CONSOLIDATED HALF-YEAR REPORT AS OF 30th JUNE 2007

AEFFE

AEFFE FASHION GROUP

CONSOLIDATED HALF-YEAR REPORT AS OF 30th JUNE 2007

AEFFE FASHION GROUP

AEFFE SPA

Board of Directors

Chairman
Massimo Ferretti

Deputy Chairman
Alberta Ferretti

Chief Executive Officer
Simone Badioli

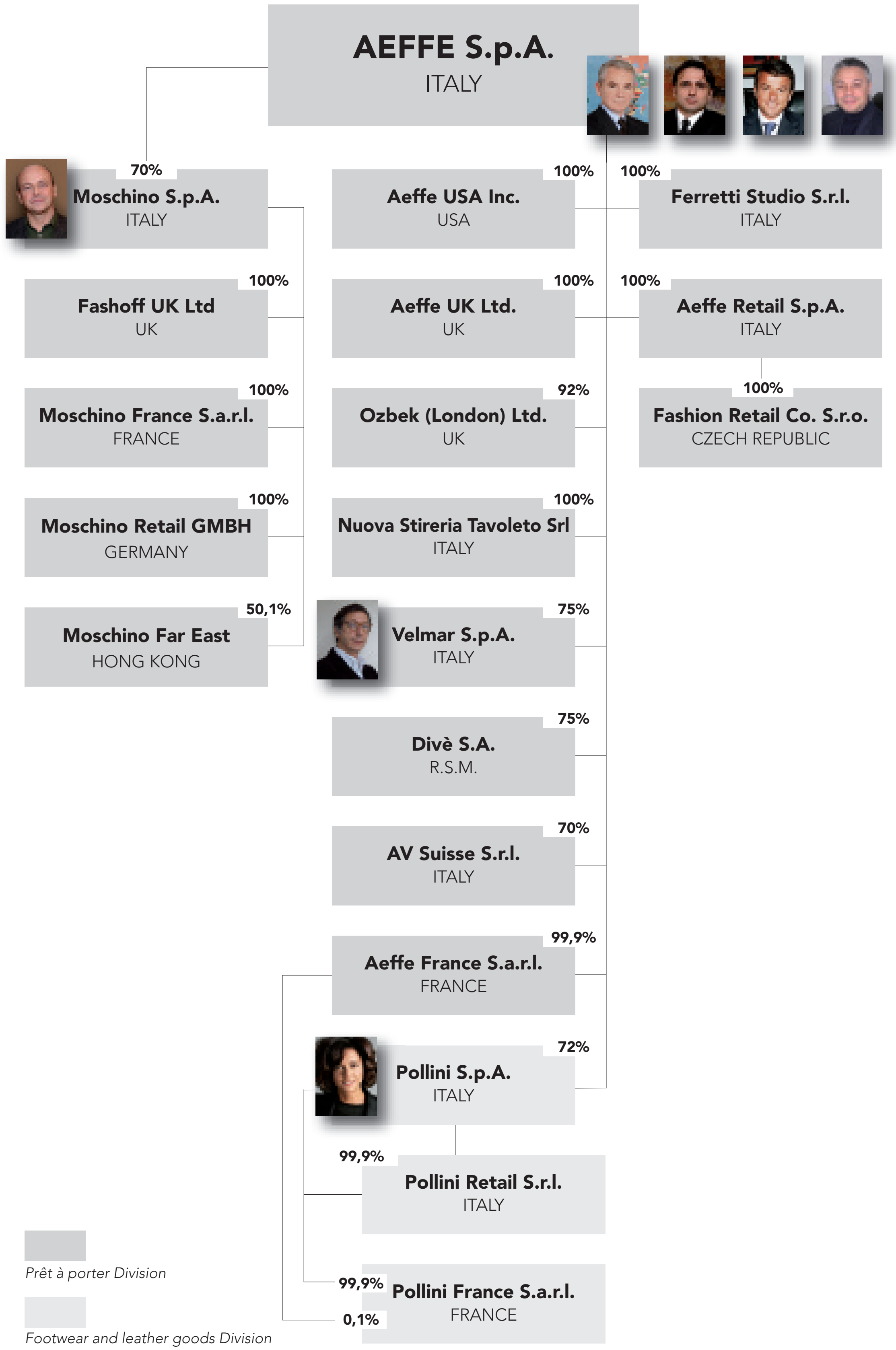
Directors
Marcello Tassinari - *Managing Director*
Roberto Lugano
Umberto Paolucci
Gianfranco Vanzini

Board of Statutory Auditors

President
Romano Del Bianco

Statutory Auditors
Vittorio Baiocchi
Bruno Piccioni

Alternate Auditors
Andrea Moretti
Pier Francesco Gamberini


AEFFE S.p.A.
ITALY
70%
Moschino S.p.A.
ITALY
100%
Fashoff UK Ltd
UK
100%
Moschino France S.a.r.l.
FRANCE
100%
Moschino Retail GMBH
GERMANY
50,1%
Moschino Far East
HONG KONG
100%
Aeffe USA Inc.
USA
100%
Aeffe UK Ltd.
UK
92%
Ozbek (London) Ltd.
UK
100%
Nuova Stireria Tavoleto Srl
ITALY
75%
Velmar S.p.A.
ITALY
75%
Divè S.A.
R.S.M.
70%
AV Suisse S.r.l.
ITALY
99,9%
Aeffe France S.a.r.l.
FRANCE
72%
Pollini S.p.A.
ITALY
99,9%
Pollini Retail S.r.l.
ITALY
99,9%
0,1%
Pollini France S.a.r.l.
FRANCE
100%
Ferretti Studio S.r.l.
ITALY
100%
Aeffe Retail S.p.A.
ITALY
100%
Fashion Retail Co. S.r.o.
CZECH REPUBLIC
Prêt à porter Division
Footwear and leather goods Division

AEFFE
CLOTHING - ACCESSORIES

ALBERTA FERRETTI

PHILOSOPHY DI ALBERTA FERRETTI

Jean Paul GAULTIER

MOSCHINO

POLLINI

MOSCHINO CHEAPANDCHIC

Basso & Brooke POWER PRINTS

Authier

GAULTIER²

POLLINI
SHOES - LEATHER GOODS

POLLINI

STUDIO POLLINI

MOSCHINO

MOSCHINO CHEAPANDCHIC

MOSCHINO JEANS

MOSCHINO
LICENCES - DESIGN - RETAIL

MOSCHINO

MOSCHINO CHEAPANDCHIC

MOSCHINO JEANS

VELMAR
BEACHWEAR - UNDERWEAR

ALBERTA FERRETTI

philosophy ALBERTA FERRETTI

MOSCHINO

BLUGIRL UNDERWEAR

BLUGIRL BEACHWEAR

VERDEMARE

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

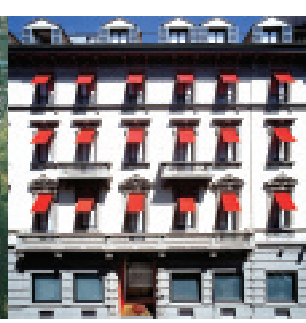
MOSCHINO
Via San Gregorio, 28
20124 - Milan
Italy

POLLINI
Via Erbosa, 2/B
Gatteo (FC)
47030 - Italy

VELMAR
Via Delle Robinie, 43
San Giovanni in Marignano (RN)
47842 - Italy

Aeffe SpA

Moschino SpA



Pollini SpA

Velmar SpA

AEFFE MILAN
(FERRETTI - GAULTIER)
Via Donizetti, 48
20122 - Milan
Italy

POLLINI MILAN
Via Bezzecca, 5
20135 – Milan
Italy

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

AEFFE PARIS
(ALL BRANDS GROUP)
15, Place de la Republique
75003 - Paris
France

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

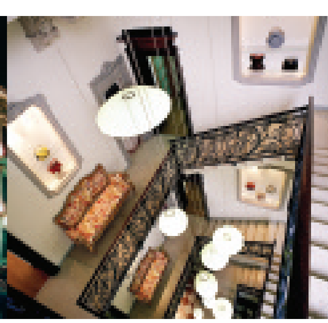
MOSCHINO MILAN
Via San Gregorio, 28
20124 - Milan
Italy

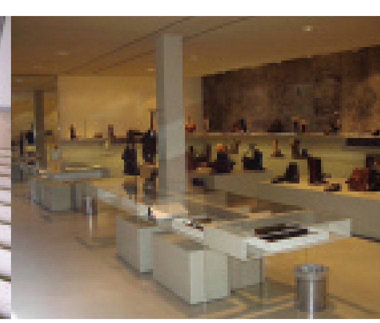
MOSCHINO LONDON
28-29 Conduit Street
W1R 9TA - London
UK

MOSCHINO JAPAN
Shin-Nogizaka Bldg. 5F
1-15-14, Minami Aoyama Minato-ku
107-0062 - Tokyo
Japan

MOSCHINO HONG KONG
21/F Dorset House, Taikoo Place
979 King's Road
Hong Kong


Milano Aeffe


Milano Moschino


Milano Pollini


New York Aeffe


Milano Aeffe

ALBERTA FERRETTI
Milano
Roma
Capri
Paris
London

PHILOSOPHY
Milano
Capri
New York
Paris

SPAZIO A
Firenze
Venezia

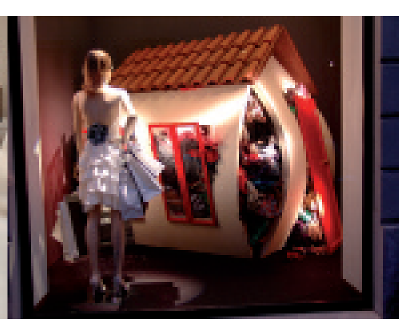
P_BOX
Milano (2)

MOSCHINO
Milano (2)
Capri
Paris
London
Berlin
Beijing
Shanghai
Osaka (4)
Hong Kong (3)
Kuala Lumpur
Singapore
Taipei (5)
Bangkok
Fukuoka City
Tokyo (4)
Kobe City
Kyoto (2)
Nagoya (2)
Daegu
Seoul (6)
Pusan
Kaoshiung (2)

POLLINI
Milano
Bologna
Roma
Firenze (2)
Venezia
Bolzano
Parma
Ravenna
Rimini
Varese
Verona
Paris

Alberta Ferretti

Moschino

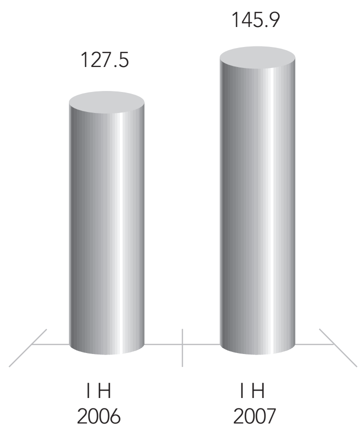


Pollini

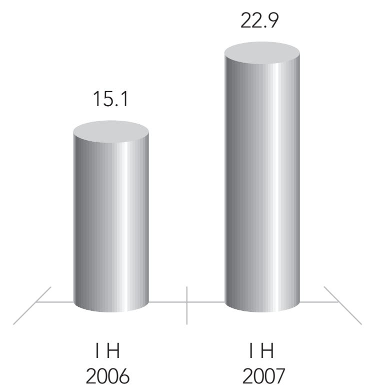
Moschino

AEFFE MAIN ECONOMIC-FINANCIAL DATA

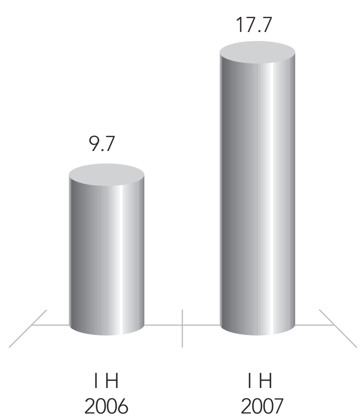
TOTAL REVENUES
(€/.000,000)



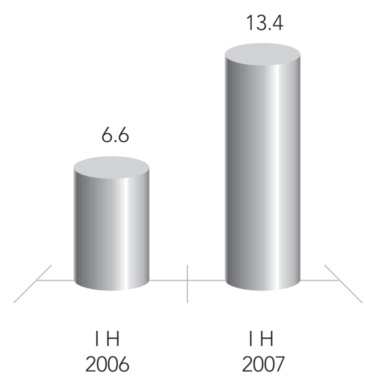
GROSS OPERATING MARGIN
(EBITDA)
(€/.000,000)



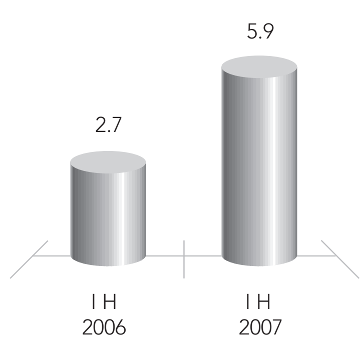
NET OPERATING PROFIT (EBIT)
(€/.000,000)



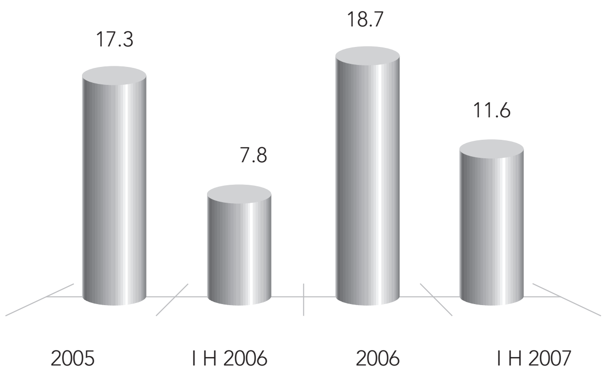
PROFIT BEFORE TAXES
(€/.000,000)



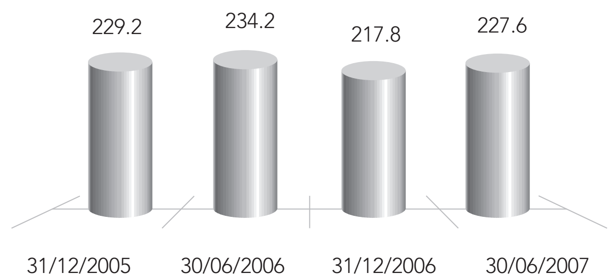
NET PROFIT FOR THE GROUP
(€/.000,000)



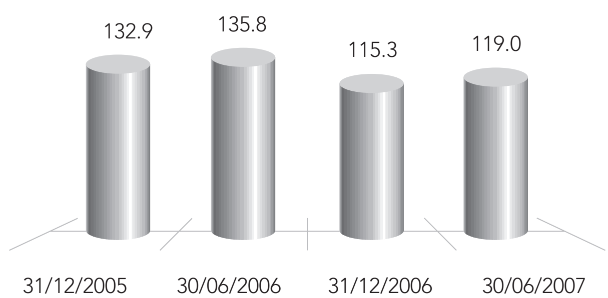
CASH FLOW
(net profit after taxes + depreciation)
(€/.000,000)



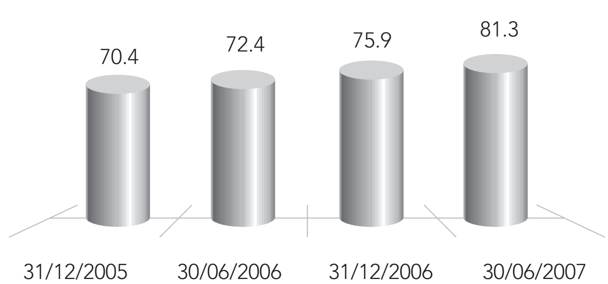
NET CAPITAL INVESTED
(€/.000,000)



NET FINANCIAL POSITION
(€/.000,000)

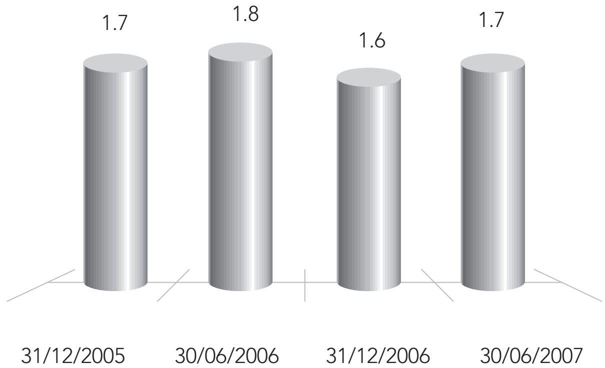


GROUP NET EQUITY
(€/.000,000)



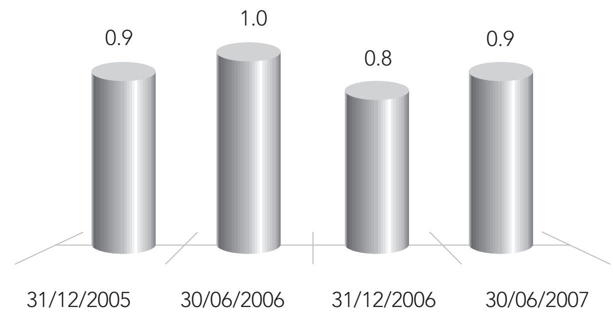
CURRENT ASSETS/ CURRENT LIABILITIES

(Values in percentage)



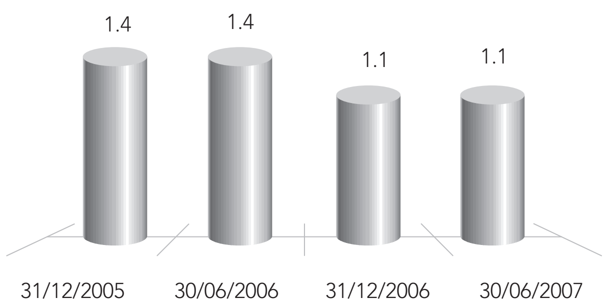
CURRENT ASSETS - STOCKS AND INVENTORIES/ CURRENT LIABILITIES

(Values in percentage)



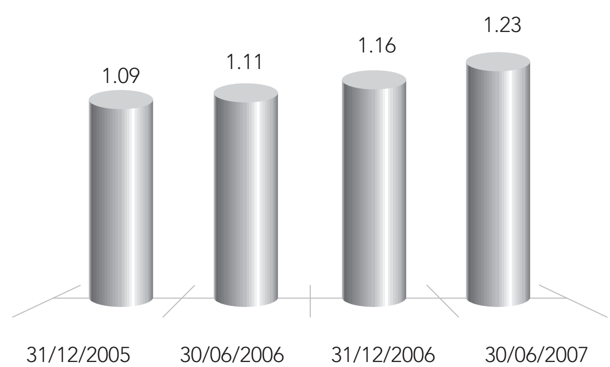
NET FINANCIAL POSITION / SHAREHOLDERS' EQUITY

(Values in percentage)



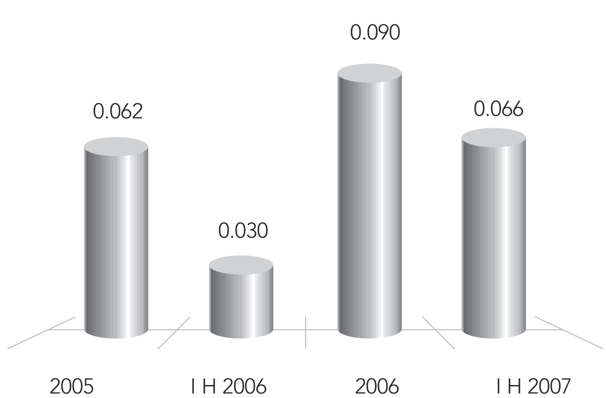
NET EQUITY PER SHARE

(EUR)



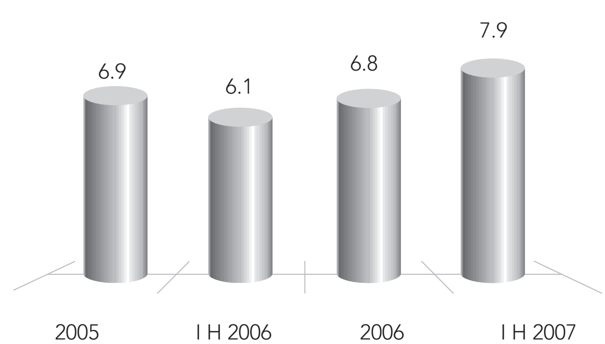
NET PROFIT PER SHARE

(EUR)



CASH FLOW/ TOTAL REVENUES

(Values in percentage)



