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BRUNELLO CUCINELLI

INTERIM FINANCIAL REPORT AT 30TH JUNE 2016

(courtesy translation for the convenience of International Readers)

CONTENTS

CORPORATE DETAILS

Registered office of the Holding Company

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

Legal data of the Holding Company

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

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

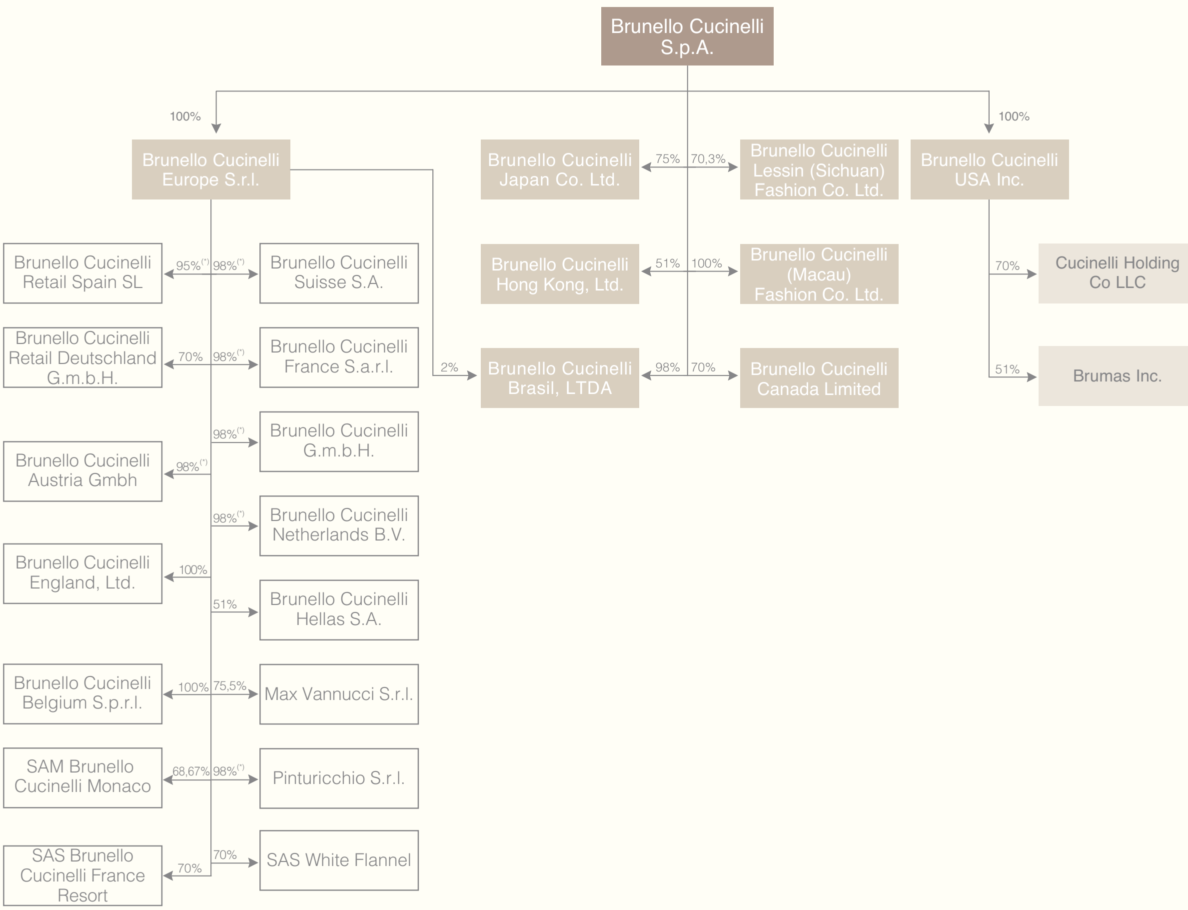
CORPORATE GOVERNANCE BODIES AT 30TH JUNE 2016

Board of Directors	Brunello Cucinelli [1]	Chairman and CEO
	Moreno Ciarapica [1]	Director with powers
	Riccardo Stefanelli [1]	Director with powers
	Giovanna Manfredi [1]	Director
	Camilla Cucinelli [1]	Director
	Giuseppe Labianca [1]	Director
	Luca Lisandroni [2]	Director with powers
	Candice Koo [1]	Independent director
	Andrea Pontremoli [1]	Independent director
	Matteo Marzotto [1]	Independent director
Lead Independent Director	Andrea Pontremoli	
Control and Risks Committee	Andrea Pontremoli	Chairman
	Matteo Marzotto	
	Candice Koo	
Remuneration Committee	Matteo Marzotto	Chairman
	Andrea Pontremoli	
	Candice Koo	
Board of Statutory Auditors	Gerardo Longobardi [1]	Chairman
	Alessandra Stabilini [1]	Standing auditor
	Lorenzo Lucio Livio Ravizza [1]	Standing auditor
	Guglielmo Castaldo [1]	Substitute auditor
	Francesca Morbidelli [1]	Substitute auditor
External Auditors	EY S.p.A.	
Manager in charge of preparing the corporate accounting documents	Moreno Ciarapica	

(1) Appointed at the ordinary shareholders' meeting of 23rd April 2014; will remain in office until the shareholders' meeting called to approve the financial statements for the year ending 31st December 2016.

(2): Appointed at the ordinary shareholders' meeting of 21st April 2016; will remain in office until the shareholders' meeting called to approve the financial statements for the year ending 31st December 2016.

THE BRUNELLO CUCINELLI GROUP AT 30TH JUNE 2016



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

GROUP STRUCTURE AT 30TH JUNE 2016

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

DISTRIBUTION NETWORK

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

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

– the ***retail*** distribution channel, namely the direct distribution channel, for which the Group uses the services of Directly Operated Stores or DOS. In certain countries local operators also hold an interest in the Group company running the DOS, thereby contributing their specific market experience. The retail channel also includes the turnover of the sales points managed under the Group's responsibility and with direct employees found inside of Japanese department stores. At 30th June 2016, the Group directly manages 14 sales points within luxury department stores in Japan;
– the ***wholesale monobrand*** channel, consisting of monobrand stores operated under commercial distribution agreements. The Group uses intermediaries represented by monobrand stores for sales to end users, with the result that in this case these are the Group's customers;
– the ***wholesale multibrand*** channel, consisting of independent multibrand stores and dedicated spaces within department stores (shop in shop). In this channel, the Group uses intermediaries represented by independent multibrand stores (or department stores) for sales to end users, with the result that in this case these are the Group's customers;

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

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

A summary is provided below of the Brunello Cucinelli Group's monobrand sales network at 30th June 2016 and at 30th June 2015:

Distribution channel	30th June 2016	30th June 2015
RETAIL	86	79
WHOLESALE MONOBRAND	36	36

The following table provides an analysis of the location of points of sale by geographical area at 30th June 2016:

	Italy	Europe	North America	Greater China	Rest of the World (RoW)	Total
Total Brunello Cucinelli sales points	17	46	24	19	16	122

INTERIM REPORT ON OPERATIONS AT 30TH JUNE 2016

COMPANY INFORMATION

OUR COMPANY

Brunello Cucinelli S.p.A.is a company registered as a legal entity under the laws of the Republic of Italy and has its registered office at Viale Parco dell'Industria 5, Corciano – Frazione Solomeo (PG), Italy.
The Group's product range focuses on a single brand: Brunello Cucinelli, internationally recognized as one of the finest examples of absolute luxury, combining exclusive "Made in Italy" features with the ability to innovate and identify new trends.
The brand's distinctive elements are quality, craftsmanship, creativity, exclusivity, and beauty, plus a remarkable desire to "listen to" the market and its new trends. The result is a line of casual chic prèt-à-porter products that satisfy the tastes of young and less-young customers while retaining value over time. Merging old and new, business goals and human needs: the secret of a company whose innovative capacity is looked upon with interest from all sides as well as being a case study in modern economy illustrated at prestigious universities.

THE GREAT DIGITAL PROJECT: HUMANIST WEB ARTISANS

For a long time, we have been following the growth and development of online markets and channels and we are conscious of their existing and growing importance. We see the **Internet** as an **epoch-changing invention** which has changed humankind.

Voltaire said that "if you do not wish to accept the changes brought about during your time, you may come off worst". We are convinced of this. We would nevertheless like to research and explore a unique aspect of the way in which we approach and take advantage of digital developments. This has led to the concept of being cutting-edge and unique in the way in which we implement our philosophy, by becoming **"humanist web artisans"**.

This is why we launched what we call our **Great Internet Project** in 2014. The bulk of this will be completed by the end of 2016, with an overall project end date of 2018.

The Great Internet Project is being tailored like a bespoke suit, with the same care and workmanship which distinguishes our collections. It has dual significance in today's world: it constitutes a modern communication and online sales tool, and it is an updated nervous system uniting all the points of contact of our company, now that it has grown so large.

The first project stream will lead to a renewal of our online presence by the end of this year, and to a new **e-commerce** project. This will be wholly independent and based on our resources and infrastructure, which will be strengthened to match. The planned upgrades include building a logistics unit within the Solomeo industrial complex, as well as an operating structure in the U.S.A. to support the important North American market. This will allow us to support growth over future years. The new e-commerce operations will coexist in an integrated manner with the monobrand boutiques, thereby generating significant commercial and operational synergies. The content, narrative and commercial services we will present to our internet users will be inspired by our business philosophy and heritage, and will make our online experience exclusive and unique.

The second project stream will be dedicated to the renewal of what we call our **company nervous system**, and it has already had its first successes over the course of 2015 and during the first half of 2016. We introduced new integrated point-of-sale systems into our boutiques in Europe and North America and we completed a new Enterprise Resource Planning system which has already been implemented in some of our most important markets. Between now and the end of the plan we will roll out the use of these new management systems to all the markets where we operate.

THE COLLECTIONS

The 2016 collections met with very high approval from customers and staff. Casual elegance meets a wide range of lightweight textiles and knitted, luxury yarns.
Our artisan pieces have absorbed technological innovations and represent a perfect balance of tradition and innovation. Pure, sophisticated textiles give life to understated luxury with an authentic and original soul featuring soft shapes and tones inspired by natural colours.
The boundary between sport casual and distinguished refinement has been broken down within a harmonious and contemporary style that has always characterised the brand. The artisan approach creates collections with a unique feel, combining high-end knitwear and formal style in clothing which can be worn on any occasion, from free time to gala evenings and from business meetings to informal get-togethers.
Detail-oriented, high-quality workmanship has been applied throughout the collections to bring together fine materials and signature Cucinelli elements in a refined way.

The leading player in the collections is the soft cashmere top, that is the purest interpretation of the casual attitude that defines the Brunello Cucinelli look: from jacket-style cardigans to knits which can be worn as exquisite outerwear. The yarns are inspired by the world of tailoring and bring added refinement and exclusivity.

Knitwear from gym to dinner, has daytime dynamism and evening style and is to be experienced for its all-enveloping sense of well-being for any occasion from formal elegance to day-to-day living.

VISUAL MERCHANDISING

Visual merchandising has always been an extremely important area for our company.
As a summary of the key principles behind the brand identity since inception, and as an expression of new trends, visual merchandising aims to highlight the products using lifestyle cues which the Italian company promotes around the world.
Working closely with the styling office, the visual merchandising team develops window display concepts, images and presentations supporting the brand image in all the outlets in the major cities worldwide.
Research and implementation work together in a continuously reviewed cycle which breathes life into a modern universe of ideas, creations and unique pieces which are continuously changing as the style of the individual collections changes, but in a way which is recognisably true to the company's style DNA.

The organization is responsible for:
- development of store design and display systems in harmony with the brand's image;
- development of themes and window set design to match the mood of the collections;
- harmonization of communication and the visual choices across each individual outlet;
- internal outfitting and regular changes to the window displays in the monobrand outlets:
- specific support for the multibrand outlets

COMMUNICATION

We use a carefully selected network of PR companies and press offices in more than 11 countries to maintain significant levels of coverage within the international and national media and communicate the **"message"** in a simple but efficient manner, fully respecting different cultures.
The brand's heritage, philosophy, company culture, and Italian lifestyle have always been the focal points of our well established communication strategy. We are never aggressive, and we have a broad presence with the ability to use traditional channels and the most up to date channels without spreading ourselves too thinly.
Our significant expansion in retail has shortened our route to market: now events, trunk shows, presentations and one-to-one meetings all constitute an important, incisive and personalised way of communicating the message and the company philosophy.

BRUNELLO CUCINELLI

We love Codices, the ancient messengers of Art and Culture.

Illuminated page from “Pantheon” by Godfrey of Viterbo, Italy, 1331

MORAL AND ECONOMIC DIGNITY OF WORK AND CREATIVITY: SPACE AND TIME

More than thirty years after moving into the restored fourteenth century Solomeo castle, the company is still faithful to the fundamental principles governing its foundation: product quality is a function of the **“moral and economic dignity of work”**, which allows every individual to express their own creativity at the same time as sharing common responsibility equally. Symbolically, workers have never been asked to punch in or out and closing time has always been an invitation to them make the most of personal time with family, friends and their own values.

The physical workplace is a reflection of the values which govern the relationships between the workers. The current facilities have been further expanded to allow for the gracious growth of the next four to five years, and they can now accommodate all the employees on a single site at the foot of the Solomeo hill where everyone is given appropriate space and a view of nature all around. At the same time, the new canteen-restaurant caters for all employees and serves genuine local products.

Our chain of production has great value, in that it has linked the company for many years to over 300 small artisan laboratories, all exclusively Italian, and predominantly (around 80%) Umbrian – allowing us to disseminate the fundamental principles of dignity of work, encouraging our partners to participate in the idea of nurtured creativity in Solomeo. The environment, employment terms and timetables must reflect this fundamental dignity in order to allow the product to express creativity and quality.

Since 2013 there has been a greater emphasis on the generations to come: the new **Skills and Crafts School** in the castle, which used to be the company headquarters, is dedicated to re-injecting dignity into the manual and artisan trades which give the Made in Italy brand the value it has. The passionate young people attending the school learn the techniques and take their first steps on a traditional path which is essential both to Italy and to the company, which then ratifies the value of their work, dedication and personal growth.

INVESTMENTS

After completing the “Major Three-Year Investment Project” in 2015, for a total of € 120.4 million, in the first half of 2016 a multi-year investment project spanning the three years from 2016–2018 was begun, for a total of around € 80 million, of which € 17.9 million was invested in the first 6 months of the present year.
The 2016–2018 investment plan, in line with the exclusive positioning and prestige of the brand – both in the traditional and online channels – will support both the Great Internet Project and the opening of selected exclusive boutiques.

In terms of the first half of 2016, commercial investments amounted to € 6.0 million, supporting the opening of boutiques and increasing floor space in certain existing stores.
During the first six months of the year, investments in production, logistics and IT/digital amounted to € 11.9 million, including investments to support the exclusive online presence.
These investments will continue throughout the three-year period, strengthening management of the online boutique and the relative logistics structures at our Solomeo offices, with significant investment in human resources, in addition to the financial investments.

INTRODUCTION

This Interim Financial Report at 30th June 2016 was prepared pursuant to Legislative Decree 58/1998, as amended, and to the Issuers' Regulations issued by Consob. This Interim Report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union and in accordance with *IAS 34 Interim Financial Reporting*, applying the same accounting principles as those used to prepared the consolidated financial statements as of 31st December 2015.

SUMMARY DATA AT 30TH JUNE 2016

The following tables provide: (i) a summarized consolidated income statement at 30th June 2016 with comparative figures from the corresponding half in the previous year, (ii) a consolidated balance sheet reclassified by sources and applications at 30th June 2016 with comparative figures at 31st December 2015 and (iii) figures for capital expenditure and operating cash flows relative to 30th June 2016, compared with the same figures at 30th June 2015.

Note that, relative to the items "EBITDA", "operating profit" and "net profit for the period", the figures have been "normalised" in this Interim Report at 30th June 2016 in order to eliminate a dual effect relative to:

– non-recurring expense relative to the employment contract termination agreement with the co-CCO, of € 1,293 thousand, noted also in the balance sheet schedules under a sub-category of payroll costs; the theoretical tax effect of the non-recurring expense component is equal to greater current taxes for € 406 thousand.
– the application of the new IRES rate, in effect as of 1st January 2017 (24.0%, against 27.5%), when determining deferred tax assets and liabilities, which generated lower deferred tax assets totalling € 1,031 thousand, due to the recognition of deferred tax assets calculated at 27.5% in the income statement in the previous year, and the amount recognised during the present period, calculated at 24.0%.

