MONCLER

ANNUAL REPORT 2018

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CHAIRMAN'S LETTER

Dear Shareholders,

2018 has been a year marked by fundamental changes for Moncler. We took important decisions, some of them definitely courageous, others even ground-breaking. In February, we successfully launched *Moncler Genius - One House Different Voices*, a creative and communicative project involving all departments in a truly omni-channel perspective. We continued to consolidate our stores' network by adding high-level locations, such as the New York - Soho flagship store, and to work on the Brand through the innovative *Moncler Beyond* advertising campaign. In addition, we further strengthened our digital positioning, developing our online business and our presence on the major social media platforms. All this was done with great energy, passion, cohesion and, above all, with the desire to achieve the challenging objectives we set ourselves.

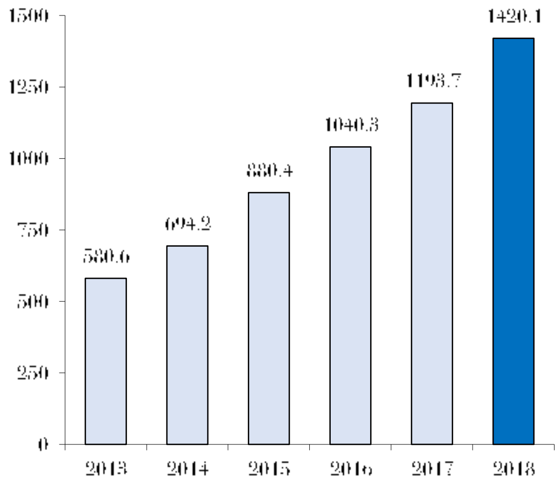
All the people working with me know that I always look ahead and that I do not dwell too much on celebrating success. However, I believe that today we should stop a moment to consider what has been done. It has been 15 years since I acquired Moncler, a small brand I believed a lot in. In 2018 Moncler exceeded 1.4 billion euros in revenues with a 22% growth, EBITDA crossed the 500-million-euro mark with a 35% margin on revenues, net income grew by 33% exceeding 332 million euros, while net cash rose to 450 million euros.
I would like to personally thank all of Moncler's stakeholders for having made this possible: our talented people, our Board of Directors and our shareholders who have always trusted us and followed Moncler on this unique journey, contributed in making a vision, our vision, becoming a reality.

But Moncler still has a long way to go. We know that the macroeconomic and geopolitical situation is still shrouded in uncertainty, and that it is not easy to continue to achieve outstanding results. Nonetheless, I believe that difficult times are precisely the ones during which you become stronger. We are working on many projects. Moncler Genius still has massive untapped potential. Our network of directly operated stores (DOS), which at the end of December counted 193 units, has important opportunities to be exploited, always in line with our strategy of a controlled expansion. The digital channel remains a primary focus and on the basis of it, we have launched projects of significant value. But above all, we want to continue investing in Moncler, a unique Brand that is able to speak to different consumers around the world, in an always open and inclusive manner. Ultimately, this is Moncler's great strength which I believe will allow us to continue exploring our world and those surrounding us, to conquer even greater and more challenging heights, looking not only at the importance of always setting new goals, but also on how these goals are attained.

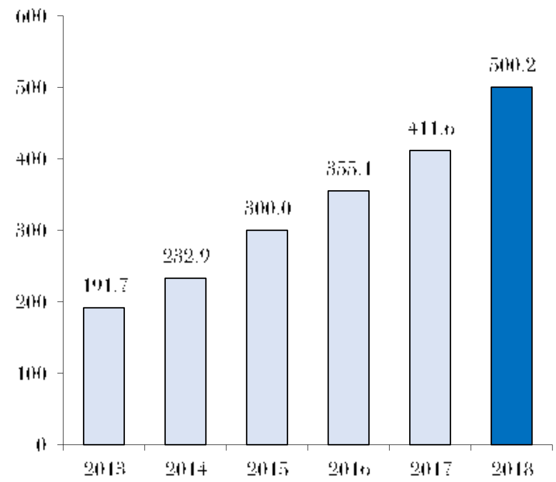
REMO RUFFINI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

FINANCIAL HIGHLIGHTS[1]

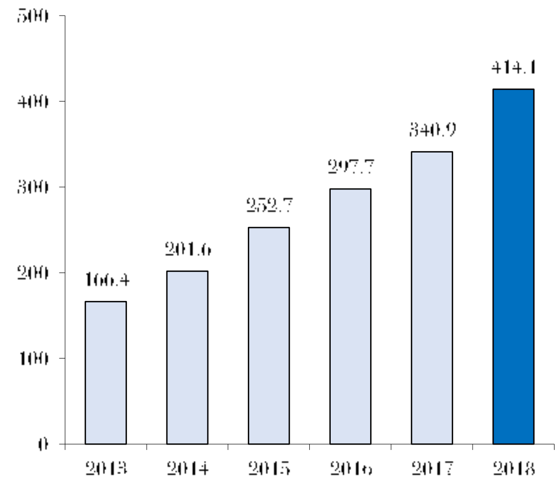
Revenues (million euros)



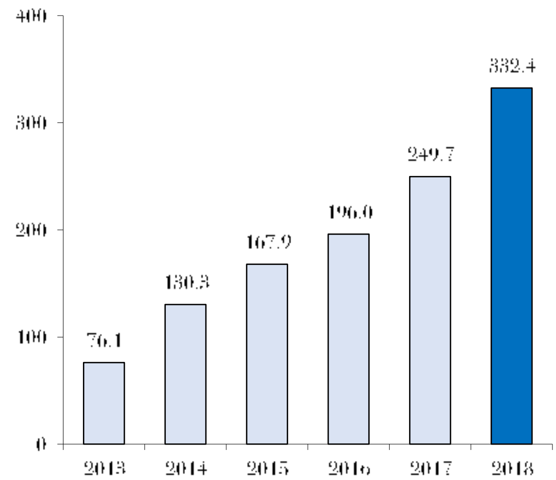
EBITDA[2] (million euros)



EBIT (million euros)

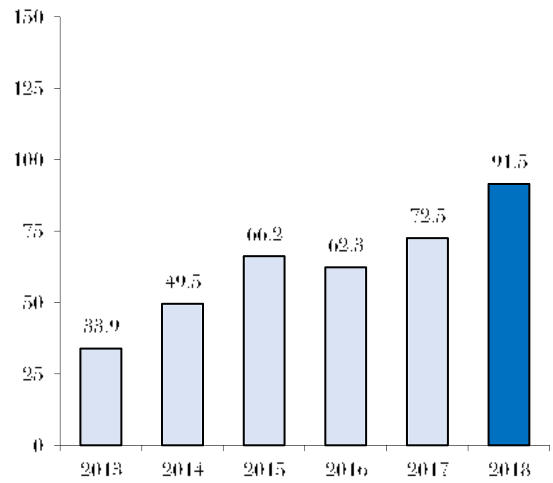


Net Income (million euros)

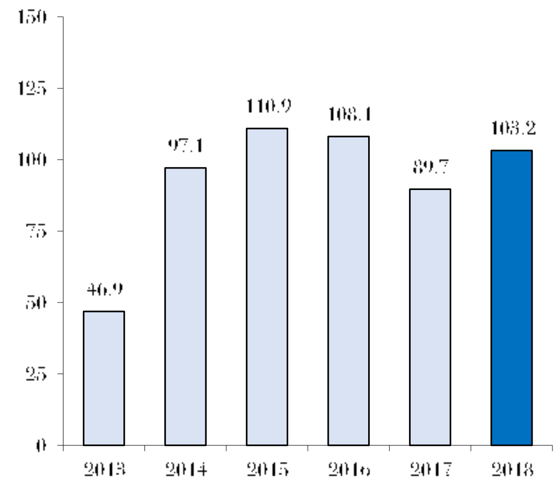


[1] This applies to all document: rounded figures to the last digit represented
[2] EBITDA *Adjusted*: operating income before depreciation and non-cash costs related to stock based compensation.

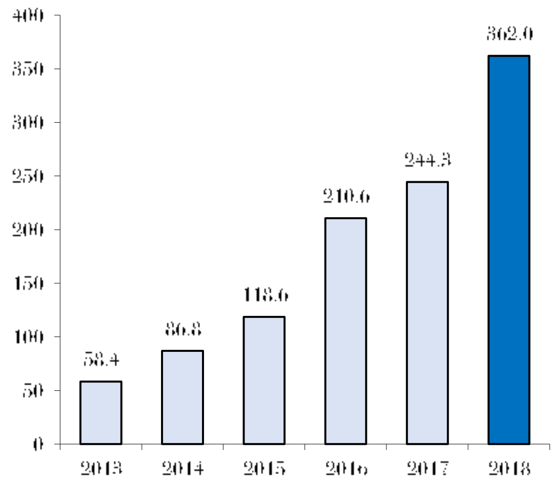
Capital Expenditure[3] (million euros)



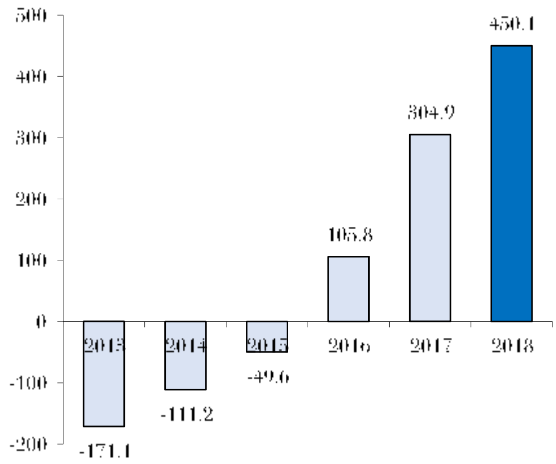
Net Working Capital (million euros)



Free Cash Flow (million euros)



Net Financial Position (million euros)



[3] Net of assets disposal.

CORPORATE BODIES

Board of Directors

Remo Ruffini	Chairman and Chief Executive Officer
Virginie Sarah Sandrine Morgon	Vice Chairman
	Nomination and Remuneration Committee
Nerio Alessandri	Independent Director
Sergio Buongiovanni	Executive Director
Marco De Benedetti	Lead Independent Director
	Control, Risk and Sustainability Committee
	Nomination and Remuneration Committee
	Related Parties Committee
Gabriele Galateri di Genola	Independent Director
	Control, Risk and Sustainability Committee
Diva Moriani	Independent Director
	Nomination and Remuneration Committee
	Related Parties Committee
Stephanie Phair	Independent Director
Guido Pianaroli	Independent Director
	Control, Risk and Sustainability Committee
	Related Parties Committee
Luciano Santel	Executive Director
Juan Carlos Torres Carretero	Director

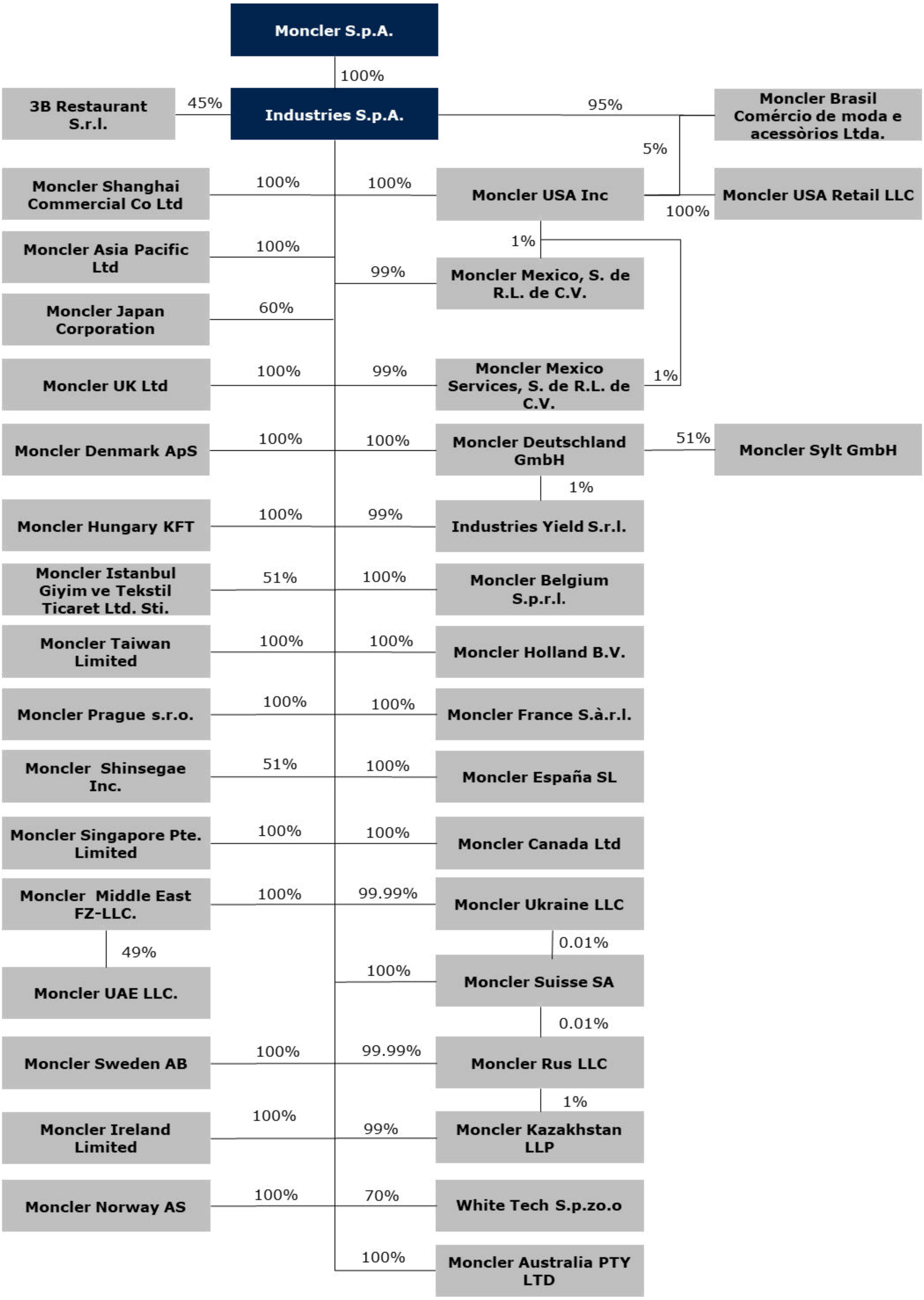
Board of Statutory Auditors

Riccardo Losi	Chairman
Antonella Suffriti	Standing Statutory Auditor
Mario Valenti	Standing Statutory Auditor
Federica Albizzati	Substitute Statutory Auditor
Lorenzo Mauro Banfi	Substitute Statutory Auditor

External Auditors

KPMG S.p.A.

GROUP CHART AS AT DECEMBER 31, 2018



GROUP STRUCTURE

The Consolidated Financial Statements of the Moncler Group as at December 31, 2018 include Moncler S.p.A. (Parent Company), Industries S.p.A., a sub-holding company directly controlled by Moncler S.p.A., and 35 consolidated subsidiaries in which the Parent Company holds indirectly a majority of the voting rights, or over which it exercises control or from which it is able to derive benefits by virtue of its power to govern both on a financial and an operating aspects.

Moncler S.p.A.	Parent company which holds the Moncler brand
Industries S.p.A.	Sub-holding company, directly involved in the management of foreign companies and distribution channels (retail, wholesale) in Italy and licensee of the Moncler brand
Industries Yield S.r.l.	Company that manufactures apparel products
White Tech Sp.zo.o.	Company that manages quality control of down
Moncler Deutschland GmbH	Company that manages DOS and promotes goods in Germany and Austria
Moncler Belgium S.p.r.l.	Company that manages DOS in Belgium
Moncler Denmark ApS	Company that manages DOS in Denmark
Moncler España SL	Company that manages DOS in Spain
Moncler France S.à.r.l.	Company that manages DOS and distributes and promotes goods in France
Moncler Istanbul Giyim ve Tekstil Ticaret Ltd. Sti.	Company that manages DOS in Turkey
Moncler Holland B.V.	Company that manages DOS in the Netherlands
Moncler Hungary KFT	Company that manages DOS in Hungary
Moncler Kazakhstan LLP	Company that manages DOS in Kazakhstan
Moncler Norway AS	Company that manages DOS in Norway
Moncler Prague s.r.o.	Company that manages DOS in the Czech Republic
Moncler Rus LLC	Company that manages DOS in Russia
Moncler Suisse SA	Company that manages DOS in Switzerland
Moncler Sylt Gmbh	Company that manages DOS in Sylt (Germany)
Moncler UK Ltd	Company that manages DOS in the United Kingdom
Moncler Ukraine LLC	Company that manages DOS in Ukraine

Moncler Ireland Limited	Company that manages DOS in Ireland
Moncler Middle East FZ-LLC	Holding Company for the Middle East
Moncler Sweden AB	Company that manages DOS in Sweden
Moncler UAE LLC	Company that manages DOS in United Arab Emirates
Moncler Brasil Comércio de moda e acessòrios Ltda	Company that manages DOS in Brazil
Moncler Canada Ltd	Company that manages DOS in Canada
Moncler Mexico, S. de R.L. de C.V.	Company that manages DOS in Mexico
Moncler Mexico Services, S. de R.L. de C.V.	Company that provides services to Moncler Mexico, S. de R.L. de C.V.
Moncler USA Inc	Company that promotes and distributes goods in North America
Moncler USA Retail LLC	Company that manages DOS in North America
Moncler Asia Pacific Ltd	Company that manages DOS in Hong Kong and in Macau
Moncler Japan Corporation	Company that manages DOS and distributes and promotes goods in Japan
Moncler Shanghai Commercial Co. Ltd	Company that manages DOS in China
Moncler Shinsegae Inc.	Company that manages DOS and distributes and promotes goods in South Korea
Moncler Singapore Pte. Limited	Company that manages DOS in Singapore
Moncler Taiwan Limited	Company that manages DOS in Taiwan
Moncler Australia PTY LTD	Company that manages DOS in Australia

THE MONCLER BRAND

The Moncler brand was created in 1952 in Monestier-de-Clermont, a small village in the mountains near Grenoble, with a focus on sports clothing for the mountain.

In 1954, Moncler made the first ever nylon down jacket. In the same year, Moncler products were chosen by the Italian expedition to K2 and in 1955 by the French expedition to Makalù.

In 1968, the Brand gained additional visibility as Moncler became the official supplier of the French Alpine skiing team at the Winter Olympics in Grenoble.

In the 80s, Moncler products started to be used on a daily basis also in the cities and became a true fashion phenomenon among younger clients.

Beginning in 2003, when Remo Ruffini invested in the Group, a process of repositioning of the Brand was initiated through which Moncler products take on an ever more distinctive and exclusive style. Under the leadership of Remo Ruffini, Moncler has pursued a clear but simple philosophy: to create unique products of the highest quality, "timeless", versatile and innovative.

The motto "*born in the mountains, living in the city*" shows how the Moncler brand has evolved from a line of products used purely for sport purposes to versatile lines that clients of all gender, age, identity and culture can wear on any occasion and where outerwear, while remaining the Brand's identifying category, is gradually and naturally integrated with complementary products that are always consistent with the DNA and the uniqueness of the Brand.

Tradition, uniqueness, quality, consistency and energy have always been the distinctive features of the Moncler brand that over the years has been able to evolve while remaining consistent with its heritage, in a continuous search for a constant dialogue with its many consumers in the world. It is from this constant research that in 2018 a new project was born, *Moncler Genius - One House Different Voices*: a hub for creative minds able to reinterpret the Moncler brand, always consistent with its history and its DNA, adopting a new way of doing business.

KEY EVENTS IN MONCLER'S HISTORY

1952

René Ramillon and André Vincent found the Moncler brand in the mountains near Grenoble.

1954

Moncler makes its first nylon down jacket and supplies products for the Italian expedition to K2. One year later, it also sponsors the French expedition to Makalù.

1968

Moncler becomes official supplier of the French Alpine skiing team at the Winter Olympics in Grenoble.

'80

Moncler products start to become popular in towns and cities, becoming a true fashion phenomenon.

2003

Remo Ruffini becomes a shareholder of the Group.

2006

Moncler launches its *Gamme Rouge* women's collection.

2007

Moncler opens in Paris – on the central Rue du Faubourg Saint-Honoré – its first urban store.

2009

Moncler launches its *Gamme Bleu* men's collection.

2010

Moncler's *Grenoble* collection debuts in New York.

2013

Moncler lists on the Italian Stock Exchange at an initial price of Euro 10.20 per share.

2014

Moncler provides the technical equipment for the "K2 – 60 Years Later" expedition team.

2015

Moncler produces its first Sustainability Report and Sustainability Plan. A joint-venture controlled by Moncler with Shinsegae International is established in Korea. Moncler acquires a production site in Romania, aiming at creating an industrial-technological research and development centre on down jackets and verticalising part of the production.

2016

Moncler's revenues surpass one billion euros.

Moncler finalises the establishment of its production site in Romania, through the recruitment of about 600 additional employees, later integrated in the hub previously acquired.

2017

Moncler announces the end of the collaboration with Thom Browne for Moncler *Gamme Bleu* and Giambattista Valli for Moncler *Gamme Rouge*.

2018

Moncler launches the new creative project *Moncler Genius - One House Different Voices*, an hub of eight minds that, working together while retaining their individuality, they reinterpret the essence of the Moncler brand.

VALUES

Moncler has always stood for authenticity, excellence, innovation and talent, for seeking challenges, and for pursuing shared and sustainable goals. These are the values at the heart of the Group.

In everything it does, Moncler is driven by the desire to innovate while remaining true to itself and its heritage, to strive for continuous and uncompromising quality and to pursue challenging new goals. The client is the cornerstone of Moncler's business and the central focus of all decisions, while the talent of people is the most important asset.

Nurturing that talent has always been fundamental to the Group and people are absolutely crucial to Moncler. They are the architects of the Brand's past success and the key to its future growth, so the Company is always mindful that to create long-term value, it needs to act responsibly and inclusively.

AUTHENTICITY

There is only one Moncler, and our task is to protect its uniqueness while always evolving.

EXCELLENCE

Quality is at the heart of everything we do.

AMBITION

Moncler never stops innovating and seeking to set new standards.

COMMITMENT

People are Moncler's greatest asset: their future is Moncler's future, and we are committed to their development.

RESPONSIBILITY

Long-term value creation can only be driven by respect and responsible behaviour.

PHILOSOPHY

Moncler’s philosophy is inherently rooted in the Group’s values and intrinsically tied to its unique history. Over the years, the Brand has been at the centre of remarkable climbing expeditions and pioneering initiatives. Long associated with sports, mountains, outdoor activities, and nature at its purest, Moncler has consistently and faithfully based its philosophy on simple yet solid principles, summarised in the words of the Company’s Chairman and Chief Executive Officer, Remo Ruffini.

“THERE IS NO PRESENT OR FUTURE WITHOUT A PAST. MONCLER IS A UNIQUE BRAND, AND ITS PRODUCTS ARE SYNONYMOUS WITH CREATIVITY, QUALITY EXCELLENCE, AND CONSTANT EVOLUTION WITHOUT EVER LOSING SIGHT OF THE BRAND’S TRUE ESSENCE”

Moncler has a unique heritage and positioning. With over 65 years of history, the Brand conveys its DNA through innovative and versatile products, inspired by values stemming from the love for sports and nature, with renowned elegance, quality excellence and continuous creative research. Moncler adopts an integrated business model that focuses on quality control, and directly manages and coordinates the higher value-added activities within its value chain.

“THERE IS NO GROWTH WITHOUT RESPONSIBILITY AND RESPECT”

Moncler judges the value of its results also by how it achieved them, believing there can be no long-term growth without responsibility and respect. Which is why, a few years ago, the Company started to integrate sustainability issues into its business model and decisions. The promotion of a sustainable supply chain is an integral part of this process.

“MONCLER IS A GLOBOPHONIC COMPANY: WHILE ITS VISION IS GLOBAL, ITS STRATEGY IS LOCAL”

Moncler believes in the importance of inclusion and in the value of multiplicity. It has always adopted a policy of direct supervision over the regions (EMEA, Asia Pacific, Japan, the Americas and Korea) where it is present with local organisational and management structures, which act in close coordination with the Parent Company and ensure a deep knowledge of culture and trends in each market.

“CLIENTS ARE OUR MAIN STAKEHOLDERS”

Clients have always been pivotal in every strategic decision made by Moncler. Today, more than in the past, this is pursued with an integrated omnichannel approach, interconnecting all touch points where existing or potential clients can “meet” the Brand, both in the physical or in the digital store.

"A UNIQUE PRODUCT DESERVES A UNIQUE COMMUNICATION STRATEGY"

Moncler's communication strategy is innovative and unconventional. It conveys the product's uniqueness and the Brand's values in a highly distinctive manner, and is able to use all the channels in an increasingly interactive way to involve the final consumer, creating a strong sense of belonging around shared values.

"I ALWAYS WANT TO BE AMAZED BY THE TALENT OF OTHERS"

Moncler has always considered its people as a strategic asset. Motivation, determination, and innovation are qualities that the Company has long supported and nurtures constantly. Helping people to grow and develop is a fundamental part of the Group's philosophy. Moreover, it is a clear objective for senior management, led by Remo Ruffini, who has built a cohesive, highly experienced and motivated team with a proven track record of delivering significant results.

STRATEGY

Moncler's goal is to pursue sustainable and responsible growth within the global luxury goods segment, while remaining faithful to its unique heritage.

Creativity, multiplicity, sustainability and consistency have always been the creed of the Group, which leverages change to grow stronger as it continues to explore both known and new avenues, seeking constant dialogue with an ever-broader client base.

Moncler strategy is strictly related to the Group's philosophy and values, underpinned by six pillars.

A GLOBAL, SOLID BRAND WITH UNIQUE POSITIONING

In recent years, Moncler's growth strategy has been inspired by two key principles: to become a global Brand and to have no filters with the market. Today, 88% of Moncler's revenues are generated outside of Italy. This result was achieved by exercising significant control over the business and by maintaining direct contact with wholesale, retail, and digital clients alike.

CREATION OF A DIGITAL CULTURE

Moncler considers digital channel as a crucial and indispensable tool for brand communications and business growth at global level, in an omni-channel perspective. The cornerstone of Moncler's strategy is to ensure that digital culture permeates each and every division and is consolidated throughout the Group.

For some years now, the Group has created a digital division that reports to Moncler's Chief Marketing & Operating Officer and is responsible for both e-commerce and digital marketing to develop online business and boost the Brand's presence on all major social media.

DISTRIBUTION CHANNELS DEVELOPMENT WITH AN OMNICHANNEL APPROACH

Engaging directly with clients through every channel and touch point, involving them, and understanding their expectations – even when unspoken – is a cornerstone of the relationship that Moncler strives to develop with its clients to never stop surprising them. Today Moncler is pursuing a strategy of integrated development of its distribution channels, both physical and digital.

SUSTAINABLE GROWTH TO CREATE VALUE FOR ALL STAKEHOLDERS

The Brand has been progressively strengthening its commitment to long-term sustainable and responsible growth, as a mean to further meet stakeholder expectations and create shared value.

SELECTIVE PRODUCTS' RANGE EXPANSION

Thanks to its strong tradition and credibility built over the years, Moncler has consolidated its position as a worldwide leader in the high-end down jacket segment. The Group is now selectively expanding beyond its core business, into complementary product and market segments in which it has, or can surely achieve, high recognition and in-depth know-how. "*To create special products with a specialist's approach*" is the motto that drives and steers Moncler's present and future.

BUSINESS MODEL

Moncler's integrated and flexible business model is geared towards having direct control of the phases of production that add the greatest value, putting the pursuit of ever increasing quality at the heart of all its work.

MONCLER COLLECTIONS

Moncler's success is based on a unique and consistent brand strategy, which also depends on the ability to develop innovative products that are strongly "anchored" to the history of the Brand. Heritage, uniqueness, quality, creativity and innovation are the terms used in Moncler to define the concept of "luxury".

The journey, which began in 2003 when Remo Ruffini acquired the Group, has always been coherent and pursued without compromise.

The core of Moncler is the *Main* collection, always combining high quality with frequent-wear items.

The beating heart of the Moncler *Main* collection is the "Archive", products inspired by brand's first collections, which became today's iconic products. All iconic products inspired by the Archive have always had and continue to have the classic Moncler logo.

From mid-2000s, the Moncler collections have been enriched by the energy of a number of designers, with some important collaborations (namely "special projects") and with the launch of the *Gammes* (collections that ended in 2017). In 2006 the Moncler *Gamme Rouge* was launched, tied to the Haute Couture tradition. In 2009 the Moncler *Gamme Bleu* was introduced, representing a perfect combination of a tailored approach and the sporting aspect of the Brand. In 2017 Moncler announced the Brand will no longer be showing its Moncler *Gamme Rouge* and Moncler *Gamme Blue* collections in Milan and Paris. "*Consumers are changing, the industry is evolving at a far greater pace than the past and we need to be ready to tackle these changes, so we can consolidate our Brand*" commented Remo Ruffini, Chairman and Chief Executive Officer of the Group.

In February 2018, Moncler presented a new project *Moncler Genius - One House Different Voices* which, under the banner of *Moncler Genius building,* brings together different interpretations and visions of the Brand to continue to synergically generate new creative energy, while staying true to the Brand's unique character.

Moncler collections are completed by the Moncler *Grenoble* line, launched in 2010, which thanks to the high technical and innovative content, over the stylistic one, represents the Brand's DNA; the collections dedicated to footwear and leather goods (bags, backpacks and suitcases), a line of sunglasses and eyeglasses (Moncler *Lunettes*), launched in 2013 and currently licensed to the

Marcolin Group; in addition to the Moncler *Enfant* line, dedicated to the children segment (0-14 years).

Moncler's team of designers is subdivided by collection and works under the close supervision of Remo Ruffini, who sets design guidelines and ensures that they are implemented uniformly across all collections and product categories. The design department is assisted and supported by the merchandising and product development teams, who underpin the creation of the collections and generate creative ideas.

DOWN

Throughout its history, down has been at the heart of Moncler outerwear, and has gradually come to be identified with the Brand itself.

A combination of lengthy experience and continuous research and development has enabled the Company to gain unique expertise in this area, both in terms of knowledge of down as a raw material and of the garment manufacturing process.

Moncler ensures that all its suppliers comply with the highest quality standards. Over the years, these standards have been – and indeed remain – a key point of product differentiation: only the best fine white goose down is used in the Brand's garments.

Fine-down content and fill power are the main indicators of down quality. Moncler down contains at least 90% fine-down and boasts a fill power equal to or greater than 710 (cubic inches per 30 grams of down), resulting in a warm, soft, light and uniquely comfortable garment.

Each batch of down is subjected to a two-step checking procedure to assess its compliance with 11 key parameters, set in accordance with the strictest international standards and the stringent quality requirements imposed by the Company. In 2018, a total of around 900 tests were performed.

But for the Company, "quality" is more than this: the origin of its down and the respect for animal welfare are also fundamental for Moncler. When sourcing and purchasing raw materials, Moncler considers these aspects as important as the quality of the material itself.

ANIMAL WELFARE AND TRACEABILITY: THE DIST PROTOCOL

As part of its commitment to ensuring animal welfare, Moncler requires and ensures that all its down suppliers comply with the strict standards of the *Down Integrity System & Traceability (DIST) Protocol*. Applied by the Group since 2015, the *DIST Protocol* sets out standards for farming and animal welfare, traceability and the technical quality of down. Moncler only purchases down that is DIST-certified.

Key requirements that must be met at all levels of the supply chain include:

• down must be derived exclusively from farmed geese and as a by-product of the food chain;

• no live-plucking or force-feeding of animals is permitted.

Moncler's down supply chain is particularly vertically integrated, and includes various types of entities: geese farms, slaughterhouses where the animals are slaughtered for meat production and from which the down is subsequently taken, and the companies responsible for washing, cleaning, sorting and processing the raw materials. Moreover, the supply chain includes *façonists*, which, using the down, manufacture finished products. All suppliers must comply scrupulously with the Protocol, to ensure the traceability of the raw material, respect for animal welfare and the highest possible quality throughout the supply chain.

The DIST Protocol was the outcome of open, constructive engagement with a multi-stakeholder forum established in 2014. The forum considered the expectations of all the various stakeholders and ensured a scientific and comprehensive approach to the issue of animal welfare and product traceability.

The Protocol assesses animal welfare in an innovative way. Alongside a traditional approach that focuses on the farming environment and follows the latest European Union guidelines, the DIST also evaluates animal welfare through careful observation of "Animal-Based Measures" (ABM[4]), making for a more reliable assessment.

Moncler is constantly involved in the on-site auditing process to certify compliance with the DIST Protocol. To ensure maximum audit impartiality:

• audits are commissioned and paid directly by Moncler and not by the supplier;

•certification is conducted by a qualified third-party organisation whose auditors are trained by veterinarians and animal husbandry experts from the Department of Veterinary Medicine at the University of Milan;

• the certification body's work is in turn audited by an accredited external organisation.

Starting from Fall/Winter 2017, Moncler achieved a relevant milestone within all its garments, with the inclusion of the "DIST down certified" label. This result has been achieved thanks to an extension of the down traceability supply chain downstream, till the finished product, according to the principles defined by the DIST Protocol.

In 2018, 176 audits were conducted by third-parties along the entire supply chain.

PRODUCTION

Moncler's products are designed, manufactured and distributed according to a business model featuring direct control of all phases where the greatest value is added.

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[4] The "Animal-Based Measures" are indicators of the real welfare of an animal, determined through the direct observation of its capacity to adapt to specific farming environments. The measures include physiological, pathological and behavioural indicators.

Moncler directly manages the creative phase, the purchase of raw materials, as well as the development of prototypes, while the "cut-make-trim" phase (*façon*) of the production stage is partly assigned to third party manufacturers (*façonists*) and partly managed internally.

The purchase of raw materials is one of the main areas of the value chain. In fact, in light of its market position and its values, Moncler focuses both on the quality of the down used in its garments, as explained in previous paragraphs, which must comply with the highest standards in the industry, and the use of fabrics that must not only be of extremely high quality but also able to offer advanced functional and aesthetic features. Textiles and garment accessories (buttons, zips, etc.) are purchased from countries able to meet the highest quality standards, mainly Italy and Japan. Down is purchased from Europe, North America and Asia.

The "cut-make-trim" phase is conducted both by third party manufacturers (*façonists*) and in the Moncler manufacturing plant, established in 2016 in Romania.

The third-party suppliers working for Moncler are mainly located in Eastern European countries, which are currently able to ensure quality standards that are among the highest in the world for the production of down jackets. Moncler supervises these suppliers directly by conducting audits designed to check aspects regarding product quality, brand protection and compliance with current laws and Moncler Code of Ethics (updated in 2017) and Supplier Code of Conduct (approved in 2016).

Moncler currently uses around 400 suppliers, divided into four categories: raw materials, façon, finished products and services. Moncler's top 50 suppliers account for 70% of the value of all supplies[5].

DISTRIBUTION

Moncler is present in all major markets both through the retail channel, consisting of directly operated stores (DOS[6]) and the online store, and through the wholesale channel, represented by multi-brand doors, shop-in-shops in department stores and luxury online multi-brand retailers (*e-tailers*).

Moncler's strategy is aimed at the control of the distribution channel, not only retail but also wholesale, where it operates through a direct organisation.

Since Moncler's first urban store opened in Paris in 2007, the business has grown mainly through the development of the retail channel which, in 2018, accounted for 77% of consolidated revenues, thanks to organic growth, the opening of new stores and, more recently, the expansion of existing stores' surface. The online store moncler.com, now active in all the Group's main markets, is also becoming more and more important.

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[5] Based on Orders' Value.

[6] Including free standing stores, concessions, travel retail stores and factory outlets.

The wholesale channel remains strategically fundamental for Moncler. Over the years the Group has introduced a highly selective distribution policy, gradually reducing the number of doors and tightly controlling client order quantities, so that the Brand is now only present in the leading luxury multi-brand shops and department stores around the world. The recent opening of mono-brand stores (shop-in-shops) mainly within luxury department stores and in some important international airports, in combination with the development of the online channel through multi-brand stores specialised in high-end products (e-tailers), have also contributed to the recent growth of this distribution channel.

As at December 31, 2018, Moncler's mono-brand distribution network consisted of 193 retail directly operated stores (DOS) and 55 wholesale shop-in-shops (SiS).

In line with business management, starting from FY 2018, multiple stores located at the same address, thus on different floors/locations (normally divided by women/men/enfant), will no longer be reported separately, given that they are managed as a single entity by Moncler.

	31/12/2017 Previous	31/12/2018 Previous	31/12/2017 New	31/12/2018 New	Net Openings FY 2018
Retail mono-brand stores	**201**	**219**	**181**	**193**	**12**
Italy	21	23	18	20	2
EMEA (excl. Italy)	59	64	51	55	4
Asia and Rest of the World	96	105	87	91	4
Americas	25	27	25	27	2
Wholesale mono-brand stores	**59**	**75**	**46**	**55**	**9**

During 2018 the Company opened 12 directly operated stores (DOS), in the most prestigious international locations, including:

• the first directly operated stores (DOS) in Mexico (Mexico City) and in UAE (Dubai);

• the consolidation of the Asian market, with the opening of 4 stores, of which 2 in airports;

• some selected openings in America and in Europe.

Moreover, during the year, some of the existing retail stores were relocated in new spaces often with a larger surface. The major projects of 2018 were: the New York – Soho flagship stores and the London – Sloane street store.

Throughout the year, 9 wholesale mono-brand stores were also opened, including:

• the opening of three stores inside international airports;

• the consolidation of the North-American market, through the opening of shop-in-shops in the major luxury department stores;

• the opening of wholesale mono-brand stores in some tourist-intensive locations (e.g. Dubai).

Moncler's ability to distribute its products to such a large number of destinations is based on the careful attention it pays to the way in which logistics activities are managed. In this sphere too Moncler is attentive to optimising processes and this has enabled it to contain both environmental effects and costs. More specifically, since years, Moncler has organise its logistics in a more efficient way and made changes to the packaging it uses for shipping finished goods, thereby reducing the total volume consumed and optimising the space taken up on the means of transport employed. In this regard, wherever possible, the Group is introducing a policy to incentivise shipping by sea, which offers a further way to reduce its environmental footprint.

MARKETING AND COMMUNICATION

"*Every day brings a fresh challenge to be overcome*," says Remo Ruffini, Moncler Chairman and CEO.

Freezing cold. Glaciers as big as skyscrapers. The excitement of setting off and the calm of the build-up. When adventure meets nature and the challenges of everyday life. To face these extremes, Moncler designs clothes that strike a balance between two worlds, each time pushing the boundaries to make down jackets that respond to increasingly diverse global demands.

Moncler, since the beginning in 1952, in a village in the mountains of Haute-Savoie, has gone beyond mountain equipment to become a complete Brand, with a metropolitan appeal. It went over the French mountains to become global. It went beyond the purely technical aspects to adapt to everyday life, using technology to make his garments practical and functional. For over sixty-five years, Moncler has been the undisputed protagonist with its unique and exceptional history. But having a unique story also means being unique in communicating it. Over the years, Moncler's marketing has adopted a global approach in line with the need to channel every activity towards its final destination: the consumer. The Brand is related to him through the use of all the marketing tools, media, visual merchandising, events, social media, partnerships and collaborations with e-tailers and wholesale, celebrities, influencers, to make them live a real Moncler experience. With *Moncler Genius* in 2018, Moncler has further boosted this approach with the goal to be closer to the consumer, creating a real community composed by the Brand itself together with the various consumer audiences, to whom the Brand has always spoken, to the commercial partners, and all the stakeholders. It is this uniqueness that Moncler has always pursued. Brand marketing and communication, based on this solid foundation, ensure its values and transfer the codes with a clear strategy that has contributed to the success of Moncler as an internationally recognised luxury brand.