AEFFE FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Values in units of EUR)	NOTES	30th June 2007	31st December 2006
NON-CURRENT ASSETS			
Intangible fixed assets			
Goodwill		54,101,757	54,101,757
Trademarks		119,042,157	120,799,010
Other intangible fixed assets		155,404	172,525
Total intangible fixed assets	(1)	173,299,318	175,073,292
Tangible fixed assets			
Lands		17,680,633	17,719,245
Buildings		34,792,835	34,265,872
Leasehold improvements		10,999,544	10,998,186
Plant and machinery		3,286,414	3,613,970
Equipment		179,715	207,035
Other tangible fixed assets		3,090,620	3,091,092
Total tangible fixed assets	(2)	70,029,761	69,895,400
Other fixed assets			
Equity investments		21,631	120,638
Other fixed assets		2,868,477	2,877,143
Deferred tax assets		11,227,529	10,741,117
Assets available for sale		1,636,885	1,636,885
Total other fixed assets	(3)	15,754,522	15,375,783
TOTAL NON-CURRENT ASSETS		**259,083,601**	**260,344,475**
CURRENT ASSETS			
Stocks and inventories	(4)	65,315,331	57,658,314
Trade receivables	(5)	36,765,600	33,429,957
Tax receivables	(6)	4,089,881	2,339,179
Cash	(7)	11,122,558	11,145,222
Short term financial receivables	(8)	-	4,175,000
Other assets	(9)	28,651,304	25,857,607
TOTAL CURRENT ASSETS		**145,944,675**	**134,605,279**
TOTAL ASSETS		**405,028,276**	**394,949,753**
SHAREHOLDERS' EQUITY			
Group interest			
Share capital	(10)	22,090,626	22,500,000
Share premium reserve	(11)	5,754,854	11,345,480
Tresury shares		-	-
Translation reserve	(12)	247,505	391,200
Partecipatory instruments reserve	(13)	-	12,400,000
Other reserves	(14)	29,338,422	8,572,760
Fair Value reserve	(15)	7,448,484	7,448,484
IAS reserve	(16)	11,119,766	11,119,777
Retained earnings (losses)	(17)	-582,125	-5,773,135
Income for the period		5,862,365	7,981,220
Group interest in shareholders' equity		81,279,898	75,985,786
Minority interest			
Minority interest in share capital and reserves		26,512,170	25,903,380
Minority interest in income for the period		798,578	561,929
Minority interest in shareholders' equity	(18)	27,310,748	26,465,309
TOTAL SHAREHOLDERS' EQUITY		**108,590,646**	**102,451,095**
NON-CURRENT LIABILITIES			
Provisions	(19)	1,699,378	1,741,230
Deferred tax liabilities		58,333,066	57,303,971
Post employment benefits	(20)	11,482,041	13,508,741
Long term financial liabilities	(21)	60,933,827	66,196,757
Long term not financial liabilities	(22)	14,045,242	14,045,132
TOTAL NON-CURRENT LIABILITIES		**146,493,555**	**152,795,831**
CURRENT LIABILITIES			
Trade payables	(23)	59,505,841	57,545,124
Tax payables	(23)	5,630,725	4,951,812
Short term financial liabilities	(24)	69,165,861	64,437,341
Other liabilities	(23)	15,641,648	12,768,551
TOTAL CURRENT LIABILITIES		**149,944,075**	**139,702,827**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**405,028,276**	**394,949,753**

CONSOLIDATED INCOME STATEMENT

(Values in units of EUR)	NOTES	I H 2007	% on revenues	I H 2006	% on revenues	Change Δ	Change %
REVENUES FROM SALES AND SERVICES	(25)	**141,642,015**	**100.0%**	**125,646,011**	**100.0%**	**15,996,004**	**12.7%**
Other revenues and income	(26)	4,219,421	3.0%	1,891,675	1.5%	2,327,746	123.1%
TOTAL REVENUES		**145,861,436**	**103.0%**	**127,537,686**	**101.5%**	**18,323,750**	**14.4%**
Changes in inventory of work in process, semi-finished, finished goods		7,744,441	5.5%	7,550,292	6.0%	194,150	2.6%
Costs of raw materials, consumables and goods for resale	(27)	-45,332,466	-32.0%	-38,130,985	-30.3%	-7,201,481	18.9%
Costs of services	(28)	-47,080,678	-33.2%	-44,409,909	-35.3%	-2,670,768	6.0%
Costs for use of third parties assets	(29)	-8,594,611	-6.1%	-8,066,006	-6.4%	-528,606	6.6%
Labour costs	(30)	-28,109,943	-19.8%	-27,516,327	-21.9%	-593,616	2.2%
Other operating expenses	(31)	-1,586,722	-1.1%	-1,855,573	-1.5%	268,851	-14.5%
Total Operating Costs		-122,959,979	-86.8%	-112,428,509	-89.5%	-10,531,470	9.4%
GROSS OPERATING MARGIN (EBITDA)		**22,901,457**	**16.2%**	**15,109,178**	**12.0%**	**7,792,280**	**51.6%**
Amortization of intangible fixed assets		-1,818,917	-1.3%	-1,886,946	-1.5%	68,029	-3.6%
Depreciation of tangible fixed assets		-3,108,080	-2.2%	-3,267,374	-2.6%	159,294	-4.9%
Revaluations (write-downs)		-241,188	-0.2%	-241,411	-0.2%	223	-0.1%
Total Amortization and write-downs	(32)	-5,168,184	-3.6%	-5,395,730	-4.3%	227,546	-4.2%
NET OPERATING PROFIT (EBIT)		**17,733,273**	**12.5%**	**9,713,447**	**7.7%**	**8,019,826**	**82.6%**
Financial income	(33)	232,560	0.2%	136,533	0.1%	96,027	70.3%
Financial expenses	(34)	-4,521,994	-3.2%	-3,232,731	-2.6%	-1,289,263	39.9%
Total Financial Income (expense)		-4,289,435	-3.0%	-3,096,198	-2.5%	-1,193,236	38.5%
Profit (loss) from equity investments in affiliates	(35)	-	0.0%	-61,015	0.0%	61,015	-100.0%
PROFIT BEFORE TAXES		**13,443,839**	**9.5%**	**6,556,234**	**5.2%**	**6,887,605**	**105.1%**
Total Income Taxes	(36)	-6,782,895	-4.8%	-3,885,533	-3.1%	-2,897,363	74.6%
Current ncome taxes		-6,090,194	-4.3%	-3,831,187	-3.0%	-2,259,007	59.0%
Deferred income (expenses) taxes		-692,701	-0.5%	-54,345	0.0%	-638,356	1,174.6%
PROFIT NET OF TAXES		**6,660,943**	**4.7%**	**2,670,701**	**2.1%**	**3,990,242**	**149.4%**
Profit (loss) attributable to minority shareholders'		-798,578	-0.6%	-15,193	0.0%	-783,385	5,156.3%
NET PROFIT FOR THE GROUP		**5,862,365**	**4.1%**	**2,655,508**	**2.1%**	**3,206,857**	**120.8%**

CONSOLIDATED CASH FLOW

(Values in thousands of EUR)	NOTES	30th June 2007	30th June 2006
OPENING BALANCE		**15,320**	**7,020**
Profit before taxes		13,444	6,556
Amortizations		4,927	5,154
Accrual (+)/availment (-) of long term provisions and post employment benefits		-2,069	-147
Income taxes and change in deferred assets and liabilities		-5,561	-1,793
Financial income (-) and financial charges (+)		4,289	3,096
Change in operating assets and liabilities		-10,703	-12,174
NET CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ASSETS ACTIVITIY	(37)	**4,327**	**692**
Increase (-) / Decrease(+) in intangible fixed assets		-45	-47
Increase (-) / Decrease(+) in tangible fixed assets		-3,242	-1,200
Investments (-)/Disinvestments (+)		99	74
Change in assets available for sale		-	26
NET CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	(38)	**-3,188**	**-1,147**
Increase in reserves and profit carried-forward to shareholders' equity		-521	-619
Proceeds (repayment) of financial payments		-534	5,841
Increase (decrease) in long term financial receivables		9	1,258
Financial income and financial charges		-4,289	-3,096
NET CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	(39)	**-5,337**	**3,384**
CLOSING BALANCE		**11,123**	**9,949**

AEFFE DIRECTOR'S REPORT

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 "Authier". 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 and sunglasses).
The Group's business is divided, based on the various product lines and brands it sells, into two segments: (i) prêt-a-porter (which includes prêt-a-porter lines, lingerie and swimwear); and (ii) footwear and leather goods.

Prêt-a-porter Division

The Prêt-a-porter Division, which is composed of the companies Aeffe, Moschino and Velmar, is mainly involved in the design, production and distribution of luxury prêt-a-porter garments and lingerie, beachwear and loungewear.
In terms of the prêt-a-porter collections, the activity is carried out by Aeffe, both for the production of the Group's proprietary brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier", and "Authier"). 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 and beachwear, and loungewear. Collections are produced and distributed under the Group's proprietary brands, which include "Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino" and "Verdemare", 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 jeans line, "Moschino" and "...Oh! de 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" and – since 2006 – "Gaultier2" 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 2003, Aeffe appointed Rifat Özbek, the Turkish-born British designer who has been awarded accolades such as UK *Designer of the Year* (1988), as artistic director of Pollini prêt-a-porter lines.
In 2004, as part of its commitment to uncover and showcase new talent, Aeffe began a

partnership with an Anglo-Brazilian pair of up-and-coming designers, Bruno Basso and Christopher Brooke, who won the London *Fashion Fringe* in 2004.
In 2006, Aeffe commenced the licensed production and distribution of Authier skiwear and après-skiwear.

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 three single-brand Moschino stores, two in Milan and one in Capri.

Velmar
Velmar was created in 1983 in San Giovanni in Marignano and is active in the production and distribution of lingerie, underwear, beachwear and loungewear.
In 1990, a partnership began between Velmar and designer Anna Molinari to manufacture lingerie and beachwear lines. That same year, talks began with Aeffe and Genny.
Between 1990 and 1995, Velmar worked with Genny and Fendi, producing all of the swimwear lines designed by the two fashion houses. Between 1990 and 2001, Velmar worked with Itierre and Prada on the design and production of the active and sportswear lines sold under the "Extee" and "Prada" menswear labels.
Between 1995 and 1998, Velmar produced and distributed under licence the beachwear line for Byblos menswear and womenswear.
In 1998, Velmar signed a licensing agreement with Blufin for the production and distribution of "Blugirl" lines.
In 2001, Aeffe acquired 75% of Velmar. Again, this represented a natural progression of the existing partnership between the two companies.
In 2001, Velmar began the production and distribution under licence of Alberta Ferretti lingerie, beachwear and loungewear lines.
In 2004, Velmar began the production and distribution of lingerie, beachwear and loungewear lines under the "Philosophy di Alberta Ferretti" brand.
In 2006, Velmar obtained a licence for the production and distribution of the men's beachwear and underwear lines and women's lingerie lines under the "Moschino" brand.

Aeffe USA
Aeffe USA is 100% owned by Aeffe Spa and was incorporated in May 1987 under the laws of the State of New York.
The company operates in the wholesale segment of the North American market (United States and Canada) distributing items of clothing and accessories produced by the parent company, Pollini S.p.A. and Velmar S.p.A. and other third-party licensed manufacturers, with different collections, of the brands produced by the parent company. The company also acts as agent for some of these lines. The company operates out of its own showroom located in midtown Manhattan. Aeffe USA also manages a single-brand store that sells the Philosophy di Alberta Ferretti brand in Soho, New York.

Aeffe Retail
Aeffe Retail operates in the retail segment of the Italian market and directly manages 10 stores, 5 of them single-brand and 5 multi-brand located in major Italian cities such as Milan, Rome, Venice, Florence and Capri.

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.

Fashion Retail Sro
Fashion Sro is based in the Czech Republic and directly manages an outlet in Brno.

Ferretti Studio
The company was founded in 1984 and provides design and communications services to the creative division of Alberta Ferretti for the Alberta Ferretti and Philosophy di Alberta Ferretti collections.

Av Suisse
Av Suisse was formed in 2005 together with the designer Gustavo Sangiorgi. It acts as a design consultancy for the creation of the Authier collection.

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

Moschino Far East
Moschino Far East is 50.1% owned by Moschino Spa and is based in Hong Kong.
The company operates in the wholesale segment of the Asian market (Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand, Korea, Japan), distributing clothing and accessories from the Moschino lines produced by the parent company and Pollini.
The company also manages 38 stores in the Asia region.

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 store selling Moschino lines in Berlin.

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" and "Studio Pollini" products such as sunglasses.

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, Bologna, Parma, Verona, Bolzano, Bergamo, Varese and Venice.
In 1989, Pollini moved into its new office in Gatteo, in the Italian province of Forlì-Cesena. The new site measures 50,000 sq. m., just over a third of it indoor, with a production workshop and seven-storey building housing the showroom and offices. The new site brought the footwear and leather goods divisions and sales and administration offices under one roof.
In 2001, Aeffe and Pollini reached an agreement whereby Aeffe would acquire a controlling stake in Pollini. The acquisition was a natural progression of the increasingly concentrated partnership between the two companies, enabling the growth of the footwear and leather goods lines designed by Alberta Ferretti.
In 2003, the designer Rifat Ozbek, who has worked with the Group for some time, was named creative director of the new "Pollini" prêt-a-porter line. In the same year, Pollini's flagship store opened in the Rue Saint Honorè, Paris.
In 2006, Pollini licensed the production and distribution of sunglasses and spectacles under the "Pollini" and "Studio Pollini" brands to Elite Group S.r.l.

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

CONSOLIDATED INCOME STATEMENT

Turnover

Revenues from sales rise from EUR 125,646 thousand in the first half of 2006 to EUR 141,642 thousand in the first half of 2007, up 12.7%. At constant exchange rates, the increase is 14.9%. This progress reflects the improved performance of the Group's two Divisions: revenues from sales by the Prêt-à-porter Division rises up 10.4%, (13% at constant exchange rates), while revenues from sales by the Footwear and leather goods Division rises up to 25.7%.
These results are extremely positive and reflect the effectiveness of the strategic decisions made by the Group over time.

Sales by brand

(Values in thousands of EUR)	I H 2007	%	I H 2006	%	Change Δ	Change %
Ferretti	29,637	20.9%	25,512	20.3%	4,124	16.2%
Moschino	67,415	47.6%	59,021	47.0%	8,394	14.2%
J. P. Gaultier	11,186	7.9%	10,734	8.5%	452	4.2%
Pollini	23,868	16.9%	20,422	16.3%	3,447	16.9%
Other (*)	9,536	6.7%	9,957	7.9%	-421	-4.2%
Total	**141,642**	**100.0%**	**125,646**	**100.0%**	**15,996**	**12.7%**

(*) *Blugirl*, Authier, Narciso Rodriguez and Basso&Brooke

The Group's revenues are earned as follows: 20.9% by the Ferretti lines (+16.2% with respect to the first half of 2006), 47.6% by the Moschino lines (+14.2% with respect to the first half of 2006; 17% at constant exchange rates), 7.9% by the J.P.Gaultier lines (+4.2% with respect to the first half of 2006), 16.9% by the Pollini lines (+16.9% with respect to the first half of 2006), and 6.7% by other lines (-4.2% with respect to the first half of 2006; this reduction essentially reflects the lower sales of the Narciso lines, excluding which there would have been an increase of 7.7%).

Sales by geographical area

(Values in thousands of EUR)	I H 2007	%	I H 2006	%	Change Δ	Change %
Italy	55,065	38.9%	49,242	39.2%	5,823	11.8%
Europe (excluding Italy and Russia)	30,316	21.4%	25,096	20.0%	5,220	20.8%
United States	16,785	11.9%	15,392	12.3%	1,393	9.0%
Russia	11,348	8.0%	7,818	6.2%	3,530	45.2%
Far East	10,307	7.3%	11,132	8.9%	-826	-7.4%
Japan	9,767	6.9%	10,853	8.6%	-1,086	-10.0%
Rest of the World	8,054	5.7%	6,112	4.9%	1,942	31.8%
Total	**141,642**	**100,0%**	**125,646**	**100,0%**	**15,996**	**12,7%**

In the first half 2007 the Group as registered excellent performances both in the domestic market and internationel market, earning revenues as follows: 38.9% in Italy (+11.8% compared with the first half of 2006), 21.4% in the Rest of Europe (+20.8% compared with the first half of 2006), 11.9% in United States (+9% with respect to the first half of 2006, +17% at constant exchange rates), 8% in Russia (+45.2% compared with the first half of 2006), 7.3% in the Far East (-7.4% compared with the first half of 2006, -1% at constant exchange rates), 6.9% in Japan (-10% compared with the first half of 2006, -3% at constant exchange rates) and 5.7% in the Rest of the World (+31.8% compared with the first half of 2006).

Sales by distribution channel

(Values in thousands of EUR)	**I H 2007**	**%**	**I H 2006**	**%**	**Change Δ**	**%**
Wholesales	99,776	70.4%	88,124	70.1%	11,652	13.2%
Retail	33,725	23.8%	30,553	24.3%	3,171	10.4%
Royalties / Commissions	8,141	5.7%	6,969	5.5%	1,172	16.8%
Total	**141,642**	**100.0%**	**125,646**	**100.0%**	**15,996**	**12.7%**

The revenues generated by the Group during the period to 30th June 2007 are analysed below:

- 70.4% from the Group's sales organization, showrooms, agents and importers, franchised outlets, corners and shop-in-shops (wholesale channel), which contributed EUR 88,124 thousand in the first half of 2006 and EUR 99,776 thousand in the first half of 2007, up 13.2%.

- 23.8% from sales outlets managed directly by the Group (retail channel), which contributed EUR 30,553 thousand in the first half of 2006 and EUR 33,725 thousand in the first half of 2007, up 10.4%.

- 5.7% from royalties, deriving from licences granted to third parties for the production and distribution of product lines sold under the Group's brand names, and from commissions. The rise in royalties and commissions from EUR 6,969 thousand in the first half of 2006 to EUR 8,141 thousand in the first half of 2007, up 16.8%, reflects the higher royalties earned by both Moschino and Pollini.

Sales by own brands and under licensed brands

(Values in thousands of EUR)	**I H 2007**	**%**	**I H 2006**	**%**	**Change Δ**	**%**
Own brands	121,463	85.8%	105,777	84.2%	15,686	14.8%
Brands under license	20,179	14.2%	19,869	15.8%	310	1.6%
Total	**141,642**	**100.0%**	**125,646**	**100.0%**	**15,996**	**12.7%**

The revenues generated by own brands rise in absolute value of EUR 15,686 thousand (+14.8% compared with the first half of 2006), with an incidence on total revenues which increases from 84.2% in the first half of 2006 to 85.8% in the first half of 2007. The revenues generated by brands licensed from other companies rise up to 1.6% (excluding the negative performance of Narciso brand, sales by brands under license would have registered an increase of 7.5%.

Payroll

The impact of payroll on revenue falls from 21.9% in the first half of 2006 to 19.8% in the first half of 2007. This decrease is the result of the organizational model adopted by the Group, which involves fully outsourcing production of the prêt-a-porter, lingerie and beachwear lines and at the same time maintaining constant control of key phases of the value chain.
The increase in absolute value of this item is in line with the increase in the workforce, which grows from 1.399 units at 30th June 2006 to 1.460 units at 30th June 2007.

Gross operating margin (EBITDA)

Gross operating margin (EBITDA), EUR 22,901 thousand (16.2% of net revenues) in the first half of 2007 and EUR 15,109 thousand (12% of net revenues) in the same period of the previous year, highlights an increase in absolute value of EUR 7,792 thousand (+51.6%) due to the operational leverage achieved by the Group's manufacturing organization.
The gross operating margin (EBITDA), net of non-recurring income, equal to EUR 2,018 thousand realised by Aeffe USA on the sale of its stake (50% of capital) in Narciso Rodriguez LLC, is EUR 20,883 thousand (+14.7% of net revenues).
For the Prêt-à-porter Division, gross operating margin (EBITDA), is EUR 19,109 thousand, net of non-recurring income, with an increase of 32.4% compared with the first ahalf of 2006, and an incidence on revenues of 16.6% while the Footwear and leather goods Division registers an increase in the gross operating margin (EBITDA) of 163.3% to EUR 1,775 thousand, with an incidence on revenues of 5.0%
The strong improvement in gross operating margin (EBITDA) witnessed in both Divisions is the result of the adoption of a business model that, together with a strong increase in the revenues, allows to develop the operational leverage thorough the reduction of the fixed costs' incidence on revenues, preserving a strong attention for the product quality.

Net operating profit (EBIT)

The net operating profit (EBIT) in the first half of 2007 is EUR 17,773 thousand with an increase of 82.6% and an incidence on revenues of 12.5% (7.7% in the first half of 2006). The net operating profit (EBIT) improvement is for the same reasons as those described for gross operating margin (EBITDA).

Profit before taxes

The pre-tax result increases from EUR 6,556 in the first half of 2006 to EUR 13,444 thousand in the first half of 2007 with an increase in absolute value of 105.1%. The improvement is due to the gross operating margin (EBITDA) improvement of the two divisions.

Net profit for the Group

The net profit for the Group increases from EUR 2,656 thousand in the first half of 2006 to EUR 5,862 thousand in the first half of 2007 with an increase of 120.8%. This result thanks to the operating income improvement and to the tax rate, which decreases of 9 percentage points, from 59.3% in the first half of 2006 to 50.5% in the first half of 2007, in line with the company expectations, mainly you to the dilutive effect of IRAP (regional business tax).

BALANCE SHEET

NET INVESTED CAPITAL

Net invested capital increases by 5% compared with 31st December 2006.

NET WORKING CAPITAL

Net working capital increases by 23% compared with 31st December 2006, in line with the rise reported as of 30th June 2006, in comparison with 31st December 2005. This change is principally due to the seasonal effects on the economic-financial cycle of the Autumn-Winter 2007 and Spring-Summer 2008 collections.

