BRUNELLO CUCINELLI

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We would like to comment on the results of 2021 with contrasting emotions. The first is of great sorrow for the current global tensions, which we would have never imagined possible in modern times, hoping from the bottom of our hearts that everything will be resolved soon. The second is a very, very positive outlook for our Casa di Moda, which is perhaps enjoying the best days in its history.

I continue to have unyielding faith in the wisdom of humanity, and I believe that at a dramatic time for humankind, in this winter of our labours, a new era of responsibility is required of us, the search for a peace forged by great thought. I grew up in the land of Francis of Assisi, from whom I learned the enormous value of dialogue as the noblest means of achieving harmony between people.

Great challenges demand the courage to walk together and to reaffirm that common sense of humanity that only words can guarantee, when it is based on the brotherhood and wisdom of those who govern the world.

We have always believed in the appealing philosophy of Thomas More, who in the 16th century said, “God, grant me the serenity to accept the things I cannot change, courage to change the things I can”. The only thing we can change is to continue to run our business with humility, courage, creativity and trust. It is precisely this awareness that accompanies our second state of mind, after having experienced a splendid year, imagining great possibilities for the decades to come.

This year is the tenth year of our journey together, since our listing in 2012. A symbolic and significant period of time, which invites us to take stock, as they used to do in the past in our farming tradition, when the family would gather around the hearth at the end of the year to share observations and reflections on the time that had passed, focusing not only on the yields of the crops, but also on the good of the community, the changes that had taken place, and the future.

I remember it as a spiritual and highly vulnerable moment that aimed to establish a "healthy balance". In these first ten years, we can truly say that we have faced many important events together, memorable moments and demanding challenges, even painful ones for the whole of humanity.

Together, since 2012, we have grown in harmony and balance, respectful of nature and human dignity, following the ideals of a **Humanistic Capitalism and Human Sustainability**, whose foundations have proven to be a solid and effective guide. Perhaps we can say that today for the world we represent a beautiful image of "total" sustainability: environmental, economic, cultural and spiritual.

Our constant and profound focus on respect for human dignity, serenity in the workplace, human relations and the harmonious cycle of life and nature has proven to be a treasure capable of showing us how to act with great dignity and unity in the choices we have faced.

In 2013, we opened the **School of Arts and Crafts**, a training centre dedicated to younger people and to manual work, which is so important to the tradition of our country and our industry. Throughout these years, together with the Brunello and Federica Cucinelli Foundation, we have continued the work of restoring the Hamlet of Solomeo, and since 2014 we have been involved in the redevelopment of the valley by building **three large parks, dedicated to industry**, sports for young people and the fruits of the earth, inaugurated in 2018.

Our **constant efforts to modernise the Company**, its image and the organisation of the supply chain so as to best promote craftsmanship, have been inspired by the figure we have christened "**Humanist Artisans of the Web**", capable of combining the lessons of the past with the new potential of technology.

In 2019 in Solomeo, at what we called a **"Symposium of Soul and Economy",** we hosted the great entrepreneurs of Silicon Valley, including Jeff Bezos, Drew Houston, Reid Hoffman and all those I like to call the "Leonardos of the Third Millennium" to talk about technology and humanity.

We have decided to draw up a long-term programme of "graceful growth", always in accordance with the principles we have adopted: **respect for beauty, human dignity and work, the ethics of fair profit, the preservation of tradition and the search for harmonious innovation, and the beautification of creation for future generations**.

In 2020, we made three major principled decisions that inspired our approach to the pandemic.

We wanted to guarantee the employment and maintenance of salary levels for all of our human resources around the world, who have shown courage and creativity, enabling us to face all the challenges with serenity and confidence.

We chose not to ask for discounts from anyone, aware that during a pandemic everyone had a duty to take responsibility without seeking benefits that could harm others.

Finally, we launched the **“Brunello Cucinelli for Humanity”** project, making the decision to donate all the clothing left unsold in our direct stores as a result of the emergency, turning these garments into an important resource for those who are less fortunate.

In 2021, we managed to achieve excellent results while also further strengthening our brand in terms of both taste identity and positioning in absolute luxury, as well as reliability and proper conduct with respect to all of our stakeholders, including customers, suppliers and shareholders.

The year 2021, which we called the year of rebalancing, therefore ended with splendid results, both economic and in terms of brand image. Turnover increased by 30.9% and net profit amounted to €56.3 million.

On the economic side, we are extremely satisfied with the sales achieved, which exceeded forecasts, as well as with the margins, which were in line with our expectations of rebalancing to pre-pandemic levels in 2022. On the balance sheet side, we also consider the quality of our inventory to be excellent, and we are equally satisfied with the level of Net Financial Debt, which has improved significantly notwithstanding major investments.

In terms of image, we believe it was a memorable year for the Company. A year in which we received two major international awards that honoured us from a human point of view, and which we undoubtedly believe have greatly contributed to the results achieved by bringing further attention to our brand.

In October, we had the great honour of being **invited by Prime Minister Mario Draghi to speak at the G20** in Rome, to share our experience and our idea of what we call **“Humanistic Capitalism and Human Sustainability”**. It was very emotional for me to share the message arising from the experience that we “live” every day in our small village with the most authoritative rulers of our marvellous Earth.

Another very important award that made us proud of the work we have done over the years was the prize I received in London at the beginning of September, at the Tate Modern Gallery, where I was **named “Designer of the Year” by the prestigious British fashion magazine GQ**. We consider this award particularly important because it celebrates our taste as we have defined it over the years, a taste that goes beyond individual seasons and is identified with the image of an Italian brand, recognisable because it is a sincere expression of a lifestyle, a culture and the values we cultivate in Solomeo.

We believe that these important awards are the precious fruits of the philosophy that distinguishes us, and which from the beginning has guided the Company in harmony with the local region and its culture. From the outset, we have placed the **human being at the heart of the Company**, the dignity of work, ethics and morality as the supreme guide to corporate decisions. Year after year, we have tried to grow with the right balance, we have asked ourselves how to preserve and nurture nature and humanity, and we have worked to recover, to help and to restore in order to make the best use of the most beautiful things that have been left to us.

October also saw the presentation of the major new endeavour for the **“Universal Library of Solomeo”**, another thousand-year project conceived by the Brunello and Federica Cucinelli Foundation for the village of Solomeo and our local region.

Inspired by the great Library of Alexandria conceived by Ptolemy I, the Universal Library of Solomeo aims to collect a huge number of publications from around the world in a limited number of disciplines, including philosophy, architecture, literature, poetry and crafts.

The Universal Library of Solomeo will be housed in the noble Villa Settecentesca surrounded by a large park, adjacent to the Church and Theatre, in the heart of Solomeo, which we call the Hamlet of Cashmere and Harmony. It is through this work that we would like to give life to Emperor Hadrian's thought, "Books showed me the way of life; when I grew up, life made me understand the content of books".

The first few months of 2022 have gone particularly well. We received many orders for the men's and women's winter 2022 collections, leading to expectations of yet another year of beautiful and balanced growth, with an increase in turnover of around 12%.

We are confident that 2023 will follow with continued balanced growth of around +10%. The impressive 2021 results, our concrete expectations for 2022 and 2023, and the path of healthy, sustainable growth that we expect to follow in the coming years allow us finally to look with great confidence at the goal of doubling our turnover, which we had initially planned for the 2019-2028 ten-year plan, but which we now imagine we can achieve as early as in 2026.

A long-term path of growth that we hope will generate human prosperity for our people, for our mother earth and for the whole of Creation. May the heavens and the stars enlighten us at this time when souls are disoriented but filled with great hope for the bright future that awaits us.

Solomeo, 14 March 2022

Brunello Cucinelli
Chairman of the Board
of Directors

CORPORATE DETAILS

Registered office of the Parent Company

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

Legal data of the Parent Company

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

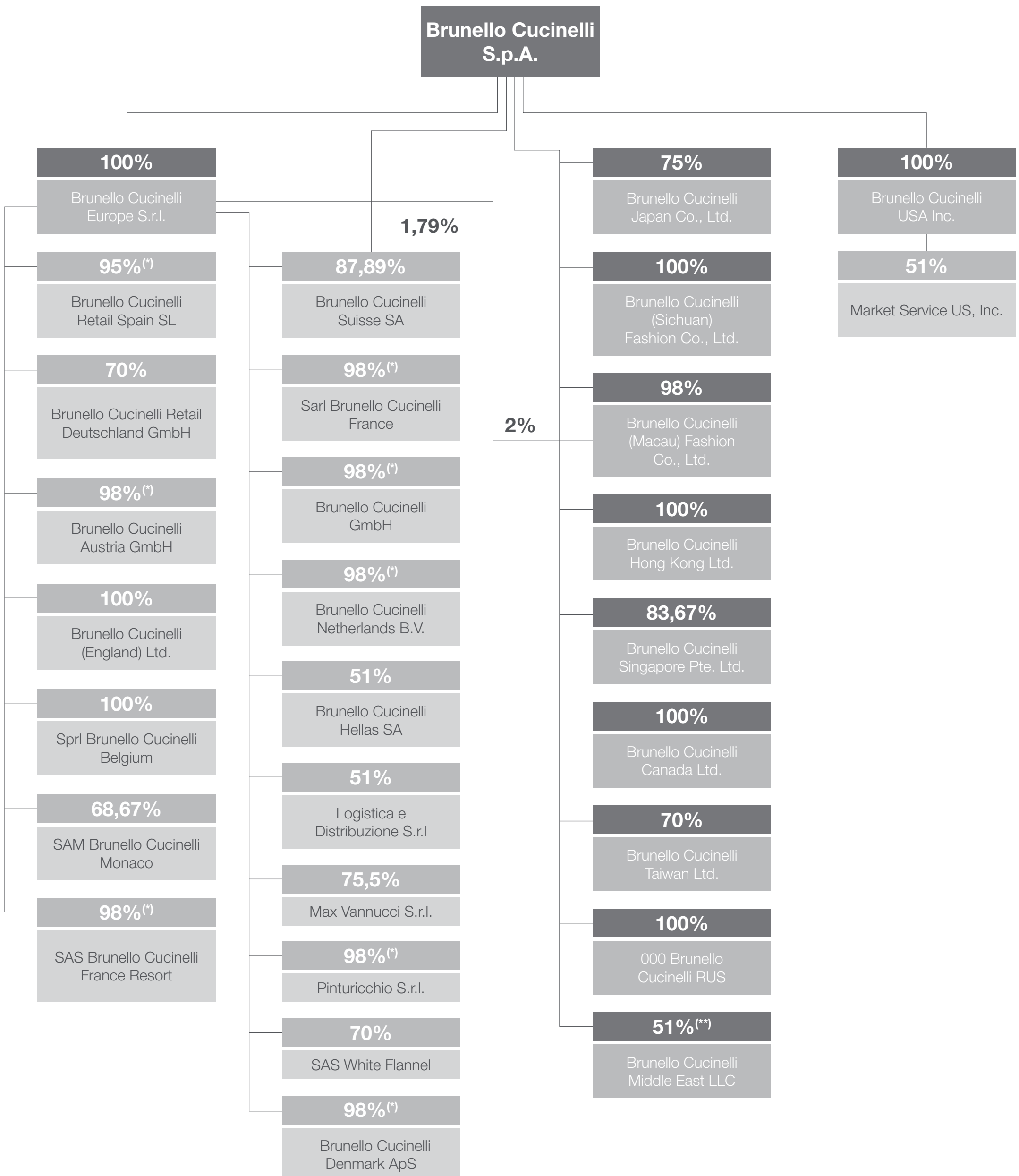
Corporate website http://investor.brunellocucinelli.com/en

CORPORATE GOVERNANCE BODIES AS AT 31 DECEMBER 2021

Board of Directors (1)	Brunello Cucinelli	Executive Chairman
	Riccardo Stefanelli	Managing Director and CEO
	Luca Lisandroni	Managing Director and CEO
	Giovanna Manfredi	Director
	Camilla Cucinelli	Director
	Carolina Cucinelli	Director
	Stefano Domenicali	Independent Director
	Anna Chiara Svelto	Independent Director
	Andrea Pontremoli	Independent Director
	Ramin Arani	Independent Director
	Maria Cecilia La Manna	Independent Director
	Emanuela Bonadiman	Independent Director
Lead Independent Director	Anna Chiara Svelto	
Control and Risks Committee	Anna Chiara Svelto	Chairman
	Andrea Pontremoli	
	Maria Cecilia La Manna	
Remuneration Committee	Anna Chiara Svelto	Chairman
	Stefano Domenicali	
	Emanuela Bonadiman	
Board of Statutory Auditors (1)	Paolo Prandi	Chairman
	Alessandra Stabilini	Standing Auditor
	Gerardo Longobardi	Standing Auditor
	Guglielmo Castaldo	Alternate Auditor
	Myriam Amato	Alternate Auditor
Auditing Firm	PricewaterhouseCoopers S.p.A.	
Financial Reporting Officer	Moreno Ciarapica	

(1) Appointed at the ordinary Shareholders' Meeting of 21 May 2020; will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022.

GROUP ORGANISATIONAL CHART AS AT 31 DECEMBER 2021



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

(**) Percentage of ownership held by virtue of voting agreements with the minority shareholder.

GROUP COMPOSITION AS AT 31 DECEMBER 2021

Company name	Registered office
Brunello Cucinelli S.p.A.	Corciano, frazione Solomeo (PG) – Italy
Brunello Cucinelli Europe S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Max Vannucci S.r.l.	Corciano (PG) – Italy
Pinturicchio S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Logistica e Distribuzione S.r.l.	Milan – Italy
Brunello Cucinelli Austria GmbH	Vienna – Austria
Sprl Brunello Cucinelli Belgium	Brussels – Belgium
Brunello Cucinelli Denmark ApS	Copenhagen – Denmark
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany
Brunello Cucinelli (England) Ltd.	London – United Kingdom
Sarl Brunello Cucinelli France	Paris – France
SAS Brunello Cucinelli France Resort	Courchevel – France
Brunello Cucinelli GmbH	Munich – Germany
Brunello Cucinelli Hellas SA	Athens – Greece
SAM Brunello Cucinelli Monaco	Principality of Monaco
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland
OOO Brunello Cucinelli RUS	Moscow – Russia
Brunello Cucinelli Retail Spain SL	Madrid – Spain
Brunello Cucinelli Suisse SA	Lugano – Switzerland
SAS White Flannel	Cannes – France
Brunello Cucinelli Canada Ltd.	Vancouver – Canada
Brunello Cucinelli USA Inc.	New York – USA
Market Service US, Inc.	New York – USA
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China
Brunello Cucinelli Hong Kong Ltd.	Hong Kong – China
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macao – China
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan
Brunello Cucinelli Singapore Pte. Ltd.	Singapore
Brunello Cucinelli Taiwan Ltd.	Taiwan – China
Brunello Cucinelli Middle East LLC	Dubai – United Arab Emirates

DISTRIBUTION NETWORK

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

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

– The **retail distribution channel**, i.e. the distribution channel with which the Group sells directly to the end customer through Directly Operated Stores (DOSs) and hard shops, i.e. spaces located inside department stores and managed under the Group's responsibility and with direct employees.
  At 31 December 2021, the directly managed boutiques (DOSs) totalled 114, with a number of hard shops within department stores equal to 43.

– The **wholesale distribution channel**, i.e. the distribution channel through which the Group sells to independent partners, with the result that in this case these resellers are the Group's customers (and not the end customer). This channel therefore includes both monobrand stores operated by third parties under commercial distribution agreements (Wholesale monobrand), independent multibrand points of sale and dedicated shop-in-shops in department stores (Wholesale multibrand). The Group uses a network of agents and distributors for sales to a number of wholesale monobrand and multibrand customers.
  At 31 December 2021, there were 30 wholesale monobrand boutiques.

Provided below is a summary of the Brunello Cucinelli Group's monobrand sales network at 31 December 2021 compared to the situation at 31 December 2020:

Distribution channel	31 December 2021	31 December 2020
RETAIL	114	107
WHOLESALE	30	31

The following table sets out existing sales points at 31 December 2021 by location:

	Italy	Europe	Americas	Asia	Total
Total Brunello Cucinelli stores	14	46	36	48	**144**

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

COMPANY PHILOSOPHICAL AND STRATEGIC REPORT

Humanistic Capitalism and Human Sustainability

The concepts of Humanistic Capitalism and Human Sustainability are the guides and foundations of our Casa di Moda, where profit, giving, safekeeping and dignity of the human person coexist in mutual enrichment.

For us, this means "**working and living in harmony with Creation**", paying special attention to the **care of human beings, the relationship with the earth and animals, the climate** and emissions, as we have highlighted in our ten rules entitled "**Our Ideals for Life and Work**".

I. We love and respect Mother Earth: we cultivate our land according to nature and welcome its fruits as its greatest gift.
II. We do not use more resources than necessary or natural. We make careful use of the universe.
III. We always act as loyal and affectionate guardians of Creation.
IV. We believe in the moral and economic dignity of human beings.
V. During work we support fair profitability and harmony between profit and giving back to the community.
VI. We seek harmony between fair work and human privacy.
VII. We commemorate our forefathers. They taught us to respect the law, and our story is written in their words.
VIII. We believe in universalism and we act displaying great respect for all civilisations.
IX. We welcome fair change in order to experience the best from our time.
X. We are fond of young people and pass down to them hope and the dream of a bright future awaiting them.

The healthy and sustainable balance between profit and giving, the ways of reconciling work and human privacy and the desire to repair and reuse are core values of our Casa di Moda, and we have always tried to orient our efforts based on these high, noble principles.

Brunello Cucinelli expressed his idea of Human Sustainability and Humanistic Capitalism in his speech last October at the G20 in Rome. These same words were expanded on and addressed to all stakeholders of the Casa di Moda in the "Letter from the Chairman" that opens the Group's 2021 Non-Financial Statement.

"I am honoured to be here among you, the distinguished leaders of our wonderful Earth. I will try with some emotion to express to you my idea of Human Sustainability and what I mean by Humanistic Capitalism.
I spent the first part of my life in the country, we were farmers, we did not have electricity, we worked the land with animals, we collected rainwater, we had a great respect for the earth. The Greek philosopher and poet Xenophanes stated, "Everything comes from the earth", and we lived in harmony with Creation. The first bale of grain we harvested went to the community at my grandfather's behest. From there I learned the great theme of life: the balance between profit and giving back; that period of my life is still a gift to my soul.

As a boy, I saw my teary-eyed father, as he was subject to humiliation and offence at work, and even today I do not understand why he should be humiliated and belittled; however, inspired by the pain I read in those eyes, I decided that the dream of my life would be to live and work for the moral and economic dignity of the human being. I wanted a company that made healthy profits, but did so with ethics, dignity and morals; we are listed on the stock exchange, I wanted a company that had a balanced and gracious growth. I wanted human beings to work in slightly better places, earn a little more in wages and feel like thinking souls at work. Let us try not to turn our backs on poverty.

I wanted a small part of the company's profits to go to beautify all of humanity and I wanted people to work a fair amount of hours and be online the right amount of time, so that Technology and Humanism could be harmonised and a healthy balance between mind, soul and body could be restored, because the soul and body also need nourishment every day.

We try to respect the laws of every State, and thanks to my esteemed President Draghi, our Italy has regained its credibility.

Our business is located in Solomeo, a small 14th century medieval village near Assisi. We work in old factories built in the past century, some have been restored and embellished to make them modern, others have been demolished and the land has been reclaimed for agriculture, especially vineyards, olive groves, orchards and wheat; so finally we can say that we have not consumed our beloved land. We have restored the village by listening to the wise words of our masters and we have built a theatre that we consider to be a secular temple of art, a monument to the Dignity of Man and an immense park called "Project for Beauty".

And now we are going to build a universal library; for this idea we were inspired by the great Ptolemy I of Alexandria and the Emperor Hadrian when he stated, "Books showed me the way of life; when I grew up, life made me understand the content of books. Whoever builds libraries will have built public granaries for future generations".

This is our idea of Human Sustainability and what we call Humanistic Capitalism. In greeting and thanking you, I hope my heart has suggested the right words for a request addressed to you, I like to believe, on behalf of the whole of mankind: "Oh my esteemed and powerful temporary guardians of Creation, you who are responsible for the beauty of the world, please show us the way to life. May Creation protect us and enlighten us towards a new universal Humanism".

Immensely thank you.

Brunello Cucinelli
Chairman of the Board
of Directors

COMPANY INFORMATION

Brunello Cucinelli S.p.A. is a Fashion House and Company incorporated under Italian law with registered office in Solomeo, Viale Parco dell'Industria 5, listed on the Electronic Stock Exchange (MTA) of Borsa Italiana.

The operations of the Casa di Moda are focused on the creation, production and sale of Brunello Cucinelli brand clothing, accessories and lifestyle in **total-look collections for Women**, **Men and Children**, always conceived as an expression of the ethical and human values cultivated in the Hamlet of Solomeo. The brand is internationally recognised as an example of excellence **Made in Italy** and a benchmark in the **luxury** goods sector, capable of combining the timeless qualities derived from **selection of the finest materials**, **craftsmanship** and **exclusivity** with a **contemporary creativity** receptive to market trends and technological innovations.

Based on the founding values of respect for **human dignity** and the **beauty of Creation**, the Company seeks **growth by pursuing the principles of balance, harmony** and **sustainability**, with constant attention to the rhythms of humanity and nature. The Brunello Cucinelli Casa di Moda is universally recognised as a prime example of **"Humanistic Capitalism"**, capable of combining the **preservation of tradition**, the development of the **"thinking souls"** who work for the common good of the Company, and the promotion of important projects aimed at **beautifying creation and the legacy destined for future generations**.

2021 – YEAR OF REBALANCING

The sensations, recent developments and the excellent results achieved comfort us in the conviction that the year 2021 represented a **year of rebalancing**, when proportions and trends were restored to a pre-pandemic equilibrium.

