BRUNELLO CUCINELLI

INTERIM FINANCIAL REPORT AT 30TH JUNE 2018

(courtesy translation for the convience of International Readres)

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CORPORATE DETAILS

Registered office of the Parent Company

Brunello Cucinelli S.p.A.
Viale Parco dell'Industria, 5, frazione Solomeo
Corciano – Perugia - Italy

Legal data of the Parent Company

Approved share capital Euro 13,600,000
Subscribed and fully paid-up share capital Euro 13,600,000
Perugia Companies Register no. 01886120540.

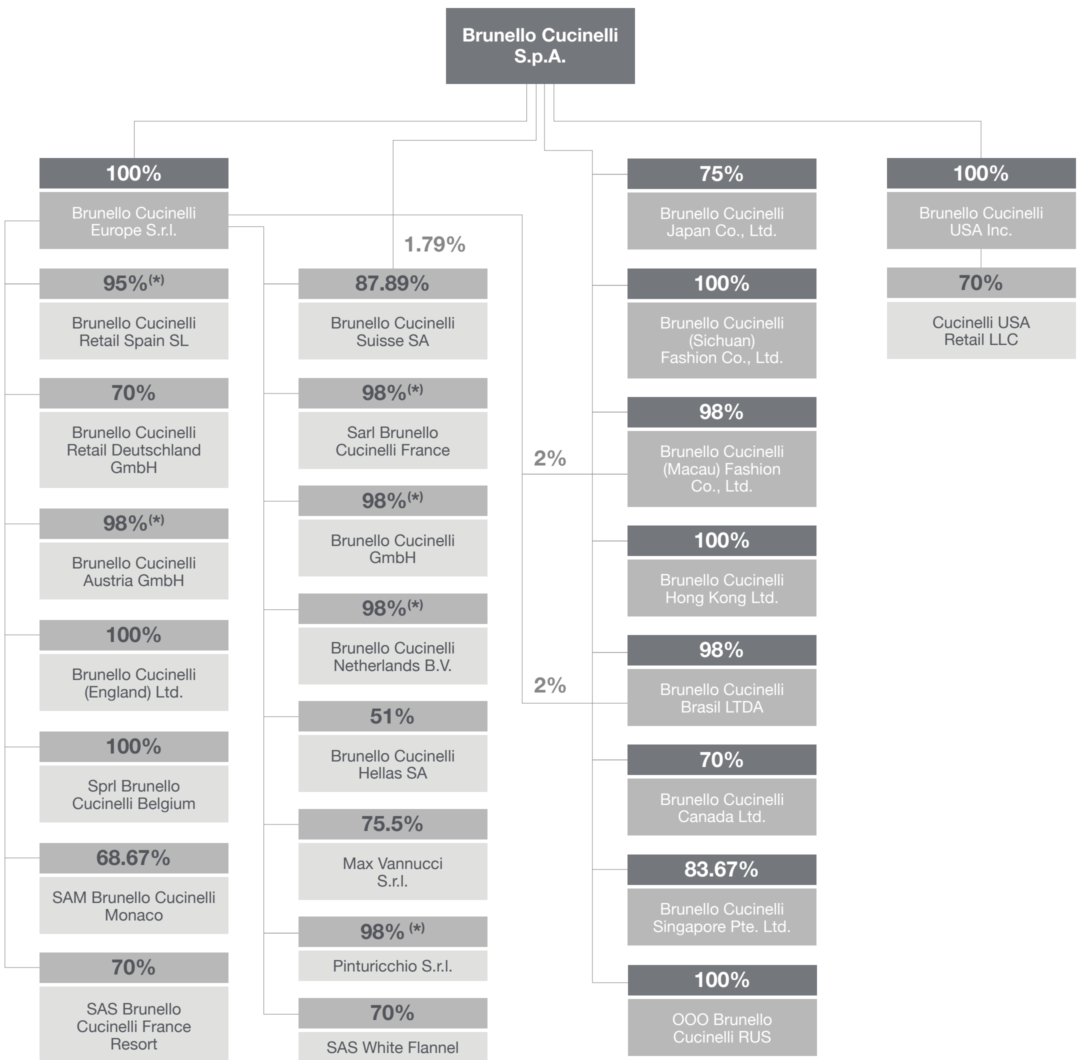
Official website: http://investor.brunellocucinelli.com/eng/

CORPORATE GOVERNANCE BODIES AT 30TH JUNE 2018

Board of Directors (1)	Brunello Cucinelli	Chairman and CEO
	Moreno Ciarapica	Executive director
	Riccardo Stefanelli	Executive director
	Luca Lisandroni	Executive director
	Giovanna Manfredi	Director
	Camilla Cucinelli	Director
	Carolina Cucinelli	Director
	Candice Koo	Independent director
	Andrea Pontremoli	Independent director
	Matteo Marzotto	Independent director
	Massimo Bergami	Independent director
Lead Independent Director	Andrea Pontremoli	
Control and Risks Committee	Andrea Pontremoli	Chairman
	Matteo Marzotto	
	Massimo Bergami	
Remuneration Committee	Matteo Marzotto	Chairman
	Andrea Pontremoli	
	Candice Koo	
Board of Statutory Auditors (1)	Paolo Prandi	Chairman
	Alessandra Stabilini	Standing auditor
	Gerardo Longobardi	Standing auditor
	Guglielmo Castaldo	Substitute auditor
	Myriam Amato	Substitute auditor
External Auditors	EY S.p.A.	
Manager in charge of preparing the corporate accounting documents	Moreno Ciarapica	

(1) Appointed at the ordinary shareholders' meeting of 20th April 2017; will remain in office until the shareholders' meeting called to approve the financial statements for the year ending 31st December 2019.

THE BRUNELLO CUCINELLI GROUP AT 30TH JUNE 2018



(*) The remaining percentage is held by BRUNELLO CUCINELLI S.p.A.

GROUP STRUCTURE AT 30TH JUNE 2018

Company name	Registered office
Brunello Cucinelli S.p.A.	Corciano, frazione Solomeo (PG) - Italy
Brunello Cucinelli USA Inc.	New York – USA
Brunello Cucinelli USA Retail LLC	New York – USA
Brunello Cucinelli Europe S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Brunello Cucinelli Suisse SA	Lugano – Switzerland
Brunello Cucinelli Retail Spain SL	Madrid – Spain
Brunello Cucinelli GmbH	Munich – Germany
Sarl Brunello Cucinelli France	Paris – France
Sprl Brunello Cucinelli Belgium	Brussels – Belgium
Max Vannucci S.r.l.	Corciano (PG) – Italy
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China
Brunello Cucinelli Hellas SA	Athens – Greece
Brunello Cucinelli Austria GmbH	Vienna – Austria
Brunello Cucinelli (England) Ltd.	London – United Kingdom
Brunello Cucinelli Hong Kong Ltd.	Hong Kong
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macau
Pinturicchio S.r.l.	Corciano, frazione Solomeo (PG) - Italy
Brunello Cucinelli Brasil LTDA	São Paolo – Brazil
SAS White Flannel	Cannes – France
SAM Brunello Cucinelli Monaco	Principality of Monaco
Brunello Cucinelli Canada Ltd.	Vancouver – Canada
SAS Brunello Cucinelli France Resort	Courchevel – France
OOO Brunello Cucinelli RUS	Moscow – Russia
Brunello Cucinelli Singapore Pte. Ltd.	Singapore

DISTRIBUTION NETWORK

The Group offers its products on the market through a number of different distribution channels.

From the standpoint of the end customer the Group is present on the market through:

– the ***retail*** distribution channel, namely the direct distribution channel, for which the Group uses the services of directly operated stores (DOS). In certain countries, local operators also hold an interest in the Group company running the DOS, thereby contributing their specific market experience. The retail channel also includes the turnover of the sales points managed under the Group's responsibility and with direct employees located inside Japanese department stores; at 30th June 2018 the Group directly managed 15 sales points within luxury department stores in Japan, as well as 6 sales points in luxury department stores in Canada and 1 sales point in luxury department stores in Italy.
– the ***wholesale monobrand*** channel, consisting of monobrand stores operated under commercial distribution agreements. The Group uses intermediaries represented by monobrand stores for sales to end users, with the result that in this case these are the Group's customers;
– the ***wholesale multibrand***, channel, consisting of independent multibrand stores and dedicated spaces within department stores (shop in shop). In this channel, the Group uses intermediaries represented by independent multibrand stores (or department stores) for sales to end users, with the result that these are the Group's customers.

The Group uses a network of agents and distributors for sales to a number of wholesale monobrand and multibrand customers.

For all distribution channels, the Group ensures that the brand image and the Brunello Cucinelli style are transmitted in the areas and stores dedicated to the sale of its products.

A summary is provided below of the Brunello Cucinelli Group's monobrand sales network at 30th June 2018 compared to the situation at 30th June 2017:

Distribution channel	30th June 2018	30th June 2017
RETAIL	97	91
WHOLESALE MONOBRAND	29	32

The following table sets out existing sales points at 30th June 2018 by location:

	Italy	Europe	North America	Greater China	Rest of the World (RoW)	Total
Total Brunello Cucinelli sales points	15	46	26	21	18	**126**

INTERIM REPORT ON OPERATIONS AT 30TH JUNE 2018

COMPANY INFORMATION

OUR COMPANY

Brunello Cucinelli S.p.A. is a company registered as a legal entity under the laws of the Republic of Italy and has its registered office at Viale Parco dell'Industria 5, Corciano – Frazione Solomeo (Perugia), Italy.

The Group's product range focuses on a single brand: Brunello Cucinelli, internationally recognized as one of the finest examples of absolute luxury, combining "Made in Italy" features with the ability to innovate and identify new trends.

The brand's distinctive elements are quality, craftsmanship, creativity, exclusivity, and beauty, plus a remarkable desire to "listen to" the market and its new trends. The result is a line of casual chic *prêt-à-porter* products that satisfy the tastes of a very broad set of young and less-young customers while retaining value over time. Merging old and new, business goals and "human" needs are the secret of a company whose innovative capacity is looked upon with interest from all sides as well as being a case study in modern economy used for illustration at prestigious universities.

"

The great dream of my life has always been to work for the moral and economic dignity of mankind

"

Brunello Cucinelli

http://www.brunellocucinelli.com/it/home.html

Human Privacy

BRAND IDENTITY: PROTECTION OF DISTINCTIVE VALUES AND RESPECT FOR TIME

In a constant balance between tradition and innovation, the cornerstones of the Company's culture and communication are aimed at protecting the identity, philosophy and allure of luxurious simplicity and Italian lifestyle that the brand has progressively come to represent within the highest end of the luxury goods market. All the channels that convey its identity to the world — be these boutiques, the media, or digital channels — evolve and lay out new paths for the identity that has always distinguished the Solomeo company. The conception of time also finds full development in the specific system of values of the humanistic business.

The corporate philosophy, which in the work performed in the Umbrian hamlet expresses itself through a rhythm in harmony with the human natural rhythm, develops the same care in **respect for the customer's time and privacy**. In all the relations established by the Company, attention is based on the same values of courtesy, accuracy and exclusivity. The aim is to create a special and individual relationship based on trust and focused on the communication of basic and important messages in order to protect the customer's personal life.

The speed with which technologies develop and communications are spread does not affect the Company's approach to communications but instead represent important food for thought for concentrating one's attention on basic values, those of the business world and those of humanity, in order to foster a form of courteous and measured communication that puts the emphasis on pondered and long-lasting questions.

In relations with the individual customer, as in wide-ranging communication, the concept of "**protection**" is increasingly stronger than that of "**promotion**". In a world in which diffusion through the digital media seems to emphasize and multiply each and every action, making everything easier to use and even be overexposed, it is extremely important to calibrate each action in order to maintain the brand's **exclusivity**.

Over the years customers, collaborators and the press have shown that they understand and appreciate the philosophy and continuity shown by the humanistic enterprise. Within this context of high, human values the presentation of the product fits in perfectly as the natural complement of a harmonic process capable of consistently bringing to light the result of an approach that is responsible to work and the quality of life.

THE GREAT DIGITAL PROJECT: HUMANISTIC ARTISANS OF THE WEB

The projects, image and management of the new **corporate and e-commerce** websites, which went live in January 2017, have in their first 20 months of life respected the criteria and core characteristics for which the brand has been known throughout its history. The main objective was to effectively draw together the digital world, artisanal quality and the brand philosophy through a project developed by an in-house team – which has grown and expanded since the start of the project – whose work is inspired by the figure of the **Humanist Artisans of the Web**: an ideal which harks back to the teachings of our forefathers, to take on today's and tomorrow's challenges.

There are two separate websites, **philosophy (corporate) and boutique (e-commerce)**; they represent the company's body and soul, its form and its substance, they grew up with an harmonious and balanced breath. Most of the new content on the Philosophy website has been added to the section called **Thoughts on the Contemporary World**. Here, new videos, text and images have been uploaded to convey the Company's ideals and thoughts about life at the Solomeo-based firm. More specifically, they explore questions of humanistic capitalism, the moral and economic dignity of work and the quality of life in the contemporary world.

The e-commerce website has grown and expanded while honoring the same values that guide the management and aesthetic of the brand's boutiques around the world: the imagery, context and ethics of the Italian lifestyle, expressed through Brunello Cucinelli's unique vision, are the focal point of every section. The photographs, videos and content together form a vital tool for articulating the values that inspire our collections and the way we create clothes.

The characterization of every single product, always presented as an element within a whole harmonious, it is always more important than the terms of the offer. Custom-designed packaging then puts the finishing touch to this distinctive presentation process. As happens in the boutiques, the online Customer Care team also has a courteous, attentive approach and is intent on developing a "human" rapport with our customers: scheduled deliveries, beautifully-wrapped packages and hand-written notes addressed to each customer form the basis for establishing authentic personal relationships.

Only five newsletters have been sent out during these 20 months. The content has mainly covered cultural themes, primarily relating to the region of Umbria and the Italian lifestyle. The intention is to tell the story, in a gracious, nonintrusive way, of the company's person-centered, amicable approach to work in the hamlet of Solomeo; the thoughts and inspirations handed down to us from our forefathers and the great works of the past; and lastly, the value of a human pace of life, inspired by the harmonious flow of nature, the days and the seasons. All of this is done with the utmost respect for our customers' privacy.

VISUAL MERCHANDISING: LINKS WITH TRADITION, THE DIGITAL WORLD AND HUMAN VALUES

Visual merchandising has always been the outcome of a blend of innovation and guardianship, of research using advanced new techniques and a commitment to promoting our region's heritage and special identity. Our aim is to offer compelling, unique images and settings which are born of the passion and devotion of the Solomeo workshops, making them world ambassadors for the ethics and aesthetics of the Italian lifestyle. As such, each of the boutiques is conceived to be a **familiar, friendly place**, offering customers a relaxed atmosphere where they can let their thoughts unwind and fully appreciate the values underlying this humanistic company.

In an aesthetic and spiritual continuation of the criteria used to run the brand's digital store, the interior design of the physical boutiques embody the company's messages and ideals tangibly, through the creation of exclusive artefacts.
The window display themes are entirely researched, developed and perfected at the Solomeo workshops: set design, objects and images have the power to embody the inspirations and values that govern the hamlet and the Company itself.

The new window displays and boutique interiors are based upon certain key themes: they highlight the fundamental, inevitable link between familiar everyday life and the value of dreams – between the dynamism of today's world and the importance of "human time". Designed to reflect the brand's values, the seasonal renovations of the displays are fantastic opportunities to present refined, visible evidence of the ideas and stimuli that arise from the hamlet of Solomeo's attentive observation of the contemporary world. The **Lifestyle Collections** also contribute to the same goals, from their own perspective: the products and items they consist of are aimed at achieving a rich synergy between family time at home, and the vibrant, multicultural nature of time spent travelling.

The **visual team** is an energetic manifestation of enthusiasm and attention to detail. It has the task of presenting a product and curating the way it is displayed all over the world, highlighting the brand values and Italian lifestyle while resonating with the local culture and traditions of the various countries in which the boutiques are situated. Clear guidelines are provided to ensure that every display presents its own unique, distinctive identity.

The team works in close collaboration with the design team so that the combinations of outfits, the accompanying items and window sets give emphasis to the collections, thus engaging the customer in an authentic, truthful storytelling experience.

INVESTMENTS

We continue to place a great attention on all the investments that enable us to **support the brand's exclusivity**, in the awareness that in many sectors, but especially in the fashion world, everything passes very quickly, and the digital world makes this need even more pressing.
Investments made in the first 6 months of 2018 form part of the **multi-year investment plan** whose aim is to keep the Company contemporary in the long term through development projects and "**brand protection**".
The desire to safeguard the brand's allure means that we have to have constant protection of the brand in both the **physical channel and the digital world**: we believe that the existence of constantly evolving technologies represents an opportunity and a potential of the utmost interest, making careful use a necessity, because if not governed they risk "massifying" the brand image.

In the first 6 months of the year **commercial investments** of €18.1 million related mainly to selective openings, the renovation of boutiques, an increase in selling spaces in Luxury Department Stores and the enlargement of prestigious boutiques positioned in the most representative streets of the luxury capitals.
We believe that the enlargement of prestigious boutiques is a key element for supporting and further strengthening the brand's allure, at the same time safeguarding the exclusivity of its presence and communicating in a complete manner the "Brunello Cucinelli" philosophy and history.
Akin to the extension of the flagship store in Via Montenapoleone in Milan in 2017 we unveiled the new and larger boutique in Monte Carlo in July of this year as a means of putting into practice our multi-year project for representing our values and our "Solomeo" in an increasingly complete and exclusive way.
Finally in order to support our desire and search for modernity in the product we continue to invest in visual merchandising and in all the selling spaces, with the seasonal renovation of showrooms, so that the collection itself can always appear fresh, young and up-to-date.

Investments in IT/Digital amounting to €3.3 million in the first 6 months of 2018 support our strategic decision to develop and adopt technology that is always on the cutting edge, so that we can manage all the technological platforms through which the management systems of the physical boutiques and the online boutiques operate with the utmost efficiency and effectiveness.
The same search for exclusivity and modernity directs the project for investing in the digital world, where day by day we carry out our great effort to protect the brand, taking meticulous care over how we communicate our values.

Investments in production and logistics amounting to €3.8 million support the highly-skilled craftsmanship of our products thanks to a constant renewal of our manufacturing systems, which are kept constantly up-to-date, combining process innovation and top-level manual work, and provide suitable logistic structures for managing the relative activities.

INTRODUCTION

This Interim Financial Report at 30th June 2018 has been prepared pursuant to Italian Legislative Decree no. 58/1998, as amended, and to the Issuers' Regulations issued by Consob. This Interim Financial Report has been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and has been drawn up in accordance with IAS 34 Interim Financial Statements, applying the same accounting standards as those used to prepare the Consolidated Financial Statements at 31st December 2017 with the exception of the new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union and applied from 1st January 2018.

