



MONCLER

ANNUAL
REPORT
2019





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* Notice: on 22 April 2020 the Moncler S.p.A. Board of Directors, acknowledging the change in the global economic scenario and the evolution of the regulatory framework, since the Board session of 10 February 2020, resolved to revise the proposal for distribution of FY 2019 net income. Indeed, the Board believes that the persistence of the Covid-19 emergency requires a prudent approach, also in terms of dividends, in order to protect the Group's financial solidity. The Board therefore decided to withdraw the proposal to distribute the dividend from FY 2019 net income approved on 10 February 2020 (as shown on page 73 and page 182 of this document).

1

BOARD OF DIRECTORS' REPORT

7 SECTION ONE

44 SECTION TWO





SECTION ONE¹

1. This applies to all document: data excluding IFRS 16 impacts, unless otherwise stated, and rounded figures to the last digit represented.

CHAIRMAN'S LETTER

Dear Shareholders,

2019 was another extraordinary year for Moncler. We have seen further growth on all economic and financial indicators. Revenues showed an increase of +15% topping the 1.6 billion euros mark, our operating margin was 475 million euros accounting for 29% of revenues, while net cash reached 663 million euros. During these 12 months, although external factors have influenced performance in some important markets, we have become stronger, more structured and increasingly responsive, constantly maintaining the energy, curiosity and genius of a company that still has a very long way to go and many new paths to take.

2019 was also an important year because we decided to take some time to really think about who we are, what we believe in and where we want to go, reflecting on our corporate values and on our purpose, which is the ultimate reason we exist. By way of this process we began to understand that we have a very strong and distinctive culture. Moncler is unique. We are always looking forward, but we are fully aware that there is no future without a past. We grew achieving dreams that seemed impossible. We have gone beyond the concept of fashion, redefining the concept of luxury and opening up our house to different voices. We have been continuously evolving while always remaining true to ourselves, with the warmth and passion that is part of our DNA. We judge our results by the way we achieve them. We have always had the ability to have fun, seeing ourselves as an eternal start-up and we want to continue working like this, because the very reason Moncler exists is to seek out the extraordinary and discover the hidden genius in every single one of us.

The last 12 months have also been significant in achieving another goal. In 2019, Moncler was included in the Dow Jones Sustainability World and Europe indices, positioning as the Industry Leader in the Textile Apparel & Luxury Goods sector. I am extremely proud of the work done and the commitment of everyone in the Company. Sustainability is a cornerstone of our strategy. We all want to continue to working together to find as yet unexplored solutions to the many challenges that are waiting for us.

Important years, I would even go so far as to say crucial, lie ahead of us. The luxury sector is in a constant state of change and the global geopolitical and macroeconomic scenario is today even more uncertain and challenging. We must continue to strengthen our Brand, engage with consumers in their ever-changing language, understand and interpret new needs, and have the courage to go off the beaten track. All of this requires commitment, skill, flexibility and, above all, vision.

Moncler Genius has without doubt influenced how we work. It has allowed us to view the world through different eyes, to be able to understand the myriad of possibilities that surrounds us. We must continue on this path, strengthening the core of our business, the outerwear and all the product categories that are becoming increasingly important for our future. We want to empower our digital culture, making it stronger within all divisions. We will further consolidate the Brand's presence in the world's most renowned luxury streets and shopping malls. We have important projects coming up in the next few years, starting with the opening of our new flagship store in Paris on the Champs-Élysées.

These are just some of the many projects that everyone here at Moncler is working on, projects that I am sure will have significant positive results in the future.

Finally, I would like to thank all our stakeholders for their continuous support, starting with our shareholders who have always been by our side supporting and advising us, and who I hope will continue to walk with us helping to achieve even more challenging goals. I would also like to thank our Board of Directors, a crucial part of every strategic decision we take. But above all, I must thank every one of my 4,600 employees who demonstrate to me every day, in every corner of the world, at all levels, that Moncler is unique.

Thank you,

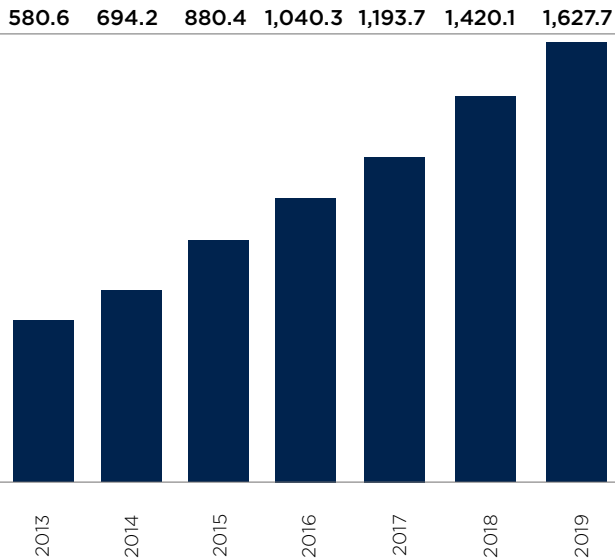


REMO RUFFINI
CHAIRMAN AND CEO

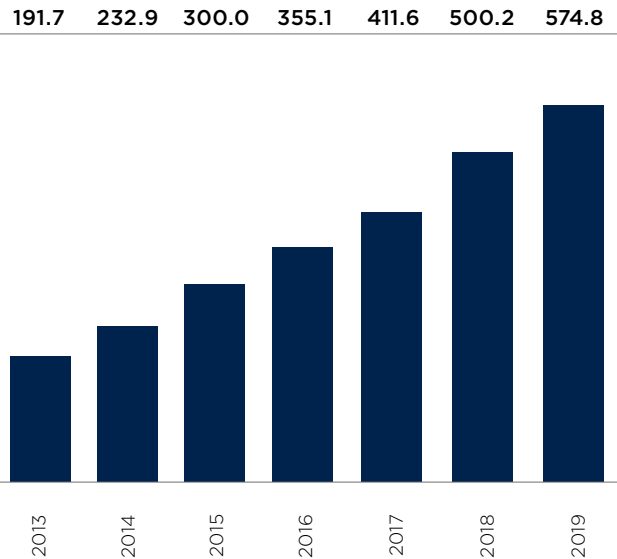


FINANCIAL HIGHLIGHTS²

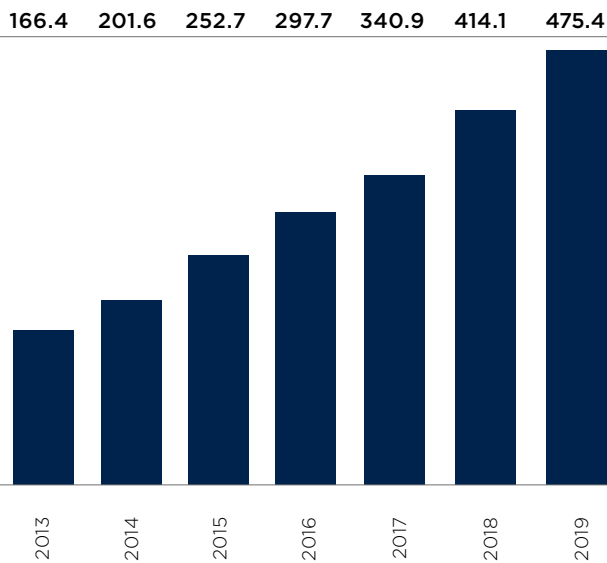
REVENUES (million euros)



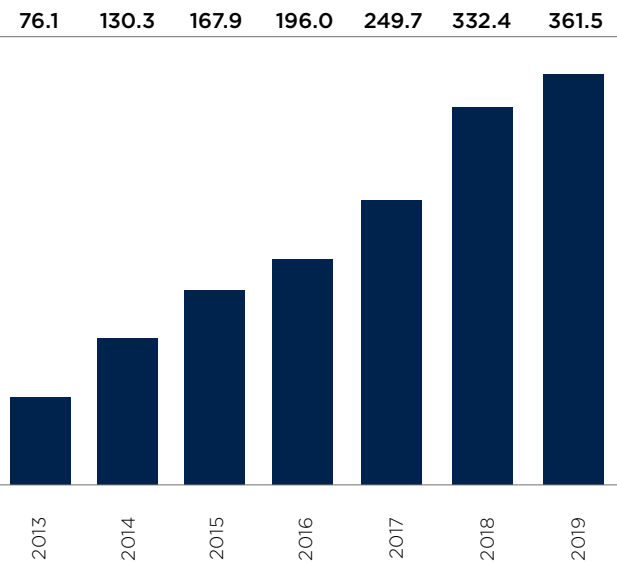
EBITDA *Adjusted*³ (million euros)



EBIT (million euros)



NET INCOME (million euros)

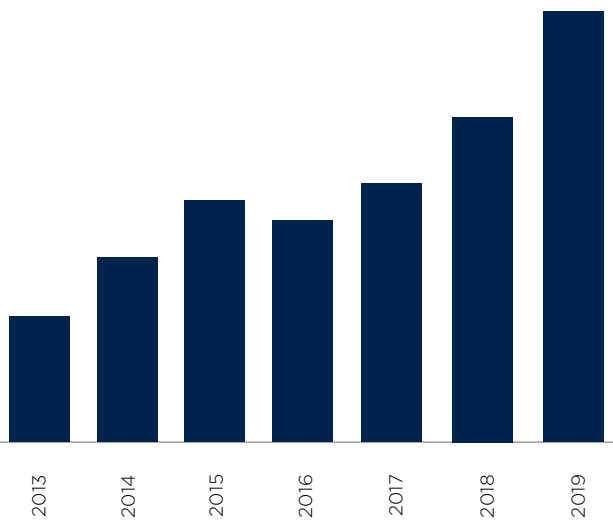


2. All data excluding IFRS 16 impacts and rounded figures to the last digit represented.

3. EBITDA *Adjusted*: operating income before depreciation and amortisation and non-cash costs related to stock-based compensation.

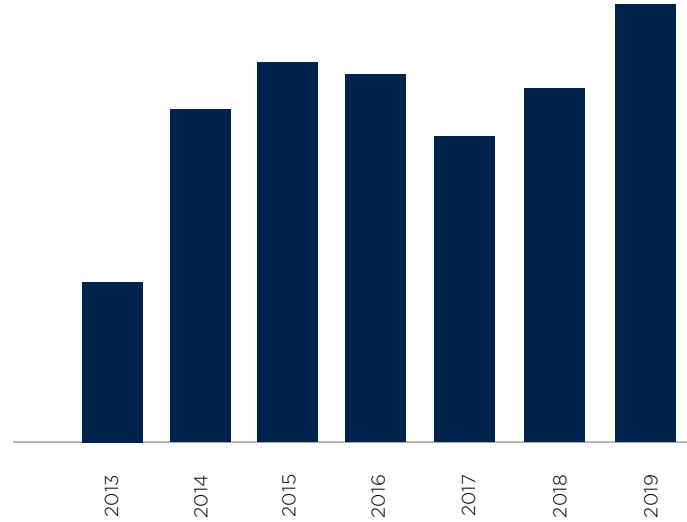
CAPITAL EXPENDITURE⁴
(million euros)

33.9 49.5 66.2 62.3 72.5 91.5 120.8



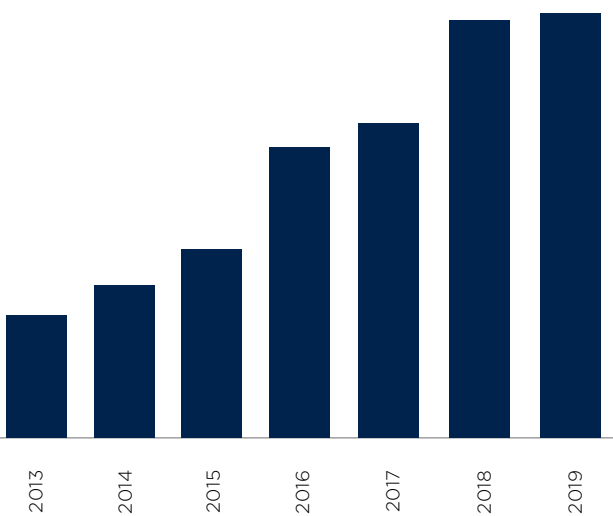
NET WORKING CAPITAL
(million euros)

46.9 97.1 110.9 108.1 89.7 103.2 128.2



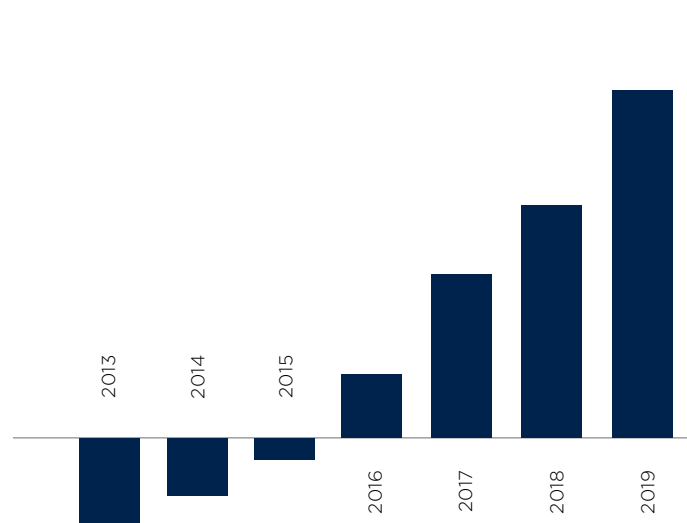
FREE CASH FLOW
(million euros)

130.4 158.3 203.4 312.0 335.4 443.6 453.9



NET FINANCIAL POSITION
(million euros)

(171.1) (111.2) (49.6) 105.8 304.9 450.1 662.6



4. Net of assets disposal.

CORPORATE BODIES

BOARD OF DIRECTORS

Remo Ruffini	Chairman and Chief Executive Officer
Marco De Benedetti	Vice President Lead Independent Director Control, Risk and Sustainability Committee Nomination and Remuneration Committee
Nerio Alessandri	Independent Director
Roberto Eggs	Executive Director
Gabriele Galateri di Genola	Independent Director Control, Risk and Sustainability Committee
Alessandra Gritti	Independent Director Nomination and Remuneration Committee
Virginie Sarah Sandrine Morgon	Director Related Parties Committee
Diva Moriani	Independent Director Related Parties Committee Nomination and Remuneration Committee
Stephanie Phair	Independent Director
Guido Pianaroli	Independent Director Control, Risk and Sustainability Committee Related Parties Committee
Luciano Santel	Executive Director

BOARD OF STATUTORY AUDITORS

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

EXTERNAL AUDITORS

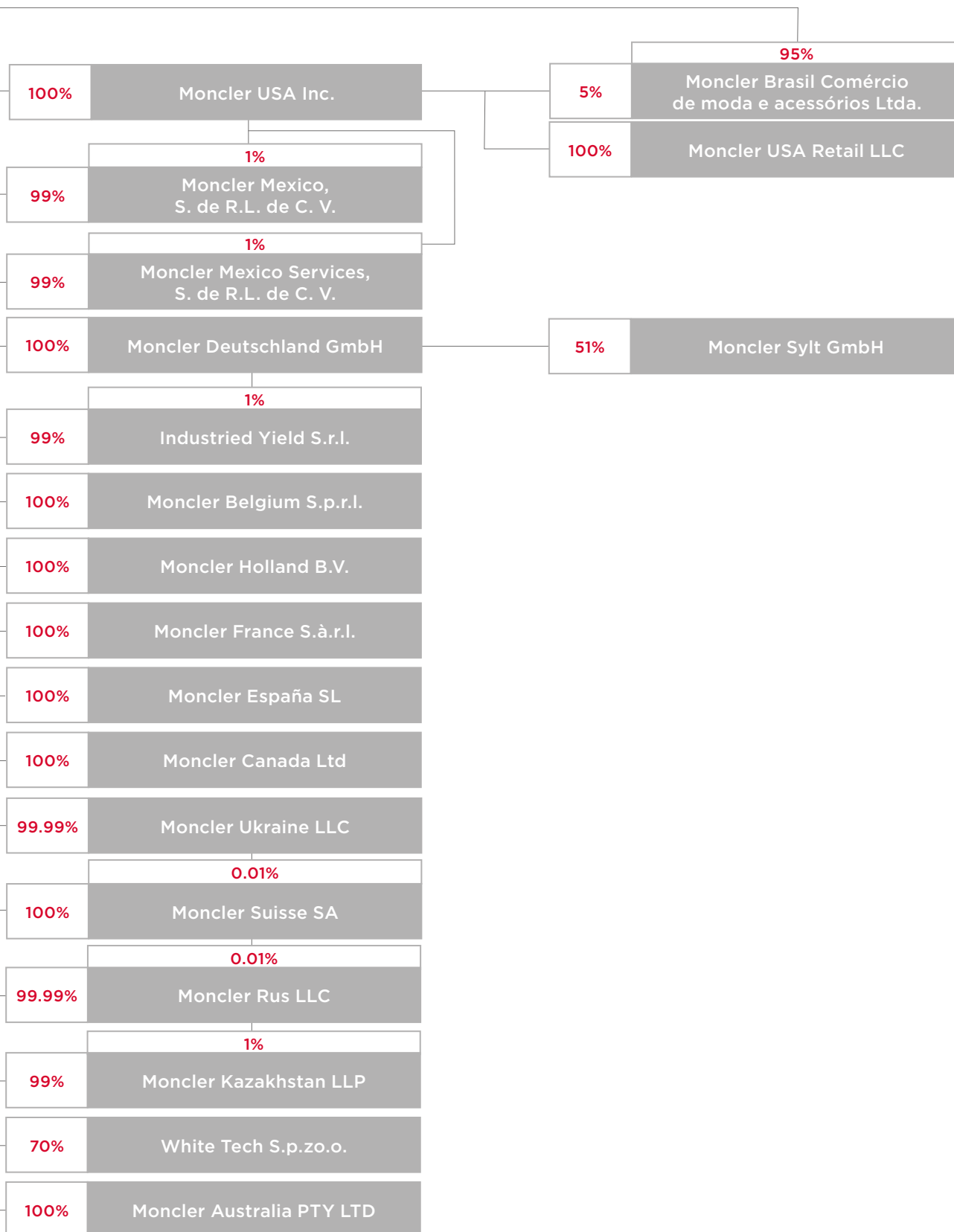
KPMG S.p.A.



GROUP CHART

AS AT 31 DECEMBER 2019





GROUP STRUCTURE

The Consolidated Financial Statements of the Moncler Group as at 31 December 2019 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 owns 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.oz.o.	Company that manages quality control of down
Moncler Belgium S.p.r.l.	Company that manages DOS in Belgium
Moncler Denmark ApS	Company that manages DOS in Denmark
Moncler Deutschland GmbH	Company that manages DOS and promotes goods in Germany and Austria
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 Holland B.V.	Company that manages DOS in the Netherlands
Moncler Hungary KFT	Company that manages DOS in Hungary
Moncler Ireland Limited	Company that manages DOS in Ireland
Moncler Istanbul Giyim ve Tekstil Ticaret Ltd. Şti.	Company that manages DOS in Turkey
Moncler Kazakhstan LLP	Company that manages DOS in Kazakhstan
Moncler Middle East FZ-LLC	Holding Company for the Middle East
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 in liquidation (Germany)
Moncler Sweden AB	Company that manages DOS in Sweden
Moncler UK Ltd	Company that manages DOS in the United Kingdom
Moncler UAE LLC	Company that manages DOS in the United Arab Emirates
Moncler Ukraine LLC	Company that will manage DOS in Ukraine
Moncler Brasil Comércio de moda e acessórios 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 which 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 Australia PTY LTD	Company that manages DOS in Australia
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

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.

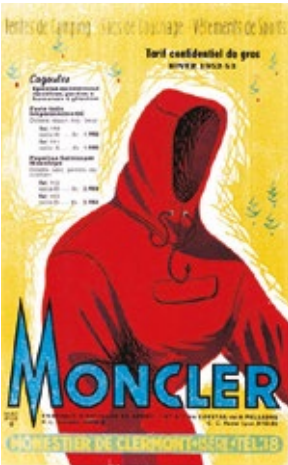
Beginning in 2003, when Remo Ruffini invested in the Group, a process of repositioning of the Brand was initiated through which Moncler products take on an ever more distinctive and exclusive style. Under the leadership of Remo Ruffini, Moncler has pursued a clear but simple philosophy: to create unique products of the highest quality, versatile and constantly evolving while always remaining true to the Brand's DNA.

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 being 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



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



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.



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



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

1952

1954

1968

1980s



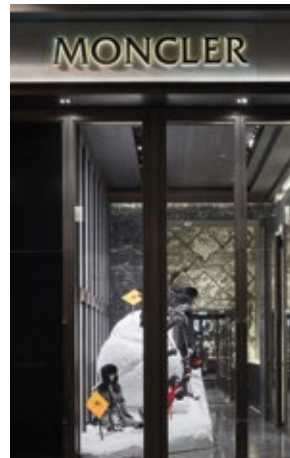
Remo Ruffini becomes a shareholder of the Group.

2003



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

2006



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

2007



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

2009



Moncler's *Grenoble* men and women collections debut in New York.



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



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



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.

2010

2013

2014

2015



Moncler's revenues surpass one billion euros.

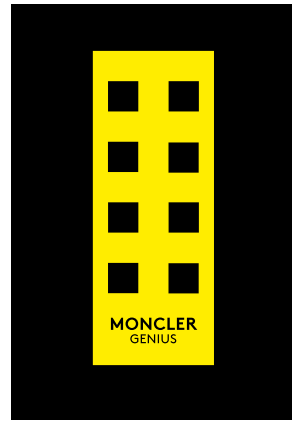
Moncler finalises the establishment of its production site in Romania, aiming at creating an industrial-technological research and development centre on down jackets and verticalising part of the production.

2016



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

2017



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

2018



Moncler launches its first directly managed e-commerce site in Korea. The Group, for the first time, enters the indices Dow Jones Sustainability World & Europe, as Industry Leader in the Textile, Apparel & Luxury Goods sectors. During the year, Moncler reflected on its values and purpose.

2019

VALUES AND PURPOSE

Moncler is by its nature an ever-changing Company, pushing towards reinvention and continuous development. Over time, its values have been taken on new meanings while always remaining true to themselves.

In 2019 Moncler committed great energy to analysing its evolutionary path and the values on which it is based. It was also a time of reflection on what the Company's purpose is, why Moncler exists.

From the involvement and the several meetings with all stakeholders, a very strong corporate culture and uniqueness emerged, characterised by the ability to discover the extraordinary that is hidden in each one of us and expressed in each of our "ordinary" actions.

What's unique is the commitment to setting ourselves increasingly challenging goals. A uniqueness enriched by a natural sense of freedom and independence from stereotypes and conventions, by the awareness that every action has an impact on society and environment and that it is everyone's duty to minimise the negative and maximise the positive, by the energy that the warmth of the relationships we build injects in us, by the madness – always rigorous – of pursuing ideas and projects that are out of the ordinary.



PUSH FOR HIGHER PEAKS

We constantly strive for better, as individuals and as a team. Inspired by our continuous pursuit of excellence, we are always learning and committed to setting new standards. We are never done.

BRING OTHER VOICES IN

We are one house, different voices, and we let everyone's talents shine. We celebrate all perspectives, leverage our multiplicity and speak to every generation. By letting many voices sing, we play a beautiful harmony.

EMBRACE CRAZY

We are unconventional and unique. We foster our inner genius, our creative edge. We bring bold dreams, crazy and apparently unreachable ideas to life always with great rigor. We feed our energy, as we believe everything truly great was often born crazy.

KEEP WARM

We were born to keep people warm. We bring the warmth of human connection into everything we do, from the things we make, to the relationships we build. We celebrate people's achievements big and small, with empathy and trust.

PLAN BEYOND TOMORROW

We are inspired by a brighter future and value our results by how we achieve them. We are committed to addressing sustainability challenges with a forward-thinking view and we keep on looking for solutions where they are yet to be found.



EMBRACE
THE
EXTRAORDINARY
AND
DISCOVER
THE
GENIUS
WITHIN



STRATEGY

Genius, rigour, multiplicity, capability to innovate while remaining true to itself and urge to seek for the extraordinary in the “ordinary” have always been the creed of the Group. Moncler leverages change to grow stronger as it continues to explore both known and new avenues, seeking constant dialogue with an ever-broader client base, and has in its flexibility the capacity to pursue its goals in an ever-changing environment.

Moncler strategy is underpinned by five pillars.

**BUILD A GLOBAL
BRAND ABLE TO
CONTINUOUSLY EVOLVE
WHILE KEEPING ITS
UNIQUE POSITIONING**

In recent years, Moncler's growth strategy has been inspired by two key principles: to become a global Brand with no filters with the market and to continuously evolve while remaining true to itself. Since 2003, under the guidance of Remo Ruffini, Moncler has followed a clear and evolutive path that, in 2018, led to the introduction of a new historical chapter *Moncler Genius – One House, Different Voices*, not only a creative and communication project but also a new business model that involved all business divisions at 360° contaminating the Group's strategy.

FOLLOW A SUSTAINABLE GROWTH PATH TO CREATE VALUE FOR ALL STAKEHOLDERS

Moncler has been progressively strengthening its commitment to long-term sustainable and responsible growth, fully integrated into the Group's strategy and aligned with its core values, as a mean to further meet stakeholder expectations and create shared value. Plan beyond tomorrow is one of the Group's core values and a pillar of its development strategy.

SEEK FOR A 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 into complementary categories able to become part of its core business. "*To create special products with a specialist's approach*" is the motto that drives and steers Moncler's present and future.

SUPPORT THE DEVELOPMENT OF DISTRIBUTION CHANNELS WITH AN OMNICHANNEL APPROACH

Engaging directly with clients through every channel and touch point, involving them, understanding their expectations – even when unspoken – and create the human warmth that has always characterised the Brand in its physical and virtual stores, are the cornerstones 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.

STRENGTHEN THE DIGITAL CULTURE

Moncler considers digital channel as a crucial and indispensable tool for brand communications and business growth at global level, in an omnichannel 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 responsible not only for the e-commerce but also for digital marketing, digital experience and digital intelligence to develop the online business and boost the Brand's presence on all major social media.

BUSINESS MODEL

Moncler's integrated and flexible business model is geared towards having direct control of the phases that add the greatest value, putting the pursuit of ever increasing quality and the satisfaction of consumers 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. The journey, which began in 2003 when Remo Ruffini acquired the Group, has always been coherent and pursued without compromise. Heritage, uniqueness, quality, creativity and innovation are the terms used in Moncler to define the concept of "luxury".

The *Moncler Man* and *Moncler Woman* collections are at the core of the Brand, responding to the needs of different consumers and to multiple uses. The "Archive" is made up of products inspired by Brand's first collections, which have become today's iconic products. The "Sport Chic/Edit" line is intended at a more sophisticated client, less concerned with fashion trends. The "Matt Black" line is inspired by a cosmopolitan consumer looking for a more contemporary style.

Moncler also has collections for boys and girls, "*Moncler Enfant*", set for young consumers (0-14 years) divided into Baby (0-3 years) and Kid (4-14 years).

Moncler Genius – One House, Different Voices collections take on a strategic relevance. They bring together different interpretations and visions of the Brand under the same "roof", generating a new synergetic creative energy, while always remaining true to the Brand's uniqueness.

The *Moncler Man*, *Moncler Woman* and *Moncler Genius* collections are completed by *Moncler Grenoble*, representing the brand's DNA even more strongly. *Moncler Grenoble* has become a technology and style innovation lab for the sporty consumer with an interest in performance, design and innovation. The

Moncler Grenoble collections are split into *High Performance*, products guaranteeing maximum performance, *Performance & Style*, for the sporty consumer who also cares about design, and *Après-Ski* for the consumer who is looking for style with a sporting edge.

The Moncler collections are rounded off with footwear and leather goods (bags, backpacks and accessories) lines and a sunglasses and eyeglasses line (*Moncler Lunettes*).

Moncler's team of fashion designers is subdivided by collection and works under the close supervision of Remo Ruffini, who sets design guidelines and oversees their consistent implementation across all collections and product categories. The Moncler Style Department is assisted by the Merchandising and Product Development teams, which help create the collections and "transform" the designers' creative ideas into the final product.

