BRUNELLO CUCINELLI

INTERIM FINANCIAL REPORT AT 30TH JUNE 2019

(courtesy translation for International Readers Only)

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

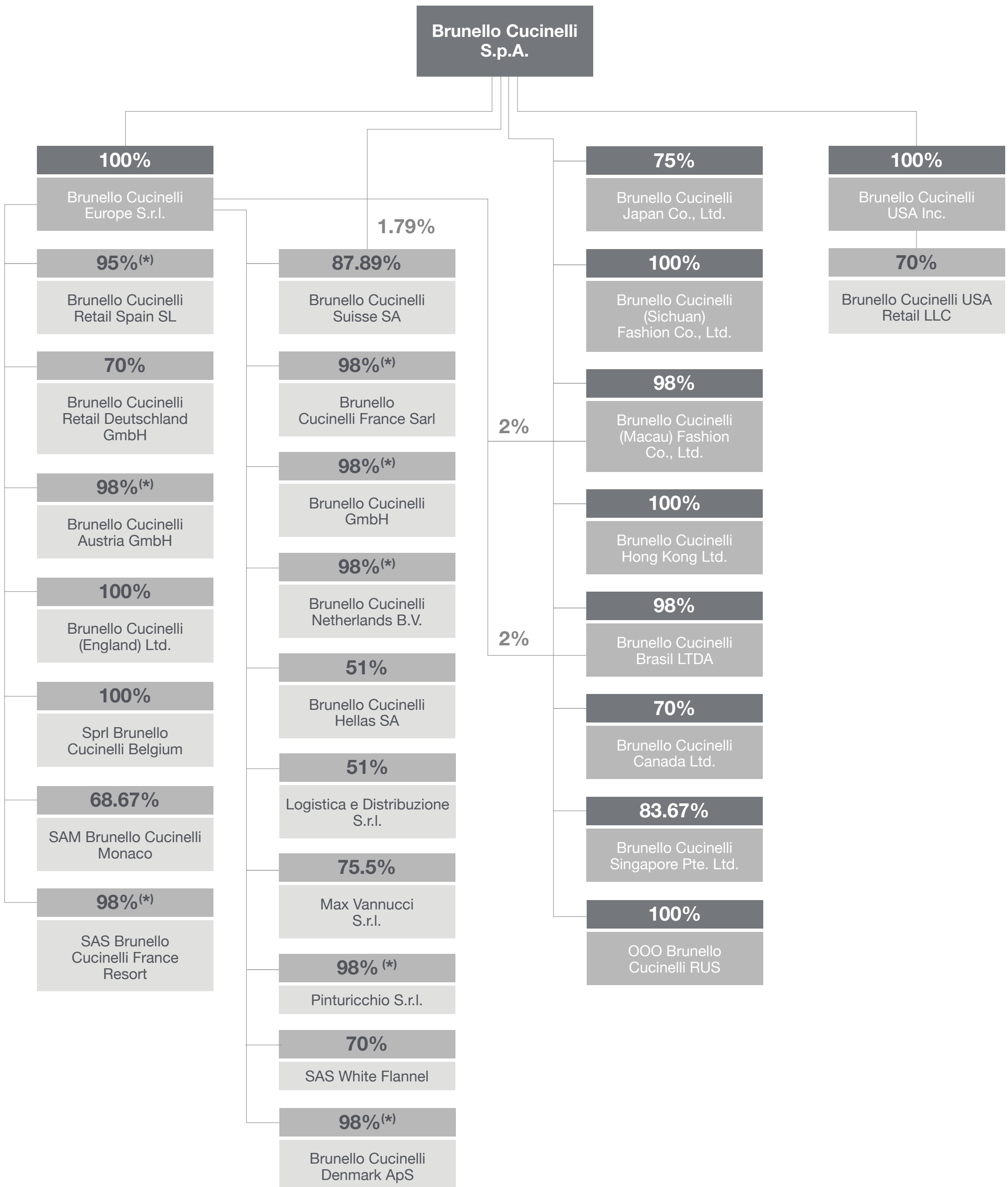
Corporate website.brunellocucinelli.com/ita/

CORPORATE GOVERNANCE BODIES AT 30TH JUNE 2019

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 2019



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

GROUP STRUCTURE AT 30TH JUNE 2019

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

  The retail channel also includes the turnover of the sales points managed under the Group's responsibility and with direct employees located inside the department stores; at 30th June 2019 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, 1 sales point in luxury department stores in Italy and 5 sales points in luxury department stores in Europe;
- 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-shops). 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 spaces 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 2019 compared to the situation at 30th June 2018:

Distribution channel	30th June 2019	30th June 2018
RETAIL	102	97
WHOLESALE MONOBRAND	28	29

The following table sets out existing sales points at 30th June 2019 by location:

	Italy	Europe	North America	China	Rest of the World (RoW)	Total
Total Brunello Cucinelli sales points	15	46	28	22	19	**130**

INTERIM REPORT ON OPERATIONS AT 30TH JUNE 2019

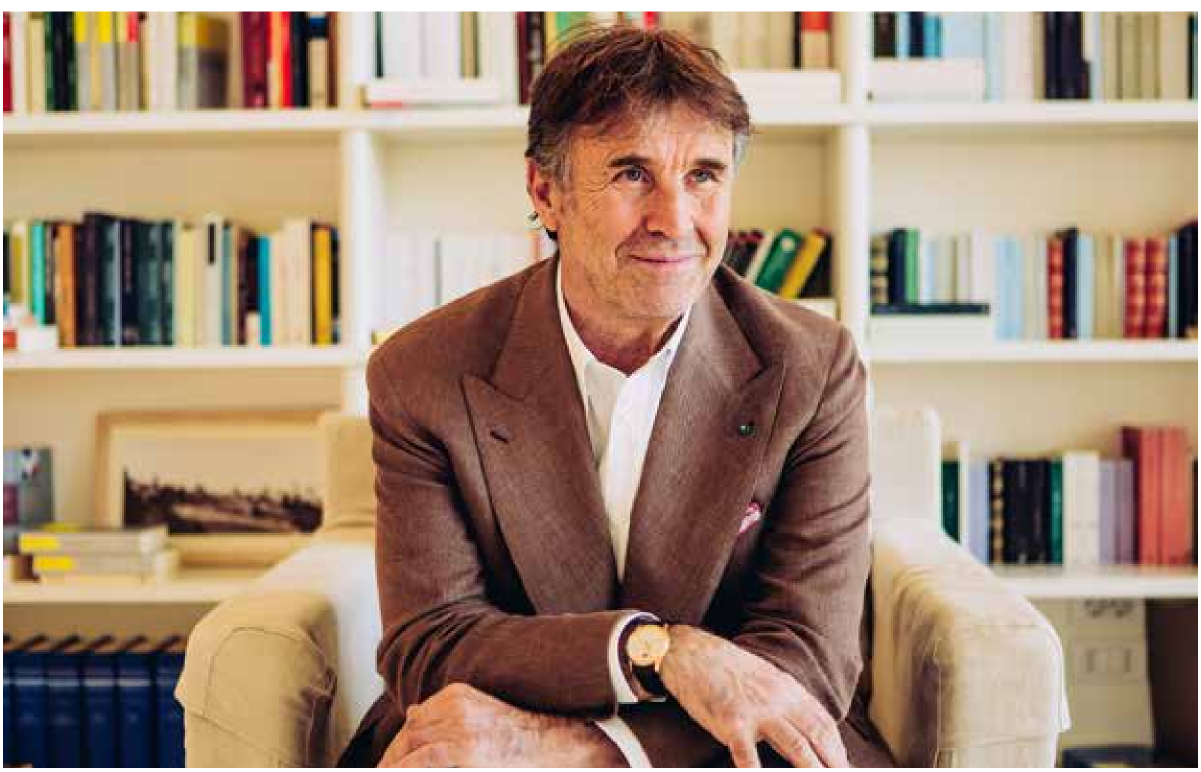
COMPANY INFORMATION

OUR COMPANY

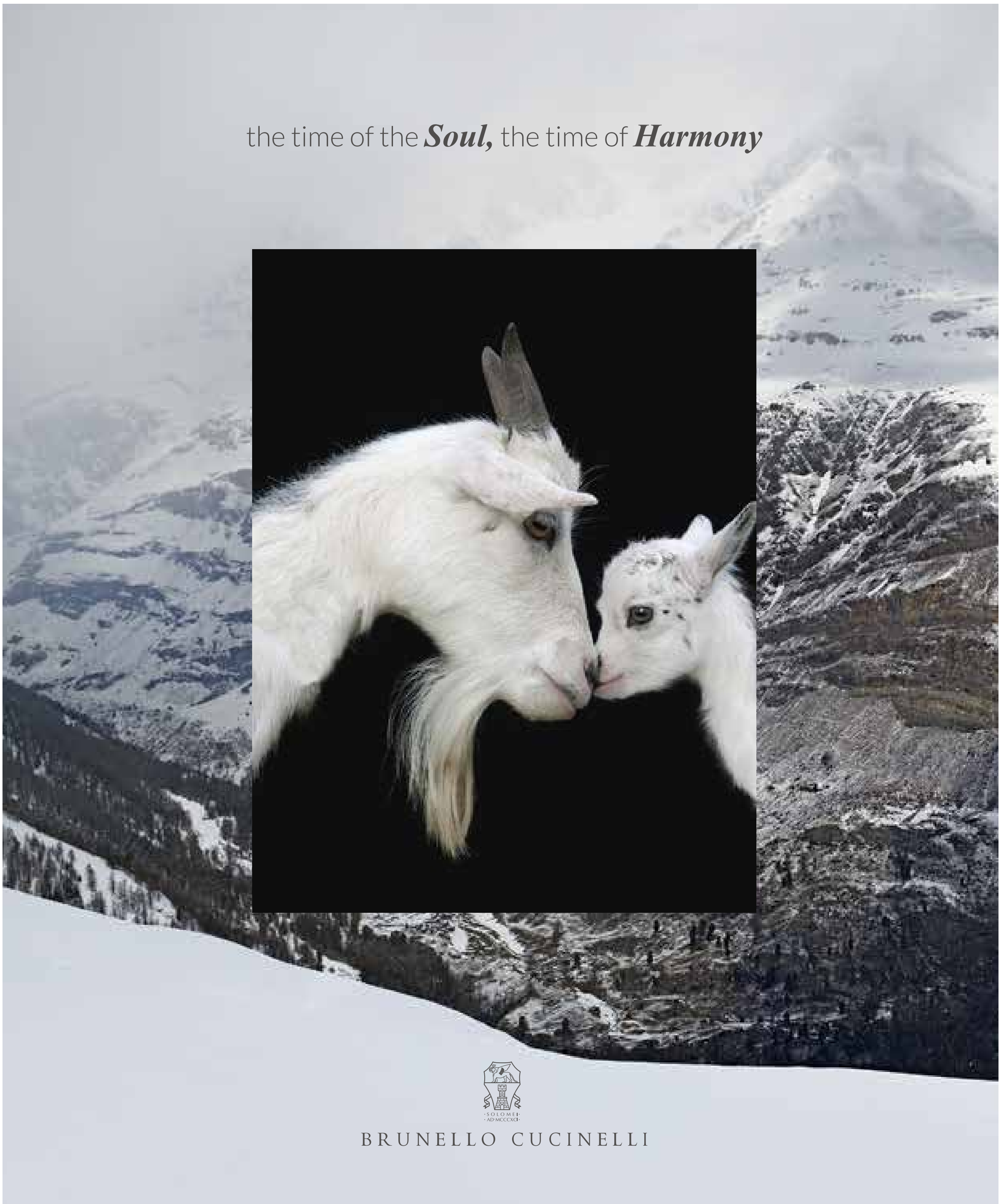
Brunello Cucinelli S.p.A. is a company registered as a legal entity under the laws of the Republic of Italy and has its registered office at Viale Parco dell'Industria 5, Solomeo (Perugia), Italy.

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, combined with 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 is 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.



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


the time of the *Soul,* the time of *Harmony*
SOLOMEI
AD MCCCXCI
BRUNELLO CUCINELLI

BRAND IDENTITY: PROTECTION OF DISTINCTIVE VALUES

The brand's philosophy and identity are firmly founded on "respect for the moral and economic dignity" of work and the people representing the daily life of the business, above all for the "knowing hands" of the artisan workshops to be found in Solomeo, in Umbria and in Italy which with dedication, care and top-level skills create our products.

The value of respect is reflected in the "gracious growth" that has characterized the performance of the business in the first half of 2019 and earlier years. Based on the right balance between profit and gift, on the construction of solid foundations for realizing future projects, the "gracious growth" of the business bases its evolution on the attempt to generate beauty, without ever causing harm to humanity. All these values form part of that idea of "humanistic capitalism" that the media have acknowledged over the years.

In accordance with the desire to ensure the dignity and enrich the beauty of the places in which the business and employees work and live, numerous projects have been carried out since 1985 to restructure and create what is now called the "Hamlet of the Spirit", which extends from Solomeo castle to the whole of the underlying valley. The relationship between the hamlet, the industrial zone and three parks designs a harmonic unity, on a human scale, which enhances the link between nature and the local territory and celebrates the highest aspirations of man with three "Monuments": the Theatre, the secular temple of culture; the Monument, dedicated to the dignity of man; and the Cellar, a symbol of the prolific relationship with the Earth.

Investments made for technical and technological innovation, the search for raw materials of the utmost quality, a craftsman's know-how instilled in unique and special clothes, the close and solid relationship with the craftsmen's workshops located throughout Italy, with the majority in Umbria – these all represent the cornerstones that have enabled the brand to reach the top level of prestige, affirming it as a reference point for the daytime ready-to-wear casual chic offer in the top quality luxury sector.

THE BRAND'S IMAGE AND EXCLUSIVITY

The "guardianship" of the brand's identity and exclusive allure is based on the balance between craftsmanship, obtaining the very best from tradition, attention towards new trends and research aimed at creating a contemporary taste. Also the investments supporting the distribution network form part of this "guardianship" through the selection of top-level locations in exclusive places, a consistent and up-to-date management of all spaces, in both the monobrand channel and all the areas assigned to the brand in the multibrand channel, and finally a careful management of all online publications.

In all our channels we aim to provide a welcoming, orderly and refined atmosphere based on Italian lifestyle and in particular the Italian home, developed in such a way as to bring out the features of the craftsmanship and virtues of the collection to the utmost and above all to instill customers with a relationship of trust based on a sharing of values. Visual Merchandising sharpens the brand's image by the care given to every detail of the set-up, always kept up to date for trends and the specific features of the places to enhance the taste of the collection. We receive considerable appreciation for our business values from our customers, who become ambassadors of our philosophy.

The very same philosophy which governs the life of Solomeo and dictates the standards followed in our boutiques and in our dedicated spaces can be recognized in the management and development of the digital channel, developed since 2015 on the basis of "Humanistic Artisans of the web". Modern technologies and innovations are always at the service of a human value, especially with the form of respect we identify as "Human Privacy" - the two websites "Philosophy" as the corporate and "Boutique" as the e-commerce channel – are an ethical and aesthetic continuity and have the common objective of transmitting the brand's values through a relaxed atmosphere, the sharing of reflections on contemporary themes and the presentation of products and inspirations. The way in which the two websites are managed is always based on brand protection, in particular to avoid the overlapping that the internet can cause. The human aspect is especially cared for through the creation of dedicated and top-level contents and the selected and restricted number of communications to customers, and in customer service through its polite and open character, which is able to establish relations of trust with customers by following the example of those developed in the physical boutiques over the years.

COLLECTIONS

The 2019 collections have achieved considerable success in the sell-out for the Spring/Summer seasons and made an equally positive start to the season as far as Fall/Winter is concerned.

In all of the 2019 Fall/Winter collections the classic standards of elegance are interpreted in accordance with a contemporary and casual style, that of a versatile and fresh spirit. The dialogue between neutral and clear nuances, the artisan craftsmanship and the prized fibers direct the customer's attention towards the essential elements of the collections and enhance creations having a luxury, refined and discreet style.

The definition of the Brunello Cucinelli taste for Men has been enhanced by a new variety of volumes and combinations that recall the style and icons of the 1950s, a time when the new generations developed tradition by introducing unusual items and freer combinations, as always on the basis of an attentive sensitivity directed towards being well-dressed.

The Women's Collection has its roots in the distinctive Brunello Cucinelli identity in order to develop its heritage in a context of modern and sophisticated femininity. The inspirations arriving from the sports world, the bon ton taste and the trends of the moment are reinterpreted through stark aesthetics and evolve into a fresh modernity.

The versatility and structural coherence of the collections enables the proposals and the aesthetics to be developed and revised during the season in the world's boutiques and in the e-commerce channel. In addition, the measured launch of themes and elements, identified on the basis of the stage in the season and the harmonic development of the proposal, enables customers to benefit from the experience of a constantly updated and renewed collection.

NEW KIDS COLLECTION

The new Kids Collection has been enthusiastically developed by all the parties involved in the project and has received very positive comments from all its partners. Conceived as the natural extension of the brand and expansion of the ready-to-wear offer, the collection is dedicated to the smaller members of society, those between 4 and 14 years of age. The distinctive taste and philosophy of the Solomeo company can be recognized in all the creations, consisting of a new challenge: to elaborate a fresh and contemporary formula that is directly addressed to the future by speaking to the very young.

The values of Italian lifestyle that characterize the Brunello Cucinelli style are genuinely reflected in every outfit and in all the proposed looks: top quality materials, Made in Italy craftsmanship and a contemporary casual-chic taste are declined in a sober and easy-going style, tailored for young children. The launch of the 2020 Spring/Summer collection has been anticipated by a number of capsules proposed for the 2019 Fall/Winter collections, available in selected selling spaces in the boutiques from October 2019.

INVESTMENTS

The key long-term investment project has always acted as a support for our desire to keep the business modern and contemporary, constantly directing our commitment and attention to "safeguarding the brand".