SUMMARY DATA AT 30TH JUNE 2018

The following tables provide: (i) a summarized consolidated income statement for the six months ended 30th June 2018 with comparative figures for the corresponding period of the previous year; (ii) a consolidated balance sheet reclassified by sources and applications at 30th June 2018 with comparative figures at 31st December 2017; and (iii) figures for capital expenditure and cash flows from operating activities for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017.

Summarized consolidated income statement

(In thousands of euro)	Six months ended 30th June				Difference	
	2018	% of sales	2017 (restated)	% of sales	2018 vs. 2017	2018 vs. 2017 %
Net revenues	269,486	99.8%	247,238(1)	99.5%	22.248	+9,0%
Revenues from sales and services	270,070	100.0%	248,414(1)	100.0%	21.656	+8,7%
EBITDA	46,233	17.1%	41,592	16.7%	4.641	+11,2%
Operating profit	34,440	12.8%	31,025	12.5%	3.415	+11,0%
Net profit for the period	25,780	9.5%	19,852	8.0%	5.928	+29,9%
Normalized net profit for the period,	23,772(2)	8.8%	19,852	8.0%	3.920	+19,7%

(1) Accounting standard IFRS 15 ("Revenue from Contracts with Customers"), which became effective on 1 January 2018, requires a different accounting treatment from the past for certain types of contracts for the sale of goods in multibrand spaces managed using the "concession" formula.

The application of this new accounting standard led to an increase in net revenues and operating expenses (rent) by the same amount (€3.9 million at 30th June 2017). As a result no change occurred in the absolute amounts for EBITDA, operating profit or net profit for the period.

(2) Normalized net profit for the period refers to the result at 30 June 2018 stated before the estimated tax benefit arising from the "patent box" scheme, which led to an accumulated reduction in direct taxes of €2.0 million.

Consolidated balance sheet classified by sources and applications:

(In thousands of euro)	Situazione al		Change during the period	
	30th June 2018	31st December 2017	2018 vs. 2017	2018 vs. 2017 %
Net working capital	137,936	126,993	10,943	+8.6%
Non-current assets	166,675	152,969	13,706	+9.0%
Other non-current assets/(liabilities)	881	(1,068)	1,949	>+100.0%
Net invested capital	**305,492**	**278,894**	**26,598**	**+9.5%**
Net debt	44,038	15,703	28,335	>+100.0%
Shareholders' equity	261,454	263,191	(1,737)	-0.7%
Sources of funds	**305,492**	**278,894**	**26,598**	**+9.5%**

Other summary data:

(In thousands of euro)	Situazione al		Difference	
	30th June 2018	30th June 2017	2018 vs. 2017	2018 vs. 2017 %
Capital expenditure	25,207	22,151	3,056	+13.8%
Cash flows from operating activities	20,975	26,519	(5,544)	-20.9%

Capital expenditure in the table does not include an amount of €6,510 thousand euro paid by the parent company Brunello Cucinelli S.p.A. to acquire the minority interest in the subsidiary OOO Brunello Cucinelli RUS, which in accordance with IFRSs has been recognized in equity reserves in accordance with IFRSs. Details of this transaction may be found in the section "Significant events during the first half of 2018".

ALTERNATIVE PERFORMANCE INDICATORS

To enable it to provide a better assessment of business performance the Brunello Cucinelli Group uses certain alternative performance indicators which are not identified as accounting measures by IFRS. The way in which the Group calculates these figures may therefore not be consistent with that used by other groups and the figures obtained may also not be comparable with those of other groups. These alternative performance indicators, determined in accordance with the ESMA Guidelines on Alternative Performance Indicators (ESMA/2015/1415) adopted by Consob by way of Communication no. 92543 of 3rd December 2015, only refer to the Group's performance for the accounting period covered by this Interim Financial Report and the periods presented for comparative purposes, and not to the Group's expected performance.

The alternative performance indicators used in this Interim Financial Report are defined as follows:

- **EBITDA:** *operating profit before depreciation, amortization and impairment.*
- **Net Working Capital:** the sum of *inventories* and *trade receivables* less *trade payables* and the net balance (asset or liability) of all the other balance sheet items classified as *current assets or current liabilities*.
- **Commercial Working Capital:** the sum of *inventories* and *trade receivables* less trade payables.
- **Net Invested Capital:** the sum of *non-current assets* and *current assets*, excluding financial assets (*other current financial assets and cash and cash equivalents*), less *non-current liabilities and current liabilities*, excluding financial liabilities (*current and non-current bank debt, current and non-current financial payables*).
- **Net Debt:** the sum of *current and non-current bank debt* and *current and non-current financial payables* including the fair value (positive or negative) of hedging derivatives on loans, excluding *cash and cash equivalents and other current financial assets*, including the fair value (positive or negative) of hedging derivatives on loans.
- **Capex:** capital expenditures refer to gross investments in intangible assets, property, plant and equipment, and net investments in financial assets.

THE GROUP'S RESULTS FOR THE FIRST HALF OF 2018

Revenues amounted to €270,070 thousand in the first half of 2018, representing an increase of 8.7% over the corresponding interim period in 2017.

Net revenues rose by 9.0% at 30th June 2018 to reach €269,486 thousand compared to €247,238 at 30th June 2017.
As stated earlier the Group adopted the new accounting standard IFRS 15 on 1 January 2018 and has used the "full retrospective application" method meaning that it presents comparative figures for the previous period as if the new standard had been applied.
The application of IFRS 15 has led to the adoption of a new accounting treatment for certain types of contract which in 2017 relate to sales made in multibrand spaces managed under the "concession" formula, being the 6 shop-in-shops in the Luxury Department Stores in Canada the 15 shop-in-shop in the Luxury Department Stores in Japan. As a result, revenues reported as comparative figures at 30th June 2017 have been increased by €3,911 thousand from €243,327 thousand to €247,238 thousand.

EBITDA totaled €46,233 thousand at 30th June 2018, corresponding to 17.1% of revenues from sales and services and representing an increase of €4,641 thousand, or 11.2%, over EBITDA at 30th June 2017.
The introduction of the new accounting standard IFRS 15 has not led to any change in the comparative figure for the absolute result for EBITDA for the previous period because as stated above the increase in sales arising from the changed accounting for revenues was compensated by a corresponding increase in operating costs (rent).

The cost of production for raw materials and outsourced work in the first half of 2018 remained essentially unchanged in percentage terms compared to the first half of 2017 (34.7% at 30th June 2018 compared to 34.6% del 30th June 2017).

Net profit amounted to €25,780 at 30th June 2018 corresponding to 9.5% of revenues, an increase of €5,928 thousand (29.9%) over the result for the first half of 2017.
Normalized net profit (net profit before the estimated tax benefit of €2.0 million arising from the "patent box" scheme) amounted to €23,772 thousand, corresponding to 8.8% of revenues, an increase of €3,920 thousand (19.7%) over the result for the first half of 2017 when the tax benefit was not yet available.

Very good results were achieved in the first half of 2018, matched by an atmosphere of **healthy positivity** and above all extreme creativity within the Company's concrete "**human and sustainable**" growth project.

We believe that one of the key factors behind this growth is constant research and the desire to be "**special**" and "**contemporary**", both in our collection offer and in relations with all of our "Human Resources", artisan workshops, trading partners and customers.

We consider that being "special" and "contemporary" enables our brand to maintain that **exclusivity** and **allure** that are constantly sought by buyers of the world's leading multibrand stores and Luxury Department Stores, as well as by the highly sophisticated end customer.

One of our greatest commitments is to be **charming** and **amiable**, stimulating ourselves daily in the desire for **contemporary** taste, in the yearning for change, in **relationships**, in **communications** and in the **hospitality** to be found in our boutiques, aware that we are all constantly searching for something unique, something special, and all feel the need to be pampered in some way.

Our collection offer strives to propose **products of the utmost quality and craftsmanship** characterized by a "**young**" and "**modern**" **taste**, whose value we always seek to enhance with the painstaking work carried out by our **Visual Merchandising**.
We believe that our visual merchandising team, dynamic and attentive to trends, plays an **extremely important** role in fully interpreting the taste of the collection in all the spaces where the brand can be found, ranging from the monobrand channel and physical multibrand channel to the internet.

We believe that the **ability to listen** is a key factor in supporting the sustainability of growth, both with reference to the product and in relations with our partners, customers and all our stakeholders.
We therefore give the utmost attention to the opinions expressed on our collections by the specialist international press and by the buyers of the most prestigious multibrand stores, the Luxury Department Stores and the increasingly important Specialty Stores.

Current sales of the **2018 fall/winter** collections confirm the highly positive signs that we had already been perceiving over previous weeks and there is a very favorable trend in **2019 spring/summer** orders following the excellent feedback received earlier from the large European, American and Asian buyers.

Regarding the **2019 spring/summer** men's collection, which made its first appearance in June in Florence and then in Milan, we are highly excited to mention that the Robb Report, the world bible for luxury menswear, described Ralph Lauren and Brunello Cucinelli as the two designers who have redefined men's fashion over the last three decades: Ralph Lauren for "*championing iconic American style*" and Brunello Cucinelli for "*pioneering the 21st century's casual dress code*". We feel deeply honored to have received this recognition and it is compelling for us to be considered a global reference point for the **luxury sporting** chic male taste.
We think that there are considerable opportunities for our brand in the whole of the men's style world; we have always believed in a man who pays attention to detail and looks for quality tailoring, elegance and innovation, with respect to that "*casual chic*" taste that is so dear to us. His goal is to create **a look with contemporary appeal** by way of a proposal which constantly renewed through small niceties can easily be matched with the clothes a customer already has in his wardrobe.

The **collection** was judged to be **innovative** and in **good taste**, with considerable attention being given to detail and what is more – an aspect we always consider to be of utmost importance – it consists of "**wearable clothes**" that we can put on at any moment of the day, allowing us always to feel at our ease.

We follow the development of the fascinating "**internet world**" with especial attention and believe that our various **openings towards the new** technologies have made it possible to keep the **business modern** over the years.

At the same time we are still aware and convinced that these technologies should never "steal our soul" and the precious time we can dedicate to our personal feelings. Which is why each day we endeavor to find the **right balance between technology and humanism**.

We seek this balance on a daily basis in both the physical and the digital channels, in particular in relations with our customers, and try to build a relationship of esteem which finds its basis not so much in the quantity of the data and information we can gather but rather in the quality of this relationship, at the basis of which we place respect for **Human Privacy**, that so much desired privacy.

In May we met in Solomeo with collaborators who arrived from all over the world, together with the people who work in the spaces dedicated to the brand in the leading Luxury Department Stores.
At this time of dialogue we highlighted the centrality of the extremely important subject of **Human Privacy**, which we would always like to act as a guide in the relationship between our customers and the Industry as we seek in some manner to be "**friendly advisers**".
Another aspect that was discussed was the "**value of waiting**" in the belief that this can add exclusivity and allure when a person thinks of buying a luxury crafted product.

We believe that the increasing attention being placed by the new "**millennials**" on the brand is of great interest, as is also the relationship we are building together.

We know that the first time they approach the brand and the Company's philosophy is often in the digital world, which is why we place considerable strategic importance on the value of the way in which our **corporate website** and **online boutique** are able to communicate and be places where people can breathe our lifestyle, the hamlet of Solomeo and the taste of our collections.

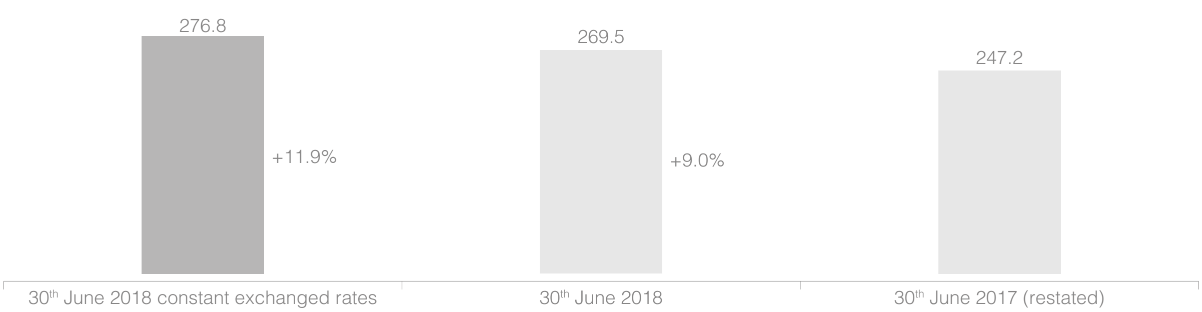
To maintain our **allure** at the highest level we give a great **deal of attention to investments** that allow us to support the brand's exclusivity, in the awareness that in many sectors, but especially in the fashion world, everything passes very quickly, and the digital world makes this need even more pressing.
Making **investments**, in order to keep the brand contemporary and fresh – by enlarging a number of existing boutiques in beautiful locations and limiting new openings to a few stores each year – and revamping our showrooms seasonally to ensure that the collection always looks fresh, young and contemporary, are crucial for our brand image.

ANALYSIS OF REVENUES

The Group's consolidated turnover for the first half of 2018 amounted to €269,486 thousand, an increase of 9.0% over the same period in 2017. At constant exchange rates, meaning using the same average exchange rates as those used in 2017, revenues would have been €276,777 thousand, an increase of 11.9%.

It should be remembered that the results of individual quarters are affected by the dynamics of the delivery of collections between the end of one quarter and the beginning of the next. In fact, while not showing sharp seasonal or cyclical variations in total annual sales, the Group's business is affected during the various quarters of the year by revenues deriving from the sales calendars and relative shipping times that are not perfectly homogeneous. For this reason an analysis at an interim level cannot be considered as fully representative and it is therefore not advisable to consider the period indicators as a proportional share of the full year.

The international markets represented 83.7% of net revenues, rising by 9.9%, growth that was accompanied by the very interesting and positive results obtained on the Italian market (16.3% of net revenues), where sales increased by +4.8%. The European market, including Italy, accounted for 47.6% of the total.

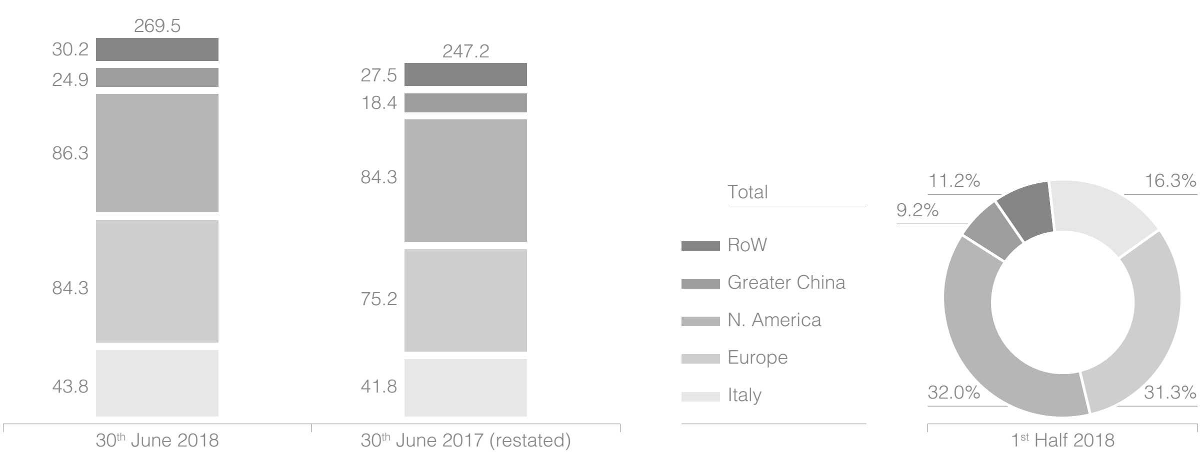


The total increase in net revenues of €22,248 thousand at constant exchange rates (+9.0%) is mainly due to organic growth in the retail channel, arising from the development of existing sales points and the dynamics in openings of new directly operated stores (DOS) (with only two net openings compared to 31st December 2017 which led to a total of 126 sales points) as well as growth over the previous period in the wholesale multibrand and wholesale monobrand channels.

REVENUES BY GEOGRAPHICAL AREA

During the first six months of 2018 the Brunello Cucinelli Group saw significant growth in all of the international markets, as a whole representing 83.7% of net revenues, with an overall increase of 9.9% with respect to the figures for the comparative interim period. The Italian market also demonstrated a pleasing and significant growth in revenues of 4.8%, displaying healthy and sustainable results. The following table provides details of revenues at 30th June 2018, compared with the same period of the previous year, analyzed by geographical area.

(In thousands of euro)	Half year ended 30th June				Difference	
	2018	**%**	**2017 (restated)**	**%**	**2018 vs. 2017**	**2018 vs. 2017 %**
Italy	43,826	16.3%	41,814	16.9%	2,012	+4.8%
Europe	84,251	31.3%	75,234	30.4%	9,017	+12.0%
North America	86,323	32.0%	84,263	34.1%	2,060	+2.4%
Greater China	24,858	9.2%	18,371	7.5%	6,487	+35.3%
Rest of the World (RoW)	30,228	11.2%	27,556	11.1%	2,672	+9.7%
Total	**269,486**	**100.0%**	**247,238**	**100.0%**	**22,248**	**+9.0%**



The following is an analysis of the increase in net revenues by geographical area.

Italy

Net revenues from Italy represented 16.3% of revenues (16.9% during the same period of the previous year), showing an encouraging increase with respect to 30th June 2017and confirming the very positive growth trend. The increase is equal to €2,012 thousand in absolute value, corresponding to +4.8% (€43,826 thousand in 2018, €41,814 thousand in 2017).

The result achieved is of especial relevance given the importance of our domestic market, which we consider to be representative of the appreciation for the taste of the collection.

At 30th June 2018, the monobrand network (direct and wholesale monobrand) consisted of 15 boutiques.

Europe

Net revenues in Europe accounted for 31.3% of revenues (30.4% in the same period of the previous year) and increased by 12.0%.
Revenues rose from €75,234 thousand to €84,251 thousand, up by €9,017 thousand in absolute terms.

Important results were achieved in all markets and in all channels; the number of both local customers and top-end “tourists” rose.

At 30th June 2018, the monobrand network (direct and wholesale monobrand) consisted of 46 boutiques.

North America

Net revenues in North America accounted for 32.0% of revenues as compared to 34.1% in the corresponding period of 2017. Revenues rose from €84,263 thousand to €86,323 thousand, an increase of €2,060 thousand or +2.4%.

Sales were solid in both the retail and multibrand channels, with our collections receiving considerable appreciation from the end customers of the direct boutiques and the Luxury Department Stores.

At 30th June 2018, the monobrand network (direct and wholesale monobrand) consisted of 26 boutiques.

Greater China

Net revenues in Greater China accounted for 9.2% of revenues (7.5% for the same period of the previous year) and increased by €6,487 thousand (+35.3%). Revenues rose from €18,371 thousand to €24,858 thousand.

