**Brunello Cucinelli S.p.A**

**"First Half 2022 Results Conference Call"**

**Tuesday, August, 30, 2022, 18:00 CET**

Moderators: Brunello Cucinelli, Executive President and Creative Director

Luca Lisandroni, Chief Executive Officer

Riccardo Stefanelli, Chief Executive Officer

Moreno Ciarapica, Chief Financial Officer

Pietro Arnaboldi, Head of Investor Relations and Corporate Planning

Operator: Good evening. This is Chorus Call. Welcome to the presentation of the First Half 2022 of the Brunello Cucinelli Group. Please note that all participants are in the listening mode only. After the initial presentation, you will have the possibility of asking questions and the analysts will have the chance of asking questions. The speakers will be Brunello Cucinelli, Executive President and Creative Director, Luca Riccardo Stefanelli, CEO, our CFO, Moreno Ciarapica and Pietro Arnaboldi, Head of Investor Relations and Corporate Planning. To receive assistance from an operator during the conference call, please dial "\*" followed by "0."

And now let me hand over to Brunello Cucinelli, please.

Brunello Cucinelli: Good evening. Good evening and welcome. Welcome back. First of all, I'd like to point out that we're not a group or so I would like to correct, Luca Riccardo, what we are saying. We are a factory; we are an SPA. So, jokes apart, so welcome back. I hope you had the chance of having a break and resting as usual. Analysts and financial analysts and journalists are joining our calls, calls are always very important. And for me, they are even more important. They are a series of events and but also beautiful events like the last call we had the last one in July, then we're going to have another one in mid-October with the9 months results. And finally, we will have the final call in early December after the Board meeting because we have a Board meeting in December that we call strategic.

But this year again, we would like to organize a call after the Board meeting and then next year if everything goes back to normal, we're going to have 4 calls instead of 6, hopefully. So how is the call going to take place? As usual, Moreno will read out the numbers and then we will focus on the big picture. I will focus on the big picture on general data. But there is also an important topic we would like to deal with. We are going to talk about these couple of months and how things are going? What we can envisage for 2023? So spring/summer collections, men's wear is over. The women's wear campaign is almost over and so we will give you our picture for 2023, then we would like to talk about the great value of the factory, the great value of training and craftsmanship and values that are very important for us and this is even more so in this very moment.

And so, a couple of information on training and the last couple of minutes will be devoted to the greater value of Italy from the viewpoint of the social, economic, and political setting because we often hear some Italians talking about Italy and I disagree with them. I have a totally different idea about Italy. So, let me focus on numbers.

Turnover is well known to you, net revenues €415 million, up 32% at current exchange rates at 28. Sorry, at constant exchange rates at 28. A very important growth in all geographical areas, Americas plus 52, Asia 27, Europe 20, Italy almost 20 in DOS sales channels, with retail up at 47% and wholesale, our beloved wholesale, up 16%. EBITDA is equal to €120 million, up 48% versus €80 million as of last year, EBIT €57 million, up 128% versus €25 million last year. But we have to point out that the first half of last year was highly impacted.

Important investments in line with our 3 year planning equal to €36 million as of June the 30th in favor of the contemporary nature hopefully of our Cassidy Moda and of our beautiful factory while drawing inspiration from my dear friend, Leonardo Del Vecchio, who before dying said to his son, how beautiful our factory is and this has remained in my heart and that's why we want to call our factory a beautiful factory. Added to this value is the acquisition of the €15 million invested in the acquisition of 43% stake of the…in the prestigious Lanificio Cariaggi cashmere, our long-term supplier.

On Thursday night, we have an Annual Meeting with your staff, they are about 170 and these are people with very important hands. The company's solid structure supports the multi-year investment plan with characteristic and net financial debt amounting to €63 million. So this is what I've said, well, I've been reflected upon this very much, but you will find a central part of Italy really very fond of and that we will discuss in December too.

The first half closed with excellent results in terms of both growth and profits. On the back of this, we envisage a record year 2022 with revenue growth of around 15%. During the pandemic, companies in our country, thanks to National Social Safety Nets and wise and humanistic entrepreneurial choices have generally managed not to lay off their staff and thus preserve the production and marketing and distribution of their products.