Summarized Consolidated Income Statement:

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Revenues from sales and services	220,333	100.0%	200,648	100.0%	19,685	+9.8%
EBITDA	35,484	16.1%	33,384	16.6%	2,100	+6.3%
Operating profit (loss)	25,926	11.8%	24,852	12.4%	1,074	+4.3%
Net profit for the period	16,025	7.3%	15,513	7.7%	512	+3.3%
Revenues from sales and services, normalised	220,333	100.0%	200,648	100.0%	19,685	+9.8%
EBITDA, normalised	36,777	16.7%	33,384	16.6%	3,393	+10.2%
Operating profit, normalised	27,219	12.4%	24,852	12.4%	2,367	+9.5%
Net profit for the period, normalised	17,943	8.1%	15,513	7.7%	2,430	+15.7%

Consolidated balance sheet reclassified by sources and applications:

(In thousands of Euro)	Year ended		Change during the period	
	30th June 2016	31st December 2015	2016 vs. 2015	2016 vs. 2015 %
Net working capital	135,834	112,331	23,503	+20.9%
Fixed assets	145,619	137,953	7,666	+5.6%
Other non-current assets/(liabilities)	2,506	2,906	(400)	-13.8%
Net invested capital	**283,959**	**253,190**	**30,769**	**+12.2%**
Net deb	79,714	56,412	23,302	+41.3%
Equity	204,245	196,778	7,467	+3.8%
Sources of funding	**283,959**	**253,190**	**30,769**	**+12.2%**

Other summary data:

(In thousands of Euro)	Year ended		Change during the period	
	30th June 2016	30th June 2015	2016 vs. 2015	2016 vs. 2015 %
Investments	17,859	20,321	(2,462)	-12.1%
Cash flow from operating activities	4,339	(7,043)	11,382	>+100.0%

ALTERNATIVE PERFORMANCE INDICATORS

To enable better assessment of the business performance, the Brunello Cucinelli Group implements alternative performance indicators which are not identified as accounting measures in the context of the IFRSs. Therefore, the way in which the Group calculates these figures may not be matched with that used by other groups and the balance obtained may not be comparable with that determined by these latter. These alternative performance indicators, determined in accordance with what is established in the Guidelines on Alternative Performance Indicators issued by the ESMA/2015/1415 and adopted by CONSOB with Communication no. 92543 of 3rd December 2015, refer only to the performance of the accounting period covered by the present Interim Financial Report and of the periods placed in comparison and not to the Group's expected performance.

The alternative performance indicators used in the present Interim Financial Report are defined below:

- **EBITDA**: this is represented by the *Operating Profit* before *Depreciation and Amortisation and Impairment of property, plant and equipment and intangible assets*.
- **Net Working Capital**: this is calculated as the sum of *Inventories* and *Trade receivables* net of *Trade payables* and of the balance (asset or liability) of all the other Balance Sheet items classified as *Current assets* or *Current liabilities*.
- **Net Invested Capital**: this is represented by the total of *Non-current assets* and *Current assets*, with the exclusion of financial assets (*Other current financial assets and Cash and cash equivalents*) net of *Non-current liabilities* and *Current liabilities*, with the exclusion of financial liabilities (*Current and non-current bank debt, Current and non-current financial payables*).
- **Net Debt**: this is calculated as the sum of *Current and non-current bank debt* and *Current and non-current financial payables* including the fair value (positive or negative) of hedging derivatives on loans, net of *Cash and cash equivalents* and *Other current financial assets*, including the fair value (positive or negative) of hedging derivatives on loans.
- **Capex**: Investments relate to gross investments in Intangible and Tangible assets and to net investments in Financial Assets.

THE GROUP'S RESULTS FOR THE FIRST HALF OF 2016

The sales performance confirms the positive momentum of the brand on all markets in which it operates and shows the solidity of the company's growth, thanks to the continual flow of both local customers and top-end tourists – attracted by a "unique" purchasing experience in the most exclusive locations and sales spaces in the world.

The recognised positioning of the brand, the very positive results of orders received for the Spring/Summer 2017 men's collection, and initial sales for the Autumn/Winter 2016 collection confirm the sustainability of the company's growth objectives, within the highest level luxury segment.

During the first six months of financial year 2016, *Revenues from sales and services* came to € 220,333 thousand, showing an increase of 9.8% with respect to the figure from the previous interim period.

Net Revenues at 30th June 2016 show an increase of +9.7%, amounting to € 219,840 thousand, compared with 200,332 at 30th June 2015.

EBITDA at 30th June 2016 came to € 35,484 thousand, equal to 16.1% of revenues from sales and services. Normalised *EBITDA* for the first half of 2016 comes to 16.7%, or € 36,777 thousand in absolute value, showing an increase over 30th June 2015 of € 3,393 thousand, equal to an increase of +10.2%.

Note that the first half of 2016 saw a slight reduction, in terms of their impact in percentage terms, of the cost of production for raw materials and outsourced work compared to the first half of the previous financial year (35.5% at 30th June 2016, compared to 36.1% at 30th June 2015). This is mainly due to the dynamic between quarters and the greater impact of revenues generated by the retail distribution channel which, nonetheless, generated greater operating costs (mainly for payroll costs and leasing costs) due to development and expansion of directly operated stores. In particular, the percentage impact provided by rental cost came to 12.0% at 30th June 2016, compared with 11.0% at 30th June 2015.

Net profit at 30th June 2016 amounts to € 16,025 thousand, corresponding to 7.3% of revenues from sales and services. *Normalised net profit* at 30th June 2016 comes to € 17,943 thousand, corresponding to 8.1% of revenues from sales and services, up by € 2,430 thousand (+15.7%) with respect to the figure from the first half of 2015.

ANALYSIS OF NET REVENUES

The Group's consolidated turnover for the first half of 2016 amounted to € 219,840 thousand, an increase of 9.7% with respect to the same period in 2015. At constant exchange rates meaning using the same average fx-rates as those used in 2015, revenues would have been € 221,029 thousand, an increase of +10.3%.

Recall that the results of individual quarters are affected by the dynamics of the delivery of collections between the end of a quarter and the start of the next, which therefore makes interim reports more representative of underlying business trends. In fact, while not showing sharp seasonal or cyclical variations in total annual sales, the Group's business is affected in the course of the various quarters of the year by revenues deriving from the sales calendar and relative shipping times that are not perfectly homogeneous. For this reason, analysis of the same at an infra-annual level cannot be considered to be entirely representative, and it would be erroneous to consider period benchmark figures as strictly proportional to the full financial year.

The results of the first half of the year confirm the sustainability of the company's growth project.

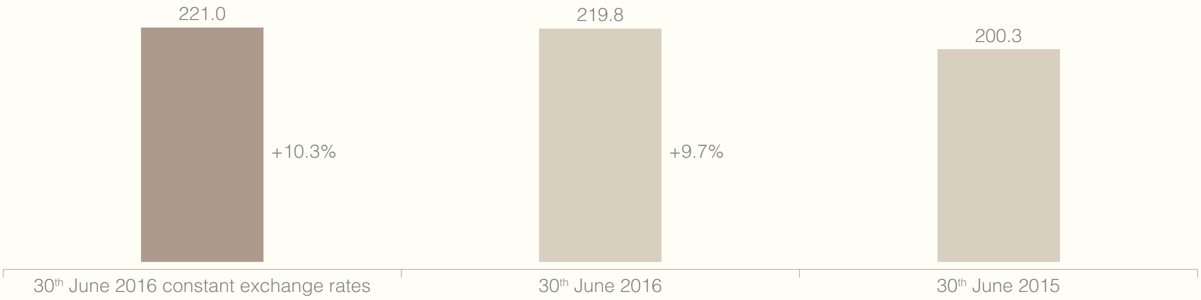
Very high-quality raw materials, craftsmanship, manual work, Made in Italy, contemporary collections – expressions of sophisticated and uncompromising luxury – have always been the foundations on which the company's growth is built, in a solid and sustainable manner, accompanied by a courteous relationship with the final customer.

Local consumers and top-end tourists confirm their appreciation for goods which represent absolute and discrete luxury, perceivable to the eyes of those who love to dress with taste, personality and sobriety and in step with the trends of the moment.

The attention and care that the company employs in designing the collections makes sure that the taste is renewed season after season, maintaining the link with the brand identity, which speaks not only of manual skills and craftsmanship, but also of moral and economic dignity of its employees and of the whole production chain, of healthy profitability and respect for the final customer.

In this context, the elements that represent the DNA of the brand – namely exclusivity, contemporary looks and sustainability – support the results achieved and the growth expected.

The international markets represented 82.0% of total net revenues, rising by +10.4%, growth that was accompanied by the very interesting and positive results obtained on the Italian market (18.0% of net revenues) where sales increased by +6.9%. The European market, including Italy, accounted for 49.1% of the total.

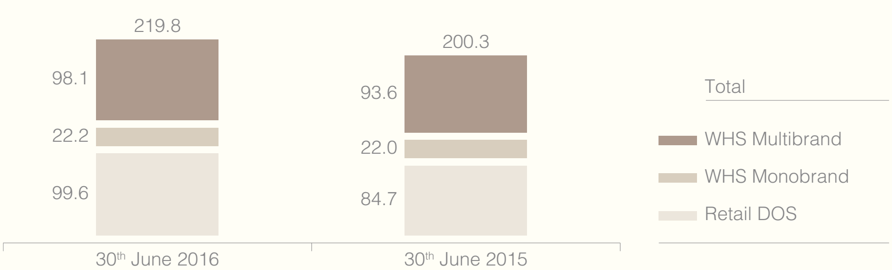


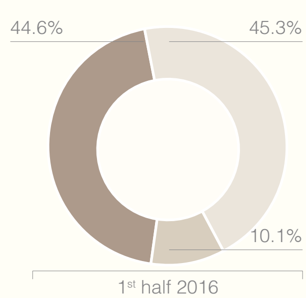
The total increase in Net Revenues came to € 19,508 thousand at constant exchange rates (+9.7%) and is mainly due to the organic growth of the *retail* channel, connected to the development of existing boutiques and the trend in openings of directly operated stores (DOS) in all geographic areas, as well as growth with respect to the previous period in the *wholesale multi and mono-brand* channel.

REVENUES BY DISTRIBUTION CHANNEL

In the first half of 2016, all channels showed increases in revenues thanks to the results achieved in existing boutiques and locations, selected new openings and the Group's presence in the most prestigious spaces of luxury department stores.
The following table shows the net revenues generated by the Group in the first half of 2016 and 2015, broken down by distribution channel.

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	**weight %**	**2015**	**weight %**	**2016 vs. 2015**	**2016 vs. 2015 %**
Retail	99,555	45.3%	84,768	42.3%	14,787	+17.4%
Wholesale Monobrand	22,221	10.1%	21,960	11.0%	261	+1.2%
Wholesale Multibrand	98,064	44.6%	93,604	46.7%	4,460	+4.8%
Total	**219,840**	**100.0%**	**200,332**	**100.0%**	**19,508**	**+9.7%**





RETAIL

Net revenues generated by the *retail* channel come to € 99,555 thousand, showing an increase of € 14,787 thousand, equal to +17.4% with respect to the same period the previous year, thanks to an increase in existing spaces, the contribution of a limited number of new openings, and the increase in *sell-outs*.
At 30th June 2016, the *retail* channel represented 45.3% of the Group's total net revenues, up with respect to the 42.3% seen at 30th June 2015.
The significant increase in revenues from the monobrand retail channel was supported by the positive contribution provided by the five new openings in 2016, which accompanied the increase in *sell-outs*, thanks to collections that were extremely well-received by the end customer.

Direct sales points, which totalled 79 at 30th June 2015, increased to 86 at 30th June 2016.

Like-for-like growth (comparable store sales), calculated as the rise in revenues at constant exchange rates at the DOS existing at 1st January 2015, amounted to 3.7% during the first 32 weeks of the year (1st January – 14th August 2016).

WHOLESALE MONOBRAND

Net revenues coming from the wholesale *monobrand* channel came to € 22,221 thousand (€ +261 thousand compared to 30th June 2015), corresponding to a +1.2% increase. The trend in revenues during the second quarter was affected by the conversion of the St. Tropez boutique to the direct channel, as of March 2016.

The increase in sales on a half-yearly basis can be traced to the performance of the network of existing boutiques, which remained unchanged over the last 12 months.

Sales points, which totalled 36 at 30th June 2015, remained unchanged at 30th June 2016.

WHOLESALE MULTIBRAND

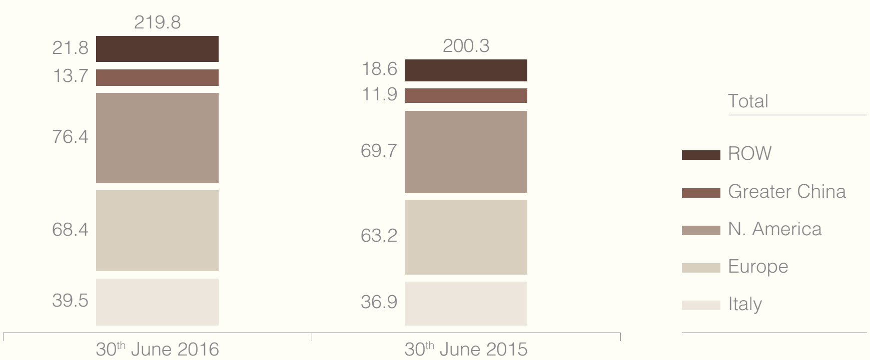
Net revenues coming from the *wholesale multibrand* channel came to € 98,064 thousand (€ +4,460 thousand compared to 30th June 2015, or an increase of +4.8% over the same period in 2015).
The proportion of revenues represented by this channel fell from 46.7% at 30th June 2015 to 44.6% at 30th June 2016.
The results were driven by the positive *sell-out* figures from the Spring/Summer 2016 collection and initial sales for the Autumn/Winter 2016 collection.

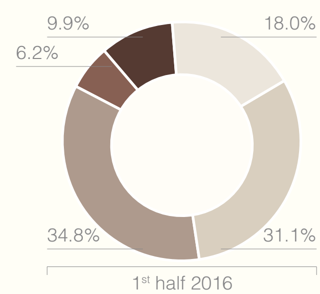
Sales from the Autumn/Winter 2016 collection are confirming the very positive reception from end customers, in line with the favourable opinions already expressed in trade publications and multibrands during fashion weeks in January and February.

REVENUES BY GEOGRAPHICAL AREA

During the first six months of 2016, the Brunello Cucinelli Group saw significant growth in all the International Markets, as a whole representing 82.0% of net revenues, with an overall increase of +10.4% with respect to the figures from the previous interim period. The Italian market also demonstrated pleasing and significant growth of +6.9%, displaying healthy and sustainable results. The following table provides details of revenues at 30th June 2016, compared with the same period the previous year, broken down by geographic area.

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	weight %	2015	weight %	2016 vs. 2015	2016 vs. 2015 %
Italy	39,464	18.0%	36,906	18.4%	2,558	+6.9%
Europe	68,444	31.1%	63,213	31.6%	5,231	+8.3%
North America	76,445	34.8%	69,692	34.8%	6,753	+9.7%
Greater China	13,651	6.2%	11,867	5.9%	1,784	+15.0%
Rest of the World (RoW)	21,836	9.9%	18,654	9.3%	3,182	+17.1%
Total	**219,840**	**100.0%**	**200,332**	**100.0%**	**19,508**	**+9.7%**





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

Italy

Revenues revenues from Italy represented 18.0% of Net revenues (18.4% during the same period the previous year), showing a pleasing increase with respect to 30th June 2015 and confirming the very positive growth trend.
The increase is equal to € 2,558 thousand in absolute value, corresponding to +6.9% (€ 39,464 thousand in 2016, € 36,906 thousand in 2015).

The increase was driven by performance in the main cities and resort towns, which receive high-end tourists, and the allure of the brand is further strengthened by its customers, who not only have "sophisticated" taste, but are also interested in the company's philosophy, which has always focused on protecting *human dignity* in all of its production processes.

At 30th June 2016, the monobrand network (direct and wholesale monobrand) included 17 boutiques.

Europe

Revenues revenues from Europe represented 31.1% of Net revenues (31.6% during the same period the previous year) and increased by +8.3%, thanks to the steadfast demand offered by high-end customers, in reference both to local customers and tourists.
Revenues rose from € 63,213 thousand to € 68,444 thousand, an increase of € 5,231 thousand in absolute terms.

Positive growth was seen in the most important luxury shopping streets, the most exclusive tourist resorts and in top-end luxury department stores, with increased sales in all the geographic areas of continental Europe and in all other countries within the European market, including Eastern Europe, Russia and the former Soviet republics.

The solidity of demand includes both the flow of exclusive tourists and local customers, both searching for a *"lifestyle"* experience, always looking for "special", "unique" and "artisanal" products.

At 30th June 2016, the monobrand network (direct and wholesale monobrand) included 46 boutiques.

North America

Revenues revenues from North America represented 34.8% of Net revenues, constant with reference to the previous period, with positive results both with local customers and with high profile tourist flows.
Revenues rose from € 69,692 thousand to € 76,445 thousand, an increase of € 6,753 thousand or +9.7%.

Sales increased in both the monobrand and multi-brand channels, characterised by floor space in the most prestigious and exclusive areas of luxury department stores, which saw significant increases for our brand.

At 30th June 2016, the monobrand network (direct and wholesale monobrand) included 24 boutiques.