The increase in sales was common across all markets, such as Continental China, Macau, Taiwan and Hong Kong; in terms of new customers there was an increase in the proportion of millenials, who approach the brand for the first time, attracted by an exclusive offer that is contemporary at the same time.

The rise in turnover in the direct boutique network was accompanied by the positive contribution arriving from sales in the new spaces dedicated to the brand in the most exclusive multibrand stores that are gradually growing in Continental China.

At 30th June 2018, the monobrand network (direct and wholesale monobrand) consisted of 21 boutiques.

Rest of the world

Net revenues in the Rest of the World increased by 9.7% in the first six months of 2018 as compared to the same period of the previous year. Revenues rose from €27,556 thousand to €30,228 thousand.

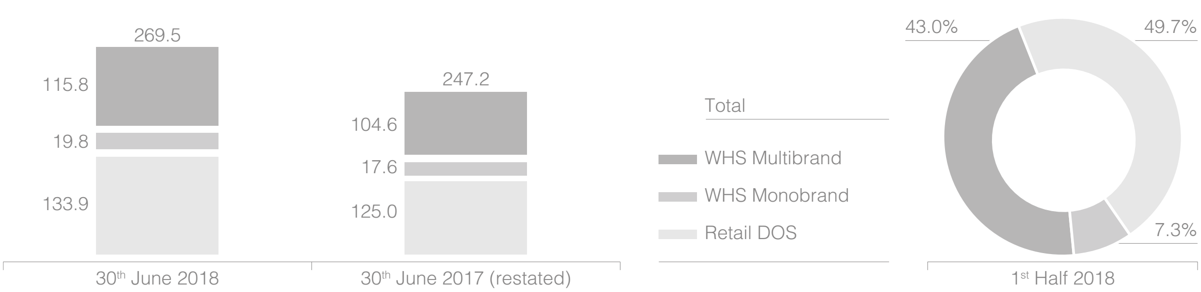
Results were solid in all geographical areas, thanks also to the addition of new customers to the brand's traditional clientele.

At 30th June 2018, the monobrand network (direct and wholesale monobrand) consisted of 18 boutiques.

REVENUES BY DISTRIBUTION CHANNEL

The following table sets out the net revenues of the Group in the first half of 2018 and 2017, analyzed by distribution channel.

(In thousands of euro)	Half year ended 30th June				Difference	
	2018	**%**	**2017 (restated)**	**%**	**2018 vs. 2017**	**2018 vs. 2017 %**
Retail	133,920	49.7%	125,032	50.6%	8,888	+7.1%
Wholesale monobrand	19,778	7.3%	17,600	7.1%	2,178	+12.4%
Wholesale multibrand	115,788	43.0%	104,606	42.3%	11,182	+10.7%
Total	**269,486**	**100.0%**	**247,238**	**100.0%**	**22,248**	**+9.0%**



RETAIL

Net revenues generated by the retail channel amounted to €133,920 thousand, an increase of €8,888 thousand or 7.1% over the corresponding period of the previous year. At 30th June 2018 the retail channel accounted for 49.7% of the Group's total net revenues.

The first 6 months of 2018 saw sustainable growth of 3.8% in like-for-like thanks to the positive sell-outs of the 2018 spring/summer collection.
Sales of the 2018 fall/winter collections have begun very well, especially in the resort localities where tourists are already focusing on their purchases for the next winter season.

The network consisted of 97 boutiques at 30th June 2018 (94 at 31st December 2017) with just one opening in the first six months of 2018, to which should be added the conversions of the two Singapore boutiques from the wholesale monobrand channel in June.

WHOLESALE MONOBRAND

Net sales made through the wholesale monobrand channel rose by 12.4% to reach €19,778 thousand at 30th June 2018 (€+2,178 thousand over 30th June 2017).

The opening of the prestigious Dubai Mall in the first quarter of 2018 made a positive contribution; the network consisted of 29 boutiques at 30th June 2018 (30 at 31st December 2017), with 2 wholesale monobrand boutiques in Singapore converting to the direct channel.

WHOLESALE MULTIBRAND

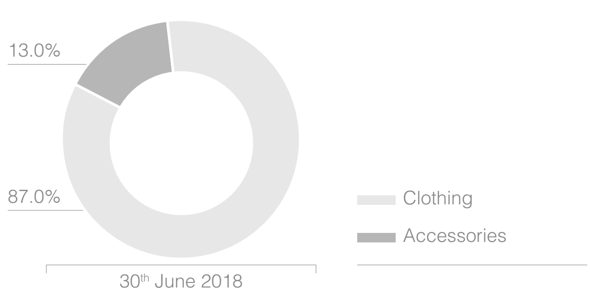
Net revenues made through the wholesale multibrand channel reached €115,788 thousand (€+11,182 thousand over 30th June 2017 representing an increase of 10.7% over the corresponding period of 2017).
The proportion of net revenues for the channel rose from 42.3% at 30th June 2017 to 43.0% at 30th June 2018.

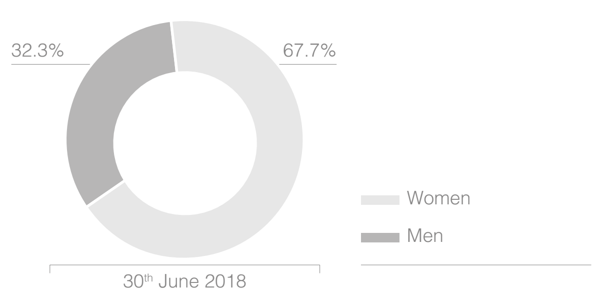
Growth was supported by sales in the existing spaces, by sales in new spaces assigned to the brand in the Luxury Department Stores where we are already present and by selective entry into new multibrand stores, in particular in Mainland China.

The extremely important role we have always assigned to the multibrand stores makes this fact even more significant, fostered as it is by the relationship we have succeeded in creating over the years with all of the most important Luxury Department Stores and by the attention we constantly give to the spaces dedicated to our brand, with the direct care of our visual marketing team and the training of dedicated sales personnel.

REVENUES BY PRODUCT AND END CUSTOMER

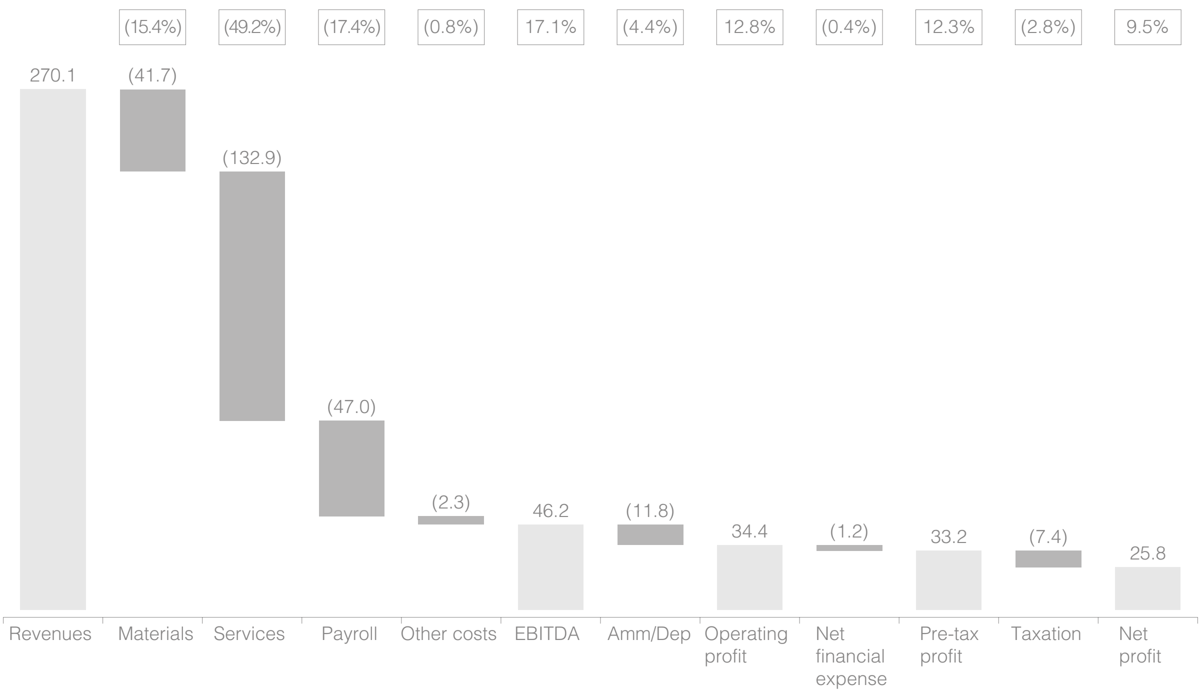
The following is a graphical representation of the Brunello Cucinelli Group's revenues at 30th June 2018, analyzed by product line and end customer:





ANALYSIS OF THE INCOME STATEMENT

The following is a graphical representation of the income statement at 30th June 2018 setting out performance for the first half of the year:



OPERATING RESULTS

The following table provides a summary of operating profit and EBITDA:

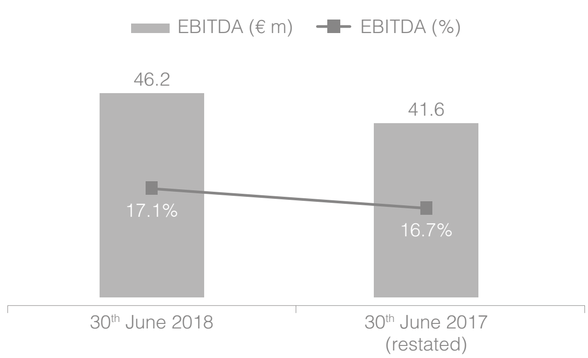
(thousands of euro)	Half year ended 30th June				Difference	
	2018	**% of sales**	**2017 (restated)**	**% of sales**	**2018 vs. 2017**	**2018 vs. 2017 %**
Operating profit	**34,440**	**12.8%**	**31,025**	**12.5%**	**3,415**	**+11.0%**
+ Amortization/depreciation	11,793	4.4%	10,567	4.3%	1,226	+11.6%
EBITDA	**46,233**	**17.1%**	**41,592**	**16.7%**	**4,641**	**+11.2%**

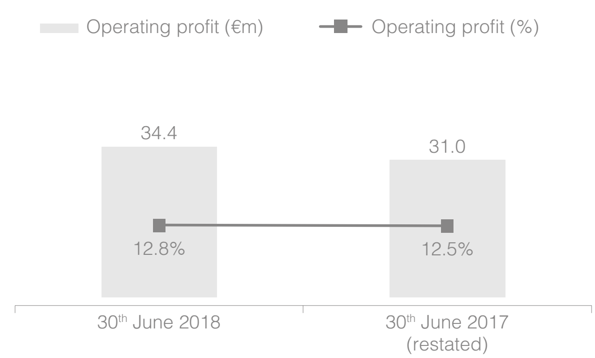
EBITDA at 30th June 2018 amounted to €46,233 thousand representing 17.1% of revenues, an increase of 11.2% over the figure for the corresponding interim period. At 30th June 2017 EBITDA represented 16.7% of revenues.

The impact of the cost of production for raw materials and outsourced work in percentage terms was essentially in line with that of the corresponding period of the previous year (34.7% at 30th June 2018 compared to 34.6% at 30th June 2017).

Operating profit at 30th June 2018 amounted to €34,440 thousand, representing 12.8% of revenues, an increase of 11.0% over the figure for the corresponding period of the previous year.
Also of note is the significant impact of amortization and depreciation in absolute terms due to the investments made (an increase of €1,226 thousand), remaining stable at 4.4% of revenues.

The following table sets out in graphical form the trends in the Group's EBITDA and operating profit at 30th June 2018 and 30th June 2017:





As noted above, EBITDA rose from 16.7% in the first half of 2017 to 17.1% in the first half of 2018, increasing by €4,641 thousand in absolute terms or 11.2%.

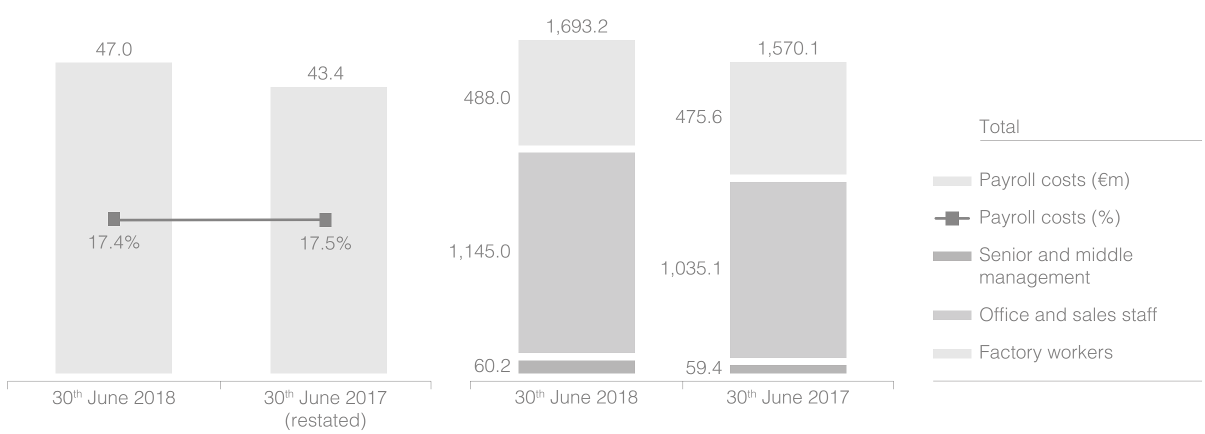
The trends for the first half of 2018 are characterized by a higher percentage of net revenues coming from the wholesale multibrand distribution channel as a percentage of total revenues for the period (43.0% at 30th June 2018 compared to 42.3% at 30th June 2017), with important and satisfying growth being achieved in Greater China as a geographical area.

The above-mentioned trends led the cost of production for raw materials and outsourced work to remain virtually unchanged in percentage terms (34.7% at 30th June 2018 compared to 34.6% at 30th June 2017); as is always stated in the Company's interim financial statements (see paragraph 3.7 "Seasonal or cyclical aspects of interim transactions"), this percentage is affected by revenue and expense flows that are not perfectly homogeneous during the various quarters of the year.

(In thousands of euro)	Half year ended 30th June				Difference	
	2018	**% of sales**	**2017 (restated)**	**% of sales**	**2018 vs. 2017**	**2018 vs. 2017 %**
Costs for raw materials and consumables	49,056	18.2%	45,379	18.3%	3,677	+8.1%
Change in inventories	(7,377)	-2.7%	(7,460)	-3.0%	83	-1.1%
Outsourced work	52,057	19.3%	47,912	19.3%	4,145	+8.7%
Total	**93,736**	**34.7%**	**85,831**	**34.6%**	**7,905**	**+9.2%**

Payroll costs had a percentage impact of 17.4% at 30th June 2018 compared to 17.5% at 30th June 2017, for an increase in absolute terms of €3,581 thousand over the figure for the comparative period.

Full Time Equivalents (FTEs) totaled 1,693.2 at 30th June 2018 compared with 1,570.1 at 30th June 2017 (+123.1), which was principally due to the increase in sales staff as a result of the expansion of directly managed stores in Russia and Canada in the first half of 2017 and, to a lesser extent, the increase in the central structure to support development projects, including the "Digital Project" for the internationalization of the e-commerce site and all related operations.



The following is a brief description of the other main components of operating costs:

- Lease expense fell as a percentage of revenues (12.7% at 30th June 2018 compared to 13.2% at 30th June 2017) but increased by €1,441 thousand in absolute terms over the first half of the previous year. The increase in lease expense in absolute terms is due to the development of the retail network (4 net new openings in the past 12 months and 2 conversions from the wholesale monobrand channel in June 2018), to the enlargement of sales spaces in a number of outlets and to changes occurring in the spaces managed in the Luxury Department Stores.
- Commissions and accessory costs, which relate to commissions payable to the agency network, rose by €379 thousand in absolute terms, with the percentage impact falling slightly over that for the first half of the previous year (2.4% in 2018, 2.5% in 2017).
- Advertising and other marketing costs rose by €2,204 thousand in absolute terms (17.6%), increasing to 5.5% as a proportion of revenues compared to 30th June 2017. These costs relate to the communication and promotional activities carried out by the Group to disseminate its image and philosophy throughout the world. More specifically, they are mainly incurred for the production of physical and digital catalogues, advertising campaigns and fairs and exhibitions organized in Italy and abroad. Worthy of note in this first half year is an increase in digital communications activities, given that this channel represents an increasingly important and strategic communication vehicle.
- Transport and duties represented 3.5% of revenues in 2018, unchanged with respect to 2017.
- Credit card charges rose by 0.5% over the first half of the previous financial year, strictly due the growth in the retail channel.

The following table provides a summary of these items for the first six months of 2018 and 2017 together with the percentage of sales they represent.

(In thousands of euro)	Half year ended 30th June				Difference	
	2018	**% of sales**	**2017 (restated)**	**% of sales**	**2018 vs. 2017**	**2018 vs. 2017 %**
Lease expense	34,165	12.7%	32,724	13.2%	1,441	+4.4%
Commissions and accessory charges	6,584	2.4%	6,205	2.5%	379	+6.1%
Advertising and other marketing costs	14,732	5.5%	12,528	5.0%	2,204	+17.6%
Transport and duties	9,391	3.5%	8,595	3.5%	796	+9.3%
Credit card charges	2,264	0.8%	2,253	0.9%	11	+0.5%

NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Net financial expense totaled €1,207 thousand at 30th June 2018, of which financial expense amounted to €17,102 thousand and financial income to €15,895 thousand.

While reference should be made to the notes to the financial statements for further details of the items included in financial income and expense, the following table sets out the overall result of financial management, separating out the effect of exchange differences and the fair value measurement of derivative contracts from changes in other financial income and expense:

(In thousands of euro)	Half year ended 30th June				Difference	
	2018	% of sales	2017 (restated)	% of sales	2018 vs. 2017	2018 vs. 2017 %
Loan interest	265	0.1%	331	0.1%	(66)	-19.9%
Other net (income)/expense	(112)	0.0%	463	0.2%	(575)	<-100.0%
Other financial (income)/expense	**153**	**0.1%**	**794**	**0.3%**	**(641)**	**-80.7%**
Exchange (gains)/losses	(773)	-0.3%	831	0.4%	(1,604)	<-100.0%
Financial (income)/expense arising from adjusting derivatives to fair value	1,827	0.6%	1,411	0.5%	416	+29.5%
Total net financial expense	**1,207**	**0.4%**	**3,036**	**1.2%**	**(1,829)**	**-60.2%**

In an overall context in which net financial expense is improving (€3,036 thousand at 30th June 2017 compared to €1,207 thousand at 30th June 2018), worthy of note is the positive trend in foreign exchange management, also favorably affected by the end-of-period "currency balance" applied to intercompany loans denominated in currencies other than the euro by converting at the euro/currency exchange rate ruling at 30th June 2017.