Today, it seems to us that for certain products demand undoubtedly exceeds supply, which means that we Italians, great quality manufacturers have become better at producing and manufacturing top notch quality goods and consequently exporting them and there is no doubt that a strong dollar and a weak euro, but there are other strong currencies, but so there is no doubt that a strong dollar brings remarkable advantages to exports and our sector will benefit there from.

Very important is the order intake for spring/summer, Men's Women's 2023 that was really very good. Because men's is over, women's is about to be concluded. So great order intake both in terms of quantity and of image and all those makes us look forward to the year 2023 with a full 10% growth in sales.

Now, Moreno, you will go through the details of the numbers. And then we'll go back to our nice discussion.

Moreno Ciarapica: Thank you, Brunello. Good evening to everyone and really welcome back. I will briefly comment on the main financial dynamics related to the first half of the year and I will then be available for questions during the Q&A session. I will slow down a little bit. Please slow down a little bit for translation. So the first half of 2022 report excellent results confirmed our plan. So let me go to the Slide #11 of the presentation that you have.

So the very important growth in results with revenue growth of 32.4% has perfectly absorbed the transient effect of the pandemic on the main important cost lines. And this is our decision to preserve the structure, keeping the investment decisions and the activities planned unchanged. The first margin has a positive and significant change moving from 66.8% of last year to 71.7%, thanks to the positive contribution of the sales mix and the foreign exchange dynamics.

As for the sales mix, the positive impact is related to the channel mix with the weight of retail moving from 52.7% to 58.7% with 117 DOS as at 30 June 2022 versus 112 in 2021. The mix of geographical areas and the presence of growth in America plus 52.5%, Asia 27.2%, which is higher than the growth in Europe and in Italy, equal to about 20%. As a matter of fact, the markup differentials of the geographical areas favor the first margin with a neutral impact on the operational margin because they are…well, this markup, but basically cover the additional marketing costs among, which transportation and customs duties for example.

The third dynamic is the product mix, the positive impacts on the first margins also favored by the increasing focus of our customers on special garments. And we are also awarded by the search for products with a higher value and content. There is then the dynamic related to different exchange rates. The positive dynamic surplus4 percentage current exchange rate as previously communicated, favor a positive impact on the first margin and as you know our industrial costs are expressed in euro.

Consistently with that, the same dynamics of the currency impact negatively on some overheads. The part of costs in foreign exchange produced abroad that are increased due to the dynamics of current over exchange rates. And the operational costs are also linked to trade activities to investments or for expansion, the retail channel and the digital channel.

Let's now move to Slide #14, with the costs…staff costs supporting a new commercial initiatives, expansion of the network and consolidation processes of activities increased 74% versus a €65 million in 2021. And we'll have a headcount moving from 2,000 as of the 30th of June to 2,250. The relative incidence is equal to 18.9% as of the 30th of June 2022 versus 19.7% in 2021 June the 30th. Please note that in 2019, it was equal to 18.5%.

Net of the IFRS 16 effect on leasing, the cost of rents that has anticipated follows the dynamics of opening is equal to €61.3 million versus €54.4 million, as of June 30, 2021. The incidence of rents are net of the IFRS 16 effect is equal to 14.8%, it falls at equal to 17.3% in June 2021. So up above the 13.4% of the first half 2019, due to new flagship stores, extension of boutiques and opening of spaces that we have called Casa Cucinelli with important dedicated areas that are not directly connected to sales, but rather to enhancing the value of our idea of hospitality, the current incidence equal to 15% of rent is representative for the entire year.

The investments in communication now are still very important from a strategic viewpoint among these investments related to boutique events have recovered since the second half of 2021 investments in communication are equal to €20.4 million versus €14.4 million in June 2021 with an incidence of 4.9% as of 30th of June 2022 versus 4.4% last year.

Please note that structurally communication activities for events are stronger in the second half than in the first half of the year. Based on these dynamics EBITDA net of the IFRS 16 effect, as you can read in Slide #11 is equal to €75.3 million versus €39.9 million in June 2021, with a margin equal to 18.1% and this is improving versus a 12.7% last year, and it is up from 17.3% in 2019 before the pandemic.