We believe that in every crisis there is a lesson, and we believe that the most important gift of this painful period has been the **opportunity to rediscover the importance of the simplest gestures, of help and support, even of mere closeness and solidarity**. The great themes of family and closeness, friendship, the value of land and culture returned to the centre of our discussions, and were, with new vigour and support, recognised as universal, capable of uniting humanity in one great spirit.

Similarly, even the smallest details that influence our daily lives have returned to enrich the value of our choices: devoting the right amount of time to the people and things we care about most, knowing the origin of the things we buy and surround ourselves with, supporting the care with which we obtain the best fruits, capable of enriching the sensations of our lives.

The excellent results we were able to achieve in 2021 confirm that we have entered the “New Time” that we had hoped for last year. Having overcome the most acute moment of the crisis – strong but cyclical – which has impacted every sphere of social and economic life, rebalancing is not only an economic issue but is also interpreted by us as a **renewed and deeper awareness of the human ideal values that guide our Company**, which have proven to be extremely effective in guiding us through the difficulties and choices made in the last two years.

We have seen how our entrepreneurial and philosophical principles – which we catalogue under the name of **Humanistic Capitalism and Human Sustainability** – have not only proven to be sound but have taken on the important and effective role of guiding us through the choices of this year of rebalancing.

Our constant and profound **focus on respect for human dignity, serenity in the workplace, human relations and the harmonious cycle of life and nature** has proven to be the most effective treasure, capable of showing the way to act with great dignity and unity in the choices we have faced.

As always, in these two years we have shared the Company’s strategies and choices, always wanting to guarantee the employment and salary levels of all our employees, and we have chosen never to ask for discounts to avoid harming others. These principled decisions have **protected the integrity of the Company and the entire supply chain**, maintaining healthy relationships of trust that have allowed us to recover from the setback of last year in a manner that we can only describe as “brilliant”.

The desire to **guarantee the highest level of protection for all employees and contractors working in Solomeo** meant purchasing personal protective equipment for each person and the devices necessary to provide serological tests and swabs for all employees, contractors and partners in order to ensure the greatest possible serenity in the workplace.

Thanks to an agreement between the Company, the Department of Medicine of the University of Perugia, the Santa Maria della Misericordia Hospital in Perugia and the Umbria USL national health office, an in-house medical unit was available when the Company resumed operations in 2020, after the lockdown. This unit enables all company employees and contractors to undergo regular nasopharyngeal swabs and serological sampling, and immediate testing in the event of symptoms or contact with infected persons.

The arrival of the vaccine officially represented a turning point in the development of the pandemic, reinforcing our confidence that the crisis would be quickly overcome by effectively relieving the pressure on health facilities. In partnership with the Brunello and Federica Cucinelli Foundation and in agreement with the Umbria Region and Umbria 1 AUSL national health office, **a special vaccination hub was set up in a park in Solomeo** to facilitate the local vaccination campaign, which was also easily accessible to the company's employees.

OUR 2021

For us, **2021** was a year that we would undoubtedly like to consider **one of the best in the history** of our Casa di Moda.

It was a year in which we managed to achieve very positive results while further strengthening our image and our brand in terms of both taste identity and positioning in absolute luxury, as well as reliability and proper conduct with respect to all of our stakeholders, including customers, suppliers and shareholders.

A year in which we received two major international awards, which honoured us from a human point of view, and we undoubtedly believe that they positively influenced the brand image, contributing to the achievement of the results achieved:
– Brunello Cucinelli's personal **participation** as a speaker at the **G20 in Rome** on 31 October, sharing his thoughts on **Humanistic Capitalism and Human Sustainability**.
– The **"Designer of the Year"** award given to Brunello Cucinelli by the prestigious British men's fashion magazine *GQ*, presented in London at the Tate Modern Museum at the beginning of September.

Over the course of the year, we believe that it was the return to the habits of sociability and conviviality that progressively brought our customers' preferences and interests back towards the **pleasure of dressing well**. We understood the desire for apparel that, while maintaining the characteristics of "comfort" and "convenience" in the way we dress, elevated the look in pursuit of a simple elegance.

With this style of dressing, we have tried to communicate a **return to everyday human relations, as well as to moments of spending time together** that the pandemic had taken from us in the previous months.

We believe that these results give full credit to the rational positivity that has inspired us, as well as to the **determination** with which we acted throughout the year, guided by the intention not to "downsize" our product range in any way, but on the contrary to try to **offer customers what they might desire** in the various individual moments that we have experienced.

We have been delighted by the **proximity to our brand** shown by so many end customers, as well as by the major luxury wholesale operators and the very valuable specialty stores with which we work.
The enthusiasm with which we review 2021 reflects not only the wonderful results we achieved, but also our full satisfaction with the **quality** of these results.

The growth in all distribution channels, both retail and wholesale, the sales trends in all international markets, Europe, the Americas and Asia, and the results in all categories of the product line, both men's and women's, testify to the great health of the brand, and we believe that they have contributed to further consolidating the **positioning** of our brand in the **absolute luxury** segment.

In 2021, our entirely Italian **production chain** with its superior craftsmanship (over 50% of our products are made by hand) proved to be extremely solid operationally, financially and in terms of design, enabling us to maintain our position in absolute luxury, thanks to the high quality of our products and the punctuality of our distribution.

Other aspects have also contributed to shaping our 2021, all very different from each other but equally important and complementary, including respect for **Human Confidentiality** and discussions on the great themes of life, as well as the creation of physical and virtual **trunk shows** and the proposal of **events** both in **boutiques** and in "**Casa Cucinelli**" spaces.

This year, we believe we have even more strongly reaffirmed the "co-essentiality" of the **physical and the digital**, a condition we have always believed in, and we have truly enjoyed the pleasure with which many customers have returned to visit boutiques in person.

We believe that the **physical experience** is **essential** for the luxury market due to the fullness, immediacy and intensity with which brand content can be perceived by the end customer.
At the same time, we see further concrete development opportunities for our **digital boutiques**, both with respect to the geographical dimension, extending our digital offerings into areas where we have not yet arrived physically, and in relation to the demographic dimension, aware that we have engaged with a very significant number of new, young customers who have become digitally acquainted with our brand.

Finally, 2021 saw some important brand extensions, built around our strong **Ready-to-Wear** identity, which allowed us to grow into new categories such as **homewear** and, thanks to the partnership with Oliver People and Luxottica, **eyewear**, adding further appeal and allure to the brand, which is increasingly identified as a **lifestyle brand**.

HUMANISTIC CAPITALISM AND HUMAN SUSTAINABILITY

The concepts of **Humanistic Capitalism and Human Sustainability** are the guides and foundations of our Casa di Moda, where profit and giving, safekeeping and dignity of the human person coexist in mutual enrichment.

For us, this means "**working and living in harmony with Creation**", paying special attention to the **care of human beings, the relationship with the earth and animals, the climate** and **emissions**.

The healthy and sustainable balance between profit and giving, the ways of reconciling work and human privacy and the desire to repair and reuse are core values of our Casa di Moda, and we have always tried to orient our efforts based on these high, noble principles.

For these very reasons, it was a great honour for us when President Draghi invited Brunello Cucinelli to speak about his idea of **"Human Sustainability and Humanistic Capitalism"** before the planet's distinguished leaders last October at the **G20 Summit in Rome**, to discuss the very important issues of the global environmental and climate emergency.

We therefore believe that 2021 was the year in which our interpretation of **Humanistic Capitalism** and **Human Sustainability** became even more clear and appreciated by many around the world, as we conveyed our idea of Sustainability in which four fundamental dimensions coexist: environmental, economic, moral and cultural.

Environmental sustainability

As far as the **environment** is concerned, we have always considered it our duty to **Live in Harmony with Creation**, and over time this commitment has led us to use technology and every possible tool to reduce the externalities generated by our business, which – due to its genuinely artisanal nature – is not associated with a particularly high level of emissions.

At the end of the year, we decided to make our commitment measurable by communicating the target of a **reduction in greenhouse gas emissions of 60%** in terms of economic intensity by 2028, and in absolute terms of 70% for Scope 1 and Scope 2 emissions and 22.5% for Scope 3 emissions.

We have always tried to **give dignity to the land**, respecting its natural rhythms and enhancing it rather than exploiting it. Our factory in Solomeo was built in the last century, and we have turned our attention to making it modern and contemporary, rather than building new spaces. We will maintain the same approach in the years to come and in the future development of our Fashion House, with the upcoming expansions to be carried out exclusively in the surroundings of the village of Solomeo.

Economic sustainability

The harmonious relationship we seek with nature, with other living beings and with the planet's resources also has a counterpart in the economic field. In fact, we believe in a true **economic sustainability** and have always tried to combine **profit and givin**g in the best possible way.

That is why we strive to **protect the conditions of the people who work with us**, and we are particularly attentive to the **places in which we work** and the **remuneration** of both our human resources and the artisans in the external workshops who produce our garments.

For our Casa di Moda, the relationship with our esteemed **façonisti** – great, authentic producers, true artisans we know we can always rely on with unwavering confidence as they can rely on us – is a priority and of the utmost importance.

We seek the same amicable relationship with **suppliers of raw materials**, with whom we seek to conduct ourselves with absolute fairness, reciprocated by a perfect, fruitful spirit of cooperation.

Moral sustainability

There is also the major issue of **moral sustainability**, to which we have always dedicated considerable energy, seeking dignity in work, and in a broader sense **dignity of the human being**, so that everyone can feel that they are truly being treated as human beings at work.

To us, moral sustainability means working the right number of hours and staying connected for the right amount of time, and we are convinced that the young and the very young are and will be increasingly attentive to the type of production, the treatment of workers, management of resources and the big issue of fair profit.

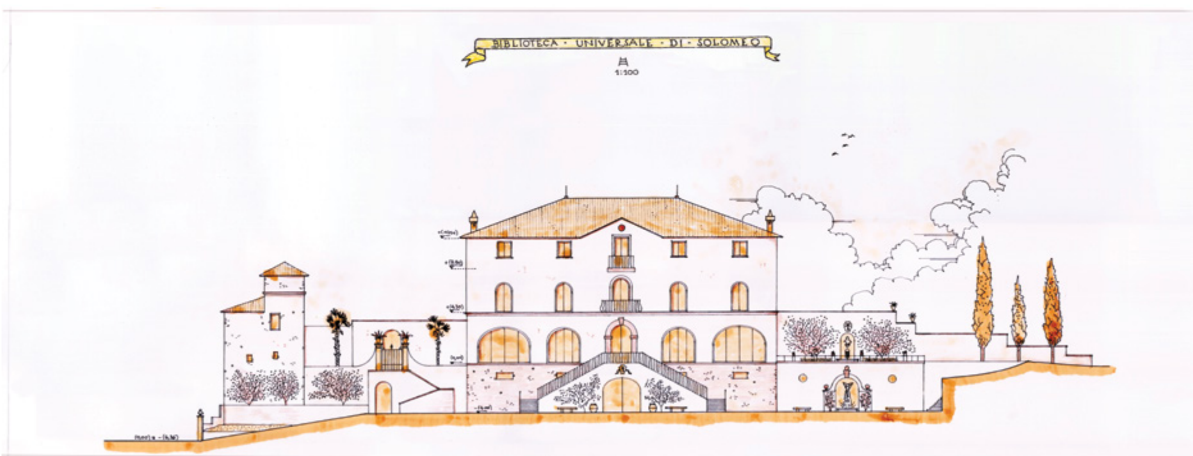
Another major theme, which Brunello Cucinelli had the opportunity to discuss during his participation in the last G20, is that of **strict compliance with the law**, which is linked, for example, to the duty to pay the right taxes in one's country. In our view, this is also fully part of the moral sustainability to which we constantly refer.

Cultural sustainability

Finally, as regards **cultural sustainability**, including through the Brunello and Federica Cucinelli Foundation, we have always sought to promote a culture inspired by the principles of humanism.

The **Theatre**, the **Winery** and the **Tribute to Human Dignity** monument are expressions of cultural sustainability, as are the **schools of Arts and Crafts**, through which we seek to convey ancient, precious knowledge for a **contemporary craftsmanship**.

In the near future, Solomeo will be enriched by the construction of its **Universal Library**, inspired by the great Library of Alexandria conceived by Ptolemy I in the wake of the fundamental Aristotelian impulse, which aims to collect a huge quantity of publications from around the world in four disciplines: Philosophy, Literature (including Poetry), Architecture and Crafts.



Through this work promoted by the Brunello and Federica Cucinelli Foundation, we would like to give life to the thoughts of Emperor Hadrian, who observed: *"Books showed me the way of life; when I grew up, life made me understand the content of books"*.

The Universal Library of Solomeo will be housed in the noble Villa Settecentesca surrounded by a large park, adjacent to the Church and the Theatre in the heart of **Solomeo, which we call the Hamlet of Cashmere and Harmony**. This is the comment of Brunello Cucinelli: *"Emperor Hadrian says that books showed him the way of life and that 'the founding of libraries is like constructing more public granaries'. Inspired by this genius and admiring the idea of the great Ptolemy I to create the Great Library of Alexandria, I imagined founding a public library, a sort of secular temple of culture where it is possible to dialogue with the greatest spirits of history, starting with the classics, lovable companions of the deepest moral and cultural growth of the human being"*.

TASTE AND BRAND IDENTITY: BRUNELLO CUCINELLI "DESIGNER OF THE YEAR 2021"

The sharp discontinuity brought about by the pandemic has unleashed a chapter of great dynamism within the luxury pyramid.

2021 was characterised by a positive fervour brought about by new ideas for style development, accompanied by clear choices on geographical priorities, strategies for approaching sales channels and brand positioning.

With regard to the **positioning** of our brand, we continue to believe in **absolute luxury** as our only area of action, imagining that the growth opportunities in this market segment may be more than adequate compared to the expectations for our company's development.

As for the very important aspect of **taste**, we believe that our strategy for developing the various product categories is consistent with our "brand taste", which is our calling card and underlies our unique choice of **not having a logo**.

We feel we have so far been able to reconcile consistency and innovation in the development of the collections, achieving the dual objective of being both **recognisable** and **contemporary**.

The strong consensus that we breathe around our brand has translated into **important awards** that have honoured our Company, our culture, our land and all of us in 2021:
- Recognition by *The Telegraph* in the UK, which called Brunello Cucinelli "***THE MOST STYLISH MAN OF THE LAST TEN YEARS***".
- "***DESIGNER OF THE YEAR 2021***" award presented in September to Brunello Cucinelli by the prestigious British men's fashion magazine *GQ*.

Indeed, we believe that the "DESIGNER OF THE YEAR 2021" award gives the brand a clear connotation of taste and identity.

We strongly believe that all of this is based not only on the attractiveness of the taste we are associated with, but also and above all on the very foundations of the Company, its culture and philosophy, as Brunello Cucinelli himself expressed during the award ceremony held in London at the Tate Modern Museum, as mentioned above.

"*I would like to dedicate my award to the minds and hearts of women and men of every epoch and from every corner of the world and to my teachers whose enlightened words taught me a universal vision of the world and that humanistic capitalism which is so kindly and widely attributed to me. Through it and our work, we have discovered and nurtured the moral and economic dignity of humans, gentle economic growth, harmony between profit and generosity, and respect for Creation, a small part of which I feel I have been called upon to be a faithful and caring guardian. May Creation protect us. Thank you, thank you all".*

SAFEKEEPING OF THE PRODUCTION CHAIN

Our Company is based on the **product**, an essential prerequisite in the vision of our solid positioning in the **absolute luxury** segment.

The **product is at the heart** of all company operations. The special attention, focus and search for creativity through which all our collections were developed during the difficult months of the pandemic allowed us to continue to offer a product in our stores and in our showrooms that was judged by customers and journalists to be **fresh, young, authentically new, contemporary** and **attractive**.

Our commitment to maintaining the high quality and timeliness of our product range, combined with our search for more effective solutions for the future, has enabled us to keep the entire production chain, comprising more than 360 artisanal workshops, intact and efficient.

These artisanal workshops are **exclusively based in Italy**, **80% in Umbria**, and the remaining **20%** in the **districts of excellence** for specific types of production, and mostly employ between 10 and 40 people each.

They are the key to the development of our highly handcrafted product, as over **50%** of production is done by hand using **needle, thread and scissors**.

We have always valued the creativity and quality of products, and the reliability and punctuality of the deliveries: we believe that one of the reasons all of this is possible is the modern and reliable work organisation of these workshops.

The artisanal workshops we work with are in fact true **partners of the Company**, fully integrated in our production process, capable of giving life to the collections we develop internally through a pattern workshop with over 100 highly qualified workers.

In these months, we believe we have further strengthened the relationships of esteem, cooperation and friendship that have bound us to them for many years, making our **production organisation solid** in the long term. In fact, we have taken the opportunity of this particular period to expand, renew and further strengthen the relationships with our artisanal workshops, relationships based on mutual trust, support and respect, so as to plan the production process for the coming years.

We have maintained the criteria of **punctuality and completeness** that distinguish our commitment to deliveries: the image and selection in boutiques around the world as well as in the digital channel have always remained fresh and stimulating, constantly updated according to the evolution of the season and taste, capable of rewarding customers in search of something new and special, in both digital and physical settings.
In 2021, we produced some of the **most beautiful collections in the Company's history**: the search for the most authentic and significant value inspired a high level of craftsmanship, the quality of the materials selected and the creativity linked to timeless appeal.

At the same time, the latest collections fully reflect the changes in needs and in the market, paving the way for new, fresh and distinctive style solutions whose intrinsic value is even more appreciated by customers and specialists who over the past months have devoted time and attention to understanding the values and qualities underlying our work.

CASA CUCINELLI

The desire to offer **increasingly welcoming**, **exclusive spaces** of **superior historical and cultural value** to welcome customers and convey the atmosphere and values of the Solomeo-based Company has led us to create special places around the world that we have called "**Casa Cucinelli**".

We wanted to adopt this name to immediately convey the feelings of familiarity and well-being that we believe are distinctive of Italian charm. The first experience was born within the Company itself, during the months of boutique closures brought about by the pandemic, when we "virtually" invited customers and friends to spend time together and talk in a place with an authentic, familiar flavour.

The positive feedback we received from invited guests prompted us to physically create these spaces inspired by the Italian home in some of the world's great fashion capitals, **Milan**, **Paris**, **London** and **New York**. **Future openings** are also planned in **Shanghai** and **Tokyo**, again in high-profile venues.

Cities so rich in stimuli, passion and innovation that we have sought to counterbalance the hustle and bustle with a space for special, convivial moments, private meetings with friends, associates and customers who can breathe in the taste of the brand, cheered, moreover, by the possibility of enjoying traditional Italian cuisine together.

To us, a library, kitchen, spacious living room and study represent Places of the Soul within Casa Cucinelli, dedicated to the value of time, to the feeling of kindness and care that we believe govern the ideal identity of the Italian home.

HUMANISM AND TECHNOLOGY

2021 has underscored the importance of the way in which technology is used: on the one hand it has proven to be an extremely useful tool, for continuing to cultivate relationships and convey important messages, while on the other hand it has demonstrated how **physical relationships, meeting and interacting in person represent irreplaceable moments** in the relationship between customers and brands.

In our opinion, this reflection on the role of technology is demonstrated in the experience gained with the end customer: when the shops were closed, relationships and sales were supported by the presence of the digital channel, which has been extensively developed and improved over the years. This allowed us to keep an open window on **Solomeo's** values **and to continue to present a fresh, balanced and responsive offer to the needs of the individual customer, also thanks to an excellent Customer Service team.**

The reopening of the boutiques then demonstrated how great and important it was for customers to return to visit our spaces in order to fully experience the atmosphere, ambience and feelings associated with the Brunello Cucinelli philosophy, aesthetics and products.

These observations allow us to confirm our idea of a necessary **balance between humanistic values and technological development**, which is all the more valid in the context of the luxury market, where exclusivity, recognition of prestige, and the value of sensations play the highest and most significant role.

Over the years we have learned that passing on knowledge to the next generation is an irreplaceable asset, which must be constantly nurtured with respect for the dignity of work. This is why the **School of Arts and Crafts** – which opened in 2013 – offers us an exceptional opportunity to look at the future mix of manual know-how and technology.

We believe that the value of human creativity capable of renewing itself in the name of beauty shines in these forges of **Contemporary Artisans**, dedicated to the trades that have made the tradition of Italian clothing great in the world and inspired by the glorious Renaissance workshops open to new technological stimuli.

After some pauses due to the ongoing pandemic, classes have now resumed at full capacity and have demonstrated how personal contact corresponds to a higher pedagogical and human value, even for young people who are used to communicating via digital channels on a daily basis.

COLLECTIONS, LIFESTYLE AND NEW CATEGORIES

Development of the collections in 2021 has accompanied what has been considered in fashion as a “time of re-birth”, animated by a vital ferment that already characterised the aesthetic research of 2020, and which in the last year has been enriched by a **renewed desire for contemporary elegance**.

The market's search for a simple yet innovative elegance, which represents both a new form of casual elegance and a personal choice that respects Creation, is consistent with the brand's own aesthetic and ethical orientation. The continuity established between **leisure and professional wear**, the constant search for **comfort and lightness**, the attention to **precious and discreet details** that allow **taste** to be recognised **without resorting to logos** are some of the distinctive features of Brunello Cucinelli's **ready-to-wear collections**, which reflect the brand's identity and at the same time align with the latest global trends.

One of the most significant developments in the market, a consequence of the various pauses that we went through last year, was a growing interest in and attention to the ethical values of the brand, an effect that has allowed us to further expand on the distinctive and founding characteristics of the Solomeo-based Casa di Moda. The values of **authenticity**, **distinction**, **fine craftsmanship** and materials that have always constituted the values of the Brunello Cucinelli collections were joined in 2021 by a renewed **desire for elegance and dressing well**, the rediscovery of the emotions that come from a casual, versatile and fresh style.