Income taxes charged for the period amounted to €7,453 thousand and represented 22.4% of pre-tax consolidated profit.
As noted previously, by normalizing the tax computation for the estimate of the tax benefit deriving from recognizing the effects of the "patent box" scheme in profit or loss the tax rate is 28.5%.
The Group earns the majority of its taxable profit in Italy and has elected the "taxation for transparency" option (taxation in Italy using the tax rates applicable in Italy) for taxable profits earned in the "privileged tax system countries" in which it operates.

In light of the above normalized net profit for the period amounted to €23,772 thousand, or 8.8% of revenues from sales and services, which represents an increase of €3,920 thousand, or 19.7%, over the figure for the first half of 2017.

The following table provides an analysis of net book profit between the portion attributable to the owners of the parent and the portion attributable to non-controlling interests, together with a comparison with the corresponding period in 2017:

(In thousands of euro)	**30th June 2018**	**30th June 2017**
Profit attributable to shareholders of parent company	26,082	19,580
Profit/(loss) attributable to non-controlling interests	(302)	272
Net profit for the period	**25,780**	**19,852**

ANALYSIS OF KEY BALANCE SHEET AND FINANCIAL ITEMS

Provided below are comments on the main items of the Group's statement of financial position at 30th June 2018 reclassified by sources and applications with comparative figures at 31st December 2017 and 30th June 2017.

NET WORKING CAPITAL

The following table provides an analysis of the net working capital of the Brunello Cucinelli Group at 30th June 2018, 31st December 2017 and 30th June 2017:

(In thousands of euro)	30th June 2018	31st December 2017	30th June 2017
Trade receivables	64,007	45,178	54,396
Inventories	161,499	152,647	158,556
Trade payables	(69,752)	(65,261)	(61,932)
Other current assets/(liabilities), net	(17,818)	(5,571)	(9,469)
Net working capital	**137,936**	**126,993**	**141,551**

Given the above-mentioned "seasonality" of the business, for a better understanding of the main changes in net working capital comments the following comments are made by comparing 30th June 2018 with 30th June 2017.

There was an overall decrease of €3,615 thousand in net working capital at 30th June 2018 over the balance at 30th June 2017.

This change is due to a variety of factors as follows:

– an increase of €2,943 thousand in inventories which represent 30.2% of revenues from sales and services for the past 12 months, essentially in line with the figure of 29.8% at 31st December 2017.

  an increase of €1,418 thousand in raw materials which rose from €28,327 thousand at 30th June 2017 to €29,745 thousand al 30th June 2018 (effectively unchanged compared to 31st December 2017). Finished and semi-finished goods rose by €1,525 thousand from €130,229 thousand 30th June 2017 to €131,754 thousand at 30th June 2018, mainly due to the growth in the directly operated sales point network.

(In thousands of euro)	30th June 2018	31st December 2017	30th June 2017
Raw materials	29,745	29,545	28,327
Finished and semi-finished goods	131,754	123,102	130,229
Inventories	**161,499**	**152,647**	**158,556**

– an increase of €9,611 thousand in trade receivables which represent 12.0% of revenues for the past 12 months, a slight increase over 30th June 2017 when the corresponding figure was 11.3%. There is a particularly healthy trend in receivables management and the absolutely contained level of bad debts recognized over the past few years testifies to this. A detailed analysis of receivables can be found in note 6 to the consolidated financial statements;
– an increase of €7,820 in trade payables from €61,932 thousand at 30th June 2017 to €69,752 thousand at 30th June 2018. The balance at 30th June 2018 is principally affected by the natural increase in the Group's main costs, which in turn are due to the rise in the volume of business for the first half of the year (ancillary raw materials and consumables €+3,677 thousand, outsourced work €+4,145 thousand and advertising and other marketing costs €+2,204 thousand). The increase of €10 million in the three cost items in the half-year occurred to a large extent in the second quarter of 2018 (€6.7 million);
– an increase of €8,349 thousand in net other current liabilities, which amounted to €9,469 thousand at 30th June 2017 while at 30th June 2018 the corresponding total was €17,818 thousand;

  the main change arises from the measurement of derivatives hedging currency risk(1) (at 30th June 2018 there was a net liability balance of €3,891 thousand while the corresponding figure at 30th June 2017 was a net asset balance of €5,738 thousand).

NON-CURRENT ASSETS

Non-current assets at 30th June 2018, 31st December and 30th June 2017 may be analyzed as follows:

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**30th June 2017**
Intangible assets	37,829	30,995	33,585
Property, plant and equipment	121,757	115,676	113,229
Non-current financial assets	7,089	6,298	7,142
Total non-current assets	**166,675**	**152,969**	**153,956**

Non-current assets at 30th June 2018 amounted to €166,675 thousand, compared to €152,969 thousand at 31st December 2017, representing a net increase of €13,706 thousand or 9.0%.
Reference should be made to the notes to the financial statements for details of movements during the period.

(1) The Group's accounting policy follows the cash flow hedging rules which require the fair value to be recognized as an asset or liability (asset or liabilities for current financial instruments), with a corresponding reserve in shareholders' equity to reflect the effective component of the change in the fair value of derivatives, which is reclassified through profit or loss when the transaction being hedged is recognized for accounting purposes.

CAPITAL EXPENDITURE

In the half year ended 30th June 2018 the Group made capital expenditure of €10,502 thousand in intangible assets, €14,048 thousand in intangible assets and €657 thousand in non-current financial assets (payments for guarantee deposits less refunds).

The following table provides an analysis of capital expenditure by type and category made by the Group in the periods ended 30th June 2018, 31st December 2017 and 30th June 2017:

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**30th June 2017**
Capex in intangible assets	10,502	10,777	8,449
Capex in property, plant and equipment	14,048	23,890	12,186
Capex in non-current financial assets (*)	657	1,015	1,516
Total capital expenditure	**25,207**	**35,682**	**22,151**

(*) Net guarantee deposits (payments less refunds)

Capital expenditure shown in the table does not include an amount of €6,510 thousand euros paid by the parent company Brunello Cucinelli S.p.A. to acquire the minority interest in the subsidiary OOO Brunello Cucinelli RUS, which in accordance with IFRSs has been recognized in equity reserves. Details of this transaction may be found in the section “Significant events during the first half of 2018”.

It should be remembered that the underlying objective of the multi-year investment plan is to safeguard the exclusivity, prestige and protection of the brand, in both the “physical” and “digital” channels. In this respect approximately €18.1 million of the investments made in the half-year have a commercial nature and approximately €7.1 million regard production, logistics and IT/Digital.

More specifically, commercial investments relate to selective openings, the renovation of existing boutiques and showrooms, an increase in the selling areas in the Luxury Department Stores and the enlargement of prestigious boutiques, located in the most representative streets of the luxury capitals. Among the latter we would like to highlight the investment made in the new and larger boutique in Monte Carlo which was unveiled in July this year and accounts for around half the total expenditure made in the half year, and which on a par with the extension of the Milan – Montenapoleone flagship store in 2017 forms part of the multi-year project to represent our values and our “Solomeo” in an increasingly complete and exclusive manner.

Investments in IT/Digital took on particular importance (€3,323 thousand). These are instrumental to our desire to develop technology that is always on the cutting edge, supporting the technological platforms for running the physical and online boutiques as well as information systems, applications software and logistic structures for managing the related activities.
Among these, worthy of note is the key "Contemporary Factory" project in progress at 30th June 2018. This project expresses the Group's desire to embrace innovation through technology, while at the same time strengthening the "centrality of human beings". Universities and technological research centers (the University of Perugia, the MIT in Boston, the Bocconi in Milan and the IIT-Italian Institute of Technology in Genoa) and technology suppliers are involved in the project, which has the intention of developing a research and innovation-based strategy to foster the transformation of Italian manufacturing industry towards new product systems, processes and technologies, in line with the strategic agendas of the European Union. More specifically the initiative will be completed in November 2018, with the parties involved proposing a new production model in the fashion industry (to be implemented at "Brunello Cucinelli" brand satellite companies) that covers an area ranging from design to collections through to distribution in a process "accompanied, and not dominated, by the new systems".
Investments in production and logistics (€3,745 thousand) support the top quality craftsmanship of our products, thanks to the constant renewal of our production equipment which we keep always up-to-date, combining innovation in processes with superb handiwork and making suitable logistical structures available for managing the related activities.

The following is a graphical representation of the investments made by the Group in the first half of 2018, analyzed by business use:

NET DEBT

The following table provides details of net financial debt as required by Consob Communication no. DEM/6064293 of 28th July 2006 and by the CESR Recommendation of 10th February 2005 "Recommendations for the consistent application of the European Commission's Regulation on Prospectuses":

(In thousands of euro)	30th June 2018	31st December 2017	30th June 2017
A. Cash and cheques	(698)	(450)	(511)
B. Other liquid assets	(50,570)	(62,503)	(49,494)
C. Held-for-trading financial instruments	-	-	(1,959)
D. Cash and cash equivalents (A)+(B)+(C)	**(51,268)**	**(62,953)**	**(51,964)**
E. Current financial receivables	**(81)**	**(28)**	**(31)**
F. Current bank debt	15,739	3,878	30,193
G. Current portion of non-current debt	37,513	33,807	23,296
H. Other current financial payables	6,295	3,650	1,086
I. Current debt (F) + (G) + (H)	**59,547**	**41,335**	**54,575**
J. Net current debt (I) + (E) + (D)	**8,198**	**(21,646)**	**2,580**
K. Non-current bank debt	35,806	37,339	55,063
L. Bonds issued	-	-	-
M. Other non-current payables	34	10	1,790
N. Non-current debt (K)+(L)+(M)	**35,840**	**37,349**	**56,853**
O. Net debt (J)+(N)	**44,038**	**15,703**	**59,433**

At 30th June 2018 the Brunello Cucinelli Group's debt had fallen by €15,395 thousand over the corresponding balance at 30th June 2017 but had risen by €28,335 thousand over that at 31st December 2017, in line with the seasonality of movements in net debt, which has always been higher at the end of the second and third quarters only to fall again in the fourth quarter (31st December).

During the first six months of 2018 the Group took out new long-term loans for a total of €15.0 million and repaid loans amounting to €12.8 million.

Changes in the net financial position in the first half of 2018 are mainly the result of capital expenditure of €25.2 million, the purchase of the minority interest in the Russian subsidiary for €6.5 million, the payment of €18.5 million for dividends arising from the distribution of 2017 profits and the reduction of €2.4 million for taxes paid, mostly due to the fiscal benefit obtained through the "patent box" scheme.

Finally it should be noted that:

- line item "H. Other current financial payables" mainly refers to financial debt arising on the purchase of the minority interest in OOO Brunello Cucinelli RUS, the measurement of the put option for the purchase of a minority interest in Brunello Cucinelli Japan Co., Ltd. and current liabilities for derivative instruments hedging interest rate risk;
- line item "M. Other non-current payables" relates to the non-current liability balance for derivative instruments hedging interest rate risk.

EQUITY

The following table provides details of shareholders' equity at 30th June 2018, 31st December 2017 and 30th June 2017:

(In thousands of euro)	30th June 2018	31st December 2017	30th June 2017
Share capital	13,600	13,600	13,600
Reserves	219,698	194,284	196,231
Net profit attributable to shareholders of parent company	26,082	51,117	19,580
Equity attributable to shareholders of parent company	**259,380**	**259,001**	**229,411**
Equity attributable to non-controlling interests	2,074	4,190	7,908
Total equity	**261,454**	**263,191**	**237,319**

Share capital at 30th June 2018 consisted of 68,000,000 fully paid ordinary shares amounting to €13,600 thousand. The shareholding structure of Brunello Cucinelli S.p.A at 30th June 2018 as compiled from the communications sent to the Company and Consob and from other communications to the market is set out below:

Shareholder	Number of shares	% of ordinary share capital
Fedone S.r.l.	34,680,000	51.00%
FMR Llc	6,800,000	10.00%
Oppenheimer Funds, Inc.	3,304,800	4.86%
Other shareholders	23,215,200	34.14%
Total	**68,000,000**	**100.00%**

A full description of changes in equity may be found in the specific schedule and in note 12 to the financial statements.

RECONCILIATION BETWEEN EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET PROFIT

The following is a reconciliation of the equity and net profit of the parent company and consolidated equity and net profit as of and for the six months ended 30th June 2018:

(In thousands of euro)	**30th June 2018**	
	Equity	**Net profit**
Financial statements of the parent company	**277,941**	**31,125**
Difference between the equity of consolidated shareholdings and their carrying amount	3,767	793
Elimination of intercompany transactions	(35,737)	(6,723)
Elimination of dividends	-	(724)
Tax effect of consolidation adjustments	13,582	2,166
Other	(173)	(555)
Total attributable to owners of the parent	**259,380**	**26,082**
Equity and net profit attributable to non-controlling interests	2,074	(302)
Consolidated financial statements	**261,454**	**25,780**

OPERATING AND FINANCIAL RATIOS

The main operating and financial ratios for the Brunello Cucinelli Group for the periods under review are provided below. The figures as of and for the six months ended 30th June 2018 have been normalized to highlight the effect of the estimated tax benefit arising from the "patent box" scheme, while the figures at 30th June 2017 are based directly upon the financial statements.

PROFITABILITY RATIOS

The following table sets out trends in the main profitability ratios at 30th June 2018 and 2017.

	30th June 2018	**30th June 2017**
ROE – *Net profit for the period/Average equity in the period*	9.10%	8.57%
ROI – *Operating profit/Average net invested capital in the period*	11.83%	10.82%
ROS – *Operating profit/Revenues from sales and services*	12.75%	12.49%

FINANCIAL STABILITY RATIOS

Financial stability analysis is designed to assess the Brunello Cucinelli Group's ability to maintain a constant balance in the medium to long period between outgoing cash flows, arising from the repayment of sources, and incoming cash flows, arising from the monetary recovery of applications, so as to not undermine the Company's financial stability.

	30th June 2018	**30th June 2017**
Equity/Total assets	54.39%	51.91%
Total current assets/Total current liabilities	177.55%	194.79%

TURNOVER RATIOS

	30th June 2018	30th June 2017
Receivables turnover *Revenues from sales and services/Average trade receivables*	4.9 times	4.9 times
Average collection period for trade receivables *(Average trade receivables/Revenues from sales and services) * 180*	36.4	36.8
Payables turnover *(Costs for raw materials and consumables + Costs for services)/Average trade payables*	2.6 times	2.6 times
Average payment period for trade payables *(Average trade payables/(Costs for raw materials and consumables net of changes in inventories + Costs for services)) * 180*	66.8	67.5
Average days of inventory *Inventories - advances/Revenues from sales and services*	104.7	113.5

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to article 123-bis of the Consolidated Finance Law (TUF), the Company is required to prepare an annual report on corporate governance and ownership structures containing a general description of the governance system adopted by the Brunello Cucinelli Group and its ownership structure, including the main governance practices applied and the characteristics of its risk management and internal control system in relation to its financial reporting process.
This report, approved by the Board of Directors at its meeting of 7th March 2018, may be consulted in the Governance section of the Company's website at http://investor.brunellocucinelli.com/eng/.

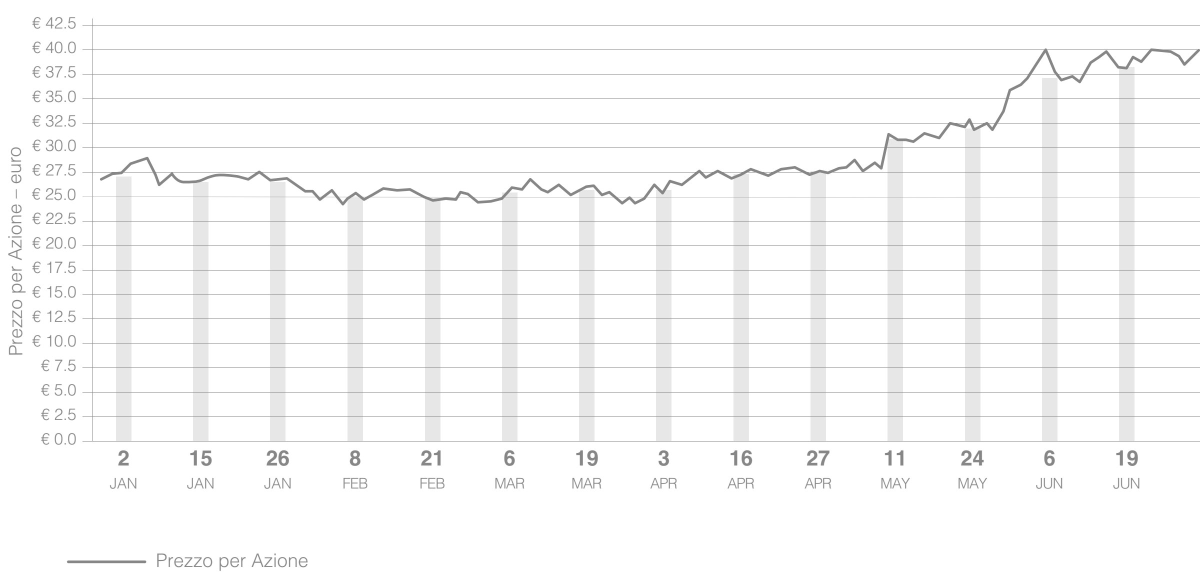
PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. ELECTRONIC STOCK EXCHANGE (MTA)

On 30th June 2018, the final trading day of the period, the official closing price of the Brunello Cucinelli share was €38.25 (+393.5% compared to the €7.75 per share set for the IPO, +41.6% compared to it closing value of €27.01 at the end of financial 2017). Market capitalization on 30th June 2018 was €2,601,000 thousand.

The following table provides details of the Company's share price and performance between 1st January 2018 and 30th June 2018:

	Euro	Date
IPO price	7.75	-
Minimum price(1)	24.70	6th Feb 18
Maximum price(1)	39.20	25th June 18
Official price	38.25	30th June 18
Capitalization	2,601,000,000	30th June 18
Number of outstanding shares	33,320,000	30th June 18
Free float	1,274,490,000	30th June 18

(1): Highs and lows recorded during daily trading which accordingly do not coincide with the official reference prices for the day.



SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2018

Sale of the Company's shares by Fedone S.r.l.
On 9th January 2018, Fedone S.r.l., the Company's controlling shareholder, sold 4,080,000 of the Company's shares, corresponding to 6.00% of its share capital, through an accelerated bookbuild offering reserved for institutional investors. Mediobanca – Banca di Credito Finanziario S.p.A. acted as Sole Bookrunner for the placement. As announced to the market on the same date, Fedone confirmed its full commitment to remain the controlling shareholder of the Company in the very long term.
Following the completion of the operation Fedone S.r.l. now holds a total of 34,680,000 of the Company's ordinary shares, corresponding to 51% of its share capital.