Greater China

Revenues revenues from Greater China accounted for 6.2% of Net revenues (5.9% the previous period), showing an increase of € 1,784 thousand (+15.0%), driven by the sales of the network of existing boutiques, which saw no openings or closings over the last 12 months.
Revenues rose from € 11,867 thousand to € 13,651 thousand.

A solid performance was provided both by mainland China and by Hong Kong, supported by top-end tourist flows and local customers, who have progressively evolved towards a preference for contemporary and sophisticated *"luxury clothing"*.

At 30th June 2016, the monobrand network (direct and wholesale monobrand) included 19 boutiques.

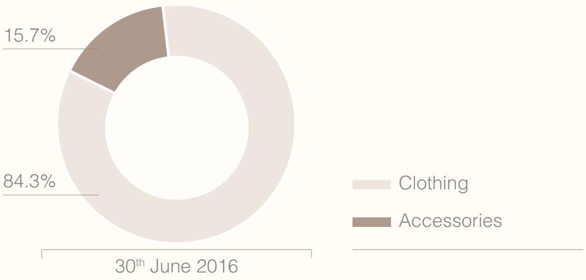
Rest of the world
Revenues revenues from the rest of the world grew by 17.1% during the first six months of 2016, compared to the previous period, driven by positive sales trends in existing spaces and the results of the very few selected new boutiques which were opened over the last 12 months.
Revenues rose from € 18,654 thousand to € 21,836 thousand.

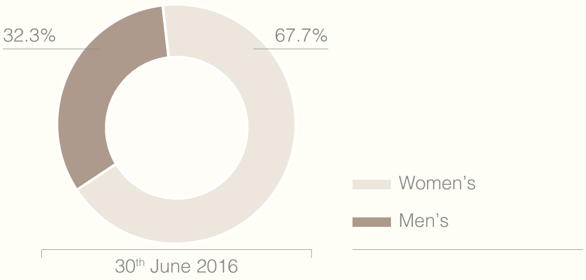
Pleasing performances were achieved in monobrand boutiques, as well as in the sales points located within the most important luxury department stores.

The monobrand network had sixteen boutiques at 30th June 2016.

REVENUES BY PRODUCT AND END CUSTOMER

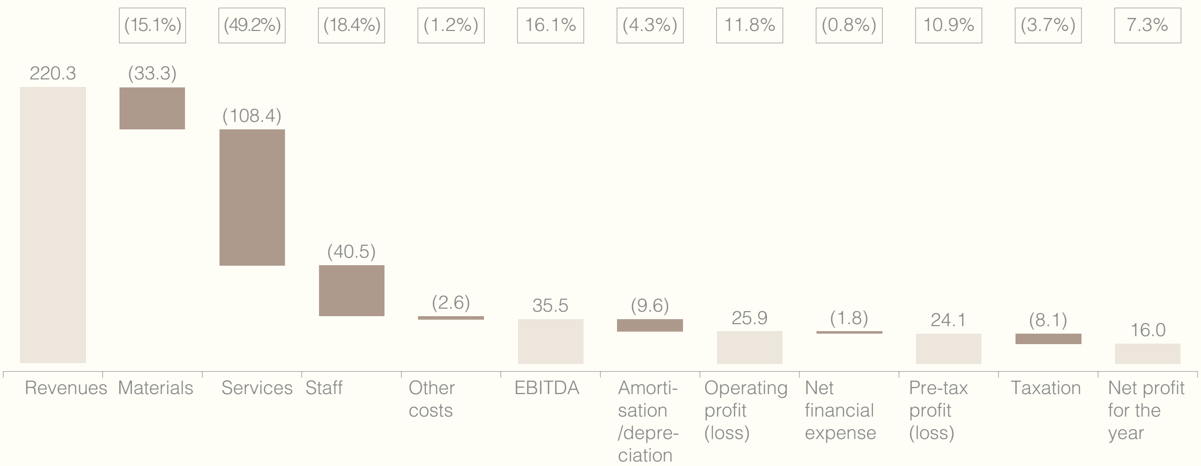
The following is a graphical representation of the Brunello Cucinelli Group's revenues at 30th June 2016, analysed by product line and end customer:





ANALYSIS OF THE INCOME STATEMENT

Set out below is a graphical representation of the income statement at 30th June 2016, representing the Group's performance during the first half:



OPERATING RESULTS

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

(In thousands of Euro)	**1st half, ending on 30th June**				**Change during the period**	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Operating profit (loss)	**25,926**	**11.8%**	**24,852**	**12.4%**	**1,074**	**+4.3%**
+ Amortisation/Depreciation	9,558	4.3%	8,532	4.3%	1,026	+12.0%
EBITDA	**35,484**	**16.1%**	**33,384**	**16.6%**	**2,100**	**+6.3%**
+ Non-recurring expenses (1)	1,293	0.6%	–	0.0%	1,293	+100.0%
EBITDA, normalised	**36,777**	**16.7%**	**33,384**	**16.6%**	**3,393**	**+10.2%**

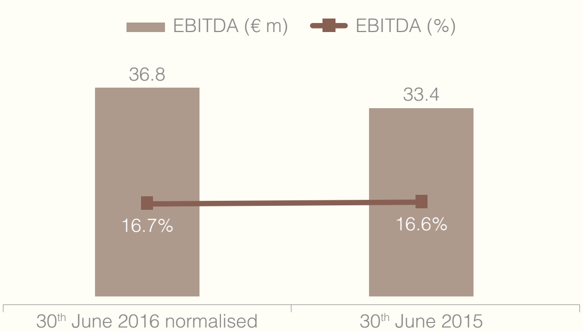
(1) Non-recurring expenses" refer to the cost relative to the employment contract termination agreement with the co-sales director, of € 1,293 thousand, also recognised in the balance sheet schedules under a sub-category of payroll costs.

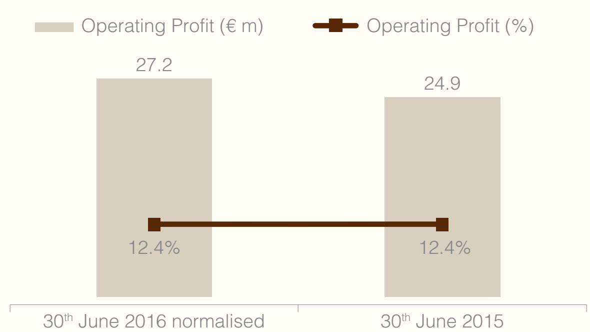
Normalised EBITDA at 30th June 2016 amounted to € 36,777 thousand, representing 16.7% of revenues from sales and services, an increase of 10.2% over the corresponding figure for the previous period. At 30th June 2015, the EBITDA percentage was 16.6%.

As indicated above, note that the first half of 2016 saw a slight reduction, in terms of their impact in percentage terms, in the cost of production for raw materials and outsourced work compared to the first half of the previous financial year (35.5% at 30th June 2016, compared to 36.1% at 30th June 2015). This is mainly due to the dynamic between quarters and the greater impact of revenues generated by the retail distribution channel which, nonetheless, generated greater operating costs (mainly for payroll costs and leasing costs) due to development and expansion of directly managed sales points. In particular, the percentage impact provided by leasing came to 12.0% at 30th June 2016, compared with 11.0% at 30th June 2015.

“Non-recurring expenses” also had a direct impact on operating profit, with a normalised value at 30th June 2016 of € 27,219 thousand, representing 12.4% of revenues from sales and services, an increase of 9.5% over the corresponding figure for the previous period. Also note the significant impact of amortisation and depreciation in absolute terms (an increase of € 1,026 thousand), consequent to the investments made, while remaining stable at 4.3% in terms of its portion of revenues from sales and services.

The following table sets out in graphical form the trends in the Group’s EBITDA and operating profit at 30th June 2016 and 30th June 2015:





As noted above, EBITDA went from 16.6% in the first half of 2015 to 16.7% in the first half of 2016 when normalised, increasing by € 3,393 thousand in absolute terms, equal to +10.2%.

The economic dinamics which characterised the first half of 2016 were above all represented by a higher impact of net revenues coming from the retail distribution channel as a percentage of the total for the period (45.3% at 30th June 2016, against 42.3% at 30th June 2015). The increased percentage weight of the retail channel is a result of organic growth in existing retail outlets (like for like growth of 3.7%) and the development of the network of shops, which grew overall in number by 7 units over the first half of the previous financial year.
Commercial expansion consequently generated an increase in the percentage impact of certain operating expenses in the first half of 2016, in particular with regards to leasing expenses.

The trends described above led to:

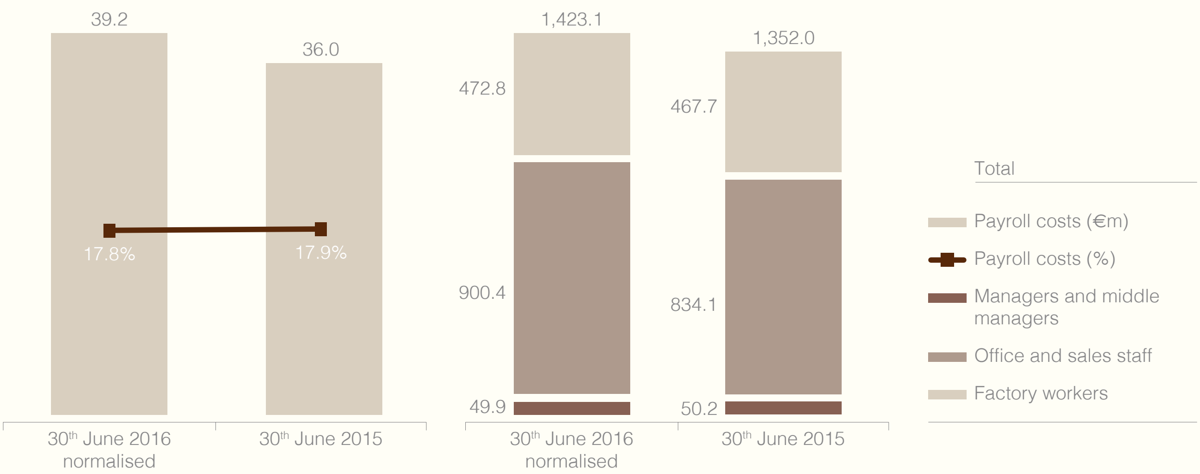
1. a reduction, in terms of percentage impact, of production costs associated with raw materials and outsourced work (35.5% at 30th June 2016, compared to 36.1% at 30th June 2015). Note that the percentage in question suffers, during the various quarters of the year, from revenue and expense flows that are not perfectly homogeneous.

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Costs for raw materials and consumables	43,591	19.8%	42,145	21.0%	1,446	+3.4%
Change in inventories	(10,255)	-4.7%	(12,952)	-6.5%	2,697	-20.8%
Outsourced work	44,834	20.3%	43,253	21.6%	1,581	+3.7%
Total	**78,170**	**35.5%**	**72,446**	**36.1%**	**5,724**	**+7.9%**

2. a greater impact in percentage terms for rental costs with reference to total revenues from sales and services (12.0% at 30th June 2016, compared to 11.0% at 30th June 2015), showing an increase of € 4,530 thousand in absolute terms compared to the first half of the previous financial year. The increase in leasing costs is related to the opening of new boutiques in the most exclusive locations and most important resort towns, the expansion of sales floors and certain repositioning.

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Lease expense	26,526	12.0%	21,996	11.0%	4,530	+20.6%

3. payroll costs at 30th June 2016 suffered from the previously cited non-recurring cost. Eliminating the effect of the same, the figure from the first half is in line with that of the first half of the previous year, showing a percentage impact of 17.8% at 30th June 2016, compared to 17.9% at 30th June 2015, with an increase in absolute terms of € 3,290 thousand.
   Full Time Equivalents (FTEs) totalled 1,423.1 at 30th June 2016, compared with 1,352.0 at 30th June 2015 (+71.1) which was principally the result of the increase in sales staff as a result of the expansion of directly managed sales outlets, and to a lesser extent the increase in the central structure to support development projects.



After having examined the main trends relative to production cost, rental and payroll costs, below we offer some brief comments on the other main items that make up operating expenses:

- The weight in percentage terms, of commissions and accessory costs, being the commissions payable to the network of agents, fell with respect to the first half of the previous year (2.8% in 2016, 3.3% in 2015);
- Advertising and other marketing costs, rose by € 1,582 thousand in absolute terms (16.4%), accounting for 5.1% of revenues from sales and services in 2016, compared to 4.8% at 30th June 2015. These costs relate to the promotional activities carried out by the Group to disseminate its image and philosophy throughout the world (more specifically these are costs mainly incurred for the production of catalogues, advertising campaigns and fairs and exhibitions organized in Italy and abroad);
- Transport and duties, which amounted to 3.6% of revenues in 2016, in line with the figure of 3.7% in 2015;
- Credit card charges, which rose by 14.3% with respect to the first half of the previous financial year, strictly connected with the growth in the retail channel.

The following table provides a summary of these items for the first halves of 2016 and 2015 together with their percentage as a proportion of revenues.

(In thousands of Euro)	**1st half, ending on 30th June**				**Change during the period**	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Commissions and accessory charges	6,061	2.8%	6,616	3.3%	(555)	-8.4%
Advertising and other commercial expenses	11,223	5.1%	9,641	4.8%	1,582	+16.4%
Transport and duties	7,956	3.6%	7,457	3.7%	499	+6.7%
Credit card charges	1,798	0.8%	1,573	0.8%	225	+14.3%

NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Net financial expense amounted to € 1,808 thousand at 30th June 2016, of which financial expenses were € 11,307 thousand and financial income was € 9,499 thousand.

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

(In thousands of Euro)	**1st half, ending on 30th June**				**Change during the period**	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Loan interest	383	0.2%	544	0.3%	(161)	-29.6%
Other net (income) / expense	464	0.2%	262	0.1%	202	+77.1%
Financial (income) / expense	**847**	**0.4%**	**806**	**0.4%**	**41**	**+5.1%**
Foreign exchange (gains) / losses	(39)	0.0%	1,202	0.5%	(1,241)	>-100.0%
Financial (income) / expense arising from adjusting derivatives to fair value	1,000	0.4%	534	0.4%	466	+87.3%
Total net financial expense	**1,808**	**0.8%**	**2,542**	**1.3%**	**(734)**	**-28.9%**

Income taxes for the period amounted to € 8,093 thousand and represented 33.6% of pre-tax consolidated profit. As previously indicated, after normalising taxes in consideration of non-recurring expenses (tax effects equal to greater current taxes of € 406 thousand) and excluding the application of the new IRES rate (24.0% compared to 27.5%) in effect as of 1st January 2017 when determining deferred tax assets and liabilities (tax effect equal to lower deferred tax assets totalling € 1,031 thousand), the tax rate comes to 29.4%.

Note that on 29th April 2016, the Tax Authorities – Umbria Regional Tax Commission sent Brunello Cucinelli S.p.A. a Report on Findings (PVC), following a tax inspection carried out as part of ordinary tax monitoring, involving direct and indirect taxes during the 2013 and 2014 tax periods. The PVC indicated erroneous determinations of the ACE deduction in 2013 and 2014 and improper deduction of merger-related tax losses in 2014.
Relative to the first finding, the company paid the amount indicated, paying € 56 thousand on 22nd June 2016 and € 2 thousand on 11st August 2016.

Relative to the second finding, the Company filed a request to settle on 27th June 2016, receiving a request on 3rd August 2016 to appear for cross-examination on 12nd September 2016. In consideration of the presumed positive result in regards to the adherence proceedings established, the company did not recognise any provisions in this Interim Report at 30th June 2016.

Finally, note that the Group earns the majority of its taxable profit in Italy and has elected the "taxation for transparency" option (taxation in Italy using the tax rates applicable in Italy) for taxable profits earned in the "privileged tax system countries" in which it operates.

In the light of the above, normalised net profit for the period came to € 17,943 thousand, or 8.1% of Revenues from sales and services, which represents an increase of € 2,430 thousand or +15.7% with respect to the figures from the first half of 2015.

The following table provides an analysis of net recognised profit between the portion attributable to the owners of the parent and the portion attributable to non-controlling interests with respect to the past half:

(In thousands of Euro)	**30th June 2016**	**30th June 2015**
Net profit (loss) attributable to parent's shareholders	16,217	17,449
Net profit (loss) attributable to non-controlling interests	(192)	(1,936)
Net profit for the year	**16,025**	**15,513**

ANALYSIS OF KEY BALANCE SHEET AND FINANCIAL ITEMS

Set out in the following are comments on the main items included in the balance sheet reclassified by sources and applications at 30th June 2016, compared with those relative to 31st December 2015 and 30th June 2015.

NET WORKING CAPITAL

The net working capital of the Brunello Cucinelli Group at 30th June 2016, 31st December 2015 and 30th June 2015 can be broken down as follows:

(In thousands of Euro)	**at 30th June 2016**	**31st December 2015**	**at 30th June 2015**
Trade receivables	63,060	45,628	64,913
Inventories	154,701	143,957	141,852
Trade payables	(62,525)	(68,826)	(59,823)
Other current assets/(liabilities), net	(19,402)	(8,428)	(24,419)
Net working capital	**135,834**	**112,331**	**122,523**

To make it easier to understand the main variations in net working capital, in consideration of the previously cited "seasonal cycles", below we provide comments that compare the figures at 30th June 2016 with those at 30th June 2015.

