BRUNELLO CUCINELLI

CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2014

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We have been travelling down the same road together since 2012 and for us that is very important because it has enabled us to work for mutual, serene, "gracious" and sustainable growth, filled with inspired changes, the result of ideas we have always fostered in Solomeo and which for two years we have shared and contributed to in common.

We are proud to be able to say that 2014 was another very positive year for our business: we have attempted to keep to our intentions and expectations for constant growth on the international markets. Growth which I am pleased to call "amiable" as far as Italy is concerned, where we have observed a renewed emphasis on that "special" character which distinguishes us throughout the world, that particular and refined quality for which Italian products act as the image and thanks to which we can look at the years to come with additional confidence.

Our new openings and a number of key repositionings enabled us to consolidate our presence in Europe during the year and extend it to new centers in America. Together with the channels we have already established in the Orient, where special admiration for Italian manufactured goods always acts as a new stimulus for us to perform our work with passion, we export the idea of Beauty worldwide, a virtue to which we dedicate daily care in our hamlet of Solomeo.

We are currently completing the orders for the Women's 2015-16 Fall-Winter collections and are especially pleased with the comments and appreciation we have received from colleagues and partners alike. Our collections are designed to provide articles of the highest quality created by the hands and experience of our craftsmen, offering the man and woman a complete and refined lifestyle, clothing they can use for dressing on formal, high-society occasions as well as during their more relaxed and informal moments.

The basic value that guides our work each day is built on the idea of a business where constant attention to quality and respect for the individual and the local area coincide, because we believe that the union of these two factors represents the first real source of inspiration and the foundations on which a path of long-term solid growth can be based.

That is the reason we want our workplaces to be a little special too: the new, large extension to the business complex at the foot of the Solomeo hill combines the various departments of one grand single structure around a green garden so that creativity can experience the liveliest of stimuli in the dignity of work.

It was precisely following this inspiration that the "Brunello e Federica Cucinelli" Foundation announced a new project last November for the construction of three parks in the valley below the hamlet of Solomeo where the Company's headquarters can be found, even if the Company is not involved in carrying out this project directly. Each of the parks will be dedicated to a theme – nature, sport for the younger members of society and local farming – consistent with the surrounding area and the ideals that have acted as a guiding light for us over the years.
We have always been grateful to nature and the Umbrian countryside for the blissful lands that feed our spirit each day of our lives. And now my family and I have felt the need to play our part too, involving ourselves personally in this new project with the aim of returning that Beauty that has sustained us over the years to the world surrounding us.

The first courses at the School of Craftsmanship began in September 2013 for young people wanting to find out more about the work and passion associated with techniques that are both ancient and modern at the same time. A new school model, with artisan-based and traditional disciplines acting as the fulcrum for our Company, such as linking and mending for knitwear or the cutting and assembling of fabrics; to all these disciplines in July 2014 we added a new course on dressmaking, the symbol of Made in Italy excellence.
But the school is also concerned with the crafts connected with the historical traditions of our land, such as care for the garden, horticulture and restoration, promoted by the "Brunello e Federica Cucinelli" Foundation.
The School holds all its courses in the ancient hamlet which once hosted the headquarters of our Company and now has a new life, its third: from once being an ancient castle to then becoming a modern business, today it is looking towards the future as a place dedicated to the teaching of crafts that are important for our work and the Italian tradition together.

Looking at the days to come, following the pact between "generations" aimed at guaranteeing youth, continuity and modernity for Industria Brunello Cucinelli S.p.A. I wanted to create a trust for my daughters Camilla and Carolina to complete the "safekeeping" project to which we have dedicated ourselves through the business, the Foundation and our local activities.
The purpose of this trust is to ensure a unified approach is taken in managing the investment in Brunello Cucinelli S.p.A.; to ensure a unified approach is taken to the property in the hamlet of Solomeo and to ensure support for the "Brunello e Federica Cucinelli" Foundation in carrying out the initiatives we call the "embellishment of humanity".
We believe that dignity in the local area, in people and in work should grow together, and at this present time when everybody is looking at Italy we would like to be one of the ambassadors of an idea of shared beauty that is open to exchange and growth. An idea that is not only instilled in the product but is also spread by our resources, the local area, traditions and innovation, so that it may be transmitted in all its wealth from one generation to the next.

I would like to express a special thanks to you all as shareholders and to all our collaborators for having undertaken this journey together on a road where at the same time we are guardians of the past and builders of a healthy future, a future we would like to see filled with beautiful and special occasions.

Solomeo, 10th March 2015

Brunello Cucinelli
CEO and Chairman of the Board

CORPORATE DETAILS

Registered office of the Holding Company

Brunello Cucinelli S.p.A.
Via 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

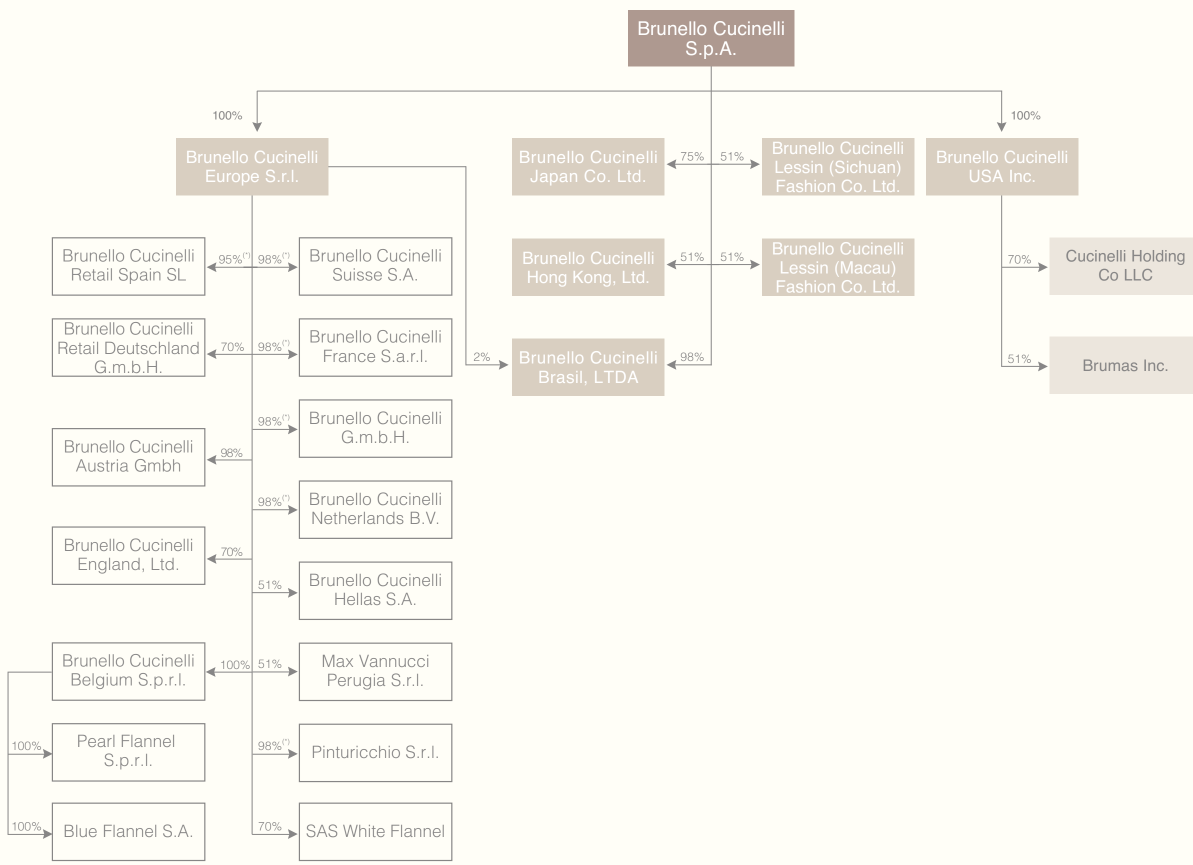
Official website http://investor.brunellocucinelli.com/eng/

CORPORATE GOVERNANCE BODIES AT 31ST DECEMBER 2014

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
	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	Reconta Ernst &Young S,p,A,	
Manager in charge of 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.

THE BRUNELLO CUCINELLI GROUP AT 31ST DECEMBER 2014



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

GROUP STRUCTURE AT 31ST DECEMBER 2014

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
Blue Flannel S.A.	Brussels – Belgium
Max Vannucci S.r.l.	Perugia – 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 Lessin (Macau) Fashion Co., Ltd.	Macau
Pinturicchio S.r.l.	Carrara – Italy
Brunello Cucinelli Brasil LTDA	San Paolo – Brazil
SAS White Flannel	Cannes – France
Pearl Flannel S.p.r.l.	Brussels – Belgium

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. From 1st September 2014 the retail channel also includes the sales points managed under the Group's responsibility and using direct staff positioned in the Japanese department stores;
- 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, which consists of independent multibrand stores and dedicated spaces in department stores (shop-in-shops). In this channel the Group uses intermediaries represented by independent multibrand stores for sales to end users, i.e. department stores, 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.

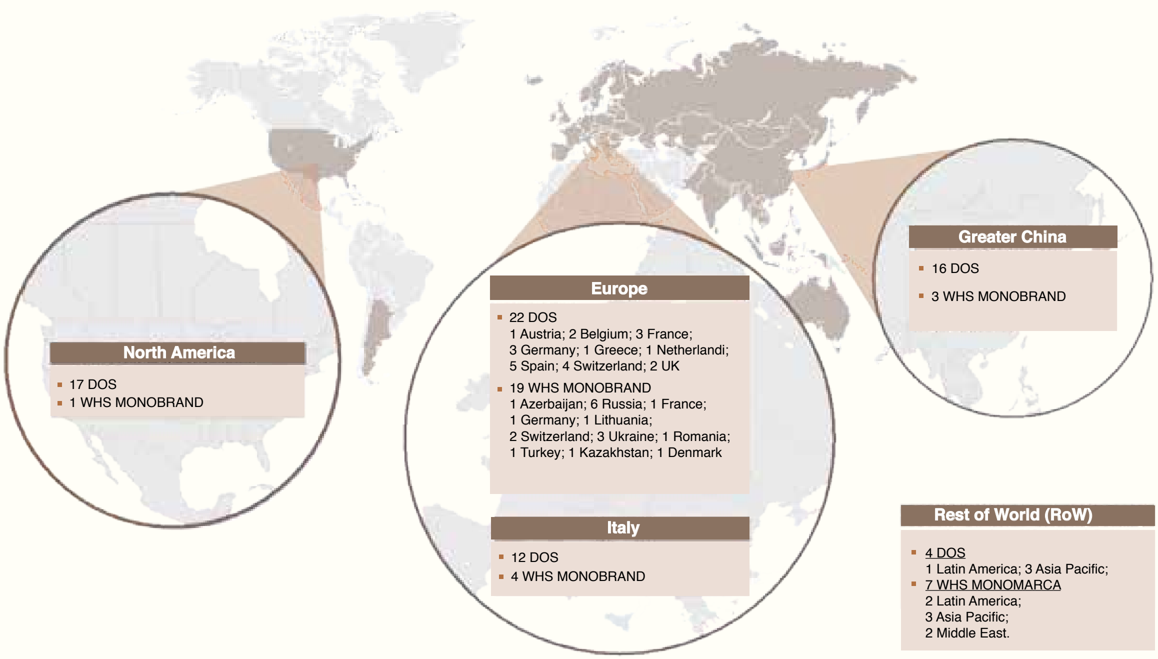
A summary is provided below of the Brunello Cucinelli Group's monobrand sales network at 31st December 2014 and 31st December 2013:

Distribution channel	31st December 2014	31st December 2013
RETAIL	71	61
WHOLESALE MONOBRAND	34	37

The following table provides an analysis of the location of points of sale by geographical area at 31st December 2014:

	Italy	Europe	North America	Greater China	Rest of the World (RoW)	Total
DOS	12	22	17	16	4	71
WHOLESALE MONOBRAND	4	19	1	3	7	34
TOTAL	**16**	**41**	**18**	**19**	**11**	**105**

The figure below sets out the DOS and wholesale monobrand points of sale at 31st December 2014 together with their geographical location:



From 1st September 2014 the revenues of the 13 Japanese sales points, which are located inside the department stores operated under the Group's responsibility, employing direct staff, are included in the retail channel.

BOARD OF DIRECTORS' REPORT ON OPERATIONS

A POEM TO THE DIGNITY OF THE EARTH

Every written word dedicated to the earth – poetic or otherwise – stimulates a love inside us for this immense world. A sweet breath of springtime, full of scents, color and profound meaning to savor, whether we fully grasp it or not.

Such were the words of Columella, the famed Roman agricultural writer, and of Virgilius, the poet who foreshadowed the figure of Christ in that of Octavian Augustus. Such, too, have been the words of the infinite number of scribes throughout history up through the present day.

And how could it be any different when we consider Mother Earth? That divine goddess known by different names from the East to the West, who – even before being seen as a mother – was seen as a bride, made pregnant by the rain concealing Zeus, as classical mythology would have us believe. She who gave birth to all of mankind, as well as to the food that sustained him.

In the Enlightened spirit of the 18th century, the Physiocrats fully understood just how important the earth was to man and dedicated their entire existence to an agriculture in harmony with human values and a just use of the earth.

Nowadays, the word 'use' is at times replaced by 'exploitation', which joylessly evokes an earth-cum-laboratory – an idea far removed from the human values handed down by our ancestors. Those whose focus was on keeping the furrow straight from behind a plough – perhaps still pulled by oxen or horses – as the moist, warm scent of the sod dulled their senses.

It is in this ancient relationship between earth and man that lies the world's very foundation.

Even in agriculture, like in almost everything else we do, craftsmanship over industrialization guarantees the constant renewal of our humanity.

It would be foolish to believe that the earth can age, this living being whose fate – like that of the gods – is one of eternal youth. She who has come to be called the mother of all things, and from which all things have and will forever come.

Leon Battista Alberti claimed that a home in contact with nature is a veritable paradise. And centuries later, Oscar Wilde went on to state that true beauty comes not merely from our mastery of the earth, but from working conditions guided by respect for human dignity.

Man's dignity and the earth's dignity are one and the same, with an ability to create true joy that penetrates the heart and can be seen in the eyes of whoever respects it.

This is immediately clear in the artwork of Ambrogio Lorenzetti: the majestic fresco from Siena known as "Good Government"– as unyielding as a Final Judgement and as joyful as a country fair – truly represents this dignity, this limitless beauty.

We must therefore protect it for the future. Two or three centuries from now... what earth will we, its current guardians, leave to our children? Will it be fertile and fragrant like the one we inherited from our parents? Will our children still have wheat fields in which to lay on summer nights, eyes fixed to the heavens, to feel their place in the universe?

Let us build a world in which future generations exist in harmony with the earth like a king's garden – the kind from Antiquity where the rose sang next to the apple tree in eternal spring.

Brunello Cucinelli

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 Via 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 ability 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.

PRODUCT

The daily alchemy between tradition and research as a trail-blazer for new creations.
The collections assert a new balance in the 2015 spring/summer and 2015-2016 fall/winter seasons, where the luxury of refined materials is exalted by creativity and workmanship to dress the man and the woman for all occasions, from business dress to jet-setting elegance and above all around that casual attitude associated with knitwear that has always defined the Brunello Cucinelli character. Lifestyle from gym to dinner where the exploration of the various nuances and ways of wearing and matching clothes aims at a complete style for everyday wear.

A tight bond between craftsmanship and research across all the various types from men's suits to knitwear, from informal items to elegance for the evening. Precious fibers and natural materials blend together or are reinvented by means of original processes, tested within an attentive mingling of tradition and research that moves our creations.

Knitwear is once again the star of the collections and a fundamental pivot of the look with new elements, yarns and innovative techniques extending the line and multiplying the combinations. The noble fiber of cashmere becomes a meeting point of modern elegance, in a balance between identity and innovation.

VISUAL MERCHANDISING

In keeping with the changes in the collections, moving in the direction of modern taste, a significant development in visual merchandising criteria has been seen over the past year.
A move has been made from research to the creation, design and production of unique items capable of narrating and expressing the theme of the collections, in harmony in their colors, shapes and materials.

From the tale of the world that is told in Solomeo, visual merchandising develops a new form of setting that is directly connected with the product. Presentation becomes a harmonic sounding board where the constant exchange of materials, ideas and creations produces new and unique articles, which renew themselves spontaneously with the evolution of taste and the collections.

The display and settings define a line of continuity that makes every display window, boutique and environment a unique item, a place where the creative spirit can be recognized, perfectly placed within the brand's philosophy and traditions.

A young and qualified team structured on a geographical basis looks after the features and needs of every single boutique as it does those of the multibrand stores. From the sales campaign to displaying the collections it responds reactively and consistently to creative stimuli and the specific requirements of spaces, cultures and tastes.

The organization is responsible for:

– development of store design and display systems in harmony with the brand's image;
– coordinated management of merchandising and assortments consistent with the reference market;
– harmonization of communication and of visual elements in each store.

COMMUNICATION

The attention placed by the Italian and international media on the elements making up the identity of the Solomeo company is once again proven, a "young" identity but one solidly rooted in the traditional values for which we want be the "guardian" for future generations.
The brand image arises directly from the philosophy underlying the "Humanistic Enterprise" project, based on the timeless values of the dignity of man and work, and demonstrates the commitment that actively links the Company to the culture of craftsmanship, landscape and art to be found in Umbria.

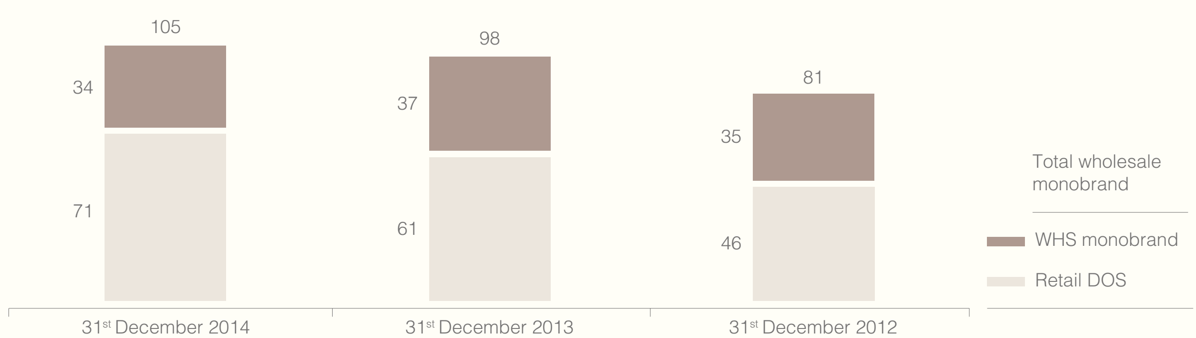
The specific attention given to all the various operations that accompany the presentation of the collections responds to the idea of the brand's own elegance, which renews itself thanks to a skillful balance of tradition and innovation.
An agile, young and reactive communications office has grown at the Solomeo headquarters over the seasons to the point of achieving a high level of specialization that organically covers all the stages involved inpresenting the collections, talking in a direct and immediate manner about the environment and the philosophy of which it represents the cradle.

DISTRIBUTION

The brand reached an important symbolical goal in 2014: over 100 monobrand boutiques located in key points throughout the world spread the products and values that grow in Solomeo, while constantly maintaining the character of exclusivity and rarity for the distribution of a product that is increasingly "unique" in being associated with savoir-faire and Italian and Umbrian artisan tradition.

Expansion
The Company continues to spread its presence throughout the world in a balanced and attentive manner, with new boutiques strategically placed in the heart of Europe in the "thinking capitals" Vienna and Frankfurt, in the large oriental metropolises – Seoul, Singapore, Hanoi, Shanghai – and in the symbolic cities of America Aspen, Atlanta and San Francisco.
At the same time we continue to address a careful and painstaking invitation to our customers in Italy, with two new openings having taken place in Bari and Palermo, cultural and harbor cities that have created the history of the Mediterranean.

Consolidation and enlargement
Directly operated stores (DOS), partnerships and joint ventures contribute to defining the variety of operations taking place on a global scale, enabling the Company to closely follow its diffusion and presence at that level and responding with key operations for consolidating and enlarging on the central fashion markets such as Paris, Beverly Hills, Rome and London, to name but a few of the most significant locations.



– The retail channel consists of the mono brand stores, DOS (directly operated stores), some of which are operated in partnership with experts atthe location;
– The wholesale monobrand channel refers to monobrand boutiques which for strategic reasons are operated through consolidated commercial relationships with local operators;
– The wholesale multibrand channel consists of approximately 650 selected multibrand customers;

The world's most prestigious department stores form part of the multibrand network, with increasingly important dedicated spaces.

PRODUCTION

Responding to the gracious and constant growth in the distribution of the product throughout the world is a constant emphasis on the quality of the work, in line with the brand's "Humanistic Enterprise" philosophy, which has always sought the first real source of creativity in the dignity of work. The enlargement of the Company's business complex has enabled it to unite all the different departments in the green area lying at the foot of the Solomeo hill, thus enhancing the value of the cohesion and harmony to be found in the process of creating the collections.

The close relationship that binds the Company to over 300 small and tiny Italian manufacturing craftwork firms has enabled a perfect matching of intent to be created in terms of the quality of the workmanship, a quality that has grown over time into strong loyalty and mutual trust.

The extremely high proportion of façonisti situated in Umbria, around 80%, enables the management of production to be perfectly coordinated and above all allows the Company to keep complete control of all the stages of production with an attention to detail, always one of the brand's winning elements.

The new balance and interpenetration between creations of a casual nature and sartorial elements enables the Cucinelli brand to spread its artisan and innovative character across all its products, from clothing to accessories, blending the features of every type into a unique image.

THE SOLOMEO SCHOOL

The Crafts School opened in September 2013 provides a series of courses on the crafts inherent in the Company's activities, such as the techniques of knitting or cutting and assembling organized and supported by the Company. A new course on tailoring began in July 2014, another symbolic discipline of that Italian excellence and handicraft renowned throughout the world. The School then provides a series of courses dedicated to the craft-based and traditional arts and disciplines such as horticulture, gardening and the masonry arts, fostered and supported by the "Brunello e Federica Cucinelli" Foundation.

All the School's courses take place in the ancient hamlet, inside or close to the castle which is now discovering a new life. After its first existence in olden days, linked to an important past, and its reconstruction as the headquarters of a modern Italian business, the Hamlet of Solomeo is now looking towards the future as a place for teaching young people.

INTRODUCTION

This Financial Report as of 31st December 2014 has been prepared pursuant to Legislative Decree no.58/1998 as amended and the Issuers' Regulations published by Consob.The 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 2013.

SUMMARY DATA AT 31ST DECEMBER 2014

The following tables provide: (i) a summarized consolidated income statement for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013, (ii) a consolidated balance sheet reclassified by sources and applications at 31st December 2014 with comparative figures at 31st December 2013 and (iii) figures for capital expenditure and operating cash flows for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013.

Summarized consolidated income statement

(In thousands of euro)	Year ended 31st December				Change	
	2014	% of revenues	2013	% of revenues	2014 vs. 2013	2014 vs. 2013 %
Revenues	357,383	100.0%	324,570	100.0%	32,813	+10.1%
EBITDA (1)	63,041	17.6%	58,181	17.9%	4,860	+8.4%
Operating profit	49,329	13.8%	46,956	14.5%	2,373	+5.1%
Net profit for the year	31,787	8.9%	29,575	9.1%	2,212	+7.5%

(1) EBITDA is defined as operating profit before depreciation and amortization. EBITDA defined in this way is a measure used by management to monitor and assess the Group's operating performance. EBITDA is not an accounting measure in the context of IFRS and accordingly should not be considered as an alternative for assessing trends in the Group's operating profit. Since the composition of EBITDA is not regulated by the accounting standards adopted, the means of calculating this figure might not be consistent with that used by others and might therefore not be comparable.

Consolidated balance sheet reclassified by sources and applications:

(In thousands of euro)	Year ended		Change	
	31st December 2014	31st December 2013	2014 vs. 2013	2014 vs. 2013%
Net working capital	97,507	71,074	26,433	+37.2%
Fixed assets	114,592	89,158	25,434	+28.5%
Other non-current assets/(liabilities)	862	1,083	(221)	-20.4%
Net invested capital	**212,961**	**161,315**	**51,646**	**+32.0%**
Net debt (2)	42,636	16,101	26,535	>+100.0%
Shareholders' equity	170,325	145,214	25,111	+17.3%
Sources of funding	**212,961**	**161,315**	**51,646**	**+32.0%**

(2) Net debt is calculated as the sum of cash and cash equivalents, current financial assets, non-current financial liabilities, the fair value of hedging instruments and other non-current financial assets.

Other summary data:

(In thousands of euro)	Year ended		Change	
	31st December 2014	31st December 2013	2014 vs. 2013	2014 vs. 2013%
Capex (3)	39,661	40,203	(542)	-1.3%
Cash flow from operating activities	13,771	23,554	(9,783)	-41.5%

(3) Capex refers to investments in intangible, tangible and financial fixed assets.

THE GROUP'S RESULTS FOR 2014

The Group earned revenues of € 357,383 thousand in 2014, representing an increase of 10.1% over the previous year. This result was also positively affected by the sale to the parent company Fedone S.r.l. of a property not situated in the proximity of the Company's manufacturing and logistical facilities, which led to a capital gain of € 755 thousand recognized as other income. As discussed in the section "Significant events during the year", this operation was carried out because the property does not form part of the extension and restructuring project involving the whole of the Solomeo site. The result for 2013 was positively affected by a capital gain of € 830 thousand realized on the sale of the trademarks "Solomei" and Solomei" and the "coat of arms".

Net revenues for the year ended 31st December 2014 rose to € 355,909 thousand, an increase of 10.4% over the figure of € 322,480 thousand for the year ended 31st December 2013.

The Group earned EBITDA of € 63,041 thousand in 2014, representing 17.6% of revenues and an increase of 8.4% over the corresponding figure for the previous year.

Net profit for the year ended 31st December 2014 amounted to € 31,787 thousand, representing 8.9% of revenues and an increase of 7.5% over the corresponding figure for 2013.

SEASONALITY OF SALES

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 and costs arising mainly from industrial operations that are not perfectly homogeneous.

In addition, the luxury market in which the Group operates is subject, at the sales channel level, to seasonality phenomena that have an impact on its economic results.

A principal seasonality phenomenon is linked to the selling methods of the wholesale monobrand and wholesale multibrand distribution channels, which have a concentration of revenues in the first and third quarter of each year; turnover is concentrated in January-March for the spring/summer collection and in July-September for the fall/winter collection, although for the latter a significant amount of goods are delivered as early as the second quarter, as is by now the consolidated request arriving from the international clientele.

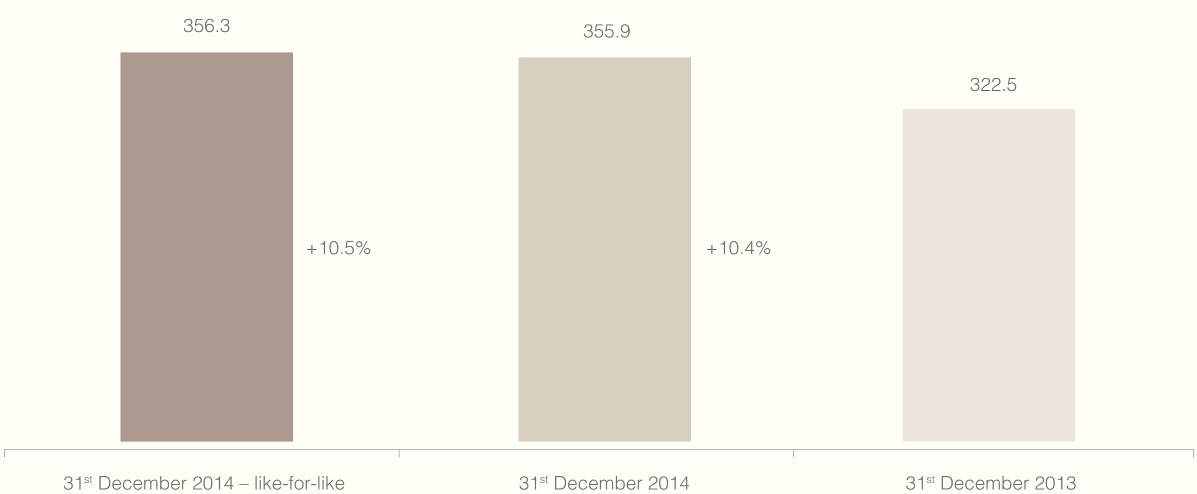
As for the retail channel, the Group's sales are concentrated primarily in the last quarter of each year, characterized by the sale of products with higher unitary value.

Consequently, the Group's interim results may not uniformly contribute to the formation of the results and cash flows of each year.

ANALYSIS OF REVENUES

The Group's consolidated turnover for 2014 amounted to € 355,909 thousand, a rise of 10.4% over 2013. There was sustainable double-digit growth in revenues during the year. On a like-for-like basis (meaning at constant exchange rates, namely the same average rates as those used in 2013), revenues would have been € 356,333 thousand, an increase of 10.5%.

The changes in revenues confirm and support the solidity of growth, highlighting the coherence of the Group's strategy, which has always been geared towards long-term sustainable growth.
The proposal of top quality articles has always characterized the collection offer, which has seen sales achieve sustainable growth throughout the year, especially significant in the world's leading capitals and principal resorts.
Revenues were supported by top-end tourist flow and local customers, both characterized by consolidated habits and purchasing choices which have not significantly felt the effect of the geo-political troubles that were a feature of 2014.

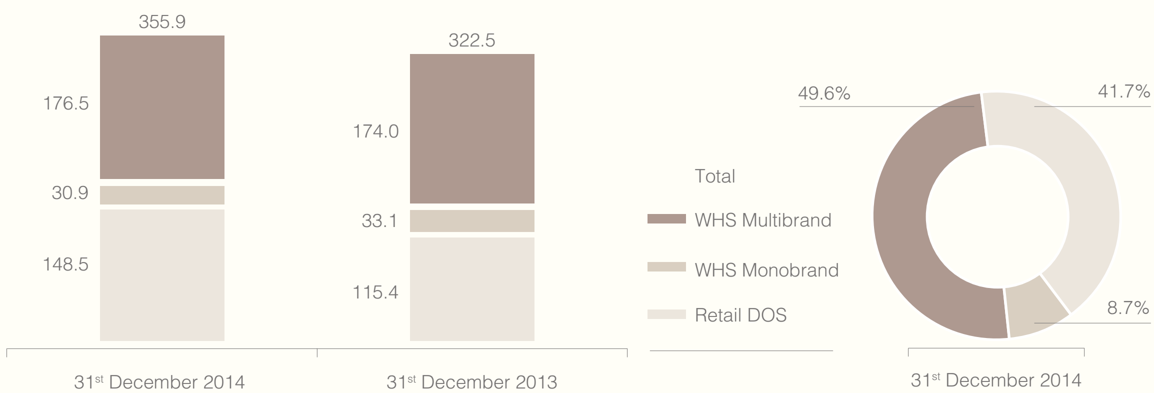


REVENUES BY DISTRIBUTION CHANNEL

The results achieved by the Group in 2014 were very interesting in all the distribution channels thanks to sales in existing spaces and the contribution made by selected new spaces. The retail monobrand channel and the relative comparative sales confirmed in the final part of the year the positive trend that had been seen in the previous months; the wholesale monoband and wholesale multibrand channels achieved results consistent with the conversions of a number of sales points to the direct channel.

In more detail, the retail and wholesale multibrand distribution 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 wholesale monobrand channel decreased by 6.7% due to the transformation of the business model in Japan, which on 1st September 2014 was converted from the wholesale channel to the retail channel as described further in the section "Significant events during 2014". This operation also had a negative effect on the figures for the wholesale multibrand channel since, as explained further below, this transformation also involved the 13 sales points located in the most important Japanese cities.

(In thousands of euro)	Year ended 31st December				Change	
	2014	**%**	**2013**	**%**	**2014 vs. 2013**	**2014 vs. 2013 %**
Retail	148,486	41.7%	115,440	35.8%	33,046	+28.6%
Wholesale Monobrand	30,873	8.7%	33,080	10.3%	(2,207)	-6.7%
Wholesale Multibrand	176,550	49.6%	173,960	53.9%	2,590	+1.5%
Total	**355,909**	**100.0%**	**322,480**	**100.0%**	**33,429**	**+10.4%**



RETAIL

The retail channel earned net revenues of € 148,486 thousand, an increase of € 33,046 thousand or 28.6% over the previous year. The retail channel represented 41.7% of the Group's total net revenues for the year ended 31st December 2014, an increase over the figure of 35.8% for the year ended 31st December 2013.
The number of direct points of sale, sixty one at 31st December 2013, rose to seventy one at 31st December 2014, an increase of ten consisting of five openings and five conversions of sales points previously operated as wholesale monobrand. In addition, the thirteen sales points located in the most important luxury department stores in Japan were converted from wholesale multibrand to the retail channel on 1st September 2014 following the changes made to the way in which the business is run in that market.

Like-for-like growth (comparable store sales), calculated as the rise in revenues at constant exchange rates at the DOS existing at 1st January 2013, amounted to 5.5% (for the period between 1st January 2014 and 31st December 2014).

Like-for-like growth (comparable store sales) for the current year, again at constant exchange rates relating to the DOS existing at 1st January 2013, amounted to 4.6% in the first few weeks of the year (for the period between 1st January 2015 and 28th February 2015).

WHOLESALE MONOBRAND

Net revenues arising from sales made through the wholesale monobrand channel amounted to 8.7% of total net sales, compared to 10.3% in 2013. In absolute terms, revenues reached € 30,873 thousand, a decrease of € 2,207 thousand, or 6.7%, over the year ended 31st December 2013. The net revenues of the wholesale monobrand channel rose by 14.3% if the conversions to the direct channel are excluded.

The thirty seven points of sale at 31st December 2013 fell to thirty four at 31st December 2014. The number of wholesale monobrand stores decreased by three during 2014 due to the combined effect of the transfer to DOS of the two points of sale in Cannes and Knokke and the three Japanese points of sale in Tamagawa, Kobe and Tokyo, and the openings in Seoul and Taipei.

WHOLESALE MULTIBRAND

The wholesale multibrand channel earned revenues of € 176,550 thousand in 2014 (up by € 2,590 thousand over 2013, representing an increase of 1.5%).
The proportion of revenues represented by this channel fell from 53.9% in the year ended 31st December 2013 to 49.6% in 2014.

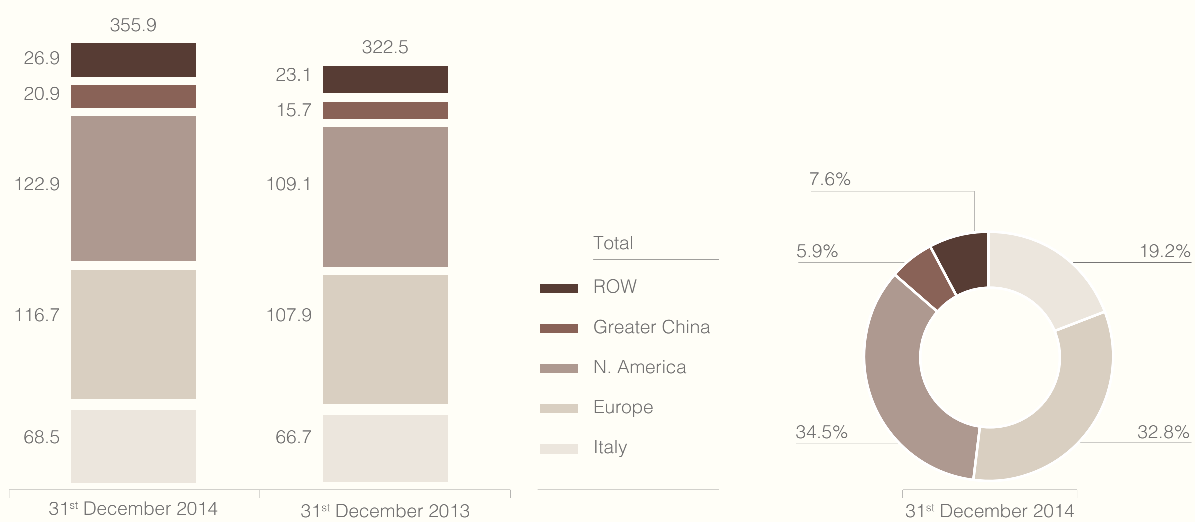
The results were driven by an increase in orders made by the most important luxury department stores thanks to positive sell-out results and increased spaces dedicated to the brand in the desire to satisfy the rising demand for exclusive clothing products that are modern in taste and offer the utmost in quality.
The performance achieved in 2014 compared to 2013 was also affected by changes in the way the business is managed in Japan, characterized by the conversion of 13 sales points located in the most important luxury department stores which passed from wholesale multibrand to the retail channel on 1st September 2014. These changes, which had already begun to show their effect on the performance of the wholesale multibrand channel in the results for the third quarter, affected the final part of the year in particular, involving all the deliveries for the 2014 fall/winter collection.

REVENUES BY GEOGRAPHICAL AREA

The results achieved in 2014 indicate significant growth in all of the international markets, as a whole representing 80.8% of net revenues, where there was an overall increase of 12.4% over 2013; there was also an interesting and significant rise of 2.7% in revenues on the Italian market, pointing to healthy and sustainable results.

The following table provides details of revenues for the year ended 31st December 2014 analyzed by geographical area, with comparative figures for the previous year.

(In thousands of euro)	Year ended 31st December				Change	
	2014	**%**	**2013**	**%**	**2014 vs. 2013**	**2014 vs. 2013 %**
Italy	68,494	19.2%	66,664	20.7%	1,830	+2.7%
Europe	116,699	32.8%	107,897	33.4%	8,802	+8.2%
North America	122,883	34.5%	109,068	33.8%	13,815	+12.7%
Greater China	20,872	5.9%	15,728	4.9%	5,144	+32.7%
Rest of the World (RoW)	26,961	7.6%	23,123	7.2%	3,838	+16.6%
Total	**355,909**	**100.0%**	**322,480**	**100.0%**	**33,429**	**+10.4%**



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

Italy

Net revenues for "Italy" represented 19.2% of total revenues (20.7% in the previous year), posting significant growth in absolute terms of € 1,830 thousand, or 2.7%, over the year ended 31st December 2013 (€ 68,494 thousand in 2014 and € 66,664 thousand in 2013).

A positive performance was seen in the country's main cities and resorts which benefited from the flow of top-end foreign visitors in both the monobrand and multibrand boutiques.

The direct monobrand network had twelve boutiques at 31st December 2014, with the sole opening of Bari taking place in November, while there were no changes in the wholesale monobrand channel network which continued to have four boutiques.

Europe

Net revenues for "Europe" represented 32.8% of total revenues (33.4% in the previous year), rising by € 8,802 thousand in absolute terms, or 8.2%, from € 107,897 thousand to € 116,699 thousand.

The increase in revenues is supported by the rise in sales in existing spaces in both the monobrand channel and the prestigious multibrand stores where the brand is present

The increase in revenues highlights the important contribution made by top-end tourists, in particular to the sell-outs in the most important cities and resorts, with a considerable constant flow taking place throughout the 12 months of the year.
Particularly encouraging was the performance in Russia, where the demand for "exclusive" luxury goods remains solid, supporting the increase in the brand's sales in 2014 and the collection of orders for the 2015 spring/summer collection, this too with a plus sign.

At 31st December 2014 the direct monobrand network consisted of twenty two boutiques, while the wholesale monobrand channel network had nineteen boutiques. The year ended 31st December 2014 was characterized by the opening of the DOS in Vienna and the two conversions from the wholesale monobrand channel in the resorts of Cannes and Knokke.

North America

Net revenues for "North America" represented 34.5% of total revenues (33.8% in the previous year), rising by € 13,815 thousand, or 12.7%, from € 109,068 thousand to € 122,883 thousand.

The growth taking place in revenues in 2014 arose from all the distribution channels, monobrand and multibrand. More specifically, the retail and wholesale monobrand channels benefited from an increase in the sell-out in existing boutiques and the contribution made by selected openings in 2014 (Atlanta and San Francisco in September), while the wholesale multibrand channel was driven by the performance of the exclusive, prestigious spaces in the most important luxury department stores, heavily geared to satisfying the needs of the highest and most sophisticated level of customers in the quest for "exclusive and unique" products.
The monobrand network had eighteen boutiques at 31st December 2014.

Greater China

Net revenues for "Greater China" represented 5.9% of total revenues (4.9% in the previous year), rising by € 5,144 thousand (+32.7%) from € 15,728 thousand to € 20,872 thousand.

The increase in revenues was favored by the conversion of the three boutiques in Hong Kong from the wholesale monobrand network to the direct network in October 2013, which therefore only partially contributed to the result achieved in 2013 but had a full effect on the 2014 figures.

Positive the approach of the asian consumer, who is attracted by the offer of top quality products, a modern taste and hand-crafted artisan content. A distinctive element is considered to be the exclusivity of distribution, with a growing preference being given to the no-logo offer, especially by the top-end customer, and with purchases being made in both the domestic market and in the world's main luxury capitals in the search for a prestigious purchasing experience.

The number of boutiques and selling spaces remained essentially unchanged in 2014 and consists of sixteen direct monobrand boutiques and three wholesale monobrand boutiques.

Rest of the world

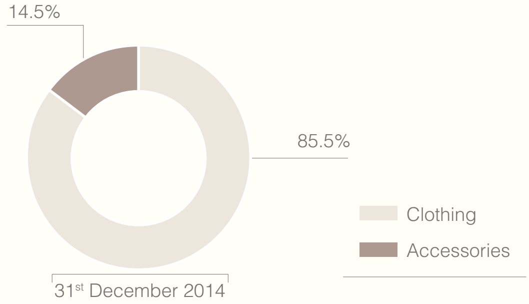
Net revenues for the "Rest of the World" increased by 16.6% over the previous year, rising from € 23,123 thousand to € 26,961 thousand.

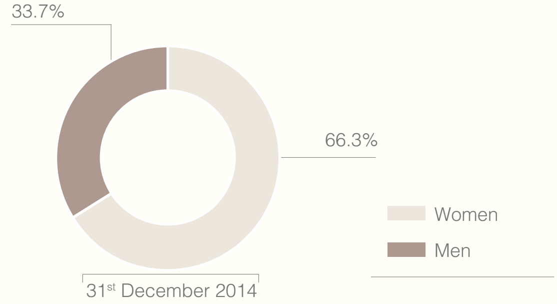
Performance over 2013 was affected by changes in the way the business is run in Japan and the conversions made there; Japan is the main country of reference for the Rest of the World. The three wholesale monobrand boutiques were converted into direct stores on 1st September 2014 and the 13 dedicated spaces located in the most important luxury department stores passed from being wholesale multibrand operations to the retail channel on that date.
These passages and conversions affected the results for 2014. Those of the previous year were characterized by deliveries made to wholesale monobrand and multibrand customers (sell-in turnover), while the same deliveries made to the points of sale in 2014 will mainly contribute to sales in Japan (sell-out) in the quarters following the date on which the operation took place.

There were eleven monobrand stores at 31st December 2014. Two openings took place in 2014 (San Paolo, Brazil and Seoul, South Korea). At 31st December 2014 the direct monobrand channel consisted of four boutiques (three in Japan, of which two in Tokyo and one in Kobe, and the new opening in San Paolo) while the wholesale monobrand channel consisted of seven boutiques.

REVENUES BY PRODUCT AND END CUSTOMER

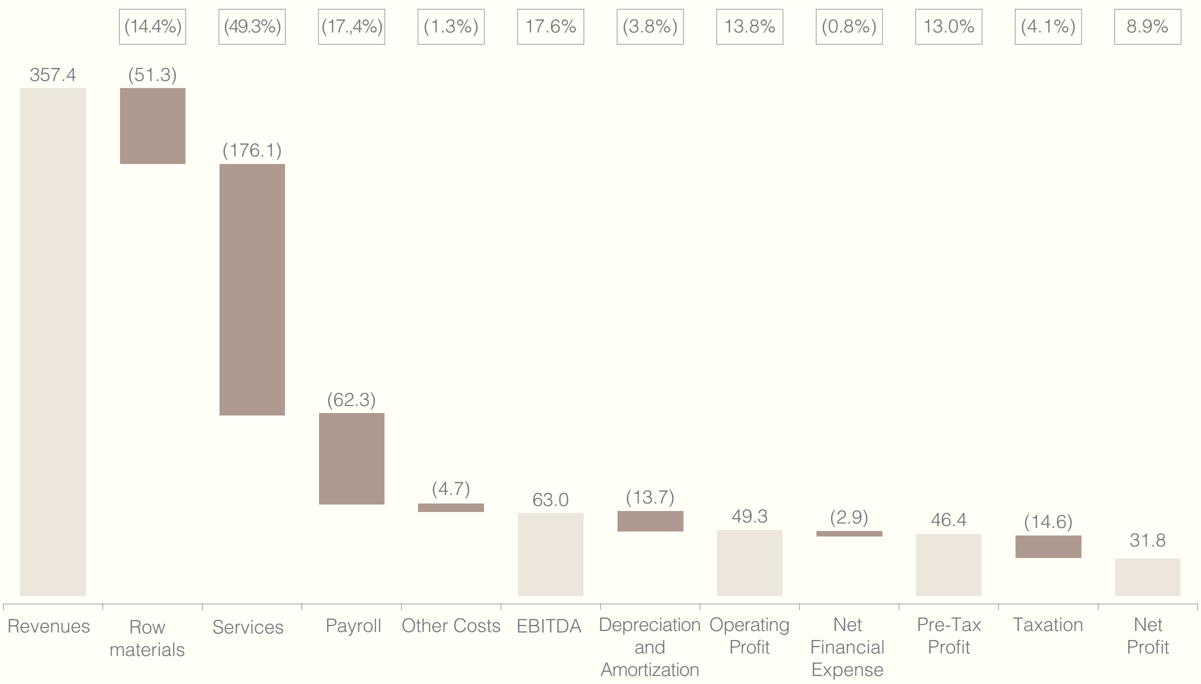
The following is a graphical representation of the Brunello Cucinelli Group's revenues for the year ended 31st December 2014, analyzed by product line and end customer:





ANALYSIS OF THE INCOME STATEMENT

Set out below is a graphical representation of the income statement for the year ended 31st December 2014, representing the Group's performance for 2014:



OPERATING RESULTS

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

(In thousands of euro)	Year ended 31st December				Change	
	2014	% of revenues	2013	% of revenues	2014 vs. 2013	2014 vs. 2013 %
Operating profit	**49,329**	**13.8%**	**46,956**	**14.5%**	**2,373**	**+5.1%**
+ Depreciation and amortization	13,712	3.8%	11,225	3.5%	2,487	+22.2%
EBITDA (1)	**63,041**	**17.6%**	**58,181**	**17.9%**	**4,860**	**+8.4%**

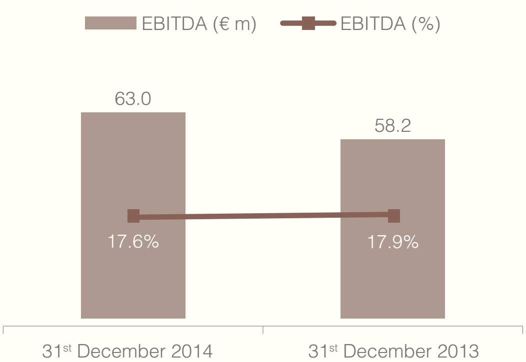
(1) L'EBITDA is defined as operating profit before depreciation and amortization. EBITDA defined in this way is a measure used by management to monitor and assess the Group's operating performance. EBITDA is not an accounting measure in the context of IFRS and accordingly should not be considered as an alternative for assessing trends in the Group's operating profit. Since the composition of EBITDA is not regulated by the accounting standards adopted, the means of calculating this figure used might not be consistent with that used by others and might therefore not be comparable.

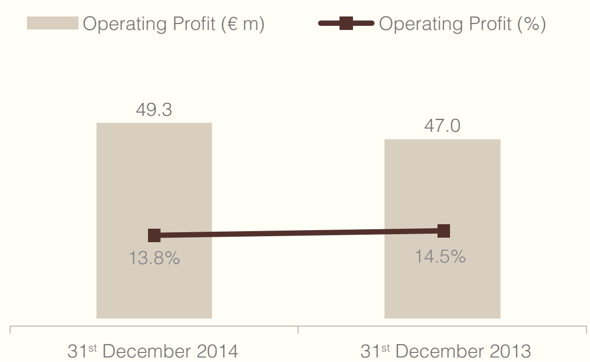
In accordance with the requirements of Consob Resolution no. 15519 of 27th July 2006, items of profit or loss arising from non-recurring events or transactions, if significant, must be reported separately in management's comments and in the financial disclosures.

EBITDA increased from € 58,181 thousand in 2013, or 17.9% of revenues, to € 63,041 thousand in 2014, or 17.6% of revenues.

Operating profit rose from € 46,956 thousand in 2013, or 14.5% of revenues, to € 49,329 thousand in 2014, or 13.8% of revenues. Depreciation and amortization, representing 3.8% of revenues in 2014 and 3.5% in 2013, had a considerable effect due to the capital expenditure made by the Group.

The following table sets out in graphical form the trends in the Group's EBITDA and operating profit for the years ended 31st December 2014 and 31st December 2013:





The key factor that enabled an improvement to be achieved in 2014 was the increase in revenues earned through the retail channel (characterized by the higher margins there than in the wholesale channel) as a proportion of total net revenues.

For a better understanding of manufacturing costs, the following table provides a combined analysis of costs for raw materials and consumables and outsourced manufacturing costs for 2014 and 2013, showing the items as a percentage of revenues.

(In thousands of euro)	Year ended 31st December				Change	
	2014	% of revenues	2013	% of revenues	2014 vs. 2013	2014 vs. 2013 %
Costs for raw materials and consumables	77,381	21.7%	68,656	21.2%	8,725	+12.7%
Change in inventories	(26,092)	-7.3%	(14,171)	-4.4%	(11,921)	+84.1%
Outsourced manufacturing costs	81,387	22.8%	75,747	23.3%	5,640	+7.4%
Total	**132,676**	**37.1%**	**130,232**	**40.1%**	**2,444**	**+1.9%**

By taking changes in these two cost items together it can be seen that the total as a percentage of revenues has fallen compared with the corresponding previous year (37.1% in 2014 against 40.1% in 2013).
This decrease in percentage terms is essentially due to the higher proportion of net revenues earned by the retail distribution channel as a percentage of total net revenues for the year (41.7% in 2014 against 35.8% in 2013). In addition the costs incurred in 2014 for the "menswear project", arising from the purchase of the know-how of the personnel of the d'Avenza business acquired in January 2014, are recognized as payroll costs as they were directly incurred by the subsidiary Pinturicchio, and so do not affect the item "outsourced work" in the income statement.

Other significant items making up operating costs are as follows:

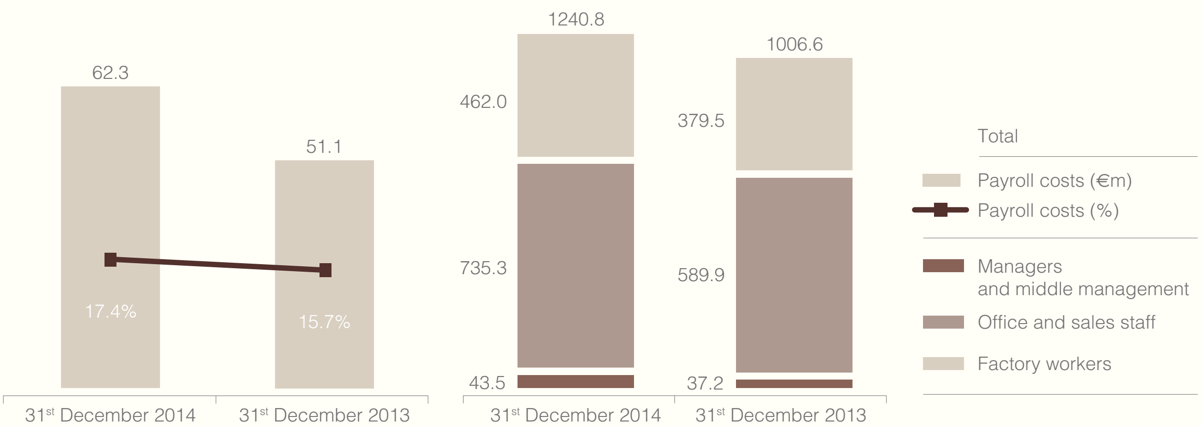
– commissions and accessory costs, being the commissions payable to the network of agents, which fell by 0.4 points as a percentage of revenues compared with 2013 (3.2% in 2014, 3.6% in 2013) due to the decreased share of the wholesale channel;
– advertising and other marketing costs, which rose by € 1,755 thousand in absolute terms (+9.9%) but remained constant as a percentage of revenues (5.5% in 2014 and 5.5% in 2013) . 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 4.2% of revenues in 2014, in line with the figure of 4.2% in 2013;
– rental expense, which rose as a percentage from 6.3% in 2013 to 8.1% in 2014, posting an increase in absolute terms of € 8,542 thousand. Within a context of growth and the appreciation of the property market in the most exclusive locations, a number of changes affecting the Company's rental expense should be highlighted in addition to the boutique openings and conversions. More specifically, of particular note are the increases relating to the repositioning and extension of certain of the most important boutiques, the renewal of expiring agreements, the opening of the new showrooms in Tokyo and Shanghai and the repositioning of the important New York showroom;
– credit card charges, which rose by 20.3% over 2013, a figure which is strictly connected with the growth in the retail channel.

The following table provides a summary of these items for 2014 and 2013 together with their percentage as a proportion of revenues.

(In thousands of euro)	Year ended 31st December				Change	
	2014	% of revenues	2013	% of revenues	2014 vs. 2013	2014 vs. 2013 %
Commissions and accessory costs	11,588	3.2%	11,820	3.6%	(232)	-2.0%
Advertising and other marketing expenses	19,562	5.5%	17,807	5.5%	1,755	+9.9%
Transport and duties	15,108	4.2%	13,758	4.2%	1,350	+9.8%
Rental expense	29,055	8.1%	20,513	6.3%	8,542	+41.6%
Credit card charges	2,761	0.8%	2,296	0.7%	465	+20.3%

Changes in payroll costs are closely connected with the increase in the workforce, which to a large extent is the consequence of the extension of the direct monobrand store network as stated above.

The increase in the number of factory workers is on the other hand principally due to the acquisition of the d'Avenza business, for which further details may be found in the section "Significant events during 2014".
Costs for wages and salaries totaled € 62,273 thousand against € 51,112 thousand in the previous year, for a rise in absolute terms of € 11,161 thousand. Payroll costs represented 17.4% of revenues in the year ended 31st December 2014 (15.7% in the year ended 31st December 2013).



Depreciation and amortization (€ 13,712 thousand in the year ended 31st December 2014 and € 11,225 thousand in the previous year) represented 3.8% of revenues in 2014 and 3.5% in 2013; the increase of € 2,487 thousand in absolute terms is mainly due to the investments in the key money paid to obtain the availability of monobrand stores under lease arrangements and the investments in directly operated stores, as well as to the important investments made to develop the information technology system and complete the work being carried out at the new production facility at Solomeo.

NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Net financial expense amounted to € 2,903 thousand for the year ended 31st December 2014, of which financial expense of € 10,642 thousand and financial income of € 7,739 thousand.
Net financial expense slightly increased as a percentage of sales revenues over 2013, closing at 0.81% in 2014 compared to 0.53% in 2013. Excluding the effect caused by changes in foreign exchange rates, there was an overall rise of € 364 thousand, or 28.9%, due mainly to the net debt of the year which was characterized by an increase in the total exposure to banks for loans. In this respect it is noted that the Group took out new loans in the fourth quarter of 2014 and extinguished its previous outstanding loans for an amount of € 22,620 in order to reformulate its long-term debt to interest rates that are more advantageous than those existing previously.

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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)	Year ended 31st December				Change	
	2014	% of revenues	2013	% of revenues	2014 vs. 2013	2014 vs. 2013 %
Loan interest	1,168	0.3%	466	0.2%	702	>+100.0%
Other net (income)/expense	456	0.2%	794	0.2%	(338)	-42.6%
Financial (income)/expense	**1,624**	**0.5%**	**1,260**	**0.4%**	**364**	**+28.9%**
Foreign exchange (gains)/losses	840	0.2%	37	0.0%	803	>+100.0%
Financial (income)/expense arising from adjusting derivatives on loans to fair value	439	0.1%	438	0.1%	1	+0.2%
Total net financial expense	**2,903**	**0.8%**	**1,735**	**0.5%**	**1,168**	**+67.3%**

Income taxes for the year amounted to € 14,639 thousand and represented 31.5% of pre-tax consolidated profit. 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, net profit for the year closed at € 31,787 thousand, or 8.9% of revenues, compared with € 29,575 thousand, or 9.1%, in 2013.

The following table provides an analysis of net profit for the year between the portion attributable to the owners of the parent and the portion attributable to non-controlling interests:

(In thousands of euro)	31st December 2014	31st December 2013
Net profit attributable to owners of the parent	33,060	30,476
Net profit attributable to non-controlling interests	(1,273)	(901)
Net profit for the year	**31,787**	**29,575**

The net income attributable to non-controlling interests, a negative balance of € 1,273 thousand, mainly relates to the result of the Chinese subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. which began operations in October 2012 and is still considered to be in the midst of its start-up stage. In this respect it should also be noted that in 2014 the shareholders of the subsidiary approved the conversion to equity, each for their own share, of the loan granted to Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. in 2013 for a total of 50 million Renminbi, while in January 2015 the Company paid in a further 30 million Renminbi as capital as part of a more extensive capital injection operation carried out to support a market with important prospects. This matter is described further in the section "Significant subsequent events".

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 31st December 2014, together with comparative figures at 31st December 2013.

NET WORKING CAPITAL

The net working capital of the Brunello Cucinelli Group at 31st December 2014 and 31st December 2013 may be analyzed as follows:

(In thousands of euro)	31st December 2014	31st December 2013
Trade receivables	45,051	43,361
Inventories	125,114	94,464
Trade payables	(62,185)	(62,607)
Other current assets/(liabilities), net	(10,473)	(4,144)
Net working capital	**97,507**	**71,074**

Net working capital at 31st December 2014 increased by € 26,433 thousand over the balance at 31st December 2013. This is mainly due to the rise of € 30,650 thousand in the balance for inventories, which increased from 29.3% to 35.2%. as a proportion of net revenues.

Changes in trade receivables (€ 45,051 thousand at 31st December 2014 compared to € 43,361 thousand at 31st December 2013) and trade payables (€ 62,185 thousand at 31st December 2014 compared to € 62,207 thousand at 31st December 2013) were essentially in line with business performance.

The increase in "Other net liabilities", which rose to € 10,473 thousand compared to € 4,144 thousand at the end of the previous year, mainly arises from the measurement of hedging derivatives at fair value.

Analyzing the inventories balance in detail, raw materials rose by € 2,824 thousand from € 22,752 thousand at 31st December 2013 to € 25,576 thousand at 31st December 2014, while finished and semi-finished goods increased by € 27,826 thousand from € 71,712 thousand at 31st December 2013 to € 99,538 thousand at 31st December 2014:

(In thousands of euro)	31st December 2014	31st December 2013
Raw materials	25,576	22,752
Finished and semi-finished goods	99,538	71,712
Inventories	**125,114**	**94,464**

In addition to business development, the above changes are mainly due to the following factors:

– an increase in the number of directly operated stores, with five new openings and five conversions from wholesale monobrand to DOS over the past twelve months;
- the transformation of the business model in Japan, with the acquisition under direct management of 13 points of sale in department stores located in the main luxury cities;
- the tailoring of men's suits, developed following the acquisition of the d'Avenza business and having with the aim of extending the Group's offer to customers with a top-quality tailoring service.

FIXED ASSETS

Fixed assets at 31st December 2014 and 31st December 2013 may be analyzed as follows:

(In thousands of euro)	**31st December 2014**	**31st December 2013**
Intangible assets	29,649	26,552
Property, plant and equipment	80,157	59,180
Financial fixed assets	4,786	3,426
Fixed assets	**114,592**	**89,158**

Fixed assets at 31st December 2014 totaled € 114,592 thousand compared to € 89,158 thousand at 31st December 2013, an increase of € 25,434 thousand or 28.5%.
More specifically, intangible assets increased by € 3,097 thousand, property, plant and equipment by € 20,977 thousand and non-current financial assets by € 1,360 thousand, the latter mainly relating to the guarantee deposits paid on signing the lease agreements for the monobrand stores opened in 2014.

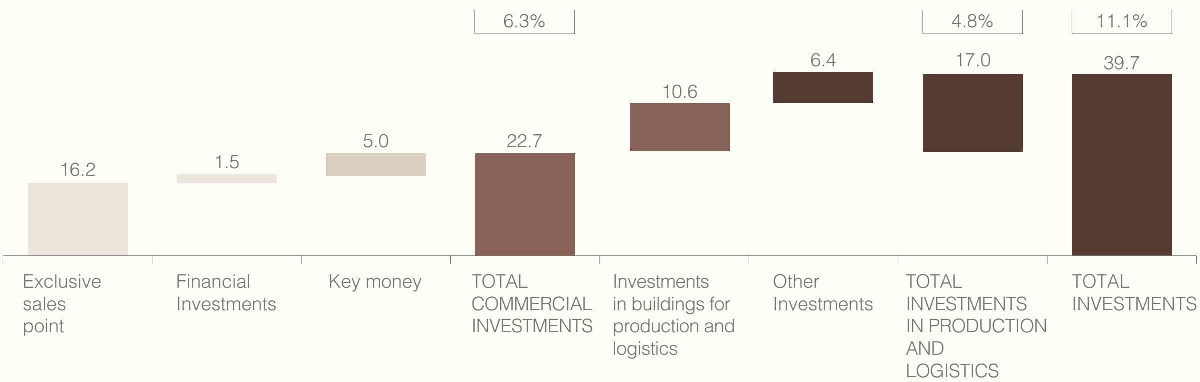
CAPEX

The Group made net investments in fixed assets amounting to € 31,134 thousand in 2014 to strengthen its commercial structure and its production and logistics organization.
The following table sets out the gross and net capital expenditure made by the Group in the years ended 31st December 2014 and 2013, analyzed by type and category.

(In thousands of euro)	**31st December 2014**		**31st December 2013**	
	net	**gross**	**net**	**gross**
Capex in intangible assets	7,551	7,551	14,192	14,476
Capex in property, plant and equipment	29,183	30,651	24,835	25,287
Capex in financial fixed assets	1,136	1,459	440	440
Total capex	**37,870**	**39,661**	**39,467**	**40,203**

As shown above, the Group made gross investments of € 7,551 thousand in intangible assets, € 30,651 thousand in property, plant and equipment and € 1,459 thousand in financial fixed assets (guarantee deposits).

The following is a graphical representation of the capital expenditure made by the Group in 2014, analyzed by investment type:



The most significant investments were for the opening and structuring of points of sale, to a large extent due to the entry into the consolidation scope of SAS White Flannel (Cannes) and Pearl Flannel S.p.r.l. (Knokke) and the opening of new stores directly operated by the Group in Europe, the United States and Brazil. The above graphical representation does not include in capex an amount of € 1,500 thousand relating to the purchase of an additional 45% of the subsidiary SAS White Flannel in December 2014, which as required by IFRS is recognized as a deduction in equity being an "under common control" operation whose object is the purchase of a minority interest. As a result of that operation, the Group had a 70% interest in SAS White Flannel at 31st December 2014.

Additional important investments regarded the extension and structuring of buildings used for production and logistics at the Group's headquarters, while investments amounting to a total of € 2,714 thousand were made in investment technology, of which € 1,725 thousand recognized as intangible assets and € 989 thousand as property, plant and equipment.

NET DEBT

The following table provides details of net debt at 31st December 2014 and 31st December 2013.

(In thousands of euro)	**31st December 2014**	**31st December 2013**
Current bank debt	48,709	29,639
Current liabilities – derivative financial instruments	344	195
Other current financial payables	1,682	2,955
Current debt (1)	**50,735**	**32,789**
Long-term loans – non-current portion	42,450	18,281
Non-current financial payables	3,130	3,707
Non-current debt (1)	**45,580**	**21,988**
Total gross debt	**96,315**	**54,777**
Current financial assets	(44)	-
Current assets – derivative financial instruments	-	-
Cash and cash equivalents	(53,635)	(38,676)
Net debt (1)	**42,636**	**16,101**

(1) Current and non-current debt are not IFRS accounting measures. The way in which the Group calculates this figure may not be consistent with that used by others and may therefore not be comparable.

At 31st December 2014 the net debt of the Brunello Cucinelli Group had increased by € 26,535 thousand over the corresponding balance at 31st December 2013.

In this respect, in order to reformulate its long-term debt to interest rates that are more advantageous than those existing previously, in 2014 the Group took out new loans amounting to € 88.1 million and extinguished loans for a total of € 42.6 million; more specifically, new loans of € 22.6 million taken out during the year were utilized to make early repayment of outstanding liabilities, obtaining even more favorable terms.

The balance of net debt is additionally the result of the investments made during the year, normal trends in operations (as always characterized by growth in volumes of activity) and the events that led to changes in net working capital described above.

In addition:

– "non-current financial payables" consist of the liability arising from the possibility that the minority shareholders of Brunello Cucinelli England Ltd. may exercise their put option, and the liability arising from the loan obtained from the minority shareholder of the subsidiary Brunello Cucinelli Hong Kong Ltd. to the extent of the portion attributable;
- the decrease in the item "Other current financial payables" over the balance at 31st December 2013 is due to the combined effect of the conversion to equity of the loan obtained in the past year from the minority shareholder in the subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. to the extent of the portion attributable and the recognition of the liability for the purchase of 45% of SAS White Flannel (Cannes).

SHAREHOLDERS' EQUITY

The following tables provides details of shareholders' equity at 31st December 2014 and 31st December 2013:

(In thousands of euro)	**31st December 2014**	**31st December 2013**
Share capital	13,600	13,600
Reserves	118,097	97,978
Net profit for the year attributable to owners of the parent	33,060	30,476
Shareholders' equity attributable to owners of the parent	**164,757**	**142,054**
Net profit for the year attributable to non-controlling interests	5,568	3,160
Shareholders' equity attributable to non-controlling interests	**170,325**	**145,214**

Share capital at 31st December 2014 consisted of 68,000,000 fully paid ordinary shares amounting to € 13,600 thousand. Each ordinary share carries the right to one vote at the Company's ordinary and extraordinary shareholders' meetings as well as the other administrative rights provided by applicable laws and the provisions of the bylaws. The Company has no plans to acquire its own shares and as of 31st December 2014 had no such shares in treasury. At 31st December 2014, no classes of shares had been issued with voting rights or other rights differing from those of the ordinary shares and no financial instruments had been issued that grant the right to subscribe to newly-issued shares.

On 25th June 2014, Cav. Lav. Brunello Cucinelli, the Chairman and CEO of Brunello Cucinelli S.p.A. and Fedone S.r.l., established an irrevocable trust, the "Brunello Cucinelli Trust", transferring his entire partecipation in Fedone S.r.l. (100% of the capital) to Esperia Trust Company S.r.l. (Banca Esperia Group) which receices such partecipation as trustee.

Pursuant to the communications issued for the purposes of article 120 of the Consolidated Financial Law and to the other information in the Company's possession on 31st December 2014, significant investments in the Company's capital are as follows:

Shareholder	Number of shares	% of ordinary capital
Fedone S.r.l.	41,858,000	61.56%
FMR LLC	3,933,758	5.79%
Ermenegildo Zegna Holditalia S.p.A.	2,040,000	3.00%
Fundita S.r.l.	1,710,000	2.52%
Capital Research and Management Company	1,394,000	2.05%
Other shareholders	17,064,242	25.08%
Total	**68,000,000**	**100.0%**

Reference should be made to the specific schedule and note 11 for a full description of changes in shareholders' equity.

In conclusion, as stated in the section "Significant subsequent events", on 29th January 2015 Fedone S.r.l. announced that it had sold 3,494,000 of the shares of Brunello Cucinelli S.p.A., corresponding to 5.14% of its share capital, through an accelerated book building offering reserved for institutional investors. As part of the same transaction Fundita S.r.l. sold 350,000 shares to Fedone, and on the completion of the operation Fedone S.r.l. and Fundita S.r.l. hold 57% and 2% respectively of the share capital of Brunello Cucinelli S.p.A..

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 as of and for the year ended 31st December 2014:

(In thousands of euro)	31st December 2014	
	Net equity	Net profit
Financial statements of the parent	**168,240**	**36,448**
Difference between the net equity of consolidated investments and the carrying amount of these investments	5,535	895
Elimination of intragroup transactions	(15,518)	(5,536)
Elimination of dividends	-	(1,012)
Tax effect of consolidation adjustments	6,500	2,265
Other	-	-
Total attributable to the owners of the parent	**164,757**	**33,060**
Net equity and net profit attributable to non-controlling interests	5,568	(1,273)
Consolidated financial statements	**170,325**	**31,787**

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 following table sets out changes in the main profitability indicators for the years ended 2014 and 2013, with an indication of the normalized figures in consideration of the non-recurring expenses referred to on several occasions.

	31st December 2014	31st December 2013
ROE – *Net profit for the year / Average equity in the year*	20.15%	22.33%
ROI – *Operating profit / Average net invested capital in the year*	26.36%	33.33%
ROS – *Operating profit / Revenues*	13.80%	14.47%

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.

	31st December 2014	31st December 2013
Ratio – *Net equity / Total assets*	46.27%	49.62%
Ratio – *Total current assets / Total current liabilities*	171.86%	166.07%

ROTATION INDICES

	31st December 2014	31st December 2013
Receivables turnover – *Revenues / Average trade receivables*	8.1 times	7.1 times
Average collection days for trade receivables – *(Average trade receivables / Revenues) * 360*	44.5	50.6
Payables turnover – *(Costs for raw materials and consumables + Costs for services) /Average trade payables*	3.6 times	3.4 times
Average payment days for trade payables – *(Average trade payables / (Costs for raw materials and consumables net of changes in inventory + Costs for services)) * 360*	88.6	106.9
Average days in inventory – *((Average inventories – average advances) / Revenues))*360*	110.6	96.8

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.
Such Report, approved by the Board of Directors at its meeting of 10th March 2015, may be consulted in the Governance section of the Company's website **www.brunellocucinelli.it**.

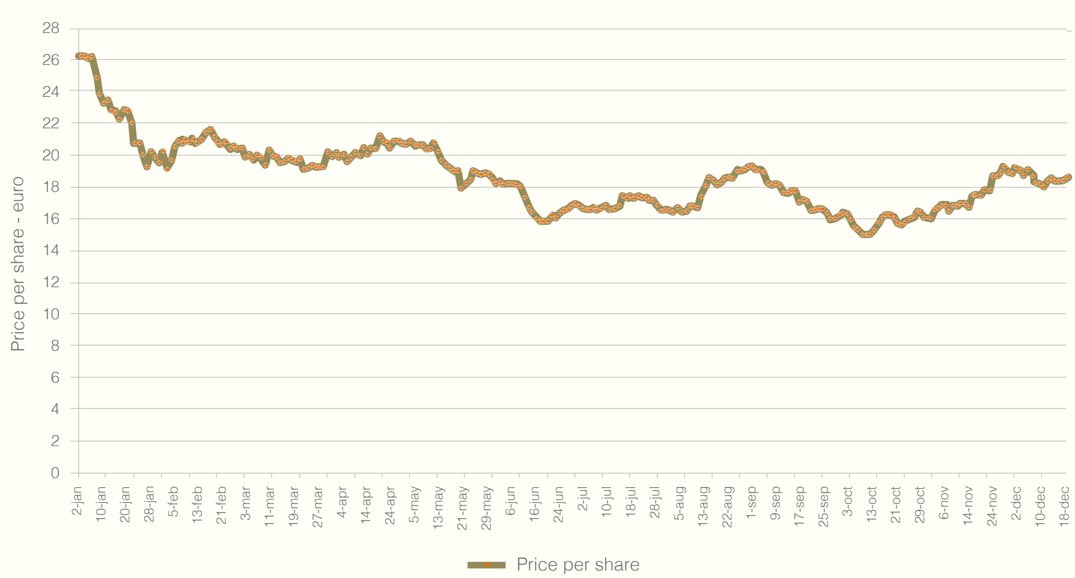
PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. ELECTRONIC STOCK EXCHANGE (MTA)

On 31st December 2014, the final trading day for the year, the official closing price of the Brunello Cucinelli share was € 18.53 (+139.1% compared to the € 7.75 per share set for the IPO, -28.3% compared to the price of € 25.83 at the end of 2013). Market capitalization at 31st December 2014 was € 1,260,040,000.

The following table provides details of the company's share price and performance between 1st January 2014 and 31st December 2014:

	Euro	Date
IPO price	7.75	-
Minimum price (1)	14.20	16-oct-14
Maximum price (1)	26.50	03-jan-14
Official price	18.53	31-dec-14
Capitalization	1,260,040,000	31-dec-14
Number of outstanding shares	22,392,000	31-dec-14
Free float	414,923,760	31-dec-14

(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 2014

Acquisition of a business from d'Avenza Fashion S.p.A.
On 15th January 2014 the Brunello Cucinelli Group completed the acquisition from d'Avenza Fashion S.p.A., through the Company's wholly-owned subsidiary Pinturicchio S.r.l., of the business specializing in tailoring of men's suits, wishing to extend its offer to customers through a top-quality tailoring service. The "d'Avenza" brand does not form part of the acquisition.
A price of € 84 thousand was paid for this business.

Details of this operation can be found in section 6 of the notes to the consolidated financial statements "Business combinations".

Purchase of 49% of Brunello Cucinelli Belgium S.p.r.l. (Brussels)
In January 2014, Brunello Cucinelli Europe S.r.l. acquired from an independent third party 49% of Brunello Cucinelli Belgium S.p.r.l, a company organized under the laws of Belgium, which manages the monobrand store in Brussels. The Brunello Cucinelli Group already held an interest of 51% in the company and accordingly became the company's sole shareholder.

Purchase of quotas in Pearl Flannel S.p.r.l. (store in Knokke – Belgium)
In January 2014, at the same time as the operation discussed in the previous paragraph, the subsidiary Brunello Cucinelli Belgium S.p.r.l. acquired 100% of Pearl Flannel S.p.r.l., a company organized under the laws of Belgium which manages a monobrand store in the seaside town of Knokke (Belgium), from the independent third party mentioned above. A price of € 493 thousand was paid for the company.
Details of this operation can be found in section 6 of the notes to the consolidated financial statements "Business combinations".

Purchase of quotas in SAS White Flannel (store in Cannes)
In February 2014 the subsidiary Brunello Cucinelli Europe S.r.l. acquired from the same independent third party mentioned above 25% of SAS White Flannel, the company organized under the laws of France that has been operating the monobrand store in Cannes for a considerable length of time. By way of agreements between the shareholders and amendments to the bylaws, Brunello Cucinelli Europe S.r.l. acquired the management and de facto control of the company. As a result, as of 1st February 2014 the boutique in Cannes was converted from a wholesale monobrand store to a DOS. The Group paid € 700 thousand for the investment. A further interest of 45% was bought in December 2014 at a price of € 1,500 thousand.
Details of this operation can be found in section 6 of the notes to the consolidated financial statements "Business combinations".

Opening of a boutique in Sao Paolo, Brazil
Brunello Cucinelli Brasil – Comercio de Artigos de Vestuario e Acessorios de Luxo LTDA was formed in February 2014, and since June 2014 this company has been operating a monobrand store in the renowned shopping mall of Cidade Jardim in San Paolo, Brazil.

Purchase of real estate

On 28th March 2014 the Company entered a preliminary agreement with Fedone S.r.l. (which controls the Company and which at that date – meaning before the transfer of 100% of Fedone S.r.l. to Esperia Trust Company S.r.l. - was controlled by Cav. Lav. Brunello Cucinelli) for the sale to Fedone S.r.l. of a building which is suitable for industrial activities and has all the relevant connections but is not in proximity to the Company's manufacturing and logistical facilities. As this property does not have significant importance for the Company as part of the project for extending and restructuring the Solomeo site, it decided to sell it at a price of € 1,790 thousand, transferring the significant risks and rewards connected with the ownership of the assets as of the date of the preliminary agreement. The final agreement was signed on 12th June 2014, with the full price paid at that date.

As this is a related party transaction of minor importance the sale was reviewed by the Control and Risks Committee, as required and in accordance with the related party procedures adopted by the Company on 9th May 2012, and the Committee's three members expressed a unanimous favorable opinion, also on the basis of a technical appraisal carried out on the signing of the preliminary agreement. The operation was accordingly approved by the Board of Directors.

Agreement for the distribution of products bearing the Brunello Cucinelli brand name in Japan

Following an agreement reached between its shareholders Brunello Cucinelli S.p.A. and Itochu Corporation, Brunello Cucinelli Japan Co., Ltd. ("BC Japan") exercised its right to acquire from Woollen Co., Ltd. (the Group's sub-distributor in Japan) the business organized by that company for distributing Brunello Cucinelli branded goods in Japan. The call option was included in the original agreements entered into by BC Japan with Woollen Co., Ltd..

BC Japan continues to be controlled by Brunello Cucinelli S.p.A. with a 75% interest, while the remaining 25% is held by Itochu Corporation.

BC Japan and Woollen Co., Ltd. completed the transfer of the business with effect from 1st September 2014; as a consequence, the Brunello Cucinelli Group (through BC Japan) has taken over the management of the two monobrand stores in Tokyo and the monobrand store in Kobe from Woollen Co., Ltd., together with the direct management of the 13 sales points in the department stores located in some of the most important Japanese cities.

RELATED PARTY TRANSACTIONS

Reference should be made to the notes to these consolidated financial statements for a detailed description of related-party transactions conducted in 2014.
Pursuant to Consob Resolution no. 17221 of 12th March 2010, we hereby state that the Group did not conduct any significant transactions or transactions that significantly affected the Group's financial situation or net profit for the year with related parties in 2014.

INFORMATION ON SIGNIFICANT NON-EU COMPANIES

The parent company Brunello Cucinelli S.p.A. directly or indirectly controls 5 companies (Brunello Cucinelli USA, Inc., Cucinelli Holding LLC, Brunello Cucinelli Suisse S.A., Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. and Brunello Cucinelli Japan Co., Ltd) formed and governed by the laws of countries that are not European Union member states ("Significant non-EU Companies" as defined by Consob Resolution no. 16191/2007 as amended).
In this respect it is noted that:

– all these companies draft a statement of account for the purposes of preparing the consolidated financial statements; the balance sheet and income statement of such companies are made available to the shareholders of Brunello Cucinelli S.p.A. within the time period and by the means required by applicable rules;
– Brunello Cucinelli S.p.A. has received the bylaws as well as the composition and powers of the corporate bodies;
– the Significant non-EU Companies: i) provide the parent's external auditors with all of the information needed to audit the parent's annual and interim financial statements; ii) have an administrative and accounting system suitable for ensuring that the parent's management, control body and external auditors obtain the data concerning their results, financial position and cash flows required for the preparation of the consolidated financial statements.

For the purposes of fulfilling its legal obligations, the control body of Brunello Cucinelli S.p.A. has verified the suitability of the administrative and accounting system for regularly providing the management and external auditors of Brunello Cucinelli S.p.A. with the income statement, balance sheet and financial data required for preparing the consolidated financial statements and the effectiveness of the information flow by means of meetings with the external auditors and the manager in charge of preparing the corporate accounting documents.

PRINCIPAL RISKS AND UNCERTAINTIES

MARKET RISKS

Risks related to strong competition on the Brunello Cucinelli Group's market
The luxury market and, especially, the absolute luxury segment in which the Brunello Cucinelli Group operates, is highly competitive. It cannot be excluded that new brands or brands currently sold in segments of the luxury market other than the one in which the Brunello Cucinelli Group is positioned will in the future be positioned in the absolute luxury segment, thereby becoming the Company's direct competitors.

Risks related to sale of the Brunello Cucinelli Group's products on an international basis
The Group sells its products all over the world, specifically in Europe, North America, Japan, Greater China. The Group's presence on several international markets exposes it to risks related, among other things, to the geopolitical and macroeconomic conditions of the countries in which it operates and to possible changes in same. Sales could be influenced by a variety of events, such as market instability, natural disasters or socio-political upheaval (for example: terrorist attack, coup d'état, armed conflict). The occurrence of these events, difficult to predict, could negatively influence the demand for luxury goods in a certain country or cause a reduction in the flow of tourists, thereby causing negative effects on the Group's business and growth prospects.

Risks related to changes in the national and international legal framework in which the Brunello Cucinelli Group operates
The Group is subject to laws applicable to the products it produces and/or markets in the various jurisdictions in which it operates. Laws protecting consumer, industrial and intellectual property rights and safeguarding competition and the health and safety of workers and the environment are especially important. The enactment of new laws or changes to current laws could force the Group to adopt stricter standards, which could require costs to adapt production facilities or product characteristics, or could limit the Group's performance, with consequent negative effect on its growth prospects. Specifically, in relation to commercial distribution in countries other than Italy, the Group's products may be subject to the application of customs duties and/or to protectionist laws regarding the importation of products in such countries.

OPERATING RISKS

Risks related to the continuity of craftsmanship and artisanal skills
One of the distinctive characteristics of Brunello Cucinelli products is the high level of craftsmanship involved in the production process, made possible thanks to constant training conducted in the Company and to the extensive know-how it has acquired. Although the Group tries to promote the development of artisanal production techniques at a regional level, it cannot be excluded that the number of people specializing in this type of production may decrease in the future.

Risks related to the supply of raw materials (in particular cashmere) and to increases in their prices

The principal raw materials used by the Brunello Cucinelli Group are yarns (especially cashmere yarns), textiles, and hides. The supply of cashmere is subject to various factors beyond the Group's control, some of which are unforeseeable. For example climatic conditions in regions (above all, Mongolia) that supply raw cashmere, changes in the way goats are raised in such regions and goat diseases or epidemics may affect the supply of cashmere and, therefore, its price. If there were a decrease in the supply of cashmere or an increase in demand and a consequent increase in its price, the Group could have difficulty in obtaining supplies in the medium term and would be forced to incur an increase in costs for purchases of this raw material.

Risks related to the sale of the Group's products through the retail channel

The risks related to management of existing directly operated stores (DOS) are linked mainly to possible difficulties in renewing leases, higher rents, revocation or non-renewal of commercial licenses (where required) and lower sales.

As for the opening of new DOS, the increases in fixed costs connected with newly-opened DOS may not be accompanied by a sufficient increase in revenues. In the Company's competitive scenario, the possibility of expanding the DOS network depends on the ability to obtain affordable spaces in locations that the Group deems strategic. There is strong competition among retail operators to obtain commercial spaces in the most prestigious locations of the world's largest cities. Therefore, when looking for new spaces, the Group might have to compete with other retail operators (including in the same sector) with economic and financial resources similar to or greater than its own.

Risks related to relations with façonisti

The Brunello Cucinelli Group's products are created by qualified laboratories outside the Group known as façonisti. Relations between the Company and the majority of the façonisti with which the Group has worked for many years are not governed by written long-term agreements but instead by individual orders assigned to them, as is standard practice in the sector. Any sudden termination of relations with a significant number of façonisti, or a situation in which multiple façonisti fail to respect production schedules (to the extent agreed) on multiple occasions, could negatively affect the Group's business. In addition, it cannot be excluded that some of the façonisti may in the future default on their obligations or terminate relations with the Company without notice.

Risks related to the defense of industrial and intellectual property rights

The protection of the Brunello Cucinelli brand and of other intellectual property rights is fundamental to the Group's positioning on the luxury market, especially in the absolute luxury sector. The brand's value could be compromised if its protection, or protection of the design of the Group's products, were impracticable or particularly difficult.

Although the Company invests significantly to protect its brand and intellectual property rights, as well as the design of some of its most successful products worldwide, it cannot be excluded that its actions may be unable to prevent imitations of the brand and of the Group's products. In addition, if the Group wishes to expand its business to countries in which the Brunello Cucinelli brand is not yet registered, any prior use and/or registration of the brand (or of brands mistakable for it) by third parties could limit (or block) the Group's business in such countries. Lastly, the laws of numerous foreign countries do not protect intellectual property rights with the same strictness as Italian law or the law of other European Union nations.

Risks connected with the perception of new trends
The sector in which the Brunello Cucinelli operates is characterized by changes in trends, tastes and lifestyles and customer purchasing habits which may also be of a sudden nature.
The Company is therefore subject to the risk that it may not always be able to perceive the demands of fashion or to translate them adequately when styling, designing and developing the end product. This situation could accordingly jeopardize the success of collections.

For a description of the complete Risk Management System, reference should be made to the specific description in the Annual Report on Corporate Governance and Ownership Structures.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company constantly invests in research and development to create new products that satisfy the demands of its customers as well as to reinforce the know-how it has developed over the years. As always, research and testing on materials and in the production of prototypes is of great importance.
In 2014, the Company incurred € 5,453 thousand in costs for personnel devoted to research and development, fully expensed during the year.

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 capital solvency.

The Group is exposed to various types of financial risk linked to 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 Company 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 because there is a possibility that the equivalent amount of revenues in euro may decrease in the event of adverse fluctuations in the exchange rate, thereby reducing the desired margin.
To limit its exposure to exchange rate risk deriving from its business activities, the Company stipulates derivative contracts (forward sale currency contracts) that predefine the conversion rate or a range of conversion rates at future dates.

The forward contracts are stipulated when seasonal price lists in foreign currency are defined, based on estimated sales and considering the expected collection date of the sales invoices as the expiration date of the contract. Specifically, the Company sets its selling prices in euro and calculates the corresponding prices in foreign currency by applying the forward exchange rate.

Liquidity risk

Liquidity risk is the risk arising from a lack of the funds required to meet the Group's commitments and financial needs in the short term. The main factors determining the Group's degree of liquidity are on the one hand the funds generated or absorbed by operating and investing activities, and on the other the expiry and renewal dates of its debt or the liquidity of its financial deposits and market conditions.
The Company manages liquidity risk by strictly controlling the elements comprising working capital and, in particular, trade receivables and trade payables.
The Company strives to obtain good cash generation in order to settle trade payables without jeopardizing the short-term balance of its treasury and to avoid criticalities and strains of available cash.

Credit risk

Credit risk regards the Company's exposure to potential losses deriving from the default in obligations assumed by third parties.
The Company'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 Company generally prefers to do business with customers with which it has solid, long-term relations.
When customers request extended payment terms, it is the Company's policy to conduct a credit check by means of information obtainable from specialized agencies and by studying and analyzing data on the performance of established customers. In addition, the receivables balance is constantly monitored during the year in order to guarantee timely action and to reduce the risk of losses.

For a detailed analysis of financial risks, reference should be made to the notes to these financial statements.

SIGNIFICANT SUBSEQUENT EVENTS

Finalization of the purchase of the property complex from Spring Immobiliare S.r.l. as part of the agreements with d'Avenza Fashion S.p.A.

On 15th January 2015 the Company finalized the purchase from Spring Immobiliare S.r.l. (a company belonging to the group of which d'Avenza Fashion S.p.A. forms part), at a price of € 2,770,000, of the property complex located in the Avenza district in the Municipality of Carrara, where the Brunello Cucinelli Group produces menswear (through the subsidiary Pinturicchio S.r.l.). This acquisition completes the implementation of the agreements originally reached with d'Avenza Fashion S.p.A..

Increase in share capital by Brunello Cucinelli Lessin Sichuan Fashion Co., Ltd.

In January 2015 the Company made a capital payment of 30 million Renminbi (RMB) as part of a fully reserved increase in the share capital of Brunello Cucinelli Lessin Sichuan Fashion Co., Ltd. totaling 100 million RMB (the company's share capital will therefore rise from 100 million RMB to 200 million RMB). On completion of the entire capital payment, the Company's interest in Brunello Cucinelli Lessin Sichuan Fashion Co., Ltd. will rise to 75.5%. This operation forms part of the logic of support and development of the Chinese market, which has considerable importance for the Company from a prospective standpoint.

Formation of SAM Brunello Cucinelli Monaco

On 6th February 2015 the formation of SAM Brunello Cucinelli Monaco was completed. The Company has a 68.67% interest in this new company, while an independent third party holds a further 30%. SAM Brunello Cucinelli Monaco will run the monobrand store that will be opened in Monte Carlo in the first half of this year.

Sale of the Company's shares by Fedone S.r.l.

On 29th January 2015 Fedone S.r.l., the Company's controlling shareholder, sold 3,494,000 of the Company's shares, corresponding to 5.14% of its share capital, through an accelerated book building offering reserved for institutional investors. BofA Merrill Lynch acted as sole bookrunner for the placement. As part of the same transaction Fundita S.r.l. sold 350,000 shares to Fedone, and on the completion of the operation Fedone S.r.l. and Fundita S.r.l. hold 57% and 2% respectively of the share capital of Brunello Cucinelli S.p.A.. As announced to the market on the same date, Fedone confirms its commitment to remain the controlling shareholder of the Company in the very long term.

Formation of Brunello Cucinelli Canada Limited

Brunello Cucinelli Canada Limited was formed on 9th February 2015. The Company holds a 70% interest in the new entity with the remaining 30% held by IMC Retail Inc. (a company headed by Mr. Massimo Ignazio Caronna, a former partner of the Brunello Cucinelli Group in Cucinelli Holding Co., LLC). Brunello Cucinelli Canada Limited will run the monobrand store to be opened in Vancouver in the second half of 2015 and will also be in charge of managing the Brunello Cucinelli multibrand business in Canada.

BUSINESS OUTLOOK

The figures reported for 2014 are very important for the Brunello Cucinelli Group, with growth in full swing both in Italy and abroad. Results in terms of revenues and profit margins were excellent in a year which has also been "fundamental" for the Company's image.

Through the commitment made by the whole of the Group, the Company is succeeding in winning over customers and observers thanks to its clear positioning in the top-end of the luxury sector and collections which stand out for their craftsmanship, modernity, style and quality. This is also the case for the latest 2015 fall/winter collections. With the collection of orders now completed, it is conceivable that growth will continue at the same rate in 2015 with a double-digit rise in turnover.

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

FINANCIAL STATEMENTS AT 31ST DECEMBER 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2014

(In thousands of euro)	NOTE	31st December 2014	of which with related parties	31st December 2013	of which with related parties
NON-CURRENT ASSETS					
Intangible assets	1	29,649		26,552	
Property, plant and equipment	2	80,157	11,475	59,180	8,252
Other non-current financial assets	3	4,786	32	3,426	41
Deferred tax assets	22	13,307		10,082	
TOTAL NON-CURRENT ASSETS		**127,899**		**99,240**	
CURRENT ASSETS					
Inventories	4	125,114		94,464	
Trade receivables	5	45,051	31	43,361	99
Tax receivables	6	1,023		1,094	
Other receivables and current assets	7	14,873		14,186	
Other current financial assets	8	44		-	
Cash and cash equivalents	9	53,635		38,676	
Current assets – derivative financial instruments	10	495		1,658	
TOTAL CURRENT ASSETS		**240,235**		**193,439**	
TOTAL ASSETS		**368,134**		**292,679**	

(In thousands of euro)	NOTE	31st December 2014	of which with related parties	31st December 2013	of which with related parties
EQUITY					
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY					
Share capital	11	13,600		13,600	
Share premium reserve	11	57,915		57,915	
Other reserves	11	60,182		40,063	
Profit attributable to shareholders of parent company	11	33,060		30,476	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		**164,757**		**142,054**	
NON-CONTROLLING INTERESTS					
Capital and reserves attributable to non-controlling interests		6,841		4,061	
Net profit (loss) attributable to non-controlling interests		(1,273)		(901)	
TOTAL NON-CONTROLLING INTERESTS		**5,568**		**3,160**	
TOTAL EQUITY		**170,325**		**145,214**	
NON-CURRENT LIABILITIES					
Liabilities for employee benefits	12	3,310		2,854	
Provisions for risks and charges	13	947		831	
Non-current bank debt	14	42,450		18,281	
Non-current financial payables	15	2,663		3,477	
Other non-current liabilities	16	4,908		2,006	
Deferred tax liabilities	22	3,280		3,308	
Non-current liabilities – derivative financial instruments		467		230	
TOTAL NON-CURRENT LIABILITIES		**58,025**		**30,987**	
CURRENT LIABILITIES					
Trade payables	17	62,185	625	62,607	753
Current bank debt	18	48,709		29,639	
Current financial payables	19	1,682		2,955	
Tax payables	20	1,152		1,562	
Current liabilities – derivative financial instruments	10	6,244		311	
Other current liabilities	21	19,812		19,404	
TOTAL CURRENT LIABILITIES		**139,784**		**116,478**	
TOTAL LIABILITIES		**197,809**		**147,465**	
TOTAL EQUITY AND LIABILITIES		**368,134**		**292,679**	

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

(In thousands of euro)		Year ended 31st December			
	NOTE	2014	of which with related parties	2013	of which with related parties
Net revenues	23	355,909	21	322,480	85
Other operating income	23	1,474	792	2,090	934
Revenues from sales and services		**357,383**		**324,570**	
Costs for raw materials and consumables	24	(51,289)	(85)	(54,485)	(58)
Costs for services	25	(176,131)	(1,743)	(156,619)	(1,490)
Payroll costs	26	(62,273)	(253)	(51,112)	(202)
Other operating costs	27	(3,379)	(7)	(2,916)	(14)
Own work capitalized	28	1,021		528	
Depreciation and amortization	29	(13,712)		(11,225)	
Value adjustments to assets and other provisions	30	(2,291)		(1,785)	
Total operating costs		**(308,054)**		**(277,614)**	
Operating profit (loss)		**49,329**		**46,956**	
Financial expense	31	(10,642)		(5,812)	
Financial income	32	7,739		4,077	
Pre-tax profit (loss)		**46,426**		**45,221**	
Income taxes	22	(14,639)		(15,646)	
Net profit (loss) for the year		**31,787**		**29,575**	
Net profit (loss) attributable to parent's shareholders	11	33,060		30,476	
Net profit (loss) attributable to non-controlling interests	11	(1,273)		(901)	
Basic earnings per share	33	0.48618		0.44818	
Diluted earnings per share	33	0.48618		0.44818	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2014

(In thousands of euro)	Year ended 31st December	
	2014	2013
Net profit (loss) for the year (A)	**31,787**	**29,575**
Other items of comprehensive income:		
Items which will be subsequently reclassified to profit or loss	**(806)**	**(977)**
Cash flow hedges	(3,604)	(678)
Income taxes	991	187
Effect of changes in cash flow hedge reserve	**(2,613)**	**(491)**
Translation differences on foreign financial statements	1,807	(486)
Items which will not be subsequently reclassified to profit or loss	**(102)**	**72**
Remeasurement of defined benefit plans (IAS 19)	(141)	99
Tax effect	39	(27)
Total other comprehensive income net of tax effect (B)	**(908)**	**(905)**
Total comprehensive income net of tax (A) + (B)	**30,879**	**28,670**
Attributable to:		
Shareholders of parent company	31,764	29,666
Non-controlling interests	(885)	(996)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

(In thousands of euro)	Year ended 31st December	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	31,787	29,575
Adjustments to reconcile net profit to cash flows from operating activities:		
Depreciation, amortization and write-downs	13,712	11,225
Allocation to provisions for employee benefits	170	99
Allocation to provisions for risks and charges / inventory obsolescence / bad debts	1,999	1,806
Changes in other non-current liabilities	2,447	932
Losses (gains) on disposal of fixed assets	(673)	(878)
Payments from provision for employee benefits	(178)	(100)
Payments from provisions for risks and charges	(130)	(302)
Net change in deferred tax assets and liabilities	(2,611)	(1,405)
Change in fair value of financial instruments	3,728	(879)
Changes in operating assets and liabilities:		
Trade receivables	(2,113)	2,772
Inventories	(25,945)	(14,129)
Trade payables	(6,664)	(463)
Other current assets and liabilities	(1,758)	(4,699)
NET CASH FROM OPERATING ACTIVITIES (A)	**13,771**	**23,554**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(29,601)	(24,543)
Investments in intangible assets	(4,351)	(6,944)
Investments in financial assets	(1,369)	(308)
Acquisition of SAS White Flannel, net of cash acquired	(549)	-
Acquisition of Pearl Flannel S.p.r.l., net of cash acquired	(443)	-
Acquisition of business from d'Avenza Fashion S.p.A., net of cash acquired	(84)	-
Acquisition of BC England Ltd., net of cash acquired	-	(3,197)
Acquisition of 49% of Brunello Cucinelli Marittima S.r.l.	-	(82)
Disposal of property, plant and equipment and key money	2,464	1,337
NET CASH USED IN INVESTING ACTIVITIES (B)	**(33,933)**	**(33,737)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans received	88,148	13,600
Repayment of long-term loans	(42,641)	(6,571)
Net change in short-term loans	(6,132)	1,954
Net change in long-term loans	(1,025)	3,258
Capital increase, capital payments by shareholders and other changes in equity	3,518	2,744
Dividends paid	(7,955)	(5,794)
NET CASH FROM FINANCING ACTIVITIES (C)	**33,913**	**9,191**
TOTAL CASH FLOWS (D=A+B+C)	**13,751**	**(992)**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (E)	**1,208**	**(377)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	**38,676**	**40,045**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (G=D+E+F)	**53,635**	**38,676**
Additional information:		
Interest paid	2,079	1,717
Income tax paid	17,765	18,465

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Net profit for the year	Total equity attributable to parent's shareholders	Total equity attributable to non-controlling interests	Total equity
At 1st January 2014	**13,600**	**2,361**	**57,915**	**-**	**(240)**	**37,942**	**30,476**	**142,054**	**3,160**	**145,214**
Net profit for the year							33,060	33,060	(1,273)	31,787
Other profits (losses)					1,419	(2,715)		(1,296)	388	(908)
Total comprehensive income	**-**	**-**	**-**	**-**	**1,419**	**(2,715)**	**33,060**	**31,764**	**(885)**	**30,879**
Allocation of net profit		359				30,117	(30,476)	-	-	-
Dividends paid						(7,480)		(7,480)	(475)	(7,955)
Capital payments by non-controlling interests								-	3,519	3,519
Change in consolidation scope and operations under common control						(1,583)		(1,583)	249	(1,334)
Other changes						2		2	-	2
At 31st December 2014	**13,600**	**2,720**	**57,915**	**-**	**1,179**	**56,283**	**33,060**	**164,757**	**5,568**	**170,325**

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Net profit for the year	Total equity attributable to parent's shareholders	Total equity attributable to non-controlling interests	Total equity
At 1st January 2013	**13,600**	**1,210**	**57,915**	**-**	**151**	**22,463**	**22,484**	**117,823**	**1,794**	**119,617**
Balance at 1st January 2013 (restated)	**13,600**	**1,210**	**57,915**	**-**	**151**	**22,317**	**22,630**	**117,823**	**1,794**	**119,617**
Net profit for the year							30,476	30,476	(901)	29,575
Other profits (losses)					(391)	(419)		(810)	(95)	(905)
Total comprehensive income	**-**	**-**	**-**	**-**	**(391)**	**(419)**	**30,476**	**29,666**	**(996)**	**28,670**
Allocation of net profit		1,151				21,479	(22,630)	-	-	-
Dividends paid						(5,440)		(5,440)	(354)	(5,794)
Change in consolidation scope						(53)		(53)	2,715	2,662
Other changes						58		58	1	59
At 31st December 2013	**13,600**	**2,361**	**57,915**	**-**	**(240)**	**37,942**	**30,476**	**142,054**	**3,160**	**145,214**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31ST DECEMBER 2014

1. BASIS OF PREPARATION

1.1 CONTENT AND FORMAT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), adopted by the European Union and in effect at the date of the financial statements. The notes to the consolidated financial statements have been supplemented by the additional information required by Consob and the instructions issued by Consob in implementation of article 9 of Legislative Decree no. 38/2005 (Resolutions 15519 and 15520) of 27th July 2006 and communication DEM/6064293 of 28th July 2006, pursuant to article 78 of the Issuers' Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.

The consolidated financial statements at 31st December 2014, approved by the Board of Directors on 10th March 2015, include 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.

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.

2. CONSOLIDATION SCOPE

The consolidated financial statements consist 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) as of and for the year ended 31st December 2014.

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. The Group consolidates a subsidiary from the date it gains control until the date it ceases to control that subsidiary. 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 31st December 2014, 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 31).

The following table provides summarized information on subsidiaries at 31st December 2014, 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 Blue Flannel S.A.	Brussels – Belgium	Euro	61,973		100.00%
Brunello Cucinelli France Sarl	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 SL	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse S.A .	Lugano – Switzerland	Swiss franc	200,000	2.00%	98.00%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		51.00%
Brunello Cucinelli Japan Co., Ltd	Tokyo – Japan	Japanese yen	180,000,000	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	100,000,000	51.00%	
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		70.00%
Brunello Cucinelli Hong Kong Ltd.	Hong Kong	Hong Kong dollar	2,000,000	51.00%	
Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd.	Macau	MOP	5,000,000	51.00%	
Pinturicchio S.r.l.	Carrara - Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Brasil LTDA	San Paolo - Brazil	BRL	6,300,000	98.00%	2.00%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
Pearl Flannel S.p.r.l.	Brussels – Belgium	Euro	6,200		100.00%

The main changes taking place in the consolidation scope in 2014 were as follows:

- the acquisition, effective 1st January 2014, of 100.0% of the Belgian registered company Pearl Flannel S.p.r.l., owner of the Knokke boutique;
- the acquisition, effective 1st February 2014, of 25.0% of the French registered company SAS White Flannel, owner of the Cannes boutique and controlled "de facto" under contractual agreements between shareholders and changes to the company's bylaws made on acquisition.

The new subsidiaries are consolidated on a line-by-line basis.

Apart from the above there were no other changes to the consolidation scope compared to the year ended 31st December 2013.
In this respect it is noted that minority interests in the Belgian registered companies Brunello Cucinelli Belgium S.p.r.l. and Brunello Cucinelli Blue Flannel S.A. were acquired during 2014. As the Group already controlled these companies previously, these transactions regarded entities that were already consolidated on a line-by-line basis in previous years and therefore did not lead to any changes in the existing consolidation scope. In addition, a further interest of 45% in SAS White Flannel was acquired in December 2014, a company over which control had already been acquired on 1st February 2014 as stated; the Group accordingly has an interest of 70% in that company.

3. ACCOUNTING STANDARDS

INTRODUCTION

The consolidated financial statements have been prepared based on a historical cost basis, except in the case of derivatives and available-for-sale financial assets which are recognized at fair value.

The consolidated financial statements are presented in Euro, and all values are rounded to thousands of Euro unless otherwise stated.

DISCRETIONAL ASSESSMENTS AND VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Brunello Cucinelli Group's consolidated financial statements requires the Company's directors to make discretional 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 discretional 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 discretional 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 (for the TFR) 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 discretional 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.

Derivative instruments

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.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded under the purchase method. This requires a fair value calculation of the identifiable assets (including intangible assets not previously recognized) of the acquired company.

The goodwill acquired in a business combination is initially measured at cost represented by the excess of the consideration transferred plus the amount of any non-controlling interest over the fair value of the identifiable assets acquired and the liabilities assumed by the Group.

For purposes of the fairness analysis, the goodwill acquired in a business combination is allocated on the acquisition date to the Group's individual cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other Group assets or liabilities are assigned to such units or groups of units. Each unit or group of units to which goodwill is allocated:

a) represents the lowest level in the Group at which the goodwill is monitored for purposes of internal management;
b) is not larger than the segments identified on the basis of the format used for presentation of the Group's disclosure of operating segments pursuant to IFRS 8 *Operating Segments*.

When goodwill is part of a cash generating unit (a cash generating unit group) and some of such unit's internal assets are sold, the goodwill associated with the sold assets is included in the carrying amount of the asset to calculate the gain or loss deriving from the sale. The goodwill sold under these circumstances is measured on the basis of the values of the sold asset and of the portion of the asset remaining.

When the sale regards a subsidiary, the difference between the selling price and the net assets plus accumulated exchange differences and goodwill is recognized through profit or loss.

No goodwill was recorded in the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31st December 2014.

COMMON CONTROL TRANSACTIONS

Business combinations involving entities under common control are not accounted for in accordance with IFRS 3 Business Combinations, which specifically excludes them, but are recognized in accordance with the pooling of interests method. In consideration of the purely organizational aims of such transactions, and in application of the Group's applicable accounting policy, these are recorded on the basis of the existing carrying amounts of the companies involved, without measuring the effects of the business combinations.

INTANGIBLE ASSETS

Intangible assets are recognized in assets at purchase cost when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets acquired by means of business combinations are recognized at fair value at the acquisition date, if such value can be reliably determined. Internally produced intangible assets are not capitalized and are recognized in the income statement in the year in which the relevant costs were incurred.

Intangible assets with finite useful lives are amortized on a straight line basis over those lives and are tested for impairment whenever there are indications of a possible impairment loss, following the rules described below.

Remaining useful lives are reviewed at the end of each year or more frequently if necessary. Changes in expected useful life or the ways in which the Group obtains future economic benefits linked to the intangible asset are recognized by changing the amortization period and/or method and are treated as changes in accounting estimate. The amortization of intangible assets with finite lives is recognized in the income statement in the cost category consistent with the function of the intangible asset.

Gains or losses on the sale of an intangible asset are measured as the difference between the net proceeds from the sale and the carrying amount of the asset and are recognized in the income statement at the time of sale.

The estimated useful lives of intangible assets with finite lives are as follows:

	Years
Trademarks	18
Key money	Based on lease term
Software	2-3
Licenses	5
Other intangible assets	3-12

Key money
This intangible asset consists of amounts paid by the Group to assume leases for commercial property in prestigious locations. The amounts also include the initial direct costs incurred for the negotiation and stipulation of lease agreements. Such costs are capitalized by virtue of expected incremental revenues deriving from the possibility of operating in prestigious locations.
Key money is amortized over the lease term (for retail channel stores) or over the term of the affiliation agreement (for wholesale monobrand channel stores).

Concessions, licenses and trademarks
These intangible assets consist of the costs incurred for the registration of Group trademarks.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired separately is recognized at historical cost, inclusive of accessory costs directly attributable and necessary for commissioning of the asset for its intended use. This cost includes expenses for spare parts for machinery and equipment, recognized when incurred, if conforming to measurement criteria.

With reference to buildings, cost is represented by fair value calculated at the date of transition to IFRS (1st January 2008), as permitted by IFRS 1, and is shown net of depreciation and any impairment.

Property, plant and equipment acquired by means of business combinations is recognized at fair value calculated at the acquisition date.

Maintenance and repair costs, other than costs that increase the value and/or extend the remaining useful life of assets, are expensed as incurred; otherwise they are capitalized.

Property, plant and equipment is shown net of accumulated depreciation and of any impairment, calculated by the methods described below. Depreciation is charged on a straight line basis over the estimated useful life of the asset, which is reviewed annually; changes are made as necessary with prospective application.

The estimated useful lives of the main categories of property, plant and equipment are as follows:

	Years
Buildings	33
(of which leasehold improvements)	Based on lease term
Plant and machinery	8
Industrial and commercial equipment	4
Other assets	4-8

If components of property, plant and equipment have different useful lives they are recognized separately. Land, with or without buildings, is recognized separately and is not depreciated because it has an indefinite useful life.

The carrying amount of property, plant and equipment is tested for impairment by following the rules described below if events or changes in the situation indicate that this amount cannot be recovered.

At the time of sale or when no future economic benefits are expected from its use, the asset is derecognized and any gain or loss (calculated as the difference between disposal value and the carrying amount) is recognized in profit or loss in the year of derecognition.

Historical collection

For each collection the Company keeps one example of every article considered important and sellable. The design department uses these products as a source of inspiration when creating new collections.

These assets are classified as property, plant and equipment, recognized at historical cost of production, and are not depreciated because they have an indefinite useful life.

The value increases of such assets are recognized in profit or loss as own work capitalized.

Impairment

At year-end, the Group considers whether there are any indicators of impairment of intangible assets and of property, plant and equipment. If such indicators are found, an impairment test is conducted.

If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell of an asset or cash generating unit and its value in use, and is calculated for each asset except when such asset generates cash flows that are not largely independent of those generated by other assets or groups of assets, in which case the Group estimates the recoverable amount of the cash generating unit to which the asset pertains.

In calculating value in use, the Group discounts the current value of estimated future flows by using a pre-tax discount rate that reflects market estimates of the time value of money and the specific risks of the asset.

For purposes of estimating value in use, future cash flows are taken from the business plans approved by the Board of Directors, which constitute the Group's best forecast of economic conditions in the plan period. Plan projections normally cover three years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate for the industry, country, or reference market. Future cash flows are estimated by making reference to current conditions: therefore, the estimates do not consider benefits deriving from future reorganizations to which the Company is not yet committed or future investments to improve or optimize the asset or the unit.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset has suffered an impairment and is consequently written down to the recoverable amount.

Impairments to operating assets are reported in the income statement in the cost categories consistent with the function of the impaired asset. At year end, the Group also considers whether there are any indicators of reductions in losses recognized following previous impairment tests and, if so, it makes a new estimate of the recoverable amount. An impairment loss may only be reversed if there have been changes in the estimates used to calculate the asset's recoverable amount after the latest recognition of impairment. In such case, the asset's carrying amount is written up to its recoverable amount, but such increased amount may not exceed the carrying amount that would have been calculated, net of depreciation/amortization, if no impairment loss had been recognized in previous years. Reversals of impairment losses are recognized as income in profit or loss. After the reversal of an impairment loss, the depreciation/amortization charged on the asset is adjusted in future periods in order to write-off the new carrying amount, less any residual values, on a straight line basis over its remaining useful life. Impairment losses recognized for goodwill cannot be subsequently reversed.

FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

These assets are measured using the amortized cost criterion by using the effective discount rate method net of any provision for impairment.

Amortized cost is calculated by considering any purchase discount or premium and includes fees that are an integral part of the effective interest rate and transaction costs.

Receivables with maturity exceeding one year that are non-interest bearing or earn interest below market rate are discounted by using interest rates in line with the market.

INVENTORIES

Inventories are measured at the lower of purchase and/or production cost, calculated by means of the weighted average cost method, and net realizable value. Purchase cost includes relative ancillary costs for purchases in the period. Production cost includes directly attributable costs and a portion of indirect costs reasonably attributable to the products. Net realizable value consists of the estimated selling price less estimated completion costs and estimated selling costs.

Where necessary, an allowance for obsolescence is established for materials or products, in view of their expected use and realizable value.

TRADE RECEIVABLES AND OTHER RECEIVABLES AND CURRENT ASSETS

Trade receivables and other receivables and current assets are initially recognized at fair value, which generally corresponds to nominal value and are subsequently measured at amortized cost and written down in case of impairment. They are also adjusted to their expected realizable value, if lower, via a specific allowance for doubtful debts.Receivables in currencies other than the Euro are recognized at the exchange rate at the transaction date and then translated at the exchange rate at year-end. Gains or losses on translation are recognized in profit or loss.

If trade receivables and other receivables and current assets have credit terms beyond the normal and do not generate interest, an analytic discount process is applied based on assumptions and estimates.

OTHER FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Other financial assets are initially recognized at fair value and subsequently measured at amortized cost.

A financial asset (or, were applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed a contractual obligation to pay all such flows immediately to a third party;
- the Group has transferred rights to receive cash flows from the asset and (a) has substantially transferred all of the risks and benefits of ownership of the financial asset or (b) has not substantially transferred all of the risks and benefits of the asset but has transferred control of same.

Where the Group has transferred rights to receive cash flows from the asset but has not transferred or retained substantially all of the risks and benefits or has not lost control of same, the asset is recognized to the extent of the Group's residual interest in the asset. A residual interest that takes the form of a guarantee on the transferred asset is valued at the lower of the initial carrying amount of the asset and the maximum price that the Group might be required to pay.

If the residual interest takes the form of an option issued and/or acquired on the transferred asset (including cash settled or similar options), the Group's interest corresponds to the amount of the transferred asset that the Group may repurchase. Nevertheless, in case of a put option issued on an asset measured at fair value (including cash settled or similar options), the Group's residual interest is limited to the lesser of the fair value of the transferred asset and the exercise price of the option.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand and short-term deposits (the latter with original maturity not beyond three months). Cash and cash equivalents are recognized at nominal value and at the spot exchange rate at year-end if in foreign currency.

FINANCIAL PAYABLES

Loans are initially recognized at the fair value of the amounts borrowed, less ancillary loan charges.

After the initial recognition, loans are measured at amortized cost by using the effective interest rate method.

Any gain or loss is recognized through profit or loss when the liability is extinguished, in addition to by means of amortization.

PROVISIONS

The Group makes provisions for risks and charges when there is a present obligation (legal or constructive) arising from a past event, when it is probable that there will be an outflow of resources to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

When the Group believes that an allocation to provisions for risks and charges will be partially or totally reimbursed (for example, in case of risks covered by insurance policies), the indemnity is recognized specifically and separately in assets if (and only if) reimbursement is virtually certain. In such case, the cost of any provision is recognized in profit or loss net of the amount recognized for the indemnity.

If the effect of discounting of the cash value is significant, provisions are discounted by using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liability. When discounting is performed, the increase in the allocation due to the passage of time is recognized as financial expense.

LIABILITIES FOR EMPLOYEE BENEFITS

Post-employment benefits are defined on the basis of programs which, even if not yet formalized, according to their characteristics are classified as "defined benefit" and "defined contribution" programs.

Italian law (article 2120 of the civil code) prescribes that all employees shall receive an indemnity (the employees' termination liability or the TFR) on the terminatation of employment. The indemnity is calculated on the basis of certain items making up the employee's annual salary for each year of service (appropriately revalued) and the number of years of service. Under Italian law, the liability for this indemnity is recognized as the undiscounted accrued amount at the date of the financial statements, as if all employees were to terminate employment on such date.

In considering the Italian TFR, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) concluded that under IAS 19 the liability must be calculated under the Projected Unit Credit Method ("PUCM"), by which the liability for accrued benefits must reflect the expected employment termination date and must be discounted.

The actuarial assumptions and their effects take into consideration the regulatory changes introduced by the Italian government, which provided employees the option of transferring their accrued TFR to INPS (the national social security organization) or to supplementary pension funds from 1st July 2007.

The Group's net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the years of service, and this benefit is discounted to present value. Actuarial gains and losses from defined benefit plans, accumulated up to the previous year and reflecting the effects deriving from changes in the actuarial assumptions used, are recognized in profit or loss.

The actuarial estimate of the liability was calculated by an independent actuary. The Group has no other defined benefit pension plans.

The Group's obligation deriving from defined benefit plans is limited to the payment of contributions to the state entity or separate entity (supplementary pension scheme or fund) and is calculated on the basis of the contributions due on an accruals basis.

FINANCIAL INSTRUMENTS

Financial instruments are initially recognized at fair value and after initial recognition are measured by category as required by IAS 39.

For financial assets, this treatment is based on the following classifications:
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets.

There are only two categories for financial liabilities:
- Financial liabilities recognized at fair value through profit or loss;
- Liabilities at amortized cost.

The methods for calculating the fair value of such financial instruments for accounting or reporting purposes are summarized below, with reference to the principal categories of financial instruments to which they are applied:
- derivatives: adequate pricing models are adopted based on market values of interest rates and exchange rates;
- non-listed financial receivables and payables: the discounted cash flow method is applied to financial instruments with maturity exceeding 1 year, that is cash flows are discounted to present value in view of current interest rates and credit rating;
- listed financial instruments: the market value on the reference date is used.

Derivatives
The Brunello Cucinelli Group uses derivative financial instruments only for purposes of hedging financial risks deriving from changes in exchange rates on business transactions in foreign currency and from changes in interest rates on bank debt.

In line with the requirements of IAS 39, derivatives may be treated as hedges only when:
- there is formal designation and documentation of the hedge relationship when the hedge commences;
- the hedge is expected to be highly effective;
- he effectiveness can be reliably measured; and
- the hedge is highly effective throughout the various designated accounting periods.

All derivatives are measured at fair value. When the derivatives satisfy hedge accounting requirements, the following accounting treatment is applied:

Fair value hedge – if a derivative is designated to hedge exposure to changes in the fair value of an asset or a liability through profit or loss. Gains and losses from subsequent measurements of the fair value are recognized through profit or loss, as are gains and losses on the hedged item.

Cash flow hedge – if a derivative is designated to hedge exposure to changes in the cash flows of an asset or a liability or of a highly probable transaction that may have effects on the income statement, the effective portion of the gains or losses on the financial instrument is recognized in equity. Accumulated gains or losses are reclassified from equity to profit or loss in the same period in which the hedge transaction is recognized; the gain or loss associated with a hedge, or the part of the hedge that has become ineffective, is recognized in profit or loss when the ineffectiveness is identified.

The Group applies cash flow hedge accounting to stabilize cash flows related to loans and, since 2010, to hedge revenues in US dollars. As a result, the effective portion of the change in fair value of derivatives designated to hedge highly probable transactions in foreign currency is allocated to a specific reserve.
When hedged transactions produce their effects and are recognized, the amounts allocated to the reserve are reclassified to revenues in the income statement. The ineffective portion of such change in fair value is recognized through profit and loss as financial income and expense. Subsequent changes in fair value, in accordance with the accounting treatment of the hedged items, are recognized through profit or loss as financial income and expense.

If hedge accounting cannot be applied, the effects deriving from the fair value measurment of the derivative are recognized directly in profit or loss.

REVENUES AND COSTS

Revenues and costs are recognized on an accruals basis. Revenues and income, stated net of returns, discounts, allowances and bonuses, are recognized at fair value to the extent that such value can be reliably determined and to the extent it is probable that the related economic benefits will be obtained.

FINANCIAL INCOME AND EXPENSE

Financial income and expense are recognized on an accruals basis as the interest accruing on the net value of the relative financial assets and liabilities, calculated using the effective interest rate.

INCOME TAXES

Current taxes

Current income taxes are based on an estimate of taxable profit and are calculated by applying the tax legislation in force in countries in which the Brunello Cucinelli Group conducts its business. Current tax liabilities are calculated by applying the tax rates that have been enacted or substantially enacted by the balance sheet date. Cuurent tax payables are classified in balance sheet net of any advance tax payments made.

Deferred taxes

Deferred taxes are calculated on the deductible temporary differences (which give rise to deferred tax assets) and taxable temporary differences (which give rise to deferred tax liabilities) at year end between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets are recognized to the extent that it is probable that there will be adequate taxable profit against which temporary differences and deferred tax assets and liabilities can be utilized.

Deferred tax assets are reviewed at each year end and written down to the extent it is no longer probable that there will be adequate taxable profit to enable all or part of such assets to be recovered.

Deferred tax assets that have not been recognized are reviewed at each year end and recognized to the extent it has become probable that there will be adequate taxable profit to enable such deferred tax assets to be recovered.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply to the year in which such assets are realized or such liabilities are settled, based on tax rates (and tax laws) in force as well as those already enacted or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are recognized through profit or loss, except for those relating to items recognized directly in equity, in which case deferred taxes are recognized in equity.

Deferred tax assets and liabilities are offset when they relate to the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit by the weighted average of shares outstanding during the year. To calculate diluted earnings per share, the weighted average of shares outstanding is adjusted by assuming the conversion of all potential shares with dilutive effect. Likewise, net profit is adjusted to consider the effects (net of taxes) of conversion.

Diluted earnings per share coincide with basic earnings per share because there are no outstanding shares or options other than ordinary shares.

OPERATING SEGMENTS

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

4. CHANGES IN ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING ESTIMATES AND RECLASSIFICATIONS

4.1 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1st JANUARY 2014

The IASB issued IFRS 10 Consolidated Financial Statements on 12th May 2011 (subsequently amended on 28th June 2012) which supersedes the interpretation SIC 12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements which has been renamed IAS 27 Separate Financial Statements and regulates the accounting treatment of investments in separate financial statements. The new standard sets out from existing standards, identifying a single control model applicable to all entities, including vehicles. In addition it provides guidance for establishing the existence of control where this is difficult to determine. The IASB requires the standard to be applied retrospectively from 1st January 2013. The competent bodies of the European Union have completed their adoption process for the standard and postponed the date for application to 1st January 2014, allowing however early adoption from 1st January 2013.

The IASB issued IFRS 11 Joint Arrangements on 12th May 2011 (subsequently amended on 28th June 2012) which replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard provides the criteria for identifying joint arrangements based on the rights and obligations deriving from agreements rather than the legal form of such and establishes the equity method as the only means of accounting for investments in joint ventures in consolidated financial statements. The standard is applicable to all parties that are bound to a contractual agreement under which two or more of those parties which share control by unanimous consent, have the power to direct relevant decisions and govern exposure to future returns. Two types of agreement are identified:

- joint operations: the venturer recognizes its share of assets, liabilities, revenue and expenses in its financial statements;
- joint ventures: the contractual agreement is managed through an entity and the venturer is only entitled to the net flows from business activities; the venture recognizes its interest in the joint venture as an investment, accounting for that investment using the equity method.

Following the issue of these standards, IAS 28 Investments in Associates has been amended to include joint ventures within its scope of application from the effective date of the standard. The IASB requires the standard to be applied retrospectively from 1st January 2013. The competent bodies of the European Union have completed their adoption process for the standard and postponed the date for application to 1st January 2014, allowing however early adoption from 1st January 2013.

The IASB issued IFRS 12 Disclosure of Interests in Other Entities on 12th May 2011 (subsequently amended on 28th June 2012) which is a new and complete standard establishing the additional disclosure requirements that entities must provide about all types of interests, including those in a subsidiary, a joint arrangement, an associate, a special-purpose entity or an unconsolidated vehicle. The IASB requires the standard to be applied retrospectively from 1st January 2013. The competent bodies of the European Union have completed their adoption process for the standard and postponed the date for application to 1st January 2014, allowing however early adoption from 1st January 2013. The effects of adopting the new standard are limited to the disclosures relating to investments in other entities to be provided in the notes to the annual consolidated financial statements.

The following paragraphs provide the nature and effect of each new standard and/or amendment that became effective for the first time in 2014. The new standards and amendments had no effect on the Group's consolidated financial statements.

Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27
These amendments regard the exclusion from the consolidation scope of entities that fall under the definition of investment entities within the meaning of IFRS 10 *Consolidated Financial Statements*, requiring investment entities to measure subsidiaries at fair value through profit or loss. The amendments had no effect on the Group's financial statements as none of the entities belonging to the Group qualifies as an investment entity within the meaning of IFRS 10.

Offsetting financial assets and liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set off" and the offsetting criterion in the case of settlement systems (such as centralized clearing houses) that apply non-simultaneous gross settlement mechanisms. The amendments had no effect on the Group's financial statements.

Novation of derivatives and continuation of hedge accounting – Amendments to IAS 39
These amendments allow hedge accounting to be continued if the novation of a hedging derivative respects certain criteria.

Additional disclosures on the recoverable amount of non-financial assets – Amendments to IAS 36
These amendments remove the involuntary consequences introduced by IFRS 13 on the disclosures required by IAS 36. In addition, they require disclosures about the recoverable amount of assets or CGUs for which an impairment loss has been recognized or reversed during the year.,

4.2 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP

Set out in the following are the standards and interpretations which had already been issued at the date of preparation of the Group's consolidated financial statements but were not yet applicable. The Group intends to adopt these standards when they become effective.

IFRIC 21 Levies

IFRIC 21 is effective for years beginning on or after 1st January 2015 and is applicable retrospectively. The interpretation applies to all levies imposed by governments which do not fall within the scope of other standards (such as IAS 12 Income Taxes) and to fines or other penalties that are imposed for breaches of the legislation.
The interpretation clarifies that an entity should not recognize a liability before the obliging event occurs which triggers the payment, in accordance with applicable law. The interpretation also clarifies that the liability only accrues progressively if the obliging event occurs over a period of time prescribed by law.
For payments which fall due only on exceeding a minimum threshold, the liability is only recognized on reaching that threshold. The interpretation requires an entity to apply the same recognition principles in its interim financial statements.

IFRS 9 Financial Instruments

In July 2014 the IASB issued the final version of IFRS 9 Financial Instruments that reflects all the stages in the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all the previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is applicable for years beginning on or after 1st January 2018; early application is permitted. Retrospective application of the standard is required but it is not mandatory to provide comparative disclosures. Early application of the previous versions of IFRS 9 is permitted (2009, 2010 and 2013) if first-time application is prior to 1st February 2015.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider the contributions made by employees or third parties when defined benefit plans are accounted for. When contributions are linked to service, they must be attributed to the service period as negative benefits. The 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 July 2014.

Annual improvements to IFRSs 2010-2012 cycle
These improvements are effective 1st July 2014 and are not expected to have a material effect for the Group. They consist of the following:

IFRS 2 Share-based Payment – This amendment is applicable prospectively and clarifies various issues relating to the definition of a performance condition and a service condition 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 may be a market or non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations – This amendment is applicable prospectively and clarifies that all agreements for contingent consideration in a business consideration 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).

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.

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 on either gross or net book value at the observable dates. In addition, accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount of the asset.

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.

Annual improvements to IFRSs 2011-2013 cycle

These improvements are effective 1st July 2014 and are not expected to have a material effect for the Group. They consist of the following:

IFRS 3 Business Combinations – This amendment is applicable prospectively and clarifies with reference to the scope exceptions of IFRS 3 that:

- joint arrangements, and not only joint ventures, are outside the scope of IFRS 3;
- the scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement – This amendment is applicable prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and liabilities but also to other contracts falling within the scope of IFRS 9 (or IAS 39).

IAS 40 Investment Property – The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (for example property, plant and machinery). This amendment is applicable prospectively and clarifies that IFRS 3 is used to determine whether a transaction is the purchase of an asset or a business combination and not the description of ancillary services contained in IAS 40.

IFRS 15 *Revenue from Contracts with Customers*

This standard 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 standard takes a more structured approach to the recognition and measurement of revenue.

The new standard will be applicable to all entities and 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 2017, with a fully or modified retrospective approach. Early application is permitted. The Group is currently assessing the effect of IFRS 15 and plans to apply the new standard from the mandatory effective date.

Amendments to IFRS 11 ***Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations***
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. No effect on the Group's consolidated financial statements is expected to arise from the application of these amendments.

Amendments to IAS 16 and IAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortization***
The amendments clarify the principle contained in IAS 16 and IAS 38 that revenues reflect a model of economic benefits that are generated by the operations of a business (of which the asset forms part) rather than the economic benefits that are consumed by using 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. No effect on the Group's consolidated financial statements is expected to arise from the application of these amendments as the Group 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. No effect on the Group's consolidated financial statements is expected to arise from the application of these amendments.

Amendments to IAS 1: *Disclosure Initiative*

The aim of the amendments is to introduce clarifications to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. These amendments are awaiting adoption by the EU, while the IASB has stated that they are applicable for years beginning on or after 1st January 2016. Early application is permitted.

Annual improvements to IFRSs 2012–2014 cycle

The object of the annual improvements is to deal with necessary matters relating to inconsistencies that may have been encountered in IFRSs or clarifications of terminology that are not of an urgent nature but have been discussed by the IASB during the project cycle. Among the standards involved in the amendments is IFRS 5, for which clarification has been introduced for cases in which there is a change in the disposal plan for an asset, reclassifying such from assets held for sale to held for distribution; and IFRS 7, where a clarification has been introduced to establish if and when servicing contracts constitute continuing involvement for disclosure purposes. Further doubtful points are discussed with regard to IAS 19, where a clarification is provided that the currency of the bonds used as a reference for estimating the discount rate must be that in which the benefits will be paid, and IAS 34, where the meaning of "elsewhere in the financial report" referencing is clarified. The amendments are awaiting adoption by the EU

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate/Joint Venture.

The purpose of these amendments is to eliminate the conflict between the requirements of IAS 28 and IFRS 10. Clarification is provided that the extent to which a gain or loss may be recognized in a transaction involving an associate or joint venture depends on whether the asset being sold or contributed constitutes a business. The amendments are awaiting adoption by the EU. The IASB has stated that the amendments are applicable to years beginning on or after 1st January 2016. Early application is permitted.

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

The consolidated financial statements are presented in euro, the functional and presentation currency adopted by the Company. Each Group entity establishes its own functional currency, which it uses to measure the items included in the individual financial statements. Transactions in foreign currency are initially recognized at the exchange rate (referring to the functional currency) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated 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	
	31st December 2014	31st December 2013	31st December 2014	31st December 2013
US dollar	1.3285	1.328118	1.2141	1.3791
Swiss franc	1.214622	1.231058	1.2024	1.2276
Japanese yen	140.306117	129.662666	145.23	144.72
RMB	8.185746	8.164629	7.5358	8.3491
British pound	0.80612	0.849255	0.7789	0.8337
Hong Kong dollar	10.302461	10.301565	9.417	10.6933
Real	3.121129	(*)	3.2207	(*)

(*) Exchange rate not used in the period stated.

6. BUSINESS COMBINATIONS

Acquisition of a business from d'Avenza Fashion S.p.A.

On 15th January 2014 the Brunello Cucinelli Group completed the purchase, through its wholly-owned subsidiary Pinturicchio S.r.l., of the manufacturing operations of d'Avenza Fashion S.p.A., which specializes in the production of off-the-peg and bespoke men's suits, with the aim of extending its offer to customers with a top-quality tailoring service.

A price of € 84 thousand was paid for this business and a summary of the fair value of the assets and liabilities acquired at the acquisition date and the cash used for the acquisition are as follows:

	Fair value on acquisition
Property, plant and equipment	454
TOTAL NON-CURRENT ASSETS	**454**
TOTAL ASSETS	**454**
Liabilities for employee benefits	323
TOTAL NON-CURRENT LIABILITIES	**323**
Other current liabilities	47
TOTAL CURRENT LIABILITIES	**47**
TOTAL LIABILITIES	**370**
TOTAL IDENTIFIABLE ASSETS AT FAIR VALUE	**84**
GOODWILL ARISING FROM THE ACQUISITION	**-**
Purchase price:	**84**
Consideration paid	84
Debt	-
Analysis of cash flows from the acquisition:	
Net cash acquired with the business (included in cash flows from investing activities)	-
Consideration paid	(84)
NET CASH FLOW FROM THE ACQUISITION	**(84)**

Purchase of quotas in Pearl Flannel S.p.r.l. (store in Knokke – Belgium)

In January 2014 the subsidiary Brunello Cucinelli Belgium S.p.r.l. acquired from an independent third party 100% of Pearl Flannel S.p.r.l., the Belgian registered company which manages a monobrand store in the seaside resort of Knokke (Belgium), at a total price of € 493 thousand.

The assets acquired and liabilities assumed were assigned a fair value, to which key money of € 677 thousand was added, determined as follows:

(In thousands of euro)	
Purchase price of 100% of the investment	493
Total carrying amount of the investment (A)	**493**
Net assets at the acquisition date (B)	**46**
Excess to be allocated (A - B)	**447**
Allocation of the excess:	
Key money	677
Deferred tax liabilities	(230)

The fair value at the acquisition date of the assets and liabilities of the company acquired and the net cash used for the acquisition are as follows:

	Fair value on acquisition
Other intangible assets	56
Property, plant and equipment	152
TOTAL NON-CURRENT ASSETS	**208**
Inventories	302
Trade receivables	9
Other receivables and current assets	38
Cash and cash equivalents	50
TOTAL CURRENT ASSETS	**399**
TOTAL ASSETS	**607**
Non-current bank debt	54
TOTAL NON-CURRENT LIABILITIES	**54**
Trade payables	433
Current bank debt	14
Tax payables	13
Other current liabilities	47
TOTAL CURRENT LIABILITIES	**507**
TOTAL LIABILITIES	**561**
Net assets attributable to non-controlling interests	**-**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**46**
GOODWILL ARISING FROM THE ACQUISITION	**447**
Purchase price:	
Consideration paid	493
Debt	-
Analysis of cash flows for the acquisition:	
Net cash acquired with the business (included in cash flows from investing activities)	50
Consideration paid	(493)
NET CASH FLOW FROM THE ACQUISITION	**(443)**

Purchase of quotas in SAS White Flannel (store in Cannes)

In February 2014 Brunello Cucinelli Europe S.r.l. acquired from the same independent third party mentioned above 25% of SAS White Flannel, the French registered company which has operated the monobrand store in Cannes for a considerable length of time. Brunello Cucinelli Europe S.r.l. acquired de facto control of the company by way of agreements between the shareholders and amendments to the bylaws.
As a result, as of 1st February 2014 the boutique in Cannes was converted from a wholesale monobrand store to a DOS. The Group paid € 700 thousand for the investment.

The assets acquired and liabilities assumed were assigned a fair value, to which key money of € 966 thousand was added, determined as follows:

(In thousands of euro)	
Purchase price for 25% of the investment	700
Total carrying amount of the investment (A)	**700**
Net assets (25%) at the acquisition date (B)	**56**
Excess to be allocated (A - B)	**644**
Allocation of the excess:	
Key money	966
Deferred tax liabilities	(322)

The fair value at the acquisition date of the assets and liabilities of the company acquired and the net cash used for the acquisition are as follows:

	Fair value on acquisition
Other intangible assets	1,500
Property, plant and equipment	327
Other non-current financial assets	90
TOTAL NON-CURRENT ASSETS	**1,917**
Inventories	601
Other receivables and current assets	57
Cash and cash equivalents	151
TOTAL CURRENT ASSETS	**809**
TOTAL ASSETS	**2,726**
Non-current bank debt	424
TOTAL NON-CURRENT LIABILITIES	**424**
Trade payables	1,084
Current bank debt	15
Other current liabilities	980
TOTAL CURRENT LIABILITIES	**2,079**
TOTAL LIABILITIES	**2,503**
Net assets attributable to non-controlling interests (75% of the fair value of the net book value of the net assets)	**167**
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**56**
GOODWILL ARISING FROM THE ACQUISITION	**644**
PURCHASE PRICE	**700**
Consideration paid	700
Debt	-
Analysis of cash flows for the acquisition:	
Net cash acquired with the business (included in cash flows from investing activities)	151
Consideration paid	(700)
NET CASH FLOW FROM THE ACQUISITION	**(549)**

A further interest of 45% in SAS White Flannel was acquired in December 2014, although control of the company had already been obtained at 1st February 2014 as discussed above. The purchase price of € 1,500 thousand was recognized as a deduction from equity, as required by IFRS, as the transaction is classified as "under common control", having as its object the purchase of a non-controlling interest. The Company accordingly held a 70% interest at 31st December 2014.

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

NOTE 1. Intangible assets

The composition of intangible assets at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Concessions, trademarks, licenses and similar rights	1,837	1,106	731
Key money	26,797	25,071	1,726
Other intangible assets	204	175	29
Assets under formation and advances	811	200	611
Total intangible assets	**29,649**	**26,552**	**3,097**

Details of cost, accumulated amortization and the net book value of intangible assets 31st December 2014 with comparative figures at 31st December 2013 are as follows:

(In thousands of euro)	31st December 2014			31st December 2013		
	Cost	Accum. Amort.n	Net book value	Cost	Accum. Amort.n	Net book value
Concessions, trademarks, licenses and similar rights	5,025	(3,188)	1,837	3,416	(2,310)	1,106
Key money	39,357	(12,560)	26,797	33,751	(8,680)	25,071
Other intangible assets	615	(411)	204	495	(320)	175
Assets under formation and advances	811	-	811	200	-	200
Total intangible assets	**45,808**	**(16,159)**	**29,649**	**37,862**	**(11,310)**	**26,552**

This item amounting to € 29,649 thousand at 31st December 2014 consists mainly of the 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.

The following tables provide changes in the individual items of intangible assets for the years ended 31st December 2014 and 31st December 2013:

(In thousands of euro)	Concessions, licenses, trademarks and similar rights	Key money	Other intangible assets	Assets under formation and advances	Total intangible assets
1st January 2014	**1,106**	**25,071**	**175**	**200**	**26,552**
Purchases	1,608	1,819	120	804	4,351
Net decreases	-	-	-	-	-
Translation differences	1	198	-	7	206
Change in consolidation scope	-	3,200	-	-	3,200
Reclassifications	-	200	-	(200)	-
Amortization charge	(878)	(3,691)	(91)	-	(4,660)
31st December 2014	**1,837**	**26,797**	**204**	**811**	**29,649**

(In thousands of euro)	Concessions, licenses, trademarks and similar rights	Key money	Other intangible assets	Assets under formation and advances	Total intangible assets
1st January 2013	**975**	**15,261**	**145**	**167**	**16,548**
Purchases	782	5,861	101	200	6,944
Net decreases	-	(277)	-	(7)	(284)
Translation differences	-	(109)	-	-	(109)
Change in consolidation scope	-	7,532	-	-	7,532
Reclassifications	-	160	-	(160)	-
Amortization charge	(651)	(3,357)	(71)	-	(4,079)
31st December 2013	**1,106**	**25,071**	**175**	**200**	**26,552**

Increases in 2014 consist mainly of key money paid by the Brunello Cucinelli Group for a total of € 5,019 thousand, of which € 3,200 arising from changes in the consolidation scope (€ 2,466 thousand relating to the purchase of SAS White Flannel and € 734 thousand relating to the purchase of Pearl Flannel S.p.r.l., as discussed above). In addition, advances of € 804 thousand had been made at 31st December 2014, of which € 440 thousand relating to key money.

The items "Concessions, licenses, trademarks and similar rights" and "Assets under formation and advances" include increases totaling € 1,725 thousand relating to investments made in the information technology systems.

There was no indication during 2014 that any intangible assets were impaired.

In accordance with IAS 36 *Impairment of Assets* management carried out an assessment of the recoverability of the assets of the following legal entities:

- Brunello Cucinelli Retail Spain S.L.;
- Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd..

The Group identified the cash generating units as the legal entity, namely the smallest group of assets generating incoming cash flows. Management reached its conclusions on the estimate of recoverable amount by using the value in use calculated under the unlevered discounted cash flow method. The main assumptions used in calculating recoverable value were as follows:

- estimated future operating flows;
- discount rate;
- final growth rate.

All the assets subjected to impairment testing at 31st December 2014 confirmed their carrying amounts in the financial statements, also after sensitivity testing.

NOTE 2. Property, plant and equipment

The composition of property, plant and equipment at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Land	2,026	2,321	(295)
Buildings	37,563	11,108	26,455
Leasehold improvements	24,467	18,870	5,597
Plant and machinery	3,867	2,546	1,321
Industrial and commercial equipment	1,602	624	978
Historical collection	1,813	1,556	257
Other assets	6,917	4,126	2,791
Assets under construction and advances	1,902	18,029	(16,127)
Total property, plant and equipment	**80,157**	**59,180**	**20,977**

Details of cost, accumulated depreciation and the net book value of property, plant and equipment at 31st December 2014 with comparative figures at 31st December 2013 are as follows:

(In thousands of euro)	31st December 2014			31st December 2013		
	Cost	**Accum. depn.**	**Net book value**	**Cost**	**Accum. depn.**	**Net book value**
Land	2,026	-	2,026	2,321	-	2,321
Buildings	41,096	(3,533)	37,563	13,333	(2,225)	11,108
Leasehold improvements	41,626	(17,159)	24,467	29,558	(10,688)	18,870
Plant and machinery	9,298	(5,431)	3,867	7,228	(4,682)	2,546
Industrial and commercial equipment	3,040	(1,438)	1,602	1,601	(977)	624
Historical collection	1,813	-	1,813	1,556	-	1,556
Other assets	13,077	(6,160)	6,917	9,079	(4,953)	4,126
Assets under construction and advances	1,902	-	1,902	18,029	-	18,029
Total property, plant and equipment	**113,878**	**(33,721)**	**80,157**	**82,705**	**(23,525)**	**59,180**

Property, plant and equipment at 31st December 2014 amounted to € 80,157 thousand and mainly consists of the production and logistics factory situated at the Company's main location, leasehold improvements at stores and plant, machinery and equipment used for production and logistics.

Changes in the net book value of property, plant and equipment for the years ended 31st December 2014 and 31st December 2013 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**
1st January 2014	**2,321**	**11,108**	**18,870**	**2,546**	**624**	**1,556**	**4,126**	**18,029**	**59,180**
Purchases	-	10,027	10,547	1,661	1,477	257	3,952	1,797	29,718
Net decreases	(295)	(758)	(162)	(32)	(70)	-	(151)	-	(1,468)
Translation differences	-	-	1,378	50	7	-	141	93	1,669
Change in consolidation scope	-	-	353	454	-	-	126	-	933
Value adjustments	-	-	(823)	-	-	-	-	-	(823)
Reclassifications	-	17,717	87	-	-	-	213	(18,017)	-
Depreciation	-	(531)	(5,783)	(812)	(436)	-	(1,490)	-	(9,052)
31st December 2014	**2,026**	**37,563**	**24,467**	**3,867**	**1,602**	**1,813**	**6,917**	**1,902**	**80,157**

(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
1st January 2013	**2,237**	**11,032**	**15,904**	**2,326**	**572**	**1,378**	**3,454**	**5,028**	**41,931**
Purchases	84	475	7,882	860	673	178	1,243	13,148	24,543
Net decreases	-	-	(361)	(5)	(51)	-	(35)	-	(452)
Translation differences	-	-	(377)	(16)	-	-	(45)	(2)	(440)
Change in consolidation scope	-	-	220	-	-	-	524	-	744
Reclassifications	-	-	131	13	(55)	-	56	(145)	-
Depreciation	-	(399)	(4,529)	(632)	(515)	-	(1,071)	-	(7,146)
31st December 2013	**2,321**	**11,108**	**18,870**	**2,546**	**624**	**1,556**	**4,126**	**18,029**	**59,180**

In 2014 the Brunello Cucinelli Group made investments of € 30,651 thousand in property, plant and equipment, consisting principally of the following:

- investments of € 13,760 thousand arising mainly from the opening of directly operated stores and wholesale monobrand stores (above all concentrated in Europe, the USA and Greater China) and improvements made to these;
- investments of € 10,347 thousand to adapt manufacturing facilities and construct the new production and logistics factory, completed during the fourth quarter of 2014 and also located at Solomeo;
- investments of € 4,747 thousand in other assets, mainly relating to the purchase of furniture and fittings for the new factory and the new Company canteen in Solomeo, new equipment for the "menswear" project at the Carrara factory (sewing machines, fabric cutting machines, etc.), computers and office machines and motor vehicles, as well as equipment for developing the information technology system;
- investments of € 1,797 thousand in assets under construction, of which € 1,543 thousand relating to expenditure incurred at 31st December 2014 by the subsidiaries managing the Brunello Cucinelli 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 2014; these mainly relate to the New York showroom.

NOTE 3. Other non-current financial assets

The composition of other non-current financial assets at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Guarantee deposits	4,786	3,426	1,360
Total other non-current financial assets	**4,786**	**3,426**	**1,360**

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 increase for the period is due to the opening of new stores.

NOTE 4. Inventories

The composition of inventories at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Raw materials and consumables	25,576	22,752	2,824
Work in progress and semi-finished goods	8,763	7,036	1,727
Finished goods and merchandise	90,775	64,676	26,099
Total inventories	**125,114**	**94,464**	**30,650**

The Group does not recognize an inventory obsolescence provision as its stock management policies provide for an efficient process of selling residual items for every season.

In addition to the growth of the business during the year, the increase in inventories, which relates mainly to finished goods, is mainly due to the following factors:

- an increase in directly operated stores, with five new openings and five conversions from wholesale mono-brand to DOS over the past twelve months;
- the conversion of the business model in Japan, with the purchase of 13 directly operated sales points inside department stores located in the main luxury cities;
- the production and assembling of men's bespoke suits, developed as the result of the acquisition of the d'A-venza business with the aim of extending the offer to customers with a top quality tailoring service.

Detailed comments on changes in working capital may be found in the report on operations.

NOTE 5. Trade receivables

At 31st December 2014 trade receivables amounted to € 45,051 thousand compared with € 43,361 thousand at 31st December 2013. Detailed comments on changes in working capital may be found in the report on operations. Trade receivables represent amounts due for the supply of goods and services and are all collectible in the short term, as a result of which their carrying value was the same as their fair value at the date of preparation of these financial statements.
The amount by which receivables in the financial statements have been written down is a reasonable estimate of the impairment arising from the specific non-collectibility risk identified in these receivables.

Changes in the allowance for doubtful debts for the year ended 31st December 2014, compared with the previous year, are as follows:

(In thousands of euro)	31st December 2014	31st December 2013
1st January	**1,358**	**1,312**
Charges	1,339	1,324
Utilizations	(883)	(1,278)
31st December	**1,814**	**1,358**

The allocations to and utilizations for the period are included under the line item "Value adjustments to assets and other provisions" in the income statement. Bad debt losses recognized in profit or loss plus the utilization of the allowance for bad debts amounted to 0.25% of net revenues in 2014.

NOTE 6. Tax receivables

Tax receivables at 31st December 2014 with comparative figures at 31st December 2013 are as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
IRES corporate income tax receivables	-	22	(22)
IRAP regional production tax receivables	-	1	(1)
Other tax receivables	1,023	1,071	(48)
Total tax receivables	**1,023**	**1,094**	**(71)**

Tax receivables amounted to € 1,023 thousand at 31st December 2014. The balance consists mainly of a receivable of € 711 thousand recognized by the parent company following the filing of an application in 2013 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 Decree Law no. 201 of 2011 (the Monti decree).

NOTE 7. Other receivables and current assets

Other reecivables and current assets at 31st December 2014 with comparative figures at 31st December 2013 are as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
VAT	4,688	6,154	(1,466)
Other receivables	6,180	3,908	2,272
Prepayments and accrued income	2,917	2,527	390
Advances to suppliers	487	352	135
Due from non-Italian tax authorities	21	661	(640)
Due from agents	580	584	(4)
Total other receivables and current assets	**14,873**	**14,186**	**687**

VAT receivables amounted to € 4,688 thousand at 31st December 2014 compared to €6,154 thousand at 31st December 2013. 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". The status of habitual exporter allows the Company to buy or import goods and services without paying value added tax up to a set ceiling, the "plafond", determined as the limit of the amount of transactions carried out with countries outside Italy in the previous calendar year. The Group usually exceeds the annual plafond due to the constant growth of its turnover; as a result, the purchases made in the final quarter of the year to produce the spring/summer collection tend to include a VAT charge, which leads to a VAT debit balance at the end of the year. This balance then reduces in the first few months of the following year when the spring/summer collection is billed and the annual VAT plafond is simultaneously re-established.

Other receivables mainly consist of balances settled by credit cards towards the end of the year for which payment has not yet been credited to the relevant bank accounts. The change during the year is due to the recognition of receivables for advances and grants to be received for investments in showrooms and sales points made in America.

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 operating lease instalments.

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

Balances due from agents consist of advances on commissions made by the parent company to the agency network.

NOTE 8. Other current financial assets

Other current financial assets amounting to € 44 thousand at 31st December 2014 relate to accrued income on outstanding loans at year end.

NOTE 9. Cash and Cash equivalents

Cash and cash equivalents were as follows at 31st December 2014 together with comparative figures at 31st December 2013:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Bank and post office deposits	53,202	38,557	14,645
Cash and other valuables	158	100	58
Cheques	275	19	256
Total cash and cash equivalents	**53,635**	**38,676**	**14,959**

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 domestic and foreign banks.

Reference should be made to the cash flow statement for details of the sources and applications that generated changes in cash and cash equivalents in the year ended 31st December 2014.

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 31st December 2014:
- all financial instruments at fair value form part of Level 2 (the same situation existed in 2013);
- there were no transfers from Level 1 to Level 2 or vice versa in 2014;
- there were no transfers from Level 3 to other levels or vice versa in 2014.

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 31st December 2014 are set out below, with comparative figures at 31st December 2013.

(In thousands of euro)	31st December 2014	31st December 2013	Change
Current assets for derivative instruments hedging currency risk	495	1,658	(1,163)
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	**495**	**1,658**	**(1,163)**
Current liabilities for derivative instruments hedging currency risk	(5,900)	(116)	(5,784)
Current liabilities for derivative instruments hedging interest rate risk:			
– Current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(344)	(184)	(160)
– Current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	(11)	11
Total current liabilities – derivative financial instruments	**(6,244)**	**(311)**	**(5,933)**
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	(467)	(230)	(237)
– Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total non-current liabilities – derivative financial instruments	**(467)**	**(230)**	**(237)**

The contractual features and the relative fair value of derivative financial instruments hedging interest rate risk at 31st December 2014 and 31st December 2013 are as follows:

Derivative instruments hedging interest rate risk accounted for using hedge accounting

				Fair value 31st December 2014		Fair value 31st December 2013	
Counterparty	**Type**	**Expiry date**	**Notional capital**	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
MPS	IRS	31/12/2015	962	(16)	-	(17)	(13)
BNL	IRS	31/12/2018	3,272	(59)	(106)	(64)	(108)
Intesa Sanpaolo	Fix Payer Swap	31/12/2018	3,272	(59)	(106)	(64)	(108)
Cassa di Risparmio Lucca e Livorno	IRS	31/07/2014	2,500	-	-	(9)	-
UBI Banca	IRS	11/05/2015	1,000	(1)	-	(3)	-
Cassa di Risparmio Parma e Piacenza	IRS	19/08/2015	2,000	(2)	-	(9)	(2)
Deutsche Bank	IRS	31/12/2014	1,000	-	-	(3)	-
Deutsche Bank	IRS	31/03/2016	1,600	(2)	-	(3)	-
Deutsche Bank	IRS	31/12/2019	1,000	(2)	(2)	-	-
Banco Popolare	IRS	15/06/2018	2,000	(14)	(14)	(12)	1
Banco Popolare	IRS	15/06/2019	5,000	(20)	(22)	-	-
Bnl	IRS	31/05/2019	20,000	(67)	(82)	-	-
Bnl	IRS	31/12/2019	7,380	(15)	(14)	-	-
UniCredit	IRS	31/10/2018	10,000	(33)	(48)	-	-
UniCredit	IRS	28/06/2019	10,000	(54)	(73)	-	-
Liabilities for current derivative instruments				**(344)**		**(184)**	
Liabilities for non-current derivative instruments					**(467)**		**(230)**

Derivative instruments hedging interest rate risk not accounted for using hedge accounting

Counterparty	Type	Expiry date	Notional capital	Fair value 31st December 2014 Current portion	Fair value 31st December 2014 Non-current portion	Fair value 31st December 2013 Current portion	Fair value 31st December 2013 Non-current portion
BNL	IRS	31/12/2014	3,825	-	-	(5)	-
Intesa Sanpaolo	Acq, Cap	31/12/2014	3,825	-	-	(6)	-
Liabilities for current derivative instruments				**-**		**(11)**	
Liabilities for non-current derivative instruments					**-**		**-**

The contractual features and the relative fair value of derivative financial instruments hedging currency risk at 31st December 2014 and 31st December 2013 are as follows:

(In thousands of euro)	Negative fair value		Positive fair value	
	31st December 2014	31st December 2013	31st December 2014	31st December 2013
US dollar	(5,473)	-	-	1,459
Swiss franc	(29)	(38)	-	-
British pound	(110)	(76)	-	-
Japanese yen	-	(2)	495	145
Hong Kong dollar	(277)	-	-	52
Renminbi	-	-	-	2
Canadian dollar	(11)	-	-	-
Total	**(5,900)**	**(116)**	**495**	**1,658**

The following table sets out the carrying amount of outstanding financial instruments (current and non-current loans) stated in the balance sheet, comparing them with fair value.

(In thousands of euro)	31st December 2014 Fair value	31st December 2014 Carrying amount
Non-current bank debt	57,749	56,745

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. Capital and reserves

Share capital at 31st December 2014 consisted of 68,000,000 fully paid ordinary shares amounting to € 13,600 thousand.

Shareholders' equity at 31st December 2014 amounted to € 170,325 thousand, an increase of € 25,111 thousand over 31st December 2013.

Changes in equity during 2014 arise from the total results for the year and the distribution of a dividend of € 7,480 thousand approved by the general meeting of the shareholders of the parent Brunello Cucinelli S.p.A. on 23rd April 2014. A dividend of € 5,440 thousand was approved for the previous year and paid on 28th April 2013.

Details of changes in equity for the years ended 31st December 2014 and 31st December 2013 can be found in the consolidated statement of changes in equity.

Other reserves at 31st December 2014 with comparative figures at 31st December 2013 are as follows:

(In thousands of euro)	**31st December 2014**	**31st December 2013**	**Change**
Legal reserve	2,720	2,361	359
Extraordinary reserve	55,748	32,188	23,560
Revaluation reserve	3,060	4,813	(1,753)
Cash flow hedge reserve	(2,433)	180	(2,613)
IFRS first-time application reserve	(804)	(804)	-
Reserve for actuarial gains/losses	(422)	(320)	(102)
Translation reserve	1,179	(240)	1,419
Consolidated retained earnings	1,134	1,885	(751)
Other reserves	**60,182**	**40,063**	**20,119**

NOTE 12. 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.

The following table sets out the movements in liabilities for employee benefits for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013:

(In thousands of euro)	**31st December 2014**	**31st December 2013**
Present value of the obligation at the beginning of the year	**2,854**	**2,954**
Revaluation as per article 2120 of the Italian civil code	87	117
Benefits paid	(178)	(100)
Change in consolidation scope	323	-
Financial (income) expense	83	(18)
Actuarial (gains) losses	141	(99)
Present value of the obligation at the end of the year	**3,310**	**2,854**

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

Financial and assumptions

	31st December 2014	31st December 2013
Annual discount rate	2.02%	3.25%
Inflation rate	1.75%	2.00%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	31st December 2014	31st December 2013
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	31st December 2014	31st December 2013
Advances rate %	1%	1%
Turnover rate %	8.80%	8.80%

The Company performed a sensitivity analysis on the actuarial assumptions used to determine the liability at 31st December 2014. In particular, all other things being equal, a change of +10% in the discount rate used would result in a decrease of € 20 thousand in the liability while a change of –10% would result in an increase of € 20 thousand in the liability.

Workforce

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

	31st December 2014	31st December 2013
Managers and middle managers	43.5	37.2
Office and sales staff	735.3	589.9
Factory workers	462.0	379.5
Total workforce	**1,240.8**	**1,006.6**

NOTE 13. 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 year ended 31st December 2014 with comparative figures as of 31st December 2013:

(In thousands of euro)	**31st December 2014**	**31st December 2013**
Agents' supplementary termination indemnity provision – 1st January	**831**	**950**
Allocations	256	568
Utilizations	(130)	(302)
Recognized actuarial (gain) / loss	(126)	(385)
Agents' supplementary termination indemnity provision – 31st December	**831**	**831**
Other provisions for risks and charges	116	-
Total provisions for risks and charges	**947**	**831**

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

	31st December 2014	**31st December 2013**
Turnover rate – voluntary	6.00%	6.00%
Turnover rate – employer initiated	3.00%	3.00%
Discount rate	1.85%	3.07%

NOTE 14. Non-current bank debt

Non-current bank debt consists of variable interest long-term loans.

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 31st December 2014, showing the portion due within 12 months, within 5 years and after 5 years:

Description	Due date	Balance at 31st December 2014	Portion due within 12 months	Portion due within 5 years	Portion due after 5 years
Cassa di Risparmio di Lucca, Pisa e Livorno	31-lug-15	392	392	-	-
Banco Popolare	15-giu-18	1,750	500	1,250	-
Banco Popolare	15-giu-19	4,974	625	4,349	-
Cariparma	19-ago-15	314	314	-	-
Cariparma	31-dic-19	995	192	803	-
Banca Toscana	31-dic-15	289	289	-	-
Banca Popolare di Ancona (UBI group)	11-mag-15	87	87	-	-
Deutsche Bank	31-mar-16	666	534	132	-
Banca Popolare di Spoleto	30-set-18	1,405	363	1,042	-
Banca Intesa	18-mag-15	4,000	4,000	-	-
Bnl	31-mag-19	17,820	4,000	13,820	-
Bnl	31-dic-18	4,609	770	3,839	-
UniCredit	30-giu-19	8,955	2,000	6,955	-
UniCredit	31-ott-18	9,943	-	9,943	-
HSBC	01-ott-17	214	77	137	-
Intesa	31-mag-15	3,295	3,295	-	-
CiC Lyonnaise de Banque	15-apr-17	309	129	180	-
Credit Invest	31-mag-15	14	14	-	-
Sumitomo Mitsui Banking Corporation	30-apr-15	5,508	5,508	-	-
Bnp	18-feb-15	1,583	1,583	-	-
Intesa	11-feb-15	2,184	2,184	-	-
Intesa	28-apr-15	1,458	1,458	-	-
Total long-term bank debt		**70,764**	**28,314**	**42,450**	**-**

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.. These covenants were satisfied at 31st December 2014.

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

Net debt

The following table sets out details of the Brunello Cucinelli Group's net debt at 31st December 2014 together with comparative figures at 31st December 2013:

(In thousands of euro)	31st December 2014	31st December 2013
A. Cash	(158)	(101)
B. Cash equivalents	(53,477)	(38,575)
C. Cash and cash equivalents (A) + (B)	**(53,635)**	**(38,676)**
D. Current financial receivables	**(44)**	**-**
E. Current bank debt	48,709	29,639
F. Other current financial payables	2,026	3,150
G. Current payables (E) + (F)	**50,735**	**32,789**
H. Net current debt (G) + (D) + (C)	**(2,944)**	**(5,887)**
I. Non-current bank debt	42,450	18,281
J. Other non-current payables	3,130	3,707
K. Net non-current debt (I) + (J)	**45,580**	**21,988**
L. Net debt (H) + (K)	**42,636**	**16,101**

NOTE 15. Non-current financial payables

Non-current financial payables amount to € 2,663 thousand at 31st December 2014. Of this total, € 1,047 thousand refers to the measurement at 31st December 2014 of the put option for the purchase of the non-controlling portion of Brunello Cucinelli (England) Ltd. and € 1,616 thousand to the loan taken out by the subsidiary Brunello Cucinelli Hong Kong with the non-controlling shareholder.

NOTE 16. Other non-current liabilities

Other non-current liabilities at 31st December 2014 amount to € 4,908 thousand compared with € 2,006 thousand at 31st December 2013. 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. The increase over the balance of the previous year end is mainly due to the new lease agreement for the enlargement and modernization of the New York showroom.

(In thousands of euro)	31st December 2014	31st December 2013	Change
Deferred rent as per IAS 17	4,908	2,006	2,902
Total other non-current liabilities	**4,908**	**2,006**	**2,902**

NOTE 17, Trade payables

The composition of trade payables at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Trade payables to third party suppliers	62,185	62,607	(422)
Total trade payables	**62,185**	**62,607**	**(422)**

Trade payables represent amounts due for the supply of goods and services.

NOTE 18. Current bank debt

The composition of current bank debt at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Current portion of long-term loans	28,314	6,779	21,535
Bank advances on bills and invoices	18,389	21,077	(2,688)
Bank overdrafts and cash repayable on demand	2,006	1,783	223
Total current bank debt	**48,709**	**29,639**	**19,070**

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

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

NOTE 19. Current financial payables

Current financial payables at 31st December 2014 amount to € 1,682 thousand and mainly relate to the debt for the purchase of 45% of SAS White Flannel (€ 1,500 thousand) and accrued expenses on outstanding loans. The balance on this item is lower than that at 31st December 2013 due to the conversion to equity of the debt taken out in the previous year by the subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd. with a non-controlling shareholder.

(In thousands of euro)	**31st December 2014**	**31st December 2013**	**Change**
Current financial payables	1,552	2,938	(1,386)
Accrued loan interest	130	17	113
Total current financial payables	**1,682**	**2,955**	**(1,273)**

NOTE 20. Tax payables

Tax payables at 31st December 2014 amounted to € 1,152 thousand, essentially in line with the balance of € 1,562 thousand at 31st December 2013. 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.

(In thousands of euro)	**31st December 2014**	**31st December 2013**	**Change**
Current IRES corporate income tax payables	234	350	(116)
Current IRAP regional production tax payables	293	170	123
Other tax payables	625	1,042	(417)
Total tax payables	**1,152**	**1,562**	**(410)**

Current IRES and IRAP payables at 31st December 2014 and 2013 consist of the net liability payable by the Group for current income taxes.
Other tax payables at 31st December 2014 consist of the liability for current income taxes of the Group's foreign subsidiaries, and mainly relate to Brunello Cucinelli USA, Inc, Brunello Cucinelli GmbH, Brunello Cucinelli Japan and Brunello Cucinelli Hong Kong.

NOTE 21. Other current liabilities

The composition of other current liabilities at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Due to agents	5,459	5,249	210
Due to others	6,861	7,577	(716)
Due to employees	3,719	2,743	976
Social security payables	3,012	2,554	458
Accrued expenses and deferred income	761	1,281	(520)
Total other current liabilities	**19,812**	**19,404**	**408**

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 consist of balances payable for December wages and salaries, paid during the first few days of January, and the accrual for vacation leave vested but not yet taken, while social security payables relate to contributions due on December wages and salaries.

NOTE 22. Taxation

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 31st December 2014 with comparative figures at 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Deferred tax assets	13,307	10,082	3,225
Deferred tax liabilities	(3,280)	(3,308)	28

The increase in deferred tax assets is mainly due to the tax effect of the fair value measurement of derivative instruments, the elimination of intragroup margins in inventories and the recognition of deferred taxation on the tax losses of subsidiaries (principally Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd., still at the start-up stage). 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.

Details of net deferred taxes at 31st December 2014 and 2013 are set out in the following table:

(In thousands of euro)	**Year ended 31st December**							
	Statement of financial position		**Equity**		**Income statement**		**Exchange rate differences and consolidation scope changes**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Amortization of intangible assets	(1,290)	(990)			252	155	(552)	(1,431)
Depreciation of tangible fixed assets	(494)	(529)			101	(130)	(66)	24
Allowance for doubtful debts	447	323			124	79		
IAS 39 – Arrangement fees	39	49			(10)	(10)		
Fair value of derivatives	938	(53)	991	187				
Leasing IAS 17 – instalment normalization	51	15			33		3	
IAS 39 – Amortized cost	(8)	6			(14)	(3)		
TFR per IAS 19	114	52	39	(27)	23	(5)		
Agents' indemnity per IAS 37	139	139				(97)		
Listing costs	1,031	1,650			(619)	(619)		
Elimination of intragroup margins in inventory	4,866	3,228			1,638	1,003		
Elimination of intragroup gains	9	9						
Deferred taxation on tax losses	2,761	1,591			1,170	887		
Gains and losses on unrealized exchange differences	(254)	29			(283)	(79)		
Deferred capital gains	(140)	(187)			47	(187)		
Transactions taxed on a cash basis	106	170			(79)	(46)	15	(8)
Taxation of investment of Cucinelli Holding LLC in BCUSA Inc.	1,898	1,317			367	419	214	(57)
Other	(186)	(45)			(135)	36	(2)	
Deferred tax (income) expense					**2,615**	**1,403**		
Deferred taxation recognized in equity			**1,030**	**160**				
Exchange rate differences and consolidation scope changes							**(388)**	**(1,472)**
Deferred tax assets (liabilities), net	**10,027**	**6,774**						
Presented in the statement of financial position as follows:								
Deferred tax assets	13,307	10,082						
Deferred tax liabilities	(3,280)	(3,308)						
Deferred tax assets, net	**10,027**	**6,774**						

INCOME TAXES

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

(In thousands of euro)	31st December 2014	31st December 2013	Change
Current taxation	17,312	16,744	568
Deferred taxation	(2,615)	(1,403)	(1,212)
Prior year taxation	(58)	305	(363)
Income taxes in the consolidated income statement	**14,639**	**15,646**	**(1,007)**
Income taxes in comprehensive income	(1,030)	(160)	(870)
Total income taxes	**13,609**	**15,486**	**(1,877)**

The following is a reconciliation between the nominal rate and the effective rate for the Brunello Cucinelli Group for the years ended 31st December 2014 and 31st December 2013:

(In migliaia di Euro)	Year ended 31st December	
	2014	2013
Pre-tax profit	**46,426**	**45,221**
IRES rate in effect for the year	27.50%	27.50%
Theoretical tax charge	**(12,767)**	**(12,436)**
Income taxes charged with different rates (IRAP)	(2,869)	(2,678)
Effect of different tax rate for foreign companies	(709)	(567)
Prior year taxes	58	(305)
Other changes	1,648	340
Total tax charge in the income statement	**(14,639)**	**(15,646)**
Effective tax rate	31.53%	34.6%

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

NOTE 23. Revenues from sales and services

The composition of revenues from sales and services for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Net revenues	355,909	322,480	33,429
Other operating income	1,474	2,090	(616)
Total revenues from sales and services	**357,383**	**324,570**	**32,813**

Net revenues are earned from the sale of clothing and accessories of the Brunello Cucinelli Group.

Other operating income mainly relates to the sale to the parent Fedone S.r.l. (in turn controlled by Cav. Lav. Brunello Cucinelli) of a building not in the proximity of the Company's manufacturing and logistical facilities which led to a capital gain of € 755 thousand. As discussed in the section "Significant events during 2014" of the report on operations, this transaction was carried out as the property does not form part of the project for extending and restructuring the entire Solomeo site. A capital gain of € 830 thousand was also recognized in 2013, on that occasion arising from the sale of the "Solomei" and "Solomeo" trademarks and the "coat of arms".

Revenues may be analyzed by geographical area as follows:

(In thousands of euro)	Year ended 31st December				Change	
	2014	%	2013	%	2014 vs. 2013	2014 vs. 2013 %
Italy	68,494	19.2%	66,664	20.7%	1,830	+2.7%
Europe (1)	116,699	32.8%	107,897	33.4%	8,802	+8.2%
Noth America (2)	122,883	34.5%	109,068	33.8%	13,815	+12.7%
Greater China (3)	20,872	5.9%	15,728	4.9%	5,144	+32.7%
Rest of the World (RoW) (4)	26,961	7.6%	23,123	7.2%	3,838	+16.6%
Total	**355,909**	**100.0%**	**322,480**	**100.0%**	**33,429**	**+10.4%**

(1) "Europe" refers to the member states of the European Union (excluding Italy), San Marino, Monaco, Switzerland, Liechtenstein, Norway, the Russian Federation, the Ukraine, Turkey, Uzbekistan, Kazakhstan, Georgia, Serbia and 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 analyzed by distribution channel as follows:

(In thousands of euro)	Year ended 31st December				Change	
	2014	%	2013	%	2014 vs. 2013	2014 vs. 2013 %
Retail	148,486	41.7%	115,440	35.8%	33,046	+28.6%
Wholesale Monobrand	30,873	8.7%	33,080	10.3%	(2,207)	-6.7%
Wholesale Multibrand	176,550	49.6%	173,960	53.9%	2,590	+1.5%
Totale	**355,909**	**100.0%**	**322,480**	**100.0%**	**33,429**	**+10.4%**

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

NOTE 24. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Costs for raw materials and consumables	77,381	68,656	8,725
Change in inventories	(26,092)	(14,171)	(11,921)
Total costs for raw materials and consumables	**51,289**	**54,485**	**(3,196)**

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

NOTE 25. Costs for services

The composition of costs for services for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Outsourced work	81,387	75,747	5,640
Commissions and accessory charges	11,588	11,820	(232)
Advertising and other commercial expenses	19,562	17,807	1,755
Transport and duties	15,108	13,758	1,350
Lease expense	29,055	20,513	8,542
Credit card charges	2,761	2,296	465
Other general expenses	2,793	2,927	(134)
Outsourced services and miscellaneous consultancy	5,680	4,478	1,202
Directors' and statutory auditors' fees	1,731	1,934	(203)
Maintenance services	2,706	2,147	559
Insurance	1,188	1,148	40
Energy, telephone, gas, water, postal costs	2,572	2,044	528
Total costs for services	**176,131**	**156,619**	**19,512**

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

NOTE 26. Payroll costs

The composition of payroll costs for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Wages and salaries	48,277	39,985	8,292
Social charges	11,229	8,739	2,490
Employees' termination indemnity	2,132	1,825	307
Other payroll costs	635	563	72
Total payroll costs	**62,273**	**51,112**	**11,161**

Further details of payroll costs can be found in the report on operations.

NOTE 27. Other operating costs

The composition of other operating costs for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Taxes and duties	1,258	880	378
Membership subscriptions	259	165	94
Ordinary capital losses	100	148	(48)
Losses on bad debts	2	6	(4)
Miscellaneous operating costs	1,760	1,717	43
Total other operating costs	**3,379**	**2,916**	**463**

NOTA 28. Own work capitalized

Own work capitalized representing internal costs for increases in fixed assets (€ 1,021 thousand in 2014 and € 528 thousand in 2013) relates as in previous years to production costs incurred to develop the historical collection and internal costs incurred for the important enlargement of the Company's production facilities completed in the fourth quarter of 2014.

NOTE 29. Depreciation and amortization

The composition of depreciation and amortization for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Amortization of intangible assets	4,660	4,079	581
Depreciation of property, plant and equipment	9,052	7,146	1,906
Total depreciation and amortization	**13,712**	**11,225**	**2,487**

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

NOTE 30. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€ 2,291thousand in 2014 and € 1,785 thousand in 2013) 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 leasehold improvements on the repositioning and enlargement of stores and showrooms, mainly relating to the showroom in New York.

NOTE 31. Financial expense

The composition of financial expense for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Mortgage loan interest	1,168	466	702
Interest expense on advances and discounting invoices	751	943	(192)
Bank interest	151	86	65
Realized exchange losses	4,839	2,512	2,327
Unrealized exchange losses	2,682	909	1,773
Financial expense on derivative financial instruments	465	466	(1)
Miscellaneous financial expense	586	430	156
Total financial expense	**10,642**	**5,812**	**4,830**

NOTE 32. Financial income

The composition of financial income for the year ended 31st December 2014 with comparative figures for the year ended 31st December 2013 is as follows:

(In thousands of euro)	31st December 2014	31st December 2013	Change
Bank interest	467	639	(172)
Realized exchange gains	4,628	2,279	2,349
Unrealized exchange gains	2,053	1,105	948
Financial income on derivative financial instruments	26	28	(2)
Miscellaneous income	565	26	539
Total financial income	**7,739**	**4,077**	**3,662**

NOTE 33. Basic and diluted earnings per share

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

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 payment of dividends for the year must be approved by shareholders in general meeting and accordingly a liability has not been recognized for this matter in the consolidated financial statements of the Brunello Cucinelli Group at 31st December 2014, the same situation held at 31st December 2013.

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

	31st December 2014	31st December 2013
Net profit attributable to owners of the parent (*thousands of euro*)	33,060	30,476
Number of ordinary shares at the end of the year	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*)	0.48618	0.44818
Diluted earnings per share (*euro*)	0.48618	0.44818

NOTE 34. Commitments and risks

Commitments and risks consist of the assets owned by the Brunello Cucinelli Group held at third party premises. The composition of this item at 31st December 2014, compared with the situation at 31st December 2013, is as follows:

(In thousands of euro)	31st Decembe 2014	31st Decembe 2013	Change
Assets with third parties	23	33	(10)
Total commitments and risks	**23**	**33**	**(10)**

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.

FINANCIAL RISK MANAGEMENT

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.

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 financing instruments most often used are:

– long-term loans with multi-year repayment schedules to fund investments in capital assets;

– short-term loans and bank overdrafts to finance working capital.

In addition, the Brunello Cucinelli Group enters financial instrument contracts hedging the risk of fluctuations in interest rates, which could affect long-term debt servicing costs, and foreign exchange rates, which could affect the Group's results.

The average cost of debt is based on 3-month and 6-month Euribor, plus a spread that depends on the financing instrument used and on the Company's rating.
The Brunello Cucinelli Group uses derivatives to hedge interest rate and foreign exchange rate risks.
The Group does not use derivatives for speculative purposes.

INTEREST RATE RISK

The Brunello Cucinelli Group manages interest rate risk by considering its overall exposure: as part of its general policy of optimising financial resources, the Group looks for balance through the use of less onerous forms of financing.

It is the Company's policy to hedge exposure regarding the portion of 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).

At 31st December 2014 there were 16 positions regarding interest rate swap derivatives (2 of which with caps) to hedge the risk of a potential increase in the cost of servicing bank debt due to fluctuations in market rates. The notional value of these positions was € 57.7 million with a negative fair value of approximately € 811 thousand.

At 31st December 2013 there were 12 positions regarding interest rate swap derivatives (2 of which with caps) to hedge the risk of a potential increase in the cost of servicing bank debt due to fluctuations in market rates. The notional value of these positions was € 13.6 million with a negative fair value of approximately € 425 thousand.

The short-term portion of bank debt, used mainly to finance working capital needs, is not covered by an interest rate hedge.

The cost of bank debt is equal to Euribor for the period plus a spread that depends on the type of credit facility used. The applied spreads are comparable to the best market standards. The interest rate risk to which the Brunello Cucinelli Group is exposed derives primarily from its outstanding financial debt.

The Brunello Cucinelli Group's principal sources of exposure to interest rate risk derive from short-term and long-term loans and derivative instruments. Even though the Group adopts a precise hedging policy, the potential effects on 2015 results (2014 for comparative figures) deriving from interest rate risk are:
- potential change in financial expense and differential costs for outstanding derivatives in 2014;
- potential change in fair value of outstanding derivatives.

On the other hand potential changes in the fair value of the effective component of outstanding hedging instruments cause an effect on equity.

The Brunello Cucinelli Group has estimated the potential effects on its 2015 income statement and equity, calculated with reference to the situation at the end of 2014 (effects on 2014 for comparative figures calculated with reference to the situation at the end of 2013), produced by a simulation of the change in the yield curve, by using internal assessment models based on generally accepted principles. Specifically:
- for loans, the effects were estimated by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) in the yield curve, applied only to cash flows expected for 2015 (2014 for comparative figures);
- for derivatives, by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) in the yield curve.

With reference to the situation at 31st December 2014, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in interest expense of € 334 thousand in 2015, offset for € 375 thousand by an increase in differentials collected from outstanding derivatives. A parallel shift of -30 basis points (-0.3%) in the yield curve would produce a decrease in interest expense of € 104 thousand, offset for € 112 thousand by a reduction in differentials collected from outstanding derivatives.

With reference to the situation at 31st December 2013, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in interest expense of € 138 thousand in 2014, offset for € 60 thousand by an increase in differentials collected from outstanding derivatives. A parallel shift of -30 basis points (-0.3%) in the yield curve would produce a decrease in interest expense of € 41 thousand, offset for € 18 thousand by a reduction in differentials collected from outstanding derivatives.

	Interest 31st December 2014		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2015 result +100 bps** *(Euro/000)*	**Effect on 2015 result -30 bps** *(Euro/000)*
Loans payable	71,106	(334)	104
Total loans	**71,106**	**(334)**	**104**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2015 result +100 bps** *(Euro/000)*	**Effect on 2015 result -30 bps** *(Euro/000)*
Cash flow hedges	57,704	375	(112)
Other derivative instruments	-	-	-
Total derivative instruments	**57,704**	**375**	**(112)**
TOTAL		**41**	**(8)**

	Interest 31st December 2013		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2014 result +100 bps** *(Euro/000)*	**Effect on 2014 result -30 bps** *(Euro/000)*
Loans payable	25,099	(138)	41
Total loans	**25,099**	**(138)**	**41**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2014 result +100 bps** *(Euro/000)*	**Effect on 2014 result -30 bps** *(Euro/000)*
Cash flow hedges	13,608	60	(18)
Other derivative instruments	-	-	-
Total derivative instruments	**13,608**	**60**	**(18)**
TOTAL		**(78)**	**23**

With reference to the situation at 31st December 2014, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in the balance sheet carrying amount of outstanding hedging derivatives of € 2,258 thousand with an effect solely on equity. A parallel shift of -30 basis points (-0.3%) in the yield curve would produce an increase in the balance sheet carrying amount of outstanding hedging derivatives of € 363 thousand, with an effect solely on equity.

With reference to the situation at 31st December 2013, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in the balance sheet carrying amount of outstanding hedging derivatives of € 235 thousand with an effect solely on equity. A parallel shift of -30 basis points (-0.3%) in the yield curve would produce a decrease in the balance sheet carrying amount of outstanding hedging derivatives of € 72 thousand, with an effect solely on equity.

	Sensitivity of fair value of derivatives 31st December 2014									
	Notional value *(Euro/000)* A	Fair value *(Euro/000)* b	Net Fair value +100 bps c	Change in fair value +100 bps d = c-b	Effect on income statement +100 bps e = d-f	Effect on equity +100 bps f	Net Fair value -30 bps g	Change in fair value -30bps h = g-b	Effect on income statement -30bps i = h-j	Effect on equity -30 bps J
Cash flow hedges	57,704	(811)	1,447	2,258	-	2,258	(448)	363	-	363
Other derivatives	-	-	-	-	-	-	-	-	-	-
TOTAL	**57,704**	**(811)**	**1,447**	**2,258**	**-**	**2,258**	**(448)**	**363**	**-**	**363**

	Sensitivity of fair value of derivatives 31st December 2013									
	Notional value *(Euro/000)* A	Fair value *(Euro/000)* b	Net Fair value +100 bps c	Change in fair value +100 bps d = c-b	Effect on income statement +100 bps e = d-f	Effect on equity +100 bps f	Net Fair value -30 bps g	Change in fair value -30bps h = g-b	Effect on income statement -30bps i = h-j	Effect on equity -30 bps J
Cash flow hedges	13,608	(424)	(189)	235	-	235	(496)	(72)	-	(72)
Other derivatives	-	-	-	-	-	-	-	-	-	-
TOTAL	**13,608**	**(424)**	**(189)**	**235**	**-**	**235**	**(496)**	**(72)**	**-**	**(72)**

The assumptions regarding the range of changes in market parameters used to simulate shocks were formulated on the basis of an analysis of the trend of such parameters over a 12 month period.

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 foreign currency by applying the forward exchange rate.

Starting in 2010, the Company adopted cash flow hedge accounting to account for derivative contracts hedging currency risk arising from foreign currency business transactions deemed highly probable. Consequently, the effective component of the change in fair value of derivatives negotiated to hedge highly probable foreign currency transactions is allocated to a specific reserve in equity. When the hedged transaction takes place, the amounts recognized in the reserve are reclassified to revenues in the income statement. The ineffective component of this change in fair value is recognized in financial income and expense in the income statement. In accordance with the methods adopted for accounting for hedged items, changes in fair value subsequent to the occurrence of hedged transactions are recognized in financial income and expense in the income statement.

The aim of the Company's financial policy is to prevent results from operations from being affected by fluctuations in exchange rates between the stipulation date of forward contracts and the time of invoicing and subsequent collection.

During 2014 the Group reclassified as an increase in revenues € 260 thousand previously recognized in the cash flow hedge reserve.

During 2013 the Group reclassified as an increase in revenues € 2,744 thousand previously recognized in the cash flow hedge reserve.

The potential effects on the 2014 income statement (2013 for comparative purposes) arising from currency risk are:

– write-up/write-down of asset and liability items expressed in foreign currency;
– change in fair value of outstanding derivatives hedging asset and liability items expressed in foreign currency;
– change in fair value of the ineffective component of outstanding derivatives hedging highly probable transactions in foreign currency.

The potential effects on the 2015 shareholders' equity (2014 for comparative purposes) arising from currency risk are:

– change in fair value of the ineffective component of outstanding derivatives hedging highly probable transactions in foreign currency.

The Brunello Cucinelli Group has estimated the potential effects on its 2015 income statement and equity, calculated with reference to the situation at the end of 2014 (2013 for comparative purposes), produced by a shock on the exchange rate market (with reference to currencies in which the Group has significant exposure at each closing date), by using internal assessment models based on generally accepted principles.

Exposure of balance sheet items	FOREIGN CURRENCY EXPOSURE 2014			SENSITIVITY 2014	
	Assets	Liabilities	Net	Income statement Euro/US dollar	
	(US dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	8,601	(3,655)	4,946	(203.7)	203.7
Total exposure of balance sheet items	**8,601**	**(3,655)**	**4,946**	**(203.7)**	**203.7**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/US dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount))	(101,600)	4,184	(4,184)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc	
	(Swiss franc/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(245)	(245)	10.2	(10.2)
Total exposure of balance sheet items	**-**	**(245)**	**(245)**	**10.2**	**(10.2)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Swiss franc	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(2,260)	94	(94)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/British pound	
	(British pound/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	319	(42)	277	(17.8)	17.8
Total exposure of balance sheet items	**319**	**(42)**	**277**	**(17.8)**	**17.8**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/British pound	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(3,050)	196	(196)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Japanese yen	
	(Japanese yen/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	31,995	(54,802)	(22,807)	7.9	(7.9)
Total exposure of balance sheet items	**31,995**	**(54,802)**	**(22,807)**	**7.9**	**(7.9)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Japanese yen	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(1,181,000)	407	(407)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Renmimbi	
	(Renmimbi/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	9,022	(8,211)	811	(5.0)	5.0
Total exposure of balance sheet items	**9,022**	**(8,211)**	**811**	**(5.0)**	**5.0**

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Hong Kong dollar	
	(Hong Kong dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	54	(1,548)	(1,494)	7.9	(7.9)
Total exposure of balance sheet items	**54**	**(1,548)**	**(1,494)**	**7.9**	**(7.9)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Hong Kong dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(33,300)	177	(177)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Canadian dollar	
	(Canadian dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(11)	(11)	0.4	(0.4)
Total exposure of balance sheet items	**-**	**(11)**	**(11)**	**0.4**	**(0.4)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Canadian dollar	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (notional amount)	(4,500)	160	(160)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Real	
	(Real/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	-	(19)	(19)	0.3	(0.3)
Total exposure of balance sheet items	**-**	**(19)**	**(19)**	**0.3**	**(0.3)**

Exposure of balance sheet items	FOREIGN CURRENCY EXPOSURE 2013			SENSITIVITY 2013	
	Assets	Liabilities	Net	Income statement Euro/US dollar	
	(US dollar/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	10,066	(1,580)	8,486	(307.6)	307.6
Total exposure of balance sheet items	**10,066**	**(1,580)**	**8,486**	**(307.6)**	**307.6**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/US dollar	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (notional amount)	(34,300)	1,244	(1,244)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc	
	(Swiss franc/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	17	(311)	(294)	12.0	(12.0)
Total exposure of balance sheet items	**17**	**(311)**	**(294)**	**12.0**	**(12.0)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Swiss franc	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (notional amount)	(4,100)	167	(167)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/British pound	
	(British pound/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	253	(93)	160	(9.6)	9.6
Total exposure of balance sheet items	**253**	**(93)**	**160**	**(9.6)**	**9.6**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/British pound	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(2,600)	156	(156)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Japanese yen	
	(Japanese yen/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	37,595	(42,459)	(4,864)	1.7	(1.7)
Total exposure of balance sheet items	**37,595**	**(42,459)**	**(4,864)**	**1.7**	**(1.7)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Japanese yen	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(154,000)	53	(53)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Renmimbi	
	(Renmimbi/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	10,291	(6,403)	3,888	(23.0)	23.0
Total exposure of balance sheet items	**10,291**	**(6,403)**	**3,888**	**(23.0)**	**23.0**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Renmimbi	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(1,700)	10	(10)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Hong Kong dollar	
	(Hong Kong dollar/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	887	(1,765)	(878)	4.1	(4.1)
Total exposure of balance sheet items	**887**	**(1,765)**	**(878)**	**4.1**	**(4.1)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Hong Kong dollar	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (notional amount)	(15,500)	72	(72)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Canadian dollar	
	(Canadian dollar/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	-	(23)	(23)	0.8	(0.8)
Total exposure of balance sheet items	**-**	**(23)**	**(23)**	**0.8**	**(0.8)**

The assumptions regarding the range of changes in market parameters used to simulate shocks were formulated on the basis of an analysis of the trend of such parameters with reference to a 30-60-90 day horizon, in line with the expected length of exposure.

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.

The following tables provide a stratification of outstanding liabilities for financial instruments at 31st December 2014 and 2013 by residual duration:

	31st December 2014				
	Financial payables				
	Capital *(Euro/000)* a	**Interest** *(Euro/000)* b	**Trade payables** *(Euro/000)* c	**Derivative instruments** *(Euro/000)* d	**TOTAL** *(Euro/000)* e = a+b+c+d
Due date:					
Within 12 months	28,314	879	62,185	346	91,724
Between 1 and 2 years	9,433	588	-	264	10,285
Between 2 and 3 years	9,219	474	-	147	9,840
Between 3 and 5 years	24,140	360	-	60	24,560
Between 5 and 7 years	-	-	-	-	-
After 7 years	-	-	-	-	-
TOTAL	**71,106**	**2,301**	**62,185**	**817**	**136,409**

	31st December 2013				
	Financial payables				
	Capital *(Euro/000)* a	**Interest** *(Euro/000)* b	**Trade payables** *(Euro/000)* c	**Derivative instruments** *(Euro/000)* d	**TOTAL** *(Euro/000)* e = a+b+c+d
Due date:					
Within 12 months	7,030	513	62,607	198	70,348
Between 1 and 2 years	12,958	232	-	129	13,319
Between 2 and 3 years	1,475	153	-	58	1,686
Between 3 and 5 years	3,636	187	-	47	3,870
Between 5 and 7 years	-	-	-	-	-
After 7 years	-	-	-	-	-
TOTAL	**25,099**	**1,085**	**62,607**	**432**	**89,223**

The estimate of the future costs implicit in loans and the expected future differentials implicit in the derivative instruments was determined on the basis of the yield curves of the interest rates at 31st December 2014 and 2013.

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 relates solely to sales made through the wholesale multibrand channel and the wholesale monobrand channel, which together represented 58.3% of net revenues for the year ended 31st December 2014, while the remaining turnover regards sales made through 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 analyzing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss. As confirmation of this policy, reference should be made to the changes in the allowance for doubtful debts for the years ended 31st December 2014 and 2013 set out in note 5.

The carrying amount of trade receivables in the financial statements is stated net of the write-down estimated on the basis of the risk that the counterparty will fail to meet its obligations, determined by considering the available information on the solvency of the customer and historical data.

The following tables provides an ageing of trade receivables at 31st December 2014 and 2013:

	31st December	
Overdue by:	**2014**	**2013**
0-90 days	6,152	8,107
91-180 days	3,514	4,010
Over 180 days	5,153	5,518
TOTAL	**14,819**	**17,635**

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.

Pursuant to Consob Resolution no. 17221 of 12th March 2010, it is hereby stated that in the year ended 31st December 2014 the Group did not carry out any significant transactions with related parties or any which have materially affected the Group's financial position or results.

Details of the Brunello Cucinelli Group's transactions and balances with related parties as of and for the year ended 31st December 2014 are as follows:

(In thousands of euro)	**Net revenues**	**Other operating income**	**Financial income**	**Costs for raw materials**	**Costs for services**	**Payroll costs**	**Other operating costs**	**Property, plant and equipment**	**Other non-current financial assets**	**Trade receivables**	**Trade payables**
MO.AR.R. S.n.c.				71	89		2	6,638			347
Cucinelli Giovannino								4,331			200
AS.VI.P.I.M. Gruppo Cucinelli					608						45
ASD Castel Rigone	1							1		1	
Fedone S.r.l.	5	758			516				32	3	3
Bartolomeo S.r.l.	4	16			357			505		9	
Fondazione Brunello Cucinelli	11	6			5					16	
Società Agricola Semplice Solomeo		10		14			5			2	
Socrate S.r.l.					168						30
Famiglia Brunello Cucinelli		2				253					
Total related parties	**21**	**792**	**-**	**85**	**1,743**	**253**	**7**	**11,475**	**32**	**31**	**625**
Total consolidated financial statements	**355,909**	**1,474**	**7,739**	**51,289**	**176,131**	**62,273**	**3,379**	**80,157**	**4,786**	**45,051**	**62,185**
Proportion (%)	*0.01%*	*53.73%*	*0.00%*	*0.17%*	*0.99%*	*0.41%*	*0.21%*	*14.32%*	*0.67%*	*0.07%*	*1.01%*

More specifically:

– MO.AR.R. S.n.c.: business transactions with MO.AR.R. S.n.c., of which Enzo Cucinelli, Cav Lav. Brunello Cucinelli's brother, holds 50% of the share capital, regard: (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 costs 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;
- A.S.D. Castel Rigone Associazione Sportiva Dilettantistica: transactions refer only to net revenues and refer to the supply of kit to the Castel Rigone amateur sports association;
- Fedone S.r.l.: other operating income mainly relates to the sale of the property discussed in note 23; in addition, in December 2014 the company completed a merger with the direct subsidiary Parmenide S.r.l. and accordingly Fedone S.r.l. took over the lease agreement for the two buildings situated in Solomeo;
- 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 Group;
- Fondazione Brunello Cucinelli: other operating income includes the rentals for the Theatre and the Accademia;
- Socrate 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.

SIGNIFICANT SUBSEQUENT EVENTS

Reference should be made to the report on operations 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. for the year ended 31st December 2014 amounted to € 923,043.
The accrued compensation relating to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. for the year ended 31st December 2014 amounted to € 174,957.
The following table shows the compensation paid for any reason and in any form to members of the Board of Directors by Brunello Cucinelli S.p.A. and by its direct and indirect subsidiaries for the year ended 31st December 2014:

Board of Directors

(In thousands of euro)		Year ended 31st December 2014							
First and Last name	**Position**	**Term of office**	**Expiry date**	**Compensation**	**Compensation for attendance at committees**	**Non-monetary benefits**	**Compensation, bonuses and other incentives**	**Other compensa-tion**	**Total**
Brunelllo Cucinelli	Chairman and managing director	1.01-31.12	a)	803,200	-	-	-	-	803,200
Moreno Ciarapica	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Riccardo Stefanelli	Director	1.01-31.12	a)	2,400	-	-	-	-	2,400
Giovanna Manfredi	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Giuseppe Labianca	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Camilla Cucinelli	Director	23.04-31.12	a)	2,400	-	-	-	-	2,400
Andrea Pontremoli	Independent director	1.01-31.12	a)	23,200	12,500				35,700
Matteo Marzotto	Independent director	1.01-31.12	a)	22,800	10,000	-	-	-	32,800
Candice Koo	Independent director	1.01-31.12	a)	23,200	7,500	-	-	-	30,700
Padre Cassiano	Independent director	1.01-23.04	-	6,243	-	-	-	-	6,243

a) Approval of the financial statements for the year ending 31st December 2016,

The following table sets out the compensation paid to members of the Board of Statutory Auditors for the year ended 31st December 2014.

Board of Statutory Auditors

(In thousands of euro)		Year ended 31st December 2014			
First and Last name	**Position**	**Term of office**	**Expiry date**	**Emoluments**	**Total**
Gerardo Longobardi	Chairman	1.01-31.12	a)	72,650	72,650
Ravizza Lorenzo Lucio Livio	Standing auditor	1.01-31.12	a)	51,821	51,821
Alessandra Stabilini	Standing auditor	23.04-31.12	a)	18,026	18,026
Guglielmo Castaldo	Standing auditor	1.01-23.04	-	32,460	32,460

a) Approval of the financial statements for the year ending 31st December 2016,

DISCLOSURES PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUERS' REGULATIONS

(In thousands of euro) **Type of service**	**Entity providing the service**	**Recipient**	**Total compensation 2014**
Audit	Auditor of the parent company	Parent company	333
Attestation services on tax returns	Auditor of the parent company	Parent company	-
Other services	Auditor of the parent company	Parent company	19
Subtotal			**352**
Audit	i) Network of the auditor of the parent company	Subsidiary	54
	ii) Other auditors	Subsidiary	101
Subtotal			**155**
Total			**507**

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
The Chairman of the Board of Directors

CERTIFICATION PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58 OF 24TH FEBRUARY 1998 (CONSOLIDATED FINANCE LAW) AND 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:
   - the adequacy in relation to the characteristics of the business and
   - the effective application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements during the period 1st January 2014 – 31st December 2014.
2. No significant aspects arose from applying the administrative and accounting procedures for the preparation of the consolidated financial statements as of and for the year ended 31st December 2014.
3. We also certify that:

   3.1 the consolidated financial statements:

      a) have been 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) agree with the balances on the books of account and the accounting records;
      c) are suitable for providing a true and fair view of the assets and liabilities, results and cash flows of the issuer and the set of companies included in the consolidation.

   3.2 The report on operations includes a reliable analysis of the performance and operating result as well as of the situation of the issuer and the set of companies included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

10th March 2015

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

Moreno Ciarapica
Manager in charge of preparing
the corporate accounting documents

REPORT OF THE EXTERNAL AUDITORS

Building a better working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Brunello Cucinelli S.p.A.

1. We have audited the consolidated financial statements of Brunello Cucinelli S.p.A. and its subsidiaries, (the "Brunello Cucinelli Group") as of 31 December 2014 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Brunello Cucinelli S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 31 March 2014.

3. In our opinion, the consolidated financial statements of the Brunello Cucinelli Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Brunello Cucinelli Group for the year then ended.

Reconta Ernst & Young S.p.A.
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4. The Directors of Brunello Cucinelli S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Board of Directors Report and the Annual Report on Corporate Governance and Ownership Structure published in the section "Governance" of Brunello Cucinelli S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Board of Directors Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance and Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Board of Directors Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance and Ownership Structure, are consistent with the consolidated financial statements of the Brunello Cucinelli Group at 31 December 2014.

Perugia, 30 March 2015

Reconta Ernst & Young S.p.A.
Signed by Dante Valobra, partner

This report has been translated into the English language solely for the convenience of international readers.