In order to "protect the brand" we believe that it is a fundamental prerequisite to maintain the business's contemporaneity, and as part of this approach and of our vision we develop important long-term investment projects with the aim of supporting our market presence, while at the same time making the most innovative and recent production, logistics and IT infrastructure structures available. Through the constant search for uniqueness, for the existing spaces and the new locations we are always seeking to maintain a presence in top-level places, continuously renovating our showrooms and all the spaces dedicated to the brand, both within the monobrand boutique network and in the most prestigious Luxury Department Stores.

Our wish is to "protect the brand" in all our daily activities, in the creation of new collections, in the search for raw materials of the utmost quality, in production through artisan workshops, characterized by the highest possible content of handwork, craftsmanship and innovative skills and based exclusively in Italy.

As a basic prerequisite, this approach requires the business to maintain contemporaneity with regard to our presence on the market and in relation to the use of production and logistics structures and innovative IT infrastructures.

We are always seeking to make the representation of our lifestyle and the constant search for uniqueness tangible, and indeed we believe that the brand's image in the boutiques, as well as in the showrooms and all the dedicated spaces, is of the utmost importance, representing as they do a point of encounter between the collection, the specialist press and the end customer.

For this reason we consider the freshness and continuous renewal of the environments in which we present our collections to be fundamental, in this way adding value to the collections themselves.

Investments in production, logistics and digital IT are used for the constant renovation of production equipment, at the same time making logistics structures available that are suitable for managing all our activities, and for the IT infrastructures and the whole digital project.

As far as the development of the digital project is concerned, we are very pleased with the way in which we have approached the web, seeking to be “Humanistic Artisans of the web” and introducing all the most modern technologies, but as ever with full respect for “Human Privacy” .

INTRODUCTION

This Interim Financial Report at 30th June 2019 has been prepared pursuant to Italian Legislative Decree no. 58/1998, as amended, and 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 2018, 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 2019.

SUMMARY DATA AT 30TH JUNE 2019

The following tables provide: (i) a summarized consolidated income statement for the six months ended 30th June 2019 with comparative figures for the corresponding period of the previous year; (ii) a consolidated balance sheet reclassified by sources and applications at 30th June 2019 with comparative figures at 31st December 2018; and (iii) cash flows from operating activities, investing activities and financing activities, as well as the amount incurred for capital expenditure for the six months ended 30th June 2019, with comparative figures for the six months ended 30th June 2018.

The figures as of and for the six months ended 30th June 2019 have been restated to eliminate the effect arising from applying the new accounting standard IFRS 16, effective from 1st January 2019, thereby enabling a comparison to be made with previous periods; it should be remembered that for lease arrangements falling within the scope of IFRS 16, from an accounting standpoint the application of the standard leads to the non-linear replacement of lease costs by the recognition of an amortization charge for rights of use and interest expense on lease liabilities.

As a consequence, comments on the results for this half year are provided excluding the effect of that standard in order to maintain a comparative base consistent with the corresponding period in 2018. Where applicable, the effects arising from the application of the new standard are highlighted and separate comments are provided thereon.

Summarized consolidated income statement

(In thousands of euro)	Half year ended 30th June						Difference	Difference %
	2019	% of sales	2019 (excluding IFRS 16)	% of sales	2018	% of sales		
Net revenues	291,413	99.9%	291,413	99.8%	269,486	99.8%	21,927	+8.1%
Other operating income	398	0.1%	550	0.2%	584	0.2%	(34)	-5.8%
Materials(1)	(39,575)	-13.6%	(39,575)	-13.6%	(41,679)	-15.4%	2,104	-5.0%
Services	(116,464)	-39.9%	(145,978)	-50.0%	(132,940)	-49.2%	(13,038)	+9.8%
Payroll	(53,832)	-18.4%	(53,832)	-18.4%	(46,973)	-17.4%	(6,859)	+14.6%
Other operating costs	(3,384)	-1.2%	(3,384)	-1.2%	(2,829)	-1.0%	(555)	+19.6%
Own work capitalized	1,022	0.4%	1,022	0.4%	1,080	0.4%	(58)	-5.4%
Value adjustments to assets	(352)	-0.1%	(352)	-0.1%	(496)	-0.2%	144	-29.0%
EBITDA	**79,226**	**27.1%**	**49,864**	**17.1%**	**46,233**	**17.1%**	**3,631**	**+7.9%**
Depreciation and amortization	(40,084)	-13.7%	(13,938)	-4.8%	(11,793)	-4.4%	(2,145)	+18.2%
Operating profit	**39,142**	**13.4%**	**35,926**	**12.3%**	**34,440**	**12.8%**	**1,486**	**+4.3%**
Net financial expense	(6,464)	-2.2%	(2,899)	-1.0%	(1,207)	-0.4%	(1,692)	>+100.0%
Pre-tax profit	**32,678**	**11.2%**	**33,027**	**11.3%**	**33,233**	**12.3%**	**(206)**	**-0.6%**
Income taxes	(7,665)	-2.6%	(10,273)(2)	-3.5%	(9,461)(2)	-3.5%	(812)	+8.6%
tax rate	*23.5%*		*31.1%(2)*		*28.5%(2)*			
Profit for the period	**25,013**	**8.6%**	**22,754(2)**	**7.8%**	**23,772(2)**	**8.8%**	**(1,018)**	**-4.3%**

(1) Including changes in inventories.

(2) Profit for the period has been normalized for the effects of the estimated tax benefit arising from the Patent Box scheme, quantified as a reduction in direct taxation of €2.5 million at 30th June 2019 and of €2.0 million at 30th June 2018. There was a tax benefit of €5.0 million for 2018 as a whole.

Consolidated balance sheet reclassified by sources and applications:

(In thousands of euro)	30th June 2019	Proportion %	30th June 2019 (excluding IFRS 16)	Proportion %	31st December 2018	Proportion %	Change	% change
Net working capital	162,441	22.8%	160,294	47.2%	129,457	42.9%	30,837	+23.8%
Non-current assets	532,081	74.6%	178,284	52.4%	172,829	57.2%	5,455	+3.2%
Other non-current assets (liabilities)	18,691	2.6%	1,314	0.4%	(368)	-0.1%	1,682	>+100.0%
Net invested capital	**713,213**	**100.0%**	**339,892**	**100.0%**	**301,918**	**100.0%**	**37,974**	**+12.6%**
Net debt	436,383	61.2%	46,564	13.7%	14,536	4.8%	32,028	>+100.0%
Shareholders' equity	276,830	38.8%	293,328	86.3%	287,382	95.2%	5,946	+2.1%
Sources of funds	**713,213**	**100.0%**	**339,892**	**100.0%**	**301,918**	**100.0%**	**37,974**	**+12.6%**

Other summary data

(In thousands of euro)	30th June 2019	30th June 2019 (excluding IFRS 16)	30th June 2018	Change	% change
Cash flows from operating activities	31,722	6,914	20,975	(14,061)	-67.0%
Net cash flows (used in) investing activities	(18,588)	(18,588)	(24,775)	6,187	-25.0%
Cash flows from (used in) financing activities	(12,009)	12,799	(8,302)	21,101	<-100.0%
Total cash flows	**1,125**	**1,125**	**(12,102)**	**13,227**	**<-100.0%**
Capital expenditure	**18,807**	**18,807**	**25,207**	**(6,400)**	**-25.4%**

ALTERNATIVE PERFORMANCE MEASURES

In addition to the measures envisaged by the financial statement formats, and in accordance with International Financial Reporting Standards (IFRS), this interim financial report also provides certain alternative performance measures used by management to monitor and assess the Group's operations, defined in the paragraph below.

To enable it to provide a better assessment of business performance the Brunello Cucinelli Group uses certain alternative performance measures 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 measures, determined in accordance with the ESMA Guidelines on Alternative Performance Measures (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.

Following the application of the new accounting standard IFRS 16, at 30th June 2019 the Brunello Cucinelli Group introduced a series of performance measures for EBITDA, Net Invested Capital and Net Debt.

The alternative performance measures used in this financial report are defined as follows:

- **EBITDA *including IFRS 16*:** *operating profit before depreciation and amortization.*
- **EBITDA:** *operating profit before depreciation and amortization calculated in accordance* with the accounting standards in force before the introduction of the new accounting standard IFRS 16, including *depreciation and amortization* calculated in accordance with the accounting standards in force before the introduction of the new accounting standard IFRS 16.
- **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 *including IFRS 16*:** the sum of *non-current assets* and *current assets* less *non-current liabilities and current liabilities* excluding items of a financial nature that are included in net debt (*other current financial assets, cash and cash equivalents, current and non-current bank debt, current and non-current financial payables, current and non-current lease liabilities*).
- **Net Invested Capital:** consists of net invested capital excluding right-of-use assets and non-current finance lease assets.
- **Net Debt *including IFRS 16*:** the sum of *current and non-current bank debt, current and non-current lease liabilities and current and non-current financial payables* including the fair value (positive or negative) of hedging derivatives on loans, less *cash and cash equivalents* and *other current financial assets*, including the fair value (positive or negative) of hedging derivatives on loans.
- **Net Debt:** consists of net debt excluding current and non-current lease liabilities.
- **Capex:** capital expenditure refers to gross investments in intangible assets (including key money), property, plant and equipment and investment property, and to net increases in non-current financial assets. Increases in right-of-use assets are excluded.

THE GROUP'S RESULTS FOR THE FIRST HALF OF 2019

Revenues from sales and services for the first half of 2019 totaled €291,811 thousand, representing a rise of 8.1% over the figure for the corresponding interim period last year.

Net revenues also rose by 8.1%, to reach €291,413 thousand compared to €269,486 thousand at 30th June 2018.

As stated in the introduction, the initial application of the new accounting standard IFRS 16 on 1st January 2019 had a significant effect on the main economic and financial indicators, and these cannot be compared to those of previous periods. As a result, in 2019, a year of transition to the new IFRS, EBITDA and operating profit have been recalculated as shown in the preceding tables and the relative comments below refer to those amounts.

EBITDA at 30th June 2019 reached €49,864 thousand, 17.9% of revenues from sales and services, the same percentage as at 30th June 2018, representing an increase of €3,631 thousand in absolute terms.
Worthy of note is the improvement in the first half of 2019 in costs for raw materials and outsourced work as a proportion of production costs compared to the corresponding period in 2018 (33.4% at 30th June 2019 compared to 34.7% at 30th June 2018). This improvement is also due to an increase in the proportion represented by the retail channel (51.5% at 30th June 2019 compared to 49.7% at 30th June 2018). This growth, partly organic in the existing sales points and partly generated by an increase in the direct sales points (5 DOS and 5 sales points under concession), led to a corresponding increase in lease expense and payroll costs, which should be interpreted as a sort of offset between an improvement in the average margin and a rise in certain operating costs.

Normalized net income amounted to €22,754 thousand at 30th June 2019, corresponding to 7.8% of revenues from sales and services. The figure at 30th June 2019 neutralizes the effect of the tax benefit arising from the "Patent Box" scheme, estimated in €2.5 million at 30th June 2019.

The first half-year was very interesting for us, both in terms of the results achieved and in relation to the brand's taste and allure.
Our feeling is that end customers are increasingly identifying themselves as "**ambassadors**" of the Brunello Cucinelli taste, and that the **contemporariness of the offer** which we constantly seek in all our collection proposals is contributing to the increase in the **appeal and desirability** of our products.
We have the impression that there has been a strengthening of the bond and sense of belonging of the end customer, who is searching for our Lifestyle offer and the values and philosophy which distinguish us and can be fully shared inside Solomeo, the "***Hamlet of the Spirit***", where more and more often we have the pleasure of hosting the brand's customers and "friends".

An important subject, and one that is always very topical, is our wish to **share the desire to work in favor of "human sustainability" with the end customer** in an attempt to live **"in harmony with the Created"**.
As part of this approach, respect for the moral and economic dignity of the staff who work with us becomes fundamental, as does care for the workspaces and the local territory, seeing ourselves as "*pro tempore custodians of a tiny portion of our beloved Planet Earth*" having the desire to "*leave as a legacy to our children the places where we live and work in a more beautiful state than they were when we received them from our fathers*".

Regarding the performance of the first half-year we are fully satisfied with the sales achieved and the sustainability of the growth that has been a feature of the first six months, and are facing the second half with considerable serenity, expecting to see a 2019 in line with our long-term plan.
We are also extremely pleased with the **sell-outs of the summer collections**, whose result, if looked at over the six-month period, is representative of how the season performed.

In June we presented our new **2020 Spring/Summer Menswear Collection**, starting in Florence with "Pitti Immagine" and ending with the Milan fashion shows, and the feedback *from the order process, now completed, is very, very positive, with an atmosphere surrounding the brand that is filled with confidence and optimism, thanks to the proposal of a contemporary elegance* which arises from blending styles, fabrics and shapes, and which out of necessity must be supported by the extremely important work carried out in the boutiques as in all moments of contact with the end customer.

The feedback from the **2020 Spring/Summer Womenswear Collections**, currently in mid sales campaign, has been equally positive, with dedicated collections on which the buyers of the leading multibrands and Luxury Department Stores have provided enthusiastic comments, calling them fully representative of our DNA, with a fresh and contemporary taste which meets up fully with the search by the end customer for unique, sophisticated and modern outfits.

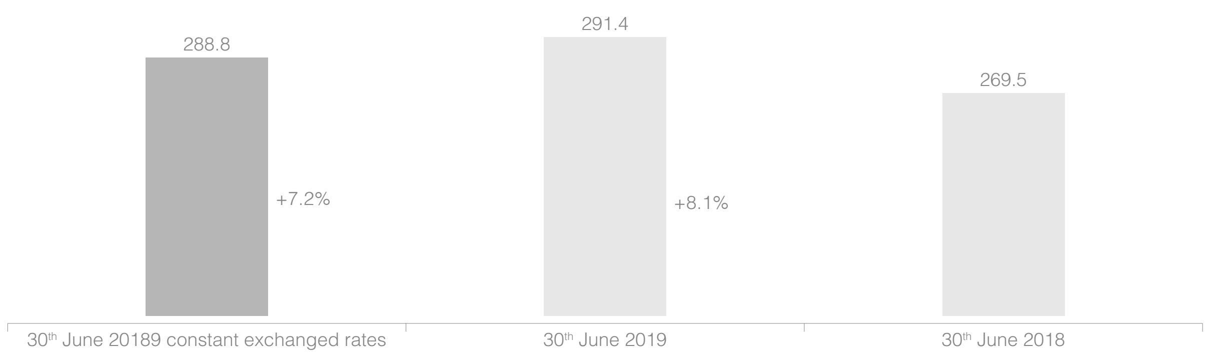
Orders for the first **Kids** collection for the upcoming **2020 Spring/Summer season** are also very interesting, an offer which we interpret as the "natural extension of the brand and the broadening of our ready-to-wear offer".
We are approaching this new project enthusiastically, and the comments we have received from all of our partners and the initial feedback from the orders taken are very positive: it appears that we have succeeded in transferring the same taste that distinguishes the adult offer to the kids proposal, and we believe that we have built an excellent team dedicated to childrenswear that works in perfect harmony with our business structure.

ANALYSIS OF REVENUES

The Group's consolidated turnover for the first half of 2019 amounted to €291,413 thousand, an increase of 8.1% over the same period in 2018. At constant exchange rates, meaning using the same average exchange rates as those used in 2018, revenues would have been €288,835 thousand, an increase of 7.2%.

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 should not 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 84.8% of total net revenues, rising by 9.5%, growth that was accompanied by the positive results obtained on the Italian market (15.2% of net revenues), where sales increased by 1.1%. The European market, including Italy, accounted for 46.9% of the total.

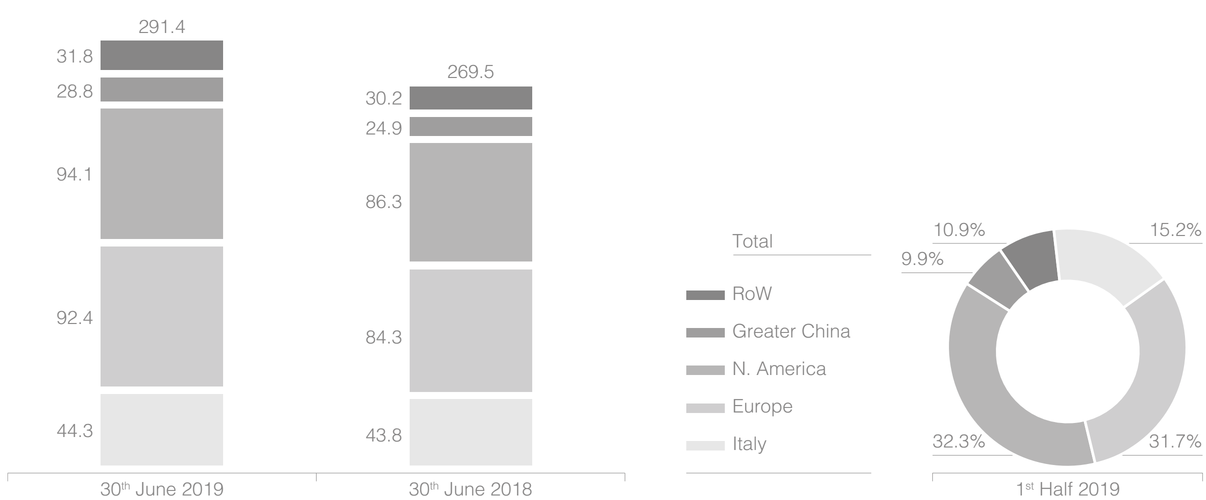


The total increase in net revenues of €21,927 thousand at constant exchange rates (+8.1%) is due to organic growth in the retail channel, arising from the development of existing sales points, to the opening of new directly operated stores (DOS) (two conversions and three net openings compared to 30th June 2018) and five sales points under concession (in these cases an evolution of the existing wholesale relationships in the way sales are made), and to growth over 30th June 2018 in the wholesale multibrand channel.