WINDOWS DISPLAY

Window displays in boutiques form a key part of the Brand's marketing strategy, enabling it to extend its ongoing exploration into the infinite possible interrelationships between art and creativity, interpreted as a free expression of Moncler's identity. The ethos is one of boundless creativity – the fruit of a true passion and capacity for innovation – while always remaining true to the Company's heritage. The window displays in Moncler boutiques have always been highly recognisable and distinctive, telling original stories each time.

ADVERTISING CAMPAIGNS

As part of its innovative approach, Moncler also seeks to make its advertising campaigns stand out as a hallmark of the Brand. During the Company's relaunch led by Remo Ruffini beginning in 2003, early advertising campaigns were focused on the product and on Moncler's background, in an effort to establish its heritage. Since then they have become more and more brand-focused, shot by top photographers such as Bruce Weber and Annie Leibovitz with each image reflecting Moncler's intrinsic values and underlining the interplay between photography and nature as culture, always using innovative and fresh visual styles: the portraits of the Moncler global down jacket to wear anywhere in the world, latitude and season, the fairytale atmospheres and the fantastic literary myths, up to the surrealism of the Chinese artist Liu Bolin, master of the invisible. 2018 has been a real turning point for Moncler. With the launch of the *Moncler Genius* project, presented in Milan in February of the same year, with the motto, *One House Different Voices*, the Brand once again proves to be a pioneer in every event, and launches the advertising campaign *Moncler Beyond*, entrusted to another goal master, Craig McDean. Nineteen people with different paths of life, age, ethnicity and origin, transfer the values of the Brand and their personal experience becomes the voice and the individual strength that pushes man to go beyond rigid patterns and pre-established models. The central message of the campaign is a choral message of freedom and willpower. It is an appeal in the name of plurality, which finds strength and momentum in multiplicity.

DIGITAL

The digital platform is a strategic means of communication and sales for Moncler, aiming to guarantee a unique, relevant and personalised experience to the end customer.

Moncler has launched a digital hub to grow at the level of multi-platform sales; optimise media spending and increase reach; connect, design and implement a luxury experience between the various touch points and be a front runner in terms of data driven and consumer centric approach.

The e-commerce site (*moncler.com*) is the Group's digital flagship, covering 35 markets and in nine languages, and fully reflects the "physical" retail policies in terms of product range and commercial strategies. Exceptional results were achieved in 2018 with strong double-digit growth, driven by an improvement in all the main traffic and transaction indicators for the core markets.

In 2018, Moncler consolidated its omni-channel strategy by following up the pilot phase launched in 2017 and launching the "Click from Store," "Pick-up in Store," "Return in Store," and "Click&Reserve" services throughout Europe, with the aim of implementing them in other regions over the next two years.

After the success of its iOS commerce app, Moncler also consolidated the brand's digital presence by releasing the Android version.

Building on an increasingly international model, in October an online pop-up store was inaugurated for a period of three weeks on Tmall Luxury Pavilion, in partnership with the Chinese e-commerce giant Alibaba.

In digital marketing, brand initiatives in 2018 continued to be delivered across a comprehensive range of digital platforms, with major resources and investments dedicated to the web, social media and mobile. In digital advertising, Moncler adopts programmatic ad banners and performance solutions focusing on online sales.

Significant resources and investments have gone into social media including Instagram, Facebook, and Twitter, as well as mobile-oriented apps such as WeChat in APAC and LINE in Japan. In South Korea, Moncler has been present since 2018 with a constantly growing Kakao Talk account.

EVENTS AND FASHION SHOWS

Moncler has always stood out for its unique and original approach to communication, pioneering innovative new modes of expression in brand events around the world.

In 2018, the launch of the *Moncler Genius* project has characterised every Brand initiative since February 2018 when Moncler presented the *Moncler Genius Building* at Palazzo delle Scintille in Milan: a creative hub that hosted several areas. Each one dedicated to a single collection designed by one of eight creatives including: Pierpaolo Piccioli, Simone Rocha, Hiroshi Fujiwara, Kei Ninomiya, Francesco Ragazzi, Craig Green and Sandro Mandrino. Regardless of the manifold shapes that Moncler products take in the concept of each designer, each collection speaks the same language: Moncler's language, which any audience is capable of understanding naturally. *Moncler Genius* was the real protagonist of the year when from June to December the collections were launched individually on the market with comprehensive marketing and communication plans. After Moncler Fragment Hiroshi Fujiwara collection in June, every month saw the launch of one *Moncler Genius* collection, with successful events in some of the world's most iconic cities, including Florence, Paris, London, New York, Tokyo, Hong Kong, Beijing and Shanghai. From October 4th to the end of 2018, the dialogue between the eight collections was flowing again at the "*The House of Genius*" temporary stores opened in New York and Tokyo, in over 50 pop-ups in the Brand's most important stores and in some department stores and in a select group of boutiques around the world. They all share one language, Moncler's language: *One House, Different Voices*.

In 2018, Moncler held several events, including corporate events, Customer Relationship Management (CRM) events, and events connected to new store openings. These were exclusive performances, often directly inspired by contemporary art and always staged according to what has come to be known as the Moncler hallmark.

BRAND PROTECTION

Moncler dedicates energy and resources to safeguarding the value, uniqueness and authenticity of its products and to defend its intellectual and industrial property rights (IP), which are key elements for customer protection.

The "Intellectual Property & Brand Protection" internal department oversees administrative activities and actions to protect Moncler's distinctive trademarks in countries and in goods' categories of current and potential commercial interest, as well as the forms and elements characterising the products, product and process inventions, and copyright. The enforcement of intellectual property rights and the fight against counterfeit include activities such as training, liaising with customs authorities and applying for relative customs intervention in numerous countries, monitoring and investigating the physical and online market, taking down counterfeit content online, coordinating the organisation of raids and seizures with local authorities in numerous countries worldwide and taking civil, criminal and administrative actions. The collaboration established with law enforcement agencies and officers resulted in over 90 dedicated training sessions, aimed at making the Brand and Moncler products known or easier to identify.

In 2018, the constant activity to fight against counterfeit trade resulted in more than 75,000 fake products and over 284,000 fake accessories being seized, including logos, labels, buttons, zips, etc. Enforcement of Moncler's IP rights online, which aims in particular at the removal of offers for the sale of counterfeit products, shutting down unauthorised online sites and removing links and/or advertising from social networks, brought to results just as important as the former. Over 98,300 auctions of counterfeit products were shut down, almost 3,000 sites were obscured, approximately 223,000 links to sites selling non-original products were delisted from main search engines and around 42,000 posts, ads and accounts promoting fake Moncler products through social networks were removed. It is worth mentioning the activities carried out in China, where, in addition to daily enforcement activity, a major success was obtained in court. The Beijing High Court upheld the ruling of the Beijing IP Court, ascertaining and declaring the crime of counterfeiting in three different civil lawsuits against the 3.3 Mall and two sellers who were conducting illegal activities at the mall, awarding Moncler compensation totalling 850,000 RMB.

Willing to increase end customer protection even further, an anti-counterfeiting label has been adopted for all Moncler products, featuring the best technologies available on the market. It consists of a unique alphanumeric code, a QRcode and NFC (Near Field Communication) tag. End-users can check their products on the website code.moncler.com. Where necessary, Moncler prepares expert reports for deceived customers attempting to recover the amount paid for a counterfeit product from their electronic payment service providers.

The Group's commitment to industry associations saw Moncler involved in numerous activities in 2018, organised by leading national and international organisations involved in the fight against counterfeit and protecting IP, in particular INDICAM, INTA, BASCAP, UNIFAB and QBPC.

HUMAN CAPITAL

Moncler has always believed that human capital is a crucial resource for creating value and has invested considerable care and energy in selecting the best talent, in encouraging professional and personal growth and in promoting welfare within the Company.

It provides a healthy, safe working environment, which is stimulating and rewards merit, where diversity is valued and people are given the chance to flourish and express all their potential and talent.

Moncler seeks to identify and attract people who stand out not only for their strong technical, professional, and management skills, but also for their personal qualities, energy, flexibility, identification with Group values and, last but not least, their positive and effective interpersonal style and ability to adapt to an ever-changing environment.

Thanks to the Group’s growth and global expansion, the recruitment process is increasingly focussed on people with an international profile and a broad and diverse educational background and business culture, as well as on expertise and experience that are in line with the Group's future challenges.

Identifying and retaining the best talent is of crucial importance to Moncler. In order to enhance and develop that talent, for some years now, the Group has a performance assessment system in place that measures the skills people use to achieve their set targets.

The assessments are underpinned by a series of values that everyone in the Company is expected to adopt and promote: integrity, passion, identification with the Company's culture, the ability to establish relationships built on trust, global vision, performance excellence, innovation, and talent development.

Conceived to improve performance throughout the Company, the assessment system has a medium-to-long-term perspective, and is thus one of the key processes for managing and developing people, identifying succession plans, and retaining the best talent in the Company.

Moncler’s remuneration system is designed to attract, motivate, and retain people with the professional skills required to grow the Group in the long term. It is based on the principles of fairness, equal opportunity, meritocracy and competitiveness on the market.

Remuneration for Company employees takes into consideration specific criteria, including market standards and internal fairness, roles and responsibilities, and distinct skills, with every effort made to ensure the highest levels of objectivity to prevent any form of discrimination. Annual compensation reviews are also based on meritocracy, rewarding talent based on business results and individual performance outcomes.

The remuneration system also includes short- and long-term results, broken down by organisational category and activity:

• Annual MBO (Management By Objectives) systems for Executives, Managers and Professionals, based on the achievement of measurable economic, qualitative and quantitative targets, according to Balanced Scorecard principles;

• Team and individual sales commission systems that reward excellence, quality and business development at store level;

• Long-term incentive systems, such as Performance Share plans, for top management and key roles, regardless of the organisational level. These systems, which are linked to long-term performance conditions, underscore the attention paid to results and their quality over time, are an important component of the pay mix, and even represent the predominant part of Total Compensation at Top Management level.

Finally, the remuneration package offered to employees is completed by a series of benefits, which include life insurance, pension and welfare plans, and information and prevention programs.

Since May 2018, Moncler has been a member of Sanimoda, a supplementary healthcare fund for workers in the fashion industry, which provides healthcare services complementary to those of the Italian National Health System. A total of 563 employees registered with the fund during the year.

Investment in young people, which has always been a distinctive trait of Moncler, is also reflected in the large number of internship contracts transformed into employment contracts. In Italy, where the highest number of interns is concentrated, 37% of those concluded in 2018 led to actual employment contracts.

Moncler's focus on youth is also reflected in training. In 2018, several training programs were developed for the Company's people. The most significant was certainly MONCampus, a training program for a select group of young talents. Covering a period of 12 months, it aimed at providing attendees with knowledge of the key processes and activities along the value chain.

In line with the Company's digital development, training is also moving towards experiences that combine the traditional classroom and new digital technologies, providing for effectiveness and practicality, as well as greater and faster dissemination. GDPR, Italian Law 231, Cyber Security and a series of specific courses were held globally for all employees. During 2018, Moncler further consolidated its partnership with the Italian association ValoreD, participating in inter-company courses and workshops.

In addition, in order to maintain OHSAS 18001 Health and Safety certification, Moncler continued to promote training programs in 2018.

In the retail sector, the launch of the *Moncler Genius* project has resulted in an intense training activity for sales personnel. At the same time, in order to ensure a uniform and consistent approach to customers and to the way the Brand is communicated, training activities in 2018 were launched for the staff of the main mono-brand stores in the wholesale channel.

In 2018, the Group provided over 96,000 hours of total training.

As part of its engagement plan, in 2017, Moncler launched its first Employee Opinion Survey, MONVoice, which clearly showed some of the Company's areas of excellence, including "pride in being a part of Moncler" and "quality and attention to clients" as well as those areas to work on and consolidate. To this end, a series of initiatives were launched in 2018 with the aim of making significant improvements in these areas as well. A global action plan was therefore developed, providing for the creation of 32 cross-regional and cross-functional work teams that proposed 240 actions and projects.

The best projects to address the Company's needs, shared at the level of the Strategic Committee, are now being implemented at global level.

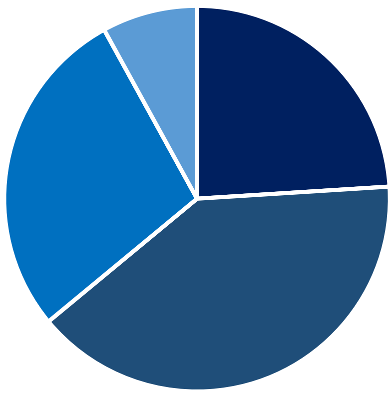
In 2018, Moncler employed 3,502 average full-time equivalent (FTE) staff (4,155 headcounts at 31/12), of whom around 50% were working at its directly operated stores. The growth in the workforce compared to 2017 (+436 FTE) was driven by developments in the network of directly operated stores and by the expansion of production activities in Romania.

In terms of distribution by geographic area, substantially in line with 2017, EMEA (including Italy) accounted for 64% of the total FTE, followed by Asia with 28% and the Americas with 8%.

	2018	**2017**
Italy	833	723
EMEA (escl. Italy)	1,424	1,244
Asia and Rest of the World	968	844
Americas	277	255
Total	**3,502**	**3,066**
of which Direct Retail	1,665	1,444

Breakdown by geographic area[7]

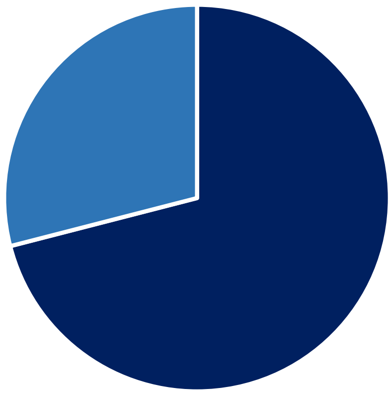
- 24% Italy
- 40% EMEA (excl. Italy)
- 28% Asia and Rest of the World
- 8% Americas



At 31 December 2018, 71% of employees were women. This percentage is in line with figures at 31 December 2017.

Breakdown by gender[8]

- 71% Women
- 29% Men

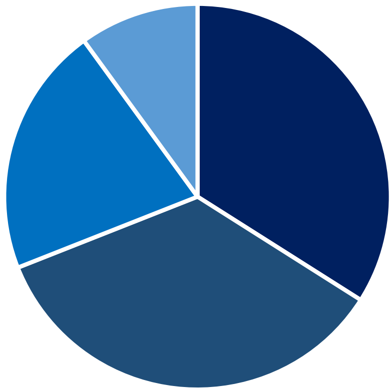


Moncler places special emphasis on youth employment as shown by an analysis of personnel by age, in which employees under 30 represent 29% of the total.

[7] 2018 average Full Time Equivalent
[8] Headcount at 31/12/2018

Breakdown by age[9]

- 29% <30 years
- 40% 31-40 years
- 21% 41-50 years
- 10% >50 years



[9] Headcount at 31/12/2018

SUSTAINABILITY

For Moncler, the true value of the Company lies in the way the Group does business, in its contribution to society as a whole and in the determination to honour its commitments.

The Company firmly believes that the quality of its products goes beyond their technical characteristics. A quality product is one that is made responsibly, with a focus on health and safety, and with respect for human rights, workers' rights, the environment and animal welfare.

The growing integration of social and environmental impact assessments into business decisions is what underpins the Group's ability to create long-term value for all stakeholders. For this reason, over the years the Company has consolidated its commitment to an integrated management of sustainability also by establishing a governance structure with dedicated bodies supervising and managing sustainability issues.

The Sustainability Unit is responsible for identifying and, together with the relevant functions, managing risks related to sustainability, finding areas and actions for improvement, proposing the sustainability strategy and drawing up the annual Sustainability Plan, preparing the Consolidated Non-Financial Statement, and fostering a culture of sustainability at the Company. Lastly, the Unit promotes a dialogue with stakeholders and, together with the Investor Relations division, handles the requests of sustainability rating agencies and the needs of Socially Responsible Investors (SRIs).

"Ambassadors" have been selected from each Company department, to raise awareness of social and environmental issues in the areas where they operate and to promote sustainability initiatives that are in keeping with the Group's objectives. "Sustainability data owners" have also been picked, each responsible, in their area, for data and information published in the Consolidated Non-Financial Statement and for achieving the objectives in the Sustainability Plan Objectives, for areas in their responsibility.

As further evidence of the degree to which the Company's senior management supports and promotes sustainability, the Control, Risks, and Sustainability Committee was established as a committee of the Board of Directors. The Committee is tasked with: supervising sustainability issues associated with the business activities of the Company and its interactions with stakeholders; defining strategic sustainability guidelines and the relevant action plan; and reviewing the Consolidated Non-Financial Statement.

Moncler has received the Sustainability Award Industry Mover 2019 from RobecoSAM, an asset manager specialising in sustainable investments, and has also been included in the ECPI indices: ECPI EMU Ethical Equity, ECPI Euro ESG Equity and ECPI World ESG Equity.

In compliance with article 5, paragraph 3, letter b of Legislative Decree no. 254/2016, Moncler has issued a Consolidated Non-Financial Statement, which comprises a separate report. The 2018 Consolidated Non-Financial Statement, prepared "in compliance" with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) defined in 2016 – core option – and partially audited by KPMG S.p.A., is available on the Group's website.

The 2018 Consolidated Non-Financial Statement describes the year's main environmental, social and business initiatives and also publishes the results achieved in relation to Sustainability Plan objectives. This annual plan is prepared by Moncler as part of our commitment to continuous improvement and sets out our future goals. It reflects Moncler's desire to grow and develop while also taking into account the interests of all our various stakeholders.

MONCLER AND THE FINANCIAL MARKETS

2018 was a particularly difficult year for financial markets. The global index (*S&P Global Broad Market Index, BMI*) recorded a negative performance of 12%, more marked in Europe and Asia and a little more modest, although still negative, in North America. In particular, in the second half of the year, growing uncertainties in the macroeconomic and geopolitical level have significantly influenced the performance of all asset classes, not just those related to investments in equity securities.

In more details, the European stock indices recorded a -15% (EuroSTOXX50), the Americans a -6% (S&P 500) while Asian stock markets posted negative double digits returns in Japan (NIKKEI 225) -12%, Hong Kong (Hang Seng) -14% and the Chinese market (Shanghai Composite) -25%.

The luxury sector stocks were not immune to the difficult macroeconomic environment despite having confirmed their defensive nature, outperforming the main stock index, albeit with an increasing dichotomy among the same industry group, as a reflection of a clear divergence in their results.

Despite this context, the price of Moncler shares marked double-digit growth also in 2018. Indeed, thanks to better than expected results and to a continuous and ongoing dialogue with investment firms and financial analysts, Moncler in 2018 recorded a Total Shareholder Return (TSR) equal to 11.7%, above the luxury sector average and above the performance of the 40 largest securities listed on the Italian stock market (FTSE MIB), as shown in the table below.

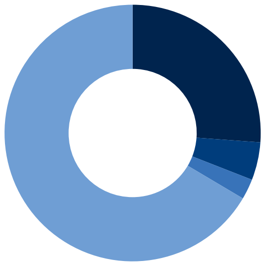
	2018
Kering SA	14.1%
Brunello Cucinelli S.p.A.	12.2%
Moncler SpA	11.7%
Hermes International SCA	10.5%
LVMH Moet Hennessy Louis Vuitton SE	7.3%
Burberry Group plc	(1.1%)
Prada S.p.A.	(7.2%)
Salvatore Ferragamo S.p.A.	(19.1%)
TOD'S S.p.A.	(30.6%)
Sector Average	**(0.2%)**
FTSE MIB	(16.1%)

(Source: FACTSET)

Moncler's market capitalisation at 31 December 2018 was equal to 7.3 billion euros, compared to 6.6 billion euros at 31 December 2017.

The number of shares at 31 December 2018 was equal to 255,820,124. The Company's major shareholders are indicated in the chart below. In particular, the following significant changes in ownership structure took place:

- During 2018, 6,683 options relative to the “2014-2016 Stock option plan” and 1,034,700 options relative to “2015-2017 Stock option plan” (equal to a total of 1,041,383 options) were exercised;
- Between 5 April and 10 May and between 1 August and 20 September, Moncler completed two programmes to purchase 4,100,000 treasury shares (equal to 1.6% of the share capital), in addition to the number of treasury shares already held at 31 December 2017, they raised the Company’s treasury shares to 6,100,000 at 31 December 2018;



26.2% Ruffini Partecipazioni S.r.l.

4.8% ECIP M S.A.

2.6% Treasury Shares

66.4% Market

Source: Consob, Moncler

Last update: 27 February 2019

During 2018, Moncler engaged with the financial community (portfolio managers, sell-side and buy-side analysts), mainly through conferences on the luxury goods sectors and roadshows in the most important financial cities and markets around the world; investment funds were also invited to the Milan offices and to events at the Company’s flagship stores.

Financial Calendar

The main events in 2018 related to the Moncler reporting timeline are provided below:

Date	Event
Thursday, 28 February 2019	Board of Directors: Approval of the Draft Consolidated Results for Financial Year ended 31 December 2018 (*)
Tuesday, 16 April 2019	Annual Shareholders' Meeting for Approval of the Full Year Financial Statements at 31 December 2018
Thursday, 9 May 2019	Board of Directors: Approval of the Interim Management Statement at 31 March 2019 (*)
Wednesday, 24 July 2019	Board of Directors: Approval of the Half-Year Financial Report at 30 June 2019 (*)
Thursday, 24 October 2019	Board of Directors: Approval of the Interim Management Statement at 30 September 2019 (*)

(*) A conference call with institutional investors and equity research analysts will take place following the Board of Directors' meeting.

SECTION TWO

INTRODUCTION

In accordance with Article 40, paragraph 2 bis of the Legislative Decree 127 of 09/04/91, the Parent Company has prepared the Directors' Report as a single document for both the separate financial statements of Moncler S.p.A. and the Group consolidated financial statements.

PERFORMANCE OF THE MONCLER GROUP

Financial Results

Following are the consolidated income statements for financial years 2018 and 2017.

(Euro/000)	Fiscal Year 2018	*% on Revenues*	Fiscal Year 2017	*% on Revenues*
Revenues	**1,420,074**	***100.0%***	**1,193,704**	***100.0%***
YoY growth	*+19%*		*+15%*	
Cost of sales	(320,232)	*(22.6%)*	(276,186)	*(23.1%)*
Gross margin	**1,099,842**	***77.4%***	**917,518**	***76.9%***
Selling expenses	(428,864)	*(30.2%)*	(365,103)	*(30.6%)*
General & Administrative expenses	(127,794)	*(9.0%)*	(108,660)	*(9.1%)*
Marketing expenses	(99,482)	*(7.0%)*	(79,393)	*(6.7%)*
Stock-based compensation	(29,604)	*(2.1%)*	(23,485)	*(2.0%)*
EBIT	**414,098**	***29.2%***	**340,877**	***28.6%***
YoY growth	*21%*		*15%*	
Net financial result	(1,910)	*(0.1%)*	(5,182)	*(0.4%)*
EBT	**412,188**	***29.0%***	**335,695**	***28.1%***
Taxes	(79,697)	*(5.6%)*	(85,927)	*(7.2%)*
Tax Rate	*19.3%*		*25.6%*	
Net Income, including Non-controlling interests	**332,491**	***23.4%***	**249,768**	***20.9%***
Non-controlling interests	(96)	*0.0%*	(80)	*0.0%*
Net Income, Group share	**332,395**	***23.4%***	**249,688**	***20.9%***
YoY growth	*+33%*		*+27%*	
EBITDA Adjusted[10]	**500,201**	***35.2%***	**411,635**	***34.5%***
YoY growth	*+22%*		*+16%*	

[10] EBITDA is equal to EBIT plus depreciation and amortisations, and can be calculated directly from the Consolidated Balance Sheet according to IFRS accounting principles, integrated with the Explanatory Notes. EBITDA Adjusted equals EBITDA before non-cash costs related to stock-based compensation.

Consolidated Revenues Analysis

In 2018 Moncler recorded revenues of 1,420.1 million euros, compared to revenues of 1,193.7 million euros in 2017, an increase of 22% at constant exchange rates and of 19% at current exchange rates.

Revenues by Region

	Fiscal Year 2018		Fiscal Year 2017		YoY growth %	
	(Euro/000)	%	(Euro/000)	%	At current exchange rates	At constant exchange rates
Italy	167,820	*11.8%*	149,349	*12.5%*	+12%	+12%
EMEA (excl.Italy)	407,632	*28.7%*	352,367	*29.5%*	+16%	+17%
Asia and Rest of the World	616,138	*43.4%*	495,476	*41.5%*	+24%	+28%
Americas	228,485	*16.1%*	196,512	*16.5%*	+16%	+23%
Total Revenues	**1,420,074**	***100.0%***	**1,193,704**	***100.0%***	**+19%**	**+22%**

In Italy revenues rose 12% at constant exchange rates, in acceleration in the fourth quarter, with positive contribution by both the retail and the wholesale channels.

In EMEA, revenues grew 17% at constant exchange rates, with double-digit growth in both channels and in the main markets. In Q4 2018 Germany and UK continued to outperform driven by outstanding growth in the retail channel. Revenue growth in France, although solid, slowed down in the fourth quarter due to the events that led, on some days in December, to stores' closure in Paris.

In Asia and Rest of the World revenues increased 28% at constant exchange rates notwithstanding the tough comparison base. China's mainland continued to lead the growth in the Region. Japan's growth slowed in the fourth quarter due to a late starting of the winter season. The Group delivered good performances in Korea and in the Rest of Asia despite the difficult comparison base.

In the Americas revenues grew 23% at constant exchange rates, accelerating in the last quarter. Very good results in Canada and in the United States, in both the retail and the wholesale distribution channels.

Revenues by Distribution Channel

	Fiscal Year 2018		Fiscal Year 2017		YoY growth %	
	(Euro/000)	%	(Euro/000)	%	At current exchange rates	At constant exchange rates
Retail	1,086,452	*76.5%*	892,383	*74.8%*	+22%	+26%
Wholesale	333,622	*23.5%*	301,321	*25.2%*	+11%	+13%
Total Revenues	**1,420,074**	***100.0%***	**1,193,704**	***100.0%***	**+19%**	**+22%**

In 2018, revenues from the retail distribution channel reached 1,086.5 million euros compared to 892.4 million euros in 2017, representing an increase of 26% at constant exchange rates, thanks to an excellent organic growth and to a further development of the network of mono-brand retail stores (DOS).

In 2018, the Group achieved Comparable Store Sales Growth[11] of 18%.

The wholesale channel recorded revenues of 333.6 million euros compared to 301.3 million euros in 2017, an increase of 13% at constant exchange rates, driven by the expansion of the wholesale mono-brand stores network.

Analysis of Consolidated Operating and Net Results

Cost of Goods Sold and Gross Margin

In 2018 Moncler's consolidated gross margin reached 1,099.8 million euros, equivalent to 77.4% of revenues compared to 76.9% in 2017. This improvement is mainly attributable to the retail channel's growth.

Selling Expenses and EBIT

Selling expenses were 428.9 million euros, or 30.2% of revenues compared to 30.6% in 2017. The lower incidence, linked to the increase in productivity of the retail network, has been largely driven by the solid organic growth. General and administrative expenses were 127.8 million euros, equal to 9.0% of revenues, fairly in line with 2017 (9.1%); this increase reflects the willingness of the management to invest in know-how and processes to face future challenges. Marketing expenses were 99.5 million euros, representing 7.0% of revenues compared to 6.7% in 2017. This increase, in line with management's expectations, is attributable to the decision to increase investments in the Brand also, but not only, due to the launch of *Moncler Genius*.

[11] *Comparable Store Sales Growth* is based on sales growth in DOS (excluding factory outlets) which have been opened for at least 52 weeks and in the online store; stores that have been extended and/or relocated are excluded from the calculation.

Adjusted EBITDA[12] rose to 500.2 million euros, compared to 411.6 million euros in 2017, resulting in an EBITDA margin of 35.2% compared to 34.5% in 2017. The increase in profitability is mainly linked to the gross margin improvement and to the strict control on selling costs, in particular on the retail division.

Depreciation and amortisation rose to 56.5 million euros, an increase of 19.5% compared to 47.3 million euros, representing 4.0% of revenues, in line with 2017.

Stock-based compensation costs include non-cash costs related to the performance shares plans and were equal to 29.6 million euros, compared to 23.5 million euros in 2017.

EBIT was 414.1 million euros, an increase of 21.5% compared to 340.9 million euros in 2017, representing an EBIT margin of 29.2% (28.6% in 2017).

Net financial result

In 2018 interest expenses were equal to 1.9 million euros, compared to 5.2 million euros in 2017. These results include 1.3 million euros of forex losses (3.8 million euros in 2017).

Tax rate was 19.3% in 2018, compared to 25.6% in the previous fiscal year. The decrease is largely due to the fiscal benefits related to the *Patent Box* signed in 2018 also by Moncler's subsidiary Industries S.p.A.

In 2018 Net Income, Group share was 332.4 million euros, equivalent to 23.4% of revenues, an increase of 33.1% compared to 249.7 million euros in 2017.

[12] Before non-cash costs related to stock-based compensation.

Consolidated Balance Sheet and Cash Flow Analysis

Following are the reclassified consolidated statements of financial position for financial years 2018 and 2017.

(Euro/000)	31/12/2018	31/12/2017
Intangible Assets	424,402	426,269
Tangible Assets	176,970	138,127
Other Non-current Assets / (Liabilities)	35,858	22,136
Total Non-current Assets	**637,230**	**586,532**
Net Working Capital	103,207	89,655
Other Current Assets / (Liabilities)	(108,231)	(47,010)
Total Current Assets	**(5,024)**	**42,645**
Invested Capital	**632,206**	**629,177**
Net Debt / (Net Cash)	(450,109)	(304,952)
Pension and Other Provisions	13,439	10,598
Shareholders' Equity	1,068,876	923,531
Total Sources	**632,206**	**629,177**

Net working capital

Net working capital was 103.2 million euros compared to 89.7 million euros at 31 December 2017, equivalent to 7.3% of FY 2018 revenues, compared to 7.5% as of 31 December 2017. This improvement, in terms of incidence, has been largely driven by the efficient inventories' management and strong credit control.

(Euro/000)	31/12/2018	31/12/2017 restated
Payables	(224,989)	(172,080)
Inventory	173,149	137,508
Receivables	155,047	124,227
Net Working Capital	**103,207**	**89,655**
% on revenues	*7.3%*	*7.5%*

Net financial position

Net financial position at 31 December 2018 was positive and equal to 450.1 million euros compared to 304.9 million euros at 31 December 2017.

Net Financial Position is broken down in the following table:

(Euro/000)	**31/12/2018**	**31/12/2017**
Cash	546,282	394,144
Long term debt	(80,783)	(67,874)
Short term debt[13]	(15,390)	(21,318)
Net Debt	**450,109**	**304,952**

Following is the reclassified consolidated statement of cash flow for financial years 2018 and 2017:

(Euro/000)	**Fiscal Year 2018**	**Fiscal Year 2017**
EBITDA Adjusted	500,201	411,635
Change in Net Working Capital	(13,552)	18,472
Change in other curr. / non-curr. Assets / (Liabilities)	48,413	(22,231)
Capex, net	(91,502)	(72,497)
Operating Cash Flow	**443,560**	**335,379**
Net financial result	(1,910)	(5,182)
Taxes	(79,697)	(85,927)
Free Cash Flow	**361,953**	**244,270**
Dividends paid	(70,464)	(45,582)
Changes in equity and other changes	(146,332)	468
Net Cash Flow	**145,157**	**199,156**
Net Financial Position - Beginning of Period	304,952	105,796
Net Financial Position - End of Period	450,109	304,952
Change in Net Financial Position	**145,157**	**199,156**

Free cash flow in 2018 was positive and equal to 362.0 million euros, compared to 244.3 million euros in 2017.

[13] Net of Financial current assets

Net capital expenditure

Net capital expenditure rose to 91.5 million euros in 2018, compared to 72.5 million euros in 2017. This increase has been driven by investments for the development of the retail network, for the expansion/relocation of some important stores, for the reinforcement of the IT platform and for the expansion/automation of the Italian logistics hub.

The following table shows the breakdown of capex by category:

(Euro/000)	**31/12/2018**	**31/12/2017**
Retail	50,963	56,539
Wholesale	7,897	5,194
Corporate	32,642	10,765
Net Capex	**91,502**	**72,498**
% on revenues	*6.4%*	*6.1%*

PERFORMANCE OF THE PARENT COMPANY MONCLER S.p.A.

Following is the income statement of the Parent Company.

(Euro/000)	Fiscal Year 2018	% on Revenues	Fiscal Year 2017	% on Revenues
Revenues	**237,565**	***100.0%***	**199,951**	***100.0%***
General & Administrative expenses	(25,580)	*(10.8%)*	(21,357)	*(10.7%)*
Marketing expenses	(40,897)	*(17.2%)*	(34,262)	*(17.1%)*
Stock-based compensation	(7,251)	*(3.1%)*	(6,144)	*(3.1%)*
EBIT	**163,837**	***69.0%***	**138,188**	***69.1%***
Net financial result	(212)	*(0.1%)*	(39)	*(0.0%)*
EBT	**163,625**	***68.9%***	**138,149**	***69.1%***
Taxes	(24,883)	*(10.5%)*	(4,895)	*(2.4%)*
Net Income, including Non-controlling interests	**138,742**	***58.4%***	**133,254**	***66.6%***

Moncler S.p.A. revenues rose to 237.6 million euros in 2018, an increase of 19% compared to revenues of 200.0 million euros in 2017, mainly arising from proceeds of the licensing of the Moncler brand. The revenue increase reflects the growth of the business linked to the development of the Brand.

General and administrative expenses were 25.6 million euros, equal to 10.8% on revenues (10.7% in 2017). Marketing expenses were 40.9 million euros (34.3 million euros in 2017), equal to 17.2% on revenues in line with previous year.

Stock-based compensation costs were equal to 7.3 million euros in 2018 (6.1 million euros in 2017), mainly related to stock-based incentive plans for employees, directors and consultants of the Parent Company.

Net financial costs were equal to 212 thousand euros compared to 39 thousand euros in 2017.

In 2018 taxes rose to 24.9 million euros compared to 4.9 million euros in 2017, mainly related to the Patent Box relief, which reduced significantly taxes in 2017 when benefits for the three-year period 2015-2017 were accounted.

Net income was 138.7 million euros, an increase of 4% compared to 133.3 million euros in 2017.

The Parent Company's statement of financial position is given below.

(Euro/000)	**31/12/2018**	**31/12/2017**
Intangible Assets	225,716	225,869
Tangible Assets	157	60
Investments	272,524	250,455
Other Non-current Assets / (Liabilities)	(64,360)	(63,381)
Total Non-current Assets	**434,037**	**413,003**
Net Working Capital	35,111	25,237
Other Current Assets / (Liabilities)	(3,293)	28,703
Total Current Assets	**31,818**	**53,940**
Invested Capital	**465,855**	**466,943**
Net Debt / (Net Cash)	(11,013)	(43,786)
Pension and Other Provisions	995	822
Shareholders' Equity	475,873	509,907
Total Sources	**465,855**	**466,943**

Moncler S.p.A. balance sheet includes shareholders' equity of 475.9 million euros at 31 December 2018, compared to 509.9 million euro at 31 December 2017, and a positive net financial position of 11.0 million euros, compared to 43.8 million euros at 31 December 2017.

MAIN RISKS

Moncler, through the normal business management and the development of its strategy, is exposed to different types of risks that could adversely affect the Group's operating results and financial position.

The most important business risks are monitored by the Control, Risks and Sustainability Committee and periodically reviewed by the Board of Directors, which is responsible for the development of the strategy.

Risks associated with the market in which the Group operates and with general economic conditions

Moncler operates in the luxury goods sector, which is characterised by a high correlation between the demand of goods and the trend in wealth, economic growth and stability in the markets where the demand is generated. In addition, the Group's ability to develop its business depends to a significant extent on the economic situation of the various countries in which it operates.

Although the Group operates in a significant number of countries around the world, thereby reducing the risk of high concentration of the business in specific geographical areas, the possible deterioration of economic conditions in one or more markets in which it operates may have a negative impact on sales and financial results of the Group.

In particular, important international consulting firms estimate that over a third of the world's luxury goods consumers are Chinese, representing the most important consumer cluster for the sector today; therefore, it cannot be excluded that a significant slowdown in the Chinese economy could have negative effects on the performance of Moncler.

Moreover, the possible exit of the United Kingdom from the European Union, following the referendum in June 2016, could lead to changes in terms of their future economic relations. It is therefore possible that more restrictions are introduced on imports and exports between the United Kingdom and the European Union as well as regulatory and regulatory changes. This scenario could have an impact on the results of the Group, although they may be limited since the United Kingdom accounts for a limited portion of Moncler's consolidated turnover (mid-single digit).

Risks associated with brand image, perception and recognition

The luxury goods sector in which Moncler operates is influenced by changes in clients' tastes and preferences, but also by different habits in the regions in which it operates. In addition, the Group's success is significantly influenced by the image, perception and recognition of the Moncler brand. The Group strives to maintain and enhance the strength of the Moncler brand, paying particular attention to the quality of the products, the design, the innovation, the communication and the development of its own distribution model, by looking for selectivity, quality and sustainability, also in the choice of the partners. Moncler is committed to integrating sustainability assessments in its actions and decisions, since the Company believes that the continue creation of value for its stakeholders is an essential priority for its reputation.

In case the Group will not be able in the future to maintain a high image and brand recognition, through its products and activities, sales and financial results may be affected negatively.

Risk associated with key management personnel

Moncler's results and success depend significantly on the ability of its executive directors and other members of management, which have had a decisive role in the development of the Group and which have a significant experience in the luxury goods sector.

Even though Moncler believes that it has an operational and managerial structure capable of ensuring the continuity of the business, if the existing relationship with some of these individuals were to be interrupted without proper and timely replacement, the competitive ability of the Group and its growth prospects may be affected, with a resulting negative impact on the economic and financial position of the Group.

This risk is mitigated through the definition of a succession plan and the adoption of retention plans for key professional figures.

Risks related to the cost and availability of high quality raw materials, to the control of the supply chain and to the relationships with suppliers

Moncler's products require raw materials of high quality, including, but not limited to, nylon, down and cotton. The price and availability of raw materials depends on a wide variety of factors largely beyond the control of the Group and difficult to predict.

Although in recent years Moncler has not encountered any particular difficulties in the purchasing of high quality raw materials to the extent appropriate, it cannot be excluded that there could be some tension on the supply side that could lead to a shortage of supply resulting in an increase in costs that could have a negative impact on the financial results of the Group.

In order to minimize the risks related to a potential unavailability of raw materials in the time required by production, Moncler adopts a multi-sourcing strategy of diversifying suppliers and purchase plans with a medium-term time horizon. Furthermore, these raw material suppliers are contractually required to abide by clear commitments to quality and compliance with current legislation on worker protection, animal protection and environmental protection.

With regards to animal welfare, Moncler created a multi-stakeholder forum, which approved and constantly monitors and integrates the DIST (Down Integrity System and Traceability) Protocol, focused on the down. All suppliers have to scrupulously comply with it, in order to guarantee the traceability of raw materials, animal welfare and the highest quality standards for all the supply chain. With regards to hazardous chemicals, Moncler requires its suppliers to operate in full compliance with the most restrictive international legislation applicable to hazardous or potentially dangerous chemicals, including the European REACH[14] regulation, the Chinese GB [15]standards, the Japanese JIS[16] standards.