The **new Fall/Winter 2022 collections** have received much praise from customers and industry insiders, and they focus on a **relaxed, balanced interpretation of elegance**. The fluid, eclectic and versatile aesthetic that has historically been associated with the Brunello Cucinelli brand was given an energising jolt. On the one hand, the new collections assign a **special role to simplicity**, which conveys an authentic, positive message and proves to be the most effective formula for enhancing materials and workmanship. On the other hand, the **desire to dress well has brought back the pleasure of adding a light and easy touch**, bringing together informal elements and luxurious traits in a new reassuring balance.

For **men, the pleasure of dressing well starts mainly from a new interpretation of the suit**, the quintessential symbol of elegance, whose appeal becomes much richer and more versatile thanks to the harmonious combinations of the separate jacket with all the other categories in the collection, capable of converting a formal look into versatile, everyday elegance.

The brand's focus on this iconic wardrobe item had already promoted two important projects: the **Tailoring School** in Solomeo, where highly experienced masters work side by side with talented and inspired young students on a daily basis, and the launch of the **Solomeo Tailoring service**, to enrich and elevate the suit according to the contemporary canons formulated by the brand. Not just the result of pure technique or the image of motionless elegance, we believe that the suit created for men should convey the pleasure of the **Italian lifestyle**, reflect a living culture rich in beauty, offering a new, alluring interpretation of the distinctive Brunello Cucinelli style.

The new **Fall/Winter 2022 Men's Collection** was inspired by the image of change as offered by an urban world on the move, a crossroads where style and occasions influence each other and create the right balance for the evolution of elegance. Harmonised by timeless neutrals – the delicate tones of beige, grey and blue, ambassadors of enduring elegance – new colours express intensity and refinement: the energy of carrot orange and pomegranate red, the charm of lime and eucalyptus green, the relaxing feeling of aqua and cornflower blue convey an enterprising, fresh, brilliant taste. Comfort, dynamism and softness are the values that run through all the fabrics and volumes to create a precious balance of elegance and well-being. Following the tailored lines of the jacket, which enhance the male physique, all the elements come together to form enveloping, soft shapes that combine contemporary dynamism and refined style. The meticulous search for the highest quality materials has refined a selection that offers maximum comfort and lightness, while at the same time maintaining the identity of the fabric, the traditional value of the texture and the unique character of the materials.

Rich in references, patterns and new silhouettes, the **Fall/Winter 2022 Women's Collection** elaborates a seductive balance in search of a well-groomed and stimulating beauty, capable of nourishing the pleasure of conviviality. Just as with the fine compositional blend of a perfume, the collection showcases the ingredients and themes in a visual pyramid that follows the characteristics and functions of the olfactory notes. Intensive flashes of light catch the eye at first glance. Laminated surfaces, transparencies wrapped in brilliant embroideries, luminous designs running through fluid satins and feminine volumes permeate the entire wardrobe with a seductive ambiance, connecting daywear and event dressing. The most important elements, which deeply connote the sensations of the season, are the iconic northern patterns, the soft texture of fabrics and knits with bouclé, gauze or fleece looks, quilted effects on precious materials, the reinterpretations in an urban key of high-altitude locations. All components are infused with inspirations from the earth and nature through the saturated brown nuances of woods and animal fleeces and the floral designs that emerge in the inlays and embroideries. Emotions that remain in the memory give value to the brand identity, reflecting a sense of belonging conveying one's essence. English ribs and traditional masculine patterns blend with new feminine and sartorial meanings. The charm of neutral, delicate nuances, the pleasure of noble fibres of the highest quality, the superior level of craftsmanship and the search for innovation grafted onto tradition.

The **Boys' and Girls' Collections** are a natural completion of the Brunello Cucinelli product line, for which top quality materials, natural fibres and refined craftsmanship harmoniously converge in an exaltation of the brand's identity values, i.e. community, heritage, nature and art. Modern techniques and traditional knowledge come together to create garments that meet the needs of children and affirm the timeless style that is distinctive of Brunello Cucinelli's taste and philosophy. The criteria of excellence and the main inspirations are the same as those guiding the Men's and Women's Collections, but elements and approaches are reinterpreted to define a child-friendly aesthetic in which style is also identified with convenience, comfort and versatility. With an optimistic outlook towards the future, the collection pays tribute to the principles of freedom, well-being and fun to define a wardrobe that conveys comfort, elegance and luxury.

In 2021, we unveiled the new collaborative project between Brunello Cucinelli and Oliver Peoples to launch the first eyewear collection, made like all Brunello Cucinelli products in Italy and the result of a joint creative effort, combining the inspiration and culture of the Solomeo-based brand with the experience and savoir-faire of the Los Angeles-based brand.

We are honoured by this collaboration with the wonderful and esteemed **Luxottica**, owner of the Oliver Peoples brand, and we are proud that this partnership finds its basis in the great affinity of taste and passion for an artisanal, high quality, logo-free product common to both brands.

Both Oliver Peoples and Brunello Cucinelli boast an important relationship with their respective territories and have been pioneers in their respective industries, bringing innovation with a special sense of grace and continuity with tradition. This affinity is the element that has given rise to the amiable collaboration between the two brands. Recognisable thanks to refined details that enhance their taste, elegance and contemporaneity, the collection was created using the finest materials, with a very high level of craftsmanship and with the utmost attention to respect for Creation and the dignity of man.

The glasses bear the Brunello Cucinelli & Oliver Peoples logo, testifying to the strong commitment of both companies to this project, and the link with Oliver Peoples allows us to enter the world of eyewear by immediately positioning ourselves at the **top end of the market**, with a product that is **100% made in Italy**.
With this partnership, we also benefit from the highest guarantee of the product's technical quality, not to mention the punctuality and efficiency of the after-sales service of the Luxottica group.

As for distribution, in addition to naturally being present in our monobrand boutiques and in those of Oliver Peoples, we can also count on a platform of beautiful multibrand glasses that will allow us to be present in the highest range of this specialised channel of the industry.

With even greater conviction, we believe that eyewear thus interpreted in a "small" collection can further **increase the perceived value of our brand** and at the same time allow us, through this new category, to approach new, high-profile customers who are sensitive to a product of "**understated luxury**".

INVESTMENTS

The **strong focus on investment** remained unchanged despite the ongoing pandemic, with a view to maintaining continuity with the brand's recognisable and desirable image. We believe this choice has contributed to the success of our sales, and above all improved our results when it came time to reopen, having prepared our customers to recognise the latest developments in the product range.

Moreover, we observed that during the "forced suspensions" of social activities the interest of customers and specialists was more oriented towards in-depth analysis and evaluation not only of the individual product, but also of the brand itself. This new arrangement has effectively coincided with our communications strategy, supported by the investments made, which has allowed us to **promote the historical background and philosophy of the brand in our spaces and boutiques**.

Careful attention to interior design and investments in numerous restyling projects were aimed at keeping the image and experience inside the boutiques constantly up to date, always strongly characterised by the elements that make up the lifestyle we cultivate in the Hamlet of Solomeo.

This allows us to always offer a peaceful, familiar environment in which to better convey the values underlying our products and enhance our guests' brand experience. This uninterrupted attention has allowed us to accompany the reopening with the organisation of important meetings, which re-established a fundamental continuity with customers and allowed us to fully reaffirm the value of physical spaces.

In 2021, our **investment plan** was therefore **very extensive** and amounted to **€ 61.6 million** higher than the € 51.6 million in 2020, which we had already maintained in line with the 2019 figure despite the pandemic.

Commercial investments amounted to € 45.9 million, compared to € 39.6 million in 2020, and were mainly allocated to the expansion of prestigious boutiques, renovation of our showrooms and an increase in sales space, while also supporting the opening of new Casa Cucinelli spaces, development of the wholesale channel and expansion of dedicated spaces in Luxury Department Stores.

With regard to the **prestigious expansions** of boutiques completed between 2020 and 2021, including those in London, Paris, St Petersburg, Shanghai and Tokyo, the Madison Avenue flagship store in New York was inaugurated in December 2021, celebrated with a specially organised event together with the trade press and our customers.

As of 31 December 2021, there were **114** retail **boutiques** compared to 107 in the previous year, with 4 openings and 3 conversions of wholesale monobrand boutiques, including the major space in Dubai Mall and the space in the exclusive resort town of Gstaad.

There are **43** directly operated **hard shops** within department stores, compared to 31 on 31 December 2020, an increase mainly related to the conversion to direct management of 10 spaces within Nordstrom's luxury department stores. These conversions from wholesale to retail are in addition to the 3 conversions of wholesale monobrand boutiques already noted, bringing the total number of converted spaces to 13.

We have dedicated significant attention to all other investments, amounting to € 15.7 million, compared to € 12.0 million in 2020. Worthy of note among these are investments in **digital, technological and production/logistics** solutions, which have always accompanied the company's growth.

Investment in constantly updating the technological foundations and user experience of the e-commerce website has made it possible to cope very effectively with the increase in digital orders over the last two years, particularly via mobile devices.

In line with the latest innovations and the needs of users, the digital channel – historically composed of the twin websites Philosophy and Online Boutique – sought to offer an experience that was as simple, linear and complete as possible, parallel with and complementary to the approach adopted in boutiques around the world. Moreover, the coverage of the digital boutique has allowed us to extend our geographical reach to more peripheral areas and those that are not so close to the main fashion centres.

Finally, **investments in production and logistics** have supported the continuous renewal of production facilities, which is essential to adapt the corresponding structures and make adequate logistics facilities available to manage the business.

PREFACE

This Financial Report as at 31 December 2021 has been prepared pursuant to Italian Legislative Decree no. 58/1998 as amended, and the Issuers' Regulations issued by Consob. This Report was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

Note that for the sake of greater clarity, as at 31 December 2021 the item "Other revenues" in the Income Statement was classified within the "Total operating costs" section instead of being recorded in the "Revenues from sales and services" section as in the previous year. For uniformity and comparability of the data, the same reclassification was also made in the presentation of the Income Statement figures as at 31 December 2020.

SUMMARY DATA AS AT 31 DECEMBER 2021

The tables below show (i) the consolidated summary economic data as at 31 December 2020, compared with the corresponding previous year; (ii) a consolidated balance sheet reclassified by sources and applications at 31 December 2021 with comparative figures at 31 December 2020; and (iii) cash flows from operating activities, investing activities and financing activities, as well as the amount incurred for capital expenditures for the year ended 31 December 2021, with comparative figures for the year ended 31 December 2020.

Summary consolidated income statement

(in € thousand)	Year ended 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Net Revenues	712,179	100.0%	544,013	100.0%	168,166	30.9%
EBITDA	193,311	27.1%	89,466	16.4%	103,845	>+100.0%
EBITDA *excluding IFRS 16*	110,013	15.4%	41,759[1]	7.7%	68,254	>+100.0%
Operating profit	77,036	10.8%	(14,818)	-2.7%	91,854	>-100.0%
Income before taxes	64,026	9.0%	(33,782)	-6.2%	97,808	>-100.0%
Result of the year	56,295	7.9%	(32,069)	-5.9%	88,364	>-100.0%

(1) The figure as at 31 December 2020 eliminates the accounting effect relating to the extraordinary provision of € 31.7 million relating to Inventories.

Reclassified equity position by sources and uses:

(In € thousand)	Situation at		Change	
	31 December 2021	**31 December 2020**	**2021 v 2020**	**2021 v 2020%**
Net working capital	142,162	186,735	(44,573)	-23.9%
Fixed assets	715,133	655,252	59,881	+9.1%
Other non-current assets/(liabilities)	34,864	24,861	10,003	+40.2%
Net Invested Capital	**892,159**	**866,848**	**25,311**	**+2.9%**
Net Financial Debt	23,029	93,549	(70,520)	-75.4%
Financial lease liabilities	546,730	512,195	34,535	+6.7%
Shareholders' Equity	322,400	261,104	61,296	+23.5%
Sources of financing	**892,159**	**866,848**	**25,311**	**+2.9%**

Other summary data:

(In € thousand)	Situation at		Change	
	31 December 2021	**31 December 2020**	**2021 v 2020**	**2021 v 2020%**
Cash flows generated/(used) in operating activities	208,176	36,462	171,714	>+100.0%
Cash flows generated/(used) in investing activities	(58,353)	(41,060)	(17,293)	+42,1%
Cash flows generated/(used) in financing activities	(127,382)	11,268	(138,650)	>-100,0%
Total cash flows	**22,441**	**6,670**	**15,771**	**>+100,0%**
Investments	**61,602**	**51,602**	**10,000**	**+19,4%**

ALTERNATIVE PERFORMANCE INDICATORS

In order to allow for a better assessment of management performance, the Brunello Cucinelli Group uses some alternative performance indicators that are not identified as accounting measures under IFRS. These indicators are determined in accordance with the provisions of the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015.

The definition of alternative performance indicators used in this Financial Report is as follows:

- **EBITDA**: this is represented by the *Operating Profit* before *Depreciation and Amortisation*.

- **EBITDA *excluding IFRS 16***: this is the *Operating Profit* calculated using the accounting principles in force prior to the introduction of IFRS 16, before *Depreciation and Amortisation* calculated using the accounting principles in force prior to the introduction of IFRS 16.

- **Net Working Capital**: is calculated as the sum of the *Inventories* and *Trade receivables* net of *Trade payables* and the balance (positive or negative) of all other balance sheet items classified as *Current assets* or *Current liabilities*.

- **Net Invested Capital**: this is the total of *Non-current assets* and *Current assets*, less *Non-current liabilities* and *Current liabilities*, excluding items of a financial nature that are included in the balance of Net financial debt (*Other current financial assets, Cash and cash equivalents, Current and non-current payables to banks, Current and non-current financial payables, Current lease liabilities and Non-current lease liabilities*).

- **Net Financial Indebtedness**: is calculated in accordance with Consob Reminder no. 51/21 of 29 April 2021.

- **Investments:** refer to gross increases in Intangible Assets (including Key Money), in Tangible Assets, in Real Estate and net increases in Non-current Financial Assets.

COVID-19 PANDEMIC UPDATE

Significant accounting aspects

The 2021 financial year confirmed the return to business growth started in the second half of the 2020 financial year, recording decidedly positive economic, equity and financial results, along with the perception of a further strengthening of the image of our Casa di Moda and our Brand.

The results achieved as at 31 December 2021 and the overall economic context in which the Group operates did not require a particular review of the usual assumptions and estimates necessary for the approval of the financial statements, contrary to what occurred in the past year, when the COVID-19 pandemic and the measures adopted by various governments had had a significant impact on operations and financial statement data.

As in 2020, again in 2021 the Group guaranteed the employment and salaries of all its employees, as well as confirming its main development projects, both of the expansion of the Retail Network and of the most important consolidations of its activities (channels, product lines, areas of intervention).

With regard to specific accounting aspects attributable to the COVID-19 pandemic, note that:

– During 2021, costs were incurred for the purchase of personal protection equipment (PPE) and other devices necessary to contain and combat the COVID-19 epidemiological emergency for all employees and external contractors who work on the premises.
  Note also that in close collaboration with the Brunello and Federica Cucinelli Foundation and in concert with the Umbria Region and AUSL Umbria 1 national health office, the Parent Company sponsored a community vaccination point in the "Beauty Park" of Solomeo.
  At 31 December 2021, the total costs incurred by the Group amounted to € 1,800 thousand.

– With regard to existing lease contracts, as in the past year proposals for some reductions in rents for the periods most affected by the pandemic – mainly concentrated in the United Kingdom and Asia – were accepted. Taken as a whole, these reductions amounted to € 2,926 thousand, representing a cost containment of 2.5% on the total cost for rents (normalised by the effect of applying the IFRS 16 accounting standard).
  In this regard, note that the Group has chosen to apply the practical expedient envisaged by the amendment adopted by the IASB on 28 May 2020 and approved by the European Union on 9 October 2020, together with the amendment to IFRS 16 adopted by the IASB in March 2021 and approved by the European Union in August 2021, extending the period of application of the practical expedient relating to the accounting treatment of "rent concessions" to 30 June 2022. This allows lessees to recognise any "rent concessions" obtained due to the health emergency as negative variable rentals (with the consequent registration directly in the income statement to reduce the cost of rent), without having to evaluate whether the concessions themselves represent lease modifications.

– In 2021, the Group benefited from some contributions granted by the foreign governments of the Group's companies to cope with the economic crisis created by the pandemic, which at 31 December 2021 amounted to a total of € 2,298 thousand.

– In 2021, the Group also benefited from the contributions related to supporting employment and salaries promoted by the various governments for a total value of € 1,499 thousand, representing a cost containment of 1.1% on the total payroll costs of the year.

– During 2021, in accordance with paragraphs 9 and 12 of IAS 36, appropriate assessments were made of the existence of indications that an asset may have been impaired, also carefully considering the situation relating to the COVID-19 epidemic.
  The business dynamics recorded in the periods examined and the updates of the forecasts on future trends are consistent with the assumptions made when verifying the recoverability of the values. The analyses performed did not reveal any impairment of the assets recorded in the financial statements.

SEASONALITY OF SALES

While not subject to significant seasonal or cyclical changes in total annual sales, during the various quarters of the year, the Group's activities suffer from a lack of perfect uniformity in the flow of revenues and costs deriving mainly from its businesses.

Furthermore, the luxury market in which the Group operates is characterised at the level of sales channels by seasonal factors that have an impact on economic results.

First of all, seasonality is linked to the sales methods of wholesale distribution channels, which see a concentration of revenues in the first and third quarters of each financial year. In fact, sales turnover is concentrated in the months of January-March for the spring/summer collection and in the months of July-September for the fall/winter collection, although international customers usually require shipments of the latter during the second quarter as well.

With regard to the retail channel, Group sales saw a concentration of revenues mainly in the last quarter of each year, a period characterised by the sale of those products having the highest unit value.

Consequently, it is evident that the Group's interim results may not contribute in a uniform manner to the formation of the economic and financial results for each year.

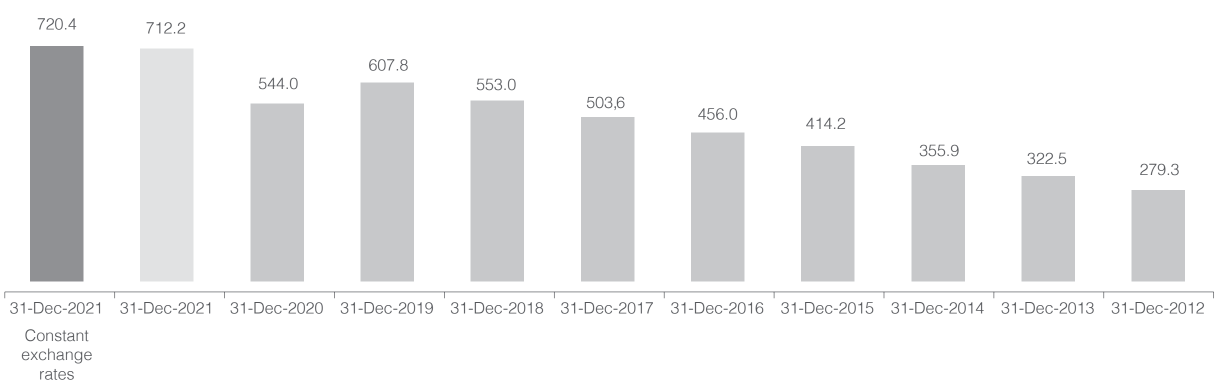
THE GROUP'S RESULTS FOR THE YEAR 2021

ANALYSIS OF REVENUES

The Group's consolidated turnover for the year 2021 amounted to € 712,179 thousand, an increase of +30.9% over the year 2020. The comparison with 2019 is more significant, with an increase of +17.2% at current exchange rates.

Below is an illustration of the figures relating to Revenues for 2021 compared to the data for 2019. In fact, note that the comparison with 2020 has limited relevance since the turnover of 2020 was strongly influenced by the closure of a significant number of boutiques around the world, especially in the second quarter due to the COVID-19 pandemic.

The excellent performance of the 2021 financial year confirms the very favourable trend after the parenthesis of the results for the 2020 financial year.



REVENUES BY GEOGRAPHICAL AREA

The following table provides details of revenues broken down by geographical area at 31 December 2021 compared with 31 December 2020 and 31 December 2019, the latter being more useful for the purpose of understanding the performance of the year under review.

Note that at 31 December 2021 sales are presented by market based on the geographical affiliation (Europe, Americas, Asia) of the different countries that the Group operates in, maintaining a specific focus on Italy. This mode of presentation makes it possible to give greater emphasis to the weight that each geographical area holds for the Group. In this regard, sales in countries that were previously included in the "Rest of the World" category were allocated to the specific geographical areas of reference.

(In € thousand)	Year ended 31 December						Change	
	2021	% of sales	2020	% of sales	2019	% of sales	2021 v 2020 %	2021 v 2019 %
Europe	219,150	30.8%	173,078	31.8%	176,900	29.1%	+26.6%	+23.9%
Italy	84,223	11.8%	68,323	12.6%	89,720	14.8%	+23.3%	-6.1%
Americas	238,238	33.4%	174,242	32.0%	205,768	33.9%	+36.7%	+15.8%
Asia	170,568	24.0%	128,370	23.6%	135,373	22.3%	+32.9%	+26.0%
Total	**712,179**	**100.0%**	**544,013**	**100.0%**	**607,761**	**100.0%**	**+30.9%**	**+17.2%**

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

Europe

In the European market, we saw **excellent growth**, with an increase in sales of +26.6% compared to 2020 and +23.9% compared to 2019, with a percentage impact on sales of 30.8%.

The structural **domestic connotation** of our business, the **loyalty** of **end customers**, as well as the presence of **new customers**, contribute to the achievement of these results, which demonstrate an excellent **balance** of presence between **retail channel and multibrand channel**.

Large European luxury capitals such as Paris, Milan and London have shown significant reactivity in the resumption of sales, and above all in the customer's desire to return to "experience" the physical spaces of boutiques, which has led us to organise various events and meetings within our boutiques.

One of these that was particular exciting for us was the "official" inauguration of the new boutiques in London on New Bond Street and in Paris on Avenue Montaigne, which with their charm and warmth represent an excellent example of our idea of hospitality.

At 31 December 2021, the monobrand network (direct and wholesale monobrand) consisted of 46 boutiques.

Italy

In Italy there was a significant improvement in sales in the last part of the year; in 2021, growth was equal to +23.3% compared to 2020, with a marginal decrease of -6.1% compared to 2019. Very significant growth in the fourth quarter compared to 2020, with a performance close to parity compared to 2019.

The recovery of **local demand** was aggressive, which balanced out the prolonged absence of international tourism. The contribution of the results in the **provincial cities** was significant, thanks also to the presence of dedicated spaces in the most important **Specialty Stores**, which confirm the great value both for the achievement of the results of the year, and for the contribution to the taste and appeal of the Brand.

We believe that these multibrand customers have always been critical for the Ready-to-Wear sector, for their ability to constantly innovate and research the most modern, chic and contemporary looks, with development plans and investments that allow us to plan the medium-long term together.

At 31 December 2021, the monobrand network (direct and wholesale monobrand) consisted of 14 boutiques.

Americas

The American market grew very well, with a **beautiful increase** in sales of +36.7% compared to 2020 and +15.8% compared to 2019, reaching a percentage impact on total sales of 33.4%, thanks also to the strong demand in the absolute luxury segment and the very positive performance of the last quarter of the year.

This beautiful growth is also based on the growing **desire to "dress well"** of both men and women after periods spent away from social and physical interaction.

The results reported are favoured by a **balanced and synergistic** presence in the main cities, provinces and resorts, through monobrand boutiques, Specialty Stores and Luxury Department Stores.

The contribution of **domestic tourism** was positive, with resorts in the USA becoming a point of reference for exclusive stays, as well as **digital sales**, which complement the sales of the physical channel.

At 31 December 2021, the monobrand network (direct and *wholesale monobrand*) consisted of 36 boutiques.

Asia

The Asian market saw a **wonderful growth** of +32.9% compared to 2020 and +26.0% compared to 2019, with a percentage impact on sales of 24.0%. The last quarter of the year saw an important acceleration in sales, thanks in particular to the performance of **Mainland China**.

We consider these **results** to be **brilliant**, both for the absolute value of the performance and for the way in which we have achieved them. In the pursuit of balanced, healthy and silent growth, we believe that our approach to China, in full respect of its millennial culture, can promise **beautiful, sustainable growth in the coming years**.

Together with our desire to be **culturally close to China**, with an approach that is always respectful, that makes our presence as rooted as possible in the local region, we also think that the offer of an **exclusive product and "no logo" clothing** fully meets the demand of the most exclusive luxury segment.

Even **Japan**, which during the year had shown some volatility, thanks to very positive results in the fourth quarter closed 2021 substantially in line with the value of 2019. Finally, the results achieved in **South Korea and some South-East Asian** countries were very solid.

At 31 December 2021, the monobrand network (direct and wholesale monobrand) consisted of 48 boutiques.

REVENUES BY DISTRIBUTION CHANNEL

The following table sets out the revenues earned by the Group in 2021, 2020 and 2019, analysed by distribution channel. Here also, as already specified above, the most significant comparison for the purpose of understanding the performance of 2021 is with 2019.

(In € thousand)	Year ended 31 December						Change	
	2021	**% of sales**	**2020**	**% of sales**	**2019**	**% of sales**	**2021 v 2020 %**	**2021 v 2019 %**
Retail	419,817	58.9%	268,773	49.4%	339,435	55.9%	+56.2%	+23.7%
Wholesale	292,362	41.1%	275,240	50.6%	268,326	44.1%	+6.2%	+9.0%
Total	**712,179**	**100.0%**	**544,013**	**100.0%**	**607,761**	**100.0%**	**+30.9%**	**+17.2%**

RETAIL

The retail channel grew by +56.2% compared to 2020 and +23.7% compared to 2019, with the relative percentage impact on sales rising to 58.9% compared to 55.9% in 2019.

The increase in revenues was supported by the solidity of **like-for-like** sales and the **growth of the network**, thanks to new openings, the expansion of existing spaces and the conversions to direct management from the wholesale channel of some boutiques and spaces within Luxury Department Stores.

The growth trend in the last part of the year increased very significantly, benefiting from the **contribution of new spaces**, **increased traffic** in the boutiques, and increases in **sell-outs**, which reached very important results for the winter season, which we believe may have been favoured by the **prestigious awards** received in the second half of the year.

As of 31 December 2021, there were **114** retail **boutiques** compared to 107 in the previous year, with **4 openings** and **3 conversions** of wholesale monobrand boutiques, including the major space in Dubai Mall and the space in the exclusive resort town of Gstaad.

There are **43** directly operated **hard shops** within department stores compared to 31 on 31 December 2020, an increase mainly related to the conversion to direct management of 10 spaces within Nordstrom's luxury department stores.

Prestigious expansions of boutiques were also completed between 2020 and 2021, including those in London, Paris, St Petersburg, Shanghai and Tokyo, and in the latter part of 2021 the Madison Avenue flagship store in New York was inaugurated, celebrated with a major event in December attended by customers and the trade press.

WHOLESALE

The wholesale channel grew by +9.0% compared to 2019, with a percentage impact of 41.1% (44.1% in 2019).

We are very pleased with the reported result, also in view of the **13 conversions** to direct management from the wholesale channel, including 3 conversions of wholesale monobrand boutiques and 10 conversions of space in luxury department stores.

The strong results reported in all quarters of the year contributed to the final result, with the positive contribution of sales for **Spring/Summer 2022**, which followed the excellent order collection completed in recent months and the excellent reviews in the international press.

The **Fall/Winter** collection has excellent sell-out figures, and the long-term planning shared with multibrand partners makes the results achieved even more solid and sustainable over time.

In 2021, we believe that our multibrand channel and the network of Specialty Stores have shown very high value, maintaining their role as **"guardians"** of the brand, a **source of inspiration and comparison** in the **development of Ready-to-Wear collections**, and great **connoisseurs** of the habits and behaviour of **local customers**.

REVENUES BY PRODUCT LINE AND END CUSTOMER

The following is a presentation of the Brunello Cucinelli Group's revenues at 31 December 2021 and 31 December 2020, analysed by type of end customer and by product line:

	31 December 2021	31 December 2020
Men (%)	39.8%	37.3%
Women (%)	60.2%	62.7%
	100.0%	**100.0%**

	31 December 2021	31 December 2020
Apparel (%)	84.1%	86.0%
Accessories (%)	15.9%	14.0%
	100.0%	**100.0%**

ANALYSIS OF THE INCOME STATEMENT

The following table provides a summary of the financial data as at 31 December 2021 and 31 December 2020.

(In € thousand)	Year ended 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Net Revenues	**712,179**	**100.0%**	**544,013**	**100.0%**	**168,166**	**+30.9%**
Costs for raw materials and consumables	(113,610)	-16.0%	(53,725)	-9.9%	(59,885)	>+100.0%
Cost of services	(271,084)	-38.1%	(243,296)	-44.7%	(27,788)	+11.4%
Personnel costs	(132,948)	-18.7%	(119,569)	-22.0%	(13,379)	+11.2%
Other operating costs/revenues	(1,226)	-0.2%	(6,230)	-1.1%	5,004	-80.3%
Extraordinary provision for inventories	-	0.0%	(31,727)	-5.8%	31,727	-100.0%
EBITDA	**193,311**	**27.1%**	**89,466**	**16.4%**	**103,845**	**>+100.0%**
Depreciation/amortisation	(116,275)	-16.3%	(104,284)	-19.2%	(11,991)	+11.5%
Operating profit	**77,036**	**10.8%**	**(14,818)**	**-2.7%**	**91,854**	**>-100.0%**
Net financial expense	(13,010)	-1.8%	(18,964)	-3.5%	5,954	-31.4%
Income before taxes	**64,026**	**9.0%**	**(33,782)**	**-6.2%**	**97,808**	**>-100.0%**
Taxes	(7,731)	-1.1%	1,713	0.3%	(9,444)	>-100.0%
Result of the year	**56,295**	**7.9%**	**(32,069)**	**-5.9%**	**88,364**	**>-100.0%**
EBITDA *excluding IFRS 16*	110,013	15.4%	41,759(1)	7.7%	68,254	>+100.0%

(1) The figure as at 31 December 2020 eliminates the accounting effect relating to the extraordinary provision of € 31.7 million relating to Inventories.

EBITDA AND RESULTS

As at 31 December 2021:

- **EBITDA** amounted to € 193,311 thousand, equal to **27.1%** of Revenues (€ 89,466 thousand at 31 December 2020 and € 169,626 thousand at 31 December 2019, equal to 27.9% of Revenues).

- **EBITDA excluding IFRS 16** amounted to € 110,013 thousand, equal to **15.4%** of Revenues (€ 41,759 thousand at 31 December 2020 and € 106,058 thousand at 31 December 2019, equal to 17.4% of Revenues).

Below is the reconciliation of **EBITDA** as at 31 December 2021, highlighting the accounting effects relating to the application of IFRS 16, equal to € 84,690 thousand related to the item "Lease expense" and equal to € 1,392 thousand related to the item "Other operating costs/(revenues)":

(In € thousand)

EBITDA as at 31 December 2021	IFRS 16 effect: Cost for leases	IFRS 16 effect: Other operating costs/(revenues)	EBITDA at 31 December 2021 excl. IFRS 16
193,311	(84,690)	1,392	**110,013**

- The **Operating Result** amounted to € 77,036 thousand, equal to **10.8%** of Revenues (€ -14,818 thousand at 31 December 2020 and € 83,376 thousand at 31 December 2019, equal to 13.7% of Revenues).

- The **Pre-tax result** amounted to € 64,026 thousand, equal to **9.0%** of Revenues (€ -33,782 thousand at 31 December 2020 and € 69,176 thousand at 31 December 2019, equal to 11.4% of Revenues).

- The **Result for the year** amounted to € 56,295 thousand, equal to **7.9%** of Revenues (€ -32,069 thousand at 31 December 2020 and € 53,083 thousand at 31 December 2019, equal to 8.7% of Revenues).

OPERATING COSTS

The percentage of **production costs** (cost for raw materials and consumables and cost for external processing) increased slightly to 32.7% at 31 December 2021 compared to 32.1% at 31 December 2020.

(In € thousand)	as at 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Costs for raw materials and consumables	95,969	13.5%	98,025	18.0%	(2,056)	-2.1%
Change in inventories	17,641	2.5%	(44,300)	-8.1%	61,941	>-100.0%
Outsourced work	119,606	16.8%	121,008	22.2%	(1,402)	-1.2%
Total	**233,216**	**32.7%**	**174,733**	**32.1%**	**58,483**	**+33.5%**

Personnel costs at 31 December 2021 amounted to € 132,948 thousand, an increase in value as compared to the figure for the previous year of € 13,379 thousand. Personnel costs at 31 December 2019 amounted to € 112,199 thousand. The percentage impact amounted to 18.7% of Revenues (22.0% at 31 December 2020 and 18.5% at 31 December 2019).

(In € thousand)	as at 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Personnel costs	132,948	18.7%	119,569	22.0%	13,379	+11.2%

The FTE (Full Time Equivalent) figure was 2,160.1 at 31 December 2021 compared to 2,044.7 at 31 December 2020 (+115.4) broken down as follows:

	Year ended 31 December		Change
	2021	2020	
Executives and middle managers	75.0	69.0	6.0
Office and sales staff	1,543.3	1,443.4	99.9
Blue-collar workers	541.8	532.3	9.5
Total workforce	**2,160.1**	**2,044.7**	**115.4**

We recall that also in 2021, as in the past year, the Group confirmed its decision to maintain and guarantee the employment and salaries of all its employees as well as confirming its main development projects, both of the expansion of the Retail Network and of the most important consolidations of its activities (channels, product lines, areas of intervention), as well as of the process of partial internalisation of some sales functions in some territories, previously carried out by independent agents.

The following table provides a summary of the main income statement items for 2021 and 2020 as they relate to revenues:

(In € thousand)	as at 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Lease expense	30,562	4.3%	17,912	3.3%	12,650	+70.6%
Advertising and other marketing costs	36,058	5.1%	32,069	5.9%	3,989	+12.4%
Transport and duties	29,115	4.1%	23,405	4.3%	5,710	+24.4%
Commissions and accessory charges	7,810	1.1%	10,635	1.9%	(2,825)	-26.6%
Credit card charges	7,977	1.1%	4,971	0.9%	3,006	+60.5%

Below is a brief commentary on the dynamics that characterised the operating costs described above:

- **Costs for leases** amounted to € 30,562 thousand at 31 December 2021 compared to € 17,912 thousand at 31 December 2020.
  This item mainly refers to lease contracts with variable consideration (and as such not included in the scope of IFRS 16).
  Note that the cost of rents relating to leases included in the scope of IFRS 16 amounted to € 84,690 thousand compared to € 78,487 thousand as at 31 December 2020. **Therefore, excluding** the aforementioned effects, the balance of the cost of rents at 31 December 2021 amounted to € 115,252 thousand compared to € 96,399 thousand in 2020 (€ 85,571 thousand at 31 December 2019). The increase is related to new openings and significant extensions of some of the existing areas.

- **Advertising and other commercial expenses** amounted to € 36,058 thousand at 31 December 2021 compared to € 32,069 thousand at 31 December 2020 (€ 35,470 thousand at 31 December 2019).
  These costs relate to the communication and promotional activities carried out by the Group to disseminate its image and philosophy throughout the world. More specifically, they are mainly incurred for the production of physical and digital catalogues, advertising campaigns and fairs and exhibitions organised in Italy and abroad, and the important activity of digital communication, an increasingly strategic communication vehicle.

- **Transport and Duties** amounted to € 29,115 thousand at 31 December 2021 compared to € 23,405 thousand at 31 December 2020 (€ 22,150 thousand at 31 December 2019).
  Note that the percentage impact on Revenues stood at 4.1% compared to 4.3% in 2020, therefore decreasing despite a constant and progressive increase in transport rates offset by the implementation of some optimisation of operations.

- **Commissions and ancillary charges** amounted to € 7,810 thousand at 31 December 2021 compared to € 10,635 thousand at 31 December 2020 (€ 9,256 thousand at 31 December 2019).
  The decrease was due to the internalisation of management for some sales areas through the expansion of direct staff.

- **Credit card charges** amounted to € 7,977 thousand at 31 December 2021 compared to € 4,971 thousand at 31 December 2020 (€ 6,361 thousand at 31 December 2019), accounting for 1.1% of Revenues, essentially in line with last year's figure.

With regard to the remaining income statement items, the following aspects are noted:

– The other items included in the "Costs for services" amounted to a total of € 39,956 thousand, up from the 2020 financial year by +20.0%, a much lower measure than the growth in turnover in the year, which recorded an increase of +30.9%.

– The item "Other operating costs/revenues" includes non-recurring revenues related to tax credits for Research and Development for the years 2016, 2017 and 2018 for a total of € 5,202 thousand which the Parent Company Brunello Cucinelli S.p.A. benefited from.

AMORTISATION, DEPRECIATION, NET FINANCIAL CHARGES, TAXES AND NET PROFIT

Amortisation and depreciation at 31 December 2021 amounted to € 116,275 thousand, up € 11,991 thousand compared to € 104,284 thousand in 2020, mainly due to new leases.
Amortisation of Rights of Use amounted to € 81,320 thousand, including amortisation of key money of € 5,411 thousand. At 31 December 2020, amortisation and depreciation amounted to € 74,278 thousand, of which € 4,653 thousand relating to key money.

Excluding the effects relating to the application of IFRS 16 for leases, amortisation and depreciation amounted to € 40,615 thousand compared to € 34,832 thousand in 2020.

Details of the investments in 2021 can be found in the "Investments" section of this Financial Report.

Net financial charges at 31 December 2021 amounted to € 13,010 thousand compared to € 18,964 thousand in 2020, down € 5,954 thousand.

Referring also to the notes to the financial statements for a separate statement of financial income and expense and for further details, the following table shows the result of financial management, detailing both the breakdown of financial income and expense of ordinary management (therefore related to loans and the management of bank accounts, both income and expenses) and the effect of the application of IFRS 16, currency exchange rates, as well as the fair value of derivative contracts and financial effects deriving from the valuation of company assets.

(In € thousand)	as at 31 December				Change	
	2021	% of sales	2020	% of sales	2021 v 2020	2021 v 2020 %
Loan interest expense	800	0.1%	840	0.1%	(40)	-4.8%
Other net (income)/expense	858	0.1%	1,391	0.3%	(533)	-38.3%
Financial charges/(income) from ordinary operations	**1,658**	**0.2%**	**2,231**	**0.4%**	**(573)**	**-25.7%**
Lease financial charges/(income)	10,560	1.5%	10,688	2.0%	(128)	-1.2%
Foreign exchange losses/(gains) on leases	(1,110)	-0.2%	2,457	0.4%	(3,567)	>-100.0%
Subtotal Financial charges/(income) from lease operations	**9,450**	**1.3%**	**13,145**	**22.4%**	**(3,695)**	**-28.1%**
Foreign exchange losses/(gains)	539	0.1%	435	0.1%	104	+23.9%
Miscellaneous financial charges/(income)	(782)	-0.1%	-	0.0%	(782)	+100.0%
Impairment of CGU (“Cash Generating Unit”)	-	0.0%	583	0.1%	(583)	-100.0%
Financial charges/(income) for adjustment to the fair value of derivatives	2,145	0.3%	2,570	0.5%	(425)	-16.5%
Total net financial expense	**13,010**	**1.8%**	**18,964**	**3.5%**	**(5,954)**	**-31.4%**

At 31 December 2021 the financial charges of ordinary operations amounted to € 1,658 thousand compared to € 2,231 thousand for last year, with a percentage impact of 0.2% compared to 0.4% last year.
Interest expense on loans in 2021 was substantially stable compared to 2020 (€ 800 thousand compared to € 840 thousand in the previous year).

With regard to the application of the IFRS 16 accounting standard, there was a decrease of € 3,695 thousand in the impact of financial charges relating to leases, which at 31 December 2021 amounted to a total of € 9,450 thousand compared to € 13,145 thousand at 31 December 2020.

With respect to the result of foreign exchange operations, there was substantial consistency with the previous year (€ 539 thousand compared to € 435 thousand last year), while hedging transactions on interest rates and exchange rates amounted to € 2,145 thousand in 2021 compared to € 2,570 thousand in the last year. These balances mainly represent the costs incurred for hedging the risk arising from fluctuations in exchange rates, whose measurement is also affected by short- and medium-term expectations expressed by the exchange rate curves used; so by their nature they are subject to fluctuations between different periods.

In light of the above, **Pre-tax income** at 31 December 2021 amounted to € 64,026 thousand compared to the negative result recorded at 31 December 2020 (€ -33,782 thousand).

Income taxes for the year under review amounted to 12.1% of the consolidated pre-tax result.
Note that the tax rate for this year mainly benefited from two non-recurring phenomena:

– Recognition of deferred tax assets for a total amount of approximately € 8.8 million, calculated on the balance of the provision for write-down of inventories for the “Brunello Cucinelli for Humanity” project.
  In this regard, note that as at 31 December 2020 the Company had not recorded any deferred tax assets on the amount relating to the extraordinary write-down of inventories for the “Brunello Cucinelli for Humanity” project, primarily and prudently in consideration of the loss for the year and the general economic environment. At 31 December 2021 the Group decided to post the deferred tax assets mentioned above in view of the positive

results achieved in the year of the forecasts of future taxable income, the positive trends of the macroeconomic environment and the important tax clarifications published in the second quarter of the year, which also allowed starting the charitable donation of garments, in compliance with current tax regulations.

– Tax effect related to the tax credits for Research and Development registered by the Parent Company for the years 2016, 2017 and 2018 mentioned above and whose accounting – not being subject to taxation – produces a positive tax effect of € 1.5 million.

Consequently, in 2021 the tax rate normalised by the two non-recurring phenomena described above was 28.5%.

The **Net profit** for the year amounted to € 56,295 thousand, corresponding to 7.9% of Revenues, while in 2020, due to the pandemic, there was a loss. The 2021 **Net profit** is an increase over the € 53,083 thousand of 2019, the year prior to the pandemic.

The breakdown of the net result between the Group's share and that of Non-controlling interests compared to the figure for the previous year is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**
Net profit of the Group	53,322	(33,216)
Net profit of Minority Interests	2,973	1,147
Net Profit	**56,295**	**(32,069)**

ANALYSIS OF THE BALANCE SHEET AND FINANCIAL ITEMS

Provided below are comments on the main items of the Group's statement of financial position at 31 December 2021 reclassified by sources and applications, with comparative figures at 31 December 2020.

NET WORKING CAPITAL

The following table provides an analysis of the net working capital of the Brunello Cucinelli Group at 31 December 2021 and at 31 December 2020:

(In € thousand)	**31 December 2021**	**31 December 2020**
Trade receivables	72,809	78,871
Inventories	199,266	208,347
Trade payables	(102,654)	(91,412)
Other current assets/(liabilities), net	(27,259)	(9,071)
Net working capital	**142,162**	**186,735**

There was a decrease of € 44,573 thousand in net working capital at 31 December 2021 compared to the figure at 31 December 2020.
This change is due to a variety of factors as follows:

– Balance of "Trade receivables", down compared to the balance at 31 December 2020 for an amount equal to € 6,062 thousand, despite the presence of an overall increase in turnover of +30.9%, of which +6.2% in the wholesale channel alone.
The improvement is due to the return to almost ordinary conditions in terms of payment of some wholesale customers, for which, based on relationships of extreme mutual cooperation consolidated over time, postponements had been granted in the aftermath of an event of such great significance as the pandemic.
We consider our receivables to be sound and payable without particular problems, and have prudently set aside a provision for write-downs of € 1,135 thousand, in the period recording very few losses on receivables in the income statement and use of the provision (a total of € 310 thousand, equal to 0.04% of Revenues, in line with the figure for the previous year when it stood at 0.07%). As at 31 December 2021, the provision for bad debts therefore amounted to € 3,249 thousand, an amount that we consider appropriate in order to bring the value of receivables back to their estimated realizable value.

– "Inventories" down compared to the situation as at 31 December 2020 for an amount of € 9,081 thousand.
The dynamics of the warehouse confirm the full recovery of the sales and shipping of the products and the end of the lockdown that had characterised 2020 and take into account the more than positive performance of the Spring/Summer 2022 collection.
Here it is recalled that the balance of Inventories is also influenced by the organic growth of the Group, due to the development of the business, including the expansion of the network of directly managed stores starting from the beginning of the year, with new openings (7 DOSs, of which 3 transformations from the Wholesale Monobrand channel, and 12 hard shops) and major extensions of some existing boutiques.

The following table breaks down the Inventories of the Brunello Cucinelli Group at 31 December 2021 and at 31 December 2020:

(In € thousand)	**as at 31 December 2021**	**as at 31 December 2020**
Raw materials	36,923	34,032
Finished and semi-finished goods	193,963	206,042
Inventory write-down provision	(31,620)	(31,727)
Inventories	**199,266**	**208,347**

– Balance of "Trade payables", up compared to the situation at 31 December 2020 for an amount of € 11,242 thousand, which saw the timing of payments to suppliers, contractors and consultants remain unchanged.
  In the second half of 2021, production costs relating to the purchase of raw materials increased by approximately € 10.1 million compared to the corresponding figure for 2020, also due to the excellent performance of the Spring/Summer 2022 sales campaign.

– "Other net current assets/(liabilities)", which at 31 December 2021 amounted to € 27,259 thousand, compared to € 9,071 thousand at 31 December 2020. The changes are mainly attributable to the balances of tax receivables and payables and the fair value of derivative instruments hedging currency risk. Further details can be found in the comments included in the notes to the financial statements in this Financial Report.

FIXED ASSETS AND OTHER NON-CURRENT ASSETS/LIABILITIES

The following table provides an analysis of fixed assets and other non-current assets/liabilities at 31 December 2021 and at 31 December 2020:

(In € thousand)	**31 December 2021**	**31 December 2020**
Intangible fixed assets	20,115	19,181
Right-of-use	504,968	470,197
Tangible fixed assets	166,033	150,254
Financial assets for leases – non-current	3,886	402
Other non-current financial assets	13,538	11,039
Investments in non-current financial assets	6,593	4,179
Other net non-current assets/(liabilities)	34,864	24,861
Net fixed assets and other assets/(liabilities)	**749,997**	**680,113**

Net fixed assets and other net non-current assets/(liabilities) amounted to € 749,997 thousand at 31 December 2020 compared to € 680,113 thousand at 31 December 2020, representing a net increase of € 69,884 thousand or 10.3%. Reference should be made to the specific note for details of the changes in the individual items in the above table.

The main changes are noted here:

- Increase in “Right-of-use”, up € 34,771 thousand compared to 31 December 2020, amounting to € 504,968 thousand at 31 December 2021.
  Note that this item represents the right to use the assets underlying the respective leases, to which the intangible assets for key money have been reclassified as the international standard considers these to form part of the initial direct costs of the lease arrangement.

- Increase in “Tangible fixed assets”, up € 15,779 thousand compared to 31 December 2020, amounting to € 166,033 thousand at 31 December 2021. The main increases are due to works related to the openings and expansion of both direct and wholesale stores and improvements to existing boutiques and showrooms throughout the world, as well as expansions and upgrades carried out at the industrial hub of Solomeo.

- An increase of € 10,003 thousand compared to 31 December 2020 under “Other net non-current assets/(liabilities)”, mainly attributable to the recognition of receivables for deferred tax assets related to the extraordinary provision for the write-down of the inventory mentioned above.

INVESTMENTS

During 2021, the Group made investments in intangible fixed assets amounting to € 15,118 thousand, in tangible fixed assets amounting to € 43,031 thousand, in real estate investments amounting to € 2,472 thousand, while the net balance of financial fixed assets (security deposits) amounted to € 981 thousand.

The following table shows the investments made by type and category by the Group at 31 December 2021 and at 31 December 2020:

(In € thousand)	**as at 31 December 2021**	**as at 31 December 2020**
Investments in Intangible fixed assets(*)	15,118	7,432
Investments in Property plant and equipment	43,031	39,924
Investments in Financial fixed assets(**)	981	2,814
Investments in non-current financial assets	2,472	1,432
Total Investments	**61,602**	**51,602**

(*) This item also includes investments for key money paid, which as of 1 January 2019 are classified under the item “Right-of-use” in accordance with IFRS 16.
(**) Net financial fixed assets (balance of payments made net of refunds received).

As shown in the table, investments in 2021 amounted to € 61,602 thousand, attributable for about € 45.9 million to investments of a commercial nature, for about € 13.2 million to investments for production, logistics and IT/Digital and for about € 2.5 million to real estate investments.

Commercial investments support selected openings and some major expansions of prestigious bouquets, contributing to the growth of sales areas in the network of monobrand stores, dedicated spaces in Luxury Department Stores and the renewal and expansion of our showrooms, in addition to supporting development initiatives in multibrand stores.

Investments in production and logistics support the top-quality craftsmanship of our products thanks to the constant renewal of production equipment which is kept constantly up to date by combining innovation in processes with superb handiwork, and make suitable logistical structures available for managing the related activities. The investments in IT and Digital (also with specific platforms in evolving markets) are assuming increasing importance and at 31 December 2021 amounted to € 8,413 thousand.

The real estate investments relate to property complexes as well as building land in Solomeo being managed with the aim of being restored and subsequently leased, an activity that began in H1 2021.

Following are the investments made by the Group in 2021 and at 31 December 2020, broken down by type as described above:

(In € thousand)	**31 December 2021**	**31 December 2020**
Commercial Investments	45,888	39,580
Investments in production and logistics	4,829	4,293
Investments in IT/Digital	8,413	6,297
Investments in non-current financial assets	2,472	1,432
Total Investments	**61,602**	**51,602**

NET DEBT

The Net Financial Indebtedness required by Consob Reminder no. 5/21 of 29 April 2021 "Compliance with ESMA Guidelines on disclosure obligations pursuant to the prospectus regulation" is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**
A. Cash and cash equivalents	(98,003)	(72,834)
B. Means equivalent to cash and cash equivalents	-	-
C.1 Other current financial assets	(80)	(11)
C.2 Other current financial liabilities for leases	(2,633)	(173)
D. Cash and cash equivalents (A + B + C)	**(100,716)**	**(73,018)**
E.1 Current financial debt	10,934	2,409
E.2 Current financial debt for leases	79,610	75,412
F. Current portion of non-current financial debt	35,324	103,635
G. Current financial debt (E + F)	**125,868**	**181,456**
H. Net current debt (G + D)	**25,152**	**108,438**
I.1 Non-current financial debt	74,854	60,350
I.2 Non-current financial debt for leases	469,753	436,956
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	**544,607**	**497,306**
M. Total financial debt (H + L)	**569,759**	**605,744**
of which:		
Net financial debt for the core business	*23,029*	*93,549*
Payables for leases	*546,730*	*512,195*

At 31 December 2021, the financial debt of the Brunello Cucinelli Group amounted to € 569,759 thousand, of which € 546,730 thousand related to debt generated by the accounting of lease contracts pursuant to IFRS 16.
At 31 December 2020, financial debt amounted to € 605,744 thousand (of which € 512,195 thousand related to leases).

Excluding the balances attributable to the application of IFRS 16, Financial debt at 31 December 2021 amounted to € 23,029 thousand, a marked improvement compared to € 93,549 thousand at 31 December 2020 thanks to the positive economic result for the year and the positive management of net working capital, despite the presence of the important investment plan of € 61.6 million.

These dynamics led to the repayment of medium/long-term loans for a total of € 116,784 thousand according to ordinary repayment plans, against new disbursements received during the year for € 62,000 thousand.

It should be noted that:
- "E.1 Current financial debt" also includes current liabilities for derivative instruments hedging interest rate risk.
- The item "I.1 Non-current financial debt" also includes payables for loans to minority shareholders in subsidiaries (equal to € 1,178 thousand) as well as non-current liabilities for derivative instruments hedging interest rate risk.

SHAREHOLDERS' EQUITY

The following table provides details of shareholders' equity at 31 December 2021 and at 31 December 2020:

(In € thousand)	**31 December 2021**	**31 December 2020**
Share Capital	13,600	13,600
Reserves	249,219	278,585
Net profit of the Group	53,322	(33,216)
Equity attributable to the shareholders of the parent company	**316,141**	**258,969**
Equity attributable to non-controlling interests	6,259	2,135
Shareholders' Equity	**322,400**	**261,104**

The share capital of the Parent Company at 31 December 2021 amounted to € 13,600 thousand, fully paid, consisting of 68,000,000 ordinary shares.

The shareholding structure of Brunello Cucinelli S.p.A. at 31 December 2021 as compiled from the communications sent to the Company and Consob and from other communications to the market is set out below:

Shareholder	**% of ordinary capital**
Fedone S.r.l.	50.05%
FMR LLC	9.48%
Invesco	4.16%
Other shareholders	36.31%
Total	**100.00%**

Please refer to the section "Significant events during 2021" for a description of the transaction for the sale by the parent company Fedone S.r.l. of a total of 646,000 ordinary shares of Brunello Cucinelli S.p.A., equal to 0.95% of the share capital, completed on 19 July 2021. At the end of the transaction, Fedone S.r.l. holds 50.05% of Brunello Cucinelli S.p.A.

A description of changes in equity can be found in the specific schedule of the financial statements and in Note 15.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT

The following is a reconciliation of the shareholders' equity and net profit of the Parent Company and consolidated shareholders' equity and net profit and net profit for the year as at 31 December 2021:

(In € thousand)	31 December 2021	
	Patrimonio Netto	**Net profit**
Financial statements of the Parent	**368,304**	**60,980**
Difference between shareholders' equity of consolidated companies and the book value of the equity investments	(5,767)	5,682
Elimination of the effects of intercompany transactions	(63,825)	(8,466)
Elimination of dividends	-	-
Net investments in foreign operations	-	(4,035)
Tax effects of consolidation adjustments	18,923	3,590
Other	(1,494)	(4,429)
Group total	**316,141**	**53,322**
Minority shareholders' equity and result	6,259	2,973
Total consolidated financial statements	**322,400**	**56,295**

DISCLOSURE ON CORPORATE GOVERNANCE

Pursuant to article 123-bis of the Consolidated Finance Law (TUF), the Company is required to prepare an annual report on corporate governance and ownership structures containing a general description of the governance system adopted by the Brunello Cucinelli Group and its ownership structure, including the main governance practices applied and the characteristics of its risk management and internal control system in relation to its financial reporting process.

This report, approved by the Board of Directors at its meeting of 10 March 2022, may be consulted in the Governance section of the Company's website at **www.brunellocucinelli.it** in the "Governance" section.

DISCLOSURE ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

In accordance with the provisions of article 5, paragraph 3, letter b of Italian Legislative Decree no. 254/2016, the Brunello Cucinelli Group has prepared a consolidated non-financial report which constitutes a separate report. The 2021 consolidated non-financial report, prepared in accordance with the "GRI Standards", is available on the Company's website at **http://www.brunellocucinelli.it/en**.

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

On 31 December 2021, the final trading day of the year, the closing price of the Brunello Cucinelli share was € 60.70 (+683.23% compared to the € 7.75 per share set for the IPO, +70.03% compared to the 2020 closing value of € 35.70). Market capitalisation on 31 December 2021 was € 2,061,736 thousand.

The following table provides details of the Company's share price and performance between 1 January 2020 and 31 December 2021:

	Euro	Date
IPO price	7.75	-
Minimum Price(1)	33.04	29 January 2021
Maximum Price(1)	63.90	12 November 2021
Closing price	60.70	31 December 2021
Capitalisation	4,127,600,000.00	31 December 2021
Number of outstanding shares	33,966,000.00	31 December 2021
Free float	2,061,736,200.00	31 December 2021

(1) Highs and lows recorded during daily trading which accordingly do not coincide with the official reference prices for the day.

SIGNIFICANT EVENTS DURING 2021

Advance Pricing Agreement between Italy and the United States
Note that on 26 February 2021 – following a similar request submitted by Brunello Cucinelli S.p.A. on 29 December 2020 – Brunello Cucinelli USA Inc. submitted the request for a bilateral "Advance Pricing Agreement" between Italy and the United States of America. Thus were completed the formal requests necessary to activate this important tool for the preventive management of transfer pricing issues, put in place to regulate commercial transactions relating to the most important foreign market for the Group.

In the coming months the competent tax authorities will begin the investigation necessary to reach the signing of the agreement.

Incorporation of the subsidiary Brunello Cucinelli Middle East LLC with the Al Tayer Group
With effect from 1 March 2021, Brunello Cucinelli S.p.A. acquired control of the company Brunello Cucinelli Middle East LLC, previously a commercial partner of the Brunello Cucinelli Group through the management of the prestigious monobrand stores in Dubai. The Parent Company directly acquired 49% of the share capital of the company and by virtue of contractual agreements between shareholders acquired the management and de facto control thereof. Please refer to Note 2 "Scope of consolidation" for further details.

Sale of ordinary shares of Brunello Cucinelli S.p.A. by the parent company Fedone S.r.l.
On 14 July 2021, Fedone S.r.l. announced that it had successfully completed the sale of 646,000 ordinary Brunello Cucinelli S.p.A. shares, equal to 0.95% of the share capital of the Company, at a price per share of € 47.20 and for a total value of approximately € 30 million.

The operation took place through an accelerated bookbuilding procedure, reserved for qualified investors in Italy and foreign institutional investors. The settlement of the transaction (delivery of the securities and payment of the consideration) took place on 19 July 2021.

RELATED PARTY TRANSACTIONS

Reference should be made to the Notes to the consolidated financial statements for a detailed description of related party transactions conducted in 2021.

Pursuant to Consob Resolution no. 17221 of 12 March 2010, it is acknowledged that during 2021 the Group did not enter into major or material transactions with related parties that significantly affected the Group's capital or profit or loss.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Brunello Cucinelli S.p.A., the parent company, directly or indirectly controls five companies – Brunello Cucinelli USA Inc., Brunello Cucinelli (Sichuan) Fashion Co. Ltd., Brunello Cucinelli Japan Co. Ltd., 000 Brunello Cucinelli RUS, Brunello Cucinelli Hong Kong Ltd.) – established and regulated by the law of states outside the European Union ("Significant Companies outside the EU" as defined by Consob Resolution no. 16191/2007, as amended).

As regards these companies, note that:

– All prepare financial statements for the purpose of preparing the consolidated financial statements. The balance sheet and income statement of these companies are made available to the shareholders of Brunello Cucinelli S.p.A. in accordance with the relevant regulations.
– Brunello Cucinelli S.p.A. has acquired the by-laws and the composition and powers of the corporate bodies.
– The Significant Companies outside the EU: i) provide the auditor of the parent company with the information necessary to audit the annual and interim accounts of said parent company; ii) have a suitable administrative-accounting system to regularly provide management, the controlling body and the auditor of the parent company with the economic, equity and financial data necessary for the preparation of the consolidated financial statements.

In order to comply with its regulatory obligations, the Board of Statutory Auditors of Brunello Cucinelli S.p.A. verified the suitability of the administrative-accounting system to regularly provide management and the auditor of Brunello Cucinelli S.p.A. with the economic, equity and financial data necessary for the preparation of the consolidated financial statements and the effectiveness of the flow of information through meetings both with the auditor and with the Financial Reporting Officer.

CERTIFICATION PURSUANT TO ARTICLE 16, PARAGRAPH 4, OF THE MARKET REGULATION ADOPTED BY RESOLUTION NO. 20249 OF 28 DECEMBER 2017

Brunello Cucinelli S.p.A. is controlled by right by Fedone S.r.l. More specifically, Fedone S.r.l. owns the ordinary shares and has a voting right in the Issuer equal to 50.05% of the share capital thereof.

The Issuer is not subject to the direction and coordination of the parent company Fedone S.r.l.
For information on this subject, please refer to the report on corporate governance and ownership structure approved by the Board of Directors on 10 March 2022, which may be consulted in the Governance section of the Company's website at **http://www.brunellocucinelli.it/**.

MAIN RISKS AND UNCERTAINTIES

Market risks

Risks related to high level of competition in the market that Brunello Cucinelli Group operates in
The luxury market – and in particular the absolute luxury sector – which the Brunello Cucinelli Group operates in, is highly competitive and therefore it cannot be excluded that in the coming years new brands or brands currently located in other segments of the luxury market might position themselves in the same segment, thus becoming direct competitors of the Company.

Risks associated with the international sale of Brunello Cucinelli Group products
The Group sells its products all over the world, and in particular in Europe, North America, Japan and China. The Group's presence in various international markets exposes it to risks associated among other things with the geopolitical and macroeconomic conditions of the countries that it operates in and their possible changes. Sales could be affected by various events such as market instability, the occurrence of natural disasters or socio-political upheavals (e.g. terrorist attacks, coups d'etat and wars). The occurrence of these events could negatively affect the demand for luxury goods in a given country or cause a contraction in tourism, with possible negative effects on the Group's business and growth prospects.

Risks associated with changes in the national and international regulatory framework that Brunello Cucinelli Group operates in
In the various jurisdictions that it operates in the Group is subject to the regulations applicable to products it manufactures and/or sells. Of particular importance among these are regulations on consumer protection, industrial and intellectual property rights and competition, the health and safety of workers and the environment.
The issuance of new regulations or amendments to current legislation could force the Brunello Cucinelli Group to adopt stricter standards, and this could entail costs of adapting production or product characteristics, or limit the Brunello Cucinelli Group's operations with a consequent negative effect on its growth prospects. More specifically, with regard to commercial distribution in countries other than Italy, Brunello Cucinelli Group products could be subject to the application of duties and other protectionist rules governing the importation of products into those nations.

Operating risks

Risks related to the continuity of craftsmanship and artisanal skills
One of the distinctive characteristics of Brunello Cucinelli brand products is the high level of craftsmanship inherent in the production, made possible also thanks to the constant internal training performed by the Company and the years of experience it has acquired. While the Brunello Cucinelli Group promotes the development of artisanal production techniques at a regional level, it is possible that in the future the number of specialised people engaged in this type of production could diminish.

Risks associated with the availability of raw materials (cashmere, in particular) and the increase in its price
The main raw materials used by the Brunello Cucinelli Group are yarns (particularly cashmere yarns), fabrics and leather. The availability of cashmere is subject to several factors that do not fall within the Brunello Cucinelli Group's sphere of control and some of which are not easily predictable. For example, climatic conditions in the regions (mainly Mongolia) where the raw cashmere comes from, changes in goat farming policies in producing

countries or goat diseases and epidemics could affect the availability of cashmere and consequently its price. Should there be a decrease in the availability of cashmere (or other raw materials) or an increase in demand and a consequent increase in price, the Brunello Cucinelli Group may encounter supply difficulties in the medium term and be forced to bear an increase in the costs incurred for the purchase of raw materials.

Risks associated with the retail sale of Group products

The risks associated with the management of the currently existing DOSs (directly operated stores) are mainly related to possible difficulties in renewing existing lease agreements, greater costs for rent, revocation or non-renewal of commercial licences (where necessary) and decreases in sales.

With regard to the opening of new DOSs, it should be noted that the increase in costs associated with new openings may not be accompanied by adequate revenue growth. In the competitive landscape that the Company operates in, the possibility of expanding the DOS network depends on the ability to obtain the availability – under economically sustainable conditions – of spaces located in positions deemed to be strategic by the Group. Among retail operators there is strong competition to secure commercial spaces located in the most prestigious locations of the most important cities in the world. For this reason, when searching for new spaces the Group may have to compete with other retail operators, including those belonging to its same sector, having similar or greater economic and financial capacities than its own.

Risks related to relations with façonisti

Brunello Cucinelli Group products are produced using façonisti with respect to Brunello Cucinelli Group, in Italy known as *façonisti*. The relations between the Company and most of the façonisti with which it maintains long-term commercial relationships are not governed by multi-year agreements but are based on orders entrusted to them for the collections of the individual seasons, in line with industry practice. Any termination of relations (in a short period of time) with a significant number of these façonisti or their repeated failure to comply with the production calendar, however shared, could have negative effects on the Brunello Cucinelli Group's business. Furthermore, it cannot be excluded that some façonisti may in the future default or terminate the collaboration relationship with the Company without notice.

Risks related to the defence of industrial and intellectual property rights

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

While the Company invests significantly to ensure the protection of its trademark and intellectual property rights as well as the design of some of its most successful products worldwide, it cannot be excluded that the actions taken may prove ineffective in preventing imitations of the Group's trademark and products. Moreover, if the Group wishes to expand its business in countries where the Brunello Cucinelli trademark has not yet been registered, any previous use and/or registration of the trademark (or trademarks that can be confused with it) by third parties could result in a limitation (or an impediment) to the Group's business in these countries. Finally, the laws of many foreign countries do not protect intellectual property rights with the same intensity as Italian law or the laws of other EU countries.

Risks related to the perception of new trends

The sector that Brunello Cucinelli Group operates in is characterised by changes – sometimes even sudden ones – in customer trends, tastes and lifestyles and purchasing.
Therefore, the Company is subject to the risk of not always being able to perceive such fashion trends or adequately interpreting them during the styling, design and development phases of the final product. This circumstance could therefore compromise the success of the collections.

Cyber risks

Brunello Cucinelli Group's business, also in view of the growing organisational complexity and technological innovation in the sector, is exposed to risks of cyber attacks aimed at compromising business continuity and the improper collection of confidential data.
In order to strengthen the actions implemented to mitigate these risks, and in order to continuously align management with IT experts, an internal committee called the "IT Security Committee" has been established for years with the aim of supervising the business processes most at risk of cyber attacks and identifying the appropriate mitigation tools.
In addition to the consolidation of business continuity in the ICT field, continuous monitoring services and tools have been introduced, supported by the most modern technologies and with the assistance of highly specialised technological partners.
Technological activities such as the VAPT (Vulnerability Assessment Penetration Test) are accompanied by continuous training plans for personnel, aimed at increasing awareness on the subject of cybersecurity.
The ultimate objective is to standardise and extend the level of monitoring and control to all Group companies and all employees.

For a description of the overall Risk Management System implemented to manage and monitor these risks, please refer to the specific description in the Annual Report on Corporate Governance and Ownership.

RESEARCH AND DEVELOPMENT

Investing in research and development is crucial for the Company in order to create new products that meet the needs of customers, but also to consolidate the know-how developed over the years. Also important is the search for and testing of materials and the creation of prototypes.

PUBLIC GRANTS

During the year, the parent company Brunello Cucinelli S.p.A. and the Italian subsidiaries benefited from exceptional levels of financial support due to the COVID health emergency in the form of state aid, for a total of € 131 thousand, broken down as follows:

– Tax credits equal to € 79 thousand.
– Exemptions from payments amounting to € 52 thousand.

The parent company Brunello Cucinelli S.p.A. also benefited from:
– Research and Development credit, Italian Law no. 190/14, relating to the years 2016-2017-2018, for a total of € 5,202 thousand.
– Tax credit for investments in capital goods (article 1, paragraphs 1051-1063, Italian Law no. 178/2020) for a total of € 124 thousand.

ENVIRONMENTAL RISKS

The Brunello Cucinelli Group considers the prevention and management of risks that could jeopardise the achievement of the Company's objectives and business continuity to be a strategic priority.

Within the overall risk profile, the Company has therefore identified the main risks related to climate change or environmental issues that may have implications or an impact on its business. The potential risks identified are those arising from environmental damage attributable to the organisation's operations and/or from inefficient resource management or risks arising from the occurrence of natural events (e.g. earthquakes, floods, etc.) and/or related to climate change, both in terms of physical risks, i.e. more frequent extreme weather events or gradual climate change, and in terms of transition risks, i.e. related to the transition to a low-carbon economy and the resulting government policies. However, the Group's current exposure to the consequences of climate change is limited.

In 2021, the Board of Directors approved the Human Sustainability Policy, entitled "In Harmony with Creation". Human sustainability is understood as an attitude of care and safekeeping that extends to every aspect of living in harmony with Creation, trying not to harm it. In fact, the Company believes that an enterprise that wants to be genuinely inspired by universal humanism must amiably and courteously pursue the noble goal of achieving the highest possible degree of well-being for all of Creation. The policy therefore aims to convey the concept of "fair", i.e. a relevant, innovative, timely, forward-looking, respectful and harmonious approach to Creation and humanity.

The concept behind Human Sustainability is expressed, among other things, in the commitment to combat climate change, in which the monitoring, management and setting of emission reduction targets aimed at minimising direct and indirect environmental impacts is central: the Group's goal is therefore to achieve a concrete reduction in greenhouse gas emissions, moving from a "consumption approach" to an "emissions approach". In this sense, in 2021 the Group defined its own Emission Trajectory until 2028, in compliance with the scientific standards defined by the Science-Based Target Initiative (SBTi), identifying specific targets for the reduction of direct (Scope 1) and indirect (Scope 2 and Scope 3) emissions generated, taking the 2019 emissions as its baseline (for more details, see the 2021 Consolidated Non-Financial Statement). The Group submitted a Letter of Commitment to the SBTi in December 2021 to obtain validation with respect to the emission targets defined in the Group Carbon Strategy.

FINANCIAL RISK MANAGEMENT

Financial risks are managed on the basis of guidelines established 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 risks connected with 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 risk is the risk that the fair value or future cash flows of a financial instrument will change due to changes in market interest rates.
Market interest rate fluctuations influence the level of net finance expense and the market value of financial assets and liabilities. The Group is exposed to the risk of an increase in financial costs in the income statement as a result of an unfavourable change in interest rates. Changes in market interest rates affect the cost of loans and the return on forms of use and therefore the level of the Group's financial income and expense, and also their fair value.

It is the Company's policy to hedge its exposure on the medium and long-term portion of debt for market risk arising from interest rate changes. To manage such risk the Company uses derivative instruments such as interest rate swaps.

Currency risk

Exchange risk is the risk that the fair value or future cash flows of an exposure will change due to changes in exchange rates.
The Group operates internationally and is therefore exposed to risks arising from exchange rate fluctuations, which have an impact on profits and the value of equity.
Furthermore, due to the fact that the Company prepares its consolidated financial statements in euros, fluctuations in the exchange rates used to convert the financial statements of the subsidiaries originally expressed in foreign currency could significantly influence the results, net financial debt and consolidated shareholders' equity as expressed in euros in the Group's financial statements and in financial ratios.

The Company is exposed to currency risk for the currencies in which sales are made to affiliates and third-party customers. This risk exists in the eventuality that the countervalue of revenues in euro may decrease in the event of adverse 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 Company enters into derivative contracts (forward exchange 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 defined on the basis of estimated sales, with the expiry date of the derivative set as the expected collection date of the sales invoices. In particular, the Company sets its selling prices in euro and calculates the corresponding prices in foreign currency by applying the contracted forward exchange rate.

Liquidity risk

Liquidity risk is the risk related to the unavailability of financial resources necessary to meet the commitments assumed by the Group and its financial needs in the short term. The main factors that determine the Group's level of liquidity are the resources generated or absorbed by operating and investment activities, and the maturity and renewal status of payables or the liquidity of financial commitments and market conditions.

The Company manages liquidity risk by strictly controlling the items making up working capital and, in particular, receivables from customers and payables to suppliers.

The Company strives to obtain good cash generation in order to settle trade payables without jeopardising its short-term cash requirements and to avoid critical issues and strains on available cash.

Credit risks

Credit risk is the risk that a counterparty will not fulfil its obligations under a financial instrument or a commercial contract, thus leading to a financial loss.
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 commercial credit risk refers to sales to the wholesale channel. For sales to the retail channel, the risk is limited only to sales managed by the landlord, owner of the walls of the mall and direct manager of receipts within the boutiques. The remaining turnover comes from the pure retail sales channel, with payment in cash or by credit or debit card.

The Company generally prefers to do business with customers with whom it has established a consolidated relationship over time. It is the Company's policy to carry out checks on the relative credit class for customers requesting extended payment terms both by using information obtainable from specialised 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.

Tax risk

At 31 December 2021, the Group consisted of 30 companies located in various countries around the world. The parent company Brunello Cucinelli S.p.A. has opted to implement national tax consolidation only with its direct subsidiary Brunello Cucinelli Europe S.r.l., thus determining a single taxable income with such subsidiary. The other Group companies, Italian and foreign, are subject to audits of tax returns and tax obligations by the tax authorities of the various countries. The tax risk limitation measures put in place by management to verify the adequacy and correctness of tax obligations obviously cannot completely exclude the risk of tax assessments.

For Transfer Pricing the Group has adopted the Transactional Net Margin Method. The Group has centralised its risks and assets in the Principal (Brunello Cucinelli S.p.A.), while the other Group companies, carrying out distribution (mainly retail, with the exception of some companies that also operate in the wholesale trade), are considered entities performing “routine” functions and thus they are consequently entitled to receive a remuneration for their activities in line with that of independent companies engaged in similar functions. This remuneration, which must be aligned with the functions they perform and the risks incurred, is measured periodically through a benchmark analysis.

For a detailed analysis and representation of the financial risk management, as well as for the other information required by IFRS 7, please also refer to what is detailed in the Notes to these financial statements.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021

Acquisition of a minority shareholding in Cariaggi Lanificio S.p.A.

On 14 March 2022, the Company acquired from the Cariaggi family a 43% stake in the share capital of Cariaggi Lanificio S.p.A., a company based in Cagli (Pesaro and Urbino) and a manufacturer of knitting yarns, leader in the production of cashmere and fine wools. The Company is one of Cariaggi Lanificio S.p.A.'s main customers. The purchase price of the stake was € 15.05 million.

The acquisition of the shareholding by the Company was financed entirely from its own resources.
Control and day-to-day management of Cariaggi Lanificio S.p.A. remain in the hands of the Cariaggi family, which retains a total of 57% of the share capital.

MANAGEMENT OUTLOOK

The first part of **2022** has seen **very, very good results in both sales channels**.
The retail channel enjoyed very positive **sell-outs** of the **Spring/Summer 2022** men's and women's collections, the customers' enthusiasm confirming the very positive feedback received during the presentation of the collections.
The **order taking** for the men's and women's **Fall/Winter 2022** collections has just finished with **very positive results**.
In fact, we were very favourably impressed by the excitement with which our **multibrand partners** have commented on the creativity expressed in the collections and rewarded the reliability and planning of our company in their budget allocation choices, and we think they have made a strong selection from a strategic brand perspective.
Clearly the large order book for the Fall/Winter 2022 collections together with the **wonderful** feedback from customers and the international press suggest that the direct boutiques will also have winter merchandise that is judged to be beautiful.
These elements reinforce the feeling that our **brand** is enjoying a **very positive moment**, supported by the freshness of the product and the authenticity of its sustainability in its environmental, economic, cultural and moral aspects.
Major investments in **2021** have enabled us to **expand our network**, and to make our company more modern, more effective, faster and even more respectful of all the resources.

We expect to continue in this vein in the years to come, willingly accepting every innovation that research makes available to us, with the ultimate aim of **constantly elevating** the **image of our brand and** our Casa di Moda in every initiative.
The excellent sales for these first few weeks of **2022**, the significant quality of orders already in the pipeline for the second half of the year and the perceived attractiveness of our brand allow us to predict a **very successful year for our industry**.

We therefore envisage growth of around **+12%** in **2022**, a **complete rebalancing of margins** to our pre-pandemic normal levels, and a further improvement in **net financial debt**, allowing for significant **investments**, in line with the multi-year plan as was the case in 2021.

Our expectations take due account of the current situation in Russia. The potential effects on our sales are limited as our business in the region is mainly local and wholesale in nature. Deliveries of the Spring/Summer 2022 collections have already been completed. The orders for the Fall/Winter 2022 collections have already been collected in full and the first shipments are scheduled to start in June.
In the event of a long-term continuation of the conflict in Ukraine, with a consequent worsening and continuation of the impact of the sanctions, there could be a risk of partial non-recoverability of assets relating to the Russian subsidiary 000 BRUNELLO CUCINELLI RUS, especially with respect to the Goodwill recorded.

The Group will monitor the situation on an ongoing basis and update its assessment if necessary.

As far as our expectations for the year **2023** are concerned, we confidently expect balanced growth of around **+10%**.

The beautiful 2021 that we have just concluded, the concreteness of our expectations for 2022 and 2023, and the path of healthy, sustainable growth that we expect to follow in the coming years allow us finally to look with great confidence at the goal of **doubling our turnover**, which we had initially planned for the **2019-2028 ten-year plan**, but which we now imagine we can achieve **as early as 2026**.

Conscious of our idea of **Humanistic Capitalism** and **Human Sustainability**, we will always strive to keep our commitment to **Live in Harmony with Creation**, making every effort to create a domain where **environmental**, **economic**, **moral** and **cultural** dimensions can all coexist.
This is why, in line with our philosophy and our approach to doing business, we will continue to seek a balance between profit and giving, respecting the moral and economic dignity of human beings, be they employees, artisanal workshops, suppliers of raw materials, contractors of our Casa di Moda or end customers.

Solomeo, 14 March 2022

Luca Lisandroni
Chief Executive Officer
Market Area

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

Riccardo Stefanelli
Chief Executive Officer
Product and Operations Area

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

BALANCE SHEET AS AT 31 DECEMBER 2021

(In € thousand)	**NOTES**	**31 December 2021**	***of which with related parties***	**31 December 2020**	***of which with related parties***
NON-CURRENT ASSETS					
Goodwill	1	7,045		7,045	
Right-of-use	2	504,968	4,677	470,197	5,193
Intangible assets	3	13,070		12,136	
Property, plant and equipment	4	166,033	12,517	150,254	17,487
Investments in non-current financial assets	5	6,593		4,179	
Non-current financial assets for leases	6	3,886		402	
Other non-current financial assets	7	13,538	32	11,039	32
Deferred tax assets	27	49,546		35,368	
Non-current financial derivative assets	14	125		-	
TOTAL NON-CURRENT ASSETS		**764,804**		**690,620**	
CURRENT ASSETS					
Inventories	8	199,266		208,347	
Trade receivables	9	72,809	52	78,871	51
Tax receivables	10	1,735		3,871	
Other current receivables and assets	11	29,010		20,068	
Current financial assets for leases	6	2,633		173	
Other current financial assets	12	80		11	
Cash and cash equivalents	13	98,003		72,834	
Current derivative financial assets	14	161		4,935	
TOTAL CURRENT ASSETS		**403,697**		**389,110**	
TOTAL ASSETS		**1,168,501**		**1,079,730**	

(In € thousand)	NOTES	31 December 2021	*of which with related parties*	31 December 2020	*of which with related parties*
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	15	13,600		13,600	
Share premium reserve	15	57,915		57,915	
Other reserves	15	191,304		220,670	
Net profit attributable to the Group	15	53,322		(33,216)	
TOTAL GROUP SHAREHOLDERS' EQUITY		**316,141**		**258,969**	
MINORITY SHAREHOLDERS' EQUITY					
Capital and reserves attributable to non-controlling interests	15	3,286		988	
Net profit pertaining to non-controlling interests	15	2,973		1,147	
TOTAL MINORITY SHAREHOLDERS' EQUITY		**6,259**		**2,135**	
TOTAL SHAREHOLDERS' EQUITY		**322,400**		**261,104**	
NON-CURRENT LIABILITIES					
Post-employment benefits	16	3,044		3,108	
Provisions for risks and charges	17	2,400		937	
Non-current bank debt	18	73,676		60,133	
Non-current financial liabilities for leases	19	469,753	4,595	436,956	5,115
Non-current financial payables	20	1,178		-	
Other non-current liabilities	21	788		60	
Deferred tax liabilities	27	8,575		6,402	
Non-current financial derivative liabilities	14	-		217	
TOTAL NON-CURRENT LIABILITIES		**559,414**		**507,813**	
CURRENT LIABILITIES					
Trade payables	22	102,654	621	91,412	550
Current bank debt	23	43,375		105,007	
Current financial liabilities for leases	19	79,610	541	75,412	516
Current financial payables	24	2,649		799	
Tax payables	25	12,242		2,621	
Current derivative financial liabilities	14	6,954		491	
Other current liabilities	26	39,203	717	35,071	2,552
TOTAL CURRENT LIABILITIES		**286,687**		**310,813**	
TOTAL LIABILITIES		**846,101**		**818,626**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,168,501**		**1,079,730**	

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2021

(In € thousand)	Year ended 31 December				
	NOTES	2021	*of which with related parties*	2020	*of which with related parties*
Revenue from sales and services	**28**	**712,179**	**5**	**544,013**	**7**
Costs for raw materials and consumables	29	(113,610)	(116)	(53,725)	(56)
Cost of services	30	(271,084)	(3,929)	(243,296)	(2,202)
Personnel costs	31	(132,948)	(2,119)	(119,569)	(1,390)
Other operating costs	32	(9,813)		(8,902)	
Other operating revenues	33	10,054	43	2,772	40
Increases in fixed assets for internal costs	34	3,445		3,258	
Depreciation/amortisation	35	(116,275)		(104,284)	
Value adjustments to assets and other provisions	36	(4,912)		(35,085)	
Total operating costs		**(635,143)**		**(558,831)**	
Operating profit		**77,036**		**(14,818)**	
Financial expense	37	(34,908)		(46,956)	
Financial income	38	21,898		27,992	
Income before taxes		**64,026**		**(33,782)**	
Income taxes	27	(7,731)		1,713	
Result of the year		**56,295**		**(32,069)**	
Net profit of the Group	15	53,322		(33,216)	
Net profit of Minority Interests	15	2,973		1,147	
Basic earnings/(loss) per share *(euros per share)*	39	0.78415		(0.48847)	
Diluted earnings/(loss) per share *(euros per share)*	39	0.78415		(0.48847)	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT AS AT 31 DECEMBER 2021

(In € thousand)		Year ended 31 December	
	NOTES	2021	2020
Net profit for the year (A)		**56,295**	**(32,069)**
Other components of the comprehensive income statement:			
Other components of the comprehensive income statement that will subsequently be reclassified to profit/(loss) for the year		**4,986**	**(5,127)**
Cash flow hedge	15	(6,719)	3,626
Tax effect	15	1,612	(870)
Effect of change in the cash flow hedge reserve	**15**	**(5,107)**	**2,756**
Differences in foreign financial statement translation		7,026	(5,879)
Exchange gains (losses) on net investments in foreign operations		4,035	(2,637)
Tax effect		(968)	633
Other components of the comprehensive income statement that will not subsequently be reclassified to profit/(loss) for the year:	**15**	**(48)**	**15**
Remeasurement of defined benefit plans (IAS 19)		(63)	20
Tax effect		15	(5)
Total other components of the comprehensive income statement, net of tax effects (B)		**4,938**	**(5,112)**
Total comprehensive income for the period (A) + (B)		**61,233**	**(37,181)**
Attributable to:			
Group		58,118	(38,311)
Non-controlling interests		3,115	1,130

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2021

(In € thousand)	Year ended 31 December		
	NOTES	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net result for the year	15	56,295	(32,069)
Adjustments to reconcile net profit to cash flow generated / (used) by operating activities:			
Income taxes	27	7,731	(1,713)
Depreciation/amortisation	35	116,275	104,284
Allocations to provisions for employee benefits	16	79	82
Allocations to provisions for risks and charges/allowance for obsolescence/allowance for bad doubtful debts		4,928	35,033
Change in other non-current liabilities		728	(183)
(Gains)/losses on disposal of non-current assets		(79)	41
Write-down of equity investments	35	-	583
Other Components without cash movements under IFRS 16		(568)	227
Interest expense	37	1,452	2,215
Interest expense for lease liabilities	37	10,578	10,705
Interest income	38	(18)	(28)
Interest income for lease assets	38	(18)	(17)
Payments for employee termination indemnities	16	(204)	(133)
Payments from provisions for risks and charges	17	(681)	(927)
Net change in deferred tax assets and liabilities	27	(10,716)	(6,897)
Change in fair value of financial instruments	14	4,175	(4,070)
Changes in operating assets and liabilities:			
Trade receivables	9	6,603	(22,916)
Inventories	8	18,234	(44,477)
Trade payables	22	5,522	9,392
Interest expense paid		(1,518)	(2,118)
Interest paid on lease liabilities		(10,578)	(10,705)
Interest income received		18	28
Interest income received on lease assets		18	17
Income tax paid		(7,781)	(9,107)
Other current assets and liabilities		7,701	9,215
NET CASH FLOWS GENERATED/(USED) BY OPERATING ACTIVITIES (A)		**208,176**	**36,462**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property plant and equipment	4	(42,786)	(39,754)
Investments in intangible assets (including key money)	3	(10,705)	(7,434)

(In € thousand)	Year ended 31 December		
	NOTES	2021	2020
Investments in financial assets	7	(1,817)	(2,814)
Investments in property	5	(2,472)	(1,432)
Investments in/divestments of current financial assets		-	9,120
Acquisition of Brunello Cucinelli Middle East LLC, net of cash acquired		(1,669)	-
Disposal of property, plant and equipment and key money		1,096	1,254
CASH FLOWS GENERATED/(USED) IN INVESTING ACTIVITIES (B)		**(58,353)**	**(41,060)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of medium/long-term loans	18	62,000	151,729
Repayment of medium/long-term loans	18	(116,784)	(36,456)
Net change in short-term financial liabilities		8,340	(52,576)
Net change in long-term financial liabilities		1,133	-
Repayment of lease liabilities		(83,989)	(50,630)
Receipts from financial lease assets		1,918	255
Dividends paid		-	(1,076)
Changes in shareholders' equity		-	22
CASH FLOWS GENERATED/(USED) BY FINANCING ACTIVITIES (C)		**(127,382)**	**11,268**
TOTAL CASH FLOW (D=A+B+C)		**22,441**	**6,670**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (E)		**2,728**	**(2,768)**
CASH AND CASH EQUIVALENTS AT YEAR START (F)	**13**	**72,834**	**68,932**
CASH AND CASH EQUIVALENTS AT YEAR END (G=D+E+F)	**13**	**98,003**	**72,834**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

(In € thousand)	Notes	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Profit for the year	Total equity attributable to the shareholders of the parent company	Total equity attributable to non-controlling interests	Total net equity
Balance at 1 January 2021	**15**	**13,600**	**2,720**	**57,915**	**-**	**(7,779)**	**225,729**	**(33,216)**	**258,969**	**2,135**	**261,104**
Result of the year								53,322	53,322	2,973	56,295
Other components of the comprehensive income statement						9,947	(5,151)		4,796	142	4,938
Total comprehensive profit/ (loss)		**-**	**-**	**-**	**-**	**9,947**	**(5,151)**	**53,322**	**58,118**	**3,115**	**61,233**
Allocation of the profit for the year	15						(33,216)	33,216	-		-
Dividends paid	15								-		-
Change in the scope of consolidation and "under common control" transactions							(958)		(958)	1,009	51
Other changes							12		12		12
Balance at 31 December 2021	**15**	**13,600**	**2,720**	**57,915**	**-**	**2,168**	**186,416**	**53,322**	**316,141**	**6,259**	**322,400**

(In € thousand)	Notes	Share capital	Legal reserve	Share premium reserve	Additional paid-in capital	Translation reserve	Other reserves	Profit for the year	Total equity attributable to the shareholders of the parent company	Total equity attributable to non-controlling interests	Total net equity
Balance at 1 January 2020	**15**	**13,600**	**2,720**	**57,915**	**-**	**87**	**170,774**	**52,553**	**297,649**	**1,690**	**299,339**
Result of the year								(33,216)	(33,216)	1,147	(32,069)
Other components of the comprehensive income statement						(7,866)	2,771		(5,095)	(17)	(5,112)
Total comprehensive profit/ (loss)		**-**	**-**	**-**	**-**	**(7,866)**	**2,771**	**(33,216)**	**(38,311)**	**1,130**	**(37,181)**
Allocation of the profit for the year	15						52,553	(52,553)	-		-
Dividends paid	15								-	(1,076)	(1,076)
Change in the scope of consolidation and "under common control" transactions									-	22	22
Effect of dividend distribution							(369)		(369)	369	-
Other changes									-		-
Balance at 31 December 2020	**15**	**13,600**	**2,720**	**57,915**	**-**	**(7,779)**	**225,729**	**(33,216)**	**258,969**	**2,135**	**261,104**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

1. BASIS OF PREPARATION

1.1 CONTENT AND FORM[1] OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in force at the date of the Financial Statements. The term IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee ("SIC").

The Notes to the consolidated financial statements have been supplemented with the additional information requested by Consob and the measures issued by it in implementation of article 9 of Italian Legislative Decree no. 38/2005 (resolutions no. 15519 and 15520) of 27 July 2006 and communication no. DEM/6064293 of 28 July 2006, pursuant to article 78 of the Issuers' Regulation, of the EC document of November 2003 and, where applicable, of the Italian Civil Code.

The consolidated financial statements at 31 December 2021 have been prepared in accordance with article 154-*ter* of Italian Legislative Decree no. 58/98, as well as the relevant provisions of Consob, and comprise 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, as well as these notes.

On 10 March 2022, the Board of Directors of Brunello Cucinelli S.p.A. approved the draft consolidated financial statements and ordered that they be made available to the public, in the manner and within the time envisaged by the provisions of the laws and regulations in force. These financial statements were audited by PricewaterhouseCoopers S.p.A. in accordance with Legislative Decree no. 39/2010 in execution of the shareholders' resolution of 19 April 2021. The consolidated financial statements are presented in euros, the functional currency of the parent company Brunello Cucinelli S.p.A., and all amounts are rounded to thousands of euros unless otherwise stated.

The items in the consolidated statement of financial position are presented in order of liquidity, where:
- Non-current assets consist of items that are expected to be recovered after more than 12 months.
- Current assets consist of items that are expected to be recovered after no more than 12 months.
- Non-current liabilities consist of items that are expected to be settled after more than twelve months, including loans, provisions and the employee severance indemnity (TFR).
- Current liabilities include payables that are expected to be settled in the Group's normal operating cycle or in the 12 months following the end of the reporting period.

The format for the consolidated income statement classifies revenues and costs by nature.
The consolidated cash flow statement has been prepared using the indirect method and is presented in accordance with IAS 7, classifying cash flows into operating activities, investing activities and financing activities.
The consolidated financial statements have been prepared on the basis of the historical cost principle, taking into account value adjustments where appropriate, with the exception of those items which, according to IFRS, must be measured at fair value.

1 The accompanying consolidated financial statements of Brunello Cucinelli S.p.A. constitute a non-official version which have not been prepared in XHTML Format and have not been marked up, in all significant respects, according with the provision of the Commission Delegated Regulation.

Note that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006, the financial statements present information on significant related party transactions in order to provide a more complete disclosure, and income and expense arising from non-recurring events or transactions, if significant, are shown separately in the comments provided by management and in the financial disclosures.

2. SCOPE OF CONSOLIDATION

The consolidated financial statements present the financial position, results 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 31 December 2021.

Such financial statements have been prepared on the basis of the accounting situations of the Company and its subsidiaries, suitably adjusted to comply with IFRSs.

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 of that subsidiary until the date that control ceases. The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the Group's comprehensive income from the date on which it gains control until the date it no longer exerts control.

All intercompany balances and transactions, including any unrealised 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 period.

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 statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income separately from profits and equity attributable to the shareholders of the parent company.

At 31 December 2021, 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 IFRS 11).

The following table provides summary information on the Company's subsidiaries at 31 December 2021, consisting of the company's name and registered office and the percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital in currency	Percentage holding	
				Direct	Indirect
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100.00%	
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		75.50%
Pinturicchio S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Logistica e Distribuzione S.r.l.	Milan – Italy	Euro	100,000		51.00%
Brunello Cucinelli Austria GmbH	Vienna – Austria	Euro	35,000	2.00%	98.00%
Sprl Brunello Cucinelli Belgium	Brussels – Belgium	Euro	20,000		100.00%
Brunello Cucinelli Denmark ApS	Copenhagen – Denmark	Danish krone	750,000	2.00%	98.00%
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli (England) Ltd.	London – United Kingdom	British pound	700		100.00%
Sarl Brunello Cucinelli France	Paris – France	Euro	200,000	2.00%	98.00%
SAS Brunello Cucinelli France Resort	Courchevel – France	Euro	100,000	2.00%	98.00%
Brunello Cucinelli GmbH	Munich – Germany	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Hellas SA	Athens – Greece	Euro	25,200		51.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		68.67%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
OOO Brunello Cucinelli RUS	Moscow – Russia	Rouble	15,000,000	100.00%	
Brunello Cucinelli Retail Spain SL	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse SA	Lugano – Switzerland	Swiss franc	223,000	1.79%	87.89%
SAS White Flannel	Cannes – France	Euro	50,000		70.00%
Brunello Cucinelli Canada Ltd.	Vancouver – Canada	Canadian dollar	10,445,100	100.00%	
Brunello Cucinelli USA Inc.	Ardsley (NY) – USA	US dollar	1,500	100.00%	
Market Service US, Inc.	New York – USA	US dollar	50,000		51.00%
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China	Renminbi	200,000,000	100.00%	
Brunello Cucinelli Hong Kong Ltd.	Hong Kong – China	Hong Kong dollar	2,000,000	100.00%	
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macao – China	MOP/Hong Kong dollar	22,847,312	98.00%	2.00%

Company name	Registered office	Currency	Share capital in currency	Percentage holding	
				Direct	Indirect
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Singapore Pte. Ltd.	Singapore	Singapore dollar	300,000	83.67%	
Brunello Cucinelli Taiwan Ltd.	Taiwan – China	Taiwan dollar	100,000	70.00%	
Brunello Cucinelli Middle East LLC	Dubai	Dirham	300,000	49.00%	

During 2021, the scope of consolidation saw the following changes:

- Entry of the company Brunello Cucinelli Middle East LLC with effect from 1 March 2021, controlled by the Parent Company Brunello Cucinelli S.p.A., by virtue of voting agreements with the shareholder Al Tayer and fully consolidated.
- Exit of the company Brunello Cucinelli Brasil LTDA, whose liquidation was completed during the first half of 2021. The Brasilian point of sale was converted into a wholesale store.

3. ACCOUNTING PRINCIPLES

INTRODUCTION

The Consolidated Financial Statements have been prepared in accordance with the general criteria of reliable and truthful presentation of the Group's financial position, results of operations and cash flows, in compliance with the general principles of a going concern, accrual basis of accounting, consistency of presentation, relevance and aggregation, prohibition of offsetting and comparability of information.

DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

In accordance with the applicable accounting standards, the preparation of the consolidated financial statements of the Brunello Cucinelli Group requires the Directors of the Company to make discretionary assessments, estimates and assumptions based on complex and/or subjective judgements, historical experience and other factors that are believed to be reasonable with respect to the present circumstances and the knowledge available at the balance sheet date. The use of these accounting estimates affects the carrying amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as the amount of revenues and expenses during the reporting period. Actual results may differ from those estimated due to the uncertainty surrounding the assumptions and conditions the estimates are based on. Estimates and associated assumptions are revised on an ongoing basis.

The main processes used in making such discretionary estimates and measurements relate to the recognition and measurement of the following items.

Regarding the assessments and estimates made following the COVID-19 pandemic, please refer to the specific section ("COVID-19 Pandemic Update") in the Management Report of the Board of Directors.

Useful lives of tangible and intangible fixed assets
The depreciation and amortisation of tangible assets, rights of use and intangible assets with a finite useful life require discretionary estimates to be made by the Directors. Such estimates are reviewed at every balance sheet date to ensure that the carrying amounts reflect the best estimates of the costs to be incurred by the Group, and in case of significant variations the amounts are revised and updated.

Rights-of-Use and Lease Payables - IFRS 16
Following the initial application of IFRS 16, significant accounting estimates are made with respect to:
- The identification of the lease term, with particular reference to the measurement of the effects of the renewal option at the end of the non-cancellable period and an assessment of commercial practice regarding the property leases existing in the various legislations.
- The determination of the discount rate for all leases not containing an implicit interest rate; in particular, the Group has calculated an Incremental Borrowing Rate (IBR) to be used to discount future lease payments, identifying each country as a portfolio of lease agreements with similar features and determining the relative IBR as the rate of a risk-free instrument of the respective country in which the lease agreement is stipulated, based on the various contractual deadlines, increased by the Group's credit spread.

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 for unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which these losses can be utilised. The Directors are required to make a discretionary assessment to determine the amount of deferred tax assets that can be recognised, based on an estimate of the likely timing and amount of future taxable profits.

Recoverable amount of non-financial assets
The recoverability of non-financial assets is tested when events or changes in circumstances indicate that the carrying amount is not recoverable.
Events that may lead to a write-down of non-financial assets are changes in business plans and changes in market prices that may result in lower operating performance. The decision as to whether or not to recognise an impairment loss and the quantification of such impairment loss depend on management's assessment of complex and highly uncertain factors, including changes in discount rates, the impact of inflation, forecasts of global or regional supply and demand conditions, the impact of legislative and regulatory changes, etc. The definition of CGUs and the identification of the appropriate level of grouping of CGUs for the purpose of assessing the recoverability of non-financial assets requires management's judgement. In fact, CGUs are defined by considering, among other things, the ways in which management controls operating activities (e.g. for legal entities) or makes decisions about keeping the Company's assets and activities operational or disposing of them. The expected cash flows used to determine the recoverable amount are quantified in light of the information available at the time of the estimate on the basis of subjective judgements about the performance of future variables – such as prices, costs, demand growth rates, production profiles – and are discounted using a rate that takes into account the risk inherent in the asset concerned.
With regard to the impairment test, see the paragraph "Impairment" below in these Notes to the financial statements.

Allowance for bad and doubtful debts
The allowance for bad and doubtful debts represents management's best estimate of the amount required to adjust receivables to their estimated realisable value on the basis of information available at the date of preparation of the financial statements. The Group uses the simplified approach and recognises the expected losses on all trade receivables on the basis of their residual duration by establishing a criterion for determining the allowance based on the past loss experience of individual Group companies, adjusted also to take account of specific forecasting factors relating to creditors and the economic environment. The amount of expected losses is sensitive to changes in circumstances and the expected economic conditions.

Value adjustments to Inventories
The provision for inventory write-downs reflects management's estimate of the expected loss in value of materials or products from past seasons, taking into account their expected use and realisable value. The determination of the value of the provision also takes into account the donation programme related to the "Brunello Cucinelli for Humanity" project.

Derivative financial instruments
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 "Derivatives" in the notes that follow. The estimates and assumptions considered are reviewed constantly and the effects of any changes are recognised immediately in the financial statements.
Estimates and assumptions are made by Directors with the support of the corporate functions and, where appropriate, of independent professionals, and are reviewed on a periodic basis.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The consideration transferred in a business combination is determined at the date control is assumed and is equal to the fair value of the assets transferred, the liabilities incurred, and any equity instruments issued by the acquirer. The consideration transferred also includes the fair value of any contractually agreed contingent consideration assets or liabilities that are contingent on the occurrence of future events. Costs directly attributable to the transaction are recognised in profit or loss when incurred.
At the date control is acquired, the shareholders' equity of investee companies is determined by attributing to the individual identifiable elements of the assets and liabilities their fair value, except in cases where IFRS provisions establish a different measurement criterion. Any difference between the consideration paid and the fair value of the net assets acquired, if positive, is recognised as goodwill; if negative, it is recognised in the income statement.
In the case of assumption of control that is not total, the portion of shareholders' equity of minority interests is determined on the basis of the share of current values attributed to assets and liabilities at the date of assumption of control, excluding any goodwill attributable to them. If control is assumed in stages, the acquisition cost is determined by adding the fair value of the previously held equity interest in the acquiree and the amount paid for the additional stake. The difference between the fair value of the investment previously held and its carrying amount is recognised in the income statement. Furthermore, upon assumption of control, any amounts previously recognised in other comprehensive income are recognised in profit or loss or in another equity item, if a reversal to profit or loss is not envisaged.
When the values of the acquiree's assets and liabilities are determined provisionally in the period in which the business combination is completed, the recognised values are adjusted retrospectively, no later than 12 months after the acquisition date, to take account of new information about facts and circumstances that existed at the acquisition date.

For the purpose of the consistency analysis, at the acquisition date goodwill acquired in a business combination is allocated to the individual cash-generating units of the Group, or groups of cash-generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the Group are assigned to such units or groupings of units. Each unit or group of units to which goodwill is allocated:

a) represents the lowest level within the Group at which goodwill is monitored for internal management purposes.
b) is no broader than the segments identified on the basis of the Group's sector reporting format, determined on the basis of IFRS 8 – Operating Sectors.

When goodwill is part of a cash-generating unit (so-called group of cash-generating units) and part of the internal business of that unit is sold, the goodwill associated with the asset sold is included in the carrying amount of the asset to determine the gain or loss arising from the sale. The goodwill sold in such circumstances is measured on the basis of the relative values of the asset sold and the portion of the unit held.

When the sale concerns a subsidiary, the difference between the sale price and the net assets plus the accumulated translation differences and goodwill is recognised in the income statement.

OPERATION UNDER COMMON CONTROL

Business combinations involving entities under common control that are merely reorganisational in nature are recognised on a going-concern basis in the financial statements of the companies involved, without recognising any economic effects.

INTANGIBLE ASSETS

Intangible assets are capitalised at acquisition cost when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably.

Intangible assets acquired through business combinations are recorded at the fair value defined on the acquisition date, if this value can be reliably determined. Internally generated intangibles are not capitalised and the related expenditure is reflected in the income statement in the period that the expenditure is incurred in.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and are subject to impairment tests whenever there are indications of a possible impairment, following the rules described below.

The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or the manner in which the future economic benefits related to the intangible asset are achieved by the Group are recognised by modifying the period and/or the amortisation method and treated as changes in accounting estimates. The amounts of amortisation of intangible assets with a defined life are recognised on the income statement in the cost category consistent with the function of the intangible asset.

An intangible asset is eliminated at the time of disposal (i.e. on the date on which the buyer gains control of it) or when no future economic benefit is expected to flow from its use or disposal. Any profit or loss deriving from the elimination of the asset (calculated as the difference between the net consideration of the disposal and the book value of the asset) is included in the income statement.

The estimate of the useful life of intangible assets with a finite useful life is as follows:

	Years
Trademarks	18
Software	3-5
Licences	5
Other intangible fixed assets	3-12

Authorisations, licences and trademarks
The item, classified under Intangible assets, includes the costs incurred for the registration of the Group's trademarks.

Research and development costs
Research costs are allocated in the year they are incurred in. Development costs incurred for a given project are recognised as intangible assets when the Group can demonstrate:
– The technical possibility of completing the intangible asset so that it is available for use or sale.
– The intention to complete the asset and the capacity and intention to use or sell it.
– The manner in which the asset will generate future economic benefits (income from the sale of products or services, cost savings or other benefits deriving from the use of the asset).
– The availability of resources to complete the asset.
– The ability to reliably measure the cost attributable to the asset during development.

After initial recognition, developed assets are measured at the decreased cost of accumulated amortisation or impairment losses. The amortisation of assets begins when development is complete and the asset is available for use. Developed assets are amortised with regard to the period of expected benefits. During the development period, the asset is audited annually for impairment (impairment test).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired separately are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use it was purchased for. This cost includes the costs of replacing part of the machinery and systems when they are incurred, if they comply with the recognition criteria.

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

Property, plant and equipment acquired through business combinations are recognised at the fair value determined on the acquisition date.

Costs of improvements, modernisation and transformation of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.

Maintenance and repair costs that are not likely to enhance and/or prolong the residual life of the assets are recognised in the year they are incurred, otherwise they are capitalised.

Property, plant and equipment are shown net of accumulated depreciation and any impairment losses determined as described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset for the enterprise, which is an estimate of the period over which the asset will be used.
Depreciation of property, plant and equipment begins when the asset is ready for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended.

The value to be depreciated is represented by the book value reduced by the presumable net transfer value at the end of its useful life, if significant and reasonably determinable Any changes in the depreciation plan, deriving from a review of the useful life of the asset, of the residual value or of the way in which the economic benefits of the asset will be obtained, are recognised prospectively.

Non-removable leasehold improvements are depreciated over the shorter of the useful life of the improvements and the lease term.

The estimate of the useful life of the main classes of tangible assets is as follows:

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

If components of the property, plant and equipment have different useful lives, these components are accounted for separately. Land, whether free of or annexed to buildings, is recognised separately and is not depreciated as it has an indefinite useful life.

The book value of property, plant and equipment is subjected to verification, in order to detect any possible impairment if events or changes in the situation indicate that the carrying amount cannot be recovered, following the rules described below.

The book value of an item of property, plant and equipment and any significant component initially recognised is eliminated at the time of disposal (i.e. on the date on which the buyer gains control of it) or when no future economic benefit is expected to flow from its use or disposal. The profit/loss that emerges at the time of the accounting elimination of the asset (calculated as the difference between the net book value of the asset and the consideration received) is recognised in the income statement when the item is eliminated from the accounting.

Collection archive

For each collection, the Company holds on to one garment for each item that is considered significant and saleable. These products are used as a source of inspiration by the style office when creating new collections.

These assets are classified under Property, plant and equipment, recorded at historical production cost and depreciated over 10 years.

Increases in the value of these assets are recorded in the income statement under the item Increases in fixed assets for internal works.

INVESTMENT PROPERTIES

According to IAS 40, tangible assets held for income and not for operations are classified in a special class called Investment property and are accounted for at cost. The assets included in this category consist of land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease agreement for the purpose of leasing them.

These types of properties are classified separately from the other properties owned. Investment properties are shown net of accumulated depreciation and any impairment losses. The useful life of the Group's investment properties is 33 years.

The book value of investment property is subjected to audit in order to detect any possible impairment if events or changes in the situation indicate that the carrying amount cannot be recovered. Losses are accounted for in the income statement under the item "Value adjustments to assets and other provisions". Such losses of value are restored if the reasons that generated them cease to exist.

Investment properties are eliminated from the financial statements when they are sold (i.e. on the date on which the buyer gains control of them) or when the investment is permanently unusable and no future economic benefits are expected to flow from its sale. The amount of consideration to be taken into account in determining the gain or loss arising from the cancellation of an investment property is determined in accordance with the requirements for determining the price of the transaction in IFRS 15.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as such if the book value of the asset itself will be recovered mainly through a sale rather than through its continuous use. For this to occur, the asset must be available for immediate sale in its current condition or subject to conditions that are customary for the sale of such assets, and the sale must be highly likely.
Non-current assets held for sale are initially recognised at the lower of their carrying amount – if not classified as held for sale – and their fair value net of selling costs.

LEASES

When signing a contract, the Group evaluates whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in return for consideration, such a right exists if the contract gives the lessee the right to manage the asset and obtain substantially all the economic benefits arising from its use.

The Group as lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease payment liabilities and right-of-use assets that represent the right to use the asset underlying the contract.

i) Right-of-use assets
The Group recognises right-of-use assets at the date on which the lease commences (meaning the date on which the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are adjusted for any remeasurement of the lease liability. A right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs and lease payments at or prior to commencement less any incentives received. Right-of-use assets are depreciated on a straight-line basis from the effective date to the end of the useful life of the right-of-use asset. The lease term is determined taking into account the non-cancellable period of the contract, and where there is reasonable certainty also the periods covered by the extension options or related to the non-exercise of the early termination options.
If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise a purchase option, the lessee must depreciate the right-of-use asset from the effective date until the end of the useful life of the underlying asset.

On each financial closing date, the Group assesses whether there are any indications of loss of value of the Rights of Use, and if such indications do emerge an impairment test is performed.

ii) Lease liabilities
At the date of commencement of the lease, the lease liability is initially measured at the present value of the lease payments due for the lease but not yet paid at that date. Payments consist of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term assumes that the Group will exercise the lease termination option.
Variable lease payments that do not depend on an index or rate are recognised as costs in the period (unless they were incurred for the production of inventories) in which the event or condition that generated the payment occurs. When calculating the present value of payments due, the Group uses the marginal rate of financing at the start date if the implicit interest rate is not easily determinable. After the effective date, the amount of the lease liability is increased to take into account interest on the lease liability and decreases to take into account payments made. Moreover, the carrying amount of lease payables is redetermined in the event of any changes in the lease or revision of the contractual terms for the modification of payments. It is also redetermined in the event of changes in the valuation of the purchase option of the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.

iii) Short-term leases and leases where the underling asset has a low value
The Group has elected the recognition exemption for short-term leases for machinery and equipment (that is leases with a term of 12 months or less from the date of commencement and not containing a purchase option). The Group has also applied the low-value lease exemption for office equipment leases whose value is considered to be a non-relevant amount. The short-term lease and low-value lease payments are recognised on a straight-line basis over the lease term.