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 2019, a total of around 1,200 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 and the full traceability of the down, 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 *façon manufacturers*, 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 down supply chain: from the farm to the down injection into the garments.

The DIST Protocol, defined taking into consideration the peculiarities of the supply chain structure, was the outcome of open, constructive engagement with a multi-stakeholder forum, established in 2014 that meets annually to review and reinforce the protocol. The forum considered the expecta-

tions 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, the DIST, following the latest European Union guidelines, also evaluates animal welfare through careful observation of "Animal-Based Measures" (ABMs⁵).

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.

The presence of certified down in Moncler garments is guaranteed by the "DIST down certified" label.

In 2019, 215 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.

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 managed internally and partly assigned to third-party manufacturers (*façon manufacturers*).

The purchase of raw materials is one of the main areas of the value chain. All raw materials, not only down but also textiles and garments, must comply with the highest qualitative standards in the industry, be innovative and able to offer advanced functional and aesthetic features. Textiles and garment accessories (buttons, zips, etc.) are purchased from countries able to meet those 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 (*façon manufacturers*) and in the Moncler manufacturing plant, established in 2016 in Romania, that currently employs c. 1,100 people.

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, Moncler Code of Ethics (updated in 2017) and Supplier Code of Conduct (approved in 2016).

Moncler currently uses more than 450 suppliers, divided into four categories: raw materials, *façon*, finished products and services. Moncler's top 60 suppliers account for 70% of the value of all supplies⁶.

5. 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.

6. Based on Orders' Value.

7. Including free-standing stores, concessions, travel retail stores and factory outlets.

DISTRIBUTION

Moncler is present in all major markets both through the retail channel, consisting of directly operated stores (DOS⁷) and the online store, and through the wholesale channel, represented by multi-brand doors, shop-in-shops in luxury department stores, airport locations and online luxury multi-brand retailers (*e-tailers*).

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

In recent years, the business has grown mainly through the development of the retail channel which, in 2019, 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.

The wholesale channel remains strategically important 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 prestigious 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 31 December 2019, Moncler's mono-brand distribution network consisted of 209 retail directly operated stores (DOS) and 64 wholesale shop-in-shops (SIS).

During 2019 the Company opened 16 directly operated stores (DOS), in the most renowned luxury streets and malls, including:

- two new flagships in Asia, in Singapore and in Osaka (Japan);
- the consolidation of the airport locations network with the opening of 2 DOS in Istanbul (Turkey) and in Beijing (China);
- some selected openings in the Unites States and in Europe, including the first US conversion from wholesale to retail of the Bloomingdale's NY store and a new ski resort in Val d'Isère (France).

Moreover, during the year, some of the existing retail stores were relocated in new spaces with a larger surface. The major relocations projects were the Copenhagen (Denmark), Munich (Germany) and Kobe (Japan) flagship stores and the enlargement of the store in Venice (Italy).

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

- the opening of 6 stores inside international airports;
- the opening of wholesale mono-brand stores in some new locations in Asia at highly intensive tourism flow.

During the course of 2019, Moncler launched its first directly managed e-commerce site in Korea, an important strategic project to evaluate the Group's ability to manage directly the online business.

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 containing both environmental effects and costs. More specifically, since years, Moncler has adjusted 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

"Our purpose inspires us to keep changing, whilst always retaining the essence that makes us unique. It's our reason to be: to embrace the extraordinary and discover the genius within." Remo Ruffini, Moncler Chairman and CEO.

Moncler is a company born in the mountains. Born to protect. Born to face extremes. A company whose nature makes it impossible to stand still. So when the fashion world accepted a two-season calendar as a marketing template, Moncler had to break the mold. Since the launch of *Moncler Genius* in 2018, the Brand has created the fashion industry's most compelling answer to a post-internet world where consumer expectation is shaped at the speed of Instagram. It has pushed for higher peaks, brought other voices in, and embraced its crazy nature.

The world of marketing in Moncler has been revolutionised. Bi-annual collections are yesterday's news. Moncler has met this reality head-on, creating a buzz machine of content that makes the Brand relevant each and every day of the year. Monthly collections by visionary designers are transmitted from the feed straight to the home. But revolutionising a fashion industry standard hasn't been simple; it has demanded change at every level. At Moncler multiple timelines are tackled at once. With every drop, teams organise the realisation of a multitude of creative materials including close-up shots, editorial videos and vid-

	31/12/2019	31/12/2018	Net Openings FY 2019
Retail mono-brand stores	209	193	16
Italy	19	20	(1)
EMEA (excl. Italy)	56	55	1
Asia and Rest of the World	104	91	13
Americas	30	27	3
Wholesale mono-brand stores	64	55	9

eo lookbooks, building daily editorial calendars to disseminate the content over limited periods of time. Multi-channel, multi-window communications rollouts are tailored to each collection, allowing them all their period of focus. The diverse voices of each designer live on their own, but come together under the one umbrella of Moncler which joins the dots that make up the multiplicity of the Brand's DNA. Each collection is amplified by live events at venues ranging from underground warehouse spaces to global art fairs. The result: *Moncler Genius* has attracted a new community of Generation Z and Millennial customers that make up 40 percent of Moncler's overall consumer base, and more for Genius projects. The Brand is empowered by a new community of youth who aspire to the alliance of innovation and heritage that Moncler uniquely offers.

ADVERTISING CAMPAIGNS

Advertising campaigns have been used with industry-defining innovation to convey Moncler's heritage and transmit the dreams that the Brand embodies. When Remo Ruffini re-launched the Brand in 2003, he used campaigns to establish the Brand's heritage, and since then has worked with creatives such as Bruce Weber and Annie Leibowitz to develop the intangible ideals that empower Moncler. The *Moncler Beyond* campaign marked a new step of aspirational marketing, bringing together a group of celebrated partners from different paths of life, age, ethnicity and origin. They transferred the values of the Brand through their personal experiences and became voices of individual strength, culminating in a unified message of freedom and willpower.

2018 was the start of a new chapter for Moncler with the launch of the *Moncler Genius* project presented with the motto *One House, Different Voices*. It made up a creative symposium that brought other voices in to reinterpret Moncler's DNA through their own unique lens. In 2019 the concept developed and began to grow roots beyond the Genius project and throughout the whole Brand. The *Genius is Born Crazy* campaign starred international icon Will Smith in his first ever fashion campaign and was shot by Tim Walker. Through the actor and musician, Moncler explored the concept of the Genius who manifests ideas which feel unimaginable. The message of the campaign relates to the spark of Genius that creates unlimited possibilities, unparalleled creativity, and allows imagination to thrive in the unknown. The campaign marked a permeation of the Genius concept throughout the Brand as a central principle that empowers Moncler.

EVENTS AND FASHION SHOWS

All Moncler events leave a mark. Some leave a legacy. Whether it's store events for valued clients or city takeovers injecting culture into the local ecosystem, Moncler has always strived to ensure its events having an impact in the hearts and minds of attendees. And in 2019, the full spectrum of events evolved and took on new dimensions and all shared one language, Moncler's language: *One House, Different Voices*. The year opened with the revealing of the new chapter of the *Moncler Genius* program. Appropriate to its evolutive nature, the project was re-cast and introduced at an event in Milan which opened its doors to the

public for the first time. The concept of the creative hub adding multiplicity to Moncler's DNA remained the same, but the list of designers developed to add new voices to the eclectic chorus. The tunnels of the Magazzini Raccordati by Milan Centrale Train station were developed so they could each host a show revealing the new season's offering. Each tunnel was dedicated to a single collection designed by one of ten creatives including Richard Quinn, Pierpaolo Piccioli, Simone Rocha, Hiroshi Fujiwara, Francesco Ragazzi, Craig Green, Matthew Williams, Sandro Mandrino, Veronica Leoni and Sergio Zambon. Over 10,000 people experienced the *Moncler Genius* show as the Brand connected the people of the city through creativity.

In November, the *Moncler House of Genius* was opened in Milan, Paris and Tokyo. The temporary concept stores were conceived to rewrite the relation and engagement between the Brand and the consumer. The store in Milan was welcomed by a live public performance from internationally renowned artist Vanessa Beecroft, who painted a human picture that represented her memory of Moncler in the iconic setting of the Galleria Vittorio Emanuele. Through grand scale and unavoidably eye-catching events, the Brand continued to push the boundaries of innovative experience in the retail space, and found new ways to stand out with its unique and original approach to communication.

And as *Moncler Genius* has opened the door to a new world of clients, so Customer Relationship Management (CRM) has seized the opportunity to develop. The new approach is highly targeted, highly personalised, and driven by Genius. Contact with clients is always specific, never generic, ensuring the right people hear about launches and events that matter to them. Finally, a new layer of luxury has been added to customer experience, with Very Important Clients being offered money-can't-buy trips that always adheres to the Moncler's hallmark quality. A uniquely authentic way for clients to connect with Moncler's DNA.

DIGITAL

The digital channels are centrepieces of Moncler's marketing strategy, which aims to provide end customers with a unique, personalised and multichannel experience able to best respond to market needs, amplifying the strength of the Brand on a global level.

2019 marked an important year for the evolution of Moncler's digital strategy. The *Digital Hub*, a department aimed at guiding the digital transformation in the Company and spreading its culture, was established. Big data, consumers insights, interactive and personalised multichannel experiences, innovative online media, special projects that improve the shopping experience and that exceed customers expectations are the key drivers of the team. The activities of the *Digital Hub* are divided into 5 strategic pillars: *D-Commerce*, *D-Marketing*, *D-Experience*, *D-Intelligence* and *D-Strategy&Culture*.

D-Commerce is responsible for defining innovative solutions to manage the online business. Beyond the management of buying and merchandising, it deals with the development of new markets. In 2019, in fact, the directly managed Korean e-commerce website was launched.

D-Marketing is responsible for refining reach and increasing customer engagement and conversion. In 2019, several projects were developed to increase traffic-to-store, inno-

vative media campaigns were launched, achieving growth of over 40% in terms of reach thanks to major analytical activities, segmentation and organisation of customers data. Finally, special collaborations and partnerships with e-tailers have been conducted at a global level and integrated with the marketing strategy. The team works also on Search Engine Optimisation (SEO), which, in 2019, contributed significantly to the online business results.

D-Intelligence is responsible for identifying strategic growth possibilities through the analysis and management of qualitative and quantitative data in order to maximise knowledge of the omnichannel consumers, intercept the demand from new trends and products and therefore improve the customer experience. In 2019, the *Big Data* project was launched in collaboration with Google, aiming to create a unique, complete and accurate view of the customer. The team has started to build, through big data, the single client's vision, a strategic project that will be fundamental for all functions.

D-Experience is responsible for improving the connection, design and implementation of the digital experience through multiple touch points and the management of projects to improve engagement and conversion rates of customers. In 2019, the e-commerce website was optimised in China and Korea, the omnichannel management in EMEA, United States and Japan was improved and the first pilot on social commerce on Instagram was trialled. Finally, several augmented reality experiences were tested at app and website level and mini-websites were created to grow organic traffic from search engines.

The fifth and final pillar, *D-Strategy & Culture*, is responsible for promoting and developing digital business value and for spreading a digital culture within Moncler.

The *Digital Hub* is part of a wider digital transformation path of the Company. In July, the first Moncler Hackathon was organised. This 24-hour event involved more than 400 employees from various business divisions and different countries, coming together to share skills and creativity. Its aim was to demonstrate how different departments can work together with co-creation and collaboration in a digital culture to come up with new and unique solutions that generate and accelerate innovation.

Finally, to promote Moncler's digital transformation, *Digital Days* will be held at the Milan and Padua offices in the first months of 2020. They will be aimed at increasing awareness of the Digital Hub's activities and spreading a "digital way of working and thinking" throughout the Company.

As for social media networks, Moncler is on Instagram, Facebook, Twitter and LinkedIn (in 2019 with 2.7 million, 2.9 million and 1.1 million, 131 thousand followers respectively); WeChat and Weibo in APAC (respectively with 249 thousand and 162 thousand followers); LINE in Japan (with circa 382,000 followers); and Kakao Talk in Korea (with around 44,000 followers). It should be noted that, especially on Instagram, the level of consumer brand engagement has significantly increased in the last two years.

WINDOWS DISPLAYS

Windows displays in boutiques have always been a key part of the Brand's marketing strategy, exploring the interrelationships between art and creativity, interpreted as an expression of Moncler's identity. The ethos is one of boundless creativity

while remaining true to the Company's heritage. The maturation of *Moncler Genius* has allowed the creative boundaries of the windows to expand to previously unexplored territories. As the content relates to the artistic eccentricities of the Genius partners, so the windows have been pushed in new directions, employing new technologies, whilst living coherently in the Moncler family. The result? Progressively distinct, strikingly dynamic windows that capture the eye of a new consumer whilst maintaining true to Moncler's DNA.

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 (BP)" internal department oversees administrative activities 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&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 130 dedicated training sessions, aimed at making the Brand and Moncler products known or easier to identify.

In 2019, the constant activity to fight against counterfeit trade resulted in more than 118,000 fake products and over 655,000 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 115,000 auctions of counterfeit products were shut down, almost 5,500 sites were obscured, approximately 100,500 links to sites selling non-original products were delisted from main search engines and around 49,500 posts, ads and accounts promoting fake Moncler products through social networks were removed.

Willing to increase 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 2019, organised by leading national and international organisations involved in the fight against counterfeit and protecting IP, in particular INDICAM, INTA, UNIFAB, ECCK, QBPC, BPG and BASCAP.

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 a demanding and ever-changing environment.

Thanks to the Group's growth and global expansion, the recruitment process is increasingly focussed on people with an international and heterogenous profiles with 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. Bringing together people with dif-

ferent backgrounds, experiences and socio-cultural heritage allows the Group to better meet the challenges of an increasingly global market.

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 per-

spective, and is thus one of the key processes for managing and developing people, identifying succession plans, and retaining the best talent in the Company, placing itself at the basis of the remuneration review process.

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.

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, 30% of those concluded in 2019 led to actual employment contracts.

Moncler's focus on youth is also reflected in training. In 2019, several training programs were developed for the Company's people. During 2019 Moncler began planning an important global training project. Previous experiences, with

a specific reference to MONCampus program, have highlighted great potential and opportunities, which have prompted the Company to invest resources in defining a real academy project. Thus MAKE, Moncler Academy for Knowledge and Excellence, was born. MAKE is a learning ecosystem for the development of people in terms of knowledge and skills, but also in terms of mental approach and way of working. MAKE's goal is to enable people to successfully face the changes that growth, technology and globalisation constantly create, to maintain Moncler's level of competitiveness and fuel the innovative spirit that has always distinguished it.

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 2019, Moncler further consolidated its partnership with the Italian association ValoreD, participating in inter-company courses, programs and workshops.

In addition, in order to maintain OHSAS 18001 Health and Safety certification, Moncler continued to promote training programs in 2019, aimed at reinforcing and spreading the culture of human health and safety, creating awareness of risks in the workplace and providing the information necessary for their correct identification and management, as well as promoting responsible behaviour by all employees.

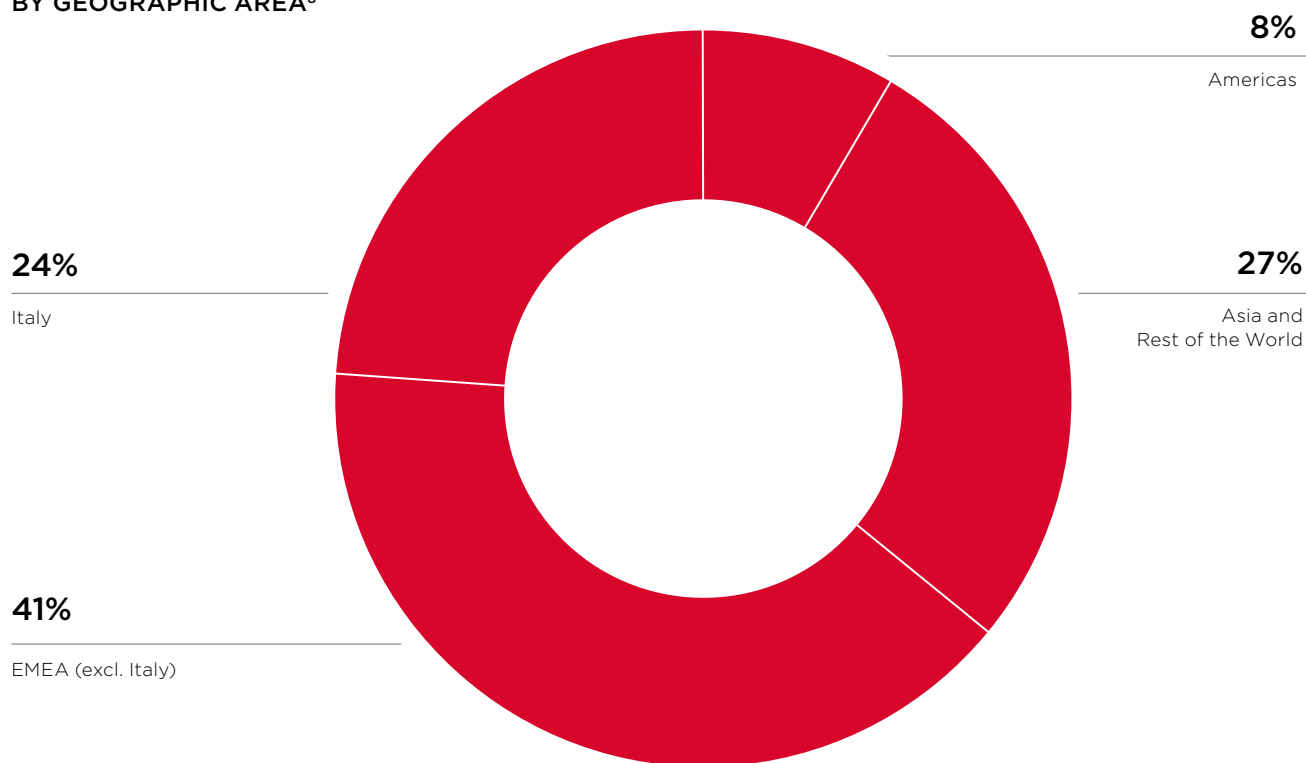
In the retail sector, the launch of the *Moncler Genius* project has resulted in an intense training activity for sales personnel. At the same time, in order to ensure a uniform and consistent approach to customers and to the way the Brand is communicated, training activities in 2019 were launched for the staff of the main mono-brand stores in the wholesale channel.

In 2019, the Group provided over 102,000 hours of total training.

In December 2019, the third edition of MONVoice, the employees satisfaction survey, was carried out identifying the positioning of the Company along two macro-areas: the engagement and the enablement of employees. By analysing the individual components, Moncler can identify the strengths and weak areas to work on in order to increase the overall positioning. Specific indicators have been included in the MBOs of the Group's executives to measure the effectiveness of the improvement plans.

Moncler strongly believes that Corporate volunteering represents not only a social responsibility but also a way to establish the culture of diversity and solidarity. Thus, in January 2019 an articulated corporate volunteering plan was launched

BREAKDOWN BY GEOGRAPHIC AREA⁸



with continuous collaboration with six non-profit organisations ranging from environment to childcare focus. Each employee had the opportunity to dedicate two days per year to voluntary activities proposed. There were 260 participants in the 2019 volunteering activities, for a total of 75 proposed activities, thus dedicating a total of 1,560 hours.

In addition, other engagement programs have also been carried out in corporate offices in Italy, ranging from charity marathons participation, always associated with the support of voluntary organisations, to corporate wellness activities developed in collaboration with the Veronesi Foundation.

In 2019, Moncler employed 3,975 average full-time equivalent (FTE) staff (4,569 headcounts at 31/12/2019), of whom around 50% were working at its directly operated stores. The growth in the workforce compared to 2018 (+473 FTE) was driven by developments in the network of directly operated stores and by the development of some strategic business divisions.

In terms of distribution by geographic area, substantially in line with 2018, EMEA (including Italy) accounted for 65% of the total FTE, followed by Asia with 27% and the Americas with 8%.

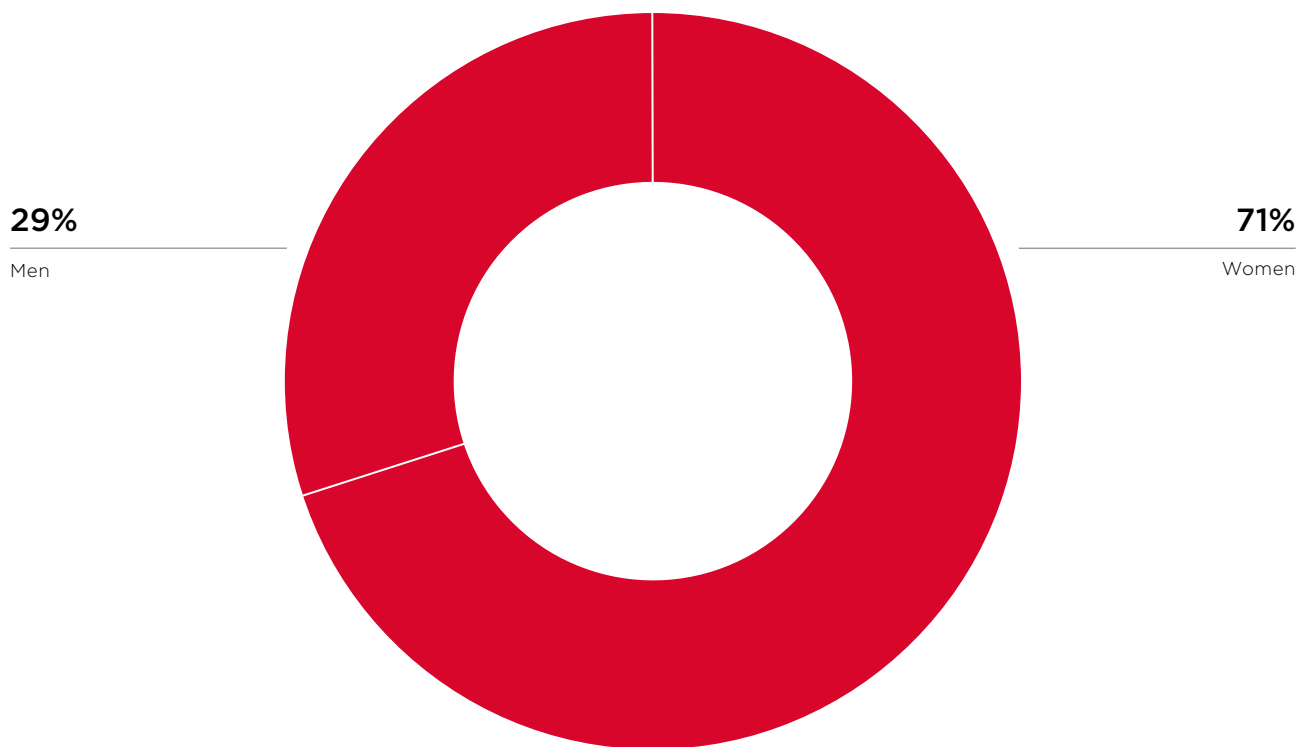
	2019	2018
Italy	962	833
EMEA (excl. Italy)	1,631	1,424
Asia and Rest of the World	1,076	968
Americas	306	277
Total	3,975	3,502
of which Direct Retail	1,844	1,665

8. 2019 average Full Time Equivalent.

9. Headcount at 31/12/2019.

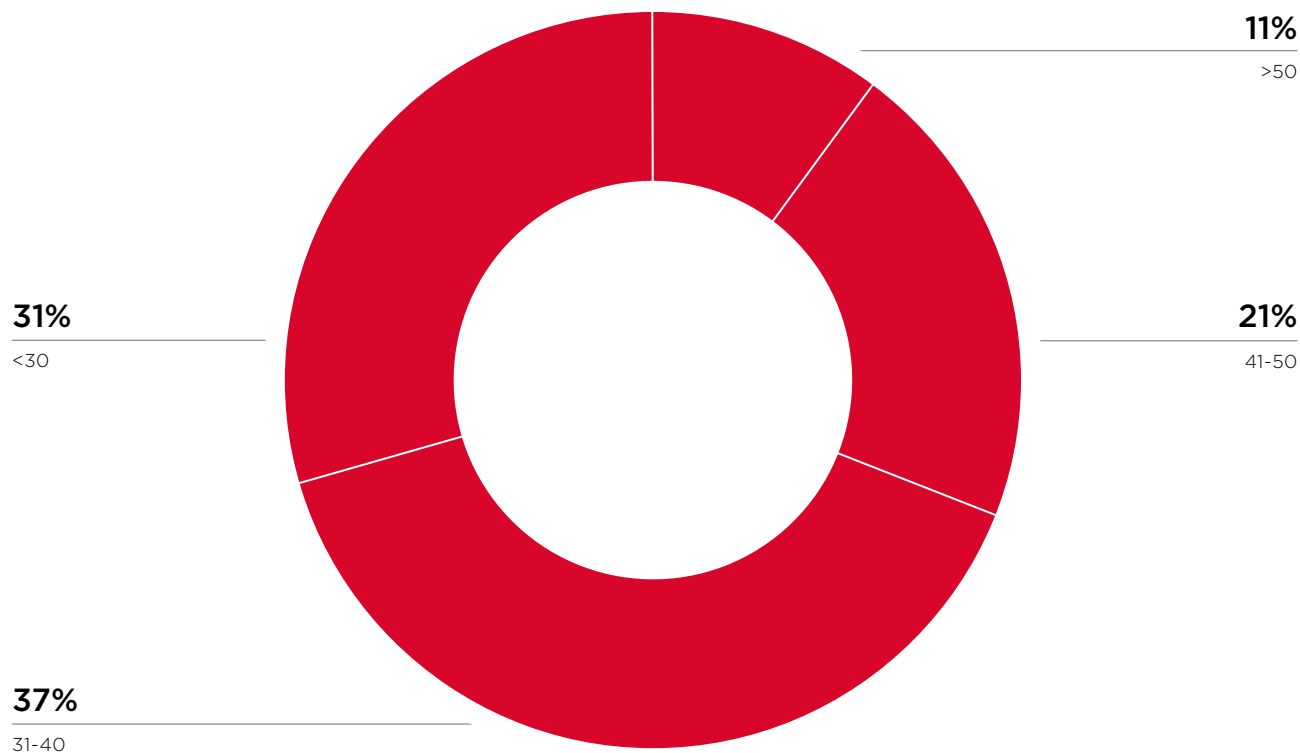
10. Headcount at 31/12/2019.

BREAKDOWN BY GENDER⁹



At 31 December 2019, 71% of employees were women. This percentage is in line with figures at 31 December 2018.

BREAKDOWN BY AGE¹⁰



Moncler places special emphasis on youth employment as shown by an analysis of personnel by age, in which employees under 30 represent 31% of the total.

SUSTAINABILITY

For Moncler, the true value of the Company lies also 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 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.

The new "*Born to protect*" Sustainability Plan presents the forthcoming commitments of Moncler integrated strategy aimed at creating long-term value for all stakeholders and to responsibly face the challenges of today's and tomorrow's business. In the Plan, environmental and social commitments are set with qualitative and quantitative targets with reference to five strategic directives: circular economy, fight against climate change, responsible sourcing, attention to people and the community. Furthermore, aware of the importance of a collaborative approach to face common and global challenges, Moncler in 2019 together with other companies in the sector signed the Fashion Pact that aims to act on areas relevant for the protection of our planet: climate change, biodiversity and oceans.

The integration of the sustainability strategy is overseen by solid governance, which involves the interaction of different bodies.

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.

In 2019, Moncler has been included for the first time in the Dow Jones Sustainability World and Europe Indices as Industry Leader within the Textile, Apparel & Luxury Goods. In addition, the Company received the Gold Award and the Industry Mover Award from S&P Global. The Group is also included in the ECPI indices: ECPI EMU Ethical Equity, ECPI Euro ESG Equity and ECPI Global 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 2019 Consolidated Non-Financial Statement, prepared "in compliance" with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) – core option – and partially audited by KPMG S.p.A., is available on the Group's website.

The 2019 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, in keeping with continuous improvement.