Risks associated with relationships with third party manufacturers

Moncler directly manages the development of the collections and the purchase of raw materials, while for the production of its garments it uses independent third party manufacturers (*façonists*), who operate under the close supervision of the Group, and internal production.

Although the Group does not depend to a significant extent on any given manufacturer, there is the possibility that any interruption or termination for any reason of the relationship with these manufacturers may materially affect the Group's business with a negative impact on sales and earnings.

Moncler maintains constant and continual control over its third-party manufacturers in order to ensure there is full compliance, among other things, with labour laws and environmental laws and with the principles of Moncler's Code of Ethics and Code of Conduct for Suppliers. Moncler performs audits at these third-party manufacturers and at their sub-suppliers. The risk cannot be excluded, however, that any one of these might not fully comply with the agreements entered into with Moncler in terms of quality, timely delivery and compliance with applicable regulations.

Risks associated with the distribution network

Moncler generates an increasing portion of its revenues through the retail channel, consisting of directly operated mono-brand stores (DOS). The Group has over the years demonstrated the ability to open new stores in the most prestigious locations in the most important cities in the world and within high profile department stores, despite competition among key players in the luxury goods sector to secure a strong position in that sector. This is the reason why the fact that the Group might face difficulties in opening new stores, which could have a negative impact on the growth of the business, should not be excluded.

In addition, by its nature, the retail business is characterised by a great incidence of fixed costs, mainly related to rental agreements. Although Moncler's management showed the ability in the years to develop a profitable retail business, it cannot be excluded that a potential turnover slowdown could reduce the Group's capability to generate profits.

Risks related to brand and product counterfeiting and the protection of intellectual property rights

The luxury goods market is known to be prone to brand's and to product's counterfeiting.

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[14] Registration, Evaluation, Authorisation and restriction of Chemicals.
[15] National Standard of the People's Republic of China.
[16] Japanese Industrial Standards.

Moncler has made considerable investments in the adoption of innovative technologies, which allow products to be tracked along the value chain, to prevent and mitigate the effects of counterfeiting of its brand and products and to protect its intellectual property rights in the territories in which it operates. However, it cannot be excluded that the presence on the market of significant quantities of counterfeit products may adversely affect the image of the Brand, with a negative impact on sales and operating results.

Risks related to the evolution of the regulatory framework

Moncler operates in a complex international environment and is subject, in the various jurisdictions in which it operates, to rules and regulations which are constantly monitored, especially for all matters relating to the health and safety of workers, environmental protection, rules around manufacturing of products and their composition, consumer protection, the protection of intellectual and industrial property rights, competition rules, fiscal rules, and, in general, all relevant regulatory provisions.

The Group operates following the legal provisions in force. Nevertheless, since the legislation on some matters, especially on tax issues, is characterised by a high degree of complexity and subjectivity, it cannot be excluded that a different interpretation to that of the Group could have a significant impact on the results.

The enactment of new legislation or amendments to existing laws which may require, by way of example, the adoption of more stringent production standards could lead to costs of compliance linked to the production processes or to the features of the products, or could even limit the Group's operations with a negative impact on the financial results.

Exchange rate risks

Moncler operates in international markets using currencies other than the Euro, of which mainly Yen, U.S. Dollar, Renminbi, Hong Kong Dollar and British pound. Therefore it is exposed to the risk associated with fluctuations in exchange rates, equal to the transaction amount (mainly income) which are not covered by a matching transaction of the same currency. In 2014, the Group initiated a strategy to gradually hedge the risks related to exchange rate fluctuations, limiting its actions to the so called “transactional risk”, and has adopted a stringent policy on currency risk that sets the minimum limit of coverage per currency at 75%.

However, also due to the so called “translational risk”, arising from the translation in Euro of financial statements of foreign companies denominated in local currency, it cannot be excluded that significant changes in exchange rates could have a positive or negative impact on the Group’s results and financial position.

For more information, please refer to the specific section 9.1 of the Notes to the Financial Statements.

Interest rate risks

The Net Financial Position of the Group consists of cash and bank loans denominated primarily in Euros and is subject to interest rate risk. The Group, in order to partially hedge the interest rate risk, has entered into some hedging transactions.

However, any significant fluctuations in interest rates could lead to an increase in borrowing costs, with a negative impact on the Group's financial results.

For more information, please refer to the specific section of the Notes to the Financial Statements 9.1.

Credit risk

Moncler operates in accordance with the credit control policies aimed at reducing the risks resulting from insolvency of its wholesale customers. These policies are based on preliminary in-depth analysis of the reliability of the customers and based on eventual insurance coverage and/or guaranteed form of payment. In addition, the Group has no significant concentrations of credit.

However, it cannot be excluded that the difficulty of some clients may result in losses on receivables, with a negative impact on the Group's financial results. Moncler monitors with particular attention its exposure with wholesale customers with significant orders, mainly concentrated in the American market.

For more information, please refer to the section 9.2 of the Notes to the Financial Statements.

Liquidity risk

The Group has implemented financial planning process aimed at reducing the liquidity risk, also taking into consideration the seasonality of the business. Based upon the financial requirements, credit lines required to meet those needs are planned with the financial institutions and are classified between short-term and long-term.

Moreover, given the risk of losing the capital, the Group follows strict rules to balance its deposits and cash liquidity in an appropriate number of highly rated bank institutions, avoiding the concentration and using only risk-free financial products.

For more information, please refer to the section 9.3 of the Notes to the Financial Statements.

CORPORATE GOVERNANCE

Moncler S.p.A. (the "Company" or "Parent Company") has adopted a traditional model of governance complying with the principles set forth in the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana and adopted by Moncler, and with the regulatory provisions governing Italian listed companies. It is based on four pillars:

(i) the pivotal role of administrative and control bodies;

(ii) the careful and diligent monitoring of related-party transactions and handling of privileged information;

(iii) the effectiveness and transparency of management decisions;

(iv) the set of values defined, recognised, shared, and established in both the Code of Ethics and company policies.

Moncler implements a traditional administration and control system as per articles 2380-bis et seq. of the Italian Civil Code. This system ensures continuous dialogue between management and shareholders as follows:

a) the **Shareholders' Meeting**, in ordinary and/or extraordinary sessions, is responsible for resolutions regarding, inter alia, (i) the appointment and removal of members of the Board of Directors and Board of Statutory Auditors, as well as their remuneration;(ii) the approval of the financial statements and allocation of profits; (iii) amendments to the Bylaws; (iv) the appointment of the independent auditors, upon motivated proposal of the Board of Statutory Auditors; (v) incentive plans;

b) the **Board of Directors** plays a central role in guiding and managing the Company and the Group. In addition to its powers assigned as per the law and Bylaws, the Board of Directors has exclusive competence over the most important economic and strategic decisions, and over resolutions that are instrumental in monitoring and steering the Group's business. Three Committees have been established to support the Board of Directors: the Nomination and Remuneration Committee and Control, Risks, and Sustainability Committee, both vested with consulting and advisory functions, and the Related Parties Committee;

c) the **Board of Statutory Auditors** oversees, inter alia, (i) compliance with the law and Bylaws, as well as observance of the principles of proper management; (ii) to the extent of its competence, the suitability of the Company's organisational structure, internal control system, and administrative accounting system, as well as the reliability and accuracy of the latter in representing management operations; (iii) the procedures adopted by the Company to effectively implement the corporate governance rules set out in the codes of conduct that it has publicly claimed to adopt; and (iv) the effectiveness of the internal audit and risk management system, the auditing of accounts, and the autonomy of the external auditor;

d) The **Independent Auditors** carry out the statutory auditing of accounts. They are appointed by the Shareholders' Meeting and in accordance with the Bylaws, upon proposal of the Board of Statutory Auditors. Pursuant to the Civil Code, the external auditor operates independently and autonomously and therefore does not represent either the minority or majority of shareholders

Moreover, the **Internal Control and Risk Management System (ICRMS)** adopted by Moncler is supported by a **s**upervisory Body, *i.e.*, a collegial body of three members reporting directly to the Board of Directors, tasked with ensuring that Company rules, mechanisms, and internal controls are in line with Legislative Decree 231/2001 as amended; the Head of the Internal Audit division (third-level control); the Head of the Group Compliance division (second-level control); and the Director in charge of the ICRMS itself.

Chairman and Chief Executive Officer, Remo Ruffini, is also assisted in the definition and implementation of Group strategy by a Strategic Committee, which has advisory functions and bridges the main areas of the Group, ensuring consistency and the sharing of Moncler's guiding values.

At 31 December 2018, Moncler's Board of Directors, including the Chairman, consisted of 11 members, of whom 6 were independent. With regard to the powers assigned within the Board, there were 3 Executive and 8 Non-Executive Directors (6 of whom independent). Moncler believes that a Board of Directors composed of members of different ethnicity, gender, and age, and with diverse skills, professional experience, and cultural backgrounds, can enable an international company such as the Group to make the best decisions possible.

The Company has adopted a policy on diversity for the composition of the administrative, management and supervisory bodies of the Company (the "**Diversity Policy**") according to art. 123-bis, paragraph 2, letter d-bis of Legislative Decree no. 58/1998, as subsequently amended and integrated (the "**Consolidated Law on Finance**") and in acceptance of the new recommendations of the Corporate Governance Code on diversity. The Policy was previously submitted to the review of the Nomination and Remuneration Committee, together with the Board of Statutory Auditors, at its meeting on 4 October 2018 and was subsequently approved by the Board of Directors at its meeting on 18 December 2018.

This Diversity Policy pursues the Company's objective, which is in line with the stakeholders' expectations and in compliance with the cornerstones on which the corporate governance system and the values of Moncler's Code of Ethics are based, of creating the necessary conditions for its management and supervisory bodies to exercise their duties in the most effective and lawful manner, through decision-making processes that express a majority of qualified and diverse contributions. More specifically, the Company intends to pursue this objective, through 3 basic principles:

1) Protection of gender equality

To ensure continued compliance with the legal obligations on governance and gender equality as well as to adapt to Italian best practices, even after the expected termination of the legal obligation concerning gender quotas and therefore in compliance with the new recommendations of the Corporate Governance Code relating to gender diversity.

2) Upholding the independence of Directors

To ensure an adequate number of Independent Directors in accordance with the law and with the Corporate Governance Code for the purpose, among other things, of allowing the Board of Directors to be able to identify the members of its internal Committees (which must be composed mostly of Independent Directors) from a large number of Directors, and therefore to choose those Directors considered most suitable in accordance with their respective abilities, thereby ensuring an appropriate composition for the Committees within the Board of Directors.

3) Research on the diversity of managerial and professional skills

To ensure that the management and supervisory bodies are able to exercise, as effectively as possible, in a synergistic and collaborative climate, their tasks and make decisions on the business activities of the Company and the Group, by relying on the contribution of a majority of qualified and diverse points of view, thanks to the presence of fundamental professional and managerial skills and from diversified backgrounds inside it, able to examine and evaluate each issue from different perspectives due to origin, age, gender, educational, professional, cultural and personal backgrounds, in a discoursing, critical, open and constructive environment.

RELATED-PARTY TRANSACTIONS

Information relating to related party transactions are provided in Note 10.1 to the Consolidated Financial Statements and Note 8.1 to the Separate Financial Statements.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

There are no positions or transactions deriving from atypical and/or unusual transactions that could have a significant impact on the results and financial position of the Group and the Parent Company.

TREASURE SHARES

Moncler owns 6,598,603 Company shares at 28 February 2019, equal to 2.6% of the current share capital.

SIGNIFICANT EVENTS OCCURRED DURING THE FINANCIAL YEAR 2018

Moncler Genius - One House Different Voices

On 20 February 2018, Moncler presented a new creative and communication chapter, *Moncler Genius*. A hub of eight exceptional minds, operating in unison while cultivating their singularity, has being able to reinterpret the Brand; each one devoted to a singular project, all of them adding facets to the Moncler's brand identity, a vision beyond seasons able to establish a daily dialogue with the customers.

Capital Markets Day

On 27 February 2018, Moncler hosted its second Capital Markets Day in Milan, during which an update on the Group's medium-term strategy has been disclosed to the financial community.

Moncler Japan

On 29 March 2018, Moncler purchased from its Japanese partner the first stake, equal to 9% of the share capital, of Moncler Japan Corporation, for an investment of 15.5 million euros. As defined by the agreement signed in 2017, which amended the Joint Venture Agreement, Moncler will purchase, annually between 2018 and 2024, the entire minority share, for a price equal to the pro-rata value of the equity.

Dividends

On 16 April 2018, Moncler Ordinary Shareholders Meeting approved the Group's results for fiscal year 2017 and the distribution of a gross dividend of 0.28 euros per ordinary share, with coupon date of 21 May 2018 and payment date of 23 May 2018. In 2017, Moncler distributed 70.5 million euros of dividends.

2018 -2020 Performance Shares plan

On 4 May 2018 the Moncler Board of Directors, by implementing the resolutions adopted by the Shareholders' Meeting of 16 April 2018, resolved to implement the stock grant plan called "2018-2020 Performance Shares Plan" approved by the same Shareholders' Meeting and, as a result, approved the regulation implementing the aforementioned stock grant plan, approving the assignment of 1,365,531 shares in favour of n. 99 beneficiaries, among which are the Executive Directors and the Managers with strategic responsibilities of the Group

Share Buy-Back Program

On 4 April 2018, Moncler launched a shares buyback program for a maximum of 2,100,000 Moncler S.p.A. ordinary shares (equal to 0.8% of current share capital), in accordance with the resolution of the Shareholders' Meeting of 20 April 2017.

On 1 August 2018, Moncler launched a shares buyback program for a maximum of 2,000,000 Moncler S.p.A. ordinary shares, equal to 0.8% of current share capital, in accordance with the resolution of the Shareholders' Meeting of 16 April 2018. In implementation of the program completed on 20 September 2018, Moncler held at 31 December 2018 6,100,000 treasury shares, equal to 2.4% of share capital.

Signed Agreement On Patent Box

On 19 November 2018, Moncler announced that the Italian subsidiary Industries S.p.A., licensee of the Moncler trademark, signed an agreement with the Italian Revenue Agency to access the Patent Box's tax relief.

The legislation on Patent Box provides a tax relief regime for a five-year period from 2015 to 2019. The tax benefit for Industries S.p.A. for the four-year period 2015-2018 was equal to 31 million euros, fully reflected in the Group's 2018 results.

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SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

Shares Buy-Back Program

On 16 January 2019, Moncler launched a share buyback program for a maximum of 1,000,000 ordinary shares, equal to 0.4% of share capital, in accordance with the resolution of the Shareholders' Meeting of 16 April 2018. As of that date, Moncler held 6,100,000 Moncler S.p.A. ordinary shares. In implementation of the program completed on 20 February 2019, Moncler held 6,598,603 treasury shares (equal to 2.6% of Moncler share capital).

BUSINESS OUTLOOK

Moncler is forecasting a scenario of further growth in 2019, based on the following strategic guidelines.

Strengthening of the Brand. Since the beginning, the strategy of Moncler's positioning in the luxury goods' sector has been based on clear pillars: uniqueness, consistency of its heritage and ability to innovate while remaining true to its tradition. These pillars are and will remain fundamental also in the future. Today's luxury goods' consumers are evolving rapidly and faster than in the past. To take advantage of these changes, Moncler has opened a new chapter, *Moncler Genius – One House Different Voices*, which will drive the Group into its future developments.

Focus on clients. Developing a direct relationship with retail, wholesale and digital clients, being able to get them involved using all touch points and anticipating their needs: these are the pillars of the relationship that Moncler wants to build across channels with its clients, especially with its local customers, with an omnichannel approach, in order to maintain and, if possible, strengthen the Group's future organic growth.

International development and consolidation of key markets. Over the years, Moncler has followed a clear strategy of international growth, while always keeping strong control of the business and a direct dialogue with its clients in all distribution channels: wholesale, retail and digital. Moncler wants to continue selectively developing the main international markets and consolidating its presence in its "core" markets. The Group will deliver this strategy through the reinforcement of its retail mono-brand stores (DOS) network, the controlled expansion of its stores' average selling surface, the opening of wholesale mono-brand stores (SiS), the expansion of travel retail, and the strengthening of its digital channel.

Selective expansion of product categories. The Group is working on a selective expansion in product's categories that are complementary to its core business and where it has, or can achieve, high brand awareness and strong know-how.

Sustainable business development. The Brand is reinforcing its commitment to sustainable and responsible long-term development, which takes account of stakeholders' expectations with a view to shared value creation.

OTHER INFORMATION

Research and Development

Since the Moncler Group's success depends in part on the image, prestige and recognition of the Brand, and in part on the ability to manufacture a set of collections in line with market trends, the Company conducts research and development in order to design, create and implement new products and new collections. Research and development costs are expensed in the income statement as they occur on an accrual basis.

Reconciliation between net result and shareholders' equity of the parent company and the Group's amounts

The reconciliation between the Group's net result and shareholders' equity at the end of the period and the parent Company Moncler's S.p.A. net result and shareholders' equity is detailed in the following table:

Reconciliation between result and new equity of the Parent and the Group	Result 2018	Net Equity 31/12/18	Result 2017	Net Equity 31/12/17
Parent Company balance	138,742	475,873	133,254	509,907
Inter-group dividends	(40,438)	0	(28,532)	0
Share of consolidated subsidiaries net of book value of relates equity interest	249,102	565,480	143,228	375,948
Allocation of the excess cost resulting from the acquisition of the subsidiaries and the corresponding Equity	(236)	158,775	0	159,011
Elimination of the intercompany profit and losses	(14,617)	(85,207)	2,128	(70,590)
Translation adjustments	0	(6,072)	0	(10,969)
Effects of other consolidation entries	(158)	(40,042)	(390)	(39,884)
Total Group shares	**332,395**	**1,068,807**	**249,688**	**923,423**
Risultato e patrimonio netto di terzi	96	69	80	108
Total	**332,491**	**1,068,876**	**249,768**	**923,531**

Secondary offices

The Company does not have any secondary offices.

Certification pursuant to art. 2.6.2, paragraph 8 and 9 of the Rules of the Markets organised and managed by the Italian Stock Exchange

In relation to art. 15 of Consob Regulation adopted with resolution n. 20249 on 28 December 2017 as amended and integrated, concerning the conditions for the listing of companies with subsidiaries established and regulated under the laws of countries outside the European Union and of significance for the consolidated financial statements, please note that the above mentioned regulation is applicable to six companies belonging to the Group (Moncler Japan, Moncler USA, Moncler USA Retail, Moncler Asia Pacific, Moncler Shanghai and Moncler

Shinsegae) and that adequate procedures to ensure full compliance with said rules have been adopted and that the conditions referred to in that Article 15 were met.

Certification pursuant to article 16, paragraph 4 of the Markets Regulation adopted by Consob with resolution 20249 of 28 December 2017

Moncler S.p.A. is indirectly controlled by Remo Ruffini through Ruffini Partecipazioni Holding S.r.l., a company incorporated under the laws of Italy, held 100% by Remo Ruffini. Ruffini Partecipazioni Holding S.r.l. controls Ruffini Partecipazioni S.r.l., a company incorporated under the laws of Italy, that at 31 December 2018 held 26.2% of the share capital of Moncler S.p.A.

Moncler S.p.A. is not managed or coordinated by Ruffini Partecipazioni Holding S.r.l.; for relative evaluations, reference is made to the Report on Corporate Governance and Ownership Structure, available at www.monclergroup.com, "Governance / Shareholders' Meeting" section.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE RESULT FOR THE YEAR ENDED 31 DECEMBER 2018

Shareholders,

We invite you to approve the Moncler Group consolidated financial statements as at and for the year ended 31 December 2018 and the Moncler S.p.A.'s separate financial statements.

We recommend that you approve the distribution of a gross dividend of 0.40 euros per ordinary share.

The total amount to be distributed as a dividend, having taken into consideration the number of shares that are presently issued as of 31 December 2018 (n. 249,720,124), net of the shares which are directly owned by the Company (n. 6,100,000), is equal to 100 million euros.

It must be noted that the above-mentioned amounts are subject to changes due to the potential issue of new shares, following the exercise of stock option rights.

Milan, 28 February 2019

For the Board of Directors

The Chairman

Remo Ruffini

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (Euro/000)	Notes	2018	of which related parties (note 10.1)	2017	of which related parties (note 10.1)
Revenue	4.1	1,420,074	990	1,193,704	884
Cost of sales	4.2	(320,232)	(12,626)	(276,186)	(9,291)
Gross margin		**1,099,842**		**917,518**	
Selling expenses	4.3	(428,864)	(937)	(365,103)	(824)
General and administrative expenses	4.4	(127,794)	(7,601)	(108,660)	(7,441)
Advertising and promotion expenses	4.5	(99,482)		(79,393)	
Stock based compensation	4.6	(29,604)	(10,858)	(23,485)	(8,300)
Operating result	**4.7**	**414,098**		**340,877**	
Financial income	4.8	718		558	
Financial expenses	4.8	(2,628)		(5,740)	
Income before taxes		**412,188**		**335,695**	
Income taxes	4.9	(79,697)		(85,927)	
Net Income, including Minority		**332,491**		**249,768**	
Non-controlling interests		(96)		(80)	
Net income, Group share		**332,395**		**249,688**	
Earnings per share (unit of Euro)	5.16	**1.32**		**0.99**	
Diluited earnings per share (unit of Euro)	5.16	**1.31**		**0.98**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income			
(Euro/000)	Notes	2018	2017
Net profit (loss) for the period		**332,491**	**249,768**
Gains/(Losses) on fair value of hedge derivatives	5.16	(3,592)	505
Gains/(Losses) on exchange differences on translating foreign operations	5.16	4,861	(16,242)
Items that are or may be reclassified to profit or loss		**1,269**	**(15,737)**
Other Gains/(Losses)	5.16	17	26
Items that will never be reclassified to profit or loss		**17**	**26**
Other comprehensive income/(loss), net of tax		**1,286**	**(15,711)**
Total Comprehensive income/(loss)		**333,777**	**234,057**
Attributable to:			
Group		333,718	233,977
Non controlling interests		59	80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position (Euro/000)	Notes	December 31, 2018	of which related parties (note 10.1)	December 31, 2017	of which related parties (note 10.1)
Brands and other intangible assets - net	5.1	268,820		270,687	
Goodwill	5.1	155,582		155,582	
Property, plant and equipment - net	5.3	176,970		138,127	
Other non-current assets	5.9	29,951		24,064	
Deferred tax assets	5.4	91,898		78,991	
Non-current assets		**723,221**		**667,451**	
Inventories and work in progress	5.5	173,149		136,159	
Trade account receivables	5.6	155,047	12,653	120,708	10,445
Income taxes	5.12	11,550		38,417	
Other current assets	5.9	16,135		19,284	
Financial current assets	5.8	259		3,884	
Cash and cash equivalent	5.7	546,282		394,144	
Current assets		**902,422**		**712,596**	
Total assets		**1,625,643**		**1,380,047**	
Share capital	5.16	51,164		50,956	
Share premium reserve	5.16	171,594		154,827	
Other reserves	5.16	513,654		467,952	
Net result, Group share	5.16	332,395		249,688	
Equity, Group share		**1,068,807**		**923,423**	
Non controlling interests		**69**		**108**	
Equity		**1,068,876**		**923,531**	
Long-term borrowings	5.15	80,783		67,874	
Provisions non-current	5.13	7,477		4,946	
Pension funds and agents leaving indemnities	5.14	5,962		5,652	
Deferred tax liabilities	5.4	70,106		68,699	
Other non-current liabilities	5.11	15,885		12,220	
Non-current liabilities		**180,213**		**159,391**	
Short-term borrowings	5.15	15,649		25,202	
Trade account payables	5.10	224,989	17,401	167,212	9,842
Income taxes	5.12	53,358		36,687	
Other current liabilities	5.11	82,558	4,014	68,024	3,909
Current liabilities		**376,554**		**297,125**	
Total liabilities and equity		**1,625,643**		**1,380,047**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity (Euro/000)	Notes	Share capital	Share premium	Legal reserve	Other comprehensive income		Other reserves		Result of the period, Group share	Equity, Group share	Equity, non controlling interest	Total consolidated Net Equity
					Cumulative translation adj. reserve	Other OCI items	IFRS 2 reserve	Retained earnings				
Group shareholders' equity at January 1, 2017	**5.16**	**50,043**	**109,187**	**10,300**	**5,273**	**(195)**	**26,659**	**306,142**	**196,043**	**703,452**	**119**	**703,571**
Allocation of Last Year Result		0	0	0	0	0	0	196,043	(196,043)	0	0	0
Changes in consolidation area		0	0	0	0	0	0	0	0	0	0	0
Dividends		0	0	0	0	0	0	(45,491)	0	(45,491)	(91)	(45,582)
Share capital increase		913	45,640	0	0	0	0	0	0	46,553	0	46,553
Other movements in Equity		0	0	0	0	0	22,195	(37,263)	0	(15,068)	0	(15,068)
Other changes of comprehensive income		0	0	0	(16,242)	531	0	0	0	(15,711)	0	(15,711)
Result of the period		0	0	0	0	0	0	0	249,688	249,688	80	249,768
Group shareholders' equity at December 31, 2017	**5.16**	**50,956**	**154,827**	**10,300**	**(10,969)**	**336**	**48,854**	**419,431**	**249,688**	**923,423**	**108**	**923,531**
Group shareholders' equity at January 1, 2018	**5.16**	**50,956**	**154,827**	**10,300**	**(10,969)**	**336**	**48,854**	**419,431**	**249,688**	**923,423**	**108**	**923,531**
Allocation of Last Year Result		0	0	0	0	0	0	249,688	(249,688)	0	0	0
Changes in consolidation area		0	0	0	0	0	0	0	0	0	(98)	(98)
Dividends		0	0	0	0	0	0	(70,464)	0	(70,464)	0	(70,464)
Share capital increase		208	16,767	0	0	0	0	0	0	16,975	0	16,975
Other movements in Equity		0	0	0	0	0	28,373	(163,218)	0	(134,845)	0	(134,845)
Other changes of comprehensive income		0	0	0	4,898	(3,575)	0	0	0	1,323	(37)	1,286
Result of the period		0	0	0	0	0	0	0	332,395	332,395	96	332,491
Group shareholders' equity at December 31, 2018	**5.16**	**51,164**	**171,594**	**10,300**	**(6,071)**	**(3,239)**	**77,227**	**435,437**	**332,395**	**1,068,807**	**69**	**1,068,876**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows (Euro/000)	Year 2018	of which related parties	Year 2017	of which related parties
Cash flow from operating activities				
Consolidated result	332,491		249,768	
Depreciation and amortization	56,499		47,273	
Net financial (income)/expenses	1,911		5,182	
Other non cash (income)/expenses	29,571		23,157	
Income tax expenses	79,697		85,927	
Changes in inventories - (Increase)/Decrease	(34,774)		(3,026)	
Changes in trade receivables - (Increase)/Decrease	(24,472)	(2,208)	(20,748)	(2,922)
Changes in trade payables - Increase/(Decrease)	54,966	7,559	40,648	1,711
Changes in other current assets/liabilities	15,932	105	8,997	121
Cash flow generated/(absorbed) from operating activities	**511,821**		**437,178**	
Interest and other bank charges paid and received	(183)		(780)	
Income tax paid	(46,520)		(124,568)	
Changes in other non-current assets/liabilities	713		2,282	
Net cash flow from operating activities (a)	**465,831**		**314,112**	
Cash flow from investing activities				
Purchase of tangible and intangible fixed assets	(91,887)		(73,479)	
Proceeds from sale of tangible and intangible fixed assets	385		981	
Net cash flow from investing activities (b)	**(91,502)**		**(72,498)**	
Cash flow from financing activities				
Repayment of borrowings	(2,198)		(62,068)	
Proceeds from borrowings	0		85	
Short term borrowings variation, other than bank borrowings	176		0	
Short term borrowings variation	(15,454)		0	
Dividends paid to shareholders	(70,464)		(45,491)	
Dividends paid to non-controlling interests	0		(91)	
Share capital increase	16,975		46,553	
Treasury Shares variation	(148,573)		(21,329)	
Other changes in Net Equity	(62)		(659)	
Net cash flow from financing activities (c)	**(219,600)**		**(83,000)**	
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)	**154,729**		**158,614**	
Cash and cash equivalents at the beginning of the period	**394,144**		**243,385**	
Effect of exchange rate changes	(2,605)		(7,855)	
Net increase/(decrease) in cash and cash equivalents	154,729		158,614	
Cash and cash equivalents at the end of the period	**546,268**		**394,144**	

On behalf of the Board of Directors of Moncler S.p.A.

Remo Ruffini

Chairman and Chief Executive Officer

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE GROUP

1.1. The Group and its core business

The parent company Moncler S.p.A. is a company established and domiciled in Italy, with its registered office located at Via Stendhal 47 Milan, Italy, and registration number of 04642290961.

The parent Company Moncler S.p.A. is de facto indirectly controlled by Remo Ruffini through Ruffini Partecipazioni Holding S.r.l., a company incorporated under the Italian law, wholly owned by Remo Ruffini. Ruffini Partecipazioni Holding S.r.l. controls Ruffini Partecipazioni S.r.l., a company incorporated under the Italian law, which, as at December 31, 2018, holds 26.2% of the share capital of Moncler S.p.A.

The consolidated financial statements as at and for the year ended December 31, 2018 include the parent company and its subsidiaries (hereafter referred to as the "Group").

To date, the Group's core businesses are the creation, production and distribution of clothing for men, women and children, shoes, leather goods and other accessories under the Moncler brand name.

1.2. Basis for the preparation of the consolidated financial statements

1.2.1. Relevant accounting principles

The 2018 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS also includes all International Accounting Standards ("IAS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements include the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the explanatory notes to the consolidated financial statements.

1.2.2. Presentation of the financial statements

The Group presents its consolidated income statement by destination, the method that is considered most representative for the business at hand. This method is in fact consistent with the internal reporting and management of the business.

With reference to the consolidated statement of financial position, a basis of presentation has been chosen which makes a distinction between current and non-current assets and liabilities, in accordance with the provisions of paragraph 60 and thereafter of IAS 1.

The consolidated statement of cash flows is prepared under the indirect method.

In accordance with the provisions of IAS 24, related-party transactions with the Group and their impact, if significant, on the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows are reported below.

1.2.3. Basis for measurement

The consolidated financial statements have been prepared on the historical cost basis except for the measurement of certain financial instruments (i.e. derivatives measured at fair value in accordance with IFRS 9) and on a going concern basis.

The consolidated financial statements are presented in Euro thousand, which is the functional currency of the markets where the Group mainly operates.

1.2.4. Use of estimates

The preparation of the consolidated financial statements and the related explanatory notes in conformity with IFRS requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. The estimates and related assumptions are based on historical experience and other relevant factors. The actual results could differ from those estimates. The estimates and underlying assumptions are reviewed periodically and any variations are reflected in the consolidated income statement in the period in which the estimate is revised if the revision affects only that period or even in subsequent periods if the revision affects both current and future periods.

In the event that management's estimate and judgment had a significant impact on the amounts recognized in the consolidated financial statements or in case that there is a risk of future adjustments on the amounts recognized for assets and liabilities in the period immediately after the reporting date, the following notes will include the relevant information.

The estimates pertain mainly to the following captions of the consolidated financial statements:

- impairment of non-current assets and goodwill;
- impairment of trade receivables (bad debt provision);
- impairment of inventories (obsolescence provision);

- recoverability of deferred tax assets;
- provision for losses and contingent liabilities.

Impairment of non-current assets and goodwill

Non-current assets include property, plant and equipment, intangible assets with indefinite useful life and goodwill, investments and other financial assets.

Management periodically reviews non-current assets for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is estimated based on the present value of future cash flows expect to derive from the asset or from the sale of the asset itself, at a suitable discount rate.

When the recoverable amount of a non-current asset is less than its carrying amount, an impairment loss is recognized immediately in profit or loss and the carrying amount is reduced to its recoverable amount determined based on value-in-use calculation or its sale's value in an arm's-length transaction, with reference to the most recent Group business plan.

Impairment of trade receivables

The bad debt provision represents management's best estimate of the probable loss for unrecoverable trade receivables. For a description of the criteria applied to estimate the bad debt provision, please refer to paragraph 2.10 Financial instruments - Trade receivables, financial assets and other current and non-current receivables.

Impairment of inventory

The Group manufactures and sells mainly clothing goods that are subject to changing consumer needs and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the related required provision. Inventory impairment represents management's best estimate for losses arising from the sales of aged products, taking into consideration their saleability through the Group's distribution channels.

Recoverability of deferred tax assets

The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the provision for income taxes in each territory. The Group recognizes deferred tax assets when it is expected that they will be realised within a period that is consistent with management estimates and business plans.

Provision for losses and contingent liabilities

The Group could be subject to legal and tax litigations arising in the countries where it operates. Litigation is inevitably subject to risk and uncertainties surrounding the events and circumstances associated with the claims and associated with local legislation and jurisdiction. In the normal course of business, management requests advice from the Group legal consultants and tax experts. The recognition of a provision is based on management's best estimate when an outflow of resources is probable to settle the obligation and the amount can be reliably estimated. In those circumstances where the outflow of resources is possible or the amount of the obligation cannot be reliably measured, the contingent liabilities are disclosed in the notes to consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES USED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles set out below have been applied consistently for fiscal year 2018 and the prior year.

2.1. Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and its subsidiaries, of which the Parent owns, directly or indirectly, a majority of the voting rights and over which it exercises control, or from which it is able to benefit by virtue of its power to govern the subsidiaries' financial and operating policies.

The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where the Group loses control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the parent company had control. In the consolidated financial statements, non-controlling interests are presented separately within equity and in the statement of income. Changes in the parent's ownership interest, that do not result in a loss of control or changes that represent acquisition of non-controlling interests after the control has been obtained, are accounted for as changes in equity.

In preparing the consolidated financial statements the effects, the balances as well as the unrealized profit or loss recognized in assets resulting from intra-group transactions are fully eliminated.

Investments in associates

Investments in associates are accounted for using the equity method whereas the initial recognition is stated at acquisition cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's assets and liabilities is included in the carrying amount of the investment. If the investor's share of losses of the associate equals or exceeds its interest in the associate, the investor's interest is reduced to zero and additional losses are provided for and a liability is recognized to the extent that the investor has incurred a legal obligation or has the intention to make payments on behalf of the associate.

2.2. Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions in foreign currencies

Foreign currency transactions are recorded by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at year-end, are translated into the functional currency at the exchange rate ruling at the reporting date. Exchange differences arising on the settlement on the translation of monetary transactions at a rate different from those at which they were translated at initial recognition are recognized in the consolidated income statement in the period in which they arise.

Translation of the results of overseas businesses

Assets and liabilities of overseas subsidiaries included in the consolidated financial statements are translated into the Group's reporting currency of Euros at the exchange rate ruling at the reporting date. Income and expenses are translated at the average exchange rate for the reporting period, as it is considered to approximate at best the actual exchange rate at the transaction date. Differences arising on the adoption of this method are recognized separately in other comprehensive income and are presented in a separate component of equity as translation reserve until disposal of the foreign operation. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate ruling at the reporting date.

The main exchange rates used to convert into Euro the consolidated financial statements of foreign subsidiaries as at and for the years ended December 31, 2018 and December 31, 2017 are as follows:

	Average rate		Rate at the end of the period	
	2018	2017	As at 31 December 2018	As at 31 December 2017
AED	4.337060	4.147530	4.205000	4.404400
AUD	1.579680	1.473170	1.622000	1.534600
BRL	4.308490	3.605430	4.444000	3.972900
CAD	1.529400	1.464700	1.560500	1.503900
CHF	1.154960	1.111670	1.126900	1.170200
CNY	7.808080	7.629000	7.875100	7.804400
CZK	25.647000	26.325800	25.724000	25.535000
DKK	7.453170	7.438630	7.467300	7.444900
GBP	0.884706	0.876674	0.894530	0.887230
HKD	9.255940	8.804510	8.967500	9.372000
HUF	318.890000	309.193000	320.980000	310.330000
JPY	130.396000	126.711000	125.850000	135.010000
KRW	1,299.070000	1,276.740000	1,277.930000	1,279.610000
KZT	406.906000	368.876000	437.520000	397.960000
MOP	9.533830	9.068830	9.236500	9.653200
MXN	22.705400	22.039500	22.492100	23.661200
NOK	9.597490	9.327040	9.948300	9.840300
PLN	4.261500	4.257000	4.301400	4.177000
RON	4.654010	4.568790	4.663500	4.658500
RUB	74.041600	65.938300	79.715300	69.392000
SEK	10.258300	9.635100	10.254800	9.843800
SGD	1.592610	1.558820	1.559100	1.602400
TRY	5.707670	4.120630	6.058800	4.546400
TWD	35.586400	34.363500	35.022300	35.655500
UAH	31.850200	n/a	31.736200	n/a
USD	1.180950	1.129680	1.145000	1.199300

2.3. Business combinations

Business combinations are accounted under the acquisition method.

Under this method, the identifiable assets acquired and the liabilities assumed are measured initially at their acquisition-date fair values. The costs incurred in a business combination are accounted for as expenses in the periods in which the services are rendered.

Goodwill is determined as the excess of the aggregate of the considerations transferred, of any non-controlling interests and, in a business combination achieved in stages, the fair value of previously held equity interest in the acquiree compared to the net amounts of fair value of assets transferred and liabilities assumed at the acquisition date. If the fair value of the net assets acquired is greater than the acquisition cost, the difference is recognized directly in the statement of income at the acquisition date. Non-controlling interests could be measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the identifiable net assets. The election of either method is done for each single business combination.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurred, the Group shall report in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, that shall not exceed one year from the acquisition date, the provisional amounts are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of assets and liabilities recognized at that date.

2.4. Non-current assets available for sale and discontinued operations

Non-current assets available for sale and discontinued operations are classified as available for sale when their values are recoverable mainly through a probable sale transaction. In such conditions, they are valued at the lower of their carrying value or fair value, net of cost to sell if their value is mainly recoverable through a sale transaction instead of continued use.

Discontinued operations are operations that:

- include a separate line of business or a different geographical area;
- are part of a single coordinated plan for the disposal of a separate major line of business or geographical area of activity;
- consist of subsidiaries acquired exclusively for the purpose of being sold.

In the consolidated income statement, non-current assets held for sale and disposal groups that meet the requirements of IFRS 5 to be defined as "discontinued operations", are presented in a single caption that includes both gains and losses, as well as losses or gains on disposal and the related tax effect. The comparative period is subsequently restated in accordance with IFRS 5.

As far as the financial position is concerned, non-current assets held for sale and disposal groups that meet the requirements of IFRS 5 are reclassified as current assets and liabilities in the period in which such requirements arise. The comparative financial statements are not restated or reclassified.

2.5. Property, plant and equipment

Property, plant and equipment are stated at acquisition or manufacturing cost, not revalued net of accumulated depreciation and impairment losses ("impairment"). Cost includes original purchase price and all costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation of property, plant and equipment is calculated and recognized in the consolidated income statement on a straight-line basis over the estimated useful lives as reported in the following table:

Category	Depreciation period
Land	No depreciation
Buildings	From 25 to 33 years
Plant and equipment	From 8 to 12 years
Fixtures and fittings	From 5 to 10 years
Electronic machinery and equipment	From 3 to 5 years
Leasehold improvements	Lower between lease period and useful life of improvements
Other fixed assets	Depending on market conditions generally within the expected utility to the entity

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will take ownership of the asset by the end of the lease term.

Depreciation methods, useful lives and residual value are reviewed at each reporting period and adjusted if appropriate.