Purchase of an industrial building by the subsidiary Max Vannucci S.r.l.
On 29th March 2018 the subsidiary Max Vannucci S.r.l. purchased the industrial building situated in the municipality of Corciano for a price of €1,530 thousand. The company had previously been leasing the building for a considerable time to carry out its operations.
The building was sold by Solomeo S.r.l., a related party of Brunello Cucinelli S.p.A. and accordingly also of Max Vannucci S.r.l.. Being material pursuant to Consob Regulation no. 17221/2010, the transaction was subject to the approval of the Board of Directors of Brunello Cucinelli S.p.A. and the related party transactions procedure adopted by the parent company, which among other things requires verification by an independent valuer of the reasonableness of the price paid.

Meeting of the shareholders of Brunello Cucinelli S.p.A.
The ordinary general meeting of the shareholders of the parent company Brunello Cucinelli S.p.A. was held on 9th April 2018. Shareholders approved the financial statements for the year ended 31st December 2017 and resolved to allocate net profit for the year as follows: €18,360,000 to be paid as a dividend of €0.27 per share to shareholders and €29,284,766 to be carried forward as retained earnings.

Formation of "Brunello Cucinelli Singapore Pte. Ltd."
On 9th May 2018 the parent company made a capital payment of €51 thousand Singapore dollars into Brunello Cucinelli Singapore Pte. Ltd.. The remaining part of the capital was paid in by the minority shareholder Bluebell (Asia) Ltd.. Subsequently, on 31st May 2018, the parent company arranged for a capital increase of 200 thousand Singapore dollars, thereby increasing its interest to 83.67%.
The subsidiary will directly manage the two boutiques, previously run in the wholesale monobrand channel, that are situated in the luxurious locations of Orchard Road and Marina Bay Sands.

Acquisition of a minority interest in "OOO Brunello Cucinelli RUS"
On 5th June 2018 the parent company purchased a further 38% of the capital of its subsidiary OOO Brunello Cucinelli RUS at a price of €6,510 thousand, of which €3,546 thousand was paid on the signing of the agreement and €600 thousand on 30th July 2018, with the remainder of €2,364 thousand to be paid no later than 30th April 2019.
Following this transaction the parent company now holds 100% of the Russian subsidiary. The price paid for the purchase of the minority interest has been recognized in equity reserves in accordance with IFRSs.

RELATED PARTY TRANSACTIONS

Reference should be made to the notes to these condensed consolidated interim financial statements for a detailed description of related party transactions conducted in the first half of 2018.

FINANCIAL RISK MANAGEMENT

Full details of financial risks are provided in the section "Other information" in the notes to the financial statements, to which reference should be made.

SUBSEQUENT EVENTS

Conversion of the Copenhagen boutique to a directly operated store
"Brunello Cucinelli Denmark ApS" was formed on 2th July 2018. The company is a wholly-owned subsidiary of the Group and was set up to directly operate the boutique in Copenhagen, previously managed by a local partner under a wholesale monobrand commercial agreement.

BUSINESS OUTLOOK

Running alongside the very positive results for the first half of 2018 is an atmosphere of healthy positivity and above all intense creativity forming part of a sound project for the "human and sustainable growth" of the business.
Our desire to be "special" and "contemporary" in both the collection and relations with our "Human Resources" represents the cornerstone on which the sustainability of our growth and search for "healthy profit" is based.

Being "special" and "contemporary" enables us to keep exclusivity and allure, qualities constantly sought after by the highly sophisticated end customer who is looking for something unique, top quality products with the very highest level of craftsmanship characterized by a "young" and "modern" taste that we constantly endeavor to enrichen with the careful work of our Visual Merchandising.

We continue to run our business with the same values and the same philosophy, pursuing healthy growth, revenue and profit objectives, and the fine fall/winter sell-out performance permits us to confirm our positivity for the second half of the year. We are therefore envisaging a 2018 with double-digit growth both in terms of EBITDA and profits.

The excellent feedback from our 2019 spring/summer collections, with menswear orders collection already at an end and womenswear still in full selling campaign, allows us to have a very positive view of 2019, when we expect to see double-digit growth.
An important development, one which we would like to take full advantage of while still maintaining the basic values of our business: the quality of the product, created as always by highly-skilled craftsmen, balanced growth – which we envision sagely distributed between menswear and womenswear, between sales in Europe, the western world and the eastern world and across the various sales channels – and a business philosophy with respect, support and love for our Earth at its heart.

Chairman of the Board of Directors
Cav. Lav. Brunello Cucinelli

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2018

(In thousands of euro)	NOTE	30th June 2018	of which with related parties	31st December 2017	of which with related parties	30th June 2017	of which with related parties
Non-current assets							
Goodwill	1	7,045		7,045		7,045	
Intangible assets	2	30,784		23,950		26,540	
Property, plant and equipment	3	121,757	16,717	115,676	15,384	113,229	15,903
Other non-current financial assets	4	7,089	32	6,298	32	7,142	32
Deferred tax assets	23	17,898		15,693		17,653	
Total non-current assets		**184,573**		**168,662**		**171,609**	
Current assets							
Inventories	5	161,499		152,647		158,556	
Trade receivables	6	64,007	11	45,178	45	54,396	4
Tax receivables	7	1,799		2,777		1,176	
Other receivables and other current assets	8	13,429		12,923		13,691	
Other current financial assets	9	81		28		1,990	
Cash and cash equivalents	10	51,268		62,953		50,005	
Derivative financial instruments – current assets	11	364		4,856		5,767	
Total current assets		**292,447**		**281,362**		**285,581**	
Total assets		**477,020**		**450,024**		**457,190**	

(In thousands of euro)	NOTE	30th June 2018	of which with related parties	31st December 2017	of which with related parties	30th June 2017	of which with related parties
Equity							
Equity attributable to shareholders of parent company							
Share capital	12	13,600		13,600		13,600	
Share premium reserve	12	57,915		57,915		57,915	
Other reserves	12	161,783		136,369		138,316	
Net profit (loss) attributable to shareholders of parent company		26,082		51,117		19,580	
Total equity attributable to shareholders of parent company		**259,380**		**259,001**		**229,411**	
Non-controlling interests							
Capital and reserves attributable to non-controlling interests	12	2,376		2,822		7,636	
Net profit (loss) attributable to non-controlling interests	12	(302)		1,368		272	
Total equity attributable to non-controlling interests		**2,074**		**4,190**		**7,908**	
Total equity		**261,454**		**263,191**		**237,319**	
Non-current liabilities							
Post-employment benefits	13	3,187		3,184		3,080	
Provisions for risks and charges	14	846		891		804	
Non-current bank debt	15	35,806		37,339		55,063	
Non-current financial payables	16	-		-		1,718	
Other non-current liabilities	17	11,518		10,571		9,445	
Deferred tax liabilities	23	1,466		2,115		3,079	
Derivative financial instruments - non-current liabilities	11	34		10		72	
Total non-current liabilities		**52,857**		**54,110**		**73,261**	
Current liabilities							
Trade payables	18	69,752	357	65,261	412	61,932	216
Current bank debt	19	53,252		37,685		53,489	
Current financial payables	20	6,066		3,297		698	
Tax payables	21	5,261		1,434		4,388	
Derivative financial instruments - current liabilities	11	4,484		379		417	
Other current liabilities	22	23,894	79	24,667	36	25,686	48
Total current liabilities		**162,709**		**132,723**		**146,610**	
Total liabilities		**215,566**		**186,833**		**219,871**	
Total equity and liabilities		**477,020**		**450,024**		**457,190**	

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2018

(In thousands of euro)		Six months ended 30th June			
	NOTE	2018	of which with related parties	2017 (restated)	of which with related parties
Net revenues	24	269,486	9	247,238	7
Other operating income	24	584	22	1,176	15
Revenues		**270,070**		**248,414**	
Costs for raw materials and consumables	25	(41,679)	(44)	(37,919)	(4)
Costs for services	26	(132,940)	(1,466)	(121,791)	(1,408)
Payroll costs	27	(46,973)	(374)	(43,392)	(251)
Other operating costs	28	(2,829)		(2,557)	
Own work capitalized	29	1,080		697	
Depreciation and amortization	30	(11,793)		(10,567)	
Value adjustments to assets and other provisions	31	(496)		(1,860)	
Total operating costs		**(235,630)**		**(217,389)**	
Operating profit (loss)		**34,440**		**31,025**	
Financial expense	32	(17,102)		(13,115)	
Financial income	33	15,895		10,079	
Pre-tax profit (loss)		**33,233**		**27,989**	
Income taxes	23	(7,453)		(8,137)	
Net profit (loss) for the period		**25,780**		**19,852**	
Net profit attributable to shareholders of parent company	12	26,082		19,580	
Net profit attributable to non-controlling interests	12	(302)		272	
Basic earnings per share	34	0.38356		0.28794	
Diluted earnings per share	34	0.38356		0.28794	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2018

(In thousands of euro)		Six months ended 30th June	
	NOTE	2018	2017
Net profit (loss) for the period (A)		**25,780**	**19,852**
Other items of comprehensive income:			
Other items of comprehensive income that may be reclassified to profit or loss		**(2,498)**	**1,419**
Cash flow hedges	12	(4,215)	6,354
Tax effect	12	1,011	(1,525)
Change in cash flow hedge reserve	**12**	**(3,204)**	**4,829**
Exchange gains (losses) on translation of the financial statements of foreign operations		415	(2,523)
Exchange gains (losses) on net investments in foreign operations		383	(1,166)
Tax effect		(92)	279
Other items of comprehensive income that will not be reclassified to profit or loss	**12**	**(40)**	**(18)**
Remeasurement of defined benefit plans (IAS 19)		(52)	(18)
Tax effect		12	-
Total other comprehensive income net of tax (B)		**(2,538)**	**1,401**
Total comprehensive income for the period (A) + (B)		**23,242**	**21,253**
Attributable to:			
Shareholders of parent company		23,405	21,347
Non-controlling interests		(163)	(94)

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2018

(In thousands of euro)		Six months ended 30th June	
	NOTE	2018	2017
Cash flows from operating activities			
Net profit for the period	12	25,780	19,852
Adjustments to reconcile net income for the period to cash from (used in) operating activities			
Depreciation, amortization and write-downs	30	11,793	10,567
Allocation to provisions for employee benefits		43	32
Allocation to provisions for risks and charges/allowance for obsolescence/allowance for bad and doubtful debts		520	1,858
Change in other non-current liabilities		672	2,100
(Gains)/losses on disposal of non-current assets		(15)	138
Payments for employee termination indemnities		(94)	(44)
Payments from provisions for risks and charges		-	(295)
Net change in deferred tax assets and liabilities		(1,892)	(2,970)
Change in fair value of financial instruments		4,406	(2,502)
Change in operating assets and liabilities:			
Trade receivables	6	(18,797)	(5,970)
Inventories	5	(7,361)	(7,218)
Trade payables	18	2,094	3,394
Other current assets and liabilities		3,826	7,577
Cash flows from operating activities (A)		**20,975**	**26,519**
Cash flows from investing activities			
Investments in property, plant and equipment	3	(14,006)	(12,106)
Investments in intangible assets	2	(10,502)	(1,404)
Investments in financial assets	4	(657)	(1,253)
Disposal of property, plant and equipment and key money		390	348
Acquisition of OOO Brunello Cucinelli RUS, net of cash acquired		-	(8,334)
Cash flows (used in) investing activities (B)		**(24,775)**	**(22,749)**
Cash flows from financing activities			
Medium/long-term loans received		14,987	35,000
Medium/long-term loans repaid		(12,838)	(9,504)
Drawdowns/(repayments) of short-term loans		-	(26,591)
Net change in short-term financial liabilities		14,498	13,945
Net change in long-term financial liabilities		-	(632)
Dividends paid		(18,471)	(10,905)
Change in equity		(6,478)	-
Cash flows from (used in) financing activities (C)		**(8,302)**	**1,313**
Total cash flows (D=A+B+C)		**(12,102)**	**5,083**
Effect of exchange rates on cash and cash equivalents (E)		**417**	**(1,506)**
Cash and cash equivalents at the beginning of the period (F)	**10**	**62,953**	**46,428**
Cash and cash equivalents at the end of the period (G=D+E+F)	**10**	**51,268**	**50,005**
Additional information:			
Interest paid		697	1,069
Income taxes paid		4,442	6,756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2018

(In thousands of euro)	NOTE	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Net profit for the period	Total equity attributable to shareholders of parent company	Total equity attributable to non-controlling interests	Total equity
1st January 2018	12	**13,600**	**2,720**	**57,915**	**-**	**(1,739)**	**135,388**	**51,117**	**259,001**	**4,190**	**263,191**
Net profit for the period								26,082	26,082	(302)	25,780
Other profits/(losses)						565	(3,242)		(2,677)	139	(2,538)
Total comprehensive income		**-**	**-**	**-**	**-**	**565**	**(3,242)**	**26,082**	**23,405**	**(163)**	**23,242**
Allocation of net profit for the period	12						51,117	(51,117)	-	-	-
Dividends paid	12						(18,360)		(18,360)	(111)	(18,471)
Operation under common control							(4,636)		(4,636)	(1,874)	(6,510)
Change in consolidation scope									-	32	32
Other changes							(30)		(30)	-	(30)
30th June 2018	12	**13,600**	**2,720**	**57,915**	**-**	**(1,174)**	**160,237**	**26,082**	**259,380**	**2,074**	**261,454**

(In thousands of euro)	NOTE	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Net profit for the period	Total equity attributable to shareholders of parent company	Total equity attributable to non-controlling interests	Total equity
1st January 2017	12	**13,600**	**2,720**	**57,915**	**-**	**3,329**	**104,982**	**36,397**	**218,943**	**6,939**	**225,882**
Net profit for the period								19,580	19,580	272	19,852
Other profits/(losses)						(3,042)	4,809		1,767	(366)	1,401
Total comprehensive income		**-**	**-**	**-**	**-**	**(3,042)**	**4,809**	**19,580**	**21,347**	**(94)**	**21,253**
Allocation of net profit for the period	12						36,397	(36,397)	-	-	-
Dividends paid	12						(10,880)		(10,880)	(25)	(10,905)
Change in consolidation scope: acquisition of 62% of OOO Brunello Cucinelli RUS									-	1,088	1,088
Other changes							1		1	-	1
30th June 2017	12	**13,600**	**2,720**	**57,915**	**-**	**287**	**135,309**	**19,580**	**229,411**	**7,908**	**237,319**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been prepared pursuant to article 154-ter of Legislative Decree no. 58 of 24th February 1998 (TUF) as amended, on the basis of IAS 34 *Interim Financial Reporting*, and were submitted to the directors for approval on 28th August 2018.

The condensed consolidated interim financial statements at 30th June 2018 comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and these notes.

The consolidated statements present comparative figures at 31st December 2017 for the consolidated statement of financial position and for the period ended 30th June 2017 for the other primary statements.

The currency used is the euro and all amounts are rounded to thousands of euro unless otherwise stated.

The items in the consolidated statement of financial position are presented in order of liquidity, where:

– non-current assets consist of items that are expected to be recovered after more than twelve months and include intangible assets, property, plant and equipment and financial assets;
– current assets consist of items that are expected to be recovered after no more than twelve months;
– non-current liabilities consist of items that are expected to be settled after more than twelve months, including loans, provisions and the employees' termination indemnity (TFR);
– current liabilities consist of items falling due after no more than twelve months, including the short-term portion of long-term loans, provisions and the employees' termination indemnity (TFR).

The format for the consolidated income statement classifies costs by nature.

The consolidated cash flow statement has been prepared using the indirect method and is presented in accordance with IAS 7, classifying cash flows into operating activities, investing activities and financing activities.

With reference to Consob Resolution no. 15519 of 27th July 2006 and Communication DEM no. 6064293 of 28th July 2006, the financial statements present information on significant related party transactions in order to provide a more complete disclosure, and income and expense arising from non-recurring events or transactions, if significant, is shown separately in the comments provided by management and in the financial disclosures.

1.2 STATEMENT OF COMPLIANCE WITH IFRSS

The condensed consolidated interim financial statements at 30th June 2018 have been prepared in accordance with the international accounting standard on interim financial reports (IAS 34 *Interim Financial Reporting*). The condensed consolidated interim financial statements do not include all the disclosures required to be provided in the annual financial statements and accordingly, they should be read together with the Group's consolidated financial statements for the year ended 31st December 2017, published on the official website www.brunellocucinelli.com under Investor relations > Financial reports.

2. SCOPE OF CONSOLIDATION

The condensed consolidated interim financial statements present the financial position, results and cash flows of the parent company Brunello Cucinelli S.p.A. and its Italian and foreign subsidiaries, together identified as the Brunello Cucinelli Group, as of and for the six months ended 30th June 2018.

Such financial statements have been prepared on the basis of the accounting situations of the Company and its subsidiaries, suitably adjusted to comply with IFRSs.

Control is obtained when the Group is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. More specifically, the Group has control over an entity if and only if it has all of the following:
- power over the investee (meaning it has existing rights that give it the current ability to direct the relevant activities i.e. the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of its returns.

If the Group holds less than the majority of the voting rights (or similar rights) it considers all the facts and circumstances relevant for establishing whether it controls an investee, including:
- contractual agreements with other holders of voting rights;
- rights resulting from contractual agreements;
- the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The Group consolidates a subsidiary from the date it gains control of that subsidiary until the date it ceases to control it. The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the Group's comprehensive income from the date on which it gains control until the date it no longer exerts control.

All intercompany balances and transactions, including any unrealized profits or losses deriving from transactions with companies of the Brunello Cucinelli Group, are eliminated.

Acquisitions of subsidiaries are recognized under the purchase method, which involves allocation of the cost of the business combination to the fair value of the assets, liabilities, and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquired company from the acquisition date to the end of the period.

Profits and equity attributable to non-controlling interests represent the part of profit or loss and equity relating to the net assets not held by the parent company's shareholders and are shown in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income separately from profits and equity attributable to the shareholders of the parent company.

At 30th June 2018, the Brunello Cucinelli Group did not hold any investments in associates (associated companies in which the Group holds at least 20% of the voting rights or exercises significant influence, but not control or joint control over financial and operating policies) or joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control within the meaning of IFRS 11).