Analysis of the individual captions comprising net working capital reveals:

- Trade receivables, inventories and trade payables increase overall by 27% (EUR 9,032 thousand), compared with a rise in the same period of the prior year of 35% (EUR 12,225 thousand);
- Other current receivables: the rise of EUR 2,794 thousand is mainly due to:
  - an increase in deferred costs by EUR 1,999 thousand. These relate to the costs incurred to design and make samples for the Spring-Summer 2008 collections, which will be matched with the corresponding revenue from sales; the increase mainly reflects growth in the volume of business generated by the parent company Aeffe S.p.a.;
  - an increase of EUR 111 thousand due to higher advance royalties and commissions;
  - an increase in other receivables by EUR 738 thousand, largely due to the deferral of listing expenses;
- Tax receivables increases by EUR 1,751 thousand, mainly due to higher VAT recoverable;
- Other current liabilities increase by EUR 2,873 thousand due to a rise in amounts due to employees;
- Tax payables increase by EUR 1,324 thousand, mainly due to the rise in IRAP payable.

Fixed assets

Fixed assets as of 30th June 2007 are down by EUR 1,747 thousand compared with 31st December 2006.
The main changes are as follows:

- a reduction in Equity investments by EUR 99 thousand due to disposal of the stake in Narciso Rodriguez LLC previously held by Aeffe USA Inc.;
- a reduction in Intangible fixed assets by EUR 1,774 thousand, mainly due to the amortization of brand names during the period;
- an increase in Tangible fixed assets by EUR 134 thousand following new investment totalling EUR 3,532 thousand (for the construction of buildings, the renovation and modernization of shops, the purchase of plant and equipment and electronic machines), depreciation amounting to EUR 3,108 thousand, translations differences of EUR -271 thousand and disposals of EUR 19 thousand.

NET FINANCIAL POSITION

The Group's net financial position as of 30th June 2007 is EUR 3,663 thousand worse than at 31st December 2006, following an increase in financial debt from EUR 115,314 thousand in December 2006 to EUR 118,977 thousand in June 2007. This increase is entirely due to the seasonality of the business.
The net financial position includes the effect of the put/call option on the joint venture contract between Moschino and Bluebell Far East for the formation of Moschino Far East. In the absence of this option, the net financial position would have amounted to EUR 113,014 thousand, rather than the EUR 118,977 thousand reported above.

SHAREHOLDERS' EQUITY

Total shareholders' equity increases by EUR 6,140 thousand. The reasons for this increase are detailed in the Notes to the financial statements.

RESEARCH & DEVELOPMENT

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.

Although these costs satisfy the requirements for deferral among the intangible fixed assets as R&D expenses, they are charged in full to the Income Statement in the first half of 2007.

SIGNIFICANT EVENTS SUBSEQUENT AFTER THE BALANCE SHEET DATE

As authorised at the ordinary and extraordinary meeting of shareholders held on 26th March 2007, the parent company Aeffe SpA obtained admission to be listed on the Stock Excange from Borsa Italiana on 2nd July 2007 and permission from Consob to publish its prospectus on 6th July 2007 and has commenced the trading of its shares on the Italian Stock Exchange. Following the issue of 19 million new shares, issued in connection with the IPO, taken up in full, the share capital of Aeffe S.p.A. now amounts to EUR 26,840,626.

OUTLOOK

The results of operations during the first half of 2007 fully confirm management's expectations, and earlier forecasts for an improvement over the entire year, with both revenues and margins higher than in the corresponding period of the prior year.

AEFFE REPORT OF THE AUDITING COMPANY

MAZARS

Aeffe S.p.A.
Auditors' report on the IFRS 1 reconciliation schedules ("non consolidated" individual accounts) with an illustration of the impact of transition to the International Financial Reporting Standards (IFRS)

To the Board of Directors of Aeffe S.p.A.

1. We have performed the audit of the enclosed International Financial Reporting Standards ("IFRS") schedules of Aeffe S.p.A. that consist of the schedule of the impact of transition to IFRS on the financial position of the company and of the reconciliation to net equity as at 1 January 2005, as at 31 December 2005, as at 31 December 2006 and of the schedule of the impact of transition to IFRS on the statement of assets and liabilities and on the reconciliation of the net result for the years ended 31 December 2005 and 31 December 2006 and of the related notes to the accounts prepared in accordance with the criteria and the prescriptions provided for by CONSOB communication n. 6064313 dated 28 July 2006 in the appendix entitled "Transition to the international accounting principles" of the half yearly report as at 30 June 2007. The above mentioned IFRS reconciliation schedules derive from the financial statements of Aeffe S.p.A. for the years ended 31 December 2004, 2005 and 2006, prepared in accordance with the prescriptions of law that discipline the criteria relating to the preparation of the financial statements audited by us and on which we have issued our reports on 8 April 2005, 6 April 2006 and 26 March 2007. The IFRS reconciliation schedules present the impact of the transition to the International Financial Reporting Standards adopted by the European Union that are applicable to the Parent Company Aeffe S.p.A., in accordance with art. 4 of Legislative Decree nr. 38/2005. The preparation of the IFRS reconciliation schedules is the responsibility of the Directors of Aeffe S.p.A. We are responsible for the professional opinion expressed on such schedules, based on the audit.

2. Our work was performed in accordance with statutory accounting principles. In accordance with these accounting principles, the audit was planned and performed for the purpose of acquiring the necessary information in order to ascertain that the IFRS reconciliation schedules were free of significant errors. The audit procedure includes an examination, on a sample basis, of evidence supporting the balances and the information contained in the IFRS reconciliation schedules, as well as an evaluation of the appropriateness and the correctness of the accounting criteria employed and of the reasonableness of the estimates made by the Directors. In our opinion, the work performed offers a reasonable basis for the expression of our professional opinion.

3. In our opinion, the IFRS reconciliation schedules identified in paragraph 1 above, have been prepared, as a whole, in accordance with the criteria and the prescriptions provided for by CONSOB communication n. 6064313 dated 28 July 2006.

4. As described in the notes to the accounts, we would bring to your attention that the figures presented in the IFRS reconciliation schedules could undergo certain changes for the purpose of their usage as comparative data in the financial statements of Aeffe S.p.A. as at 31 December 2007, the first complete set of financial statements prepared in accordance with IFRS, endorsed by the European Commission, subsequent to the issuance of new versions, modifications or interpretations of the IFRS. As well as this, as described in the notes to the accounts, since the IFRS reconciliation schedules have been prepared uniquely for transition purposes to the first complete set of financial statements

prepared in accordance with IFRS, adopted by the European Union, these do not include any comparative data nor the necessary notes to the accounts that would normally be required in order to correctly represent in a complete manner the financial position and the economical results of Aeffe S.p.A. in accordance with the IFRS accounting principles.

Bologna, 21 September 2007

Mazars & Guérard S.p.A.

Simone Del Bianco

Socio

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

MAZARS & GUÉRARD
VIA CALZOLERIE, 1 - 40125 BOLOGNA
TEL: +39 051 22 05 66 - FAX: +39 051 22 08 11 - www.mazars.it

SPA - CAPITALE SOCIALE € 2.020.000,00 I.V. - SEDE LEGALE: C.SO DI PORTA VIGENTINA, 35 - 20122 MILANO
REA N. 1059307 - COD. FISC. N. 01507630489 - P. IVA 05902570158 - AUTORIZZATA AI SENSI DI L. 1966/39 - REGISTRO DEI REVISORI CONTABILI GU 60/1997
ALBO SPECIALE DELLE SOCIETÀ DI REVISIONE CON DELIBERA CONSOB N° 10829 DEL 16/07/1997
UFFICI IN ITALIA: BOLOGNA - FIRENZE - MILANO - NAPOLI - PADOVA - PALERMO - ROMA – TORINO - UDINE

Aeffe S.p.A.

Auditors' report on the limited half yearly report prepared in accordance with art. 81 of the Consob regulation adopted with Deliberation nr. 11971 dated 14 May 1999 and subsequent modifications and integrations

To the Shareholders of Aeffe S.p.A.

1. We have performed the limited review of the consolidated accounting schedules consisting of the balance sheet, the statement of assets and liabilities, the schedule of variations in net equity, the financial statement and the related notes to the accounts included in the half yearly report as at 30 June 2007 of Aeffe S.p.A. and its subsidiaries. The preparation of the half yearly report is the responsibility of the Directors of Aeffe S.p.A. We are responsible for the preparation of this report on the basis of the limited review performed. We have also examined the section of the notes containing the directors' report for the sole purpose of verifying the consistency with the remaining part of the half yearly report.

2. Our work was performed in accordance with the limited review criteria recommended by Consob with deliberation nr. 10867 dated 31 July 1997. The limited review mainly consisted of gathering the information relating to the items entered in the accounting schedules and on the consistency of the evaluation criteria through interviews with company management, and by performing analyses of the balance sheet as regards the figures contained in the accounting schedules. The limited review did not include accounting procedures such as compliance and verification surveys or procedures relating to the validity of the assets and liabilities and involved a scope of work that was decisively less than that of a full audit performed in accordance with statutory accounting principles. As a consequence, on the contrary to what was done for the year-end consolidated financial statements, we do not express a professional audit opinion on the half yearly report.

The half yearly report presents the corresponding figures relating to prior half year, for comparative purposes. We would specify that the consolidated figures relating to the half year as at 30 June 2006 have not been audited by us since, at that time, the Company was not obliged to prepare a half yearly report. The information compared in this half yearly report with the figures as at 30 June 2007, have been prepared in accordance with the same international accounting principles. This is the first time that we have been assigned to perform the audit of the consolidated limited review of Aeffe S.p.A. As regards the comparative date relating to prior year consolidated financial statements that has been presented in the accounting schedules, reference should be made to our audit opinion issued on 26 march 2007.

3. On the basis of the work performed, we have not become aware of any significant variations or integrations that should be made to the consolidated accounting schedules and to the related notes to the accounts, identified in paragraph 1 of this opinion, in order to make them compliant with the IAS 34 accounting principle and with the preparation criteria for limited reviews prescribed by art. 81 of the Consob Regulation adopted with Deliberation nr. 11971 dated 14 May 1999 and subsequent modifications and integrations.

Mazars & Guérard S.p.A.

Bologna, 21 September 2007

Simone Del Bianco

Socio

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

MAZARS & GUÉRARD
VIA CALZOLERIE, 1 - 40125 BOLOGNA
TEL: +39 051 22 05 66 - FAX: +39 051 22 08 11 - www.mazars.it

SPA - CAPITALE SOCIALE € 2.020.000,00 I.V. - SEDE LEGALE: C.SO DI PORTA VIGENTINA, 35 - 20122 MILANO
REA N. 1059307 - COD. FISC. N. 01507630489 - P. IVA 05902570158 - AUTORIZZATA AI SENSI DI L. 1966/39 - REGISTRO DEI REVISORI CONTABILI GU 60/1997
ALBO SPECIALE DELLE SOCIETÀ DI REVISIONE CON DELIBERA CONSOB N° 10829 DEL 16/07/1997
UFFICI IN ITALIA: BOLOGNA - FIRENZE - MILANO - NAPOLI - PADOVA - PALERMO - ROMA – TORINO - UDINE

AEFFE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ABOUT THE COMPANY

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 "Authier".
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 and sunglasses).
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.
Aeffe Group was incorporated under Italian law as a public limited company (società per azioni) and is domiciled in Italy. The company's head office is in S. Giovanni in Marignano (RN).
These consolidated financial statements include the financial statements of the parent company Aeffe and its subsidiaries and the Group's equity interests in affiliated companies. They consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and these notes.
The financial statements are expressed in euros, 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

In accordance with Article 3 of Legislative Decree 38/2005 of 28th February 2005, these consolidated financial statements were prepared in accordance with the International Accounting Standards (IAS/IFRS) published by the International Accounting Standards Board (IASB) and related Interpretations, approved by the European Commission according to the procedure referred to in Article 6 of Regulation (EC) 1606/2002.
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 30th June 2007 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 30th June 2007 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 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 historical method. Historical cost is determined by adding together the fair values of the assets contributed, 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 recognized as goodwill.
If the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate exceeds historical 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 recognized 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 (see below).
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 recognized 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 recognized 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	Registered office	Local currency	Share capital	Direct shareholding	Indirect shareholding
Companies consolidated using the line-by-line method:					
Italian companies					
Aeffe Retail	S. G. in Marignano (RN - Italy)	EUR	8,585,150	100%	-
Ferretti Studio	S. G. in Marignano (RN - Italy)	EUR	10,400	100%	-
Velmar	S. G. in Marignano (RN - Italy)	EUR	492,264	75%	-
Pollini Retail	Gatteo (FC - Italy)	EUR	5,000,000	-	71.9% (i)
Pollini	Gatteo (FC - Italy)	EUR	6,000,000	72%	-
Moschino	S. G. in Marignano (RN - Italy)	EUR	20,000,000	70%	-
Nuova Stireria Tavoleto	Tavoleto (PU - Italy)	EUR	10,400	100%	-
Av Suisse.	Contrà Canove (VI- Italy)	EUR	10,000	70%	-
Foreign companies					
Aeffe USA	New York (USA)	USD	600,000	100%	-
Aeffe UK.	London (UK)	GBP	310,000	100%	-
Aeffe France	Paris (FR)	EUR	1.550,000	99.9%	-
Fashion Retail Company	Brno (Czech Republic)	CZK	200,000	-	100.0% (iv)
Ozbek (London)	London (UK)	GBP	300,000	92%	-
Divè	Galazzano (RSM)	EUR	260,000	75%	-
Fashoff UK	London (UK)	GBP	1.550,000	-	70.0% (ii)
Moschino France	Paris (FR)	EUR	50,000	-	70.0% (ii)
Moschino Retail	Berlin (D)	EUR	100,000	-	70.0% (ii)
Moschino Far East	Hong Kong (HK)	USD	128,866	-	35.1% (iii)

Notes (details of indirect shareholdings):
(i) 99.8% owned by Pollini;
(ii) 100% owned by Moschino;
(iii) 50.1% owned by Moschino;
(iv) 100% owned by Aeffe Retail.

During the period the following operations have been completed:
a) Aeffe Spa has acquired the remaining 5.0% of Ferretti Studio;
b) Pollini Spa has acquired a further 0.146% of Pollini Retail;

FOREIGN CURRENCIES

Functional and reporting currency

The amounts in the financial statements of each Group enterprise are measured using the operating currency or the currency of the economic area in which the enterprise operates. These consolidated financial statements are presented in EUR, 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 EUR zone are translated into EUR based on the following procedures:

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

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

Currency description	Actual exchange rate 30th June 2007	Average exchange rate 30th June 2007	Actual exchange rate 31st december 2006	Average exchange rate 31st december 2006	Actual exchange rate 30th June 2006	Average exchange rate 30th June 2006
United States Dollars	1.350	1.329	1.317	1.256	1.271	1.229
United Kingdom Pounds	0.674	0.675	0.672	0.682	0.692	0.687
Japanese Yen	166.63	159.64	156.93	146.06	145.75	142.16
Czech Republic Koruny	29	28	27	28	28	28

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND THE CORRESPONDING CONSOLIDATED AMOUNTS

Reconciliation between shareholders' equity and net profit for the period *(Values in thousands of EUR)*	**Shareholders' equity**	**Net profit for the period**
Taken from the corporate financial statements of the Aeffe parent company	**67,191**	**2,215**
Reversal of the carrying amount of equity interests	- 86,158	-
Portion of shareholders' equity and profits	128,383	4,217
Reversal of intercompany inventory margin	- 1,695	-
Transition to parent company accounting policies	1,18 6	376
Deferred tax assets (liabilities)	- 317	-147
Total consolidation adjustments	**41,399**	**4,446**
Shareholders' equity, Group share	**81,280**	**5,862**
Minority interests	**27,311**	**799**
Total shareholders' equity	**108,591**	**6,661**

MEASUREMENT BASIS

The main accounting policies and measurement bases adopted in preparing the consolidated financial statements at 30th June 2007 are described below.

Presentation of financial statements

In the consideration of the options allowed by IAS 1 for the presentation of financial situation and equity, the Group has opted for a balance sheet that involves a separate classification of current and non-current assets and liabilities and an income statement based on the classification of costs by type, considered most representative of business performance. For the presentation of the cash flow statement, the "indirect" method was used.

Reopening of business combinations pursuant to IFRS-1 and IFRS-3

As expected, Aeffe Group has decided to retroactively apply the provisions of IAS 3 ("Business combinations") to its business combinations prior to the date of transition to IFRS (1st January 2005) and occurring since 2001.
This decision has allowed it to measure specific intangible assets (mainly brands) and generic intangible assets (goodwill) at fair value on the acquisition of the companies involved in the combination.
The reopening of business combinations pursuant to IFRS 3 has led to the reversal of consolidation differences relating to these business combinations. The cancellation of the acquisition cost of the shareholding against the portion of shareholders' equity adjusted by the fair value of intangible assets, excluding deferred taxes and minorities, is described below. Following this cancellation, the following two facts were discovered:

- if the acquisition cost is higher than the Group's share in adjusted shareholders' equity, goodwill is recorded under assets and measured initially at cost;
- if the acquisition cost is less than the Group's share in adjusted shareholders' equity,

the difference is recorded in the income statement and generates an equal amount of equity in the following period.

Deferred taxes should be considered figurative and are reduced proportionally to the depreciation of the intangible assets recognized.

Intangible fixed assets

Intangible fixed assets are identifiable non-cash assets without physical substance controlled by the enterprise and able to cause future economic benefits to flow to the Group. Intangible fixed assets are initially recognized at historical cost (which in the case of business combinations corresponds to fair value), equal to the price paid for the acquisition including costs directly attributable to their preparation or production, if the assumptions exist for the capitalization of costs incurred for internally generated assets. After the initial measurement, intangible fixed assets continue to be recognized at cost, after accumulated depreciation and write-downs for impairment losses, in accordance with IAS 36 (Impairment). The costs incurred for intangible fixed assets after acquisition can be capitalised only if they increase the future economic benefits generated by the intangible asset concerned. All other costs are reported in the income statement for the period in which they are incurred.
Of intangible fixed assets, a distinction can be made between: a) those with an "infinite" useful life, such as goodwill and key money, which are not amortized but subjected to an annual impairment test (or whenever there is reason to believe that the asset may have been impaired) in accordance with IAS 36; b) those with a finite useful life or other intangible fixed assets, the valuation criteria for which are reported in the following paragraphs.

Goodwill

Goodwill arising from the acquisition of a subsidiary or joint venture represents the surplus acquisition cost over the Group's percentage share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture on the acquisition date. Goodwill is recognized as an asset and reviewed annually to make sure that there is no impairment. Impairment losses are recognized in the income statement and are not restated. In case of the disposal of a subsidiary or joint venture, the amount of goodwill not yet amortized is included in the calculation of the capital gain or loss on disposal.
Goodwill represents the amount arising from the acquisition of equity interests in subsidiaries, associates and joint ventures and, for acquisitions since 1st January 2001, corresponds to the difference between the acquisition price and the net fair value of the Group's percentage interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary on the acquisition date.
For acquisitions prior to 1st January 2001, goodwill is recognized based on restated cost, equivalent to the amount recognized in accordance with the previous accounting standards. Goodwill is measured at cost, excluding impairment losses, and is subjected to an impairment test at least once a year, or whenever there is an indication of an impairment loss, to check that the recoverable value exceeds the carrying amount.
Accumulated amortization as at 31st December 2004, recorded on goodwill arising from acquisitions between 31st December 2000 and 31st December 2004, amortized until that date, was eliminated by increasing the carrying amount of the goodwill by this amount.
If the net fair value of the identifiable assets, liabilities and contingent liabilities of the shareholding exceeds the acquisition cost, the difference is immediately recorded in the income statement.
When the acquisition contract allows for the adjustment of the acquisition price based on future events, the estimated adjustment must be included in the acquisition cost if the adjustment seems probable and the amount can be reliably estimated. Any future adjustments to the estimate are recorded as a goodwill adjustment.

Key money

Intangible fixed assets also include key money, or amounts paid by the Group to take over contracts relating to directly managed stores or, in the case of business combinations, the fair value of these assets at the time of acquisition. These assets are treated as intangible

fixed assets with an "infinite" useful life and as such are not amortized. "Infinite" useful life, according to IAS 38, does not mean an endless useful life, but a useful life with no fixed end. In this respect, based on the valuations of independent experts, the period linked with the lease term is not relevant. This includes protection given to the tenant by standard market conditions and by special legal provisions, together with a strategy of gradual expansion of the network by Group companies, which usually involves renewing lease agreements before they expire, regardless of whether the Group intends to maintain the stores or not, in view of the inherent value of the premises themselves. These values are subjected to impairment tests on the transition date and are recognized at the lesser of historical cost initially incurred and the value in use or the market value determined based on an expert valuation.
If, when financial statements are prepared in future, the impairment test carried out in accordance with IAS 36 must indicate a value in use and market value which are less than the carrying amount, impairment losses will be recorded in the income statement. Conversely, if the expert valuation indicates an increase in market value of some stores that were written down compared with their original historic values, the corresponding carrying amount may be increased so that it reflects the new market value, provided that it does not exceed the original cost.