REVENUES BY GEOGRAPHICAL AREA

During the first six months of 2019 the Brunello Cucinelli Group saw significant growth in all of the international markets, which as a whole represented 84.8% of net revenues, achieving an overall increase of 9.5% compared to the figures for the comparative interim period. The Italian market also posted an interesting rise in revenues of 1.1%, displaying healthy and sustainable results. The following table provides details of revenues at 30th June 2019 compared with the same period of the previous year, analyzed by geographical area.

(In thousands of euro)	**Half year ended 30th June**				**Difference**	
	2019	**%**	**2018**	**%**	**2019 vs. 2018**	**2019 vs. 2018 %**
Italy	44,308	15.2%	43,826	16.3%	482	+1.1%
Europe	92,397	31.7%	84,251	31.3%	8,146	+9.7%
North America	94,077	32.3%	86,323	32.0%	7,754	+9.0%
China	28,800	9.9%	24,858	9.2%	3,942	+15.9%
Rest of the World (RoW)	31,831	10.9%	30,228	11.2%	1,603	+5.3%
Total	**291,413**	**100.0%**	**269,486**	**100.0%**	**21,927**	**+8.1%**



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

Italy

Net revenues "Italy" accounted for 15.2% of the total (16.3% in the same period of last year), and compared to 30th June 2018 posted an increase in absolute terms of €482 thousand, or 1.1% (Euro €44,308 thousand in 2019, €43,826 thousand in 2018).

The Italian market confirmed its **importance in terms of taste**, which is why we believe that "Pitti Immagine" is fundamental for us as it enables us to make contact with customers, suppliers and the press and allows us to have a clear view of national and international "sentiment" in terms of business and taste.

At 30th June 2019, the monobrand network (direct and wholesale monobrand) consisted of 15 boutiques.

Europe

Net revenues "Europe" accounted for 31.7% of total revenues (31.3% in the same period of the previous year) and increased by 9.7%.
Revenues rose from €84,251 thousand to €92,397 thousand, with an increase of €8,146 thousand in absolute terms.

Our satisfaction in the sales trend is accompanied by the very positive opinion we attribute to our **boutiques** in Europe and in all the other Group markets. To keep our spaces modern we continue to assign the utmost of strategic importance to Visual Merchandising, and find that for our customers to be able to fully assess our collections and the taste and lifestyle that we would like to transmit to them, the **evolution of the floor area of our boutiques** must be of the order of 400-450 square meters for our flagship stores and 250-300 square meters for those in the major luxury cities.

At 30th June 2019, the monobrand network (direct and wholesale monobrand) consisted of 46 boutiques.

North America

Net revenues "North America" accounted for 32.3% of total revenues compared to 32.0% in the corresponding period of 2018. Revenues rose from €86,323 thousand to €94,077 thousand, an increase of €7,754 thousand or 9.0%.

The European and the North American markets both confirmed the sustainability of our growth project, thanks to the solidity of local demand and top-end tourism in the monobrand and multibrand channels, with results rising in each of these.
From discussions at meetings with the press and sector specialists, it appears to us that there is an increasingly marked **difference** between the "**absolute luxury**" offer and the "**accessible luxury**" offer, and that this clear distinction is causing Luxury Department Stores to assign increasing room to the supremely exclusive luxury sector in order to capture the top-end customer.

At 30th June 2019, the monobrand network (direct and wholesale monobrand) consisted of 28 boutiques.

China

Net revenues “China” accounted for 9.9% of total revenues (9.2% for the same period of the previous year) and increased by €3,942 thousand (+15.9%). Revenues rose from €24,858 thousand to €28,800 thousand.

We are very pleased with the performance achieved in **China** and continue to “steer” our growth path with the aim of **seeking to be in some way “exclusive”**, both in terms of distribution and with respect to the relationship of esteem, trust and sharing we endeavor to create with the Chinese customer.
For this reason we have developed a highly structured local team in which almost all the collaborators are of Chinese extraction, helping us daily to understand the culture of this great country and frequently coming to Italy and to “our Solomeo” as a means of assimilating our culture and our values and then transferring these to the end customer.
We assign the utmost importance to our **“Celestial Empire”** project, maintaining the highest respect for the millenary tradition and culture of the Chinese people.

At 30th June 2019, the monobrand network (direct and wholesale monobrand) consisted of 22 boutiques.

Rest of the World

Net revenues “Rest of the World” increased by 5.3% in the first six months of 2019 compared to the same period of the previous year. Revenues rose from €30,228 thousand to €31,831 thousand.

Performance was solid in all the Group’s markets, including South Korea and Japan, giving us the perception that the international customer is increasingly attracted by **Made in Italy** items and the **typically Italian way of life**, whose charm contributes to the profound love for this country, its culture and its natural and architectural beauties

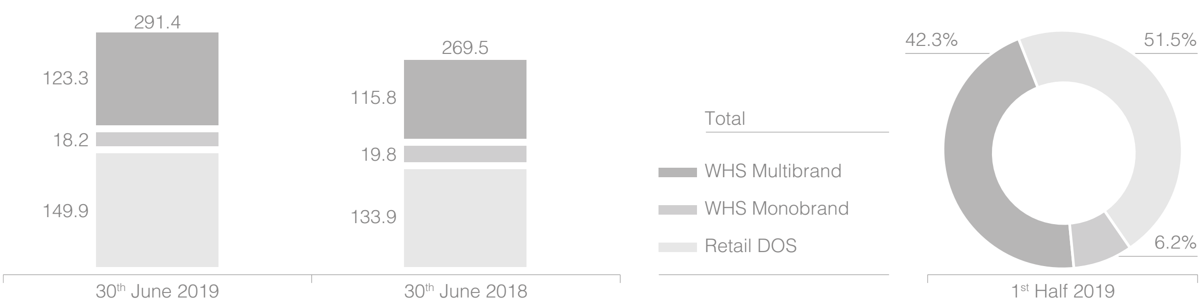
At 30th June 2019, the monobrand network (direct and wholesale monobrand) consisted of 19 boutiques.

REVENUES BY DISTRIBUTION CHANNEL

The following table sets out the net revenues earned by the Group in the first half of 2019 and 2018, analyzed by distribution channel.

(In thousands of euro)	Half year ended 30th June				Difference	
	2019	**%**	**2018**	**%**	**2019 vs. 2018**	**2019 vs. 2018 %**
Retail	149,946	51.5%	133,920	49.7%	16,026	+12.0%
Wholesale monobrand(*)	18,209	6.2%	19,778	7.3%	(1,569)	-7.9%
Wholesale multibrand	123,258	42.3%	115,788	43.0%	7,470	+6.5%
Total	**291,413**	**100.0%**	**269,486**	**100.0%**	**21,927**	**+8.1%**

(*) With an unchanged perimeter – obtained by excluding the contribution to sales made by the 4 wholesale monobrand boutiques converted to direct operations in 2018 – the result posted an increase of 1.7% and represented a proportion of 6.6%.



RETAIL

Net revenues generated by the retail channel amounted to €149,946 thousand, an increase of €16,026 thousand or 12.0% over the corresponding period of the previous year. At 30th June 2019 the retail channel accounted for 51.5 % of the Group's total net revenues.

The first half of 2019 confirmed sustainable like-for-like growth, amounting to 3.7%, supported by positive sell-outs of the 2019 Spring/Summer collections.

The network consisted of 102 boutiques at 30th June 2019 (97 boutiques at 30th June 2018). Three new boutiques have been opened compared to 30th June 2018 (2 of which in the second quarter of 2019), to which have been added 2 conversions from the wholesale monobrand channel.

WHOLESALE MONOBRAND

Net sales made through the wholesale monobrand channel amounted to €18,209 thousand, a decrease of €1,569 thousand over 30th June 2018. At constant perimeter – obtained by excluding the contribution to sales made by the 4 wholesale monobrand boutiques (the 2 boutiques in Singapore and those in St. Petersburg and Copenhagen) converted to direct operations in 2018 – the result increased by 1.7% and represented a proportion of 6.6%.

The network consisted of 28 boutiques at 30th June 2019 (29 boutiques at 30th June 2018).

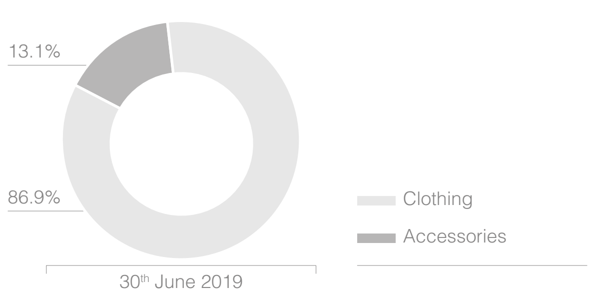
WHOLESALE MULTIBRAND

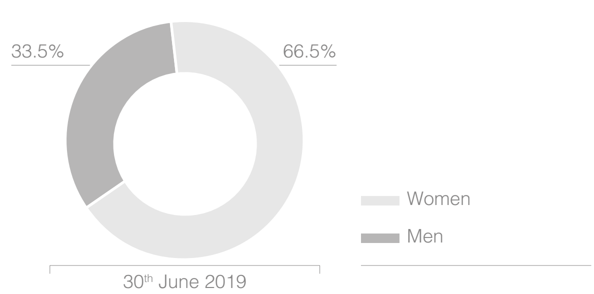
Net revenues made through the wholesale multibrand channel reached €123,258 thousand (€+7,470 thousand over 30th June 2018, representing an increase of 6.5% over the corresponding period of 2018).
The proportion of net revenues for the channel passed from 43.0% at 30th June 2018 to 42.3% at 30th June 2019.

We believe that over the years we have built relationships with the world's multibrands which are "special, friendly, of high esteem and of mutual respect", and are convinced that it is these relationships, together with the customer's appreciation of the collections, which support the very positive growth performance in this channel.
We have always believed that multibrand is the high "judge" of the collections, the only source which– through the comments received during the campaign and sales phases – can tell you whether the taste of the collections is contemporary, which is why we continue to believe that it is fundamental to balance the retail channel with the wholesale channel.

REVENUES BY PRODUCT LINE AND END CUSTOMER

The following is a graphical representation of the Brunello Cucinelli Group's revenues at 30th June 2019, analyzed by product line and end customer:

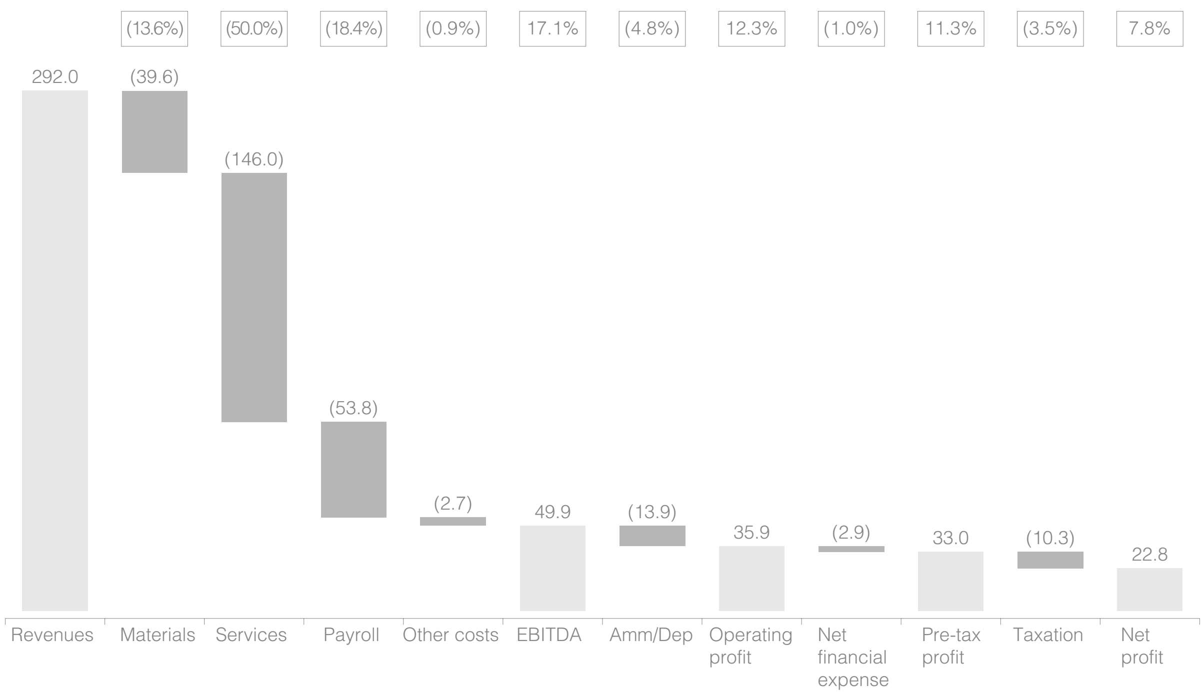




ANALYSIS OF THE INCOME STATEMENT

The following is a graphical restatement of the income statement at 30th June 2019 setting out performance for the first half of the year. As discussed earlier, the reported figures have been restated to eliminate the effect of applying the new accounting standard IFRS 16, effective from 1st January 2019; as a consequence, comments on the results for this half year are provided excluding the effect of that standard in order to maintain a comparative base consistent with the corresponding period in 2018. Where applicable, the effects arising from applying the new standard are highlighted and separate comments are provided thereon.

Reference should be made to note 3.3 of this Interim Financial Report "New accounting standards, interpretations and amendments adopted by the Group".



(1) Net profit for the period is also normalized for the economic effects arising from the tax benefit obtained under the "Patent Box" scheme, which had a cumulative effect of reducing direct taxes by €2.5 million at 30th June 2019.

The figures shown in the above representation of the income statement are those reported in the financial statements rounded to millions of euro. As a result, the intermediate results (EBITDA, operating profit, pre-tax profit and net profit) may not correspond to the sum of the amounts stated.

OPERATING RESULTS

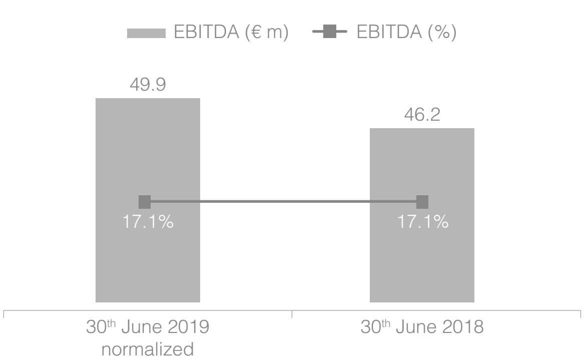
The following table provides a summary of operating profit and EBITDA:

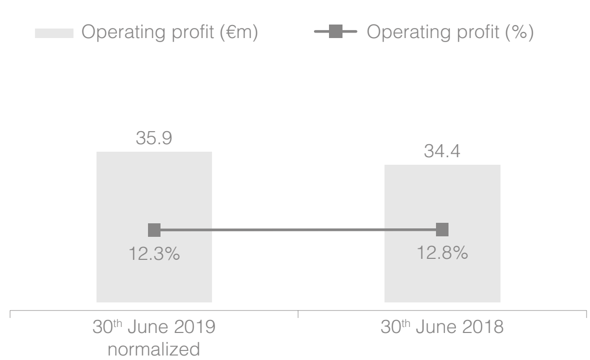
(In thousands of euro)	Half year ended 30th June						Difference	% del periodo
	2019	% of sales	2019 (excluding IFRS 16)	% of sales	2018	% of sales		
Operating profit	**39,142**	**13.4%**	**35,926**	**12.3%**	**34,440**	**12.8%**	**1,486**	**+4.3%**
+ Amortization/depreciation	40,084	13.7%	13,938	4.8%	11,793	4.4%	2,145	+18.2%
EBITDA	**79,226**	**27.1%**	**49,864**	**17.1%**	**46,233**	**17.1%**	**3,631**	**+7.9%**

EBITDA at 30th June 2019 amounted to €49,864 thousand, representing 17.1% of revenues from sales and services, an increase of €3,631 thousand over the figure for the corresponding interim period of last year. At 30th June 2018 EBITDA also represented 17.1% of revenues from sales and services.
The application of the new accounting standard IFRS 16 (which for leases falling with the scope of the standard leads for accounting purposes to the non-linear replacement of lease expense by the amortization charge on right-of-use assets and interest expense on lease liabilities) caused a significant positive change in EBITDA, which rose to 27.1% of revenues from sales and services at 30th June 2019.

Operating profit at 30th June 2019 amounted to €35,926 thousand, representing 12.3% of revenues from sales and services, an increase of 12.8% over the figure for the corresponding period of the previous year. Worthy of note is the significant impact of amortization and depreciation: in absolute terms this rose by €2,145 thousand due to the significant investments made over the past three years, rising to 4.8% of revenues from sales and services compared to 4.4% for the corresponding period of 2018.
The application of the new accounting standard IFRS 16 led to the recognition of increased amortization on right-of-use assets amounting to €26,146 thousand, taking the proportion of this item to 13.7%.

The following table sets out in graphical form the trends in the Group's EBITDA and operating profit at 30th June 2019 and 30th June 2018:





As noted above, EBITDA remained unchanged at 17.1%, representing a rise of €3,631 thousand in absolute terms, or 7.9%.

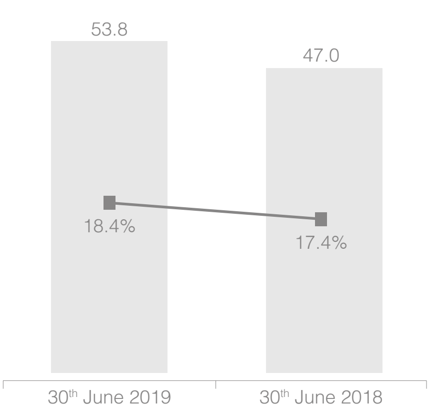
The trend that characterized the first half of 2019 was a higher percentage of net revenues earned by the retail distribution channel as a percentage of net revenues for the period (51.5% at 30th June 2019 compared to 49.7% at 30th June 2018).

