-)/ decrease (+) in long term financial receivables		-269		-53	
Financial income (+) and financial charges (-)		379		-1,840	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**8,620**		**17,665**	
CLOSING BALANCE		**5,868**		**6,393**	

Attestation of the Half Year condensed financial statements pursuant to Article 154-bis of Legislative Decree 58/98

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 30 June 2010.

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 19 July 2002 and particularly IAS 34 – *Interim Financial reporting*, as implemented in Italy by Article 9 of Legislative Decree n. 38 of 2005;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The related interim management report contains reference to the important events affecting the Company during the first six months of the current fiscal year, including the impact of such events on the Company's condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year along with a description of material related party transactions.

30 July 2010

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

MAZARS

AUDITORS' REVIEW REPORT ON THE HALF YEAR CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

To the Stockholders of
Aeffe S.p.A.

1. We have reviewed the half-year condensed financial statements, consisting of the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, consolidated statement of cash flows and statements of changes in equity and related explanatory notes as of June 30, 2010 of Aeffe S.p.A. and its subsidiaries (the "Aeffe Group"). These half-year condensed financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of Aeffe S.p.A's Directors. Our responsibility is to issue a report on these half-year financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB) for the review of the half-year interim financial statements under Resolution no. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the half-year condensed financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as test of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end financial statements, we do not express an audit opinion on the half-year condensed financial statements.

   With regard to the comparative figures related to the year ended December 31, 2009 and to the six-month period ended June 30, 2009, presented in the half condensed financial statements reference should be made to our auditor's report dated April 14, 2010 and our auditor's review report dated July 31, 2009.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed financial statements of the Aeffe Group as of June 30, 2010 are not presented fairly, in all material respect, in accordance with the Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union.

MAZARS S.p.A.

Signed by
Simone Del Bianco
Partner

Bologna, Italy
July 30, 2010

This report has been translated into the English language solely for the convenience of international readers.