AEFFE

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2011

Disclaimer

This Half-year financial report at 30 June 2011 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
Roberto Lugano
Pierfrancesco Giustiniani
Marco Salomoni

Board of Statutory Auditors

President
Pier Francesco Sportoletti

Statutory Auditors
Fernando Ciotti
Romano Del Bianco

Alternate Auditors
Angelo Rivolta
Luca Sapucci

Board of Compensation Committee

President
Marco Salomoni

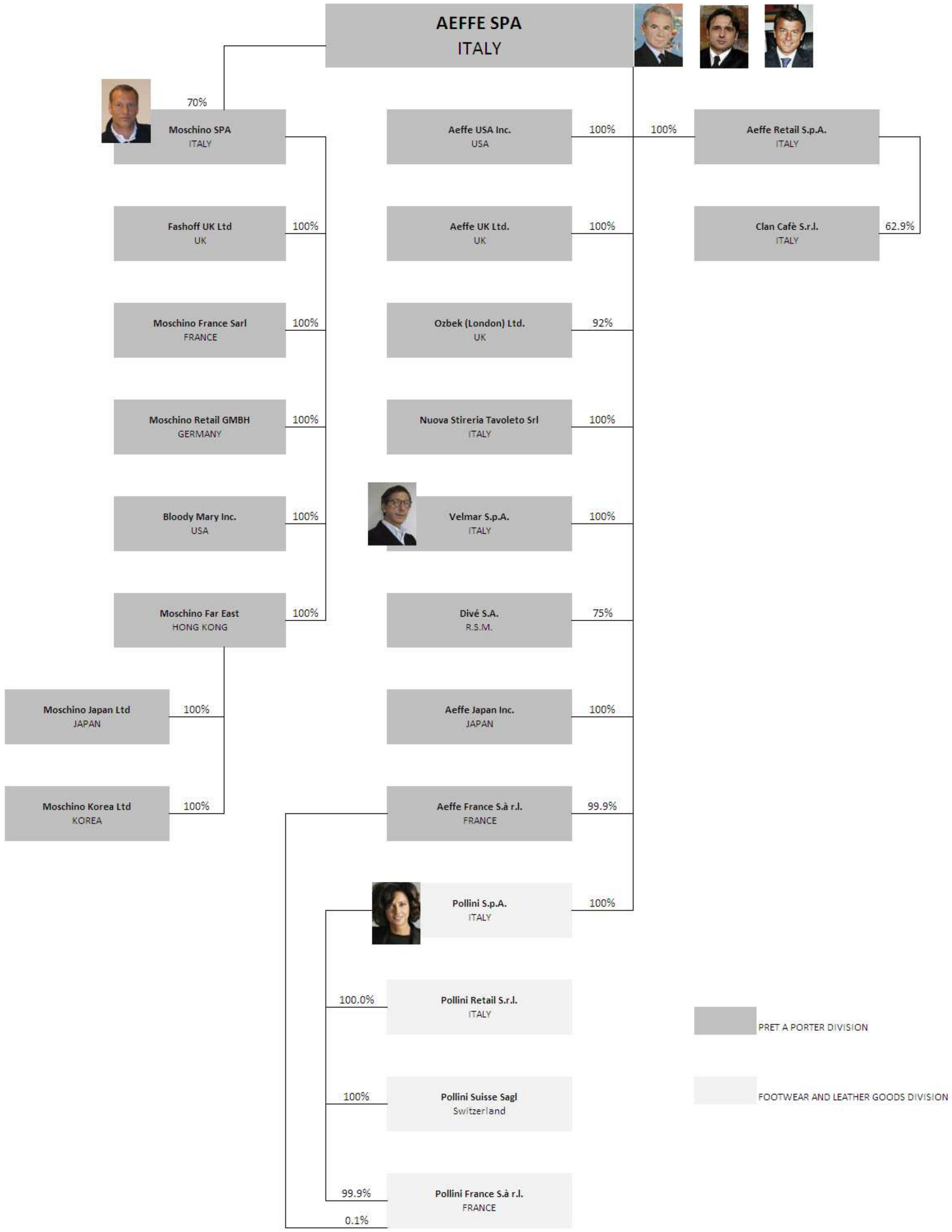
Members
Roberto Lugano
Pierfrancesco Giustiniani

Board of Internal Control Committee

President
Roberto Lugano

Members
Marco Salomoni
Pierfrancesco Giustiniani

Organisation chart



Brands portfolio

Aeffe
Clothing - Accessories

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

Pollini	Moschino	Velmar
Footwear – Leather goods	Licences – Design	Beachwear - Lingerie
POLLINI STUDIO POLLINI	MOSCHINO	MOSCHINO
MOSCHINO MOSCHINO CHEAPANDCHIC	MOSCHINO CHEAPANDCHIC	blugirl beachwear blugirl underwear
LOVE MOSCHINO	LOVE MOSCHINO	get lost

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)
47030 - Italy

VELMAR
Via Degli Ippocastani, 329
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
Osaka
Tokyo
Nagoya
Kobe City

POLLINI

Milan
Venice
Bolzano
Varese
Verona

SPAZIO A

Florence
Venice

MOSCHINO

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


Main economic-financial data

		1st Half 2010	1st Half 2011
Total revenues	(Values in millions of EUR)	106.8	122.5
Gross operating margin (EBITDA)	(Values in millions of EUR)	-2.3	4.4
Net operating profit (EBIT)	(Values in millions of EUR)	-8.9	-2.6
Profit before taxes	(Values in millions of EUR)	-8.5	-4.6
Net profit for the Group	(Values in millions of EUR)	-6.3	-5.1
Basic earnings per share	(Values in units of EUR)	-0.062	-0.050
Cash Flow (net profit + depreciation)	(Values in millions of EUR)	-0.4	1.8
Cash Flow/Total revenues	(Values in percentage)	-0.4	1.4

		31 December 2009	30 June 2010	31 December 2010	30 June 2011
Net capital invested	(Values in millions of EUR)	258.2	259.1	251.1	252.4
Net financial indebtedness	(Values in millions of EUR)	87.7	95.6	95.5	103.5
Group net equity	(Values in millions of EUR)	143.2	136.7	129.8	133.2
Group net equity per share	(Values in units of EUR)	1.3	1.3	1.2	1.2
Current assets/ current liabilities	(Ratio)	2.1	2.1	2.1	2.1
Current assets less invent./ current liabilities (ACID test)	(Ratio)	1.0	1.0	0.9	1.0
Net financial indebtedness/ Net equity	(Ratio)	0.5	0.6	0.6	0.7

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", "Blugirl" and "Cacharel". 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 "Love Moschino") and brands licensed from other companies (such as "Jean Paul Gaultier", "Blugirl" and "Cacharel"). Aeffe also handles the distribution of all Division products both through the retail channel (via subsidiaries) and through the wholesale channel.

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

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

Aeffe

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

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

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

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

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

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 10 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.

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.

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 is 100% owned by Aeffe S.p.A. 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 collections branded "Alberta Ferretti" and "Philosophy di Alberta Ferretti" through its showroom based in Tokyo and its flagship stores under direct management placed in the most important cities.

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, 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.

In 2010, the stylist Nicholas Kirkwood was appointed as creative director of the "Pollini" brand.

Pollini Retail

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

Pollini Suisse

Pollini Suisse is 100% owned by Pollini S.p.A. and manages the store in Chiasso, Switzerland.

2. CONSOLIDATED RICLASSIFIED INCOME STATEMENT

(Values in units of EUR)	1st Half 2011	% on revenues	1st Half 2010	% on revenues	Change	%
REVENUES FROM SALES AND SERVICES	**119,966,651**	**100.0%**	**102,869,523**	**100.0%**	**17,097,128**	**16.6%**
Other revenues and income	2,535,754	2.1%	3,885,318	3.8%	-1,349,564	-34.7%
TOTAL REVENUES	**122,502,405**	**102.1%**	**106,754,841**	**103.8%**	**15,747,564**	**14.8%**
Changes in inventory	933,697	0.8%	642,634	0.6%	291,063	45.3%
Costs of raw materials, cons. and goods for resale	-38,930,870	-32.5%	-30,606,017	-29.8%	-8,324,853	27.2%
Costs of services	-36,119,250	-30.1%	-34,838,821	-33.9%	-1,280,429	3.7%
Costs for use of third parties assets	-11,555,289	-9.6%	-10,510,062	-10.2%	-1,045,227	9.9%
Labour costs	-29,436,407	-24.5%	-30,478,472	-29.6%	1,042,065	-3.4%
Other operating expenses	-3,029,409	-2.5%	-3,236,945	-3.1%	207,536	-6.4%
Total Operating Costs	-118,137,528	-98.5%	-109,027,683	-106.0%	-9,109,845	8.4%
GROSS OPERATING MARGIN (EBITDA)	**4,364,877**	**3.6%**	**-2,272,842**	**-2.2%**	**6,637,719**	**-292.0%**
Amortisation of intangible fixed assets	-3,342,453	-2.8%	-3,219,896	-3.1%	-122,557	3.8%
Depreciation of tangible fixed assets	-3,553,812	-3.0%	-3,362,904	-3.3%	-190,908	5.7%
Revaluations/(write-downs) and provisions	-29,138	0.0%	-35,533	0.0%	6,395	n.a.
Total Amortisation, write-downs and provisions	-6,925,403	-5.8%	-6,618,333	-6.4%	-307,070	4.6%
NET OPERATING PROFIT / LOSS (EBIT)	**-2,560,526**	**-2.1%**	**-8,891,175**	**-8.6%**	**6,330,649**	**-71.2%**
Financial income	388,475	0.3%	2,253,870	2.2%	-1,865,395	-82.8%
Financial expenses	-2,435,086	-2.0%	-1,874,540	-1.8%	-560,546	29.9%
Total Financial Income/(Expenses)	-2,046,611	-1.7%	379,330	0.4%	-2,425,941	-639.5%
PROFIT / LOSS BEFORE TAXES	**-4,607,137**	**-3.8%**	**-8,511,845**	**-8.3%**	**3,904,708**	**-45.9%**
Current income taxes	-1,913,849	-1.6%	-1,171,824	-1.1%	-742,025	63.3%
Deferred income/(expenses) taxes	1,383,091	1.2%	2,672,451	2.6%	-1,289,360	-48.2%
Total Income Taxes	-530,758	-0.4%	1,500,627	1.5%	-2,031,385	-135.4%
NET PROFIT / LOSS	**-5,137,895**	**-4.3%**	**-7,011,218**	**-6.8%**	**1,873,323**	**-26.7%**
(Profit)/loss attributable to minority shareholders	20,637	0.0%	709,030	0.7%	-688,393	-97.1%
NET PROFIT / LOSS FOR THE GROUP	**-5,117,258**	**-4.3%**	**-6,302,188**	**-6.1%**	**1,184,930**	**-18.8%**