Net working capital at 30th June 2016 showed an increase of € 13,311 thousand with respect to the figure at 30th June 2015. The change is essentially due to the balance of "Inventories", which grew by € 12,849 thousand, accounting for 35.7% of Net Revenues over the last 12 months, while at 30th June 2015 this figure was 37.3.%. It should be noted that the growth in the "Inventory" balance is mainly the result of the new directly managed points of sale added over the last twelve months, as well as business development over the period.

Note that the raw materials item increased by € 574 thousand, going from € 26,952 thousand at 30th June 2015 to € 27,526 thousand at 30th June 2016, while finished and semi-finished goods increased by € 12,275 thousand, going from € 114,900 at 30th June 2015 to € 127,175 thousand at 30th June 2016, principally as a result of the increase in size of the monobrand network mentioned above.

(In thousands of Euro)	**at 30th June 2016**	**31st December 2015**	**at 30th June 2015**
Raw materials	27,526	28,444	26,952
Finished and Semi-finished goods	127,175	115,513	114,900
Inventories	**154,701**	**143,957**	**141,852**

The sum of the other items that make up net working capital remained essentially stable. More specifically:

- the balance of trade receivables (€ 63,641 thousand at 30th June 2016, compared to € 64,913 thousand at 30th June 2015) saw a decrease of € 1,272 thousand;
- the balance of trade payables, mainly relative to parent company activities, and therefore expressed in Euro and not affected by the exchange rate at the end of the period, remained substantially in line with respect to business trends, amounting to € 62,525 thousand at 30th June 2016, compared to € 59,823 thousand at 30th June 2015;
- the item "other current assets/(liabilities), net" showed a negative balance of € 19,983 thousand at 30th June 2016, compared to the also negative balance at 30th June 2015 of € 24,419 thousand.
  Among the components of this item, we note the recognition of the measured fair value of hedging instruments relating to exchange rate risk. It should be noted that the Group accounting policy follows the "Cash Flow Hedge" rules, which provide for the fair value to be booked as an asset or liability item on the Balance Sheet (Asset or Liabilities for current financial instruments), with a corresponding balancing reserve in Net Assets to reflect the effective component of the change in fair value of derivatives, which will be reversed through revenues in the income statement at the point when the transaction being hedged is recognised for accounting purposes.

FIXED ASSETS

Fixed assets at 30th June 2016, 31st December 2015 and 30th June 2015 are broken down below:

(In thousands of Euro)	**at 30th June 2016**	**31st December 2015**	**at 30th June 2015**
Intangible assets	30,510	31,479	32,579
Property, plant and equipment	109,633	101,045	90,376
Financial fixed assets	5,476	5,429	5,785
Fixed assets	**145,619**	**137,953**	**128,740**

Fixed assets at 30th June 2016 totalled € 145,619 thousand, compared to € 137,953 thousand at 31st December 2015, a net increase of € 7,666 thousand or 5.6%.
For details on the changes during the period, please refer to the information provided in the notes.

CAPEX

During the half ending at 30th June 2016, the Group made investments in intangible assets totalling € 2,110 thousand and in property, plant and equipment totalling € 15,868 thousand. The net balance of financial fixed assets (guarantee deposits) was negative at € 119 thousand, in that repayments received exceeded new deposits.

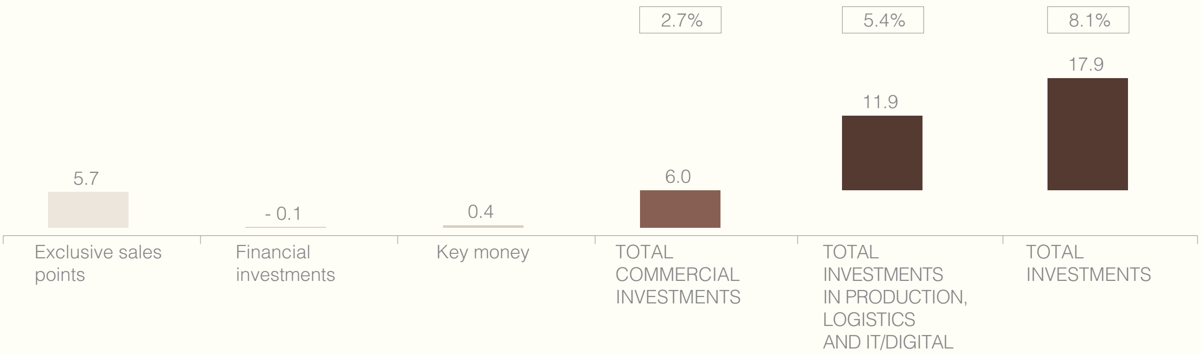
The table below shows Group Capex broken down by category at 30th June 2016, 31st December 2015 and 30th June 2015:

(In thousands of Euro)	30th June 2016	31st December 2015	at 30th June 2015
Capex in intangible assets	2,110	7,797	4,602
Investments in property, plant and equipment	15,868	32,340	14,970
Capex in financial fixed assets (*)	(119)	696	749
Total capex	**17,859**	**40,833**	**20,321**

(*) Net guarantee deposits (balance of net payments made and reimbursements received).

Investments made during the first six months of 2016 came to € 17,859 thousand, of which around 6.0 million dedicated to commercial investments and 11.9 million to investments in production, logistics and IT/digital.
More specifically, commercial investments were dedicated to the opening and extension of exclusive sales points, including additional floor space in the most prestigious luxury department stores, in line with the exclusive positioning and prestige of the brand.
Investments in production, logistics and IT/digital mainly worked to support the project to develop the technological platform and manage online presence, including the "Great Internet Project". Within this project, resources were allocated both to develop the technological/IT portion, in particular developing IT systems and new software applications, and to create logistical structures to support the project, at our offices in Solomeo.

The following is a graphical representation of the capital expenditure made by the Group in the first half of 2016, analysed by investment type:



NET DEBT

The following table provides details of net debt at 30th June 2016, 31st December 2015 and 30th June 2015.

(In thousands of Euro)	30th June 2016	31st December 2015	30th June 2015
Current bank debt	72,910	47,782	75,561
Current liabilities – derivative financial instruments	467	434	369
Other current financial liabilities	1,213	1,405	1,596
Current debt	**74,590**	**49,621**	**77,526**
Long-term loans – non-current portion	45,125	52,742	54,897
Non-current financial payables	2,279	2,210	3,134
Non-current debt	**47,404**	**54,952**	**58,031**
Total gross debt	**121,994**	**104,573**	**135,557**
Current financial assets	(58)	(86)	(96)
Current assets – derivative financial instruments	–	–	–
Cash and Cash equivalents	(42,222)	(48,075)	(57,180)
Net debt	**79,714**	**56,412**	**78,281**

At 30th June 2016, the Brunello Cucinelli Group's debt increased by € 1,433 thousand with respect to the same figure at 30th June 2015 and by € 23,302 thousand with respect to the same figure at 31st December 2015.
To that end, we note that during the first half of 2016, the Group new did take out any new medium/long-term loans and paid off other loans totalling € 7.8 million.

The balance of net debt at 30th June 2016 is influenced by the following factors:

- significant investment programme during the reference period (€ 17.9 million in the first six months of 2016, € 38.4 million over the last twelve months);
- the developments in operational management which were characterised by continued growth in sales volumes and the increase in the number of sales outlets, as well as the trends affecting net working capital, as described above;
- the seasonal nature of net debt, which is always higher at the end of the second and third quarters of the financial year (30th June and 30th September), falling again in the fourth quarter (31st December).

Finally, we note that the balance recognised under "non-current financial payables" refers to a financial payable relative to the loan obtained, for the relevant portion, from a minority shareholder of a subsidiary, and the balance of the non-current portion relative to the fair value of IRS derivative contracts. The balance recognised under "other current financial payables" mainly refers to the measurement of the put option to purchase the minority share of a subsidiary.

SHAREHOLDERS' EQUITY

The following table provides details of the shareholders' equity item at 30th June 2016, 31st December 2015 and 30th June 2015:

(In thousands of Euro)	at 30th June 2016	31st December 2015	at 30th June 2015
Share capital	13,600	13,600	13,600
Reserves	168,653	143,295	142,016
Net profit (loss) attributable to parent's shareholders	16,217	33,338	17,449
Shareholders' equity attributable to owners of the parent	**198,470**	**190,233**	**173,065**
Net profit for the year attributable to non-controlling interests	5,775	6,545	5,795
Equity	**204,245**	**196,778**	**178,860**

Share capital at 30th June 2016 consisted of 68,000,000 fully paid ordinary shares amounting to € 13,600 thousand. The Brunello Cucinelli S.p.A. shareholder structure as at 30th June 2016, as compiled from the communications sent to the Company and to Consob, and from other communications to the market, is set out below:

Direct Shareholder	Number of shares	% of ordinary capital
Fedone S.r.l.	38,760,000	57.00%
FMR LLC	3,933,758	5.79%
Ermenegildo Zegna Holditalia S.p.A.	2,040,000	3.00%
Fundita S.r.l.	1,360,000	2.00%
Other shareholders	21,906,242	32.21%
Total	**68,000,000**	**100.0%**

Reference should be made to the specific schedule and note 12 for a full description of changes in shareholders' equity.

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

The following is a reconciliation between the net equity and net profit of the parent and consolidated net equity and net profit at 30th June 2016:

(In thousands of Euro)	30th June 2016	
	Equity	**Net profit**
Financial statements of the parent	**214,097**	**23,008**
Difference between the net equity of consolidated investments and the carrying amount of these investments	2,089	(1,076)
Elimination of intragroup transactions	(29,616)	(7,764)
Elimination of dividends	–	(51)
Tax effect of consolidation adjustments	11,900	2,100
Total attributable to the owners of the parent	**198,470**	**16,217**
Net equity and net profit attributable to non-controlling interests	5,775	(192)
Total consolidated financial statements	**204,245**	**16,025**

ECONOMIC AND FINANCIAL INDICES

The main economic and financial indices for the Brunello Cucinelli Group for the periods under consideration are as follows.

PROFITABILITY INDICES

The table below shows the trends for the main profitability indices relative to 30th June 2016 and 2015. Note that the indexes were calculated using "normalised" values.

	30th June 2016	30th June 2015
ROE – Net profit for the year / Average equity in the year	8.91%	8.90%
ROI – Operating profit / Average net invested capital in the year	10.13%	10.57%
ROS – Operating profit / Revenues	12.35%	12.39%

BALANCE SHEET SOLIDITY RATIOS

A solidity analysis is designed to assess the Brunello Cucinelli Group's ability to maintain a constant balance in the medium to long period between outgoing cash flows, arising from the repayment of sources, and incoming cash flows, arising from the monetary recovery of applications, to avoid disturbing the economic balance of operations.
Note that the indexes were calculated using "normalised" values.

	30th June 2016	30th June 2015
Ratio – Net equity / Total assets	46.96%	41.85%
Ratio – Total current assets / Total current liabilities	160.57%	157.49%

ROTATION INDICES

	30th June 2016	30th June 2015
Receivables turnover – Revenues / Average trade receivables	4.0 volte	3.7 volte
*Average collection days for trade receivables – (Average trade receivables / Revenues) * 180*	44.4	49.3
Payables turnover – (Costs for raw materials and consumables + Costs for services) /Average trade payables	2.2 volte	2.1 volte
*Average payment days for trade payables (Average trade payables / (Costs for raw materials and consumables net of changes in inventory + Costs for services)) * 180*	77.8	77.1
*Average days in inventory – Average inventories – average advances / Revenues*360*	122.0	119.7

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to article 123-*bis* of the consolidated finance law (TUF) the Company is required to prepare an annual report on corporate governance and ownership structures containing a general description of the governance system adopted by the Brunello Cucinelli Group and its ownership structure, including the main governance practices applied and the characteristics of its risk management and internal control system in relation to its financial reporting process.
This Report, approved by the Board of Directors at its meeting of 10th March 2016, may be consulted in the *Governance* section of the Company's website **http://investor.brunellocucinelli.com/en**.

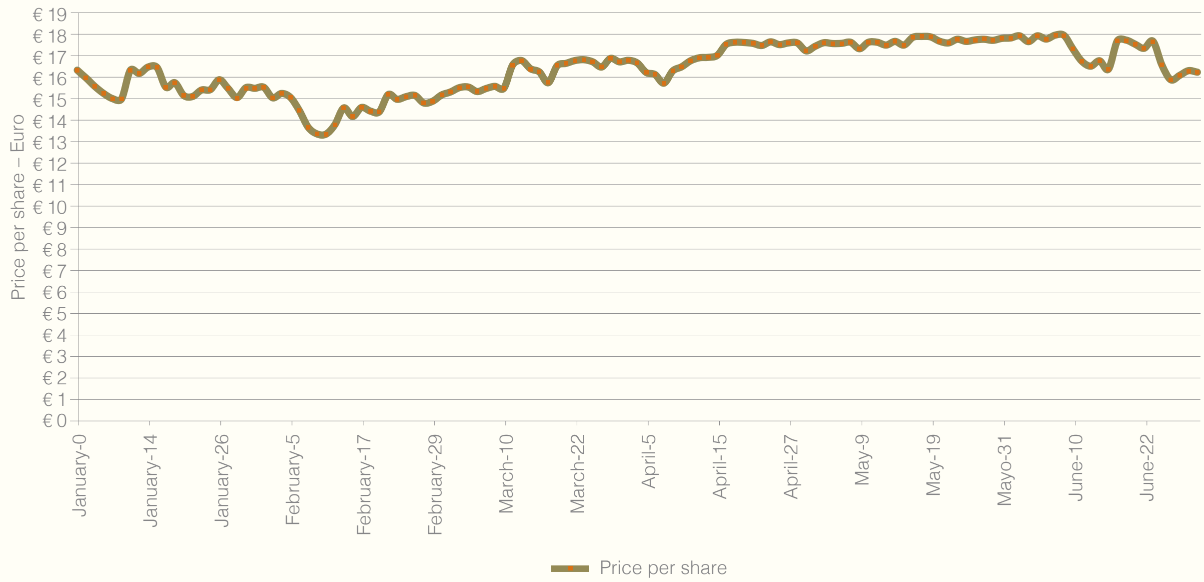
PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. ELECTRONIC STOCK EXCHANGE (MTA)

At 30th June 2016, the final trading day of the half, the official closing price of the Brunello Cucinelli share was € 16.16 (+108.5% compared to the € 7.75 per share set for the IPO, -1.0% compared to the price of € 16.32 at the end of financial year 2015). The market capitalisation on 30th June 2016 was € 1,098,880 thousand.

The following table provides details of the company's share price and performance between 1st January 2016 and 30th June 2016:

	Euro	Date
IPO price	7.75	
Minimum price (1)	12.65	11-Feb-16
Maximum price (1)	17.95	23-May-16
Official price	16.16	30-Jun-16
Capitalization	1,098,880,000	30-Jun-16
Number of outstanding shares	25,772,000	30-Jun-16
Free float	416,475,520	30-Jun-16

(1) Minimum and maximum prices recorded during daily trading which therefore do not coincide with the official reference prices for the day.



SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2016

Sale of a boutique

On 28th January 2016, the Company entered into a contract for the sale of a business line represented by the retail sales of products carried out by the Company in a boutique in Italy.
A sale price of € 765 thousand was agreed, and in line with IFRS 5, this amount was included in the balance sheet under "Assets held for sale" in these accounts as of 31st December 2015.
In the context of this transaction, the Company booked €95 thousand in the form of a repayment of the guarantee deposit paid by the Company to the landlord to guarantee the undertakings given on signing the lease.

Acquisition of the minority stake in Brunello Cucinelli England Ltd

On 4th April 2016, the subsidiary Brunello Cucinelli Europe S.r.l. acquired the 30% minority stake in Brunello Cucinelli England Ltd. from an independent third party, for the price of 450,000 pounds. Following the operation, the company, which operates under British law and owns the sales points in London, is a fully held subsidiary of the Group.

Acquisition of the minority stake in Max Vannucci S.r.l.

On 19th April 2016, the subsidiary Brunello Cucinelli Europe S.r.l. acquired the 24.5% minority stake in Max Vannucci S.r.l. from an independent third party, for the price of € 218 thousand. Following the operation, the company is 75.5% held by the Group.

Increase in the number of Directors, from 9 to 10 and appointment of Luca Lisandroni as Director

On 21st April 2016, the Ordinary Shareholders' Meeting of Brunello Cucinelli S.p.A. resolved, based on a proposal made by the Board of Directors on 10th March 2016, to increase the number of Directors from 9 to 10 and to appoint Luca Lisandroni as the new Director. Mr. Lisandroni will remain in office until the expiry of the term of the Board of Directors, specifically until the approval of the Financial Statements at 31th December 2016.
Luca Lisandroni, 37, was hired as an executive by the Company on 18th April 2016, in the role of Co-CEO. In this role he supports the other Co-CEO, Riccardo Stefanelli, 34. Both will also support the Chairman and CEO, Brunello Cucinelli, in managing the Company.