As for the positive value of the net financial income in the first half of 2022, you can see the detail in the Slide 24 that we have prepared in the presentation, because this is quite abnormal versus the normality. The financial management in its complexity has benefited in these 6 months from various aspects. For example, the accounting of a transaction related to the purchase of the 43% stake in Cariaggi. And the positive difference equal to €4.7 million between the purchase price of the stake and the net equity value based on the financial statements approved in 2022.

Moreover, another important effect is related to the foreign exchange dynamics due to the weakness of the euro as of the 30th of June 2022 that leads to a strong and extraordinary positive impact in the first 6 months of 2022 due to unrealized gains on currency exchange rates due to the effect of the IFRS 16 principle, and these are very strong positive impacts will probably be diluted in the second part of the year, both due to the trend in foreign exchange rates and the second half of 2021. And based on the estimates of authoritative financial institution, so with their outlooks of the…on December 2022. So 56.5 is the net profit as of the end of the first half.

I'd like to point out to the tax rate in the first half 27.4% and this benefits from the reduced tax rate on financial gains €4.7 million related to the valuation of the stake in Cariaggi aforementioned, the tax rate normalized would be equal to 29.6% consistent towards a tax base of 29% that we can envisage for the end of the year. And this is typical for an Italian company that generate most of its profits in Italy.

Let's now move to the balance sheet, and to some comments on the working capital on the trade working capital Slide #16. And the incidence on the rolling sales is equal to 25.3% versus the €208 million in June 2021, with an incidence…with a relative incidence equal to 31.9%. The trend in inventories, and it's the incidence and the role in sales moves up from 32% in 2021 to 29.9% in June 30, 2022 and benefits for the important sell out so with an increase in absolute terms from €208 to €243 million. This is related to business performance and new trade initiatives and the expansion of business and the digital channels.

Trade receivables are equal to €75 million despite the presence of a significant growth in turnover, retail, and wholesaler, revenues have increased by 16% in the first half of 2022. Trade payables organically increased due to the business trend and due to important purchases carried out in the first half of 2022.

Raw materials and Facon in particular, Slide # 17 points out the important investments in the first half €36.6 million, and this reflects our desire to keep the image of our Casa di Moda and contemporary to these investments, we have purchasing costs equal to €15 million for the 43% stake in that the prestigious Lanificio Cariaggi.

The characteristic net data…financial debt term. This is a Slide 18 is equal to 30 to €63.8 million and 2022 versus €96.3 million in 2021 that was still impacted by the effect of the pandemic. Please note that the value as of the 30th of June factually represents the peak of exposure for the net financial position due to the seasonality of sales, it will then be reduced by the December the 31st.

This is the end of my speech and I will give back the floor to Brunello.

Brunello Cucinelli: You can clearly imagine that we're very happy with the results achieved. Now, I would like to go back to the important figures in 2022 the sales in these 2 months July and August are going very well, and the sell out of the fall/winter collection 2022 is very positive. And I must say that we had already imagined this trend back in January, February when the collection was released that we always say that if a collection has a special judgment…receives a special judgments from other brands and the press, we can always be successful and so this is important.

And now, let us try to express personal judgment. We discussed this morning during the board meeting, we have the impression that demand for certain things that are high quality, unique, and exclusive exceeds that supply in this moment. And undoubtedly during the 2 years of the pandemic, the fact of not laying off nobody in the world and/or in the production or in sales allow us now to tackle and cope with this high demand and this is interesting, because this morning in the press, we read with the utmost pleasure that our partners Luxottica that we estimate a lot. Well, they are asking their workers to work in September to in order to on Saturdays in September in order to carry out the deliveries. And this is very nice a piece of news for Italy for us and for Luxottica.

So we consider 2022 as a year of total rebalancing, with a stronger growth in sales after 2 years of pandemic. It's true, we have been going through 2 years that when in 2020, we lost 10% and in 2021, we recovered 30%, so the end of 2022 is planned with a sound EBITDA equal to 18%. We will keep our strong investments unchanged as it has always been the case equal to 8%. And to tell you the truth, well, in order to have modern stores and showrooms, investments must be high. And very sound is in our opinion the management of inventories, equal to 29%.