SALES

In the first semester of 2011, AEFFE consolidated revenues amount to EUR 119,967 thousand compared to EUR 102,870 thousand in the first semester of 2010, with a 16.6% increase at current exchange rates (+16.5% at constant exchange rates).

The revenues of the prêt-à-porter division increase by 14.3% (+14.2% at constant exchange rates) to EUR 98,151 thousand, while the revenues of the footwear and leather goods division increase by 27.7% to EUR 28,456 thousand, before interdivisional eliminations.

Sales by brand

(Values in thousands of EUR)	1st Half 2011	%	1st Half 2010	%	Change Δ	%
Alberta Ferretti	25,440	21.2%	21,434	20.8%	4,006	18.7%
Moschino	67,886	56.6%	59,553	57.9%	8,333	14.0%
Pollini	14,860	12.4%	12,927	12.6%	1,933	15.0%
J.P.Gaultier	5,508	4.6%	5,476	5.3%	32	0.6%
Other	6,273	5.2%	3,480	3.4%	2,793	80.3%
Total	**119,967**	**100.0%**	**102,870**	**100.0%**	**17,097**	**16.6%**

In 1stH 2011, Alberta Ferretti brand increases by 18.7% (18.5% at constant exchange rates), generating 21.2% of the group's consolidated sales.

In the same period, Moschino brand sales increase by 14.0% (13.7% at constant exchange rates), contributing to 56.6% of consolidated sales.

Pollini brand records a growth of 15.0% (15.0% at constant exchange rates), generating the 12.4% of consolidated sales.

Brand under licence JP Gaultier increases by 0.6% (1.5% at constant exchange rates), contributing to 4.6% of consolidated sales.

Other brands sales increase by 80.3% (81.3% at constant exchange rates), equal to 5.2% of consolidated sales.

Sales by geographical area

(Values in thousands of EUR)	1st Half 2011	%	1st Half 2010	%	Change Δ	%
Italy	52,075	43.4%	44,071	42.8%	8,004	18.2%
Europe (Italy and Russia excluded)	24,689	20.6%	22,263	21.6%	2,426	10.9%
Russia	7,929	6.6%	6,115	5.9%	1,814	29.7%
United States	8,821	7.4%	9,370	9.1%	-549	-5.9%
Japan	9,565	8.0%	8,294	8.1%	1,271	15.3%
Rest of the World	16,888	14.0%	12,757	12.5%	4,131	32.4%
Total	**119,967**	**100.0%**	**102,870**	**100.0%**	**17,097**	**16.6%**

In 1stH 2011, the Group records sales in Italy for EUR 52,075 thousand, contributing to 43.4% of consolidated sales with a 18.2% increase.

In Europe Group's sales increase by 10.9% (10.9% at constant exchange rates), contributing to 20.6% of consolidated sales, while sales in Russia are EUR 7,929 thousand contributing to 6.6% of consolidated sales, with a raise of 29.7% (29.7% at constant exchange rates). Sales in the United States are EUR 8,821 thousand contributing to 7.4% of consolidated sales, with a decrease of 5.9% (-1.2% at constant exchange rates). Sales in Japan increase by 15.3% (9.0% at constant exchange rates) to EUR 9,565 thousand, contributing to 8.0% of consolidated sales.

The Rest of the world records sales for EUR 16,888 thousand, up 32.4% (32.2% at constant exchange rates), contributing to 14.0% of consolidated sales.

Sales by distribution channel

(Values in thousands of EUR)	1st Half 2011	%	1st Half 2010	%	Change Δ	%
Wholesale	74,298	61.9%	63,191	61.4%	11,107	17.6%
Retail	37,449	31.2%	31,921	31.0%	5,528	17.3%
Royalties	8,220	6.9%	7,758	7.6%	462	6.0%
Total	**119,967**	**100.0%**	**102,870**	**100.0%**	**17,097**	**16.6%**

Revenues generated by the Group in the 1stH 2011 are analysed below:

- 61.9% from the Group's sales organisation, showrooms, agents and importers, franchise outlets, corners and shop-in-shops (wholesale channel), which contributes EUR 63,191 thousand in 1stH 2010 and EUR 74,298 thousand in 1stH 2011, with an increase of 17.6% (18.0% at constant exchange rates).
- 31.2% from sales managed directly by the Group (retail channel), which contributes EUR 31,921 thousand in 1stH 2010 and EUR 37,449 thousand in 1stH 2011, up 17.3% (16.2% at constant exchange rates).
- 6.9% from royalties deriving from licenses granted to third parties for the production and distribution of product lines sold under the Group's brand names. Royalties increase by 6.0% from EUR 7,758 thousand in 1stH 2010 to EUR 8,220 thousand in 1stH 2011.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	1st Half 2011	%	1st Half 2010	%	Change Δ	%
Own brands	108,186	90.2%	93,940	91.3%	14,246	15.2%
Brands under license	11,781	9.8%	8,930	8.7%	2,851	31.9%
Total	**119,967**	**100.0%**	**102,870**	**100.0%**	**17,097**	**16.6%**

Revenues generated by own brands increase in absolute value of EUR 14,246 thousand, +15.2% compared with the previous period, with an incidence on total revenues which decreases from 91.3% in 1stH 2010 to 90.2% in 1stH 2011. Revenues generated by brands under license increase by 31.9%.

LABOUR COSTS

Labour costs decrease from EUR 30,478 thousand in 1stH 2010 to EUR 29,436 thousand in 1stH 2011 with an incidence on revenues which changes from 29.6% in the 1stH 2010 to 24.5% in the 1stH 2011.

The workforce decreases from an average of 1,471 units in the 1stH 2010 to 1,470 units in the 1stH 2011.

Average number of employees by category	1st Half 2011	1st Half 2010	Change Δ	% %
Workers	408	402	6	1%
Office staff-supervisors	1,036	1,040	-4	0%
Executive and senior managers	26	29	-3	-10%
Total	**1,470**	**1,471**	**-1**	**0%**

GROSS OPERATING MARGIN (EBITDA)

In 1stH 2011, consolidated EBITDA is EUR 4,365 thousand, significantly improved compared to EUR -2,273 thousand in 1stH 2010. EBITDA has an incidence of 3.6% of total sales. Profitability has been positively influenced by the increase in revenues and the lower incidence of the operating costs thanks to the policy of costs' reduction and efficiency improvement implemented at Group level.

The strong improvement in EBITDA has involved both divisions.

EBITDA of the *prêt-à-porter* division is positive for EUR 6,092 thousand with an increase in absolute value of EUR 4,127 thousand compared to EUR 1,965 thousand in 1stH 2010.

EBITDA of the Footwear and leather goods division increases of EUR 2,511 thousand from EUR -4,238 thousand in 1stH 2010 to EUR -1,727 thousand in 1stH 2011.

NET OPERATING PROFIT / LOSS (EBIT)

Consolidated EBIT is negative for EUR 2,560 thousand compared to a negative EBIT of EUR 8,891 thousand in 1stH 2010.

PROFIT / LOSS BEFORE TAXES

Loss before tax decreases of EUR 3.905 thousand from EUR -8,512 thousand in 1stH 2010 to EUR -4,607 thousand in 1stH 2011.

NET PROFIT / LOSS FOR THE GROUP

The net loss for the Group changes from EUR -6,302 thousand in 1stH 2010 to EUR -5,117 thousand in 1stH 2010, with a decrease in absolute value of EUR 1,185.