RELATED PARTY TRANSACTIONS

Reference should be made to the notes to this condensed consolidated interim financial report for a detailed description of related-party transactions conducted in the first half of 2016.

FINANCIAL RISK MANAGEMENT

Management of financial risk is outlined in detail in the section “Other information” within the notes, to which the reader is referred.

SIGNIFICANT EVENTS AFTER 30TH JUNE 2016

No significant events occurred in the period between the reporting date of this interim report and the date it was approved by the Board of Directors.

BUSINESS OUTLOOK

We are extremely satisfied with the results achieved in the first half of 2016, which show strong and balanced growth both in terms of revenue and profits. Since we are now two-thirds of the way through the year, we can safely imagine 2016 will continue with splendid growth of revenues and profitability.
Moreover, we are exceptionally satisfied with the new sales campaign for Spring/Summer 2017, both for menswear – which has already been completed – and for womenswear, which will be finished in September. The unanimous praise – received worldwide, for our style and taste – makes our work enjoyable, and leads us to imagine 2017 as another very important year for the constant growth of our business.

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

ACCOUNTING SCHEDULES AT 30TH JUNE 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2016

(In thousands of Euro)	NOTE	30th June 2016	of which with related parties	31st December 2015	of which with related parties	30th June 2015	of which with related parties
NON-CURRENT ASSETS							
Intangible assets	1	30,510		31,479		32,579	
Property, plant and equipment	2	109,633	15,463	101,045	14,212	90,376	12,510
Other non-current financial assets	3	5,476	32	5,429	32	5,785	32
Deferred tax assets	23	16,614		15,678		18,475	
TOTAL NON-CURRENT ASSETS		**162,233**		**153,631**		**147,215**	
CURRENT ASSETS							
Inventories	4	154,701		143,957		141,852	
Trade receivables	5	63,060	10	45,628	21	64,913	7
Tax receivables	6	1,241		2,157		1,637	
Other receivables and current assets	7	11,745		15,843		14,010	
Other current financial assets	8	58		86		96	
Cash and Cash equivalents	9	42,222		48,075		57,180	
Current assets – derivative financial instruments	10	1,424		961		481	
TOTAL CURRENT ASSETS		**274,451**		**256,707**		**280,169**	
Non current assets held for sale	11	–		765		–	
TOTAL ASSETS		**436,684**		**411,103**		**427,384**	

(In thousands of Euro)	NOTE	30th June 2016	of which with related parties	31st December 2015	of which with related parties	30th June 2015	of which with related parties
EQUITY							
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY							
Share capital	12	13,600		13,600		13,600	
Share premium reserve	12	57,915		57,915		57,915	
Other reserves	12	110,738		85,380		84,101	
Profit attributable to shareholders of parent company		16,217		33,338		17,449	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		**198,470**		**190,233**		**173,065**	
NON-CONTROLLING INTERESTS							
Capital and reserves attributable to non-controlling interests	12	5,967		6,934		7,731	
Net profit (loss) attributable to non-controlling interests	12	(192)		(389)		(1,936)	
TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**5,775**		**6,545**		**5,795**	
TOTAL EQUITY		**204,245**		**196,778**		**178,860**	
NON-CURRENT LIABILITIES							
Liabilities for employee benefits	13	3,209		3,033		3,137	
Provisions for risks and charges	14	607		648		671	
Non-current bank debt	15	45,125		52,742		54,897	
Non-current financial payables	16	1,792		1,799		2,832	
Other non-current liabilities	17	7,780		7,486		6,677	
Deferred tax liabilities	23	2,512		2,370		2,112	
Non-current liabilities – derivative financial instruments	10	487		412		302	
TOTAL NON-CURRENT LIABILITIES		**61,512**		**68,490**		**70,628**	
CURRENT LIABILITIES							
Trade payables	18	62,525	901	68,826	1,767	59,823	243
Current bank debt	19	72,910		47,782		75,561	
Current financial payables	20	1,213		1,405		1,596	
Tax payables	21	9,992		1,575		13,628	
Current liabilities – derivative financial instruments	10	2,112		4,182		7,506	
Other current liabilities	22	22,175	49	22,065		19,782	
TOTAL CURRENT LIABILITIES		**170,927**		**145,835**		**177,896**	
TOTAL LIABILITIES		**232,439**		**214,325**		**248,524**	
TOTAL EQUITY AND LIABILITIES		**436,684**		**411,103**		**427,384**	

CONSOLIDATED INCOME STATEMENT AT 30TH JUNE 2016

(In thousands of Euro)		1st half, ending on 30th June			
	NOTE	**2016**	**of which with related parties**	**2015**	**of which with related parties**
Net revenues	24	219,840	12	200,332	6
Other operating income	24	493	20	316	19
Revenues from sales and services		**220,333**		**200,648**	
Costs for raw materials and consumables	25	(33,336)	(8)	(29,193)	(12)
Costs for services	26	(108,383)	(1,557)	(100,217)	(1.032)
Payroll costs	27	(40,539)	(274)	(35,956)	(145)
of which non-recurring costs		*(1,293)*		–	
Other operating costs	28	(2,262)		(2,112)	
Own work capitalized	29	482		558	
Depreciation	30	(9,558)		(8,532)	
Value adjustments to assets and other provisions	31	(811)		(344)	
Total operating costs		**(194,407)**		**(175,796)**	
Operating profit (loss)		**25,926**		**24,852**	
Financial expense	32	(11,307)		(18,261)	
Financial income	33	9,499		15,719	
Pre-tax profit (loss)		**24,118**		**22,310**	
Income taxes	23	(8,093)		(6,797)	
Profit for the period		**16,025**		**15,513**	
Net profit (loss) attributable to parent's shareholders	12	16,217		17,449	
Net profit (loss) attributable to non-controlling interests	12	(192)		(1,936)	
Basic earnings per share	34	0.23849		0.25660	
Diluted earnings per share	34	0.23849		0.25660	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30TH JUNE 2016

(In thousands of Euro)		1st half, ending on 30th June	
	NOTE	2016	2015
Net profit (loss) for the year (A)		**16,025**	**15,513**
Other items of comprehensive income:			
Other items of comprehensive income that will later be reclassified on the income statement:		**1,204**	**1,069**
Cash flow hedges	12	1,654	(522)
Income taxes	12	(466)	143
Effect of changes in cash flow hedge reserve	**12**	**1,188**	**(379)**
Translation differences on foreign financial statements		16	1,448
Other items of comprehensive income that will not later be reclassified on the income statement:	**12**	**(119)**	**114**
Remeasurement of defined benefit plans (IAS 19)		(159)	157
Tax effect		40	(43)
Total other comprehensive income net of tax effect (B)		**1,085**	**1,183**
Total comprehensive income net of tax (A) + (B)		**17,110**	**16,696**
Attributable to:			
Shareholders of parent company		17,502	18,501
Non-controlling interests		(392)	(1,805)

CONSOLIDATED CASH FLOW STATEMENT AT 30TH JUNE 2016

(In thousands of Euro)		1st half, ending on 30th June	
	NOTE	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year	12	16,025	15,513
Adjustments to reconcile net profit to cash flows from operating activities:			
Depreciation	30	9,558	8,532
Allocation to provisions for employee benefits		33	9
Allocation to provisions for risks and charges / inventory obsolescence / bad debts		883	335
Changes in other non-current liabilities		431	1,377
Losses (gains) on disposal of fixed assets		76	29
Payments from provision for employee benefits		(16)	(25)
Payments from provisions for risks and charges		–	–
Net change in deferred tax assets and liabilities		(1,229)	(6,109)
Change in fair value of financial instruments		(804)	590
Changes in operating assets and liabilities:			
Trade receivables	5	(17,775)	(19,719)
Inventories	4	(10,258)	(12,957)
Trade payables	18	(6,268)	(6,978)
Other current assets and liabilities		13,683	12,360
NET CASH FROM OPERATING ACTIVITIES (A)		**4,339**	**(7,043)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(15,868)	(14,970)
Investments in intangible assets	1	(2,110)	(4,602)
Investments in financial assets	3	119	(1,111)
Disposal of property, plant and equipment and key money		245	479
Available-for-sale assets.	11	765	–
NET CASH USED IN INVESTING ACTIVITIES (B)		**(16,849)**	**(20,204)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans received		–	25,430
Repayment of long-term loans		(7,828)	(12,401)
Drawdowns/(Repayments) of short-term loans		402	(7,432)
Net change in short-term loans		23,599	32,344
Net change in long-term loans		30	30
Dividends paid		(8,889)	(8,209)
Change in shareholders' equity		(784)	47
NET CASH FROM FINANCING ACTIVITIES (C)		**6,530**	**29,809**
TOTAL CASH FLOWS (D=A+B+C)		**(5,980)**	**2,562**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (E)		**127**	**983**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	**9**	**48,075**	**53,635**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G=D+E+F)	**9**	**42,222**	**57,180**
Additional information:			
Interest paid		966	1,191
Income tax paid		473	1,472

CHANGES IN SHAREHOLDERS' EQUITY AT 30TH JUNE 2016

(In thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Reserves, translation	Other reserves	Profit for the period	Total equity attributable to shareholders of parent company	Total equity attributable to non-controlling interests	Total equity
31st December 2015	**13,600**	**2,720**	**57,915**	**–**	**2,515**	**80,145**	**33,338**	**190,233**	**6,545**	**196,778**
Profit for the period							16,217	16,217	(192)	16,025
Other profits (losses)					205	1,080		1,285	(200)	1,085
Total comprehensive income	**–**	**–**	**–**	**–**	**205**	**1,080**	**16,217**	**17,502**	**(392)**	**17,110**
Allocation of profit for the period						33,338	(33,338)	–	–	–
Dividends paid						(8,840)		(8,840)	(49)	(8,889)
Transaction under common control (Max Vannucci S.r.l., Brunello Cucinelli England Ltd.)						(455)		(455)	(329)	(784)
Other changes						30		30	–	30
Balance at 30th June 2016	**13,600**	**2,720**	**57,915**	**–**	**2,720**	**105,298**	**16,217**	**198,470**	**5,775**	**204,245**

(In thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Reserves, translation	Other reserves	Profit for the period	Total equity attributable to shareholders of parent company	Total equity attributable to non-controlling interests	Total equity
31st December 2014	**13,600**	**2,720**	**57,915**	**–**	**1,179**	**56,283**	**33,060**	**164,757**	**5,568**	**170,325**
Profit for the period							17,449	17,449	(1,936)	15,513
Other profits (losses)					1,317	(265)		1,052	131	1,183
Total comprehensive income	**–**	**–**	**–**	**–**	**1,317**	**(265)**	**17,449**	**18,501**	**(1,805)**	**16,696**
Allocation of profit for the period						33,060	(33,060)	–	–	–
Dividends paid						(8,160)		(8,160)	(49)	(8,209)
Transaction under common control (Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd)						(2,034)		(2,034)	2,034	–
Payments made by minority shareholders (SAM Brunello Cucinelli Monaco)								–	47	47
Other changes						1		1	–	1
Balance at 30th June 2015	**13,600**	**2,720**	**57,915**	**–**	**2,496**	**78,885**	**17,449**	**173,065**	**5,795**	**178,860**

NOTES TO THE CONDENSED FINANCIAL REPORT AT 30TH JUNE 2016

1. BASIS OF PREPARATION

1.1 CONTENT AND FORMAT OF CONSOLIDATED FINANCIAL STATEMENTS

This condensed consolidated interim financial report was prepared pursuant to article 154-ter of Legislative Decree no. 58 of 24th February 1998 (TUF), as amended, and was submitted for approval by the Directors on 25th August 2016.

The condensed consolidated interim financial report at 30th June 2016 includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity.

For purposes of comparison, the consolidated schedules provide the equity figures from the financial statements at 31st December 2015 and the consolidated economic figures at 30th June 2015.

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

The items in the consolidated statement of financial position are presented in order of liquidity, where:
- non-current assets reflect items that are typically realized after twelve months and include intangible assets, property, plant and equipment and financial assets;
- current assets include items that are typically realized within twelve months;
- non-current liabilities consist of items falling due after twelve months, including borrowings, provisions and the employees' termination indemnity (TFR);
- current liabilities include payables falling due within twelve months, including the short-term portion of long-term loans, provisions and the employees' termination indemnity (TFR).

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

The consolidated cash flow statement was prepared under the indirect method and is presented in accordance with IAS 7, classifying cash flows by operating activities, investing activities and financing activities.

As regards Consob Resolution no. 15519 of 27th July 2006 and Communication DEM6064293 of 28th July 2006, the financial statements provide information on significant related party transactions for the purposes of a more complete disclosure.

1.2 INDICATION OF COMPLIANCE WITH THE IFRS

The condensed consolidated interim financial report relative to 30th June 2016 was prepared in accordance with the international accounting standard relative to interim financial reports (IAS 34 – Interim Financial Reporting). The condensed consolidated interim financial report does not include all the information required for the annual financial statements, and as a consequence should be read together with the Group's annual consolidated financial statements for the year ending at 31st December 2015 published on the corporate website www.brunellocucinelli.com under Investor Relations, Financial Reports.

2. CONSOLIDATION SCOPE

The condensed consolidated interim financial report consists of the statements of financial position, operating performance and cash flows of the parent company Brunello Cucinelli S.p.A. and its Italian and foreign subsidiaries (together identified as the Brunello Cucinelli Group) at 30th June 2016.

The consolidated financial statements have been prepared on the basis of the statements of account of the Company and those of its subsidiaries, adjusted to comply with IFRS.

Control is obtained when the Group is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. More specifically, the Group has control over an entity if and only if it has all of the following:

– power over the investee (meaning it has existing rights that give it the current ability to direct the relevant activities i.e. the activities that significantly affect the investee's returns);
– exposure, or rights, to variable returns from its involvement with the investee;
– the ability to use its power over the investee to affect the amount of its returns.

If the Group holds less than the majority of the voting rights (or similar rights) it considers all the facts and circumstances relevant for establishing whether it controls an investee, including:

– Contractual agreements with other holders of voting rights;
– Rights resulting from contractual agreements;
– The Group's voting rights and potential voting rights.

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

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

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

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

At 30th June 2016, the Brunello Cucinelli Group did not hold any investments in associates (associated companies in which the Group holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over financial and operating policies) or joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control within the meaning of IAS 11).

The following table provides summarized information on subsidiaries at 30th June 2016, consisting of the company's name, registered office and percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital currency	Percentage of control	
				Direct	Indirect
Brunello Cucinelli USA, Inc.	Brewster (NY) – USA	US dollar	1,500	100.00%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100.00%	
Brunello Cucinelli Belgium S.p.r.l.	Brussels – Belgium	Euro	20,000		100.00%
Brunello Cucinelli France S.a.r.l.	Paris – France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Gmbh	Munich – Germany	Euro	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) – USA	US dollar	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) – USA	US dollar	1,182,967		70.00%
Brunello Cucinelli Retail Spain S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse SA	Lugano – Switzerland	Swiss franc	200,000	2.00%	98.00%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		75.50%
Brunello Cucinelli Japan Co. Ltd.	Tokyo – Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.	Chengdu – China	RMB	165,000,000	70.30%	
Brunello Cucinelli Hellas S.A.	Athens – Greece	Euro	24,000		51.00%
Brunello Cucinelli Austria Gmbh	Vienna – Austria	Euro	35,000	2.00%	98.00%
Brunello Cucinelli England Ltd.	London – United Kingdom	British pound	700		100.00%
Brunello Cucinelli Hong Kong Ltd.	Hong Kong	Hong Kong dollar	2,000,000	51.00%	
Brunello Cucinelli (Macau) Fashion Co. Ltd.	Macau	MOP	5,000,000	100.00%	
Pinturicchio S.r.l	Carrara (MS) – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Brasil LTDA	San Paolo – Brazil	BRL	8,700,000	98.00%	2.00%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		68.67%
Brunello Cucinelli Canada Limited	Vancouver – Canada	Canadian dollar	100	70.00%	
SAS Brunello Cucinelli France Resort	Courchevel – France	Euro	50,000		70.00%

During the first half of 2016, the scope of consolidation did not change. We note the acquisition of minority stakes in the subsidiaries Max Vannucci S.r.l. (the stake held rose from 51% to 75.5%) and Brunello Cucinelli England Ltd . (the stake held rose from 70% to 100%).

3. ACCOUNTING STANDARDS

3.1 INTRODUCTION

The condensed consolidated interim financial report at 30th June 2016 was prepared in compliance with IAS 34 *Interim Financial Reporting*.
The condensed consolidated interim financial report does not provide all the information required for the consolidated annual financial statements. Hence, it is necessary to read the condensed consolidated interim financial report together with the consolidated financial statements at 31st December 2015.