Brands
Brands are recognized at cost and are amortized systematically on a straight-line basis during their estimated useful life (40 years) from when the asset is available for use. By applying IFRS 3, all business combinations since 31st December 2001 have been restated, with an indication, based on an independent estimate, of the new value of intangible fixed assets that were not reported when the shareholdings were acquired.
The Group has seen fit to give brands a finite life of 40 years in view of the policies adopted by other market operators. Prudently, it has adopted an extremely long – although not infinite and thus unidentifiable – useful life for its own brands (reflecting the prolonged benefits derived from these). This decision is in line with intangible fixed assets typical of the fashion industry, based on previous experience of other international operators in the sector (market comparables).
The Group has seen fit to assign its brands a finite life of 40 years in consideration of their estimated useful life and key role in the Group's strategy.

Other intangible fixed assets
This item includes costs incurred for software purchases; these assets are amortized over a period of no more than three years.
The principal rates of depreciation used are the following:

Category	%
Royalties from patents and intellectual property	33%
Brands	2.5%

Research costs are reported in the income statement for the period in which they are incurred.

Tangible fixed assets
Tangible fixed assets recorded after the corresponding depreciation are recognized at historical or production cost, except for those assets revalued in accordance with statutory provisions. This amount includes ancillary costs and costs directly related to the asset.
Tangible fixed assets are systematically depreciated each year on a straight-line basis based on the economic and technical rates determined in relation to the residual possibility of use of the assets; the rates applied are described in the section relating to the description of the asset. If, irrespective of depreciation previously booked, there is any impairment loss, the asset is written down accordingly.

Ordinary maintenance costs are charged directly to the income statement. Maintenance costs that add value to the asset are allocated to the assets concerned and are depreciated over the residual useful life of these assets.
Fixed assets in course of construction and advance payments to suppliers are recorded as assets based on the cost incurred, including direct expenses.
Land and buildings where the book value is aligned with the value obtained from the independent valuation are an exception to the general rule, partly so that the value of land previously included in the "land and buildings" category, and therefore subject to depreciation, can be reported separately. Depreciation is calculated on a straight-line basis over the new estimated useful life of 50 years (2%).
The depreciation rates used are the following:

Category	**%**
Industrial buildings	2%-2.56%
Plant and machinery	10%-12.5%
Industrial and commercial equipment	25%
Electronic machines	20%
Motor vehicles	20%
Cars	25%

Land is not depreciated.

The leasehold improvement expense, which includes costs incurred for the preparation and modernization of the network of directly managed stores and all other properties not owned (but instrumental to the Group's activities) are depreciated based on the expected term of the lease, including any renewal periods, or the useful life of the asset, whichever is the lesser. The cost of unscheduled maintenance is included in the book value of an asset when it is probable that the future economic benefits exceeding those originally calculated will flow to the Group. This maintenance is depreciated based on the residual useful life of the assets concerned. All other maintenance costs are reported in the income statement for the period in which they are incurred.

Leasing

Financial leases
Assets owned under financial leases through which all the risks and benefits linked with ownership are essentially transferred to the Group are recognized as property, plant and equipment at the lesser of their present value or the actual value of any minimum lease payments due, after accumulated depreciation. The corresponding liability towards the lessor is reported under financial payables. The assets are depreciated according to the rates shown above.
When the asset is sold or when there are no expected future economic benefits from its use, it is eliminated from the balance sheet and any gain or loss (calculated as the difference between the going-concern value and carrying amount) is recorded in the income statement in the year in which it is eliminated.

Operating leases
All lease contracts where the Group does not substantially assume all the risks and benefits associated with ownership of the asset are recognized as operating leases. Operating lease payments are recorded as a cost on a straight-line basis for the duration of the lease.

Impairment
Goodwill, key money and other intangible assets are subjected to an impairment test at least once a year or whenever there is an indication of a possible loss in value.
Property, plant and equipment and other non-current assets are subjected to an impairment test whenever there is an event or change in circumstances that might indicate a possible loss in value.
Impairment occurs and is recognized if the book value of an asset or cash-generating unit exceeds its recoverable value. The book value of the asset is adjusted to the recoverable value and the impairment is recorded in the income statement.

Determination of recoverable value
If there are indicators, events or changes in circumstances that suggest an impairment loss, IAS 36 requires property plant and equipment and intangible assets to undergo impairment tests to ensure that the assets are not carried at a value that exceeds their recoverable amount. As previously mentioned, this test is carried out at least once a year for assets with an infinite useful life.
The recoverable amount of the asset is the greater of its book value on the balance sheet date and fair value, after selling costs, or value in use. When calculating value in use, future estimated cash flows are discounted using a gross rate that reflects current market assessments of the time value of money and the specific risks associated with the Group's business, in addition to cash flows arising from the sale of the assets at the end of their useful life. If it is not possible to estimate a separate financial flow for an individual asset, the cash-generating unit to which the asset belongs and with which it is possible to associate future independent cash flows must be identified.

Value restatement
The value restatement of a financial asset recorded at amortized cost must be recognized when the subsequent increase in recoverable value can be objectively attributed to an event that occurred after the recognition of the impairment loss.
In the case of other non-financial assets, the value restatement takes place if there is an indication that the impairment loss no longer exists and there has been a change in the valuations used to determine the recoverable amount.
A value restatement must be booked immediately in the income statement, adjusting the book value of the asset to its proper recoverable amount. This must not exceed the book value that would have been calculated, excluding depreciation, if no impairment had been recognized in previous years.
It is not possible to restate the value of goodwill.

Investments (holdings)
Equity investments in non-consolidated subsidiaries, associates and joint ventures are recognized according to the equity method. The surplus cost over shareholders' equity on the acquisition date is treated in the same way as described in the section on consolidation principles. Other equity investments are recognized using the cost method, which is reduced for impairment losses. The original value is restated in subsequent years if the reasons for the write-down no longer apply.

Assets held for sale
This item includes assets where the book value will be recovered mainly through sale rather than continuous use. For this to happen, the asset (or group) must be available for sale in its current condition, subject to standard conditions applicable to the sale of such assets (or groups), and the sale must be highly probable. An asset classified as held for sale is recognized at the lesser of its book value and fair value, excluding selling costs, as stipulated in IFRS 5.

Trade and other receivables
Receivables are recognized at their estimated realizable value, which is the same as their nominal value, excluding any write-downs that reflect estimated losses. They are duly examined at regular intervals to anticipate adjustments for unexpected losses. Any medium

and long-term receivables that include an implicit interest component are discounted at a suitable market rate. This item includes prepayments and deferred income relating to the share of costs and revenue for two or more financial years where the amount varies over time in accordance with the principle of accrual basis accounting.

Inventories
Inventories are recorded at the lesser of historical cost or production cost and the corresponding market value or estimated realizable value. The net realizable value is the estimated sales price in the normal course of business excluding estimated costs of completion, and the costs estimated as necessary to conclude the sale.
For finished products, cost of sales includes raw materials, other materials, subcontracted work and all other direct and indirect production costs for the portion reasonably attributable to the products, excluding financial expenses.
Obsolete or slow-moving stock in hand is written down in relation to its potential for future realization or use.

Cash and cash equivalents
Cash and cash equivalents include cash balances and sight deposits and all liquid investments acquired with an original maturity of three months or less. Investments included in cash and cash equivalents are recognized at fair value.

Provisions
Provisions for risks and charges have been set aside to cover any known or probable losses or debts, the amount or timing of which could not be determined on the balance sheet date. Appropriations are booked to the balance sheet only when there is a legal or implicit obligation that determines the use of resources aimed at generating economic benefits to fulfill this and if their amount can be reliably estimated. If the effect is significant, provisions are calculated by discounting the future estimated financial flows based on a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks associated with the liability.

Additional client expenses fund
This item, calculated based on fees to be paid at the end of the agency relationship in accordance with the law, has been estimated based on historical data, the average length of the agency relationship and turnover.

Tax reserve
This item reflects the estimated probable tax burden of some Group companies following current tax disputes with the tax authorities.

Legal disputes
This item reflects the estimated liabilities arising from current disputes.

Restructuring reserve
This item reflects the estimated financial outflows for business restructuring set aside in previous years. Provisions for restructuring costs are set aside when the Group formalises a detailed restructuring plan and communicates this to the interested parties.

Employee benefits
The severance indemnity fund comes under IAS 19 (Employee benefits), since similar to defined benefit plans. The Group's contributions to defined contribution plans are booked to the income statement in the period to which the contributions refer.
The net obligation for the Group arising from defined benefit plans is calculated on an actuarial basis using the projected unit credit method. All actuarial gains and losses at 1 January 2005, the IFRS transition date, have been recognized.
Actuarial gains and losses after 1 January 2005, following the calculation of the Group's obligation relating to the severance indemnity fund for Italian employees, are not deferred

but are booked to the income statement in the period in which they are calculated.

Financial payables
Financial liabilities are recognized based on the amortized cost method.

Bank overdrafts and loans
Loans are initially measured at cost, which is close to their fair value, after transaction costs. They are subsequently measured at amortized cost, with any difference between the cost and repayment value during the term of the loan being posted to the income statement using the effective interest rate method.
Loans are classified as current liabilities, unless the Group has the unconditional right to defer repayment of these liabilities for at least 12 months after the balance sheet date.

Trade and other payables
Payables are carried at nominal value. The financial component included in medium and long-term payables is separated using a market rate.

Revenue
Revenue is carried net of returns, discounts and rebates, as well as taxes directly associated with the sale of goods and provision of services. Sales revenue is recognized once all significant risks and benefits connected with ownership of the goods have been transferred to the purchaser. In terms of the main types of income generated by the Group, these are recognized based on the following criteria:

- retail sales – on delivery of the goods;
- wholesale sales – on shipment of the goods;
- royalties and commissions – on an accrual basis.

Costs
Costs and expenses are recognized on an accrual basis.
Design and production costs for sample collections incurred during the period are correlated to the turnover from sales of collection and are thus carried in the income statement in proportion to the revenue generated. The remaining portion to be carried in the income statement during the period in which the corresponding revenue is generated is posted to other current assets.

Financial income and expenses
These include all items of a financial nature written to the income statement for the period, including interest payable on financial debts calculated using the effective interest method (mainly current account overdrafts and medium and long-term loans), foreign currency gains and losses, dividends received, and the portion of interest payable deriving from the accounting treatment of assets under finance leases (IAS 17).
Interest income and expenses are reported in the income statement for the period in which they are realised/incurred.
Dividends are recognized in the period when the Group’s right to a dividend payment matures, subject to ratification.
The amount of interest payable on finance leases is booked to the income statement using the effective interest method.

Taxes
Income taxes for the period include current and deferred taxes. Income taxes for the period are recorded in the income statement; however, when they relate to components recorded directly as shareholders’ equity, they are recognized as shareholders’ equity.
Taxes other than income taxes, such as property tax, are reported under operating expenses.
Current taxes on income taxable in the period represent the tax burden calculated using current rates of taxation in force on the balance sheet date and any adjustments to tax liabilities calculated in prior periods.

Deferred taxes are recognized for all temporary differences existing on the balance sheet date between the book value of assets and liabilities and the corresponding values used to determine taxable income for tax purposes.
Deferred taxes relate to:

- temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated financial statements, except for goodwill that is not tax deductible and differences arising from investments in subsidiaries that are not likely to be written off in the foreseeable future.
- positive components of income for the current period and prior periods, but taxable in future periods;
- credits for deferred tax assets are recognized;
- for all deductible temporary differences, if it is probable that taxable income will be generated for which the deductible temporary difference can be used, unless the deferred tax asset derives from the initial measurement of an asset or liability in a transaction other than a business combination that, on the transaction date, affects neither accounting profit nor taxable profit (tax loss);
- for the carryover of unused tax losses and tax credits, if it is probable that taxable income will be generated for which the tax loss or tax credit may be used.

Credits for deferred tax assets and debits for deferred tax liabilities are calculated based on the rates of taxation applicable to changes in income in periods in which temporary differences are reversed, based on the rate of taxation and tax regulations in force or essentially in force on the balance sheet date.
The impact on these taxes of any change in rates of taxation is posted to the income statement in the period in which the change occurs. Credits for deferred tax assets and debits for deferred tax liabilities are netted when they refer to taxes imposed by the same tax authorities.

Own shares
Own shares are recognized in a special reserve and are deducted from shareholders' equity. The carrying amount of own shares and revenue deriving from any subsequent sales are recorded as changes in shareholders' equity.

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the parent company by the number of ordinary shares in circulation at the end of the period.

OTHER INFORMATION

Segment information
Within a group, various segments are distinguishable providing a series of homogeneous products or services (business segment) or providing products and services in a specific geographical area (geographical segment). Specifically, in Aeffe Group, two areas of activity are identified:

- Prêt-a-porter Division;
- Footwear and leather goods Division.

In accordance with IAS 14, segment information can be found in the section entitled "Comments on the income statement and segment information".

Financial risk management
The management of financial requirements and the corresponding risks (mainly interest rate risks and exchange rate risks) is carried out at central treasury level and, apart from a few cases (Pollini Group and Moschini Far East), is managed by the individual companies,

coordinated by the treasury based on the guidelines defined by the Group's general manager and approved by the managing director.
The main aim of these guidelines is:

- to ensure, on a consolidated basis, that the composition of liabilities and assets remains balanced so that a high degree of financial strength is maintained;
- to control and minimize the risk associated with fluctuations in exchange rates using operating hedges.

The most common financial instruments used are:

- medium and long-term loans with long-term repayment schedules to cover investments in fixed assets (mainly the acquisition of controlling interests);
- short-term loans and advances subject to collection on commercial portfolios to finance working capital and foreign currency loans to cover exchange rate risks.

The average cost of borrowing is essentially linked to 3-6 month Euribor, plus a spread that largely depends on the type of finance used. In general, the margins applied are aligned with the best market standards.
Credit facilities, although negotiated at Group level, are granted to the individual companies.
Group companies are exposed to an interest rate risk that mainly stems from long-term financial liabilities. In the past, the cash flow risk on interest rates has never been managed by resorting to derivatives (interest rate swaps) that convert the variable rate into a fixed rate.
Many Group companies perform commercial transactions in currencies other than the euro and are therefore exposed to an exchange rate risk.
Group companies exposed to the exchange rate risk hedge this by taking out foreign currency loans.
On 30th June 2007, the main Group companies with short and medium-term loans from financial institutions were the parent company, Pollini, Moschino and Velmar.
The credit risk is managed based on special analytical assessments, accompanied by valuations based on the historical analysis of bad debts, in terms of ageing, type of recovery measures taken and the status of the receivable (normal, disputed, etc).

Cash flow statement
In accordance with IAS 7, the Group's cash flow statement was prepared using the indirect method. Cash and cash equivalents written to the cash flow statement include cash balances on the balance sheet date. Other cash equivalents represent current financial commitments and other liquid investments that are readily convertible into cash and whose value is subject to a minimal risk of change. Therefore, a financial commitment is usually classified as a cash equivalent when it is short-term, i.e. due three months or less from the acquisition date.
Current account overdrafts usually come under financial assets, except where they are repayable on demand and are an integral part of the management of cash or cash equivalents of a company, in which case they are deducted from cash equivalents.
Financial cash flows in foreign currencies are converted at the average exchange rate for the period.
According to IAS 7, the cash flow statement must show cash flows generated by operating, investing and financing activities separately.

- cash flows from operating activities: cash flows from operating activities are primarily derived from the principal revenue-producing activities and are presented by the Group using the indirect method; under this method, the net profit or loss is adjusted by items that did not generate outflows or cash during the period (non-cash transactions);
- cash flows from investing activities: investing activities are reported separately,

since this is indicative of the investments/divestments made with the aim of obtaining future revenue and cash inflows;

- cash flows from financing activities: financing activities are activities that result in changes in the size and composition of the equity and borrowings of the enterprise.

COMMENTS ON THE BALANCE SHEET

NON-CURRENT ASSETS

1. Intangibile fixed assets

The table below illustrates the changes in this item:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Brands	119,042	120,799	- 1,757	- 1.5%
Goodwill	54,102	54,102	-	-
Other	155	172	- 17	- 9.9%
Total	**173,299**	**175,073**	**- 1,774**	**- 1.0%**

The changes break down as follows:

(Values in thousands of EUR)	Brands	Goodwill	Other	Total
2006 financial year				
Historical cost	140,458	62,406	2,616	205,480
Accumulated amortization	- 19,659	- 8,304	- 2,444	- 30,407
Initial net book value	**120,799**	**54,102**	**172**	**175,073**
Differences arising on translation	-	-	-	-
Increases	-	-	44	44
Disposals	-	-	-	-
Amortization	- 1,757	-	-61	- 1,818
Changes for 30th June 2007	**- 1,757**	**-**	**-17**	**- 1,774**
Historical cost	140,458	62,406	2,660	205,524
Accumulated amortization	- 21,416	- 8,304	- 2,505	- 32,225
Closing net book value	**119,042**	**54,102**	**155**	**173,299**

The decrease in intangible assets mainly refers to the amortization of brands.

Brands

This items includes the Group's own-label brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap & Chic", "Moschino *jeans*"," Pollini", "Studio Pollini", "Verdemare"). The residual value is divided between the different brands:

(Values in thousands of EUR)	**30th June 2007**	**31st december 2006**
Alberta Ferretti	4,438	4,500
Moschino	65,932	66,896
Pollini	48,255	48,975
Verdemare	417	428
Total	**119,042**	**120,799**

Goodwill

Goodwill 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. Under Italian accounting standards, the amounts paid to previous tenants to take over commercial positions relating to stores were capitalised under intangible assets and amortized over the term of the lease. When the Group switched to IFRS, the accounting treatment of goodwill changed, since these items are considered intangible assets with an infinite useful life and as such are not amortized. In accordance with that provided by IAS 36, these assets are subjected to impairment tests and are therefore recognized at the lesser of historical cost and market value, determined based on an independent valuation. Based on the valuations of independent experts and in view of the Group's past experience, the duration of store leases is thought to have little relevance for maintaining key money values, given the strategy pursued successfully by the Group of renewing leases before their natural expiration date.

Following the adoption of IAS 38 (revised in 2004) and IFRS 3 (published in 2004), from 1st January 2001, goodwill ceased to be amortized. Furthermore, in accordance with the transitional provisions, on 1st January 2005, accumulated depreciation of EUR 2,757 thousand was cancelled, with a consequent increase in acquisition cost.

In accordance with IFRS 3, on 1st January 2005, consolidation differences of EUR 28,066 thousand relating to business combinations were eliminated from the consolidated financial statements.

2. Tangible fixed assets

A breakdown of this item is given below:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Land	17,681	17,719	-39	-0.2%
Buildings	34,793	34,266	527	1.5%
Leasehold improvements	11,000	10,998	-2	0.0%
Plant and machinery	3,286	3,614	-328	-9.1%
Industrial and commercial equipment	180	207	-27	-13.2%
Other tangible assets	3,091	3,091	0	0.0%
Total	**70,030**	**69,895**	**134**	**0.2%**

The changes break down as follows:

(Values in thousands of EUR)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Leasehold improvements	Total
2006 financial year							
Historical cost	17,719	39,520	22,550	1,746	17,468	33,930	132,933
Accumulated depreciation	-	- 5,254	- 18,936	- 1,539	- 14,377	- 22,932	- 63,038
Initial net book value	**17,719**	**34,266**	**3,614**	**207**	**3,091**	**10,998**	**69,895**
Differences arising on translation	- 39	- 212	-35	8	24	- 17	- 271
Increases	-	1,121	213	29	512	1,657	3,532
Disposals	-	-	-3	-	-16	-	- 19
Depreciation	-	-382	- 503	- 64	- 520	- 1,639	- 3,108
Changes for 30th June 2007	**- 39**	**527**	**- 328**	**- 27**	**0**	**2**	**134**
Historical cost	17,681	40,349	22,620	1,778	17,803	35,369	135,598
Accumulated depreciation	-	- 5,556	- 19,334	- 1,598	- 14,712	- 24,370	- 65,569
Closing net book value	**17,681**	**34,793**	**3,286**	**180**	**3,091**	**11,000**	**70,030**

The changes break down as follows:

- Additions for new investments of EUR 3,532 thousand. These mainly comprise new investment in the construction of buildings, the renovation and modernization of shops, the purchase of specific plant and equipment and the purchase of electronic machines.

- Disposals of EUR 19 thousand, net of accumulated depreciation, due to the replacement of furniture and electronic machines.
- Decrease due to translation differences of EUR 271 thousand. These mainly comprise the translation differences relating to the subsidiary Aeffe USA.
- Depreciation of EUR 3,108 thousand charged in relation to all tangible fixed assets (excluding land), using the rates applicable to each category (see the accounting policies for Tangible fixed assets for further details).

3. Other non-current assets

Investments

This item includes holdings in non-consolidated associates accounted for using the equity method, in addition to other holdings measured at fair value, mainly represented by the cost.
The decrease compared with the previous financial year concerns the sale of the stake in Narciso Rodriguez LLC held by the subsidary Aeffe USA.

Other fixed assets

This item mainly includes receivables for security deposits relating to commercial leases. At 30th June 2007 the value is in line with that of 31st December 2006.