Gain/losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

2.6. Intangible assets

Goodwill

Goodwill arising from business combination is initially recognized at the acquisition date as described in the notes related to "Business combinations".

Goodwill is included within intangible assets with an indefinite useful life, and therefore, is not amortized but subject to impairment test performed annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. After the initial recognition, goodwill is measured at acquisition cost less accumulated impairment.

As part of the IFRS first time adoption, the Group chose not to apply IFRS 3 "Business Combinations" retrospectively regarding acquisitions made prior to the transition date (January 1, 2009); consequently, goodwill resulting from acquisitions prior to the transition date to IFRS is still recorded under Italian GAAP, prior to any eventual impairment.

For further details please refer to note 2.7 "Impairment of non-financial assets".

Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognized at fair value at the acquisition date.

Brands have a indefinite useful life and are carried at cost less accumulated impairment. Brands are not amortized but subject to impairment test performed annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

For further details please refer to note 2.7 "Impairment of non-financial assets".

Intangible assets other than goodwill and brands

License rights are capitalized as intangible asset and amortized on a straight-line basis over their useful economic life. The useful economic life of license rights is determined on a case-by-case basis, in accordance with the terms of the underlying agreement.

Key money are capitalized in connection with the opening of new directly operated shop ("DOS") based on the amount paid. Key money in general have a definite useful life which is generally in line with the lease period. However, in certain circumstances, Key money have an indefinite useful life on the basis of legal protection or common practice that can be found in jurisdictions or markets that state that a refund could be received at the end of the lease period. In these limited cases, that need to be adequately supported, Key money are not amortized but subject to impairment test at least annually in accordance with what set out in the note related to impairment of non-financial assets.

Software (including licenses and separately identifiable external development costs) is capitalized as intangible assets at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software and other intangible assets that are acquired by the Group and have definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets with a definite useful file

Intangible assets with a definite useful life are amortized on a straight line basis over their estimated useful lives as described in the following table:

Category	**Depreciation period**
License rights	Based on market conditions within the licence period or legal limits to use the assets
Key money	Based on market conditions generally within the lease period
Software	From 3 to 5 years
Other intangible assets	Based on market conditions generally within the period of control over the asset

2.7. Impairment of non-financial assets

On an annual basis, the Group tests for impairment property, plant and equipment and intangible assets with a definite useful life. Whenever events or changes in circumstance indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

Goodwill and assets with an indefinite useful life are not subject to amortization and are tested annually or more frequently for impairment, whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

When the recoverable amount for individual asset cannot be reliably estimated, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The Group determines the value in use as the present value of future cash flows expected to be derived from the asset or from the cash-generating unit, gross of tax effects, by applying an appropriate discount rate that reflects market time value of money and the risks inherent to the asset. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

With the exception of impairment losses recognized on goodwill, when the circumstances that led to the loss no longer exist, the carrying amount of the asset is increased to its recoverable amount and cannot exceed the carrying amount that would have been determined had there been no loss in value. The reversal of an impairment loss is recognized immediately in the consolidated income statement.

2.8. Leased assets

Financial lease

Leases for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at the amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating lease

Assets under a lease contracts (i.e. rent agreements) other than finance leases are not recognized in the Group's consolidated statement of financial position. The Group lessees property and gross rent expenses related to these operating leases are recognized on a straight line basis over the period of the leases. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

2.9. Inventory

Raw materials and work in progress are valued at the lower of purchase or manufacturing cost calculated using the weighted average cost method and net realizable value. The weighted average cost includes directly attributable expenditures for raw material inventories and labour cost and an appropriate portion of production overhead based on normal operating capacity.

Provisions are recorded to reduce cost to net realizable value taking into consideration the age and condition of inventory, the likelihood to use raw materials in the production cycle as well as the saleability of finished products through the Group's distribution channels (outlet and stock).

2.10. Financial instruments

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised at the trade date, i.e., when the Group becomes a contractual party to the financial instrument.

Except for trade receivables that do not comprise a significant financing component, financial assets are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

On initial recognition, a financial asset is classified based on its valuation: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit/(loss) for the period (FVTPL).

Financial assets are not reclassified after initial recognition, unless the Group changes its business model for managing financial assets. In that case, all the financial assets concerned are reclassified on the first day of the first reporting period following the change in business model.

A financial asset shall be measured at amortised cost if both of the following conditions are met and if it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is to hold the financial assets in order to collect the related contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid.

At the time of subsequent measurement, assets belonging to this category are valued at amortised cost, using the effective interest rate. The effects of measurement are recognised among the financial income components. These assets are also subject to the impairment model described in the paragraph Trade receivables, financial assets and other current and non-current receivables.

A financial asset shall be measured at FVOCI if both of the following conditions are met and if it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved both through the collection of the contractual cash flows and through the sale of the financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid.

On initial recognition of a security not held for trading, the Group may make an irrevocable choice to present subsequent changes in fair value in the other components of the comprehensive income statement. This choice is made for each asset.

At the time of subsequent measurement, the measurement made at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. As for the category above, these assets are subject to the impairment model described in the paragraph Trade receivables, financial assets and other current and non-current receivables.

All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. All derivative financial instruments are included. On initial recognition, the Group may irrevocably designate the financial asset as measured at fair value through profit/(loss) for the period if this eliminates or significantly reduces a misalignment in accounting that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

At the time of subsequent measurement, financial assets measured at FVTPL are valued at fair value. Gains or losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recognised under financial income/expenses.

Financial assets are derecognised from the financial statements when the contractual rights to receive cash flows from them expire, when the contractual rights to receive cash flows from a transaction in which all the risks and rewards of ownership of the financial asset are materially transferred or when the Group neither transfers nor retains materially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial liabilities are classified as valued at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, it represents a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognised in profit or loss for the period. Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and exchange rate gains/(losses) are recognised in profit/(loss) for the period, as are any gains or losses from derecognition.

The Group's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, other current and non-current assets and liabilities, investments, borrowings and derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits held with banks and most liquid assets that are readily convertible into cash and that have insignificant risk of change in value. Bank overdrafts are recorded under current liabilities on the Group's consolidated statement of financial position.

Trade receivables, financial assets and other current and non-current receivables

Trade and other receivables generated when the Group provides money, goods or services directly to a third party are classified as current assets, except for items with maturity dates greater than twelve months after the reporting date.

Current and non-current financial assets, other current and non-current assets, trade receivables, excluding derivatives, with fixed maturity or determinable payment terms, are recognized at amortized cost calculated using the effective interest method. Notes receivable (due date greater than a year) with interest rate below that of the market rate are valued using the current market rate.

The financial assets listed above are valued based on the impairment model introduced by IFRS 9 or by adopting an expected loss model, replacing the IAS 39 framework, which is typically based on the valuation of the incurred loss.

For trade receivables, the Group adopts the so-called simplified approach, which does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss ("ECL") calculated over the entire life of the credit (so-called lifetime ECL).

In particular, the policy implemented by the Group provides for the stratification of trade receivables based on the days past due and an assessment of the solvency of the counterparty and applies different write-down rates that reflect the relative expectations of recovery. The Group then applies an analytical valuation of impaired receivables based on a debtor's reliability and ability to pay the due amounts.

The value of receivables is shown in the statement of financial position net of the related bad debt provision. Write-downs made in accordance with IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with reversals of impairment.

Financial liabilities, trade payables and other current and non-current payables

Trade and other payables arise when the Group acquires money, goods or services directly from a supplier. They are included within current liabilities, except for items with maturity dates greater than twelve months after the reporting date.

Financial liabilities, excluding derivatives, are recognized initially at fair value which represents the amount at which the asset was bought in a current transaction between willing parties, and subsequently measured at amortized cost using the effective interest method. Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements.

Derivatives instruments

Consistent with the provisions of IFRS 9, derivative financial instruments may be accounted for using hedge accounting only when:

- the hedged items and the hedging instruments meet the eligibility requirements;
- at the beginning of the hedging relationship, there is a formal designation and documentation of the hedging relationship, of the Group's risk management objectives and the hedging strategy;
- the hedging relationship meets all of the following effectiveness requirements:
    - there is an economic relationship between the hedged item and the hedging instrument;
    - the effect of credit risk is not dominant with respect to the changes associated with the hedged risk
    - the hedge ratio defined in the hedging relationship is met, including through rebalancing actions, and is consistent with the risk management strategy adopted by the Group.

Fair value hedge

A derivative instrument is designated as fair value hedge when it hedges the exposure to changes in fair value of a recognized asset or liability, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, adjusts the carrying amount of the hedged item and is recognized in the consolidated income statement.

Cash flow hedge

When a derivative financial instrument is designated as a hedging instrument for exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised among the other components of the comprehensive income statement and stated in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument that is recognised in the other components of the comprehensive income statement is limited to the cumulative change in the fair value of the hedged instrument (at present value) since the inception of the hedge. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in the profit/(loss) for the period.

If the hedge ceases to meet the eligibility criteria or the hedging instrument is sold, matures or is exercised, hedge accounting ceases prospectively. When hedge accounting for cash flow hedges ceases, the accrued amount in the cash flow hedge reserve remains in equity until, in the case of a hedge of a transaction that results in the recognition of a non-financial asset or non-financial liability, it is included in the cost of the non-financial asset or non-financial liability on initial recognition or, in the case of other cash flow hedges, it is reclassified in profit or loss for the period in the same period or periods in which the hedged expected future cash flows affects profit/(loss) for the period.

If no more hedged future cash flows are expected, the amount shall be reclassified immediately from the cash flow hedge reserve and the reserve for hedging costs to profit/(loss) for the period.

If hedge accounting cannot be applied, gains or losses arising from the fair value measurement of a derivative financial instrument are immediately recognised in income statement.

2.11. Employee benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid leave and annual leave due within twelve months of the consolidated statement of financial position date and all other fringe benefits are recognised in the year in which the service is rendered by the employee.

Benefits granted to employees which are payable on or after the termination of employment through defined benefit and contribution plans are recognised over the vesting period.

Defined benefit schemes

Defined benefit schemes are retirement plans determined based on employees' remuneration and years of service.

The Group obligation to contribute to employees' benefit plans and the related current service cost is determined by using an actuarial valuation defined as the projected unit credit method. The cumulative net amount of all actuarial gains and losses are recognised in equity within other comprehensive income.

The amount recognised as a liability under the defined benefit plans is the present value of the related obligation, taking into consideration expenses to be recognised in future periods for employee service in prior periods.

Defined contribution schemes

Contribution made to a defined contribution plan is recognised as an expense in the income statement in the period in which the employees render the related service.

Up to December 31, 2006 Italian employees were eligible to defined benefit schemes referred as post-employment benefit ("TFR"). With the act n. 296 as of December 27, 2006 and subsequent decrees ("Pension Reform") issued in early 2007, the rules and the treatment of TFR scheme were changed. Starting from contribution vested on or after January 1, 2007 and not yet paid at the reporting date, referring to entities with more than 50 employees, Italian post-employment benefits is recognised as a defined contribution plan. The contribution vested up to December 31, 2006 is still recognised as a defined benefit plan and accounted for using actuarial assumptions.

2.12. Provision for risks and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic resources will be required to settle the obligation and where the amount of the obligation can be reliably estimated.

Restructuring provision is recognised when the Group has a detailed formal restructuring plan and the plan has been implemented or the restructuring plan has been publicly announced. Identifiable future operating losses up to the date of a restructuring are not included in the provision.

Changes in estimates are recognised in the income statement in the period in which they occur.

2.13. Share-based payments

The fair value at grant date of the incentives granted to employees in the form of share-based payments that are equity settled is usually included in expenses, with a matching increase in equity, over the period during which the employees obtain the incentives rights. The amount recognized as an expense is adjusted to reflect the actual number of incentives for which the continued service conditions are met and the achievement of non-market conditions, so that the final amount recognized as an expense is based on the number of incentives that fulfil these conditions at the vesting date. In case the incentives granted as share-based payments whose conditions are not to be considered to maturity, the fair value at the grant date of the share-based payment is measured to reflect such conditions. With reference to the non-vesting conditions, any differences between amounts at the grant date and the actual amounts will not have any impact on the consolidated financial statements.

The fair value of the amount payable to employees related to share appreciation rights, settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period during which the employees unconditionally become entitled to receive the payment. The liability is measured at year-end and the settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognized in profit or loss for the year.

2.14. Revenue recognition

Based on the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its clients and the related services to be provided (transfer of goods and/or services), determining the consideration which it believes it is entitled to in exchange for the provision of each of these services, and assessing the manner in which these services are provided (at a given time or over time).

Wholesale sales are recognised when goods are dispatched to trade customers, reflecting the transfer of risks and rewards. The provision for returns and discounts is estimated and accounted for based on future expectation, taking into consideration historical return trends and is recorded as a variable component of the contractual consideration with the concurrent recognition of a liability for returns and of the corresponding asset in the statement of financial position.

Variable components of the consideration (for example, the effect of returns) are recognised in the financial statements only when it is highly probable that there will be no significant adjustment to the amount of revenue recognised in the future.

Retail sales are recognised at the date of transactions with final customers.

Royalties received from licensee are accrued as earned on the basis of the terms of the relevant royalty agreement which is typically based on sales volumes.

Upon receipt of an advance payment from a client, the Group recognises the amount of the advance payment for the obligation to transfer assets in the future under Other current liabilities and derecognises this liability by recognising the revenue when the assets are transferred.

The Group recognises the amounts paid to customers as a reduction in revenues when the costs for services cannot be reliably estimated or in costs when the costs for services can reliably be estimated.

2.15. Borrowing costs

Borrowing costs are recognized on an accrual basis taking into consideration interest accrued on the net carrying amount of financial assets and liabilities using the effective interest rate method.

2.16. Taxation

Tax expense recognised in the consolidated income statement represents the aggregate amount related to current tax and deferred tax.

Current taxes are determined in accordance with enforced rules established by local tax authorities. Current taxes are recognised in the consolidated income statement for the period, except to the extent that the tax arises from transactions or events which are recognised directly either in equity or in other comprehensive income.

Deferred tax liabilities and assets are determined based on temporary taxable or deductible differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated financial statements. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legally enforceable right to offset the amounts.

Deferred tax liabilities and assets are determined using tax rates that have been enacted by the reporting date and are expected to be enforced when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets recognised on tax losses and on deductible differences are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2.17. Earnings per share

The Group presents the basic and diluted earnings per share. The basic earnings per share is calculated by dividing the profit or loss attributable to holders of the Company shares by the weighted average of the number of shares for the financial year (defined as equal to the share capital), adjusted to consider any treasury shares held. The diluted earnings per share is calculated by adjusting the profit or loss attributable to shareholders, and the weighted average of the number of company shares as defined above, to consider the effects of all potential shares with a dilution effect.

2.18. Segment information

For purposes of IFRS 8 "Operating segments", the Group's business is conducted as a single operating segment known as the Moncler business.

2.19. Fair value

IFRS 13 is the only point of reference for the fair value measurement and related disclosures when such an assessment is required or permitted by other standards. Specifically, the principle defines fair value as the consideration received for the sale of an asset or the amount paid to settle a liability in a regular transaction between market participants at the measurement date. In addition, the new standard replaces and provides for additional disclosures required in relation to fair value measurements by other accounting standards, including IFRS 7.

IFRS 13 establishes a hierarchy that classifies within different levels the inputs used in the valuation techniques necessary to measure fair value. The levels, presented in a hierarchical order, are as follows:

- level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: it Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

2.20. Accounting standards and recently published interpretations

Accounting standards, amendments and interpretations effective from January 1, 2018

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014 the IASB published a document which requires an entity to recognise revenue at the time the control of goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The new revenue recognition model sets out a process in five steps:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when the entity satisfy a performance obligation.

The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of the revenue and cash flows arising from these contracts with customers. The IASB expects to adopt it from 2018, while the European Union endorsed it on September 22, 2016. Furthermore, on April 12, 2016 the IASB published amendments to the standard: Clarifications to IFRS 15 Revenue from Contracts with Customers, which are also applicable as from January 1, 2018. These amendments are aimed at clarifying the procedures to identify an entity as a “Principal” or as an “Agent” and to establish whether revenue from licences must be deferred throughout the term thereof.

The Group has applied IFRS 15 retroactively with a cumulative effect as at the date of first application (i.e. January 1, 2018). Therefore, information relating to 2017 has not been restated and is presented according to IAS 18, IAS 11 and relevant interpretations.

The following tables summarise the effects of the application of IFRS 15 on the relevant individual items in the Group’s statement of financial position as at Decembre 31, 2018, the income statement and the statement of comprehensive income for the year 2018.

Consolidated statement of financial position (Euro/000)	Note	December 31, 2018 As reported	Reclassifications	December 31, 2018 Balances without adoption of IFRS 15
Non-current assets		**723,221**	**0**	**723,221**
Inventories and work in progress	a)	173,149	(4,583)	168,566
Trade account receivables	a) c)	155,047	(6,398)	148,649
Income taxes		11,550		11,550
Other current assets		16,135		16,135
Financial current assets		259		259
Cash and cash equivalent		546,282		546,282
Current assets		**902,422**	**(10,981)**	**891,441**
Total assets		**1,625,643**	**(10,981)**	**1,614,662**
Equity, Group share		**1,068,807**	**0**	**1,068,807**
Non controlling interests		**69**		**69**
Equity		**1,068,876**	**0**	**1,068,876**
Non-current liabilities		**180,213**	**0**	**180,213**
Short-term borrowings		15,649		15,649
Trade account payables	a)	224,989	(10,981)	214,008
Income taxes		53,358		53,358
Other current liabilities	b)	82,558		82,558
Current liabilities		**376,554**	**(10,981)**	**365,573**
Total liabilities and equity		**1,625,643**	**(10,981)**	**1,614,662**

Consolidated income statement (Euro/000)	Note	December 31, 2018 As reported	Reclassifications	December 31, 2018 Balances without adoption of IFRS 15
Revenue	a) b) c)	1,420,074	-	1,420,074
Cost of sales	a)	(320,232)	-	(320,232)
Gross margin		**1,099,842**	-	**1,099,842**
Selling expenses		(428,864)	-	(428,864)
General and administrative expenses		(127,794)	-	(127,794)
Marketing expenses	c)	(99,482)	-	(99,482)
Stock based compensation		(29,604)	-	(29,604)
Operating result		**414,098**	-	**414,098**
Financial income		718	-	718
Financial expenses		(2,628)	-	(2,628)
Income before taxes		**412,188**	-	**412,188**
Income taxes		(79,697)	-	(79,697)
Net Income		**332,491**	-	**332,491**
Total Comprehensive income/(loss)		**333,777**	-	**333,777**

Further information is provided below about the important changes and their impact.

a) Sales with right of return

Previously, the Group recognised expected returns from sales of products by reducing revenue and recognised the cost relating to these returns by reducing cost of sales; separately, a liability was recognised for the margin related to the expected returns in a specific allowance against trade receivables. In accordance with IFRS 15, the Group continues to recognise expected returns from sales of products by reducing revenue and recognises the cost relating to these returns by reducing cost of sales; however it recognises the amount corresponding to the sales value of expected returns in the item Trade Payables and the amount corresponding to the cost of the products in the item Inventory.

b) Rights not exercised by the customer – Breakage amounts

When it receives advance payment from a customer, the Group recognises this amount in Other Current Liabilities in view of the obligation to transfer goods in the future, eliminating this liability and recognising the revenue when it transfers the goods.

This accounting treatment does not differ from the approach adopted by the Group in previous years.

c) Amounts paid to customers – Charge back

The Group recognises amounts paid to customers:

- by reducing revenue, when the costs for services cannot be reliably estimated;
- as costs, when the costs for services can be reliably estimated.

This accounting treatment does not differ from the approach adopted by the Group in previous years.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments, published by the IASB in July 2014 and endorsed by the European Union in November 2016, replaced IAS 39 - Financial Instruments with effect from 1 January 2018: Recognition and measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities, a new model for calculating the impairment of financial assets and new provisions for the accounting of hedging transactions (hedge accounting).

The Group has prospectively adopted the new rules for hedge accounting set out by IFRS 9 considering that the hedging relationships in place as at December 31, 2017 already met the conditions laid down in the new IFRS 9 on the matter.

With the exception of provisions relating to hedge accounting, IFRS 9 was applied by the Group retrospectively at the date of initial application, availing itself of the relief from restating comparative periods, as provided for by the standard.

The adoption of IFRS 9 did not have a significant impact on the Group's financial statements and did not entail the need to recognise adjustments to the consolidated statement of financial position at the date of initial application of the standard.

Classification and measurement of financial instruments

IFRS 9 classifies financial assets into three main categories: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit/(loss) for the period (FVTPL). The classification required by the standard is usually based on the entity's business model for the management of financial assets and on the characteristics of the contractual cash flows of the financial asset. The categories provided for by IAS 39, i.e., held-to-maturity, loans and receivables and available for sale, have been eliminated. According to IFRS 9, derivatives embedded in contracts where the primary element is a financial asset falling within the scope of the standard shall never be separated. The hybrid instrument is examined as a whole for classification.

IFRS 9 essentially maintains the requirements of IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the measurement criteria applied by the Group to financial assets and liabilities.

Impairment

According to IFRS 9, the write-down of the financial assets shown in the financial statements at amortised cost must be calculated according to an Expected Loss method, replacing the provisions of IAS 39, which was typically based on the measurement of the incurred losses. Based on the analyses carried out, the Group deemed that there is no need to recognise adjustments to the consolidated statement of financial position at the date of initial application of the standard. In particular, with reference to trade receivables, the Group has confirmed its policy of making allocations to the bad debt provision as the calculation method applied substantially reflects the Expected Credit Losses.

Hedge accounting

With reference to the accounting of derivative instruments classified as hedging instruments, IFRS 9 introduces a far-reaching revision of the requirements and the underlying rules, simplifying in part the previous IAS 39 framework and extending the cases in which it is possible to apply hedge accounting. However, the standard offers the possibility to choose whether to continue applying IAS 39 or to adopt IFRS 9.

The Group has decided to adopt the provisions of IFRS 9 and, as already mentioned above, no need has been identified to modify the accounting method applied by the Group for the accounting of these instruments.

New standards and interpretations not yet effective and not early adopted by the Group

At the date when these annual financial statements were prepared, the European Union's competent authorities concluded the approval process needed for the adoption of the accounting standards and amendments described below. With reference of the applicable principles, the Group has decided not to exercise the option of the early adoption, if applicable.

IFRS 16 – Leasing

On January 13, 2016, the IASB published the new standard IFRS 16 Leases, which replaces IAS 17. This standard was endorsed by the European Union, with its publication on November 9, 2017. IFRS 16 is effective for financial statements commencing on or after 1 January 2019. The new standard eliminates the difference in the recognition of operating and finance leases, even despite elements that simplify its adoption, and introduces the concept of control in the definition of a lease. To determine whether a contract is a lease, IFRS 16 establishes that the contract must convey the right to control the use of an identified asset for a given period of time. Early adoption is permitted for entities that also adopt IFRS 15 Revenue from contracts with customers.

The Moncler Group has estimated that the adoption of IFRS 16 on 1 January 2019 will have a material impact on the consolidated financial statements, due to activities related to the retail network which represent the main part of its business. In view of the new standard IFRS 16, all lease agreements the Group has entered into could hypothetically be considered as finance leases (property leases).

According to the new standard, in the case of a new lease based, for example, on annual lease payments in fixed instalments, a financial liability will be recognised as well as a right of use under assets in the statement of financial position measured as the present value of future payments. The amount of the financial liability to recognise in the financial statements will therefore depend considerably on the assumptions used in relation to the characteristics of each type of lease and any renewal or early termination options of the agreement if considered to be reasonably certain at the date when the agreements are entered into, as well as any discounting rate applied.

The Group intends to apply IFRS 16 from the date of first application (i.e., January 1, 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, without restating comparative periods. In compliance with this method, the intention is to use the practical expedient that allows the adoption of the new definition of leasing not only at the time of the transition to the new standard, but also to all contracts entered into prior to January 1, 2019 that had already been identified as leases in accordance with IAS 17 and IFRIC 4. Moreover, as also provided for under the possible options, it will not be applied to contracts with a duration of less than 12 months and an amount below the thresholds indicated in the standard.

The assessment of the impacts deriving from the entry into force of this standard is currently being completed. Based on the current level of analysis of the contracts, the Group estimates that the application of the standard, using the method indicated above, will result in the recognition of financial debt of approximately Euro 500 million.

Furthermore, had the Group chosen early application of IFRS 16 for the current reporting period, the related effects on the Group's income statement would have shown an increase in the value of EBIT of approximately Euro 10 million, with a negligible impact on net profit as a result of the recording of financial charges on debt.

Amendments to IFRS 4 – Insurance Contracts

Amendments to IFRS 4 were issued by the IASB on September 12, 2016. The amendments were intended to address concerns about the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards.

In addition, at the date of these financial statements the competent bodies of the European Union had not yet completed their endorsement process for the following accounting standards and amendments:

Document title	**Issue date by IASB**	**Effective from**
Standards		
IFRS 14 Regulatory Deferral Accounts	January, 2014	(Note 1)
IFRS 17 Insurance Contracts	May, 2017	January 1, 2021
Amendments		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September, 2014	Deferred until the completion of IASB's equity method project
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	October, 2017	January 1, 2019
Annual Improvements to IFRS Standards (2015-2017 Cycle)	December, 2017	January 1, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	February, 2018	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	March, 2018	January 1, 2020
Definition of business (Amendments to IFRS 3)	October, 2018	January 1, 2020
Definition of material (Amendments to IAS 1 and IAS 8)	October, 2018	January 1, 2020

(Note 1) IFRS 14 became effective on 1 January 2016, but the European Commission decided to stop the approval process pending the new accounting standard on "rate-regulated activities".

The Group will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the consolidated financial statements.

3. SCOPE FOR CONSOLIDATION

As at December 31, 2018 the consolidated financial statements of the Moncler Group include the parent company Moncler S.p.A. and 36 consolidated subsidiaries, as detailed in the following table:

Investments (in associates for consolidation)	Registered office	Share capital	Currency	% of ownership	Parent company
Moncler S.p.A.	Milan (Italy)	51,164,025	EUR		
Industries S.p.A.	Milan (Italy)	15,000,000	EUR	100.00%	Moncler S.p.A.
Moncler Deutschland GmbH	Munich (Germany)	700,000	EUR	100.00%	Industries S.p.A.
Moncler España S.L.	Madrid (Spain)	50,000	EUR	100.00%	Industries S.p.A.
Moncler Asia Pacific Ltd	Hong Kong (China)	300,000	HKD	100.00%	Industries S.p.A.
Moncler France S.à.r.l.	Paris (France)	8,000,000	EUR	100.00%	Industries S.p.A.
Moncler USA Inc	New York (USA)	1,000	USD	100.00%	Industries S.p.A.
Moncler UK Ltd	London (United Kingdom)	2,000,000	GBP	100.00%	Industries S.p.A.
Moncler Japan Corporation (*) (**)	Tokyo (Japan)	165,792,500	JPY	60.00%	Industries S.p.A.
Moncler Shanghai Commercial Co. Ltd	Shanghai (China)	82,483,914	CNY	100.00%	Industries S.p.A.
Moncler Suisse SA	Chiasso (Switzerland)	3,000,000	CHF	100.00%	Industries S.p.A.
Moncler Belgium S.p.r.l.	Bruxelles (Belgium)	1,800,000	EUR	100.00%	Industries S.p.A.
Moncler Denmark ApS	Copenhagen (Denmark)	2,465,000	DKK	100.00%	Industries S.p.A.
Moncler Holland B.V.	Amsterdam (Holland)	18,000	EUR	100.00%	Industries S.p.A.
Moncler Hungary KFT	Budapest (Hungary)	150,000,000	HUF	100.00%	Industries S.p.A.
Moncler Istanbul Giyim ve Tekstil Ticaret Ltd. Sti. (*)	Istanbul (Turkey)	50,000	TRY	51.00%	Industries S.p.A.
Moncler Sylt Gmbh (*)	Hamm (Germany)	100,000	EUR	51.00%	Moncler Deutschland GmbH
Moncler Rus LLC	Moscow (Russian Federation)	220,000,000	RUB	99,99% 0,01%	Industries S.p.A. Moncler Suisse SA
Moncler Brasil Comércio de moda e acessòrios Ltda.	Sao Paulo (Brazil)	10,000,000	BRL	95,00% 5,00%	Industries S.p.A. Moncler USA Inc
Moncler Taiwan Limited	Taipei (China)	10,000,000	TWD	100.00%	Industries S.p.A.
Moncler Canada Ltd	Vancouver (Canada)	1,000	CAD	100.00%	Industries S.p.A.
Moncler Prague s.r.o.	Prague (Czech Republic)	200,000	CZK	100.00%	Industries S.p.A.
White Tech Sp.zo.o.	Katowice (Poland)	369,000	PLN	70.00%	Industries S.p.A.
Moncler Shinsegae Inc. (*)	Seoul (South Korea)	5,000,000,000	KRW	51.00%	Industries S.p.A.
Moncler Middle East FZ-LLC	Dubai (United Arab Emirates)	50,000	AED	100.00%	Industries S.p.A.
Moncler USA Retail LLC	New York (USA)	15,000,000	USD	100.00%	Moncler USA Inc
Moncler Singapore PTE, Limited	Singapore	5,000,000	SGD	100.00%	Industries S.p.A.
Industries Yield S.r.l.	Bacau (Romania)	25,897,000	RON	99,00% 1,00%	Industries S.p.A. Moncler Deutschland GmbH
Moncler UAE LLC (*)	Abu Dhabi (United Arab Emirates)	1,000,000	AED	49.00%	Moncler Middle East FZ-LLC
Moncler Ireland Limited	Dublin (Ireland)	350,000	EUR	100.00%	Industries S.p.A.
Moncler Australia PTY LTD	Melbourne (Australia)	2,500,000	AUD	100.00%	Industries S.p.A.
Moncler Kazakhstan LLP	Almaty (Kazakhstan)	250,000,000	KZT	99,00% 1,00%	Industries S.p.A. Moncler Rus LLC
Moncler Sweden AB	Stockholm (Sweden)	1,000,000	SEK	100.00%	Industries S.p.A.
Moncler Norway AS	Oslo (Norway)	3,000,000	NOK	100.00%	Industries S.p.A.
Moncler Mexico, S. de R.L. de C.V.	Mexico City (Mexico)	33,000,000	MXN	99,00% 1,00%	Industries S.p.A. Moncler USA Inc
Moncler Mexico Services, S. de R.L. de C.V.	Mexico City (Mexico)	11,000,000	MXN	99,00% 1,00%	Industries S.p.A. Moncler USA Inc
Moncler Ukraine LLC	Kiev (Ukraine)	47,367,417	UAH	99,99% 0,01%	Industries S.p.A. Moncler Suisse SA

(*) Fully consolidated (without attribution of interest to third parties)
(**) Share capital value and % of ownership take into consideration the treasury shares held by Moncler Japan Corporation.)

As far as the scope of consolidation is concerned, the following changes occurred during fiscal year 2018 when compared to the prior year:

- In the first quarter of 2018, the Group acquired, from the local partner, the first tranche (equal to 9% of total share capital) of the partner's stake in Moncler Japan Corporation, bringing the percentage of ownership to 60%. Please note that Moncler Japan Corporation is fully consolidated, same as in the previous periods, without attribution of interest to third parties, following to the accounting treatment of the agreements between the partners;
- In the second quarter of 2018 the company Ciolina Moncler AG has been merged in the company Moncler Suisse SA;

- Moncler Ukraine LLC was established in the fourth quarter of 2018 and it was included in the consolidation scope starting from the date of its establishment;
- In the fourth quarter of 2018, the company Moncler Brasil Comércio de moda e acessòrios Ltda approved transactions to increase the share capital and cover previous losses, which led to an increase in the interest held by Industries S.p.A. to 95% and a reduction in the interest held by Moncler USA Inc to 5%.

4. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

4.1. Revenues

The breakdown of the main revenue categories from contracts with customers by distribution channel and geographical area is provided below.

Revenues by distribution channel

Revenue by distribution channels are broken down as follows:

(Euro/000)	2018	%	2017	%
Total revenues	1,420,074	100.0%	1,193,704	100.0%
of which:				
Wholesale	333,622	23.5%	301,321	25.2%
Retail	1,086,452	76.5%	892,383	74.8%

Sales are made through two main distribution channels, wholesale and retail. The retail channel pertains to stores that are directly managed by the Group (free-standing stores, concessions, e-commerce and factory outlet), while the wholesale channel pertains to stores managed by third parties that sell Moncler products either in single-brand spaces (i.e. shop-in-shop) or inside multi-brand stores (both physical and online).

In 2018, revenues from the retail distribution channel reached Euro 1,086.5 million compared to Euro 892.4 million in 2017, representing an increase of 21.7%, thanks to an excellent organic growth and to a further development of the network of mono-brand retail stores (DOS).

The wholesale channel recorded revenues of Euro 333.6 million compared to Euro 301.3 million in 2017, an increase of 10.7%, driven by the expansion of the wholesale mono-brand stores network and, in the fourth quarter, by the Spring/Summer (SS) 2019 collections.

Revenues by geographical area

Sales are broken down by geographical area as reported in the following table:

Revenues by region - (Euro/000)						
(Euro/000)	2018	%	2017	%	Variation	% Variation
Italy	167,820	11.8%	149,349	12.5%	18,471	12.4%
EMEA, Italy excluded	407,632	28.7%	352,367	29.5%	55,265	15.7%
Asia and rest of world	616,138	43.4%	495,476	41.5%	120,662	24.4%
Americas	228,485	16.1%	196,512	16.5%	31,973	16.3%
Total	**1,420,074**	**100.0%**	**1,193,704**	**100.0%**	**226,371**	**19.0%**

In Italy revenues rose 12.4%, in acceleration in the fourth quarter, with positive contribution by both the retail and the wholesale channels.

In EMEA, revenues grew 15.7% at constant exchange rates, with double-digit growth in both channels and in the main markets. In the last quarter 2018 Germany and UK continued to outperform driven by outstanding growth in the retail channel. Revenue growth in France, although solid, slowed down in the fourth quarter due to the events that led, on some days in December, to stores' closure in Paris.

In Asia and Rest of the World revenues increased 24.4% notwithstanding the tough comparison base. China's mainland continued to lead the growth in the Region. Japan's growth slowed in the fourth quarter due to a late starting of the winter season. The Group delivered good performances in Korea and in the Rest of Asia despite the difficult comparison base.

In the Americas revenues grew 16.3%, accelerating in the last quarter. Very good results in Canada and in the United States, in both the retail and the wholesale distribution channels.

4.2. Cost of sales

In 2018, cost of sales grew by Euro 44.0 million (+15.9%) in absolute terms, going from Euro 276.2 million in 2017 to Euro 320.2 million in 2018. This overall growth is due to increased sales volumes and the growth of the retail channel. Cost of sales as a percentage of sales has decreased, going from 23.1% in 2017 to 22.6% in 2018, mainly due to a positive channel mix (the retail channel goes from 74.8% calculated as percentage on total sales in 2017 to 76.5% in 2018).

4.3. Selling expenses

Selling expenses amount to 428.9 million, increasing Euro 63.8 million between 2017 and 2018, or 30.2% of revenues compared to 30.6% in 2017. The lower incidence, linked to the increase in productivity of the retail network, has been largely driven by the solid organic growth. They mainly include rent costs and concession fees for Euro 216.2 million (183.7 million in 2017), personnel costs for Euro 108.8 million (93.1 million in 2017) and costs for depreciation and amortization for Euro 46.5 million (Euro 40.9 million in 2017).

4.4. General and administrative expenses

In 2018, general and administrative expenses amount to Euro 127.8 million, up Euro 19.1 million when compared to last year. This increase reflects the willingness of the management to invest in know-how and processes to face future challenges. General and administrative expenses represent 9.0% of turnover, in line with the previous year.

4.5. Marketing expenses

Also during 2018, the Group continued to invest in marketing in order to support and spread awareness and the prestige of the Moncler brand. In absolute value, marketing expenses go from Euro 79.4% million in 2017 to Euro 99.5 million in 2018, with an absolute change of Euro

20.1 million (+25.3%). The weight of marketing expenses on turnover is equal to 7.0% in 2018 compared to 6.7% in 2017; this increase, in line with management's expectations, is attributable to the decision to increase investments in the Brand also, but not only, due to the launch of *Moncler Genius*.

4.6. Stock based compensation

The caption stock based compensation in 2018 is equal to Euro 29.6 million and includes the costs related to the stock based compensation plans approved by the Shareholder' Meeting of Moncler on April 23, 2015, on April 20, 2016 and on April 16, 2018 (Euro 23.5 million on 2017).

The description of the stock based compensation plans and the related costs is included in note 10.2.

4.7. Operating result

In 2018, the operating results of the Moncler Group amounted to Euro 414.1 million (Euro 340.9 million in 2017) and as a percentage of revenue amounted to 29.2% (28.6% in 2017).

Operating results, net of stock based compensation, amounted to Euro 443.7 million (Euro 364.4 million in 2017), and 31.2% as a percentage of revenue (30.5% in 2017), up in absolute value by Euro 79.3 million.

In 2018, EBITDA[1] increased by Euro 88.6 million (+21.5%), going from Euro 411.6 million (34.5% of revenue) in 2017 to Euro 500.2 million (35.2% of revenue) in 2018. The increase in profitability is mainly linked to the gross margin improvement and to the strict control on selling costs, in particular on the retail division.

EBITDA is calculated as follows:

(Euro/000)	2018	2017	2018 vs 2017	%
Operating result	**414,098**	**340,877**	**73,221**	**21.5%**
Stock based compensation	29,604	23,485	6,119	26.1%
Operating result net of stock based compensation	**443,702**	**364,362**	**79,340**	**21.8%**
Amortization, depreciation and	56,499	47,273	9,226	19.5%
EBITDA	**500,201**	**411,635**	**88,566**	**21.5%**

[1] EBITDA is not an indicator defined by the reference accounting standards applied by the Group and, therefore, it may be that the methods by which EBITDA is calculated are not comparable with those used by other companies.

Amortisation and depreciation in 2018 amounted to Euro 56.5 million (Euro 47.3 million in 2017) and increased by Euro 9.2 million, in line with the increase of tangible and intangible assets, mainly due to the growth of the retail channel.

4.8. Financial income and expenses

The caption is broken down as follows:

(Euro/000)	2018	2017
Interest income and other financial income	718	558
Foreign currency differences - positive	0	0
Total financial income	**718**	**558**
Interests expenses and other financial charges	(1,294)	(1,899)
Foreign currency differences - negative	(1,334)	(3,841)
Total financial expenses	**(2,628)**	**(5,740)**
Total net	**(1,910)**	**(5,182)**

4.9. Income tax

The income tax effect on the consolidated income statement is as follows:

(Euro/000)	2018	2017
Current income taxes	(89,397)	(96,794)
Deferred tax (income) expenses	9,700	10,867
Income taxes charged in the income statement	**(79,697)**	**(85,927)**

The reconciliation between the theoretical tax burden by applying the theoretical rate of the parent company, and the effective tax burden is shown in the following table:

Reconciliation theoretic-effective tax rate (Euro/000)	**Taxable Amount 2018**	**Tax Amount 2018**	**Tax rate 2018**	**Taxable Amount 2017**	**Tax Amount**	**Tax rate 2017**
Profit before tax	412,188			335,695		
Income tax using the Company's theoretic tax rate		**(98,925)**	**24.0%**		**(80,567)**	**24.0%**
Temporary differences		(9,296)	2.3%		(10,300)	3.1%
Permanent differences		(2,391)	0.6%		(46)	0.0%
Other differences		21,214	(5.1%)		(5,881)	1.8%
Deferred taxes recognized in the income statement		9,700	(2.4%)		10,867	(3.2)%
Income tax at effective tax rate		**(79,697)**	**19.3%**		**(85,927)**	**25.6%**

The caption other differences in 2018 mainly includes the tax benefit associated with the Patent Box and research and development, IRAP (current) and the other taxes different from IRES.