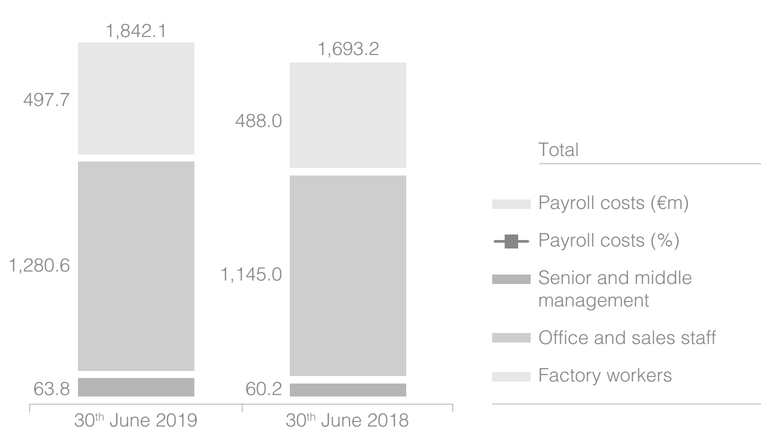
This trend led to an improvement in the cost of production for raw materials and outsourced work in proportional terms (33.4% at 30th June 2019 compared to 34.7% at 30th June 2018); as always noted in the interim financial statements (see paragraph 3.7 "Seasonal or cyclical aspects of interim transactions"), 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**				**Change**	
	2019	**% of sales**	**2018**	**% of sales**	**2019 vs. 2018**	**2019 vs. 2018 %**
Costs for raw materials and consumables	56,039	19.2%	49,056	18.2%	6,983	+14.2%
Change in inventories	(16,464)	-5.6%	(7,377)	-2.7%	(9,087)	>+100.0%
Outsourced work	58,033	19.9%	52,057	19.3%	5,976	+11.5%
Total	**97,608**	**33.4%**	**93,736**	**34.7%**	**3,872**	**+4.1%**

Payroll costs had a percentage impact of 18.4% at 30th June 2019 compared to 17.4% at 30th June 2018, for an increase in absolute terms of €6,859 thousand over the figure for the comparative period.

Full Time Equivalents (FTEs) totaled 1,842.1 at 30th June 2019 compared to 1,693.2 at 30th June 2018 (+148.9), which was principally due to an increase in sales staff as a result of the expansion of directly operated sales outlets (5 DOS and 5 sales points under concession), the strengthening of central structures in particular in the rapidly expanding markets, the digital world and certain internalization processes (sales activities, research and development).





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

- Lease expense, which increased as a proportion of revenues from sales and services (from 12.7% at 30th June 2018 to 13.6% at 30th June 2019, with a rise in absolute terms of €5,659 thousand over the corresponding interim period of last year. The increase in lease expense in absolute terms is due to the development of the retail network for which comments have already been provided, to the enlargement of certain sales spaces in a number of selling spaces and showrooms and to changes made to the spaces managed in the Luxury Department Stores.
- Advertising and other marketing costs rose by €1,491 thousand (10.1%), increasing to 5.6% as a proportion of revenues from sales and services compared to 5.5% in the corresponding interim period of last year. 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 3.6% of revenues in 2019, essentially unchanged with respect to the figure of 3.5% in 2018.
- Commissions and accessory costs, which relate to commissions payable to the agency network, decreased by €1,717 thousand in absolute terms, with the percentage impact falling over that for the first half of the previous year (1.7% in 2019, 2.4% in 2018), also following the internalization of certain sales activities.
- Credit card charges, which represent 0.9% as a proportion (0.8% in the corresponding interim period), rose by 20.8% over the first half of the previous financial year, strictly due to growth in the retail channel.

The following table provides a summary of these items for the first six months of 2019 and 2018 together with the percentage of sales and services they represent.

(In thousands of euro)	Half year ended 30th June						Change	% change
	2019	% of sales	2019 (excluding IFRS 16)	% of sales	2018	% of sales		
Lease expense	10,310	3.5%	39,824	13.6%	34,165	12.7%	5,659	+16.6%
Advertising and other marketing costs	16,223	5.6%	16,223	5.6%	14,732	5.5%	1,491	+10.1%
Transport and duties	10,409	3.6%	10,409	3.6%	9,391	3.5%	1,018	+10.8%
Commissions and accessory charges	4,867	1.7%	4,867	1.7%	6,584	2.4%	(1,717)	-26.1%
Credit card charges	2,735	0.9%	2,735	0.9%	2,264	0.8%	471	+20.8%

Applying the new accounting standard IFRS 16 led to a positive change in lease expense, which at 30th June 2019 amounted to €10,310 thousand in absolute terms or 3.5% as a proportion of sales.

NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Net financial expense totaled €2,899 thousand at 30th June 2019, of which financial expense amounted to €18,335 thousand and financial income to €15,436 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						Change	% change
	2019	% of sales	2019 (excluding IFRS 16)	% of sales	2018	% of sales		
Loan interest	221	0.1%	221	0.1%	265	0.1%	(44)	-16.6%
Other net (income)/ expense	551	0.2%	551	0.2%	(112)	0.0%	663	<-100.0%
Finance lease (income)/ expense	**772**	**0.3%**	**772**	**0.3%**	**153**	**0.1%**	**619**	**>+100.0%**
Exchange (gains)/losses	5,034	1.7%	-	0.0%	-	0.0%	-	0.0%
Financial (income/(expense) arising from	(2,243)	-0.8%	(774)	-0.3%	(773)	-0.3%	(1)	+0.1%
adjusting derivatives to fair value	2,901	1.0%	2,901	1.0%	1,827	0.6%	1,074	+58.8%
Total net financial expense	**6,464**	**2.2%**	**2,899**	**1.0%**	**1,207**	**0.4%**	**1,692**	**>+100.0%**

Net financial expense as a proportion of revenues amounted to 1.0% compared to 0.4% in the corresponding interim period; this proportion was 1.1% at 31st December 2017 and 0.8% at 31st December 2018.

As the above table shows, loan interest in the first half of 2019 was effectively in line with that for the corresponding interim period, while it should be noted that at 30th June 2018 "Other net (income)/expense" was positively affected by the measurement of put options on minority holdings in subsidiaries.
In this respect the effect of hedging transactions on interest rates and exchange rates, amounting to €2,901 thousand in the first half of 2019 compared to €1,827 thousand in the corresponding interim period, should also be noted. These balances mainly represent the costs incurred for hedging the risk arising from fluctuations in exchange rates, whose measurement is also affected by short- and medium-term expectations expressed by the exchange rate curves used; so by their nature they are subject to fluctuations between different periods.

Applying the new accounting standard IFRS 16 led to a negative change in the balance in question, an amount of €3,565 thousand, through the recognition of interest expense on lease liabilities amounting to €5,034 thousand, partially offset by the recognition of total exchange gains of €1,469 thousand.

The income tax charge for the period amounted to €7,773 thousand, representing 23.5% of consolidated pre-tax profit. 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 becomes 31.1%.
We have always considered a tax rate of around this level for a group like ours, which earns the majority of its taxable profit in Italy, to be healthy; it is also noted that the increase in the tax rate in the first half-year is additionally affected by the repeal of the entire legislation for the ACE–Economic Growth Aid scheme from fiscal 2019[1].

In light of the above normalized net profit for the period amounted to €22,754 thousand, or 7.8% of revenues from sales and services.

The following table provides an analysis of net profit between the portion attributable to the shareholders of the parent and the portion attributable to non-controlling interests, together with a comparison with the corresponding period in 2018:

(In thousands of euro)	**30th June 2019**	**30th June 2019 (excl. IFRS 16 and normalized Patent Box)**	**30th June 2018 (normalized Patent Box)**
Profit attributable to the shareholders of the parent company	25,304	22,847(*)	24,074(*)
Profit/(loss) attributable to non-controlling interests	(291)	(93)(*)	(302)(*)
Net profit for the period	**25,013**	**22,754(*)**	**23,772(*)**

(*) Net profit for the period is also normalized for the economic effects arising from the tax benefit obtained under the "Patent Box" scheme, which had a cumulative effect of reducing direct taxes by €2.5 million at 30th June 2019 and €2.0 million at 30th June 2018. The benefit was €5.0 million at 31st December 2018.

(1) The ACE tax subsidy consisted of an income tax reduction based on the increase in equity compared to a "base" represented by 2010 equity before net profit for the year.

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 2019 reclassified by sources and applications, with comparative figures at 31st December 2018 and 30th June 2018.

As discussed earlier, the reported figures have been restated to eliminate the effect of applying the new accounting standard IFRS 16, effective from 1st January 2019, enabling a comparison to be made with the balances for previous periods.
The effects arising from the application of the new standard are highlighted and separate comments are provided thereon.

For a comment on the effect of the new standard IFRS 16, reference should be made to note 3.3 of this Interim Financial Report "New accounting standards, interpretations and amendments adopted by the Group".

NET WORKING CAPITAL

The following table provides an analysis of the net working capital of the Brunello Cucinelli Group at 30th June 2019, at 30th June 2019 excluding IFRS 16, at 31st December 2018 and at 30th June 2018:

(In thousands of euro)	**30th June 2019**	**30th June 2019 (excluding IFRS 16)**	**31st December 2018**	**30th June 2018**
Trade receivables	79,948	79,948	61,444	64,007
Inventories	179,848	179,848	161,764	161,499
Trade payables	(79,725)	(79,725)	(76,585)	(69,752)
Other current assets/(liabilities), net	(17,630)	(19,777)	(17,166)	(17,818)
Net working capital	**162,441**	**160,294**	**129,457**	**137,936**

Given the above-mentioned "seasonality" of the business, for a better understanding of the main changes in net working capital the following comments are made by comparing 30th June 2019 excluding IFRS 16 with 30th June 2018.

There was an overall increase of €22,358 thousand in net working capital at 30th June 2019 over the balance at 30th June 2018.

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

– an increase of €15,941 thousand in trade receivables, which represent 13.9% of revenues from sales and services for the past 12 months compared to 12.0% at 30th June 2018. The increase arises from healthy collection management, the large increase in wholesale sales and the significant rise in retail sales in the luxury malls and relative collection terms;

  The utilization of the allowance for bad and doubtful debts and losses on receivables recognized in profit or loss at 30th June 2019 represented 0.33% of net revenues, testifying to healthy credit management, which is also confirmed by the essentially unchanged situation in the aging of receivables for which details can be found in note 9;

– an increase of €18,349 thousand in inventories, which at 30th June 2019 represented 31.3% of net revenues for the previous 12 months, a slight increase over 30th June 2018 when the corresponding figure was 30.2%.

  Raw materials increased by €5,181 thousand, rising from €29,745 thousand at 30th June 2018 to €34,926 thousand at 30th June 2019. This increase, already seen at 31st December 2018, represents the desire to be more than ready for the production launches to ensure a swift and complete delivery of products given the expected rise in volumes.

  Finished and semi-finished goods rose from €131,754 thousand at 30th June 2018 to €144,922 thousand at 30th June 2019, representing an increase of €13,168 thousand, mostly due to the growth of the directly operated sales point network (5 DOS and 5 sales points under concession), to the development of the new "*Kids Project*", the natural extension of the ready-to-wear offer with dedicated collections that will be in the stores in the second half of the year, and to the development of the digital channel, with new technological platforms also in international markets.

(In thousands of euro)	**30th June 2019**	**31st December 2018**	**30th June 2018**
Raw materials	34,926	31,436	29,745
Finished and semi-finished goods	144,922	130,328	131,754
Inventories	**179,848**	**161,764**	**161,499**

– an increase of €9,973 in trade payables from €69,752 thousand at 30th June 2018 to €79,725 thousand at 30th June 2019. The balance at 30th June 2019 is principally affected by the organic increase in the Group's main costs, which in turn is due to the rise in the volume of business for the first half of the year (ancillary raw materials and consumables €+6,983 thousand, outsourced work €+5,976 thousand and advertising and other marketing costs €+1,491 thousand). The increase in the half-year of €14.5 million in the three cost items occurred to a large extent in the second quarter of 2019 (€8.3 million);

– an increase of €1,959 thousand in net other current liabilities, which amounted to €17,818 thousand at 30th June 2018 while the corresponding total at 30th June 2019 was €19,777 thousand. Further details can be found in the comments included in the notes to the financial statements in this Interim Financial Report;

– applying the new accounting standard IFRS 16 led to a positive variation of €2,147 thousand in the balance in question, following the decrease in the prepayments included in other receivables and other current assets and in the liability for deferred lease income included in other current liabilities.

FIXED ASSETS AND OTHER NON-CURRENT ASSETS/LIABILITIES

The following table provides an analysis of fixed assets and other non-current assets/(liabilities) at 30th June 2019, at 30th June 2019 excluding IFRS 16, at 31st December 2018 and at 30th June 2018:

(In thousands of euro)	**30th June 2019**	**30th June 2019 (excluding IFRS 16)**	**31st December 2018**	**30th June 2018**
Intangible assets	18,165	37,080	38,583	37,829
Right-of-use assets	371,878	-	-	-
Property, plant and equipment	131,161	131,161	125,652	121,757
Financial assets for leasing – non-current	834	-	-	-
Other non-current financial assets	8,260	8,260	7,675	7,089
Investment property	1,783	1,783	919	-
Other non-current assets/(liabilities), net	18,691	1,314	(368)	881
Fixed assets and other non-current assets/ (liabilities)	**550,772**	**179,598**	**172,461**	**167,556**

Net fixed assets and other non-current assets/liabilities amounted to €179,598 thousand at 30th June 2019 compared to €172,461 thousand at 30th June 2018, representing a net increase of €7,137 thousand or 4.1%.
Reference should be made to the specific note for details of the changes in the individual items in the above table.
In this particular section note is made of the significant effect of the depreciation and amortization charge for the period, which increased by €2,145 thousand as a result of the investments made and rose as a proportion of revenues from sales and services from 4.4% in the corresponding period of last year to 4.8%.

The effect at 30th June 2019 of applying the new accounting standard IFRS 16 was the recognition of the following:

- "right-of-use assets" amounting to €371,878 thousand, representing the right to use the assets underlying the respective leases, to which the intangible assets for key money have been reclassified as the new standard considers these to form part of the initial direct costs of the lease arrangement;
- "financial assets for leasing – non-current" amounting to €834 thousand, representing the investment assets generated by the sub-leasing arrangements classified as "finance leases";
- an increase in the asset balance of the item "other non-current assets/(liabilities), net" and the recognition of the deferred tax assets caused by the application of the new standard.

CAPITAL EXPENDITURE

In the half year ended 30th June 2019 the Group made investments of €2,224 thousand in intangible assets, €15,524 thousand in property, plant and equipment and €864 thousand in investment property, while the net balance of financial assets (guarantee deposits) amounted to €195 thousand.

The following table provides an analysis by type and category of the investments made by the Group in the periods ended 30th June 2019, 31st December 2018 and 30th June 2018:

(In thousands of euro)	**30th June 2019 excluding IFRS16**	**31st December 2018**	**30th June 2018**
Capex in intangible assets(*)	2,224	15,781	10,502
Capex in property, plant and equipment	15,524	27,372	14,048
Capex in non-current financial assets	195	1,190	657
Investment property	864	678	-
Total capital expenditure	**18,807**	**45,021**	**25,207**

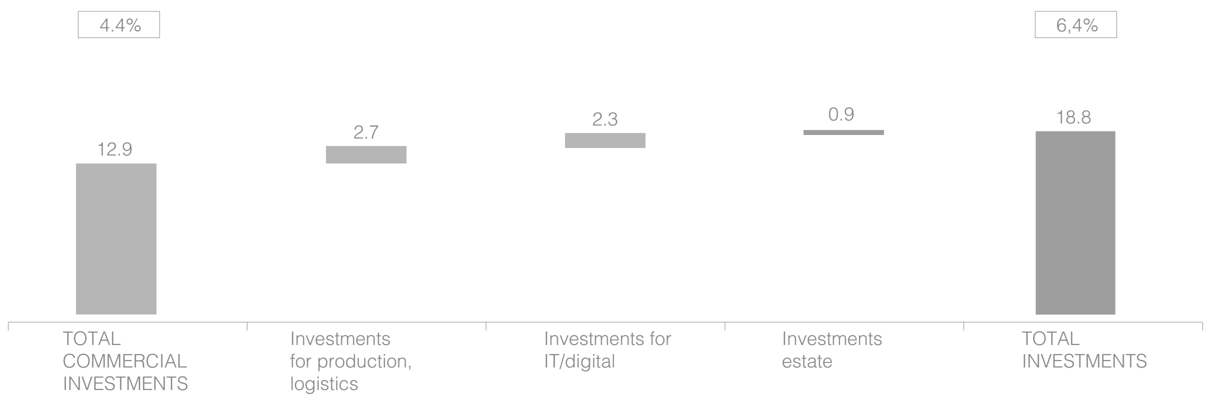
(*) At 30th June 2019 this item also includes the key money paid in the half year, which from 1st January 2019 is classified as "right-of-use assets" as required by the new standard IFRS 16.

As the table shows, investments of €18,807 thousand were made in the first six months of 2019, of which €12.9 million in assets of a commercial nature, €5.0 million in assets for production, logistics and IT/Digital and €0.9 million in investment property.

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.

Investments relating to production, logistics, IT and Digital were as always directed at supporting the business with the maximum efficiency and effectiveness, with funds being used for the constant renovation and modernization of the production and logistics equipment, including by developing cutting-edge technologies and adopting increasingly evolved information systems for running the Group's technological platforms.
Investments in production and logistics, amounting to €2,718 thousand, support the top quality craftsmanship of our products thanks to the constant renewal of production equipment which is kept constantly up-to-date by combining innovation in processes with superb handiwork, and make suitable logistical structures available for managing the related activities. The investments in IT and Digital (also with specific platforms in evolving markets) are assuming increasing importance and at 30th June 2019 amounted to €2,352 thousand.

The following is a graphical representation of the investments made by the Group in the first half of 2019, 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 2019**	**30th June 2019 (excluding IFRS 16)**	**31st December 2018**	**30th June 2018**
A. Cash and cheques	(699)	(699)	(507)	(698)
B. Other liquid assets	(57,376)	(57,376)	(56,099)	(50,570)
C. Held-for-trading financial instruments	(9,003)	(9,003)	(8,996)	-
D. Cash and cash equivalents (A)+(B)+(C)	**(67,078)**	**(67,078)**	**(65,602)**	**(51,268)**
E1. Financial assets for leasing – current	**(304)**	**-**	**-**	**-**
E2. Current financial receivables	**(42)**	**(42)**	**(17)**	**(81)**
F. Current bank debt	51,242	51,242	27,014	15,739
G. Current portion of non-current debt	22,432	22,432	24,067	37,513
H1. Other lease liabilities – current	52,166	-	-	-
H2. Other current financial payables	724	724	3,048	6,295
I. Current debt (F) + (G) + (H)	**126,564**	**74,398**	**54,129**	**59,547**
J. Net current debt (I) + (E) + (D)	**59,140**	**7,278**	**(11,490)**	**8,198**
K. Non-current bank debt	38,968	38,968	25,934	35,806
L. Bonds issued	-	-	-	-
M1 . Other lease liabilities – non-current	337,957	-	-	-
M2 . Other non-current payables	318	318	92	34
N. Non-current debt (K)+(L)+(M)	**377,243**	**39,286**	**26,026**	**35,840**
O. Net debt (J)+(N)	**436,383**	**46,564**	**14,536**	**44,038**

At 30th June 2019 the Brunello Cucinelli Group's net debt amounted to €46,564 thousand, essentially in line with the corresponding balance at 30th June 2018 and representing an increase of €32,028 thousand over that at 31st December 2018. This is 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 2019 the Group took out new long-term loans for a total of €27.0 million and extinguished loans amounting to €15.6 million.

Changes in the net financial position in the first half of 2019 are mainly the result of capital expenditure of €18.8 million, the payment of €20.5 million for dividends arising from the distribution of 2018 profits and changes in net working capital.

It should be noted that:
– "H2. Other current financial payables" mainly arises from the measurement of put options for the purchase of minority interests in subsidiaries and current liabilities for derivative instruments hedging interest rate risk;
– "M2. Other non-current payables" relates to the non-current liability balance for derivative instruments hedging interest rate risk.

In conclusion, it is also noted that applying the new accounting standard IFRS 16 led to the recognition of the following items at 30th June 2019:
– "E1. Financial assets for leasing – current" amounting to €304 thousand and representing the investment assets arising from subleasing arrangements classified as short-term "finance leases";
– "H1. Other lease liabilities – current" amounting to €52,166 thousand and representing the short-term liability arising from discounting future lease payments to present value;
– "M1. Other lease liabilities – non-current" amounting to €337,957 thousand and representing the long-term liability arising from discounting future lease payments to present value.

EQUITY

The following table provides details of shareholders' equity at 30th June 2019, at 30th June 2019 excluding IFRS 16, at 31st December 2018 and at 30th June 2018:

(In thousands of euro)	**30th June 2019**	**30th June 2019 (excluding IFRS 16)**	**31st December 2018**	**30th June 2018**
Share capital	13,600	13,600	13,600	13,600
Reserves	238,108	251,763	220,381	219,698
Net profit attributable to the shareholders of the parent company	25,304	25,347	50,692	26,082
Equity attributable to the shareholders of the parent company	**277,012**	**290,710**	**284,673**	**259,380**
Equity attributable to non-controlling interests	(182)	2,618	2,709	2,074
Total equity	**276,830**	**293,328**	**287,382**	**261,454**

Share capital at 30th June 2019 amounted to €13,600 thousand and consisted of 68,000,000 fully paid ordinary shares.

The shareholding structure of Brunello Cucinelli S.p.A at 30th June 2019 as compiled from the communications sent to the Company and Consob and from other communications to the market is set out below:

Shareholder	**% of ordinary capital**
Fedone S .r .l .	51.0%
FMR LLC	10.0%
Invesco	4.2%
Other shareholders	34.8%
Total	**100.0%**

A comprehensive description of changes in equity can be found in the specific schedule of the financial statements and in note 15.

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 2019:

(In thousands of euro)	**30th June 2019**	
	Equity	**Net profit**
Financial statements of the parent company	**306,216**	**28,274**
Difference between the equity of consolidated shareholdings and their carrying amount	(1,376)	2,327
Elimination of intercompany transactions	(42,732)	(6,975)
Elimination of dividends	-	(512)
Tax effect of consolidation adjustments	14,872	2,242
Other	32	(52)
Total attributable to the shareholders of the parent	**277,012**	**25,304**
Equity and net profit attributable to non-controlling interests	(182)	(291)
Consolidated financial statements	**276,830**	**25,013**

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 2019 have been restated to eliminate the effect of applying the new standard IFRS 16, while the effect of the estimated tax benefit arising from the "Patent Box" scheme has been eliminated from the figures at both 30th June 2018 and 30th June 2019.

PROFITABILITY RATIOS

The following table sets out profitability ratios at 30th June 2019 and 30th June 2018.

	30th June 2019	30th June 2018
ROE – *Net profit for the period/Average equity in the period*	7.87%	9.10%
ROI – *Operating profit/Average net invested capital in the period*	11.24%	11.83%
ROS – *Operating profit/Revenues from sales and services*	12.30%	12.75%

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 2019	30th June 2018
Equity/Total assets	53.42%	54.39%
Total current assets/Total current liabilities	176.44%	177.55%

TURNOVER RATIOS

	30th June 2019	30th June 2018
Receivables turnover *Revenues from sales and services/Average trade receivables*	4.1 times	4.9 times
Average collection period for trade receivables *(Average trade receivables/Revenues from sales and services) (*) 180*	43.6	36.4
Payables turnover *(Costs for raw materials and consumables + Costs for services)/Average trade payables*	2.4 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*	69.6	66.8
Average days of inventory *(Inventories – advances)/Revenues from sales and services*	105.3	104.7

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 14th March 2019, may be consulted in the Governance section of the Company's website at http://investor.brunellocucinelli.com/eng/.

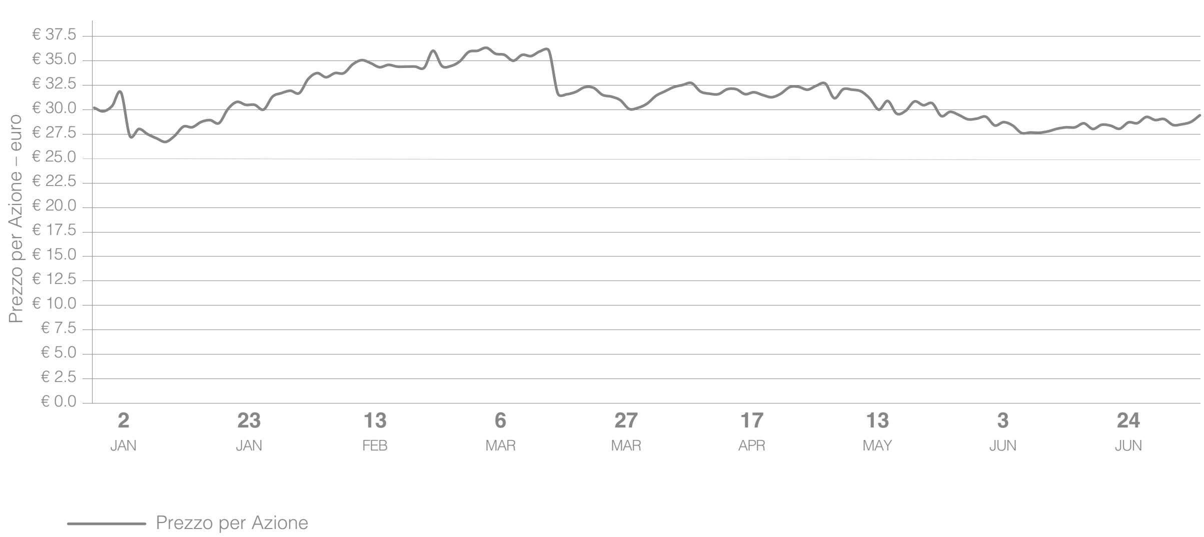
PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. ELECTRONIC STOCK EXCHANGE (MTA)

On 30th June 2019, the final trading day of the period, the official closing price of the Brunello Cucinelli share was €29.66 (+282.7% compared to the €7.75 per share set for the IPO, -1.3% compared to it closing value of €30.05 at the end of financial 2018). Market capitalization on 30th June 2019 was €2,016,880 thousand.

The following table provides details of the Company's share price and performance between 1st January 2019 and 30th June 2019:

	Euro	Data
IPO price	7.75	-
Minimum price(1)	26.90	14-Jan-19
Maximum price(1)	35.70	14-Mar-19
Official price	29.66	30-Jun-19
Capitalization	2,016,880,000	30-Jun-19
Number of outstanding shares	33,320,000	30-Jun-19
Free float	988,271,200	30-Jun-19

(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 2019

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 29th April 2019. Shareholders approved the financial statements for the year ended 31st December 2018 and resolved to allocate net profit for the year as follows: €20,400,000 to be paid as a dividend of €0.30 per share to shareholders and €31,724,968 to be carried forward as retained earnings.

RELATED PARTY TRANSACTIONS

Reference should be made to the notes to the condensed consolidated interim financial statements for a detailed description of related party transactions conducted in the first half of 2019.

FINANCIAL RISK MANAGEMENT

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

SUBSEQUENT EVENTS

Purchase of the minority interests in Brunello Cucinelli USA Retail LLC
On 29th July 2019 the Group purchased 30% of the capital of the subsidiary Brunello Cucinelli USA Retail LLC, through the subsidiary Brunello Cucinelli USA Inc, at a price of US$4,500 thousand, paid on signing the agreement.
By way of this transaction the Group now holds 100% of the subsidiary.
The amount paid for the purchase of the minority interest will be classified as an equity reserve as required by IFRSs.

Purchase of the minority interests in Brunello Cucinelli Canada Ltd.
On 29th July 2019 the parent company purchased 30% of the capital of the subsidiary Brunello Cucinelli Canada Ltd. at a price of US$ 2,200 thousand, paid on signing the agreement.
By way of this transaction the parent company now holds 100% of the subsidiary.
The amount paid for the purchase of the minority interest will be classified as an equity reserve as required by IFRSs.

BUSINESS OUTLOOK

We are fully satisfied with the results of the first half-year in terms of financial performance and the image and positivity of the brand.

Having arrived at the end of August, we envisage an especially positive 2019 with an **increase in sales in line with our long-term expectations** – where we forecast **annual growth of 8%**, which will enable us to double sales in the next 10 years.

Given the very interesting business performance for 2019 we are expecting a **more than commensurate rise in the EBITDA margin**, with **healthy and increasing profits**.

More specifically, given that depreciation, amortization and financial expense as a proportion of estimated year-end revenues will be essentially in line with the corresponding total at 31st December 2018, we envisage that the expected rise in EBITDA margin will fully absorb the slight increase in the 2019 tax rate over that of 2018, with this remaining in line with the figure at 30th June 2019.

Feedback from the ***order process****, now completed, for the new* ***2020 Spring/Summer Men's collections*** *and the first* ***kidswear*** *collection, is* ***very, very positive***; orders for the **2020 Spring/Summer Women's collection**, almost at an end, are also excellent.

We continue to believe in the **importance of investments** in support of the brand; these considerations strengthen our motivated optimism also for 2020 when we are expecting **further growth in turnover and profits**, in line with our long-term project.

Planning is supported by the Group's **healthy balance sheet and net financial position**, as the result of cash generation that enables us to invest for the growth of our business, increasing the **dividends** for distribution.

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Chief Executive Officer

FINANCIAL STATEMENTS AT 30TH JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2019

(In thousands of euro)	NOTE	30th June 2019	of which with related parties	31st December 2018(*)	of which with related parties	30th June 2018(*)	of which with related parties
Non-current assets							
Goodwill	1	7,045		7,045		7,045	
Right-of-use	2	371,878	5,888	-		-	
Intangible assets	3	11,120		31,538		30,784	
Property, plant and equipment	4	131,161	16,399	125,652	16,804	121,757	16,717
Investment property	5	1,783		919		-	
Non Current Financial assets for leasing	6	834		-		-	
Other non-current financial assets	7	8,260	32	7,675	32	7,089	32
Deferred tax assets	26	24,632		16,777		17,898	
Total non-current assets		**556,713**		**189,606**		**184,573**	
Current assets							
Inventories	8	179,848		161,764		161,499	
Trade receivables	9	79,948	6	61,444	46	64,007	11
Tax receivables	10	620		828		1,799	
Other receivables and other current assets	11	18,640		16,076		13,429	
Current Financial assets for leasing	6	304		-		-	
Other current financial assets	12	9,045		9,013		81	
Disponibilità liquide e mezzi equivalenti	13	58,075		56,606		51,268	
Current Derivative Derivative financial instruments	14	40		418		364	
Total current assets		**346,520**		**306,149**		**292,447**	
Total assets		**903,233**		**495,755**		**477,020**	

(In thousands of euro)	NOTE	30th June 2019	of which with related parties	31st December 2018 (*)	of which with related parties	30th June 2018(*)	of which with related parties
Equity							
Equity attributable to the shareholders of the parent company							
Share capital	15	13,600		13,600		13,600	
Share premium reserve	15	57,915		57,915		57,915	
Other reserves	15	180,193		162,466		161,783	
Net profit (loss) attributable to the shareholders of the parent company		25,304		50,692		26,082	
Total equity attributable to the shareholders of the parent company		**277,012**		**284,673**		**259,380**	
Equity attributable to non-controlling interests							
Capital and reserves attributable to non-controlling interests	15	109		2,359		2,376	
Net profit (loss) attributable to non-controlling interests	15	(291)		350		(302)	
Total equity attributable to non-controlling interests		**(182)**		**2,709**		**2,074**	
Total equity		**276,830**		**287,382**		**261,454**	
Non-current liabilities							
Post-employment benefits	16	3,178		3,048		3,187	
Provisions for risks and charges	17	885		920		846	
Non-current bank debt	18	38,968		25,934		35,806	
Lease liabilities Non Current Lease Liabilities	19	337,957	5,756	-		-	
Other non-current liabilities	20	135		11,921		11,518	
Deferred tax liabilities	26	1,743		1,256		1,466	
Non Current Derivative financial instruments liabilities	14	318		92		34	
Total non-current liabilities		**383,184**		**43,171**		**52,857**	
Current liabilities							
Trade payables	21	79,725	546	76,585	818	69,752	357
Current bank debt	22	73,673		51,081		53,252	
Current Lease liabilities	19	52,166	507	-		-	
Current financial payables	23	481		2,842		6,066	
Income Tax payables	24	11,038		2,781		5,261	
Current Derivative financial instruments	14	4,929		5,401		4,484	
Other current liabilities	25	21,207	104	26,512	1,074	23,894	79
Total current liabilities		**243,219**		**165,202**		**162,709**	
Total liabilities		**626,403**		**208,373**		**215,566**	

Total equity and liabilities	**903,233**	**495,755**	**477,020**

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2019

(In thousands of euro)		Six months ended 30th June			
	NOTE	2019	di cui con parti correlate	2018(*)	di cui con parti correlate
Net revenues	27	291,413	3	269,486	9
Other operating income	27	398	23	584	22
Revenues from sales and services		**291,811**		**270,070**	
Costs for raw materials and consumables	28	(39,575)	-	(41,679)	(44)
Costs for services	29	(116,464)	(1,463)	(132,940)	(1,466)
Payroll costs	30	(53,832)	(799)	(46,973)	(374)
Other operating costs	31	(3,384)		(2,829)	
Own work capitalized	32	1,022		1,080	
Depreciation and amortization	33	(40,084)		(11,793)	
Value adjustments to assets and other provisions	34	(352)		(496)	
Total operating costs		**(252,669)**		**(235,630)**	
Operating profit (loss)		**39,142**		**34,440**	
Financial expense	35	(23,380)		(17,102)	
Financial income	36	16,916		15,895	
Pre-tax profit (loss)		**32,678**		**33,233**	
Income taxes	26	(7,665)		(7,453)	
Net profit (loss) for the period		**25,013**		**25,780**	
Net profit attributable to the shareholders of the parent company	15	25,304		26,082	
Net profit attributable to non-controlling interests	15	(291)		(302)	
Basic earnings per share	37	0.37212		0.38356	
Diluted earnings per share	37	0.37212		0.38356	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2019

(In thousands of euro)		Six months ended 30th June	
	NOTE	2019	2018(*)
Net profit (loss) for the period (A)		**25,013**	**25,780**
Other items of comprehensive income:			
Other items of comprehensive income that may be reclassified to profit or loss		**1,159**	**(2,498)**
Cash flow hedges	15	222	(4,215)
Tax effect	15	(53)	1,011
Change in cash flow hedge reserve	**15**	**169**	**(3,204)**
Exchange gains (losses) on translation of the financial statements of foreign operations		925	415
Exchange gains (losses) on net investments in foreign operations		86	383
Tax effect		(21)	(92)
Other items of comprehensive income that will not be reclassified to profit or loss	**15**	**(89)**	**(40)**
Remeasurement of defined benefit plans (IAS 19)		(117)	(52)
Tax effect		28	12
Total other comprehensive income net of tax (B)		**1,070**	**(2,538)**
Total comprehensive income for the period (A) + (B)		**26,083**	**23,242**
Attributable to:			
Shareholders of the parent company		26,354	23,405
Non-controlling interests		(271)	(163)

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2019

(In thousands of euro)		Six months ended 30th June	
	NOTE	2019	2018(*)
Cash flows from operating activities			
Net profit for the period	15	25,013	25,780
Adjustments to reconcile net profit for the period to cash from operating activities:			
Income taxes		7,665	7,453
Depreciation and amortization	33	40,084	11,793
Allocations to provisions for employee benefits		46	43
Allocations to provisions for risks and charges /allowance for obsolescence/allowance for bad and doubtful debts		373	520
Change in other non-current liabilities		(11,919)	672
(Gains)/losses on disposal of non-current assets		62	(15)
Interest expense		771	512
Interest expense for lease liabilities		5,045	-
Interest income		(71)	(50)
Interest income for lease assets		(11)	-
Payments for employee termination indemnities	16	(35)	(94)
Payments from provisions for risks and charges	17	-	-
Net change in deferred tax assets and liabilities		(2,057)	(1,892)
Change in fair value of financial instruments		354	4,406
Changes in operating assets and liabilities:			
Trade receivables		(18,549)	(18,797)
Inventories		(16,614)	(7,361)
Trade payables		1,901	2,094
Interest expense paid		(673)	(697)
Interest paid on lease liabilities		(5,045)	-
Interest income received		71	50
Interest received on lease assets		11	-
Income taxes paid		(677)	(4,442)
Other current assets and liabilities		5,977	1,000
Cash flows from operating activities (A)		**31,722**	**20,975**

(In thousands of euro)		Six months ended 30th June	
	NOTE	2019	2018(*)
Cash flows from investing activities			
Investments in property plant and equipment	4	(15,524)	(14,006)
Investments in intangible assets (including key money)	3	(2,224)	(10,502)
Investments in financial assets	7	(195)	(657)
Investments in property	5	(864)	-
Investments in/divestments of current financial assets		(7)	-
Disposal of property, plant and equipment and key money		226	390
Cash flows used in investing activities (B)		**(18,588)**	**(24,775)**
Cash flows from financing activities			
Drawdown of long-term loans	18	26,950	14,987
Repayment of long-term loans	18	(15,558)	(12,838)
Drawdowns/(repayments) of short-term loans	18	-	-
Net change in short-term financial liabilities	18	21,841	14,498
Net change in long-term financial liabilities	18	-	-
Repayment of lease liabilities		(24,949)	-
Receipts from financial lease assets		141	-
Dividends paid		(20,483)	(18,471)
Changes in equity		49	(6,478)
Cash used in financing activities (C)		**(12,009)**	**(8,302)**
Total cash flows (D=A+B+C)	**18**	**1,125**	**(12,102)**
Effect of exchange rates on cash and cash equivalents (E)	**18**	**344**	**417**
Cash and cash equivalents at the beginning of the period (F)	**13**	**56,606**	**62,953**
Cash and cash equivalents at the end of the period (G=D+E+F)	**13**	**58,075**	**51,268**

(*) The Group has applied IFRS 16 from 1st January 2019 using the modified retrospective approach, under which comparative figures are not restated and the cumulative effect of initially applying the new standard is recognized as an adjustment to retained earnings at the date of initial application. Reference should be made to note 3.3 for further details.

For an improved presentation, certain additional information (interest and income taxes) reported in a specific table at the end of the cash flow statement is now included in cash flows from (used in) operating activities, with comparative figures for the first half of 2018 consistently amended.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2019 AND 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 the parent company	Total equity attributable to non-controlling interests	Total equity
1st January 2019	15	**13,600**	**2,720**	**57,915**	**-**	**(1,095)**	**160,841**	**50,692**	**284,673**	**2,709**	**287,382**
Net profit for the period								25,304	25,304	(291)	25,013
Other profits/(losses)						966	84		1,050	20	1,070
Total comprehensive income		**-**	**-**	**-**	**-**	**966**	**84**	**25,304**	**26,354**	**(271)**	**26,083**
Allocation of net profit for the period	15						50,692	(50,692)	-		-
Dividends paid	15						(20,400)		(20,400)	(83)	(20,483)
Effect of first-time application of IFRS 16							(13,625)		(13,625)	(2,586)	(16,211)
Change in consolidation scope									-	49	49
Other changes							10		10		10
30th June 2019	15	**13,600**	**2,720**	**57,915**	**-**	**(129)**	**177,602**	**25,304**	**277,012**	**(182)**	**276,830**

(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 the parent company	Total equity attributable to non-controlling interests	Total equity
1st January 2018	15	**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	15						51,117	(51,117)	-		-
Dividends paid	15						(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	15	**13,600**	**2,720**	**57,915**	**-**	**(1,174)**	**160,237**	**26,082**	**259,380**	**2,074**	**261,454**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 2019.

The condensed consolidated interim financial statements at 30th June 2019 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 2018 for the consolidated statement of financial position and for the period ended 30th June 2018 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, are shown separately in the comments provided by management and in the financial disclosures.

1.2 STATEMENT OF COMPLIANCE WITH IFRS

The condensed consolidated interim financial statements at 30th June 2019 have been prepared in accordance with the international accounting standard on interim financial reporting (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 2018, published on the corporate 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 2019.

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 that control ceases. 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 2019, 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 2019, consisting of the company's name and registered office and the percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital in currency	Percentage holding	
				Direct	Indirect
Brunello Cucinelli Europe S..r..l.	Corciano (PG) – Italy	Euro	100,000	100.00%	
Logistica e Distribuzione S..r..l.	Milan – Italy	Euro	100,000		51.00%
Max Vannucci S..r..l.	Perugia – Italy	Euro	118,000		75.50%
Pinturicchio S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Austria GmbH	Vienna – Austria	Euro	35,000	2.00%	98.00%
Sprl Brunello Cucinelli Belgium	Brussels – Belgium	Euro	20,000		100.00%
Brunello Cucinelli Denmark ApS	Copenhagen – Denmark	Danish krone	750,000	2.00%	98.00%
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli (England) Ltd.	London – United Kingdom	British pound	700		100.00%
Sarl Brunello Cucinelli France	Paris – France	Euro	200,000	2.00%	98.00%
SAS Brunello Cucinelli France Resort	Courchevel – France	Euro	100,000	2.00%	98.00%
Brunello Cucinelli GmbH	Munich – Germany	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Hellas SA	Athens – Greece	Euro	24,000		51.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		68.67%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
OOO Brunello Cucinelli RUS	Moscow – Russia	Ruble	15,000,000	100.00%	
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%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
Brunello Cucinelli Canada Ltd.	Vancouver – Canada	Canadian dollar	100	70.00%	
Brunello Cucinelli USA Inc.	Ardsley (NY) – USA	US dollar	1,500	100.00%	
Brunello Cucinelli USA Retail LLC	Ardsley (NY) – USA	US dollar	1,182,967		70.00%
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China	RMB	200,000,000	100.00%	
Brunello Cucinelli Hong Kong Ltd.	Hong Kong – China	Hong Kong dollar	2,000,000	100.00%	
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macao – China	MOP/Hong Kong dollar	22,847,312	98.00%	2.00%
Brunello Cucinelli Brasil LTDA	San Paolo – Brazil	Real	11,200,000	98.00%	2.00%
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Singapore Pte. Ltd.	Singapore	Singapore dollar	300,000	83.67%	

Logistica e Distribuzione S.r.l., a 51% holding of the subsidiary Brunello Cucinelli Europe S.r.l., entered the consolidation scope in the first half of 2019.

This company was incorporated on 24th June 2019 but was not yet operative at 30th June 2019, and has been set up with the aim of directly running logistics and export activities from Milan, operations which were previously managed with third party support. The subsidiary began normal operations in July 2019.

3. ACCOUNTING STANDARDS

3.1 INTRODUCTION

The condensed consolidated interim financial statements at 30th June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and were approved by the Board of Directors on 28th August 2019.

3.2 GENERAL BASIS OF PREPARATION

The condensed consolidated interim financial statements at 30th June 2019, drawn up pursuant to article 154-ter of Legislative Decree no. 58/98 as amended and the Consob Issuers' Regulations, 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 should be read together with the Group's consolidated financial statements for the year ended 31st December 2018, 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 2018, with the exception of the adoption of any new standards, amendments or interpretations effective from 1st January 2019. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effects of these changes are described below.

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

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

The Group adopted IFRS 16 Leases for the first time on 1st January 2019. As required by IAS 34, the nature and effects of these changes are set out in the following.

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 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all lease arrangements in their financial statements on the basis of a single model similar to that used to account for finance leases under IAS 17. The principle allows two exceptions for this form of recognition by lessees – leases where the underlying asset has a "low value" (individual assets underlying the lease arrangement having a value not exceeding €5,000, for example personal computers) and short-term leases (for example where the lease term is 12 months or less). At the initial date of the lease, the lessee recognizes a liability for the lease payments (the lease liability) and an asset that represents the right to use the underlying asset for the lease term (the right-of-use asset). Lessees must then separately recognize the interest expense on the lease liability and the amortization of the right-of-use asset. On the other hand the standard does not introduce significant changes for lessors.
Lessees must also remeasure the lease liability on the occurrence of certain events (for example a change in the conditions of the lease arrangement, a change in future lease payments resulting from the change in an index or a rate used to determine those payments). The lessee will generally recognize the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has applied IFRS 16 from 1st January 2019, completing the project for implementing the new business information system supporting accounting management during the first few months of 2019 as required by the introduction of the new accounting standard.

The Group has applied IFRS 16 from 1st January 2019 using the modified retrospective approach. As a result, the cumulative effect of initially applying the new standard is recognized as an adjustment to retained earnings at 1st January 2019 without restating comparative information (as provided by paragraphs C7-C13 of IFRS 16). More specifically, for leases previously classified as operating leases, the Group has recognized:

- a financial liability, equal to the present value of the remaining lease payments at the transition date, discounted by using at the incremental borrowing rate applicable at the transition date for each lease;
- a right-of-use asset with the net carrying amount that it would have had if the standard had been applied from the start of the lease term, but using a discount rate determined at the transition date.

For measurement purposes the Group recognizes right-of-use assets at cost, less accumulated amortization, impairment losses and adjustments arising from the remerasurement of lease liabilities.

In addition, key money classified as an intangible asset has been reclassified at 1st January 2019 and recognized as an increase in the carrying amount of right-of-use assets as it is considered to be an initial direct cost under the new standard.

The initial application of IFRS 16 at 1st January 2019 had very significant effects on the Group's consolidated statement of financial position at that date which are summarized in the following table:

(In thousands of euro)	**1st January 2019**
Right-of-use	357,276
Intangible assets	(20,530)
Lease assets – non-current	994
Deferred tax assets	5,313
Total non-current assets	**343,053**
Lease assets – current	285
Other receivables and other current assets	(969)
Total current assets	**(684)**
Total assets	**342,369**
Other reserves	(13,625)
Total equity attributable to the shareholders of the parent company	**(13,625)**
Capital and reserves attributable to non-controlling interests	(2,586)
Total equity attributable to non-controlling interests	**(2,586)**
Total equity	**(16,211)**
Lease liabilities	327,574
Other non-current liabilities	(14,746)
Total non-current liabilities	**312,828**
Current Lease liabilities	46,180
Other current liabilities	(428)
Total current liabilities	**45,752**
Total liabilities	**358,580**
Total equity and liabilities	**342,369**

On the initial application of IFRS 16, at 1st January 2019 the Group recognized right-of-use assets of €357,276 thousand (of which €20,530 arising from the reclassification of key money previously recognized as intangible assets), non-current financial assets arising from subleases of €1,279 thousand and lease liabilities of €373,754 thousand (of which €327,574 thousand non-current and €46,180 current).

The difference between assets and liabilities, amounting to €16,211 thousand, was recognized in retained earnings, net of the deferred tax effect of €5,313 and the reversal of prepayments and deferred income/expense amounting in total to €14,205 thousand recognized at 31st December 2018 under IAS 17 for the leases falling within the scope of IFRS 16.

The main effects on the condensed consolidated interim financial statements at 30th June 2019, for which reference should be made to the following notes for the details, can be summarized as follows:
– balance sheet and financial position: an increase in non-current assets as the result of recognizing "right-of-use assets" with the corresponding increase in financial liabilities (lease liabilities);
– income statement: a different qualification and classification of costs with the recognition of a amortization charge for the "right-of-use" assets and interest expense for the financial liabilities, compared to the previous lease expense;
– classification of the repayment of lease liabilities as cash flows from financing activities and the interest expense on lease liabilities as cash flows from operating activities;
– the different qualification and classification of the costs has had an effect on EBITDA, on net invested capital and on net debt, as well as on the other economic and financial ratios. As a result, the report on operations included in this half-year financial report presents certain alternative performance measures by noting that they are "inclusive of IFRS 16".

The Group subleases out certain property acquired under lease arrangements. On transition to IFRS 16, these subleases are classified as "finance leases" and accounted for as financial assets for investment, while the subleases classified as "operating leases" follow the same means of classification and accounting used previously under IAS 17.

Almost all the effects arising from the adoption of IFRS 16 relate to agreements for leasing property (for spaces for sales points/DOS, for showrooms, for logistics and for administrative and commercial offices).

In adopting IFRS 16, the Group has used the following practical expedients:
– Leases expiring within 12 months from the transition date have been classified as short-term leases; in these cases the lease payments are recognized in profit or loss on a straight line basis;
– The information available at the transition date has been used to determine the lease term, with particular reference to options to be exercised for extension or early termination.

The following paragraphs set out the new bases of preparation used by the Group on adopting IFRS 16:

Right-of-use assets

The Group recognizes right-of-use assets at the date on which the lease commences (meaning the date on which the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated amortization and impairment losses and are adjusted for the remeasurement of the lease liability. A right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs and lease payments at or prior to commencement less any incentives received. Unless the Group has the reasonable certainty that it will acquire title to the leased asset at the end of the lease term, right-of-use assets are amortized on a straight line basis over the lesser of the estimated useful life and the lease term.

Lease liabilities

At the date of commencement of the lease, the lease liability is initially measured at the present value of the lease payments due for the lease but not yet paid at that date. Payments consist of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term assumes that the Group will exercise the lease termination option.

Variable lease payments that do not depend on an index or rate are recognized as costs in the period in which the event or condition that gave rise to the payment occurs.

Short-term leases and leases where the underling asset has a low value

The Group has elected the recognition exemption for short-term leases for machinery and equipment (that is leases with a term of 12 months or less from the date of commencement and not containing a purchase option). The Group has additionally elected the recognition exemption for low-value leases where the underlying asset is office equipment with a value of less than €5,000. Lease payments for short-term leases and low-value leases are recognized on a straight line basis in profit or loss over the lease term.

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

There are no significant accounting standards, amendments or interpretations that have been issued but are not yet effective which might have a significant effect on these condensed consolidated interim financial statements or the next set of annual financial statements.

3.5 DISCRETIONAL 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 for unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which these losses can be utilized. The directors are required to make a discretionary assessment to determine the amount of deferred tax assets that can be recognized, 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. The Group uses the simplified approach and recognizes the expected losses on all trade receivables on the basis of their residual duration by establishing a criterion for determining the allowance based on the past loss experience of individual Group companies, adjusted also to take account of specific forecasting factors relating to creditors and the economic environment. The amount of expected losses is sensitive to changes in circumstances and the expected economic conditions.

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.

Estimates resulting from the application of IFRS 16
From 1st January 2019, following the initial application of IFRS 16, significant accounting estimates are made in relation to:

– the identification of the lease term, with particular reference to the measurement of the effects of the renewal option at the end of the non-cancellable period and an assessment of commercial practice regarding the property leases existing in the various legislations;
– the determination of the discount rate for all leases not containing an implicit interest rate; in particular, the Group has calculated an incremental borrowing rate (IBR) to be used to discount future lease payments, identifying each country as a portfolio of lease agreements with similar features and determining the relative IBR as the rate of a risk-free instrument of the respective country in which the lease agreement is stipulated, based on the various contractual deadlines, increased by the Group's credit spread.

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, under 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 2019	30th June 2018	30th June 2019	31st December 2018	30th June 2018
US dollar	1.1298	1.2104	1.13800	1.14500	1.16580
Swiss franc	1.1295	1.1697	1.11050	1.12690	1.15690
Japanese yen	124.2836	131.6057	122.6000	125.8500	129.0400
RMB (yuan)	7.6678	7.7086	7.81850	7.87510	7.71700
British pound	0.87363	0.87977	0.89655	0.89453	0.88605
Hong Kong dollar	8.8611	9.4863	8.88660	8.96750	9.14680
Real	4.3417	4.1415	4.35110	4.44400	4.48760
Canadian dollar	1.5069	1.5457	1.48930	1.56050	1.54420
Ruble	73.7444	71.9601	71.59750	79.71530	73.15820
Singapore dollar	1.5356	1.5737	1.53950	1.55910	1.58960
Danish krone	7.4651	*	7.46360	7.46730	*

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 should not 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. Reference should also be made to 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 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 1. Goodwill

The composition of goodwill at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Goodwill	7,045	7,045	-
Total goodwill	**7,045**	**7,045**	**-**

Goodwill at 30th June 2019 amounted to €7,045 thousand and mainly arises from the business combination that took place in 2017 for the acquisition of 62% of OOO Brunello Cucinelli RUS.

No movements in this item occurred in the period ended 30th June 2019 and there were no indications of impairment.

Note 2. Right-of-use assets

The composition of right-of-use assets at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Right to use property	371,749	-	371,749
Right to use other tangible assets	129	-	129
Total right-of-use assets	**371,878**	**-**	**371,878**

Details of cost, accumulated amortization and net book value of right-of-use assets at 30th June 2019 with comparative figures at 31st December 2018 are as follows:

(In thousands of euro)	30th June 2019			31st December 2018		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Right to use property	586,955	(215,206)	371,749	-	-	-
Right to use other tangible fixed assets	168	(39)	129	-	-	-
Total right-of-use assets	**587,123**	**(215,245)**	**371,878**	**-**	**-**	**-**

Right-of-use assets at 30th June 2019 amounted to €371,878 thousand and mainly relate to leases for spaces in the Group's boutiques and showrooms, and to a residual extent to leases for offices and logistics. As discussed earlier, at 1st January 2019 the balance of intangible assets relating to key money at 31st December 2018, amounting to €20,530 thousand, has been reclassified and recognized as an increase in right-of-use assets, as the new standard requires these to be classified as the initial direct cost of a lease.

Changes in the net book value of right-of-use assets for the six months ended 30th June 2019 were as follows:

(In thousands of euro)	**Right to use property**	**Right to use other tangible fixed assets**	**Total right-of-use assets**
1st January 2019	**-**	**-**	**-**
Effect of application of IFRS 16 at 1st January 2019	357,212	64	357,276
Increases	39,452	88	39,540
Net decreases	-	-	-
Translation differences	3,087	-	3,087
Value adjustments	-	-	-
Reclassifications	-	-	-
Changes in scope of consolidation	-	-	-
Amortization	(28,002)	(23)	(28,025)
30th June 2019	**371,749**	**129**	**371,878**

The main increases during the first half of the year relate to new lease agreements entered into in the period for opening new boutiques.

There were no indications during the period of any impairment of right-to-use assets.

Note 3. Intangible assets

The composition of intangible assets at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Concessions, licenses, trademarks and similar rights	8,102	5,894	2,208
Key money (*)	-(*)	20,530	(20,530)
Other intangible assets	1,476	1,643	(167)
Assets under formation and advances	1,542	3,471	(1,929)
Total intangible assets	**11,120**	**31,538**	**(20,418)**

(*) the balance of €20,530 thousand for key money at 31st December 2018 was reclassified to right-of-use assets at 1st January 2019.

Details of historical cost, accumulated amortization and the net book value of intangible assets at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019			31st December 2018		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Concessions, licenses, trademarks and similar rights	22,313	(14,211)	8,102	18,377	(12,483)	5,894
Key money	-	-	-	46,034	(25,504)	20,530
Other intangible assets	1,721	(245)	1,476	1,721	(78)	1,643
Assets under formation and advances	1,542	-	1,542	3,471	-	3,471
Total intangible assets	**25,576**	**(14,456)**	**11,120**	**69,603**	**(38,065)**	**31,538**

Intangible assets amounted to €11,120 thousand at 30th June 2019 and consisted principally of concessions, licenses, trademarks and similar rights for software used in IT and Digital activities to support the business through the renovation and constant modernization of production and logistics equipment and the Group's technological platforms.

The following table sets out changes in the net book value of intangible assets for the six months ended 30th June 2019:

(In thousands of euro)	**Concessions, licenses, trade marks and similar rights**	**Key money**	**Other intangible assets**	**Assets under formation and advances**	**Total intangible assets**
1st January 2019	**5,894**	**20,530**	**1,643**	**3,471**	**31,538**
Effect of application of IFRS 16	-	(20,530)	-	-	(20,530)
Increases	1,272	-	-	711	1,983
Net decreases	-	-	-	-	-
Translation differences	10	-	-	-	10
Value adjustments	-	-	-	-	-
Reclassifications	2,640	-	-	(2,640)	-
Changes in scope of consolidation	-	-	-	-	-
Amortization	(1,714)	-	(167)	-	(1,881)
30th June 2019	**8,102**	**-**	**1,476**	**1,542**	**11,120**

Investments for the half year amounted to €1,983 thousand, of which €1,850 thousand relating 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 €1,139 thousand) and "Assets under formation and advances" (as to €711 thousand).

There were no indications during the period of any impairment of intangible assets.

Note 4. Property, plant and equipment

The composition of property, plant and equipment at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Land	4,742	4,648	94
Buildings	43,203	43,386	(183)
Leasehold improvements	56,930	53,150	3,780
Plant and machinery	3,723	3,718	5
Industrial and commercial equipment	2,375	2,004	371
Other assets	18,942	16,777	2,165
Assets under construction and advances	1,246	1,969	(723)
Total property, plant and equipment	**131,161**	**125,652**	**5,509**

Details of historical cost, accumulated depreciation and the net book value of property, plant and equipment at 30th June 2019 with comparative figures at 31st December 2018 are as follows:

(In thousands of euro)	30th June 2019			31st December 2018		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	4,742	-	4,742	4,648	-	4,648
Buildings	53,153	(9,950)	43,203	52,552	(9,166)	43,386
Leasehold improvements	106,808	(49,878)	56,930	97,538	(44,388)	53,150
Plant and machinery	12,508	(8,785)	3,723	12,081	(8,363)	3,718
Industrial and commercial equipment	9,155	(6,780)	2,375	7,668	(5,664)	2,004
Other assets	34,491	(15,549)	18,942	30,738	(13,961)	16,777
Assets under construction and advances	1,246	-	1,246	1,969	-	1,969
Total property, plant and equipment	**222,103**	**(90,942)**	**131,161**	**207,194**	**(81,542)**	**125,652**

The following table sets out the changes in the net book value of property, plant and equipment for the six months ended 30th June 2019:

(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 2019	**4,648**	**43,386**	**53,150**	**3,718**	**2,004**	**16,777**	**1,969**	**125,652**
Increases	94	601	7,866	483	1,366	4,188	926	15,524
Net decreases	-	-	(45)	(11)	-	(232)	-	(288)
Translation differences	-	-	362	6	1	103	7	479
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Value adjustments	-	-	(28)	-	-	-	-	(28)
Reclassifications	-	-	1,465	-	120	71	(1,656)	-
Depreciation	-	(784)	(5,840)	(473)	(1,116)	(1,965)	-	(10,178)
30th June 2019	**4,742**	**43,203**	**56,930**	**3,723**	**2,375**	**18,942**	**1,246**	**131,161**

In the first half of 2019 the Brunello Cucinelli Group made investments in property, plant and equipment of €15,524 thousand consisting mainly of the following:

– investments for a total of €695 thousand in “Land” and “Buildings”, mainly relating to the restructuring work being carried out at the Solomeo industrial hub and at the factory of the subsidiary Max Vannucci S.r.l. in Corciano;
– investments of €7,866 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 €6,037 thousand, of which €483 thousand recognized under “Plant and machinery” (mainly referring to new machinery for production), €1,366 thousand under “Industrial and commercial equipment” (mainly for investments made at sales points and at Solomeo headquarters), €4,188 thousand under “Other assets” (mainly referring to investments in furniture and furnishings at sales points as well as for ordinary development and upgrading activities for new machinery, furniture and furnishings, vehicles and equipment and the “historic collection” at the headquarters in Solomeo);
– additional investments recognized in “Assets under construction and advances” totaling €926 thousand, mainly relating to the work carried out in setting up foreign DOS.

Investments in IT/Digital amounted to €502 thousand in the first half of 2019 and refer to tangible fixed assets.
There were no indications during the period of any impairment of property, plant and equipment.

Note 5. Investment property

The composition of investment property at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Investment property	1,783	919	864
Total investment property	**1,783**	**919**	**864**

This item, amounting to €1,783 thousand, relates to three property complexes, not for business use, as well as building land in Solomeo being managed with the aim of being restored and subsequently leased. As required by IAS 40, investment property is classified separately from the other properties owned by the Group.
Investments of €864 thousand were made during the period.

Note 6. Current and non-current financial assets for leasing

As discussed above, during the transition to IFRS 16 subleases identified as "finance leases" have been classified and accounted for as financial assets for investment and are reported as "Financial assets for leasing – non-current".
This item was as follows at 30th June 2019:

(In thousands of euro)	Non-current	Current	Total at 30th June 2019
Financial assets for leasing	834	304	1,138
Total financial assets for leasing	**834**	**304**	**1,138**

Changes during the half year ended 30th June 2019 were as follows:

(In thousands of euro)	Total financial assets for leasing
1st January 2019	-
Effect of application of IFRS 16 at 1st January 2019	1,279
Increases for new leases	-
Decreases for early termination of leases	-
Increases for interest income	11
Decreases for cash received	(152)
Exchange (gains)/losses	-
Translation differences	-
30th June 2019	**1,138**

Note 7. Other non-current financial assets

The composition of other non-current financial assets at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Guarantee deposits	8,260	7,675	585
Total other non-current financial assets	**8,260**	**7,675**	**585**

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 €215 thousand for the increase arising from new payments made by the Group, €20 thousand for the decrease from reimbursements obtained during the period and €390 thousand due to the positive change in the balance arising from exchange rate effects on deposits held in foreign currency and the increase generated by discounting balances at the balance sheet date.

Note 8. Inventories

The composition of inventories at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Raw materials and consumables	34,926	31,436	3,490
Work in progress and semi-finished goods	9,811	9,652	159
Finished goods and merchandise	135,111	120,676	14,435
Total inventories	**179,848**	**161,764**	**18,084**

A comprehensive comment on this item can be found in the Report on Operations. Inventories amounted to 31.3% as a proportion of net revenues for the past 12 months, higher than the figure of 29.3% at 31st December 2018 and in line with that of 30.2% at 30th June 2018.

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 can be found in the Report on Operations.

Note 9. Trade receivables

Trade receivables at 30th June 2019 amounted to €79,948 thousand compared with €61,444 thousand at 31st December 2018. Detailed comments on changes in working capital can 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, which means that their carrying amount is effectively their fair value at the date of preparation of these financial statements.
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 2019, compared with the year ended 31st December 2018, are as follows:

(In thousands of euro)	**30th June 2019**	**31st December 2018**
At 1st January	**1,867**	**1,770**
Allocations	377	802
Utilizations	(973)	(705)
End of period	**1,271**	**1,867**

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

The situation regarding overdue balances is essentially constant as shown by the usual aging table:

Overdue by:	**30th June**	
	2019	**2018**
0-90 days	8,252	6,686
91-180 days	4,145	3,729
More than180 days	874	3,513
TOTAL	**13,271**	**13,928**

Note 10. Tax receivables

The composition of tax receivables at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
IRES corporate income tax receivables	6	52	(46)
IRAP regional production tax receivables	-	6	(6)
Other tax receivables	614	770	(156)
Total tax receivables	**620**	**828**	**(208)**

Tax receivables amounted to €620 thousand at 30th June 2019."Other tax receivables" can be analyzed as follows: €359 thousand relating 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"); and taxes of €255 thousand receivable by certain subsidiaries, mostly based outside Italy, arising from the prepayment of income tax.

Note 11. Other receivables and other current assets

The composition of other receivables and other current assets at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Receivable from the tax authorities	3,187	3,419	(232)
Other receivables	8,832	6,496	2,336
Prepayments and accrued income	5,583	4,959	624
Advances to suppliers	780	969	(189)
Due from agents	258	233	25
Total other receivables and other current assets	**18,640**	**16,076**	**2,564**

Receivables from the tax authorities amounted to €3,187 thousand at 30th June 2019 compared to €3,419 thousand at 31st December 2018 and €838 thousand at 30th June 2018, and mainly refer to VAT receivables recognized by the parent company and subsidiaries.

Other receivables amounted to €8,832 thousand at 30th June 2019 compared to €6,496 thousand at 31st December 2018. The main recurring items consist of balances settled by credit card before period end for which payment has not yet been credited to the relevant bank accounts. The increase derives from the growth of the retail sales channel.

Prepayments and accrued income mostly arise from advance payments for the production of catalogues for the fall/winter collection which will be delivered in the following half year and prepayments for utilities and insurance premiums and for charges relating to the digital sphere.

On initial application of IFRS 16, prepayments for leases falling within the scope of the new standard were included as part of the calculation to determine right-of-use assets as the standard requires.

Accounts receivable from agents primarily relate to the sale of samples to the Group sales network. It should be noted that samples are the key tool allowing the sales network to undertake sales promotional activities with the customer base.

Note 12. Other current financial assets

Other current financial assets amounted to €9,045 thousand at 30th June 2019.

(In thousands of euro)	**30th June 2019**	**31st December 2018**	**Change**
Financial receivables	42	17	25
Short-term financial instruments	9,003	8,996	7
Total other current financial assets	**9,045**	**9,013**	**32**

Of the total balance, €9,003 thousand represents the fair value of two composite life assurance contracts. More specifically, these are contracts stipulated under Italian law which provide a combination of class I (segregated management) and class III (unit-linked) business and enable an investment to be made that can be redeemed at any time in the form of principal. In substance, this represents an extremely prudent and liquid form of remunerating the business's cash.
The balance of €42 thousand relates to prepayments of loans outstanding at period end.

Note 13. Cash and cash equivalents

The composition of cash and cash equivalents at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Bank and post office deposits	56,923	55,951	972
Cash and other valuables	453	507	(54)
Cheques	699	148	551
Total cash and cash equivalents	**58,075**	**56,606**	**1,469**

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 mostly refers 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 2019 compared to those of the corresponding period in 2018.

Note 14. Derivative financial instruments

The Brunello Cucinelli Group enters certain derivative contracts to hedge the interest rate risk on its bank debt and the exchange 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 envisaged by IFRS 7).

The following is noted for outstanding financial instruments at 30th June 2019:
- all financial instruments at fair value form part of Level 2 (the same situation existed in 2018);
- there have been no transfers from Level 1 to Level 2 or vice versa in 2019;
- there have been no transfers from Level 3 to other levels or vice versa in 2019.

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

Details of the composition of "Derivative financial instruments - assets" and "Derivative financial instruments – liabilities" at 30th June 2019 are set out below, with comparative figures at 31st December 2018.

(In thousands of euro)	**30th June 2019**	**31st December 2018**	**Change**
Current assets for derivative instruments hedging currency risk	40	418	(378)
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	**40**	**418**	**(378)**
Current liabilities for derivative instruments hedging currency risk	(4,686)	(5,195)	509
Current liabilities for derivative instruments hedging interest rate risk:			
– Current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(243)	(206)	(37)
– Current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – current liabilities	**(4,929)**	**(5,401)**	**472**
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	(318)	(92)	(226)
– Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – non-current liabilities	**(318)**	**(92)**	**(226)**

The contractual features and the relative fair value of derivative financial instruments hedging interest rate risk at 30th June 2019 and 31st December 2018 are as follows:

Derivatives on interest rate risk accounted for using hedge accounting

(In thousands of euro)	30th June 2019		31st December 2018	
	Current portion	Non-current portion	Current portion	Non-current portion
Derivative assets/(liabilities)	(243)	(318)	(206)	(92)
Total fair value of IRS	**(243)**	**(318)**	**(206)**	**(92)**

The contractual features and the relative fair value of derivative financial instruments hedging currency risk at 30th June 2019 and 31st December 2018 are as follows:

(In thousands of euro)	Negative fair value		Positive fair value	
	30th June 2019	31st December 2018	30th June 2019	31st December 2018
Derivative assets/(liabilities)	(4,686)	(5,195)	40	418
Total fair value of forward foreign exchange contracts	**(4,686)**	**(5,195)**	**40**	**418**

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 15. Capital and reserves

Share capital at 30th June 2019 amounted to €13,600 thousand and consisted of 68,000,000 fully paid ordinary shares.

Equity at 30th June 2019 totaled €276,830 thousand, a decrease of €10,552 thousand over 31st December 2018.

Changes in equity in the six months arose from the net profit for the period and the distribution of a dividend of €20,400 thousand approved by the general meeting of the shareholders of the parent Brunello Cucinelli S.p.A. on 29th April 2019. A dividend of €18,360 thousand was approved in the corresponding period of the previous year. In addition, the initial application of the new accounting standard IFRS 16 lead to an overall decrease of €16,211 thousand on 1st January 2019, recognized as "Consolidated retained losses" in the table below.
Details of changes in equity for the periods ended 30th June 2019 and 30th June 2018 can be found in the consolidated statement of changes in equity.

The share premium reserve amounts to €57,915 thousand and is stated net of the listing costs incurred in 2012, which were deducted from shareholders' equity pro rata to the ratio between the number of new shares issued and the number of shares in existence following the IPO, in accordance with IAS 32.

Other equity reserves at 30th June 2019 with comparative figures at 31st December 2018 were as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Legal reserve	2,720	2,720	-
Extraordinary reserve	201,598	169,873	31,725
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	(674)	(843)	169
IFRS first-time adoption reserve	(770)	(770)	-
Reserve for discounting TFR	(514)	(429)	(85)
Translation reserve	(129)	(1,095)	966
Consolidated retained losses	(25,098)	(10,050)	(15,048)
Total other reserves	**180,193**	**162,466**	**17,727**

The change in the cash flow hedge reserve of €169 thousand reflects the items presented in the consolidated statement of comprehensive income.

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 2019 amounted to €14,060 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".

Equity attributable to non-controlling interests was negative €182 thousand at 30th June 2019 compared to €2,709 thousand at 31st December 2018 and represents third-party interests in the Group's subsidiaries. The initial application of the new standard IFRS 16 on 1st January 2019 led to a decrease of €2,586 thousand in equity attributable to non-controlling interests at that date.

Note 16. 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.

The following table sets out the changes in liabilities for employee benefits for the period ended 30th June 2019 with comparative figures for the year ended 31st December 2018:

(In thousands of euro)	30th June 2019	31st December 2018
Present value of the obligation at the beginning of the period/year	**3,048**	**3,184**
Revaluation pursuant to article 2120 of the Italian civil code	65	127
Benefits paid	(35)	(283)
Change in scope of consolidation	-	-
Financial (income)/expense	(19)	(30)
Exchange differences	2	4
Actuarial (gains)/losses	117	46
Present value of the obligation at the end of the period/year	**3,178**	**3,048**

The item "Actuarial (gains)/losses" reflects the balance to be found in the consolidated statement of comprehensive income.