Net financial position, well, we are almost without liabilities and that's true. We also have a solid and sound company's structure, which is almost equal to half of the turnover in terms of net equity. Another important remark, I think we talked about this during the last call, well…and this has been a truth in some young entrepreneur which always generated 3 budgets. So the one is the highest with very few changes in humanity. The second, which is the most trustworthy and the most real with normal changes in the world that always takes place. And this could be the case this year and then we have a third budget, which is the most critical one with important changes in 2020, during the pandemic and in 2008, we also developed fourth and the fifth budget. But this is something extraordinary and this has always been the culture that we apply to our budgets.

And then the relationships with the territory, with the surrounding area. This is something we want to point out and this is our willingness. We always wanted to express ourselves with the surrounding area to provide then with our vision also in a moment of difficulty. Often, we have recommended that we do not have to expose ourselves too much, but we live here and we feel we have a moral duty to express our thoughts. It won't be difficult to say we are listed on the Stock Exchange, we cannot speak although we have police [ph], managers and other people who are asking us how things are going. We may make some forecasts wrong but we think this is the right way to go because somehow we want to feel as a small reference points for our community. And I have 60 seconds relate…to repeat what we mean by luxury because this is something that we see and we also see in the collections as I will tell you in a minute.

We see that people are looking for somehow special products. Our idea of luxury is about products that are very well done, so with high craftsmanship and manner of work. It must be a very exclusive product and exclusivity is the great topic of real luxury. And the third element, this item can be passed over to following generations. You may buy a beautiful car for your grandchildren, a nice bicycle, a cashmere coat or avicuña blanket.

So this was just to repeat our idea. Ricardo is laughing for vicuña because you find this 200 kilograms per year of high quality vicuña but…well, you know, when we calculate the cost for coat…cost for $25,000 but in the past, only kings used to wear vicuña coats. So I think 2022…I hope 2022 is clear to you. The idea is that there is a very strong demand that in our opinion exceeds the supply and this is an important top, but this is our personal view point, don't forget this.

Spring/summer 2023 collection, men's is over with almost concluded women's wear and we've recorded a very special result, both in terms of numbers and from the view point of our image. People are looking for increasingly special, unique and of course expensive items. Well, because 52% of our garments are manufactured manually. What we like very much is that collections are perceived as younger looking, chic and contemporary and when the collections are perceived as young looking you know that I am really fond of products and if a collection is not fresh, you may have some difficulties or problems.

Let me share a nice thing. We cannot reveal the source but today, we were informed that in 2022 we will receive from our beloved China a wonderful prize, as a designer in China for arts, culture and fashion and we are very pleased and I think that this will be reiterated in March, well, based on the possibilities but these could lead…could allow the brand to reach what we reached last year in 2021 with the Designer Of The Year Award and so we really wanted to share this with you because we are very happy about this piece of news.

Now, a couple of words on the great value of our factory and here let me use the adjective beautiful as Leonardo del Vecchio used to say. Normally, as you know, we strongly believe in the factory, in production and manufacturing and essentially plans have always been of 6, 8 or 10 years. The last plan lasted from 2000 to 2009. We had the last plan between 2015 and 2024, so by December, we are going to talk about our factory from 2025 onwards, year-after-year.

And this is one aspect and now the great value of calls. I said we would meet some newspapers and magazines. We had a nice conversation and now things to press, we have a lot of applications from students wanting to attend these schools and this is a project for the next 5, 10, 20 years for our future artisans. So for the next couple of decades, we will be able to train our artisans, and so we will be able to have craftsmen for the next 30 years. So we strongly believe in that. We make a lot of efforts. The investments is relative, but we could reap a very important results.

And we have assessed our external production structure beyond 2020, 2021 to see what has happened. In 2019, we had 367 compact [ph] factories. Now, we are 400. We had 5,000 people. Now, we have about 6,000 people and this is an important growth. 75% of these people are located in the region of Umbria and out of these 6,000, 3,800 exclusively work for Cucinelli SpA, not for the group but for SpA. And as for the rest, the remaining 2,000 work 50% and 50% for these beautiful French brands that we really like very much. And this is really very nice because when we started the listing process and we are very happy, as you know, you used to say what about the external production structure. Is it able to grow without problems? Now, we can confirm that it is growing without any problems. We could even say that short production and supply chain is a great plus for us. I said this morning in the Board meeting that we can say we have a sound and very short production and supply chain. And the fact of being very short is in our opinion an added value.