Deferred tax assets and liabilities

The table below illustrates the breakdown of this item at 30th June 2007 and 31st December 2006:

	Receivables		Payables	
(Values in thousands of EUR)	**30th June 2007**	**31st december 2006**	**30th June 2007**	**31st december 2006**
Tangible fixed assets	-	-	- 592	- 674
Intangible fixed assets	-	-	-2,172	- 2,126
Provisions	1,432	1,516	-179	- 108
Costs deductible in future periods	91	85	-22	-
Income taxable in future periods	-	1	-1,219	- 1,377
Tax losses carried forward	3,113	3,111	-	-
Other	73	160	-	-
Technical deferred tax assets (liabilities) from transition to IAS	6,519	5,868	-54,149	- 53,019
Total credits for deferred tax assets/ (debts for deferred tax liabilities)	**11,228**	**10,741**	**-58,333**	**- 57,304**

Assets available for sale

This item mainly refers to the fair value of the shareholding Pollini France and the corresponding financial receivable; the Group has already finalised the sale, which it intends to complete by 2007.

CURRENT ASSETS

4. Stock and inventories

This item comprises:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Raw, ancillary and consumable materials	16,961	14,790	2,171	14.7%
Work in progress	12,034	9,691	2,343	24.2%
Finished products and goods for resale	35,509	32,677	2,832	8.7%
Advance payments	811	500	311	62.2%
Total	**65,315**	**57,658**	**7,657**	**13.3%**

Inventories of raw materials and work in progress mainly relate to the production of the Autumn/Winter 2007 collection and the Spring/Summer 2008 sample collection.
Finished products mainly concern the Autumn/Winter 2007 collection and the Spring/Summer 2008 sample collection.
The increase in inventories compared with the previous period is mainly due to the seasonality of the business.

5. Trade receivables

This item is illustrated in detail in the following table:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Trade receivables	39,229	35,791	3,438	9.6%
(Allowance for doubtfull account)	-2,463	- 2,361	-102	4.3%
Total	**36,766**	**33,430**	**3,336**	**10,0%**

Trade receivables amount to EUR 36,766 thousand at 30th June 2007, up 10% since 31st December 2006. This increase is due to seasonal effects.
According to directors' estimates, the fair value of trade receivables is close to their carrying amount.
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.

6. Tax receivables

As of 30th June 2007, the Group's tax receivables from the various authorities amount to EUR 4,090 thousand (EUR 2,339 thousand at 31stDecember 2006), principally in relation to VAT recoverable of EUR 3,865 thousand (EUR 2,092 thousand at 31st December 2006).

7. Cash

This item includes:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Bank and post office deposits	10,698	10,776	- 78	- 0.72%
Cheques	79	34	45	132.4%
Cash in hand	346	335	11	3.3%
Total	**11,123**	**11,145**	**- 22**	**- 0.2 %**

Bank and postal deposits represent the nominal value of the current account balances with credit institutions, including interest accrued on the balance sheet date.
Cash in hand represents the nominal value of the cash held on the balance sheet date.
Cash and cash equivalents as of 30th June 2007 are in line with the amounts reported at 31st December 2006.

8. Short term financial receivables

This caption has a zero balance as of 30th June 2007. At 31st December 2006, this caption was EUR 4,175 thousand due to the subsidary Aeffe Retail following the disposal of the line of business represented by the Narciso Rodriguez shop in Milan. This amount was collected on 10th January 2007.

9. Other current assets

This caption comprises:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Credits for prepaid costs (costs of producing collections)	20,659	18,660	1,999	10.7%
Payments on account for royalties and commission	1,631	1,521	110	7.3%
Advances and payments on account to suppliers	1,283	1,352	-68	-5.1%
Accrued income and prepaid expenses	2,585	2,571	14	0.5%
Other	2,492	1,754	738	42.0%
Total	**28,651**	**25,858**	**2,794**	**10.8%**

These deferred costs are referring to the deferral of expenses incurred to design and make samples for the Spring-Summer 2008 collections, which will be matched with the corresponding revenue from sales; the increase mainly reflects growth in the volume of business generated by the parent company Aeffe S.p.A.
The change in other receivables essentially reflects the deferral of listing expenses.

SHAREHOLDERS' EQUITY

Described below are main categories of shareholders' equity at 30th June 2007, while the relavant changes are illustrated in Annex I.

(Values in thousands of EUR)	**30th June 2007**	**31st december 2006**
Share capital	22,091	22,500
Share premium reserve	5,755	11,345
Translation reserve	248	391
Partecipatory instruments reserve	-	12,400
Other reserves	29,338	8,574
Fair value reserve	7,448	7,448
IAS reserve	11,120	11,120
Retained earnings (losses)	-582	- 5,773
Net profit for the Group	5,862	7,981
Minority interests	27,311	26,465
Total	**108,591**	**102,451**

10. Share capital

Share capital as of 30th June 2007 is represented by 88,362,504 issued and fully-paid shares, par value EUR 0.25 each, totalling EUR 22,091 thousand.
The reduction of EUR 409 thousand since 31st December 2006 reflects the combined effect of the cancellation of treasury shares and the conversion of the partecipatory financial instruments.

11. Share premium reserve

The share premium reserve amounts to EUR 5,754 thousand at 30th June 2007. The reduction of EUR 5,591 thousand is due to the combined effect of the cancellation of treasury shares and the conversion of the partecipatory financial instruments.

12. Translation reserve

The translation reserve which, as of 31st december 2006 ammounted to EUR 391 thousand, decrements by EUR 114 thousand due to the negative exchange effects of companies' balances in currencies other than EUR.

13. Participatory instruments reserve

This caption has a zero balance as of 30th June 2007 due to the combined effect of the cancellation of treasury shares and the conversion of the partecipatory instruments.

14. Other reserves

The change in this caption reflects an allocation from the net profit of the previous year and the cancellation of treasury shares.

15. Fair value reserve

The Fair value reserve derives from the application of IAS 16, which requires land and buildings owned by the parent company Aeffe and the parent company Nuova Stireria Tavoleto to be measured at their fair value on valuations carried out by an independent expert.
The effect of restating values is recorded separately in special equity reserve.

16.IAS reserve

The IAS reserve, established during the first-time adoption of international accounting standards, represents the differences in value that emerged following the transition from Italian accounting standards to international accounting standards. The differences allocated to the equity reserve exclude the tax effect, as required by IFRS 1. Each difference is allocated on a pro rata basis to minority interests.

17.Retained earnings (losses)

Losses carried forward decrease as a consequence of the consolidated net profit earned during the year ended 31st December 2006.

18.Minority interests

The increase in capital and reserves is mainly due to the portion of net profit for the period to 30th June 2007 attributable to the minority shareholders.
Minority interests represent the shareholders' equity of consolidated companies owned by other shareholders and include the corresponding IAS reserve.

NON-CURRENT LIABILITIES

19.Provisions

The changes in the various provisions are analysed below:

(Values in thousands of EUR)	**31st december 2006**	**Increases**	**Decreases**	**30th June 2007**
Pensions and similar obligations	1,556	30	-	1,586
Other	185	-	-72	113
Total	**1,741**	**30**	**-72**	**1,699**

The additional client expenses reserve 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.
Other reserves mainly refer to a reserve established by the subsidiary Moschino for the dispute concerning the registration of the Friends perfume brand.
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 "Potential liabilities".

20.Post employment benefits

This item refers to severance indemnity due to all employees of the Group's Italian companies at the end of their period of employment, recalculated based on IAS 19.
Each year, the Group sets aside an amount for each employee based partly on the employee's salary and partly on the revaluation of amounts previously set aside. This is a non-financed, fully provisioned liability.

21. Non current liabilities

The following table contains details of long-term borrowings:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Loans from financial institutions	46,998	51,628	- 4,630	- 9.0%
Amounts due to other creditors	13,935	14,569	- 634	- 4.4%
Total long-term financial liabilities	**60,934**	**66,197**	**- 5,263**	**- 7.6%**

Loans from financial institutions refers to the amount repayable in more than 12 months. The following table contains details of bank loans current as of 30th June 2007, including the current portion and long term portion:

(Values in thousands of EUR)	Residual amount	Current portion	Long-term portion
Bank borrowings	60,390	13,392	46,998
Total	**60,390**	**13,392**	**46,998**

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

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Financial leases	7,937	8,558	- 621	- 7.3%
Due to other creditors	35	50	- 15	- 30.0%
Due to shareholders (Bluebell, Moschino Far East)	5,749	5,747	2	0.0%
Long-term debt for Moschino Far East put/call.	214	214	-	0.0%
Total	**13,935**	**14,569**	**-634**	**- 4.3%**

The reduction in the amount due to other long term creditors compared with the 31st December 2006 is almost entirely due to the decrease in the lease liability.
The lease liability relates to the leaseback transaction arranged by the parent company in relation to the building that is still used by Pollini.. The original amount of this loan, arranged in 2002, is EUR 17,500 thousand. The loan contract envisages a repayment schedule that terminates in September 2012. This contract includes an end-of-lease purchase payment of EUR 1,750 thousand.
The amount due to other creditors mainly relates to the export-incentive loan granted by Simest.

The amount due to shareholders relates to the loan granted by Bluebell Far East (49.9% interest in Moschino Far East) to Moschino Far East on 18th December 2002, under the terms of the joint venture agreement with Moschino. The contract envisages repayment of the loan on the 5th anniversary, unless repaid early upon exercise of the put/call option included in the joint venture contract.
The long-term payable for the recognition of the Moschino Far East put and call option relates to the put and call option provided by the joint venture agreement with Moschino. The contract stipulates a reciprocal put and call option mechanism granted to Bluebell and Moschino for the sale/purchase of the shareholding in Moschino Far East held by Bluebell at a price calculated based on a specific earn-out formula, the value of which partly depends on the financial performance of Moschino Far East.
The amounts entered following the recognition of the put and call option may be adjusted depending on the variable earn-out parameters.

22.Other non-current non-financial liabilities

This caption includes EUR 14,045 thousand due by the subsidiary Moschino in relation to an interest-free shareholder loan from Sinv. This liability is treated to 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; the only changes in this caption since the payable was initially recorded, relate to the conversion of the loan into share capital.

CURRENT LIABILITIES

23. Trade payables and other current liabilities

This item comprises:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Trade payables	59,506	57,545	1,961	3.4%
Tax payables	5,631	4,952	679	13.7%
Other current liabilities	15,642	12,769	2,873	22.5%
Total	**80,778**	**75,266**	**5,513**	**7.3%**

The increase in trade payables by 3.4% reflects the seasonality of the business.

Tax payables are analysed in comparison with the related balances as of 31st December 2006 in the following table:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Local business tax (IRAP)	505	507	-2	-0.4%
Corporate income tax (IRES)	2,676	1,352	1,324	97.9%
Amounts due to tax authority for withheld taxes	1,820	2,177	-358	-16.4%
VAT due to tax authority	486	351	135	38.4%
Other	144	565	-420	-74.4%
Total	**5,631**	**4,952**	**679**	**13.7%**

Corporate income tax (IRES) and local business tax (IRAP) reflect the current tax burden excluding payments on account already paid during the period.

Other current liabilities are illustrated in the following statement and compared with the corresponding balances as at 31st December 2006:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Due to social security organizations	3,257	2,526	731	28.9%
Due to employees for deferred wages, stipends and salaries	6,880	4,352	2,528	58.1%
Trade debtors – credit balances	2,189	2,004	185	9.2%
Accrued expenses and deferred income	1,192	1,680	-487	-29,0%
Other	2,122	2,206	-84	-3.8%
Total	**15,642**	**12,768**	**2,873**	**22.5%**

Amounts due to social security organizations, recognized at face value, relate to the Group's employer contributions.
Accrued expenses and deferred income mainly relate to the deferred income of the subsidiary Moschino, following the deferral of non-current revenue to the subsequent period. Other payables mainly include commission payable.

24. Current financial liabilities

A breakdown of this item is given below:

(Values in thousands of EUR)	30th June 2007	31st december 2006	Change Δ	%
Due to banks	66,858	61,829	5,029	8.1%
Due to other creditors	2,308	2,608	-300	-11.5%
Total	**69,166**	**64,437**	**4,729**	**7.3%**

Current bank debt includes 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.
The increase in this item compared with 31st December 2006 is mainly due to the major use of advances by the Group.
At 30th June 2007, amounts due to other creditors mainly included financial payables recorded in application of the financial accounting method for leasing operations.

SEGMENT INFORMATION

A segment is part of a distinct group providing products and services (business segment) or providing products and services in a specific geographical area (geographical segment), subject risks and benefits different from those of other sectors. Within the Group, business sectors have been identified at primary (numeric) level, while at a secondary level a geographical distribution has been applied.

Economic performance by Division
At international level, the Group is divided into two main business sectors:
- prêt-à porter Division ;
- footwear and leather goods Division.

Prêt-à porter Division is mainly represented by the companies Aeffe, Moschino and Velmar, operating in the design, production and distribution of luxury prêt-à porter and lingerie, beachwear and loungewear collections.
In terms of prêt-à porter collections, the activity is carried out by Aeffe, both for the production of the Group's own-label brands ("Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino", "Moschino Cheap and Chic" and "Pollini") and brands licensed from other companies (such as "Jean Paul Gaultier" and "Authier"). 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/womesn's lingerie, underwear beachwear, and loungwear. Collections are produced and distributes under the Group's own-label brands such as "Alberta Ferretti", "Philosophy di Alberta Ferretti", "Moschino" and "Verdemare", and under third-party licensed brands such as "Blugirl".
The prêt-à porter Division also manages licensing agreements granted to other companies to manufacture Aeffe and Moschino product lines, such as the "Moschino" brand licensing agreement for jeanswear, "Moschino" and "...Oh! de Moschino" branded perfumes and "Moschino" branded sunglasses.

The following table indicates the main economic data at for the first half of 2007 and 2006 of the prêt-à porter and footwear and leather goods Divisions:

		2007		2006	
(Values in thousands of EUR)	**Distribution by Division**	**I H**	**% of total**	**I H**	**% of total**
Prêt-à porter	Revenue	115,075	81.2%	104,255	83.0%
	Gross operating margin (EBITDA)(1) after non-recurring operations	19,109	91.5%	14,435	95.5%
	Gross operating margin (EBITDA)(1) after non-recurring operations %	16,6%		13,8%	
	Gross operating margin (EBITDA)(1)	21,127	92.3%	14,435	95.5%
	Gross operating margin (EBITDA)(1) %	18,4%		13,8%	
Footwear and leather goods	Revenue	35,402	25.0%	28,170	22.4%
	Gross operating margin (EBITDA)(1) after non-recurring operations	1,775	8.5%	674	4.5%
	Gross operating margin (EBITDA)(1) after non-recurring operations %	5,0%		2,4%	
	Gross operating margin (EBITDA)(1)	1,775	7.7%	674	4.5%
	Gross operating margin (EBITDA)(1) %	5,0%		2,4%	
Elimination of intercompany transactions	**Revenue**	- 8,835	-6.2%	- 6,779	-5.4%
Total	**Revenue**	**141,642**	**100.0%**	**125,646**	**100.0%**
	Gross operating margin (EBITDA)(1) after non-recurring operations	**20,883**		**15,109**	
	Gross operating margin (EBITDA)(1) after non-recurring operations %	**14.7%**		**12.0%**	
	Gross operating margin (EBITDA)(1)	**22,901**		**15,109**	
	Gross operating margin (EBITDA)(1) %	**16.2%**		**12.0%**	

(1) Gross operating margin (EBITDA) represents the operating profit before provisions and depreciation. gross operating margin (EBITDA) defined on this basis is a parameter used by the management of the Company to monitor and assess its operating performance; it is not an accounting measure in the context of ITA GAAP or IFRS and, as such, must not be used as an alternative parameter for evaluating the performance of the Group. Since the composition of the GM is not governed by the reference accounting standards, the criteria applied by the Group to determine its value might not be consistent with those adopted by others and, accordingly, the amounts concerned might not be comparable.

Prêt-à-porter Division

Revenues from sales by the Prêt-à-porter Division rise from EUR 104,255 thousand in the first half of 2006, to EUR 115,075 thousand in the first half of 2007, up 10.4% (13% costant exchange rate). This Division contributes 83% of consolidated revenues in the first half of 2006 and 81.2% in the first half of 2007, before inter-divisional eliminations.
The Gross operating margin (EBITDA) of the Prêt-à-porter Division rises significantly from EUR 14,435 thousand in the first half of 2006 to EUR 21,127 thousand in the first half of 2007 (EUR 19,109 thousand net of non-recurring income) . As incidence on revenues, Gross operating margin (EBITDA) climbeds from 13.8% in the first half of 2006 to 18.4% in the first half of 2007, up 46.4% (to 16.6% in the first half of 2007, up 32.4% net of non-recurring income).

Footwear and leather goods Division

Revenues from sales by the Footwear and leather goods Division rise from EUR 28,170 thousand in the first half of 2006 to EUR 35,402 thousand in the first half of 2007, up 25.7%.
The Gross operating margin (EBITDA) of the Footwear and leather goods Division rises by 163.3%, from EUR 674 thousand in the first half of 2006 to EUR 1,775 thousand in the first half of 2007. Gross operating margin (EBITDA) asincidence on revenues rises from 2.4% in the first half of 2006 to 5% in the first half of 2007.

Geographical distribution of revenues

Group performance is excellent in the first six months of 2007, both domestically and in the international markets. Sales are generated as follows: 38.9% in Italy (+11.8% compared with the first half of 2006), 21.4% in the Rest of Europe (+20.8% compared with the first half of 2006), 11.9% in United States (+9% compared with the first half of 2006, +17% at constant exchange rates), 8% in Russia (+45.2% compared with the first half of 2006), 7.3% in the Far East (-7.4% compared with the first half of 2006, -1% at constant exchange rates), 6.9% in Japan (-10% compared with the first half of 2006, -3% at constant exchange rates) and 5.7% in the Rest of the World (+31.8% compared with the first half of 2006).

(Values in thousands of EUR)	**I H 2007**	**I H 2006**	**Change Δ**	**%**
Italy	55,065	49,242	5,823	11.8%
Europe (excluding Italy and Russia)	30,316	25,096	5,220	20.8%
United States	16,785	15,392	1,393	9.0%
Russia	11,348	7,818	3,530	45.2%
Far East	10,307	11,132	- 826	- 7.4%
Japan	9,767	10,853	- 1,086	- 10.0%
Rest of the World	8,054	6,112	1,942	31.8%
Total	**141,642**	**125,646**	**15,996**	**12.7%**

COMMENTS ON THE INCOME STATEMENT AND SEGMENT INFORMATION

25.Revenues from sales and services

Revenues from sales rise from EUR 125,646 thousand in the first half of 2006 to EUR 141,642 thousand in the first half of 2007, up 12.7%. At constant exchange rates, the increase is 14.9%. This progress reflects the improved performance of the Group's two Divisions: revenues from sales by the Prêt-à-porter Division rises up 10.4%, (13% at constant exchange rates), while revenues from sales by the Footwear and leather goods Division rises up to 25.7%.
These results are extremely positive and reflect the effectiveness of the strategic decisions made by the Group over time.

26.Other revenues and income

This item comprises:

(Values in thousands of EUR)	I H 2007	I H 2006	Change Δ	%
Extraordinary income	258	567	- 309	- 54.4%
Exchange gains	729	466	263	56.4%
Sales of raw materials and packaging	142	147	- 5	- 3.4%
Rental income	53	52	1	1.6%
Other income	3,037	659	2,378	361.0%
Total	**4,219**	**1,892**	**2,328**	**123,1%**

The decline in extraordinary income is mainly due to lower recoveries of prior-year taxation. The exchange gains arise entirely from gains realised on commercial transactions. Raw materials and packaging and rental income are in line with the same period in the prior year. The increase in other income mainly reflects the recognition of net gains totalling about EUR 2 million realised by Aeffe USA on the disposal of its stake (50% of capital) in Narciso Rodriguez LLC. Net of such income, other income would have been in line with the prior period.

27.Raw materials and consumables

(Values in thousands of EUR)	I H 2007	I H 2006	Change Δ	%
Raw, ancillary and consumable materials and goods for resale	45,332	38,131	7,201	18.9%
Total	**45,332**	**38,131**	**7,201**	**18.9%**

This item mainly includes costs for the acquisition of raw materials such as fabrics, threads, skins and accessories, purchases of finished products for resale (products sold) and packaging.
The increase in this item is closely linked with the increase in volumes sold, with the consequent increase in revenue and production.