MONCLER AND THE FINANCIAL MARKETS

After a difficult 2018, 2019 was a very positive year for the financial markets, influenced by two main events: the cut in interest rates by the Fed and the resolution of the trade war between the United States and China.

Notwithstanding the market expectations of an increase in US interest rates in 2019, the Fed unexpectedly lowered them three times during the year, followed by a similar action taken by the European Central Bank. Moreover, fears over the upscale of a trade war between the United States and China, which frightened the market during the first part of 2019, then resolved towards the end of the year when the first agreements were made public. In this context of low bond rates and less volatility, equity stocks benefitted from higher re-valuation.

In 2019, almost all the stock index recorded double-digit growth: the global index (S&P Global Index, BMI) increased by 61%. In Europe, the EuroSTOXX50 recorded +25%, being the best performance since 1999. In the United States, S&P500 recorded +29%, marking the best performance since 2013, while in Japan NIKKEI225 rose by 18% and the Chinese market saw the Shanghai Composite index gain 75%. An exception, the Hong Kong SAR (Hang Seng) index signed a negative performance (-8%), mainly driven by the events that occurred in the second half of the year.

In this context, also the performance of the luxury goods stocks have been strong. In 2019, this sector recorded an average share price growth of 27%, thus with an increasing dichotomy among companies. In particular LVMH, +60% from the beginning of the year, recorded the best performance in the sector, also pushed by the announcement of the acquisition of Tiffany valued 16 billion dollars, the largest deals ever in the luxury sector space.

Kering Group marked the second-best performance in the field, followed by Moncler which, also in 2019, registered a further important double-digit growth, confirming itself among the best performers.

In fact, also thanks to a continuous and constant dialogue with investors and financial analysts, Moncler in 2019 recorded a Total Shareholders Return (TSR) equal to 40%, and a return on the share price of 38.5%, higher than both the average in the luxury goods sector and in the 40 largest securities listed on the Italian stock market (FTSE MIB), as shown in the table below.

	2019
LVMH Moët Hennessy Louis Vuitton SE	60.4%
Kering SA	42.2%
Moncler S.p.A.	38.5%
Hermès International SCA	37.4%
Burberry Group plc	27.1%
Prada S.p.A.	24.8%
Salvatore Ferragamo S.p.A.	6.2%
Brunello Cucinelli S.p.A.	5.0%
TOD'S S.p.A.	(0.1%)
Sector Average	26.8%
FTSE MIB Average	28.3%

Source: FACTSET

Moncler's market capitalisation at 31 December 2019 was equal to 10.3 billion euros, compared to 7.3 billion euros at 31 December 2018.

The number of shares at 31 December 2018 was equal to 257,979,524. The Company's major shareholders are indicated in the chart below. In particular, the following significant changes in ownership structure took place:

- During 2019, 42,000 options relative to the "Stock Option Plan 2015" and 329,065 options relative to "2018-2020 Stock Option Plan" (jointly equal to a total of 371,065 options) were exercised;
- Between 16 January and 20 February, Moncler completed a purchase program of a maximum of 1,000,000 treasury shares (equal to 0.4% of the share capital), in addition to the number of treasury shares already held at 31 December 2018, they raised the Company's treasury shares to 5,669,803 at 31 December 2019.

SHAREHOLDING



Source: Consob, Moncler
Last update: February 2020

During 2019, 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 showroom, flagship stores and dedicated locations.

FINANCIAL CALENDAR

The main events in 2020 related to the Moncler reporting timeline are provided below:

Date	Event
Monday, 10 February 2020	Board of Directors for the Approval of the Draft Consolidated Results for Financial Year ended 31 December 2019 (*)
Wednesday, 22 April 2020	Board of Directors for the Approval of the Interim Management Statement at 31 March 2020 (*)
Thursday, 11 June 2020 (**)	Annual Shareholders' Meeting for the Approval of the Full Year Financial Statements at 31 December 2019
Monday, 27 July 2020	Board of Directors for the Approval of the Half-Year Financial Report at 30 June 2020 (*)
Thursday, 22 October 2020	Board of Directors for the Approval of the Interim Management Statement at 30 September 2020 (*)

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

** On 22 April 2020, the Moncler's Board of Directors reconvened the Ordinary and Extraordinary Shareholders' Meeting on 11 June 2020, previously called for 22 April 2020 and subsequently withdrawn on 23 March 2020, owing to the Covid-19 emergency and as a result of the legislative measures issued to contain the effects of the emergency situation.

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.

Starting from 1 January 2019 IFRS 16 requires companies to recognise in their accounts the right-to-use of leased assets¹¹ and the related liability corresponding to the obligation to make lease payments. Assets and liabilities arising from leases are measured on a present value basis. Considering that 2019 is the first year of implementation of this accounting principle, full year results are commented excluding the impact of IFRS 16 in order to maintain a consistent basis of comparison with the corresponding period in 2018. The impacts of the application of the IFRS 16 have been highlighted separately.

¹¹. As defined in the IFRS 16 accounting principle published by IASB on 13 January 2016 and adopted by the European Union on 9 November 2017.

PERFORMANCE OF THE MONCLER GROUP

FINANCIAL RESULTS

IFRS 16 impacts on FY 2019 Consolidated Income Statements (Euro/000)	FY 2019 including IFRS 16	% on revenues	IFRS 16 impacts	FY 2019 excluding IFRS 16	% on revenues
Revenues	1,627,704	100.0%	-	1,627,704	100.0%
<i>YoY growth</i>	+15%			+15%	
Cost of sales	(362,424)	(22.3%)	303	(362,727)	(22.3%)
Gross margin	1,265,280	77.7%	303	1,264,977	77.7%
Selling expenses	(483,226)	(29.7%)	15,282	(498,508)	(30.6%)
General & Administrative expenses	(147,717)	(9.1%)	780	(148,497)	(9.1%)
Marketing expenses	(113,152)	(7.0%)	-	(113,152)	(7.0%)
Stock-based compensation	(29,386)	(1.8%)	-	(29,386)	(1.8%)
EBIT	491,799	30.2%	16,365	475,434	29.2%
<i>YoY growth</i>	+19%			+15%	
Net financial result	(21,072)	(1.3%)	(20,155)	(917)	(0.1%)
EBT	470,727	28.9%	(3,790)	474,517	29.2%
Taxes	(112,032)	(6.9%)	964	(112,996)	(6.9%)
<i>Tax Rate</i>	23.8%			23.8%	
Net Income, including Non-controlling interests	358,695	22.0%	(2,826)	361,521	22.2%
Non-controlling interests	(10)	(0.0%)		(10)	(0.0%)
Net Income, Group share	358,685	22.0%	(2,826)	361,511	22.2%
<i>YoY growth</i>	+8%			+9%	
EBITDA Adjusted	692,308	42.5%	117,500	574,808	35.3%
<i>YoY growth</i>				+15%	

Consolidated Income Statement excluding IFRS 16 (FY 2019, FY 2018) (Euro/000)	FY 2019 excluding IFRS 16	% on revenues	FY 2018	% on revenues
Revenues	1,627,704	100.0%	1,420,074	100.0%
<i>YoY growth</i>	+15%		+19%	
Cost of sales	(362,727)	(22.3%)	(320,232)	(22.6%)
Gross margin	1,264,977	77.7%	1,099,842	77.4%
Selling expenses	(498,508)	(30.6%)	(428,864)	(30.2%)
General & Administrative expenses	(148,497)	(9.1%)	(127,794)	(9.0%)
Marketing expenses	(113,152)	(7.0%)	(99,482)	(7.0%)
Stock-based compensation	(29,386)	(1.8%)	(29,604)	(2.1%)
EBIT	475,434	29.2%	414,098	29.2%
<i>YoY growth</i>	+15%		+21%	
Net financial result	(917)	(0.1%)	(1,910)	(0.1%)
EBT	474,517	29.2%	412,188	29.0%
Taxes	(112,996)	(6.9%)	(79,697)	(5.6%)
<i>Tax Rate</i>	23.8%		19.3%	
Net Income, including Non-controlling interests	361,521	22.2%	332,491	23.4%
Non-controlling interests	(10)	(0.0%)	(96)	(0.0%)
Net Income, Group share	361,511	22.2%	332,395	23.4%
<i>YoY growth</i>	+9%		+33%	
EBITDA Adjusted	574,808	35.3%	500,201	35.2%
<i>YoY growth</i>	+15%		+22%	

CONSOLIDATED REVENUES ANALYSIS

In 2019 Moncler recorded revenues of 1,627.7 million euros, compared to revenues of 1,420.1 million euros in 2018, an increase of 13% at constant exchange rates and of 15% at current exchange rates. Strong growth continued also in Q4 2018. Revenues for the last quarter of the year rose by 13% at constant exchange rates and by 16% at current exchange rates, despite external events impacted the performance in some important markets.

Revenues by Region	Fiscal Year 2019		Fiscal Year 2018		YoY growth %	
	(Euro/000)	%	(Euro/000)	%	At current exchange rates	At constant exchange rates
Italy	184,989	11.4%	167,820	11.8%	+10%	+10%
EMEA (excl. Italy)	463,530	28.5%	407,632	28.7%	+14%	+14%
Asia and Rest of the World	715,244	43.9%	616,138	43.4%	+16%	+13%
Americas	263,942	16.2%	228,485	16.1%	+16%	+11%
Total Revenues	1,627,704	100.0%	1,420,074	100.0%	+15%	+13%

In **Italy** revenues rose 10% at constant exchange rates, in acceleration in the fourth quarter (+21%), largely driven by the DOSs and the e-commerce strong performance.

In **EMEA**, revenues grew 14% at constant and current exchange rates with double-digit growth in both channels. Q4 2019 registered a strong acceleration (+19%) also supported by the tourists inflows in the Region. FY 2019 performance has been driven by United Kingdom, Germany and France.

In **Asia and Rest of the World** revenues increased 13% at constant exchange rates and 16% at current exchange rates (+9% at constant exchange rates in Q4). Mainland China continued to lead the growth in the Region followed by Korea, both in acceleration in Q4. Japan's market has also been positive, notwithstanding the forecasted slow-down of the last three months, driven by the VAT increase in October. Continued the negative performance in Hong Kong SAR influenced by the events started in July and by the decrease in tourists flows.

In the **Americas** revenues grew 11% at constant exchange rates and 16% at current exchange rates (+11% at constant exchange rates in Q4), with very good results in all markets and in both channels.

Revenues by Distribution Channel	Fiscal Year 2019		Fiscal Year 2018		YoY growth %	
	(Euro/000)	%	(Euro/000)	%	At current exchange rates	At constant exchange rates
Retail	1,256,918	77.2%	1,086,452	76.5%	+16%	+13%
Wholesale	370,787	22.8%	333,622	23.5%	+11%	+10%
Total Revenues	1,627,704	100.0%	1,420,074	100.0%	+15%	+13%

In 2019, revenues from the **retail** distribution channel reached 1,256.9 million euros compared to 1,086.5 million euros in 2018, representing an increase of 13% 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 2019, the Group achieved Comparable Store Sales Growth¹² of 7%.

The **wholesale** channel recorded revenues of 370.8 million euros compared to 333.6 million euros in 2018, an increase of 10% at constant exchange rates, driven by the expansion of the wholesale mono-brand stores network, including the airport locations, and by the e-tailers.

ANALYSIS OF CONSOLIDATED OPERATING AND NET RESULTS

COST OF GOODS SOLD AND GROSS MARGIN

In 2019 Moncler's **consolidated gross margin** reached 1,265.0 million euros, equivalent to 77.7% of revenues compared to 77.4% in 2018. This improvement is mainly attributable to the retail channel's growth. Consolidated gross margin, under application of IFRS 16, was equal to 1,265.3 million euros, or 77.7% of revenues.

SELLING EXPENSES AND EBIT

Selling expenses were 498.5 million euros, or 30.6% of revenues compared to 30.2% in 2018, including 254.8 million euros for rents (216.2 million euros in 2018). General and administrative expenses were 148.5 million euros, equal to 9.1% of revenues, substantially in line with 9.0% of FY 2018. The trend in these costs reflects the willingness of the management to invest in know-how and processes to face future challenges. Marketing expenses were 113.2 million euros, representing 7.0% of revenues in line with FY 2018.

Adjusted EBITDA¹³ rose to 574.8 million euros, compared to 500.2 million euros in 2018, resulting in an EBITDA margin of 35.3%, further improving from 35.2% in 2018.

Depreciation and amortisation rose to 70.0 million euros, an increase of 24% compared to 56.5 million euros, representing 4.3% of revenues, compared to 4.0% in FY 2018, as an effect of the increased investments of the period.

Stock-based compensation costs include non-cash costs related to the performance shares plans and were equal to 29.4 million euros, in line with 29.6 million euros in 2018.

EBIT was 475.4 million euros, an increase of 15% compared to 414.1 million euros in 2018, representing an EBIT margin of 29.2% in line with FY 2018. Under application of IFRS 16, EBIT was equal to 491.8 million euros, equivalent to 30.2% of revenues.

NET FINANCIAL RESULT

In 2019 interest expenses were equal to 0.9 million euros, compared to 1.9 million euros in 2018. These results include 0.5 million euros of forex losses (1.3 million euros in 2018).

Tax rate was 23.8% in 2019, compared to 19.3% in the previous fiscal year when tax rate was positively influenced by a one-off tax benefit related to the Industries S.p.A. Patent Box accrued in 2015-2017 and accounted in 2018.

In 2019 **Net Income**, Group share was 361.5 million euros, equivalent to 22.2% of revenues, an increase of 9%, compared to 332.4 million euros in 2018. Neutralising the one-off tax benefit recorded in the previous year net income would have increased by 16%. Under application of IFRS 16, net income, Group share, was equal to 358.7 million euros, equivalent to 22.0% of revenues.

¹² *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.

¹³ Before non-cash costs related to stock-based compensation.

CONSOLIDATED BALANCE SHEET AND CASH FLOW ANALYSIS

IFRS 16 impacts on FY 2019 Reclassified Consolidated Statements of Financial Position (Euro/000)	31/12/2019 including IFRS 16	IFRS 16 impacts	31/12/2019 excluding IFRS 16
Intangible Assets	434,972	(7,242)	442,214
Tangible Assets	212,917	-	212,917
Other Non-current Assets/(Liabilities)	90,658	24,821	65,837
Right-of-use Assets	593,623	593,623	-
Total Non-current Assets/(Liabilities)	1,332,170	611,202	720,968
Net Working Capital	128,166	-	128,166
Other Current Assets/(Liabilities)	(160,244)	1,477	(161,721)
Total Current Assets/(Liabilities)	(32,078)	1,477	(33,555)
Invested Capital	1,300,092	612,679	687,413
Net Debt/(Net Cash)	(662,622)	-	(662,622)
Lease Liabilities	639,207	639,207	-
Pension and Other Provisions	17,139	-	17,139
Shareholders' Equity	1,306,368	(26,528)	1,332,896
Total Sources	1,300,092	612,679	687,413
Reclassified Consolidated Statement of Financial Position excluding IFRS 16 (FY 2019, FY 2018) (Euro/000)	31/12/2019 excluding IFRS 16	31/12/2018	
Intangible Assets	442,214	424,402	
Tangible Assets	212,917	176,970	
Other Non-current Assets/(Liabilities)	65,837	35,858	
Total Non-current Assets/(Liabilities)	720,968	637,230	
Net Working Capital	128,166	103,207	
Other Current Assets/(Liabilities)	(161,721)	(108,231)	
Total Current Assets/(Liabilities)	(33,555)	(5,024)	
Invested Capital	687,413	632,206	
Net Debt/(Net Cash)	(662,622)	(450,109)	
Pension and Other Provisions	17,139	13,439	
Shareholders' Equity	1,332,896	1,068,876	
Total Sources	687,413	632,206	

NET WORKING CAPITAL

Net working capital was 128.2 million euros compared to 103.2 million euros at 31 December 2018, equivalent to 7.9% of FY 2019 revenues, compared to 7.3% as of 31 December 2018.

(Euro/000)	31/12/2019 excluding IFRS 16	31/12/2018
Payables	(248,621)	(224,989)
Inventory	208,868	173,149
Receivables	167,919	155,047
Net Working Capital	128,166	103,207
% on revenues	7.9%	7.3%

NET FINANCIAL POSITION

Net financial position at 31 December 2019 was positive and equal to 662.6 million euros compared to 450.1 million euros at 31 December 2018. Under application of IFRS 16, net financial position at 31 December 2019 is positive and equal to 23.4 million euros. Net Financial Position is broken down in the following table:

(Euro/000)	31/12/2019	31/12/2018
Cash	759,073	546,282
Short term debt ¹⁴	(18,248)	(15,390)
Long term debt	(78,203)	(80,783)
Net Debt excluding IFRS 16	662,622	450,109
Lease Liabilities	(639,207)	n.a.
Net Debt including IFRS 16	23,415	n.a.

IFRS 16 impacts on FY 2019 Reclassified Consolidate Statement of Cash Flow (Euro/000)	FY 2019 including IFRS 16	IFRS 16 impacts	FY 2019 excluding IFRS 16
EBITDA Adjusted	692,308	117,500	574,808
IFRS 16 rents	(117,500)	(117,500)	-
Change in Net Working Capital	(24,959)	-	(24,959)
Change in other curr. / non-curr. assets/(liabilities)	24,875	-	24,875
Capex, net	(120,848)	-	(120,848)
Operating Cash Flow	453,876	-	453,876
Net financial result	(917)	-	(917)
Taxes	(112,996)	-	(112,996)
Free Cash Flow	339,963	-	339,963
Dividends paid	(101,708)	-	(101,708)
Changes in equity and other changes	(25,742)	-	(25,742)
IFRS 16 impacts of the period	(120,719)	(120,719)	-
First time adoption IFRS 16	(518,488)	(518,488)	-
Net Cash Flow	(426,694)	(639,207)	212,513
Net Financial Position - Beginning of Period	450,109	-	450,109
Net Financial Position - End of Period	23,415	(639,207)	662,622
Change in Net Financial Position	(426,694)	(639,207)	212,513

14. Net of Financial current assets.

Reclassified Consolidated Statement of Cash Flow excluding IFRS 16 (FY 2019, FY 2018) (Euro/000)	FY 2019 excluding IFRS 16	FY 2018
EBITDA Adjusted	574,808	500,201
Change in Net Working Capital	(24,959)	(13,552)
Change in other curr./non-curr. assets/(liabilities)	24,875	48,413
Capex, net	(120,848)	(91,502)
Operating Cash Flow	453,876	443,560
Net financial result	(917)	(1,910)
Taxes	(112,996)	(79,697)
Free Cash Flow	339,963	361,953
Dividends paid	(101,708)	(70,464)
Changes in equity and other changes	(25,742)	(146,332)
Net Cash Flow	212,513	145,157
Net Financial Position - Beginning of Period	450,109	304,952
Net Financial Position - End of Period	662,622	450,109
Change in Net Financial Position	212,513	145,157

Free cash flow in 2019 was positive and equal to 340.0 million euros, compared to 362.0 million euros in 2018.

NET CAPITAL EXPENDITURE

Net capital expenditure rose to 120.8 million euros in 2019, compared to 91.5 million euros in 2018. 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)	31/12/2019 excluding IFRS 16	31/12/2018
Distribution	75,295	58,860
Infrastructure	45,553	32,642
Net Capex	120,848	91,502
<i>% on revenues</i>	7.4%	6.4%



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

IFRS 16 impacts on FY 2019 Income Statements of the Parent Company (Euro/000)	FY 2019 including IFRS 16	% on revenues	IFRS 16 impacts	FY 2019 excluding IFRS 16	% on revenues
Revenues	273,340	100.0%	-	273,340	100.0%
General & Administrative expenses	(31,101)	(11.4%)	6	(31,107)	(11.4%)
Marketing expenses	(45,383)	(16.6%)	-	(45,383)	(16.6%)
Stock-based compensation	(6,402)	(2.3%)	-	(6,402)	(2.3%)
EBIT	190,454	69.7%	6	190,448	69.7%
Net financial result	(403)	(0.1%)	(6)	(397)	(0.1%)
EBT	190,051	69.5%	-	190,051	69.5%
Taxes	(32,401)	(11.9%)	-	(32,401)	(11.9%)
Net Income, including Non-controlling interests	157,650	57.7%	-	157,650	57.7%

Income Statement of the Parent Company excluding IFRS 16 (FY 2019, FY 2018) (Euro/000)	FY 2019 excluding IFRS 16	% on revenues	FY 2018	% on revenues
Revenues	273,340	100.0%	237,565	100.0%
General & Administrative expenses	(31,107)	(11.4%)	(25,580)	(10.8%)
Marketing expenses	(45,383)	(16.6%)	(40,897)	(17.2%)
Stock-based compensation	(6,402)	(2.3%)	(7,251)	(3.1%)
EBIT	190,448	69.7%	163,837	69.0%
Net financial result	(397)	(0.1%)	(212)	(0.1%)
EBT	190,051	69.5%	163,625	68.9%
Taxes	(32,401)	(11.9%)	(24,883)	(10.5%)
Net Income, including Non-controlling interests	157,650	57.7%	138,742	58.4%

Moncler S.p.A. revenues rose to 273.3 million euros in 2019, an increase of 15% compared to revenues of 237.6 million euros in 2018, 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 31.1 million euros, equal to 11.4% on revenues (10.8% in 2018). Marketing expenses were 45.4 million euros (40.9 million euros in 2018), equal to 16.6% on revenues decreasing from previous year.

Stock-based compensation costs were equal to 6.4 million euros in 2019 (7.3 million euros in 2018), mainly related to stock-based incentive plans for employees, directors and consultants of the Parent Company.

Net financial costs were equal to 397 thousand euros compared to 212 thousand euros in 2018.

In 2019 taxes rose to 32.4 million euros compared to 24.9 million euros in 2018.

Net income was 157.7 million euros, an increase of 14% compared to 138.7 million euros in 2018. Under application of IFRS 16, net income was 157.7 million euros.

IFRS 16 impacts on FY 2019 Statement of Financial Position of the Parent Company. (Euro/000)	31/12/2019 including IFRS 16	IFRS 16 impacts	31/12/2019 excluding IFRS 16
Intangible Assets	225,507	-	225,507
Tangible Assets	1,717	1,538	179
Investments	291,296	-	291,296
Other Non-current Assets / (Liabilities)	(64,335)	8	(64,343)
Total Non-current Assets	454,185	1,546	452,639
Net Working Capital	41,838	-	41,838
Other Current Assets / (Liabilities)	(25,511)	-	(25,511)
Total Current Assets	16,327	-	16,327
Invested Capital	470,512	1,546	468,966
Net Debt/(Net Cash)	(73,806)	1,567	(75,373)
Pension and Other Provisions	1,141	-	1,141
Shareholders' Equity	543,177	(21)	543,198
Total Sources	470,512	1,546	468,966

Statement of Financial Position of the Parent Company excluding IFRS 16 (FY 2019, FY 2018) (Euro/000)	31/12/2019 excluding IFRS 16	31/12/2018
Intangible Assets	225,507	225,716
Tangible Assets	179	157
Investments	291,296	272,524
Other Non-current Assets / (Liabilities)	(64,343)	(64,360)
Total Non-current Assets	452,639	434,037
Net Working Capital	41,838	35,111
Other Current Assets / (Liabilities)	(25,511)	(3,293)
Total Current Assets	16,327	31,818
Invested Capital	468,966	465,855
Net Debt/(Net Cash)	(75,373)	(11,013)
Pension and Other Provisions	1,141	995
Shareholders' Equity	543,198	475,873
Total Sources	468,966	465,855

Moncler S.p.A balance sheet includes shareholders' equity of 543.2 million euros at 31 December 2019, compared to 475.9 million euros at 31 December 2018, and a positive net financial position of 75.4 million euros, compared to 11.0 million euros at 31 December 2018. Under application of IFRS 16, net financial position at 31 December 2019 is positive and equal to 73.8 million euros.

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 political 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, social and political 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.

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 integrates sustainability assessments, while all values (religious, cultural and social), in its communication and marketing decisions, since the Company believes that the continue creation of value for its stakeholders is an essential priority for its reputation.

If 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 man-

agement, 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 COST AND AVAILABILITY OF HIGH-QUALITY RAW MATERIALS, TO CONTROL OF THE SUPPLY CHAIN AND TO 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 minimise 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 and on local labour law regulations, animal and environmental protection and usage of hazardous chemicals.

With reference to workers' rights, Moncler includes, among the suppliers' qualification criteria, the passing of social audits carried out by qualified professionals. 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 throughout 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 REACH¹⁵ regulation, the Chinese GB¹⁶ standards, the Japanese JIS¹⁷ 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 (*façon manufacturers*), 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, in addition to the highest quality requirements, with labour 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.

15. Registration, Evaluation, Authorisation and Restriction of Chemicals.

16. National Standard of the People's Republic of China.

17. Japanese Industrial Standards.

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.

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 and customs rules, and, in general, all relevant regulatory provisions.

The Group operates following the legal provisions in force and has established processes that guarantee knowledge of the specific local regulations where it operates and of the regulatory amendments that gradually take place. 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. In this regard, Moncler is engaged in a programme for the definition of preventive agreements (Advance Pricing Agreements) with the Tax Authorities of the main countries in which the Group operates.

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, Korean Yuan 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. The Group has implemented 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 Group has no significant financial agreements active by third parties as it is fully capable of self-financing. However, the Group may make use of loans from third parties, specifically bank loans, and be subject to the 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 and manages with particular attention its exposure with wholesale customers with significant orders, also by requesting and obtaining bank guarantees and money deposits in advance of shipments.

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.

CYBER RISKS

The sector's rapid technological evolution and the growing organisational and technological complexity of the Group's activities expose the Company to the potential risk of cyber-attacks.

In relation to this, Moncler has adopted a governance structure and cyber risk management model based on international standards, which includes procedures, training, assessment and periodic risk reviews. These have led to the adoption of the best technology available, to the co-working with the best partners to strengthen the protection of the Company perimeter, to the control of third parties that interact with Moncler systems, also with new contractual provisions, in order to guarantee solid business continuity tools and processes. In addition, a penetration test plan is in place, supported by specialised technicians, which identifies any necessary improvements of corporate IT security.

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, within which the Board of Directors is entrusted with business management and the Board of Statutory Auditors with control and supervisory functions. This governance system ensures continuous dialogue between management and shareholders as follows:

- the **Shareholders' Meeting**, is an entirely deliberative body whose competences are, by law, limited to the most significant decisions in social life. In particular, 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 By-laws; (iv) the appointment of the independent auditors, upon motivated proposal of the Board of Statutory Auditors; (v) incentive plans;
- the **Board of Directors** is the body responsible for guiding and managing the Company and the Group. In addition to its powers assigned as per the law and By-laws, 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 in compliance with the applicable legal and regulatory provisions as well as with the procedure adopted by the Company;
- the **Board of Statutory Auditors** oversees, inter alia, (i) compliance with the law and By-laws, as well as obser-

vance 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;

- the **Independent Auditors** carry out the statutory auditing of accounts. They are appointed by the Shareholders' Meeting and in accordance with the By-laws, 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 supervisory Body, i.e. with the task of ensuring the effectiveness and adequacy of Moncler's mechanisms and internal controls, as well as the Legislative Degree 231 adopted by the Company, reporting on its implementation. The supervisory Body consists of three members, 2 external (including the President) and 1 internal.

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 2019, Moncler's Board of Directors, including the Chairman, consisted of 11 members, of whom 7 were independent. With regard to the powers assigned within the Board, there were 3 Executive and 8 Non-Executive Directors (7 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 Board of Directors and the Board of Statutory Auditors, recognising the importance of the complementarity of experiences and skills for the proper functioning of the corporate bodies, approved the Diversity Policy (the “Policy”). It describes the characteristics considered optimal for their composition, with the aim of integrating diverse professional profiles to combine with the diversity of gender, age groups and seniority of the members of the bodies.

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.





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.

TREASURY SHARES

Moncler owns 5,669,803 Company shares at 7 February 2020, equal to 2.2% of the current share capital.