The following table provides summary information on the Company's subsidiaries at 30th June 2018, consisting of the company's name, registered office and percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital in currency	Percentage of control	
				Direct	Indirect
Brunello Cucinelli USA Inc.	Ardsley (NY) – USA	US dollar	1,500	100.00%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100.00%	
Sprl Brunello Cucinelli Belgium	Brussels – Belgium	Euro	20,000		100.00%
Sarl Brunello Cucinelli France	Paris – France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli GmbH	Munich – Germany	Euro	200,000	2.00%	98.00%
Brunello Cucinelli USA Retail LLC	Ardsley (NY) – USA	US dollar	1,182,967		70.00%
Brunello Cucinelli Retail Spain SL	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse SA	Lugano – Switzerland	Swiss franc	223,000	1.79%	87.89%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		75.50%
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China	RMB	186,000,600	100.00%	
Brunello Cucinelli Hellas SA	Athens – Greece	Euro	24,000		51.00%
Brunello Cucinelli Austria GmbH	Vienna – Austria	Euro	35,000	2.00%	98.00%
Brunello Cucinelli (England) Ltd.	London – United Kingdom	British pound	700		100.00%
Brunello Cucinelli Hong Kong Ltd.	Hong Kong	Hong Kong dollar	2,000,000	100.00%	
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macau	MOP	22,847,312	98.00%	2.00%
Pinturicchio S.r.l	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Brasil LTDA	São Paolo – Brazil	Real	8,700,000	98.00%	2.00%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		68.67%
Brunello Cucinelli Canada Ltd.	Vancouver – Canada	Canadian dollar	100	70.00%	
SAS Brunello Cucinelli France Resort	Courchevel – France	Euro	100,000		70.00%
OOO Brunello Cucinelli RUS	Moscow – Russia	Ruble	15,000,000	100.00%	
Brunello Cucinelli Singapore Pte. Ltd.	Singapore	Singapore dollar	300,000	83.67%	

There were changes in the scope of consolidation in the first half of 2018 following the formation of "Brunello Cucinelli Singapore Pte. Ltd.". A description of this operation can be found in the section "Significant events during the first half of 2018".

3. ACCOUNTING STANDARDS

3.1 INTRODUCTION

The condensed consolidated interim financial statements at 30th June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and were approved by the directors on 28th August 2018.

3.2 GENERAL BASIS OF PREPARATION

The condensed consolidated interim financial statements at 30th June 2018 drawn up pursuant to article 154-ter of Legislative Decree no. 58/98 as amended, as well as the Consob Issuers' Regulation, have been prepared in accordance with the international accounting standards (IAS/IFRS) adopted by the European Union and in particular IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all the disclosures required for the annual financial statements and accordingly, they should be read together with the Group's consolidated financial statements for the year ended 31st December 2017, also available on the corporate website.

The accounting principles used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements at 31st December 2017, with the exception of those included in any new standards, amendments or interpretations effective at 1st January 2018. The Group has not early adopted any new standard, amendment or interpretation that has been issued but is not yet effective.
The nature and effects of these changes are described below. Although these new standards and amendments are applicable for the first time in 2018, they have not had any material effect on the Group's consolidated financial statements or its condensed consolidated interim financial statements. The nature and effect of each new standard/amendment is provided in the following.

3.3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group has not early adopted any new standard, amendment or interpretation that has been issued but is not yet effective.
The Group adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* for the first time at 1st January 2018, both of which require a restatement of previous financial statements in the case of full retrospective application. As required by IAS 34 the nature and effects of these changes are set out in the following.

IFRS 15 ***Revenue from Contracts with Customers***

IFRS was issued in May 2014 and introduces a five-step model applicable to revenue from contracts with customers. It replaces all the previous IFRS requirements on revenue recognition (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 requires revenue to be recognized for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The standard is effective for accounting periods beginning on or after 1st January 2018 with full or modified retrospective application. Early application is permitted.

The Group has applied the new standard from the mandatory effective date using the full retrospective method. It undertook an analysis to assess the effect of IFRS 15 by simulating the application of the standard to trading practices and contracts belonging to the main retail, wholesale monobrand and wholesale multibrand revenue streams identified at a Group level. This assessment was completed during 2017.

In applying IFRS 15 the Group took the following points into consideration:

a) Sale of goods – retail sector

For the geographical areas Italy, Europe and Greater China the Group did not identify any material effect on its revenues or profit or loss from applying IFRS 15 to contracts with customers for which the sale of the goods is the only obligation.

On the other hand applying IFRS 15 to certain types of contract in the geographical areas North America and the Rest of the World the Group identified an analogous increase in net revenues and costs for services with no change occurring to retained earnings at 31st December 2017.

In these two geographical areas the Group sells its products through department stores that act as agents and recharge the Group for the services rendered (the leasing of premises, publicity and marketing events, etc.) in relation to the value of the goods sold to the end customer. In these contracts the department store is not considered to be the main party responsible for fulfilling the promise to provide the goods to the end customer.

In addition, the department store has no discretional power to determine the price of the goods sold to the customer.

For these types of contract IFRS 15 requires revenue from sales to be stated gross with a separate indication of the costs for the services rendered by the department store as such services are separate from the sales of goods to the end customer.

The result of the application of IFRS 15 at 30th June 2017 was therefore the following:

– an increase of €3,911 thousand in net revenues;
– an increase of €3,911 thousand in costs for services;

The Group notes that under the new standard revenues should be recognized when control of the asset is transferred to the customer, which generally occurs on the delivery of the goods, in line with the accounting treatment under the previous standards (“revenue recognition at a point in time”).

b) Variable consideration – right of return
The Group only recognizes the right of return in residual cases that are ancillary to the ordinary commercial relationship it has with its customers. As a result, the analysis of contracts with customers that provide for the right of return of goods if exercised within a specific period of time did not lead to any material effect when applying IFRS 15. When a contract with a customer provides for the right of return the Group assesses the variable consideration in accordance with IFRS 15.

c) Presentation and required disclosures
The presentation and disclosure requirements of IFRS 15, fundamentally new, are more detailed then those of the previous standards. Nevertheless considering that the analysis of the contracts and revenue streams revealed the predominance of recognizing revenue on the sale of products at a particular moment ("revenue recognition at a point in time") and given the fact that the results of the assessments carried out did not indicate that any material estimates are made, the need did not arise to include any additional disclosures.
As required for condensed consolidated interim financial statements the Group has segregated revenues deriving from contracts with customers into categories that represent the extent to which the nature, amount, timing and uncertainties of revenues and cash flows are affected by economic factors: reference should be made to note 24 for segregated information for revenues.

IFRS 9 Financial instruments
In July 2015 the IASB issued the final version of IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 covers all three of the aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. The new standard is effective for accounting periods beginning on or after 1st January 2018; early application is permitted. With the exception of hedge accounting, retrospective application of the standard is required but it is not mandatory to provide comparative disclosures. With regard to hedge accounting, the standard applies prospectively as a general principle, with a few limited exceptions.

The Group has adopted the new standard from its effective date and has not restated the comparative information as there are no material effects on its balance sheet, financial position or equity.

Classification and measurement
The Group has not identified any material effects on its financial statements or equity resulting from the application of the classification and measurement requirements in IFRS 9. It has therefore continued to measure at fair value all financial assets previously recognized at fair value. Loans and trade receivables are held for the purpose of collection at the contractual due dates of the cash flows representing the payment of principal and interest. The Group has assessed the characteristics of the contractual cash flows of these instruments and has concluded that they meet the criteria for measurement at amortized cost under IFRS 9. These financial instruments have therefore not been reclassified.

a) Impairment
IFRS 9 requires the Group to recognize the expected credit losses on all bonds in its portfolio and loans and trade receivables considering either a 12-month period or the entire contractual period of the instrument.
The Group has applied the simplified approach and recognized the expected losses on all trade receivables over their residual duration, establishing a provisioning policy based on the historical experience of each individual Group company for losses on loans and receivables as adjusted to take account of specific forecasting factors relating to creditors and the economic environment. In this respect in 2017 the Group analyzed the historical insolvency percentage of its customer portfolio and supplemented that historical information with that already used in the existing valuation procedure. The Group already carried out a risk analysis by category of receivable on the basis of country risk, the residual duration and the recovery procedures used. As a result, the requirements of IFRS 9 have not led to any overall material effect on the Group's equity.

b) Hedge accounting
The Group has established that all its existing hedging relationships which are currently designated as effective continue to qualify for hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not change the general principle under which a company recognizes effective hedging relationships, the application of the requirements of IFRS 9 for the purposes of defining hedges has not had any material effect on the Group's financial statements.

3.4 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

IFRS 16 *Leases*
IFRS 16 was published in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single lessee accounting model, with a treatment similar to that of finance leases under IAS 17. Under the new standard there are two recognition exemptions for lessees, one for leases of low-value assets (e.g. personal computers) and one for short-term leases (e.g. leases of 12 months or less). Upon commencement of the lease the lessee recognizes a liability for the lease payments (the lease liability) and an asset which represents the right to use the underlying asset for the term of the agreement (the right-of-use asset). Lessees must account separately for the interest expense on the lease liability and the depreciation of the right-of-use asset.
Lessees must also remeasure the lease liability on the occurrence of specific events (e.g. a change in terms and conditions of the lease, a change in future lease payments as a result of a change in an index or an interest rate used to determine those payments). The lessee generally treats remeasurements of the lease liability as adjustments to the right-of-use asset.
Under IFRS 16 the accounting treatment for lessors is largely the same at that under IAS 17. Lessors continue to classify leases as either operating leases or finance leases.

IFRS 16 requires more extensive disclosure than IAS 17 for both lessors and lessees.

IFRS 16 will be effective for annual periods beginning on or after 1st January 2019. Early application is permitted but only for companies which have also adopted IFRS 15. A lessee may elect to apply IFRS 16 by using a fully retrospective approach or a modified retrospective approach. The transitional provisions laid down by the standard allow certain reliefs.
The main effects on the Group's consolidated financial statements, which are currently being estimated and assessed, are as follows:

– statement of financial position: increase in non-current assets for the recognition of a "right-of-use leased asset" with counter-entry to an increase in financial liabilities;
– income statement: a different qualification and classification of costs: depreciation of the "right-of-use asset" and "interest expense" instead of "lease expense" as per IAS 17, with the resulting positive effect on profitability;
– alternative performance indicators: the different qualification and classification of costs will have an effect on EBITDA, net invested capital, net debt and the other operating and financial ratios.

In 2018 the Group will continue to determine the potential effects of IFRS 16 on its consolidated financial statements., also analyzing any effects on financial statement items strictly related to the lease contracts.

3.5 DISCRETIONARY ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements requires the directors of the parent company to make subjective measurements, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. The actual results could differ from these estimates. The main processes used in making such discretionary estimates and measurements relate to the recognition and measurement of the following items.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which these losses can be utilized. A discretionary assessment is required by the directors to determine the amount of deferred tax assets that can be recognized, which is based on an estimate of the likely timing and amount of future taxable profits.

Post-employment benefits (the employees' termination indemnity or "TFR") and the agents' supplementary termination indemnity provision

Post-employment benefits and the agents' supplementary termination indemnity provision for the Group's Italian companies are measured using actuarial valuations. These valuations require assumptions to be made about discount rates, staff turnover and mortality rates. Because of the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty.

Allowance for bad and doubtful debts
The allowance for bad and doubtful debts represents management's best estimate of the amount required to adjust receivables to their estimated realizable value on the basis of information available at the date of preparation of the financial statements.

Useful lives of tangible and intangible fixed assets and impairment testing
The depreciation and amortization of property, plant and equipment and intangible assets with a finite useful life and the forward-looking data used for impairment testing require subjective estimates to be made by the directors. Such estimates are reviewed at every balance sheet date to ensure that the carrying amounts reflect the best estimates of the costs to be incurred by the Group, and in case of significant discrepancies the amounts are revised and updated.
Reference should be made to the paragraph "Impairment" in the notes that follow for a discussion of impairment testing.

Derivatives
The measurement of derivative instruments recognized as assets and liabilities requires the use of estimates and assumptions. The way in which fair value is determined and the risk inherent in derivative contracts to hedge currency risk and interest rate risk is managed are illustrated in the specific paragraph on "Derivatives" in the notes that follow. The estimates and assumptions considered are reviewed constantly and the effects of any changes are recognized immediately in the financial statements.
Estimates and assumptions are made by directors with the support of the corporate functions and, where appropriate, of independent professionals, and are reviewed on a periodic basis.

3.6 TRANSLATION OF FINANCIAL STATEMENTS IN A CURRENCY OTHER THAN THE EURO AND TRANSLATION OF FOREIGN CURRENCY ITEMS

The condensed consolidated interim financial statements are presented in euro, the functional and presentation currency adopted by the Company. Each Group entity establishes its own functional currency which it uses to measure the items included in the individual financial statements. Transactions in foreign currency are initially recognized at the exchange rate (referring to the functional currency) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate ruling at the balance sheet date.
All exchange differences are recognized in profit or loss.
Non-monetary items, measured at historic cost in foreign currency, are translated at the exchange rates at the date of the initial recognition of the transaction.
The financial statements of foreign companies being consolidated are translated into euro using the current exchange rate method by which balance sheet items are translated using the exchange rate at the balance sheet date and income statement items are translated using the average exchange rate for the period.
Translation differences are recognized directly in equity and presented in a separate reserve. On the sale of a foreign company the cumulative exchange differences in equity are recognized in profit or loss.

The following table shows the exchange rates used for calculating the amounts in euro that are expressed in foreign currency in the financial statements of subsidiaries (currency amount per euro):

	Average exchange rates		Closing exchange rates		
	30th June 2018	30th June 2017	30th June 2018	31st December 2017	30th June 2017
US dollar	1.2104	1.083022	1.1658	1.1993	1.1412
Swiss franc	1.1697	1.076638	1.1569	1.1702	1.093
Japanese yen	131.6057	121.780393	129.04	135.01	127.75
RMB	7.7086	7.444833	7.717	7.8044	7.7385
British pound	0.87977	0.86059	0.88605	0.88723	0.87933
Hong Kong dollar	9.4863	8.419925	9.1468	9.372	8.9068
Real	4.1415	3.443113	4.4876	3.9729	3.76
Canadian dollar	1.5457	1.445293	1.5442	1.5039	1.4785
Ruble	71.9601	62.78037	73.1582	69.392	67.5449
Singapore dollar	1.5737	*	1.5896	*	*

3.7 SEASONAL OR CYCLICAL ASPECTS OF INTERIM TRANSACTIONS

The Brunello Cucinelli Group carries out a business which although not subject to significant seasonal or cyclical trends in terms of total annual sales during the course of the year suffers from a lack of perfect homogeneity in the various months in terms of the flow of revenues and costs deriving from its activities. In addition, the market in which the Group operates is characterized by the typical seasonal nature of retail sales.
For these reasons an analysis of the interim results or operating and financial indicators cannot be considered to be entirely representative, and it would be erroneous to consider benchmark figures for the half year as strictly proportional to the full year. See also the Report on Operations for a further description of the seasonality phenomenon.

3.8 OPERATING SEGMENTS

For the purposes of IFRS 8 *Operating Segments* the Group's business is conducted in a single operating segment.

4. COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Note 1. Goodwill

The composition of goodwill at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Goodwill	7,045	7,045	-
Total goodwill	**7,045**	**7,045**	**-**

Goodwill at 30th June 2018 amounted to €7,045 thousand and is mainly due to the business combination that took place in 2017 for the acquisition of 62% of OOO Brunello Cucinelli RUS.
No movements in this item took place in the period ended 30th June 2018 and there were no indications of impairment.

Nota 2. Intangible assets

The composition of intangible assets at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Concessions, licenses, trademarks and similar rights	6,050	5,667	383
Key money	22,974	17,531	5,443
Other intangible assets	5	10	(5)
Assets under formation and advances	1,755	742	1,013
Total intangible assets	**30,784**	**23,950**	**6,834**

Details of historical cost, accumulated amortization and the net book value of intangible assets at 30th June 2018 with comparative figures at 31st December 2017 are as follows:

(In thousands of euro)	30th June 2018			31st December 2017		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Concessions, licenses, trademarks and similar rights	16,795	(10,745)	6,050	15,092	(9,425)	5,667
Key money	46,497	(23,523)	22,974	38,678	(21,147)	17,531
Other intangible assets	50	(45)	5	50	(40)	10
Assets under formation and advances	1,755	-	1,755	742	-	742
Total intangible assets	**65,097**	**(34,313)**	**30,784**	**54,562**	**(30,612)**	**23,950**

Intangible assets amounted to €30,784 thousand at 30th June 2018 and consisted principally of the key money paid to obtain the availability under lease arrangements of leased properties situated in prestigious locations either by taking over existing contracts or by obtaining the withdrawal of lessees in order to enter new agreements with the lessors.

The following table sets out the changes in the net book value of intangible assets for the six months ended 30th June 2018:

(In migliaia di Euro)	**Concessions, licenses, trademarks and similar rights**	**Key money**	**Other intangible assets**	**Assets under formation and advances**	**Total intangible assets**
1st January 2018	**5,667**	**17,531**	**10**	**742**	**23,950**
Increases	1,711	7,355	-	1,436	10,502
Net decreases	-	-	-	-	-
Translation differences	21	24	-	-	45
Value adjustments	-	-	-	-	-
Reclassifications	48	375	-	(423)	-
Changes in scope of consolidation	-	-	-	-	-
Amortization	(1,397)	(2,311)	(5)	-	(3,713)
30th June 2018	**6,050**	**22,974**	**5**	**1,755**	**30,784**

Investments for the half year amounted to €10,502 thousand, of which €7,355 thousand for key money; a further €2,982 thousand relates to the project to upgrade the information technology and IT/digital systems, which has been capitalized under the items "Concessions, licenses, trademarks and similar rights" (as to €1,547 thousand) and "Assets under formation and advances" (as to €1,435 thousand). This last item also includes the investments of €604 thousand in the "Contemporary Factory" project which will be completed in the second half of 2018.

There were no further indications during the period of a possible impairment of intangible assets.

Note 3. Property, plant and equipment

The composition of property, plant and equipment at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Land	4,718	4,201	517
Buildings	44,064	43,427	637
Leasehold improvements	50,723	48,697	2,026
Plant and machinery	3,646	3,304	342
Industrial and commercial equipment	1,815	1,985	(170)
Other assets	13,981	12,996	985
Assets under construction and advances	2,810	1,066	1,744
Total property, plant and equipment	**121,757**	**115,676**	**6,081**

Details of historical cost, accumulated depreciation and the net book value of property, plant and equipment at 30th June 2018, with comparative figures at 31st December 2017 are as follows:

(In thousands of euro)	30th June 2018			31st December 2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	4,718	-	4,718	4,201	-	4,201
Buildings	52,466	(8,402)	44,064	51,062	(7,635)	43,427
Leasehold improvements	89,678	(38,955)	50,723	83,022	(34,325)	48,697
Plant and machinery	11,579	(7,933)	3,646	10,972	(7,668)	3,304
Industrial and commercial equipment	6,902	(5,087)	1,815	6,223	(4,238)	1,985
Other assets	26,497	(12,516)	13,981	24,067	(11,071)	12,996
Assets under construction and advances	2,810	-	2,810	1,066	-	1,066
Total property, plant and equipment	**194,650**	**(72,893)**	**121,757**	**180,613**	**(64,937)**	**115,676**

The following table sets out the changes in the net book value of property, plant and equipment for the six months ended 30th June 2018:

(In thousands of euro)	Land	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and equipment
1st January 2018	**4,201**	**43,427**	**48,697**	**3,304**	**1,985**	**12,996**	**1,066**	**115,676**
Increases	517	1,189	5,787	834	705	2,408	2,608	14,048
Net decreases	-	-	(296)	(19)	(14)	(46)	-	(375)
Translation differences	-	-	649	2	5	114	7	777
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Value adjustments	-	-	(204)	(15)	-	(70)	-	(289)
Reclassifications	-	216	572	11	-	72	(871)	-
Depreciation	-	(768)	(4,482)	(471)	(866)	(1,493)	-	(8,080)
30th June 2018	**4,718**	**44,064**	**50,723**	**3,646**	**1,815**	**13,981**	**2,810**	**121,757**

In the first half of 2018 the Brunello Cucinelli Group made investments in property, plant and equipment of €14,048 thousand consisting mainly of the following:

- investments for a total of €1,706 thousand in "Land" and "Buildings", mainly relating to the purchase of an industrial building by the subsidiary Max Vannucci S.r.l.;
- investments of €5,787 thousand in "Leasehold improvements", principally due to the openings and expansion of DOS and wholesale monobrand stores and improvements to existing boutiques and showrooms throughout the world;
- investments totaling €3,781 thousand, of which €834 thousand recognized under "Plant and machinery" (mainly referring to new machinery for production), €705 thousand under "Industrial and commercial equipment" (mainly for investments made at sales points and at Solomeo headquarters), €2,242 thousand under "Other assets" (mainly referring to investments in furniture and furnishings at sales points as well as for usual development and upgrading activities for new machinery, furniture and furnishings, vehicles and equipment at the headquarters in Solomeo);
- investments of €166 thousand referring to the item "Historical collection";
- additional investments recognized in "Assets under construction and advances" totaling €2,608 thousand, mainly relating to the work carried out in setting up foreign DOS.