4.10. Personnel expenses

The following table lists the detail of the main personnel expenses by nature, compared with those of the previous year:

(Euro/000)	2018	2017
Wages and salaries	(133,667)	(111,627)
Social security costs	(21,810)	(20,334)
Accrual for employment benefits	(8,412)	(7,591)
Total	**(163,889)**	**(139,552)**

Personnel expenses increased by 17.4% when compared to prior year, from Euro 139.6 million in 2017 to Euro 163.9 million in 2018. This increase is mainly due to the growth in directly operated stores and the overall growth of the corporate structure.

The remuneration related to the members of the Board of Directors is commented separately in the related-party section (note 10.1).

The costs relating to the stock based compensation plans, equal to Euro 29.6 million (Euro 23.5 million in 2017) are separately commented in note 10.2.

The following table depicts the number of employees (full-time-equivalent) in 2018 compared to the prior year:

Average FTE by area FTE	2018	2017
Italy	833	723
Other European countries	1,424	1,244
Asia and Japan	968	844
Americas	277	255
Total	**3,502**	**3,066**

The actual number of employees of the Group as at December 31, 2018 is 4,155 unit (3,498 as at December 31, 2017).

The total number of employees increased principally as a result of the growth in directly operated stores, the expansion of the production site and the overall growth of the corporate structure.

4.11. Depreciation and amortization

Depreciation and amortization are broken down as follows:

(Euro/000)	2018	2017
Depreciation of property, plant and equipment	(44,653)	(37,606)
Amortization of intangible assets	(11,846)	(9,667)
Total Depreciation and Amortization	**(56,499)**	**(47,273)**

The increase in both depreciation and amortization is mainly due to investments made in connection with the retail channel development, both related to new openings and to relocations/expansions.

Please refer to comments made in notes 5.1 and 5.3 for additional details related to investments made during the year.

5. COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1. Goodwill, brands and other intangible assets

Brands and other intangible assets (Euro/000)	December 31, 2018 Gross value	Accumulated amortization and impairment	Net value	December 31, 2017 Net value
Brands	223,900	0	223,900	223,900
Key money	56,866	(31,210)	25,656	30,942
Software	39,611	(24,359)	15,252	12,801
Other intangible assets	9,282	(6,731)	2,551	2,909
Assets in progress	1,461	0	1,461	135
Goodwill	155,582	0	155,582	155,582
Total	**486,702**	**(62,300)**	**424,402**	**426,269**

Intangible assets changes are shown in the following tables:

As at December 31, 2018

Gross value Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
January 1, 2018	**223,900**	**57,391**	**32,139**	**8,361**	**135**	**155,582**	**477,508**
Acquisitions	0	770	7,283	923	1,426	0	10,402
Disposals	0	(1,132)	0	0	0	0	(1,132)
Translation adjustement	0	(163)	96	(2)	0	0	(69)
Other movements, including transfers	0	0	93	0	(100)	0	(7)
December 31, 2018	**223,900**	**56,866**	**39,611**	**9,282**	**1,461**	**155,582**	**486,702**

Accumulated amortization and impairment Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
January 1, 2018	**0**	**(26,449)**	**(19,338)**	**(5,452)**	**0**	**0**	**(51,239)**
Amortization	0	(5,625)	(4,941)	(1,280)	0	0	(11,846)
Disposals	0	1,017	0	0	0	0	1,017
Translation adjustement	0	(153)	(71)	1	0	0	(223)
Other movements, including transfers	0	0	(9)	0	0	0	(9)
December 31, 2018	**0**	**(31,210)**	**(24,359)**	**(6,731)**	**0**	**0**	**(62,300)**

As at December 31, 2017

Gross value Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
January 1, 2017	**223,900**	**48,468**	**26,703**	**8,109**	**2,427**	**155,582**	**465,189**
Acquisitions	0	8,346	5,355	568	101	0	14,370
Disposals	0	0	(448)	(321)	0	0	(769)
Translation adjustement	0	(923)	(252)	(33)	0	0	(1,208)
Other movements, including transfers	0	1,500	781	38	(2,393)	0	(74)
December 31, 2017	**223,900**	**57,391**	**32,139**	**8,361**	**135**	**155,582**	**477,508**

Accumulated amortization and impairment Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
January 1, 2017	**0**	**(22,509)**	**(15,719)**	**(4,497)**	**0**	**0**	**(42,725)**
Depreciation	0	(4,458)	(3,926)	(1,283)	0	0	(9,667)
Disposals	0	0	178	320	0	0	498
Translation adjustement	0	518	129	8	0	0	655
Other movements, including transfers	0	0	0	0	0	0	0
December 31, 2017	**0**	**(26,449)**	**(19,338)**	**(5,452)**	**0**	**0**	**(51,239)**

The increase in the caption software pertains to the investments in information technology to support the business and the corporate functions.

No indicators were identified suggesting impairment of the residual carrying amounts.

Please refer to the Directors' report for additional information related to investments made during the year.

5.2. Impairment of intangible assets with an indefinite useful life and goodwill

The captions Brands, Other intangible fixed assets with an indefinite useful life and Goodwill deriving from previous acquisitions have not been amortised, but have been tested for impairment by management.

The impairment test on the brand was performed by comparing its carrying value with that derived from the discounted cash flow method applying the Royalty Relief Method, based on which the cash flows are linked to the recognition of a royalty percentage applied to revenues that the brand is able to generate.

The recoverable amount of goodwill has been tested based on the "asset side" approach which compares the value in use of the cash-generating unit with the carrying amount of its net invested capital.

For the 2018 measurement, expected cash flows and revenues are based on the 2018-2020 Business Plan approved by the Board of Directors on December 14, 2017, on the 2019 Budget approved by the Board of Directors on December 18, 2018 and on the projection for the years 2020 and 2021 of the main assumptions underlying the two previous documents.

The "g" rate used was 2%.

The discount rate was calculated using the Weighted Average Cost of Capital (WACC), by weighting the expected rate of return on invested capital, net of hedging costs from a sample of companies within the same industry. The calculation took into account fluctuation in the market as compared to the previous year and the resulting impact on interest rates. The weighted average cost of capital (WACC) was calculated at 9.30%.

The results of the sensitivity analysis indicate that the carrying amount of the Moncler brand is in line with the benchmark with a "g" rate = 0% and WACC = 26.7%.

Similarly, the same sensitivity analysis applied to the entire cash-generating unit shows a full recovery considering changes in parameters still higher than those indicated for the brand, showing the wide recoverability of goodwill.

It also shows that the market capitalization of the company, based on the average price of Moncler share in 2018, shows a significant positive difference with respect to the Group net equity, confirming again the value of the goodwill.

5.3. Net property, plant and equipment

Property, plant and equipments	**December 31, 2018**			**December 31, 2017**
(Euro/000)	**Gross value**	**Accumulated depreciation and impairment**	**Net value**	**Net value**
Land and buildings	6,339	(863)	5,476	2,398
Plant and Equipment	14,400	(6,152)	8,248	4,653
Fixtures and fittings	108,088	(59,198)	48,890	40,042
Leasehold improvements	187,319	(96,855)	90,464	80,035
Other fixed assets	18,730	(13,368)	5,362	4,173
Assets in progress	18,530	0	18,530	6,826
Total	**353,406**	**(176,436)**	**176,970**	**138,127**

The change in property, plant and equipment is included in the following tables:

As at December 31, 2018

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2018	**2,871**	**9,786**	**86,488**	**154,617**	**14,800**	**6,826**	**275,388**
Acquisitions	2,855	4,844	18,922	33,127	4,238	17,499	81,485
Disposals	0	(170)	(2,884)	(4,907)	(715)	(1)	(8,677)
Translation adjustement	0	7	1,324	2,943	69	176	4,519
Other movements, including transfers	613	(67)	4,238	1,539	338	(5,970)	691
December 31, 2018	**6,339**	**14,400**	**108,088**	**187,319**	**18,730**	**18,530**	**353,406**

Accumulated depreciation and impairment PPE (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2018	**(473)**	**(5,133)**	**(46,446)**	**(74,582)**	**(10,627)**	**0**	**(137,261)**
Depreciation	(326)	(1,154)	(14,117)	(25,621)	(3,435)	0	(44,653)
Disposals	0	146	2,407	5,156	698	0	8,407
Translation adjustement	0	(4)	(1,013)	(1,914)	(52)	0	(2,983)
Other movements, including transfers	(64)	(7)	(29)	106	48	0	54
December 31, 2018	**(863)**	**(6,152)**	**(59,198)**	**(96,855)**	**(13,368)**	**0**	**(176,436)**

As at December 31, 2017

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2017	**2,586**	**10,519**	**77,737**	**135,498**	**14,823**	**3,287**	**244,450**
Acquisitions	624	2,190	16,690	31,979	1,571	6,054	59,108
Disposals	(528)	(2,775)	(3,818)	(5,899)	(1,266)	(5)	(14,291)
Translation adjustement	(15)	(63)	(5,144)	(8,293)	(280)	(158)	(13,953)
Other movements, including transfers	204	(85)	1,023	1,332	(48)	(2,352)	74
December 31, 2017	**2,871**	**9,786**	**86,488**	**154,617**	**14,800**	**6,826**	**275,388**

Accumulated depreciation and impairment PPE (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2017	**(283)**	**(6,936)**	**(40,774)**	**(62,402)**	**(10,130)**	**0**	**(120,525)**
Depreciation	(312)	(1,008)	(12,330)	(22,099)	(1,857)	0	(37,606)
Disposals	120	2,736	3,726	5,772	1,227	0	13,581
Translation adjustement	2	27	2,743	4,362	155	0	7,289
Other movements, including transfers	0	48	189	(215)	(22)	0	0
December 31, 2017	**(473)**	**(5,133)**	**(46,446)**	**(74,582)**	**(10,627)**	**0**	**(137,261)**

The change in property plant and equipment in 2018 shows an increase in the captions plant and equipment, fixtures and fittings, leasehold improvements and assets in progress and advances: these captions are mainly related to the development of the retail network, the expansion/relocation of some important stores and the expansion/automation of the Italian logistics hub.

During the year, no indicators were found requiring impairment testing to be performed on tangible assets.

Please refer to the Directors' report for an analysis of investments made during the year.

5.4. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are offset only when there is a law within a given tax jurisdiction that provides for such right to offset. The balances were as follows as at December 31, 2018 and December 31, 2017:

Deferred taxation (Euro/000)	December 31, 2018	December 31, 2017
Deferred tax assets	91,898	78,991
Deferred tax liabilities	(70,106)	(68,699)
Net amount	**21,792**	**10,292**

Deferred tax liabilities resulting from temporary differences associated with intangible assets are related to fiscal year 2008 in connection with the allocation of the brand name Moncler resulting from the excess price paid during acquisition.

The change in deferred tax assets and liabilities, without taking into consideration the right of offset of a given tax jurisdiction, is detailed in the following table:

Deferred tax assets (liabilities) (Euro/000)	Opening balance - January 1, 2018	Taxes charged to the income statement	Taxes accounted for in Equity	Effect of currency translation	Other movements	Closing balance - December 31, 2018
Tangible and intangible assets	5,677	1,134	0	140	(41)	6,910
Financial assets	0	0	0	0	0	0
Inventories	59,201	7,884	0	478	26	67,589
Trade receivables	4,215	1,246	0	26	0	5,487
Derivatives	0	0	478	0	0	478
Employee benefits	2,391	891	(16)	87	0	3,353
Provisions	4,399	249	0	166	0	4,814
Trade payables	414	181	0	10	(8)	597
Other temporary items	2,574	39	0	51	16	2,680
Tax loss carried forward	120	(11)	0	15	(134)	(10)
Tax assets	**78,991**	**11,613**	**462**	**973**	**(141)**	**91,898**
Tangible and intangible assets	(66,195)	(835)	0	(81)	(6)	(67,117)
Financial assets	52	(1)	0	0	0	51
Inventories	(633)	79	0	0	(1)	(555)
Trade receivables	0	0	0	0	0	0
Derivatives	(306)	0	656	0	0	350
Employee benefits	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Trade payables	0	0	0	0	0	0
Other temporary items	(1,617)	(1,156)	0	(62)	0	(2,835)
Tax loss carried forward	0	0	0	0	0	0
Tax liabilities	**(68,699)**	**(1,913)**	**656**	**(143)**	**(7)**	**(70,106)**
Net deferred tax assets (liabilities)	**10,292**	**9,700**	**1,118**	**830**	**(148)**	**21,792**

Deferred tax assets (liabilities) (Euro/000)	**Opening balance - January 1, 2017**	**Taxes charged to the income statement**	**Taxes accounted for in Equity**	**Effect of currency translation**	**Other movements**	**Closing balance - December 31, 2017**
Tangible and intangible assets	4,841	888	0	(178)	126	5,677
Financial assets	0	0	0	0	0	0
Inventories	56,517	6,852	0	(4,074)	(94)	59,201
Trade receivables	2,739	1,334	0	(43)	185	4,215
Derivatives	0	0	0	0	0	0
Employee benefits	1,681	837	0	(127)	0	2,391
Provisions	5,568	(453)	0	(532)	(184)	4,399
Trade payables	119	94	0	(23)	224	414
Other temporary items	3,216	(280)	0	(100)	(262)	2,574
Tax loss carried forward	1	122	0	(3)	0	120
Tax assets	**74,682**	**9,394**	**0**	**(5,080)**	**(5)**	**78,991**
Tangible and intangible assets	(68,888)	2,025	0	664	4	(66,195)
Financial assets	52	0	0	0	0	52
Inventories	(610)	(27)	0	3	1	(633)
Trade receivables	0	0	0	0	0	0
Derivatives	(29)	0	(160)	0	(117)	(306)
Employee benefits	(117)	0	0	0	117	0
Provisions	0	0	0	0	0	0
Trade payables	(2)	0	0	0	2	0
Other temporary items	(1,359)	(525)	267	1	(1)	(1,617)
Tax loss carried forward	0	0	0	0	0	0
Tax liabilities	**(70,953)**	**1,473**	**107**	**668**	**6**	**(68,699)**
Net deferred tax assets (liabilities)	**3,729**	**10,867**	**107**	**(4,412)**	**1**	**10,292**

The taxable amount on which deferred tax assets have been calculated is detailed in the following table:

Deferred tax assets (Euro/000)	**Taxable Amount 2018**	**Closing balance - December 31, 2018**	**Taxable Amount 2017**	**Closing balance - December 31, 2017**
Tangible and intangible assets	26,883	6,910	20,665	5,677
Inventories	252,566	66,902	222,702	59,201
Trade receivables	16,942	3,930	17,307	4,215
Derivatives	1,992	478	0	0
Employee benefits	12,240	3,354	8,676	2,391
Provisions	17,238	4,785	16,010	4,399
Trade payables	10,245	2,869	1,583	414
Other temporary items	10,080	2,680	9,510	2,574
Tax loss carried forward	(69)	(10)	539	120
Tax assets	**348,117**	**91,898**	**296,992**	**78,991**
Tangible and intangible assets	(246,143)	(67,117)	(242,195)	(66,195)
Financial assets	215	51	217	52
Inventories	(1,989)	(555)	(2,268)	(633)
Derivatives	0	350	(1,274)	(306)
Other temporary items	(14,122)	(2,835)	(6,051)	(1,617)
Tax liabilities	**(262,039)**	**(70,106)**	**(251,571)**	**(68,699)**
Net deferred tax assets (liabilities)	**86,078**	**21,792**	**45,421**	**10,292**

5.5. Inventory

As at December 31, 2018 Inventory amounts to Euro 173.1 million (Euro 136.2[2] as at December 31, 2017) and is broken down as follows:

Inventory (Euro/000)	**December 31, 2018**	**December 31, 2017**
Raw materials	65,365	48,695
Work-in-progress	32,929	21,281
Finished products	178,503	150,293
Inventories, gross	**276,797**	**220,269**
Obsolescence provision	(103,648)	(84,110)
Total	**173,149**	**136,159**

Inventory (gross amount) increased by approximately Euro 56.5 million, equal to 25.7%, due to the increase in business and largely included raw materials and finished products for the forthcoming seasons.

The obsolescence provision is calculated using management's best estimate based on the season needs and the inventory balance based on passed sales trends through alternative channels and future sales volumes.

The change in the obsolescence provision is summarized in the following table:

Obsolescence provision - movements (Euro/000)	**January 1, 2018**	**Accrued**	**Used**	**Translation Difference**	**December 31, 2018**
Obsolescence provision	(84,110)	(30,208)	11,607	(937)	(103,648)
Total	**(84,110)**	**(30,208)**	**11,607**	**(937)**	**(103,648)**

Obsolescence provision - movements (Euro/000)	**January 1, 2017**	**Accrued**	**Used**	**Translation Difference**	**December 31, 2017**
Obsolescence provision	(76,031)	(25,047)	14,347	2,621	(84,110)
Total	**(76,031)**	**(25,047)**	**14,347**	**2,621**	**(84,110)**

5.6. Trade receivables

As at December, 31 2018 Trade receivables amount to Euro 155.0 million (Euro 120.7[3] million as at December, 31 2017) and they are as follows:

[2] Taking account of the effects of the application of IFRS 15, the amount of Inventory as at December 31, 2017 would have been Euro 137.5 million.

[3] Taking account of the effects of the application of IFRS 15, the amount of trade receivables as at December 31, 2017, would have been Euro 124.3 million.

Trade receivables (Euro/000)	**December 31, 2018**	**December 31, 2017**
Trade account receivables	163,725	132,040
Allowance for doubtful debt	(8,290)	(6,929)
Allowance for returns and discounts [4]	(388)	(4,403)
Total, net value	**155,047**	**120,708**

Trade receivables are related to the Group's wholesale business and they include balances with a collection time not greater than three months. During 2018 and 2017, there were no concentration of credit risk greater than 10% associated to individual customers. Please refer to note 9.1 for information regarding the exposure of trade receivables to currency risks.

The change in the allowance for doubtful debt and sales return is detailed in the following tables:

Doubtful debt and sales returns allowance (Euro/000)	**January 1, 2018**	**Other movements**	**Accrued**	**Used**	**Translation Difference**	**December 31, 2018**
Allowance for doubtful debt	(6,929)	7	(1,494)	146	(20)	(8,290)
Allowance for returns and discoun	(4,403)	4,046	0	0	(31)	(388)
Total	**(11,332)**	**4,053**	**(1,494)**	**146**	**(51)**	**(8,678)**

Doubtful debt and sales returns allowance (Euro/000)	**January 1, 2017**	**Other movements**	**Accrued**	**Used**	**Translation Difference**	**December 31, 2017**
Allowance for doubtful debt	(5,408)	0	(1,853)	269	63	(6,929)
Allowance for returns and discoun	(3,659)	0	(4,469)	3,608	117	(4,403)
Total	**(9,067)**	**0**	**(6,322)**	**3,877**	**180**	**(11,332)**

The allowance for doubtful debt was calculated in accordance with management's best estimate based on the ageing of accounts receivable as well as the solvency of the most aged accounts and also taking into consideration any balances turned over into collection proceedings. Trade receivables written down are related to specific balances that were past due and for which collection is uncertain.

5.7. Cash and bank

As at December 31, 2018 the caption cash on hand and in bank amounts to Euro 546.3 million (Euro 394.1 million as at December 31, 2017) and includes cash and cash equivalents as well as the funds available in banks.

The amount included in the consolidated financial statements represents the fair value at the date of the financial statements. The credit risk is very limited since the other parties are class A financial institutions.

[4] With reference to December 31, 2018, the item Allowance for returns and discounts does not include the liabilities for returns as, due to the application of IFRS 15, this item has been reclassified as described in paragraph 2.20.

The consolidated statement of cash flows includes the changes in cash and cash in bank as well as the bank overdrafts.

The following table shows the reconciliation between cash and cash in bank with those included in the consolidated statement of cash flows:

Cash and cash equivalents included in the Statement of cash flows (Euro/000)	**December 31, 2018**	**December 31, 2017**
Cash in hand and at banks	546,282	394,144
Bank overdraft	(14)	0
Total	**546,268**	**394,144**

5.8. Financial current assets

The caption financial current assets refers to the receivables arising from the market valuation of the derivatives on exchange rates hedges.

5.9. Other current and non-current assets

Other current and non-current assets (Euro/000)	**December 31, 2018**	**December 31, 2017**
Prepayments and accrued income - current	7,227	5,269
Other current receivables	8,908	14,015
Other current assets	**16,135**	**19,284**
Prepayments and accrued income - non-current	1,756	1,429
Security / guarantees deposits	27,676	22,192
Investments in associated companies	45	0
Other non-current receivables	474	443
Other non-current assets	**29,951**	**24,064**
Total	**46,086**	**43,348**

As at December 31, 2018, prepayments and accrued income current amount to Euro 7.2 million (Euro 5.3 million as at December 31, 2017) and mainly pertain to deferred expenses for rent.

Other current receivables mainly comprise the receivable due from the tax authority for value added tax.

Prepayments and accrued income non-current amount to Euro 1.8 million (Euro 1.4 million as at December 31, 2017) and pertain to prepaid rents that extend over the current year.

Deposits are mostly related to the amounts paid on behalf of the lessee as a guarantee to the lease agreement.

The caption investments in associated companies includes the 45% interest in the company 3B Restaurant S.r.l., which will deal with catering.

There are no differences between the amounts included in the consolidated financial statements and their fair values.

5.10. Trade payables

As at December 31, 2018 Trade payables amount to Euro 225.0 million (Euro 167.2[5] million as at December 31, 2017) and pertain to current amounts due to suppliers for goods and services. These payables pertain to amounts that are payable within the upcoming year and do not include amounts that will be paid after 12 months.

In 2018 and 2017 there are no outstanding positions associated to individual suppliers that exceed 10% of the total value.

There are no differences between the amounts included in the consolidated financial statements and their respective fair values.

Please refer to note 9.1 for an analysis of trade payable denominated in foreign currencies.

5.11. Other current and non-current liabilities

Other current and non-current liabilities (Euro/000)	December 31, 2018	December 31, 2017
Deferred income and accrued expenses - current	2,893	4,563
Advances and payments on account to customers	4,596	4,738
Employee and social institutions	46,163	37,661
Tax accounts payable, excluding income taxes	13,917	13,036
Other current payables	14,989	8,026
Other current liabilities	**82,558**	**68,024**
Deferred income and accrued expenses - non-current	15,885	12,220
Other non-current liabilities	**15,885**	**12,220**
Total	**98,443**	**80,244**

The caption deferred income and accrued expenses current pertains mainly to accrued expenses on rents.

The caption taxes payable includes mainly value added tax (VAT) and payroll tax withholding.

The caption deferred income and accrued expenses non-current pertains to accrued expenses on rents extending over a year.

[5] Taking account of the effects of the application of IFRS 15, the amount of Trade payables as at December 31, 2017 would have been Euro 172.1 million.

5.12. Tax assets and liabilities

Tax assets amount to Euro 11.5 million as at December 31, 2018 (Euro 38.4 million as at December 31, 2017) and mainly refer to the tax credit related to the Patent Box tax relief, net of partial uses.

Tax liabilities amounted to Euro 53.4 million as at December 31, 2018 (Euro 36.7 million as at December 31, 2017). They are recognized net of current tax assets, where the offsetting relates to the same tax jurisdiction and tax system.

5.13. Non-current provisions

Provision changes are shown in the following table:

Provision for contingencies and losses (Euro/000)	January 1, 2018	Increase	Decrease	Translation differences	Other movements	December 31, 2018
Tax litigations	0	0	0	0	0	0
Other non current contingencies	(4,946)	(3,771)	1,407	(167)	0	(7,477)
Total	**(4,946)**	**(3,771)**	**1,407**	**(167)**	**0**	**(7,477)**

Provision for contingencies and losses (Euro/000)	January 1, 2017	Increase	Decrease	Translation differences	Other movements	December 31, 2017
Tax litigations	(8,515)	0	8,515	0	0	0
Other non current contingencies	(3,365)	(2,577)	826	170	0	(4,946)
Total	**(11,880)**	**(2,577)**	**9,341**	**170**	**0**	**(4,946)**

The caption other non current contingencies includes costs for restoring stores, costs associated with ongoing disputes and product warranty costs.

5.14. Pension funds and agents leaving indemnities

The changes in the funds are depicted in the following table:

Employees pension funds (Euro/000)	January 1, 2018	Increase	Decrease	Translation differences	Other movements	December 31, 2018
Pension funds	(3,094)	(534)	160	(4)	68	(3,404)
Agents leaving indemnities	(2,558)	0	0	0	0	(2,558)
Total	**(5,652)**	**(534)**	**160**	**(4)**	**68**	**(5,962)**

Employees pension funds (Euro/000)	January 1, 2017	Increase	Decrease	Translation differences	Other movements	December 31, 2017
Pension funds	(2,700)	(588)	151	87	(44)	(3,094)
Agents leaving indemnities	(2,558)	0	0	0	0	(2,558)
Total	**(5,258)**	**(588)**	**151**	**87**	**(44)**	**(5,652)**

The pension funds pertain mainly to the Italian entities of the Group. Following the recent welfare reform, beginning on January 1, 2007, the liability has taken the form of a defined contribution plan. Therefore, the amount of pension fund (TFR) accrued prior to the application of the reform and not yet paid to the employees as at the date of the consolidated financial statements is considered as a defined benefit plan, changes in which are shown in the following table:

Employees pension funds - movements (Euro/000)	**December 31, 2018**	**December 31, 2017**
Net recognized liability - opening	(2,288)	(2,192)
Interest costs	(30)	(49)
Service costs	(236)	(236)
Payments	160	151
Actuarial Gains/(Losses)	53	38
Net recognized liability - closing	**(2,341)**	**(2,288)**

The actuarial valuation of employee termination benefits (TFR) is based on the Projected Unit Credit Cost method. Reported below are the main economic and demographic assumptions utilised for actuarial valuations.

Assumptions	
Discount rate	1.57%
Inflation rate	1.50%
Nominal rate of wage growth	1.50%
Labour turnover rate	6.60%
Probability of request of advances of TFR	3.00%
Percentage required in case of advance	70.00%
Life Table - Male	M2017 (*)
Life Table - Female	F2017 (*)

(*) Table ISTAT - resident population

The following table shows the effect of variations, within reasonable limits, in key actuarial assumptions on defined benefit plan obligations at year end.

Sensitivity analysis (Euro/000)	**Variation**
Discount rate +0,5%	(113)
Discount rate -0,5%	122
Rate of payments Increases x(1+20%)	(7)
Rate of payments Decreases x(1-20%)	7
Rate of Price Inflation Increases (+0,5%)	83
Rate of Price Inflation Decreases (-0,5%)	(80)
Rate of Salary Increases (+0,5%)	23
Rate of Salary Decreases (-0,5%)	(22)
Increase the retirement age (+1 year)	5
Decrease the retirement age (-1 year)	(5)
Increase longevity (+1 year)	0
Decrease longevity (-1 year)	(0)

5.15. Financial liabilities

Financial liabilities are detailed in the following table:

Borrowings (Euro/000)	**December 31, 2018**	**December 31, 2017**
Bank overdraft	14	0
Short-term portion of long-term bank loans	0	2,098
Other short-term loans	15,635	23,104
Short-term borrowings	**15,649**	**25,202**
Long-term borrowings	**80,783**	**67,874**
Total	**96,432**	**93,076**

Short-term borrowings include bank overdraft and, in the caption other short-term loans, mainly the current portion of financial liabilities payable to non-banking third parties.

Long-term borrowings include the portion with a due date greater than a year of financial liabilities payable to non-banking third parties.

The following tables show the break down of the borrowing in accordance with their maturity date:

Ageing of the financial liabilities (Euro/000)	**December 31, 2018**	**December 31, 2017**
Within 2 years	16,328	26,251
From 2 to 5 years	54,587	36,182
Beyond 5 years	9,868	5,441
Total	**80,783**	**67,874**

No new medium/long-term loans were taken out during 2018. The change in short and long terms borrowings reflects the evaluation of the financial liabilities payable to non-banking third parties.

During 2018, the Group wholly reimbursed the medium term unsecured loans (Euro 2.1 million as at December 31, 2017).

Finally, the caption other short-term loans includes also the negative fair value, equal to Euro 4.2 million (negative Euro 1.3 million as at December 31, 2017), related to the contracts to hedge the exchange rate risk. Please refer to note 9.3 for more details.

The net financial position is detailed in the following table:

Net financial position (Euro/000)	**December 31, 2018**	**December 31, 2017**
Cash and cash equivalents	546,282	394,144
Other short-term financial receivables	259	3,884
Debts and other current financial liabilities	(15,649)	(25,202)
Debts and other non-current financial liabilities	(80,783)	(67,874)
Total	**450,109**	**304,952**

Net financial position (Euro/000)	**December 31, 2018**	**December 31, 2017**
A. Cash in hand	1,799	1,655
B. Cash at banks and cash equivalents	544,483	392,489
C. Available for sale securities	0	0
D. Liquidity (A)+(B)+(C)	**546,282**	**394,144**
E .Current financial assets	**259**	**3,884**
F. Payable to banks, current	(14)	0
G. Current portion of long-term debt	0	(2,098)
H. Other current financial debt	(15,635)	(23,104)
I. Current financial debt (F)+(G)+(H)	**(15,649)**	**(25,202)**
J. Net current financial debt (I)+(E)+(D)	**530,892**	**372,826**
K. Payable to bank, non-current	0	0
L. Bonds issued	0	0
M. Other non-current payables	(80,783)	(67,874)
N. Non-current financial debt (K)+(L)+(M)	**(80,783)**	**(67,874)**
O. Net financial debt (J)+(N)	**450,109**	**304,952**

Net financial position as defined by the CESR Recommendation of February 10, 2005 (referred to by the Consob Communication of July 28, 2006).

5.16. Shareholders' equity

Changes in shareholders' equity for 2018 and the comparative period are included in the consolidated statements of changes in equity.

As at December 31, 2018 the subscribed share capital constitute by 255,820,124 shares was fully paid and amounted to Euro 51,164,024.80 with a nominal value of Euro 0.20 per share.

During 2018, Moncler S.p.A. bought 4,100,000 Company shares, equal to 1.6% of the current share capital, for a total amount of Euro 148.6 million. As at December 31, 2018 6,100,000 treasury shares were held, equal to 2.4% of the share capital, for a total value of Euro 182.7 million.

The legal reserve and premium reserve pertain to the parent company Moncler S.p.A.

In 2018 the parent company distributed dividends to the Group Shareholders for an amount of Euro 70.5 million (Euro 45.5 million in 2017).

The increase of the share capital and the share premium reserve arises from the exercise of n. 6,683 vested options (for the same number of shares) in relation to the stock option plan approved by the shareholders meeting of Moncler S.p.A. dated February 28, 2014 at the exercise price of Euro 10.20 per share and from the exercise of n. 1,034,700 vested options (for the same number of shares) in relation to the stock option plan approved by the shareholders meeting of Moncler S.p.A. dated April 23, 2015 at the exercise price of Euro 16.34 per share.

The other changes in shareholders' equity result from the accounting treatment of stock option and performance shares plans.

The change in retained earnings mainly relates to the payment of dividends to shareholders, to the treasury shares purchase and the adjustment to market value of the financial liabilities towards non-banking third parties.

The caption other reserves includes other comprehensive income comprising the exchange rate translation reserve of financial statements reported in foreign currencies, the reserve for hedging interest rate risks and exchange rates risks and the reserve for actuarial gains/losses. The translation reserve includes the exchange differences emerging from the conversion of the financial statements of the foreign consolidated companies; the changes are mainly due to the differences resulting from the consolidation of Japanese, Turkish, Hong Kong and American companies. The hedging reserve includes the effective portion of the net differences accumulated in the fair value of the derivative hedge instruments. Changes to these reserves were as follows:

Other comprehensive income	Cumulative translation adj. reserve			Other OCI items		
(Euro/000)	Value before tax effect	Tax effect	Value after tax effect	Value before tax effect	Tax effect	Value after tax effect
Reserve as at January 1, 2017	**5,273**	**0**	**5,273**	**(237)**	**42**	**(195)**
Changes in the period	(16,242)	0	(16,242)	687	(156)	531
Translation differences of the period	0	0	0	0	0	0
Reversal in the income statement of	0	0	0	0	0	0
Reserve as at December 31, 2017	**(10,969)**	**0**	**(10,969)**	**450**	**(114)**	**336**
Reserve as at January 1, 2018	**(10,969)**	**0**	**(10,969)**	**450**	**(114)**	**336**
Changes in the period	4,898	0	4,898	(4,693)	1,118	(3,575)
Translation differences of the period	0	0	0	0	0	0
Reversal in the income statement of	0	0	0	0	0	0
Reserve as at December 31, 2018	**(6,071)**	**0**	**(6,071)**	**(4,243)**	**1,004**	**(3,239)**

Earning per share

Earning per share for the years ended December 31, 2018 and December 31, 2017 is included in the following table and is based on the relationship between net income attributable to the Group and the average number of shares, net of treasury shares owned.

The diluted earnings per share is in line with the basic earnings per share as at December 31, 2018 as there are no significant dilutive effects arising from stock based compensation plans.

It should be noted that, for the diluted earnings per share calculation, the treasury share method has been applied, prescribed by IAS 33 paragraph 45 for stock-based compensation plans.

Earnings per share	**2018**	**2017**
Net result of the period (Euro/000)	332,395	249,688
Average number of shares related to parent's Shareholders	251,473,499	252,060,094
Earnings attributable to Shareholders (Unit of Euro)	**1.32**	**0.99**
Diluited earnings attributable to Shareholders (Unit of Euro)	**1.31**	**0.98**

6. SEGMENT INFORMATION

For the purposes of IFRS 8 "Operating Segments", the Group's activity is part of a single operating segment referred to Moncler business.

7. COMMITMENTS AND GUARANTEES GIVEN

7.1. Commitments

The Group's commitments pertain mostly to lease agreements related to the location where sales are generated (stores, outlets and showrooms), the location where inventories are stored and the location where the administrative functions are performed.

The table below shows the amount of lease payments still due as at December 31, 2018 for operating leases, identified in accordance with the outcome of the analyses carried out for the purposes of the future application of IFRS 16, in the absence of discounting effects.

Operating lease commitments - future minimum payments (Euro/000)	**Less than 1 year**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
DOS	89,291	232,868	199,308	521,467
Outlet	5,956	22,893	16,941	45,790
Other contracts	9,025	20,519	11,403	40,947
Total	104,272	276,280	227,652	608,204

7.2. Guarantees given

As at December 31, 2018 the Group had given the following guarantees:

Guarantees and bails given (Euro/000)	**December 31, 2018**	**December 31, 2017**
Guarantees and bails given for the benefit of:		
Third parties/companies	17,044	14,726
Total guarantees and bails given	**17,044**	**14,726**

Guarantees pertain mainly to lease agreements for the new stores.

8. CONTINGENT LIABILITY

As the Group operates globally, it is subject to legal and tax risks which may arise during the performance of its ordinary activities. Based on information available to date, the Group believes that as at the date of the consolidated financial statements, the provisions in consolidated financial statements are adequate to ensure that the consolidated financial statements give a true and fair view of the Group's financial position and results of operations.

9. INFORMATION ABOUT FINANCIAL RISKS

The Group's financial instruments include cash and cash equivalents, loans, receivables and trade payables and other current receivables and payables and non-current assets as well as derivatives.

The Group is exposed to financial risks related to its operations: market risk (mainly related to exchange rates and interest rates), credit risk (associated with both regular client relations and financing activities), liquidity risk (with particular reference to the availability of financial resources and access to the credit market and financial instruments) and capital risk.

Financial risk management is carried out by Headquarters, which ensures primarily that there are sufficient financial resources to meet the needs of business development and that resources are properly invested in income-generating activities.

The Group uses derivative instruments to hedge its exposure to specific market risks, such as the risk associated with fluctuations in exchange rates and interest rates, on the basis of the policies established by the Board of Directors.

9.1. Market risk

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange rate risk primarily related to the U.S. Dollar, the Japanese Yen and the Chinese Renminbi and to a lesser extent to the Hong Kong Dollar, the British Pound, Korean Won, Canadian Dollars, the Swiss Franc and Taiwan Dollars.

The Group regularly assesses its exposure to financial market risks and manages these risks through the use of derivative financial instruments, in accordance with its established risk management policies.

The Group’s policy permits derivatives to be used only for managing the exposure to fluctuations in exchange rates connected with future cash flows and not for speculative purposes.

During 2018, the Group put in place a policy to hedge the exchange rates risk on transactions with reference to the major currencies to which it is exposed: USD, JPY, CNY, HKD, GBP, KRW, CAD, CHF and TWD.

The instruments used for these hedges are mainly Currency Forward Contracts and Currency Option Contracts.

The Group uses derivative financial instruments as cash flow hedges for the purpose of redetermining the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for.

Counterparties to these agreements are major and diverse financial institutions.