3. RECLASSIFIED CONSOLIDATED STATEMENT OF FINACIAL POSITION

(Values in units of EUR)	30 June 2011	31 December 2010
Trade receivables	33,119,261	27,487,606
Stock and inventories	72,727,592	73,086,479
Trade payables	-48,417,898	-47,643,680
Operating net working capital	**57,428,955**	**52,930,405**
Other short term receivables	28,336,973	26,973,677
Tax receivables	8,007,643	5,118,017
Other short term liabilities	-17,164,575	-13,668,204
Tax payables	-3,446,667	-2,892,460
Net working capital	**73,162,329**	**68,461,435**
Tangible fixed assets	73,235,324	75,619,540
Intangible fixed assets	151,118,070	154,173,121
Equity investments	64,626	28,840
Other fixed assets	3,014,201	2,988,617
Fixed assets	**227,432,221**	**232,810,118**
Post employment benefits	-8,475,114	-9,204,059
Provisions	-1,177,148	-1,414,943
Assets available for sale	793,885	793,885
Liabilities availables for sale	-	-
Long term not financial liabilities	-14,241,401	-14,241,401
Deferred tax assets	15,594,285	15,026,668
Deferred tax liabilities	-40,675,936	-41,161,918
NET CAPITAL INVESTED	**252,413,121**	**251,069,785**
Share capital	25,371,407	25,371,407
Other reserves	116,836,155	119,294,593
Profits/(Losses) carried-forward	-3,937,936	-2,341,726
Profits/(Loss) for the period	-5,117,258	-12,506,617
Group interest in shareholders' equity	**133,152,368**	**129,817,657**
Minority interest in shareholders' equity	15,786,048	25,726,864
Total shareholders' equity	**148,938,416**	**155,544,521**
Cash	-3,858,232	-4,512,265
Long term financial liabilities	10,995,233	13,211,420
Short term financial liabilities	96,337,704	86,826,109
NET FINANCIAL POSITION	**103,474,705**	**95,525,264**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**252,413,121**	**251,069,785**

NET INVESTED CAPITAL

Net invested capital increases by 0.5% compared with 31 December 2010.

NET WORKING CAPITAL

Net working capital amounts to EUR 73,162 thousand (31% of LTM sales) compared with EUR 68,461 thousand of 31 December 2010 (31.2% of sales).

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

- Operating net working capital (EUR 57,429 thousand) increases of EUR 4,499 thousand compared with the value at 31 December 2010 (EUR 52,930 thousand). Such change is mainly related to the higher increase of trade receivables compared to the increase of trade payables, as a consequence of the sales positive trend recorded in the first semester 2011;
- Other short term receivables increase of EUR 1,363 thousand mainly due to increase of credits for prepaid costs generated by the seasonality of the business and by the increase of variable costs suspended at the end of June as a consequence of the good performances of sales and orders. Such effect (about EUR 2.1 million) has been partially compensated by the shift of a receivable with the tax authority "Agenzia delle Entrate" claimed by the Pollini Group (for EUR 1.3 million and misplaced in the entry "Other short term receivables" at 31 December 2010) to the entry "Tax receivables";
- Other short term liabilities payables increase from 31 December 2010 of EUR 3,497 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 2010;
- The net effect of tax payables/receivables increases net working capital of EUR 2,335 thousand. The major change is due by the shift described in the comment on "Other current receivables".

FIXED ASSETS

Fixed assets decrease by EUR 5,378 thousand from 31 December 2010 to 30 June 2011.

The changes in the main items are described below:

- decrease for the semester depreciation of tangible fixed assets for EUR 3,554 thousand;
- decrease for the semester amortisation of intangible fixed assets for EUR 3,342 thousand;
- increase for new investments and other changes in fixed assets for EUR 1,456 thousand, mainly related to the leasehold improvements.

NET FINANCIAL POSITION

The net financial position of the Group amounts to EUR 103,475 thousand as of 30 June 2011 compared with EUR 95,525 thousand as of 31 December 2010. Such increase is mainly due to the economic result of the first semester 2011, to the investments realized in the period for EUR 1,522 thousand and to the payment of EUR 1,200 thousand connected to the acquisition of the remaining 28% of Pollini S.p.A..

SHAREHOLDERS' EQUITY

The shareholders' equity decreases for EUR 6,606 thousand from EUR 155,544 thousand as of 31 December 2010 to EUR 148,938 thousand as of 30 June 2011. 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 37 of the Half-year Condensed Financial Statements at 30 June 2011.

6. SIGNIFICANT EVENTS OCCURRING IN THE SEMESTER

On 16 February 2011, Aeffe S.p.A. has acquired from York S.r.l. the remaining 28% shareholding of Pollini S.p.A., becoming the sole shareholder. The acquisition price amounts to EUR 1.2 million, already fully paid. The acquisition permits Aeffe, which already held, with 72% of the capital, the company's control, to ensure the full operational efficiency of the Aeffe Group structure, as well as to acquire flexibility in assessing and catching any opportunities for partnership and for strategic operations, especially in the emerging markets where the brand Pollini has great development potential.

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, during the first half of 2011 the world economic recovery showed a slowdown restrained in the first quarter by the slackening of growth in the United States and the sharp contraction in Japan, where the economic repercussions of the earthquake have proved worse than expected. In the same period growth in Italy was barely positive and the improvement in exports was offset by stagnant domestic demand.

The main risks involve the possible slackening of the global recovery and developments in the sovereign debt crisis within the euro area.

More optimistic are the forecasts of Altagamma foundation related to the scenario 2011, that indicate, in the year, a 8% growth in the luxury sector of worldwide markets. On this point it makes feel confident the double-digit increases of sell-out recorded in the months of February and March by the retail sales.

Always the same source forecasts for the luxury products: for the sectors, a +10% for the prêt-a-porter and a +12.5% for the leather and accessories sector in 2011 compared to the year 2010; for the markets, a 9% fall on the year for Japan, a 7% increase for Middle East, for Europe the expected growth is between 5.5% and

7% for North America the increase is estimated in a 9%. The leading actors are: Latin countries +12.5% and Asia (drawn by China) +20%.

In such context our Group obtained excellent results in the first semester of 2011. The Group continued also in the second quarter of the year to record a strong improvement in profitability that was supported by the good revenues growth both in the directly operated stores and in the wholesale channel, up by 14% and 18%, respectively, over the same period of the previous year. We believe the Group will register a positive trend in the second half of the year on the basis of the excellent results achieved so far and the very good data collected from the Fall/Winter 2011/2012 collections.

Half-year condensed financial statements at 30 June 2011

Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(Values in units of EUR)	Notes	30 June 2011	31 December 2010	Change
NON-CURRENT ASSETS				
Intangible fixed assets				
Key money		45,377,012	46,779,471	-1,402,459
Trademarks		104,682,740	106,429,503	-1,746,763
Other intangible fixed assets		1,058,318	964,147	94,171
Total intangible fixed assets	(1)	151,118,070	154,173,121	-3,055,051
Tangible fixed assets				
Lands		17,594,609	17,710,420	-115,811
Buildings		31,798,318	32,623,344	-825,026
Leasehold improvements		13,558,107	14,593,956	-1,035,849
Plant and machinary		5,967,692	6,335,774	-368,082
Equipment		479,546	338,648	140,898
Other tangible fixed assets		3,837,052	4,017,398	-180,346
Total tangible fixed assets	(2)	73,235,324	75,619,540	-2,384,216
Other fixed assets				
Equity investments	(3)	64,626	28,840	35,786
Other fixed assets	(4)	3,014,201	2,988,617	25,584
Deferred tax assets	(5)	15,594,285	15,026,668	567,617
Total other fixed assets		18,673,112	18,044,125	628,987
TOTAL NON-CURRENT ASSETS		**243,026,506**	**247,836,786**	**- 4,810,280**
CURRENT ASSETS				
Stocks and inventories	(6)	72,727,592	73,086,479	-358,887
Trade receivables	(7)	33,119,261	27,487,606	5,631,655
Tax receivables	(8)	8,007,643	5,118,017	2,889,626
Cash	(9)	3,858,232	4,512,265	-654,033
Other receivables	(10)	28,336,973	26,973,677	1,363,296
TOTAL CURRENT ASSETS		**146,049,701**	**137,178,044**	**8,871,657**
Assets available for sale	(11)	793,885	793,885	0
TOTAL ASSETS		**389,870,092**	**385,808,715**	**4,061,377**

(*) 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 2011	31 December 2010	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		-2,653,195	-2,384,986	-268,209
Other reserves		28,888,367	31,078,596	-2,190,229
Fair Value reserve		7,901,240	7,901,240	0
IAS reserve		11,459,492	11,459,492	0
Profits/(losses) carried-forward		-3,937,936	-2,341,726	-1,596,210
Net profit/(loss) for the Group		-5,117,258	-12,506,617	7,389,359
Group interest in shareholders' equity		133,152,368	129,817,657	3,334,711
Minority interest				
Minority interest in share capital and reserves		15,806,685	27,475,653	-11,668,968
Net profit/(loss) for the minority interest		-20,637	-1,748,789	1,728,152
Minority interest in shareholders' equity		15,786,048	25,726,864	-9,940,816
TOTAL SHAREHOLDERS' EQUITY		**148,938,416**	**155,544,521**	**-6,606,105**
NON-CURRENT LIABILITIES				
Provisions	(13)	1,177,148	1,414,943	-237,795
Deferred tax liabilities	(5)	40,675,936	41,161,918	-485,982
Post employment benefits	(14)	8,475,114	9,204,059	-728,945
Long term financial liabilities	(15)	10,995,233	13,211,420	-2,216,187
Long term not financial liabilities	(16)	14,241,401	14,241,401	0
TOTAL NON-CURRENT LIABILITIES		**75,564,832**	**79,233,741**	**-3,668,909**
CURRENT LIABILITIES				
Trade payables	(17)	48,417,898	47,643,680	774,218
Tax payables	(18)	3,446,667	2,892,460	554,207
Short term financial liabilities	(19)	96,337,704	86,826,109	9,511,595
Other liabilities	(20)	17,164,575	13,668,204	3,496,371
TOTAL CURRENT LIABILITIES		**165,366,844**	**151,030,453**	**14,336,391**
Liabilities available for sale	(11)	0	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**389,870,092**	**385,808,715**	**4,061,377**