Investments in IT/Digital amounted to €341 thousand in the first half of 2018 and refer to tangible fixed assets.
There were no further indications during the period of a possible impairment of property, plant and equipment.

Note 4. Other non-current financial assets

The composition of other non-current financial assets at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Guarantee deposits	7,089	6,298	791
Total other non-current financial assets	**7,089**	**6,298**	**791**

Other non-current financial assets consist of guarantee deposits which mainly relate to amounts paid by the Brunello Cucinelli Group on entering lease agreements for monobrand stores.
The change for the half year includes amounts of €758 thousand for the increase arising from new payments made by the Group, €101 thousand for the decrease from reimbursements obtained during the period, €133 thousand due to the positive change in the balance arising from exchange rate effects on deposits held in foreign currency and €1 thousand from the increase generated by discounting balances at the balance sheet date.

Note 5. Inventories

The composition of inventories at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Raw materials and consumables	29,745	29,545	200
Work in progress and semi-finished goods	6,888	6,264	624
Finished goods and merchandise	124,866	116,838	8,028
Total inventories	**161,499**	**152,647**	**8,852**

The increase in inventories, essentially due to finished goods, arises mainly from changes in the store network which increased by three units over 31st December 2017, with one opening and two transfers from the wholesale monobrand channel as well as the opening of a sales point in Italy in a Luxury Department Store.
Inventories amounted to 30.2% as a proportion of net revenues for the past 12 months, in line with the figure at 31st December 2017 (30.3%).

The Group does not recognize an inventory obsolescence provision as its stock management policies provide for an efficient process of selling and disposing of residual items for every season.

Detailed comments on changes in working capital may be found in the Report on Operations.

Note 6. Trade receivables

Trade receivables at 30th June 2018 amounted to €64,007 thousand compared with €45,178 thousand at 31st December 2017. Detailed comments on changes in working capital may be found in the Report on Operations.

Trade receivables represent amounts due for the supply of goods and services and are all collectible in the short term.
The amount by which receivables in the financial statements have been written down is a reasonable estimate of the impairment arising from the specific non-collectability risk identified in these receivables.

Changes in the allowance for bad and doubtful debts during the period ended 30th June 2018, compared with the year ended 31st December 2017, are as follows:

(In thousands of euro)	30th June 2018	31st December 2017
At 1st January	**1,770**	**1,551**
Allocations	300	789
Utilizations	(345)	(570)
End of period	**1,725**	**1,770**

Allocations and utilizations are included under the item "Value adjustments to assets and other provisions" in the income statement.

There has been a slight improvement in the situation concerning overdue balances as shown by the following ageing table:

Overdue by:	30th June	
	2018	2017
0-90 days	6,686	7,345
91-180 days	3,729	3,880
More than180 days	3,513	3,651
TOTAL	**13,928**	**14,876**

With the overdue balance improving over the corresponding interim period of 2017, the increase in total trade receivables is due to amounts receivable from wholesale multibrand and monobrand customers which have yet to fall due. More specifically, wholesale turnover for the second quarter of 2018 rose by €6.8 million over the corresponding figure in 2017, due also to important and satisfying growth in the Greater China geographical area.

Note 7. Tax receivables

The composition of tax receivables at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
IRES corporate income tax receivables	-	1,794	(1,794)
IRAP regional production tax receivables	-	7	(7)
Other tax receivables	1,799	976	823
Total tax receivables	**1,799**	**2,777**	**(978)**

Tax receivables amounted to €1,799 thousand at 30th June 2018. "Other tax receivables" can be analyzed as follows: €359 thousand relates to the receivable recognized for the first time on 31st December 2013 following the filing of an application for the refund of IRES corporate income tax and IRPEF personal income tax and the related surcharges, paid as the result of the failure to deduct IRAP regional production tax relating to the costs incurred for employees and similar personnel as permitted by the provision of the Tax Revenue Office of 17th December 2012 in application of article 2 of Decree Law no. 201 of 2011 (the "Monti decree"); taxes of €1,440 thousand receivable by certain subsidiaries, mostly based outside Italy, arising from the prepayment of income tax.

Note 8. Other receivables and other current assets

The composition of other receivables and other current assets at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Receivable from the tax authorities	838	1,959	(1,121)
Other receivables	5,868	5,870	(2)
Prepayments and accrued income	5,947	4,117	1,830
Advances to suppliers	567	734	(167)
Due from agents	209	243	(34)
Total other receivables and other current assets	**13,429**	**12,923**	**506**

Receivables from the tax authorities amount to €838 thousand at 30th June 2018 compared to €1,959 thousand at 31st December 2017 and €1,131 thousand at 30th June 2017, and mainly refer to VAT receivables recognized by the parent company and subsidiaries.

Other receivables amount to €5,868 thousand at 30th June 2018 compared to €5,870 thousand at 31st December 2017 and €7,216 thousand at 30th June 2017, and mainly consist of balances settled by credit cards before period end for which payment has not yet been credited to the relevant bank accounts.

Prepayments and accrued income mostly arise from advance payments for lease instalments as is practice in the property market, advance payments for catalogues for the fall/winter collection which will be delivered in the following half year and charges for maintenance services relating to the IT/Digital sphere.

Advances to suppliers mainly relate to façonisti, the outsourced producers of the Brunello Cucinelli Group's products.

Note 9. Other current financial assets

Al 30th June 2018 other current financial assets amounted to €81 thousand

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**Change**
Financial receivables	81	28	53
Total other current financial assets	**81**	**28**	**53**

The amount relates to accrued income on loans at the balance sheet date.

Note 10. Cash and cash equivalents

The composition of cash and cash equivalents at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**Change**
Bank and post office deposits	49,923	61,868	(11,945)
Cash and other valuables	698	450	248
Cheques	647	635	12
Total cash and cash equivalents	**51,268**	**62,953**	**(11,685)**

The above amounts can be readily converted into cash, they are not liable to constraints or restrictions and are subject to an insignificant risk of change in value. The Brunello Cucinelli Group believes that the credit risk related to cash and cash equivalents is limited because this item refers mainly to deposits in various leading domestic and foreign banks.
Reference should be made to the cash flow statement for details of the sources and applications that generated changes in cash and cash equivalents in the period ended 30th June 2018 compared to those of the corresponding period in 2017.

Note 11. Derivatives

The Brunello Cucinelli Group enters certain derivative contracts to hedge the interest rate risk on its bank debt and the currency risk on sales made in currencies other than the euro.

The Company only takes out these contracts for hedging purposes as the Group's financial management policy does not permit trading in financial instruments for speculative purposes. Derivative financial instruments meeting the requirements of international accounting standards are accounted for using hedge accounting. Changes in the fair value of derivative financial instruments not qualifying for hedge accounting under international accounting standards are recognized in profit or loss in the relevant reporting period.

The interest rate and currency derivatives used by the Company are over the counter (OTC) instruments, meaning those negotiated bilaterally with market counterparties, and the determination of the relative current value is based on valuation techniques that use input parameters (such as rate curves, foreign exchange rates, etc.) observable on the market (level 2 of the fair value hierarchy included in IFRS 7).

The following is noted for outstanding financial instruments at 30th June 2018:

– all financial instruments at fair value form part of Level 2 (the same situation existed in 2017);
– there have been no transfers from Level 1 to Level 2 or vice versa in 2018;
– there have been no transfers from Level 3 to other levels or vice versa in 2018.

Derivatives are measured by taking as a reference the interest rates and yield curves observable at commonly quoted intervals.

Details of the composition of "Assets – derivative financial instruments" and "Liabilities – derivative financial instruments" at 30th June 2018 are set out below, with comparative figures at 31st December 2017.

(In thousands of euro)	30th June 2018	31st December 2017	Change
Current assets for derivative instruments hedging currency risk	364	4,856	(4,492)
Current assets for derivative instruments hedging interest rate risk:			
– Current assets for derivative instruments hedging interest risk accounted for using hedge accounting	-	-	-
– Current assets for derivative instruments hedging interest risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments - current assets	**364**	**4,856**	**(4,492)**
Current liabilities for derivative instruments hedging currency risk	(4,255)	(26)	(4,229)
Current liabilities for derivative instruments hedging interest rate risk:			
– Current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(229)	(353)	124
– Current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments - current liabilities	**(4,484)**	**(379)**	**(4,105)**
Non-current liabilities for derivative instruments hedging currency risk	-	-	-
Non-current liabilities for derivative instruments hedging interest rate risk:			
– Non-current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(34)	(10)	(24)
– Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments - non-current liabilities	**(34)**	**(10)**	**(24)**

The contractual features and the relative fair value of derivative financial instruments hedging interest rate risk at 30th June 2018 and 31st December 2017 are as follows:

Derivatives on interest rate risk accounted for using hedge accounting

(In thousands of euro)	30th June 2018		31st December 2017	
	Current portion	Non-current portion	Current portion	Non-current portion
Derivative assets/(liabilities)	(229)	(34)	(353)	(10)
Total fair value of IRS	**(229)**	**(34)**	**(353)**	**(10)**

The contractual features and the relative fair value of derivative financial instruments hedging currency risk at 30th June 2018 and 31st December 2017 are as follows:

(In thousands of euro)	Negative fair value		Positive fair value	
	30th June 2018	31st December 2017	30th June 2018	31st December 2017
Derivative assets/(liabilities)	(4,255)	(26)	364	4,856
Total fair value of forward foreign exchange contracts	**(4,255)**	**(26)**	**364**	**4,856**

As required by IFRS 13 a calculation was made of the credit value adjustment and debit value adjustment for the outstanding derivative financial instruments but the result obtained was not material in terms of recognizing the effects in the financial statements.

Note 12. Capital and reserves

Share capital at 30th June 2018 amounted to €13,600 thousand and consisted of 68,000,000 fully paid ordinary shares.

Equity at 30th June 2018 totaled €261,454 thousand, a decrease of €1,737 thousand over 31st December 2017.
Changes in equity in the six months arose from the net profit for the period and the distribution of a dividend of €18,360 thousand approved by the general meeting of the shareholders of the parent Brunello Cucinelli S.p.A. on 19th April 2018.
A dividend of €10,880 thousand was approved in the corresponding period of the previous year.

Details of changes in equity for the periods ended 30th June 2018 and 30th June 2017 can be found in the consolidated statement of changes in equity.

Other equity reserves at 30th June 2018 with comparative figures at 31st December 2017 were as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Legal reserve	2,720	2,720	-
Extraordinary reserve	169,874	140,589	29,285
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	(1,565)	1,639	(3,204)
IFRS first-time adoption reserve	(770)	(770)	-
Reserve for discounting TFR	(435)	(397)	(38)
Translation reserve	(1,174)	(1,739)	565
Consolidated retained losses	(9,927)	(8,733)	(1,194)
Total other reserves	**161,783**	**136,369**	**25,414**

The translation reserve consists of the accumulated exchange differences arising from the translation of foreign financial statements expressed in a currency other than the euro as well as the exchange differences generated by an intercompany loan (which at 30th June 2018 amounted to €13,724 thousand translated into euros) for which settlement is not planned nor likely to occur in the foreseeable future. As such it is classified and recognized initially in a separate component of equity in accordance with paragraph 15 of IAS 21 "Net Investment in a Foreign Operation".

Note 13. Post-employment benefits

This item consists exclusively of the termination indemnity due to employees of the Group's Italian companies as provided by article 2120 of the Italian civil code. The liability is discounted to present value by the means described in IAS 19, revised as of 1st January 2013.

The following table sets out the changes in liabilities for employee benefits for the period ended 30th June 2018 with comparative figures for the year ended 31st December 2017:

(In thousands of euro)	30th June 2018	31st December 2017
Present value of the obligation at the beginning of the period/year	**3,184**	**3,065**
Revaluation pursuant to article 2120 of the Italian civil code	73	163
Benefits paid	(94)	(79)
Change in scope of consolidation	-	-
Financial (income)/expense	(30)	(39)
Exchange differences	2	(4)
Actuarial (gains)/losses	52	78
Present value of the obligation at the end of the period/year	**3,187**	**3,184**

The main assumptions used in the calculation of the present value of the Italian employees' termination indemnity were as follows:

Financial assumptions

	30th June 2018	31st December 2017
Annual discount rate	1.31%	1.89%
Inflation rate	1.25%	1.25%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	30th June 2018	31st December 2017
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	30th June 2018	31st December 2017
Advances rate %	1.00%	1.00%
Turnover rate %	8.80%	8.80%

Workforce

The following table sets out the average number of employees by category, expressed in terms of full time equivalent:

	30th June 2018	31st December 2017
Managers and middle managers	60.2	59.3
Office and sales staff	1,145.0	1,057.6
Factory workers	488.0	488.4
Total workforce	**1,693.2**	**1,605.3**

Note 14. Provisions for risks and charges

Provisions for risks and charges relate mainly to the agents' supplementary termination indemnity provision, calculated in accordance with Italian legislation (article 1751-bis of the Italian civil code) and discounted to present value as required by IAS 37.

The following table sets out the changes in provisions for risks and charges for the period ended 30th June 2018 with comparative figures for the year ended 31st December 2017:

(In thousands of euro)	30th June 2018	31st December 2017
Agents' supplementary termination indemnity – balance at 1st January	**656**	**524**
Allocations	-	408
Utilizations	-	(330)
Actuarial (gains)/losses	(92)	54
Agents' supplementary termination indemnity – balance at end of period	**564**	**656**
Other provisions	282	235
Total provisions for risks and charges	**846**	**891**

The main assumptions used in the actuarial calculation of the agents' supplementary termination indemnity were as follows:

	30th June 2018	31st December 2017
Turnover rate – voluntary	6.00%	6.00%
Turnover rate – employer initiated	5.00%	5.00%
Discount rate	1.31%	1.51%

Note 15. Non-current bank debt

Non-current bank debt consists of long-term loans.

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 30th June 2018, showing the portion due within 12 months, between 1 and 5 years and after 5 years:

Description *(In thousands of euro)*	Outstanding balance at 30th June 2018	Amount due within 12 months	Amount due between 1 and 5 years	Amount due after 5 years
Total long-term loans	73,319	37,513	35,806	-
Total non-current bank debt	**35,806**			

Financial covenants exist on certain of these loans. These are calculated on an annual basis by referring to the consolidated financial statements of Brunello Cucinelli S.p.A..

Net debt

The following table provides details of the net debt of the Brunello Cucinelli Group at 30th June 2018 presented in accordance with the format of Consob Communication no. DEM/6064293 of 28th July 2006, together with comparative figures at 31st December 2017:

(In thousands of euro)	**30th June 2018**	**31st December 2017**
A. Cash and cheques	(698)	(450)
B. Other cash and cash equivalents	(50,570)	(62,503)
C. Held-for-trading financial instruments	-	-
D. Cash and cash equivalents(A)+(B)	**(51,268)**	**(62,953)**
E. Current financial receivables	**(81)**	**(28)**
F. Current bank debt	15,739	3,878
G. Current portion of non-current debt	37,513	33,807
H. Other current financial payables	6,295	3,650
I. Current financial payables (F) + (G) + (H)	**59,547**	**41,335**
J. Net current debt (I) + (E) + (D)	**8,198**	**(21,646)**
K. Non-current bank debt	35,806	37,339
L. Bonds issued	-	-
M. Other non-current payables	34	10
N. Non-current debt (K)+(L)+(M)	**35,840**	**37,349**
O. Net debt (J)+(N)	**44,038**	**15,703**

For detailed comments on this table reference should be made to the Report on Operations.

Note 16. Non-current financial payables

Non-current financial payables had a nil balance at 30th June 2018 and 31st December 2017. In previous periods this item regarded the loan entered into by the subsidiary Brunello Cucinelli Hong Kong Ltd. in respect of its minority shareholder which was extinguished in the second half of 2017 as a result of the acquisition of the entire stake by the parent company.

Note 17. Other non-current liabilities

Other non-current liabilities at 30th June 2018 amounted to €11,518 thousand compared with €10,571 thousand at 31st December 2017. The balance refers to amounts due after 12 months arising from the normalization of the rental payments for certain monobrand stores and showrooms in accordance with IAS 17.

(In thousands of euro)	30th June 2018	31st December 2017	Change
Deferred rent as per IAS 17	11,518	10,571	947
Total other non-current liabilities	**11,518**	**10,571**	**947**

Note 18. Trade payables

The composition of trade payables at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Trade payables to third party suppliers	69,752	65,261	4,491
Total trade payables	**69,752**	**65,261**	**4,491**

Trade payables represent amounts due for the supply of goods and services. Detailed comments on changes in net working capital may be found in the Report on Operations.

Note 19. Current bank debt

The composition of current bank debt at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Bank advances on bills and advances	15,739	3,878	11,861
Current portion of long-term loans	37,513	33,807	3,706
Total current bank debt	**53,252**	**37,685**	**15,567**

Bank advances refer to cash advanced on unaccepted trade bills and invoices which is used to finance operating activities.

The current portion of long-term loans refers to the portion of bank loans falling due within 12 months.

Note 20. Current financial payables

Current financial payables at 30th June 2018 amounted to €6,066 thousand, of which €2,964 thousand for a loan relating to the purchase of the minority interest in OOO Brunello Cucinelli RUS, €2,786 thousand for financial advances received from foreign clients to guarantee payments, €282 thousand for the value of the put option held by the minority shareholder in Brunello Cucinelli Japan Co., Ltd., and €34 thousand for the accrued interest on outstanding loans.