The accounting standards used in preparing the condensed consolidated interim financial report are the same as those used to prepare the consolidated financial statements at 31st December 2015, with the exception of the adoption of the new standards, amendments and interpretations which took effect as of 1st January 2016. The Group has not adopted any other standards, interpretations or amendments which have been published, but which have not yet entered into force.
The nature and effects of these changes are outlined below. While these new standards and amendments applied for the first time in 2016, none of them had a significant impact on the Group's consolidated financial statements, nor on the Group's condensed consolidated interim financial report. The nature and impact of each new standard/ amendment is listed below.

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

Amendments to IAS 19th Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider the contributions made by employees or third parties when accounting for defined benefit plans. If the contributions are linked to service, they should be allocated to the service period as a negative benefit. This amendment clarifies that if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize these contributions as a reduction in the service cost in the period in which the service is rendered instead of allocating them to the service period. This amendment is applicable to periods beginning on or after 1st February 2015. The amendment is not relevant for the Group as none of the entities comprising it has plans which allow for contributions by employees or third parties.

Annual improvements to IFRSs – 2010–2012 Cycle
These amendments have been in force since 1st February 2015 and the Group applied them for the first time in this condensed consolidated interim financial report. They include:

IFRS 2 Share-based Payments -This amendment is applicable prospectively and clarifies various issues relating to the definition of performance and service conditions that represent vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition can be a market condition or a condition not linked to the market
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is not relevant to the Group, given that as of the date this Interim Report on Operations was prepared none of the entities within the Group used share-based payment plans.

IFRS 3 Business Combinations – This amendment is applicable prospectively and clarifies that all agreements for contingent consideration classified as liabilities (or assets) arising from business combinations must be subsequently measured at fair value through profit or loss whether or not this consideration falls within the scope of IFRS 9 or IAS 39, depending on the case. This is consistent with the Group's accounting standards and therefore this amendment has no impact.

IFRS 8 Operating Segments – These amendments are applicable prospectively and clarify that:
- An entity must make disclosure of the assessments made by management in applying the aggregation criteria provided in paragraph 12 of IFRS 8, including a brief description of the operating segments that have been aggregated/combined and the economic characteristics (for example sales and gross margins) used to assess whether the segments are 'similar'.
- A reconciliation is only needed to be disclosed between segment assets and total assets if the reconciliation is reported to the chief operating decision maker, similar to the disclosure for segment liabilities.

The amendment is not relevant to the Group, as it has not carried out any of the business combinations foreseen in IFRS 8.12.

IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – The amendment is applicable retrospectively and clarifies that in IAS 16 and IAS 38 an asset can be revalued using observable data either by adjusting the asset's gross carrying amount to the market value, or by determining the market value of the net carrying amount and adjusting the gross carrying amount pro rata to it such that the net carrying amount equals the market value. In addition, accumulated amortization is the difference between the gross carrying amount and the carrying amount of the asset. The Group has not recognised any revaluation adjustments during the reference period.

IAS 24 Related Party Disclosures – The amendment is applicable retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment does not apply to the Group as it does not receive management services from other entities.

Amendments to IFRS 11 – Acquisition of an interest in a joint operation – The amendments to IFRS 11 require a joint operator to account for the acquisition of an interest in a joint operation that is a business to apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that in the case of retaining joint control, the interest previously held in a joint operation is not subject to remeasurement on the acquisition of an additional interest in the same joint operation. In addition, an exclusion from the scope of IFRS 11 has been added that clarifies that the amendments do not apply if the parties that share control, including the entity that prepares the financial statements, are under the common control of the same ultimate parent company.
The amendments are applicable to the acquisition of an initial interest in a joint operation and the acquisition of an additional interest in the same joint operation. The amendments must be applied prospectively for years beginning on or after 1st January 2016 and early application is permitted. These amendments had no impact on the Group, in that during the period no interests in joint operations were acquired.

Amendments to IAS 16 and IAS 38 Clarification on acceptable methods of depreciation and amortisation – The amendments clarify the principle contained in IAS 16 Property Plant and Equipment and in IAS 38 Intangible Assets that revenues reflect an economic benefits models, as generated by the management of the business (of which the assets are part), rather than the consumption of economic benefits through use of the asset. It follows from this that a method based on revenues cannot be used for depreciating property, plant and equipment and may only be used in very limited circumstances for the amortization of intangible assets. The amendments must be applied prospectively for years beginning on or after 1st January 2016 and early application is permitted. These amendments had no impact on the Group, given that it does not use methods based on revenues to depreciate or amortize its non-current assets.

Amendments to IAS 27 Equity method in separate financial statements – The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs which decide to change their accounting principle to using the equity method in their separate financial statements must apply the change retrospectively. In the case of the first-time adoption of IFRSs, an entity that decides to use the equity method in its separate financial statements must apply it from the date of transition to IFRSs. The amendments are applicable for years beginning on or after 1st January 2016 and early application is permitted. The amendments had no effect on the Group's consolidated financial statements.

Annual improvements to IFRSs – 2012–2014 Cycle
These amendments are applicable to periods beginning on or after 1st January 2016. They include:

IFRS 5 Non-current assets held for sale and discontinued operations – The assets (or disposal groups) are generally disposed of by sales or distributions to the shareholders. The amendment clarifies that alternating between one or the other type of disposal should not be considered a new disposal plan, but is rather the extension of the original plan. There is therefore no change to the application of the requirements of IFRS 5. The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosure

(I) servicing contracts
The amendment clarifies that a servicing contract that includes payment can indicate continuous involvement in a financial contract. An entity must define the nature of the payment and the agreement based on the guidance contained in IFRS 7 in regards to continuous involvement in order to determine whether a disclosure is required. The determination that any servicing contract constitutes continuous involvement must be applied retroactively. In any case, the disclosure required does not need to be presented for financial years prior to that in which the amendment is initially applied.

(ii) Applicability of amendments to IFRS 7 to condensed interim financial reports
The amendment clarifies that the disclosure requirements relative to payments do not apply to condensed interim financial reports, unless the disclosure provides a significant update in regards to the information provided in the most recent annual financial statements. The amendment must be applied retroactively.

IAS 19 Employee benefits – The amendment clarifies that the market depth for high quality company bonds must be defined with respect to the currency in which the bond is denominated, rather than with respect to the country in which the bond is located. When there is no active market for high quality corporate bonds in that currency, the rates relative to government securities must be used. This amendment must be applied prospectively. In any case, it has no impact on the Group.

Amendments to IAS 1 Disclosure Initiative – The amendments to IAS 1 are more clarifications than significant amendments to some of the existing IAS 1 requirements. The amendments clarify:

- The materiality requirement in IAS 1
- The fact that specific lines in the profit and loss account for the year, or other items in the statement of comprehensive income, or the statement of financial position may be disaggregated
- That companies have flexibility in arranging the order in which the notes to the financial statements are presented
- That the share of other items of comprehensive income relating to associated and joint ventures accounted for using the equity method must be presented in aggregate in a single line, and classified under the items which are not subsequently reclassified to the income statement.

Furthermore, the modifications clarify the requirements to be applied when sub totals are shown in the profit and loss account for the year or in other items of comprehensive income or in the statement of financial position. These amendments are applicable for years beginning on or after 1st January 2016 and early application is permitted. The amendments have no effect on the Group.

3.3 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED BUT WHICH ARE NOT YET IN FORCE

The paragraphs below illustrate the standards and interpretations which had been published but which were not in force on the date of preparation of the Group's Consolidated Interim Report, and which the Group believes may lead to an impact on the financial position, results and reporting. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments - In July 2014, the IASB adopted *IFRS 9 Financial Instruments*, which replaced *IAS 39 Financial Instruments*: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 covers all three of the aspects relating to the project on the accounting for financial instruments: classification and valuation, loss of value and hedge accounting. IFRS 9 is applicable for years beginning on or after 1st January 2018; early application is permitted. With the exception of hedge accounting, retrospective application of the standard is required but it is not mandatory to provide comparative disclosures. With regard to hedge accounting, the standard applies prospectively as a general principle, with a few limited exceptions.
The Group will adopt the new standard from its effective date. During 2015, the Group conducted a preliminary analysis of the impact of all three of the aspects covered by IFRS 9. This preliminary analysis was based on the currently available information and may be subject to changes following analysis in greater detail and further information to be made available to the Group in the future. Overall, the Group does not anticipate significant impacts on its financial statements and net equity.
In particular, with regard to Hedge Accounting, the Group believes that all its current hedging relationships which are currently designated as effective will continue to qualify for hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not amend the general principle whereby a company can book effective hedging relationships, the Group does not anticipate significant impacts from the application of this standard. The Group will evaluate in greater detail in the future whether it should change the way it accounts for the time value of options, forward points and the difference between the interest rates on two different currencies.

IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 introduces a new five-stage model applicable for revenue from contracts with customers. IFRS 15 requires revenue to be recognized for the amount that reflects the consideration to which an entity believes it is entitled in exchange for the transfer of goods or services to a customer.
The new standard will replace all current requirements on revenue recognition to be found in IFRSs. The standard is applicable for years beginning on or after 1st January 2018, with a fully or modified retrospective approach. Early application is permitted.

The Group plans to apply the new standard from the mandatory effective date. In the course of 2015, the Group carried out a preliminary assessment of the effects of IFRS 15. This may change following the more detailed assessment which is currently being carried out. Furthermore, the Group is considering the clarifications issued by the IASB in the July 2015 exposure draft, and will assess all subsequent developments.

IFRS 16 Leases - On 13rd January 2016, the IASB published the new accounting standard on Leasing which replaces the requirements introduced over 30 years ago, which were no longer considered fit for purpose; this is an important revision to the way in which companies represent leases in their financial statements. The new IFRS 16 will become effective on 1st January 2019 but early application is permitted for companies which also apply IFRS 15 - Revenue from Contracts with Customers. In summary, the standard provides for a singe accounting model for both financial and operating leasing whereby assets are booked at a value equal to the lease payments due over the term of the contract.

3.4 DISCRETIONARY ASSESSMENTS AND VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Brunello Cucinelli Group's consolidated interim financial report requires the Parent Company's directors to make discretionary measurements, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. The actual results could differ from these estimates. The main processes used in making such discretionary estimates and measurements relate to the recognition and measurement of the following items.

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

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

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

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

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

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

The condensed consolidated interim financial report is presented in Euros, the functional and presentation currency adopted by the Company. Each Group entity establishes its own functional currency, which it uses to measure the items included in the individual financial statements. Transactions in foreign currency are initially recognized at the exchange rate (referring to the functional currency) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rate ruling at the balance sheet date.

All exchange differences are recognized in profit or loss.

Non-monetary items, measured at historic cost in foreign currency, are translated at the exchange rates at the date of the initial recognition of the transaction.

The financial statements of foreign companies being consolidated are translated into Euro using the current exchange rate method by which balance sheet items are translated using the exchange rate at the balance sheet date and income statement items are translated using the average exchange rate for the year.

Exchange differences arising from translation are recognized directly in equity and presented in a separate reserve.

On the sale of a foreign company, the cumulative exchange differences in equity are recognized in profit or loss.

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

	Average exchange rates		Closing exchange rates		
	30th June 2016	30th June 2015	30th June 2016	31st December 2015	30th June 2015
US dollar	1.115937	1.11579	1.1102	1.0887	1.1189
Swiss franc	1.096048	1.05673	1.0867	1.0835	1.0413
Japanese yen	124.413622	134.20424	114.05	131.07	137.01
Renmimbi (Yuan)	7.296455	6.940806	7.3755	7.0608	6.9366
British pound	0.778769	0.732325	0.8265	0.73395	0.7114
Hong Kong dollar	8.668402	8.651698	8.6135	8.4376	8.674
Real	4.129549	3.310148	3.5898	4.3117	3.4699
Canadian dollar	1.48442	1.377364	1.4384	1.5116	1.3839

3.6 SEASONAL OR CYCLICAL ASPECTS OF INTERIM TRANSACTIONS

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

3.7 OPERATING SEGMENTS

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

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

NOTE 1. Intangible assets

The composition of intangible assets at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Concessions, licenses, trademarks and similar rights	4,745	3,982	763
Key money	25,505	27,245	(1,740)
Other intangible assets	178	201	(23)
Assets under construction and advances	82	51	31
Total intangible assets	**30,510**	**31,479**	**(969)**

Details of cost, accumulated amortization and the net book value of intangible assets at 30th June 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of Euro)	30th June 2016			31st December 2015		
	Cost	Accum. depn.	Net book value	Cost	Accum. depn.	Net book value
Concessions, licenses, trademarks and similar rights	10,197	(5,452)	4,745	8,542	(4,560)	3,982
Key money	41,019	(15,514)	25,505	44,251	(17,006)	27,245
Other intangible assets	736	(558)	178	725	(524)	201
Assets under construction and advances	82	–	82	51	–	51
Total intangible assets	**52,034**	**(21,524)**	**30,510**	**53,569**	**(22,090)**	**31,479**

At 30th June 2016, the item intangible assets amounted to € 30,510 thousand, mainly consisting of *Key money* paid to obtain the availability under lease arrangements of commercial properties situated in prestigious locations either by taking over existing contracts or by obtaining the withdrawal of the lessees in order to enter new agreements with the lessors.

Changes in the net book value of the item Intangible assets during the half ended at 30th June 2016 are shown below:

(In thousands of Euro)	**Concessions, licenses, trademarks and similar rights**	**Key money**	**Other intangible assets**	**Assets under construction and advances**	**Total intangible assets**
01st January 2016	**3,982**	**27,245**	**201**	**51**	**31,479**
Purchases	1,676	390	11	33	2,110
Net decreases	(3)	–	–	–	(3)
Translation differences	(14)	(125)	–	(2)	(141)
Value adjustments	–	(162)	–	–	(162)
Reclassifications	–	–	–	–	–
Depreciation	(896)	(1,843)	(34)	–	(2,773)
Balance at 30th June 2016	**4,745**	**25,505**	**178**	**82**	**30,510**

Investments during the half came to € 2,110, of which € 390 thousand relative to key money, € 30 thousand relative to the item "concessions, licenses, trademarks and similar rights" and € 1,690 thousand for the project to update IT and IT/Digital systems, which are capitalised under the items "concessions, licenses, trademarks and similar rights" (for € 1,646 thousand), "Other intangible fixed assets" (for € 11 thousand) and "assets under formation and advances" (for € 33 thousand).

The "Value adjustments" made during the first half of 2016 totalled € 162 thousand and refer to accounting write-downs recognised to reflect the recoverable amount relating to Intangible Assets as at 30th June 2016.

There was no indication during the accounting period that any intangible assets were further impaired.

NOTE 2. Property, plant and equipment

The composition of property, plant and equipment at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	**30th June 2016**	**31st December 2015**	**Change**
Land	3,409	3,409	–
Buildings	39,551	39,214	337
Leasehold improvements	37,938	37,032	906
Plant and machinery	3,709	4,041	(332)
Industrial and commercial equipment	2,051	1,801	250
Historical collection	2,376	2,187	189
Other assets	8,956	8,413	543
Assets under construction and advances	11,643	4,948	6,695
Total property, plant and equipment	**109,633**	**101,045**	**8,588**

Details of cost, accumulated depreciation and the net book value of property, plant and equipment at 30th June 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of Euro)	30th June 2016			31st December 2015		
	Cost	Accum. depn.	Net book value	Cost	Accum. depn.	Net book value
Land	3,409	–	3,409	3,409	–	3,409
Buildings	45,001	(5,450)	39,551	44,006	(4,792)	39,214
Leasehold improvements	63,574	(25,636)	37,938	59,755	(22,723)	37,032
Plant and machinery	10,394	(6,685)	3,709	10,237	(6,196)	4,041
Industrial and commercial equipment	4,516	(2,465)	2,051	3,878	(2,077)	1,801
Historical collection	2,376	–	2,376	2,187	–	2,187
Other assets	17,268	(8,312)	8,956	16,026	(7,613)	8,413
Assets under construction and advances	11,643	–	11,643	4,948	–	4,948
Total property, plant and equipment	**158,181**	**(48,548)**	**109,633**	**144,446**	**(43,401)**	**101,045**

Changes in the net book value of property, plant and equipment the period ending at 30th June 2016 were as follows:

(In thousands of Euro)	Land	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Historical collection	Other assets	Assets under construction and advances	Total property, plant and equipment
01st January 2016	**3,409**	**39,214**	**37,032**	**4,041**	**1,801**	**2,187**	**8,413**	**4,948**	**101,045**
Purchases	–	996	4,789	241	804	189	1,926	6,923	**15,868**
Net decreases	–	–	(24)	(23)	(72)	–	(199)	–	**(318)**
Translation differences	–	–	140	(9)	(8)	–	(48)	6	**81**
Value adjustments	–	–	(251)	(6)	–	–	(1)	–	**(258)**
Reclassifications	–	–	188	(11)	–	–	57	(234)	**–**
Depreciation	–	(659)	(3,936)	(524)	(474)	–	(1,192)	–	**(6,785)**
Balance at 30th June 2016	**3,409**	**39,551**	**37,938**	**3,709**	**2,051**	**2,376**	**8,956**	**11,643**	**109,633**

In the first half of 2016, the Brunello Cucinelli Group made investments of € 15,868 thousand in property, plant and equipment, consisting principally of the following:

– investments of € 4,789 thousand in the item "leasehold improvements" arose mainly from the opening of directly operated stores and wholesale monobrand stores (above all concentrated in Europe, the North America and Japan) and improvements made to these;

– investments totalling € 7,489 thousand (of which € 996 thousand recognised under the item "Buildings" and € 6,493 thousand under the item "assets under construction and advances") mainly relative to the creation of the logistics structure to complete the "Great Internet Project" which foresees, by the end of the current year, updating of our online presence, as well as a new e-commerce project, managed in full independence and based on suitably strengthened resources and infrastructure;

– investments totalling € 3,160 thousand, mainly for investments relating to the Information Technology systems renewal project and for the purchase of furniture and fittings, new machinery and vehicles;
– additional investments in assets under construction for € 430 thousand, relative to costs sustained at 30th June 2016 by the subsidiaries which manage Brunello Cucinelli brand boutiques.