(*) 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 2011	%	1st Half 2010	%
REVENUES FROM SALES AND SERVICES	**(21)**	**119,966,651**	**100.0%**	**102,869,523**	**100.0%**
Other revenues and income	(22)	2,535,754	2.1%	3,885,318	3.8%
TOTAL REVENUES		**122,502,405**	**102.1%**	**106,754,841**	**103.8%**
Changes in inventory		933,697	0.8%	642,634	0.6%
Costs of raw materials, cons. and goods for resale	(23)	-38,930,870	-32.5%	-30,606,017	-29.8%
Costs of services	(24)	-36,119,250	-30.1%	-34,838,821	-33.9%
Costs for use of third parties assets	(25)	-11,555,289	-9.6%	-10,510,062	-10.2%
Labour costs	(26)	-29,436,407	-24.5%	-30,478,472	-29.6%
Other operating expenses	(27)	-3,029,409	-2.5%	-3,236,945	-3.1%
Amortisation, write-downs and provisions	(28)	-6,925,403	-5.8%	-6,618,333	-6.4%
Financial income/(expenses)	(29)	-2,046,611	-1.7%	379,330	0.4%
PROFIT / LOSS BEFORE TAXES		**-4,607,137**	**-3.8%**	**-8,511,845**	**-8.3%**
Income taxes	(30)	-530,758	-0.4%	1,500,627	1.5%
NET PROFIT / LOSS		**-5,137,895**	**-4.3%**	**-7,011,218**	**-6.8%**
(Profit)/loss attributable to minority shareholders		20,637	0.0%	709,030	0.7%
NET PROFIT / LOSS FOR THE GROUP		**-5,117,258**	**-4.3%**	**-6,302,188**	**-6.1%**

(*) 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 2011	I° Half 2010
Profit/(loss) for the period (A)	**-5,137,895**	**-7,011,218**
Gains/(losses) on cash flow hedges	-	-
Gains/(losses) on exchange differences on translating foreign operations	-268,209	-1,407
Income tax relating to components of Other Comprehensive income / (loss)	-	-
Total Other comprehensive income / (loss), net of tax (B)	**-268,209**	**-1,407**
Total Comprehensive income / (loss) (A) + (B)	**-5,406,104**	**-7,012,625**
Total Comprehensive income / (loss) attributable to:	**-5,406,104**	**-7,012,625**
Owners of the parent	-5,385,467	-6,303,595
Non-controlling interests	-20,637	-709,030

CONSOLIDATED STATEMENT OF CASH FLOWS (*)

(Values in thousands of EUR)	Notes	1st Half 2011	1st Half 2010
OPENING BALANCE		**4,512**	**5,337**
Profit / loss before taxes		-4,607	-8,512
Amortisation / write-downs		6,925	6,618
Accrual (+)/availment (-) of long term provisions and post employment benefits		-967	-393
Paid income taxes		-1,030	-1,743
Financial income (-) and financial charges (+)		2,047	-379
Change in operating assets and liabilities		-5,254	344
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-2,886**	**-4,065**
Increase (-)/ decrease (+) in intangible fixed assets		-287	-6,076
Increase (-)/ decrease (+) in tangible fixed assets		-1,170	-4,878
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-65	6,930
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-1,522**	**-4,024**
Other variations in reserves and profits carried-forward of shareholders' equity		-1,468	-1
Dividends paid		0	0
Proceeds (+)/repayment (-) of financial payments		7,295	8,511
Increase (-)/ decrease (+) in long term financial receivables		-26	-269
Financial income (+) and financial charges (-)		-2,047	379
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**3,754**	**8,620**
CLOSING BALANCE		**3,858**	**5,868**

(*) 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”.

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	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											
Allocation of 2009 income/(loss)	-	-	-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**

(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	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total shareholders' equity
BALANCES AT 31 December 2010	**25,371**	**71,240**	**31,080**	**7,901**	**11,459**	**-2,342**	**-12,507**	**-2,385**	**129,817**	**25,727**	**155,544**
Changes in equity for 1st H 2011											
Allocation of 2010 income/(loss)	-	-	-2,191	-	-	-10,316	12,507	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Treasury stock (buyback)/sale	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) at 30/06/11	-	-	-	-	-		-5,117	-268	-5,385	-21	-5,406
Other changes	-	-	-	-	-	8,720	-	-	8,720	-9,920	-1,200
BALANCES AT 30 June 2011	**25,371**	**71,240**	**28,889**	**7,901**	**11,459**	**-3,938**	**-5,117**	**-2,653**	**133,152**	**15,786**	**148,938**

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", "Blugirl" and "Cacharel". 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 2011 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 2011 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 2011 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% (iv)
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	100%	
Pollini Retail	Gatteo (FC) Italy	EUR	5,000,000		100% (i)
Velmar	S.G. in Marignano (RN) Italy	EUR	120,000	100%	
Foreign companies					
Aeffe France	Paris (FR)	EUR	1,550,000	99.9%	
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	180,000		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)
Pollini Suisse	Chiasso (CH)	CHF	20,000		100% (i)

Notes (details of indirect shareholdings):

(i) 100% owned by Pollini Spa;

(ii) 100% owned by Moschino Spa;

(iii) 100% owned by Moschino Far East;

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

During the semester the following operations have been completed:

a) Moschino Spa has acquired the remaining 28% of Pollini Spa;

b) Pollini Spa has increase its shareholding in Pollini Retail reaching the 100%;

c) Pollini Spa has set up a new company Pollini Suisse , 100% owned.

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 2011	Average exchange rate 1st Half 2011	Actual exchange rate 31 December 2010	Average exchange rate FY 2010	Actual exchange rate 30 June 2010	Average exchange rate 1st Half 2010
United States Dollars	1.4453	1.4031	1.3362	1.3268	1.2271	1.3268
United Kingdom Pounds	0.9026	0.8680	0.8608	0.8582	0.8175	0.8700
Japanese Yen	116.2500	115.0297	108.6500	116.4552	108.7900	121.3197
South Korean Won	1543.1900	1544.5617	1499.0600	1532.5125	1499.5900	1531.2083

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 2010, as described in the consolidated financial statements for the year ended 31 December 2010, except for the following interpretations and amendments to the accounting principles that have been mandatory since 1 January 2011 (unless otherwise indicated):

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 adoption of the amendment is not relevant for the Group.

On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial instruments* that was amended on 28 October 2010. The standard, having an effective date for mandatory adoption of 1 January 2013, represents the completion of the first part of a project to replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities and for the derecognition of financial assets. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost of 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. The most significant effect of the standard regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. Under the new standard these changes are recognised in Other comprehensive income (loss) and are not subsequently reclassified to the Income statement.

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 adoption of the amendment is not relevant for the Group.

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 adoption of the amendment is not relevant for the Group.

On 6 May 2010 the IASB issued a set of amendments to IFRSs ("*Improvements to IFRSs*") that are applicable from 1 January 2011. The adoption of the "Improvements" has not involved relevant effects on the Group's financial statements.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfers ("derecognition") of financial assets, including an understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period.

On 20 December 2010, the IASB issued minor amendments to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*. The first amendment replaces references to a fixed date of "1 January 2004" with the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments are effective from 1 July 2011.

On 20 December 2010, the IASB issued amendments to IAS 12 – *Income Taxes* that require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. As a result of the amendments, SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* no longer applies. These amendments are effective from 1 January 2012.

On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* replacing SIC-12 – *Consolidation-Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed *Separate Financial Statements* and addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective retrospectively from 1 January 2013.

On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements* superseding IAS 31 – *Interests in Joint Ventures* and SIC-12 – *Jointly-controlled Entities-Non-monetary Contributions by Ventures*. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form and requires a single method to account for interests in jointly-controlled entities, the equity method. The standard is effective retrospectively from 1 January 2013. Following the issue of the new standard, IAS 28 – *Investments in Associates* has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).

On 12 May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities , including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. The standard is effective for annual periods beginning after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRS permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective prospectively from 1 January 2013.

On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Financial Statements* requiring companies to group together items within Other Comprehensive income (loss) that may be reclassified to the profit or loss section of the income statement. The amendment is applicable from periods beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 – *Employee Benefits*. The amendments make improvements to the previous version by eliminating the option to defer the recognition of gains and losses, known as the "corridor method", and by requiring the fund's deficit or surplus to be presented in the statement of financial position , the components of cost relating to service and net interest to be recognized in profit or loss and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognized in Other comprehensive income (loss). In addition, the return on assets included in net interest costs must now be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendments also introduce the requirement for additional disclosures to be provided in the notes. The amended version of IAS 19 is applicable on retrospective basis from 1 January 2013.

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 01.01.11	**106,430**	**46,779**	**964**	**154,173**
Increases	0	0	653	653
- increases externally acquired	*0*	*0*	*653*	*653*
- increases from business aggregations	0	0	0	0
Disposals	0	0	*0*	0
Translation diff. / other variations	0	0	-366	-366
Amortisation	-1,747	-1,402	*-193*	-3,342
Net book value as of 30.06.11	**104,683**	**45,377**	**1,058**	**151,118**

Changes in intangible fixed assets (totalling EUR 3,055 thousand) are mainly related to:

- the decrease generated by the amortisation of the period for EUR 3,342 thousand.
- the increase of the category "Other" for EUR 287 thousand (net of other variations), generated by investments in software.