SIGNIFICANT EVENTS OCCURRED DURING THE FINANCIAL YEAR 2019

SHARE BUY-BACK PROGRAM

On 16 January 2019, in accordance with the resolution of the Shareholders' Meeting of 16 April 2018, Moncler launched a share buy-back program for a maximum of 1,000,000 Moncler S.p.A. ordinary shares (equal to 0.4% of current share capital) then terminated on 20 February 2019.

As of 31 December 2019, Moncler holds 5,669,803 ordinary shares, equal to 2.2% of share capital.

MONCLER JAPAN

On 29 March 2019, Moncler acquired a 6% stake in the Japanese subsidiary Moncler Japan Corporation (MJC) from its partner (Yagi Tsusho Limited, YTL) for a net cash outlay of 10.9 million euros. As a result of this second tranche acquisition, Moncler now controls 66% of MJC share capital.

As defined in the amendment to the Joint Venture Agreement, signed by Moncler and YTL in 2017, the purchase of the entire minority stake at a price equal to the prorated value MJC's equity, started in 2018 and ending in 2024.

DIVIDENDS

On 16 April 2019, the Moncler Annual Shareholders Meeting approved the Moncler S.p.A. results as of 31 December 2018 and the distribution of a gross dividends of 0.40 euro per share with coupon date of 20 May 2019 and payment date of 22 May 2019. In 2019 Moncler distributed 100.8 million euro of dividends.

SECOND CYCLE OF SHARE ALLOCATION OF THE "2018-2020 PERFORMANCE SHARES PLAN"

On 9 May 2019, with the favourable opinion of the Nomination and Remuneration Committee, the Board of Directors of Moncler S.p.A. began the second allocation cycle of Moncler ordinary shares under the "Performance Shares Plan 2018-2020", approved by the Shareholders' Meeting of 16 April 2018. At 31 December 2019, the number of assigned shares is equal to 329,065 to 51 new beneficiaries. Under the rules of this Plan, the beneficiaries will be allotted the shares at the end of the three-year vesting period provided that the performance objectives set out in the rules are met.

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

CORONAVIRUS COVID-19

At the end of 2019 a novel coronavirus, known as Covid-19, was first reported in Wuhan, the capital of Hubei province in China. At the date of writing of this document, the virus has infected thousands of people around the world and has caused a number of fatalities.

In January 2020, the measures taken to contain the virus and protect the population have included the quarantine of Wuhan and of a number of cities in the country.

At the end of February, following major outbreaks mainly localised in the Lombardy, Veneto and Emilia-Romagna regions, Italy also adopted stringent measures to limit the transmission of the virus. After Italy, similar actions have been implemented also in other European nations and in the United States. Travels have also been limited. In addition, in many states, all stores – with the only exception of food and pharmaceutical – including Moncler stores, have been closed.

This situation is having significant impacts on the economy, on the financial markets and on the consumer confidence at global level.

At the date of writing of this document, it is not possible to forecast the duration of this situation and its impacts on full year results. However, also assuming significant reductions in revenues, the sensitivity analysis doesn't highlight any issue in terms of impairment tests and assessments of financial statements items.



BUSINESS OUTLOOK

Considering the seriousness of the current situation regarding the economic and social impacts of the coronavirus Covid-19 and the uncertainty on the duration of this epidemic, it is difficult today to forecast the effects on fiscal year 2020.

Moncler has demonstrated over time its ability to react to changing scenarios, such as the current one. The management has already taken all measures to protect the Group and mitigate possible negative effects on the results of the year. In this regard, actions have been taken to postpone some projects and investments, while focusing only on those essentials to continue strengthening the Brand. It is extremely important to underline that Moncler's financial strength guarantees strong financial autonomy in supporting the Group's operational needs and development programs.

Moncler's Board of Directors will provide further updates on the current situation at the Annual Shareholders' Meeting convening for the approval of 2019 results.

Moncler management confirms that, consistent with the uncertainties related to the duration of this situation and within the limits of the actions taken to contain its negative effects, the following strategic lines will be implemented also for the year 2020.

STRENGTHENING THE BRAND

Uniqueness, consistency of its heritage and ability to innovate while remaining true to its tradition have always been the foundations underpinning Moncler's brand positioning strategy in the luxury goods sector. These pillars are fundamental – and will remain so into the future. In 2018 Moncler defined a new chapter, *Moncler Genius – One House, Different Voices*, to engage and dialogue with a consumer that is evolving at an increasingly pace. This important project has set a new way of working at Moncler and impacted every stage of the value

chain: from the definition of the collections to how they are produced, up to the marketing and communication with its client, with the aim of continuing to strengthen the Brand.

SUSTAINABLE BUSINESS DEVELOPMENT IN LINE WITH ITS FOUNDING VALUES

Moncler has always followed a strategy of sustainable and responsible business development inspired by the founding values of the Group, in line with stakeholders' expectations and coherent with the uniqueness of the Brand. At Moncler this uniqueness is not just a result of the commitment to setting ever tougher challenges, but also of the energy we get from the warmth of human relationships and, above all, of the knowledge that every action has an impact on the society and the environment where we operate.

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, with the aim of making them part of Moncler's core business.

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. Moncler wants to continue selectively developing the main international markets while consolidating presence in its “core” markets 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.

DIFFUSION OF A STRONG DIGITAL CULTURE

Think, define and implement our strategy in a digital key is an increasingly fundamental goal for Moncler who believes in the importance of the contamination across divisions. In particular, we believe that digital is a significant tool to generate revenues but, above all, it is the way we are going to implement our present and future strategy.

FOCUS ON CLIENTS IN AN OMNICHANNEL APPROACH

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 with them, especially with its local customers, with an omnichannel approach, in order to maintain and, if possible, strengthen the Group’s future organic growth.



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 2019	Net Equity 31/12/19	Result 2018	Net Equity 31/12/18
Parent Company balance	157,650	543,177	138,742	475,873
Inter-group dividends	(37,214)	0	(40,438)	0
Share of consolidated subsidiaries net of book value of relates equity interest	272,055	766,269	249,102	565,480
Allocation of the excess cost resulting from the acquisition of the subsidiaries and the corresponding Equity	(236)	158,539	(236)	158,775
Elimination of the intercompany profit and losses	(33,154)	(118,361)	(14,617)	(85,207)
Translation adjustments	0	(2,878)	0	(6,072)
Effects of other consolidation entries	(416)	(40,458)	(158)	(40,042)
Total Group shares	358,685	1,306,288	332,395	1,068,807
Minority interest	10	80	96	69
Total	358,695	1,306,368	332,491	1,068,876

SECONDARY OFFICES

The Company does not have any secondary offices.

CERTIFICATION PURSUANT TO ART. 2.6.2, PARAGRAPHS 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 2019 held 22.5% 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 2019¹⁸

Shareholders,

We invite you to approve the Moncler Group consolidated financial statements as at and for the year ended 31 December 2019 and the Moncler S.p.A.'s separate financial statements.

We propose to allocate the Moncler S.p.A.'s FY 2019 income to retained earnings net of legal reserves.

Milan, 10 February 2020

For the Board of Directors



REMO RUFFINI
CHAIRMAN AND CEO

18. Modified paragraph following the Moncler S.p.A. Board of Directors dated 22 April 2020. The Board, acknowledging the change in the global economic scenario and the evolution of the regulatory framework, since the Board session of 10 February 2020, resolved to revise the proposal for distribution of FY 2019 net income. Indeed, the Board believes that the persistence of the Covid-19 emergency requires a prudent approach, also in terms of dividends, in order to protect the Group's financial solidity. The Board therefore decided to withdraw the proposal to distribute the dividend from FY 2019 net income approved on 10 February 2020.

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (Euro/000)	Notes	FY 2019	of which related parties (nota 10.1)	FY 2018 (*)	of which related parties (nota 10.1)
Revenue	4.1	1,627,704	1,252	1,420,074	990
Cost of sales	4.2	(362,424)	(17,935)	(320,232)	(12,626)
Gross margin		1,265,280		1,099,842	
Selling expenses	4.3	(483,226)	(894)	(428,864)	(937)
General and administrative expenses	4.4	(147,717)	(8,181)	(127,794)	(8,153)
Marketing expenses	4.5	(113,152)		(99,482)	
Stock-based compensation	4.6	(29,386)	(10,958)	(29,604)	(10,858)
Operating result	4.7	491,799		414,098	
Financial income	4.8	1,238		718	
Financial expenses	4.8	(22,310)		(2,628)	
Income before taxes		470,727		412,188	
Income taxes	4.9	(112,032)		(79,697)	
Net Income, including Minority		358,695		332,491	
Non-controlling interests		(10)		(96)	
Net income, Group share		358,685		332,395	
Earnings per share (unit of Euro)	5.16	1.42		1.32	
Diluted earnings per share (unit of Euro)	5.16	1.42		1.31	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income (Euro/000)	Notes	FY 2019	FY 2018 (*)
Net profit (loss) for the period		358,695	332,491
Gains/(Losses) on fair value of hedge derivatives	5.16	1,651	(3,592)
Gains/(Losses) on exchange differences on translating foreign operations	5.16	3,196	4,861
Items that are or may be reclassified to profit or loss		4,847	1,269
Other Gains/(Losses)	5.16	(121)	17
Items that will never be reclassified to profit or loss		(121)	17
Other comprehensive income/(loss), net of tax		4,726	1,286
Total Comprehensive income/(loss)		363,421	333,777
Attributable to:			
Group		363,410	333,718
Non-controlling interests		11	59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position (Euro/000)	Notes	31 December 2019	of which related parties (note 10.1)	31 December 2018 (*)	of which related parties (note 10.1)
Brands and other intangible assets - net	5.1	279,390		268,820	
Goodwill	5.1	155,582		155,582	
Property, plant and equipment - net	5.3	806,540		176,970	
Other non-current assets	5.9	30,457		29,951	
Deferred tax assets	5.4	129,134		91,898	
Non-current assets		1,401,103		723,221	
Inventories and work in progress	5.5	208,868		173,149	
Trade account receivables	5.6	167,919	15,607	155,047	12,653
Tax assets	5.12	1,582		11,550	
Other current assets	5.9	23,758		16,135	
Financial current assets	5.8	3,120		259	
Cash and cash equivalent	5.7	759,073		546,282	
Current assets		1,164,320		902,422	
Total assets		2,565,423		1,625,643	
Share capital	5.16	51,596		51,164	
Share premium reserve	5.16	172,272		171,594	
Other reserves	5.16	723,735		513,654	
Net result, Group share	5.16	358,685		332,395	
Equity, Group share		1,306,288		1,068,807	
Non-controlling interests		80		69	
Equity		1,306,368		1,068,876	
Long-term borrowings	5.15	611,997		80,783	
Provisions non-current	5.13	10,703		7,477	
Pension funds and agents leaving indemnities	5.14	6,436		5,962	
Deferred tax liabilities	5.4	68,710		70,106	
Other non-current liabilities	5.11	223		15,885	
Non-current liabilities		698,069		180,213	
Short-term borrowings	5.15	126,781		15,649	
Trade account payables	5.10	248,621	20,906	224,989	17,538
Tax liabilities	5.12	98,450		53,358	
Other current liabilities	5.11	87,134	3,994	82,558	4,014
Current liabilities		560,986		376,554	
Total liabilities and equity		2,565,423		1,625,643	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity (Euro/000)	Notes	Share capital	Share premium	Legal reserve
Group shareholders' equity at 1 January 2018	5.16	50,956	154,827	10,300
Allocation of Last Year Result		0	0	0
Changes in consolidation area		0	0	0
Dividends		0	0	0
Share capital increase		208	16,767	0
Other movements in Equity		0	0	0
Other changes of comprehensive income		0	0	0
Result of the period		0	0	0
Group shareholders' equity at 31 December 2018	5.16	51,164	171,594	10,300
Group shareholders' equity at 1 January 2019 (*)	5.16	51,164	171,594	10,300
Allocation of Last Year Result		0	0	0
Changes in consolidation area		0	0	0
Dividends		0	0	0
Share capital increase		432	678	0
Other movements in Equity		0	0	0
Other changes of comprehensive income		0	0	0
Result of the period		0	0	0
Group shareholders' equity at 31 December 2019	5.16	51,596	172,272	10,300

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	FTA reserve	Retained earnings				
(10,969)	336	48,854	0	419,431	249,688	923,423	108	923,531
0	0	0	0	249,688	(249,688)	0	0	0
0	0	0	0	0	0	0	(98)	(98)
0	0	0	0	(70,464)	0	(70,464)	0	(70,464)
0	0	0	0	0	0	16,975	0	16,975
0	0	28,373	0	(163,218)	0	(134,845)	0	(134,845)
4,898	(3,575)	0	0	0	0	1,323	(37)	1,286
0	0	0	0	0	332,395	332,395	96	332,491
(6,071)	(3,239)	77,227	0	435,437	332,395	1,068,807	69	1,068,876
(6,071)	(3,239)	77,227	(23,434)	435,437	332,395	1,045,373	69	1,045,442
0	0	0	0	332,395	(332,395)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	(101,708)	0	(101,708)	0	(101,708)
0	0	0	0	(424)	0	686	0	686
0	0	(40,003)	0	38,530	0	(1,473)	0	(1,473)
3,195	1,530	0	0	0	0	4,725	1	4,726
0	0	0	0	0	358,685	358,685	10	358,695
(2,876)	(1,709)	37,224	(23,434)	704,230	358,685	1,306,288	80	1,306,368

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows (Euro/000)	FY 2019	of which related parties	FY 2018 (*)	of which related parties
<i>Cash flow from operating activities</i>				
Consolidated result	358,695		332,491	
Depreciation and amortisation	171,123		56,499	
Net financial (income)/expenses	21,072		1,910	
Equity-settled share-based payment transactions	29,147		29,571	
Income tax expenses	112,032		79,697	
Changes in inventories - (Increase)/Decrease	(36,335)		(34,774)	
Changes in trade receivables - (Increase)/Decrease	(1,112)	(2,954)	(24,472)	(2,208)
Changes in trade payables - Increase/(Decrease)	23,657	3,368	54,966	7,559
Changes in other current assets/liabilities	(8,438)	(20)	15,933	105
Cash flow generated/(absorbed) from operating activities	669,841		511,821	
Interest and other bank charges paid and received	71		(183)	
Income tax paid	(86,852)		(46,520)	
Changes in other non-current assets/liabilities	5,495		713	
Net cash flow from operating activities (a)	588,555		465,831	
<i>Cash flow from investing activities</i>				
Purchase of tangible and intangible fixed assets	(123,660)		(91,887)	
Proceeds from sale of tangible and intangible fixed assets	2,812		385	
Net cash flow from investing activities (b)	(120,848)		(91,502)	
<i>Cash flow from financing activities</i>				
Repayment of borrowings	0		(2,198)	
Repayment of current and non-current lease liabilities	(116,803)		(15)	
Short-term borrowings variation, other than bank borrowings	0		191	
Short-term borrowings variation	(10,898)		(15,454)	
Dividends paid to shareholders	(100,850)		(70,464)	
Dividends paid to non-controlling interests	(858)		0	
Share capital increase	686		16,975	
Treasury Shares variation	(15,102)		(148,573)	
Other changes in Net Equity	24		(62)	
Net cash flow from financing activities (c)	(243,801)		(219,600)	
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)	223,906		154,729	
Cash and cash equivalents at the beginning of the period	546,268		394,144	
Effect of exchange rate changes	(11,104)		(2,605)	
Net increase/(decrease) in cash and cash equivalents	223,906		154,729	
Cash and cash equivalents at the end of the period	759,070		546,268	

(*) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See note 2.20.

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.

Moreover, 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 31 December 2019, holds 22.5% of the share capital of Moncler S.p.A.

The Consolidated Financial Statements as at and for the year ended 31 December 2019 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 2019 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.

This is the first annual financial statement to which the Group has applied the IFRS 16 Leases. The related significant changes in the accounting standards are described in note 2.20.

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 AND VALUATIONS

The preparation of the Consolidated Financial Statements and the related explanatory notes in conformity with IFRS requires that management makes 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 is 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 have a significant impact on the amounts recognised in the Consolidated Financial Statements or in case that there is a risk of future adjustments on the amounts recognised 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;
- lease liabilities and right of use assets.

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 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 recognised 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 the 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 recognises 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.

LEASE LIABILITIES AND RIGHT OF USE ASSETS

The Group recognises the right of use assets and the liability for the lease. The right of use assets is initially valued at cost, and then subsequently at cost net of accumulated depreciation and impairment losses, and adjusted to reflect the revaluation of the lease liability.

The Group values the lease liability at the present value of the payments due for unpaid leases at the effective date, discounting them using the interest rate as defined in note 2.20.

The lease liability is subsequently increased by the interest accrued on this liability and decreased by the payments due for the lease made and is revalued in the event of a change in the future payments due for the lease deriving from a change in the index or rate, in the event of a change in the amount that the Group expects to pay as a guarantee on the residual value or when the Group changes its valuation with reference to the exercise or otherwise of a purchase, extension or cancellation option.

Lease contracts in which the Group acts as a lessee may provide for renewal options with effects, therefore, on the duration of the contract. Relative certainty that this option will (or wont) be exercised can influence, even significantly, the amount of lease liabilities and right of use assets.

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 2019 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 unrealised profit or loss recognised 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 recognised 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 recognised 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 recognised 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 31 December 2019 and 31 December 2018 are as follows:

	Average rate		Rate at the end of the period	
	FY 2019	FY 2018	As at 31 December 2019	As at 31 December 2018
AED	4.111270	4.337060	4.125700	4.205000
AUD	1.610880	1.579680	1.599500	1.622000
BRL	4.413430	4.308490	4.515700	4.444000
CAD	1.485500	1.529400	1.459800	1.560500
CHF	1.112450	1.154960	1.085400	1.126900
CNY	7.735490	7.808080	7.820500	7.875100
CZK	25.670500	25.647000	25.408000	25.724000
DKK	7.466060	7.453170	7.471500	7.467300
GBP	0.877771	0.884706	0.850800	0.894530
HKD	8.771500	9.255940	8.747300	8.967500
HUF	325.297000	318.890000	330.530000	320.980000
JPY	122.006000	130.396000	121.940000	125.850000
KRW	1,305.320000	1,299.070000	1,296.280000	1,277.930000
KZT	428.789000	406.906000	429.510000	437.520000
MOP	9.034420	9.533830	9.009700	9.236500
MXN	21.556500	22.705400	21.220200	22.492100
NOK	9.851090	9.597490	9.863800	9.948300
PLN	4.297600	4.261500	4.256800	4.301400
RON	4.745350	4.654010	4.783000	4.663500
RUB	72.455300	74.041600	69.956300	79.715300
SEK	10.589100	10.258300	10.446800	10.254800
SGD	1.527280	1.592610	1.511100	1.559100
TRY	6.357770	5.707670	6.684300	6.058800
TWD	34.605700	35.586400	33.715600	35.022300
UAH	28.922000	31.850200	26.719500	31.736200
USD	1.119470	1.129680	1.123400	1.145000

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 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 recognised 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 recognised 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 recognised 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
Rights of use	Lease period
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 when the relevant transaction becomes unconditional.

2.6. INTANGIBLE ASSETS

GOODWILL

Goodwill arising from business combination is initially recognised 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 amortised 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 (1 January 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 recognised at fair value at the acquisition date.

Brands have an indefinite useful life and are carried at cost less accumulated impairment. Brands are not amortised 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 capitalised as intangible asset and amortised 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 capitalised in connection with the opening of new directly operated store (“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 amortised 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 capitalised 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 amortisation and accumulated impairment losses.

AMORTISATION OF INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE

Intangible assets with a definite useful life are amortised 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 recognised for the amount by which the carrying amount exceeds its recoverable amount.

Goodwill and assets with an indefinite useful life are not subject to amortisation 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 recognised for the amount by which the carrying amount exceeds its recoverable amount.

With the exception of impairment losses recognised 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 recognised immediately in the consolidated income statement.

As of 2019, IFRS 16 requires the recognition of a right of use asset and a liability for the obligation to pay rent in the financial statements. Any impairment of the asset for the right of use must be calculated and recognised in accordance with the provisions of IAS 36.

For the purpose of the rights of use impairment test, the following CGUs have been defined, which coincide with the organisational units responsible for monitoring individual markets (“Regions”):

- EMEA Region;
- Americas Region;
- APAC Region;

- Japan Region;
- Korea Region.

The “rights of use” of each individual CGU is subject to impairment tests in the presence of triggering events (for the individual CGU) identified by a possible impairment and signalled by the following key performance indicators:

- divestment plans;
- below expectation performance indicators;
- operational losses.

The impairment test is carried out with the following methods:

- calculation of the CGU’s gross value in use, excluding that related to the lease liability from cash flows;
- calculation of the CGU’s recoverable amount, by deducting the carrying value of the lease liability from the gross value in use;
- comparison of the CGU’s recoverable value with the carrying value, the latter calculated net of the carrying value of the lease liability.

In calculating the value in use, the discount rate used is the WACC for the geographical area to which it belongs, the aggregate value of which determines the Group WACC.

2.8. LEASED ASSETS

On 13 January 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 9 November 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.

At the lease commencement date, the Group recognises the right of use asset and lease liability. The right of use asset is initially valued at cost, including the amount of the initial measurement of the lease liability, adjusted for the rent payments made on or before the commencement date, increased by the initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, net of the received lease incentives.

The right of use asset is amortised on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term. In this case, the right of use asset will be amortised over the useful life of the underlying asset, determined on the same basis as that of property and machinery. In addition, the right of use asset is regularly decreased for any impairment losses and adjusted to reflect any changes deriving from subsequent remeasurement of the lease liability.

The Group values the lease liability at the present value of the payments due for unpaid leases at the commencement date, discounting them using the interest rate implicit in the lease. The payments due for the lease included in the measurement of the lease liability include:

- fixed payments (including substantially fixed payments);
- payments due for lease which depend on an index or rate, initially measured using an index or rate on the commencement date;
- amounts that are expected to be paid as a residual value guarantee; and
- the payments due for the lease in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and early termination cancellation penalties, unless the Group is reasonably certain not to terminate the lease in advance.

The lease liability is measured at amortised cost using the effective interest criterion and remeasured in the event of a change in the future payments due for the lease deriving from a change in the index or rate, in the event of a change in the amount that the Group expects to pay as a guarantee on the residual value or when the Group changes its measurement with reference to the exercise or otherwise of a purchase, extension or cancellation option or in the event of revision of in-substance fixed payments due.

When the lease liability is remeasured, the lessee makes a corresponding change in right of use asset. If the right of use asset carrying value is reduced to zero, the lessee recognises the change in profit/(loss) for the year.

In the statement of financial position, the Group reports right of use asset that do not meet the definition of real estate investments in the item Property, plant and equipment and lease liabilities in the item Borrowings.

The Group recognises the related payments due for leases as a cost on a straight-line basis over the lease term.

For contracts signed before 1 January 2019, the Group establishes whether the agreement was or contained a lease by checking if:

- fulfilment of the agreement depended on the use of one or more specific assets; and
- the agreement transferred the right to use the asset.

Other assets subject to leases is classified as operating leases and is not recognised in the Group’s statement of financial position. Payments relating to operating leases were recognised as a straight-line cost over the lease term, while incentives granted to the lessee were recognised as an integral part of the overall lease cost over the lease term.

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 realisable 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 realisable 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 recognised at amortised 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 ex-

pected 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 recognised 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 amortised 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 recog-

nised 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 recognised 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 are 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 31 December 2006 Italian employees were eligible to defined benefit schemes referred as post-employment benefit ("TFR"). With the act no. 296 as of 27 December 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 1 January 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 31 December 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 recognised 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 recognised 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 difference 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 recognised 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 recognised 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 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 recognised 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 aggregated 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.

Tax liabilities include the estimate of risks associated with uncertainties on the tax treatments adopted for determining income taxes in accordance with the new IFRIC 23. These uncertainties can arise from: i) unclear or complex tax rules; ii) changes in tax regulations or clarifications by tax authorities; iii) ongoing tax audits and/or disputes; iv) public information on ongoing tax assessments and/or disputes involving other entities.

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 1 JANUARY 2019

IFRS 16

The adoption of IFRS 16 on 1 January 2019 had a material impact on the Consolidated Financial Statements of Moncler Group, due to activities related to the retail network which represent the main part of its business. For the Group, the analysis of contracts falling within the scope of application of the standard concerned in particular those relating to shops, outlets, showrooms, concession contracts, warehouses, offices and cars.

Previously, the Group determined at the inception of the contract whether the contract was, or contained, a lease in accordance with IFRIC 4 Determining whether an arrangement contains a lease, as well as IAS 17 Leases, SIC 15 Operating leases – Incentives and SIC 27 Evaluating the substance of transactions involving the legal form of a lease.

In accordance with IFRS 16, the Group assesses whether the contract is a lease or contains it on the basis of the new definition of a lease. Under IFRS 16, the contract is, or contains, a lease if, in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time.

In the presence of a new lease based, for example, on annual instalments on a straight-line basis, the new standard requires the recognition of a financial liability and a right of use among the assets in the statement of financial position measured as the present value of future payments. Therefore, the amount of the financial liability to be recognised in the financial statements significantly depends on the assumptions

used in relation to the characteristics of each type of lease in place and any options for renewal or early termination of the contract if considered reasonably certain at the date of signing the same, as well as the discount rate applied.

The Group applied IFRS 16 from 1 January 2019, using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative periods.

In the first application, the Group has adopted some practical expedients provided by the Principle and, in particular, contracts with a remaining term of less than or equal to 12 months were excluded and initial costs were excluded from the valuation of the asset for the right of use asset at the date of initial application.

Even when fully operational, the Group decided not to apply IFRS 16 to contracts with a total term of less than or equal to 12 months and to leases of low value, which mainly refer to electronic equipment.

EFFECTS OF THE TRANSITION ON THE FINANCIAL STATEMENTS

In the initial phase of application of IFRS 16, the Moncler Group recorded at 1 January 2019 right of use assets equal to Euro 470,572 thousand and lease liabilities equal to Euro 518,488 thousand. The differences between assets and liabilities were recorded under retained earnings in the amount of Euro 23,434 thousand, net of the deferred tax effect of Euro 8,622 thousand and the reversal of the accruals and deferrals amounting to Euro 15,860 thousand accounted for as at 31 December 2018 in application of IAS17 for contracts falling within the scope of application of IFRS16.

In the valuation phase of the lease liabilities, the Group discounted the payments due for the lease using the marginal financing rate at 1 January 2019. The weighted average rate applied was 3.67%. The rate was determined taking into account the term of the lease contracts, the currency in which they are denominated, the characteristics of the economic environment in which the contract was stipulated and the credit adjustment.

In particular, the IRS (Interest rate swap) of the geographical area in which the contract was signed was used to determine the rate, based on the different contract expirations and increased by the credit spread of the relative geographical area.

Region	FTA Value (Euro/000)	%	Average Interest Rate
EMEA	270,420	52.2%	2.93
Americas	151,361	29.2%	5.12
APAC	62,996	12.1%	4.16
Japan	27,442	5.3%	1.83
Korea	6,269	1.2%	3.70
Group	518,488	100.0%	3.67

For contracts that provide for a renewal option at the end of the period that cannot be cancelled, the Group has chosen, based on historical evidence and business development plans, to consider, in addition to the period that cannot be cancelled, the period that is the subject of the renewal option, except for the existence of any business plans for the disposal of the leased assets, as well as clear valuations by which the non-exercise of the renewal option is deemed reasonable.

For contracts with renewal options that can be exercised automatically at the end of a non-cancellable period, the term considered is the maximum term, which is normally longer than the time horizon covered by the Group's (three years) business plan.

For contracts with indefinite term, the Group has chosen to consider a term equal to the length of the business plan.

The reconciliation between the lease liability calculated in accordance with IFRS 16 and the commitments for operating leases that cannot be cancelled indicated in the financial statements of the previous year in accordance with IAS 17 is shown below.