There was no indication during the year that property, plant and equipment was impaired. The line item "Value adjustments" stated in the above table of changes for the year provides the residual net book value of leasehold improvements which were repositioned and extended in 2016.

NOTE 3. Other non-current financial assets

The composition of other non-current financial assets at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Guarantee deposits	5,476	5,429	47
Total other non-current financial assets	**5,476**	**5,429**	**47**

Other non-current financial assets consist of guarantee deposits which mainly relate to amounts paid by the Brunello Cucinelli Group on signing lease agreements for monobrand stores.
The change during the half is due, for € 633 thousand, to the increase from new payments made by the Group, for € 752 thousand, to the decrease from repayments obtained during the period, for € 173 thousand to the positive change in the balance due to exchange rate effects on deposits on other currencies, and for € 7 thousand to discounting of balances as of the reporting date for this Interim Report.

NOTE 4. Inventories

The composition of inventories at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Raw materials and consumables	27,526	28,444	(918)
Work in progress and semi-finished goods	9,431	8,488	943
Finished goods and merchandise	117,744	107,025	10,719
Total inventories	**154,701**	**143,957**	**10,744**

The increase in inventories, mainly in regards to the finished goods category, can be traced essentially to the increase in the number of stores with respect to 31st December 2015, as well as the increase in volumes for wholesale channels.
Detailed comments on changes in working capital may be found in the report on operations.

NOTE 5. Trade receivables

At 30th June 2016 trade receivables amounted to € 63,060 thousand compared with € 45,628 thousand at 31st December 2015. Detailed comments on changes in working capital may be found in the report on operations.

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

Changes in the allowance for doubtful debts made during the period of the interim report at 30th June 2016, compared with 31st December 2015, are as follows:

(In thousands of Euro)	30th June 2016	31st December 2015
Allowance for Doubtful Debts – value at 1st January	**1,970**	**1,814**
Allocations	430	930
Utilizations	(644)	(774)
Allowance for Doubtful Debts	**1,756**	**1,970**

The allocations to and utilizations for the period relative to the allowance for doubtful debts are included under the item "Value adjustments to assets and other provisions" in the income statement.

NOTE 6. Tax receivables

Tax receivables at 30th June 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
IRES corporate income tax receivables	15	67	(52)
IRAP regional production tax receivables	–	402	(402)
Other tax receivables	1,226	1,688	(462)
Total tax receivables	**1,241**	**2,157**	**(916)**

Tax receivables amounted to € 1,241 thousand at 30th June 2016. The amount mainly refers to deposits paid by certain foreign subsidiaries of the Group, as well as to the receivable booked on 31st December 2013 by the Parent Company; this receivable of € 446 thousand relates to the filing of an application for the refund of IRES corporate income tax and IRPEF personal income tax, and the related surcharges, paid as the result of the failure to deduct IRAP regional production tax relating to the costs incurred for employees and similar personnel as permitted by the provision of the Tax Revenue Office of 17th December 2012 in application of Article 2 of Decree Law no. 201 of 2011 (the Monti decree). Note that during the first half of 2016, € 265 thousand was received.

NOTE 7. Other receivables and current assets

Other receivables and current assets at 30th June 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
VAT receivables	1,759	5,958	(4,199)
Other receivables	5,903	6,178	(275)
Prepayments and accrued income	3,408	2,839	569
Advances to suppliers	380	450	(70)
Due from agents	295	418	(123)
Total other receivables and current assets	**11,745**	**15,843**	**(4,098)**

VAT receivables amounted to € 1,759 thousand at 30th June 2016 compared to € 5,958 thousand at 31st December 2015. The receivable balance is based on the fact that the parent company avails itself of the possibility granted by Presidential Decree no. 633 of 26th October 1972 to be qualified as a "habitual exporter".

Other receivables mainly consist of balances settled by credit cards before the end of the period for which payment has not yet been credited to the relevant bank accounts.

Prepayments and accrued income mostly arise from payments made in advance for catalogues for the fall/winter collection, which will be delivered in the following half year, and to leases.

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

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

NOTE 8. Other current financial assets

At 30th June 2016, Other current financial assets totalled € 58 thousand. This amount relates to accrued income on outstanding loans at period end.

NOTE 9. Cash and Cash equivalents

Cash and cash equivalents were as follows at 30th June 2016 together with comparative figures at 31st December 2015:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Bank and post office deposits	41,859	47,692	(5,833)
Cash and other valuables	315	214	101
Cheques	48	169	(121)
Total cash and cash equivalents	**42,222**	**48,075**	**(5,853)**

The above values can be readily converted into cash and are subject to an insignificant risk of change in value. The Brunello Cucinelli Group believes that the credit risk related to cash and cash equivalents is limited because this item refers mainly to deposits in various major domestic and foreign banks.
Reference should be made to the cash flow statement for details of the sources and applications that generated changes in cash and cash equivalents as of 30th June 2016, with respect to the previous interim period.

NOTE 10. Derivatives

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

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

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

The following is noted for outstanding financial instruments at 30th June 2016:
- all financial instruments at fair value form part of Level 2 (the same situation existed in 2015);
- there were no transfers from Level 1 to Level 2 or vice versa in 2016;
- there were no transfers from Level 3 to other levels or vice versa in 2016.

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

Details of the composition of "current assets – derivative financial instruments" and "current liabilities – derivative financial instruments" at 30th June 2016 are set out below, with comparative figures at 31st December 2015.

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Current assets for derivative instruments hedging currency risk	1,424	961	463
Current assets for derivative instruments hedging interest rate risk:			
– Current assets for derivative instruments hedging interest rate risk accounted for using hedge accounting	–	–	–
– Current assets for derivative instruments hedging interest rate risk not accounted for using hedge accounting	–	–	–
Total current assets – derivative financial instruments	**1,424**	**961**	**463**
Current liabilities for derivative instruments hedging currency risk	(1,645)	(3,748)	2,103
Current liabilities for derivative instruments hedging interest rate risk:			
– Current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(467)	(434)	(33)
– Current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	–	–	–
Total current liabilities – derivative financial instruments	**(2,112)**	**(4,182)**	**2,070**
Non-current liabilities for derivative instruments hedging currency risk	–	–	–
Non-current liabilities for derivative instruments hedging interest rate risk:			
– Non-current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(487)	(412)	(75)
– Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	–	–	–
Total non-current liabilities – derivative financial instruments	**(487)**	**(412)**	**(75)**

The contractual features and the relative fair value of derivative financial instruments hedging interest rate risk at 30th June 2016 and 31st December 2015 are as follows:

Derivative instruments hedging interest rate risk accounted for using hedge accounting

					Fair value 30th June 2016		*Fair value* 31st December 2015	
Counterparty	**Type**	**Start date**	**Expiry date**	**Notional capital Initial** *(Euro/000)*	**Current portion**	**Non current portion**	**Current portion**	**Non current portion**
Banco Popolare	IRS	31/07/2013	15/06/2018	1,000	(11)	(4)	(13)	(7)
Unicredit	IRS	31/10/2014	31/10/2018	10,000	(78)	(97)	(59)	(69)
BNL	IRS	12/01/2010	31/12/2018	1,473	(49)	(46)	(52)	(63)
Intesa San Paolo	Fix Payer Swap	12/01/2010	31/12/2018	1,473	(49)	(46)	(52)	(63)
Gruppo UBI	IRS	08/04/2015	08/04/2019	2,261	(10)	(7)	(7)	(4)
BNL	IRS	31/05/2014	31/05/2019	12,000	(83)	(75)	(80)	(68)
Banco Popolare	IRS	31/07/2014	15/06/2019	3,750	(26)	(23)	(25)	(20)
Unicredit	IRS	30/06/2014	28/06/2019	6,000	(55)	(49)	(56)	(52)
BNL	IRS	31/12/2014	31/12/2019	5,166	(28)	(33)	(24)	(20)
Cariparma	IRS	31/03/2015	31/12/2019	2,063	(9)	(10)	(7)	(4)
MPS	IRS	02/02/2015	31/03/2020	3,750	(17)	(22)	(15)	(10)
Intesa San Paolo	IRS	30/06/2015	30/06/2020	4,000	(22)	(30)	(19)	(14)
Unicredit	IRS	17/07/2015	30/09/2020	5,525	(30)	(45)	(25)	(18)
Liabilities for current derivative instruments					**(467)**		**(434)**	
Liabilities for non-current derivative instruments						**(487)**		**(412)**

The contractual features and the relative fair value of derivative financial instruments hedging currency risk at 30th June 2016 and 31st December 2015 are as follows:

(In thousands of Euro)	**Negative *Fair value***		**Positive *Fair value***	
	30th June 2016	**31st December 2015**	**30th June 2016**	**31st dicembre 2015**
US dollar	(398)	(3,347)	661	237
Swiss franc	(6)	(4)	–	86
British pound	–	–	735	109
Japanese yen	(1,164)	(295)	–	–
Hong Kong dollar	(12)	(77)	23	–
Renminbi	(37)	(25)	5	47
Canadian dollar	(28)	–	–	482
Total	**(1,645)**	**(3,748)**	**1,424**	**961**

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

NOTE 11. Non current assets held for sale

Non-current assets held for sale were entirely eliminated during the course of the half. These were recognised at 31st December 2015 in reference to a transaction to dispose of a business unit involved in retail sales, organised by the Company for accessory sales, which took place on 28th January 2016. The book value on 31st December 2015 was € 765 thousand, the same as the sale price.

NOTE 12. Capital and reserves

Share capital at 30th June 2016 consisted of 68,000,000 fully paid ordinary shares amounting to € 13,600 thousand.

Shareholders' equity at 30th June 2016 came to € 204,245 thousand, up by € 7,467 thousand with respect to 31st December 2015.
Changes in equity during the half arose from the total results for the period and the distribution of a dividends approved by the Shareholders' Meeting for the parent company Brunello Cucinelli S.p.A. on 21st April 2016, in the amount of € 8,840 thousand.
A dividend of € 8,160 thousand was approved in the same period the previous year.

Details of changes in equity at 30th June 2016 and 30th June 2015 can be found in the consolidated statement of changes in equity.

Other shareholders' equity reserves at 30th June 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Legal reserve	2,720	2,720	–
Extraordinary reserve	113,849	84,037	29,812
Revaluation reserve	3,060	3,060	–
Cash flow hedge reserve	(1,291)	(2,479)	1,188
IFRS first-time application reserve	(770)	(796)	26
Reserve for actuarial gains/losses	(407)	(299)	(108)
Translation reserve	2,720	2,515	205
Consolidated retained earnings	(9,143)	(3,378)	(5,765)
Other reserves	**110,738**	**85,380**	**25,358**

NOTE 13. Liabilities for employee benefits

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

The following table sets out the movements in liabilities for employee benefits for the period ending at 30th June 2016 with comparative figures for 31st December 2015:

(In thousands of Euro)	30th June 2016	31st December 2015
Current value of the obligation at the beginning of the period	**3,033**	**3,310**
Revaluation as per article 2120 of the Civil Code	45	85
Benefits paid	(16)	(134)
Change in consolidation scope	–	–
Financial (income) expense	(12)	(27)
Actuarial (gains) losses	159	(201)
Current value of the obligation at the end of the period	**3,209**	**3,033**

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

Financial and assumptions

	30th June 2016	31st December 2015
Annual discount rate	1.55%	2.38%
Inflation rate	1.50%	1.50%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	30th June 2016	31st December 2015
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	30th June 2016	31st December 2015
Advances rate %	1.00%	1.00%
Turnover rate %	8.80%	8.80%

Workforce

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

	30th June 2016	31st December 2015
Managers and middle managers	49.9	49.9
Office and sales staff	900.4	844.1
Factory workers	472.8	470.8
Total workforce	**1.423.1**	**1.364.8**

NOTE 14. Provisions for risks and charges

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

The following table sets out the movements in provisions for risks and charges for the period ending at 30th June 2016 with comparative figures as of 31st December 2015:

(In thousands of Euro)	30th June 2016	31st December 2015
Agents' supplementary termination indemnity provision – 1st January	**518**	**831**
Allocations	13	398
Utilizations	–	(354)
Recognized actuarial (gain) / loss	(52)	(357)
Agents' supplementary termination indemnity provision – value at period end	**479**	**518**
Other provisions for risks and charges	128	130
Total provisions for risks and charges	**607**	**648**

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

	30th June 2016	31st December 2015
Turnover rate – voluntary	6.00%	6.00%
Turnover rate – employer initiated	3.00%	3.00%
Discount rate	1.47%	2.26%

NOTE 15. Non-current bank debt

Non-current bank debt includes medium/long-term loans.

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 30th June 2016, showing the portion due within 12 months, within 5 years and after 5 years:

Description *(In thousands of Euro)*	**Due date**	**Residual on 30th June 2016**	**Share subsequent yr.**	**Share within 5 years**	**Share more than 5 years**
Banco Popolare	15-giu-18	1,000	500	500	–
UniCredit	31-ott-18	9,965	–	9,965	–
BNL	31-dic-18	3,459	770	2,689	–
Banca Popolare di Spoleto	31-mar-19	1,559	560	999	–
UBI Group	08-apr-19	2,257	747	1,510	–
BNL	28-mag-19	11,926	4,000	7,926	–
Banco Popolare	15-giu-19	3,737	1,250	2,487	–
UniCredit	30-giu-19	5,965	2,000	3,965	–
Cariparma	31-dic-19	2,057	589	1,468	–
BNL	31-dic-19	5,156	1,476	3,680	–
MPS	31-mar-20	3,736	1,000	2,736	–
Banca Intesa	30-giu-20	3,984	1,000	2,984	–
UniCredit	30-set-20	5,499	1,300	4,199	–
CiC Lyonnaise de Banque	15-apr-17	114	114	–	–
HSBC	01-ott-17	90	73	17	–
Total medium/long-term loans		**60,504**	**15,379**	**45,125**	**–**
Current portion of long-term loans		(15,379)			
Non-current bank debt		**45,125**			

The following table shows the contractual limits of parameters set out in the loan covenants. These are calculated on an annual basis by referring to the consolidated financial statements of Brunello Cucinelli S.p.A.

Loan	Reference date	Parameter	Limit
UniCredit	annual (at 31st December)	Net financial position / Shareholders' funds	<1.00
	annual (at 31st December)	Net financial position / EBITDA	<1.50
BNL	annual (at 31st December)	Net financial position / EBITDA	<1.00
	annual (at 31st December)	Net financial position / Equity	<0.75
Banca Intesa	annual (at 31st December)	Net financial position / EBITDA	<1.50
	annual (at 31st December)	Net financial position / Equity	<1.00
UBI Banca	annual (at 31st December)	Net financial position / EBITDA	<1.50
	annual (at 31st December)	Net financial position / Equity	<1.00
Cassa di Risparmio di Parma	annual (at 31st December)	Net financial position / EBITDA	<1.00
	annual (at 31st December)	Net financial position / Equity	<0.75

Net debt

The following table sets out details of the Brunello Cucinelli Group's net debt at 30th June 2016 together with comparative figures at 31st December 2015:

(In thousands of Euro)	at 30th June 2016	31st December 2015
A. Cash	(315)	(214)
B. Other cash equivalents	(41,907)	(47,861)
Cash and cash equivalents (A)+(B)	**(42,222)**	**(48,075)**
D. Current financial receivables	**(58)**	**(86)**
E. Current bank debt	72,910	47,782
F. Other current financial payables	1,680	1,839
G. Current payables (E)+(F)	**74,590**	**49,621**
H. Net current debt (G) + (D) + (C)	**32,310**	**1,460**
I. Non-current bank debt	45,125	52,742
J. Other non-current payables	2,279	2,210
K. Net non-current debt (I)+(J)	**47,404**	**54,952**
L. Net debt (H) + (K)	**79,714**	**56,412**

For detailed comments, please see the Report on Operations.

NOTA 16. Non-current financial payables

Non-current financial payables totalling € 1,792 thousand at 30th June 2016 refer to the loan entered into by the subsidiary Brunello Cucinelli Hong Kong in respect of its minority shareholder.

NOTA 17. Other non-current liabilities

Other non-current liabilities at 30th June 2016 amount to € 7,780 thousand compared with € 7,486 thousand at 31st December 2015. The balance refers to amounts due after 12 months arising from the normalization of the rental payments for certain monobrand stores and showrooms in accordance with IAS 17.

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Deferred rent as per IAS 17	7,780	7,486	294
Total other non-current liabilities	**7,780**	**7,486**	**294**

NOTA 18. Trade payables

The composition of trade payables at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Trade payables to third party suppliers	62,525	68,826	(6,301)
Total trade payables	**62,525**	**68,826**	**(6,301)**

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

NOTA 19. Current bank debt

The composition of current bank debt at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Bank advances	32,154	8,392	23,762
Short-term loans.	25,377	23,857	1,520
Current portion of long-term loans	15,379	15,533	(154)
Total current financial payables	**72,910**	**47,782**	**25,128**

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

The item "Short-term loans" refers to loans to be repaid within 12 months, entered into by the foreign, controlled subsidiaries.

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

NOTE 20. Current financial payables

Current financial payables at 30th June 2016 amount to € 1,213 thousand, and refer to the measurement of the put option held by the minority shareholder of Brunello Cucinelli Japan Co. Ltd. and to the accrued liabilities on outstanding loans.

(In thousands of Euro)	**30th June 2016**	**31st December 2015**	**Change**
Current financial payables	1,144	1,335	(191)
Accrued loan interest	69	70	(1)
Total current financial payables	**1,213**	**1,405**	**(192)**

NOTE 21. Tax payables

Tax payables at 30th June 2016 amounted to € 9,992 thousand, compared to € 1,575 thousand at 31st December 2015. This item consists mainly of the parent company's liabilities for IRES and IRAP tax and the liability for current taxes taken to the consolidation by subsidiaries. Note that in July 2016, € 7.0 million was deposited, in accordance with the regulations in effect, relative to the 2015 balance and as an initial deposit for 2016.

(In thousands of Euro)	**30th June 2016**	**31st December 2015**	**Change**
Current IRES corporate income tax payables	8,377	1,235	7,142
Current IRAP regional production tax payables	1,087	5	1,082
Other tax payables	528	335	193
Total tax payables	**9,992**	**1,575**	**8,417**

NOTE 22. Other current liabilities

The composition of other current liabilities at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	30th June 2016	31st December 2015	Change
Due to agents	3,978	4,519	(541)
Due to others	5,752	3,875	1,877
Due to employees	6,084	4,305	1,779
Social security payables	2,288	3,217	(929)
VAT payables to tax authorities	949	1,668	(719)
Other payables for current non-income taxes	2,192	3,256	(1,064)
Accrued expenses and deferred income	932	1,225	(293)
Total other current liabilities	**22,175**	**22,065**	**110**

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

Amounts due to others regard advances that the Company receives before shipping goods to certain customers, mostly situated in countries outside the European Union and North America.

Amounts due to employees and social security payables consist of balances payable for June wages and salaries, paid during the first few days of July, and the accrual for vacation leave vested but not yet taken.

NOTE 23. Taxation

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 30th June 2016 with comparative figures at 31st December 2015 is as follows:

(In thousands of Euro)	**30th June 2016**	**31st December 2015**	**Change**
Deferred tax assets	16,614	15,678	936
Deferred tax liabilities	(2,512)	(2,370)	(142)

The balance of deferred tax assets is mainly due to the tax effect of the elimination of intragroup margins in inventories and the recognition of deferred taxation on the tax losses of subsidiaries. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which temporary deductible differences and carried forward tax assets and liabilities can be utilized.

INCOME TAXES

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

(In thousands of Euro)	**30th June 2016**	**30th June 2015**	**Change**
Current taxation	9,289	12,919	(3,630)
Net deferred taxes cost / (revenue)	(1,228)	(6,122)	4,894
Prior year taxes	32	–	32
Total income taxes in the consolidated income statement	**8,093**	**6,797**	**1,296**
Income taxes in the consolidated income statement	426	(100)	526
Total income taxes	**8,519**	**6,697**	**1,822**

In compliance with IAS 34, paragraph 16 A(c), the Group has indicated the most significant balances within the Group's income tax, considering that this information is useful to understand the full balance, as indicated within the condensed consolidated interim financial report.

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

NOTE 24. Revenues from sales and services

The composition of revenues from sales and services at 30th June 2016 with comparative figures for the year ended 30th December 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Net revenues	219,840	200,332	19,508
Other operating income	493	316	177
Total revenues from sales and services	**220,333**	**200,648**	**19,685**

Net revenues are earned from the sale of clothing and accessories of the Brunello Cucinelli Group. For detailed comments, please see the Report on Operations.

Revenues may be analysed by geographical area as follows:

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	weight %	2015	weight %	2016 vs. 2015	2016 vs. 2015
Italy	39,464	18.0%	36,906	18.4%	2,558	+6.9%
Europe (1)	68,444	31.1%	63,213	31.6%	5,231	+8.3%
North America (2)	76,445	34.8%	69,692	34.8%	6,753	+9.7%
Greater China (3)	13,651	6.2%	11,867	5.9%	1,784	+15.0%
Rest of the World (RoW) (4)	21,836	9.9%	18,654	9.3%	3,182	+17.1%
Total	**219,840**	**100.0%**	**200,332**	**100.0%**	**19,508**	**+9.7%**

(1) "Europe" refers to the member states of the European Union (excluding Italy), San Marino, Monaco, Switzerland, Liechtenstein, Norway, Russian Federation, Ukraine, Turkey, Uzbekistan, Kazakhstan, Georgia, Serbia, Montenegro, Azerbaijan, Andorra, Armenia, Belarus and Romania.

(2) "North America" refers to the United States of America and Canada.

(3) "Greater China" refers to the People's Republic of China, Hong Kong, Macau and Taiwan.

(4) "Rest of the World" refers to all the other countries where the Group makes sales, other than the above.

Revenues may be analysed by distribution channel as follows:

(In thousands of Euro)	1st half, ending on 30th June				Change during the period	
	2016	weight %	2015	weight %	2016 vs. 2015	2016 vs. 2015
Retail	99,555	45.3%	84,768	42.3%	14,787	+17.4%
Wholesale Monobrand	22,221	10.1%	21,960	11.0%	261	+1.2%
Wholesale Multibrand	98,064	44.6%	93,604	46.7%	4,460	+4.8%
Total	**219,840**	**100.0%**	**200,332**	**100.0%**	**19,508**	**+9.7%**

Reference should be made to the report on operations for comments on revenue performance.

NOTE 25. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Costs for raw materials and consumables	43,591	42,145	1,446
Change in inventories	(10,255)	(12,952)	2,697
Total costs for raw materials and consumables	**33,336**	**29,193**	**4,143**

Reference should be made to the report on operations for comments on trends.

NOTE 26. Costs for services

The composition of costs for services for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Outsourced work	44,834	43,253	1,581
Commissions and accessory charges	6,061	6,616	(555)
Advertising and other commercial expenses	11,223	9,641	1,582
Transport and duties	7,956	7,457	499
Lease expense	26,526	21,996	4,530
Credit card charges	1,798	1,573	225
Other general expenses	1,983	1,778	205
Misc. consulting	2,926	2,849	77
Directors' and statutory auditors' fees	1,077	1,058	19
Maintenance services	1,824	1,809	15
Insurance	552	636	(84)
Energy, telephone, gas, water, postal costs	1,623	1,551	72
Total costs for services	**108,383**	**100,217**	**8,166**

Reference should be made to the report on operations for comments on trends.

NOTE 27. Payroll costs

The composition of payroll costs for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Wages and salaries	32,090	28,189	3,901
Social charges	6,809	6,332	477
Employees' termination indemnity	1,110	1,062	48
Other payroll costs	530	373	157
Total payroll costs	**40,539**	**35,956**	**4,583**

As indicated in the Report on Operations, the first half of 2016 includes a non-recurring expense relative to the employment contract termination agreement with the co-sales director, in the amount of € 1,293 thousand.
Reference should be made to the report on operations for comments on trends.

NOTE 28. Other operating costs

The composition of other operating costs for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Taxes and duties	908	957	(49)
Membership subscriptions	140	133	7
Ordinary capital losses	96	35	61
Losses on bad debts	9	–	9
Miscellaneous operating costs	1,109	987	122
Total other operating costs	**2,262**	**2,112**	**150**

NOTE 29. Own work capitalized

Own work capitalized representing internal costs for increases in fixed assets, at € 482 thousand, mainly relates to production costs incurred to develop the historical collection and internal costs incurred for the development of IT software and the internal fit out of the Group's boutiques. The balance amounted to € 558 thousand at 30th June 2015.

NOTE 30. Depreciation

The composition of depreciation for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Amortization of intangible assets	2,773	2,352	421
Depreciation of property, plant and equipment	6,785	6,180	605
Total depreciation and amortization	**9,558**	**8,532**	**1,026**

The increase in depreciation and amortisation is in line with the investments made by the Group. Reference should be made to the report on operations for comments on trends.

NOTE 31. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€ 811 thousand in the first half of 2016 and € 344 thousand in the first half of 2015) relate to accruals to the allowance for doubtful debts and the agents' supplementary termination indemnity provision and write-downs of the residual net book value of the Key money and the capitalised leasehold improvements on the repositioning and enlargement of the Group's stores and showrooms.

NOTE 32. Financial expense

The composition of financial expense for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Mortgage loan interest	383	544	(161)
Interest payable on advances	251	322	(71)
Bank interest	175	72	103
Realized exchange losses	7,560	9,386	(1,826)
Unrealized exchange losses	1,743	7,275	(5,532)
Financial expense on derivative financial instruments	1,017	568	449
Miscellaneous financial expense	178	94	84
Total financial expense	**11,307**	**18,261**	**(6,954)**

NOTE 33. Financial income

The composition of financial income for the interim period ending at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Bank interest	58	185	(127)
Realized exchange gains	6,924	13,702	(6,778)
Unrealized exchange gains	2,418	1,757	661
Financial income on derivative financial instruments	17	34	(17)
Miscellaneous income	82	41	41
Total financial income	**9,499**	**15,719**	**(6,220)**

NOTE 34. Basic and diluted earnings per share

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

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

The following table sets out net profit and the information on shares used to calculate basic and diluted earnings per share:

	30th June 2016	30th June 2015
Net profit attributable to owners of the parent (thousands of Euro)	16,217	17,449
Number of ordinary shares at the end of the period	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate basic earnings per share	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	68,000,000	68,000,000
Basic earnings per share (Euro)	0.23849	0.25660
Diluted earnings per share (Euro)	0.23849	0.25660

NOTE 35. Commitments and risks

Commitments and risks consist of the assets owned by the Brunello Cucinelli Group held at third party premises. The composition of commitments and risks at 30th June 2016 with comparative figures at 30th June 2015 is as follows:

(In thousands of Euro)	30th June 2016	30th June 2015	Change
Assets with third parties	20	21	(1)
Total commitments and risks	**20**	**21**	**(1)**

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

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

The following tables provide details of transactions and balances with related parties. The companies indicated have been identified as related parties because they are directly or indirectly connected with the Brunello Cucinelli Group's shareholders of reference.

Details of the Brunello Cucinelli Group's transactions and balances with related parties at 30th June 2016 are as follows:

(In thousands of Euro)	Net revenues	Other operating income	Costs for raw materials	Costs for services	Payroll costs	Property, plant and equipment.	Other non-current financial assets	Other debts	Trade receivables	Trade payables
MO.AR.R. S.n.c.				64		8,444				489
Cucinelli Giovannino				2		6,092				265
AS.VI.P.I.M. Gruppo Cucinelli				409						
ASD Castel Rigone						1				
Fedone S.r.l.	6	2		411		444	32		9	11
Bartolomeo S.r.l.		8		180		482				1
Fondazione Brunello Cucinelli		3		13						
Società Agricola Semplice Solomeo		6	8	7					1	1
Verna S.r.l.		1		185						30
Famiglia di Brunello Cucinelli	6				274			49		
Prime Service Italia S.r.l.				286						104
Total related parties	**12**	**20**	**8**	**1,557**	**274**	**15,463**	**32**	**49**	**10**	**901**
Total consolidated financial statements	**219,840**	**493**	**33,336**	**108,383**	**40,539**	**109,633**	**5,476**	**22,175**	**63,060**	**62,525**
Proportion %	*0.01%*	*4.06%*	*0.02%*	*1.44%*	*0.68%*	*14.10%*	*0.58%*	*0.22%*	*0.02%*	*1.44%*

More specifically:

- MO.AR.R. S.n.c.: commercial relationships with MO.AR.R. company S.n.c., in which Sig. Enzo Cucinelli, brother of Cav. Lav. Brunello Cucinelli, holds 50% of the share capital, relate to: (i) purchases of decorating materials used for fitting out exhibitions and fairs and (ii) investments for the furnishing of the new stores and offices;
- Cucinelli Giovannino: Giovannino Cucinelli is Cav. Lav. Brunello Cucinelli's brother. Costs for services includes expenses for the installation, maintenance and routine repair of plumbing and air conditioning systems; expenditure incurred for the installation and extraordinary maintenance of the above-mentioned systems are capitalized in property, plant and equipment;
- AS.VI.P.I.M. Gruppo Cucinelli: the association conducts surveillance of all of the structures located in Solomeo and used by the Group for its business. Cav. Lav. Brunello Cucinelli and the Group are both members;
- Fedone S.r.l.: the relationship with the controlling company involves mainly the rental of buildings used by the Company in the conduct of its business in the local area near the headquarters;
- Bartolomeo S.r.l.: this company, formed in 2011, whose shareholders are Fedone S.r.l. and Cav. Lav. Brunello Cucinelli, provides gardening and ordinary maintenance services to the companies of the Group.
- Fondazione Brunello Cucinelli: these relate to insignificant amounts covering the reimbursement of services performed;
- Società Agricola Semplice Solomeo: these are insignificant amounts, mainly relative to contracts to supply agricultural products and services;
- Verna S.r.l.: this company, whose shareholders are Cav. Lav. Brunello Cucinelli and Fedone S.r.l., provides services for the cleaning of the rooms and factories of the Company's administrative and production facility in Solomeo;
- Brunello Cucinelli family: payroll costs consist of the remuneration due to the family of Brunello Cucinelli.
- Prime Service Italia S.r.l.: this company provides transport services on behalf of Group companies;

SIGNIFICANT EVENTS AFTER 30TH JUNE 2016

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

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

The accrued compensation paid for any reason and in any form to members of the Board of Directors by Brunello Cucinelli S.p.A. and by direct and indirect subsidiaries at 30th June 2016 amounted to € 456 thousand.
The accrued compensation relating to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 30th June 2016 amounted to € 104 thousand.

FINANCIAL RISK MANAGEMENT

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

The Brunello Cucinelli Group is exposed to varying degrees to financial risks arising from its core business. More specifically, the Group is simultaneously exposed to market risk (interest rate risk and currency risk), liquidity risk and credit risk.

INTEREST RATE RISK

It is the Company's policy to cover exposure regarding the portion of medium- and long-term debt with respect to market risk due to interest rate changes. To manage such risk, the Company uses derivative instruments such as interest rate swaps (in some cases with caps).

CURRENCY RISK

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

LIQUIDITY RISK

The Brunello Cucinelli Group manages liquidity risk by keeping strict control of the items making up working capital and in particular receivables from customers and payables to suppliers.
The Group concentrates on generating a good level of cash in order to use this for the outflows required for paying suppliers, therefore without impairing the short-term treasury balance and avoiding critical points and tensions in current liquidity.

CREDIT RISK

Credit risk is the Company's exposure to potential losses arising from the failure by counterparties to meet their obligations.
The Brunello Cucinelli Group's exposure to commercial credit risk refers only to sales made to the wholesale multibrand channel and to the wholesale monobrand channel, whereas the remaining turnover refers to sales by the retail channel where payment is made in cash or by credit or debit card.
The Brunello Cucinelli Group generally prefers to do business with customers with whom it has established a consolidated relationship over time. It is the Group's policy to carry out checks on the relative credit class for customers requesting extended payment terms, using information obtainable from specialized agencies and observing and analysing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss.

BALANCES OR TRANSACTIONS DERIVING FROM ATYPICAL OR UNUSUAL OPERATIONS

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

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

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

1. The undersigned Cav. Lav. Brunello Cucinelli, as Chairman and Managing Director, and Moreno Ciarapica, as the manager in charge of preparing the corporate accounting documents of Brunello Cucinelli S.p.A., hereby certify, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24th February 1998:
   - their adequacy with respect to the company and
   - effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial report, during the course of the first half of 2016.
2. No significant aspects arose from applying the administrative and accounting procedures for the preparation of the condensed consolidated interim financial report at 30th June 2016.
3. We also certify that:

   3.1 the condensed consolidated interim financial report:

   a) was prepared in accordance with the international accounting standards adopted by the European Union pursuant to European Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002;

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

   c) is suitable for providing a true and fair view of the assets and liabilities, results and cash flows of the issuer and the set of companies included in the consolidation.

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

25th August 2016

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

Moreno Ciarapica
Manager in charge of preparing the
corporate accounting documents