Brands

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

(Values in thousands of EUR)	Brand residual life	30 June 2011	31 December 2010
Alberta Ferretti	32	3,966	4,029
Moschino	34	58,224	59,187
Pollini	30	42,493	43,214
Total		**104,683**	**106,430**

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

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

In fact, starting from 2009, 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.

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 01.01.11	**17,710**	**32,623**	**14,594**	**6,337**	**339**	**4,017**	**75,620**
Increases	-	134	1,263	219	216	416	2,248
Disposals	-	-	-61	-10	0	-4	-75
Translation diff. / other variations	-116	-546	-263	-6	7	-80	-1,004
Depreciation	-	-413	-1,975	-572	-82	-512	-3,554
Net book value as of 30.06.11	**17,594**	**31,798**	**13,558**	**5,968**	**480**	**3,837**	**73,235**

Tangible fixed assets are changed as follows:

- Increases for new investments of EUR 2,248 thousand. These mainly refer to new investments in the renovation and modernisation of shops.
- Disposals, net of the accumulated depreciation, of EUR 75 thousand.
- Decrease for differences arising on translation and other variations of EUR 1,004 thousand.
- Depreciation of EUR 3,554 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 2011 the value is substantially in line with that of 31 December 2010.

5. Deferred tax assets and liabilities

The table below illustrates the breakdown of this item at 30 June 2011 and at 31 December 2010:

(Values in thousands of EUR)	Receivables		Liabilities	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Tangible fixed assets	-	-	-295	-351
Intangible fixed assets	3	3	-200	-203
Provisions	1,242	1,344	-	-
Costs deductible in future periods	672	1,007	-2	-2
Income taxable in future periods	722	707	-928	-970
Tax losses carried forward	11,048	10,004	-	-
Other	-	-	-55	-60
Tax assets (liabilities) from transition to IAS	1,907	1,962	-39,196	-39,576
Total	**15,594**	**15,027**	**-40,676**	**-41,162**

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	-351	24	32	-	-295
Intangible fixed assets	-200	-	3	-	-197
Provisions	1,344	-8	-93	-1	1,242
Costs deductible in future periods	1,005	-1	-65	-269	670
Income taxable in future periods	-263	-	308	-251	-206
Tax losses carried forward	10,004	-158	1,223	-21	11,048
Other	-60	5	0	-	-55
Tax assets (liabilities) from transition to IAS	-37,614	1	-25	349	-37,289
Total	**-26,135**	**-137**	**1,383**	**-193**	**-25,082**

The negative variation of EUR 193 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 2011	31 December 2010	Change Δ	%
Raw, ancillary and consumable materials	15,061	15,942	-881	-5.5%
Work in progress	6,516	6,407	109	1.7%
Finished products and goods for resale	50,478	50,568	-90	-0.2%
Advance payments	673	169	504	298.2%
Total	**72,728**	**73,086**	**-358**	**-0.5%**

Inventories of raw materials, work in progress and finished products mainly relate to the production of the Autumn/Winter 2011 collections and the Spring/Summer 2012 sample collections.

7. *TRADE RECEIVABLES*

This item is illustrated in details in the following table:

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Trade receivables	34,237	28,932	5,305	18.3%
(Allowance for doubtfull account)	-1,118	-1,444	326	-22.6%
Total	**33,119**	**27,488**	**5,631**	**20.5%**

Trade receivables amount to EUR 33,119 thousand at 30 June 2011, showing an increase of 20.5% compared with the amount at 31 December 2010 (EUR 27,488 thousand). The increase is substantially in line with the change in sales.

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 2011	31 December 2010	Change Δ	%
VAT	1,606	1,749	-143	-8.2%
Corporate income taxes (IRES)	2,099	2,102	-3	-0.1%
Local business tax (IRAP)	465	198	267	134.8%
Amounts due by tax authority for withheld taxes	1,440	903	537	59.5%
Other tax receivables	2,398	166	2,232	1344.6%
Total	**8,008**	**5,118**	**2,890**	**56.5%**

As of 30 June 2011, the Group's tax receivables from tax authorities amount to EUR 8,008 thousand. The change of EUR 2,890 thousand compared to 31 December 2010 is mainly due to the shift of a receivable with the tax authority “Agenzia delle Entrate” claimed by the Pollini Group (misplaced in the entry “Other current receivables” at 31 December 2010) to the entry “Tax receivables”;

9. *CASH*

This item includes:

(Values in thousands of EUR)	30 June	31 December	Change	
	2011	2010	Δ	%
Bank and post office deposits	3,504	3,713	-209	-5.6%
Cheques	55	37	18	48.6%
Cash in hand	299	762	-463	-60.8%
Total	**3,858**	**4,512**	**-654**	**-14.5%**

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

The decrease in cash and cash equivalent, recorded at 30 June 2011 compared with the amount recorded at 31 December 2010, is EUR 654 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	31 December	Change	
	2011	2010	Δ	%
Credits for prepaid costs	20,986	18,907	2,079	11.0%
Advances for royalties and commissions	1,427	1,335	92	6.9%
Advances to suppliers	471	340	131	38.5%
Accrued income and prepaid expenses	2,283	1,268	1,015	80.0%
Other	3,170	5,124	-1,954	-38.1%
Total	**28,337**	**26,974**	**1,363**	**5.1%**

Other current receivables increase by EUR 1,363 thousand mainly for the increase of credits for prepaid costs of EUR 2,079 thousand. Such increase has been generated by the seasonality of the business and by the increase of variable costs suspended at the end of June as a consequence of the good performances of sales and orders.

Credits for prepaid costs relate to the costs incurred to design and make samples for the Spring/Summer 2012 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 2011 collections.

About the decrease of the entry “Other” of EUR 1,954 thousand refer to the comments on “Tax receivables” reported in the note 8.

11. ASSETS AND LIABILITIES AVAILABLE FOR SALE

The entry assets and liabilities available for sale is not changed during the semester.

This item is illustrated in details in the following table:

(Values in thousands of EUR)	30 June	31 December	Change
	2011	2010	Δ
Key money	357	357	0
Other fixed assets	437	437	0
Total	**794**	**794**	**0**

12. Shareholders' equity

Described below are the main categories of shareholders' equity at 30 June 2011, while the corresponding variations are described in the prospect of shareholders' equity.

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ
Share capital	25,371	25,371	-
Share premium reserve	71,240	71,240	-
Translation reserve	-2,653	-2,385	-268
Other reserves	28,889	31,080	-2,191
Fair value reserve	7,901	7,901	-
IAS reserve	11,459	11,459	-
Profits / (losses) carried-forward	-3,938	-2,342	-1,596
Net profit / (loss) for the Group	-5,117	-12,507	7,390
Minority interest	15,786	25,727	-9,941
Total	**148,938**	**155,544**	**-6,606**

Share capital

Share capital as of 30 June 2011, 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 2011 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 2010.

Translation reserve

The decrease of EUR 268 thousand related to such reserve is due to the conversion of companies' financial statements in other currency than EUR.

Other reserves

The changes in these reserves reflect 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 2010.

MINORITY INTERESTS

The decrease is due to the portion of loss for the period ended at 30 June 2011 attributable to the minority shareholders and to the acquisition made by Aeffe S.p.A. of the remaining 28% shareholding of Pollini S.p.A from the minority shareholders, becoming the sole shareholder..

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 2010	Increases	Decreases	30 June 2011
Pensions and similar obligations	1,018	49	-51	1,016
Other	397	2	-238	161
Total	**1,415**	**51**	**-289**	**1,177**

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 2010	Increases	Decreases/ Other variations	30 June 2011
Post employment benefits	9,204	350	-1,079	8,475
Total	**9,204**	**350**	**-1,079**	**8,475**

Increases include financial expenses for EUR 194 thousand.

15. Long-term financial liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Loans from financial institutions	8,540	10,035	-1,495	-14.9%
Amounts due to other creditors	2,455	3,176	-721	-22.7%
Total	**10,995**	**13,211**	**-2,216**	**-16.8%**

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 2011, including the current portion and long term portion:

(Values in thousands of EUR)	Total amount	Current portion	Long term portion
Bank borrowings	11,506	2,966	8,540
Total	**11,506**	**2,966**	**8,540**

There are no amounts due beyond five years, except for EUR 695 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 2011	31 December 2010	Change Δ	%
Financial leases	2,386	3,140	-754	-24.0%
Due to other creditors	69	36	33	91.7%
Total	**2,455**	**3,176**	**-721**	**-22.7%**

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.

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 2010:

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Trade payables	48,418	47,644	774	1.6%
Total	**48,418**	**47,644**	**774**	**1.6%**

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 2010 in the following table:

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Local business tax (IRAP)	672	136	536	394.1%
Corporate income tax (IRES)	-62	0	-62	n.a.
Amounts due to tax authority for withheld taxes	2,083	2,324	-241	-10.4%
VAT due to tax authority	658	256	402	157.0%
Other	96	176	-80	-45.5%
Total	**3,447**	**2,892**	**555**	**19.2%**

The change occurred in the period equal to EUR 555 thousand is mainly due to the increase of payables for IRAP and for VAT.

19. Short-term financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Due to banks	94,847	85,371	9,476	11.1%
Due to other creditors	1,491	1,455	36	2.5%
Total	**96,338**	**86,826**	**9,512**	**11.0%**

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 2011, 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.

20. Other liabilities

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

(Values in thousands of EUR)	30 June 2011	31 December 2010	Change Δ	%
Due to total security organization	2,885	3,400	-515	-15.1%
Due to employees	6,356	4,546	1,810	39.8%
Trade debtors - credit balances	2,872	1,509	1,363	90.3%
Accrued expenses and deferred income	3,003	2,620	383	14.6%
Other	2,049	1,593	456	28.6%
Total	**17,165**	**13,668**	**3,497**	**25.6%**

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 2010 is mainly due to the welfare contributions paid in January 2011 on the quota of the thirteenth monthly pay paid in December 2010.

The considerable increase in the amount due to employees is mainly assignable to the presence of the thirteenth monthly pay accrual as of 30 June 2011 which has no equivalent as of 31 December 2010.

The increase of trade debtors is mainly related to the sales growth.

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 "Love Moschino") and brands licensed from other companies (such as "Jean Paul Gaultier", "Blugirl" and "Cacharel"). Aeffe also handles the distribution of all Division products, which takes place via the retail channel through subsidiaries and via the wholesale channel.

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

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

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

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

The following tables indicate the main economic data for the first half-year 2011 and 2010 of the *Prêt-à porter* and Footwear and leather goods Divisions:

(Values in thousand of EUR) 1st Half 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR REVENUES	**98,151**	**28,456**	**-6,640**	**119,967**
Intercompany revenues	-1,847	-4,793	6,640	0
Revenues with third parties	**96,304**	**23,663**	-	**119,967**
Gross operating margin (EBITDA)	**6,092**	**-1,727**	-	**4,365**
Amortisation	-5,343	-1,554	-	-6,897
Other non monetary items:				
Write-downs		-29	-	-29
Net operating profit / loss (EBIT)	**749**	**-3,310**	-	**-2,561**
Financial income	516	46	-174	388
Financial expenses	-2,116	-492	174	-2,434
Profit / loss before taxes	**-851**	**-3,756**	**-**	**-4,607**
Income taxes	-1,534	1,003	-	-531
Net profit / loss	**-2,385**	**-2,753**	**-**	**-5,138**

(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**

The following tables indicate the main patrimonial and financial data at 30 June 2011 and 31 December 2010 of the Prêt-à porter and Footwear and leather goods Divisions:

(Values in thousand of EUR) 30 June 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*301,880*	*105,987*	*-41,599*	366,268
of which non-current assets (*)				
Intangible fixed assets	*97,076*	*54,042*	-	*151,118*
Tangible fixed assets	*69,697*	*3,538*	-	*73,235*
Other non-current assets	*6,909*	*2,245*	*-6,075*	*3,079*
OTHER ASSETS	*20,468*	*3,134*	-	23,602
CONSOLIDATED ASSETS	**322,348**	**109,121**	**-41,599**	**389,870**

(*) 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 2011	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*179,077*	*59,331*	*-41,599*	196,809
OTHER LIABILITIES	26,368	17,755	-	44,123
CONSOLIDATED LIABILITIES	**205,445**	**77,086**	**-41,599**	**240,932**

(Values in thousand of EUR) 31 December 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR ASSETS	*297,278*	*106,806*	*-38,420*	365,664
of which non-current assets (*)				
Intangible fixed assets	*98,942*	*55,231*	-	*154,173*
Tangible fixed assets	*72,043*	*3,577*	-	*75,620*
Other non-current assets	*6,916*	*1,137*	*-5,036*	*3,017*
OTHER ASSETS	*18,378*	*1,767*	-	20,145
CONSOLIDATED ASSETS	**315,656**	**108,573**	**-38,420**	**385,809**

(*) 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 2010	Prêt-à porter Division	Footwear and leather goods Division	Elimination of intercompany transactions	Total
SECTOR LIABILITIES	*168,850*	*55,780*	*-38,420*	186,210
OTHER LIABILITIES	26,048	18,006	-	44,054
CONSOLIDATED LIABILITIES	**194,898**	**73,786**	**-38,420**	**230,264**

Segment information by geographical area

The following table indicates the revenues for the first half-year 2011 and 2010 divided by geographical area:

(Values in thousands of EUR)	1st Half 2011	%	1st Half 2010	%	Change Δ	%
Italy	52,075	43.4%	44,071	42.8%	8,004	18.2%
Europe (Italy and Russia excluded)	24,689	20.6%	22,263	21.6%	2,426	10.9%
Russia	7,929	6.6%	6,115	5.9%	1,814	29.7%
United States	8,821	7.4%	9,370	9.1%	-549	-5.9%
Japan	9,565	8.0%	8,294	8.1%	1,271	15.3%
Rest of the World	16,888	14.0%	12,757	12.5%	4,131	32.4%
Total	**119,967**	**100.0%**	**102,870**	**100.0%**	**17,097**	**16.6%**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

21. *REVENUES FROM SALES AND SERVICES*

In 1stH 2011, consolidated revenues increase from EUR 102,870 thousand in 1stH 2010 to EUR 119,967 thousand, up 16.6% (16.5% at constant exchange rates).

The revenues of the prêt-à-porter division increase by 14.3% (+14.2% at constant exchange rates) to EUR 98,151 thousand, while the revenues of the footwear and leather goods division increase by 27.7% to EUR 28,456 thousand, before interdivisional eliminations.

22. *OTHER REVENUES AND INCOME*

This item comprises:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Extraordinary income	746	726	20	2.8%
Other income	1,790	3,159	-1,369	-43.3%
Total	**2,536**	**3,885**	**-1,349**	**-34.7%**

In 1stH 2011, the caption extraordinary income amounts to EUR 746 thousand and remains substantially in line with the corresponding value of the previous period of EUR 726 thousand.

In 1stH 2011 other income, which mainly refer to exchange gains on commercial transaction, rental income, sales of raw materials and packaging, amount to EUR 1,790 thousand and decrease compared with the value of the previous semester mainly for the reduction of exchange gains.

23. *COSTS OF RAW MATERIALS*

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	38,931	30,606	8,325	27.2%
Total	**38,931**	**30,606**	**8,325**	**27.2%**

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 increase in this caption is closely linked to the sales growth.

24. *COSTS OF SERVICES*

This item comprises:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Subcontracted work	12,098	11,712	386	3.3%
Consultancy fees	6,667	6,750	-83	-1.2%
Advertising	5,723	5,135	588	11.5%
Commission	2,417	2,387	30	1.3%
Transport	1,895	1,686	209	12.4%
Utilities	1,102	1,099	3	0.3%
Directors' and auditors' fees	1,370	1,381	-11	-0.8%
Insurance	397	391	6	1.5%
Bank charges	617	497	120	24.1%
Travelling expenses	1,126	1,107	19	1.7%
Other services	2,707	2,694	13	0.5%
Total	**36,119**	**34,839**	**1,280**	**3.7%**

Costs of services increase from EUR 34,839 thousand in the 1stH 2010 to EUR 36,119 thousand in the 1stH 2011, up 3.7%. The increase is due to:

- the increase 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 raises from 40.5% of the first semester 2010 to 41.8 of the first semester 2011.
- the higher costs for "Advertising" consequent to the rise in costs for catwalks and advertising. 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 increase of costs linked to the entry "Transport" which is strictly connected to the sales growth.

25. Costs for use of third parties assets

This item comprises:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Rental expenses	9,835	9,191	644	7.0%
Royalties	1,341	970	371	38.2%
Hire charges and similar	379	349	30	8.6%
Total	**11,555**	**10,510**	**1,045**	**9.9%**

The caption costs for use of third parties assets increases of EUR 1,045 thousand from EUR 10,510 thousand in the 1stH 2010 to EUR 11,555 thousand in the 1stH 2011. Such increase is mainly due to opening of new shops, both the ones realized during the 1stH 2010 and fully operative in the 1stH 2011 and the ones realized in 2011, and to sales growth of brands under license.

26. Labour costs

The item includes:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Wages and salaries	22,004	22,834	-830	-3.6%
Contributions and other costs	7,432	7,644	-212	-2.8%
Total	**29,436**	**30,478**	**-1,042**	**-3.4%**

Labour costs decrease from EUR 30,478 thousand in 1stH 2010 to EUR 29,436 thousand in 1stH 2011 with an incidence on revenues which changes from 29.6% in the 1stH 2010 to 24.5% in the 1stH 2011.

The workforce decreases from an average of 1,471 units in the 1stH 2010 to 1,470 units in the 1stH 2011.

Average number of employees by category	1st Half 2011	1st Half 2010	Change Δ	% %
Workers	408	402	6	1%
Office staff-supervisors	1,036	1,040	-4	0%
Executive and senior managers	26	29	-3	-10%
Total	**1,470**	**1,471**	**-1**	**0%**

27. Other operating expenses

This item includes:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Taxes	294	347	-53	-15.3%
Gifts	60	181	-121	-66.9%
Contingent liabilities	653	609	44	7.2%
Write-down of current receivables	83	126	-43	-34.1%
Foreign exchange losses	1,535	1,598	-63	-3.9%
Other operating expenses	404	376	28	7.4%
Total	**3,029**	**3,237**	**-208**	**-6.4%**

The caption other operating expenses amounts to EUR 3,029 thousand, with a decrease of 6.4% compared with EUR 3,237 thousand in the 1stH 2010.

28. Amortisation, write-downs and provisions

This item includes:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Amortisation of intangible fixed assets	3,342	3,220	122	3.8%
Depreciation of tangible fixed assets	3,554	3,363	191	5.7%
Write-downs	29	35	-6	-17.1%
Total	**6,925**	**6,618**	**307**	**4.6%**

The variation in this caption is mainly due to the investments made in the previous year.

29. FINANCIAL INCOME/ EXPENSES

This item includes:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Interest income	36	27	9	33.3%
Foreign exchange gains	330	2,182	-1,852	-84.9%
Financial discounts	20	45	-25	-55.6%
Other income	2	0	2	n.a.
Financial income	**388**	**2,254**	**-1,866**	**-82.8%**
Bank interest expenses	1,699	1,060	639	60.3%
Other interest expenses	184	71	113	159.2%
Lease interest	105	68	37	54.4%
Foreign exchange losses	91	391	-300	-76.7%
Other expenses	356	285	71	24.9%
Financial expenses	**2,435**	**1,875**	**560**	**29.9%**
Total	**2,047**	**-379**	**2,426**	**-640.1%**

The increase in financial income/expenses amounts to EUR 2,426 thousand. Such effect is substantially linked to:

- the higher positive exchange differences generated by loans in foreign currency in the 1st H 2010 compared to the ones in the 1st H 2011 (in particular those passive in Japanese yen and US dollars);
- the raise of the average interest rate of the first semester 2011 compared to the one of 2010.

30. INCOME TAXES

This item includes:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010	Change Δ	%
Current income taxes	1,914	1,172	742	63.3%
Deferred income/(expenses) taxes	-1,383	-2,673	1,290	-48.3%
Total income taxes	**531**	**-1,501**	**2,032**	**n.a.**

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 1st H 2011 and 2010 is illustrated in the following table:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
Profit before taxes	-4,607	-8,512
Theoretical tax rate	27.5%	27.5%
Theoretical income taxes (IRES)	**-1,267**	**-2,341**
Fiscal effect	-217	-98
Effect of foreign tax rates	1,290	501
Total income taxes excluding IRAP (current and deferred)	**-194**	**-1,938**
IRAP (current and deferred)	**725**	**437**
Total income taxes (current and deferred)	**531**	**-1,501**

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

COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow absorbed during the first half of 2011 is EUR 654 thousand.

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
OPENING BALANCE (A)	**4,512**	**5,337**
Cash flow (absorbed)/ generated by operating activity (B)	-2,886	-4,065
Cash flow (absorbed)/ generated by investing activity (C)	-1,522	-4,024
Cash flow (absorbed)/ generated by financing activity (D)	3,754	8,620
Increase/(decrease) in cash flow (E)=(B)+(C)+(D)	**-654**	**531**
CLOSING BALANCE (F)=(A)+(E)	**3,858**	**5,868**

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

The cash flow absorbed by operating activity during the first half of 2011 amounts to EUR 2,886 thousand.

The cash flow comprising these funds is analysed below:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
Profit before taxes	-4,607	-8,512
Amortisation / write-downs	6,925	6,618
Accrual (+)/availment (-) of long term provisions and post employment benefits	-967	-393
Paid income taxes	-1,030	-1,743
Financial income (-) and financial charges (+)	2,047	-379
Change in operating assets and liabilities	-5,254	344
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**-2,886**	**-4,065**

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

The cash flow absorbed by investing activity during the first half of 2011 amounts to EUR 1,522 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
Increase (-)/ decrease (+) in intangible fixed assets	-287	-6,076
Increase (-)/ decrease (+) in tangible fixed assets	-1,170	-4,878
Investments and write-downs (-)/ Disinvestments and revaluations (+)	-65	6,930
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-1,522**	**-4,024**

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

The cash flow generated by financing activity during the first half of 2011 amounts to EUR 3,754 thousand.

The factors comprising these funds are analysed below:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
Other variations in reserves and profits carried-forward of shareholders' equity	-1,468	-1
Dividends paid	0	0
Proceeds (+)/repayment (-) of financial payments	7,295	8,511
Increase (-)/ decrease (+) in long term financial receivables	-26	-269
Financial income (+) and financial charges (-)	-2,047	379
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**3,754**	**8,620**

OTHER INFORMATION

34. Stock options plan

During the semester no stock options of Aeffe S.p.A. have been granted. For the details relating to the stock options plans refer to the financial statements ended at 31 December 2010.

35. 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 2011 is analysed below:

(Values in thousands of EUR)	30 June 2011	31 December 2010
A - Cash in hand	354	799
B - Other available funds	3,504	3,713
C - Securities held for trading	-	-
D - Cash and cash equivalents (A) + (B) + (C)	*3,858*	*4,512*
E - Short term financial receivables	-	-
F - Current bank loans	-91,881	-82,122
G - Current portion of long-term bank borrowings	-2,966	-3,249
H - Current portion of loans from other financial istitutions	-1,491	-1,455
I - Current financial indebtedness (F) + (G) + (H)	*-96,338*	*-86,826*
J - Net current financial indebtedness (I) + (E) + (D)	*-92,480*	*-82,314*
K - Non current bank loans	-8,540	-10,035
L - Issued obbligations	-	-
M - Other non current loans	-2,455	-3,176
N - Non current financial indebtedness (K) + (L) + (M)	*-10,995*	*-13,211*
O - Net financial indebtedness (J) + (N)	***-103,475***	***-95,525***

The net financial position of the Group amounts to EUR 103,475 thousand as of 30 June 2011 compared with EUR 95,525 thousand as of 31 December 2010. Such increase is mainly due to the economic result of the first semester 2011, to the investments realized in the period for EUR 1,522 thousand and to the payment of EUR 1,200 thousand connected to the acquisition of the remaining 28% of Pollini S.p.A..

36. Earnings per share

Basic earnings per share:

(Values in thousands of EUR)	1st Half 2011	1st Half 2010
Consolidated earnings for the period for shareholders of the Parent Company	-5,117	-6,302
Medium number of shares for the period	101,486	101,486
Basic earnings per share	**-0.050**	**-0.062**

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.

37. *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 2011	1st Half 2010	Nature of the transactions
Shareholder Alberta Ferretti with Aeffe S.p.a.			
Contract for the sale of artistic assets and design	150	150	Cost
Ferrim with Aeffe S.p.a.			
Property rental	627	619	Cost
Ferrim with Moschino S.p.a.			
Commercial	0	211	Revenue
Property rental	413	491	Cost
Commercial	91	193	Receivable
Commercial	218	0	Payable
Commerciale Valconca with Aeffe S.p.a.			
Commercial	101	178	Revenue
Property rental	58	59	Cost
Commercial	881	1,037	Receivable
Commercial	55	164	Payable
Gir+A&f with Aeffe S.p.a.			
Other	143	153	Other revenues
Commercial	313	32	Receivable
Aeffe France with Società Solide Real Estate France			
Property rental	134	134	Cost
Commercial	111	63	Payable
Moschino France with Società Solide Real Estate France			
Property rental	164	164	Cost
Commercial	627	454	Payable

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 2011 and at 30 June 2010.

(Values in thousands of EUR)	Balance 1st Half	Value rel. party 2011	%	Balance 1st Half	Value rel. party 2010	%
Incidence of related party transactions on the income statement						
Revenues from sales and services	119,967	101	0.1%	102,870	389	0.4%
Other revenues	2,536	143	5.6%	3,885	153	3.9%
Costs of services	36,119	150	0.4%	34,839	150	0.4%
Costs for use of third party assets	11,555	1,396	12.1%	10,510	1,467	14.0%
Incidence of related party transactions on the balance sheet						
Trade payables	48,418	1,011	2.1%	44,003	681	1.5%
Trade receivables	33,119	1,285	3.9%	26,507	1,262	4.8%
Incidence of related party transactions on the cash flow						
Cash flow (absorbed) / generated by operating activities	-2,886	-1,372	47.5%	-4,065	-1,223	30.1%
Incidence of related party transactions on the indebtedness						
Net financial indebtedness	-103,475	-1,372	1.3%	-95,647	-1,223	1.3%

38. *ATYPICAL AND/OR UNUSUAL TRANSACTIONS*

Pursuant to Consob communication DEM/6064293 dated 28 July 2006, it is confirmed that in the first half of 2011 the Group did not enter into any atypical and/or unusual transactions, as defined in that communication.

39. *SIGNIFICANT NON RECURRING EVENTS AND TRANSACTIONS*

It is confirmed that in the first six months of 2011 no significant non recurring events and transactions have been realised.

40. *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 Bologna Regional Tax Commission, as set during the hearing of 27 September 2010, has rejected the appeal, confirming the first level ruling.

The Rimini Provincial Tax Commission with ruling no. 37/02/08 of 28 January 2008, filed on 9 April 2008, cancelled notices of assessment no. 81203T300390/06 and no. 81203T300393/06 issued by the Rimini Tax Authorities in June 2006. The assessments concern tax years 2001 and 2002, and are connected with non-recognition of utilisation of the tax loss achieved during tax period 2000. The Rimini Tax Office has appealed against the sentence handed down by the Rimini Provincial Tax Commissioners with notification sent to the company on 29 May 2009. The appeal presented its counter analysis to the Regional Tax Commission of Bologna within the legally-prescribed time period. 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 totaling EUR 130 thousand and non-pertinent advertising costs amounting to roughly EUR 580 thousand tied to the disbursement of contributions to subsidiary companies.

On 30 August 2010, the Major Taxpayers Office of the Emilia Romagna Regional Tax Department notified assessments TGB03B500172/2010 (IRAP), TGB08B500181/2010 (theoretical IRES) and TGB09B500185/2010 (actual IRES), containing the matters indicated above. The company challenged these assessments before the Bologna Provincial Tax Commissioners ahead of the legal deadline, trusting that the valid defensive reasoning will be accepted.

On 13 July 2011, with tax return n. 137 2011 00031537 15 the company has been ordered to pay the amount registered in the roll by the Tax Office, provisionally awaiting trial, equal to half of the taxes in dispute, besides interests, for a total amount of EUR 161 thousand.

On 25 October 2010 it has been notified the communication of irregularities, discovered during the automatic control of the Form of declaration "CNM 2008 – tax period 2007" and requested the full payment of EUR 599 thousand (EUR 516 thousand related to VAT, besides penalties –reduced- and interests) for incorrect compensation in the payment form F24 on 30 November 2007, of part of VAT receivable, arising from the VAT declaration concerning the year 2006, with a debt of the EUR 516 thousand due as second advance IRES for the tax period 2007.

On 13 May 2011 it has been notified the folder payment n. 137 2011 00031537 37, through which the Tax Office – Regional Tax Commission of Bologna (by the Concessionaire of Collection) has required to pay an amount of totaling EUR 752 thousand (EUR 516 thousand related to VAT, besides penalties and interests).

On 6 June 2011 the company has submitted to the Regional Tax Commission of Bologna relevant application for cancellation, in self-defense, of the communication of irregularities received and on 11 July 2011 appealed the registration in the roll contained in the tax return, with notice of timely appeal to the Tax Office, pleading the total inconsistency of the tax claim with many and valid defensive arguments and demanding the judicial suspension.

Aeffe Retail S.p.A.: the company has been subjected to an inspection covering its direct taxes, VAT and Irap for the 2007 tax year by officials from the Rimini Provincial Tax Department. Following this inspection, on 15 December 2010 the company was notified of the Inspection Minutes which disallow the deduction of costs totaling Euro 309 thousand (resulting in additional IRES of Euro 102 thousand, IRAP of Euro 13 thousand and VAT of Euro 62 thousand).

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

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

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

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

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

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

Moschino S.p.A.: the company has been subjected to an inspection covering its direct taxes, VAT and Irap for the 2007 tax year by officials from the Milan Provincial Tax Department II. Following this inspection, on 23 December 2010 the company was notified of the Inspection Minutes which raise matters relevant for the purposes of IRES (with additional taxation of Euro 674 thousand), IRAP (with additional taxation of Euro 67 thousand) and VAT (with additional taxation of Euro 203 thousand). The company has taken the opportunity to present observations refuting the conclusions of the inspectors, as allowed by art. 12.7 of Law 212/2000 (Taxpayers Statute).

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 2011	of which Rel. parties	31 December 2010	of which Rel. parties
NON-CURRENT ASSETS					
Intangible fixed assets					
Key money		45,377,012		46,779,471	
Trademarks		104,682,740		106,429,503	
Other intangible fixed assets		1,058,318		964,147	
Total intangible fixed assets	(1)	151,118,070		154,173,121	
Tangible fixed assets					
Lands		17,594,609		17,710,420	
Buildings		31,798,318		32,623,344	
Leasehold improvements		13,558,107		14,593,956	
Plant and machinary		5,967,692		6,335,774	
Equipment		479,546		338,648	
Other tangible fixed assets		3,837,052		4,017,398	
Total tangible fixed assets	(2)	73,235,324		75,619,540	
Other fixed assets					
Equity investments	(3)	64,626		28,840	
Other fixed assets	(4)	3,014,201		2,988,617	
Deferred tax assets	(5)	15,594,285		15,026,668	
Total other fixed assets		18,673,112		18,044,125	
TOTAL NON-CURRENT ASSETS		**243,026,506**		**247,836,786**	
CURRENT ASSETS					
Stocks and inventories	(6)	72,727,592		73,086,479	
Trade receivables	(7)	33,119,261	1,285,627	27,487,606	1,152,134
Tax receivables	(8)	8,007,643		5,118,017	
Cash	(9)	3,858,232		4,512,265	
Other receivables	(10)	28,336,973		26,973,677	5,980
TOTAL CURRENT ASSETS		**146,049,701**		**137,178,044**	
Assets available for sale	(11)	793,885		793,885	
TOTAL ASSETS		**389,870,092**		**385,808,715**	

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 2011	of which Rel. parties	31 December 2010	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		-2,653,195		-2,384,986	
Other reserves		28,888,367		31,078,596	
Fair Value reserve		7,901,240		7,901,240	
IAS reserve		11,459,492		11,459,492	
Profits/(losses) carried-forward		-3,937,936		-2,341,726	
Net profit/(loss) for the Group		-5,117,258		-12,506,617	
Group interest in shareholders' equity		133,152,368		129,817,657	
Minority interest					
Minority interest in share capital and reserves		15,806,685		27,475,653	
Net profit/(loss) for the minority interest		-20,637		-1,748,789	
Minority interest in shareholders' equity		15,786,048		25,726,864	
TOTAL SHAREHOLDERS' EQUITY		**148,938,416**		**155,544,521**	
NON-CURRENT LIABILITIES					
Provisions	(13)	1,177,148		1,414,943	
Deferred tax liabilities	(5)	40,675,936		41,161,918	
Post employment benefits	(14)	8,475,114		9,204,059	
Long term financial liabilities	(15)	10,995,233		13,211,420	
Long term not financial liabilities	(16)	14,241,401		14,241,401	
TOTAL NON-CURRENT LIABILITIES		**75,564,832**		**79,233,741**	
CURRENT LIABILITIES					
Trade payables	(17)	48,417,898	1,011,156	47,643,680	954,041
Tax payables	(18)	3,446,667		2,892,460	
Short term financial liabilities	(19)	96,337,704		86,826,109	
Other liabilities	(20)	17,164,575		13,668,204	
TOTAL CURRENT LIABILITIES		**165,366,844**		**151,030,453**	
Liabilities available for sale	(11)	0		0	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**389,870,092**		**385,808,715**	

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 2011	of which Rel. parties	1st Half 2010	of which Rel. parties
REVENUES FROM SALES AND SERVICES	**(21)**	**119,966,651**	**100,558**	**102,869,523**	**388,862**
Other revenues and income	(22)	2,535,754	143,058	3,885,318	152,666
TOTAL REVENUES		**122,502,405**		**106,754,841**	
Changes in inventory		933,697		642,634	
Costs of raw materials, cons. and goods for resale	(23)	-38,930,870		-30,606,017	
Costs of services	(24)	-36,119,250	-150,000	-34,838,821	-150,000
Costs for use of third parties assets	(25)	-11,555,289	-1,396,175	-10,510,062	-1,467,108
Labour costs	(26)	-29,436,407		-30,478,472	
Other operating expenses	(27)	-3,029,409		-3,236,945	
Amortisation, write-downs and provisions	(28)	-6,925,403		-6,618,333	
Financial income/(expenses)	(29)	-2,046,611		379,330	
PROFIT / LOSS BEFORE TAXES		**-4,607,137**		**-8,511,845**	
Income taxes	(30)	-530,758		1,500,627	
NET PROFIT / LOSS		**-5,137,895**		**-7,011,218**	
(Profit)/loss attributable to minority shareholders		20,637		709,030	
NET PROFIT / LOSS FOR THE GROUP		**-5,117,258**		**-6,302,188**	

ATTACHMENT

Consolidated Cash Flows Statement with related parties

Pursuant to Consob Resolution N. 15519 of 27 July 2006

(Values in thousands of EUR)	Notes	1st Half 2011	of which Rel. parties	1st Half 2010	of which Rel. parties
OPENING BALANCE		**4,512**		**5,337**	
Profit / loss before taxes		-4,607	-1,302	-8,512	-1,075
Amortisation / write-downs		6,925		6,618	
Accrual (+)/availment (-) of long term provisions and post employment benefits		-967		-393	
Paid income taxes		-1,030		-1,743	
Financial income (-) and financial charges (+)		2,047		-379	
Change in operating assets and liabilities		-5,254	-70	344	-148
CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ACTIVITY	**(31)**	**-2,886**		**-4,065**	
Increase (-)/ decrease (+) in intangible fixed assets		-287		-6,076	
Increase (-)/ decrease (+) in tangible fixed assets		-1,170		-4,878	
Investments and write-downs (-)/ Disinvestments and revaluations (+)		-65		6,930	
CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**(32)**	**-1,522**		**-4,024**	
Other variations in reserves and profits carried-forward of shareholders' equity		-1,468		-1	
Dividends paid		0		0	
Proceeds (+)/repayment (-) of financial payments		7,295		8,511	
Increase (-)/ decrease (+) in long term financial receivables		-26		-269	
Financial income (+) and financial charges (-)		-2,047		379	
CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**(33)**	**3,754**		**8,620**	
CLOSING BALANCE		**3,858**		**5,868**	

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 2011.

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.

27 July 2011

President of the board of directors

Massimo Ferretti

Manager responsible for preparing Company's financial reports

Marcello Tassinari

Auditors’ Review Report on the half year condensed financial statements for the six-month period ended June 30, 2011

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 consolidated shareholders’ equity and related explanatory notes as of June 30, 2011 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 tests 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, 2010 and to the six-month period ended June 30, 2010, presented in the half-year condensed financial statements, reference should be made to our auditor’s report dated March 30, 2011 and our auditor’s review report dated July 30, 2010.

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, 2011 are not presented fairly, in all material respects, in accordance with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union.

Milan, Italy July 27, 2011

MAZARS S.p.A.
Signed by
Simone Del Bianco
Partner

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

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