The exposure of contingent assets and liabilities denominated in currencies is detailed in the following table (the Euro amount of each currency):

Details of the balances expressed in foreign currency	December 31, 2018										
(Euro/000)	Euro	JP Yen	US Dollar	CN Yuan	HK Dollar	CH Franc	GB Pound	KR Won	CD Dollar	Other	Total
Cash and cash equivalent	287,503	76,497	38,733	29,281	25,111	4,956	11,993	21,239	17,023	33,946	546,282
Financial assets	259	0	0	0	0	0	0	0	0	0	259
Trade receivable	32,684	47,303	13,695	35,239	1,251	116	6,544	11,063	2,908	4,244	155,047
Other current assets	7,797	991	586	1,538	195	141	1,555	301	12	3,019	16,135
Other non-current assets	5,088	5,858	3,460	3,424	7,095	484	728	761	578	2,475	29,951
Total assets	**333,331**	**130,649**	**56,474**	**69,482**	**33,652**	**5,697**	**20,820**	**33,364**	**20,521**	**43,684**	**747,674**
Trade payables	(155,071)	(26,386)	(17,379)	(7,940)	(5,107)	(1,220)	(2,715)	(799)	(2,627)	(5,745)	(224,989)
Borrowings	(4,801)	(69,799)	(2)	0	0	0	0	(15,771)	0	(6,059)	(96,432)
Other current payables	(46,061)	(4,089)	(8,821)	(6,592)	(3,025)	(547)	(4,047)	(5,783)	(711)	(2,882)	(82,558)
Other non-current payables	(2,331)	0	(11,049)	0	(687)	0	0	(652)	(463)	(703)	(15,885)
Total liabilities	**(208,264)**	**(100,274)**	**(37,251)**	**(14,532)**	**(8,819)**	**(1,767)**	**(6,762)**	**(23,005)**	**(3,801)**	**(15,389)**	**(419,864)**
Total, net foreign positions	**125,067**	**30,375**	**19,223**	**54,950**	**24,833**	**3,930**	**14,058**	**10,359**	**16,720**	**28,295**	**327,810**

Details of the balances expressed in foreign currency	December 31, 2017										
(Euro/000)	Euro	JP Yen	US Dollar	CN Yuan	HK Dollar	CH Franc	GB Pound	KR Won	CD Dollar	Other	Total
Cash and cash equivalent	259,847	56,658	15,895	12,378	14,099	4,623	6,953	2,627	2,382	18,682	394,144
Financial assets	3,884	0	0	0	0	0	0	0	0	0	3,884
Trade receivable	29,281	34,149	9,056	25,719	1,252	114	5,904	2,627	1,197	11,409	120,708
Other current assets	10,294	933	738	2,178	57	140	880	67	1	3,996	19,284
Other non-current assets	3,964	4,852	3,589	2,654	4,957	469	729	774	600	1,476	24,064
Total assets	**307,270**	**96,592**	**29,278**	**42,929**	**20,365**	**5,346**	**14,466**	**6,095**	**4,180**	**35,563**	**562,084**
Trade payables	(115,042)	(17,775)	(8,029)	(8,828)	(5,563)	(756)	(2,968)	(1,215)	(801)	(6,235)	(167,212)
Borrowings	(3,969)	(70,886)	0	0	0	0	0	(11,446)	0	(6,775)	(93,076)
Other current payables	(38,720)	(5,014)	(7,096)	(4,970)	(2,517)	(807)	(3,490)	(1,798)	(1,025)	(2,587)	(68,024)
Other non-current payables	(1,513)	0	(8,658)	0	(1,116)	0	0	(577)	(280)	(76)	(12,220)
Total liabilities	**(159,244)**	**(93,675)**	**(23,783)**	**(13,798)**	**(9,196)**	**(1,563)**	**(6,458)**	**(15,036)**	**(2,106)**	**(15,673)**	**(340,532)**
Total, net foreign positions	**148,026**	**2,917**	**5,495**	**29,131**	**11,169**	**3,783**	**8,008**	**(8,941)**	**2,074**	**19,890**	**221,552**

At the reporting date, the Group had outstanding hedges for Euro 64.7million (Euro 52.5 million as at December 31, 2017) against receivables still to be collected and outstanding hedges for Euro 133.2 million (Euro 182.8 million as at December 31, 2017) against future revenues. As far as the currency transactions are concerned, it should be noted that a + / -1% change in their exchange rates would have the following effects:

Details of the transactions expressed in							
(Euro/000)	**JP Yen**	**US Dollar**	**CN Yuan**	**HK Dollar**	**Korean Wong**	**GBP**	**Other**
Effect of an exchange rate increase amounting to +1%							
Revenue	2,671	3,047	1,961	962	1,010	1,070	1,172
Operating profit	1,589	1,983	1,244	584	622	740	450
Effect of an exchange rate decrease amounting to -1%							
Revenue	(2,725)	(3,108)	(2,000)	(982)	(1,031)	(1,092)	(1,195)
Operating profit	(1,621)	(2,023)	(1,269)	(595)	(635)	(755)	(459)

With reference to the provisions of IFRS 13, it should be pointed out that the category of financial instruments measured at fair value are mainly attributable to the hedging of exchange rates risk. The valuation of these instruments is based on the discounting of future cash flows considering the exchange rates at the reporting date (level 2 as explained in the section related to principles).

Interest rate risk

The Group's exposure to interest-rate risk is mainly related to cash, cash equivalents and bank loans and it is centrally managed.

During 2018, the Group wholly reimbursed the medium term unsecured loans (Euro 2.1 million as at December 31, 2017), therefore any changes in interest rates at the end of the reporting period would not have significant effects on the result of the year.

As at 31 December 2018, there was no hedging on interest rates, given the limited exposure to financial institutions.

9.2. Credit risk

The Group has no significant concentrations of financial assets (trade receivables and other current assets) with a high credit risk. The Group's policies related to the management of financial assets are intended to reduce the risks arising from non solvency of wholesale customers. Sales in the retail channel are made through cash and credit cards. In addition, the amount of loans outstanding is constantly monitored, so that the Group's exposure to bad debts is not significant and the percentage of writeoffs remain low. The maximum exposure to credit risk for the Group at December 31, 2018 is represented by the carrying amount of trade receivables reported in the consolidated financial statements.

As far as the credit risk arising from other financial assets other than trade receivables (including cash and short-term bank deposits) is concerned, the theoretical credit risk for the Group arises from default of the counterparty with a maximum exposure equal to the carrying amount of financial assets recorded in the consolidated financial statements, as well as the nominal value of guarantees given for third parties debts or commitments indicated in note 7 of the Explanatory Notes. The Group’s policies limit the amount of credit exposure in different banks.

9.3. Liquidity risk

Liquidity risk arises from the ability to obtain financial resources at a sustainable cost in order for the Group to conduct its daily business operations. The factors that influence this risk are related to the resources generated/absorbed by operating activities, by investing and financing activities and by availability of funds in the financial market.

Following the dynamic nature of the business, the Group has centralized its treasury functions in order to maintain the flexibility in finding financial sources and maintain the availability of credit lines. The procedures in place to mitigate the liquidity risk are as follows:

- centralized treasury management and financial planning. Use of a centralized control system to manage the net financial position of the Group and its subsidiaries;
- obtaining adequate credit lines to create an adequate debt structure to better use the liquidity provided by the credit system;
- continuous monitoring of future cash flows based on the Group budget.

Management believes that the financial resources available today, along with those that are generated by the current operations will enable the Group to achieve its objectives and to meet its investment needs and the repayment of its debt at the agreed upon maturity date.

It should also be noted, with reference to the provisions of IFRS 13, financial liabilities relating to commitment to purchase minority interests are accounted for at fair value based on valuation models primarily attributable to level 3, as explained in the section related to principles.

It is reported in the following table an analysis of the contractual maturities (including interests), for financial liabilities.

Non derivative financial liabilities	Total book value	Contractual cash flows							
		Total	6 months or less	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years
(Euro/000)									
Bank overdraft	0	0	0	0	0	0	0	0	0
Self-liquidating loans	0	0	0	0	0	0	0	0	0
Financial debt to third parties	0	0	0	0	0	0	0	0	0
Unsecured loans	0	0	0	0	0	0	0	0	0

Derivative financial liabilities	Total book value	Contractual cash flows							
		Total	6 months or less	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years
(Euro/000)									
Interest rate swap hedging	0	0	0	0	0	0	0	0	0
Forward contracts on exchange rate hedging	3,974	3,974	2,724	1,250	0	0	0	0	0
- Outflows	4,233	4,233	2,924	1,309	0	0	0	0	0
- Inflows	(259)	(259)	(200)	(59)	0	0	0	0	0

9.4. Operating and capital management risks

In the management of operating risk, the Group's main objective is to manage the risks associated with the development of business in foreign markets that are subject to specific laws and regulations. The Group has implemented guidelines in the following areas:

- appropriate level of segregation of duties;
- reconciliation and constant monitoring of significant transactions;
- documentation of controls and procedures;
- technical and professional training of employees;
- periodic assessment of corporate risks and identification of corrective actions.

As far as the capital management risk is concerned, the Group's objectives are aimed at the going concern issue in order to ensure a fair economic return to shareholders and other stakeholders while maintaining a good rating in the capital debt market. The Group manages its capital structure and makes adjustments in line with changes in general economic conditions and with the strategic objectives.

10. OTHER INFORMATION

10.1 Related party transactions

Set out below are the transactions with related parties deemed relevant for the purposes of the "Related-party procedure" adopted by the Group.

The "Related-party procedure" is available on the Company's website (www.monclergroup.com, under "Governance/Corporate documents").

Transactions and balances with consolidated companies have been eliminated during consolidation and are therefore not commented here.

During 2018, related-party transactions mainly relate to trading transactions carried out on an arm's length basis with the following parties:

- Yagi Tsusho Ltd, counterparty to the transaction which led to the establishment of Moncler Japan Ltd., acquires finished products from Moncler Group companies (Euro 86.8 million in 2018 and Euro 65.3 million in 2017) and then sells them to Moncler Japan Ltd. (Euro 99.4 million in 2018 and Euro 74.6 million in 2017) pursuant to the contract agreed upon the companys' establishment.
- Gokse Tekstil Kozmetik Sanayi ic ve dis ticaret limited sirketi, company held by the minority share holder of Moncler Istanbul Giyim ve Tekstil Ticaret Ltd. Sti, provides services to that company by virtue of the contract signed at the time of incorporation of the company. Total costs recognized for 2018 amount to Euro 0.3 million (Euro 0.2 million in 2017).
- The company La Rotonda S.r.l., owned by a manager of the Moncler Group, acquires finished products from Industries S.p.A. and provides services to the same. Total revenues recognized for 2018 amount to Euro 1.0 million (Euro 0.9 million in 2017) and total costs recognized amount to Euro 0.2 million (Euro 0.2 in 2017).
- Shinsegae International Inc., counterparty to the transaction which led to the establishment of Moncler Shinsegae Inc., provided services to the latter pursuant to a contract agreed upon its establishment. Such services ended in 2017. Total costs recognized for 2017 amounted to Euro 5 thousand.

The company Industries S.p.A. adhere to the Parent Company Moncler S.p.A. fiscal consolidation.

Compensation paid to directors, board of statutory auditors and executives with strategic responsibilities

Compensation paid to the members of the Board of Directors in 2018 amounted to Euro 4,979 thousand (Euro 4,868 thousand in 2017).

Compensation paid to the members of the Board of Auditors in 2018 amounted to Euro 164 thousand (Euro 179 thousand in 2017).

In 2018 total compensation paid to executives with strategic responsibilities amounted to Euro 2,940 thousand (Euro 2,818 thousand in 2017).

In 2018 the costs relating to stock option plans (described in note 10.2) referring to members of the Board of Directors and Key management personnel amount to Euro 10,858 thousand (Euro 8,300 thousand in 2017).

The following tables summarize the afore-mentioned related-party transactions that took place during 2018 and the prior year.

(Euro/000)	**Type of relationship**	**Note**	**December 31, 2018**	%	**December 31, 2017**	%
Yagi Tsusho Ltd	*Distribution agreement*	*a*	86,808	(27.1)%	65,289	(23.6)%
Yagi Tsusho Ltd	*Distribution agreement*	*a*	(99,434)	31.1%	(74,580)	27.0%
GokseTekstil Kozmetik Sanayi ic ve dis ticaret limited sirketi	*Service agreement*	*b*	(291)	0.2%	(238)	0.2%
La Rotonda S.r.l.	*Trade transactions*	*c*	990	0.1%	884	0.1%
La Rotonda S.r.l.	*Trade transactions*	*d*	(163)	0.0%	(157)	0.0%
Shinsegae International Inc.	*Trade transactions*	*b*	0	0.0%	(5)	0.0%
Shinsegae International Inc.	*Trade transactions*	*d*	0	0.0%	0	0.0%
Directors, board of statutory auditors and executives with strategic responsibilities	*Labour services*	*b*	(7,310)	5.7%	(7,198)	6.6%
Executives with strategic responsibilities	*Labour services*	*d*	(774)	0.2%	(667)	0.2%
Directors and executives with strategic responsibilities	*Labour services*	*e*	(10,858)	36.7%	(8,300)	35.3%
Total			**(31,032)**		**(24,972)**	

a effect in % based on cost of sales
b effect in % based on general and administrative expenses
c effect in % based on revenues
d effect in % based on selling expenses
e effect in % based on non recurring expenses

(Euro/000)	Type of relationship	Note	December 31, 2018	%	December 31, 2017	%
Yagi Tsusho Ltd	*Trade payables*	*a*	(17,295)	7.7%	(9,676)	5.8%
Yagi Tsusho Ltd	*Trade receivables*	*b*	11,757	7.6%	9,674	8.0%
Gokse Tekstil Kozmetik Sanayi ic ve dis ticaret limited sirketi	*Trade payables*	*a*	(59)	0.0%	(46)	0.0%
La Rotonda S.r.l.	*Trade receivables*	*b*	896	0.6%	771	0.6%
La Rotonda S.r.l.	*Trade payables*	*a*	(47)	0.0%	(120)	0.1%
Directors, board of statutory auditors and executives with strategic responsibilities	*Other current liabilities*	*c*	(4,014)	4.9%	(3,909)	5.7%
Total			**(8,762)**		**(3,306)**	

a effect in % based on trade payables
b effect in % based on trade receivables
c effect in % based on other current liabilities

The following tables summarize the weight of related-party transactions on the consolidated financial statements as at and for the years ended December 31, 2018 and 2017:

(Euro/000)	December 31, 2018				
	Revenue	Cost of sales	Selling expenses	General and administrative expenses	Stock based compensation
Total related parties	990	(12,626)	(937)	(7,601)	(10,858)
Total consolidated financial statements	1,420,074	(320,232)	(428,864)	(127,794)	(29,604)
weight %	**0.1%**	**3.9%**	**0.2%**	**5.9%**	**36.7%**

(Euro/000)	December 31, 2018		
	Trade receivables	Trade Payables	Other current liabilities
Total related parties	12,653	(17,401)	(4,014)
Total consolidated financial statements	155,047	(224,989)	(82,558)
weight %	**8.2%**	**7.7%**	**4.9%**

(Euro/000)	December 31, 2017				
	Revenue	Cost of sales	Selling expenses	General and administrative expenses	Stock based compensation
Total related parties	884	(9,291)	(824)	(7,441)	(8,300)
Total consolidated financial statements	1,193,704	(276,186)	(365,103)	(108,660)	(23,485)
weight %	**0.1%**	**3.4%**	**0.2%**	**6.8%**	**35.3%**

(Euro/000)	December 31, 2017		
	Trade receivables	Trade Payables	Other current liabilities
Total related parties	10,445	(9,842)	(3,909)
Total consolidated financial statements	120,708	(167,212)	(68,024)
weight %	**8.7%**	**5.9%**	**5.7%**

10.2 Stock option plans and Performance Share Plans

The Consolidated Financial Statements at December 31, 2018 reflects the values of the Stock Option Plans approved in 2014 and 2015 and of the Performance Share Plan approved in 2016 and the Performance Share Plan approved in 2018.

With regard to "Top Management and Key People" and "Corporate Structure" stock option plans approved in 2014, please note that:

- The vesting period ended with the approval of the consolidated financial statements as at December 31, 2016. The exercise of the options granted was on condition that the specific performance goals related to Group's consolidated EBITDA were achieved. Please note that these performance goals have been achieved.
- The exercise price of the options is equal to Euro 10.20 and allows for the subscription of shares in the ratio of one ordinary share for every option exercised;
- The net equity increase following the exercise of the vested options of the plans amounted to Euro 68 thousand; there is no effect on the income statement of the year 2018.
- During the year 2018, 6,683 options were exercised; as at December 31, 2018, there are no more options in circulation.

With regard to stock option plan approved in 2015, please note that:

- The 2015 Plan provided for a vesting period which ended with the approval of the consolidated financial statements as at December 31, 2017. The exercise of the options granted was on condition that the specific performance goals related to Group's consolidated EBITDA were achieved. Please note that these performance goals have been achieved;
- The options can be exercised within June 30, 2020 at the latest;
- The exercise price of the options is equal to Euro 16.34 and allows for the subscription of shares in the ratio of one ordinary share for every option exercised;
- The fair value of 2015 Plan was estimated at the grant date using the Black-Scholes method, based on the following assumptions:
    - share price at the grant date of the options Euro 16.34;
    - estimated life of options equal to the period from the grant date to the following estimated exercise: May 31, 2019;
    - dividend yield 1%;
    - fair value per tranches Euro 3.2877.
- The effect on the income statement of 2018 amounts to Euro 0.5 million, while the increase of the net equity for the exercise of the vested options of the Plan amounts to Euro 16.9 million.

- As at December 31, 2018 110,300 options are still in circulation, after that, during the year 2018, 1,034,700 options were exercised.

On April 20, 2016, the shareholders' meeting of Moncler approved the adoption of a stock grant plan entitled "2016-2018 Performance Shares Plan" ("2016 Plan") addressed to Executive Directors and/or Key Managers, and/or employees, and/or collaborators, and/or external consultants of Moncler S.p.A. and of its subsidiaries, which have strategically relevant roles or are otherwise capable of making a significant contribution, with a view to pursuing Group's strategic objectives.

The object of the Plan is the free granting of the Moncler shares in case certain performance targets are achieved at the end of the vesting period of 3 years.

The performance targets are expressed base on the earning per share index ("EPS") of the Group in the vesting period, adjusted by the conditions of over/under performance.

The proposed maximum number of shares serving the Plan is equal to No. 3,800,000 resulting from a capital increase and/or from the allocation of treasury shares.

The Plan provides for a maximum of 3 cycles of attribution; the first attribution cycle, approved during 2016, ended with the assignment of 2,856,000 Moncler Rights, the second attribution cycle approved on June 29, 2017 assigned 365,500 Moncler Rights.

As at December 31, 2018 there are still in circulation 2,576,000 rights related to the first cycle of attribution (the effect on the income statement on the year 2018 amounted to Euro 15.5 million) and 341,500 rights related to the second cycle of attribution (the effect on the income statement in the year 2018 amounted to Euro 3.2 million).

On April 16, 2018 the Shareholders' meeting of Moncler approved the adoption of a stock grant plan entitled "2018-2020 Performance Shares Plan" ("2018 Plan") addressed to Executive Directors and/or Key Managers, and/or employees, and/or collaborators, and/or external consultants of Moncler S.p.A. and of its subsidiaries, which have strategically relevant roles or are otherwise capable of making a significant contribution, with a view of pursuing the Group's strategic objectives.

The object of the Plan is the free granting of the Moncler shares in case certain performance targets are achieved at the end of the vesting period of 3 years.

The performance targets are expressed base on the earning per share index ("EPS") of the Group in the vesting period, adjusted by the conditions of over/under performance.

The proposed maximum number of shares serving the Plan is equal to n. 2,800,000 resulting from the allocation of treasury shares.

The Plan provides for a maximum of 3 cycles of attribution; the first attribution cycle, approved during 2018, ended with the assignment of 1,365,531 Moncler Rights.

As at December 31, 2018 there are still in circulation 1,358,429 rights related to the first cycle of attribution. The effect on the income statement on the year 2018 amounted to Euro 9.4 million.

As stated by IFRS 2, these plans are defined as Equity Settled.

For information regarding the plan, please see the company's website, www.monclergroup.com, in the "Governance/Shareholders' Meeting" section.

10.3 Subsidiaries and minority interests

Following are the financial information of the subsidiaries that have significant minority interests.

Summary of subsidiary's financial information	December 31, 2018					
(Euro/000)	Assets	Liabilities	Net equity	Revenues	Profit/(Loss)	Profit/(Loss) attributable to minority
White Tech Sp.zo.o.	260	31	229	153	34	10

Summary of subsidiary's financial information	December 31, 2017					
(Euro/000)	Assets	Liabilities	Net equity	Revenues	Profit/(Loss)	Profit/(Loss) attributable to minority
White Tech Sp.zo.o.	228	26	202	145	42	13
Ciolina Moncler SA	3,123	2,847	276	1,858	75	37

Profit/(Loss) attributable to minority differs from consolidated Profit/(Loss) attributable to minority since the data are presented gross of intercompany eliminations.

Cash Flow 2018 (*) (Euro/000)	White Tech Sp.zo.o.
Operating Cash Flow	40
Free Cash Flow	37
Net Cash Flow	32

Cash Flow 2017 (*) (Euro/000)	White Tech Sp.zo.o.	Ciolina Moncler SA
Operating Cash Flow	70	149
Free Cash Flow	56	115
Net Cash Flow	65	(92)

(*) Amounts showed according to the Cash Flow Statements included in the Directors' Report

10.4 Significant non-recurring events and transactions

On May 4, 2018, Moncler Board of Directors, putting into effect the resolutions adopted by the Shareholders' Meeting of April 16, 2018, resolved to implement the stock grant plan denominated "2018-2020 Performance Shares Plan" approved by that Shareholders' Meeting and, as a consequence, approved the plan's implementation regulation and resolved the granting of 1,365,531 shares to 99 beneficiaries, including also Executive Directors and Key Managers of the Group.

The description of the incentive loyalty plans and the related costs are included in note 10.2.

10.5 Atypical and/or unusual transactions

It should be noted that during 2018 the Group did not enter into any atypical and/or unusual transactions.

10.6 Financial instruments

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(Euro/000) **December 31, 2018**	**Current**	**Non-current**	**Fair value**	**Level**
Financial assets measured at fair value				
Interest rate swap used for hedging	-	-	-	
Forward exchange contracts used for hedging	259	-	259	2
Sub-total	259	-	259	
Financial assets not measured at fair value				
Trade and other receivables (*)	155,047	27,676		
Cash and cash equivalents (*)	546,282	-		
Sub-total	701,329	27,676	-	
Total	**701,588**	**27,676**	**259**	

(Euro/000) **December 31, 2017**	**Current**	**Non-current**	**Fair value**	**Level**
Financial assets measured at fair value				
Interest rate swap used for hedging	-	-	-	
Forward exchange contracts used for hedging	3,884	-	3,884	2
Sub-total	3,884	-	3,884	
Financial assets not measured at fair value				
Trade and other receivables (*)	120,708	22,192		
Cash and cash equivalents (*)	394,144	-		
Sub-total	514,852	22,192	-	
Total	**518,736**	**22,192**	**3,884**	

(Euro/000) **December 31, 2018**	**Current**	**Non-current**	**Fair value**	**Level**
Financial liabilities measured at fair value				
Interest rate swap used for hedging	-	-	-	2
Forward exchange contracts used for hedging	(4,233)	-	(4,233)	2
Other financial liabilities	(11,402)	(80,783)	(92,185)	3
Sub-total	(15,635)	(80,783)	(96,418)	
Financial liabilities not measured at fair value				
Trade and other payables (*)	(244,574)	-		
Bank overdrafts (*)	(14)	-		
Short-term bank loans (*)	-	-		
Bank loans (*)	-	-		
Sub-total	(244,588)	-	-	
Total	**(260,223)**	**(80,783)**	**(96,418)**	

(Euro/000) **December 31, 2017**	**Current**	**Non-current**	**Fair value**	**Level**
Financial liabilities measured at fair value				
Interest rate swap used for hedging	-	-	-	2
Forward exchange contracts used for hedging	(1,250)	-	(1,250)	2
Other financial liabilities	(21,854)	(67,874)	(89,728)	3
Sub-total	(23,104)	(67,874)	(90,978)	
Financial liabilities not measured at fair value				
Trade and other payables (*)	(179,976)	-		
Bank overdrafts (*)	-	-		
Short-term bank loans (*)	-	-		
Bank loans (*)	(2,098)	-		
Sub-total	(182,074)	-	-	
Total	**(205,178)**	**(67,874)**	**(90,978)**	

(*) Such items refer to short-term financial assets and financial liabilities whose carrying value is a reasonable approximation of fair value, which was therefore not disclosed.

10.7 Fees paid to independent auditors

Fees paid to independent auditors are summarized below:

Audit and attestation services (Euro)	**Entity that has provided the service**	**Fees 2018**
Audit	KPMG S.p.A.	382,508
	Network KPMG S.p.A.	169,952
Attestation services	KPMG S.p.A.	38,760
	Network KPMG S.p.A.	2,500
Other services	KPMG S.p.A.	53,531
	Network KPMG S.p.A.	85,800
Total		**733,051**

10.8 Disclosure pursuant to Italian law n. 124/2017

Pursuant to the requirements of Law no. 124/2017, in 2018 the company Moncler S.p.A. benefited from Euro 3,957 thousand in tax credit relating to research and development for the years 2015, 2016 and 2017, while the company Industries S.p.A. received employee training grants of Euro 35 thousand from Fondimpresa and Euro 7 thousand from Fondirigenti.

For the purposes of the above requirements and with regard to any other grants received falling among the cases provided for, reference is also made to the specific Italian national register, which can be consulted by the public.

11. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 16 January 2019, Moncler launched a share buyback program for a maximum of 1,000,000 ordinary shares, equal to 0.4% of share capital, in accordance with the resolution of the Shareholders' Meeting of 16 April 2018. As of that date, Moncler held 6,100,000 Moncler S.p.A. ordinary shares. In implementation of the program completed on 20 February 2019, Moncler held 6,598,603 treasury shares (equal to 2.6% of Moncler share capital).

***

The consolidated financial statements, comprised of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes to the consolidated financial statements give a true and fair view of the financial position and the results of operations and cash flows and corresponds to the accounting records of the Parent Company and the companies included in the consolidation.

On behalf of the Board of Directors of Moncler S.p.A.

Remo Ruffini

Chairman and Chief Executive Officer

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SEPARATE FINANCIAL STATEMENTS

Moncler S.p.A.
Registered office: Via Stendhal 47, MILAN – ITALY
Share capital: Euro 51,164,024.80 fully paid-in – Registration number CCIAA: MI-1763158
Tax code: 04642290961

SEPARATE FINANCIAL STATEMENTS

INCOME STATEMENT

Income statement (Euro)	Notes	2018	of which related parties (note 8.1)	2017	of which related parties (note 8.1)
Revenue	3.1	237,564,586	236,806,569	199,951,147	199,217,263
General and administrative expenses	3.2	(25,579,858)	(6,326,727)	(21,357,141)	(4,399,324)
Marketing expenses	3.3	(40,896,990)	(61,906)	(34,261,506)	(46,094)
Stock based compensation	3.4	(7,250,728)	(4,831,509)	(6,144,043)	(4,115,884)
Operating result		**163,837,010**		**138,188,457**	
Financial income	3.6	80,463	74,665	199,210	34,757
Financial expenses	3.6	(292,510)	(139,649)	(238,590)	
Result before taxes		**163,624,963**		**138,149,077**	
Income taxes	3.7	(24,882,762)		(4,895,303)	
Net result		**138,742,201**		**133,253,774**	

COMPREHENSIVE INCOME

Statement of comprehensive income (Euro)	Note	2018	2017
Net profit (loss) for the period		**138,742,201**	**133,253,774**
Gains/(Losses) on fair value of hedge derivatives	4.15	0	0
Items that are or may be reclassified to profit or loss		**0**	**0**
Actuarial Gains/(Losses) on pension funds	4.15	523	36,514
Items that will never be reclassified to profit or loss		**523**	**36,514**
Other comprehensive income/(loss), net of tax		**523**	**36,514**
Total Comprehensive income/(loss)		**138,742,724**	**133,290,288**

FINANCIAL POSITION

Statement of financial position (Euro)	Notes	December 31, 2018	of which related parties (note 8.1)	December 31, 2017	of which related parties (note 8.1)
Brands and other intangible assets - net	4.1	225,716,448		225,869,157	
Property, plant and equipment - net	4.3	157,200		60,346	
Investments in subsidiaries	4.4	272,523,690		250,455,026	
Other non-current assets	4.9	40,650		17,400	
Deferred tax assets	4.5	459,578		1,182,515	
Non-current assets		**498,897,566**		**477,584,444**	
Trade accounts receivable	4.6	510,969		661,732	
Intra-group accounts receivable	4.6	54,299,770	54,299,770	45,451,862	45,451,862
Income taxes	4.14	0		35,225,920	
Other current assets	4.9	1,582,006		2,738,930	
Other current assets intra-group	4.9	7,512,663	7,512,663	0	
Intra-group financial receivables	4.8	9,797,715	9,797,715	42,456,202	42,456,202
Cash and cash equivalent	4.7	1,299,721		1,330,225	
Current assets		**75,002,844**		**127,864,871**	
Total assets		**573,900,410**		**605,449,315**	
Share capital	4.15	51,164,025		50,955,748	
Premium reserve	4.15	171,593,981		154,827,093	
Other reserve	4.15	114,372,729		170,870,380	
Net result	4.15	138,742,201		133,253,774	
Equity		**475,872,936**		**509,906,995**	
Employees pension fund	4.12	995,413		822,218	
Deferred tax liabilities	4.5	64,860,580		64,580,989	
Non-current liabilities		**65,855,993**		**65,403,207**	
Short-term borrowings	4.13	84,387		0	
Intra-group short-term borrowings	4.13	0		0	
Trade accounts payable	4.10	17,412,133		20,528,578	
Intra-group accounts payable	4.10	2,287,854	2,287,854	348,044	348,044
Income taxes	4.14	6,762,876		1,260,022	
Other current liabilities	4.11	5,624,231	2,155,504	5,473,249	2,219,456
Other current liabilities intra-group	4.11	0		2,529,220	2,529,220
Current liabilities		**32,171,481**		**30,139,113**	
Total liabilities and equity		**573,900,410**		**605,449,315**	

CHANGES IN EQUITY

Statement of changes in equity (Euro)	Notes	Share capital	Premium reserve	Legal reserve	Other comprehensive income	Other reserves IFRS 2 reserve	Retained earnings	Result of the period	Net Equity
Shareholders' equity at January 1, 2017	**4.15**	**50,042,945**	**109,186,923**	**10,300,000**	**(145,112)**	**26,659,632**	**96,137,537**	**81,544,489**	**373,726,414**
Allocation of Last Year Result		0	0	0	0	0	81,544,489	(81,544,489)	0
Share capital and reserves increase		912,803	45,640,170	0	0	0	0	0	46,552,973
Reclassification		0	0	0	0	0	0	0	0
Dividends		0	0	0	0	0	(45,490,615)	0	(45,490,615)
Other movements in Equity		0	0	0	36,514	23,157,125	(21,329,190)	0	1,864,449
Result of the period		0	0	0	0	0	0	133,253,774	133,253,774
Shareholders' equity at December 31, 2017	**4.15**	**50,955,748**	**154,827,093**	**10,300,000**	**(108,598)**	**49,816,757**	**110,862,221**	**133,253,774**	**509,906,995**
Shareholders' equity at January 1, 2018	**4.15**	**50,955,748**	**154,827,093**	**10,300,000**	**(108,598)**	**49,816,757**	**110,862,221**	**133,253,774**	**509,906,995**
Allocation of Last Year Result		0	0	0	0	0	133,253,774	(133,253,774)	0
Share capital and reserves increase		208,277	16,766,888	0	0	0	0	0	16,975,165
Reclassification		0	0	0	0	0	0	0	0
Dividends		0	0	0	0	0	(70,464,120)	0	(70,464,120)
Other movements in Equity		0	0	0	523	29,285,256	(148,573,084)	0	(119,287,305)
Result of the period		0	0	0	0	0	0	138,742,201	138,742,201
Shareholders' equity at December 31, 2018	**4.15**	**51,164,025**	**171,593,981**	**10,300,000**	**(108,075)**	**79,102,013**	**25,078,791**	**138,742,201**	**475,872,936**

CASH FLOWS

Statement of cash flow (Euro)	2018	of which related parties (note 8.1)	2017	of which related parties (note 8.1)
Cash flow from operating activities				
Net result of the period	138,742,201		133,253,774	
Depreciation and amortization	1,077,000		936,926	
Net financial (income)/expenses	212,047		39,380	
Other non cash (income)/expenses	7,216,592		5,817,931	
Income tax expenses	24,882,762		4,895,303	
Changes in trade receivables - (Increase)/Decrease	(8,697,145)	(8,847,908)	8,053,367	8,491,614
Changes in trade payables - Increase/(Decrease)	(1,176,635)	1,939,810	1,870,772	(14,683)
Changes in other current assets/liabilities	1,191,338	(63,952)	2,075,150	(61,500)
Cash flow generated/(absorbed) from operating activities	**163,448,160**		**156,942,603**	
Interest paid	(175,942)		(181,407)	
Interest received	80,463		54,850	
Income tax paid	(435,418)		(59,344,613)	
Income tax received from fiscal consolidation	7,235,301		0	
Changes in other non-current assets/liabilities	157,242		137,779	
Net cash flow from operating activities (a)	**170,309,806**		**97,609,212**	
Cash flow from investing activities				
Purchase of tangible and intangible fixed assets	(1,021,145)		(643,777)	
Net cash flow from investing activities (b)	**(1,021,145)**		**(643,777)**	
Cash flow from financing activities				
Repayment of borrowings	0		(24,000,000)	
Changes in intercompany short term borrowings	32,742,874	32,658,487	(52,854,924)	(52,854,924)
Transaction related to equity	(148,573,084)		(21,329,191)	
Dividends paid to shareholders	(70,464,120)		(45,490,615)	
Share Capital and reserves increase	16,975,165		46,552,974	
Net cash flow from financing activities (c)	**(169,319,165)**		**(97,121,756)**	
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)	**(30,504)**		**(156,321)**	
Cash and cash equivalents at the beginning of the period	**1,330,225**		**1,486,546**	
Net increase/(decrease) in cash and cash equivalents	(30,504)		(156,321)	
Cash and cash equivalents at the end of the period	**1,299,721**		**1,330,225**	

On behalf of the Board of Directors

Remo Ruffini

Chairman and Chief Executive Officer

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Moncler S.p.A.

Moncler S.p.A. (the “Company” or “Moncler”) is a company established and domiciled in Italy, with its registered office located at Via Stendhal 47 Milan, Italy, and registration number of 04642290961.

The Company is de facto indirectly controlled by Remo Ruffini through Ruffini Partecipazioni Holding S.r.l., a company incorporated under the Italian law, wholly owned by Remo Ruffini. Ruffini Partecipazioni Holding S.r.l. controls Ruffini Partecipazioni S.r.l., a company incorporated under the Italian law, which, as at December 31, 2018, holds 26.2% of the share capital of Moncler S.p.A.

It is the parent company for the Moncler Group (hereinafter referred to as the "Group") comprising Industries S.p.A., the Italian subsidiary, and 35 other subsidiaries.

The Company's principal activities are the study, design, production and distribution of clothing for men, women and children and related accessories under the Moncler brand name.

The Moncler Group companies run their businesses in accordance with the guidelines and the strategies set up by Moncler’s Board of Directors.

The Company also prepares the consolidated financial statements and the Management Report in a single document as permitted by. 40/2 bis, letter. B Legislative Decree 127/91.

1.2. Basis for the preparation of the separate financial statements

1.2.1. Relevant accounting principles

The 2018 separate financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS also includes all International Accounting Standards ("IAS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements include the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes to the financial statements.

1.2.2. Presentation of the financial statements

The Company presents its income statement by destination, the method that is considered most representative for the business at hand. This method is in fact consistent with the internal reporting and management of the business.

With reference to the statement of financial position, a basis of presentation has been chosen which makes a distinction between current and non-current assets and liabilities, in accordance with the provisions of paragraph 60 and thereafter of IAS 1.

The statement of cash flows is prepared under the indirect method.

1.2.3. Basis for measurement

The financial statements have been prepared on the historical cost basis except for the measurement of certain financial instruments (i.e. derivative measured at fair value in accordance with IFRS 9) and on a going concern basis.

The financial statements are presented in Euro thousand, which is the functional currency of the markets where the Company mainly operates.

The explanatory notes have been prepared in thousands of Euros unless stated otherwise.

1.2.4. Use of estimates

The preparation of the financial statements and the related explanatory notes in conformity with IFRS requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. The actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed periodically and any variations are reflected in the income statement in the period in which the estimate is revised if the revision affects only that period or even in subsequent periods if the revision affects both current and future periods.

In the event that management's estimate and judgment had a significant impact on the amounts recognized in the financial statements or in case that there is a risk of future adjustments on the amounts recognized for assets and liabilities in the period immediately after the reporting date, the following notes will include the relevant information.

The estimates pertain mainly to the following captions of the consolidated financial statements:

- impairment of non-current assets and goodwill;
- impairment of trade receivables (bad debt provision);
- recoverability of deferred tax assets;
- provision for losses and contingent liabilities.

Recoverable amount of non-current assets with indefinite useful lives and investments ("impairment")

Management periodically reviews non-current assets, assets held for sale and investments in subsidiaries for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is estimated based on the present value of future cash flows expected to derive from the asset or from the sale of the asset itself, at a suitable discount rate.

When the recoverable amount of a non-current asset is less than its carrying amount, an impairment loss is recognized immediately in the income statement and the carrying amount is reduced to its recoverable amount determined based on value-in-use calculation or its sale's value in an arm's length transaction, with reference to the most recent Group business plan.

Impairment of trade receivables

The bad debt provision represents management's best estimate of the probable loss for unrecoverable trade receivables. For a description of the criteria applied to estimate the bad debt provision, please refer to paragraph 2.6 Financial instruments - Trade receivables and other current and non-current receivables.

Recoverability of deferred tax assets

The Company is subject to income taxes in numerous jurisdictions. Judgment is required in determining the provision for income taxes in each territory. The Company recognizes deferred tax assets when it is expected that they will be realised within a period that is consistent with management estimate and business plans.

Provision for losses and contingent liabilities

The Group could be subject to legal and tax litigations arising in the countries where it operates. Litigation is inevitably subject to risk and uncertainties surrounding the events and circumstances associated with the claims and associated with local legislation and jurisdiction. In the normal course of business, management requests advice from the Group legal consultants and tax experts. The recognition of a provision is based on management's best estimate when an outflow of resources is probable to settle the obligation and the amount can be reliably estimated. In those circumstances where the outflow of resources is possible or the amount of the obligation cannot be reliably measured, the contingent liabilities are disclosed in the notes to consolidated financial statements.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles set out below have been applied consistently for fiscal year 2018 and the prior year.

2.1. Property, plant and equipment

Property, plant and equipment are stated at acquisition or manufacturing cost, not revalued net of accumulated depreciation and impairment losses ("impairment"). Cost includes original purchase price and all costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation of property, plant and equipment is calculated and recognized in the income statement on a straight-line basis over the estimated useful lives as reported in the following table:

Category	Depreciation period
Land	No depreciation
Buildings	From 25 to 33 years
Plant and equipment	From 8 to 12 years
Fixtures and fittings	From 5 to 10 years
Electronic machinery and equipment	From 3 to 5 years
Leasehold improvements	Lower between lease period and useful life of improvements
Other fixed assets	Depending on market conditions generally within the expected utility to the entity

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will take ownership of the asset by the end of the lease term.

Depreciation methods, useful lives and residual value are reviewed at each reporting period and adjusted if appropriate.

Gain/Losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

2.2. Intangible assets

Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognized at fair value at the acquisition date.

Brands have a indefinite useful life and are carried at cost less accumulated impairment. Brands are not amortized but subject to impairment test performed annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

For further details please refer to note 2.5 "Impairment of non-financial assets".

Intangible assets with a definite useful life

Software (including licenses and separately identifiable external development costs) is capitalized as intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software and other intangible assets that are acquired by the Group and have definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Ammortization of intangible assets with a definite useful life

Intangible assets with a definite useful life are amortized on a straight line basis over their estimated useful lives as described in the following table:

Category	Depreciation period
License rights	Based on market conditions within the licence period or legal limits to use the assets
Software	From 3 to 5 years
Other intangible assets	Based on market conditions generally within the period of control over the asset

2.3. Non-current assets available for sale and discontinued operations

Non-current assets available for sale and discontinued operations are classified as available for sale when their values are recoverable mainly through a probable sale transaction. In such conditions, they are valued at the lower of their carrying value or fair value, net of cost to sell if their value is mainly recoverable through a sale transaction instead of continued use.

Discontinued operations are operations that:

- include a separate line of business or a different geographical area;
- are part of a single coordinated plan for the disposal of a separate major line of business or geographical area of activity;
- consist of subsidiaries acquired exclusively for the purpose of being sold.

In the income statement, non-current assets held for sale and disposal groups that meet the requirements of IFRS 5 to be defined as "discontinued operations", are presented in a single caption that includes both gains and losses, as well as losses or gains on disposal and the related tax effect. The comparative period is subsequently restated in accordance with IFRS 5.

As far as the financial position is concerned, non-current assets held for sale and disposal groups that meet the requirements of IFRS 5 are reclassified as current assets and liabilities in the period in which such requirements arise. The comparative financial statements are not restated nor reclassified.

2.4. Investments

Investments in subsidiaries, associates and others are accounted for as follows:

- at cost; or
- in accordance with IFRS 9.

The Company recognizes dividends from subsidiaries, associates and others in its income statement when the right to receive such dividends has materialized.

2.5. Impairment of non-financial assets

On an annual basis, the Company tests for impairment property, plant and equipment and intangible assets with a definite useful life. Whenever events or changes in circumstance indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

Assets with an indefinite useful life are not subject to amortization and are tested annually or more frequently for impairment, whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

When the recoverable amount for individual asset cannot be reliably estimated, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The Group determines the value in use as the present value of future cash flows expected to be derived from the asset or from the cash-generating unit, gross of tax effects, by applying an appropriate discount rate that reflects market time value of money and the risks inherent to the asset. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

With the exception of impairment losses recognized on goodwill, when the circumstances that led to the loss no longer exist, the carrying amount of the asset is increased to its recoverable amount and cannot exceed the carrying amount that would have been determined had there been no loss in value. The reversal of an impairment loss is recognized immediately in the income statement.

2.6. Financial instruments

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised at the trade date, i.e., when the Company becomes a contractual party to the financial instrument.

Except for trade receivables that do not comprise a significant financing component, financial assets are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at FVTPL, the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

On initial recognition, a financial asset is classified based on its valuation: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit/(loss) for the period (FVTPL).

Financial assets are not reclassified after initial recognition, unless the Company changes its business model for managing financial assets. In that case, all the financial assets concerned are reclassified on the first day of the first reporting period following the change in business model.

A financial asset shall be measured at amortised cost if both of the following conditions are met and if it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is to hold the financial assets in order to collect the related contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid.

At the time of subsequent measurement, assets belonging to this category are valued at amortised cost, using the effective interest rate. The effects of measurement are recognised among the financial income components. These assets are also subject to the impairment model described in the paragraph Trade receivables, financial assets and other current and non-current receivables.

A financial asset shall be measured at FVOCI if both of the following conditions are met and if it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved both through the collection of the contractual cash flows and through the sale of the financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates consisting solely of payments of principal and interest on the amount of principal to be repaid.

On initial recognition of a security not held for trading, the Company may make an irrevocable choice to present subsequent changes in fair value in the other components of the comprehensive income statement. This choice is made for each asset.

At the time of subsequent measurement, the measurement made at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. As for the category above, these assets are subject to the impairment model described in the paragraph Trade receivables, financial assets and other current and non-current receivables.

All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. All derivative financial instruments are included. On initial recognition, the Company may irrevocably designate the financial asset as measured at fair value through profit/(loss) for the period if this eliminates or significantly reduces a misalignment in accounting that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

At the time of subsequent measurement, financial assets measured at FVTPL are valued at fair value. Gains or losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recognised under financial income/expenses.

Financial assets are derecognised from the financial statements when the contractual rights to receive cash flows from them expire, when the contractual rights to receive cash flows from a transaction in which all the risks and rewards of ownership of the financial asset are materially transferred or when the Company neither transfers nor retains materially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial liabilities are classified as valued at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, it represents a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognised in profit or loss for the period. Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and exchange rate gains/(losses) are recognised in profit or loss for the period, as are any gains or losses from derecognition.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, other current and non-current assets and liabilities, investments, borrowings and derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits held with banks and most liquid assets that are readily convertible into cash and that have insignificant risk of change in value. Bank overdrafts are recorded under current liabilities on the Company's statement of financial position.

Trade receivables and other current and non-current receivables

Trade and other receivables generated when the Company provides money, goods or services directly to a third party are classified as current assets, except for items with maturity dates greater than twelve months after the reporting date.

Receivables are valued if they have a fixed maturity, at amortised cost calculated using the effective interest method. When financial assets do not have a fixed maturity, they are valued at cost. Receivables with a maturity of over one year, which are non-interest bearing or which accrue interest below market rates, are discounted using market rates.

The financial assets listed above are valued based on the impairment model introduced by IFRS 9 or by adopting an expected loss model, replacing the IAS 39 framework, which is typically based on the valuation of the incurred loss.

For trade receivables, the Company adopts the so-called simplified approach, which does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss ("ECL") calculated over the entire life of the credit (so-called lifetime ECL).

In particular, the policy implemented by the Company provides for the stratification of trade receivables based on the days past due and an assessment of the solvency of the counterparty and applies different write-down rates that reflect the relative expectations of recovery. The Company then applies an analytical valuation of impaired receivables based on a debtor’s reliability and ability to pay the due amounts.

The value of receivables is shown in the statement of financial position net of the related bad debt provision. Write-downs made in accordance with IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with reversals of impairment.

Trade payables and other current and non-current payables

Trade and other payables arise when the Company acquires money, goods or services directly from a supplier. They are included in current liabilities, except for items with maturity dates greater than twelve months after the reporting date.

Payables are stated, at initial recognition, at fair value, which usually comprises the cost of the transaction, inclusive of transaction costs. Subsequently, they are stated at amortized cost using the effective interest method.

Financial liabilities

The classification of financial liabilities has not changed since the introduction of IFRS 9. Amounts due to banks and other lenders are initially recognised at fair value, net of directly attributable incidental costs, and are subsequently measured at amortised cost, applying the effective interest rate method. If there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined. Amounts due to banks and other lenders are classified as current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the reference date. Loans are classified as non-current when the company has an unconditional right to defer payments for at least twelve months from the reporting date.

Derivative instruments

Consistent with the provisions of IFRS 9, derivative financial instruments may be accounted for using hedge accounting only when:

- the hedged items and the hedging instruments meet the eligibility requirements;
- at the beginning of the hedging relationship, there is a formal designation and documentation of the hedging relationship, of the Company's risk management objectives and the hedging strategy;
- the hedging relationship meets all of the following effectiveness requirements:
    - there is an economic relationship between the hedged item and the hedging instrument
    - the effect of credit risk is not dominant with respect to the changes associated with the hedged risk;

the hedge ratio defined in the hedging relationship is met, including through rebalancing actions, and is consistent with the risk management strategy adopted by the Company.

Fair value hedge

A derivative instrument is designated as fair value hedge when it hedges the exposure to changes in fair value of a recognized asset or liability, that is attributable to a particular risk and could affect profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, adjusts the carrying amount of the hedged item and is recognized in the consolidated income statement.

Cash flow hedge

When a derivative financial instrument is designated as a hedging instrument for exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised among the other components of the comprehensive income statement and stated in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument that is recognised in the other components of the comprehensive income statement is limited to the cumulative change in the fair value of the hedged instrument (at present value) since the inception of the hedge. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in the profit/(loss) for the period.

If the hedge ceases to meet the eligibility criteria or the hedging instrument is sold, matures or is exercised, hedge accounting ceases prospectively. When hedge accounting for cash flow hedges ceases, the accrued amount in the cash flow hedge reserve remains in equity until, in the case of a hedge of a transaction that results in the recognition of a non-financial asset or non-financial liability, it is included in the cost of the non-financial asset or non-financial liability on initial recognition or, in the case of other cash flow hedges, it is reclassified in profit or loss for the period in the same period or periods in which the hedged expected future cash flows affects profit/(loss) for the period.

If no more hedged future cash flows are expected, the amount shall be reclassified immediately from the cash flow hedge reserve and the reserve for hedging costs to profit/(loss) for the period.

If hedge accounting cannot be applied, gains or losses arising from the fair value measurement of a derivative financial instrument are immediately recognised in income statement.

2.7. Employee benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid leave and annual leave due within twelve months of the statement of financial position date and all other fringe benefits are recognised in the year in which the service is rendered by the employee.

Benefits granted to employees which are payable on or after the termination of employment through defined benefit and contribution plans are recognised over the vesting period.

Defined benefit schemes

Defined benefit schemes are retirement plans determined based on employees' remuneration and years of service.

The Company's obligation to contribute to employees' benefit plans and the related current service cost is determined by using an actuarial valuation defined as the projected unit credit method. The cumulative net amount of all actuarial gains and losses are recognised in equity within other comprehensive income.

With reference to defined benefit plans, the increase in present value of the defined benefit obligation for employee service in prior periods (past service cost) is accounted as an expense on a straight-line basis over the average period until the benefits become vested.

The amount recognised as a liability under the defined benefit plans is the present value of the related obligation, taking into consideration expenses to be recognised in future periods for employee service in prior periods.

Defined contribution schemes

Contribution made to a defined contribution plan is recognised as an expense in the income statement in the period in which the employees render the related service.

Up to December 31, 2006 Italian employees were eligible to defined benefit schemes referred as post-employment benefit ("TFR"). With the act n. 296 as of December 27, 2006 and subsequent decrees ("Pension Reform") issued in early 2007, the rules and the treatment of TFR scheme were changed. Starting from contribution vested on or after January 1, 2007 and not yet paid at the reporting date, referring to entities with more than 50 employees, Italian post-employment benefits is recognised as a defined contribution plan. The contribution vested up to December 31, 2006 is still recognised as a defined benefit plan and accounted for using actuarial assumptions.

2.8. Share-based payments

The fair value at grant date of the incentives granted to employees in the form of share-based payments that are equity settled is usually included in expenses, with a matching increase in equity, over the period during which the employees obtain the incentives rights. The amount recognized as an expense is adjusted to reflect the actual number of incentives for which the continued service conditions are met and the achievement of non-market conditions, so that the final amount recognized as an expense is based on the number of incentives that fulfill these conditions at the vesting date. In case the incentives granted as share-based payments whose conditions are not to be considered to maturity, the fair value at the grant date of the share-based payment is measured to reflect such conditions. With reference to the non-vesting conditions, any differences between amounts at the grant date and the actual amounts will not have any impact on the financial statements.

The fair value of the amount payable to employees related to share appreciation rights, settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period during which the employees unconditionally become entitled to receive the payment. The liability is measured at year-end and the settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognized in profit or loss for the year.

2.9. Provisions for risks and charges

Provisions for risks and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and where the amount of the obligation can be reliably estimated.

Changes in estimates are recognised in the income statement in the period in which they occur.

2.10. Revenue recognition

Based on the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its clients and the related services to be provided (transfer of goods and/or services), determining the consideration which it believes it is entitled to in exchange for the provision of each of these services, and assessing the manner in which these services are provided (at a given time or over time). Variable components of the consideration are recognised in the financial statements only when it is highly probable that there will be no significant adjustment to the amount of revenue recognised in the future.

Royalties received from licensee are accrued as earned on the basis of the terms of the relevant royalty agreement which is typically based on sales volumes.

2.11. Borrowing costs

Borrowing costs are recognized on an accrual basis taking into consideration interest accrued on the net carrying amount of financial assets and liabilities using the effective interest rate method.

2.12. Taxation

Tax expense recognised in the consolidated income statement represents the aggregate amount related to current tax and deferred tax.

Current tax is determined in accordance with enforced rules established by local tax authorities. Current taxes are recognised in the consolidated income statement for the period, except to the extent that the tax arises from transactions or events which are recognised directly either in equity or in other comprehensive income.

Deferred tax liabilities and assets are determined based on temporary taxable or deductible differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legally enforceable right to offset the amounts.

Deferred tax liabilities and assets are determined using tax rates that have been enacted by the reporting date and are expected to be enforced when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets recognised on tax losses and on deductible differences are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2.13. Foreign currency

The amounts included in the financial statements of each Group company are prepared using the currency of the country in which the company conducts its business.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate in effect at the transaction date. The assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate prevailing at that date. Exchange differences arising from the conversion or settlement of these items due to different rates used from the time of initial recognition are recorded in the income statement.

2.14. Fair value

IFRS 13 is the only point of reference for the fair value measurement and related disclosures when such an assessment is required or permitted by other standards. Specifically, the principle defines fair value as the consideration received for the sale of an asset or the amount paid to settle a liability in a regular transaction between market participants at the measurement date. In addition, the new standard replaces and provides for additional disclosures required in relation to fair value measurements by other accounting standards, including IFRS 7.

IFRS 13 establishes a hierarchy that classifies within different levels the inputs used in the valuation techniques necessary to measure fair value. The levels, presented in a hierarchical order, are as follows:

- level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: it Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

2.15. Accounting standards and recently published interpretations

Accounting standards, amendments and interpretations effective from January 1, 2018

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014 the IASB published a document which requires an entity to recognise revenue at the time the control of goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The new revenue recognition model sets out a process in five steps:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when the entity satisfy a performance obligation.

The new standard also requires additional disclosures regarding the nature, amount, timing and uncertainty of the revenue and cash flows arising from these contracts with customers. The IASB expects to adopt it from 2018, while the European Union endorsed it on September 22, 2016. Furthermore, on April 12, 2016 the IASB published amendments to the standard: Clarifications to IFRS 15 "Revenue from Contracts with Customers", which are also applicable as from January 1, 2018. These amendments are aimed at clarifying the procedures to identify an entity as a “Principal” or as an “Agent” and to establish whether revenue from licences must be deferred throughout the term thereof.

The Company has applied IFRS 15 retroactively with a cumulative effect as at the date of first application (i.e. January 1, 2018). Therefore, information relating to 2017 has not been restated and is presented according to IAS 18, IAS 11 and relevant interpretations.

There are no significant effects deriving from IFRS 15 adoption.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments, published by the IASB in July 2014 and endorsed by the European Union in November 2016, replaced IAS 39 - Financial Instruments with effect from 1 January 2018: Recognition and measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities, a new model for calculating the impairment of financial assets and new provisions for the accounting of hedging transactions (hedge accounting).

IFRS 9 was applied by the Company retrospectively at the date of initial application, availing itself of the relief from restating comparative periods, as provided for by the standard.

The adoption of IFRS 9 did not have a significant impact on the Company's financial statements and did not entail the need to recognise adjustments to the consolidated statement of financial position at the date of initial application of the standard.

Classification and measurement of financial instruments

IFRS 9 classifies financial assets into three main categories: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit/(loss) for the period (FVTPL). The classification required by the standard is usually based on the entity's business model for the management of financial assets and on the characteristics of the contractual cash flows of the financial asset. The categories provided for by IAS 39, i.e., held-to-maturity, loans and receivables and available for sale, have been eliminated. According to IFRS 9, derivatives embedded in contracts where the primary element is a financial asset falling within the scope of the standard shall never be separated. The hybrid instrument is examined as a whole for classification.

IFRS 9 essentially maintains the requirements of IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the measurement criteria applied by the Company to financial assets and liabilities.

Impairment

According to IFRS 9, the write-down of the financial assets shown in the financial statements at amortised cost must be calculated according to an Expected Loss method, replacing the provisions of IAS 39, which was typically based on the measurement of the incurred losses. Based on the analyses carried out, the Company deemed that there is no need to recognise adjustments to the consolidated statement of financial position at the date of initial application of the standard. In particular, with reference to trade receivables, the Company has confirmed its policy of making allocations to the bad debt provision as the calculation method applied substantially reflects the Expected Credit Losses.

Hedge accounting

The Company does not currently carry out hedging transactions, therefore the application of the standard did not have an impact at the date of first application.

New standards and interpretations not yet effective and not early adopted by the Company

At the date when these annual financial statements were prepared, the European Union's competent authorities concluded the approval process needed for the adoption of the accounting standards and amendments described below. With reference of the applicable principles, the Company has decided not to exercise the option of the early adoption, if applicable.

IFRS 16 – Leasing

On January 13, 2016, the IASB published the new standard IFRS 16 Leases, which replaces IAS 17. This standard was endorsed by the European Union, with its publication on November 9, 2017. IFRS 16 is effective for financial statements commencing on or after 1 January 2019. The new standard eliminates the difference in the recognition of operating and finance leases, even despite elements that simplify its adoption, and introduces the concept of control in the definition of a lease. To determine whether a contract is a lease, IFRS 16 establishes that the contract must convey the right to control the use of an identified asset for a given period of time. Early adoption is permitted for entities that also adopt IFRS 15 “Revenue from contracts with customers”.

The Company has estimated that the adoption of IFRS 16 on 1 January 2019 will not have a significant impact on the financial statements, as the Company does not have significant commitments arising from lease agreements, as referred to in note 5.1 “Commitments” of this document.

The Company intends to apply IFRS 16 from the date of first application (i.e., January 1, 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, without restating comparative periods. In compliance with this method, the intention is to use the practical expedient that allows the adoption of the new definition of leasing not only at the time of the transition to the new standard, but also to all contracts entered into prior to January 1, 2019 that had already been identified as leases in accordance with IAS 17 and IFRIC 4. Moreover, as also provided for under the possible options, it will not be applied to contracts with a duration of less than 12 months and an amount below the thresholds indicated in the standard.

The assessment of the impacts deriving from the entry into force of this standard is currently being completed. Based on the current level of analysis of the contracts, the Company estimates that the application of the standard, using the method indicated above, will result in the recognition of financial debt of approximately Euro 300 thousand.

Amendments to IFRS 4 – Insurance Contracts

Amendments to IFRS 4 were issued by the IASB on September 12th, 2016, with the effective date being expected on January 1st, 2018. The amendments were intended to address concerns about the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards.

In addition, at the date of these financial statements the competent bodies of the European Union had not yet completed their endorsement process for the following accounting standards and amendments:

Document title	**Issue date by IASB**	**Effective from**
Standards		
IFRS 14 Regulatory Deferral Accounts	January, 2014	(Note 1)
IFRS 17 Insurance Contracts	May, 2017	January 1, 2021
Amendments		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September, 2014	Deferred until the completion of IASB's equity method project
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	October, 2017	January 1, 2019
Annual Improvements to IFRS Standards (2015-2017 Cycle)	December, 2017	January 1, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	February, 2018	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	March, 2018	January 1, 2020
Definition of business (Amendments to IFRS 3)	October, 2018	January 1, 2020
Definition of material (Amendments to IAS 1 and IAS 8)	October, 2018	January 1, 2020

(Note 1) IFRS 14 became effective on 1 January 2016, but the European Commission decided to stop the approval process pending the new accounting standard on "rate-regulated activities".

The Company will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the financial statements.

3. COMMENTS ON THE INCOME STATEMENT

3.1. Revenue

The company's revenues mainly include royalty income from the use of Moncler trademark and management fees.

The increase of Euro 37,613 thousand when compared to the prior year is due to greater business volume.

3.2. General and administrative expenses

General and administrative expenses primarily include designing and product development expenses in the amount of Euro 9,134 thousand (Euro 5,635 thousand in 2017), the personnel expenses of other functions in the amount of Euro 5,923 thousand (Euro 5,423 thousand in 2017), legal, financial and administrative expenses in the amount of Euro 1,710 thousand (Euro 1,791 thousand in 2017), directors' fees in the amount of Euro 4,254 thousand (Euro 4,254 thousand in 2017), auditing and attestation service, statutory auditors expenses, costs for supervisory body and internal audit in the amount of Euro 418 thousand (Euro 423 thousand in 2017).

3.3. Marketing expenses

Marketing expenses amount to Euro 40,897 thousand (Euro 34,262 thousand in 2017) and are mostly made up of expenses related to media-plan and events.

3.4. Stock based compensation

The caption stock based compensation in 2018 amounted to Euro 7,251 thousand and includes the costs incurred for the stock option and performance shares plans approved by the Shareholders' Meeting of Moncler on April 23, 2015, on April 20, 2016 and on April 16, 2018 (Euro 6,144 thousand in 2017).

The description of the incentive loyalty schemes and the related costs are included in note 8.2.

3.5. Personnel expenses, depreciation and amortization

The total personnel expenses, included under general and administrative expenses, amounted to Euro 7,383 thousand (Euro 6,352 thousand in 2017) including social security contribution of Euro 1,552 thousand (Euro 1,476 thousand in 2017) and leaving indemnity expenses of Euro 370 thousand (Euro 315 thousand in 2017).

The average number of FTE ("full-time-equivalent") in 2018 is 66 (56 in 2017).

In 2018 depreciation and amortization amount to Euro 1,077 thousand (Euro 937 thousand in 2017).

3.6. Financial income and expenses

The caption is broken down as follows:

(Euro/000)	2018	2017
Interest income and other financial income	80	55
Dividends	0	0
Foreign currency differences - positive	0	145
Gain from investments	0	0
Total financial income	**80**	**200**
Interests expenses and bank charges	(187)	(239)
Foreign currency differences - negative	(105)	0
Total financial expenses	**(292)**	**(239)**
Total net	**(212)**	**(39)**

The caption interest expenses and bank charges mainly refers to the interests accrued on the correspondent account with the subsidiary Industries S.p.A.

In 2018 and 2017 the company has not received dividends.

3.7. Income tax

The tax impact on the income statement is detailed as follows:

(Euro/000)	2018	2017
Current income taxes	(23,887)	(4,015)
Deferred tax (income) expenses	(996)	(880)
Income statement	**(24,883)**	**(4,895)**

The caption current income taxes in 2017 was affected by the recording of the tax credit, equal to Euro 34 million, relating to the agreement signed with the Italian Revenue Agency for access to the Patent Box tax relief for the years 2015, 2016 and 2017; the same caption in 2018 is affected by the recording of the tax credit relating to the Patent Box tax relief for 2018 only and to the research and development for the years 2015, 2016 and 2017.

The reconciliation between the theoretical tax burden by applying the theoretical rate of the parent company, and the effective tax burden is shown in the following table:

Reconciliation theoretic-effective tax rate (Euro/000)	Taxable Amount 2018	Tax Amount 2018	Tax rate 2018	Taxable Amount 2017	Tax Amount 2017	Tax rate 2017
Profit before tax	163,625			138,149		
Income tax using the Company's theoretic tax rate		(39,270)	24.0%		(33,156)	24.0%
Temporary differences		(127)	(0.1)%		(76)	0.1%
Permanent differences		(272)	(0.2)%		97	(0.1)%
Other differences		14,786	9.0%		28,240	(20.4)%
Income tax at effective tax rate		(24,883)	15.2%		(4,895)	3.5%

The caption other differences in 2017 and in 2018 mainly refers to the recognition of the above mentioned tax credit relative to the Patent Box tax relief and to the current IRAP and in 2018 also for the tax credit related to the research and development.

4. COMMENTS ON THE STATEMENT OF FINANCIAL POSITION

4.1. Brands and other intangible assets

Brands and other intangible assets (Euro/000)	2018 Gross value	2018 Accumulated depreciation and impairment	2018 Net value	2017 Net value
Brands	223,900	0	223,900	223,900
Software	434	(405)	29	42
Other intangible assets	6,175	(4,388)	1,787	1,927
Assets in progress	0	0	0	0
Total	**230,509**	**(4,793)**	**225,716**	**225,869**

Intangible assets changes for the years 2018 and 2017 are shown in the following tables:

As at December 31, 2018

Gross value Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Assets in progress and advances	Total
January 1, 2018	**223,900**	**433**	**5,256**	**0**	**229,589**
Acquisitions	0	1	919	0	920
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0
December 31, 2018	**223,900**	**434**	**6,175**	**0**	**230,509**

Accumulated amortization Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Assets in progress and advances	Total
January 1, 2018	**0**	**(391)**	**(3,329)**	**0**	**(3,720)**
Depreciation	0	(14)	(1,059)	0	(1,073)
Disposals	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0
December 31, 2018	**0**	**(405)**	**(4,388)**	**0**	**(4,793)**

As at December 31, 2017

Gross value Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Assets in progress and advances	Total
January 1, 2017	**223,900**	**496**	**4,650**	**38**	**229,084**
Acquisitions	0	16	568	0	584
Disposals	0	(79)	0	0	(79)
Impairment	0	0	0	0	0
Other movements, including transfers	0	0	38	(38)	0
December 31, 2017	**223,900**	**433**	**5,256**	**0**	**229,589**

Accumulated amortization Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Assets in progress and advances	Total
January 1, 2017	**0**	**(459)**	**(2,405)**	**0**	**(2,864)**
Depreciation	0	(11)	(924)	0	(935)
Disposals	0	79	0	0	79
Other movements, including transfers	0	0	0	0	0
December 31, 2017	**0**	**(391)**	**(3,329)**	**0**	**(3,720)**

The increase in the caption other intangible assets mainly refer to the brand registration expenses.

4.2. Impairment of intangible assets with an indefinite useful life

The Moncler brand, which has an indefinite useful life, has not been amortized, but has been tested for impairment by management.

The impairment test on the brand was performed by comparing its carrying value with that derived from the discounted cash flow method applying the Royalty Relief Method, based on which the cash flows are linked to the recognition of a royalty percentage applied to the revenues that the brand is able to generate.

For the 2018 measurement, expected cash flows and revenues are based on the 2018-2020 Business Plan approved by the Board of Directors on December 14, 2017, on the 2019 Budget approved by the Board of Directors on December 18, 2018 and on the projection for the years 2020 and 2021 of the main assumptions underlying the two previous documents.

The "g" rate used was 2%.

The discount rate was calculated using the weighted average cost of capital ("WACC"), by weighting the expected rate of return on invested capital, net of hedging costs from a sample of companies within the same industry. The calculation took into account fluctuation in the market as compared to the previous year and the resulting impact on interest rates. The cost of capital (WACC) was calculated at 9.3%.

The results of the sensitivity analysis indicate that the carrying amount of the Moncler brand is in line with the benchmark with a “g” rate = 0% and WACC = 26.7%.

4.3. Property, plant and equipment

Property, plant and equipment (Euro/000)	2018 Gross value	2018 Accumulated depreciation and impairment	2018 Net value	2017 Net value
Land and buildings	0	0	0	0
Plant and Equipment	5	(5)	0	0
Fixtures and fittings	0	0	0	0
Leasehold improvements	4	0	4	0
Other fixed assets	201	(109)	92	3
Assets in progress	61	0	61	57
Total	**271**	**(114)**	**157**	**60**

The changes in property, plant and equipment from for 2018 and 2017 is included in the following tables:

As at December 31, 2018

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2018	**0**	**5**	**0**	**0**	**108**	**57**	**170**
Discontinued operations	0	0	0	0	0	0	0
Acquisitions	0	0	0	4	93	4	101
Disposals	0	0	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0	0	0
December 31, 2018	**0**	**5**	**0**	**4**	**201**	**61**	**271**

Accumulated depreciation (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2018	**0**	**(5)**	**0**	**0**	**(105)**	**0**	**(110)**
Discontinued operations	0	0	0	0	0	0	0
Depreciation	0	0	0	0	(4)	0	(4)
Disposals	0	0	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0	0	0
December 31, 2018	**0**	**(5)**	**0**	**0**	**(109)**	**0**	**(114)**

As at December 31, 2017

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2017	**0**	**5**	**0**	**7**	**138**	**0**	**150**
Discontinued operations	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	2	57	59
Disposals	0	0	0	(7)	(32)	0	(39)
Other movements, including transfers	0	0	0	0	0	0	0
December 31, 2017	**0**	**5**	**0**	**0**	**108**	**57**	**170**

Accumulated depreciation and impairment PPE (Euro/000)	Land and buildings	Plant and Equipment	Fixtures and fittings	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
January 1, 2017	**0**	**(5)**	**0**	**(7)**	**(135)**	**0**	**(147)**
Discontinued operations	0	0	0	0	0	0	0
Depreciation	0	0	0	0	(2)	0	(2)
Disposals	0	0	0	7	32	0	39
Other movements, including transfers	0	0	0	0	0	0	0
December 31, 2017	**0**	**(5)**	**0**	**0**	**(105)**	**0**	**(110)**

4.4. Investments in subsidiaries

Investments in subsidiaries are detailed in the following table:

Investments in subsidiaries		**% ownership**		**Carrying amount**	
(Euro/000)	**Country**	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Industries S.p.A.	Italia	100%	100%	272,524	250,455
Total				**272,524**	**250,455**

Financial information related to the subsidiaries are detailed in the following table:

Summary of subsidiary's financial information	**December 31, 2018**				
(Euro/000)	**Assets**	**Liabilities**	**Net equity**	**Revenues**	**Profit/(Loss)**
Industries S.p.A.	861,779	294,551	567,228	859,310	145,195
Total	**861,779**	**294,551**	**567,228**	**859,310**	**145,195**

Summary of subsidiary's financial information	**December 31, 2017**				
(Euro/000)	**Assets**	**Liabilities**	**Net equity**	**Revenues**	**Profit/(Loss)**
Industries S.p.A.	664,445	258,295	406,150	724,735	75,389
Total	**664,445**	**258,295**	**406,150**	**724,735**	**75,389**

With reference to Industries S.p.A., it should be noted that the investment carrying value includes also the higher value recognized during its acquisition and attributable to the goodwill entirely allocated to Moncler business. At the reporting date, management found that there was no risk of impairment of the carrying amount, however lower than the net equity of the subsidiary, is fully recoverable given the positive performance of Moncler business and the current outlook; these assumptions are also supported by the impairment test performed on the consolidated cash generating unit of the Moncler business described in the consolidated financial statements of the Moncler Group. The increase of the carrying value of the investment arises from the accounting treatment of the stock option plans and performance shares adopted by the Company and described in note 8.2.

Furthermore, the market capitalization of the Company, based on the average price of Moncler share in 2018, shows a positive difference with respect to the net equity, indirectly confirming the value of the goodwill attributable to the Moncler business.

Please refer to the consolidated financial statements for a complete list of the Group companies directly and indirectly controlled by the Company.

4.5. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are offset only when there is a law within a given tax jurisdiction which provides for such right to offset. The balances were as follows as at December 31, 2018 and December 31, 2017:

Deferred taxation (Euro/000)	December 31, 2018	December 31, 2017
Deferred tax assets	460	1,183
Deferred tax liabilities	(64,861)	(64,581)
Net amount	**(64,401)**	**(63,398)**

Changes in deferred tax assets and deferred tax liabilities are detailed in the following table:

Deferred tax assets (liabilities) (Euro/000)	Opening balance - January 1, 2018	Taxes charged to the income statement	Taxes accounted for in Equity	Other movements	Closing balance - December 31, 2018
Employee benefits	26	0	(6)	0	20
Other temporary items	1,157	(716)	0	(1)	440
Tax assets	**1,183**	**(716)**	**(6)**	**(1)**	**460**
Intangible assets	(62,167)	(280)	0	0	(62,447)
Financial assets	(2,414)	0	0	0	(2,414)
Tax liabilities	**(64,581)**	**(280)**	**0**	**0**	**(64,861)**
Net deferred tax assets (liabilities)	**(63,398)**	**(996)**	**(6)**	**(1)**	**(64,401)**

Deferred tax assets (liabilities) (Euro/000)	Opening balance - January 1, 2017	Taxes charged to the income statement	Taxes accounted for in Equity	Other movements	Closing balance - December 31, 2017
Employee benefits	24	0	2	0	26
Other temporary items	1,564	(409)	0	2	1,157
Tax assets	**1,588**	**(409)**	**2**	**2**	**1,183**
Intangible assets	(61,696)	(471)	0	0	(62,167)
Financial assets	(2,414)	0	0	0	(2,414)
Tax liabilities	**(64,110)**	**(471)**	**0**	**0**	**(64,581)**
Net deferred tax assets (liabilities)	**(62,522)**	**(880)**	**2**	**2**	**(63,398)**

The taxable amount on which deferred tax have been calculated is detailed in the following table:

Deferred tax assets (liabilities) (Euro/000)	Taxable Amount 2018	Closing balance - December 31, 2018	Taxable Amount 2017	Closing balance - December 31, 2017
Employee benefits	83	20	111	26
Other temporary items	1,832	440	4,428	1,157
Tax assets	**1,915**	**460**	**4,539**	**1,183**
Intangible assets	(223,818)	(62,447)	(222,816)	(62,167)
Financial assets	(10,064)	(2,414)	(10,064)	(2,414)
Tax liabilities	**(233,882)**	**(64,861)**	**(232,880)**	**(64,581)**
Net deferred tax assets (liabilities)	**(231,967)**	**(64,401)**	**(228,341)**	**(63,398)**

The caption other temporary items mainly refers to the costs incurred for the listing process and to the Directors' remunerations.

4.6. Trade receivables

Trade receivables (Euro/000)	December 31, 2018	December 31, 2017
Trade receivables, third parties	511	669
Trade receivables, intra-group	54,300	45,452
Provision for impairment	0	(7)
Total, net value	**54,811**	**46,114**

Trade receivables are originated from the marketing and communication operations of the Company related to the brand development and Group operations and are mostly considered intercompany transactions.

There are no trade receivables with a due date greater than five years. There is no difference between the book value and the fair value of trade receivables.

Trade receivables from Group companies mainly related to the receivable from the subsidiary Industries S.p.A. resulting from the royalties for the use of the Moncler trademark and management fees.

4.7. Cash and cash equivalents

As at December 31, 2018, the caption cash on hand and in bank amounts to Euro 1,300 thousand (Euro 1,330 thousand as at December 31, 2017) and includes funds available in banks. Please refer to the statement of cash flows for further information related to cash fluctuation.

Cash and cash equivalents included in the Statement of cash flow (Euro/000)	December 31, 2018	December 31, 2017
Cash in hand and at the bank	1,300	1,330
Total	**1,300**	**1,330**

4.8. Intra-group financial receivables

The item intra-group financial receivables, equal to Euro 9,798 thousand, refers to the correspondent account with the subsidiary Industries S.p.A.

4.9. Other current and non-current assets

Other current assets (Euro/000)	December 31, 2018	December 31, 2017
Advances on account to vendors	30	1,231
Prepaid expenses	107	237
Tax receivables excluding income taxes	1,436	1,266
Other current assets	9	5
Other current assets, intra-group	7,513	0
Total other current assets	**9,095**	**2,739**
Security / guarantees deposits	17	17
Other non-current assets	**17**	**17**
Total	**9,112**	**2,756**

The caption other current taxes consists mainly of the receivable due from the tax authority related to IRES receivable for personnel expenses not deducted for IRAP purposes as well as the VAT receivable.

The caption other current assets, intra-group includes mainly amounts related to the fiscal consolidation.

Deposits are mostly related to the amounts paid on behalf of the lessee as a guarantee to the lease agreement.

There are no differences between the amounts included in the consolidated financial statements and their fair values.

4.10. Trade payables

As at December 31, 2018, the caption trade payables pertains mostly to marketing and communication services.

Trade payables (Euro/000)	December 31, 2018	December 31, 2017
Trade payables, third parties	17,412	20,529
Trade payables, intra-group	2,288	348
Total	**19,700**	**20,877**

Details of the transactions with subsidiaries are provided in the note 8.1 on related parties.

4.11. Other current liabilities

As at December 31, 2018, the caption other current liabilities included the following:

Other current liabilities (Euro/000)	December 31, 2018	December 31, 2017
Directors and audit related payables	2,156	2,219
Amounts payable to employees and consultants	2,169	1,834
Employees taxation payables	644	1,000
Other current liabilities	655	420
Other current liabilities, intra-group	0	2,529
Total	**5,624**	**8,002**

As at December 31, 2017 the caption other current liabilities, intra-group mainly included the amounts related to the fiscal consolidation. For additional information please see note 8.1.

4.12. Pension fund (TFR)

As at December 31, 2018, the caption includes the employee pension fund as detailed in the following table:

Employees pension funds - movements (Euro/000)	December 31, 2018	December 31, 2017
Net recognized liability - opening	822	658
Interest costs	12	29
Service costs	236	236
Payments	(68)	(67)
Actuarial (Gains)/Losses	(7)	(34)
Net recognized liability - closing	**995**	**822**

The actuarial valuation of employee termination benefits (TFR) is based on the Projected Unit Credit Cost method. Reported below are the main economic and demographic assumptions utilised for actuarial valuations.

Assumptions	
Discount rate	1.57%
Inflation rate	1.50%
Nominal rate of wage growth	1.50%
Labour turnover rate	6.60%
Probability of request of advances of TFR	3.00%
Percentage required in case of advance	70.00%
Life Table - Male	M2017 (*)
Life Table - Female	F2017 (*)

(*) Table ISTAT - resident population

The following table shows the effect of variations, within reasonable limits, in key actuarial assumptions on defined benefit plan obligations at year end.

Sensitivity analysis (Euro/000)	**Variation**
Discount rate +0,5%	(54)
Discount rate -0,5%	59
Rate of payments Increases x (+0,5%)	(4)
Rate of payments Increases x (-0,5%)	5
Rate of Price Inflation Increases (+0,5%)	45
Rate of Price Inflation Decreases (-0,5%)	(42)
Rate of Salary Increases (+0,5%)	23
Rate of Salary Decreases (-0,5%)	(22)
Increase the retirement age (+1 year)	3
Decrease the retirement age (-1 year)	(3)
Increase longevity (+1 year)	0
Decrease longevity (-1 year)	(0)

4.13. Due to banks and financial debt

Borrowings **(Euro/000)**	**December 31, 2018**	**December 31, 2017**
Short-term loans	84	0
Short-term borrowings	**84**	**0**
Long-term borrowings	**0**	**0**
Total	**84**	**0**

The caption short-term loans refers to debt for the financial leasing of movable property.

4.14. Tax assets and liabilities

Tax liabilities amounted to Euro 6,763 thousand as at December 31, 2018, net of current tax assets (Euro 1,260 as at December 31, 2017). The balance pertains to IRES and IRAP payable.

Tax assets at December 31, 2017 (Euro 35,226) mainly referred to the recognition of a tax credit, equal to Euro 34 million, relative to the agreement signed with the Italian Revenue Agency in December 2017 to access the Patent Box tax relief.

4.15. Shareholders’ equity

As at December 31, 2018 the subscribed share capital constitute by 255,820,124 shares was fully paid and amounted to Euro 51,164,024.80 with a nominal value of Euro 0.20 per share.

Changes in shareholders' equity for 2018 and the comparative period are included in the consolidated statements of changes in equity.

During 2018, the Company purchased a total of 4,100,000 treasury shares, equal to 1.6% of the share capital, for a total value of Euro 148,573 thousand. As at December 31, 2018, 6,100,000, treasury shares were held, equal to 2.4% of the share capital, for a total value of Euro 182,703 thousand.

The increase of the share capital and the share premium reserve arises from the exercise of n. 6,683 vested options (for the same number of shares) in relation to the stock option plan approved by the shareholders meeting of Moncler S.p.A. dated February 28, 2014 at the exercise price of Euro 10.20 per share and from the exercise of n. 1,034,700 vested options (for the same numbers of shares) in relation to the stock option plan approved by the shareholders meeting on April 23, 2015 at the exercise price of Euro 16.34 per share.

The other changes in shareholders' equity result from the accounting treatment of stock option and performance share plans.

The change in retained earnings mainly relates to the payment of dividends to shareholders and to the treasury shares purchase.

In 2018 the Company distributed dividends to the shareholders for an amount of Euro 70,464 thousand (Euro 45,491 thousand in 2017).

The following table includes details about how the shareholders reserve should be used:

Information on reserves

(Euro)	Amount	Possible use	Available amount	Non-available amount	Amounts used in the previous 3 years to hedge losses	Amounts used in the previous 3 years for other reason
Share capital	51,164,025	-	-	51,164,025	-	-
Reserves:						
Legal reserve	10,300,000	B	-	10,300,000	-	-
Share premium	171,593,981	A, B, C	171,593,981(*)	-	-	-
OCI Reserve	(108,075)	-	-	(108,075)	-	-
IFRS 2 Reserve	79,102,013	A, B, C	79,102,013	-	-	-
Retained earnings	25,078,791	A, B, C	24,970,716	108,075	-	110,386,799
Total share capital and reserves	**337,130,735**		**275,666,710**	**61,464,025**	**-**	**110,386,799**
Non distributable amount			**12,261**			
Distributable remaining amount			**275,654,449**			

Explanation: A share capital increase - B hedge of losses - C distribution to the shareholders

(*) Share premium reserve entirely available after allocating to legal reserve up to 20% of the share capital

The caption OCI ("Other Comprehensive Income") reserve includes the actuarial risks related to the employee pension fund.

Changes in that reserve is as follows:

Other comprehensive income	Employees pension fund - actuarial valuation			Fair value IRS		
(Euro/000)	Value before tax effect	Tax effect	Value after tax effect	Value before tax effect	Tax effect	Value after tax effect
Reserve as at January 1, 2017	**(172)**	**27**	**(145)**	**0**	**0**	**0**
Reclassification to Other reserves	0	0	0	0	0	0
Changes in the period	34	2	36	0	0	0
Translation differences of the period	0	0	0	0	0	0
Reversal in the income statement of the period	0	0	0	0	0	0
Reserve as at December 31, 2017	**(138)**	**29**	**(109)**	**0**	**0**	**0**
Reserve as at January 1, 2018	**(138)**	**29**	**(109)**	**0**	**0**	**0**
Reclassification to Other reserves	0	0	0	0	0	0
Changes in the period	7	(6)	1	0	0	0
Translation differences of the period	0	0	0	0	0	0
Reversal in the income statement of the period	0	0	0	0	0	0
Reserve as at December 31, 2018	**(131)**	**23**	**(108)**	**0**	**0**	**0**

5. COMMITMENTS AND GUARANTEES GIVEN

5.1 Commitments

The Company's commitments pertain mostly to lease agreements related to offices, apartments and cars.

The amount of lease payments still due as at December 31, 2018 for operating leases is Euro 522 thousand and it has been identified in accordance with the outcome of the analyses carried out for the purposes of the future application of IFRS 16, in the absence of discounting effects.

5.2 Guarantees given

As at the date of the financial statements, the Company had no guarantees toward the Group companies nor third parties.

6. CONTINGENT LIABILITY

The Company is subject to risks which may arise during the performance of its ordinary activities. Based on information available to date, management believes that there currently are no contingent liability that need to be accrued in the financial statements.

7. INFORMATION ABOUT FINANCIAL RISKS

The Company's financial instruments include cash and cash equivalents, loans, receivables and trade payables and other current receivables and payables and non-current assets as well as derivatives.

The Company is mostly exposed to interest rate risk, liquidity risk and capital risk.

7.1 Market risk

Exchange rate risk

The Company operated mostly with companies in Euro and, as such, the exposure to exchange rate risk was limited. As at December 31, 2018, a small portion of the Company's assets and liabilities (i.e. trade receivables and payables) denominated in a currency different from its functional currency.

Interest rate risk

The Company's exposure to interest rate risk is connected mostly to changes in interest rates relate to outstanding loans.

As at December 31, 2018 the Company has no bank loans and therefore there are no interest rate hedges, consequently any changes in interest rates at the year-end date would not have significant effects on the result of the year.

The Company is not exposed to changes in currency interest rates.

7.2 Credit risk

The Company has no significant concentrations of credit risk with companies that are not part of the Group. The maximum exposure to credit risk is represented by the amount reported in the financial statements.

As far as the credit risk arising from other financial assets other than trade receivables (including cash and short-term bank deposits) is concerned, the credit risk for the Company arises from default of the counterparty with a maximum exposure equal to the carrying amount of financial assets recorded in the financial statements.

7.3 Liquidity risk

Liquidity risk arises from the ability to obtain financial resources at a sustainable cost in order for the Group to conduct its daily business operations. The factors that influence this risk are related to the resources generated/absorbed by operating activities, by investing and financing activities and by availability of funds in the financial market.

Management believes that the financial resources available today, along with those that are generated by the current operations will enable the Company to achieve its objectives and to meet its investment needs and the repayment of its debt at the agreed upon maturity date.

As at December 31, 2018 there are no financial liabilities.

7.4 Operating and capital management risks

In the management of operating risk, the Company's main objective is to manage the risks associated with the development of business in foreign markets that are subject to specific laws and regulations.

The Group has implemented guidelines in the following areas:

- appropriate level of segregation of duties;
- reconciliation and constant monitoring of significant transactions;
- documentation of controls and procedures;
- technical and professional training of employees;
- periodic assessment of corporate risks and identification of corrective actions.

As far as the capital management risk is concerned, the Company's objectives are aimed at the going concern issue in order to ensure a fair economic return to shareholders and other stakeholders while maintaining a good rating in the capital debt market. The Company manages its capital structure and makes adjustments in line with changes in general economic conditions and with the strategic objectives.

8. OTHER INFORMATION

8.1 Related-party transactions

Set out below are the transactions with related parties deemed relevant for the purposes of the "Related-party procedure" adopted by the Group.

The "Related-party procedure" is available on the Company's website (www.monclergroup.com, under "Governance/Corporate documents").

Transactions with subsidiaries are of a commercial nature and are conducted at market conditions similar to those conducted with third parties and are detailed as follows:

Intercompany balances	December 31, 2018		
(Euro/000)	Receivables	Payables	Net value
Industries S.p.A.	71,611	(1,972)	69,639
Moncler USA Inc.	0	(150)	(150)
Moncler USA Retail Llc	0	(7)	(7)
Moncler Shinsegae Inc.	0	(159)	(159)
Total	**71,611**	**(2,288)**	**69,323**

Intercompany transactions (Euro/000)	2018 Revenues	Expenses/Other revenues net	Net value
Industries S.p.A.	236,807	(2,039)	234,768
Moncler USA Inc.	0	(49)	(49)
Moncler USA Retail Llc	0	(6)	(6)
Moncler Shinsegae Inc.	0	(2)	(2)
Total	**236,807**	**(2,096)**	**234,711**

Moncler S.p.A. granted to the subsidiary Industries S.p.A. a license to use the Moncler brand. Based on the license agreement, the Company is remunerated through payments of royalties.

The total amount of royalties and consulting fees for fiscal year 2018 amounted to Euro 236.8 million (Euro 199.2 million in 2017).

In addition, the Company has entered into a legal, fiscal and administrative consulting agreement with Industries S.p.A.

Please note that Moncler S.p.A. is part of the Group's fiscal consolidation and is responsible for taxes payable and the related interests associated with taxable income of Industries S.p.A.

Compensation paid of the members of the Board of Directors in 2018 are Euro 4,215 thousand (Euro 4,215 thousand in 2017).

Compensation paid of the members of the Board of Auditors in 2018 are Euro 142 thousand (same amount in 2017).

In 2018 the costs relating to stock option plans and performance shares (described in note 8.2) referring to members of the Board of Directors amount to Euro 4,832 thousand (Euro 4,116 thousand in 2017).

There are no other related-party transaction.

The following tables summarize the afore-mentioned related-party transactions that took place during 2018 and the prior year:

(Euro/000)	Type of relationship	Note	December 31, 2018	%	December 31, 2017	%
Industries S.p.A.	*Trade transactions*	*c*	236,807	99.7%	199,217	99.6%
Industries S.p.A.	*Trade transactions*	*b*	(1,974)	2.7%	(60)	0.1%
Industries S.p.A.	*Interest income on correspondence current account*	*d*	75	93.8%	35	17.6%
Industries S.p.A.	*Interest expense on financing agreement*	*a*	(140)	47.9%	0	0.0%
Moncler France S.a.r.l.	*Trade transactions*	*b*	0	0.0%	(1)	0.0%
Moncler USA Inc.	*Trade transactions*	*b*	(49)	0.1%	(4)	0.0%
Moncler USA Retail Llc	*Trade transactions*	*b*	(6)	0.0%	0	0.0%
Moncler Shinsegae Inc.	*Trade transactions*	*b*	(2)	0.0%	(21)	0.0%
Moncler Shanghai Commercial Ltd	*Trade transactions*	*b*	0	0.0%	(2)	0.0%
Directors and board of statutory auditors	*Labour services*	*b*	(4,358)	5.9%	(4,357)	7.1%
Directors and board of statutory auditors	*Labour services*	*b*	(4,832)	6.6%	(4,116)	6.7%
Total			**225,521**		**190,691**	

a- % calculated based on total financial costs
b- % calculated on operating costs
c- % calculated on revenues
d- % calculated based on total financial income

(Euro/000)	Type of relationship	Note	December 31, 2018	%	December 31, 2017	%
Industries S.p.A.	*Trade payables*	*b*	(1,972)	10.0%	(90)	0.4%
Industries S.p.A.	*Financial receivables*	*f*	9,798	100.0%	42,456	100.0%
Industries S.p.A.	*Debt from fiscal consolidation*	*d*	0	0.0%	(2,529)	31.6%
Industries S.p.A.	*Trade receivables*	*c*	54,300	99.1%	44,836	97.2%
Industries S.p.A.	*Credit from fiscal consolidation*	*e*	7,513	82.6%	0	0.0%
Moncler USA Retail Llc	*Trade receivables*	*c*	0	0.0%	602	1.3%
Moncler USA Retail Llc	*Trade payables*	*b*	(7)	0.0%	0	0.0%
Industries Yield S.r.l.	*Trade receivables*	*c*	0	0.0%	5	0.0%
Moncler Suisse Sa	*Trade receivables*	*c*	0	0.0%	1	0.0%
Moncler France S.a.r.l.	*Trade payables*	*b*	0	0.0%	(6)	0.0%
Moncler USA Inc.	*Trade receivables*	*c*	0	0.0%	6	0.0%
Moncler USA Inc.	*Trade payables*	*b*	(150)	0.8%	(95)	0.5%
Moncler Shinsegae Inc.	*Trade payables*	*b*	(159)	0.8%	(157)	0.8%
Moncler Japan Corporation	*Trade payables*	*c*	0	0.0%	2	0.0%
Directors and board of statutory auditors	*Other current liabilities*	*d*	(2,156)	38.3%	(2,219)	27.7%
Total			**67,167**		**82,812**	

a effect in % based on total financial debt
b effect in % based on trade payables
c effect in % based on trade receivables
d effect in % based on other current liabilities
e effect in % based on other current assets
f effect in % based on total financial receivables

The following tables summarize the weight of related-party transactions on the financial statements as at and for the years ended December 31, 2018 and 2017:

(Euro/000)	December 31, 2018									
	Revenues	Operating expenses	Financial expenses	Financial income	Trade receivables	Other current assets	Trade payables	Other payables, current	Total financial debt	Total financial receivables
Total related parties	236,807	(11,221)	(140)	75	54,300	7,513	(2,288)	(2,156)	0	9,798
Total financial statement	237,565	(73,728)	(292)	80	54,811	9,095	(19,700)	(5,624)	(84)	9,798
weight %	**99.7%**	**15.2%**	**47.9%**	**93.8%**	**99.1%**	**82.6%**	**11.6%**	**38.3%**	**0.0%**	**100.0%**

(Euro/000)	December 31, 2017									
	Revenues	Operating expenses	Financial expenses	Financial income	Trade receivables	Other current assets	Trade payables	Other payables, current	Total financial debt	Total financial receivables
Total related parties	199,217	(8,561)	0	35	45,452	0	(348)	(4,748)	0	42,456
Total financial statement	199,951	(61,763)	(238)	199	46,114	2,739	(20,877)	(8,002)	0	42,456
weight %	**99.6%**	**13.9%**	**0.0%**	**17.6%**	**98.6%**	**0.0%**	**1.7%**	**59.3%**	**0.0%**	**100.0%**

8.2 Stock option plans

The Financial Statements at December 31, 2018 reflects the values of the Stock Option Plans approved in 2014 and 2015 and of the Performance Share Plan approved in 2016 and the Performance Share Plan approved in 2018.

With regard to “Top Management and Key People” and “Corporate Structure” stock option plans approved in 2014, please note that:

- The vesting period ended with the approval of the consolidated financial statements as at December 31, 2016. The exercise of the options granted was on condition that the specific performance goals related to Group’s consolidated EBITDA were achieved. Please note that these performance goals have been achieved.
- The exercise price of the options is equal to Euro 10.20 and allows for the subscription of shares in the ratio of one ordinary share for every option exercised;
- The net equity increase following the exercise of the vested options of the plans amounted to Euro 68 thousand; there is no effect on the income statement of the year 2018.
- During the year 2018, 6,683 options were exercised; as at December 31, 2018, there are no more options in circulation.

With regard to stock option plan approved in 2015, please note that:

- The 2015 Plan provided for a vesting period which ended with the approval of the consolidated financial statements as at December 31, 2017. The exercise of the options granted was on condition that the specific performance goals related to Group’s consolidated EBITDA were achieved. Please note that these performance goals have been achieved;
- The options can be exercised within June 30, 2020 at the latest;
- The exercise price of the options is equal to Euro 16.34 and allows for the subscription of shares in the ratio of one ordinary share for every option exercised;
- The fair value of 2015 Plan was estimated at the grant date using the Black-Scholes method, based on the following assumptions:
    - o share price at the grant date of the options Euro 16.34;

  - o estimated life of options equal to the period from the grant date to the following estimated exercise: May 31, 2019;
  - o dividend yield 1%;
  - o fair value per tranches Euro 3.2877.

- The effect on the income statement of 2018 amounts to Euro 8 thousand, while the increase of the net equity for the exercise of the vested options of the Plan amounts to Euro 16,907 thousand.
- As at December 31, 2018 110,300 options are still in circulation, after that, during the year 2018, 1,034,700 options were exercised. With reference to Moncler S.p.A., as at December 31, 2018 there are no more options in circulation.

On April 20, 2016, the shareholders' meeting of Moncler approved the adoption of a stock grant plan entitled "2016-2018 Performance Shares Plan" ("2016 Plan") addressed to Executive Directors and/or Key Managers, and/or employees, and/or collaborators, and/or external consultants of Moncler S.p.A. and of its subsidiaries, which have strategically relevant roles or are otherwise capable of making a significant contribution, with a view to pursuing Group's strategic objectives.

The object of the Plan is the free granting of the Moncler shares in case certain performance targets are achieved at the end of the vesting period of 3 years.

The performance targets are expressed base on the earning per share index ("EPS") of the Group in the vesting period, adjusted by the conditions of over/under performance.

The proposed maximum number of shares serving the Plan is equal to No. 3,800,000 resulting from a capital increase and/or from the allocation of treasury shares.

The Plan provides for a maximum of 3 cycles of attribution; the first attribution cycle, approved during 2016, ended with the assignment of 2,856,000 Moncler Rights, the second attribution cycle approved on June 29, 2017 assigned 365,500 Moncler Rights.

As at December 31, 2018 there are still in circulation 2,576,000 rights related to the first cycle of attribution and 341,500 rights related to the second cycle of attribution. With reference to Moncler S.p.A., as at December 31, 2018 there are still in circulation 725,500 rights related to the first cycle of attribution and 76,000 rights related to the second cycle of attribution.

The effect on the income statement on the year 2018 amounted to Euro 5,068 thousand.

On April 16, 2018 the Shareholders' meeting of Moncler approved the adoption of a stock grant plan entitled "2018-2020 Performance Shares Plan" ("2018 Plan") addressed to Executive Directors and/or Key Managers, and/or employees, and/or collaborators, and/or external consultants of Moncler S.p.A. and of its subsidiaries, which have strategically relevant roles or are otherwise capable of making a significant contribution, with a view of pursuing the Group's strategic objectives.

The object of the Plan is the free granting of the Moncler shares in case certain performance targets are achieved at the end of the vesting period of 3 years.

The performance targets are expressed base on the earning per share index (“EPS”) of the Group in the vesting period, adjusted by the conditions of over/under performance.

The proposed maximum number of shares serving the Plan is equal to n. 2,800,000 resulting from the allocation of treasury shares.

The Plan provides for a maximum of 3 cycles of attribution; the first attribution cycle, approved during 2018, ended with the assignment of 1,365,531 Moncler Rights.

As at December 31, 2018 there are still in circulation 1,358,429 rights related to the first cycle of attribution. With reference to Moncler S.p.A., as at December 31, 2018 there are still in circulation 290,139 rights related to the first cycle of attribution.

The effect on the income statement on the year 2018 amounted to Euro 2,140 thousand.

As stated by IFRS 2, these plans are defined as Equity Settled.

For information regarding the plan, please see the company's website, www.monclergroup.com, in the "Governance/Shareholders’ Meeting" section.

8.3 Significant non-recurring events and transactions

On May 4, 2018, Moncler Board of Directors, putting into effect the resolutions adopted by the Shareholders’ Meeting of April 16, 2018, resolved to implement the stock grant plan denominated “2018-2020 Performance Shares Plan” approved by that Shareholders’ Meeting and, as a consequence, approved the plan’s implementation regulation and resolved the granting of 1,365,531 shares to 99 beneficiaries, including also Executive Directors and Key Managers of the Group.

The description of the incentive loyalty plans and the related costs are included in note 8.2.

8.4 Atypical and/or unusual transactions

It should be noted that during 2018 the Company did not enter into any atypical and/or unusual transactions.

8.5 Financial instruments

The following table shows the carrying amount and fair values of financial assets and financial

liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(Euro/000) December 31, 2018	Current	Non-current	Fair value	Level
Financial assets measured at fair value				
Interest rate swap used for hedging	-	-	-	
Forward exchange contracts used for hedging	-	-	-	2
Sub-total	-	-	-	
Financial assets not measured at fair value				
Trade and other receivables (*)	54,820	-		
Cash and cash equivalents (*)	1,300	-		
Financial receivables (*)	9,798			
Sub-total	65,917	-	-	
Total	**65,917**	-	-	

(Euro/000) December 31, 2017	Current	Non-current	Fair value	Level
Financial assets measured at fair value				
Interest rate swap used for hedging	-	-	-	
Forward exchange contracts used for hedging	-	-	-	
Sub-total	-	-	-	
Financial assets not measured at fair value				
Trade and other receivables (*)	46,119	-		
Cash and cash equivalents (*)	1,330	-		
Financial receivables (*)	42,456			
Sub-total	89,905	-	-	
Total	**89,905**	-	-	

(Euro/000) December 31, 2018	Current	Non-current	Fair value	Level
Financial liabilities measured at fair value				
Interest rate swap used for hedging	-	-	-	2
Forward exchange contracts used for hedging	-	-	-	2
Other financial liabilities	-	-	-	3
Sub-total	-	-	-	
Financial liabilities not measured at fair value				
Trade and other payables (*)	(20,355)	-		
Bank overdrafts (*)	-	-		
Short-term bank loans (*)	-	-		
Bank loans (*)	(84)	-		
Sub-total	(20,439)	-	-	
Total	**(20,439)**	-	-	

(Euro/000) December 31, 2017	Current	Non-current	Fair value	Level
Financial liabilities measured at fair value				
Interest rate swap used for hedging	-	-	-	2
Forward exchange contracts used for hedging	-	-	-	2
Other financial liabilities	-	-	-	3
Sub-total	-	-	-	
Financial liabilities not measured at fair value				
Trade and other payables (*)	(21,297)	-		
Bank overdrafts (*)	-	-		
Short-term bank loans (*)	-	-		
Bank loans (*)	-	-		
Sub-total	(21,297)	-	-	
Total	**(21,297)**	-	-	

(*) Such items refer to short-term financial assets and financial liabilities whose carrying value is a reasonable approximation of fair value, which was therefore not disclosed.

8.6 Fees paid to independent auditors

Fees paid to independent auditors are summarized below:

Audit and attestation services (Euro)	Entity that has provided the service	Fees 2018
Audit	KPMG S.p.A.	156,246
	Network KPMG S.p.A.	-
Attestation services	KPMG S.p.A.	36,670
	Network KPMG S.p.A.	2,500
Other services	KPMG S.p.A.	53,531
	Network KPMG S.p.A.	-
Total		**248,947**

8.7 Disclosure pursuant to Italian law n. 124/2017

Pursuant to the requirements of Law no. 124/2017, in 2018 the company Moncler S.p.A. benefited from Euro 3,957 thousand in tax credit relating to research and development for the years 2015, 2016 and 2017.

For the purposes of the above requirements and with regard to any other grants received falling among the cases provided for, reference is also made to the specific Italian national register, which can be consulted by the public.

9. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 16 January 2019, Moncler launched a share buyback program for a maximum of 1,000,000 ordinary shares, equal to 0.4% of share capital, in accordance with the resolution of the Shareholders' Meeting of 16 April 2018. As of that date, Moncler held 6,100,000 Moncler S.p.A.

ordinary shares. In implementation of the program completed on 20 February 2019, Moncler held 6,598,603 treasury shares (equal to 2.6% of Moncler share capital).

10. MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE RESULT FOR THE YEAR ENDED DECEMBER 31, 2018

In conclusion to these explanatory notes, we invite you to approve the Moncler S.p.A.'s stand alone financial statements.

We recommend that you approve the distribution of a gross dividend of Euro 0.40 per ordinary share, payable out of the net income of the 2018 fiscal year totaling Euro 138,742,201.

The total amount to distribute as dividends, having taken into consideration the number of shares issued as at December 31, 2018 (n. 249,720,124) net of the shares which are directly owned by the Company (No. 6,100,000) is equal to Euro 100 million.

It must be noted that the above-mentioned amounts are subject to changes due to the potential issue of new shares, following the exercise of stock based compensation plans.

***

The financial statements, comprised of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and explanatory notes to the financial statements give a true and fair view of the financial position and the results of operations and cash flows and corresponds to the Company's accounting records.

On behalf of the Board of Directors

Remo Ruffini

Chairman and Chief Executive Officer

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF LEGISLATIVE DECREE NO. 58/98

1. The undersigned, Remo Ruffini, in his capacity as the Chief Executive Officer of the Company, and Luciano Santel, as the executive officer responsible for the preparation of Moncler S.p.A.'s financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure
- and the effective application

of the administrative and accounting procedures applied in the preparation of the Company's consolidated financial statements at 31 December 2018.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2018 was based on a process defined by Moncler S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the consolidated financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002
b) correspond to the amounts shown in the Company's accounts, books and records; and
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 31 December 2018 and for the year then ended.

3.2 the director's report includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

February 28, 2019

CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Remo Ruffini

EXECUTIVE OFFICER RESPONSIBLE FOR FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS

Luciano Santel

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Moncler S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Moncler Group (the "group"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Moncler Group as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Moncler S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill and the Moncler trademark

Notes to the consolidated financial statements: paragraphs 5.1 "Goodwill, brands and other intangible assets" and 5.2 "Impairment of intangible assets with an indefinite useful life and goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include the Moncler trademark (the "trademark") with a carrying amount of €224 million, which is an intangible asset with an indefinite useful life, and goodwill of €156 million. At least annually, at the reporting date, the group checks the recoverable amount of the trademark and goodwill. It calculates the recoverable amount of the trademark and goodwill by estimating its value in use, using a method that discounts its expected cash flows. Specifically, with reference to the trademark, it used the royalty relief method. These methods require a high level of directors' judgement about: ▪ the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for the last few years and the projected growth rates; ▪ the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the trademark and goodwill is a key audit matter.	Our audit procedures, which also involved our own specialists, included: ▪ understanding the process adopted to prepare the impairment test; ▪ understanding the process adopted for preparing the 2018-20 business plan approved by the parent's board of directors on 14 December 2017, updated on the basis of the 2019 budget approved by the board of directors on 18 December 2018 and supplemented by the 2020 and 2021 expected cash flows deriving from the projections of the key assumptions used to prepare such documents, as part of which the expected cash flows used for impairment testing have been inferred; ▪ analysing the main assumptions used by the directors in estimating the expected cash flows, including the analysis of any discrepancies between the previous year business plans' figures and actual figures; ▪ analysing the reasonableness of the impairment testing model and the key assumptions used by the directors to determine the recoverable amount of the trademark and goodwill; ▪ checking the sensitivity analyses presented in the notes with reference to the key assumptions used for impairment testing, including the interest and perpetual growth rates; ▪ assessing the appropriateness of the disclosures provided in the notes about the trademark and

	goodwill and related impairment tests.

Measurement of inventories

Notes to the consolidated financial statements: paragraph 5.5 "Inventory"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include inventories of €173 million, net of the allowance for inventory write-down of €104 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the group's business segment; — the sales' seasonality; — the price policies adopted and the distribution channels' selling ability. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — checking changes in inventories during the year, considering their expected life cycle based on their age and analysing the historical sales and profitability figures by season; — analysing documents and discussing the assumptions adopted to calculate the allowance for inventory write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how goods will be sold; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 1 October 2013, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Moncler S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Treviso, 25 March 2019

KPMG S.p.A.

(signed on the original)

Francesco Masetto
Director of Audit

ATTESTATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF LEGISLATIVE DECREE NO. 58/98

1. The undersigned, Remo Ruffini, in his capacity as the Chief Executive Officer of the Company, and Luciano Santel, as the executive officer responsible for the preparation of Moncler S.p.A.'s financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest:

- the adequacy with respect to the Company structure
- and the effective application

of the administrative and accounting procedures applied in the preparation of the Company's separate financial statements at 31 December 2018.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the separate financial statements at 31 December 2018 was based on a process defined by Moncler S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the separate financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002
b) correspond to the amounts shown in the Company's accounts, books and records; and
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of 31 December 2018 and for the year then ended.

3.2 the director's report includes a reliable operating and financial review of the Company, as well as a description of the main risks and uncertainties to which they are exposed.

February 28, 2019

CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER	EXECUTIVE OFFICER RESPONSIBLE FOR FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS
Remo Ruffini	Luciano Santel

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Moncler S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Moncler S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Moncler S.p.A. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the Moncler trademark

Notes to the separate financial statements: paragraphs 4.1 "Brands and other intangible assets" and 4.2 "Impairment of intangible assets with an indefinite useful life"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2018 include the Moncler trademark (the "trademark") with a carrying amount of €224 million, which is an intangible asset with an indefinite useful life. At least annually, at the reporting date, the company checks the recoverable amount of the trademark. It calculates the recoverable amount of the trademark by estimating its value in use, using a method that discounts its expected cash flows. Specifically, it used the royalty relief method. This method requires a high level of directors' judgement about: ▪ the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for the last few years and the projected growth rates; ▪ the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the trademark is a key audit matter.	Our audit procedures, which also involved our own specialists, included: ▪ understanding the process adopted to prepare the impairment test; ▪ understanding the process adopted for preparing the 2018-20 business plan approved by the company's board of directors on 14 December 2017, updated on the basis of the 2019 budget approved by the board of directors on 18 December 2018 and supplemented by the 2020 and 2021 expected cash flows deriving from the projections of the key assumptions used to prepare such documents, as part of which the expected cash flows used for impairment testing have been inferred; ▪ analysing the main assumptions used by the directors in estimating the expected cash flows, including the analysis of any discrepancies between the previous year business plans' figures and actual figures; ▪ analysing the reasonableness of the impairment testing model and the key assumptions used by the directors to determine the recoverable amount of the trademark; ▪ checking the sensitivity analyses presented in the notes with reference to the key assumptions used for impairment testing, including the interest and perpetual growth rates; ▪ assessing the appropriateness of the disclosures provided in the

	notes about the trademark and related impairment test.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 1 October 2013, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Moncler S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Treviso, 25 March 2019

KPMG S.p.A.

(signed on the original)

Francesco Masetto
Director of Audit

MONCLER S.p.A.

Share Capital Euro 51,164,024.80 wholly paid

Registered office: via Stendhal, 47, Milan

Milan Register of Companies and Tax Number 04642290961

REA/Business Register: 1763158

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REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' GENERAL MEETING

In terms of Article 153 of Legislative Decree no.58 of 24 February, 1998

Dear Shareholders,

this report, prepared in accordance with Article 153 of Legislative Decree no. 58/1998 (hereinafter, also "T.U.F." – the Consolidated Finance Act), refers to the work performed by the Board of Statutory Auditors (the "Statutory Auditors") of Moncler S.p.A. (hereinafter "Moncler" or the "Company ") in the year ended 31 December 2018. During the year, the Board of Statutory Auditors met eleven times, attended five meetings of the Risk Control and Sustainability Committee and three meetings of the Appointments and Remuneration Committee; it also took part in five meetings of the Board of Directors. During its meetings, it met with the statutory auditors of the subsidiary companies and the Supervisory Board pursuant to Legislative Decree 231/2001.

1. Supervision of compliance with the law and the articles of association

Also by attending Board of Directors' meetings, the Board of Statutory Auditors regularly obtained from the Directors information on the Company's activities and on operations with a significant income statement, balance sheet and cash flow impact approved and carried out during the year by the Company and the Group companies, also in terms of Article 150 of the T.U.F. , paragraph 1. On the basis of available information, the Board of Statutory Auditors can provide reasonable assurance that these operations were compliant with the law and the articles of association and were not clearly imprudent, risky, in breach of General Meeting resolutions or such as to compromise the Company's assets. Furthermore, operations involving a potential conflict of interests took place in accordance with the law, regulatory requirements and the Articles of Association.

We highlight some of the main events during the year as follows:

- Signature by subsidiary Industries S.p.A., licensee of the Moncler brand, of an agreement with the Italian Tax Authorities regarding the beneficial tax regime provided for by the Patent Box. The benefit refers to the five-year period 2015-2019 and the related amount of Euro 31 million has been recognised in full in the 2018 financial statements;
- Changes to the stylistic and communications sector regarding the implementation of "*Moncler Genius*" which involves the presentation of eight collections by eight different stylists for a totally new form of interaction with the customer base;
- The acquisition by the local partner and shareholder of the investment held in Moncler Japan Corporation in relation to the annual portion of 9% in implementation of the agreement reached in 2017. This agreement provides for payment of a price determined in proportion to the Shareholders' Equity of the Japanese company at the end of each year, from 2018 until 2024;
- The allocation of 1,365,531 shares to 99 of the Group's Executive Directors and key managers in implementation of the *Performance Share* 2018-2020 plan;
- The launch of a treasury shares buyback program as approved by the General Meeting of 20.04.2017 (in respect of 0.8% of share capital) and by the General Meeting of 16.04.2018 (in respect of 0.8% of share

capital). Moncler possesses 6,100,000 treasury shares.

2. Supervision of compliance with principles of proper business management and presence of an appropriate organisational structure

The Board of Statutory Auditors obtained information about and supervised the organisational structure, compliance with principles of proper business management and the adequacy of the instructions given by the Company to its subsidiaries in terms of Article 114, paragraph 2, of the T.U.F.

We did not note any issues based on a review of the annual reports issued by the respective Boards of Statutory Auditors on the financial statements of the subsidiaries. Likewise, no issues were brought to our attention during meetings with the members of the Boards of Statutory Auditors.

The Board of Statutory Auditors has also confirmed that there were no atypical and unusual transactions with Group companies, third parties or related parties.

3. Supervision of risk management and internal control system

The Board of Statutory Auditors has supervised the adequacy of the risk management and internal control system through the following activities:

- Meetings with Company management to review the risk management and internal control system;
- Regular meetings with the Group Internal Audit Department and with the Risk Control and Sustainability Committee in order to evaluate how to plan work, based on identification and assessment of the main risks regarding business processes and organisational units;
- Review of periodic Reports of control Functions and information bulletins on results of monitoring activity and implementation of corrective action identified;
- Obtaining information from heads of Company divisions;

- Discussion of results of work by Independent Auditors;
- Attendance of meetings of the Control, Risk and Sustainability Committee, as necessary, deal with certain issues together with the Committee.

The Board of Statutory Auditors has taken note of the risk mitigation plan which has involved the Control, Risk and Sustainability Committee, the Director responsible for controls and risks, the Internal Audit division and external advisors. Significant progress has been made in the area of risk mitigation.

During its supervisory activities, the Board of Statutory Auditors maintained a constant dialogue with the Company's Control Functions.

The Board of Statutory Auditors notes that the annual Reports of the Control Functions express a positive opinion on the overall internal control structure in terms of completeness, adequacy and reliability.

The Supervisory Board has reported on its work during the year ended 31 December 2018 without highlighting any issues worthy of mention. It noted that the situation was satisfactory, on the whole, and broadly in line with the requirements of the Organisation, Management and Control Model.

Based on the work done, the information obtained, the corrective action taken and the contents of the Reports of the Control Functions, the Board of Statutory Auditors does not believe there are any issues that could impact the effectiveness of the risk management and internal control system.

4. Supervision of accounting system and financial reporting process

The Board of Statutory Auditors met periodically with the Manager in charge of preparing accounting and corporate reports in order to discuss the accounting system and its reliability in providing a proper representation of the Company's operating activities; it also reviewed the Report by the Manager in charge containing the results of control testing and the main issues identified in relation to application of Law 262/2005.

The Board of Statutory Auditors also reviewed the declarations by the Chief Executive Officer and the Manager in charge in accordance with the requirements of Article 154 bis of the T.U.F.. No weaknesses that could affect the adequacy of the administrative and accounting procedures were identified by the Board of Statutory Auditors.

During their meetings with the Board of Statutory Auditors, senior personnel from the Independent Auditors did not highlight any issues regarding the internal control system in relation to administrative and accounting procedures.

The Board of Statutory Auditors confirmed that the information flow from material, non-EU subsidiaries was adequate for the purposes of checks on annual and interim accounts as required by article 36 of Market Regulations.

In light of the information acquired and the meetings held, the Board of Statutory Auditors has concluded that the administrative accounting system and the Company's financial reporting processes are adequate.

5. Supervision of related party transactions

The Board of Statutory Auditors has reviewed the compliance of Related Party Procedures with applicable laws and regulations and confirmed that the procedures are duly applied. As far as the Board of Statutory Auditors is aware, there have been no intercompany transactions or related party transactions that may be considered not in the best interests of the Company.

Related party transactions are described in the notes to the financial statements.

The Board of Statutory Auditors has checked that, in the Management Report and in the Notes to the Financial Statements, the Board of Directors has provided adequate disclosure of Related party transactions, taking account of applicable reporting requirements.

6. Implementation of rules of corporate governance

The Board of Statutory Auditors has assessed the methods of implementation of the Self-regulatory Code issued by the Italian Stock Exchange and adopted by Moncler on the basis described in the "Report on Corporate Governance and Ownership Structures".

The Board of Statutory Auditors has also verified proper application of the criteria and procedures adopted by the Board of Directors to evaluate and confirm the independence of its members.

At the meeting held during the year to check whether or not independence requirements were still satisfied, the Statutory Auditors also performed a self-assessment to check the suitability for office of the members of the Board of Statutory Auditors and the satisfactory composition thereof. The positive results of these checks written up in minutes and duly reported to the Board of Directors.

7. Supervision of audit of financial statements

Pursuant to Article 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors, identified in this article as the "Internal Control and Audit Committee", has performed supervisory activities on the work of the Independent Auditors.

The Board of Statutory Auditors met on several occasions with Independent Auditor KPMG S.p.A., also in terms of Article 150 of the T.U.F., in order to exchange information regarding the Independent Auditor's work. During these meetings, the Independent Auditor did not raise any matters deemed necessary to report in terms of Article 155, paragraph 2, of the T.U.F.

On 25 March 2019, the Independent Auditor issued the following reports pursuant to Article 14 of Legislative Decree no 39 of 27 January 2010 and Article 10 of Regulation (EU) no 537 of 16 April 2014:

1. Audit report on the separate financial statements;
2. Audit report on the consolidated financial statements;
3. Report on the consolidated non-financial statement in terms of Article 3(10) of Legislative Decree no 254 of 30 December 2016 and Article 5 of Consob Regulation no. 20267;

The above reports confirmed that the separate financial statements and the consolidated financial statements as at 31 December 2018 presented a true and fair view of the financial position, result of operations and cash flows of Moncler and the Group for the year then ended. Furthermore, in the opinion of the Independent Auditors, the Directors' Report which accompanies the separate financial statements and the consolidated financial statements at 31 December 2018, and the information referred to in paragraph 1, letter c), d), f), l), m) and paragraph 2, letter b), of Article 123-bis of the TUF, as presented in the "Report on Corporate Governance and Ownership Structures", are consistent with the separate financial statements and the consolidated financial statements at 31 December 2018.

On 25 March 2019, during the planned exchange of information, the Independent Auditors also presented the Board of Statutory Auditors with a presentation that was attached to the Report in terms of Article 19 of Legislative Decree no. 39/2010 and required by Article 11 of the Regulation issued on 25 March 2019. It did not raise any significant weaknesses of the internal control system in relation to the financial reporting process.

On 21 March 2019, the Independent Auditors submitted to the Board of Statutory Auditors a Report on auditor independence, as required by

Article 6(2)(a) of European Regulation 537/2014 and in terms of paragraph 17 of International Standard on Auditing (ISA Italia) 260. Said report does not highlight any matters that could compromise auditor independence or constitute a compatibility issue in terms of said decree.

The Independent Auditor, together with other firms belonging to its network, has received the following fees:

- Euro 156,246 – audit services rendered by KPMG S.p.A. to Moncler S.p.A.;
- Euro 226,262 – audit services rendered by KPMG S.p.A. to subsidiary Industries S.p.A.;
- Euro 169,952 – audit services rendered by the KPMG S.p.A. network to foreign subsidiaries Moncler Japan Corporation, Moncler Shanghai Commercial Co. Ltd, Moncler France S.à.r.l., Moncler Asia Pacific Ltd.; Moncler Shinsegae Inc., Moncler Taiwan Limited, Moncler Istanbul Giyim ve Tekstil Ticaret Ltd.Sti.;
- Euro 39,170 – certification services rendered by KPMG S.p.A. to Moncler S.p.A.;
- Euro 2,090 – certification services rendered by KPMG S.p.A. to Italian subsidiary Industries S.p.A.;
- Euro 53,531 – other services rendered by the KPMG S.p.A. network to Moncler S.p.A.;
- Euro 85,800 – other services rendered by the KPMG S.p.A. network to subsidiary Industries S.p.A

Taking account of the engagements given by Moncler and other Group companies to it and other firms in its network, the Board of Statutory Auditors does not believe there are any issues in relation to the independence of auditor KPMG S.p.A.

8. Omissions or censurable matters, opinions given and initiatives

undertaken

During the year, we did not receive any reports in terms of Article 2408 of the Italian Civil Code or reports of irregularities.

During the year, the Board of Statutory Auditors did not issue any opinions or make specific observations under legal requirements.

During the work done and based on the information obtained, we did not identify any omissions, censurable matters, irregularities or other significant issues in need of reporting to the Regulatory Authority or mention in this Report.

9. Remuneration policies

The Board of Statutory Auditors has reviewed the business processes that lead to the establishment of the Company's remuneration policies with particular reference to the remuneration and incentives of persons in charge of Control functions and the Manager in charge of preparing the Company's financial reports.

The Board of Statutory Auditors has attended all meetings of the Appointments and Remuneration Committee which has prepared remuneration plans in accordance with the proposals made by the Board of Directors.

10. Non-Financial Statement

In performance of its duties, the Board of Statutory Auditors supervised compliance with the requirements of Legislative Decree no 254 of 30 December 2016 and the CONSOB Regulation implementing the Decree as adopted by resolution no 20267 of 18 January 2018, with specific reference to the preparation process and the content of the Non-Financial Statement (NFS) issued by Moncler.

The NFS was approved by the Board of Directors on 28 February 2019 as a document separate from the Directors' Report on the Consolidated

Financial Statements at 31 December 2018.

In its report issued on 25 March 2019, the audit firm appointed to perform a limited review of the NFS in terms of Article 3(10) of Legislative Decree 254/2016 states that no matters have come to its attention to suggest that the NFS of the Moncler Group for the year ended 31 December 2018 was not prepared, in all material regards, in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and with the "Global Reporting Initiative Sustainability Reporting Standards".

The Board of Statutory Auditors is unaware of any breaches of the relevant regulatory requirements.

11. Conclusions

Taking account of the specific duties of the Independent Auditors in terms of accounting control and testing the reliability of the financial statements, the Board of Statutory Auditors has no comments to make to the Shareholders' General Meeting in terms of Article 153 of the T.U.F., in relation to approval of the financial statements for the year ended 31 December 2018 as accompanied by the Management Report as presented by the Board of Directors and the Board of Directors' proposal for the allocation of net profit for the year and for the distribution of dividends.

Milan, 25 March 2019

THE BOARD OF STATUTORY AUDITORS

Riccardo Losi

Antonella Suffriti

Mario Valenti