28.Costs of services

This item includes:

(Values in thousands of EUR)	**I H 2007**	**I H 2006**	**Change Δ**	**%**
Subcontracted work	17,032	15,973	1,059	6.6%
Consultancy fees	6,857	6,187	670	10.8%
Advertising	7,873	7,552	322	4.3%
Commissions	3,828	3,385	444	13.1%
Transport	3,105	2,865	239	8.4%
Utilities	1,266	1,224	42	3.4%
Directors' and auditors' fees	1,827	1,643	184	11.2%
Insurance	441	609	- 168	- 27.6%
Bank charges	621	561	61	10.8%
Employee refunds	66	66	-	- 0.7%
Travelling expenses	1,237	1,125	112	9.9%
Sundry industrial services	905	689	216	31.3%
Other services	2,022	2,531	-509	-20.1%
Total	**47,081**	**44,410**	**2,671**	**6.0%**

The increase in the cost of subcontracted work mainly reflects expansion of the Group's volume of business during the period. Consultancy costs rise from EUR 6,187 thousand in the first half of 2006 to EUR 6,857 thousand in the first half of 2007, due to greater recourse to technical consultancy and PR activities by the parent company. Advertising are in line with the same period of the previous year. The rise in commissions from EUR 3,385 thousand in the first half of 2006 to EUR 3,828 thousand in the first half of 2007 is due to the higher volume of business. The reduction in insurance costs is entirely due to the centralization of their management within the parent company and the renegotiation of terms. Other services decrease by 20.1% mainly due to the reduction of general costs incurred by the parent company..

29.Costs for use of third parties assets

This item includes:

(Values in thousands of EUR)	**30th June 2007**	**31st december 2006**	**Change Δ**	**%**
Rental expenses	5,681	5,677	3	0.1%
Royalties	2,239	2,037	202	9.9%
Hire charges and similar	558	292	265	90.6%
Operating lease fees	117	59	58	98.2%
Total	**8,595**	**8,066**	**529**	**6.6%**

30.Labour costs

The impact of labour costs on revenues falls from 21.9% in the first half of 2006 to 19.8% in the first half of 2007. This decrease is the result of the organizational model adopted by the

Group, which involves fully outsourcing production of prêt-a-porter, lingerie and beachwear lines and at the same time maintaining constant control of key phases of the value chain.
The increase in absolute value of this item is in line with the rise in headcount, as illustrated below.
At 30th June2007, the Group's headcount is as follows:

(Values in units of EUR)	30th June 2007	30th June 2006
Workers	478	466
Office staff	957	907
Executive and senior managers	25	26
Total	**1,460**	**1,399**

31. Other operating expenses

This item includes:

(Values in thousands of EUR)	I H 2007	I H 2006	Change Δ	%
Taxes	361	350	11	3.0%
Gifts	104	162	- 58	- 35.9%
Contingent liabilities	129	454	- 325	- 71.5%
Write-down of current receivables	226	110	116	105.6%
Foreign exchange losses	513	599	- 86	- 14.3%
Other operating expenses	253	180	73	40.7%
Total	**1,587**	**1,856**	**- 269**	**- 14.5%**

Indirect taxes are essentially the same in the two periods under review.
The reduction in contingent liabilities with respect to the prior year mainly relates to the costs incurred by the subsidiary Moschino Far East in February 2006 to restore the Aoyama boutique in Tokyo to its original condition.
The lower exchange losses reflect a reduction in the fluctuations of the dollar during the first half of 2007 compared with the same period in the prior year.

32. Amortization, depreciation and write-downs

This item includes:

(Values in thousands of EUR)	**I H 2007**	**I H 2006**	**Change Δ**	**%**
Amortization of intangible fixed assets	1,819	1,887	- 68	- 3.6%
Depreciation of tangible fixed assets	3,108	3,267	- 159	- 4.9%
Write-downs	241	241	0	- 0,1%
Total	**5,168**	**5,396**	**- 228**	**- 4.2%**

Amortization of intangible fixed assets mainly refers to the amortization of brands. Brands are amortized over 40 years.

Depreciation of tangible fixed assets decreases by 4.9% due mainly to the reduction in improvements to leases relating to the sale of non-strategic stores, such as the Japan store, by the subsidiary Moschino Far East, and the Narciso Rodriguez store in Milan by the subsidiary Aeffe Retail.

33. Financial income

This item includes:

(Values in thousands of EUR)	**I H 2007**	**I H 2006**	**Change Δ**	**%**
Interest income	99	39	60	153.9%
Foreign exchange gains and losses	107	91	16	17.9%
Financial discounts	26	5	21	439.2%
Other income	-	2	- 2	- 99.2%
Total	**233**	**137**	**96**	**70.3%**

34.Financial expenses

This item includes:

(Values in thousands of EUR)	I H 2007	I H 2006	Change Δ	%
Bank interest expenses	3,847	2,482	1,365	55.0%
Lease interest	232	258	- 26	- 10.0%
Foreign exchange losses	328	392	- 64	- 16.3%
Other expenses	114	100	15	14.6%
Total	**4,522**	**3,233**	**1,289**	**39.9%**

The increase in interest payable to banks is due to the increase in the cost of money between the first half of 2007 and the first half of 2006 (more than one percentage point), an increase that more than offset the reduction in the Group's net financial debt in the first half of 2007 compared with the first half of 2006.

35.Profit (losses) from equity investments in affiliates

This caption, only present in the first half of 2006, relates to the write-down of the equity investment in Narciso Rodriguez previously held by the subsidiary Aeffe USA.

36.Income taxes

This caption comprises:

(Values in thousands of EUR)	I H 2007	I H 2006
Current income taxes	6,090	3,831
Deferred income (espenses) taxes	693	54
Total income taxes	**6,783**	**3,886**

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 2005 and 2006 is illustrated in the following table:

(Values in thousands of EUR)	I H 2007	I H 2006
Profit before taxes	13,444	6,556
Rate of taxation	33%	33%
Theoretical calculation of corporate income tax (IRES)	**4,437**	**2,163**
Local business tax (IRAP) (for Italian companies only)	**1,566**	**1,220**
Theoretical taxation	**6,003**	**3,383**
Tax adjustments (+)	3,607	2,763
Tax adjustments (-)	899	1,568
Actual income taxes recorded in the income statement	**6,783**	**3,886**

Taxes increase from EUR 10,750 thousand in 2006 to EUR 6,783 thousand in the first half of 2007 based on a consolidated actual rate of taxation of 55.6% and 50.5% respectively. Deferred tax assets and liabilities are calculated using a theoretical rate of 37.25% or 33%, and are calculated on all temporary differences between the taxable amount of an asset or liability and its carrying amount in the consolidated financial statements or income components deductible or taxable in a different period to the current period.

COMMENTS ON THE CASH FLOW

The trend in the company managment, at cash flow level, has required a reduction of EUR - 4.198 thousand of cash (see table below).

(Values in thousands of EUR)	30th June 2007	30th June 2006	Change
NET OPENING BALANCE (A)	**15,320**	**7,020**	**8,300**
Net cash flow (absorbed)/generated by operating activity (B)	4,327	692	3,635
Net cash flow (absorbed)/generated by investing activity (C)	-3,188	-1,147	-2,042
Net cash flow (absorbed)/generated by financing activity (D)	-5,337	3,384	-8,721
INCREASE (DECREASE) IN NET CASH FLOW (E)=(B)+(C)+(D)	**-4,198**	**2,929**	**-7,127**
NET CLOSING BALANCE (F)=(A)+(E)	**11,123**	**9,949**	**1,173**

37.Net cash flow (absorbed)/generated by operating activity

The operating activity has generated a cash flow equal to EUR 4.327 thousand.
The net cash flow from the operating activity is illustrated in details in the following table:

(Values in thousands of EUR)	30th June 2007	30th June 2006	Change
Profit before taxes	13,444	6,556	6,888
Amortization	4,927	5,154	-227
Accrual(+)/ availment(-) of long term provisions and post employment benefits	-2,069	-147	-1,922
Income taxes and change in deferred assets and liabilities	-5,561	-1,793	-3,768
Financial income(-) and financial charges(+)	4,289	3,096	1,193
Change in operating assets and liabilities	- 10,703	-12,174	1,471
NET CASH FLOW (ABSORBED)/GENERATED BY OPERATING ACTIVITY	**4,327**	**692**	**3,635**

The principal reason of this result is due to the income performance of the first half of 2006.

38.Net cash flow (absorbed)/generated by investing activity

In the first half of 2007 the net cash flow absorbed by the investing activity is EUR 3.188 thousand.
The captions which has produced this increase are illustrated in the following table:

(Values in thousands of EUR)	30th June 2007	30th June 2006	Change
Increase(-)/ Decrease(+) in intangible fixed assets	-45	-47	2
Increase(-)/ Decrease(+) in tangible fixed assets	-3,242	-1,200	-2,042
Investments(-)/ Disinvestments(+)	99	74	25
Change in assets available for sale	-	26	-26
NET CASH FLOW (ABSORBED)/GENERATED BY INVESTING ACTIVITY	**-3,188**	**-1,147**	**-2,042**

In the first half of 2007 the main investments have been made in tangible fixed assets and in particular they refer to new investments in the construction of buildings, the renovation and modernization of shops, the purchase of specific plant and equipment and the purchase of electronic machines.

39.Net cash flow (absorbed)/generated by financing activity

In the first half of 2007 the net cash flow absorbed by the financing activity is EUR 5,337 thousand.
The captions which has produced this increase are illustrated in the following table:

(Values in thousands of EUR)	30th June 2007	30th June 2006	Change
Increase in reserves and profit carried-forward to shareholder's equity	-521	-619	97
Proceeds (repayments) of financial payments	-534	5,841	-6,376
Decrease (increase) in non current financial receivables	9	1,258	-1,249
Financial income and financial expenses	-4,289	-3,096	-1,193
NET CASH FLOW (ABSORBED)/GENERATED BY FINANCING ACTIVITY	**-5,337**	**3,384**	**-8,721**

The negative change in the first half of 2007 compared with the first half of 2006 is due both to the lower use of current financial payments and to the higher financial expenses to the increase in the cost of money.

OTHER INFORMATION

Net financial position

A summary of net financial position can be found below:

(Values in thousands of EUR)	30th June 2007	31st December 2006
Current bank loans	*53,466*	*50,360*
Long-term bank borrowings – current	13,392	11,469
Loans from other financial institutions – current	2,308	2,608
Long-term borrowings – current	*15,700*	*14,077*
Subtotal – Current bank loans and current portion of long-term borrowings	**69,166**	**64,437**
Long-term bank loans	46,998	51,628
Due to other long-term creditors	13,935	14,569
Subtotal – Long-term financial payables	**60,934**	**66,197**
Total gross debt	**130,100**	**130,634**
Cash and cash equivalents	*-11,123*	*- 15,320*
Net financial indebtedness	**118,977**	**115,314**

Current bank loans include advances from banks and short-term loans. Advances mainly comprise the drawdown against short-term lines of credit arranged to finance working capital.

The reduction in long-term bank loans of EUR 4,630 thousand mainly reflects the reclassification to current liabilities of the current portion of long-term loans.

As of 30th June 2007, other creditors principally include the financial payables recorded in accordance with finance lease accounting methodology.

The Group's net financial position as of 30th June 2007 is EUR 3,663 thousand worse than at 31st December 2006, following an increase in financial debt from EUR 115,314 thousand in December 2006 to EUR 118,977 thousand in June 2007. This increase is entirely due to the seasonality of the business.

The net financial position includes the effect of the put/call option on the joint venture contract between Moschino and Bluebell Far East for the formation of Moschino Far East. In the absence of this option, the net financial position would have amounted to EUR 113,014 thousand, rather than the EUR 118,977 thousand reported above.

As required by Consob communication DEM/6264293 dated 28th July 2006 and pursuant to the CESR Recommendation dated 10th February 2005 "Recommendations for the uniform adoption of the European Commission's regulations on prospectuses", the Net financial position of the Aeffe Group as of 30th June 2007 is presented below:

(Values in thousands of EUR)	**30th June 2007**	**31st December 2006**
A- Cash in hand	425	369
B - Other available funds	10,698	10,776
C- Securities held for trading	-	-
D - Cash and cash equivalents (A)+(B)+(C)	*11,123*	*11,145*
E - Short term financial receivables	-	4,175
F - Current bank loans	-53,466	-50,360
G - Current portion of long-term bank borrowings	-13,392	-11,469
H - Current portion of loans from other financial institutions	-2,308	-2,608
I - Current financial indebtedness (F) + (G) + (H)	*-69,166*	*-64,437*
J - Net current financial indebtedness (F) + (G) + (H)	*-58,043*	*-49,117*
K - Non current bank loans	-46,998	-51,628
L - Issued obligations	-	-
M - Other non current loans	-13,935	-14,569
N - Non current financial indebtedness (K)+ (L) + (M)	*-60,934*	*-66,197*
O - Net financial indebtedness (J)+ (N)	*-118,977*	*-115,314*

Earnings per share

Basic earnings per share

(Values in units and thousands of EUR)	**30th June 2007**	**30th June 2006**
Consolidated earnings for the period for shareholders of the parent company	5,862	2,656
Number of shares as at 30th June 2007	88,362.5	88,362.5
Basic earnings per share as at 30th June 2007	**0.066**	**0.030**

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.
The Group's business dealings with other related parties are summarised below:

Parties involved and description of the transaction *(Values in thousands of EUR)*	**30th June 2007**	**30th June 2006**	**Nature of the transaction**
Shareholder Alberta Ferretti with Aeffe			
Brand transfer agreement	-	1,000	Financial payable
Contract for the sale of artistic assets and design collaboration	150	143	Cost
Ferrim with Aeffe			
Property rental	673	686	Cost
Ferrim with Moschino			
Property rental	380	394	Cost
Società Commerciale Valconca with Aeffe			
Commercial	104	53	Income
Commercial	710	868	Receivable

The following table indicatly the data related on the incidence of related party transactions on the balance sheet, the income statments and the cash flow as at 30th June 2007 and 30th June 2006.

	30th June 2007			30th June 2006		
(Values in thousands of EUR)	Total	Amount	%	Total	Amount	%
Incidence of related party transactions on the balance sheet						
Current financial liabilities	69,166	-	0.0%	78,630	1,000	1.3%
Trade receivables	38,766	710	1.9%	42,970	868	2.0%
Incidence of related party transactions on the income statement						
Revenue	141,642	104	0.1%	125,646	53	0.0%
Costs of services	47,081	150	0.3%	44,410	143	0.3%
Costs for use of third parties goods	8,595	1,053	12.3%	8,066	1,080	13.4%
Incidence of related party transactions on cash flow						
Net cash balances used in financing activities	-5,337	-1.000	19%	3,384	-1,000	n.a
Net cash balances used in operating activities	4,372	-817	n.a	692	-1.260	n.a

Guarantees and commitments

The Group has not given any guarantees to third parties and has no significant commitments.

Atypical and/or unusual transactions

Pursuant to Consob communication DEM/6064296 dated 28th July 2006, it is confirmed that the Group did not enter into any atypical and/or unusual transactions, as defined in that communication, during the first half of 2007.

Significant non-recurring events and transactions

In the first half of 20007, EUR 2,018 thousand of non-recurring revenues have been realized. They refer to the net capital gain realized by the subsidiary Aeffe USA with the sale of its stake (50% of capital) held in Narciso Rodriguez LLC.
The following table shows the economic, patrimonial and financial effects as of 30th June 2007:

	Shareholders' equity		Profit for the period		Net financial position		Cash flow	
(Values in thousands of EUR)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Balance-sheet values net of non recurring operations	106,573		4,643		116,959		- 6,215	
Effects of non recurring operations	2,018	1%	2,018	43%	2,018	2%	2,018	n.a
Balance-sheet values	**108,591**		**6,661**		**118,977**		**- 4,198**	

Contingent liabilities

Tax disputes

The Group's tax dispute refers to the following companies:
Aeffe: the provincial tax commission in Rimini, with its decision of 16 December 2006, handed down a judgment cancelling two notices of assessment issued by the Rimini tax office in November 2004 and relating to costs considered non-deductible and the write-down of the Moschino shareholding. The inspections concerned the 1999 and 2000 tax periods and there is a good indication that the dispute will end with a positive outcome.
On 22 June 2005, a formal notice of assessment was issued by the Emilia-Romagna provincial tax office for the 2003 and 2004 financial years, for costs considered non-deductible and for the unlawful deduction of VAT. In June 2005, an explanatory statement was submitted and so far, no notice of assessment has been issued. It is thought that the arguments put forward by the company and by the advisors appointed to handle the dispute will lead to a positive outcome of the dispute.
Pollini: the company has entered an appeal with the provincial tax commission in Forlì for two notices of assessment issued on 19 December 2006 by the tax office in Forlì-Cesena for costs considered non-deductible and for the unlawful deduction of VAT. In this case also, it is thought that the arguments put forward by the company and by the advisors appointed to handle the dispute will lead to a positive outcome of the dispute.
Ferretti Studio: in February 2007, a general audit was completed by the Tax Police in Cattolica for the 2004, 2005 and 2006 financial years. A formal notice of assessment was issued for a negligible amount.
Ferretti Studio: in February 2007, a general audit was completed by the Tax Police in Cattolica for the 2004, 2005 and 2006 financial years. A formal notice of assessment was issued for a negligible amount.
No provision was set aside for these disputes, since it is thought that the arguments submitted by the company and its appointed advisors are wholly justifiable.
Having consulted their own tax advisors, the directors do not consider it probable that liabilities will arise from these disputes.

AEFFE

ATTACHMENT OF THE NOTES TO THE FINANCIAL STATEMENTS

ANNEX 1 - CHANGES IN SHAREHOLDERS' EQUITY

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Partecipatory instruments reserve	Translation reserve	Fair Value Reserve	IAS Reserve	Retained earnings (losses)	Net income of the Group	Total Group Net Equity	Total Minority Net Equity	Total Net Equiity
BALANCES AS AT 31th December 2006	**22,500**	**11,345**	**8,573**	**12,400**	**391**	**7,448**	**11,120**	**- 5,773**	**7,981**	**75,986**	**26,465**	**102,451**
Allocation of 2006 profits	-	-	2,790	-	-	-	-	5,191	-7,981	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation	-	-	-	-	- 144	-	-	-	-	- 144	47	- 97
Net income at 30 June 2007	-	-	-	-	-	-	-	-	5,862	5,862	799	6,661
Cancellation at own shares	- 4,500	- 16,600	18,400	2,700	-	-	-	-	-	-	-	-
Conversion of partecipatory instrument	4,091	11,009	-	- 15,100		-	-	-	-	-	-	-
Other movements	-	-	- 425	-	-	-	-	-	-	- 425	-	- 425
BALANCES AS AT 30st June 2007	**22,091**	**5,754**	**29,338**	**-**	**248**	**7,448**	**11,120**	**- 582**	**5,862**	**81,279**	**27,311**	**108,591**

ANNEX II - Balance Sheet

(Values in thousands of EUR)	30th June 2007	31st December 2006
Trade receivables	36,765,600	33,429,957
Stock and inventories	65,315,331	57,658,314
Trade payables	-59,505,841	-57,545,124
Operating net working capital	**42,575,090**	**33,543,147**
Other short term receivables	28,651,304	25,857,607
Tax receivables	4,089,881	2,339,179
Other short term liabilites	-15,641,648	-12,768,551
Tax payables	-5,630,725	-4,951,812
Net working capital	**54,043,903**	**44,019,570**
Tangible fixed assets	70,029,761	69,895,400
Intangible fixed assets	173,299,318	175,073,292
Investment property	-	-
Investments	21,631	120,638
Other long term receivables	2,868,477	2,877,143
Fixed assets	**246,219,187**	**247,966,473**
Post employment benefits	-11,482,041	-13,508,741
Long term provisions	-1,699,378	-1,741,230
Not financial assets available for sale	1,636,885	1,636,885
Other long term liabilites	-14,045,242	-14,045,132
Deferred tax assets	11,227,529	10,741,117
Deferred tax liabilites	-58,333,066	-57,303,971
NET CAPITAL INVESTED	**227,567,776**	**217,764,971**
Capital issued	22,090,626	22,500,000
Other reserves	53,909,031	51,277,701
Profits (Losses) carried-forward	-582,125	-5,773,135
Profits (Loss) for the period	5,862,365	7,981,220
Group share capital and reserves	**81,279,898**	**75,985,786**
Minority interests	27,310,748	26,465,309
Shareholders' equity	**108,590,646**	**102,451,095**
Other short term financial receivables	-	-4,175,000
Negotiable securities recognized at fair value	-	-
Cash and cash equivalents	-11,122,558	-11,145,222
Long term financial payables	60,933,827	66,196,757
Short terms financial payables	69,165,861	64,437,341
NET FINANCIAL POSITION	**118,977,130**	**115,313,876**
SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS	**227,567,776**	**217,764,971**

ECONOMIC-FINANCIAL SITUATION AS OF 30th JUNE 2007

AEFFE SPA

AEFFE SPA FINANCIAL STATEMENT

BALANCE SHEET OF AEFFE S.P.A.