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**Change**
Current financial payables	6,032	3,257	2,775
Accrued loan interest	34	40	(6)
Total current financial payables	**6,066**	**3,297**	**2,769**

Note 21. Tax payables

Tax payables at 30th June 2018 amount to €5,261 thousand compared to €1,434 thousand at 31st December 2017 and €4,388 thousand at 30th June 2017.
This item mainly consists of the parent company's liabilities for IRES and IRAP and the liability for current taxes taken to the consolidation by subsidiaries.

(In thousands of euro)	**30th June 2018**	**31st December 2017**	**Change**
Current IRES corporate income tax payables	3,126	17	3,109
Current IRAP regional production tax payables	735	280	455
Other tax payables	1,400	1,137	263
Total tax payables	**5,261**	**1,434**	**3,827**

Note 22. Other current liabilities

The composition of other current liabilities at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Due to agents	2,312	2,215	97
Due to employees	7,971	6,040	1,931
Social security payables	2,843	3,809	(966)
Taxes withheld by the Italian companies (IRPEF and other withholdings)	1,939	2,895	(956)
VAT payables	1,425	1,843	(418)
Payables for current taxes not on income	675	936	(261)
Other payables	6,124	6,083	41
Accrued expenses and accrued income	605	846	(241)
Total other current liabilities	**23,894**	**24,667**	**(773)**

Amounts due to agents relate to accrued commissions payable by the Brunello Cucinelli Group to its agents but not yet paid at the balance sheet date.

Amounts due to employees consist of balances payable for June wages and salaries, settled during the first few days of July, and the accrual for vacation leave vested but not yet taken. Social security payables refer to contributions on wages and salaries paid in June and those recognized on an accruals basis in June but paid during the first days of July.

Taxes withheld by the Italian companies consist of end of period balances for IRPEF and withholding taxes paid over in July.

VAT payables relate for €678 thousand to the parent company Brunello Cucinelli S.p.A. and for the remainder to balances in the other Group companies.

Other payables mainly consist of advances that the Company receives before shipping goods to certain retail and wholesale customers, mostly situated abroad.

Note 23. Taxation

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 30th June 2018 with comparative figures at 31st December 2017 is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Deferred tax assets	17,898	15,693	2,205
Deferred tax liabilities	(1,466)	(2,115)	649

The deferred tax asset balance arises from the tax effect of the elimination of intercompany margins in inventories (€9,961 thousand), the recognition of deferred tax assets for the tax losses of subsidiaries (€4,234 thousand) and deferred tax assets (of €1,674 thousand) recognized by the parent company that arises mostly from unrealized currency transactions and currency hedging transactions.

Deferred tax assets are recognized to the extent that it is probable that sufficient future taxable profit will be available against which temporary deductible differences and carried forward tax assets and liabilities can be utilized.

INCOME TAXES

The composition of the income tax charge in the consolidated income statement is as follows:

(In thousands of euro)	30th June 2018	31st December 2017	Change
Current taxation	9,471	10,918	(1,447)
Deferred taxation (income)/expense	(1,967)	(2,680)	713
Prior year taxes	(51)	(101)	50
Total income tax charge in the consolidated income statement	**7,453**	**8,137**	**(684)**
Income taxes in comprehensive income	(931)	1,246	(2,177)
Total income taxes	**6,522**	**9,383**	**(2,861)**

Taxes are calculated using the best estimate at the balance sheet date of the expected annual tax rate. An amount of €2.0 million has been recognized for the estimated tax benefit arising for the "patent box" scheme.
In accordance with paragraph 16 A(c) of IAS 34 the Group has reported the most significant items in the Group's income tax balances, considering this information useful for obtaining an understanding of the total balance stated in the condensed consolidated interim financial statements.

5. COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 24. Revenues from sales and services

The composition of revenues from sales and services for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 (restated) is as follows:

(In thousands of euro)	30th June 2018	30th June 2017 (restated)	Difference
Net revenues	269,486	247,238	22,248
Other operating income	584	1,176	(592)
Total revenues from sales and services	**270,070**	**248,414**	**21,656**

Net revenues are earned from the sale of clothing and accessories of the Brunello Cucinelli Group. For detailed comments reference should be made to the Report on Operations.

Revenues may be analyzed by geographical area as follows:

(In thousands of euro)	Six months ended 30th June				Difference between the periods	
	2018	%	2017 (restated)	%	2018 vs. 2017	2018 vs. 2017%
Italy	43,826	16.3%	41,814	16.9%	2,012	+4.8%
Europe (1)	84,251	31.3%	75,234	30.4%	9,017	+12.0%
North America(2)	86,323	32.0%	84,263	34.1%	2,060	+2.4%
Greater China(3)	24,858	9.2%	18,371	7.5%	6,487	+35.3%
Rest of the World (RoW) (4)	30,228	11.2%	27,556	11.1%	2,672	+9.7%
Total	**269,486**	**100.0%**	**247,238**	**100.0%**	**22,248**	**+9.0%**

(1) "Europe" refers to the member states of the European Union (excluding Italy), the other countries of geographic Europe and the countries of the former Soviet Union.
(2) "North America" refers to the United States of America and Canada.
(3) "Greater China" refers to the People's Republic of China, Hong Kong, Macau and Taiwan.
(4) "Rest of the World" refers to all the other countries where the Group makes sales other than the above.

Revenues may be analyzed by distribution channel as follows:

(In thousands of euro)	Six months ended 30th June				Difference between the periods	
	2018	**%**	**2017 (restated)**	**%**	**2018 vs. 2017**	**2018 vs. 2017%**
Retail	133,920	49.7%	125,032	50.6%	8,888	+7.1%
Wholesale monobrand	19,778	7.3%	17,600	7.1%	2,178	+12.4%
Wholesale multibrand	115,788	43.0%	104,606	42.3%	11,182	+10.7%
Total	**269,486**	**100.0%**	**247,238**	**100.0%**	**22,248**	**+9.0%**

In accordance with the new accounting standard IFRS 15 the Group recognizes revenues for the sale of products at a point in time.
Reference should be made to the Report on Operations for comments on revenue performance.

Note 25. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June is as follows:

(In thousands of euro)	**30th June 2018**	**30th June 2017**	**Difference**
Costs for raw materials and consumables	49,056	45,379	3,677
Change in inventories	(7,377)	(7,460)	83
Total costs for raw materials and consumables	**41,679**	**37,919**	**3,760**

Reference should be made to the Report on Operations for comments on the differences.

Note 26. Costs for services

The composition of costs for services for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017 (restated)	Difference
Outsourced work	52,057	47,912	4,145
Commissions and accessory charges	6,584	6,205	379
Advertising and other marketing costs	14,732	12,528	2,204
Transport and duties	9,391	8,595	796
Lease expense	34,165	32,724	1,441
Credit card charges	2,264	2,253	11
Miscellaneous consulting	2,515	2,926	(411)
Directors' and statutory auditors' fees	1,175	1,155	20
Maintenance services	2,434	2,245	189
Insurance	757	723	34
Energy, gas, water, postal costs	2,086	1,870	216
Digital maintenance and assistance	726	443	283
Other general expenses	4,054	2,212	1,842
Total costs for services	**132,940**	**121,791**	**11,149**

The main "Costs for services" are discussed in the Report on Operations to which reference should be made. The other costs rose in total by €2.2 million over 30th June 2017 and mainly consist of staff travelling and transfer expenses, which increased significantly due to training activities (commercial and on the product at the Group's sales points), and costs for carrying out activities and research on the product and for visual merchandising; in addition of importance are the costs incurred for security at the Company's operating facilities and at all direct sales points and those incurred for staff training. In conclusion it should be noted that costs for services also include an amount of €2,026 thousand relating to expenses of an IT/Digital nature.

Note 27. Payroll costs

The composition of payroll costs for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Wages and salaries	36,290	34,135	2,155
Social charges	8,491	7,219	1,272
Employees' termination indemnity	1,293	1,164	129
Other payroll costs	899	874	25
Total payroll costs	**46,973**	**43,392**	**3,581**

Reference should be made to the Report on Operations for comments on the differences.

Note 28. Other operating costs

The composition of other operating costs for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Taxes and duties	1,230	1,089	141
Ordinary capital losses	23	180	(157)
Losses on bad debts	26	-	26
Miscellaneous operating costs	1,550	1,288	262
Total other operating costs	**2,829**	**2,557**	**272**

Note 29. Own work capitalized

The increase of €1,080 thousand in own work capitalized mainly relates to production costs incurred to develop the historical collection, costs for the "Contemporary Factory" project and costs for the internal fit out of the Group's boutiques. The balance at 30th June 2017 amounted to €697 thousand.

Note 30. Depreciation and amortization

The composition of depreciation and amortization for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Amortization of intangible assets	3,713	2,957	756
Depreciation of property, plant and equipment	8,080	7,610	470
Total depreciation and amortization	**11,793**	**10,567**	**1,226**

The increase in the depreciation and amortization charge is in line with the investments made by the Group. Reference should be made to the Report on Operations for comments on the differences.

Note 31. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€496 thousand in the first half of 2018 and €1,860 thousand in the first half of 2017) relate to allocations to the allowance for bad and doubtful debts and the agents' supplementary termination indemnity provision and adjustments to the residual net book value of tangible and intangible assets recognized on extending the Group's boutiques.

Note 32. Financial expense

The composition of financial expense for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Mortgage loan interest	265	331	(66)
Interest payable on advances	208	320	(112)
Bank interest	39	82	(43)
Realized exchange losses	9,041	7,201	1,840
Unrealized exchange losses	5,566	3,563	2,003
Financial expense on derivatives	1,839	1,427	412
Miscellaneous financial expense	144	191	(47)
Total financial expense	**17,102**	**13,115**	**3,987**

For a comment on the differences reference should be made to the Report on Operations where for completion a description is given of financial expense and financial income taken together.

Note 33. Financial income

The composition of financial income for the six months ended 30th June 2018 with comparative figures for the six months ended 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Bank interest	50	35	15
Interest income on securities and financial assets	-	5	(5)
Realized exchange gains	12,123	7,026	5,097
Unrealized exchange gains	3,257	2,907	350
Financial income on derivatives	12	16	(4)
Miscellaneous financial income	453	90	363
Total financial income	**15,895**	**10,079**	**5,816**

For a comment on the differences reference should be made to the Report on Operations where for completion a description is given of financial expense and financial income taken together.

Note 34. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing net profit for the period attributable to the ordinary shareholders of the Brunello Cucinelli Group by the weighted average number of outstanding ordinary shares during the period.

There is no difference between basic earnings per share and diluted earnings per share as there are no convertible bonds or other financial instruments with dilutive effects.

The following table shows net profit and share information used to calculate basic and diluted earnings per share:

	30th June 2018	30th June 2017
Net profit attributable to owners of the parent (*thousands of euro*)	26,082	19,580
Number of ordinary shares at the end of the period	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate basic earnings per share	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	68,000,000	68,000,000
Basic earnings per share (*in euro*)	0.38356	0.28794
Diluted earnings per share (*in euro*)	0.38356	0.28794

Note 35. Commitments and risks

Commitments and risks consist of the assets owned by the Brunello Cucinelli Group held at third party premises. The composition of the item at 30th June 2018 with comparative figures 30th June 2017 is as follows:

(In thousands of euro)	30th June 2018	30th June 2017	Difference
Assets with third parties	35	19	16
Total commitments and risks	**35**	**19**	**16**

Assets with third parties mainly relate to operating machines and electronic equipment lent at no charge to workshops and outside companies that use them to produce and supply the Group with articles of clothing and services.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

The following tables provide details of transactions and balances with related parties as of and for the period ended 30th June 2018:

(In thousands of euro)	Net revenues	Other operating income	Costs for raw materials and consumables	Costs for services	Payroll costs	Property, plant and equipment	Other non-current financial assets	Other payables	Trade receivables	Trade payables
MO.AR.R. S.n.c.	-	3	44	73	-	7,975	-	-	-	211
CMB Impianti Industriali S.r.l. (Cucinelli Giovannino)	-	-	-	3	-	5,692	-	-	-	4
AS.VI.P.I.M. Gruppo Cucinelli	-	2	-	410	-	6	-	-	-	-
Solomeo S.r.l.	-	2	-	459	-	3,035	32	-	-	3
Verna S.r.l.	-	2	-	223	-	-	-	-	-	45
Brunello Cucinelli family	3	-	-	-	374	-	-	79	-	-
Prime Service Italia S.r.l.	-	-	-	263	-	-	-	-	-	72
Fedone S.r.l.	-	2	-	32	-	-	-	-	-	20
Brunello Cucinelli Foundation	5	2	-	3	-	-	-	-	2	2
Parco Agrario Solomeo	1	4	-	-	-	9	-	-	2	-
S.C.R. Oratorio Interreligioso S.S.D. A.r.l.	-	5	-	-	-	-	-	-	7	-
Total related parties	**9**	**22**	**44**	**1,466**	**374**	**16,717**	**32**	**79**	**11**	**357**
Total consolidated financial statements	**269,486**	**584**	**41,679**	**132,940**	**46,973**	**121,757**	**7,089**	**23,894**	**64,007**	**69,752**
Proportion %	*0.00%*	*3.77%*	*0.11%*	*1.10%*	*0.80%*	*13.73%*	*0.45%*	*0.33%*	*0.02%*	*0.51%*

More specifically:

- MO.AR.R. S.n.c.: commercial relationships with the company MO.AR.AR S.n.c., in which Mr. Enzo Cucinelli, brother of Cav. Lav. Brunello Cucinelli, holds 50% of the share capital, relate to: (i) purchases of decorating materials used for fitting out exhibitions and fairs and (ii) investments for the furnishing of the new stores and offices;
- CMB Impianti Industriali S.r.l. (Cucinelli Giovannino): a company that is headed by Mr. Giovannino Cucinelli, Cav. Lav. Brunello Cucinelli's brother. Costs for services consist of expenses for the installation, maintenance and routine repair of plumbing and air conditioning systems; expenditure incurred for the installation and extraordinary maintenance of the above mentioned systems are capitalized in property, plant and equipment;
- AS.VI.P.I.M. Gruppo Cucinelli: this association conducts the surveillance of all of the buildings located in Solomeo and used by the Group for its business. Cav. Lav. Brunello Cucinelli and the Group are both members;
- Solomeo S.r.l.: a company in which Cav. Lav. Brunello Cucinelli is the Chairman and CEO; transactions mainly relate to the rental of and investments in property used by the Company for conducting operations in the area close by to the Company's headquarters;
- Verna S.r.l.: this company, whose shareholders are Cav. Lav. Brunello Cucinelli and Fedone S.r.l., provides services for the cleaning of the premises and factories of the Company's administrative and production facility in Solomeo;
- Brunello Cucinelli family: payroll costs consist of the remuneration due to the members of the family of Brunello Cucinelli.
- Prime Service Italia S.r.l.: this company, controlled by Cav. Lav. Brunello Cucinelli, provides transport services on behalf of Group companies;
- Fedone S.r.l., Brunello Cucinelli Foundation, Parco Agrario Solomeo and S.C.R. Oratorio Interreligioso S.S.D. A.r.l.: insignificant amounts relating mainly to recharges for services rendered.

SUBSEQUENT EVENTS

Reference should be made to the Report on Operations for significant events occurring after the reporting date of these condensed consolidated interim financial statements.

COMPENSATION OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

The compensation accruing and paid for any reason and in any form to members of the Board of Directors by Brunello Cucinelli S.p.A. and by direct and indirect subsidiaries at 30th June 2018 amounted to €480 thousand. The compensation accruing to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 30th June 2018 amounted to €127 thousand.

FINANCIAL RISK MANAGEMENT

Financial risks are managed on the basis of guidelines established the Board of Directors. The aim is to ensure a liability structure that remains balanced with the composition of assets to maintain adequate levels of solvency.

The Brunello Cucinelli Group is exposed to various types of financial risks connected with its core business. More specifically, the Group is simultaneously exposed to market risk (interest rate risk and currency risk), liquidity risk and credit risk.

Interest rate risk

It is the Company's policy to hedge its exposure on the long-term portion of debt for market risk arising from interest rate changes. To manage such risk the Company uses derivative instruments such as interest rate swaps (in certain cases with caps).

Currency risk

The Brunello Cucinelli Group is exposed to currency risk for the currencies (primarily the US dollar) in which sales are made to affiliates and third-party customers. This risk exists in the eventuality that the countervalue of revenues in euro may decrease in the event of adverse fluctuations in the exchange rate, thereby preventing the desired margin from being achieved.
To limit its exposure to the currency risk deriving from its business activities the Brunello Cucinelli Group enters into derivative contracts (forward exchange contracts) that predetermine the conversion rate or a range of conversion rates at future dates.
The forward contracts are stipulated when seasonal price lists in foreign currency are defined on the basis of estimated sales, with the expiry date of the derivative set as the expected collection date of the sales invoices. Specifically, the Company sets its selling prices in euro and calculates the corresponding prices in US dollars by applying the contracted forward exchange rate.

Liquidity risk

The Brunello Cucinelli Group manages liquidity risk by strictly controlling the items making up working capital and, in particular, receivables from customers and payables to suppliers.

The Group strives to obtain good cash generation in order to settle trade payables without jeopardizing its short-term cash requirements and to avoid criticalities and strains of available cash.

Credit risk

Credit risk is the Company's exposure to potential losses arising from the failure by counterparties to meet their obligations.

The Brunello Cucinelli Group's exposure to commercial credit risk refers only to sales made to the wholesale multibrand channel and to the wholesale monobrand channel, whereas the remaining turnover refers to sales in the retail channel where payment is made in cash or by credit or debit card.

The Brunello Cucinelli Group generally prefers to do business with customers with whom it has established a consolidated relationship over time. It is the Group's policy to carry out checks on the relative credit class for customers requesting extended payment terms, using information obtainable from specialized agencies and observing and analyzing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss.

BALANCES OR TRANSACTIONS DERIVING FROM ATYPICAL OR UNUSUAL OPERATIONS

It is hereby stated pursuant to Consob Communication no. DEM/6064293 of 28th July 2006 that the Group has not carried out any atypical or unusual operations as defined in that Communication.

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14TH MAY 1999 AS AMENDED

1. The undersigned Cav. Lav. Brunello Cucinelli, as chairman and managing director, and Moreno Ciarapica, as the manager in charge of preparing the corporate accounting documents of Brunello Cucinelli S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24th February 1998:
   - their adequacy with respect to the company and
   - the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements during the course of the first half of 2018.
2. No significant aspects arose from applying the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as of and for the six months ended 30th June 2018.
3. We also certify that:

   3.1 The condensed consolidated interim financial statements:

   a) have been prepared in accordance with the international accounting standards recognized by the European Community as per Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002;

   b) agree with the balances on the books of account and the accounting records;

   c) are suitable for providing a true and fair view of the financial position, results and cash flows of the issuer as well as the set of companies included in the consolidation.

   3.2 The interim report on operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and their effect on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of information on material transactions with related parties.

28th August 2018

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Managing Director

Moreno Ciarapica
Manager in charge of preparing
the corporate accounting documents

REPORT OF THE EXTERNAL AUDITORS ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS