BRUNELLO CUCINELLI

ANNUAL FINANCIAL REPORT - CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2016

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LETTER TO THE SHAREHOLDERS

Dear shareholders

We have achieved the symbolic target of the first five years together, and we are really pleased with the results we have obtained. The end of this cycle gives us the opportunity to briefly reflect upon the meaning of the projects we have carried out and in particular on the latest important steps, aimed at breathing new energy into the philosophy that constitutes the soul of this enterprise.

Since our listing on the Stock Exchange we have claimed that walking along this path together would imply the essential sharing of a **set of values that place the human being at the centre**, to enable him/her to express at best their positive, social and creative nature. These are precisely the values that have enabled the company to develop over the years according to the ideal of a **sustainable, healthy growth,** in keeping with the nature and its rhythms.

We have always wanted to combine the ethics of profit with the in-born value of quality in all its forms: dignity of work, beauty of life, value of craftsmanship, promotion of creativity and exclusivity, harmony with the surrounding environment and the ability to keep pace with the times.

From the Solomeo hamlet to our boutiques worldwide, from the hands of our artisans to the new websites, the dream we keep pursuing is a corporate philosophy that features consistent and uniform traits, that embraces all those who belong to this company and addresses honest and simple words to all co-workers and clients.

Our heritage lies in the search for the best work conditions, organised around fair hours of work, in order to be able to focus on ourselves, our families and friends.
In order to put up with the new rhythms of the contemporary world, accelerated by the significant technological development, we argue that it is essential to always **save some time to feed our soul.** The “new technological world” can bear its best fruit – enriching our new freedom with the idea of a superior and deeply “human” good – only if takes care of this value of time.

An extra stroll a day thanks to the saved time, a kind thought conveyed to somebody close to us, a calm and thoughtful reflection upon the world that reveals its manifold beauty thanks to the Web: in our view, these are the essential elements of the quality of life.

In our village, Solomeo, we have enriched this time with quality thanks to the ideal of a **Humanistic Capitalism.** We strive to create a link between the knowledge of our fathers and the enthusiasm of young people, hungry for learning. We want to combine a fair amount of work with the energizing rest of the mind; the creative and productive energy with the time for recovery. Our new websites, named after the **Humanist Artisans of the Web,** as well as the newly opened boutiques, want to shed new light on these values and links.

We are very satisfied with the results achieved over the last 12 months: the confirmation of growth in terms of revenues and margins offers us the opportunity to keep walking along the same path. The results of the 2017 Spring Summer collections fully testify to the passion and search for quality that we promote in Solomeo on a daily basis. The sales campaign of the 2017 Fall Winter collections has just ended with excellent results, accompanied by flattering feedback from both clients and the trade press.

Mankind has been subject to a deep change with the arrival of the Internet and I am firmly confident in the new time that is about to open up for the world and Italy. The new media and the new forms of interaction and communication must serve quality, in order to acknowledge and enhance it.
Italy can contribute to these developments with the best of its art, relying upon an uninterrupted heritage and its lively ability for innovation.

Solomeo, 9th March 2017

Brunello Cucinelli
Chairman of the Board of Directors
and Chief Executive Officer

CORPORATE DETAILS

Registered office of the Parent Company

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

Legal Data of the Parent Company

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

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

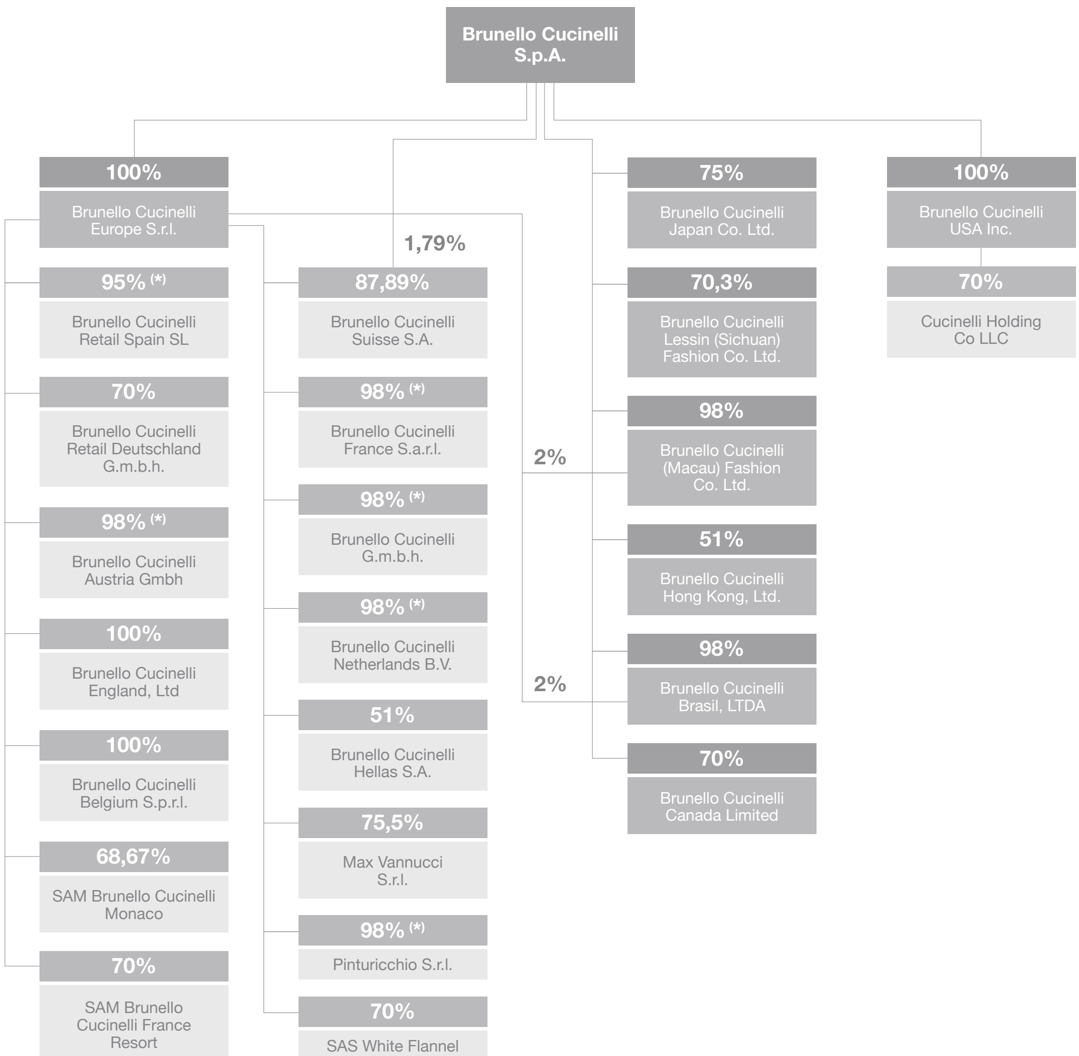
CORPORATE GOVERNANCE BODIES AT 31ST DECEMBER 2016

Board of Directors	Brunello Cucinelli (1)	Chairman and CEO
	Moreno Ciarapica (1)	Executive Director
	Riccardo Stefanelli (1)	Executive Director
	Giovanna Manfredi (1)	Director
	Camilla Cucinelli (1)	Director
	Giuseppe Labianca (1)	Director
	Luca Lisandroni (2)	Executive 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)	Alternate Auditor
	Francesca Morbidelli (1)	Alternate Auditor
External Auditors	EY S.p.A.	
Manager in charge of preparing the corporate accounting documents	Moreno Ciarapica	

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

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

THE BRUNELLO CUCINELLI GROUP AT 31ST DECEMBER 2016



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

GROUP STRUCTURE AT 31ST DECEMBER 2016

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

DISTRIBUTION NETWORK

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

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

- the ***retail*** monobrand channel, namely the direct distribution channel, for which the Group uses the services of Directly Operated Stores or DOS. In certain countries, certain local operators also hold an interest in the Group company running the DOS, thereby contributing their specific market experience. The retail channel also includes the sales points managed under the Group's responsibility and using direct staff positioned in the Japanese department stores; at 31st December 2016, the Group operates directly 15 hard shops in luxury department stores in Japan;
- the ***wholesale monobrand*** channel, consisting of monobrand stores operated under commercial distribution agreements The Group uses intermediaries represented by monobrand stores, with the result that in this case these are the Group's customers;
- the **wholesale multibrand** channel, consisting of independent multibrand stores and dedicated spaces within luxury department stores (shop in shop) In this channel, the Group uses intermediaries represented by independent multibrand stores (or department stores) for sales to end users, with the result that in this case these are the Group's customers.

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

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

The table below shows the Brunello Cucinelli Group's Monobrand sales network at 31st December 2016 and 2015:

Distribution channel	31st December 2016	31st December 2015
RETAIL	86	81
WHOLESALE MONOBRAND	36	36

The table below breaks down the location of the monobrand boutiques existing at 31st December 2016 by geographical area:

	Italy	Europe	North America	Greater China	Rest of the World (Row)	Total
Total Brunello Cucinelli Boutique	17	46	24	19	16	**122**

BOARD OF DIRECTORS' REPORT ON OPERATIONS

LETTER TO THE "YOUNG CUSTODIANS OF THE CREATION"

I usually say that one should have a three-year plan, or even a three-century plan. Surviving history is one of the most profound values of human activity when one works with courage and respecting everyone's dignity.

We have experienced perhaps three decades of a crisis of civilization, during which we imagined it might be possible to govern humankind using only science and technology, but that is not possible; it is essential to add also the soul.

Nowadays, the young are at times afraid of the future. In the past, as we heard from our grandparents and parents who suffered so much because of this, there were wars, hunger and dictatorships. What reason is there to be afraid nowadays?

I am now quite convinced that there is a golden century on the way and that we are living a particular moment of very special renewal. There is currently a moral, civil, human, political and spiritual awareness and thanks to this, a new project has been born in the world for humankind and for activities related to work. In this new project for the world of employment, there is great scope in Italy for companies manufacturing goods of the highest quality, and this applies to the mechanical, interior decorating, fashion and food sectors as well as to all manufacturing activities. To achieve this we must return to investing in people. It seems clear to me that the best way to persuade the young to return to work in our companies is to show them the moral and economic dignity of work. That is the issue. In recent times we have probably reduced the dignity of work, first its moral and then inevitably also its economic dignity. But we are now investing in people again and that is what makes the difference, because there are many people who work with dignity, respect, tolerance, dedication and the ability to have expectations and think about the future. It is they who will achieve a future of extraordinary splendour.

We are also investing in other great sectors, such as schools and universities. We have always thought that schools were the building blocks of society. And it is from schools that we must start again. The same applies to our local heritage. We live in places of extraordinary beauty. We have gone back to considering the quality of life, the aesthetic quality of things. We are once again starting to believe in the state, without which it is difficult to have efficient schools, without which it is difficult to really protect the environment. This seed has germinated, and in the course of my many travels I felt it come to life all over the world.

With Pope Francis, many great ideals that seemed lost have been reawakened in us. With brilliant instinct, Pope Francis starts afresh with three of life's crucial concepts. One is, that we are the "guardians of the creation". How wonderful, the idea of safekeeping instead of ownership! Then he asks himself a question that is almost unimaginable when spoken by a pope, "Who am I to judge?" Spinoza too said, "I was not born to judge nor to condemn, I was born to learn." But Francis also said something that is almost revolutionary: "it is not possible to interfere spiritually in the life of a person." Is there not in these words the very same principle of tolerance expressed by Voltaire? These ideas lead to the birth of a new attitude. The concept of safeguarding, in particular, leads us to reflect on current consumerism which is at times excessive. We Italians are beginning again to "use" things and not "consume" them. We are back to a rather special relationship with consumption, and this might generate something that is very dear to me, a sort of decline in consumerism, which is not after all a pleasant word either for the object consumed, or for consumers themselves.

We are therefore experiencing a new beginning of extraordinary importance for humankind. When merchants returned from America in the 16th century, bringing gold, tomatoes, corn and potatoes, the balance of production in Europe was temporarily destabilised. Many were afraid of what might happen. And yet, Erasmus of Rotterdam, who was fifty years old at the time, said during those revolutionary years, "My God, I should almost be willing to grow young again, for a space, for this sole reason that I perceive we may shortly behold the rise of a new kind of golden age." In the Siena Constitution dated 1309 one reads, "It is the duty of those who govern to have the greatest care of beauty for the pleasure and amusement of foreigners, for the pride, dignity and prosperity of citizens." We need respectable people. Not just enlightened politicians, but also enlightened entrepreneurs, enlightened journalists. We need enlightened mothers and fathers, enlightened but also sensitive.

During the Enlightenment it was thought that Reason alone could govern humankind. This is not possible. Humankind must be governed by both Enlightenment and Romanticism, by the mind and the soul.

I am thinking of situations of serious emergency and suffering, such as the recent earthquake. Among other cities, Norcia was seriously affected, especially its spiritual locations. In this case too we can become guardians, rebuilding from the ruins. Everyone can provide a contribution. At the time of the great floods in Florence, the young and the less young came from all over the country and provided real help to the city's rebirth. At the time they were called "the angels of the mud", so why should we not nowadays have "angels of the stones"? These are times of desolation, but we must not surrender to despair. When King Nebuchadnezzar destroyed Jerusalem, all seemed lost, the lands were abandoned, but Baruch guarded with jealous love a small plot of land owned by a friend, the Prophet Jeremiah. His brave choice offered hope for the future. Baruch went "further" in that critical situation, to the point of encouraging his people to believe in a peaceful and free future.

There is therefore currently a sort of moralisation of humankind; not because modern man is better than he was a thousand or one hundred years ago, but because we live in a world in which, also thanks to the internet, we can all know everything about one another. In order to be credible, we have to be true. Truth as the basis of ethics. So I would like to launch a small appeal: we should design in order to inspire, being proud of loving the world and fuelling the fire of progress that should never stop burning, remembering that needs may subside, but wants never do. We must never turn our backs on poverty; let's promote a broader sense of solidarity thus releasing us from the constraints of fear.

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 recognised as one of the nest examples of absolute luxury, combining exclusive “Made in Italy” features with the ability to innovate and identify new trends.

The brand’s distinctive elements are quality, craftsmanship, creativity, exclusivity, and beauty, plus a remarkable desire to “listen to” the market and its new trends The result is a line of casual chic prèt-à-porter products that satisfy the tastes of young and less-young customers while retaining value over time Merging old and new, business goals and human needs: the secret of a company whose innovative capacity is looked upon with interest from all sides as well as being a case study in modern economy illustrated at prestigious universities.

“
The great dream of my life has always been to work
for the moral and economic dignity of mankind
”

Brunello Cucinelli

http://www.brunellocucinelli.com/en/home.html

Humanist Artisans of the Web

music streaming

car sharing

www.it

selfie

mobile phone

BRUNELLO CUCINELLI

THE GREAT INTERNET PROJECT: "HUMANIST ARTISANS OF THE WEB"

The going live of the new **corporate** and **ecommerce** websites brought to life the "Humanist Artisans of the Web" project, which combines the digital world, artisanal quality and company philosophy. The new sites represented a milestone of the Great Internet Project which, after its start in 2015, strengthened the Company's digital presence, which is now organised and managed internally.

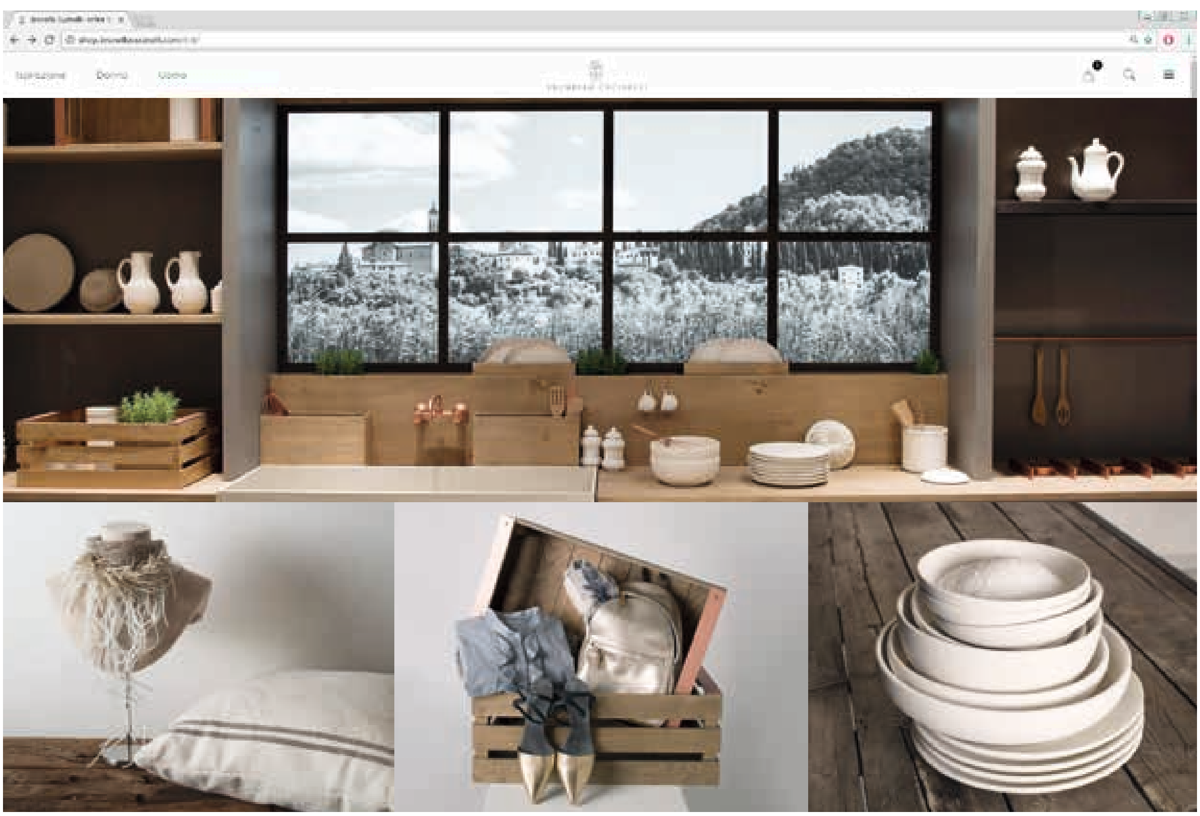
Two separate websites: **philosophy** website and **boutique** website (**e-commerce**), soul and body, substance and form of the Company.

They have been built to enhance the philosophy underlying the business, to tell its story and spread its ideals. Thus, they are the last of series of projects designed to reinvigorate the founding values of the Company: humanistic capitalism, moral and economic dignity of work, quality, manual skills and the bond with the territory, themes and concepts that permeate all the pages. Against this backdrop, the new websites have been created with the **"Humanist Artisans of the Web"** in mind, professionals who take their inspiration from the past to face current and future challenges.

http://www.brunellocucinelli.com/en/

Thus, the approach to the digital is marked by the same values as those that characterize the daily life of the Humanistic Enterprise. First of all, comes the **respect for time**, which is always devoted to the more human aspect of digital relationships, trying to **weigh and measure the resources of the internet**, so that it does not become too disruptive by adding its daily burden to that created by the "sickness of the soul" that vexes human beings, and focusing on fundamental themes and elements. In many respects, it seems that **the new websites have been created with the same care and craftsmanship** that mark the creation of our collections.

The digital boutique reflects the character and spirit of the physical boutique: from the window that "narrates" the link with tradition, but in a contemporary spirit, to the display, the visual merchandising and matching suggestions. Most important of all, however, is the friendly relationship with the customer, who can interact directly with a group of young people that, directly from Solomeo, provide support to the navigation and answer questions on taste, organise shipments, prepare accurate packages, send handwritten personalized notes, and establish "human" relationships also through the internet.



http://shop.brunellocucinelli.com/en-us/

BRAND IDENTITY AND BRAND PROTECTION

In a constant balance between tradition and innovation, the key principles of the Company's life and communication are the safety and protection of the identity and allure of the luxurious simplicity and Italian lifestyle that have been progressively associated with the brand in the highest segment of the luxury market.

From digital to retail, to marketing, to communication, all the means that convey the brand's image in the world – be they boutiques, media or digital channels – evolve, thereby creating new avenues for the identity that the Company has developed over the years.

The concept of "**protection**" is stronger than that of "promotion". In a world where diffusion through digital means seems to emphasise and multiply every action, making everything available to everyone without any difficulty, it is extremely important to calibrate every activity to keep the brand highly **exclusive**.

Luxury as defined by **rarity** and **expectation** is the standard that sets the tone for our own and our worldwide partners' communication strategies, which are designed essentially to protect the brand against massification by emphasising its characteristics and staying power over time.

The key formula is based on a close observation of the world, identifying change to try to follow its progress and work out, through strategies and reflections, a path that allows us to remain true to the guiding principles.

To that effect, campaigns, year after year, try to "narrate", more than advertise, a message consistent with the brand's history and identity. "**Humanist Artisans of the Web**" is a milestone for the Company and marks its approach to technological change.

The new media and the new realities that enrich the world are welcome by putting at the centre heritage and the Company's philosophy and culture linked to the brand and the Italian lifestyle. More generally, the link between the new and the past puts in a different light the value of time; the time of history and the current times.

In this message the Company indicates, not without humour, the intention to emphasise the preservation of **Italian values**, whether social, family-oriented, cultural or artisanal. The new media are first of all an opportunity to enrich culture: to receive stimuli, inspirations and change to convey them through the philosophy and ethics of the humanistic company.

To enhance the non-material value on which the Company is founded, the potentialities of the digital world were examined much like a tailor ponders over the quality of a new fabric when he "creates" a bespoke suit. In the same vein, the opening of the Montenapoleone flagship gives centre stage to the familiar images of an Italian lifestyle, a kitchen with a window, like a painting in a painting, that gives onto the Solomeo world.

The media, the employees and the customers understood immediately the continuity with our basic philosophy. The image that such approach reflects through the media makes it possible to talk about the collections and the economic aspects with arguments in keeping with the Company's ethic profile, stressing the ideals of courtesy, caretaking and harmonious growth that are cultivated in Solomeo.

D MODA
la Repubblica

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D • MODA • DAL SELFIE A INTERNET: L'IRONIA VINTAGE

f 16

Dal selfie a Internet: l'ironia vintage

1 di 8

Il nuovo, in fondo non è che una riedizione del vecchio. Parola di Brunello Cucinelli. In occasione della Settimana della Moda lo stilista si diverte a giocare la carta dell'ironia con una serie di foto d'epoca, che fanno da premessa alla sua collezione per la p/e 2017. "Internet è un dono, è un mezzo rivoluzionario che ha principio e fine nell'uomo. Grazie ai nuovi orizzonti tecnologici la tradizione della conoscenza, il legame dei rapporti umani e la circolazione del pensiero sono argomenti che risplendono di un nuovo fulgido e appassionante valore, profondamente etico e sociale". Ma le immagini di Cucinelli sono un modo per ricordarci che non basta dire tecnologia perché tutto sia bello e moderno. E così rivisita i concetti fondamentali del nostro tempo (dal car sharing al selfie) ricordandoci com'eravamo. E ci strappa un sorriso

DI SARA BENNEWITZ

21 FEBBRAIO 2017

http://d.repubblica.it/moda/2017/02/22/foto/internet_tecnologia_selfie_vintage_foto_d_epoca_moda-3431965/1/?refresh_ce

"I wish to stress that this website is our largest global boutique […]
the mirror of Solomeo's culture and life and the image of our product.
Milan is instead the heart of Italianness.".

The countertrend effect, noted by some newspapers, is the direct consequence of the intention to focus the attention on more human qualities and needs, which have always been at the heart of the Company's values. Communication is based on the moral value at the core of the brand's identity; these are values that include and introduce the new perspectives provided by the stores, whether they at one of the most prestigious addresses of Italian fashion or on the internet.

LA STAMPA SOCIETA'

SEZIONE

LA STAMPA PREMIUM

Per leggere La Stampa Premium è necessario essere abbonati

SOCIETÀ

Articolo tratto dall'edizione in edicola il giorno 23/02/2017.
Dopo 7 giorni il contenuto è a disposizione per tutti i lettori, clicca qui per scoprire La Stampa Premium.

"L'alto artigianato si incontra in rete"

«Qualità e esclusività. Mai come in questo periodo i compratori mi sono venuti a chiedere questo». Brunello Cucinelli, entusiasta come sempre di come sta andando il mondo, l'Europa, l'Italia («dopo un decennio di crisi di civiltà quello che accade oggi ci costringe a una presa di coscienza che non può che farci bene») apprezza che il mercato sia così attento e chieda cose che solo l'alto artigianato italiano può dare. Anche perché l'esclusività che si richiede è il contrario della standardizzazione. «La rete ha fatto sì che anche i prodotti meno distribuiti sembrassero già visti» spiega, senza per questo demonizzare internet, cui anzi dedica gran parte del suo tempo con il progetto «artigiani umanisti del web». «Posso dire che abbiamo appena aperto due negozi: quello di Montenapoleone rappresenta la nostra esperienza di vita e lavoro nel mondo fisico, quello di e-commerce permette a chiunque di respirare il nostro lavoro, il borgo, il rispetto per quello che facciamo».

MF fashion

FASHION E LUXURY MADE IN ITALY

17 MARZO 2017

ULTIMO NUMERO   TOP STORIES   FOTO COLLEZIONI

23 Febbraio 2017

Cucinelli apre i suoi due più grandi store al mondo

Il marchio ha tagliato il nastro alla nuova boutique di via Montenapoleone a Milano e del suo e-commerce, che sarà gestito direttamente.

di Chiara Bottoni

Tweet G+1 Share Pin it

Un look Brunello Cucinelli

Brunello Cucinelli celebra una duplice apertura strategica all'inizio del 2017: quella della sua più grande boutique fisica al mondo e quella della sua più grande boutique virtuale. Il marchio di cashmere deluxe da 456 milioni di euro di ricavi 2016 (+10,1% a cambi correnti) ha infatti recentemente tagliato il nastro al suo nuovo store milanese, in via Montenapoleone 27, che per estensione si colloca al primo posto worldwide (vedere MFF del 28 gennaio), e ha debuttato il 1° febbraio con un sito completamente rinnovato, comprensivo di una sezione dedicata all'e-commerce. Una vetrina gestita in maniera diretta, affiancata da uno spazio votato a raccontare i valori dell'azienda e a svelare le bellezze del borgo di Solomeo, dove ha sede l'impresa. «Mi piace sottolineare che questo sito rappresenta il nostro più grande negozio globale», ha raccontato a MFF Brunello Cucinelli, anima della società, «per questo, sarà fondamentale garantire un'esperienza nel segno dell'esclusività. È incredibile il numero di persone che ogni giorno lo visitano, ragion per cui ho voluto che fosse lo specchio della cultura e della vita di Solomeo, nonché l'immagine del nostro prodotto. Milano, invece», ha proseguito l'imprenditore umbro, «incarna il cuore dell'italianità. Il mondo è affascinato dai manufatti italiani e poterli acquistare qui ha un sapore differente». La richiesta di capi belli ed esclusivi da parte della clientela internazionale si è tradotta anche quest'anno in risultati eccezionali per Cucinelli. «Più del 50% delle vendite dell'autunno-inverno 2017/18 destinate ai multibrand sono già concluse e questo permette di prevedere un bellissimo 2017, in crescita a doppia cifra per ricavi e utili», ha concluso Cucinelli. Che ha presentato a Milano moda donna una collezione pensata per un'esploratrice urbana. In scena un mix di riferimenti alla sartorialità maschile combinati con elementi iper-femminili, tra coat bouclé di cashmere, bomber di pelliccia lavorati effetto animalier, trench reversibili e parka nei colori della terra. I pantaloni sono morbidi e risvoltati, la maglieria sviluppata in mischie di cashmere, mohair e lurex, oppure intarsiata con motivi grafici o lavorata a mano.

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http://www.lastampa.it/2017/02/23/societa/lalto-artigianato-si-incontra-in-rete-0HS0jvuquQqaYicUfmoNsJ/premium.html
http://www.mffashion.com/it/archivio/2017/02/23/cucinelli-apre-i-suoi-due-piu-grandi-store-al-mondo

"More revolutionary than revolutionaries,
Brunello Cucinelli brings his humanistic vision
to every aspect of the business.".

Even though new physical or digital architectures are brought up in no time, the Company is always respectful and protective of the genii loci that inhabit them. This approach is designed to arrive at balanced, positive and human results. The new concept of time and space need to be factors of quality of life, where love, knowledge and circulation of ideas find a new simplicity and spontaneity.

TOP FASHION CHART

1 BRUNELLO CUCINELLI

Più rivoluzionario dei rivoluzionari, **Brunello Cucinelli** porta in tutti gli ambiti del business la sua visione umanistica. Persino nel digital, dove investe sì, ma senza forzare la mano. Un artigiano del web, come si è definito, dove «vanno postate poche cose», perché «troppo disturbo non fa comprare». Un approccio controcorrente, in sintonia con le regole di un'azienda sui generis, capace di far leva sulla sua diversità per incrementare "garbatamente" un fatturato che nei primi nove mesi 2016 ha sfiorato i 349 milioni di euro, in aumento del 9,7%. Una realtà che incoraggia i dipendenti a comunicare direttamente, piuttosto che via mail, e a «lavorare sì, ma il giusto», e che si tiene lontana dai "vortici" e dall'impostazione budget-driven.

https://issuu.com/fashion_ecomarket/docs/sfoglia_16

THE COLLECTIONS

Greeted with much enthusiasm by customers and the media, the 2017 collections perpetuate and explore the expression of contemporary elegance and chic informality that have long been the maison's hallmark.

Precious materials and artisanal work join in a refined Leisure soul. Every look is a picture that captures the merger of two worlds, the synergy of colours and original interpretations. All the elements are combined harmoniously through an informal yet sophisticated character, where the new formula of style overcomes contrasts and easily connects moments of relax to informal meetings.

The appeal of sartorial creations interacts fruitfully with prestigious though informal elements. Natural fibre fabrics stand out, as new materials that capture modern taste. The nuanced combination of shades, modulation and chiaroscuro that goes through the collections is brought to the fore by sophisticated colours and special handmade processes. Both the contemporary and the traditional take on a new identity, one that reflects the changing time and is ready to engage in a dialogue among different cultures.

In knitwear, the true heart of the collections, an important variety of yarns, colours, textures and weights are intertwined. New works and new models overlap and combine to create modern and sophisticated impressions. Colour, freshness and a multiplicity of details characterize the summer collection. The winter collection, for which the sale campaign has just ended, features enveloping, large and very light knitwear.

THE RETAIL PHILOSOPHY: THE NEW FLAGSHIP BOUTIQUE IN VIA MONTENAPOLEONE

The new boutique of Brunello Cucinelli opened its doors in via Montenapoleone 27 on Saturday 28th January 2017. The new house of Brunello Cucinelli in Milan is going to welcome visitors in one of the world's main shopping streets for Italian fashion. It is a contemporary habitat of precious sobriety, combining culture, traditions, love of origins and modern concepts of hospitality.

The friendly décor, alternating wood and other material surfaces, and choice of natural colours transmit the philosophy of the hamlet of Solomeo in one of the most internationally renowned streets. A place where one can feel at home, and discover the importance of a genteel and relaxed time, devoted to the exploration of values linked to tradition, to artisanal quality, to the creativity of the spirit in a serene, familiar and comfortable environment.

The boutique is structured exactly like a home: foyer, living room and dining room. In the display window there is the heart of the house and the family: the kitchen, with a large window showing the skyline of Solomeo, a place emanating the flavours and scents of nature. Then there is the living room for soul-refreshing gracious conversation and the closet, where one can spend the right amount of time to create an elegant yet relaxed style. The new location is further testimony to the philosophy of Brunello Cucinelli's monobrand boutiques, which spread the history, the ideals and the fruits of the humanistic enterprise's work in the world's most important capitals and cities.

A PHILOSOPHY CONNECTING THE PHYSICAL AND THE VIRTUAL BOUTIQUE

Constant research and innovation, together with respect for traditions and the genius loci. These have long been the mandate of visual merchandising, in its effort to offer something special and unique, both in the form of products from Solomeo's workshops and in terms of the attention and passion to fill the spaces of every new boutique in keeping with the inspiration of **family atmosphere and friendliness**.

The objective is to provide, through this ambiance, a relaxed and informal atmosphere. Every store is conceived like a **small getaway place, where one could take it easy and rest for a while**, to breath that quality of time that we hold dear, that genteel and refined approach which constitutes an important aspect of the "gracefulness" that imbues our corporate philosophy.

From this standpoint, the new boutiques cultivate the same philosophy and the same spirit that drive the digital space on the internet, where emphasis is always placed on the value of time, which is conceived as part of an **Italian story** and as attention to the pace of our daily lives.

At Solomeo a veritable laboratory of ideas is constantly researching themes to put on display, objects, images capable of representing windows on our values, on the traditions and feelings that set the pace in the hamlet of Solomeo.

The **visual group**, always travelling around the world, is tasked with the display of the product by emphasising the message and the **Italian lifestyle** without undermining he uniqueness of the places. The guidelines are clear but the interpretation makes every set-up different and every store unique.

The combination of looks, objects and stage-settings is implemented in close cooperation with the style team, putting the accent on the collections, involving the customer and telling a true story.


Smart Watch

INVESTMENTS

In 2016, total investments amounted to €29.8 million. They were part of the investment plan started in 2013, which totalled €150.5 million over the four-year period, accounting for 10% of cumulative sales.

This important investment plan firmed up the Company's foundation, laying the groundwork for the sustainability of the brand at the very high end of the luxury market, with reference to both the "traditional" channel and the digital one.

In 2016 commercial investments totalled €12.3 million (for a cumulative amount of €84.0 million for the four-year period), in order to open exclusive boutiques, to achieve selected and significant relocation, to increase sales areas and dedicated spaces in luxury department stores and to constantly refurbish the monobrand boutique network, with the introduction of innovative visual merchandising solutions and layouts to have the boutiques reflect the brand's culture.

Significant investments were made also in the showrooms, which in our opinion should be renovated every six months, when the collections are presented, to make them constantly contemporary.

The investments in production, logistics and IT/Digital, amounting to €17.5 million in 2016 and €66.5 million for the four-year period, supported two key projects for the development and sustainability of expected growth.

The "**Great Internet Project**" saw the implementation of technological and operational platforms for the global development of all the new information systems and software applications, both at the headquarters in Solomeo and in all the areas where the brand is present. These investments made it possible to make available the brand on the internet and to build large spaces and logistical structures in Solomeo, to manage all the relevant activities.

The multi-year project to develop the manufacturing and logistic infrastructures – to support expected long-term growth and the digital infrastructure – was completed in 2016, within the scope of the very important project relating to the "**Doubling of the Solomeo Plant**".

At the end of January, the **brand's new websites** went live. This was a significant milestone of the Great Internet Project, which strengthened the Company's internet footprint and brought under its direct control all the relevant activities. The project saw the creation of two websites: one devoted to the Company's **philosophy** and the other to the **boutique** (new great **e-commerce**).

Both the corporate and the e-commerce websites were set up to bring to the fore the philosophy at the foundation of the enterprise, combining digital contemporaneity with the narrative of the history and ideals of our reality, as well as to introduce our collections and our lifestyle.

They are the last of a series of projects designed to reinvigorate to our Company's founding values: humanistic capitalism, moral and economic dignity of work, quality, manual dexterity and the bond with the territory. These themes and concepts are present in every page.

Against this backdrop, the new website was created with the **“Humanist Artisans of the Web”** in mind, professionals who take their inspiration from the past to face current and future challenges.

We feel that this approach might constitute a structural and fundamental element for the “**brand protection**” on the web, in the conviction that the prestige of a brand is dictated by the exclusivity of its presence in the physical world and in the digital world, to create and maintain its allure.

We regard our new **online boutique** as our “**universal store**” in Solomeo, to offer a “special” and “human” experience to all those who wish to get to know our brand and culture through the internet.

Our **new flagship in via Montenapoleone** 27, in Milan - which was opened at the end of January 2017, following our relocation from the other store in Via della Spiga - is instead the largest “**physical store**” and a very important selling space, considering Milan as the heart of Italianness, where the purchase of Made-in-Italy products takes on a special significance of exclusivity and allure.

INTRODUCTION

This Financial Report as of 31st December 2016 has been prepared pursuant to Legislative Decree 58/12998 as amended, and the Issuers' Regulations published by Consob. This Report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

SUMMARY DATA AT 31ST DECEMBER 2016

The following tables provide (i) a summary consolidated income statement for the year ended 31st December 2016, with comparative figures for the year ended 31st December 2015; (ii) a consolidated statement of financial position reclassified by sources and uses at 31st December 2016, with comparative figures at 31st December 2015; and (iii) total capital expenditure and cash flows from operating activities for 2016, with comparative figures for the year ended 31st December 2015.

It is worthy of note that, pursuant to CONSOB resolution no. 15519 of 27th July 2006, significant gains or losses from non-recurring events or transactions are shown separately in management's discussion and report. To this end, EBITDA, Operating Profit and Net profit for the year are reported as normalised to remove the effects of the following transactions:

- non-recurring cost related to the termination of the employment contract with the sales co-manager for €1,293 thousand, which is reported as payroll cost, under operating costs. The theoretical tax effect on the non-recurring cost is an increase in income tax for €406 thousand.
- non-recurring cost, amounting to €230 thousand, related to the estimated fair value of the expected future benefits arising from the assignment of a 10.3139% equity interest in Swiss company Brunello Cucinelli S.A. to the manager of the monobrand boutiques in Switzerland. The transaction was carried out by increasing the company's share capital by chf23 thousand via a capitalisation of retained earnings. Also in this case, the amount is reported as a payroll cost under operating costs and the theoretical tax effect on the non-recurring cost is a decrease in deferred tax assets for €48 thousand.
- Application, in determining deferred tax assets and liabilities, of the new corporate income tax (IRES) rate in force as of 1st January 2017 (24.0%, compared to 27.5%), which generated lower deferred tax assets for a total of €956 thousand, following the recycling to profit and loss of deferred tax assets calculated at the 27.5% rate in the previous year and the charge for the period at 24.0%.

Summary of consolidated income statement

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Revenues from sales and services	457,029	100.0%	414,937	100.0%	42,092	+10.1%
EBITDA	76,692	16.8%	69,124	16.7%	7,568	+10.9%
Operating profit (loss)	56,645	12.4%	50,975	12.3%	5,670	+11.1%
Net profit for the year	37,119	8.1%	32,949	7.9%	4,170	+12.7%
Normalised revenues from sales and services	457,029	100.0%	414,937	100.0%	42,092	+10.1%
Normalised EBITDA	78,215	17.1%	69,124	16.7%	9,091	+13.2%
Normalised operating profit	58,168	12.7%	50,975	12.3%	7,193	+14.1%
Normalised net profit for the year	39,144	8.6%	32,949	7.9%	6,195	+18.8%

Statement of financial position reclassified by sources and uses:

(In thousands of euro)	Year ended		Change	
	31st December 2016	31st December 2015	2016 vs. 2015	2016 vs. 2015 %
Net working capital	129,268	112,331	16,937	+15.1%
Non-current assets	145,911	137,953	7,958	+5.8%
Other non-current assets/(liabilities)	1,659	2,906	(1,247)	-42.9%
Net invested capital	**276,838**	**253,190**	**23,648**	**+9.3%**
Net debt	50,956	56,412	(5,456)	-9.7%
Equity	225,882	196,778	29,104	+14.8%
Sources of funding	**276,838**	**253,190**	**23,648**	**+9.3%**

Other summary data:

(In thousands of euro)	Year ended		Year ended	
	31st December 2016	31st December 2015	2015 vs. 2015	2016 vs. 2015 %
Investments	29,778	40,833	(11,055)	-27.1%
Cash flows from operating activities	44,539	35,877	8,662	+24.1%

ALTERNATIVE PERFORMANCE MEASURES

For a better assessment of Company operations, the Brunello Cucinelli Group uses certain non-IFRS performance measures. Therefore, the method to calculate such measures applied by the Group may not be consistent with that adopted by other groups and, as such, the resulting amounts might not be comparable. These alternative performance measures, as determined in keeping with the Final Guidelines on Alternative Performance Measures issued by ESMA/2015/1415, and adopted by CONSOB with communication no. 92543 of 3rd December 2015, refer solely to the performance of the financial year described in this Financial Report and the comparative financial years and not to the Group's expected performance.

The alternative performance measures used in this Financial Report are defined as follows:

EBITDA: This is Operating Profit before Amortisation and Depreciation.

- **Net Working Capital**: This is calculated as the sum of Inventories and Trade Receivables less Trade Payables and the sum/(difference) of all the other Current Assets and Current Liabilities.
- **Net Invested Capital**: This is the sum of Non-current assets and Current assets, not including financial assets (Other current financial assets and Cash and cash equivalents) minus Non-current liabilities and Current liabilities, not including financial liabilities (current and non-current bank borrowings, current and non-current financial liabilities).
- **Net borrowings**: This is calculated as the sum of Current and Non-current bank borrowings and current and non-current Financial liabilities including the (positive or negative) fair value of hedging derivatives related to loans minus Cash and cash equivalents and other Current financial assets, including the (positive or negative) fair value of hedging derivatives related to loans.
- **Investments:** These refer to gross investments in Intangible and Tangible Assets and net investments in Financial Assets.

THE GROUP'S RESULTS FOR 2016

The "particularly positive" results for the year continue to drive the "sustainable" and "gracious" growth that the company achieved in the past and has always been the company's long-term objective.
Such results also make it possible to look at the future with "strength", "confidence" and "serenity", combining the quest for "beauty" with both the excellent quality of Made-in-Italy high-craft products and the transmission of the company's values and philosophy, though the traditional and digital channels.
Customers and the media see the collection as the expression of a contemporary and refined lifestyle. The selected articles on the company by prestigious publications, combined with a constantly understated communication style, enhance the allure and the appeal of the brand, which can be further appreciated by visiting the "medieval hamlet of Solomeo", for a first-hand experience of the company's culture.
Manual skills and craftsmanship are the foundation of the daily work of Solomeo's "thinking souls" and of the skilful hands that put together technological innovation, creativity and work discipline in a harmonious combination that is rendered by the concept of "Humanistic Enterprise".
Profit-making always follows the ethics and moral and economic dignity with which we manage our relationships with employees, customers and stakeholders.

In 2016 Revenues from sales and services amounted to €457,029 thousand, up 10.1% on the previous year.

At 31st December 2016, Net revenues were up 10.1%, settling at €455,971 thousand, compared to €414,151 thousand at 31st December 2015.

For 2016 *EBITDA was €76,692 thousand, equal to 16.8% of Revenues from sales and services. Normalised EBITDA for 2016 was 17.1% of revenues from sales and services, for a total amount of €78,215 thousand, reflecting an increase of €9,091 thousand, or 13.2%, on the comparable amount at 31st December 2015.*

Attention is called to the fact that the cost of raw materials and outsourced production activities fell slightly, as a share of revenue, compared to the previous year (35.0% at 31st December 2016 versus 35.6% at 31st December 2015), due mainly to the greater impact of revenues from the retail channel, whose operating costs rose as a result of new openings (especially rental and staff costs). In particular, in the year just ended rental costs accounted for 12.0% of revenues, compared to 10.5% for the previous year.

Net profit for the year amounted to €37,119 thousand, accounting for 8.1% of Revenues from sales and services. Normalised net profit for the period was €39,144 thousand, corresponding to 8.6% of Revenues from sales and services, up €6,195 thousand (+ 18.8%) on 2015.

SEASONALITY OF SALES

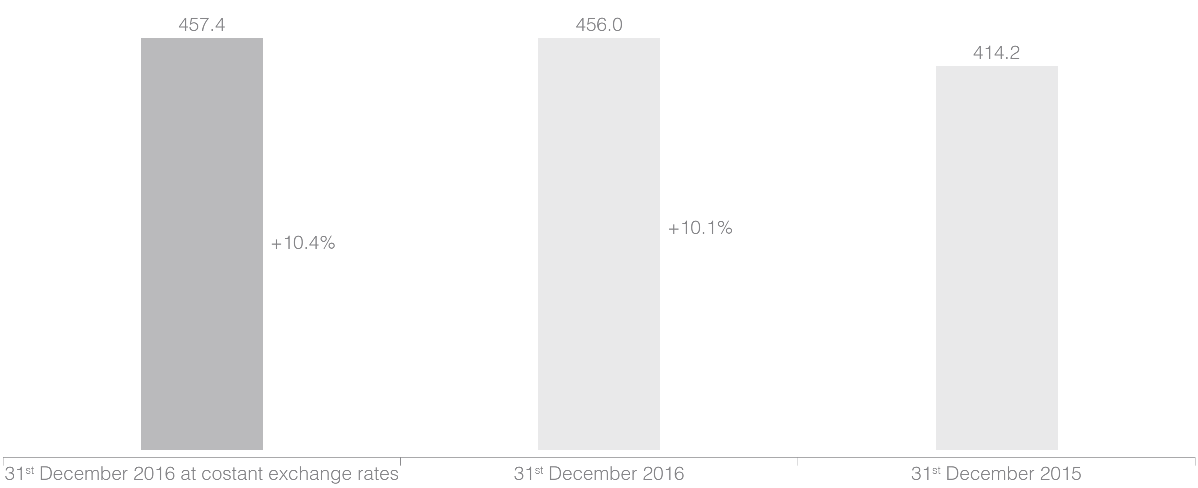
While not showing sharp seasonal or cyclical variations in total annual sales, the Group's business is affected in the course of the various quarters of the year by revenues and costs arising mainly from industrial operations that are not perfectly homogeneous.
In addition, the luxury market in which 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; sales billing 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 prices.
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

In 2016 the Group's consolidated revenues totalled €455,971 thousand, up 10.1% on 2015. At constant exchange rates, that is using the same average exchange rates of 2015, revenue would amount to €457,378 thousand, up 10.4%.

Sales rose in all distribution channels and in all geographical areas, both in the most important luxury shopping streets and in the prestigious resorts where the brand is available
The results of the 2016 sell-outs were very positive, confirming the expectations of a contemporary ready-to-wear offering, around which a lifestyle has been built over the years; also the sell-outs of the 2017 Spring-Summer Collection were very interesting.

International markets accounted for 83.3% of net revenues, reflecting an increase of 10.7% on 2015. The Italian market (16.7% of net revenues) showed a very interesting performance, with sales rising by 7.3%. In 2016, the European market, including Italy, represented 46.6% of the total.

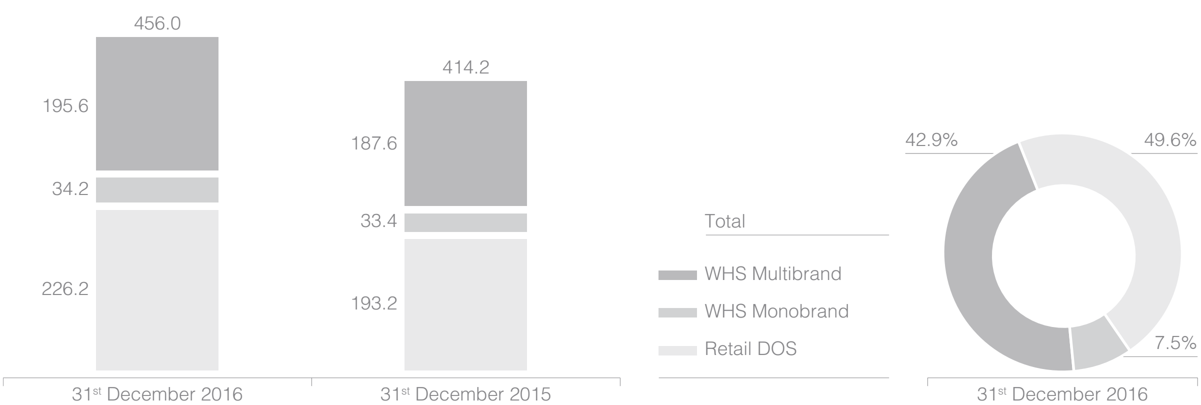


REVENUES BY DISTRIBUTION CHANNEL

Results were positive in all the distribution channels, thanks to the contribution of the performance in the existing selling spaces, to the selected openings in the last 12 months in the monobrand channel and the incremental spaces allocated in the most exclusive multibrand stores and luxury department stores.

The table below shows the Group's net revenues for 2016 by distribution channel.

(In thousands of euro)	**Year ended 31st December**				**Change**	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Retail	226,220	49.6%	193,174	46.6%	33,046	+17.1%
Wholesale Monobrand	34,176	7.5%.	33,388	8.1%	788	+2.4%
Wholesale Multibrand	195,575	42.9%	187,589	45.3%	7,986	+4.3%
Total	**455,971**	**100.0%**	**414,151**	**100.0%**	**41,820**	**+10.1%**



RETAIL

Net revenues generated by the retail channel amounted to €226,220 thousand, with an increase of €33,046 thousand, or 17.1%, on the previous year.
At 31st December 2016, the retail channel accounted for 49.6% of the Group's net revenues, up 46.6% on the previous year.

Like-for-like growth (comparable store sales), calculated as the rise in revenues at constant exchange rates at the DOS existing at 1st January 2015 was 3.9% (period between 1st January 2016 and 31st December 2016), with particularly interesting sell-outs for the Autumn/Winter 2016 collection.
The positive trend continued also in the first three months of the year, with like-for-like growth for the current years, again at constant exchange rates, at the DOS existing at 1st January 2016 was 3.8% in the first nine weeks of the year (1st January 2017 – 26th February 2017), thanks to the warm reception and sell-outs of the Spring/Summer 2017 collection.

The direct store network has grown to 86 boutiques (81 at 31st December 2015).

WHOLESALE MONOBRAND

Net revenues from sales made through the wholesale monobrand channel amounted to 7.5% of net revenues, which was lower than the 8.1% recorded in 2015. In absolute terms, revenues reached €34,176 thousand, an increase of €788 thousand, or 2.4%, on 31st December 2015.
The network was unchanged during the year under review, with a total of 36 boutiques. Thus, growth for the year was driven by the performance of the existing boutique network, whose sell-outs performed in line with the retail monobrand channel.

WHOLESALE MULTIBRAND

Net revenues arising from sales made through the wholesale multibrand channel amounted to €195,575 thousand (+ €7,986 thousand, compared to 31st December 2015, reflecting a 4.3% increase on 2015).
As a share of net revenues, the channel went from 45.3% at 31st December 2015 to 42.9% at 31st December 2016.

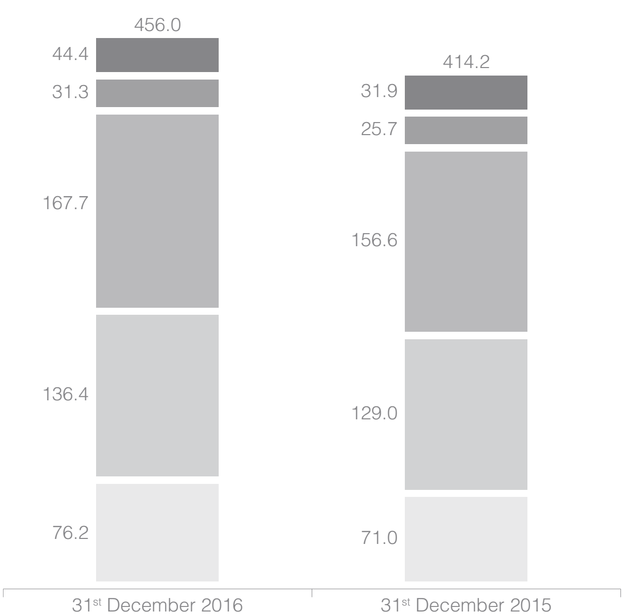
The highly positive results were due to the "exclusivity" of distribution, the presence of prestigious spaces in multibrand locations, the long-term relationships with the partner stores and, most of all, the very-high-quality contemporary-taste collections that meet the requirements of the most sophisticated customers looking for daytime ready-to-wear clothing.
Given the company's growth potential, the multibrand channel plays a key role in the sustainability and positioning of the brand at the very top of the luxury sector, helping to maintain it contemporary and exclusive.

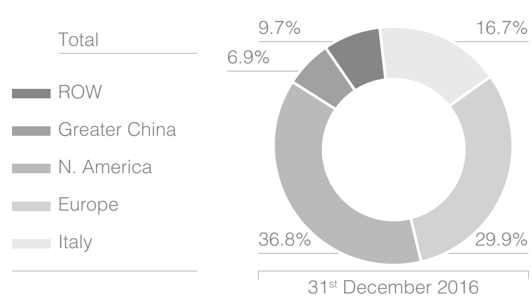
REVENUES BY GEOGRAPHICAL AREA

The results achieved in 2016 indicate significant growth in all of the international markets, which accounted for 83.3% of net revenues. Overall, international markets showed a 10.7% over 2015; there was also an interesting and significant rise of +7.3% in revenues on the Italian market, pointing to healthy and sustainable results.

The table below breaks down revenues by geographical area for 2015 and 2016.

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Italy	76,198	16.7%	70,994	17.1%	5,204	+7.3%
Europe	136,402	29.9%	128,978	31.2%	7,424	+5.8%
North America	167,657	36.8%	156,595	37.8%	11,062	+7.1%
Greater China	31,348	6.9%	25,738	6.2%	5,610	+21.8%
Rest of the World (RoW)	44,366	9.7%	31,846	7.7%	12,520	+39.3%
Total	**455,971**	**100.0%**	**414,151**	**100.0%**	**41,820**	**+10.1%**





Following an analysis of Net revenues by geographical area:

Italy

Net revenues for "Italy" represented 16.7% of total revenues (17.1% in the previous year), posting significant growth in absolute terms, of €5,204 thousand on the previous year, or + 7.3% (€76,198 thousand in 2016 vs. €70,994 in 2015).

Attention is called to the solid sales performance in leading cities and resorts, which benefited from a larger inflow of high-end tourists, who are typically very demanding and sensitive to chic and exclusive products.

At 31st December 2016, the monobrand network (direct and wholesale monobrand) consisted of 17 boutiques.

Europe

Net revenues for "Europe" represented 29.9% of total revenues (31.2% in the previous year), rising by 5.8%, from €128,978 thousand to €136,402 thousand, with an increase of €7,424 thousand in absolute terms.

Revenues rose in all the countries of the European market, in both the monobrand and the multibrand channels, thanks to high-end tourists and "local" customers, the brand's typical target.

At 31st December 2016, the monobrand network (direct and wholesale monobrand) consisted of 46 boutiques.

North America

Net revenues for "North America" represented 36.8% of total revenues (37.8% in the previous year), going from €156,595 thousand to €167,657 thousand, up €11,062 thousand or + 7.1%

This very positive trend occurred in both the monobrand and the multibrand channels. In the latter, in particular, operators are always looking for products marked by very high quality, craftsmanship and manual dexterity that project the image of "absolute luxury" attributed to our brand. Another very important factor is the "exclusivity" of distribution, a key aspect for the end customers of luxury goods, who are always eager to buy something unique and not available to everyone.
The excellent results in the multibrand channel were supported – in addition to our long-term relationships with the most prestigious department stores in the U.S., which share the company's values and philosophy - by trunk shows, resources and personnel training, especially in the area of visual merchandising and brand communication

At 31st December 2016, the monobrand network consisted of 24 boutiques.

Greater China

Net revenues for "Greater China" represented 6.9% of total revenues (6.2% in the previous year), going from €25,738 thousand to €31,348 thousand, up €5,610 thousand or + 21.8%

The growth achieved, though starting from a small base, was driven by the large increase in Greater China, given the positive performance of the monobrand boutique network and the progressive growth of prestigious multibrand shops. Hong Kong also posted positive sales results.

Lastly, emphasis has also to be placed on "exclusivity", which in our opinion is emphasized by high-end Chinese customers, who have attained considerable heights in terms of taste, sophistication and attention to details, in addition to being very connected in the digital world.

At 31st December 2016, the network consisted of 19 monobrand boutiques.

Rest of the world

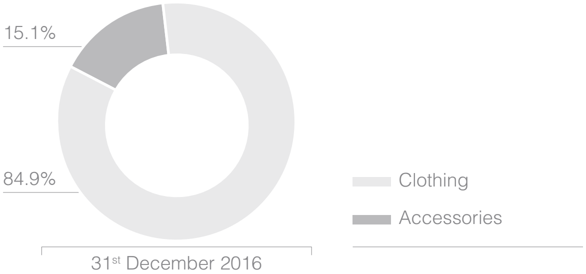
In 2016 net revenues for "Rest of the world" rose by 39.3% on the previous year, going from €31,846 thousand to €44,366 thousand.

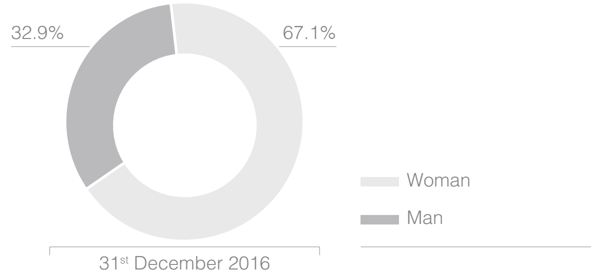
The increase was driven by sales in Japan; growth was positive also in the Far East and in the Middle East, with the opening in the latter of the prestigious monobrand boutique in Dubai.
In particular, the result in Japan benefited from sales to local luxury customers and the progressive increase of high-end tourists, both looking, especially in daytime clothing, for ready-to-wear and contemporary lifestyle collections designed with care and attention to details and the main fashion trends, always mindful of the key principles of manual dexterity, creativity and exclusivity

At 31st December 2016, the monobrand network consisted of 16 boutiques.

REVENUES BY PRODUCT LINE AND BY END CUSTOMER

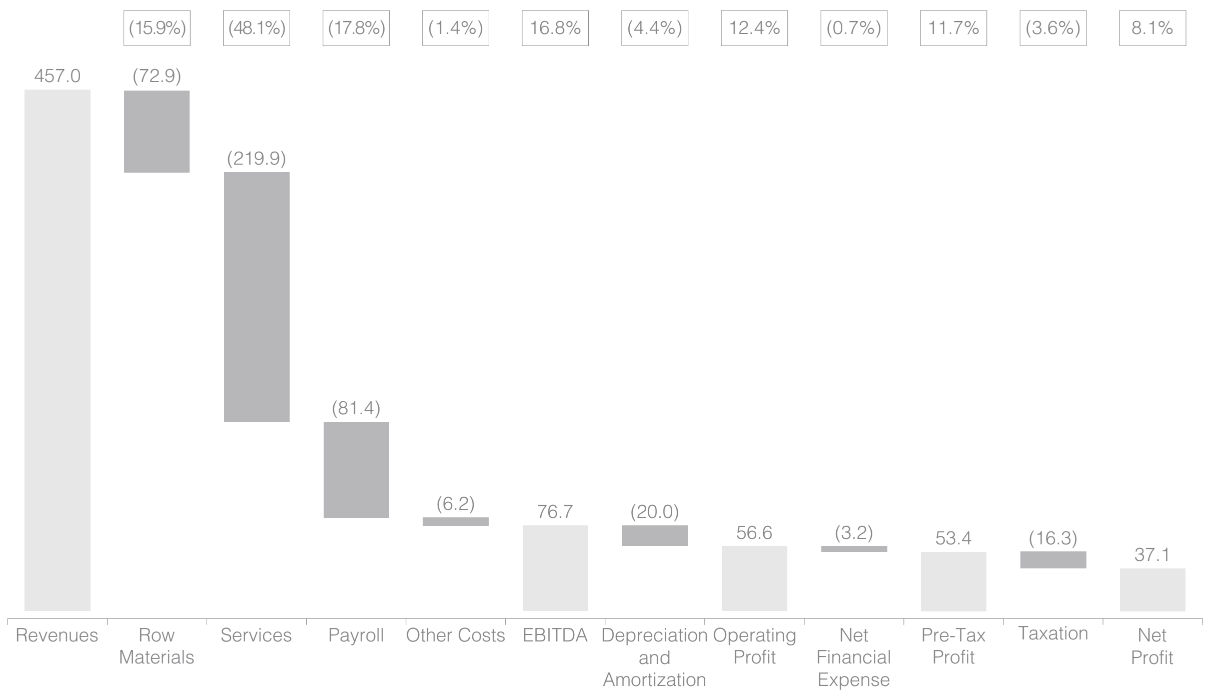
The charts below depict the breakdown of the Bruno Cucinelli Group's revenues for 2016 by product line and end customer.





ANALYSIS OF THE INCOME STATEMENT

Set out below is a graphical representation of the income statement for the year ended 31st December 2016, representing the Group's performance for the period:



OPERATING RESULTS

The table below provides details for EBITDA and Operating Profit

(In thousands of euro)	Year ended 31st December				Change	
	2016	**% of revenues**	**2015**	**% of revenues**	**2016 vs. 2015**	**2016 vs. 2015 %**
Operating profit (loss)	**56.645**	**12,4%**	**50.975**	**12,3%**	**5.670**	**+11,1%**
+ Amortisation & Depreciation	20.047	4,4%	18.149	4,4%	1.898	+10,5%
EBITDA	**76.692**	**16,8%**	**69.124**	**16,7%**	**7.568**	**+10,9%**
+ Non-recurring costs (1)	1.523	0,3%	-	0,0%	1.523	>+100%
Normalised EBITDA	**78.215**	**17,1%**	**69.124**	**16,7%**	**9.091**	**+13,2%**

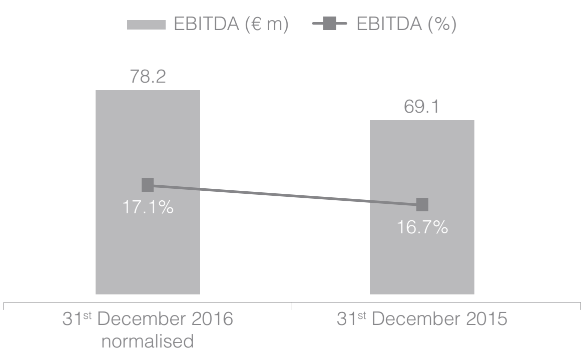
(1) Non-recurring costs related to the termination of the employment contract with the sales co-manager for €1,293 thousand and the estimated fair value, in the amount of €230 thousand, of the expected future benefits arising from the assignment of a 10.3139% equity interest in Swiss company Brunello Cucinelli S.A. to the manager of the monobrand boutique in Switzerland. The latter was carried out by capitalising SF 23 thousand in retained earnings to share capital. These non-recurring costs are reported, in the financial statements, as payroll costs, under operating costs.

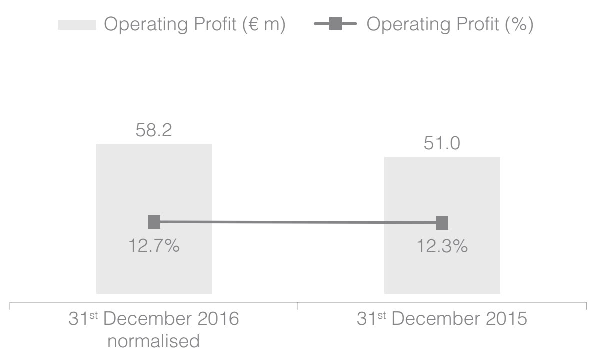
Normalised EBITDA at 31st December 2016 amounted to €78,215 thousand, representing 17.1% of Revenues from sales and services, up 13.2% on the previous year. At 31st December 2015 EBITDA accounted for €16.7% of Revenues from sales and services.

As noted previously, for the year under review the cost of raw materials and outsourced production activities fell slightly, as a share of revenue, compared to the previous year (35.0% at 31st December 2016 versus 35.6% at 31st December 2015), due mainly to the greater impact of revenues from the retail channel, whose operating costs however rose as a result of new openings (especially rental and staff costs). In particular, in the year just ended rental costs accounted for 12.0% of revenues, compared to 10.5% for the previous year

"Non-recurring costs" have a direct effect on Operating Results, whose normalised amount at 31st December 2016 was €58,168 thousand and represented 12.7% of Revenues from sales and services, up 14.1% on the previous year. Moreover, attention is drawn to the significant impact of depreciation (increase of €1,898 thousand), as a result of the investments made, which accounted for 4.4% of revenues from sales and services and was stable.

The following table sets out in graphical form the trends in the Group's EBITDA and operating profit for the years ended 31st December 2016 and 3 December 2015:





As highlighted above, normalised EBITDA went from 16.7% in 2015 to 17 1% in 2016, reflecting an increase in of €9,091 thousand in absolute terms.

The year just ended featured first of all an increase of net Revenues from the retail distribution channel as a percentage of the total for the period (49.6% at 31st December 2016 compared to 46.6% as at 31st December 2015). The increased percentage weight of the retail channel is a result of organic growth in existing retail boutiques (like for like growth of 3.9%), the expansion of the store network, which grew overall in number by 5 units over the period, and the development of the Japanese departments stores, as described previously.

The above activities determined:

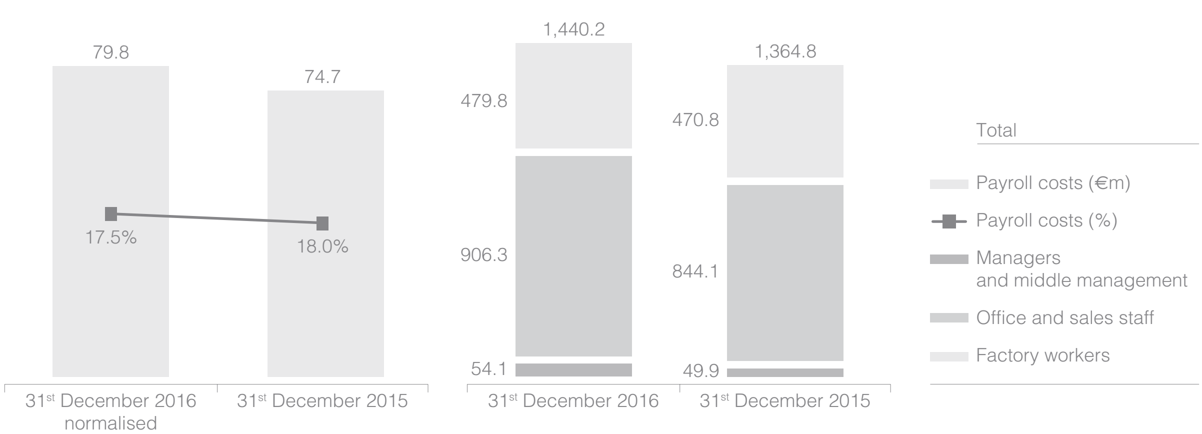
1. A reduction in percentage terms of the cost of production of raw materials and outsourced work (35.0% at 31st December 2016 compared to 35.6% at 31st December 2015). It is worthy of note that the percentage share in question is affected, in the different quarters of the year, by the seasonality of revenues and costs;

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Costs for raw materials and consumables	81,803	17.9%	79,617	19.2%	2,186	+2.7%
Change in inventories	(8,915)	-2.0%	(14,083)	-3.4%	5,168	-36.7%
Outsourced work	87,005	19.0%	82,338	19.8%	4,667	+5.7%
Total	**159,893**	**35.0%**	**147,872**	**35.6%**	**12,021**	**+8.1%**

2. An increase of rental expenses, over the previous year, as a share of Revenues from sales and services (12.0% at 31st December 2016 compared to 10.5% at 31st December 2015) and in absolute terms, in the amount of €11,482 thousand. Rental expenses grew due to the opening of new boutiques in the most exclusive locations and resorts, as well as the expansion of important selling spaces and the relocation of others.

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Lease expense	54,997	12.0%	43,515	10.5%	11,482	+26.4%

3. Personnel cost for the year were affected by the above-mentioned non-recurring costs; sterilizing this effect, this item accounted for 17.5% of Net revenues from sales and services, compared to 18% for the previous year, reflecting an increase of €5,167 thousand.
On an FTE (Full Time Equivalent) basis, staff expenses rose to €1,440.2 thousand at 31st December 2016, compared to 31st December 2015 (+75.4 thousand), mainly due to the recruitment of sales staff determined by the expansion of directly operated stores and, to a lesser extent, by the new staff hired at headquarters to support growth plans.



The other main operating costs are described briefly as follows:

– Commissions and ancillary costs, reflecting agent compensation, decreased as a share of Net revenues from sales and services to 2.8%, from 3.2% in 2015;
– Advertising and other marketing costs rose by €1,372 thousand, or 5.9%, on the previous year, accounting for 5.4% of Revenues from sales and services, compared to 5.6% in 2015. These costs relate to the promotional activities carried out by the Group to disseminate its image and philosophy throughout the world (more specifically these are costs mainly incurred for the production of catalogues, advertising campaigns and fairs and exhibitions organised in Italy and abroad);
– Transport and duties were stable, as they accounted for 3.5% of Net revenues from sales and services, compared to 3.7% in 2015;
– Credit card charges rose by 9.5% on the previous year, a figure which is strictly connected with the expansion of the retail channel.

The table below summarizes these items for 2016 and 2015, both in absolute terms and as a percentage of Net revenues from sales and services.

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Commissions and ancillary charges	12,798	2.8%	13,208	3.2%	(410)	-3.1%
Advertising and other marketing expenses	24,657	5.4%	23,285	5.6%	1,372	+5.9%
Transport and duties	16,034	3.5%	15,158	3.7%	876	+5.8%
Credit card commissions	3,985	0.9%	3,639	0.9%	346	+9.5%

NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

At 30 December 2016, net financial expense of €3,245 thousand reflected the difference between financial expenses of €18,044 thousand and financial income of €14,799 thousand.
As a share of Net revenues from sales and services, this item fell to 0.7%, from 1.2% in 2015.

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 provides an overview of such items, separating out the effect of changes in exchange rates and the fair value measurement of derivative contracts from changes in financial income and expenses.

(In thousands of euro)	Year ended 31st December				Change	
	2016	% of revenues	2015	% of revenues	2016 vs. 2015	2016 vs. 2015 %
Interest on loans	698	0.1%	1,042	0.2%	(344)	-33.0%
Other expense/(income), net	732	0.2%	1,052	0.3%	(320)	-30.4%
Financial (income)/expense	**1,430**	**0.3%**	**2,094**	**0.5%**	**(664)**	**-31.7%**
Foreign exchange (gains)/losses	72	0.0%	1,582	0.4%	(1,510)	-95.4%
Financial (income)/expense arising from adjusting derivatives to fair value	1,743	0.4%	1,156	0.3%	587	+50.8%
Total financial expense, net	**3,245**	**0.7%**	**4,832**	**1.2%**	**(1,587)**	**-32.8%**

Income tax for the year amounted to €16,281 thousand, representing 30.5% of pre-tax consolidated profit. As indicated previously, by normalising the calculation of taxes in light of non-recurring costs (tax effect resulting in higher current taxes for €406 thousand and lower deferred tax assets for €48 thousand), and sterilizing the application of the new corporate income tax (IRES) rate (24.0% compared to 27.5%) in force as of 1st January 2017 for calculating deferred tax assets and liabilities (tax effect resulting in an increase in deferred tax assets for a total of €956 thousand), the income tax rate is 28.7%.

During the year, the Company settled the claim by the Tax Authorities, following the tax audit conducted on direct and indirect taxation for 2013 and 2014 on Brunello Cucinelli S.p.A. The Company paid a total of €134 thousand; for more details, reference is made to note 23, in the Notes.

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 "tax-friendly countries" in which it operates.

In the light of the above, normalised net profit for the year closed at €39,144 thousand, or 8.6% of Revenues from sales and services, which represents an increase of €6,195 thousand, or +18.8%, on 2015.
The table below breaks down net profit between the portion attributable to the Parent Company's shareholders and that attributable to non-controlling interests:

(In thousands of euro)	31st December 2016	31st December 2015
Net profit (loss) attributable to the Parent Company's shareholders	36,397	33,338
Net profit (loss) attributable to non-controlling interests	722	(389)
Net profit	**37,119**	**32,949**

ANALYSIS OF KEY FINANCIAL MEASURES

Set out in the following notes are comments on the main items included in the statement of financial positions reclassified by sources and uses at 31st December 2016 and 31st December 2015.

NET WORKING CAPITAL

The table below provides a breakdown of net working capital of the Brunello Cucinelli Group at 31st December 2016 and 31st December 2015:

(In thousands of euro)	**al 31st December 2016**	**al 31st December 2015**
Trade receivables	47,231	45,628
Inventories	154,814	143,957
Trade payables	(63,356)	(68,826)
Other current assets/(liabilities), net	(9,421)	(8,428)
Net working capital	**129,268**	**112,331**

Net working capital for the year ended 31st December 2016 rose by €16,937 on the comparable amount for the previous year. The change was mainly due to the combined effects of the following:

– "Trade receivables", which grew by €1,603 thousand, accounting for 10.4% of Net revenues for the last 12 months compared with 11.0% for the prior year. Uses of the allowance for bad debts and receivable write-offs for the year ended 31st December 2016 represented 0.20% of Net revenues (0.19% in the previous year);

– "Inventories", which grew by € 10,857 thousand, accounting for 33.95% of Net revenues for the last 12 months compared with 34.76% as at 31st December 2015. It should be noted that the growth in the "Inventories" balance is mainly the result of the year's new DOS, as indicated previously, as well as business growth for the period;

– "Trade payables", which decreased by €5,470 thousand, accounting for 13.9% of Net revenues for the pat 12 months, compared to 16.6% for the previous year. Given the same terms and conditions of payment by suppliers, the decrease from the previous year was due mainly to:
  a) the different approach to the statements of intent which gives rise to VAT exemption with suppliers resulted, at 31st December 2016, in a reduction in VAT credits for the Parent Company of about €2.2 million and a corresponding decrease in trade payables;
  b) the lower amount in payables arising from investing activities is due to higher capital expenditure related to works performed on buildings near the closing of the previous year;

– "Other liabilities, net", amounting to €9,421 thousand at 31st December 2016, compared to €8,428 thousand for the previous year. This item includes the fair value of hedging instruments relating to exchange rate risk. It is noted that the Group accounts for such derivative instruments by using the "Cash Flow Hedge" method, which requires the recognition of the fair value of such instruments as an asset or a liability (Asset or Liability for current financial assets) with an offsetting entry in a specific equity reserve for the effective portion of the hedge, to be recycled to the income statement when the hedged item affects profit or loss.

Regarding "Inventories", raw materials were largely stable, with an increase of €217 thousand, going from €28,444 thousand at 31st December 2015 to €28,661 thousand at 31st December 2016 while finished and semi-finished goods increased by €10,640 thousand, from €115,513 thousand at 31st December 2015 to €126,153 thousand at 31st December 2016.

(In thousands of euro)	**al 31st December 2016**	**al 31st December 2015**
Raw materials	28,661	28,444
Finished and semi-finished goods	126,153	115,513
Inventories	**154,814**	**143,957**

Inventories, totalling €154,814 thousand, reflect the organic growth determined by the company's development and the significant deliveries of the Spring-Summer collections made in early 2017, given a very positive trend in new orders.
The €10,857 thousand increase in inventories, on the 143,957 thousand for the previous year, is due to the opening of 5 exclusive directly operated boutiques in 2016 and a hard shop in luxury department stores in Japan as well as the greater depth of our offering in the online boutique, for a more effective presentation of our taste and lifestyle.
As a share of total revenues, inventories fell from 34.76% to 33.95%, thanks to positive sell-outs, the like-for-like growth and the attention and control in the opening of boutiques that represent fully the taste and allure of the brand.

NON-CURRENT ASSETS

The table below shows a breakdown of this item at 31st December 2016 and 31st December 2015.

(In thousands of euro)	**al 31st December 2016**	**al 31st December 2015**
Intangible assets	28,823	31,479
Property, plant and equipment	111,348	101,045
Financial assets	5,740	5,429
Non-current assets	**145,911**	**137,953**

At 31st December 2016, Non-current assets amounted to €145,911 thousand, compared to €137,953 thousand at 31st December 2015, reflecting an increase of €7,958 thousand, or +5.8%.
For details of the changes in these items for the year, reference is made to the notes.

CAPEX

In 2016 the Group had capital expenditure in the amount of €4,220 thousand, for intangible assets, €25,393 thousand, in property, plant and equipment. Financial assets, representing the difference between security deposits provided and received, amounted to €165 thousand.
The table below breaks down capex and other investments by type and category at 31st December 2016 and 31st December 2015.

(In thousands of euro)	**at 31st December 2016**	**at 31st December 2015**
Capex in intangible assets	4,220	7,797
Capex in property, plant and equipment	25,393	32,340
Security deposits, net (*)	165	696
Total capex and other financial investments	**29,778**	**40,833**

(*) Net security deposits (difference between deposits made and deposits received).

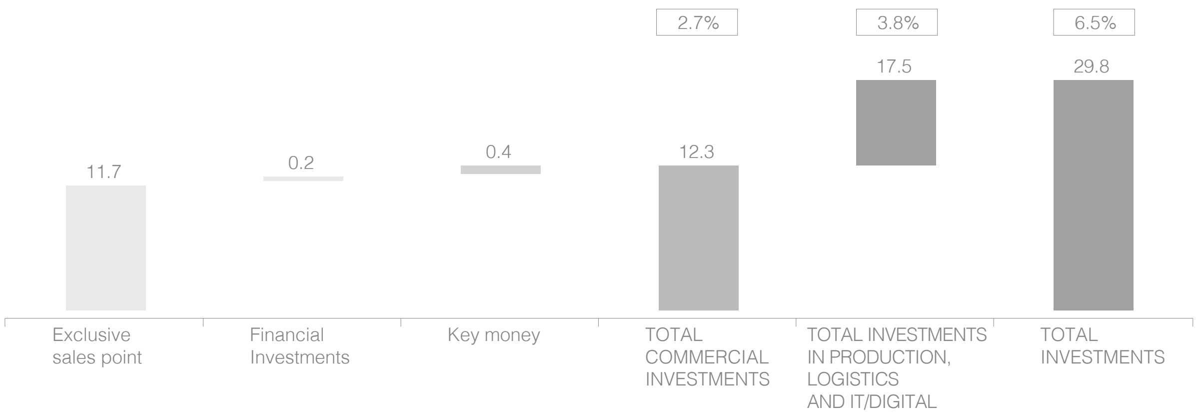
Capex and other financial investments amounted to €29,778 thousand, of which approximately €12.3 million were devoted to marketing investments and €17.5 million to manufacturing, logistics and IT/Digital.

Capex in 2016 completed the four-year plan begun in 2013 (€150.5 million invested in 2013-2016), laying the groundwork for the sustainability of the brand's positioning at the very high end of the luxury sector, in relation to the "traditional" and the digital and online channels

Commercial investments, amounting to €12.3 million in 2016 (€84.0 million for the entire four-year period), drove the opening of exclusive boutiques, selected and important relocations, the expansion of certain sales facilities and dedicated spaces in luxury department stores, as well as the constant refurbishing of monobrand boutiques, with the introduction of innovative visual merchandising solutions and lay-outs that make the stores testimonials of the brand's culture. Significant investments were made also in the showrooms, which we think should be restructured every six months, when the collections are presented, to keep them constantly attuned to a contemporary world.

Capex relating to production, logistics and IT/digital amounted to €17.5 million (€66.5 million for the 2013-2016 period)), to support the two major plans for the development and sustainability of expected growth.
With the "**Great Internet Project**" the company implemented the technological and operational platforms for the global development of all the new information systems and software applications, at the headquarters in Solomeo and in all the locations where the brand is present. Furthermore, these investments have allowed the brand to establish its footprint in the digital world and the construction of large logistic areas and facilities in Solomeo, to manage all related activities.
The multi-year project to develop the manufacturing and logistic infrastructures – to support expected long-term growth and the spaces for the digital world – was completed in 2016, within the scope of the very important "Doubling of the Solomeo Plant" project.

The following is a graphical representation of the capital expenditure and other financial investments incurred by the Group in 2016 by type:



NET DEBT

The table below provides details of Net debt, in accordance with CONSOB communication no. DEM/6064293 of 28th July 2006 and CESR's recommendation of 10th February 2005 "Recommendation for the consistent implementation of the European Commission's regulation on prospectuses".

(In thousands of euro)	**31st December 2016**	**31st December 2015**
A. Cash	(210)	(214)
B. Other liquid assets	(46,218)	(47,861)
C. Held-for-trading financial instruments	(1,964)	-
D. Cash and cash equivalents (A)+(B)+(C)	**(48,392)**	**(48,075)**
E. Current financial receivables	**(16)**	**(86)**
F. Short-term bank loans	16,165	8,392
G. Current portion of long-term debt	42,287	39,390
H. Other current debt	1,172	1,839
I. Current debt (F) + (G) + (H)	**59,624**	**49,621**
J. Current net debt (I) + (E) + (D)	**11,216**	**1,460**
K. Non-current bank loans	37,567	52,742
L. Bonds issued	-	-
M. Other non-current debt	2,173	2,210
N. Non-current debt (K)+(L)+(M)	**39,740**	**54,952**
O. Net debt (J)+(N)	**50,956**	**56,412**

At 31st December 2016 Net debt of the Brunello Cucinelli Group was down €5,456 thousand from the comparable amount at 31st December 2015.
To this end, it is noted that the Group did not obtain any new medium- and long-term loans but paid down the existing debt by €15.5 million.

Net debt at 31st December 2016 was affected by the following:

- Operating activities, which were characterized again by growing business volumes and the expansion of the boutique network as well as by the previously described events that had an effect on working capital;
- Seasonality of net debt, which is typically higher at the end of the second and third quarters (at 30th June 2016 net debt was €79,714 thousand) and then declines in the fourth quarter (31st December);
- Investments made in the year under review (€29.8 million in 2016 and €40.8 million in 2015).

Lastly, it is noted that:

- Line item "C. Held-for-trading financial instruments" refers to Italian government securities held by the Parent Company and recognised under financial receivables;
- Line item "H. Other current debt" refers mainly to the value of the put option to purchase the non-controlling interest in Brunello Cucinelli Japan Ltd. and the current liabilities arising from the derivative instruments used to hedge interest rate risk;
- Line item "M. Other non-current debt" refers to the portion of the loan obtained by the non-controlling shareholder of subsidiary Brunello Cucinelli Hong Kong Ltd. attributable to the Group and the non-current liability arising from derivative instruments used to hedge against interest rate risk.

EQUITY

The table below provides details of Equity at 31st December 2016 and 31st December 2015:

(In thousands of euro)	**al 31st December 2016**	**al 31st December 2015**
Share capital	13,600	13,600
Reserves	168,946	143,295
Net profit (loss) attributable to parent's shareholders	36,397	33,338
Equity attributable to owners of the parent	**218,943**	**190,233**
Total equity attributable to non-controlling interests	6,939	6,545
Equity	**225,882**	**196,778**

At 31st December 2016, share capital amounted to €13,600 thousand, fully paid-in, divided in 68,000,000 ordinary shares.

The Brunello Cucinelli S p A shareholder structure as at 31st December 2016, as compiled from the communications sent to the Company and to Consob, and from other communications to the market, is set out below:

Shareholder	Number of shares	% of share capital
Fedone S.r.l.	38,760,000	57.000%
FMR Llc	6,717,040	9.878%
OppenheimerFunds Inc	3,409,520	5.014%
Monterubello SS (Ermenegildo Zegna Holditalia S.p.A).	2,903,600	4.270%
Other shareholders	16,209,840	23.838%
Total	**68,000,000**	**100.00%**

A full description of the changes in Equity is provided in the specific schedule and in note 12 of the Notes..

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

The following is a reconciliation between the equity and net profit of the Parent and consolidated equity and net profit as of and for the year ended 31st December 2016.

(In thousands of euro)	31st December 2016	
	Equity	Net profit
Amounts reported in Parent's accounts	**228,482**	**37,619**
Difference between equity of consolidated equity interests and carrying amounts of equity interests	6,825	3,141
Elimination of intercompany transactions	(27,336)	(5,484)
Elimination of dividends	-	(51)
Tax effects of consolidation adjustments	10,972	1,172
Other	-	-
Total attributable to the owners of the Parent	**218,943**	**36,397**
Equity and net profit attributable to non-controlling interests	6,939	722
Amounts reported in consolidated accounts	**225,882**	**37,119**

OPERATING AND FINANCIAL RATIOS

The main operating and financial ratios for the Brunello Cucinelli Group for the periods under review are discussed below.

PROFITABILITY RATIOS

The table below sets out changes in the main profitability ratios for the years ended 2016 normalised and 2015, with an indication of the normalised figures in consideration of the oft-referred to non-recurring expenses.

	31st December 2016	**31st December 2015**
ROE – Net profit for the year/average equity for the year	18.45%	17.95%
ROI – Operating profit / Average invested net assets for the year	21.95%	21.87%
ROS – Operating profit / Revenues from sales and services	12.73%	12.28%

FINANCIAL STABILITY RATIOS

Financial stability analysis is designed to determine the ability of the Brunello Cucinelli Group to maintain a constant balance between cash outflows, to repay funding sources, and cash inflows, determined by the conversion of assets into cash, so as not to undermine the Company's financial stability.

	31st December 2016	**31st December 2015**
Ratio – Equity/ Total assets	52.69%	47.87%
Ratio – Total current assets / Total current liabilities	179.07%	176.03%

TURNOVER RATIOS

	31st December 2016	31st December 2015
Receivable turnover *Revenues from sales and services / Average trade receivables*	9.8 times	9.2 times
Average trade receivable collection period *(Average trade receivables / Revenues from sales and services) * 360*	36.6	39.3
Payable turnover *(Costs for raw, ancillary and consumable materials + Service costs)/ Average trade payables*	4.4 times	4.1 times
Average days payable outstanding *(Average trade payables / (Costs for raw, ancillary and consumable materials, minus change in inventories + Service costs) * 360*	78.9	84.3
Average age of inventories *((Average inventories – average advances)/ Revenues from sales and services)*360*	117.7	116.7

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to article 123-*bis* of the consolidated finance law (TUF) the Company is required to prepare an annual report on corporate governance and ownership structures containing a general description of the governance system adopted by the Brunello Cucinelli Group and its ownership structure, including the main governance practices applied and the characteristics of its risk management and internal control system in relation to its financial reporting process.
Such Report, approved by the Board of Directors at its meeting of 9th March 2017, may be consulted in the Governance section of the Company's website **www.brunellocucinelli.it**.

PERFORMANCE OF THE COMPANY SHARE LISTED ON THE BORSA ITALIANA ELECTRONIC STOCK EXCHANGE (MTA)

On 31st December 2016, the final trading day for the year, the closing price of the Brunello Cucinelli share was €20.34 (+162.4% compared to the €7.75 per share set for the IPO, +24.6% compared to the price of €16.32 at the end of 2015). The market capitalisation on 31December 2016 was € 1,383,120 thousand.

The following table provides details of the company's share price and performance between 1st January 2016 and 31st December 2016.

	Euro	Date
IPO price	7.75	-
Minimum price (1)	12.65	11st February 2016
Maximum price (1)	20.50	30th December 2016
Closing price	20.34	30th December 2016
Capitalisation	1,383,120,000	30th December 2016
Number of outstanding shares	29,240,000	30th December 2016
Free Float	594,741,600	30th December 2016

(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 2016

Sale of a boutique
On 28th January 2016, the Company entered into a contract for the sale of a business represented by the retail sales of products carried out by the Company in a boutique in Italy. The selling price of this unit which, in accordance to IFRS 5, had been classified until 31st December 2015 as "Assets held for sale", was €765 thousand.
Following this transaction, the Company collected the security deposit of €95 thousand that it had posted to guarantee performance of its obligations.

Purchase of equity interest in Brunello Cucinelli England Ltd.
On 4th April 2016 Brunello Cucinelli Europe S.r.l. purchased the 30% that it did not own in Brunello Cucinelli England Ltd. from an independent third party for £450,000, with a valuation consistent with the price paid for the other 70%. Following this transaction, the Group owns 100% of this owner and operator of boutiques in London.

Purchase of equity interest in Max Vannucci S.r.l.
On 19th April 2016 Brunello Cucinelli Europe S.r.l. purchased 24.5% of Max Vannucci S.r.l. from an independent third party for €218 thousand, an amount that approximates this company's equity value. Following this transaction, the Group now has a 75.5% stake in this company.

Increase of number of directors from 9 to 10 with the appointment of Luca Lisandroni to the Board
On 21st April 2016, at the general annual meeting, the Shareholders of Brunello Cucinelli S.p.A. resolved, upon proposal of the Board of Directors of 10th March 2016, to appoint Luca Lisandroni to the Board, thereby raising the number of directors from 9 to 10. Mr Lisandroni will serve until the term of office of the current Board expires on the date of approval of the accounts for the year ended 31st December 2016.
Luca Lisandroni, 37, was hired on 18th April 2016 as co-CEO, to work together with the other co-CEO, Riccardo Stefanelli, 34. Both will cooperate with the Chairman and Chief Executive Officer, Brunello Cucinelli, in managing the Company's day-to-day operations.

Share capital increase and share issue to a local Manager at Brunello Cucinelli Suisse S.A.
On 2nd September 2016 Brunello Cucinelli Suisse S.A. approved a share capital increase of SF 23 thousand through the capitalisation of retained earnings. New shares were issued for the same amount and assigned to the Manager in charge of the retail monobrand boutiques in Switzerland. The shares assigned to the manager represent a 10.3139% equity interest and the estimated fair value of the associated future benefits has been recognised, in accordance with IFRS, under payroll costs for €230 thousand.

Completion of liquidation process for BRUMAS Inc.
In December 2016, the US company BRUMAS Inc., a 51%-held subsidiary inactive for several years, completed its liquidation process. The procedure resulted in a loss of €8 thousand.

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 2016.
Pursuant to Consob Resolution no. 17221 of 12nd March 2010, it is hereby stated that in the year ended 31st December 2016 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.

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 SA , Brunello Cucinelli Lessin (Sichuan) Fashion Co , Ltd and Brunello Cucinelli Japan Co., Ltd) established and organised under 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 of these companies 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 provided for by applicable rules;
- Brunello Cucinelli S.p.A has received the articles of association 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, board of statutory auditors 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 board of statutory auditors of Brunello Cucinelli S.p.A. has verified the ability of the administrative and accounting system to regularly provide the management and external auditors of Brunello Cucinelli S.p.A. with the operating, financial and cash flow 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 sector 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 sector, 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 promotes the development of artisan production techniques at a regional level, it cannot be ruled out 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 other raw materials) 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 the new openings 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 independent contractors 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 long-term agreements but instead by 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 defence of industrial and intellectual property rights
The protection of the Brunello Cucinelli brand and of other intellectual property rights is fundamental to the its positioning on the luxury market, especially in the absolute luxury sector where the Group operates. 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 heavily 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 Structure.

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 2016, the Company incurred €6.875 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 levels of 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

Interest rate fluctuations affect the level of net financial expenses and the market value of financial assets and liabilities. The Group is exposed to the risk of incurring higher financial expenses due to unfavourable changes in interest rates. Changes in interest rates affect the cost of funds and the returns on the different investments, thus the level of the Group's financial income and expenses, and their fair value.
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 Group operates at the international level and, as such, it is exposed to the risks deriving from exchange rate fluctuations, which affect its results and equity.
In addition, given that the Company prepares its accounts in euros, fluctuations in the exchange rates used to translate the foreign-denominated financial statements of subsidiaries might affect to a significant extent consolidated results, net debt and equity, as they are expressed in euros in the Group's accounts, and the ratios.

The Company is exposed to changes in the exchange rate of currencies in which sales are made to affiliates and 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 exchange rate risk deriving from its business activities, the Company enters into derivative contracts (forward sale currency contracts) that predetermine 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 prepared, 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.

Liquidity risk

Liquidity risk is the risk arising from a lack of the funds required to meet the Group's commitments and financial requirements 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 investments 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 its short-term cash requirements and to avoid criticalities and strains of available cash.

Credit risk

Credit risk is the Company's exposure to potential losses arising from the failure by counterparties to meet their obligations.

The Company's exposure to credit risk relates to sales in the wholesale multibrand channel and the wholesale monobrand channel; in the retail channel the risk is limited to sales managed by the landlord which owns the walls of the mall and directly manages sales within the boutiques; the remainder of the turnover comes from the pure retail channel with payments 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 analysing data on 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.

Tax risk

At 31st December 2016 the Group consisted of 25 companies located in 18 different countries. The Parent Company, Brunello Cucinelli S.p.A., adopts the national tax consolidation scheme, thus determining a single taxable basis, just with Brunello Cucinelli Europe S.r.l.. The other Group companies, Italian and foreign, are subject to the tax laws of the jurisdictions in which they are located for their tax reporting and obligations. The tax risk management system put in place by management, in terms of review of adequacy and appropriateness of tax compliance, cannot rule out completely the risk of tax audits.

For a more detailed analysis and illustration of financial risk management, as well as for other information under IFRS 7, reference is made to the Notes.

SUBSEQUENT EVENTS

Acquisition of a controlling interest in "Perugia" OOO

On 2nd March 2017 the Company purchased from Mrs. Victoria Vasilievna Saava – head of the Cashmere & Silk group, with which the Brunello Cucinelli Group has had business relationships for twenty years – a 62% equity interest in "Perugia" OOO, a limited liability company organised under the laws of Russia that operates a boutique in a city street and three boutiques in Moscow's most prestigious malls. Following this acquisition, the monobrand stores are transferred from the wholesale monobrand channel to the retail monobrand channel.

The purchase price was €7,085 thousand, with a possible adjustment determined on the basis of the accounts as of 28th February 2017.

The acquisition was funded through equity. The remaining shares of "Perugia" 000 continue to be held by Mrs. Victoria Vasilievna Saava.

Start of direct e-commerce activities

At the end of January 2017 the Company started the direct operation of its online boutique – previously managed by YNAP – so as to make the brand increasingly exclusive and "artisanal" also online, trying to convey through the internet the culture that marks our daily life.

The relationship with the YNAP group, which we consider "serious" and "very interesting", will continue, in light of the mutual esteem, with sales of our products on NET-A-PORTER and MR PORTER, which we consider among the world's most exclusive multibrand platforms.

Patent Box

On 26th January 2017 the first meeting was held with the Revenue Agency, Regional Directorate of Umbria, after the submission of an application for an agreement related to fiscal years 2015-2016-2017-2018 and 2019, filed by the Company on 29 December 2015, to access the lower tax regime applicable to income attributable to certain intangibles (so-called Patent Box) under article 1, paragraphs 37-44 of law no. 190 of 23 December 2014.

The meeting was intended to "…define/examine, in joint consultation, a number of aspects necessary to establish the methods and criteria with which the intangibles generate corporate income…"

As of the balance sheet date, the ruling was still pending.

OUTLOOK

The year 2016 ended with very positive results in terms of revenues and profit. It was also another fundamental year for our brand's image, as it saw the completion of our great "Humanist Artisans of Web" project with the start of our e-commerce platform. Our business philosophy continued to produce concrete and constant results, prompted by the desire to satisfy all the people that invested in our company.

Sales of our 2017 Spring/Summer collection are going really well. Since we have completed our sale campaign for the 2017 Autumn/Winter collection with excellent results, we have the reasonable certainty that revenues and margins will achieve double digit growth in 2017.

Thus, in 2016 the brand continued to grow, thanks to the continuing enhancement of its allure and appeal, which can be further appreciated by visiting the "medieval hamlet of Solomeo".
Constant attention is paid to innovation and ongoing research in Visual Merchandising, which we consider very important, trying to offer always something special and unique, exclusive and familiar at the same time, which can project the brand's lifestyle, our philosophy, our way of life and our culture.

The possibility to live a first-hand experience of the brand and to be part of this philosophy is an additional and very important reason why very-high end customers, who typically look for unique products, enter our world, aware that our collection offerings are the offspring of such concepts as ethical profit and "Humanistic Enterprise".

Within this philosophy, we feel that the company's results stem from the constant attempt to put into perspective the large existential theme of man, which is the identification of the proper balance between profit and gift, by providing high-quality craft products made in Italy. All this is done in pursuit of exclusivity but also of the respect of the moral and economic dignity of all those who work with our company.

In 2016, the last year of the important four-year investment plan begun in 2013, the cash generated made it possible to reduce net debt, further attesting to the benefits of the undertaking.
We think that the expected cash inflows in the next few years might result in a further and progressive reduction of debt, even though there are still "ordinary but important" investments to be made. This is further testimony to our approach, whereby, also in the absence of special or extraordinary projects, the structural investment level should be around 5% of sales, to keep the company always contemporary and innovative.

Thanks to the positive cash generation, we think that the increase of dividends and the expected pay-out in the medium-term is sustainable, in the desire to share with all our shareholders the "healthy profits" that we expect in the next few years.

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Chief Executive Officer

FINANCIAL STATEMENTS A 31ST DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2016

(In thousands of euro)	NOTE	31st December 2016	of which with related parties	31st December 2015	of which with related parties
Non-current assets					
Intangible assets	1	28,823		31,479	
Property, plant and equipment	2	111,348	16,100	101,045	14,212
Other non-current financial assets	3	5,740	32	5,429	32
Deferred tax assets	23	15,709		15,678	
Total non-current assets		**161,620**		**153,631**	
Current assets					
Inventories	4	154,814		143,957	
Trade receivables	5	47,231	24	45,628	21
Tax receivables	6	1,986		2,157	
Other receivables and current assets	7	14,693		15,843	
Other current financial assets	8	1,980		86	
Cash and Cash equivalents	9	46,428		48,075	
Current assets – derivative financial instruments	10	932		961	
Total current assets		**268,064**		**256,707**	
Non-current assets held for sale	11	210		765	
Total assets		**429,894**		**411,103**	

(In thousands of euro)	NOTE	31st December 2016	of which with related parties	31st December 2015	of which with related parties
Equity					
Equity attributable to shareholders of parent company					
Share capital	12	13,600		13,600	
Share premium reserve	12	57,915		57,915	
Other reserves	12	111,031		85,380	
Profit attributable to shareholders of parent company	12	36,397		33,338	
Total equity attributable to shareholders of parent company		**218,943**		**190,233**	
Non-controlling interests					
Capital and reserves attributable to non-controlling interests	12	6,217		6,934	
Net profit (loss) attributable to non-controlling interests	12	722		(389)	
Total equity attributable to non-controlling interests		**6,939**		**6,545**	
Total equity		**225,882**		**196,778**	
Non-current liabilities					
Post-employment benefits	13	3,065		3,033	
Provisions for risks and charges	14	659		648	
Non-current bank debt	15	37,567		52,742	
Non-current financial payables	16	1,921		1,799	
Other non-current liabilities	17	8,017		7,486	
Deferred tax liabilities	23	2,519		2,370	
Non-current liabilities – derivative financial instruments	10	252		412	
Total non-current liabilities		**54,000**		**68,490**	
Current liabilities					
Trade payables	18	63,356	291	68,826	1,767
Current bank debt	19	58,452		47,782	
Current financial payables	20	772		1,405	
Tax payables	21	1,104		1,575	
Current liabilities – derivative financial instruments	10	4,258		4,182	
Other current liabilities	22	22,070	45	22,065	
Total current liabilities		**150,012**		**145,835**	
Total liabilities		**204,012**		**214,325**	
Total equity and liabilities		**429,894**		**411,103**	

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

(In thousands of euro)		Year ended 31st December			
	NOTE	2016	of which with related parties	2015	of which with related parties
Net revenues	24	455,971	14	414,151	31
Other operating income	24	1,058	40	786	36
Revenues from sales and services		**457,029**		**414,937**	
Costs for raw materials and consumables	25	(72,888)	(13)	(65,534)	(22)
Costs for services	26	(219,884)	(2,969)	(200,060)	(2,535)
Payroll costs	27	(81,358)	(446)	(74,668)	(395)
of which non-recurring costs		*(1,523)*		-	
Other operating costs	28	(5,302)		(4,791)	
Own work capitalised	29	1,325		843	
Depreciation	30	(20,047)		(18,149)	
Value adjustments to assets and other provisions	31	(2,230)		(1,603)	
Total operating costs		**(400,384)**		**(363,962)**	
Operating profit (loss)		**56,645**		**50,975**	
Financial expense	32	(18,044)		(29,938)	
Financial income	33	14,799		25,106	
Pre-tax profit (loss)		**53,400**		**46,143**	
Income taxes	23	(16,281)		(13,194)	
Net profit (loss) for the year		**37,119**		**32,949**	
Net profit (loss) attributable to parent's shareholders	12	36,397		33,338	
Net profit (loss) attributable to non-controlling interests	12	722		(389)	
Basic earnings per share	34	0.53525		0.49026	
Diluted earnings per share	34	0.53525		0.49026	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

(In thousands of euro)		Year ended 31st December	
	NOTE	2016	2015
Net profit (loss) for the year (A)		**37,119**	**32,949**
Other items of comprehensive income:			
Other items of comprehensive income that will later be reclassified on the income statement:		**1,575**	**1,364**
Cash flow hedges	12	1,300	(23)
Income taxes	12	(401)	(23)
Effect of changes in cash flow hedge reserve	**12**	**899**	**(46)**
Translation differences on foreign financial statements		676	1,410
Other items of comprehensive income that will not later be reclassified on the income statement:	**12**	**(52)**	**131**
Remeasurement of defined benefit plans (IAS 19)	12	(68)	192
Tax effect	12	16	(61)
Total other comprehensive income net of tax effect (B)		**1,523**	**1,495**
Total comprehensive income net of tax (A) + (B)		**38,642**	**34,444**
Attributable to:			
Shareholders of parent company		38,067	34,750
Non-controlling interests		575	(306)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

(In thousands of euro)		Year ended 31st December	
	NOTE	2016	2015
Cash flows from (for) operating activities			
Net profit for the year	12	37,119	32,949
Adjustments to reconcile net profit to cash flows from operating activities:			
Depreciation, amortisation and write-downs	30	20,047	18,149
Allocation to provisions for employee benefits	13	69	58
Allocation to provisions for risks and charges / inventory obsolescence / bad debts		2,363	1,620
Changes in other non-current liabilities		271	2,011
Losses (gains) on disposal of fixed assets		124	42
Payments from provision for employee benefits	13	(105)	(134)
Payments from provisions for risks and charges	14	-	(354)
Net change in deferred tax assets and liabilities		(255)	(3,214)
Change in fair value of financial instruments		1,251	(2,607)
Changes in operating assets and liabilities:			
Trade receivables		(1,410)	(603)
Inventories		(8,903)	(14,083)
Trade payables		(6,916)	1,549
Other current assets and liabilities		884	494
Net cash from (for) operating activities (A)		**44,539**	**35,877**
Cash flows from (for) investing activities			
Investments in property, plant and equipment	2	(25,393)	(32,340)
Investments in intangible assets	1	(4,220)	(7,797)
Investments in financial assets		(165)	(696)
Investments in financial assets held for trading	8	(1,964)	-
Disposal of property, plant and equipment and key money		360	260
Available-for-sale assets		765	-
Cash flows from (for) investing activities (B)		**(30,617)**	**(40,573)**
Cash flows from (for) financing activities			
Long-term loans received		-	39,430
Repayment of long-term loans		(15,524)	(27,923)
Drawdowns/(Repayments) of short-term loans		1,860	11,690
Net change in short-term loans		7,203	(16,047)
Net change in long-term loans		68	(1,061)
Capital increase, capital payments by shareholders and other changes in equity		(731)	444
Dividends paid		(8,889)	(8,435)
Net cash from (for) financing activities (C)		**(16,013)**	**(1,902)**
Total cash flows (D=A+B+C)		**(2,091)**	**(6,598)**
Effect of exchange rates on cash and cash equivalents (E)		**444**	**1,038**
Cash and cash equivalents at the beginning of the year (F)	9	**48,075**	**53,635**
Cash and cash equivalents at the end of the year (G=D+E+F)	9	**46,428**	**48,075**
Additional information:			
Interest paid		2,174	2,577
Income tax paid		17,511	17,192

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2016

(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 shareholders of the parent company	Total equity attributable to non-controlling interests	Total equity
Balance at 1st January 2016	**13,600**	**2,720**	**57,915**	**-**	**2,515**	**80,145**	**33,338**	**190,233**	**6,545**	**196,778**
Net profit for the year							36,397	36,397	722	37,119
Other profits (losses)					814	856		1,670	(147)	1,523
Total comprehensive income	**-**	**-**	**-**	**-**	**814**	**856**	**36,397**	**38,067**	**575**	**38,642**
Allocation of net profit						33,338	(33,338)	-	-	-
Dividends paid						(8,840)		(8,840)	(49)	(8,889)
Change in consolidation scope and common control transactions						(462)		(462)	(499)	(961)
Capital action in Brunello Cucinelli Suisse S.A.						(137)		(137)	367	230
Other changes						82		82	-	82
Balance at 31st December 2016	**13,600**	**2,720**	**57,915**	**-**	**3,329**	**104,982**	**36,397**	**218,943**	**6,939**	**225,882**

(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 shareholders of the parent company	Total equity attributable to non-controlling interests	Total equity
Balance at 1st January 2015	**13,600**	**2,720**	**57,915**	**-**	**1,179**	**56,283**	**33,060**	**164,757**	**5,568**	**170,325**
Net profit for the year							33,338	33,338	(389)	32,949
Other profits (losses)					1,336	77		1,413	82	1,495
Total comprehensive income	**-**	**-**	**-**	**-**	**1,336**	**77**	**33,338**	**34,751**	**(307)**	**34,444**
Allocation of net profit						33,060	(33,060)	-	-	-
Dividends paid						(8,160)		(8,160)	(275)	(8,435)
Capital payments by non-controlling interests								-	611	611
Change in minority ownership of Brunello Cucinelli (England) Ltd in respect of removal of put option						1,039		1,039	139	1,178
Change in consolidation scope and common control transactions						(2,144)		(2,144)	810	(1,334)
Other changes						(10)		(10)	(1)	(11)
31st December 2015	**13,600**	**2,720**	**57,915**	**-**	**2,515**	**80,145**	**33,338**	**190,233**	**6,545**	**196,778**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31ST DECEMBER 2016

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 2016, approved by the Board of Directors on 9th March 2017, 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 an increasing order of liquidity, where:
– non-current assets reflect items that are typically converted into cash after twelve months and include intangible assets, property, plant and equipment and financial assets;
– current assets include items that are typically converted into cash within twelve months;
– non-current liabilities consist of items falling due after twelve months, including borrowings, provisions and post-employment benefits (TFR);
– current liabilities include payables falling due within twelve months, including the current portion of long-term loans, provisions and post-employment benefits (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.

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

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. SCOPE OF CONSOLIDATION

The consolidated financial statements reflect the financial condition, 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 2016.

The consolidated financial statements have been prepared on the basis of the statements of account of the Company and those of its subsidiaries, adjusted to comply with IFRS.
Control is obtained when the Group is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. More specifically, the Group has control over an entity if and only if it has all of the following:

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

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

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

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 recognised 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 2016, the Brunello Cucinelli Group did not hold any investments in associates (associated companies in which the Group holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over financial and operating policies) or joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control within the meaning of IAS 11).

The following table provides summarized information on subsidiaries at 31st December 2016, consisting of the company's name, registered office and percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital currency	Percentage of control	
				Direct	Indirect
Brunello Cucinelli USA, Inc.	Brewster (NY) – USA	US dollar	1,500	100.00%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italia	Euro	100,000	100.00%	
Brunello Cucinelli Belgium S.p.r.l.	Brussels – Belgium	Euro	20,000		100.00%
Brunello Cucinelli France S.a.r.l.	Paris – France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli GmbH	Munich – Germany	Euro	200,000	2.00%	98.00%
Cucinelli Holding Co. LLC	Brewster (NY) – USA	US dollar	1,182,967		70.00%
Brunello Cucinelli Retail Spain S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse S.A.	Lugano – Switzerland	Swiss franc	223,000	1.79%	87.89%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		75.50%
Brunello Cucinelli Japan Co. Ltd.	Tokyo – Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd.	Chengdu – China	RMB	165,000,000	70.30%	
Brunello Cucinelli Hellas S.A.	Athens – Greece	Euro	24,000		51.00%
Brunello Cucinelli Austria GmbH	Vienna – Austria	Euro	35,000	2.00%	98.00%
Brunello Cucinelli England Ltd.	London – United Kingdom	British pound	700		100.00%
Brunello Cucinelli Hong Kong Ltd.	Hong Kong	Hong Kong dollar	2,000,000	51.00%	
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macau	MOP	17,378,002	98.00%	2.00%
Pinturicchio S.r.l	Carrara – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Brasil LTDA	São Paulo – Brazil	BRL	8,700,000	98.00%	2.00%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		68.67%
Brunello Cucinelli Canada Limited	Vancouver – Canada	Canadian dollar	100	70.00%	
SAS Brunello Cucinelli France Resort	Courchevel – France	Euro	50,000		70.00%

In 2016 the only change in the scope of consolidation related to the deconsolidation of BRUMAS Inc., which was liquidated in December 2016, after it had been inactive for several years.

In addition to the above, it is worth noting that in 2016 subsidiary Brunello Cucinelli Europe S.r.l. bought the 30% it did not own in Brunello Cucinelli England Ltd. From an independent third party and a 24.5% equity interest in Max Vannucci S.r.l., from another independent third party. These companies had already been consolidated line by line in previous financial years, and consequently these transactions did not change the scope of consolidation.

Lastly, attention is called to Brunello Cucinelli Suisse S.A.'s share capital increase, by way of capitalisation of retained earnings, for SF 23 thousand, thereby raising the total to SF 223 thousand. The new shares issued were assigned to a Manager employed by this Swiss subsidiary. At the end of the transaction, the Parent Company's equity interest in the subsidiary decreased from 100% to 89.6861%. Also in this case the company was consolidated line by line in previous years and, as such, no change in the scope of consolidation took place.

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 recognised at fair value.

The consolidated financial statements are presented in Euro, and all values are rounded to the nearest thousand unless otherwise stated.

SUBJECTIVE ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Brunello Cucinelli Group's consolidated financial statements requires the Company's directors to make subjective 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 subjective estimates and measurements relate to the recognition and measurement of the following items.

Deferred tax assets
Deferred tax assets are recognised 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 subjective assessment is required by the directors to determine the amount of deferred tax assets that can be recognised, which is based on an estimate of the likely timing and amount of future taxable profits.

Post-employment benefits (the employees' termination indemnity or "TFR") and the agents' supplementary termination indemnity provision
Post-employment benefits and the agents' supplementary termination indemnity provision 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 bad debts
The allowance for bad 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 expected realizable value.

Amortisation, depreciation and impairment tests

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

Derivatives

The measurement of derivative instruments recognised 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 recognised 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 recognised) 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 recognised through profit or loss.

No goodwill was recorded in the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31st December 2016.

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. In consideration of the purely organisational 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 recognised 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 recognised at fair value at the acquisition date, if such value can be reliably determined. Internally produced intangible assets are not capitalised and are recognised in the income statement in the year in which the relevant costs were incurred.

Intangible assets with finite useful lives are amortised 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 recognised by changing the amortisation period and/or method and are treated as changes in accounting estimate. The amortisation of intangible assets with finite lives is recognised 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 recognised 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 capitalised by virtue of expected incremental revenues deriving from the possibility of operating in prestigious locations.
Key money is amortised 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 recognised 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, recognised 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 recognised 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 capitalised.

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 recognised separately. Land, with or without buildings, is recognised 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 derecognised and any gain or loss (calculated as the difference between disposal value and the carrying amount) is recognised 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, recognised at historical cost of production, and are not depreciated because they have an indefinite useful life.

The value increases of such assets are recognised in profit or loss as own work capitalised.

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 reorganisations 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 recognised 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/amortisation, if no impairment loss had been recognised in previous years. Reversals of impairment losses are recognised as income in profit or loss. After the reversal of an impairment loss, the depreciation/amortisation 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 recognised for goodwill cannot be subsequently reversed.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as such if the carrying amount of the asset will be recovered primarily through a sale transaction rather than its continued use. For this to occur, the asset must be available for immediate sale in its present condition, subject to the standard conditions for the sale of such assets and the sale must be highly probable.
After their initial classification, non-current assets held for sale are measured at the lower of carrying amount – if it had not been classified as held for sale – and fair value less costs to sell.

LEASING

The definition of a contractual agreement as a leasing transaction (or containing a lease) is based on the substance of the agreement and requires an assessment of whether the fulfilment of the agreement is dependent on the use of one or more specific activities or whether the agreement transfers the right to use such activities. The assessment of whether an agreement contains a lease or not is made at the beginning of the agreement.

The group as lessee
A lease contract is classified as a finance lease or operating lease at the inception of the lease. A lease that transfers to the group substantially all the risks and rewards deriving from the ownership of the leased asset is classified as a finance lease.
Finance leases are capitalised at the date of inception of the lease at the fair value of the leased property or, if lower, at the present value of the lease payments. Lease payments are allocated between principal and interest, allowing for the application of a constant rate of interest on the remaining balance of the debt. Borrowing costs are charged to the income statement.
Leased assets are depreciated over their estimated useful life. However, where there is reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, the asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.
An operating lease is a lease that is not identified as a financial lease. Operating lease payments are recognised as expenses in the income statement in a straight line over the duration of the contract.

The group as lessor
Leases that leave the group substantially all the risks and rewards deriving from the ownership of the leased asset are classified as operating leases. The initial costs of entering into the contract are added to the carrying amount of the leased asset and recognised according to the duration of the contract on the same basis as lease income. Contingent lease income is recognised as revenue in the period in which it matures.

FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

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

Amortised 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 recognised at fair value, which generally corresponds to nominal value and are subsequently measured at amortised cost and written down in case of impairment. They are also adjusted to their expected realizable value, if lower, via a specific allowance for bad debts.

Receivables in currencies other than the Euro are recognised at the exchange rate at the transaction date and then translated at the exchange rate at year-end. Gains or losses on translation are recognised 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 recognised at fair value and subsequently measured at amortised cost.

A financial asset (or, were applicable, part of a financial asset or part of a group of similar financial assets) is derecognised 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 recognised 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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes assets held for trading and assets designated at initial recognition as financial assets at fair value through profit or loss. Assets held for trading are all those assets purchased to be resold or bought back in the short term.

Financial assets at fair value through profit or loss are recognised in the statement of financial position at their fair value while changes in their fair value are recognised as financial income (expenses) in the income statement.

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 recognised at nominal value and at the spot exchange rate at year-end if in foreign currency.

FINANCIAL PAYABLES

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

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

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

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 recognised specifically and separately in assets if (and only if) reimbursement is virtually certain. In such case, the cost of any provision is recognised in profit or loss net of the amount recognised 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 recognised as financial expense.

POST-EMPLOYMENT 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 termination 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 recognised 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 to present value.

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 organisation) 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 recognised 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 recognised 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 recognised at fair value through profit or loss;
- Liabilities at amortised 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;
- the 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 recognised 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 recognised in equity. Accumulated gains or losses are reclassified from equity to profit or loss in the same period in which the hedge transaction is recognised; the gain or loss associated with a hedge, or the part of the hedge that has become ineffective, is recognised in profit or loss when the ineffectiveness is identified.

The Group applies cash flow hedge accounting to stabilize cash flows related to loans and, to hedge revenues in foreign currency. 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 recognised in the reserve are reclassified to revenues in the income statement. The ineffective component of this change in fair value is recognised 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 recognised in financial income and expense in the income statement.

If hedge accounting cannot be applied, the effects deriving from the fair value measurement of the derivative are recognised directly through profit or loss.

REVENUES AND COSTS

Revenues and costs are stated on an accrual basis when their measurement generates an asset or a liability pursuant to the IFRSs. Revenues and income, stated net of returns, discounts, allowances and bonuses, are recognised 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 and that the company has transferred all the significant risks and rewards of ownership of the goods.

FINANCIAL INCOME AND EXPENSE

Financial income and expense are recognised 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 taxation
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. Current tax payables are classified in balance sheet net of any advance tax payments made.

Deferred taxation
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 d tax liabilities) at year end between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets are recognised 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 recognised are reviewed at each year end and recognised 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 recognised through profit or loss, except for those relating to items recognised directly in equity, in which case deferred taxes are recognised 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

Amendments to IAS 19 - Defined Contribution Plans: Employee Contributions
IAS 19 mandates that an entity has to consider contributions from employees (or third parties) when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. This amendment clarifies that if the contribution amount is independent of the number of years of service the entity is permitted to recognise these contributions as a reduction of service cost in the period in which the service is rendered, instead of allocating the contribution to the service years. This amendment is applicable to annual periods beginning on or after 1 February 2015. This amendment has no material impact on the Group, given that none of its entities has plans that require employee or third-party contributions.

Annual improvements to IFRSs - 2010-2012 Cycle
These improvements are applicable for annual periods beginning on or after 1 February 2015 and the Group has applied them for the first time in the condensed financial report for the first half of 2016. They include:

IFRS 2 Share-based Payments -This amendment is applicable prospectively and clarifies various issues relating to the definition of performance and service conditions that represent vesting conditions, including:
- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Group;
- A performance condition can be a market condition or a condition not linked to the market;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This improvement is not relevant to the group, given that as of the date this financial report none of the entities within the group used share-based payment plans.

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

IFRS 8 Operating Segments – This amendment applies retrospectively and clarifies 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 determine whether the segments are "similar";
- a reconciliation is only needed to be disclosed between segment assets and total assets if the reconciliation is reported to the chief operating decision maker, similar to the disclosure for segment liabilities. The amendment is not relevant to the group, as it has not carried out any of the business combinations foreseen in IFRS 8.12.

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

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

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

Amendments to IAS 16 and IAS 38 Clarification on acceptable methods of depreciation and amortisation – The amendments clarify the principle contained in IAS 16-Property Plant and Equipment and in IAS 38-Intangible Assets that revenues reflect economic benefits as generated by the management of the business (of which the assets are part), rather than the consumption of economic benefits through use of the asset. It follows that a revenue-based method cannot be used to depreciate property, plant and equipment but can be used only in very limited circumstances to amortise intangible assets.
The amendments must be applied prospectively for years beginning on or after 1st January 2016 and early application is permitted. These amendments had no impact on the Group, given that it does not use methods based on revenues to depreciate or amortise 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 treatment to using the equity method in their separate financial statements must apply the change retrospectively. In the case of the first-time adoption of IFRSs, an entity that decides to use the equity method in its separate financial statements must apply it from the date of transition to IFRSs. The amendments are applicable for years beginning on or after 1st January 2016 and early application is permitted. The amendments had no effect on the Group's consolidated financial statements.

Annual improvements to IFRSs – 2012–2014 Cycle

These amendments are applicable to periods beginning on or after 1st January 2016. They include:

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

IFRS 7 Financial Instruments: Disclosure

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

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

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

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

– The materiality requirement in IAS 1;
– The fact that specific lines in the profit and loss account for the year, or other items in the statement of comprehensive income, or the statement of financial position may be disaggregated;
– That companies have flexibility in arranging the order in which the notes to the financial statements are presented;
– That the share of other items of comprehensive income relating to associated and joint ventures accounted for using the equity method must be presented in aggregate in a single line, and classified under the items which are not subsequently recycled to profit or loss. Furthermore, the amendments clarify the requirements to be applied when sub totals are shown in the profit and loss account for the year or in other items of comprehensive income or in the statement of financial position. These amendments are applicable for years beginning on or after 1st January 2016 and early application is permitted. The amendments have no effect on the Group.

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

The paragraphs below illustrate the standards and interpretations which had been published but which were not in force on the date of preparation of the Group consolidated financial statements. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial instruments

In July 2015, the IASB adopted I*FRS 9 Financial Instruments*, which replaced *IAS 39 Financial Instruments*: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 covers all three of the aspects relating to the project on the accounting for financial instruments: classification and valuation, loss of value and hedge accounting. IFRS 9 is applicable for years beginning on or after 1st January 2018; early application is permitted. With the exception of hedge accounting, retrospective application of the standard is required but it is not mandatory to provide comparative disclosures. With regard to hedge accounting, the standard applies prospectively as a general principle, with a few limited exceptions.
The Group will adopt the new standard from its effective date.

Hedge accounting

The Group believes that all its current hedging relationships which are currently designated as effective will continue to qualify for hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not amend the general principle whereby a company can book effective hedging relationships, the Group does not anticipate significant impacts from the application of this standard. The Group will evaluate in greater detail in the future whether it should change the way it accounts for the time value of options, forward points and the difference between the interest rates on two different currencies.

IFRS 15 Revenue from Contracts with Customers

Issued in May 2014, IFRS 15 introduces a new five-stage model applicable for revenue from contracts with customers and supersedes all existing IFRS requirements on revenue recognition (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 e SIC 31). IFRS 15 requires revenue to be recognised 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 effect for annual periods starting on or after 1st January 2018, with full or amended retrospective application. Early application is permitted.

The Group plans to apply the new standard from the mandatory effective date and is still considering whether to use the full or amended retrospective application. The Group has been conducting a preliminary assessment of the impact of IFRS 15, by simulating the application of the standard to commercial practices and contracts for the main revenue streams and wholesale monobrands identified at Group level. This assessment, which is still under way, may still be subject to change, following the more detailed analysis that will be completed in the first half of 2017.

Regarding the application of IFRS 15, the Group is considering the following aspects:

(a) Retail sales

Currently, based on the analyses conducted, the Group does not expect does not expect the application of IFRS 15 to contracts whereby the sale of goods is the only obligation have a significant impact in Italy, Europe and North America. On the other hand, the impact that it might have in other geographical areas (Asian countries) is still undergoing analysis and quantification.

The Group expects revenue recognition to take place when control over the goods is transferred to the customer, which is generally when the goods are delivered, as is the case with the current standards.

(b) Presentation and required disclosure

Regarding presentation and required disclosure, a section that is largely new, IFRS 15 has more detailed provisions than the current standards. The Group is still analysing the impacts on the information required and, thus, on all the systems, internal control, policies and procedures necessary to gather and present such information. However, considering that the initial analysis of commercial practices, contracts and revenue streams revealed the predominance of the application of a revenue recognition at a given point in time, the Group does not expect any implementation difficulties to address the need for additional information.

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

The amendments address the conflict between IFRS 10 and IAS 28 with reference to the loss of control in a subsidiary which is sold or transferred to an associate or joint venture. The amendments clarify that the profit of loss resulting from the sale or transfer for the business assets, as defined in IFRS 3, between an investor and an affiliate or a joint venture must be fully recognised. Any profit or loss arising from the sale or transfer of non-business assets are furthermore only recognised to the extent of the stake held by third parties in the affiliate or joint venture. The IASB postponed until further notice the application of these amendments but should an entity opt for early adoption, it should do so prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of IASB's Disclosure Initiative and require an entity to provide additional information to allow financial statement users to evaluate changes in liabilities from financing activities, including both changes to cash flows and non-monetary changes. On the initial application of these amendments, the entity needs to present comparative information for the previous years. These amendments are effective for annual periods beginning on or after 1st January 2017, with early application permitted. Application of these amendments will cause the Group to provide additional information.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity should assess whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible difference. Moreover, the amendments set out guidelines on how an entity should determine future taxable profits and explains the circumstances where taxable profits might include the recovery of certain assets with a tax base greater than their carrying amount.

Entities will apply these amendments retrospectively. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it must disclose the fact. These amendments are effective for annual periods beginning on or after 1st January 2017, with early application permitted. If an entity opts for early application, it must report it. The Group does not expect any impact from the application of these amendments.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-Based Payments in relation to three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for tax withholding obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash–settled to equity-settled. On adoption, prior period will not be restated but if an entity elects retrospective application, it must do so for all the amendments and must meet other conditions.

These amendments are effective for annual periods beginning on or after 1st January 2018, with early adoption permitted. The Group is considering the effects of these amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016 and supersedes IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Lease – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single lessee accounting model, with a treatment similar to that of finance leases under IAS 17. Under the new standard there are two exemptions for lessees, one for leases of low-value assets (e.g. personal computers) and one for short-term leases (i.e. leases of 12 months or less). At the inception of the lease, the lessee recognises a liability for the lease payments (i.e. lease liability) and an asset which represents the right to use the underlying asset for the term of the agreement (i.e. the right–of-use asset). Lessees will treat separately the interest expense on the lease liability and the depreciation of the right–of-use asset.

Lessees must remeasure also the lease liability upon occurrence of specific events (e.g. a change in terms and conditions of the lease, a change in future lease payments as a result of a change in an index or an interest rate used to determine those payments). The lessee generally recognises the amount of the lease liability remeasurement as an adjustment to the right-of-use asset.

Under IFRS 16 the accounting treatment for lessors is largely the same at that under IAS 17. Lessors will continue to classify leases either as operating leases or finance leases.

IFRS 16 requires more extensive disclosure for both lessors and lessees than IAS 17.

IFRS 16 will be effective for annual periods beginning on or after 1st January 2019. Early adoption is permitted, though not before the entity has adopted IFRS 15. A lessee may elect to apply IFRS 16 by using a fully retrospective approach or a modified retrospective approach.

The transitional provisions laid down by the standard allow certain reliefs.

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. As permitted by IAS 1, the amounts are in thousands of Euro.
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 recognised at the exchange rate (referring to the functional currency) prevailing 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 recognised in profit or loss. Non-monetary items, measured at historical 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 recognised directly in equity and presented in a separate reserve. On the sale of a foreign company, the cumulative exchange differences in equity are recognised 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 2016	31st December 2015	31st December 2016	31st December 2015
US dollar	1.106903	1.109512	1.0541	1.0887
Swiss franc	1.090155	1.067857	1.0739	1.0835
Japanese yen	120.196653	134.314023	123.4	131.07
RMB	7.352221	6.973325	7.3202	7.0608
British pound	0.819483	0.72585	0.85618	0.73395
Hong Kong dollar	8.59219	8.601409	8.1751	8.4376
Real	3.856143	3.700435	3.4305	4.3117
Canadian dollar	1.465878	1.41856	1.4188	1.5116

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

NOTE 1. Intangible assets

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Concessions, licenses, trademarks and similar rights	5,525	3,982	1,543
Key money	23,137	27,245	(4,108)
Other intangible assets	161	201	(40)
Assets under construction and advances	-	51	(51)
Total intangible assets	**28,823**	**31,479**	**(2,656)**

Details of historical cost, accumulated amortisation and carrying amount of intangible assets 31st December 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of euro)	31st December 2016			31st December 2015		
	Historical cost	Accumulated amortisation	Carrying amount	Historical cost	Accumulated amortisation	Carrying amount
Concessions, licenses, trademarks and similar rights	12,441	(6,916)	5,525	8,542	(4,560)	3,982
Key money	40,314	(17,177)	23,137	44,251	(17,006)	27,245
Other intangible assets	758	(597)	161	725	(524)	201
Assets under construction and advances	-	-	-	51	-	51
Total intangible assets	**53,513**	**(24,690)**	**28,823**	**53,569**	**(22,090)**	**31,479**

This item, amounting to €28,823 thousand at 31st December 2016, 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 2016 and 31st December 2015:

(In thousands of euro)	Concessions, licenses, trademarks and similar rights	Key money	Other intangible assets	Assets under construction and advances	Total intangible assets
Balance at 1st January 2016	**3,982**	**27,245**	**201**	**51**	**31,479**
Purchases	3,797	390	33	-	4,220
Net decreases	(3)	-	-	-	(3)
Translation differences	35	(127)	-	(2)	(94)
Value adjustments	-	(602)	-	-	(602)
Reclassification for fund transfers	49	-	-	(49)	-
Reclassifications for assets classified as held for sale	-	(123)	-	-	(123)
Amortisation	(2,335)	(3,646)	(73)	-	(6,054)
Balance at 31st December 2016	**5,525**	**23,137**	**161**	**-**	**28,823**

(In thousands of euro)	Concessions, licenses, trademarks and similar rights	Key money	Other intangible assets	Assets under construction and advances	Total intangible assets
Balance at 1st January 2015	**1,837**	**26,797**	**204**	**811**	**29,649**
Purchases	3,113	4,522	110	52	7,797
Net decreases	-	-	-	-	-
Translation differences	13	501	-	7	521
Value adjustments	-	(199)	-	-	(199)
Reclassification for fund transfers	379	440	-	(819)	-
Reclassifications for assets classified as held for sale	-	(750)	-	-	(750)
Amortisation	(1,360)	(4,066)	(113)	-	(5,539)
Balance at 31st December 2015	**3,982**	**27,245**	**201**	**51**	**31,479**

Investments for the year amounted to €4,220 thousand, of which €390 thousand for Key Money, €82 thousand related to "concessions, licenses, trademarks and similar rights" and €3,748 thousand related to the project to upgrade the information technology and IT/digital systems, which have been capitalised under the items "Concessions, licenses, trademarks and similar rights" (€3,715 thousand) and "Other intangible fixed assets" (€33 thousand).

The "Value adjustments", amounting to €602 thousand, refer to the write-down to reflect the recoverable amount of intangible assets that, at 31st December 2016, were reported under "Assets held for sale". The effect is attributable to the relocation of boutiques, as illustrated in note 2.

There was no indication during the accounting period that any Intangible assets were further 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 SL
– Brunello Cucinelli Netherland B.V.
– Brunello Cucinelli (England) Ltd.
– Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.
– Brunello Cucinelli Japan Co. Ltd.
– Brunello Cucinelli Austria GmbH
– Brunello Cucinelli France S.a.r.l.
– Brunello Cucinelli Brasil LTDA

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 cash flows from operating activities;
– discount rate;
– terminal growth rate.

All the assets tested for impairment at 31st December 2016 confirmed their carrying amounts in the consolidated financial statements, including after the sensitivity analysis.

NOTE 2. Property, plant and equipment

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Land	4,055	3,409	646
Buildings	43,511	39,214	4,297
Leasehold improvements	43,272	37,032	6,240
Plant and machinery	3,693	4,041	(348)
Industrial and commercial equipment	2,090	1,801	289
Historical collection	2,534	2,187	347
Other assets	9,021	8,413	608
Assets under construction and advances	3,172	4,948	(1,776)
Total property, plant and equipment	**111,348**	**101,045**	**10,303**

Details of historical cost, accumulated depreciation and the carrying amount of property, plant and equipment at 31st December 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of euro)	31st December 2016			31st December 2015		
	Historical cost	Accumulated depreciation	Carrying amount	Historical cost	Accumulated depreciation	Carrying amount
Land	4,055	-	4,055	3,409	-	3,409
Buildings	49,653	(6,142)	43,511	44,006	(4,792)	39,214
Leasehold improvements	73,312	(30,040)	43,272	59,755	(22,723)	37,032
Plant and machinery	10,746	(7,053)	3,693	10,237	(6,196)	4,041
Industrial and commercial equipment	5,112	(3,022)	2,090	3,878	(2,077)	1,801
Historical collection	2,534	-	2,534	2,187	-	2,187
Other assets	18,335	(9,314)	9,021	16,026	(7,613)	8,413
Assets under construction and advances	3,172	-	3,172	4,948	-	4,948
Total property, plant and equipment	**166,919**	**(55,571)**	**111,348**	**144,446**	**(43,401)**	**101,045**

Property, plant and equipment at 31st December 2016 amounted to €111,348 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 carrying amount of property, plant and equipment for the years ended 31st December 2016 and 31st December 2015 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
Balance at 1st January 2016	**3,409**	**39,214**	**37,032**	**4,041**	**1,801**	**2,187**	**8,413**	**4,948**	**101,045**
Purchases	606	4,910	11,026	759	1,404	347	3,277	3,064	**25,393**
Net decreases	-	-	(49)	(55)	(88)	-	(289)	-	**(481)**
Translation differences	-	-	731	8	(5)	-	(15)	8	**727**
Value adjustments	40	(364)	(925)	(6)	-	-	(1)	-	**(1,256)**
Reclassification for fund transfers	-	1,141	3,665	(11)	-	-	53	(4,848)	**-**
Reclassifications for assets classified as held for sale	-	-	(87)	-	-	-	-	-	**(87)**
Depreciation	-	(1,390)	(8,121)	(1,043)	(1,022)	-	(2,417)	-	**(13,993)**
Balance at 31st December 2016	**4,055**	**43,511**	**43,272**	**3,693**	**2,090**	**2,534**	**9,021**	**3,172**	**111,348**

(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
Balance at 1st January 2015	**2,026**	**37,563**	**24,467**	**3,867**	**1,602**	**1,813**	**6,917**	**1,902**	**80,157**
Purchases	1,383	2,657	17,588	1,119	942	374	3,366	4,911	**32,340**
Net decreases	-	-	(21)	-	(74)	-	(207)	-	**(302)**
Translation differences	-	-	1,536	46	3	-	207	114	**1,906**
Value adjustments	-	-	(268)	(1)	-	-	(162)	-	**(431)**
Reclassification for fund transfers	-	253	1,319	25	(1)	-	383	(1,979)	**-**
Reclassifications for assets classified as held for sale	-	-	(15)	-	-	-	-	-	**(15)**
Depreciation	-	(1,259)	(7,574)	(1,015)	(671)	-	(2,091)	-	**(12,610)**
Balance at 31st December 2015	**3,409**	**39,214**	**37,032**	**4,041**	**1,801**	**2,187**	**8,413**	**4,948**	**101,045**

In 2016 the Brunello Cucinelli Group made investments in Property, plant and equipment for €25,393 thousand, consisting mainly of the following:

– investments for €5,516 thousand in "Land" and "Buildings", related mainly to the completion of the multi-year project designed to double the industrial facilities of Solomeo. The new facilities include also the logistic structure for the "Great Internet Project", which led to the expansion of our online presence and the implementation of a new e-commerce plan, managed entirely by the Company, on the basis of its adequately upgraded resources and infrastructure;
– investments for €11,026 thousand in "Leasehold improvements", due mainly to the openings and relocation of DOS and wholesale monobrand stores and improvements to existing boutiques;
– investments for €1,374 thousand related to the project to upgrade the Information Technology system, which were classified as "Other assets" for €995 thousand, "Plant and equipment" for €268 thousand and "Assets under construction" for €111 thousand. These investments should be added to those described in Note 1 on intangible assets (€3,748 thousand), bringing total investment to €5,122 thousand;
– further investments for €7,477 thousand, including €2,953 thousand reported under "Assets under construction", mainly related to the works for the new store in Milan, Via Montenapoleone; the remaining amount relates to ordinary development and upgrading activities (new machinery, furniture and furnishings, vehicles and equipment).

"Value adjustments", in the amount of €1,256 thousand, refer to the impairment charges taken to reflect the recoverable amount at 31st December 2016 of "Assets held for sale". The most significant items related to the relocation of the boutique in Madrid, Calle de Josè Ortega y Gasset, and that in Milan, Via Montenapoleone.

During the year, there were no further indication of impairment for Property, plant and equipment.

NOTE 3. Other non-current financial assets

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Guarantee deposits	5,740	5,429	311
Total other non-current financial assets	**5,740**	**5,429**	**311**

Other non-current financial assets consist of guarantee deposits which mainly relate to amounts paid by the Brunello Cucinelli Group on signing lease agreements for monobrand stores.
The change for the period reflect the combined effects of new security deposits, for a total of €1,076 thousand, the release of security deposits, for a total of €912 thousand, the positive impact of exchange rates on deposits held in foreign currency, for a total of €120 thousand, and of the present value of the balances at the balance sheet date, for a total of €27 thousand.

NOTE 4. Inventories

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Raw materials and consumables	28,661	28,444	217
Work in progress and semi-finished goods	6,849	8,488	(1,639)
Finished goods and merchandise	119,304	107,025	12,279
Total inventories	**154,814**	**143,957**	**10,857**

The increase in inventories, as reflected mainly by finished products, was due in essence to the larger number of stores, compared to 31st December 2015, as well as to the rise in number of the wholesale channels.

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

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

NOTE 5. Trade receivables

At 31st December 2016 trade receivables amounted to €47,231 thousand compared with €45,628 thousand at 31st December 2015. Detailed comments on changes in working capital may be found in the report on operations.

Trade receivables represent amounts due for the supply of goods and services and are all collectible in the short term, as a result of which their carrying amount 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-collectability risk identified in these receivables.

Changes in the allowance for bad debts for the year ended 31st December 2015, compared with the previous year, are as follows:

(In thousands of euro)	31st December 2016	31st December 2015
Balance on 1st January 2016	**1,970**	**1,814**
Allocations	366	930
Utilizations	(785)	(774)
Balance on 31st December 2016	**1,551**	**1,970**

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. During the year under review total utilizations and receivable write-offs amounted to €139 thousand, accounting for 0.20% of Net Revenues for the year (0.19% in the previous year).

NOTE 6. Tax receivables

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
IRES corporate income tax receivables	1,278	67	1,211
IRAP regional production tax receivables	-	402	(402)
Other tax receivables	708	1,688	(980)
Total tax receivables	**1,986**	**2,157**	**(171)**

Tax receivables amounted to €1,986 thousand at 31st December 2016. This amount relates to:

- to the IRES receivable resulting from the difference between the higher amount of downpayments compared to the sum owed, which is determined at year-end, for €1,278 thousand;
- the receivable recognised at 31 December 2013, in the amount of €446 thousand relates to the filing of an application for the refund of IRES corporate income tax and IRPEF personal income tax, and the related surcharges, paid as the result of the failure to deduct IRAP regional production tax relating to the costs incurred for employees and similar personnel as permitted by the provision of the Tax Revenue Office of 17th December 2012 in application of Article 2 of Decree Law no. 201 of 2011 (the Monti decree); it is worthy of note that in 2016 the Company collected €265 thousand;
- to taxes receivable by certain foreign subsidiaries for €262 thousand.

NOTE 7. Other receivables and current assets

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
VAT receivables	3,523	5,958	(2,435)
Other receivables	6,387	6,178	209
Prepayments and accrued income	3,634	2,839	795
Advances to suppliers	834	450	384
Due from agents	315	418	(103)
Total other receivables and current assets	**14,693**	**15,843**	**(1,150)**

VAT receivables amounted to €3,523 thousand at 31st December 2016 compared to €5,958 thousand at 31st December 2015. The optimal management of VAT is based on the fact that the parent company avails itself of the option 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 other countries in the previous calendar year. This option is exercised through the submission of specific statements of intent to suppliers and customs, through which the VAT-exemption regime takes shape.
In 2016, the Company revised the timing for the exercise of the exemption right, thanks to a careful policy of issues and revocations of such statements, so as to optimize its VAT credit position at year-end. In fact, at 31st December 2016, VAT receivable was much lower than the comparable amount for the previous year (- €2,435 thousand). This position will be collected in full in the early months of 2017, with the simultaneous reinstatement of the plafond.

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.

Prepayments and accrued income mostly arise from payments made in advance for catalogues for the spring/summer 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.

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

NOTE 8. Other current financial assets

Other current financial assets at 31st December 2016 with comparative figures at 31st December 2015 are as follows

(In thousands of euro)	**31st December 2016**	**31st December 2015**	**Change**
Financial receivables	16	86	(70)
Short-term financial instruments	1,964	-	1,964
Total Other current financial assets	**1,980**	**86**	**1,894**

At 31st December 2016 Other current financial assets totalled €1,980 thousand. Of this amount, €1,964 relates to financial instruments held in portfolio and €16 refers to accrued interest income at year-end. Short-term financial instruments are held for trading and consist of long-term Italian government bonds.

NOTE 9. Cash and Cash equivalents

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Bank and post office deposits	45,543	47,692	(2,149)
Cash and other valuables	210	214	(4)
Cheques	675	169	506
Total cash and cash equivalents	**46,428**	**48,075**	**(1,647)**

The above items 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 2016.

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 recognised 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, i.e. they are traded bilaterally with market counterparties, and the determination of the relative current value is based on valuation techniques that use observable input parameters (such as yield 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 2016:
- all financial instruments at fair value form part of Level 2 (the same situation existed in 2015);
- there were no transfers from Level 1 to Level 2 or *vice versa* in 2016;
- there were no transfers from Level 3 to other levels or *vice versa* in 2016.

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

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Current assets for derivative instruments hedging currency risk	932	961	(29)
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	**932**	**961**	**(29)**
Current liabilities for derivative instruments hedging currency risk	(3,858)	(3,748)	(110)
Current liabilities for derivative instruments hedging interest rate risk:			
– Current liabilities for derivative instruments hedging interest rate risk accounted for using hedge accounting	(400)	(434)	34
– Current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total current liabilities – derivative financial instruments	**(4,258)**	**(4,182)**	**(76)**
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	(252)	(412)	160
– Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total non-current liabilities – derivative financial instruments	**(252)**	**(412)**	**160**

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

Derivative instruments hedging interest rate risk accounted for using hedge accounting

			Notional capital at 31st December 2016	**Fair Value 31st December 2016**		**Fair Value 31st December 2015**	
Counterparty	**Type**	**Expiry date (dd/mm/yy)**	*(Euro/000)*	**current portion**	**non-current portion**	**current portion**	**non-current portion**
MPS	IRS	31/12/2015	-	-	-	-	-
Deutsche Bank	IRS	31/03/2016	-	-	-	-	-
Banco Popolare	IRS	15/06/2018	750	(8)	(1)	(13)	(7)
Unicredit	IRS	31/10/2018	10,000	(76)	(50)	(59)	(69)
BNL	IRS	31/12/2018	1,309	(43)	(25)	(52)	(63)
Intesa SanPaolo	Fix Payer Swap	31/12/2018	1,309	(43)	(25)	(52)	(63)
Banca Popolare Ancona (Ubi)	IRS	08/04/2019	1,890	(8)	(3)	(7)	(4)
BNL	IRS	31/05/2019	10,000	(66)	(36)	(80)	(68)
Banco Popolare	IRS	15/06/2019	3,125	(22)	(12)	(25)	(20)
Unicredit	IRS	28/06/2019	5,000	(44)	(25)	(56)	(52)
BNL	IRS	31/12/2019	4,428	(23)	(17)	(24)	(20)
Cariparma	IRS	31/12/2019	1,768	(7)	(5)	(7)	(4)
MPS	IRS	31/03/2020	3,250	(15)	(12)	(15)	(10)
Intesa SanPaolo	IRS	30/06/2020	3,500	(20)	(17)	(19)	(14)
Unicredit	IRS	30/09/2020	4,875	(25)	(24)	(25)	(18)
Total notional capital at 31st December 2016			**51,204**				
Liabilities for current derivative instruments				**(400)**		**(434)**	
Liabilities for non-current derivative instruments					**(252)**		**(412)**

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

(In thousands of euro)	Negative fair value		Positive fair value	
	31st December 2016	31st December 2015	31st December 2016	31st December 2015
US dollar	(3,617)	(3,347)	108	237
Swiss franc	(35)	(4)	-	86
British pound	(2)	-	376	109
Japanese yen	(13)	(295)	412	-
Hong Kong dollar	(62)	(77)	-	-
Renminbi	(26)	(25)	36	47
Canadian dollar	(103)	-	-	482
Total	**(3,858)**	**(3,748)**	**932**	**961**

The following table sets out the carrying amount of outstanding financial instruments (current and non-current loans) reported in the statement of financial position, comparing them with their fair value.

(In thousands of euro)	31st December 2016 Fair Value	31st December 2016 Carrying amount
Current and non-current loans	80,952	79,854

As required by IFRS 13 a calculation was made of the CVA ("Credit Value Adjustment") and the DVA ("Debit value Adjustment") for the outstanding derivative financial instruments but the result obtained was not material in terms of recognising the effects in the financial statements.

NOTE 11. Non-current assets held for sale

Non-current assets held for sale amounted to €210 thousand at 31st December 2016, reflecting a decrease from the comparable amount of €765 thousand at 31st December 2015. The amounts in question refer to the sums collected after the relocations of several boutiques approved by the Company during the year.

NOTE 12. Capital and reserves

Share capital at 31st December 2016 consisted of 68,000,000 fully paid ordinary shares amounting to €13,600 thousand.

Equity at 31st December 2016 amounted to €225,882 thousand, an increase of €29,104 thousand over 31st December 2015.
Changes in equity during 2016 arise from the total results for the year and the distribution of a dividend of €8,840 thousand approved by the general meeting of the shareholders of the parent Brunello Cucinelli S.p.A. on 21st April 2016.
A dividend of €8,160 thousand was approved for the previous year.

Details of changes in equity for the years ended 31st December 2016 and 31st December 2015 can be found in the Consolidated statement of changes in equity.

The share premium reserve was €57,915 and is net of the listing costs incurred during the 2012 financial year which were allocated against Shareholders' equity pro rata to the ratio between the number of new shares issued and the number of shares in existence following the IPO, in accordance with IAS 32.

Other reserves at 31st December 2016 with comparative figures at 31st December 2015 are as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Legal reserve	2,720	2,720	-
Extraordinary reserve	113,849	84,037	29,812
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	(1,580)	(2,479)	899
IFRS first-time application reserve	(770)	(796)	26
Reserve for IAS 19 effects	(341)	(299)	(42)
Translation reserve	3,329	2,515	814
Consolidated retained earnings	(9,236)	(3,378)	(5,858)
Other reserves	**111,031**	**85,380**	**25,651**

The change in the "Cash flow hedge reserve", amounting to €899 thousand, reflects the amount reported in the Statement of Comprehensive Income.

Regarding the negative change in the "Reserve for IAS 19 effects", for €42 thousand, it is worth noting that this differs from the amount reported in the Statement of Comprehensive Income (negative for €52 thousand), which reflects the recognition in equity of the reserve in question on the basis of the new equity interest in subsidiary Max Vannucci S.r.l.

The change in the "First-time adoption reserve", amounting to €26 thousand, reflects the tax effect determined by the elimination of differences with the amortisation and depreciation rates applied on first-time adoption of IFRSs.

Equity attributable to non-controlling interests at 31st December 2016 was €6,939 thousand compared to €6,545 thousand in the prior year, and represents minority interests in the Parent Company's subsidiaries.

NOTE 13. Post-employment 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 Post-employment benefits for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015:

(In thousands of euro)	31st December 2016	31st December 2015
Present value of the obligation at the beginning of the year	**3,033**	**3,310**
Revaluation as per article 2120 of the Italian Civ. Cod.	96	85
Benefits paid	(105)	(134)
Change in consolidation scope	-	-
Financial (income) expense	(27)	(27)
Actuarial (gains) losses	68	(201)
Present value of the obligation at the end of the year	**3,065**	**3,033**

The algebraic sum of "Revaluation as per article 2120 of the Italian Civ. Cod." and Financial (income) expense reflects the amount of the Statement of Comprehensive Income.

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

Financial assumptions

	31st December 2016	31st December 2015
Annual discount rate	1.68%	2.38%
Inflation rate	1.25%	1.50%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

<table>
<tr><th></th><th>31st December 2016</th><th>31st December 2015</th></tr>
<tr><td>Mortality</td><td colspan="2">TABLE RG48</td></tr>
<tr><td>Retirement age</td><td colspan="2">65 years</td></tr>
</table>

Turnover rate and advances on the employees' termination indemnity

	31st December 2016	31st December 2015
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 2016. In particular, all other things being equal, a change of +10% in the discount rate used would result in a decrease of €22 thousand in the liability while a change of –10% would result in an increase of €22 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 2016	31st December 2015
Managers and middle managers	54.1	49.9
Office and sales staff	906.3	844.1
Factory workers	479.8	470.8
Total workforce	**1,440.2**	**1,364.8**

NOTE 14. Provisions for risks and charges

Provisions for risks and charges relate mainly to the agents' supplementary termination indemnity provision, calculated in accordance with Italian legislation (article 1751-bis of the civil code) and discounted to present value as required by IAS 37.
The following table sets out the movements in provisions for risks and charges for the year ended 31st December 2016 with comparative figures as of 31st December 2015:

(In thousands of euro)	31st December 2016	31st December 2015
Agents' supplementary termination indemnity provision - 1st January	**518**	**831**
Allocations	89	398
Utilizations	-	(354)
Recognised actuarial (gain) / loss	(83)	(357)
Agents' supplementary termination indemnity provision - 31st December	**524**	**518**
Other provisions for risks and charges	135	130
Total provisions for risks and charges	**659**	**648**

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

	31st December 2016	31st December 2015
Turnover rate - voluntary	6.00%	6.00%
Turnover rate - employer initiated	3.00%	3.00%
Discount rate	1.55%	2.26%

NOTE 15. 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 2016, showing the portion due within 12 months, within 5 years and after 5 years:

Description *(In thousands of euro)*	**Maturity**	**Balance at 31st December 2016**	**Amount due next year**	**Amount due within 5 years**	**Amount due after 5 years**
Banco Popolare	15-Ju-18	750	500	250	-
Unicredit	31-Oct-18	9,969	-	9,969	-
Bnl	31-Dec-18	3,076	770	2,306	-
Banca Popolare di Spoleto	31-Mar-19	1,280	565	715	-
Banca Popolare di Ancona	08-Apr-19	1,886	750	1,136	-
Bnl	28-May-19	9,959	4,000	5,959	-
Banco Popolare	15-Ju-19	3,115	1,250	1,865	-
Unicredit	30-Ju-19	4,977	2,000	2,977	-
Cariparma	31-Dec-19	1,764	589	1,175	-
Bnl	31-Dec-19	4,420	1,476	2,944	-
Mps	31-Mar-20	3,240	1,000	2,240	-
Banca Intesa	30-Ju-20	3,476	1,000	2,476	-
Unicredit	30-Sep-20	4,855	1,300	3,555	-
CiC Lyonnaise de Banque	15-Apr-17	46	46	-	-
HSBC	01-Oct-17	53	53	-	-
Total medium/long-term loans		**52,866**	**15,299**	**37,567**	**-**
Current portion of medium/long-term loans		(15,299)			
Total non-current bank debt		**37,567**			

The following table shows the financial covenants set out in the credit facility agreements. These are calculated on an annual basis by referring to the consolidated financial statements of Brunello Cucinelli S.p.A. These covenants were met at 31st December 2016.

Loan	Reference date	Ratio	Limit
Unicredit	Annual (at 31st December)	Net debt / Equity	<1.00
	Annual (at 31st December)	Net debt / EBITDA	<1.50
BNL	Annual (at 31st December)	Net debt / EBITDA	<1.00
	Annual (at 31st December)	Net debt / Equity	<0.75
Banca Intesa	Annual (at 31st December)	Net debt / EBITDA	<1.50
	Annual (at 31st December)	Net debt / Equity	<1.00
Ubi Banca	Annual (at 31st December)	Net debt / EBITDA	<1.50
	Annual (at 31st December)	Net debt / Equity	<1.00
Cassa di Risparmio di Parma	Annual (at 31st December)	Net debt / EBITDA	<1.00
	Annual (at 31st December)	Net debt / Equity	<0.75

Net debt

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

(In thousands of euro)	31st December 2016	31st December 2015
A. Cash	(210)	(214)
B. Other cash equivalents	(46,218)	(47,861)
C. Financial instruments held for trading	(1,964)	-
D. Cash and cash equivalents (A)+(B)+(C)	**(48,392)**	**(48,075)**
E. Current financial receivables	(16)	(86)
F. Current bank debt	16,165	8,392
G. Current portion of non-current bank debt	42,287	39,390
H. Other current financial payables	1,172	1,839
I. Current financial payables (F) + (G) + (H)	**59,624**	**49,621**
J. Net current debt (I) + (E) + (D)	**11,216**	**1,460**
K. Non-current bank debt	37,567	52,742
L. Bonds issued	-	-
M. Other non-current payables	2,173	2,210
N. Non-current financial payables (K)+(L)+(M)	**39,740**	**54,952**
O. Net debt (J)+(N)	**50,956**	**56,412**

NOTE 16. Non-current financial payables

Non-current financial payables totalling €1,921 thousand at 31st December 2016 refer to the loan entered into by the subsidiary Brunello Cucinelli Hong Kong Ltd. in respect of its minority shareholder. The €122 thousand increase on the previous year was due solely to the Euro/Hong Kong dollar exchange rate effect.

NOTE 17. Other non-current liabilities

Other non-current liabilities at 31st December 2016 amount to €8,017 thousand compared with €7,486 thousand at 31st December 2015. This refers to amounts due after 12 months arising from the normalisation of the rental payments for certain monobrand stores and showrooms in accordance with IAS 17. The increase compared to the prior year balance was predominantly a function of the new lease contracts entered into in 2016.

(In thousands of euro)	31st December 2016	31st December 2015	Change
Deferred rent as per IAS 17	8,017	7,486	531
Total other non-current liabilities	**8,017**	**7,486**	**531**

NOTE 18. Trade payables

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Trade payables to third party suppliers	63,356	68,826	(5,470)
Total trade payables	**63,356**	**68,826**	**(5,470)**

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

NOTE 19. Current bank debt

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Bank advances on bills and invoices	16,165	8,392	7,773
Short-term loans	26,988	23,857	3,131
Current portion of long-term loans	15,299	15,533	(234)
Total current financial payables	**58,452**	**47,782**	**10,670**

Bank advances refer to cash advanced on bills and invoices, to finance operating activities.

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

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

NOTE 20. Current financial payables

Current financial payables at 31st December 2016 amount to €772 thousand and mainly relate to the valuation of the put option held by the minority shareholder in Brunello Cucinelli Japan Co. Ltd. and to the accrued interest on outstanding loans.

(In thousands of euro)	31st December 2016	31st December 2015	Change
Current financial payables	690	1,335	(645)
Accrued loan interest	82	70	12
Total current financial payables	**772**	**1,405**	**(633)**

NOTE 21. Tax payables

Tax payables at 31st December 2016 amounted to €1,104 thousand, compared to €1,575 thousand at 31st December 2015. This item consists mainly of the parent company's liabilities for IRES and IRAP tax and the liability for current taxes taken to the consolidation by subsidiaries.

(In thousands of euro)	**31st December 2016**	**31st December 2015**	**Change**
Current IRES corporate income tax payables	98	1,235	(1,137)
Current IRAP regional production tax payables	15	5	10
Other tax payables	991	335	656
Total tax payables	**1,104**	**1,575**	**(471)**

Current IRES and IRAP payables at 31st December 2016 and 2015 consist of the liability payable by the Group for current income taxes. In particular, the IRES amount payable refers to the Italian subsidiaries (as indicated in note 6, at 31st December 2016 Brunello Cucinelli S.p.A. has a current IRES receivable amount outstanding) while the IRAP amount due relates to the Group's Italian companies.

Other tax payables at 31st December 2016 consist of the liability for current income taxes of the Group's foreign subsidiaries.

NOTE 22. Other current liabilities

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

(In thousands of euro)	**31st December 2016**	**31st December 2015**	**Change**
Due to agents	2,511	4,519	(2,008)
Due to employees	4,953	4,305	648
Social security payables	3,361	3,217	144
Taxes withheld by the Italian companies (IRPEF and other withholdings)	2,569	2,546	23
VAT payables to tax authorities	1,615	1,668	(53)
Due to others	5,878	4,585	1,293
Accrued expenses and deferred income	1,183	1,225	(42)
Total other current liabilities	**22,070**	**22,065**	**5**

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 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 and on the wages earned in December but paid out in the first days of January.

Taxes withheld by the Italian companies refer to IRPEF and other taxes withheld and paid in January.

VAT payables refer to sums due by the foreign subsidiaries.

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.

NOTE 23. Taxation

DEFERRED TAX ASSETS AND LIABILITIES

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

(In thousands of euro)	**31st December 2016**	**31st December 2015**	**Change**
Deferred tax assets	15,709	15,678	31
Deferred tax liabilities	(2,519)	(2,370)	(149)

Compared to the previous year, deferred tax assets and liabilities were largely stable. They refer mainly to the tax effect of the elimination of intragroup margins in inventories and the recognition of deferred taxation on the tax losses of subsidiaries (the amount refers mainly to Brunello Cucinelli Lessin (Sichuan) Fashion Co, Ltd., which was profitable in 2016 and began the recovery of the losses accumulated in the start-up phase). Deferred tax assets are recognised 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 2016 and 2015 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, change in scope of consolidation and other changes**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Amortisation of intangible assets	(1,016)	(1,001)			(41)	289	26	
Depreciation of tangible fixed assets	(448)	(418)			(16)	134	(14)	(57)
Allowance for bad debts	312				312			
IAS 39 - Arrangement fees	334	495			(161)	48		
Fair value of derivatives	17	27			(10)	(12)		
Leasing IAS 17 – instalment normalisation	499	904	(401)	(23)	(5)	(11)		
IAS 39 – Amortised cost	72	47			23	(9)	2	5
Employee termination indemnity as per IAS 19	(4)	(6)			2	2		
Agents' indemnity per IAS 37	61	48	16	(61)	(2)	(5)		
FISC ex IAS 37	121	139			(18)			
Listing costs	-	411			(411)	(620)		
Elimination of intragroup margins in inventory	7,621	6,858			763	1,991		1
Elimination of intragroup gains	9	9						
Deferred taxation on tax losses	4,762	4,519			243	1,758		
Unrealized currency gains and losses	(335)	51			(386)	305		
Unrealized gains and losses on changes in fair value of financial instruments held for trading	(7)				(7)			
Deferred capital gains	(113)	(87)			(26)	53		
Transactions taxed on a cash basis	122	34			82	(83)	6	11
Sales of shares in Brunello Cucinelli Suisse S.A. to employees	48				48			
Taxation of Cucinelli Holding LLC's investment in Brunello Cucinelli USA Inc.	888	750			108	(1,340)	30	192
Put option on non-controlling interest in Brunello Cucinelli England								130
Other	247	528			(280)	560	(1)	23
Deferred tax (income) expense					**218**	**3,060**		
Deferred taxation recognised in equity			**(385)**	**(84)**				
Exchange rate differences and consolidation scope changes							**49**	**305**
Deferred tax assets (liabilities), net	**13,190**	**13,308**						
Presented in the statement of financial position as follows:								
Deferred tax assets	15,709	15,678						
Deferred tax liabilities	(2,519)	(2,370)						
Deferred tax assets, net	**13,190**	**13,308**						

INCOME TAXES

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

(In thousands of euro)	31st December 2016	31st December 2015	Change
Current taxation	16,734	16,397	337
Deferred taxation	(218)	(3,060)	2,842
Prior year taxes	(235)	(143)	(92)
Income taxes in the consolidated income statement	**16,281**	**13,194**	**3,087**
Income taxes in comprehensive income	385	84	301
Total income taxes	**16,666**	**13,278**	**3,388**

On 29th April 2016, the Revenue Agency – Regional Directorate of Umbria notified to Brunello Cucinelli S.p.A. the findings of a tax audit of direct and indirect taxes for 2013 and 2014. The findings included a wrong deduction in relation to the relief on economic growth (ACE) for 2013 and 2014 and an incorrect deduction of tax losses for 2014.
Concerning the former, the Company paid €56 thousand on 22nd June 2016 and €2 thousand on 11 August 2016. Regarding the latter, following a discussion on the case in September 2016, the Company made a payment of €76 thousand on 22nd September 2016.

The following is a reconciliation between the statutory tax rate and the effective tax rate for the Brunello Cucinelli Group for the years ended 31st December 2016 and 31st December 2015:

(In migliaia di Euro)	Year ended 31st December	
	2016	2015
Pre-tax profit	**53,400**	**46,143**
IRES rate in effect for the year	27.50%	27.50%
Income tax at statutory tax rate	**(14,685)**	**(12,689)**
Income taxes charged with different rates (IRAP)	(2,397)	(2,408)
Effect of different tax rate for foreign companies	208	(79)
Prior year taxes	235	143
Other changes	358	1,839
Total reported income tax amount	**(16,281)**	**(13,194)**
Effective tax rate	*-30.49%*	*-28.59%*

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

NOTE 24. Revenues from sales and services

The composition of revenues from sales and services for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Net revenues	455,971	414,151	41,820
Other operating income	1,058	786	272
Total revenues from sales and services	**457,029**	**414,937**	**42,092**

Net revenues are earned from the sale of clothing and accessories of the Brunello Cucinelli Group. A more detailed comment is available in the Report on operations.

The item “Other operating income” refers mainly to rental receipts and insurance repayments.

The table below breaks down revenues by geographical area:

(In thousands of euro)	Year ended 31st December				Change	
	2016	% share	2015	% share	2016 vs. 2015	2016 vs. 2015 %
Italy	76,198	16.7%	70,994	17.1%	5,204	+7.3%
Europe (1)	136,402	29.9%	128,978	31.2%	7,424	+5.8%
North America (2)	167,657	36.8%	156,595	37.8%	11,062	+7.1%
Greater China (3)	31,348	6.9%	25,738	6.2%	5,610	+21.8%
Rest of the World (RoW) (4)	44,366	9.7%	31,846	7.7%	12,520	+39.3%
Total	**455,971**	**100.0%**	**414,151**	**100.0%**	**41,820**	**+10.1%**

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

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

(3) “Greater China” refers to the People’s Republic of China, Hong Kong, Macau and Taiwan.

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

The following is a breakdown of revenues by distribution channel:

(In thousands of euro)	Year ended 31st December				Change	
	2016	% share	2015	% share	2016 vs. 2015	2016 vs. 2015 %
Retail	226,220	49.6%	193,174	46.6%	33,046	+17.1%
Wholesale Monobrand	34,176	7.5%	33,388	8.1%	788	+2.4%
Wholesale Multibrand	195,575	42.9%	187,589	45.3%	7,986	+4.3%
Total	**455,971**	**100.0%**	**414,151**	**100.0%**	**41,820**	**+10.1%**

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

NOTE 25. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Costs for raw materials and consumables	81,803	79,617	2,186
Change in inventories	(8,915)	(14,083)	5,168
Total costs for raw materials and consumables	**72,888**	**65,534**	**7,354**

Reference should be made to the Report on operations for comments on this item.

NOTE 26. Costs for services

The composition of costs for services for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Outsourced work	87,005	82,338	4,667
Commissions and accessory charges	12,798	13,208	(410)
Advertising and other commercial expenses	24,657	23,285	1,372
Transport and duties	16,034	15,158	876
Lease expense	54,997	43,515	11,482
Credit card charges	3,985	3,639	346
Outsourced services and miscellaneous consultancy	5,873	6,106	(233)
Directors’ and statutory auditors’ fees	2,255	2,115	140
Maintenance services	3,860	3,344	516
Insurance	1,150	1,261	(111)
Energy, telephone, gas, water, postal costs	3,385	3,289	96
Other general expenses	3,885	2,802	1,083
Total costs for services	**219,884**	**200,060**	**19,824**

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

NOTE 27. Payroll costs

The composition of payroll costs for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Wages and salaries	63,929	58,578	5,351
Social charges	13,513	12,893	620
Employees' termination indemnity	2,354	2,283	71
Other payroll costs	1,562	914	648
Total payroll costs	**81,358**	**74,668**	**6,690**
Of which non-recurring costs	***1,523***	***-***	***1,523***

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

Attention is called to CONSOB Resolution no. 15519 of 27th July 2006, whereby significant non-recurring revenues and costs should be indicated separately in management's comments and in financial reports. Accordingly, at 31st December 2016 payroll costs included non-recurring costs – shown in the financial statements and in the above table – relating to the termination of the co-director of sales, for €1,293 thousand, and the value of a 10.3139% equity interest in Brunello Cucinelli Suisse S.A., in the amount of €230 thousand, granted to the manager of the retail monobrand boutiques in Switzerland.

NOTE 28. Other operating costs

The composition of other operating costs for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Taxes and duties	2,091	1,925	166
Ordinary capital losses	162	64	98
Losses on bad debts	139	-	139
Miscellaneous operating costs	2,910	2,802	108
Total other operating costs	**5,302**	**4,791**	**511**

NOTA 29. Self-constructed assets

Self-constructed assets (€1,325 thousand in 2016 and €843 thousand in 2015) relate to production costs incurred to develop the historical collection and internal costs incurred for the development of IT software and the internal fit out of the Group's boutiques.

NOTA 30. Amortisation and depreciation

The composition of depreciation and amortisation for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Amortisation of intangible assets	6,054	5,539	515
Depreciation of property, plant and equipment	13,993	12,610	1,383
Total depreciation and amortisation	**20,047**	**18,149**	**1,898**

Amortisation and depreciation rose in line with the Group's investments. For comments on this item, reference is made to the Report on operations.

NOTE 31. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€2,230 thousand in 2016 and €1,603 thousand in 2015) relate to accruals to the allowance for bad debts and the agents' supplementary termination indemnity provision and write-downs of the residual carrying amount of the Key money and the capitalised leasehold improvements on the relocation and enlargement of the Group's stores and showrooms.

Note 32. Financial expense

The composition of financial expense for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Mortgage loan interest	698	1,042	(344)
Interest expense on advances and discounting invoices	620	853	(233)
Bank interest	373	209	164
Realized exchange losses	12,494	24,540	(12,046)
Unrealized exchange losses	1,655	1,620	35
Financial expense on derivative financial instruments	1,829	1,207	622
Miscellaneous financial expense	375	467	(92)
Total financial expense	**18,044**	**29,938**	**(11,894)**

For comments on this item, reference should be made to the Report on operations.

NOTA 33. Financial income

The composition of financial income for the year ended 31st December 2016 with comparative figures for the year ended 31st December 2015 is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Bank interest	88	359	(271)
Realized exchange gains	11,547	22,843	(11,296)
Unrealized exchange gains	2,530	1,735	795
Financial income on derivative financial instruments	86	51	35
Miscellaneous income	548	118	430
Total financial income	**14,799**	**25,106**	**(10,307)**

For comments on this item, reference should be made to the Report on operations.

NOTE 34. 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 a general meeting and accordingly a liability has not been recognised for this matter in the consolidated financial statements of the Brunello Cucinelli Group at 31st December 2016; the same situation held at 31st December 2015.

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

	31st December 2016	31st December 2015
Net profit attributable to owners of the parent (thousands of euro)	36,397	33,338
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)	0.53525	0.49026
Diluted earnings per share (euro)	0.53525	0.49026

NOTE 35. Commitments and risks

Commitments and risks consist of the assets owned by the Brunello Cucinelli Group held at third party premises. The composition of this item at 31st December 2016, compared with the situation at 31st December 2015, is as follows:

(In thousands of euro)	31st December 2016	31st December 2015	Change
Assets with third parties	20	20	-
Total commitments and risks	**20**	**20**	**-**

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 2016, there were 13 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 €51.2 million with a negative fair value of approximately €652 thousand.
At 31st December 2015 there were 15 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 €66.4 million with a negative fair value of approximately €846 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 2017 results (2016 for comparative figures) deriving from interest rate risk are:

– potential change in financial expense and differential costs for outstanding derivatives in 2016;
– 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 2017 income statement and equity, calculated with reference to the situation at the end of 2016 (effects on 2016 for comparative figures calculated with reference to the situation at the end of 2015), produced by a simulation of the change in the yield curve, by using internal assessment models based on generally accepted principles. More 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 2016 (2015 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 2016, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in interest expense of €345 thousand in 2016, offset for €327 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 €103 thousand, offset by a reduction of €98 thousand in differentials collected from outstanding derivatives.

With reference to the situation at 31st December 2015, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in interest expense of €454 thousand in 2015, offset for €435 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 €137 thousand, offset by a reduction €130 thousand in differentials collected from outstanding derivatives.

	Interest 31st December 2016		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2017 +100 bps** *(Euro/000)*	**Effect on 2017 -30 bps** *(Euro/000)*
Loans payable	79,854	(345)	103
Total loans	**79,854**	**(345)**	**103**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2017 +100 bps** *(Euro/000)*	**Effect on 2017 -30 bps** *(Euro/000)*
Cash flow hedges	51,204	327	(98)
Other derivatives	-	-	-
Total derivative instruments	**51,204**	**327**	**(98)**
Total		**(18)**	**5**

	Interest 31st December 2015		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2016 +100 bps** *(Euro/000)*	**Effect on 2016 -30 bps** *(Euro/000)*
Loans payable	92,459	(454)	137
Total loans	**92,459**	**(454)**	**137**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2016 +100 bps** *(Euro/000)*	**Effect on 2016 -30 bps** *(Euro/000)*
Cash flow hedges	66,379	435	(130)
Other derivatives	-	-	-
Total derivative instruments	**66,379**	**435**	**(130)**
Total		**(19)**	**7**

With reference to the situation at 31st December 2016, a parallel shift of +100 basis points (+1%) in the yield curve would produce an increase in the carrying amount of outstanding hedging derivatives of €733 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 €224 thousand, with an effect solely on equity.

With reference to the situation at 31st December 2015, 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 €1,345 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 €414 thousand, with an effect solely on equity.

	Sensitivity of fair value of derivatives 31st December 2016									
	Notional value *(Euro/000)* A	Fair value *(Euro/000)* b	Net fair value +100 bps c	Change in net 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 net fair value -30bps h = g-b	Effect on income statement -30bps i = h-j	Effect on equity -30 bps J
Cash flow hedges	51,204	(652)	81	733	-	733	(876)	(224)	-	(224)
Other derivatives	-	-	-	-	-	-	-	-	-	-
Total	**51,204**	**(652)**	**81**	**733**	**-**	**733**	**(876)**	**(224)**	**-**	**(224)**

	Sensitivity of fair value of derivatives 31st December 2015									
	Notional value *(Euro/000)* A	Fair value *(Euro/000)* b	Net fair value +100 bps c	Change in net 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 net fair value -30bps h = g-b	Effect on income statement -30bps i = h-j	Effect on equity -30 bps J
Cash flow hedges	66,379	(846)	499	1,345	-	1,345	(1,260)	(414)	-	(414)
Other derivatives	-	-	-	-	-	-	-	-	-	-
Total	**66,379**	**(846)**	**499**	**1,345**	**-**	**1,345**	**(1,260)**	**(414)**	**-**	**(414)**

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 recognised in the reserve are reclassified to revenues in the income statement. The ineffective component of this change in fair value is recognised 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 recognised 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 2016 the Group reclassified as a decrease in revenues €2,540 thousand previously recognised in the cash flow hedge reserve.
During 2015 the Group reclassified as a decrease in revenues €2,303 thousand previously recognised in the cash flow hedge reserve.

The potential effects on the 2016 income statement (2015 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 2017 closing equity (2016 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 2017 income statement and equity, calculated with reference to the situation at the end of 2016 (2015 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 2016			SENSITIVITY 2016	
	Assets	Liabilities	Net	Income statement Euro/US dollar	
	(US dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	9,034	(2,680)	6,354	(301.0)	301.0
Total exposure of balance sheet items	**9,034**	**(2,680)**	**6,354**	**(301.0)**	**301.0**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/US dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(106,000)	5.028	(5.028)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc	
	(Swiss franc/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	178	(311)	(133)	6.2	(6.2)
Total exposure of balance sheet items	**178**	**(311)**	**(133)**	**6.2**	**(6.2)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Swiss franc	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(5,550)	258	(258)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/British pound	
	(British pound/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	764	(81)	683	(39.9)	39.9
Total exposure of balance sheet items	**764**	**(81)**	**683**	**(39.9)**	**39.9**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/British pound	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(7,550)	441	(441)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Japanese yen	
	(Japanese yen/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	300,949	(131,449)	169,500	(68.7)	68.7
Total exposure of balance sheet items	**300,949**	**(131,449)**	**169,500**	**(68.7)**	**68.7**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Japanese yen	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(1,755,000)	711	(711)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Hong Kong dollar	
	(Hong Kong dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	819	(2,434)	(1,615)	9.9	(9.9)
Total exposure of balance sheet items	**819**	**(2,434)**	**(1,615)**	**9.9**	**(9.9)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Hong Kong	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(19,300)	118	(118)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Canadian dollar	
	(Canadian dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	2,878	(322)	2,556	(90.1)	90.1
Total exposure of balance sheet items	**2,878**	**(322)**	**2,556**	**(90.1)**	**90.1**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Canadian dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(10,791)	380	(380)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Renminbi	
	(Renminbi/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	27,951	(6,604)	21,347	(145.8)	145.8
Total exposure of balance sheet items	**27,951**	**(6,604)**	**21,347**	**(145.8)**	**145.8**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Canadian dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(27,900)	191	(191)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Real	
	(Real/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	108	(96)	12	(0.2)	0.2
Total exposure of balance sheet items	**108**	**(96)**	**12**	**(0.2)**	**0.2**

Exposure of balance sheet items	FOREIGN CURRENCY EXPOSURE 2015			SENSITIVITY 2015	
	Assets	Liabilities	Net	Income statement Euro/US dollar	
	(US dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	7,706	(2,754)	4,952	(227.4)	227.4
Total exposure of balance sheet items	**7,706**	**(2,754)**	**4,952**	**(227.4)**	**227.4**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/US dollar	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(113,100)	5,194	(5,194)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc	
	(Swiss franc/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	1	(303)	(302)	13.9	(13.9)
Total exposure of balance sheet items	**1**	**(303)**	**(302)**	**13.9**	**(13.9)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Swiss franc	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(5,250)	242	(242)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/British pound	
	(British pound/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	786	(69)	717	(48.9)	48.9
Total exposure of balance sheet items	**786**	**(69)**	**717**	**(48.9)**	**48.9**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/British pound	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(4,850)	330	(330)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Japanese yen	
	(Japanese yen/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	289,884	(222,615)	67,269	83.8	(83.8)
Total exposure of balance sheet items	**289,884**	**(222,615)**	**67,269**	**83.8**	**(83.8)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Japanese yen	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(1,460,000)	557	(557)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Hong Kong dollar	
	(Hong Kong dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	-	(1,785)	(1,785)	10.6	(10.6)
Total exposure of balance sheet items	**-**	**(1,785)**	**(1,785)**	**10.6**	**(10.6)**

Exposure arising from highly probable future transactions	Notional	Change in equity Euro/Hong Kong	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(27,900)	165	(165)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Canadian dollar	
	(Canadian dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	2,553	(681)	1,872	(61.9)	61.9
Balances arising from sales and purchases	**2,553**	**(681)**	**1,872**	**(61.9)**	**61.9**

Exposure arising from highly probable future transactions	Notional			Change in equity Euro/Canadian dollar	
				+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(8,550)			283	(283)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Renminbi	
		(Renminbi/000)		+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	19,388	(2,205)	17,183	(121.7)	121.7
Total exposure of balance sheet items	**19,388**	**(2,205)**	**17,183**	**(121.7)**	**121.7**

Exposure arising from highly probable future transactions	Notional			Change in equity, Euro/Renminbi	
				+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (notional amount)	(17,600)			125	(125)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Real	
		(Real/000)		+ 5% (Euro/000)	- 5% (Euro/000)
Balances arising from sales and purchases	59	(79)	(20)	(0.2)	0.2
Total exposure of balance sheet items	**59**	**(79)**	**(20)**	**(0.2)**	**0.2**

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 deals with liquidity risk through disciplined working capital management, particularly in relation to receivables and payables.
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 2016 and 2015 by due date:

	31st December 2016				
	Financial payables				
	Principal *(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	42,288	485	63,356	425	106,554
Between 1 and 2 years	26,404	279	-	242	26,925
Between 2 and 3 years	9,454	68	-	26	9,548
Between 3 and 5 years	1,708	9	-	2	1,719
Between 5 and 7 years	-	-	-	-	-
After 7 years	-	-	-	-	-
TOTAL	**79,854**	**841**	**63,356**	**695**	**144,746**

	Situazione al 31 dicembre 2015				
	Financial payables				
	Principal *(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	39,390	714	68,826	432	109,362
Between 1 and 2 years	15,321	486	-	318	16,125
Between 2 and 3 years	26,506	399	-	111	27,016
Between 3 and 5 years	11,242	113	-	(12)	11,343
Between 5 and 7 years	-	-	-	-	-
After 7 years	-	-	-	-	-
TOTAL	**92,459**	**1,712**	**68,826**	**849**	**163,846**

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 2016 and 2015.

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 50.4% of net revenues for the year ended 31st December 2016, 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 analysing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss. As confirmation of this policy, reference should be made to the changes in the allowance for bad debts for the years ended 31st December 2016 and 2015 set out in note 5.

The carrying amount of trade receivables in the financial statements is stated net of the allowance for bad debts 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 provide an ageing of trade receivables at 31st December 2016 and 2015:

	31st December	
Overdue by:	**2016**	**2015**
0-90 days	5,686	6,622
91-180 days	3,399	3,058
Over 180 days	4,303	5,687
Total	**13,388**	**15,367**

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 12nd March 2010, it is hereby stated that in the year ended 31st December 2016 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 2016 are as follows:

(In thousands of euro)	**Net revenues**	**Other operating income**	**Costs for raw materials**	**Costs for services**	**Payroll costs**	**Property, plant and equipment.**	**Other non-current financial assets**	**Trade receivables**	**Trade payables**	**Other payables**
MO.AR.R. S.n.c.	-	-	3	70	-	8,514	-	-	135	-
Cucinelli Giovannino	-	-	-	3	-	6,033	-	-	9	-
AS.VI.P.I.M. Gruppo Cucinelli	-	-	-	818	-	-	-	-	-	-
ASD Castel Rigone	-	-	-	-	-	1	-	-	-	-
Fedone S.r.l.	6	3	-	757	-	1,050	32	5	22	-
Solomeo S.r.l.	-	-	-	62	-	-	-	-	-	-
Verna S.r.l. (ex Socrate S.r.l.)		2	-	381	-	-	-	3	30	-
Bartolomeo S.r.l. in liquidation	-	16	-	353	-	502	-	5	12	-
Parco Agrario Solomeo	-	9	10	27	-	-	-	4	5	-
Prime Service Italia S.r.l.	-	-	-	485	-	-	-	-	78	-
Fondazione Brunello Cucinelli	2	7	-	13	-	-	-	7	-	-
Brunello Cucinelli Family	6	3	-	-	446	-	-	-	-	45
Total related parties	**14**	**40**	**13**	**2,969**	**446**	**16,100**	**32**	**24**	**291**	**45**
Total consolidated financial statements	**455,971**	**1,058**	**72,888**	**219,884**	**81,358**	**111,348**	**5,740**	**47,231**	**63,356**	**22,070**
% share	*0.00%*	*3.78%*	*0.02%*	*1.35%*	*0.55%*	*14.46%*	*0.56%*	*0.05%*	*0.46%*	*0.20%*

More specifically:

- MO.AR.R. S.n.c.: commercial relationships with MO.AR.R. company S.n.c., in which Sig. Enzo Cucinelli, brother of Cav. Lav. Brunello Cucinelli, holds 50% of the share capital, relate to: (i) purchases of decorating materials used for fitting out exhibitions and fairs and (ii) investments for the furnishing of the new stores and offices;
- Cucinelli Giovannino: Giovannino Cucinelli is Cav. Lav. Brunello Cucinelli's brother. Costs for services includes expenses for the installation, maintenance and routine repair of plumbing and air conditioning systems; expenditure incurred for the installation and extraordinary maintenance of the above-mentioned systems are capitalised 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: these are small amounts;
- Fedone S.r.l.: the relationship with the controlling company involves mainly the rental of buildings used by the Company in the conduct of its business in the local area near the headquarters. In November 2016 Fedone S.r.l. completed a pro rata spin-off of the company's property arm (prestigious properties in the hamlet of Solomeo) to a newco - initially called Socrate S.r.l. and renamed, on 22 December 2016, Solomeo S.r.l. – with the same ownership structure as Fedone.
- Solomeo S.r.l.: newco created with the pro rata spin-off described above; the balances shown refer to property rental amounts for December 2016;
- Verna S.r.l. (ex 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;
- Bartolomeo S.r.l. in liquidation: this company whose shareholders are Fedone S.r.l. and Cav. Lav. Brunello Cucinelli, provides gardening and maintenance services to the Group; at 31st December 2016 the company was undergoing liquidation proceedings, with the related services to be provided by Verna S.r.l. and Solomeo S.r.l.;
- Parco Agrario Solomeo: this is the agricultural company operating in Solomeo;
- Prime Service Italia S.r.l.: this company provides transport services on behalf of Group companies;
- Fondazione Brunello Cucinelli: these relate to insignificant amounts covering the reimbursement of services performed;
- Brunello Cucinelli family: payroll costs consist of the remuneration due to the family of Brunello Cucinelli.

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 2016 amounted to €917 thousand.
The accrued compensation relating to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. for the year ended 31st December 2016 amounted to €149 thousand.
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 2016:

Board of Directors

(Euro)		Year ended 31st December 2016							
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 compensation	Total
Brunelllo Cucinelli	Chairman and CEO	1.01-31.12	a)	802,800	-	-	-	-	802,800
Moreno Ciarapica	Director	1.01-31.12	a)	2,800	-	-	-	-	2,800
Riccardo Stefanelli	Director	1.01-31.12	a)	2,000	-	-	-	-	2,000
Giovanna Manfredi	Director	1.01-31.12	a)	2,800	-	-	-	-	2,800
Giuseppe Labianca	Director	1.01-31.12	a)	2,800	-	-	-	-	2,800
Camilla Cucinelli	Director	1.01-31.12	a)	2,000	-	-	-	-	2,000
Luca Lisandroni	Director	21.04-31.12	a)	2,000	-	-	-	-	2,000
Andrea Pontremoli	Independent director	1.01-31.12	a)	23,200	12,500	-	-	-	35,700
Matteo Marzotto	Independent director	1.01-31.12	a)	23,200	10,000	-	-	-	33,200
Candice Koo	Independent director	1.01-31.12	a)	23,200	7,500	-	-	-	30,700

a) Approval of the financial statements for the 2016 financial year.

The following table sets out the compensation paid to members of the Board of Statutory Auditors for the year ended 31st December 2016.

Board of Statutory Auditors

(Euro)		Year ended 31st December 2016			
First and last name	Position	Term of office	Expiry date	Emoluments	Total
Gerardo Longobardi	Chairman	1.01-31.12	a)	59,511	59,511
Ravizza Lorenzo Lucio Livio	Standing auditor	1.01-31.12	a)	45,105	45,105
Alessandra Stabilini	Standing auditor	1.01-31.12	a)	44,559	44,559

a) Approval of the financial statements for the 2016 financial year.

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

Type of service *(In thousands of euro)*	**Entity providing the service**	**Recipient**	**Total compensation 2016**
Audit	Auditor of the parent company	Parent company	363
Attestation services on tax returns	Auditor of the parent company	Parent company	-
Other services	Auditor of the parent company	Parent company	-
	Network of the auditor of the parent company	Parent company	55
Subtotal			**418**
Audit	i) Network of the auditor of the parent company	Subsidiary	94
	Ii) Other auditors	Subsidiary	133
Subtotal			**227**
Total			**645**

BALANCES OR TRANSACTIONS DERIVING FROM ATYPICAL OR UNUSUAL OPERATIONS

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

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Chief Executive Officer

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 14 MAY 1999 AS AMENDED

1. The undersigned Cav. Lav. Brunello Cucinelli, as Chairman and Managing Director, and Moreno Ciarapica, as the manager in charge of preparing the corporate accounting documents of Brunello Cucinelli S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24th February 1998:
   - their adequacy with respect to the company and
   - effective application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements during the period 1st January 2016 – 31st December 2016.
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 2016.
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.

9th March 2017

Cav. Lav. Brunello Cucinelli	**Moreno Ciarapica**
Chairman of the Board of Directors Managing Director	Manager in charge of preparing the corporate accounting documents

1. REPORT OF THE EXTERNAL AUDITORS

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Independent auditor's report in accordance with articles 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.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Brunello Cucinelli Group, which comprise the statement of financial position as at 31 December 2016, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of Brunello Cucinelli S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 i.v.
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Brunello Cucinelli Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Board of Directors' Report on Operations and of specific information of the Annual Report on Corporate Governance and Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Board of Directors' Report on Operations and of specific information of the Annual Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Brunello Cucinelli S.p.A. are responsible for the preparation of the Board of Directors' Report on Operations and the Annual Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Board of Directors' Report on Operations and the specific information of the Annual Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Brunello Cucinelli Group as at 31 December 2016.

Perugia, 28 March 2017

EY S.p.A.
Signed by: Dante Valobra, partner

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