Reconciliation of lease liabilities (Euro/000)	
Commitments for undiscounted operating leases applying IAS 17 as at 31 December 2018	608,203
Exceptions to recognition pursuant to IFRS 16	0
Other changes	8,750
Undiscounted operating lease liabilities to be recognised in the balance sheet as at 1 January 2019	616,953
Discounting effect on operating lease liabilities	(98,465)
Lease Liabilities for leases applying IFRS 16 as at 1 January 2019	518,488
Lease Liabilities for finance leases applying IAS 17 as at 1 January 2019	176
Total Lease Liabilities applying IFRS 16 as at 1 January 2019	518,664

Commitments at 31 December 2018 amounted to Euro 608 million, while payables for operating leases at 1 January 2019 (not discounted) were higher, totalling Euro 617 million. There are no cases for which the standard provides for exceptions; the only changes, equal to Euro 8.7 million, refer to the reviewed estimate of the term of some contracts and the inclusion of others following the in-depth analysis carried out in the application of IFRS 16.

The other new standards, which came into force on 1 January 2019, have not had significant effects on the Group's consolidated financial statement.

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.

Document title	Issue date	Effective from	Approval date	EU regulation and date of publication
Amendments to references to Conceptual Framework in IFRS standards	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Reform of the reference indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

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 date of IASB document	Approval date by EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021 - (Note 2)	TBD
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 the IASB project on the equity method	Postponed pending the conclusion of the IASB project on the equity method
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 2020	1 January 2022	TBD

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".

² It should be noted that in June 2019 the IASB published a draft exposure which included some amendments to IFRS 17 and delayed the entry into force of the new accounting standard to 1 January 2022. As of the date of this report, the amendments to IFRS 17 have not yet been definitively approved by the IASB.

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 31 December 2019
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)	51,595,905	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)	150,788,654	JPY	65.97%	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)	1,000,000	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)	590,000,000	RUB	99.99% 0.01%	Industries S.p.A. Moncler Suisse SA
Moncler Brasil Comércio de moda e acessórios Ltda.	Sao Paulo (Brazil)	10,000,000	BRL	95.00% 5.00%	Industries S.p.A. Moncler USA Inc.
Moncler Taiwan Limited	Taipei (Taiwan)	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)	3,050,000	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, no changes occurred during fiscal year 2019 when compared to the prior year. We highlighted that, in the first quarter of 2019, the Group acquired, from the local partner, the second tranche (equal to 6% of total share capital) of the partner's stake in Moncler Japan Corporation, bringing the percentage of ownership to 66%. Please note that Moncler Japan Corporation, Moncler Istanbul Giyim ve Tekstil Ticaret Ltd. sti. and Moncler Shinsegae Inc., are 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.





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)	FY 2019	%	FY 2018	%
Total revenues	1,627,704	100.0%	1,420,074	100.0%
of which:				
Wholesale	370,787	22.8%	333,622	23.5%
Retail	1,256,917	77.2%	1,086,452	76.5%

Sales are made through two main distribution channels, retail and wholesale. 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 2019, revenues from the retail distribution channel reached Euro 1,256.9 million compared to Euro 1,086.5 million in 2018, representing an increase of 15.7%, 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 370.8 million compared to Euro 333.6 million in 2018, an increase of 11.1%, driven by the expansion of the wholesale mono-brand stores network, including the airport locations, and by the e-tailers.

REVENUES BY GEOGRAPHICAL AREA

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

(Euro/000)	FY 2019	%	FY 2018	%	Variation	Variation %
Italy	184,988	11.4%	167,820	11.8%	17,168	10.2%
EMEA, Italy excluded	463,530	28.5%	407,632	28.7%	55,898	13.7%
Asia and rest of world	715,244	43.9%	616,137	43.4%	99,107	16.1%
Americas	263,942	16.2%	228,485	16.1%	35,457	15.5%
Total	1,627,704	100.0%	1,420,074	100.0%	207,630	14.6%

In Italy revenues rose 10.2%, in acceleration in the fourth quarter, largely driven by the DOS and the e-commerce strong performance.

In EMEA, revenues grew 13.7% , with double-digit growth in both channels. The last quarter of 2019 registered a strong acceleration, also supported by the tourists inflows in the Region. During the year 2019, the performance has been driven by United Kingdom, Germany and France.

In Asia and Rest of the World revenues increased 16.1%. Mainland China continued to lead the growth in the Region followed by Korea, both in acceleration in the last quarter of 2019. Japan's market has also been positive, notwithstanding the forecasted slow-down of the last three months, driven by the VAT increase in October. Continued the negative performance in Hong Kong SAR influenced by the events started in July and by the decrease in tourists flows.

In the Americas revenues grew 15.5%, with very good results in all markets and in both channels.

4.2. COST OF SALES

In 2019, cost of sales grew by Euro 42.2 million (+13.2%) in absolute terms, going from Euro 320.2 million in 2018 to Euro 362.4 million in 2019. This overall growth is due to increased sales volumes. The positive effect of the application of IFRS 16 on this caption is equal to Euro 0.3 million (of which Euro 1.6 million of lower rent costs and Euro 1.3 million of higher right of use depreciation).

Cost of sales as a percentage of sales has decreased, going from 22.6% in 2018 to 22.3% in 2019 (same incidence net of the effect of the application of IFRS 16), mainly due to a positive channel mix (the retail channel goes from 76.5% calculated as percentage on total sales in 2018 to 77.2% in 2019).

4.3. SELLING EXPENSES

Selling expenses amounted to 483.2 million, increasing Euro 54.3 million between 2018 and 2019. The positive effect of the application of IFRS 16 on this caption is equal to Euro 15.3 million (of which Euro 109.9 million of lower rent costs and Euro 94.6 million of higher right of use depreciation).

As a percentage of revenues, selling expenses decreased from 30.2% in 2018 to 29.7% in 2019 (30.6% net of the effect of the application of IFRS 16).

Selling expenses mainly include rent costs excluded from the application of the IFRS 16 for Euro 144.9 million (216.2 million of total rent costs in 2018), personnel costs for Euro 119.1 million (108.8 million in 2018) costs for depreciation of the right of use for Euro 94.6 million and other amortisation and depreciation for Euro 56.6 million (Euro 46.5 million in 2018).

In order to give a uniform comparison basis with the previous year, the breakdown of selling costs before the application of the IFRS 16 is reported below; they mainly include rental costs of Euro 254.8 million (Euro 216.2 million in 2018), personnel costs of Euro 119.1 million (Euro 108.8 million in 2018) and amortisation and depreciation costs of Euro 56.6 million (Euro 46.5 million in 2018).

4.4. GENERAL AND ADMINISTRATIVE EXPENSES

In 2019, general and administrative expenses amounted to Euro 147.7 million, up Euro 19.9 million when compared to last year. The positive effect of the application of IFRS 16 on this caption is equal to Euro 0.8 million (of which 6.1 million of lower rent costs and 5.3 million of higher right of use depreciation). This increase reflects the willingness of the management to invest in know-how and processes to face future challenges.

General and administrative expenses represented 9.1% of turnover (same incidence net of the effect of the application of IFRS 16), in 2018 the percentage was 9.0%.

4.5. MARKETING EXPENSES

Also in 2019, 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 went from Euro 99.5 million in 2018 to Euro 113.2 million in 2019, with an absolute change of Euro 13.7 million (+13.7%). The weight of marketing expenses on turnover is equal to 7.0% in 2019 in line with the amount 2018.

4.6. STOCK-BASED COMPENSATION

The caption stock-based compensation in 2019 was equal to Euro 29.4 million and included the costs related to the stock-

based compensation plans approved by the Shareholders' Meeting of Moncler on 20 April 2016 and on 16 April 2018 (Euro 29.6 million on 2018).

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

4.7. OPERATING RESULT

In 2019, the operating result of the Moncler Group amounted to Euro 491.8 million (Euro 475.4 million net of the effect of the application of IFRS 16), compared to Euro 414.1 million in 2018, and as percentage of revenue operating result rose to 30.2% (29.2% net of the effect of the application of IFRS 16) versus 29.2% in 2018.

EBITDA¹ is calculated as follows:

(Euro/000)	FY 2019 Including IFRS 16 Impact	FY 2019 IFRS 16 Impact	FY 2019 Excluding IFRS 16 Impact	FY 2018	FY 2019 vs FY 2018 Including IFRS 16 Impact	%
Operating result	491,799	16,365	475,434	414,098	77,701	18.8%
Stock-based compensation	29,386	0	29,386	29,604	(218)	(0.7)%
Amortisation, depreciation and impairment	171,123	101,135	69,988	56,499	114,624	202.9%
EBITDA	692,308	117,500	574,808	500,201	192,107	38.4%

In 2019, EBITDA amounted to Euro 692.3 million (Euro 574.8 million net of the effect of the application of IFRS 16) compared to Euro 500.2 million in 2018. As a percentage of revenues, it amounted to 42.5% in 2019 (35.3% of revenue net of the effect of the application of IFRS 16) compared to 35.2% in 2018.

Amortisation and depreciation in 2019 amounted to Euro 171.1 million (of which Euro 101.1 million resulting from the application of IFRS 16), compared to Euro 56.5 million in 2018. Excluding the application of IFRS 16, amortisation and depreciation increased by Euro 13.5 million, as a consequence of the higher investments of the period.

4.8. FINANCIAL INCOME AND EXPENSES

The caption is broken down as follows:

(Euro/000)	FY 2019	FY 2018
Interest income and other financial income	1,238	718
Foreign currency differences - positive	0	0
Total financial income	1,238	718
Interests expenses and other financial charges	(1,591)	(1,294)
Foreign currency differences - negative	(564)	(1,334)
Total financial expenses	(2,155)	(2,628)
Total net excluded interests on lease liabilities	(917)	(1,910)
Interests on lease liabilities	(20,155)	0
Total net	(21,072)	(1,910)

4.9. INCOME TAX

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

(Euro/000)	FY 2019	FY 2018
Current income taxes	(140,911)	(89,397)
Deferred tax (income) expenses	28,879	9,700
Income taxes charged in the income statement	(112,032)	(79,697)

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.

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 FY 2019	Tax Amount FY 2019	Tax rate FY 2019	Taxable Amount FY 2018	Tax Amount FY 2018	Tax rate FY 2018
Profit before tax	470,727			412,188		
Income tax using the Company's theoretic tax rate		(112,974)	24.0%		(98,925)	24.0%
Temporary differences		(33,410)	7.1%		(9,296)	2.3%
Permanent differences		(2,068)	0.4%		(2,391)	0.6%
Other differences		7,541	(1.6)%		21,214	(5.1)%
Deferred taxes recognised in the income statement		28,879	(6.1)%		9,700	(2.4)%
Income tax at effective tax rate		(112,032)	23.8%		(79,697)	19.3%

The caption other differences in 2019 mainly includes the tax benefits associated with the Patent Box, with research and development, the IRAP (current) and the other taxes different from IRES.

4.10. PERSONNEL EXPENSES

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

(Euro/000)	FY 2019	FY 2018
Wages and salaries	(148,313)	(133,667)
Social security costs	(23,787)	(21,810)
Accrual for employment benefits	(11,814)	(8,412)
Total	(183,914)	(163,889)

Personnel expenses increased by 12.2% when compared to prior year, from Euro 163.9 million in 2018 to Euro 183.9 million in 2019. 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 related to the stock-based compensation plans, equal to Euro 29.4 million in 2019 (Euro 29.6 million in 2018) are separately commented in note 10.2.

The following table analyses the number of employees (full-time-equivalent) in 2019 compared to the prior year:

Average FTE by area FTE	FY 2019	FY 2018
Italy	962	833
Other European countries	1,631	1,424
Asia and Japan	1,076	968
Americas	306	277
Total	3,975	3,502

The actual number of employees of the Group as at 31 December 2019 was 4,569 unit (4,155 as at 31 December 2018). The total number of employees increased largely as a result of the growth of directly operated stores, the expansion of the production site and the overall growth of the corporate structure.

4.11. DEPRECIATION AND AMORTISATION

Depreciation and amortisation are broken down as follows:

(Euro/000)	FY 2019	FY 2018
Depreciation of property, plant and equipment	(157,532)	(44,653)
Amortisation of intangible assets	(13,591)	(11,846)
Total Depreciation and Amortisation	(171,123)	(56,499)

The amortisation related to the right of use amounted to Euro 101.2 million, as explained in paragraphs 5.3.

Net of the effects of the above mentioned application of IFRS 16, the increase in both depreciation and amortisation was mainly due to investments made for the new store openings or the relocation/expansion of already existing stores, in IT and for the expansion/automation of the Italian logistic hub.

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)	31 December 2019		31 December 2018	
	Gross value	Accumulated amortisation and impairment	Net value	Net value
Brands	223,900	0	223,900	223,900
Key money	57,690	(37,177)	20,513	25,656
Software	58,597	(31,193)	27,404	15,252
Other intangible assets	10,078	(7,921)	2,157	2,551
Assets in progress	5,416	0	5,416	1,461
Goodwill	155,582	0	155,582	155,582
Total	511,263	(76,291)	434,972	424,402

Intangible assets changes are shown in the following tables:
As at 31 December 2019

Gross value Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
1 January 2019	223,900	56,866	39,611	9,282	1,461	155,582	486,702
Acquisitions	0	0	17,459	857	5,293	0	23,609
Disposals	0	(59)	(14)	(29)	0	0	(102)
Translation adjustment	0	883	71	(32)	0	0	922
Other movements, including transfers	0	0	1,470	0	(1,338)	0	132
31 December 2019	223,900	57,690	58,597	10,078	5,416	155,582	511,263
Accumulated amortisation and impairment Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
1 January 2019	0	(31,210)	(24,359)	(6,731)	0	0	(62,300)
Amortisation	0	(5,551)	(6,790)	(1,250)	0	0	(13,591)
Disposals	0	12	12	43	0	0	67
Translation adjustment	0	(428)	(56)	17	0	0	(467)
Other movements, including transfers	0	0	0	0	0	0	0
31 December 2019	0	(37,177)	(31,193)	(7,921)	0	0	(76,291)

As at 31 December 2018

Gross value Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
1 January 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 adjustment	0	(163)	96	(2)	0	0	(69)
Other movements, including transfers	0	0	93	0	(100)	0	(7)
31 December 2018	223,900	56,866	39,611	9,282	1,461	155,582	486,702
Accumulated amortisation and impairment Brands and other intangible assets (Euro/000)	Brands	Key money	Software	Other intangible assets	Assets in progress and advances	Goodwill	Total
1 January 2018	0	(26,449)	(19,338)	(5,452)	0	0	(51,239)
Amortisation	0	(5,625)	(4,941)	(1,280)	0	0	(11,846)
Disposals	0	1,017	0	0	0	0	1,017
Translation adjustment	0	(153)	(71)	1	0	0	(223)
Other movements, including transfers	0	0	(9)	0	0	0	(9)
31 December 2018	0	(31,210)	(24,359)	(6,731)	0	0	(62,300)

The increase in the caption software and assets in progress and advances pertained 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 2019 measurement, expected cash flows and revenues are based on the 2020-2022 Business Plan approved by the Board of Directors on 10 December 2019.

The “g” rate used was 1.9%.

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 8.1%.

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 = 30.19%.

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, confirming the wide recoverability of goodwill.

It is also underlined that the market capitalisation of the Company, based on the average price of Moncler share in 2019, showed 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 (Euro/000)			31 December 2019	31 December 2018
	Gross value	Accumulated depreciation and impairment	Net value	Net value
Land and buildings	699,688	(101,758)	597,930	5,476
Plant and equipment	22,960	(8,531)	14,429	8,248
Fixtures and fittings	119,019	(73,555)	45,464	48,890
Leasehold improvements	246,730	(126,798)	119,932	90,464
Other fixed assets	26,525	(17,480)	9,045	5,362
Assets in progress	19,740	0	19,740	18,530
Total	1,134,662	(328,122)	806,540	176,970

The change in property, plant and equipment is included in the following tables:
As at 31 December 2019

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
1 January 2019	6,339	14,400	108,088	187,319	18,730	18,530	353,406
Acquisitions	219,198	8,723	16,621	51,913	6,563	8,976	311,994
Disposals	(1,643)	(171)	(3,545)	(6,617)	(285)	0	(12,261)
First time adoption IFRS16	469,165	0	0	0	1,407	0	470,572
Translation adjustment	6,629	(56)	1,833	3,067	73	124	11,670
Other movements, including transfers	0	64	(3,978)	11,048	37	(7,890)	(719)
31 December 2019	699,688	22,960	119,019	246,730	26,525	19,740	1,134,662
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
1 January 2019	(863)	(6,152)	(59,198)	(96,855)	(13,368)	0	(176,436)
Depreciation	(100,854)	(2,484)	(15,531)	(34,373)	(4,290)	0	(157,532)
Disposals	202	96	1,927	5,582	216	0	8,023
Translation adjustment	(243)	9	(950)	(1,542)	(38)	0	(2,764)
Other movements, including transfers	0	0	197	390	0	0	587
31 December 2019	(101,758)	(8,531)	(73,555)	(126,798)	(17,480)	0	(328,122)

As at 31 December 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
1 January 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 adjustment	0	7	1,324	2,943	69	176	4,519
Other movements, including transfers	613	(67)	4,238	1,539	338	(5,970)	691
31 December 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
1 January 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 adjustment	0	(4)	(1,013)	(1,914)	(52)	0	(2,983)
Other movements, including transfers	(64)	(7)	(29)	106	48	0	54
31 December 2018	(863)	(6,152)	(59,198)	(96,855)	(13,368)	0	(176,436)

The changes related to the right of use assets arising from the application of the IFRS 16 are reported here below:

Right of use assets (Euro/000)	Land and buildings	Other fixed assets	Total
1 January 2019	0	0	0
First time adoption IFRS16	469,165	1,407	470,572
Acquisitions	218,708	535	219,243
Disposals	(1,442)	(19)	(1,461)
Depreciation	(100,484)	(709)	(101,193)
Translation adjustment	6,461	1	6,462
31 December 2019	592,408	1,215	593,623

Prior to the adoption of IFRS 16, some initial costs were capitalised and classified in intangible assets (for example “key money”). From 1 January 2019 these costs are considered in the measurement of right of use in application of IFRS 16 and classified in tangible assets, in the same way as the right of use to which they refer. The amount of these initial direct costs incurred in 2019, which would have also been capitalised previously, amounted to Euro 7.3 million gross of amortisation for the period.

In addition to the above mentioned effect arising from the application of the IFRS 16, the changes in property plant and equipment in 2019 showed an increase in the captions plant and equipment, fixture and fittings, leasehold improvements and assets in progress and advances: all of these captions are mainly related to the development of the retail network, the new store openings or the relocation/expansion of some important stores and the expansion/automation of the Italian logistic 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.

In consideration of the relevance of the rights of use amounts recorded in property, plant and equipment and the measurement aspects related to them, despite the absence of significant triggering events, the Group carried out an impairment test in the manner described in paragraph 2.7.

For each Cash Generating Unit (CGU), the recoverable value was verified with an asset side approach by comparing the value in use of the relevant Cash Generating Unit with the carrying amount of its net invested capital.

For the 2019 valuation, the expected cash flows and revenues are based on the 2020-2022 Business Plan (approved by the Board of Directors on 10 December 2019) and on management estimates for subsequent years, consistent with the average duration of rent contracts.

The discount rate used for discounting cash flows was equal to the Group WACC (8.1%), while the Group g rate was equal to 1.90%, both disaggregated for each CGU as shown below:

	EMEA	APAC	AMERICAS	JAPAN	KOREA	GROUP
WACC	7.60%	8.80%	8.40%	8.40%	7.90%	8.10%
g rate	1.90%	2.50%	1.90%	1.30%	1.70%	1.90%

The results of the sensitivity analysis showed that recoverable values were significantly higher than carrying values, even in the presence of large variations in the parameters.

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 31 December 2019 and 31 December 2018:

Deferred taxation (Euro/000)	31 December 2019	31 December 2018
Deferred tax assets	129,134	91,898
Deferred tax liabilities	(68,710)	(70,106)
Net amount	60,424	21,792

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.

Deferred tax assets as at 31 December 2019 included Euro 9.7 million resulting from the application of the IFRS 16.

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 - 1 January 2019	Taxes charged to the income statement	Taxes accounted for in Equity	Effect of currency translation	First time adoption IFRS16	Other movements	Closing balance - 31 December 2019
Tangible and intangible assets	6,910	2,904	0	167	8,622	165	18,768
Inventories	66,902	20,463	0	1,389	0	(3,967)	84,787
Trade receivables	3,930	(49)	0	(22)	0	(1)	3,858
Derivatives	478	0	(52)	0	0	1	427
Employee benefits	3,354	(324)	46	50	0	(21)	3,105
Provisions	4,785	2,552	0	80	0	4,070	11,487
Trade payables	2,869	1,132	0	14	0	(94)	3,921
Other temporary items	2,680	36	0	20	0	4	2,740
Tax loss carried forward	(10)	89	0	0	0	(38)	41
Tax assets	91,898	26,803	(6)	1,698	8,622	119	129,134
Tangible and intangible assets	(67,117)	1,570	0	(99)	0	6	(65,640)
Financial assets	51	0	0	0	0	1	52
Inventories	(555)	(198)	0	0	0	0	(753)
Derivatives	350	0	(470)	0	0	0	(120)
Trade payables	0	11	0	0	0	(8)	3
Other temporary items	(2,835)	693	0	0	0	(110)	(2,252)
Tax liabilities	(70,106)	2,076	(470)	(99)	0	(111)	(68,710)
Net deferred tax assets (liabilities)	21,792	28,879	(476)	1,599	8,622	8	60,424

Deferred tax assets (liabilities) (Euro/000)	Opening balance - 1 January 2018	Taxes charged to the income statement	Taxes accounted for in Equity	Effect of currency translation	Other movements	Closing balance - 31 December 2018
Tangible and intangible assets	5,677	1,134	0	140	(41)	6,910
Inventories	59,201	7,593	0	478	(370)	66,902
Trade receivables	4,215	622	0	26	(933)	3,930
Derivatives	0	0	478	0	0	478
Employee benefits	2,391	891	(16)	87	1	3,354
Provisions	4,399	261	0	166	(41)	4,785
Trade payables	414	1,084	0	10	1,361	2,869
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)
Derivatives	(306)	0	656	0	0	350
Other temporary items	(1,617)	(1,156)	0	(62)	0	(2,835)
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

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

Deferred tax assets and liabilities (Euro/000)	Taxable Amount 2019	Closing balance - 31 December 2019	Taxable Amount 2018	Closing balance - 31 December 2018
Tangible and intangible assets	69,778	18,768	26,883	6,910
Inventories	349,296	84,787	252,566	66,902
Trade receivables	16,594	3,858	16,942	3,930
Derivatives	1,778	427	1,992	478
Employee benefits	11,648	3,105	12,240	3,354
Provisions	39,125	11,487	17,238	4,785
Trade payables	13,938	3,921	10,245	2,869
Other temporary items	11,650	2,740	10,080	2,680
Tax loss carried forward	183	41	(69)	(10)
Tax assets	513,990	129,134	348,117	91,898
Tangible and intangible assets	(236,978)	(65,640)	(246,143)	(67,117)
Financial assets	213	52	215	51
Inventories	(2,699)	(753)	(1,989)	(555)
Derivatives	(500)	(120)	0	350
Trade payables	13	3	0	0
Other temporary items	(8,950)	(2,252)	(14,122)	(2,835)
Tax liabilities	(248,901)	(68,710)	(262,039)	(70,106)
Net deferred tax assets (liabilities)	265,089	60,424	86,078	21,792

5.5. INVENTORY

As at 31 December 2019 Inventory amounted to Euro 208.9 million (Euro 173.1 million as at 31 December 2018) and is broken down as follows:

Inventory (Euro/000)	31 December 2019	31 December 2018
Raw materials	82,158	65,365
Work-in-progress	26,111	32,929
Finished products	239,836	178,503
Inventories, gross	348,105	276,797
Obsolescence provision	(139,237)	(103,648)
Total	208,868	173,149

Inventory (gross amount) increased by approximately Euro 71.3 million, equal to 25.8%, due to the increase in business and large-ly included raw materials and finished products for the forthcoming seasons.

The obsolescence provision was 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 summarised in the following table:

Obsolescence provision - movements (Euro/000)	1 January 2019	Accrued	Used	Translation Difference	31 December 2019
Obsolescence provision	(103,648)	(36,981)	2,038	(646)	(139,237)
Total	(103,648)	(36,981)	2,038	(646)	(139,237)
Obsolescence provision - movements (Euro/000)	1 January 2018	Accrued	Used	Translation Difference	31 December 2018
Obsolescence provision	(84,110)	(30,208)	11,607	(937)	(103,648)
Total	(84,110)	(30,208)	11,607	(937)	(103,648)

5.6. TRADE RECEIVABLES

As at 31 December 2019 Trade receivables amounted to Euro 167.9 million (Euro 155.0 million as at 31 December 2018) and they are as follows:

Trade receivables (Euro/000)	31 December 2019	31 December 2018
Trade account receivables	177,518	163,725
Allowance for doubtful debt	(9,462)	(8,290)
Allowance for discounts	(137)	(388)
Total, net value	167,919	155,047

Trade receivables are related to the Group's wholesale business and they include balances with a collection time not greater than three months. During 2019 and 2018, 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 discounts allowance (Euro/000)	1 January 2019	Other movements	Accrued	Used	Translation Difference	31 December 2019
Allowance for doubtful debt	(8,290)	0	(1,495)	329	(6)	(9,462)
Allowance for discounts	(388)	(40)	0	299	(8)	(137)
Total	(8,678)	(40)	(1,495)	628	(14)	(9,599)

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

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. The fund also covers any risk of revocation on trade receivables mainly related to North American customers.

5.7. CASH AND BANK

As at 31 December 2019 the caption cash on hand and in bank amounted to Euro 759.1 million (Euro 546.3 million as at 31 December 2018) and included 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.

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)	31 December 2019	31 December 2018
Cash in hand and at banks	759,073	546,282
Bank overdraft	(3)	(14)
Total	759,070	546,268

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)	31 December 2019	31 December 2018
Prepayments and accrued income - current	8,521	7,227
Other current receivables	15,237	8,908
Other current assets	23,758	16,135
Prepayments and accrued income - non-current	0	1,756
Security / guarantees deposits	30,113	27,676
Investments in associated companies	23	45
Other non-current receivables	321	474
Other non-current assets	30,457	29,951
Total	54,215	46,086

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

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 22.5% interest in the company 3B Restaurant S.r.l. (45% in 2018), which deals 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 31 December 2019 Trade payables amounted to Euro 248.6 million (Euro 225.0 million as at 31 December 2018) and included current payables due to suppliers for goods and services. These payables pertained to amounts that are payable within the upcoming year and did not include amounts that will be paid after 12 months.

In 2019 and 2018 there were 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)	31 December 2019	31 December 2018
Deferred income and accrued expenses - current	365	2,893
Advances and payments on account to customers	10,192	4,596
Employee and social institutions	39,933	46,163
Tax accounts payable, excluding income taxes	16,881	13,917
Other current payables	19,763	14,989
Other current liabilities	87,134	82,558
Deferred income and accrued expenses - non-current	223	15,885
Other non-current liabilities	223	15,885
Total	87,357	98,443

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

The decrease in the caption deferred income and accrued expenses, current and non-current, was mainly due to the effect arising from the application of IFRS 16.

5.12. TAX ASSETS AND LIABILITIES

Tax assets amounted to Euro 1.6 million as at 31 December 2019 (Euro 11.5 million as at 31 December 2018).

Tax liabilities amounted to Euro 98.5 million as at 31 December 2019 (Euro 53.4 million as at 31 December 2018). They are recognised 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)	1 January 2019	Increase	Decrease	Translation differences	Other movements	31 December 2019
Other non-current contingencies	(7,477)	(2,342)	2,740	(96)	(3,528)	(10,703)
Total	(7,477)	(2,342)	2,740	(96)	(3,528)	(10,703)
Provision for contingencies and losses (Euro/000)	1 January 2018	Increase	Decrease	Translation differences	Other movements	31 December 2018
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)

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)	1 January 2019	Increase	Decrease	Translation differences	Other movements	31 December 2019
Pension funds	(3,404)	(640)	320	12	(166)	(3,878)
Agents leaving indemnities	(2,558)	0	0	0	0	(2,558)
Total	(5,962)	(640)	320	12	(166)	(6,436)
Employees' pension funds (Euro/000)	1 January 2018	Increase	Decrease	Translation differences	Other movements	31 December 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)

The pension funds pertain mainly to the Italian entities of the Group. Following the recent welfare reform, beginning on 1 January 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)	31 December 2019	31 December 2018
Net recognised liability - opening	(2,341)	(2,288)
Interest costs	(37)	(30)
Service costs	(337)	(236)
Payments	320	160
Actuarial Gains/(Losses)	(84)	53
Net recognised liability - closing	(2,479)	(2,341)

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	0.77%
Inflation rate	1.00%
Nominal rate of wage growth	1.00%
Labour turnover rate	6.81%
Probability of request of advances of TFR	2.28%
Percentage required in case of advance	70.00%
Life Table - Male	M2018 (*)
Life Table - Female	F2018 (*)

(*) 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%)	(118)
Discount rate (-0.5%)	128
Rate of payments Increases x (+ 0.5%)	(9)
Rate of payments Decreases x (-0.5%)	10
Rate of Price Inflation Increases (+ 0.5%)	85
Rate of Price Inflation Decreases (-0.5%)	(79)
Rate of Salary Increases (+ 0.5%)	16
Rate of Salary Decreases (-0.5%)	(16)
Increase the retirement age (+ 1 year)	8
Decrease the retirement age (-1 year)	(8)
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)	31 December 2019	31 December 2018
Bank overdraft and short-term bank loans	3	14
Short-term financial lease liabilities	105,523	0
Other short-term loans	21,255	15,635
Short-term borrowings	126,781	15,649
Long-term financial lease liabilities	533,794	0
Other long-term borrowings	78,203	80,783
Long-term borrowings	611,997	80,783
Total	738,778	96,432

Short-term borrowings include bank overdraft, short-term financial lease liabilities arising from the application of IFRS 16 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 long-term financial lease liabilities arising from the application of IFRS 16 and financial liabilities payable to non-bank third parties.

Financial lease liabilities amounted to Euro 639 million and are detailed in the following table:

Financial lease liabilities (Euro/000)	
Short-term financial lease liabilities	105,523
Long-term financial lease liabilities	533,794
Total	639,317

The changes in financial lease liabilities during 2019 are reported in the following table:

(Euro/000)	IFRS 16	Ex IAS 17	Financial lease liabilities
1 January 2019	0	176	176
First time adoption IFRS 16	518,488	0	518,488
Acquisitions	211,943	0	211,943
Disposals	(116,730)	(73)	(116,803)
Financial expenses	20,155	7	20,162
Translation adjustment	6,812	0	6,812
Other movements, including transfers	(1,461)	0	(1,461)
31 December 2019	639,207	110	639,317

The following table show the breakdown of the long-term borrowings in accordance with their maturity date:

Ageing of the Long-term borrowings (Euro/000)	31 December 2019	31 December 2018
Within 2 years	138,829	16,328
From 2 to 5 years	241,878	54,587
Beyond 5 years	231,290	9,868
Total	611,997	80,783

The following tables show the breakdown of the long-term borrowings, excluded financial lease liabilities, in accordance with their maturity date:

Ageing of Long-term borrowings excluded lease liabilities (Euro/000)	31 December 2019	31 December 2018
Within 2 years	52,722	16,328
From 2 to 5 years	25,481	54,587
Beyond 5 years	0	9,868
Total	78,203	80,783

The non-discounted cash flows referring to the lease liabilities are shown below.

Ageing of the lease liabilities not discounted (Euro/000)	31 December 2019	31 December 2018
Within 1 year	125,109	0
From 1 to 5 years	354,193	0
Beyond 5 years	255,990	0
Total	735,292	0

No new medium/long-term loans were taken out during 2019.

Finally, the caption other short-term loans includes also the negative fair value, equal to Euro 3.0 million (compared to Euro 4.2 million negative as at 31 December 2018), 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)	31 December 2019	31 December 2018
A. Cash in hand	1,747	1,799
B. Cash at banks and cash equivalents	757,326	544,483
C. Available for sale securities	0	0
D. Liquidity (A)+ (B)+ (C)	759,073	546,282
E. Current financial assets	3,120	259
F. Payable to banks, current	(3)	(14)
G. Current portion of long-term debt	0	0
H. Short-term financial lease liabilities	(105,523)	0
I. Other current financial debt	(21,255)	(15,635)
J. Current financial debt (F)+ (G)+ (H)+ (I)	(126,781)	(15,649)
K. Net current financial debt (E)+ (D)+ (J)	635,412	530,892
L. Payable to bank, non-current	0	0
M. Bonds issued	0	0
N. Long-term financial lease liabilities	(533,794)	0
O. Other non-current payables	(78,203)	(80,783)
P. Non-current financial debt (L)+ (M)+ (N)+ (O)	(611,997)	(80,783)
Q. Net financial debt (K)+ (P)	23,415	450,109

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

5.16. SHAREHOLDERS' EQUITY

Changes in shareholders' equity for 2019 and the comparative period are included in the consolidated statements of changes in equity.

As at 31 December 2019 the subscribed share capital constituted by 257,979,524 shares was fully paid and amounted to Euro 51,595,904.80 with a nominal value of Euro 0.20 per share.

During 2019, Moncler S.p.A. bought 498,603 Company shares, equal to 0.2% of the current share capital, for a total amount of Euro 15.1 million. As at 31 December 2019 5,669,803 treasury shares were held, equal to 2.2% of the share capital, for a total value of Euro 185.9 million.

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

In 2019 the Parent Company distributed dividends to the Group Shareholders for an amount of Euro 100.8 million (Euro 70.5 million in 2018).

The increase of the share capital and the share premium reserve arised from the exercise of 42,000 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 23 April 2015 at the exercise price of Euro 16.34 per share and the free capital increase in execution of the Performance Shares Plan approved in 2016 (2,117,400 shares).

The change in the IFRS 2 reserve is due to the accounting treatment of the stock option and performance share plans, i.e., to the recognition of the figurative cost for the period relating to these plans and the reclassification to retained earnings of the cumulative figurative cost of the plans already closed.

The change in retained earnings mainly relates to the payment of dividends to shareholders, the treasury shares purchase, the above mentioned reclassification of the IFRS 2 reserve and the adjustment to the market value of the financial liabilities to non-banking third parties.

The caption FTA reserve includes the effects of the initial application of the IFRS 16.

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 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 (Euro/000)	Cumulative translation adj. reserve			Other OCI items		
	Value before tax effect	Tax effect	Value after tax effect	Value before tax effect	Tax effect	Value after tax effect
Reserve as at 1 January 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 the period	0	0	0	0	0	0
Reserve as at 31 December 2018	(6,071)	0	(6,071)	(4,243)	1,004	(3,239)
Reserve as at 1 January 2019	(6,071)	0	(6,071)	(4,243)	1,004	(3,239)
Changes in the period	3,195	0	3,195	2,006	(476)	1,530
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 31 December 2019	(2,876)	0	(2,876)	(2,237)	528	(1,709)

EARNING PER SHARE

Earning per share for the years ended 31 December 2019 and 31 December 2018 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 31 December 2019 as there were 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	FY 2019	FY 2018
Net result of the period (Euro/000)	358,685	332,395
Average number of shares related to parent's Shareholders	251,723,961	251,473,499
Earnings attributable to Shareholders (Unit of Euro)	1.42	1.32
Diluted earnings attributable to Shareholders (Unit of Euro)	1.42	1.31

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 temporary stores and pop-up stores with a term of less than one year, which therefore do not fall within the scope of application of IFRS 16.

As at 31 December 2019, the amount due for these contracts was equal to Euro 221 thousand.

7.2. GUARANTEES GIVEN

As at 31 December 2019 the Group had given the following guarantees:

Guarantees and bails given (Euro/000)	31 December 2019	31 December 2018
Guarantees and bails given for the benefit of:		
Third parties/companies	26,859	17,044
Total guarantees and bails given	26,859	17,044

Guarantees pertain mainly to lease agreements for the new stores.



8.

CONTINGENT LIABILITIES

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 Dollar, the Swiss Franc, Taiwan Dollar and Singapore Dollar.

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 2019, 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, TWD and SGD.

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 (Euro/000)	31 December 2019										
	Euro	JP Yen	US Dollar	CN Yuan	HK Dollar	CH Franc	GB Pound	KR Won	CA Dollar	Other	Total
Cash and cash equivalent	504,999	50,839	53,622	31,584	16,705	5,582	15,266	28,648	4,882	46,946	759,073
Financial assets	3,120	0	0	0	0	0	0	0	0	0	3,120
Trade receivable	36,096	49,401	15,300	43,704	849	91	4,383	12,031	1,770	4,294	167,919
Other current assets	11,651	3,980	655	1,169	201	21	1,659	84	101	4,237	23,758
Other non-current assets	3,911	9,192	1,688	3,688	6,854	503	509	750	618	2,744	30,457
Total assets	559,777	113,412	71,265	80,145	24,609	6,197	21,817	41,513	7,371	58,221	984,327
Trade payables	(171,836)	(39,954)	(13,729)	(9,234)	(2,545)	(489)	(2,245)	(1,782)	(1,202)	(5,605)	(248,621)
Borrowings	(400,662)	(49,473)	(117,782)	(21,242)	(40,846)	(9,106)	(27,237)	(5,451)	(9,570)	(57,409)	(738,778)
Other current payables	(46,952)	(4,178)	(9,763)	(4,217)	(1,211)	(872)	(4,223)	(11,418)	(732)	(3,568)	(87,134)
Other non-current payables	(70)	0	30	0	0	4	(2)	0	(185)	0	(223)
Total liabilities	(619,520)	(93,605)	(141,244)	(34,693)	(44,602)	(10,463)	(33,707)	(18,651)	(11,689)	(66,582)	(1,074,756)
Total, net foreign positions	(59,743)	19,807	(69,979)	45,452	(19,993)	(4,266)	(11,890)	22,862	(4,318)	(8,361)	(90,429)

Details of the balances expressed in foreign currency (Euro/000)	31 December 2018										
	Euro	JP Yen	US Dollar	CN Yuan	HK Dollar	CH Franc	GB Pound	KR Won	CA 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

At the reporting date, the Group had outstanding hedges for Euro 91.0 million (Euro 64.7 million as at 31 December 2018) against receivables still to be collected and outstanding hedges for Euro 317.6 million (Euro 68.5 million as at 31 December 2018) 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 foreign currency (Euro/000)	JP Yen	US Dollar	CN Yuan	HK Dollar	KR Won	GB Pound	Other
Effect of an exchange rate increase amounting to +1%							
Revenue	2,515	2,742	2,084	593	1,099	858	1,280
Operating profit	1,302	1,603	1,342	253	600	599	580
Effect of an exchange rate decrease amounting to -1%							
Revenue	(2,566)	(2,797)	(2,126)	(605)	(1,121)	(876)	(1,305)
Operating profit	(1,328)	(1,635)	(1,369)	(258)	(612)	(612)	(592)

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.

As at 31 December 2019 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 remains low. The maximum exposure to credit risk for the Group at 31 December 2019 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 centralised 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:

- centralised treasury management and financial planning. Use of a centralised 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 that, 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.

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

Non derivative financial liabilities (Euro/000)	Total book value	Contractual cash flows				
		Total	within 1 year	1-2 years	2-5 years	more than 5 years
Bank overdraft	0	0	0	0	0	0
Self-liquidating loans	0	0	0	0	0	0
Financial debt to third parties	0	0	0	0	0	0
Unsecured loans	0	0	0	0	0	0
Financial lease liabilities	639,317	639,317	105,523	86,107	216,397	231,290

Derivative financial liabilities (Euro/000)	Total book value	Contractual cash flows				
		Total	within 1 year	1-2 years	2-5 years	more than 5 years
Interest rate swap hedging	0	0	0	0	0	0
Forward contracts on exchange rate hedging	(96)	(96)	(96)	0	0	0
- Outflows	3,024	3,024	3,024	0	0	0
- Inflows	(3,120)	(3,120)	(3,120)	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.

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 2019, 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 128.0 million in 2019 and Euro 86.8 million in 2018) and then sells them to Moncler Japan Ltd. (Euro 145.9 million in 2019 and Euro 99.4 million in 2018) 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 recognised for 2019 amounted to Euro 0.1 million (Euro 0.3 million in 2018).
- 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 recognised for 2019 amounted to Euro 1.3 million (Euro 1.0 million in 2018) and total costs recognised amounted to Euro 0.2 million (Euro 0.2 in 2018).
- Mr Fabrizio Ruffini, brother of the Chairman of the Board of Directors and Chief Executive Officer of Moncler S.p.A., provides consultancy services relating to research, development and quality control for Moncler branded products. Total costs recognised for 2019 amounted to Euro 0.6 million (Euro 0.6 million in 2018).

The company Industries S.p.A. adheres 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 2019 amounted to Euro 6,610 thousand (Euro 4,979 thousand in 2018).

Compensation paid to the members of the Board of Auditors in 2019 amounted to Euro 164 thousand (Euro 164 thousand in 2018).

In 2019 total compensation paid to executives with strategic responsibilities amounted to Euro 1,455 thousand (Euro 2,940 thousand in 2018).

In 2019 the costs relating to stock option plans (described in note 10.2) referring to members of the Board of Directors and Key management personnel amounted to Euro 10,958 thousand (Euro 10,858 thousand in 2018).

The following tables summarise the aforementioned related-party transactions that took place during 2019 and the prior year.

(Euro/000)	Type of relationship	Note	31 December 2019	%	31 December 2018	%
Yagi Tsusho Ltd	Distribution agreement	a	128,002	(35.3)%	86,808	(27.1)%
Yagi Tsusho Ltd	Distribution agreement	a	(145,937)	40.3%	(99,434)	31.1%
GokseTekstil Kozmetik Sanayi ic ve dis ticaret limited sirketi	Service agreement	b	(132)	0.1%	(291)	0.2%
La Rotonda S.r.l.	Trade transactions	c	1,252	0.1%	990	0.1%
La Rotonda S.r.l.	Trade transactions	d	(160)	0.0%	(163)	0.0%
Fabrizio Ruffini	Service agreement	b	(553)	0.4%	(552)	0.4%
Directors, board of statutory auditors and executives with strategic responsibilities	Labour services	b	(7,496)	5.1%	(7,310)	5.7%
Executives with strategic responsibilities	Labour services	d	(734)	0.2%	(774)	0.2%
Directors and executives with strategic responsibilities	Labour services	e	(10,958)	37.3%	(10,858)	36.7%
Total			(36,716)		(31,584)	

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	31 December 2019	%	31 December 2018	%
Yagi Tsusho Ltd	Trade payables	a	(20,728)	8.3%	(17,295)	7.7%
Yagi Tsusho Ltd	Trade receivables	b	14,699	8.8%	11,757	7.6%
Gokse Tekstil Kozmetik Sanayi ic ve dis ticaret limited sirketi	Trade payables	a	0	0.0%	(59)	0.0%
La Rotonda S.r.l.	Trade receivables	b	908	0.5%	896	0.6%
La Rotonda S.r.l.	Trade payables	a	(40)	0.0%	(47)	0.0%
Fabrizio Ruffini	Trade payables	a	(138)	0.1%	(137)	0.1%
Directors, board of statutory auditors and executives with strategic responsibilities	Other current liabilities	c	(3,994)	4.6%	(4,014)	4.9%
Total			(9,293)		(8,899)	

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 summarise the weight of related-party transactions on the Consolidated Financial Statements as at and for the years ended 31 December 2019 and 2018:

(Euro/000)	31 December 2019							
	Revenue	Cost of sales	Selling expenses	General and administrative expenses	Stock-based compensation	Trade receivables	Trade payables	Other current liabilities
Total related parties	1,252	(17,935)	(894)	(8,181)	(10,958)	15,607	(20,906)	(3,994)
Total consolidated financial statements	1,627,704	(362,424)	(483,226)	(147,717)	(29,386)	167,919	(248,621)	(87,134)
Weight %	0.1%	4.9%	0.2%	5.5%	37.3%	9.3%	8.4%	4.6%

(Euro/000)	31 December 2018							
	Revenue	Cost of sales	Selling expenses	General and administrative expenses	Stock-based compensation	Trade receivables	Trade payables	Other current liabilities
Total related parties	990	(12,626)	(937)	(8,153)	(10,858)	12,653	(17,538)	(4,014)
Total consolidated financial statements	1,420,074	(320,232)	(428,864)	(127,794)	(29,604)	155,047	(224,989)	(82,558)
Weight %	0.1%	3.9%	0.2%	6.4%	36.7%	8.2%	7.8%	4.9%

10.2. STOCK-BASED COMPENSATION PLANS

The Consolidated Financial Statements at 31 December 2019 reflects the values of the Stock Option Plan approved in 2015 and of the Performance Share Plans approved in 2016 and in 2018.

With regard to Stock Option Plan approved in 2015, please note that:

- The 2015 Plan provided for a vesting period ended with the approval of the Consolidated Financial Statements as at 31 December 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 30 June 2020 at the latest;
- The exercise price of the options was equal to Euro 16.34 and allowed 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: 31 May 2019;
 - dividend yield 1%;
 - fair value per tranches Euro 3.2877.
- There were no effect on the income statement of 2019, while the increase of the net equity for the exercise of the vested options of the Plan amounted to Euro 686 thousand.
- As at 31 December 2019 68,300 options were still in circulation, after that, during the year 2019, 42,000 options were exercised.

On 20 April 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 29 June 2017 assigned 365,500 Moncler Rights.

As regards the first allocation cycle:

- The 3-year vesting period ended with the approval of the Draft Financial Statements as at 31 December 2018.

- The performance targets were met, together with the over-performance condition.
- Therefore, no. 3,046,200 shares (including no. 507,700 shares deriving from over-performance) were assigned to the beneficiaries through a share capital increase (no. 2,117,400 shares) and the allocation of treasury shares (no. 928,800 shares).

As at 31 December 2019 there were still in circulation 324,000 rights related to the second cycle of attribution (the effect on the income statement in 2019 amounted to Euro 3.0 million). There were not rights in circulation related to the first cycle of attribution (the effect on the income statement in 2019 amounted to Euro 3.8 million).

On 16 April 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 no. 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. The second attribution cycle, approved during 2019, ended with the assignment of 341,514 Moncler Rights.

As at 31 December 2019 there were still in circulation 1,242,137 rights related to the first cycle of attribution (the effect on the income statement in 2019 amounted to Euro 18.5 million) and 329,065 rights related to the second cycle of attribution (the effect on the income statement in 2019 amounted to Euro 2.3 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 (Euro/000)	31 December 2019					
	Assets	Liabilities	Net equity	Revenues	Profit/(Loss)	Profit/(Loss) attributable to minority
White Tech Sp.zo.o.	310	44	266	183	34	10

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

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

Cash Flow 2019 (*) (Euro/000)	White Tech Sp.zo.o.
Operating Cash Flow	16
Free Cash Flow	6
Net Cash Flow	9
Cash Flow 2018 (*) (Euro/000)	White Tech Sp.zo.o.
Operating Cash Flow	40
Free Cash Flow	37
Net Cash Flow	32

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

10.4. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

On 9 May 2019, Moncler Board of Directors, putting into effect the resolutions adopted by the Shareholders' Meeting of 16 April 2018, resolved, with reference to the Stock Grant Plan denominated "2018-2020 Performance Shares Plan", the granting of 341,514 shares to 53 beneficiaries.

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

10.5. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

It should be noted that during 2019 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.

31 December 2019 (Euro/000)	Current	Non-current	Fair value	Level
Financial assets measured at fair value				
Interest rate swap used for hedging	-	-	-	
Forward exchange contracts used for hedging	3,120	-	3,120	2
Sub-total	3,120	-	3,120	
Financial assets not measured at fair value				
Trade and other receivables (*)	167,919	30,113		
Cash and cash equivalents (*)	759,073	-		
Sub-total	926,992	30,113	-	
Total	930,112	30,113	3,120	

31 December 2018 (Euro/000)	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	

31 December 2019 (Euro/000)	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	(3,020)	-	(3,020)	2
Other financial liabilities	(18,235)	(78,203)	(96,438)	3
Sub-total	(21,255)	(78,203)	(99,458)	
Financial liabilities not measured at fair value				
Trade and other payables (*)	(278,576)	-		
Bank overdrafts (*)	(3)	-		
Short-term bank loans (*)	-	-		
Bank loans (*)	-	-	-	
IFRS 16 financial loans (*)	(105,523)	(533,794)	-	
Sub-total	(384,102)	(533,794)	-	
Total	(405,357)	(611,997)	(99,458)	

31 December 2018 (Euro/000)	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)	

(*) 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 summarised below:

Audit and attestation services (Euro)	Entity that has provided the service	Fees 2019
Audit	KPMG S.p.A.	407,508
	Network KPMG S.p.A.	184,712
Attestation services	KPMG S.p.A.	242,760
	Network KPMG S.p.A.	2,500
Other services	KPMG S.p.A.	48,218
	Network KPMG S.p.A.	580,800
Total		1,466,498

10.8. DISCLOSURE PURSUANT TO ITALIAN LAW N. 124/2017

Pursuant to the requirements of Law no. 124/2017, in 2019 the company Moncler S.p.A. benefited from Euro 2,973 thousand in tax credit relating to research and development for the year 2018, while the company Industries S.p.A. received employee training grants of Euro 40 thousand from Fondimpresa.

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

At the end of 2019 a novel coronavirus, known as Covid-19, was first reported in Wuhan, the capital of Hubei province in China. At the date of writing of this document, the virus has infected thousands of people around the world and has caused a number of fatalities.

In January 2020, the measures taken to contain the virus and protect the population have included the quarantine of Wuhan and of a number of cities in the country.

At the end of February, following major outbreaks mainly localised in the Lombardy, Veneto and Emilia-Romagna regions, Italy also adopted stringent measures to limit the transmission of the virus. After Italy, similar actions have been implemented also in other European nations and in the United States. Travels have also been limited. In addition, in many states – with the only exception of food and pharmaceutical – including Moncler stores, have been closed.

This situation is having significant impacts on the economy, on the financial markets and on the consumer confidence at global level.

At the date of writing of this document, it is not possible to forecast the duration of this situation and its impacts on full year results. However, also assuming significant reductions in revenues, the sensitivity analysis doesn't highlight any issue in terms of impairment tests and assessments of financial statements items.

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

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SEPARATE FINANCIAL STATEMENTS

INCOME STATEMENT

Income statement (Euro)	Notes	FY 2019	of which related parties (note 8.1)	FY 2018 (*)	of which related parties (note 8.1)
Revenue	3.1	273,339,505	272,386,074	237,564,586	236,806,569
General and administrative expenses	3.2	(31,100,487)	(6,291,479)	(25,579,858)	(6,326,727)
Marketing expenses	3.3	(45,382,911)	(1,500)	(40,896,990)	(61,906)
Stock-based compensation	3.4	(6,402,030)	(3,672,118)	(7,250,728)	(4,831,509)
Operating result		190,454,077		163,837,010	
Financial income	3.6	161,435	156,198	80,463	74,665
Financial expenses	3.6	(564,653)	(413,049)	(292,510)	(139,649)
Result before taxes		190,050,859		163,624,963	
Income taxes	3.7	(32,401,283)		(24,882,762)	
Net result		157,649,576		138,742,201	

COMPREHENSIVE INCOME

Statement of comprehensive income (Euro)	Note	FY 2019	FY 2018 (*)
Net profit (loss) for the period		157,649,576	138,742,201
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	4,897	523
Items that will never be reclassified to profit or loss		4,897	523
Other comprehensive income/(loss), net of tax		4,897	523
Total Comprehensive income/(loss)		157,654,473	138,742,724

FINANCIAL POSITION

Statement of financial position (Euro)	Notes	31 December 2019	of which related parties (note 8.1)	31 December 2018 (*)	of which related parties (note 8.1)
Brands and other intangible assets - net	4.1	225,507,083		225,716,448	
Property, plant and equipment - net	4.3	1,716,504		157,200	
Investments in subsidiaries	4.4	291,296,323		272,523,690	
Other non-current assets	4.9	73,150		40,650	
Deferred tax assets	4.5	456,837		459,578	
Non-current assets		519,049,897		498,897,566	
Trade accounts receivable	4.6	509,483		510,969	
Intra-group accounts receivable	4.6	60,330,290	60,330,290	54,299,770	54,299,770
Other current assets	4.9	2,149,563		1,582,006	
Other current assets intra-group	4.9	20,304,540	20,304,540	7,512,663	7,512,663
Intra-group financial receivables	4.8	18,940,225	18,940,225	9,797,715	9,797,715
Cash and cash equivalent	4.7	56,471,518		1,299,721	
Current assets		158,705,619		75,002,844	
Total assets		677,755,516		573,900,410	
Share capital	4.15	51,595,905		51,164,025	
Premium reserve	4.15	172,271,861		171,593,981	
Other reserve	4.15	161,659,991		114,372,729	
Net result	4.15	157,649,576		138,742,201	
Equity		543,177,333		475,872,936	
Long-term borrowings	4.12	1,221,055		0	
Employees pension fund	4.12	1,141,015		995,413	
Deferred tax liabilities	4.5	64,865,248		64,860,580	
Non-current liabilities		67,227,318		65,855,993	
Short-term borrowings	4.13	384,251		84,387	
Trade accounts payable	4.10	18,991,164		17,412,133	
Intra-group accounts payable	4.10	10,775	10,775	2,287,854	2,287,854
Tax liabilities	4.14	29,088,408		6,762,876	
Other current liabilities	4.11	6,799,056	2,207,007	5,624,231	2,155,504
Other current liabilities intra-group	4.11	12,077,211	12,077,211	0	0
Current liabilities		67,350,865		32,171,481	
Total liabilities and equity		677,755,516		573,900,410	

CHANGES IN EQUITY

Statement of changes in equity (Euro)	Notes	Share capital	Premium reserve	Legal reserve	Other comprehensive income
Shareholders' equity at 1 January 2018	4.15	50,955,748	154,827,093	10,300,000	(108,598)
Allocation of Last Year Result		0	0	0	0
Share capital and reserves increase		208,277	16,766,888	0	0
Reclassification		0	0	0	0
Dividends		0	0	0	0
Other movements in Equity		0	0	0	523
Result of the period		0	0	0	0
Shareholders' equity at 31 December 2018	4.15	51,164,025	171,593,981	10,300,000	(108,075)
Shareholders' equity at 1 January 2019 (*)	4.15	51,164,025	171,593,981	10,300,000	(108,075)
Allocation of Last Year Result		0	0	0	0
Share capital and reserves increase		431,880	677,880	0	0
Reclassification		0	0	0	0
Dividends		0	0	0	0
Other movements in Equity		0	0	0	4,897
Result of the period		0	0	0	0
Shareholders' equity at 31 December 2019	4.15	51,595,905	172,271,861	10,300,000	(103,178)

Other reserves IFRS 2 reserve	Revaluation reserve	FTA reserve	Retained earnings	Result of the period	Net Equity
49,816,757	0	0	110,862,221	133,253,774	509,906,995
0	0	0	133,253,774	(133,253,774)	0
0	0	0	0	0	16,975,165
0	0	0	0	0	0
0	0	0	(70,464,120)	0	(70,464,120)
29,285,256	0	0	(148,573,084)	0	(119,287,305)
0	0	0	0	138,742,201	138,742,201
79,102,013	0	0	25,078,791	138,742,201	475,872,936
79,102,013	0	(20,638)	25,078,791	138,742,201	475,852,298
0	12,261	0	138,729,940	(138,742,201)	0
0	0	0	(423,480)	0	686,280
0	0	0	0	0	0
0	0	0	(100,849,568)	0	(100,849,568)
(41,878,189)	0	0	51,712,039	0	9,838,747
0	0	0	0	157,649,576	157,649,576
37,223,824	12,261	(20,638)	114,247,722	157,649,576	543,177,333

CASH FLOWS

Statement of cash flow (Euro)	FY 2019	of which related parties (note 8.1)	FY 2018 (*)	of which related parties (note 8.1)
Cash flow from operating activities				
Net result of the period	157,649,576		138,742,201	
Depreciation and amortisation	1,364,532		1,077,000	
Net financial (income)/expenses	403,218		212,047	
Equity-settled share-based payment transactions	6,163,059		7,216,592	
Income tax expenses	32,401,283		24,882,762	
Changes in trade receivables - (Increase)/Decrease	(6,029,034)	(6,030,520)	(8,697,145)	(8,847,908)
Changes in trade payables - Increase/(Decrease)	(698,048)	(2,277,079)	(1,176,635)	1,939,810
Changes in other current assets/liabilities	450,808	51,503	1,191,339	(63,952)
Cash flow generated/(absorbed) from operating activities	191,705,394		163,448,161	
Interest paid	(400,539)		(175,943)	
Interest received	161,435		80,463	
Income tax paid	(42,197,669)		(435,418)	
Income tax received from fiscal consolidation	19,352,211		7,235,301	
VAT received from Fiscal Consolidation	12,077,211		0	
Changes in other non-current assets/liabilities	113,790		157,242	
Net cash flow from operating activities (a)	180,811,833		170,309,806	
Cash flow from investing activities				
Purchase of tangible and intangible fixed assets	(904,106)		(1,021,145)	
Net cash flow from investing activities (b)	(904,106)		(1,021,145)	
Cash flow from financing activities				
Repayment of current and non-current lease liabilities	(328,291)		(9,075)	
Short-term borrowings variation, other than bank borrowings	(9,142,510)	(9,142,510)	32,751,949	32,658,487
Transaction related to equity	(15,101,841)		(148,573,084)	
Dividends paid to shareholders	(100,849,568)		(70,464,120)	
Share Capital and reserves increase	686,280		16,975,165	
Net cash flow from financing activities (c)	(124,735,930)		(169,319,165)	
Net increase/(decrease) in cash and cash equivalents (a)+(b)+(c)	55,171,797		(30,504)	
Cash and cash equivalents at the beginning of the period	1,299,721		1,330,225	
Net increase/(decrease) in cash and cash equivalents	55,171,797		(30,504)	
Cash and cash equivalents at the end of the period	56,471,518		1,299,721	

(*) The Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See note 2.1.1.

On behalf of the Board of Directors



REMO RUFFINI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS





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 31 December 2019, holds 22.5% 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 2019 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.

This is the first annual financial statement to which the Company has applied the IFRS 16. The related significant changes in the accounting standards are described in note 2.16.

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 AND VALUATIONS

The preparation of the financial statements and the related explanatory notes in conformity with IFRS requires that management makes 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 variation is 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 have a significant impact on the amounts recognised in the financial statements or in case that there is a risk of future adjustments on the amounts recognised 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 with indefinite useful lives and investments;
- 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 recognised 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.

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 2019 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 recognised 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
Rights of use	Lease period
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 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 recognised at fair value at the acquisition date.

Brands have an indefinite useful life and are carried at cost less accumulated impairment. Brands are not amortised 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 capitalised 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 amortisation and accumulated impairment losses.

AMMORTISATION OF INTANGIBLE ASSETS WITH A DEFINITE USEFUL LIFE

Intangible assets with a definite useful life are amortised 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 recognises dividends from subsidiaries, associates and others in its income statement when the right to receive such dividends has materialised.

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 recognised for the amount by which the carrying amount exceeds its recoverable amount.

Assets with an indefinite useful life are not subject to amortisation 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 recognised for the amount by which the carrying amount exceeds its recoverable amount.

With the exception of impairment losses recognised 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 recognised immediately in the income statement.

2.6. LEASED ASSETS

On 13 January 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 9 November 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.

At the lease commencement date, the Company recognises the right of use asset and lease liability. The right of

use asset is initially valued at cost, including the amount of the initial measurement of the lease liability, adjusted for the rent payments made on or before the commencement date, increased by the initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, net of the received lease incentives.

The right of use asset is amortised on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company at the end of the lease term. In this case, the right of use asset will be amortised over the useful life of the underlying asset, determined on the same basis as that of property and machinery. In addition, the right of use asset is regularly decreased for any impairment losses and adjusted to reflect any changes deriving from subsequent remeasurement of the lease liability.

The Company values the lease liability at the present value of the payments due for unpaid leases at the commencement date, discounting them using the interest rate implicit in the lease.

The payments due for the lease included in the measurement of the lease liability include:

- fixed payments (including substantially fixed payments);
- payments due for lease which depend on an index or rate, initially measured using an index or rate on the commencement date;
- amounts that are expected to be paid as a residual value guarantee; and
- the payments due for the lease in an optional renewal period if the Company is reasonably certain to exercise the renewal option, and early termination cancellation penalties, unless the Company is reasonably certain not to terminate the lease in advance.

The lease liability is measured at amortised cost using the effective interest criterion and remeasured in the event of a change in the future payments due for the lease deriving from a change in the index or rate, in the event of a change in the amount that the Company expects to pay as a guarantee on the residual value or when the Company changes its measurement with reference to the exercise or otherwise of a purchase, extension or cancellation option or in the event of revision of in-substance fixed payments due.

When the lease liability is remeasured, the lessee makes a corresponding change in right of use asset. If the right of use asset carrying value is reduced to zero, the lessee recognises the change in profit/(loss) for the year.

In the statement of financial position, the Company reports right of use assets that do not meet the definition of real estate investments in the item Property, plant and equipment and lease liabilities in the item Borrowings.

The Company recognises the related payments due for leases as a cost on a straight-line basis over the lease term.

For contracts signed before 1 January 2019, the Company established whether the agreement was or contained a lease by checking if:

- fulfilment of the agreement depended on the use of one or more specific assets; and
- the agreement transferred the right to use the asset.

Other assets subject to leases are classified as operating

leases and are not recognised in the Company's statement of financial position. Payments relating to operating leases are recognised as a straight-line cost over the lease term, while incentives granted to the lessee are recognised as an integral part of the overall lease cost over the lease term.

2.7. 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 amortised 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 recognised 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 recognised 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.

2.8. 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 31 December 2006 Italian employees were eligible to defined benefit schemes referred as post-employment benefit ("TFR"). With the act no. 296 as of 27 December 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 1 January 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 31 December 2006 is still recognised as a defined benefit plan and accounted for using actuarial assumptions.

2.9. 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss for the year.

2.10. 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.

2.11. 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.

2.12. BORROWING COSTS

Borrowing costs are recognised 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.

2.13. 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.

Tax liabilities include the estimate of risks associated with uncertainties on the tax treatments adopted for determining income taxes in accordance with the new IFRIC 23. These uncertainties can arise from: i) unclear or complex tax rules; ii) changes in tax regulations or clarifications by tax authorities; iii) ongoing tax audits and/or disputes; iv) public information on ongoing tax assessments and/or disputes involving other entities.

2.14. 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.



2.15. 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).

2.16. ACCOUNTING STANDARDS AND RECENTLY PUBLISHED INTERPRETATIONS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019

IFRS 16

The application of IFRS 16 as of 1 January 2019, did not have a significant impact on the Company's financial statements since it has no significant commitments deriving from operating lease contracts.

Previously, the Company determined at the inception of the contract whether the contract was, or contained, a lease in accordance with IFRIC 4 Determining whether an arrangement contains a lease, as well as IAS 17 Leases, SIC 15 Operating leases – Incentives and SIC 27 Evaluating the substance of transactions involving the legal form of a lease.

In accordance with IFRS 16, the Company assesses whether the contract is a lease or contains it on the basis of the new definition of a lease. Under IFRS 16, the contract is, or contains, a lease if, in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time.

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 Company started applying IFRS 16 from 1 January 2019 using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative periods.

In the first application, the Company has adopted some practical expedients provided by the Principle and, in particular, contracts with a remaining term of less than or equal to 12 months are excluded and initial costs are excluded from the valuation of the right of use asset at the date of initial application.

Even when fully operational, the Company decided not to apply IFRS 16 to contracts with a total term of less than or equal to 12 months and to leases of low value, which mainly refer to electronic equipment.

EFFECTS OF THE TRANSITION ON THE FINANCIAL STATEMENTS

In the initial phase of application of IFRS 16, the Company recorded at 1 January 2019 right of use assets equal to Euro 693 thousand and lease liabilities equal to Euro 722 thousand. The differences between assets and liabilities were recorded under retained earnings in the amount of Euro 21 thousand, net of the deferred tax effect of Euro 8 thousand.

In the valuation phase of the lease liabilities, the Company discounted the payments due for the lease using the marginal financing rate at 1 January 2019. The weighted average rate applied was 1.40%. The rate was determined taking into account the term of the lease contracts, the currency in which they are denominated, the characteristics of the economic environment in which the contract was stipulated and the credit adjustment.

For contracts that provide for a renewal option at the end of the period that cannot be cancelled, the Company has chosen, based on historical evidence and business development plans, to consider, in addition to the period that cannot be cancelled, the period that is the subject of the renewal option, except for the existence of any business plans for the disposal of the leased assets, as well as clear valuations by which the non-exercise of the renewal option is deemed reasonable.

For contracts with renewal options that can be exercised automatically at the end of a non-cancelable period, the term considered is the maximum term, which is normally longer than the time horizon covered by the Group's (three years) business plan.

For contracts with indefinite term, the Company has chosen to consider a term equal to the length of the business plan.

The reconciliation between the lease liability calculated in accordance with IFRS 16 and the commitments for operating leases that cannot be cancelled indicated in the financial statements of the previous year in accordance with IAS 17 is shown below.

Reconciliation of lease liabilities (Euro/000)	
Commitments for undiscounted operating leases applying IAS 17 as at 31 December 2018	522
Exceptions to recognition pursuant to IFRS 16	0
Other changes	216
Undiscounted operating lease liabilities to be recognised in the balance sheet as at 1 January 2019	738
Discounting effect on operating lease liabilities	(16)
Lease Liabilities for leases applying IFRS 16 as at 1 January 2019	722
Lease Liabilities for finance leases applying IAS 17 as at 1 January 2019	84
Total Lease Liabilities applying IFRS 16 as at 1 January 2019	806

Commitments at 31 December 2018 amounted to Euro 522 thousand, while payables for operating leases at 1 January 2019 (not discounted) were higher, totalling Euro 738 thousand. There are no cases for which the standard provides for exceptions; the only changes, equal to Euro 216 thousand, refer to the reviewed estimate of the term of some contracts and the inclusion of others following the in-depth analysis carried out in the application of IFRS 16.

The other new standards which came into force on 1 January 2019, have not had significant effects on the Company's financial statement.

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.

Document title	Issue date	Effective from	Approval date	EU regulation and date of publication
Amendments to references to Conceptual Framework in IFRS standards	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Reform of the reference indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

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 date of IASB document	Approval date by EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021 - (Note 2)	TBD
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 the IASB project on the equity method	Postponed pending the conclusion of the IASB project on the equity method
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 2020	1 January 2022	TBD

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".
2. It should be noted that in June 2019 the IASB published a draft exposure which included some amendments to IFRS 17 and delayed the entry into force of the new accounting standard to 1 January 2022. As of the date of this report, the amendments to IFRS 17 have not yet been definitively approved by the IASB.

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 35,775 thousand when compared to the prior year is due to greater business volume.

3.2. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to Euro 31,101 thousand (Euro 25,580 thousand in 2018) and primarily include designing and product development expenses in the amount of Euro 10,157 thousand (Euro 9,134 thousand in 2018), the personnel expenses of other functions in the amount of Euro 7,555 thousand (Euro 5,923 thousand in 2018), legal, financial and administrative expenses in the amount of Euro 1,870 thousand (Euro 1,710 thousand in 2018), directors' fees in the amount of Euro 4,002 thousand (Euro 4,254 thousand in 2018), auditing and attestation service, statutory auditors expenses, costs for supervisory body and internal audit in the amount of Euro 429 thousand (Euro 418 thousand in 2018).

3.3. MARKETING EXPENSES

Marketing expenses amounted to Euro 45,383 thousand (Euro 40,897 thousand in 2018) and are mostly made up of expenses related to media-plan and events.

3.4. STOCK-BASED COMPENSATION

The caption stock-based compensation in 2019 amounted to Euro 6,402 thousand and includes the costs incurred for the Stock Option and Performance Shares Plans approved by the Shareholders' Meeting of Moncler on 20 April 2016 and on 16 April 2018 (Euro 7,251 thousand in 2018).

The description of the incentive loyalty schemes and the related costs are included in note 8.2.

3.5. PERSONNEL EXPENSES, DEPRECIATION AND AMORTISATION

The total personnel expenses, included under general and administrative expenses, amounted to Euro 9,755 thousand (Euro 7,383 thousand in 2018) including social security contribution of Euro 1,845 thousand (Euro 1,552 thousand in 2018) and leaving indemnity expenses of Euro 560 thousand (Euro 370 thousand in 2018).

The average number of FTE ("full-time-equivalent") in 2019 was 88 (66 in 2018).

In 2019 depreciation and amortisation amounted to Euro 1,364 thousand (Euro 1,077 thousand in 2018).

3.6. FINANCIAL INCOME AND EXPENSES

The caption is broken down as follows:

(Euro/000)	FY 2019	FY 2018
Interest income and other financial income	161	80
Total financial income	161	80
Interests expenses and bank charges	(407)	(187)
Foreign currency differences - negative	(147)	(105)
Total financial expenses	(554)	(292)
Total net excluded interests on lease liabilities	(393)	(212)
Interests on lease liabilities	(10)	0
Total net	(403)	(212)

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 2019 and 2018 the company had not received dividends.

3.7. INCOME TAX

The tax impact on the income statement is detailed as follows:

(Euro/000)	FY 2019	FY 2018
Current income taxes	(32,379)	(23,887)
Deferred tax (income) expenses	(22)	(996)
Income taxes charged in the income statement	(32,401)	(24,883)

The caption current income taxes in 2018 was affected by the recording of the tax credit 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 2019 was affected by the recording of the tax credit relating to the Patent Box tax relief for 2019 and to the research and development for the only year 2018.

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 FY 2019	Tax Amount FY 2019	Tax rate FY 2019	Taxable Amount FY 2018	Tax Amount FY 2018	Tax rate FY 2018
Profit before tax	190,051			163,625		
Income tax using the Company's theoretic tax rate		(45,612)	24.0%		(39,270)	24.0%
Temporary differences		1	0.0%		(127)	0.1%
Permanent differences		(395)	(0.2)%		(272)	0.2%
Other differences		13,605	7.2%		14,786	(9.0)%
Income tax at effective tax rate		(32,401)	17.0%		(24,883)	15.2%

The caption other differences in 2018 and in 2019 mainly referred to the recognition of the above mentioned tax credit relative to the Patent Box tax relief and to the current IRAP and 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)	2019			2018
	Gross value	Accumulated depreciation and impairment	Net value	Net value
Brands	223,900	0	223,900	223,900
Software	434	(419)	15	29
Other intangible assets	7,032	(5,440)	1,592	1,787
Total	231,366	(5,859)	225,507	225,716

Intangible assets changes for the years 2019 and 2018 are shown in the following tables:

As at 31 December 2019

Gross value Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Total
1 January 2019	223,900	434	6,175	230,509
Acquisitions	0	0	796	796
Disposals	0	0	0	0
Impairment	0	0	0	0
Other movements, including transfers	0	0	61	61
31 December 2019	223,900	434	7,032	231,366

Accumulated amortisation Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Total
1 January 2019	0	(405)	(4,388)	(4,793)
Depreciation	0	(14)	(1,052)	(1,066)
Disposals	0	0	0	0
Other movements, including transfers	0	0	0	0
31 December 2019	0	(419)	(5,440)	(5,859)

As at 31 December 2018

Gross value Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Total
1 January 2018	223,900	433	5,256	229,589
Acquisitions	0	1	919	920
Disposals	0	0	0	0
Impairment	0	0	0	0
Other movements, including transfers	0	0	0	0
31 December 2018	223,900	434	6,175	230,509
Accumulated amortisation Brands and other intangible assets (Euro/000)	Brands	Software	Other intangible assets	Total
1 January 2018	0	(391)	(3,329)	(3,720)
Depreciation	0	(14)	(1,059)	(1,073)
Disposals	0	0	0	0
Other movements, including transfers	0	0	0	0
31 December 2018	0	(405)	(4,388)	(4,793)

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 amortised, 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 2019 measurement, expected cash flows and revenues are based on the 2020-2022 Business Plan approved by the Board of Directors on 10 December 2019.

The “g” rate used was 1.9%.

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 8.1%.

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 = 30.19%.

4.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (Euro/000)	2019			2018
	Gross value	Accumulated depreciation and impairment	Net value	Net value
Land and buildings	1,710	(228)	1,482	0
Plant and Equipment	5	(5)	0	0
Leasehold improvements	4	(1)	3	4
Other fixed assets	295	(171)	124	92
Assets in progress	108	0	108	61
Total	2,122	(405)	1,717	157

The changes in property, plant and equipment from for 2019 and 2018 is included in the following tables:
As at 31 December 2019

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
1 January 2019	0	5	4	201	61	271
Discontinued operations	0	0	0	0	0	0
Acquisitions	1,116	0	0	20	108	1,244
Disposals	0	0	0	(25)	0	(25)
First time adoption IFRS16	594	0	0	99	0	693
Other movements, including transfers	0	0	0	0	(61)	(61)
31 December 2019	1,710	5	4	295	108	2,122
Accumulated depreciation (Euro/000)	Land and buildings	Plant and Equipment	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
1 January 2019	0	(5)	0	(109)	0	(114)
Discontinued operations	0	0	0	0	0	0
Depreciation	(228)	0	(1)	(69)	0	(298)
Disposals	0	0	0	7	0	7
Other movements, including transfers	0	0	0	0	0	0
31 December 2019	(228)	(5)	(1)	(171)	0	(405)

As at 31 December 2018

Gross value Property, plant and equipment (Euro/000)	Land and buildings	Plant and Equipment	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
1 January 2018	0	5	0	108	57	170
Discontinued operations	0	0	0	0	0	0
Acquisitions	0	0	4	93	4	101
Disposals	0	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0	0
31 December 2018	0	5	4	201	61	271
Accumulated depreciation (Euro/000)	Land and buildings	Plant and Equipment	Leasehold improvements	Other fixed assets	Assets in progress and advances	Total
1 January 2018	0	(5)	0	(105)	0	(110)
Discontinued operations	0	0	0	0	0	0
Depreciation	0	0	0	(4)	0	(4)
Disposals	0	0	0	0	0	0
Other movements, including transfers	0	0	0	0	0	0
31 December 2018	0	(5)	0	(109)	0	(114)

The changes related to the right of use assets arising from the application of the IFRS 16 are reported here below:

Right of use assets (Euro/000)	Land and buildings	Other fixed assets	Total
1 January 2019	0	0	0
First time adoption IFRS16	594	99	693
Acquisitions	1,116	19	1,135
Disposals	0	(18)	(18)
Depreciation	(228)	(45)	(273)
Other movements, including transfers	0	0	0
31 December 2019	1,482	55	1,537

4.4. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are detailed in the following table:

Investments in subsidiaries (Euro/000)	Country	% ownership		Carrying amount	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Industries S.p.A.	Italia	100%	100%	291,296	272,524
Total				291,296	272,524

Financial information related to the subsidiaries are detailed in the following table:

Summary of subsidiary's financial information (Euro/000)	31 December 2019				
	Assets	Liabilities	Net equity	Revenues	Profit/(Loss)
Industries S.p.A.	1,284,607	528,658	755,949	1,060,821	173,097
Total	1,284,607	528,658	755,949	1,060,821	173,097

Summary of subsidiary's financial information (Euro/000)	31 December 2018				
	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

With reference to Industries S.p.A., it should be noted that the investment carrying value includes also the higher value recognised 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 capitalisation of the Company, based on the average price of Moncler share in 2019, 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 31 December 2019 and 31 December 2018:

Deferred taxation (Euro/000)	31 December 2019	31 December 2018
Deferred tax assets	457	460
Deferred tax liabilities	(64,865)	(64,861)
Net amount	(64,408)	(64,401)

Changes in deferred tax assets and deferred tax liabilities are detailed in the following table:

Deferred tax assets (liabilities) (Euro/000)	Opening balance - 1 January 2019	Taxes charged to the income statement	Taxes accounted for in Equity	First time adoption IFRS 16	Other movements	Closing balance - 31 December 2019
Tangible assets	0	4	0	8	0	12
Employee benefits	20	0	7	0	0	27
Other temporary items	440	(21)	0	0	(1)	418
Tax assets	460	(17)	7	8	(1)	457
Intangible assets	(62,447)	(5)	0	0	2	(62,450)
Financial assets	(2,414)	0	0	0	(1)	(2,415)
Tax liabilities	(64,861)	(5)	0	0	1	(64,865)
Net deferred tax assets (liabilities)	(64,401)	(22)	7	8	0	(64,408)

Deferred tax assets (liabilities) (Euro/000)	Opening balance - 1 January 2018	Taxes charged to the income statement	Taxes accounted for in Equity	Other movements	Closing balance - 31 December 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)

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

Deferred tax assets (liabilities) (Euro/000)	Taxable Amount 2019	Closing balance - 31 December 2019	Taxable Amount 2018	Closing balance - 31 December 2018
Tangible assets	42	12	0	0
Employee benefits	111	27	83	20
Other temporary items	1,744	418	1,832	440
Tax assets	1,897	457	1,915	460
Intangible assets	(223,835)	(62,450)	(223,818)	(62,447)
Financial assets	(10,064)	(2,415)	(10,064)	(2,414)
Tax liabilities	(233,899)	(64,865)	(233,882)	(64,861)
Net deferred tax assets (liabilities)	(232,002)	(64,408)	(231,967)	(64,401)

The caption other temporary items mainly refers to the Directors' remunerations.

4.6. TRADE RECEIVABLES

Trade receivables (Euro/000)	31 December 2019	31 December 2018
Trade receivables, third parties	509	511
Trade receivables, intra-group	60,330	54,300
Provision for impairment	0	0
Total, net value	60,839	54,811

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 relates to the receivable from the subsidiary Industries S.p.A. resulting from the royalties for the use of the Moncler trademark and management fees.

These receivables do not present collectability risks.



4.7. CASH AND CASH EQUIVALENTS

As at 31 December 2019, the caption cash in hand and at the bank amounted to Euro 56,472 thousand (Euro 1,300 thousand as at 31 December 2018) 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)	31 December 2019	31 December 2018
Cash in hand and at the bank	56,472	1,300
Total	56,472	1,300

4.8. INTRA-GROUP FINANCIAL RECEIVABLES

The item intra-group financial receivables, equal to Euro 18,940 thousand (Euro 9,798 as at 31 December 2018), 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)	31 December 2019	31 December 2018
Advances on account to vendors	940	30
Prepaid expenses	505	107
Tax receivables excluding income taxes	704	1,436
Other current assets	0	9
Other current assets, intra-group	20,305	7,513
Total other current assets	22,454	9,095
Security / guarantees deposits	73	41
Other non-current assets	73	41
Total	22,527	9,136

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 31 December 2019, the caption trade payables pertains mostly to marketing and communication services.

Trade payables (Euro/000)	31 December 2019	31 December 2018
Trade payables, third parties	18,991	17,412
Trade payables, intra-group	11	2,288
Total	19,002	19,700

Details of the transactions with subsidiaries are provided in the note 8.1 on related parties.

4.11. OTHER CURRENT LIABILITIES

As at 31 December 2019, the caption other current liabilities included the following:

Other current liabilities (Euro/000)	31 December 2019	31 December 2018
Directors and audit related payables	2,207	2,156
Amounts payable to employees and consultants	2,342	2,169
Employees taxation payables	1,399	644
Other current liabilities	851	655
Other current liabilities, intra-group	12,077	0
Total	18,876	5,624

As at 31 December 2018 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. EMPLOYEES PENSION FUND

As at 31 December 2019, the caption includes the employee pension fund as detailed in the following table:

Employees pension funds - movements (Euro/000)	31 December 2019	31 December 2018
Net recognised liability - opening	995	822
Interest costs	16	12
Service costs	336	236
Payments	(208)	(68)
Actuarial (Gains)/Losses	2	(7)
Net recognised liability - closing	1,141	995

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	0.77%
Inflation rate	1.00%
Nominal rate of wage growth	1.00%
Labour turnover rate	11.40%
Probability of request of advances of TFR	1.90%
Percentage required in case of advance	70.00%
Life Table - Male	M2018 (*)
Life Table - Female	F2018 (*)

(*) 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%)	(43)
Discount rate (-0.5%)	46
Rate of payments Increases x (+ 0.5%)	(3)
Rate of payments Increases x (-0.5%)	3
Rate of Price Inflation Increases (+ 0.5%)	35
Rate of Price Inflation Decreases (-0.5%)	(32)
Rate of Salary Increases (+ 0.5%)	16
Rate of Salary Decreases (-0.5%)	(16)
Increase the retirement age (+ 1 year)	1
Decrease the retirement age (-1 year)	(1)
Increase longevity (+ 1 year)	0
Decrease longevity (-1 year)	(0)

4.13. FINANCIAL LIABILITIES

Borrowings (Euro/000)	31 December 2019	31 December 2018
Short-term loans	0	84
Short-term financial lease liabilities	384	0
Short-term borrowings	384	84
Long-term financial lease liabilities	1,221	0
Long-term borrowings	1,221	0
Total	1,605	84

Borrowings amount to Euro 1,605 thousand and refer only to financial lease liabilities. They are detailed in the following table:

Financial lease liabilities (Euro/000)	
Short-term financial lease liabilities	384
Long-term financial lease liabilities	1,221
Total	1,605

The changes in financial lease liabilities during 2019 are reported in the following table:

(Euro/000)	IFRS 16	Ex IAS 17	Financial lease liabilities
1 January 2019	0	84	84
First time adoption IFRS16	722	0	722
Acquisitions	1,117	0	1,117
Disposals	(279)	(49)	(328)
Financial expenses	6	4	10
Other movements, including transfers	0	0	0
31 December 2019	1,566	39	1,605

The following table show the breakdown of the long-term borrowings in accordance with their maturity date:

Ageing of the Long-term borrowings (Euro/000)	31 December 2019	31 December 2018
Within 2 years	308	0
From 2 to 5 years	523	0
Beyond 5 years	390	0
Total	1,221	0

The non-discounted cash flows referring to the lease liabilities are shown below.

Ageing of the lease liabilities not discounted (Euro/000)	31 December 2019	31 December 2018
Within 1 year	373	0
From 1 to 5 years	895	0
Beyond 5 years	401	0
Total	1,669	0

4.14. TAX ASSETS AND LIABILITIES

Tax liabilities amounted to Euro 29,088 thousand as at 31 December 2019, net of current tax assets (Euro 6,763 as at 31 December 2018). The balance pertains to IRES and IRAP payable.

4.15. SHAREHOLDERS' EQUITY

As at 31 December 2019 the subscribed share capital constitute by 257,979,524 shares was fully paid and amounted to Euro 51,595,904.80 with a nominal value of Euro 0.20 per share.

Changes in shareholders' equity for 2019 and the comparative period are included in the consolidated statements of changes in equity.

During 2019, the Company purchased a total of 498,603 treasury shares, equal to 0.2% of the share capital, for a total value of Euro 15,102 thousand. As at 31 December 2019, 5,669,803, treasury shares were held, equal to 2.2% of the share capital, for a total value of Euro 185,916 millions.

The increase of the share capital and the share premium reserve arised from the exercise of 42,000 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 23 April 2015 at the exercise price of Euro 16.34 per share and the free capital increase in execution of the Performance Share Plan approved in 2016 (2,117,400 shares).

The change in the IFRS 2 reserve is due to the accounting treatment of the Stock Option and Performance Share Plans, i.e., to the recognition of the figurative cost for the period relating to these plans and the reclassification to retained earnings of the cumulative figurative cost of the plans already closed.

The change in retained earnings mainly relates to the payment of dividends to shareholders, the treasury shares purchase and the above mentioned reclassification of the IFRS 2 reserve .

In 2019 the Company distributed dividends to the shareholders for an amount of Euro 100,850 thousand (Euro 70,464 thousand in 2018).

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	51,595,905	-	-	51,595,905	-	-
Reserves:						
Legal reserve	10,300,000	B	-	10,300,000	-	-
Share premium	172,271,861	A, B, C	172,252,680(*)	19,181	-	-
OCI Reserve	(103,178)	-	-	(103,178)	-	-
Revaluation reserve	12,261	A, B	12,261	-		
FTA Reserve	(20,638)	A, B, C	-	(20,638)		
IFRS 2 Reserve	37,223,824	A, B, C	37,223,824	-	-	-
Retained earnings	114,247,722	A, B, C	114,144,544	103,178	-	150,837,274
Total share capital and reserves	385,527,757		323,633,309	61,894,448	-	150,837,274
Non distributable amount			19,395			
Distributable remaining amount			323,613,914			

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 (Euro/000)	Employees pension fund - actuarial valuation			Fair value IRS		
	Value before tax effect	Tax effect	Value after tax effect	Value before tax effect	Tax effect	Value after tax effect
Reserve as at 1 January 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 31 December 2018	(131)	23	(108)	0	0	0
Reserve as at 1 January 2019	(131)	23	(108)	0	0	0
Reclassification to Other reserves	0	0	0	0	0	0
Changes in the period	(2)	7	5	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 31 December 2019	(133)	30	(103)	0	0	0

5.

COMMITMENTS AND GUARANTEES GIVEN

5.1. COMMITMENTS

The Company has no significant commitments deriving from operating lease contracts that do not fall within the scope of application of IFRS 16.

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 LIABILITIES

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

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 is limited. As at 31 December 2019, a small portion of the Company's assets and liabilities (i.e. trade receivables and payables) were denominated in a currency different from its functional currency.

INTEREST RATE RISK

The Company's exposure to interest rate risk during 2019 is connected mostly to changes in interest rates relate to outstanding loans.

As at 31 December 2019 the Company had no bank loans and therefore there were 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 (including cash, short-term bank deposits and some financial derivative instruments) 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.

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 (Euro/000)	31 December 2019		
	Receivables	Payables	Net value
Industries S.p.A.	99,572	(12,086)	87,486
Other Group companies	3	(2)	1
Total	99,575	(12,088)	87,487

Intercompany transactions (Euro/000)	FY 2019		
	Revenues	Expenses/Other revenues net	Net value
Industries S.p.A.	272,386	(2,432)	269,954
Other Group companies	0	2	2
Total	272,386	(2,430)	269,956

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 2019 amounted to Euro 272.4 million (Euro 236.8 million in 2018). 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 and VAT consolidation and is responsible with Industries S.p.A. for taxes payable and the related interests.

Compensation paid of the members of the Board of Directors in 2019 are Euro 3,977 thousand (Euro 4,216 thousand in 2018).

Compensation paid of the members of the Board of Auditors in 2019 are Euro 142 thousand (same amount in 2018).

In 2019 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 3,672 thousand (Euro 4,832 thousand in 2018).

There are no other related-party transaction.

The following tables summarise the afore-mentioned related-party transactions that took place during 2019 and the prior year:

(Euro/000)	Type of relationship	Note	31 December 2019	%	31 December 2018	%
Industries S.p.A.	Trade transactions	c	272,386	99.7%	236,807	99.7%
Industries S.p.A.	Trade transactions	b	(2,175)	2.6%	(1,974)	2.7%
Industries S.p.A.	Interest income on correspondence current account	d	156	96.3%	75	93.8%
Industries S.p.A.	Interest expense on financing agreement	a	(413)	73.1%	(140)	47.9%
Other Group companies	Trade transactions	b	2	(0.0)%	0	0.0%
Moncler USA Inc.	Trade transactions	b	0	0.0%	(49)	0.1%
Moncler USA Retail Llc	Trade transactions	b	0	0.0%	(6)	0.0%
Moncler Shinsegae Inc.	Trade transactions	b	0	0.0%	(2)	0.0%
Directors and board of statutory auditors	Labour services	b	(4,120)	5.0%	(4,358)	5.9%
Directors	Labour services	b	(3,672)	4.4%	(4,832)	6.6%
Total			262,164		225,521	

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	31 December 2019	%	31 December 2018	%
Industries S.p.A.	Trade payables	b	(9)	0.0%	(1,972)	10.0%
Industries S.p.A.	Financial receivables	f	18,940	100.0%	9,798	100.0%
Industries S.p.A.	Debt from fiscal consolidation	d	(12,077)	64.0%	0	0.0%
Industries S.p.A.	Trade receivables	c	60,327	99.2%	54,300	99.1%
Industries S.p.A.	Credit from fiscal consolidation	e	20,305	90.4%	7,513	82.6%
Other Group companies	Trade receivables	c	3	0.0%	0	0.0%
Moncler USA Retail Llc	Trade payables	b	0	0.0%	(7)	0.0%
Other Group companies	Trade payables	b	(2)	0.0%	0	0.0%
Moncler USA Inc.	Trade payables	b	0	0.0%	(150)	0.8%
Moncler Shinsegae Inc.	Trade payables	b	0	0.0%	(159)	0.8%
Directors and board of statutory auditors	Other current liabilities	d	(2,207)	11.7%	(2,156)	38.3%
Total			85,280		67,167	

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 summarise the weight of related-party transactions on the financial statements as at and for the years ended 31 December 2019 and 2018:

31 December 2019										
(Euro/000)	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	272,386	(9,965)	(413)	156	60,330	20,305	(11)	(14,284)	0	18,940
Total financial statement	273,340	(82,886)	(565)	162	60,840	22,454	(19,002)	(18,876)	(1,605)	18,940
Weight %	99.7%	12.0%	73.1%	96.3%	99.2%	90.4%	0.1%	75.7%	0.0%	100.0%

31 December 2018										
(Euro/000)	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%

8.2. STOCK-BASED COMPENSATION PLANS

The Financial Statements at 31 December 2019 reflects the values of the Stock Option Plans approved in 2015, the Performance Share Plan approved in 2016 and the Performance Share Plan approved in 2018.

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 31 December 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 30 June 2020 at the latest;
- The exercise price of the options was 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: 31 May 2019;
 - dividend yield 1%;
 - fair value per tranche Euro 3.2877.
- There are no effect on the income statement of 2019, while the increase of the net equity for the exercise of the vested options of the Plan amounted to Euro 686 thousand.
- As at 31 December 2019 68,300 options were still in circulation, after that, during the year 2019, 42,000 options were exercised. With reference to Moncler S.p.A., as at 31 December 2019 there were no more options in circulation.

On 20 April 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 29 June 2017 assigned 365,500 Moncler Rights.

As regards the first allocation cycle:

- The 3-year vesting period ended with the approval of the Draft Financial Statements as at 31 December 2018.
- The performance targets were met, together with the over-performance condition.
- Therefore, no. 3,046,200 shares (including no. 507,700 shares deriving from over-performance) were assigned to the beneficiaries through a share capital increase (no. 2,117,400 shares) and the allocation of treasury shares (no. 928,800 shares).

As at 31 December 2019 there were still in circulation 324,000 rights related to the second cycle of attribution (there are not rights in circulation related to the first cycle of attribution). With reference to Moncler S.p.A., as at 31 December 2019 there were still in circulation 76,000 rights related to the second cycle of attribution (there are not rights in circulation related to the first cycle of attribution).

The effect on the income statement on the year 2019 amounted to Euro 1,814 thousand.

On 16 April 2018 the Shareholders' Meeting of Moncler ap-

proved 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 no. 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. The second attribution cycle, approved during 2019, ended with the assignment of 341,514 Moncler Rights.

As at 31 December 2019 there were still in circulation 1,242,137 rights related to the first cycle of attribution and 329,065 rights related to the second cycle of attribution. With reference to Moncler S.p.A., as at 31 December 2019 there were still in circulation 243,237 rights related to the first cycle of attribution and 139,803 rights related to the second cycle of attribution.

The effect on the income statement on the year 2019 amounted to Euro 4,349 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 9 May 2019, Moncler Board of Directors, putting into effect the resolutions adopted by the Shareholders’ Meeting of 16 April 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 341,514 shares to 53 beneficiaries.

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 2019 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.

31 December 2019 (Euro/000)	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 (*)	60,840	73		
Cash and cash equivalents (*)	56,472	-		
Financial receivables (*)	18,940	-		
Sub-total	136,252	73	-	
Total	136,252	73	-	
31 December 2018 (Euro/000)	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 (*)	54,820	-		
Cash and cash equivalents (*)	1,300	-		
Financial receivables (*)	9,798	-		
Sub-total	65,917	-	-	
Total	65,917	-	-	

31 December 2019 (Euro/000)	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 (*)	(19,853)	-	-	
Bank overdrafts (*)	-	-	-	
Short-term bank loans (*)	-	-	-	
Bank loans (*)	-	-	-	
IFRS 16 financial loans (*)	(384)	(1,221)	-	
Sub-total	(20,237)	(1,221)	-	
Total	(20,237)	(1,221)	-	
31 December 2018 (Euro/000)	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)	-	-	

(*) 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 summarised below:

Audit and attestation services (Euro)	Entity that has provided the service	Fees 2019
Audit	KPMG S.p.A.	156,246
	Network KPMG S.p.A.	-
Attestation services	KPMG S.p.A.	113,670
	Network KPMG S.p.A.	2,500
Other services	KPMG S.p.A.	48,218
	Network KPMG S.p.A.	-
Total		320,634

8.7. DISCLOSURE PURSUANT TO ITALIAN LAW N. 124/2017

Pursuant to the requirements of Law no. 124/2017, in 2019 the company Moncler S.p.A. benefited from Euro 2,973 thousand in tax credit relating to research and development for the year 2018.

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

At the end of 2019 a novel coronavirus, known as Covid-19, was first reported in Wuhan, the capital of Hubei province in China. At the date of writing of this document, the virus has infected thousands of people around the world and has caused a number of fatalities.

In January 2020, the measures taken to contain the virus and protect the population have included the quarantine of Wuhan and of a number of cities in the country.

At the end of February, following major outbreaks mainly localised in the Lombardy, Veneto and Emilia-Romagna regions, Italy also adopted stringent measures to limit the transmission of the virus. After Italy, similar actions have been implemented also in other European nations and in the United States. Travels have also been limited. In addition, in many states – with the only exception of food and pharmaceutical – including Moncler stores, have been closed.

This situation is having significant impacts on the economy, on the financial markets and on the consumer confidence at global level.

At the date of writing of this document, it is not possible to forecast the duration of this situation and its impacts on full year results. However, also assuming significant reductions in revenues, the sensitivity analysis doesn't highlight any issue in terms of impairment tests and assessments of financial statements items.

10.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND THE ALLOCATION OF THE RESULT FOR THE YEAR ENDED 31 DECEMBER 2019²

In conclusion to these explanatory notes, we invite you to approve the Moncler S.p.A.'s stand alone financial statements. We propose to allocate the Moncler S.p.A.'s FY 2019 income to retained earnings net of legal reserves.

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.

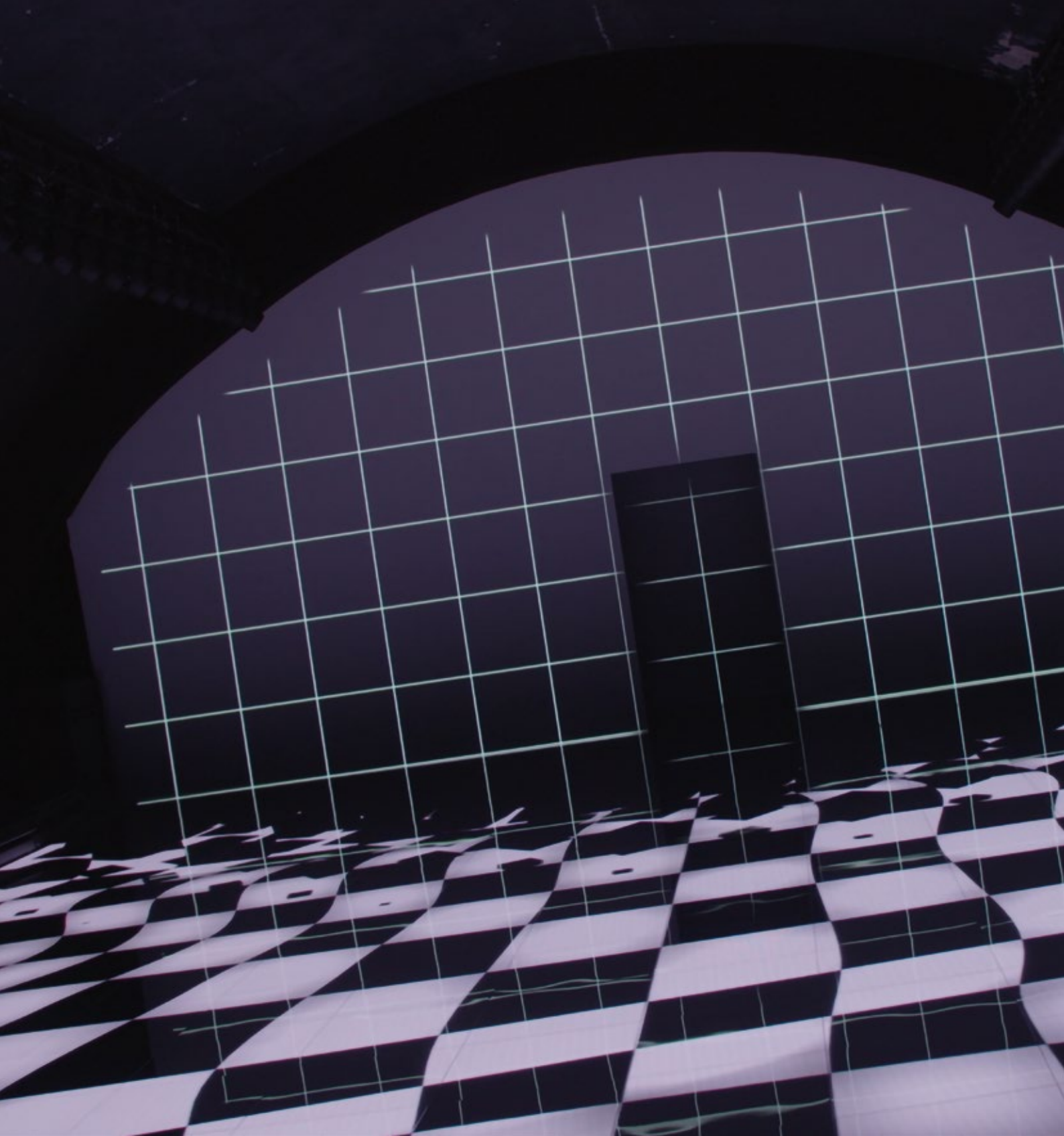
On behalf of the Board of Directors



REMO RUFFINI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

2. Modified paragraph following the Moncler S.p.A. Board of Directors dated 22 April 2020. The Board, acknowledging the change in the global economic scenario and the evolution of the regulatory framework, since the Board session of 10 February 2020, resolved to revise the proposal for distribution of FY 2019 net income. Indeed, the Board believes that the persistence of the Covid-19 emergency requires a prudent approach, also in terms of dividends, in order to protect the Group's financial solidity. The Board therefore decided to withdraw the proposal to distribute the dividend from FY 2019 net income approved on 10 February 2020.







ATTACHMENTS

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 2019.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2019 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 2019 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.

10 February 2020

CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER

Remo Ruffini

EXECUTIVE OFFICER RESPONSIBLE
FOR THE PREPARATION OF THE
COMPANY'S FINANCIAL STATEMENTS

Luciano Santel



KPMG S.p.A.
Revisione e organizzazione contabile
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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"), 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 2019 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.

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Trieste Varese Verona

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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
<p>The consolidated financial statements at 31 December 2019 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.</p> <p>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.</p> <p>These methods, by their very nature, require a high level of directors' judgement about:</p> <ul style="list-style-type: none">— 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. <p>For the above reasons, we believe that the recoverability of the trademark and goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none">— understanding the process adopted to prepare the impairment test;— understanding the process adopted for preparing the 2020-22 business plan approved by the parent's board of directors on 10 December 2019, 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, goodwill and the 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
<p>The consolidated financial statements at 31 December 2019 include inventories of €209 million, net of the allowance for inventory write-down of €139 million.</p> <p>Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including:</p> <ul style="list-style-type: none">— the characteristics of the group's business segment;— the sales' seasonality;— the price policies adopted and the distribution channels' selling ability. <p>For the above reasons, we believe that the measurement of inventories is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— 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.

First-time adoption of IFRS 16

Notes to the consolidated financial statements: paragraph 2.20 "Accounting standards, amendments and interpretations effective from January 1, 2019 – IFRS 16"

Key audit matter	Audit procedures addressing the key audit matter
<p>The Moncler Group adopted IFRS 16 "Leases" as of 1 January 2019.</p> <p>As a first-time adopter, the group opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.</p> <p>As disclosed in the notes to the consolidated financial statements, following the first-time adoption of the new standard on 1 January 2019, the group recognised right-of-use assets of €471 million and lease liabilities of €518 million.</p> <p>The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about:</p> <ul style="list-style-type: none"> - the assessment of whether a contract is, or contains, a lease; - the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease; - the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate; - the determination of the useful life of the right-of-use assets for depreciation purposes and whether they need to be tested for impairment in accordance with IAS 36; 	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none"> - assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption; - understanding the internal process for the transition to the new standard and the related IT environment; - for a sample of contracts that are or contain a lease: <ul style="list-style-type: none"> — assessing the appropriateness of the lease term determination; — checking the determination of the lease payments due over the lease term; — assessing the reasonableness of the rate applied to discount the future lease payments; - checking the correctness of the useful lives applied to the right-of-use assets for depreciation purposes; - understanding the process adopted for impairment testing in accordance with IAS 36; - assessing management's identification of the events that require the remeasurement of the lease liability and, if any, recalculating it; - assessing the appropriateness of the disclosures provided in



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| <ul style="list-style-type: none">- the recognition of any lease modifications that occurred during the year;- the remeasurement of the lease liability in the cases required by the standard other than lease modifications. | the notes about the first-time adoption of IFRS 16. |
|--|---|

Considering the complexity and subjectivity of the above valuations, the first-time adoption of IFRS 16 was a key audit matter.

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 May 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 2019 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 2019 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 2019 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.

Moncler Group
Independent auditors' report
31 December 2019

**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 non-financial statement separately.

Treviso, 19 March 2020

KPMG S.p.A.

(signed on the original)

Gianluca Zaniboni
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 2019.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the separate financial statements at 31 December 2019 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 2019 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.

10 February 2020

CHAIRMAN OF THE BOARD OF DIRECTORS
AND CHIEF EXECUTIVE OFFICER

Remo Ruffini

EXECUTIVE OFFICER RESPONSIBLE
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 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 2019, 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 2019 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

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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
<p>The separate financial statements at 31 December 2019 include the Moncler trademark (the "trademark") with a carrying amount of €224 million, which is an intangible asset with an indefinite useful life.</p> <p>At least annually, at the reporting date, the company checks the recoverable amount of the trademark.</p> <p>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.</p> <p>This method requires a high level of directors' judgement about:</p> <ul style="list-style-type: none">— 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. <p>For the above reasons, we believe that the recoverability of the trademark is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none">— understanding the process adopted to prepare the impairment test;— understanding the process adopted for preparing the 2020-22 business plan approved by the company's board of directors on 10 December 2019, 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 the 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 separate 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 May 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 2019 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



Moncler S.p.A.
Independent auditors' report
31 December 2019

company's separate financial statements at 31 December 2019 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 2019 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 non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Treviso, 19 March 2020

KPMG S.p.A.

(signed on the original)

Gianluca Zaniboni
Director of Audit

MONCLER S.p.A.

Share Capital Euro 51,595,904.80 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 2019. During the year, the Board of Statutory Auditors met 13 times, attended four meetings of the Risk Control and Sustainability Committee, five meetings of the Appointments and Remuneration Committee and one meeting of the Related Parties Committee; it also took part in eight 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

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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:

- The Company acquired 6% of the share capital of Moncler Japan Corporation for a price of Euro 10.9 million. Therefore, the Company now owns 66% of the share capital of the Japanese subsidiary. Pursuant to existing contractual agreements, between 2020 and 2024, Moncler will acquire the remaining non-controlling interest at a variable price equal to the equity of the Japanese company;
- During 2019, the General Meeting resolution of 16.04.2018 and the subsequent Board of Directors' resolution of 9.05.2019 regarding the allocation of Moncler shares for the purposes of "share-based performance plan 2018-2020" were implemented. At the end of 2019, 329,065 shares had been allocated; the 51 beneficiaries will be able to take possession of the shares at the end of the three-year vesting period, subject to achievement of the applicable objectives;
- During 2019, the well-publicised events that took place in Hong Kong led to a fall in sales in that territory.

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 periodical Reports of control Functions and information bulletins on results of monitoring activity and implementation of corrective actions 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 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 Departments. Specifically, by maintaining dialogue and reviewing reports, the Board of Statutory Auditors was able to confirm the following:

Group Internal Audit Department

The Group Internal Audit Department operates on the basis of annual and long-term audit plans. The annual plan defines which activities and processes will be tested in accordance with the plan and with a risk-based approach. These plans are approved by the Board of Directors.

The Board of Statutory Auditors and the Internal Audit Department interacted constantly during the year as the Internal Audit Department attends most meetings of the Board of Statutory Auditors. In any case, the Internal Audit Department informs the Board of Statutory Auditors promptly of any negative findings made in the course of its work.

The activities planned for the reporting period essentially covered the perimeter of the activities the Internal Audit Department had undertaken to carry out and the desired mix of activities was also achieved. The work performed did not identify any significant issues.

On the whole, the reliability of the Internal Control System may be considered adequate.

Compliance Department

The Compliance Department directly oversees the legislative areas considered to involve the greatest reputational risk and, based on a "graded" model, the legislative areas overseen by other specialist units. The Department has presented its institutional and periodical reports for

the year ended 31 December 2019 together with its plan of work for the year ended 31 December 2020.

Additional supervisory activities

The Internal Audit Department pays particular attention to those divisions of foreign subsidiaries where the Group Internal Audit Department has performed specific test procedures. The work done did not identify any issues worth highlighting.

The Board of Statutory Auditors notes that the annual Reports of the Audit 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 2019 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, 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 Board of 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 were 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 19 March 2020, pursuant to Article 14 of Legislative Decree no 39/2010, the Independent Auditor issued its audit reports on the separate and consolidated financial statements for the year ended 31 December 2019. In terms of opinions and certification, in its Report on the audit of

the financial statements, the Independent Auditor:

- issued an opinion stating that the separate and consolidated financial statements of Moncler provide a true and fair view of the financial position of Moncler and the Group at 31 December 2019 and of their result of operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union, as well as with the orders issued to implement Article 9 of Legislative Decree 38/05;
- issued an opinion that the Directors’ Reports which accompany the separate financial statements and the consolidated financial statements at 31 December 2019 and certain specific information contained in the “Report on Corporate Governance and Ownership Structures”, as required by Article 123-bis(4) of the Consolidated Finance act, responsibility for which lies with the Directors, have been prepared in accordance with statutory reporting requirements;
- declared, based on its knowledge and understanding of the business and related environment, as acquired during the audit work, that it had nothing to report with regard to any material errors in the Directors’ Report;
- confirmed that the Non-Financial Statement had been approved by the Directors.

On 19 March 2020, the Independent Auditor also submitted to the Board of Statutory Auditors the additional Report required by Article 11 of Regulation (EU) no 537/2014. In an attachment to that Report, the Independent Auditor submitted to the Board of Statutory Auditors’ the statement of independence, as required by Article 6 of Regulation (EU) no. 537/2014, which does not reveal any circumstances that could compromise its independence.

The Board of Statutory Auditors has performed the work required by

applicable laws and regulations in terms of approval of the services entrusted to the Independent Auditor and other firms belonging to its network. The services expenses to the Consolidated Statement of Profit or Loss, as also reported in an attachment to the financial statements as required by Article 149(xii) of the Issuers' Regulation, are as follows:

- Euro 156,246 - audit services rendered by KPMG S.p.A. to Moncler S.p.A.;
- Euro 251,262 – audit services rendered by KPMG S.p.A. to subsidiary Industries S.p.A.;
- Euro 184,712 - 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 116,170 – certification services rendered by KPMG S.p.A. to Moncler S.p.A.;
- Euro 129,090 – certification services rendered by KPMG S.p.A. to Italian subsidiary Industries S.p.A.;
- Euro 48,218 – other services rendered by the network KPMG S.p.A. network to Moncler S.p.A.;
- Euro 580,800 – 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.

10. Non-financial report

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 10 February 2020 as a document separate from the Directors' Report on the Consolidated Financial Statements at 31 December 2019.

In its report issued on 19 March 2020, 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 2019 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 2019 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, 19 March 2020

THE BOARD OF STATUTORY AUDITORS

Riccardo Losi

Antonella Suffriti

Mario Valenti

GLOSSARY

BRAND AWARENESS

The extent to which consumers are familiar with the qualities or image of a particular brand.

BRAND EQUITY

The commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the product or service itself.

CAGR

Compound Annual Growth Rate.

COMPARABLE STORES SALES GROWTH (CSSG)

Sales growth in DOS (excluding outlets) that have been open for at least 52 weeks and online store; the calculation also excludes stores that have been extended and/or relocated.

CONCESSION

Directly managed mono-brand retail space located on the premises of a department store.

CORPORATE OFFICES

Central organisational units tasked with setting strategy and guidelines for the coordination and control of all operations on behalf of Group subsidiaries and branches.

DEPARTMENT STORE

Large retail establishment with an extensive assortment in variety and range of goods, organised into separate departments.

DIGITAL

The digital division includes, among others, the e-commerce, the digital marketing and advertising activities dedicated to the web, social media and mobile and data analysis activities related to the latter.

DOS

Directly Operated Store, including free standing stores, travel retail stores, concessions and outlets.

DOORS

Multi-brand and mono-brand wholesale stores.

E-COMMERCE

Electronic commerce.

EBIT

Earnings Before Interest and Taxes (Operating result).

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation.

EMEA

Europe, Middle East and Africa.

FAÇON MANUFACTURER

Third party supplier carrying out the “cut-make-trim” phase (façon) of the production cycle according to the so-called industrialised method.

FASHION WEEK

Fashion industry event lasting approximately one week, when stylists, brands and fashion houses show their new collections, allowing buyers and media to observe the latest trends.

FLAGSHIP STORE

A mono-brand retail store which by its size and/or location conveys the philosophy and image of the brand.

FREE STANDING STORE

A retail store that is located directly on a street, i.e. not in a mall or shopping centre.

FULL TIME EQUIVALENT (FTE)

Average annual number of employees equivalent to full-time workers.

KEY MONEY

An amount of money paid by the assignee to the assignor of lease agreements in retail properties, representing the goodwill connected to the prestige of a specific location.

KNOW-HOW

Practical knowledge of how to do something, information in the form of unpatented inventions, formulae, models, designs, methods and procedures, along with accumulated skills and experience held by qualified company personnel.

MONO-BRAND STORE

A shop that exclusively sells clothing, accessories and products of a specific brand.

MULTI-BRAND STORE

A shop that sells different brands of clothing, accessories and other products.

NET DEBT

The sum of cash and cash equivalents (-) and net long-term and short-term borrowings (+).

NET WORKING CAPITAL

The sum of accounting receivables (+) inventory (+) and accounts payable (-).

OUTLET

A shop that sells products and collections from previous years and seasons at discount prices.

PAYOUT RATIO

Ratio between total amount of dividends paid and net income, including non-controlling interests.

RETAIL

Distribution channel for the sale of products or goods managed directly by the Group through Directly Operated Stores (DOS) or its own e-commerce website (www.moncler.com).

SHOP-IN-SHOP

Mono-brand wholesale space located on the premises of a department store.

SHOWROOM

A space used to display a company's products, particularly to wholesale customers.

STAKEHOLDER

Every entity that has a legitimate interest in the activity of an organisation and influences or is influenced by the organisation's decisions.

SUPPLY CHAIN

Distribution processes that begin with the supply of materials or components and end with the consumer, encompassing all phases of production, wholesale and retail.

TRAVEL RETAIL STORE

Point of sale located in places where there is a high flow of travellers, such as airports and train stations.

VISUAL MERCHANDISING

Promotional activity throughout windows and displays in stores.

WHOLESALE

Distribution channel consisting in mono-brand and multi-brand stores, which buy products from the company and resell them to the final clients.

CONTACTS

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LEGAL INFORMATION

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ECF (Elemental Chlorine Free)
Heavy Metal Absence
Acid Free