(Values in units of EUR)	30th June 2007	31st December 2006
NON-CURRENT ASSETS		
Intangible fixed assets		
Goodwill	-	-
Trademarks	4,437,500	4,500,000
Other intangible fixed assets	41,225	56,696
Total intangible fixed assets	4,478,725	4,556,696
Tangible fixed assets		
Lands	15,803,400	15,803,399
Buildings	25,937,552	25,059,117
Leasehold improvements	2,952,037	2,855,994
Plant and machinery	790,266	784,868
Equipment	15,514	5,097
Other tangible fixed assets	767,531	707,572
Total tangible fixed assets	46,266,300	45,216,046
Other fixed assets		
Equity investments	86,155,455	86,154,935
Other fixed assets	43,414,719	48,726,850
Deferred tax assets	1,451,286	867,639
Assets available for sale	-	-
Total other fixed assets	131,021,460	135,749,424
TOTAL NON-CURRENT ASSETS	**181,766,485**	**185,522,166**
CURRENT ASSETS		
Stocks and inventories	24,500,020	21,348,664
Trade receivables	33,542,070	33,692,388
Tax receivables	3,182,819	1,878,761
Cash	641,315	1,812,302
Short term financial receivables	-	-
Other assets	15,146,983	12,807,587
TOTAL CURRENT ASSETS	**77,013,207**	**71,539,701**
TOTAL ASSETS	**258,779,692**	**257,061,867**
SHAREHOLDERS' EQUITY		
Share capital	22,090,626	22,500,000
Share premium reserve	5,754,854	11,345,480
Tresury shares	-	-
Translation reserve	-	-
Partecipatory instruments reserve	-	12,400,000
Other reserves	28,204,016	7,438,354
Fair Value reserve	7,306,128	7,306,128
IAS reserve	-551,525	-551,525
Retained earnings (losses)	2,171,895	1,134,406
Income for the period	2,214,918	3,403,151
TOTAL SHAREHOLDERS' EQUITY	**67,190,912**	**64,975,994**
NON-CURRENT LIABILITIES		
Provisions	1,315,913	1,294,850
Deferred tax liabilities	9,230,220	8,527,845
Post employment benefits	6,349,878	7,814,389
Long term financial liabilities	51,206,416	58,508,588
Long term not financial liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	**68,102,426**	**76,145,674**
CURRENT LIABILITIES		
Trade payables	58,889,788	55,485,141
Tax payables	2,682,952	2,601,970
Short term financial liabilities	55,428,579	53,352,048
Other liabilities	6,485,035	4,501,039
TOTAL CURRENT LIABILITIES	**123,486,354**	**115,940,199**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**258,779,692**	**257,061,867**

INCOME STATEMENT OF AEFFE S.P.A.

(Values in units of EUR)	I H 2007	% on revenues	I H 2006	% on revenues	Changes Δ	%
REVENUES FROM SALES AND SERVICES	**73,426,792**	**100.0%**	**67,075,548**	**100.0%**	**6,351,244**	**9.5%**
Other revenues and income	1,952,021	2.7%	2,183,882	3.3%	-231,861	-10.6%
TOTAL REVENUES	**75,378,813**	**102.7%**	**69,259,430**	**103.3%**	**6,119,383**	**8.8%**
Changes in inventory of work in process, semi-finished, finished goods	4,376,126	6.0%	4,877,100	7.3%	-500,974	-10.3%
Costs of raw materials, consumables and goods for resale	-25,602,670	-34.9%	-22,616,110	-33.7%	-2,986,560	13.2%
Costs of services	-24,278,838	-33.1%	-23,141,355	-34.5%	-1,137,483	4.9%
Costs for use of third parties assets	-9,435,029	-12.8%	-8,271,708	-12.3%	-1,163,321	14.1%
Labour costs	-10,561,917	-14.4%	-10,796,318	-16.1%	234,401	-2.2%
Other operating expenses	-734,019	-1.0%	-834,790	-1.2%	100,771	-12.1%
Total Operating Costs	-66,236,347	-90.2%	-60,783,181	-90.6%	-5,453,166	9.0%
GROSS OPERATING MARGIN (EBITDA)	**9,142,466**	**12,5%**	**8,476,249**	**12.6%**	**666,217**	**7.9%**
Amortization of intangible fixed assets	-86,225	-0.1%	-93,214	-0.1%	6,989	-7.5%
Depreciation of tangible fixed assets	-792,775	-1.1%	-751,119	-1.1%	-41,656	5.5%
Revaluations (write-downs)	-	-	-	-	-	-
Total Amortization and write-downs	-879,000	-1.2%	-844,333	-1.3%	-34,667	4.1%
NET OPERATING PROFIT (EBIT)	**8,263,466**	**11.3%**	**7,631,916**	**11.4%**	**631,550**	**8.3%**
Financial income	191,700	0.3%	152,188	0.2%	39,512	26.0%
Financial expenses	-3,795,121	-5.2%	-2,432,957	-3.6%	-1,362,164	56.0%
Total Financial Income (expense)	-3,603,421	-4.9%	-2,280,769	-3.4%	-1,322,652	58.0%
Profit (loss) from equity investments in affiliates	-	-	-	-	-	-
PROFIT BEFORE TAXES	**4,660,045**	**6.3%**	**5,351,147**	**8.0%**	**-691,102**	**-12,9%**
Total Income Taxes	-2,445,127	-3.3%	-2,494,981	-3.7%	49,854	-2.0%
Current ncome taxes	-2,326,399	-3.2%	-2,224,558	-3.3%	-101,841	4.6%
Deferred income (expenses) taxes	-118,728	-0.2%	-270,423	-0.4%	151,695	-56.1%
PROFIT NET OF TAXES	**2,214,918**	**3.0%**	**2,856,166**	**4.3%**	**-641,248**	**-22.5%**

CASH FLOW OF AEFFE S.P.A.

(Values in thousands of EUR)	30th June 2007	30th June 2006
OPENING BALANCE	**1,812**	**1,196**
Profit before taxes	4,660	5,351
Amortizations	879	844
Accrual (+)/availment (-) of long term provisions and post employment benefits	-1,443	186
Income taxes and change in deferred assets and liabilities	-2,246	-1,436
Financial income (-) and financial charges (+)	3,603	2,281
Change in operating assets and liabilities	-1,255	-5,649
NET CASH FLOW (ABSORBED)/ GENERATED BY OPERATING ASSETS ACTIVITIY	**4,198**	**1,577**
Increase (-) / Decrease(+) in intangible fixed assets	-8	-31
Increase (-) / Decrease(+) in tangible fixed assets	-1,843	-377
Investments (-)/Disinvestments (+)	-	-5
Change in assets available for sale	-	-
NET CASH FLOW (ABSORBED)/ GENERATED BY INVESTING ACTIVITY	**-1,851**	**-413**
Increase in reserves and profit carried-forward to shareholders' equity	-	-
Proceeds (repayament) of financial payments	-5,226	2,289
Increase (decrease) in long term financial receivables	5,312	365
Financial income and financial charges	-3,603	-2,281
NET CASH FLOW (ABSORBED)/ GENERATED BY FINANCING ACTIVITY	**-3,517**	**373**
CLOSING BALANCE	**642**	**2,733**

CHANGES IN SHAREHOLDERS' EQUITY OF AEFFE S.P.A.

(Values in thousands of EUR)	Share capital	Share premium reserve	Other reserves	Partecipatory instruments reserve	Fair Value Reserve	IAS Reserve	Retained earnings (losses)	Net income	Total Net Equity
BALANCES AT 31st December 06	**22,500**	**11,345**	**7.439**	**12,400**	**7,306**	**-552**	**1,134**	**3,403**	**64,975**
Allocation of 2006 profits	-	-	2,365	-	-	-	1,038	-3,403	-
Net income at 30th June 2007	-	-	-	-	-	-	-	2,215	2,215
Cancellation of own shares	- 4,500	- 16,600	18,400	2,700	-	-	-	-	-
Conversion of partecipatory instrument	4,091	11,009	-	- 15,100	-	-	-	-	-
BALANCES AT 30th June 07	**22,091**	**5,754**	**28,204**	**-**	**7,306**	**-552**	**2,172**	**2,215**	**67,190**

Related party transaction of AEFFE S.P.A.

Aeffe's business dealings with other related parties are summarised below:

Parties involved and description of the transaction *(Values in thousands of EUR)*	30th June 2007	30th June 2006	Nature of the transaction
Shareholder Alberta Ferretti with Aeffe			
Brand transfer agreement	-	1,000	Financial payable
Contract for the sale of artistic assets and design collaboration	150	143	Cost
Ferrim with Aeffe			
Property rental	673	686	Cost
Società Commerciale Valconca with Aeffe			
Commercial	104	53	Income
Commercial	710	868	Receivable

The following table indicates the data related on the incidence of related party transactions on the balance sheet, the income statments and the cash flow as at 30th June 2007 and 30th June 2006.

	30th June 2007			30th June 2006		
(Values in thousands of EUR)	Total	Amount	%	Total	Amount	%
Incidence of related party transactions on the balance sheet						
Current financial liabilities	55,429	-	0.0%	59,223	1,000	1.7%
Trade receivables	33,542	710	2.1%	40,298	868	2.2%
Incidence of related party transactions on the income statement						
Revenue	73,427	104	0.1%	67,076	53	0.1%
Costs of services	24,279	150	0.6%	23,141	143	0.6%
Costs for use of third parties goods	9,435	673	7.1%	8,272	686	8.3%
Incidence of related party transactions on cash flow						
Net cash balances used in financing activities	3,517	1,000	28%	373	1,000	n.a.
Net cash balances used in operating activities	4,198	437	n.a.	1,577	866	n.a.

TRANSITION TO INTERANTIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS) BY AEFFE SPA (FIRST TIME ADOPTION)

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS) BY AEFFE S.p.A. (First-time adoption)

Introduction to the transition process

Up to and including the year ended 31st December 2006, Aeffe S.p.A. prepared its financial statements and other periodic information in accordance with the accounting standards issued by the OIC – Italian Accountancy Board.

Now that European Regulation 1606 issued in July 2002 has come into force and in compliance with:

- Issuers' Regulation no. 11971 dated 14th May 1999 and subsequent amendments and additions,
- Decree 38/2005, which adopted the above European Regulation in Italy,

the Company has adopted the International Financial Reporting Standards issued by the International Accounting Standards Board from 1st January 2007 and, accordingly, will present its first full set of financial statements prepared under IAS/IFRS as of 31st December 2007.

The first financial statements prepared by Aeffe S.p.A. under IAS/IFRS comprise the income statement, balance sheet, cash flow statement and statement of changes in shareholders' equity attached to the half-year report as of 30th June 2007.

As part of the IFRS transition process and in order to prepare the above schedules as of 30th June 2007 and the financial statements as of 31st December 2007 under IAS/IFRS, the following accounting documents have therefore been restated in accordance with IAS/IFRS:

- balance sheet on the IAS/IFRS transition date (1st January 2005);
- balance sheets as of 31st December 2005 and 2006;
- income statement for the year ended 31st December 2006.

As required by IFRS 1 – First-time Adoption of IFRS -, the purpose of this document is to present:

- schedules reconciling shareholders' equity as of 31st December 2006;
- schedules reconciling the results for the year ended 31st December 2006;
- explanatory notes prepared under the previous accounting standards and in accordance with IAS/IFRS.

This information has been prepared solely for the transition to IAS/IFRS and in order to prepare both the half-year report as of 30th June 2007 and the first full set of financial statements as of 31st December 2007 under the IAS/IFRS endorsed by the European Commission; accordingly, it does not include all the statements, comparative data and explanatory notes that would be required in the annual financial statements for a complete presentation of the company's financial position and results of operations under IAS/IFRS.

The adjustments made and reported in the attached schedules were determined with reference to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and endorsed by the European Commission, in force from 1st January 2007. These include the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the previous International Accounting Standards (IAS) and interpretations of the Standard Interpretations Committee (SIC) that were still in force on that date.

For the sake of simplicity, all the standards and interpretations mentioned above are referred to herein as the "IAS/IFRS".

The process of endorsing the IFRS by the European Commission and the work of official bodies to revise and interpret them is still in progress. These standards and their application might therefore not coincide with those in force as of 31st December 2007, due to the issue of new standards or interpretations by the competent bodies; accordingly, the following data, valuations and results might change on preparation of the full IAS/IFRS financial statements as of 31st December 2007.

General Principle

The company has applied the accounting standards in force for the year ended 31st December 2006 retrospectively to all the periods included in the first IFRS financial statements and to the opening balance sheet, except for the adoption of certain optional

exemptions allowed under IFRS 1, as described further below.
The opening balance sheet as of 1st January 2005 reflects the following differences in treatment compared with the balance sheet as of 31st December 2004 prepared under Italian accounting standards:

- all assets and liabilities recognized under International Accounting Standards, including those not recognized under Italian accounting standards, have been recorded and measured in accordance with International Accounting Standards;
- all assets and liabilities recognized under Italian accounting standards, but not under International Accounting Standards, have been eliminated;
- certain captions have been reclassified pursuant to International Accounting Standards.

The effects of these adjustments have been recognized as a direct adjustment of opening shareholders' equity.
The reclassifications and adjustments made to each financial statement caption are detailed in the tables presented further below.

Optional exemptions adopted by the Company
On first-time adoption, the Company elected to apply certain optional exemptions allowed under IFRS 1 when preparing the transition-date balance sheet.
The principal elections made related to:

- employee benefits: as allowed under IAS 19, the Company has decided to adopt the "corridor method" in relation to the actuarial gains and losses generated subsequent to 1st January 2005;
- valuation of tangible fixed assets and intangible fixed assets: on the transition to International Accounting Standards, tangible fixed assets and intangible fixed assets as of 1st January 2005 may be measured at their fair value, or revalued cost, rather than at their historical cost. The Company has elected to apply this exemption solely in relation to land and buildings, which are measured at their fair value rather than at their depreciated historical cost;

The effects of the above adjustments have been recognized directly in opening shareholders' equity. The reclassifications and adjustments made to each financial statement caption are detailed in the tables presented further below.

BALANCE SHEET SCHEDULES RECONCILING ITALIAN AND INTERNATIONAL ACCOUNTING STANDARDS:

BALANCE SHEET AS OF 1ST JANUARY 2005

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
ASSETS					
Intangible fixed assets					
Goodwill	2,763	-	-2,763	-	
Other intangible fixed assets	8,687	-3,558	-309	4,820	
Total intangible fixed assets	**11,450**	**-3,558**	**-3,072**	**4,820**	**A**
Tangible fixed assets					
Land and buildings	6,428	3,040	27,075	36,543	
Leasehold improvements	-	3,558	-	3,558	
Plant and machinery	1,537	-	-	1,537	
Equipment	2	-	-	2	
Other tangible fixed assets	3,806	-3,040	-	766	
Total tangible fixed assets	**11,773**	**3,558**	**27,075**	**42,406**	**B**
Other fixed assets					
Non-instrumental property investments					
Equity investments	86,330	-	-1,685	84,645	
Deferred tax assets	-	360	402	762	
Other long-term receivables	60,487	-6,129	-2,794	51,564	
Total other fixed assets	**146,817**	**-5,769**	**-4,077**	**136,971**	**C**
Total non-current assets	**170,040**	**-5,769**	**19,926**	**184,197**	
Non-current assets held for sale					
Assets held for sale					**D**
Current assets					
Inventories	19,326	-	-	19,326	
Trade receivables	27,852	-545	-313	26,994	
Other short-term receivables	14,917	-4,793	-	10,124	
Current tax assets	1,887	-	-	1,887	
Cash and cash balances	879	-	-	879	
Total current assets	**64,861**	**-5,338**	**-313**	**59,210**	**E**
Total assets	**234,901**	**-11,107**	**19,613**	**243,407**	

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	22,500	-	-	22,500	
Share premium	11,345	-	-	11,345	
IAS reserve	-	-	-552	-552	
Fair value reserve	-	-	2,930	2,930	
Other reserves	21,064	-	-	21,064	
Retained earnings (loss)	-	-	-	-	
Profit (loss) for the period	2,825	-	-	2,825	
Total shareholders' equity	**57,734**	**-**	**2,378**	**60,112**	**H**
Non-current liabilities					
Long-term financial liabilities	38,312	10,413	10,895	59,620	
Deferred tax liabilities	677	-	5,386	6,063	
Employee benefits	6,587	-	307	6,894	
Long-term reserves	2,262	-545	-439	1,278	
Other long-term liabilities	19,336	-19,336	-	-	
Total non-current liabilities	**67,174**	**-9,468**	**16,149**	**73,855**	**F**
Current liabilities					
Trade payables	43,429	-3,001	-	40,428	
Other current liabilities	56,668	6,527	1,086	64,281	
Current tax liabilities	1,142	-	-	1,142	
Current financial liabilities	8,754	-5,165	-	3,589	
Total current liabilities	**109,993**	**-1,639**	**1,086**	**109,440**	**G**
Total liabilities and shareholders' equity	**234,901**	**-11,107**	**19,613**	**243,407**	

BALANCE SHEET AS OF 31ST DECEMBER 2005

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
ASSETS					
Intangible fixed assets					
Goodwill	2,548	-	-2,548	-	
Other intangible fixed assets	8,043	-3,222	-110	4,711	
Total intangible fixed assets	**10,591**	**-3,222**	**-2,658**	**4,711**	A
Tangible fixed assets					
Land and buildings	6,210	2,351	26,964	35,525	
Leasehold improvements	-	3,222	-	3,222	
Plant and machinery	1,123	-	-	1,123	
Equipment	1	-	-	1	
Other tangible fixed assets	2,990	-2,351	-	639	
Total tangible fixed assets	**10,324**	**3,222**	**26,964**	**40,510**	B
Other fixed assets					
Non-instrumental property investments					
Equity investments	87,835	-	-1,685	86,150	
Deferred tax assets	-	545	402	947	
Other long-term receivables	56,717	-4,834	-2,442	49,441	
Total other fixed assets	**144,552**	**-4,289**	**-3,725**	**136,538**	C
Total non-current assets	**165,467**	**-4,289**	**20,581**	**181,759**	
Non-current assets held for sale					
Assets held for sale					D
Current assets					
Inventories	18,245	-	-	18,245	
Trade receivables	34,455	-545	-313	33,597	
Other short-term receivables	15,814	-4,610	-	11,204	
Current tax assets	2,313	-	-	2,313	
Cash and cash balances	1,196	-	-	1,196	
Total current assets	**72,023**	**-5,155**	**-313**	**66,555**	E
Total assets	**237,490**	**-9,444**	**20,268**	**248,314**	

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	22,500	-	-	22,500	
Share premium	11,345	-	-	11,345	
IAS reserve	-	-	-552	-552	
Fair value reserve	-	-	2,929	2,929	
Other reserves	23,890	-	-	23,890	
Retained earnings (loss)	-	-	-	-	
Profit (loss) for the period	1,950	-	1,134	3,084	
Total shareholders' equity	**59,685**	**-**	**3,511**	**63,196**	**H**
Non-current liabilities					
Long-term financial liabilities	52,055	3,118	9,755	64,928	
Deferred tax liabilities	732	-	6,055	6,787	
Employee benefits	7,063	-	268	7,331	
Long-term reserves	2,262	-545	-461	1,256	
Other long-term liabilities	10,393	-10,393	-	-	
Total non-current liabilities	**72,505**	**-7,820**	**15,617**	**80,302**	**F**
Current liabilities					
Trade payables	48,358	-2,987	-	45,371	
Other current liabilities	46,322	6,940	1,140	54,402	
Current tax liabilities	1,082	-	-	1,082	
Current financial liabilities	9,538	-5,577	-	3,961	
Total current liabilities	**105,300**	**-1,624**	**1,140**	**104,816**	**G**
Total liabilities and shareholders' equity	**237,490**	**-9,444**	**20,268**	**248,314**	

BALANCE SHEET AS OF 31ST DECEMBER 2006

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
ASSETS					
Intangible fixed assets					
Goodwill	2,333	-	-2,333	-	
Other intangible fixed assets	7,351	-2,856	62	4,557	
Total intangible fixed assets	**9,684**	**-2,856**	**-2,271**	**4,557**	**A**
Tangible fixed assets					
Land and buildings	5,940	2,593	32,329	40,862	
Leasehold improvements	-	2,856	-	2,856	
Plant and machinery	785	-	-	785	
Equipment	5	-	-	5	
Other tangible fixed assets	3,301	-2,593	-	708	
Total tangible fixed assets	**10,031**	**2,856**	**32,329**	**45,216**	**B**
Other fixed assets					
Non-instrumental property investments					
Equity investments	87,840	-	-1,685	86,155	
Tresury shares	18,400	-	-18,400	-	
Deferred tax assets	-	429	439	868	
Other long-term receivables	54,355	-3,540	-2,089	48,726	
Total other fixed assets	**160,595**	**-3,111**	**-21,735**	**135,749**	**C**
Total non-current assets	**180,310**	**-3,111**	**8,323**	**185,522**	
Non-current assets held for sale					
Assets held for sale					**D**
Inventories					
Trade receivables	21,349	-	-	21,349	
Other short-term receivables	34,537	-545	-300	33,692	
Current tax assets	16,972	-4,164	-	12,808	
Cash and cash balances	1,879	-	-	1,879	
Total current assets	1,812	-	-	1,812	
Total assets	**76,549**	**-4,709**	**-300**	**71,540**	**E**
ASSETS	**256,859**	**-7,820**	**8,023**	**257,062**	

(Values in thousands of EUR)	ITALIAN GAAP ACCOUNTING STANDARD	RECLASSIFICATION	ADJUSTMENT	IFRS PRINCIPLES	NOTES
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	22,500	-	-	22,500	
Share premium	11,345	-	-	11,345	
IAS reserve	-	-	-552	-552	
Fair value reserve	-	-	7,306	7,306	
Other reserves	12,400	-	-	12,400	
Retained earnings (loss)	18,400	-	-18,400	-	
Profit (loss) for the period	7,439	-	-	7,439	
Total shareholders' equity	-	-	1,134	1,134	
LIABILITIES AND SHAREHOLDERS' EQUITY	2,366	-	1,037	3,403	
Shareholders' equity	**74.450**		**-9,475**	**64,975**	**H**
Non-current liabilities					
Long-term financial liabilities	48,196	1,755	8,558	58,509	
Deferred tax liabilities	704	-	7,824	8,528	
Employee benefits	7,475	-	339	7,814	
Long-term reserves	2,260	-545	-420	1,295	
Other long-term liabilities	7,383	-7,383	-	-	
Total non-current liabilities	**66,018**	**-6,173**	**16,301**	**76,146**	**F**
Current liabilities					
Trade payables	58,494	-3,010	-	55,484	
Other current liabilities	50,792	1,363	1,197	53,352	
Current tax liabilities	2,602	-	-	2,602	
Current financial liabilities	4,503	-	-	4,503	
Total current liabilities	**116,391**	**-1,647**	**1,197**	**115,941**	**G**
Total liabilities and shareholders' equity	**256,859**	**-7,820**	**8,023**	**257,062**	

(*Values in thousands of EUR)*	Shareholders' equity	Profit or loss for the period
Aeffe S.p.A.	**74,450**	**2,366**
IFRS adjustments	**-9,475**	**1,037**
Of which:		
A) Goodwill	-2,333	215
B) Brands	62	171
C) Land and buildings	32,329	154
D) Deferred tax assets/liabilities	-7,385	-623
E) Treasury shares	-18,400	-
F) Ias 17	-11,844	1,218
G) Equity depreciation	-1,685	-
H) Other IFRS adjustments	-219	-98
Aeffe including IFRS adjustments	**64,975**	**3,403**

NOTES ON THE PRINCIPAL RECONCILING ITEMS BETWEEN ITALIAN ACCOUNTING STANDARDS AND IFRS

The following section describes the principal differences between Italian accounting standards and IFRS with an effect on Aeffe's financial statements.