And then labor, work. We discussed this topic extensively this morning, just 5 minutes and then the floor is yours. We discussed the problem of labor a lot. There is a mass phenomenon around the world that I don't think it's difficult for Italy and this phenomenon is that of the so-called great resignation. People resigned en masse without having another job and this has been a problem for the past 2 years. This morning where we have in the Board a woman, who is an expert in the field of human resources and she is responsible for tens of thousands of people. She talked about and she mentioned another phenomenon which I did not know which is a so-called silent resignation and these are people who decided to stay in the company but they are producing on a limited base because they were really disappointed by the attitude that the company had during the pandemic.

I also think that many people who are working with this discouraged spirit within the framework of this silent resignation, they are discouraged and I think this also depends at least partly on smart working, on remote working. We have always thought that remote working does not allow to foster collective creativity. You no longer separate the professional life or your private life and the younger generations cannot benefit from it and so we can say that we can go back with the utmost pleasure to moral, economical and human dignity.

Just 2 minutes about the great value of Italy. I am sure I will not convince you but even if I am able to convince 5% of you, this would be a great success because I am really fond of Italy. First of all, let me focus on the social and economic profile. I've always thought that our welfare system is one of the best in the world. And nobody can convince me about the opposite. During the pandemic and thanks to the social safety nets, we managed not to lay-off anybody in general terms and thus, we have not reduced the manufacturing and marketing abilities of our companies. As I said earlier, the demand for certain items is exceeding the supply and this means that we have become better in producing top notch quality products and as a consequence our exports, and in this very moment, I think Italy is very well positioned.

And our value chains are shorter, not only our value chain is shorter, do you agree with me, throughout the years that we've managed to improve our quality and the level of technology significantly and this is the reason why we think that Italy has a great chance for the years to come. Our sectors can really benefit a lot from a strong dollar as we said for us, Cucinelli America accounts for more than a third of our turnover. Well, everyone praise their own God, as we used to say, when playing cards.

And now let me focus on the political value of Italy, and I like this aspect a lot, because when I think of it, we as citizens do represent our political class. Sometimes we say we do not represent it, but I think we do. I'm 68, I've seen 63 governments, the next one will be the 64th. So as you may well understand, I'm not concerned about a new government, whatever it will be. So I think the alternation in governing a country is always very good. As correctly said, this avoids [indiscernible].

And let me just clarify one aspect concerning our Republic. We have a President which is elected, who is elected every 7 years. But he's very serious and our constitution is very serious as well. And many people's they've got inspiration from our constitution. The President of the Republic can dissolve the Parliament, and can even reject the appointment of a minister as it happened in the past. If a minister or if the President realize that the said minister was not well acknowledged by the country, he could decide not to accept his appointment. And so well, the President used to govern with the 13%consent. And in Italy, even though Draghi had 64% consent by the Italian people had to accept that the conditions were no longer in place to govern.

So, I think that apart from what has been said, I think our country is very credible. Of course, our temporary [indiscernible] are enlightened and others who are a bit less enlightened. But I'm very fond of our political system, and I think it represents the highest level of democracy that we received from ancient Greece. And this democracy gives me the feeling of the utmost freedom of thinking.

So now you have the floor as analysts and journalists and so please believe in Italy, do not listen too much to those who pretended to know everything about the future. I was watching TV yesterday night, and just for a couple of minutes, I don't usually watch TV and then I switched it off. Well, we are serious people who work in the beautiful manufacturing, contemporary high-quality manufacturing sector. In our company, we work with dedication, with concentration, with focus trying to convey esteem to those surrounding us. And then let's try and be surprised and happy with that with what we have achieved after April 2020, when we imagined or thought of the end of the world. And now the situation is not bad at all.

So, thank you from the bottom of my heart. So don't be disappointed with my words. But I'm a real supporter of Italy. And now let's open up for the discussion without any further ado. You can also ask very difficult questions, questions that you may think are the most complicated. The operator of Chorus Call, let's try…let's start the Q&A session.

Q&A

Operator: If you want to ask a question, please dial "\*" followed by "1" on your phone. To leave the list, dial "\*" followed by "2." Please ask your questions by using the receiver. If you want to ask a question dial "\*" followed by "1" now. There will be some moments of silence to allow people to book for questions.

The first questions from Andrea Randone, Intermonte. Please.

Andrea Randone: Thank you and good evening to you all. Good evening, Brunello. The first question I have is a general question about the guidance that you have left…kept at 15%.And I think it's a visible number, there may be margin for increasing it. Does this 15% takes into account the impact that foreign exchange rates can have in the second part of the year? A very interesting question.

And then question another question, I saw your website, your website gives you with a lot of video content. And I see that there's a great cache of videos and content. But we see that you can book appointments in a boutique from the website. Considering that this is a theme that is being discussed by other brands, Moncler for example, talks about this for Korea. Can you please elaborate on that a little bit more considering that your brand is even more exclusive and that you have a very strong relationship with your customers, how this solution is being developed? And how does it impact on the relationship within the framework of Casa Cucinelli? And the final question on the collections, again, men's, women's and children's wear, also children's wear considering that this collection has also certain track records. So can you provide us with some further information on that?

Brunello Cucinelli: Okay, so the 15% guidance, when we develop our budgets, we never consider the exchange rate fluctuation, because it becomes too difficult, Andrea. In the second part of last year, we experienced a nice moment because all stores were open. And there was the fascination of America that we can still perceive. And so, we've kept this number unchanged regardless of the fluctuations in exchange rates. Well, you may have 1 or 2 but now we have a 4 or 5 different exchange rates.

The second question concerning videos, we've always thought that…well, as you know, we've reached 60% of people buying in the boutique with the picture that they saw in the ecommerce website. And for the last years, in Monte Carlo for example, we also organized dinners in the boutiques. In all the boutiques worldwide, we have so-called bar, if you go to Madison Avenue in New York you can have a cappuccino. And even if you don't buy anything, that's good enough. And we've even set up 5 Casa Cucinelli, where everyone can book an appointment to come and meet us regardless of the purchasing power of the individual customer. And this is very important for us. It's not true that only people with a certain level of income can come. But this is generating important results. We have lunch together, we have a conversation, this is very nice. And also multibrands are coming to see us and growth plans can be developed with them.

And the final question about collection. Let's leave children's wear apart, which is a very small collection, but the collection is 50:50 between women's wear and men's wear in terms of number of items, value wise, 56versus 44. Clearly, women's wear has a slightly higher value in the garments. So, I think I've answered all your questions. I don't know if you have any further questions. But as for summer collection, we really had great, great results. As usual, we can envisage and we can think next year be favorable because in the first month of the year, you will have very positively perceived collections, but what is really important is that collection are performing really well now in the stores, and is multibrands come with interesting budgets and for fall/winter 2023 then we are successful and that's the background of our planning.

Finally, let me go back to what we said earlier in the beginning. This is what is also perceived by multibrands. Monobrands are not saying we are missing goods which has opened [ph] delivered yet, multibrands are the real barometer about how deliveries are performed by companies. If deliveries are on-time, if they are late, so they are the barometer of many factors and well hence we see what Luxottica said, and what we read about Luxottica this morning. There is a strong desire for products. I hope, I've answered all your questions Andrea. Thank you.

Andrea Randone: Yes, you did.

Operator: Next question from the conference in English Antoine Belge BNP Paribas, Exane? Please.

Antoine Belge: Yes, good evening. It's Antoine Belge at BNPP Exane. 3 questions if I may. First of all, you commented about July and August being very strong [indiscernible] maybe to quantify, I think in your guidance I like to reference this 2019. So, I don't know is the gross close to 40% or 50% versus 2019 like it was in the first half of any other measure or maybe, you know, give a bit of flavor by market?

My second question relates to the first margin which was very strong 71.7 in the first half. So when you talk about 18 for the EBITDA, I mean what sort of first margin are you expecting for the year or so similar to H1 or different?

And finally, what is currently the price gap between, you know, US and Europe, it must have increased quite a lot. So, how do you intend to react to that, I mean, do you expect to maybe lower prices in the US or increased prices in Europe. So, what's your pricing strategy and, you know, if you don't have to say that priority? Thank you very much.

Brunello Cucinelli: Well, I will answer one question, and then I will handover to Moreno. Well, as far as, the price list are concerned, Antoine we always change our price list twice a year when the collection is release, we fixed the current…the exchange rate. So we will never have profit or losses, on exchange rate and this has always been the case, the prices that change twice a year spring/summer and fall/winter. Our reference price is Europe 100, US 120, Asia 128, this is the way pricing is defined. Moreno.

Moreno Ciarapica: As far as EBITDA is concerned, we had a 10% in the first half and as we said, we expect a similar trend in the second half. As far as the turnover is concerned, as we read in our press release and in the report to the financial statements we expect versus 2019, which is a year with a better balance between the 2 halves versus the first half of 2022, which is very strong. So, versus 2019, we expect a second half with a significant growth by about 30%. So organically, we have a second half 2022, which is very similar to the second half of 2019.

And finally, let me tell you one thing, now we are in 2022 the…we have the new collection spring/summer 2023, we no longer go back to 2018-2019, the reference point is 2021, the first half of 2021, well still had many stores closed in Germany, for example as of the end of May. But the second part of the year, while all the world was free and also the United States in the first part of 2021. And the second part of the year, where all the stores were open. So Antoine the real reference here for us becomes 2021, because if we take 2019 as a reference 3 years has passed in the meantime, it's not that we do not focus on 2019, but 2019 is very far away from us. Thank you, Antoine.

Operator: I remind you that if you have any further questions, you can dial "\*" followed by "1" on your phone. So, there are…Paula, I'm sorry. Paula Carboni?

Brunello Cucinelli: No problem, we're here.

Paula Carboni: So good evening, Brunello. Well, I was a bit skeptical but now Mr. Ciarapica is here. So let me ask you this question on numbers. I see quite a large movement in credits and debt. So I'm wondering whether there is any non-recurring item in the working capital…in the working capital.

Brunello Cucinelli: Yes, Moreno, will answer the question.

Moreno Ciarapica: Trade receivables and payables, so one aspect is related to taxation in the first half. We've had a very significant result. And so, the taxes that we have accrued and allocated for the first half have a higher debt in the financial statements compared to June 30, 2021. And then we have another element, which is the fair value…value valuation of the derivatives due to the exchange rate on June 30th that had a very strong fluctuation versus December 31st. Well, our derivatives were deeply impacted, and this is represented in sundry debts.

Paula Carboni: Thank you very much, and are considering that you are available as Brunello said by right. We tend to focus on that a year-on-year basis. But you said that versus 2019 this year, it will be more balanced between the first and the second half? Yes, for sure. And for this reason now we are supposed to have a second we think we will have lower second half 30% versus the first half 40%. But I can hardly see that, because I follow what Andrea said, I think there should be a higher margin versus this guidance of 15%. Otherwise, I can hardly understand why we move from 14% [ph] to 15%.

Moreno Ciarapica: Yes, I know, but I always say the same thing last year in the second half. We had an excellent second half period. All stores were opened again, there was a high fascination in the first half, some stores were closed in 2021, both in America and in Germany. And so, the second half is in my opinion, a very true and real half with a very important reference, because last year. We are really very confident Paula and very optimistic. But if you say, well, the reference point is the first half 2021. Well, it's not true the real reference period is the second semester is the second year of last year. Do you agree? So have you got my point Paula? When we draw the budget, we not only see whether it can be plus 2%, plus 1%? Will I mean the exchange rate?

Let's start from this, rate and looking ahead to 2023. The guidance is still plus 10%, but I am guess…I guess you are very satisfied with the order intake for spring/summer, we don't know about fall/winter, but considering the order intake for spring/summer. Yes, we are very confident we're very optimistic. But well 2022 is not like the first half of 2021, of course. But I know, that you know us our goal is that to provide you with true and real results. We do not want to give you fake expectations. I've always thought that the greatest managers are the Japanese ones, in the Japanese spirit, and this is the way I was raised, well managers are drawing the 100% budget is the best one, much better than those reaching 101 or 102. We convey to you well, what we are envisaging to reach. But what the second half of last year was great, but we are confident and we're very optimistic thanks to the connection. And we're also very confident and optimistic vis-à-vis 2023. Thank you very much.

Operator: For any further questions, please press "\*" plus "1" on your phone. Mr. Cucinelli for the time being there are no further questions.

Brunello Cucinelli: So thank you. Thank you very much for joining the call on August the 30th. But analysts, please write something good about Italy and trust Italy. We are a great country and invest in our Italy in our country. Thank you very much. Thank you, and bye-bye.