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

Financial assumptions

	30th June 2019	31st December 2018
Annual discount rate	0.58%	1.15%
Inflation rate	1.00%	1.00%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	30th June 2019	31st December 2018
Mortality	TABLE RG 48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	30th June 2019	31st December 2018
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 2019	31st December 2018
Managers and middle managers	63.8	60.6
Office and sales staff	1,280.6	1,186.1
Factory workers	497.7	489.2
Total workforce	**1,842.1**	**1,735.9**

Note 17. Provisions for risks and charges

Provisions for risks and charges mainly relate 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 2019 with comparative figures for the year ended 31st December 2018:

(In thousands of euro)	30th June 2019	31st December 2018
Agents' supplementary termination indemnity – balance at 1st January	**632**	**656**
Allocations	-	-
Utilizations	-	-
Actuarial (gains)/losses	(38)	(24)
Agents' supplementary termination indemnity – balance at end of period	**594**	**632**
Other provisions	291	288
Total provisions for risks and charges	**885**	**920**

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

	30th June 2019	31st December 2018
Turnover rate – voluntary	6.00%	6.00%
Turnover rate – employer initiated	5.00%	5.00%
Discount rate	0.55%	1.15%

Note 18. 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 2019, 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 2019**	**Amount due within 12 months**	**Amount due between 1 and 5 years**	**Amount due after 5 years**
Total long-term loans	61,400	22,432	38,968	-
Total non-current bank debt	**38,968**			

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

Note 19. Current and non-current lease liabilities

The application of the new standard IFRS 16 has led to the recognition of a financial liability consisting of the present value of residual future lease payments. The balance at 30th June 2019 may be analyzed as follows:

(In thousands of euro)	Non-current	Current	Total at 30th June 2019
Lease liabilities	337,957	52,166	390,123
Lease liabilities	**337,957**	**52,166**	**390,123**

Movements in the balance for the six months ended 30th June 2019 were as follows:

(In thousands of euro)	**Total lease liabilities**
1st January 2019	**-**
Effect of applying IFRS 16 at 1st January 2019	373,754
Increases for new leases	39,477
Decreases for early termination of leases	-
Increases for interest expense	5,045
Decreases for payments made	(29,994)
Foreign exchange gains/(losses)	(1,303)
Translation differences	3,144
30th June 2019	**390,123**

Net debt

The following table provides details of the net debt of the Brunello Cucinelli Group at 30th June 2019 presented in accordance with the format of Consob Communication no. DEM/6064293 of 28th July 2006, together with comparative figures at 31st December 2018:

(In thousands of euro)	**30th June 2019**	**31st December 2018**
A. Cash	(699)	(507)
B. Other cash and cash equivalents	(57,376)	(56,099)
C. Held-for-trading financial instruments	(9,003)	(8,996)
D. Cash and cash equivalents (A)+(B)+(C)	**(67,078)**	**(65,602)**
E1. Current financial receivables for leasing	**(304)**	**-**
E2. Current financial receivables	**(42)**	**(17)**
F. Current bank debt	51,242	27,014
G. Current portion of non-current debt	22,432	24,067
H1. Current lease liabilities	52,166	-
H2. Other current financial payables	724	3,048
I. Current debt (F) + (G) + (H)	**126,564**	**54,129**
J. Net current debt (I) + (E) + (D)	**59,140**	**(11,490)**
K. Non-current bank debt	38,968	25,934
L. Bonds issued	-	-
M1. Non-current lease liabilities	337,957	-
M2 . Other non-current payables	318	92
N. Non-current debt (K)+(L)+(M)	**377,243**	**26,026**
O. Net debt (J)+(N)	**436,383**	**14,536**

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

As required by IAS 7 Cash Flow Statements the following table sets out changes in liabilities deriving from financing activities:

(In thousands of euro)	31st December 2018	Monetary flows	Non-monetary flows					30th June 2019
			Effect of first application IFRS 16	Exchange differences	Change in fair value	Changes in consolidation scope – purchase of minority interest	Other	
Non-current bank debt	25,934	11,392	-	-	-	-	1,642	38,968
Other non-current financial payables	92	-	-	-	226	-	-	318
Bonds	-	-	-	-	-	-	-	-
Current portion of non-current debt	24,067	-	-	-	-	-	(1,635)	22,432
Current and non-current lease payables	-	(29,994)	373,754	1,841	-	-	44,522	390,123
Other current financial payables	30,062	21,855	-	-	49	-	-	51,966
Current financial assets	(9,013)	(7)	-	-	-	-	(25)	(9,045)
Current financial assets for leasing	-	152	(285)	-	-	-	(171)	(304)
Cash and cash equivalents	(56,606)	(1,813)	-	344	-	-	-	(58,075)
Net debt	**14,536**	**1,585**	**373,469**	**2,185**	**275**	**-**	**44,333**	**436,383**

The column "Monetary flows" corresponds to the flows reported in the consolidated cash flow statement while the column "Other" mainly relates to the effect of reclassifying the "non-current" portion of outstanding loans to "current".

Note 20. Other non-current liabilities

Other non-current liabilities at 30th June 2019 amounted to €135 thousand compared to €11,921 thousand at 31st December 2018. The decrease is essentially due to the application of the new standard IFRS 16, with the reversal of deferred liabilities for leases which were accounted for under IAS 17 at 31st December 2018 and after that date fell under the scope of the new standard.

The remaining balance at 30th June 2019 relates to liabilities for leases that do not fall under the scope of IFRS 16.

(In thousands of euro)	30th June 2019	31st December 2018	Change
Liabilities for leases	135	11,921	(11,786)
Other non-current liabilities	**135**	**11,921**	**(11,786)**

Note 21. Trade payables

The composition of trade payables at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Trade payables to third party suppliers	79,725	76,585	3,140
Total trade payables	**79,725**	**76,585**	**3,140**

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

Note 22. Current bank debt

The composition of current bank debt at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Bank advances	51,237	27,014	24,223
Current portion of long-term loans	22,432	24,067	(1,635)
Accrued interest expense	4	-	4
Total current bank debt	**73,673**	**51,081**	**22,592**

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 23. Current financial payables

Current financial payables at 30th June 2019 amounted to €481 thousand and arose from the measurement of the put options on minority holdings in subsidiaries.

Of the balance at 31st December 2018, €2.4 million related to the liability for the purchase of minority holdings in subsidiaries, which was settled by the parent company in the first half of 2019.

(In thousands of euro)	**30th June 2019**	**31st December 2018**	**Change**
Current financial payables	481	2,833	(2,352)
Accrued loan interest	-	9	(9)
Total current financial payables	**481**	**2,842**	**(2,361)**

Note 24. Tax payables

Tax payables at 30th June 2019 amounted to €11,038 thousand compared to €2,781 thousand at 31st December 2018 and €5,261 thousand at 30th June 2018.
This item mainly consists of the parent company's liabilities of €6.7 million for IRES and IRAP, which were settled on 1st July 2019 (since 30th June 2019 fell on a non-working day), a figure which also includes the part relating to 2018. Other tax payables consist of the liability for current taxes taken to the consolidation by subsidiaries.

(In thousands of euro)	**30th June 2019**	**31st December 2018**	**Change**
Current IRES corporate income tax payables	7,971	1,389	6,582
Current IRAP regional production tax payables	1,760	298	1,462
Other tax payables	1,307	1,094	213
Total tax payables	**11,038**	**2,781**	**8,257**

Note 25. Other current liabilities

The composition of other current liabilities at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Due to agents	2,289	2,447	(158)
Due to employees	8,576	6,511	2,065
Social security payables	2,921	4,251	(1,330)
Taxes withheld by the Italian companies (IRPEF withholdings)	2,144	3,154	(1,010)
VAT payables	1,581	1,715	(134)
Payables for current taxes not on income	667	871	(204)
Accrued expenses and deferred income	782	1,530	(748)
Other current payables to related parties	-	1,074	(1,074)
Other payables	2,247	4,959	(2,712)
Total other current liabilities	**21,207**	**26,512**	**(5,305)**

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 on wages and salaries accrued at the end of 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 €315 thousand to the parent company Brunello Cucinelli S.p.A. and for the remainder to balances in the other Group companies.

Note 26. Taxation

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 30th June 2019 with comparative figures at 31st December 2018 is as follows:

(In thousands of euro)	30th June 2019	31st December 2018	Change
Deferred tax assets	24,632	16,777	7,855
Deferred tax liabilities	(1,743)	(1,256)	(487)

The deferred tax asset balance mainly arises from the tax effect of the elimination of intercompany margins in inventories (€11,912 thousand), the recognition of deferred tax assets for the tax losses of subsidiaries (€3,221 thousand) and deferred tax assets (of €1,499 thousand) recognized by the parent company which arise mostly from unrealized currency transactions and currency hedging transactions.

In addition, the application of the new accounting standard IFRS 16 led to the recognition of deferred tax assets of €5,313 thousand at 1st January 2019.

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 and total income taxes is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Change
Current taxation	9,285	9,471	(186)
Deferred tax (income)/expense	(2,058)	(1,967)	(91)
Prior year taxes	438	(51)	489
Total income tax charge in the consolidated income statement	**7,665**	**7,453**	**212**
Income taxes in comprehensive income	25	(931)	956
Total income taxes	**7,690**	**6,522**	**1,168**

Taxes are calculated using the best estimate at the balance sheet date of the expected annual tax rate. An amount of €2.5 million has been recognized for the estimated tax benefit arising from 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 27. Revenues from sales and services

The composition of revenues from sales and services for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Difference
Net revenues	291,413	269,486	21,927
Other operating income	398	584	(186)
Total revenues from sales and services	**291,811**	**270,070**	**21,741**

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)	Half year ended 30th June				Difference	
	2019	%	2018	%	2019 vs. 2018	2019 vs. 2018%
Italy	44,308	15.2%	43,826	16.3%	482	+1.1%
Europe (1)	92,397	31.7%	84,251	31.3%	8,146	+9.7%
North America(2)	94,077	32.3%	86,323	32.0%	7,754	+9.0%
China(3)	28,800	9.9%	24,858	9.2%	3,942	+15.9%
Rest of the World (RoW)(4)	31,831	10.9%	30,228	11.2%	1,603	+5.3%
Total	**291,413**	**100.0%**	**269,486**	**100.0%**	**21,927**	**+8.1%**

(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) “China” refers to the People’s Republic of China, Hong Kong, Macao 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)	Half year ended 30th June				Difference	
	2019	%	2018	%	2019 vs. 2018	2019 vs. 2018%
Retail	149,946	51.5%	133,920	49.7%	16,026	+12.0%
Wholesale monobrand	18,209	6.2%	19,778	7.3%	(1,569)	-7.9%
Wholesale multibrand	123,258	42.3%	115,788	43.0%	7,470	+6.5%
Total	**291,413**	**100.0%**	**269,486**	**100.0%**	**21,927**	**+8.1%**

In accordance with the 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 28. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Difference
Costs for raw materials and consumables	56,039	49,056	6,983
Change in inventories	(16,464)	(7,377)	(9,087)
Total costs for raw materials and consumables	**39,575**	**41,679**	**(2,104)**

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

Note 29. Costs for services

The composition of costs for services for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Difference
Outsourced work	58,033	52,057	5,976
Advertising and other marketing costs	16,223	14,732	1,491
Transport and duties	10,409	9,391	1,018
Lease expense	10,310	34,165	(23,855)
Commissions and accessory charges	4,867	6,584	(1,717)
Credit card charges	2,735	2,264	471
Outsourced services and miscellaneous consultancy	2,754	2,515	239
Maintenance services	2,494	2,434	60
Electricity, gas, water and postal expenses	2,411	2,086	325
Directors' and statutory auditors' fees	979	1,175	(196)
Insurance	763	757	6
Digital maintenance and assistance	611	726	(115)
Other general expenses	3,875	4,054	(179)
Total costs for services	**116,464**	**132,940**	**(16,476)**

The main "Costs for services" are discussed in the Report on Operations to which reference should be made. As can be seen, the new accounting standard IFRS 16 has had a significant effect on lease expense and in this case too reference should be made to the Report on Operations for a comprehensive comment.

The other costs are generally in line with the corresponding period in 2018 in absolute terms (an increase of €140 thousand), and mainly consist of staff travelling and transfer expenses for training purposes (commercial and on the product at the Group's sales points) and costs for carrying out activities and research on the product and on visual merchandising; in addition, other costs include those 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 €2,051 thousand relating to expenses of an IT/Digital nature.

Note 30. Payroll costs

The composition of payroll costs for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Difference
Wages and salaries	41,848	36,290	5,558
Social charges	9,451	8,491	960
Employees' termination indemnity	1,382	1,293	89
Other payroll costs	1,151	899	252
Total payroll costs	**53,832**	**46,973**	**6,859**

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

Note 31. Other operating costs

The composition of other operating costs for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In migliaia di Euro)	30th June 2019	30th June 2018	Difference
Taxes and duties	1,698	1,230	468
Losses on bad debts	-	26	(26)
Losses on bad debts	1,686	1,573	113
Miscellaneous operating costs	**3,384**	**2,829**	**555**

Note 32. Own work capitalized

The increase of €1,022 thousand in own work capitalized mainly relates to production costs incurred to develop the historical collection and costs for the internal fit-out of the Group's boutiques. The balance at 30th June 2018 amounted to €1,080 thousand.

Note 33. Depreciation and amortization

The composition of depreciation and amortization for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2019 is as follows:

(In thousands of euro)	**30th June 2019**	**30th June 2018**	**Difference**
Amortization of right-of-use assets	28,025	-	28,025
Amortization of intangible assets	1,881	3,713	(1,832)
Depreciation of property, plant and equipment	10,178	8,080	2,098
Total depreciation and amortization	**40,084**	**11,793**	**28,291**

The increase in the depreciation and amortization charge is linked to the investments made by the Group.
As noted earlier, the amortization charge for right-of-use assets, amounting to €28,025 thousand, arises from applying the new accounting standard IFRS 16. In the same way, the decrease in the amortization charge for intangible assets (from €3,713 thousand at 30th June 2018 to €1,881 at 30th June 2019) is the result of reclassifying key money to right-of-use assets.
Reference should be made to the Report on Operations for comments on the differences.

Note 34. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€352 thousand in the first half of 2019 and €496 thousand in the first half of 2018) 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 enlarging the Group's boutiques.

Note 35. Financial expense

The composition of financial expense for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	**30th June 2019**	**30th June 2018**	**Difference**
Lease interest expense	5,045	-	5,045
Mortgage loan interest	221	265	(44)
Interest payable on advances	548	208	340
Bank interest expense	2	39	(37)
Realized exchange losses	10,782	9,041	1,741
Unrealized exchange losses	3,731	5,566	(1,835)
Financial expense on derivatives	2,920	1,839	1,081
Miscellaneous financial expense	131	144	(13)
Total financial expense	**23,380**	**17,102**	**6,278**

For a comment on the differences reference should be made to the Report on Operations, where for completeness a description is given of financial expense and financial income taken together.
"Lease interest expense", amounting to €5,045 thousand, arises from applying the new accounting standard IFRS 16.

Note 36. Financial income

The composition of financial income for the six months ended 30th June 2019 with comparative figures for the six months ended 30th June 2018 is as follows:

(In thousands of euro)	**30th June 2019**	**30th June 2018**	**Difference**
Lease interest income	11	-	11
Unrealized exchange gains on lease liabilities	1,303	-	1,303
Bank interest income	71	50	21
Realized exchange gains	11,983	12,123	(140)
Unrealized exchange gains	3,470	3,257	213
Financial income on derivatives	19	12	7
Miscellaneous financial income	59	453	(394)
Total financial income	**16,916**	**15,895**	**1,021**

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

"Lease interest income", amounting to €11 thousand, arises from applying the new accounting standard IFRS 16. In addition, note should also be made of the significant effect of unrealized exchange gains on lease liabilities denominated in foreign currency, amounting to €1,303 thousand; this too arises from applying the new standard.

Note 37. 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 2019	30th June 2018
Net profit attributable to owners of the parent *(thousands of euro)*	25,304	26,082
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)*	0.37212	0.38356
Diluted earnings per share *(in euro)*	0.37212	0.38356

Note 38. 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 2019 with comparative figures 30th June 2018 is as follows:

(In thousands of euro)	30th June 2019	30th June 2018	Difference
Assets with third parties	146	35	111
Total commitments and risks	**146**	**35**	**111**

Assets with third parties mainly relate to operating machines and electronic equipment lent at no charge to workshops and outside companies which 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 2019:

(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	Trade receivables	Trade payables	Other payables
MO.AR.R. S.n.c.	1	-	-	164	-	8,201	-	-	190	-
CMB Impianti Industriali Srl (Cucinelli Giovannino)	-	-	-	8	-	5,471	-	-	28	-
AS.VI.P.I.M. Gruppo Cucinelli	-	2	-	436	-	5	-	-	73	-
Solomeo S.r.l.	-	2	-	109	-	2,713	32	-	-	-
Verna S.r.l.	-	2	-	251	-	-	-	-	71	-
Brunello Cucinelli family	-	2	-	-	799	-	-	-	-	104
Prime Service Italia S.r.l.	-	2	-	417	-	-	-	-	152	-
Fedone S.r.l.	-	2	-	32	-	-	-	-	20	-
Fondazione Brunello Cucinelli	2	5	-	1	-	-	-	5	1	-
Parco Agrario Solomeo	-	4	-	45	-	9	-	1	11	-
S.C.R.Oratorio Interreligioso S.S.D. A.r.l.	-	2	-	-	-	-	-	-	-	-
Total related parties	**3**	**23**	**-**	**1,463**	**799**	**16,399**	**32**	**6**	**546**	**104**
Total consolidated financial statements	**291,413**	**398**	**39,575**	**116,464**	**53,832**	**131,161**	**8,260**	**79,948**	**79,725**	**21,207**
Proportion %	*0.00%*	*5.78%*	*0.00%*	*1.26%*	*1.48%*	*12.50%*	*0.39%*	*0.01%*	*0.68%*	*0.49%*

The following table sets out the balances at 30th June 2019 arising from the application of the new standard IFRS 16 to related party transactions.

(In thousands of euro)	Right-of-use assets	Non-current lease liabilities	Current lease liabilities	Amortization	Financial expense
Solomeo S .r .l .	5,888	5,756	507	272	90
Total related parties	**5,888**	**5,756**	**507**	**272**	**90**
Total consolidated financial statements	**371,878**	**337,957**	**52,166**	**40,084**	**23,380**
Proportion %	*1.58%*	*1.70%*	*0.97%*	*0.68%*	*0.38%*

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 is 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 renting and making investments in property used by the Company for conducting operations in the area close to the Company's headquarters. The amounts involved and set out in the above table include the effects of applying the new accounting standard IFRS 16;
- 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 for working in the Company;
- 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.: a company in which Cav. Lav. Brunello Cucinelli is the Chairman and CEO and which holds a 51% interest in the parent company;
- 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 2019 amounted to €478 thousand.
The compensation accruing to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 30th June 2019 amounted to €77 thousand.

FINANCIAL RISK MANAGEMENT

Financial risks are managed on the basis of guidelines established by 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.

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. In particular, 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 both by 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
and Chief Executive Officer

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 Chief Executive Officer, 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 2019.
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 2019.
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 2019

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Chief Executive Officer

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