A) Intangible fixed assets

The transactions affecting the "goodwill" caption are detailed below:

Goodwill		1st January 2005	
(Values in thousands of EUR)	**Reclassifications**	**Adjustments**	**Total**
Write-off of non capitalized ancillary costs	-	-2,763	-2,763
Total	**-**	**-2,763**	**-2,763**

Goodwill		31st December 2005	
(Values in thousands of EUR)	**Reclassifications**	**Adjustments**	**Total**
Write-off of non capitalized ancillary costs	-	-2,548	-2,548
Total	**-**	**-2,548**	**-2,548**

Goodwill		31st December 2006	
(Values in thousands of EUR)	**Reclassifications**	**Adjustments**	**Total**
Write-off of non capitalized ancillary costs	-	-2,333	-2,333
Total	**-**	**-2,333**	**-2,333**

Transactions affecting "other intangible fixed assets":

Other intangible fixed assets (Values in thousands of EUR)	Reclassifications	1st January 2005 Adjustments	Total
Recovery of depreciation on Alberta Ferretti brand	-	250	250
Write-off of non capitalized ancillary costs	-	-559	-559
Leasehold improvements	-3,558	-	-3,558
Total	**-3,558**	**-309**	**-3,867**

Other intangible fixed assets (Values in thousands of EUR)	Reclassifications	31st December 2005 Adjustments	Total
Recovery of depreciation on Alberta Ferretti brand	-	375	375
Write-off of non capitalized ancillary costs	-	-485	-485
Leasehold improvements	-3,222	-	-3,222
Total	**-3,222**	**-110**	**-3,332**

Other intangible fixed assets (Values in thousands of EUR)	Reclassifications	31st December 2006 Adjustments	Total
Recovery of depreciation on Alberta Ferretti brand	-	500	500
Write-off of non capitalized ancillary costs	-	-438	-438
Leasehold improvements	-2,856	-	-2,856
Total	**-2,856**	**62**	**-2,794**

Reclassifications:
Other intangible fixed assets also reflect reclassifications made in accordance with IAS 16, which requires independent and separately useful leasehold improvements to be reclassified to a specific caption within tangible fixed assets.

Adjustments:
The Company capitalised certain costs under Italian accounting standards that must be expensed as incurred under IFRS; in particular, start-up and expansion costs have been eliminated, net of the related accumulated amortization, as required by IAS 38.
The valuer deemed it fair to attribute a finite life of 40 years to the "trademarks" (brands), in view of their estimated useful lives and their key role in the strategy of the Company. In addition, the estimated useful life of 40 years is consistent with the type of intangibles found in the fashion industry and with the long-established practices of other firms in the sector (market comparables).

B) Tangible fixed assets

The following tables report the transactions that influenced the initial values determined for land and buildings:

Land and buildings (Values in thousands of EUR)	Reclassifications	1st January 2005 Adjustments	Total
Revaluation of San Giovanni in Marignano land	-	3,680	3,680
IAS application to Gatteo Mare land	-	7,154	7,154
Revaluation of Gatteo Mare land	-	2,591	2,591
Recovery of S. Giovanni in Marignano land depreciation	-	142	142
Reclassification from buildings	295	-	295
Total land	**295**	**13,567**	**13,862**
From other tangible fixed assets	3,040	-	3,040
Land reclassified	-295	-	-295
IAS application to Gatteo Mare building	-	9,296	9,296
Revaluation of Gatteo Mare building	-	3,365	3,365
Revaluation of San Giovanni in Marignano building	-	847	847
Totale fabbricati	**2,745**	**13,508**	**16,253**
Total	**3,040**	**27,075**	**30,115**

Land and buildings (Values in thousands of EUR)	Reclassifications	31st December 2005 Adjustments	Total
Revaluation of land	-	3,680	3,680
IAS application to Gatteo Mare land	-	6,925	6,925
Revaluation of Gatteo Mare land	-	2,591	2,591
Recovery of Gatteo Mare land depreciation	-	229	229
Recovery of S. Giovanni in Marignano land depreciation	-	151	151
Reclassification from buildings	361	-	361
Total land	**361**	**13,576**	**13,937**
From other tangible fixed assets	2,351	-	2,351
Land reclassified	-361	-	-361
IAS application to Gatteo Mare building	-	9,000	9,000
Revaluation of Gatteo Mare building	-	3,365	3,365
Recovery of Gatteo Mare building depreciation	-	21	21
Revaluation of San Giovanni in Marignano building	-	847	847
Recovery of S. Giovanni in Marignano building depreciation	-	155	155
Total buildings	**1,990**	**13,388**	**15,378**
Total	**2,351**	**26,964**	**29,315**

Land and buildings (Values in thousands of EUR)	Reclassifications	31st December 2006 Adjustments	Total
Revaluation of land	-	4,144	4,144
IAS application to Gatteo Mare land	-	6,697	6,697
Revaluation of Gatteo Mare land	-	2,955	2,955
Recovery of Gatteo Mare land depreciation	-	458	458
Recovery of S. Giovanni in Marignano land depreciation	-	151	151
Reclassification from buildings	361	-	361
Total land	**361**	**14,405**	**14,766**
From other tangible fixed assets	2,593	-	2,593
Land reclassified	-361	-	-361
IAS application to Gatteo Mare building	-	8,703	8,703
Revaluation of Gatteo Mare building	-	5,254	5,254
Recovery of Gatteo Mare building depreciation	-	42	42
Revaluation of San Giovanni in Marignano building	-	3,615	3,615
Recovery of S. Giovanni in Marignano building depreciation	-	310	310
Total buildings	**2,232**	**17,924**	**20,156**
Total	**2,593**	**32,329**	**34,922**

ILand and buildings are recorded at the fair value determined by reference to an independent appraisal. This was carried out to identify the separate value of land previously included in the land and buildings caption and depreciated in accordance with IAS 16.

Reclassifications:
The land previously purchased together with buildings was recorded together with the value of such buildings and depreciated at the same rate. Land should not be depreciated since it has an unlimited useful life; accordingly, its separate value has been identified with reference to the most recently available appraisals, and the depreciation accumulated in relation to this amount has been eliminated.
As discussed in point A), IAS 16 requires independent and separately useful leasehold improvements to be reclassified to a specific caption within tangible fixed assets. Such assets have therefore been reclassified from intangible fixed assets.
Reclassifications have also been made from other tangible fixed assets to the buildings caption.

Adjustments:
Transactions relating to land and buildings have resulted in the most significant adjustments. The adjustments reflect the alignment with appraised values (determined by an independent valuer) of the land and buildings used by the Company, and the consequent redetermination of their residual useful lives. The additional value of land and buildings determined by the independent valuer takes account of the related tax effects.
The depreciation accumulated previously has also been written back in accordance with IAS 16, which states that land has an unlimited useful life and must not be depreciated.

C) Other non-current assets

Reclassifications:
Certain other non-current receivables have been offset by the Company against non-current payables of the same type relating to the advance billing of leasing charges.

Adjustments:
The equity investments caption has been adjusted for the equity depreciation of the two companies Divè S.A. and Ozbek London Ltd.
The adjustment of other non-current receivables relates to the application of IAS 17.
The adjustment of deferred tax assets reflects the net tax effect of the differences between Italian accounting standards and IFRS.
The adjustment of own shares relates to the application of IAS 32.

E) Current assets

Reclassifications:
The principal reclassification to trade receivables relates to the provision for commercial risks, which was previously classified among the provisions for risks and charges.
The principal reclassifications of a commercial nature to the other current receivables caption relate to the current portion of deferred leasing charges on the property used as the headquarters of Pollini; these deferrals relate to the advance billing of leasing charges, as discussed in point C).

Adjustments:
The adjustments to trade receivables mainly relate to the measurement of receivables at their present value. This is done when their collection is deferred with respect to the commercial terms normally allowed to other customers. The effect is determined by estimating the collection timescale and discounting the expected cash flows at a rate representative of the Company's average cost of money.

F) Non-current liabilities

Reclassifications:
The reclassifications to non-current financial liabilities as of 1st January 2005 mainly relate to the lease liability previously recorded among other non-current liabilities, and to the amount due to Alberta Ferretti for the purchase of the brand name, as well as the financial payable to Four Pollini, which was previously classified among other non-current payables. The same reclassifications have also been recorded as of 31st December 2005 and 2006 , except for the amount due to Four Pollini which was repaid during 2005.
The reduction of non-current provisions reflects the reclassification of a provision for commercial risks as a deduction from trade receivables.
Other non-current liabilities as of 1st January 2005 reflect the reclassification of the lease liability to non-current financial liabilities; in addition, this caption also reflects the offset against the lease liability of the leasing charges billed in advance, as described earlier in point C). The non-current portion of the amount due to Alberta Ferretti for the purchase of the brand name has been reclassified to non-current financial liabilities and the financial payable to Four Pollini has been reclassified to non-current financial liabilities. The same reclassifications have also been recorded as of 31st December 2005 and 2006, except for the amount due to Four Pollini which was repaid during 2005.

Adjustments:
The non-current financial liabilities caption has been adjusted to reflect application of IAS 17.
Deferred tax liabilities reflect the net tax effect of the differences between Italian accounting standards and IFRS.
On the adoption of International Accounting Standards, employee severance indemnities are considered to be a defined benefit obligation to be recorded pursuant to IAS 19 - Employee

Benefits, and therefore recalculated using the "projected unit credit method". The Company has decided to apply the "corridor method", whereby actuarial gains and losses determined using the above method are not recognized as income or expense if they do not exceed 10% of the present value of the defined benefit obligation.
The provisions caption has been adjusted to record the value of agents' termination indemnities identified following an independent appraisal. This provision reflects the estimated value of forecast indemnity payments determined, in part, with reference to historical experience. The estimated amount due on the termination of agency contracts has, in accordance with the new accounting standards, been measured at its present value using an appropriate discounting rate, as required by IAS 37.

Demographic and financial assumptions	**YEAR 2004-05-06**
Mortality	ISTAT 2000
Disability	Separate INPS tables by age and gender
Retirement age	Enasarco requirements reached
Redundancy	5.00%
Discount rate	3.00%

G) Current liabilities

Reclassifications:
Trade payables have been reduced by the reclassification of the current portion of the amount due to Alberta Ferretti for the purchase of the brand name to non-current financial liabilities, as well as by the reclassification of advances received and the current portion of the lease liability.
Other current liabilities were reduced as of 1st January 2005 on the reclassification of the financial payables due to Four Pollini as current financial liabilities. As of 31st December 2005 and 2006, this caption has been reduced following the reclassification of the current portion of the lease liability.
Current financial liabilities were increased as of 1st January 2005 on the proper classification within this caption of the current portion of the amount due to Alberta Ferretti for the purchase of the brand name, together with the financial payables due to Four Pollini and the current portion of the lease liability determined in accordance with IAS 17.. The same reclassifications have also been made as of 31st December 2005 and 2006, except for the amount due to Four Pollini which was repaid in 2005.

Adjustments:
The adjustment of current financial liabilities relates to the application of IAS 17.

H) Shareholders' equity

Shareholders' equity as of 1st January 2005 reflects the net effect, after taxation, of the adjustments made to the balance sheet prepared under Italian accounting standards on the first-time adoption of IFRS.
Shareholders' equity as of 31st December 2005 and 2006 reflects the net effect, after taxation, of the adjustments made to the balance sheet prepared under Italian accounting standards on the first-time adoption of IFRS and the IFRS adjustments made to the income statements for 2005 and 2006

Economic effects as of 31st December 2006

Reconciliation of the income statement prepared under Italian accounting standards and IAS/IFRS:

(Values in thousands of EUR)	2006 ITAA GAAP	Reclassifications	Adjustments	2006 IFRS		NOTES
A1) Revenue from sales and services	138,392	-2,942	-	135,450	Revenue from sales and services	(2) (1)
A2) Change in inventories work in progress, semi-finished and finished goods	2,203	-2,203	-	-		(1)
A5a) Investment grants	-	-	-	-		
A5b) Other	3,615	1,311	-	4,926	Other revenues and income	(3)
A) OUTPUT VALUE	**144,210**	**-3,834**		**140,376**	**A) TOTAL REVENUES**	
B6) Costs of raw materials, consumables and goods for resale	43,420	-890	-	42,530	Costs of raw materials, consumables and goods for resale	(1)
B7) Costs of services	47,027	-1,774	56	45,309	Costs of services	(2) (6)
B8) Costs for use of third parties assets	19,508	-	-2,000	17,508	Costi per godimento beni di terzi	(6)
B9) Labour costs	22,198	14	71	22,283	Labour costs	(4)(6)
B10a) Amortization of intangible fixed assets	1,076	-1,076	-	-		(5)
B10b) Depreciation of tangible fixed assets	954	-954	-	-		(5)
B10c) Other write-downs of fixed assets	-	-	-	-		
B10d) Write-downs of current receivables	-	-	-	-		
B11) Change in raw, materials, consumables and goods for resale	-890	-2,481	-	-3,371	Change in inventories	(1)
B13) Other provisions	41	-41	-	-		
B14) Other operating expenses	749	890	27	1,666	Other operating expenses	(4) (6)
B) OUTPUT COSTS	**134,083**	**-6,312**	**-1,846**	**125,925**	**B) TOTAL OPERATING COST**	
A)-B) DIFFERENCE BETWEEN OUTPUT VALUE AND OUTPUT COSTS	**10,127**	**2,478**	**1,846**	**14,451**	**C) EBITDA (*) (A - B)**	
	-	1,401	120	1,521	Depreciation of tangible fixed assets	(5) (7) (8)
	-	629	-442	187	Amortization of intangible fixed assets	(5) (7) (8)
	-	-	-	-	Write-downs /revaluations of fixed assets	
	-	2,030	-322	1,708	D) DEPRECIATION AND AMORTIZATION	

(Values in thousands of EUR)	2006 ITAA GAAP	Reclassifications	Adjustments	2006 IFRS		NOTES
	-	448	2,168	12,743	E) EBIT (C - D)	
Financial income	1,655	-1,312	-	343	Financial income	(3) (10)
Financial expenses	-5,968	614	-508	-5,862	Financial expenses	(3) (10)
C) FINANCIAL INCOME AND EXPENSES	**-4,313**	**-698**	**-508**	**-5,519**	**F) TOTAL FINANCIAL INCOME AND EXPENSES**	
D) VALUE ADJUSTMENTS TO FIXED ASSETS	**-**	**-**	**-**	**-**		
E20) Extraordinary income	-	-	-	-		
E21) Extraordinary expenses	-250	250	-	-		(4)
E) EXTRAORDINARY INCOME AND EXPENSES	**-250**	**250**	**-**	**-**		
PROFIT BEFORE TAXES	**5,564**	**-**	**1,660**	**7,224**	**H) PROFIT BEFORE TAXES (E + F + G)**	
TAXES	**-3,198**	**-**	**-623**	**-3,821**	**I) TAXES**	**(11)**
NET PROFIT	**2,366**	**-**	**1,037**	**3,403**	**L) NET PROFIT (H - I)**	

(*) GM represents the operating profit before provisions and depreciation. GM as defined above is a parameter used by the Company to monitor and assess its operating performance; it is not an accounting measure in the context of Italian accounting standards or IFRS and, as such, must not be used as an alternative parameter for evaluating the performance of the Group. Since the composition of the GM is not governed by the reference accounting standards, the criteria applied by the Company to determine its value might not be consistent with those adopted by others and, accordingly, the amounts concerned might not be comparable.

The first-time adoption of IFRS as of 31st December 2006 has resulted in changes that benefited profit before taxation by 1,660 thousand, which has therefore increased from EUR 5,564 thousand to EUR 7,224 thousand.
The positive impact of this transition on GM was EUR 1,846 thousand.
The effect of the first-time adoption of IFRS on revenues is indicated below.

Reclassifications:

(1) from the change in inventories of finished products, EUR 2,203 thousand, to the change in inventories of raw, ancillary and consumable materials classified as part of operating costs, EUR 3,371 thousand, and to revenues from sales and services, EUR 1,168 thousand with opposite sign;

(2) to revenues from sales and services from the cost of services, EUR 1,774 thousand, in order to improve the classification of certain items;

(3) net exchange-rate differences of EUR 698 thousand reclassified from financial income/expense to revenues and, if relating to the purchase of materials, to the costs of purchasing raw materials and finished products;

The effect of the first-time adoption of IFRS on operating costs is indicated below.

Reclassifications:

(4) the principal reclassifications of the income statement relate to this area since, in addition to those indicated in point A) above, they include the reclassification of non-operating expenses totalling EUR 250 thousand to other operating expenses, EUR 236 thousand, and to labour costs, EUR 14 thousand;

(5) slastly, non-monetary costs represented by the amortization of intangible fixed assets and the depreciation of tangible fixed assets, amounting to EUR 1,076 thousand and EUR 954 thousand respectively, were moved outside of the GM calculation.

Adjustments:

(6) adjustments totalled EUR 1,846 thousand, gross of the related tax effect, deriving from:
- application of IAS 17 with a positive effect of EUR 2,000;
- application of IAS 19 relating to employee benefits with an adverse effect of EUR 71 thousand;
- application of IAS 38 with an adverse effect of EUR 56 thousand;
- application of IAS 37 with an adverse effect of EUR 27 thousand.

The effect of the first-time adoption of IFRS on depreciation and the write-down/write-back of fixed assets is indicated below.

Reclassifications:

(7) EUR 447 thousand reclassified from the amortization of intangible fixed assets to the depreciation of tangible fixed assets following the reclassification of leasehold improvements as a separate caption within tangible fixed assets.

Adjustments:

(8) the depreciation of tangible fixed assets was adjusted by EUR 120 thousand, gross of the related tax effect. Of this, EUR 273 thousand relates to the net effect of eliminating the depreciation charged on land and buildings under Italian accounting standards, but not recognized under IFRS, EUR 119 thousand relates to the new depreciation charged on buildings restated to their appraised values, and EUR 275 thousand relates to the depreciation recognized in accordance with IAS 17;

(9) the amortization of intangible fixed assets was adjusted by a total of EUR 442 thousand, gross of the related tax effect, due to:
- elimination of the amortization charged on goodwill with an indefinite useful life, EUR 215 thousand;
- elimination of the amortization of intangible fixed assets that must be expensed as incurred under IAS 38, EUR 81 thousand;
- the effect on brand names of EUR 146 thousand deriving from the elimination of amortization accumulated in relation to the Alberta Ferretti brands, amortized under Italian accounting standards over 20 years, and the recognition of the new amortization based on their new residual useful lives determined with reference to an independent appraisal.

The above first-time adoption adjustments mainly affected net operating profit.

FINANCIAL INCOME AND EXPENSE

Reclassifications:
The reclassifications are discussed in point (3).

Adjustments:
(10) adverse adjustments to financial charges amounted to EUR 508 thousand, gross of the related tax effect, due to the application of IAS 17.

Taxes
(11) The increases reflect the tax effect of the adjustments described above.

Confirmation pursuant to paragraph 2 of art. 154b of the Consolidated Finance Law
The executive responsible for preparing the company's accounting documentation declares, pursuant to paragraph 2 of art. 154b of the Consolidated Finance Law, that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries.

The Executive responsible for the preparation of accounting documentation
Marcello Tassinari