The Group as lessor

Those leasing contracts that substantially leave all risks and rewards linked to ownership of the asset to the Group are classified as operating leases. Lease income from operating leases must be recognised on a straight-line basis throughout the lease term, and is included among revenues in the income statement due to their operational nature. Initial negotiating costs are added to the book value of the leased asset and recognised on the basis of the duration of the contract on the same basis as rental income. Unexpected rents are recognised as revenues during the period in which they accrue.

IMPAIRMENT

On each financial closing date, the Group assesses whether there are any indications of loss of value of intangible assets, right of use and property, plant and equipment. If such indicators do emerge, an impairment test is performed.

If the carrying value of the assets exceeds the recoverable value, they will be written down to reflect the recoverable value. The recoverable value is the higher of the fair value, net of the cost of disposal, of an asset or cash generating unit net of the cost of sale or value in use, and is determined for each individual asset, except where that asset generates cash flows that are not largely independent of those generated by other assets or asset groups, in which case the Group will estimate the recoverable value of the individual cash generating unit (hereinafter also "CGU") to which the asset belongs, represented by the smallest identifiable set of assets that generate cash inflows that are largely independent of those generated by other assets.

In determining value in use, the Group discounts to present value the expected future cash flows arising from the use of the cash-generating unit and, if material and reasonably determinable, from its disposal at the end of its useful life, net of disposal costs, using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset.

Specifically, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific country risk where the cash generating unit being valued is located. WACCs are differentiated according to the riskiness expressed by the countries the business operates in.

Expected cash flows are determined on the basis of reasonable and supportable assumptions representing the best estimate of future economic conditions that will occur over the remaining useful life of the cash-generating unit, giving greater weight to external indications.

With regard to goodwill, the test is performed at least annually, and in any case when events occur that lead to the assumption of a reduction in value, at the level of the smallest aggregate on the basis of which Management directly or indirectly evaluates the return on the investment that includes the goodwill itself. Right-of-use assets, which generally do not produce independent cash flows, are allocated to the CGU they relate to.
For the purposes of estimating the value in use, the future cash flows are taken from the business plans approved by the Board of Directors, which represent the Group's best possible estimate based on the financial conditions in the Plan period. The Plan projections usually cover a period of three years. The long-term growth rate used to estimate the terminal value of the asset or unit is determined on the basis of the average of the most recent research by the financial community on the Company. Future cash flows are estimated by referring to current conditions. The estimates do not therefore take into account the benefits of future restructuring operations that the Company has not yet implemented, or future investments or the optimization of the business or its units.

If the book value of an asset or CGU – including the goodwill attributed to it – is higher than its recoverable value, the asset has suffered a value impairment and will therefore be written down to the recoverable value. The impairment loss is allocated first to goodwill up to its amount. Any excess of the impairment loss over goodwill is allocated pro rata to the carrying amount of the assets constituting the cash-generating unit, up to the amount of the recoverable amount of the assets with finite useful lives.

Value impairments for operational assets are recognised on the income statement in the cost category consistent with the function of the impaired asset. On each closing date, the Group will also assess whether there are any indications that the previous value impairments have been reduced. If such indicators exist, it will re-estimate the recoverable value. The value of a previously written-down asset may only be restored if there have been changes to the estimates used to determine the recoverable value of the asset after the final recognition of a loss in value. In such a case, the book value of the asset will be changed to the recoverable value, but the value thus increased may not exceed the book value which would have been determined net of the depreciation if no loss in value had been recorded in previous years. Any recovery in value is recorded as income on the income statement. After a recovery of value has been recognised, the depreciation of the asset will be adjusted in future years in order to distribute the modified book value net of any residual values, on a straight-line basis for its remaining useful life. Impairment of goodwill may not be recovered for any reason.

FINANCIAL INSTRUMENTS

Recognition and valuation

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets

Initial recognition and valuation
Upon initial recognition, financial assets are classified as appropriate according to the subsequent measurement method, namely amortised cost, fair value recognised in the OCI comprehensive income statement and fair value recognised in the income statement.
The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs in the case of a financial asset not at fair value in the income statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

Subsequent valuation
For the purposes of subsequent valuation, financial assets are classified in four categories:
– Financial assets at amortised cost (debt instruments).
– Financial assets at fair value recognised in the comprehensive income statement with reclassification of accumulated gains and losses (debt instruments).
– Financial assets at fair value recognised in the comprehensive income statement without reversal of accumulated gains and losses at the time of elimination (equity instruments).
– Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
Financial assets are classified in this category if they meet the following requirements: (i) the asset is held under a business model whose objective is to own the asset for the purpose of collecting contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid. These are mainly trade receivables, financial assets and other assets.
Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined in accordance with IFRS 15 Revenue from Contracts with Customers).
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is eliminated, modified or revalued.
The Group's financial assets at amortised cost include trade receivables and security deposits.

Financial assets at fair value in OCI (debt instruments)
Financial assets are classified in this category if they meet the following requirements: (i) the asset is held under a business model whose objective is achieved both by collecting contractual cash flows and by selling the asset itself; and (ii) the contractual terms of the asset provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid.
These assets are initially recognised in the balance sheet at their fair value plus any incidental costs directly attributable to the transactions that generated them.

For debt instrument assets measured at fair value in OCI, interest income, changes due to exchange differences and impairment losses, together with adjustments, are recognised in the income statement and are calculated in the same way as financial assets measured at amortised cost. The remaining changes in fair value are recognised in OCI. Upon elimination, the cumulative change in fair value recognised in OCI is reclassified in the income statement.
Group debt instrument assets measured at fair value in OCI include investments in listed debt instruments included in other non-current financial assets.

Investments in equity instruments
On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value in OCI when they meet the definition of equity instruments in accordance with IAS 32 - "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.
Gains and losses achieved on these financial assets are never reversed in the income statement. Dividends are recognised in the income statement when the right to payment has been approved, except when the Group benefits from such revenues as recovery of part of the cost of the financial asset, in which case such gains are recognised in OCI. Equity instruments recorded at fair value in OCI are not subject to impairment tests.
The Group has chosen to irrevocably classify its unlisted investments in this category.

Financial assets at fair value through profit or loss
Financial instruments at fair value with changes recognised in the income statement are recognised in the balance sheet at fair value and net changes in fair value are recognised in the income statement.
This category includes derivative instruments and listed investments that the Group has not irrevocably chosen to classify at fair value in OCI. Dividends on listed investments are recognised as other income in the income statement for the year when the right to payment has been established.
The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a main non-financial contract is separate from the main contract and accounted for as a separate derivative if: its economic characteristics and the risks associated with it are not closely correlated to those of the main contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value in the income statement. A restatement occurs only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected, or a reclassification of a financial asset to a category other than fair value in the income statement.

Derecognition
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is first derecognised (e.g. removed from the Group's balance sheet) when:
– the rights to receive cash flows from the asset are extinguished, or
– the Group has transferred the right to receive cash flows from the asset to a third party or has assumed the contractual obligation to pay them in full and without delay and (a) it has substantially transferred all risks and rewards of ownership of the financial asset, or (b) it has not substantially transferred or retained all risks and rewards of the asset, but it has transferred control over it.

In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement under which it maintains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-throughs), it shall assess whether and to what extent it has retained the risks and rewards inherent in possession. If it has not substantially transferred or retained all risks and benefits or it has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred assets and associated liabilities are valued to reflect the rights and obligations that remain attributable to the Group.
Where the entity's residual involvement is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

Impairment
The Group records a write-down for expected losses for all financial assets represented by debt instruments not held at fair value through profit or loss. Specifically, impairment provisions apply to all financial assets measured at amortised cost and at fair value through comprehensive income, while financial assets measured at fair value through profit or loss are excluded.
The Group uses the simplified approach and recognises the expected losses on all trade receivables on the basis of their residual duration by establishing a criterion for determining the allowance based on the past loss experience of individual Group companies, adjusted also to take account of specific forecasting factors relating to creditors and the economic environment.
In the absence of a reasonable expectation of recovery, trade receivables are fully written down.

Financial liabilities

Recognition and initial valuation
Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, as mortgages and loans, or as derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value plus directly attributable transaction costs in the case of mortgages, loans and payables.
The Group's financial liabilities include trade payables and other payables, mortgages and loans, including bank overdrafts and financial derivatives.

Subsequent valuation
For the purposes of subsequent valuation, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (financing and loans).

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value with changes recognised through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised through profit or loss.

Liabilities held for trading are all those assumed with the aim of extinguishing or transferring them in the short term. This category also includes derivatives entered into by the Group that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.
Financial liabilities are recognised at fair value through profit or loss from the date of first recognition only if the criteria of IFRS 9 are met. At initial recognition, the Group did not designate financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost (financing and loans)
After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by taking into account the discount or premium on the acquisition and the fees or costs that form an integral part of the effective interest rate. Amortisation at the effective interest rate is included among the financial charges in the profit/(loss) for the year.
This category generally includes receivables and interest-bearing loans.

Derecognition
A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. If an existing financial liability is replaced by another of the same provider under substantially different conditions, or if the conditions of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the accounting values recorded in the profit/(loss) for the year.

Offsetting of financial instruments
A financial asset and financial liability can be offset and the net balance shown in the balance sheet if there is a current legal right to offset the recognised amounts and there is an intention to settle the net residual, or realise the asset and at the same time settle the liability.

Derivatives and Hedge Accounting

Initial recognition and subsequent valuation

The Group uses derivative financial instruments including foreign currency forward contracts and interest rate swaps to hedge its currency exchange risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

For hedge accounting purposes, there are three types of hedges:
- Fair value hedge when hedging against exposure to changes in the fair value of the asset or recognised liability or unrecognised irrevocable commitment.
- Cash flow hedge when hedging against exposure to variability in cash flows attributable to a particular risk associated with all recognised assets or liabilities or with a highly probable planned transaction or foreign currency risk on an unrecognised irrevocable commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets the requirements for hedge effectiveness (including an analysis of the sources of hedge ineffectiveness and how the hedging relationship is determined). The hedging relationship meets the eligibility criteria for accounting for hedging transactions if it meets all the following hedging effectiveness requirements:
- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of the credit risk does not prevail over the changes in value resulting from the aforementioned economic relationship.

The hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging instrument that the Group actually uses to hedge that amount of hedged item.

Transactions that meet all the qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of hedging derivatives is recognised in the profit/(loss) for the year among other costs. The change in the fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying amount of the hedged item and is also recognised in the comprehensive income statement.

With regard to fair value hedges related to items accounted for at amortised cost, each adjustment to the book value is amortised in the income statement for the year over the residual period of the hedge using the effective interest method. The amortisation thus determined may begin as soon as an adjustment exists but may not extend beyond the date on which the hedged item ceases to be adjusted as a result of changes in fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised irrevocable commitment is designated as a hedged item, the subsequent cumulative changes in its fair value attributable to the hedged risk are accounted for as assets or liabilities and the corresponding gains or losses are recognised in the profit/(loss) for the year.

Cash flow hedging
The portion of profit or loss on the hedged instrument relating to the effective hedging portion is recognised in the other components of the comprehensive income statement in the Cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement. The Cash flow hedge reserve is adjusted to the lesser of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward contracts on currencies to hedge its exposure to exchange rate risk relating to both planned transactions and commitments already established. The ineffective portion of forward contracts on currencies is recognised in Other costs and the ineffective portion of forward contracts on commodities is recognised among financial income and charges.

The Group designates only the spot component of forward contracts as a hedging instrument. The forward component is cumulatively recognised in OCI in a separate item.
Amounts accumulated among other components of comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial component, the amount accumulated in shareholders' equity is removed from the separate component of the shareholders' equity and included in the cost or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in OCI for the period. This also applies in the case of a hedged planned transaction of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting applies.

For any other cash flow hedge, the amount accumulated in OCI is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact the income statement.

If the cash flow hedge accounting is discontinued, the amount accumulated in OCI must remain so if the future cash flows hedged are expected to occur. Otherwise, the amount must be immediately reclassified in the income statement for the year as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amounts remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including hedges of a monetary item accounted for as part of a net investment, are accounted for in a manner similar to cash flow hedges. Gains or losses on the hedging instrument are recognised among other components of the comprehensive income statement for the effective portion of the hedge, while the remaining (ineffective) portion are recognised in the profit/(loss) for the year. Upon disposal of the foreign asset, the cumulative value of these comprehensive gains or losses is transferred to the profit/(loss) for the year.

INVENTORIES

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and their net realizable value. The purchase cost is inclusive of the ancillary costs related to purchases of the period; the production cost includes the costs of direct allocation and a portion of the indirect costs reasonably attributable to the products. The net realisable value is estimated sales price less estimated costs for completion and estimated costs to execute the sale.

Where necessary, provision is made for materials or products, taking into account their expected use and realisable value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and short-term demand deposits, in the latter case with an original term no longer than three months. Cash and cash equivalents are recorded in the financial statements at nominal value and at the spot exchange rate at the end of the year if in foreign currency.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised when: (i) it is probable that a present legal or constructive obligation exists as a result of a past event; (ii) it is probable that performance of the obligation will be onerous; (iii) the amount of the obligation can be reliably estimated.
Provisions are recorded at the value representing the best estimate of the amount that the Company would rationally pay to settle the obligation or to transfer it to third parties at the balance sheet date.

When the Group considers that a provision for risks and charges will be partially or completely reimbursed, for example in the case of risks covered by insurance policies, compensation is recognised distinctly and separately in the assets if and only if it is practically certain. In this case, the cost of any provision is presented in the income statement net of the amount recognised as compensation.

If the effect of discounting the value of the money is significant, the provisions are discounted using a pre-tax discount rate that, where appropriate, reflects the specific risks of the liabilities. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

Provisions are periodically updated to reflect changes in estimates of costs, timing and discount rate; revisions are charged to the same income statement item that previously accounted for the provision.

POST-EMPLOYMENT BENEFITS

Post-employment benefit plans, whether formal or not, are classified as "defined benefit plans" and "defined contribution plans", depending on their characteristics.
Italian legislation (article 2120 of the Italian Civil Code) provides that on the date on which an employee terminates the employment contract with the company, he/she receives a severance indemnity called TFR. The calculation of this indemnity is based on certain items that form the annual remuneration of the employee for each year of work (appropriately revalued) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the financial statement date, hypothesizing that all employees terminated their employment contracts on that date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the issue of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a methodology called the Projected Unit Credit Method ("PUCM"), according to which the amount of the acquired benefit liability must reflect the expected date of resignation and must be discounted.

The actuarial assumptions and their effects take into account the regulatory changes introduced by the Italian legislature, which have provided for the option for the employee to allocate the TFR accrued from 1 July 2007 to INPS or to supplementary pension funds.

The net obligation of the Group deriving from defined benefit plans is calculated by estimating the amount of future benefit that employees have accrued in exchange for the work done in the current and previous years. This benefit is discounted to calculate the present value. Actuarial gains and losses related to defined benefit plans, accumulated up to the previous year and reflecting the effects deriving from changes in the actuarial assumptions used, are recognised in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary.
The Group has no other defined benefit pension plans.
The Group's obligation deriving from defined contribution plans is limited to the payment of contributions to the State or to an asset manager or a legally separate entity (so-called fund) and is determined on the basis of the contributions due.

REVENUES AND COSTS

Revenue from contracts with customers
IFRS 15 requires revenues to be recognised for an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer.
The Group applied IFRS 15 from the mandatory effective date (1 January 2018), using the method of full retrospective application. In applying IFRS 15, the Group considered the following points:

a. Sale of goods
Revenues from the sale of goods are recognised when control of the goods passes to the customer.

Generally, this occurs:
– For the wholesale channel, at the time of shipment.
– For the retail channel, at the time of delivery of the goods to customers, where sales are usually paid directly at the cash register or via credit card.
– For the e-commerce channel, when the customer gets control of the shipped goods.

In some geographical areas, the Group sells its products through department stores that act as agents and charge back to the Group the fees for the services rendered (rental of the premises, promotional events, marketing, etc.) in relation to the value of the goods sold to the end customer. In fact, in these contracts the department store is not considered as the main party responsible for fulfilling the promise to supply the goods to the end customer.
Moreover, the department store does not have the discretionary power to define the price of the goods sold to customers.
Consequently, for these types of contracts the application of IFRS 15 provided for the presentation of the actual revenues from sales and the separate indication of the costs of the services rendered by the department store, the latter being services distinct from those for the sale of products to the end customers.
The Group noted that the recognition of revenues occurs when control of the asset is transferred to the customer, generally upon delivery of the asset (revenue recognition at a point in time).

b. Variable consideration – right of return
The Group recognises the right of return only in residual and ancillary cases with respect to the ordinary performance of the commercial relationship with its customers. When a contract with a customer provides for a right of return of the goods, the Group uses the expected value method to estimate the goods that will not be returned, in accordance with IFRS 15.
Revenues are presented net of returns, which also include the estimate made to take into account returns that will arise after the end of the financial year, but which are related to the revenues of the financial year.

Royalties
Royalty revenues are recognised on an accrual basis in accordance with the terms and amounts envisaged in the licence agreement, generally based on sales volumes.

Public grants
Public grants are recognised when it is reasonably certain that they will be received and all conditions relating to them are met. Grants related to cost components are recognised as revenues, but are systematically distributed between financial years so as to be proportionate to the recognition of the costs they intend to offset. The grant related to an asset is recognised as revenue on a straight-line basis, over the expected useful life of the specific asset. Where the Group receives a non-monetary contribution, the asset and its grant are recorded at nominal value and released to the income statement on a straight-line basis over the expected useful life of the asset in question.

Costs
Costs are recognised when they are related to goods and services sold, consumed or allocated when their future useful lives cannot be determined.
In accordance with IAS 38, advertising and research costs are fully allocated to the income statement when the service was rendered and delivered to the Group.
Costs are recorded on the basis of their nature considering the principles applicable under IFRS.

FINANCIAL INCOME AND CHARGES

Financial income and expenses include all financial items recognised in the income statement for the period on an accrual basis, including interest expense accrued on borrowings, calculated using the effective interest method, foreign exchange gains and losses, gains and losses on derivative financial instruments (in accordance with the previously defined accounting policies), and interest arising from the accounting treatment of leased assets (IFRS 16) and employee-related provisions (IAS 19).

INCOME TAXES

Income taxes for the period include the determination of both current and deferred taxation. They are recognised in full in the income statement and included in the result for the period, except when they are generated by transactions that are transferred in the current or another period through other comprehensive income directly to equity. In this case, the related deferred taxes are also recognised directly in equity.

Current taxes
Current taxes reflect an estimate of the tax burden determined by applying the regulations in force in the countries that the Brunello Cucinelli Group operates in. The liability for current taxes is calculated using the rates in force or substantially approved at the reporting date.
Current tax payables are classified in the balance sheet net of any tax receivables paid.

Deferred taxes
Deferred taxes are calculated on the deductible temporary differences (deferred tax assets) and taxable (deferred tax liabilities) resulting at the reporting date between the tax values taken as reference for assets and liabilities and the values reported in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available against which temporary deductible differences and carried forward tax assets and liabilities can be utilised.

The value of deferred tax assets to be reported in the balance sheet is reviewed at each closing date of the financial statements and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow all or part of this credit to be used.
Deferred tax assets not recognised are reviewed annually at the balance sheet date and are recognised to the extent that it has become probable that the taxable profit is sufficient to allow these deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured according to the tax rates expected to be applied in the year in which these assets are realised or these liabilities are extinguished, considering the rates in force and those already enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are charged directly to the income statement, with the exception of those relating to items recognised directly in shareholders' equity, in which case the relevant deferred taxes are recognised consistently without being charged to the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets with current tax liabilities, and the deferred taxes refer to the same tax entity and the same tax authority.

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

EARNINGS/(LOSS) PER SHARE

Basic profit/(loss) per share are calculated by dividing the Group profit/(loss) of the Group by the weighted average number of shares in circulation during the period. To calculate diluted profit/(loss) per share, the weighted average number of shares in circulation is modified assuming the conversion of all potential shares having a dilutive effect. The net result is also adjusted to take into account the effects of the conversion net of taxes.

Basic profit/(loss) per share and diluted earnings per share coincide since 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.

IFRS 8 defines an operating segment as a component:
- That undertakes entrepreneurial activities that generate revenues and costs.
- Whose operational results are periodically reviewed at the highest decision-making level.
- For which separate financial statement information is available.

The Group has identified a single operating segment, linked to the concept of "Brand". The Group identifies itself in a single brand, "Brunello Cucinelli", and this representation is consistent with the way management makes its decisions, allocates resources and defines its communications strategy.

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

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

The Group has applied for the first time certain principles or amendments that are effective from 1 January 2021. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 16 – COVID-19 Related Rent Concessions beyond 30 June 2021
On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct consequence of the COVID-19 pandemic. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether the reduction in lease payments represents a contractual change. A lessee who chooses to use this expedient accounts for these reductions as if they were not contractual changes for the purpose of IFRS 16.
The amendments were to be applicable until 30 June 2021, but as the impact of the COVID-19 pandemic did not end on 31 March 2021, the IASB extended the period of application of the practical expedient until 30 June 2022. The amendments will apply to financial years beginning on or after 1 April 2021.

The Group has chosen to apply the practical expedient envisaged by the amendment adopted by the IASB on 28 May 2020 and approved by the European Union on 9 October 2020, together with the amendment to IFRS 16 adopted by the IASB in March 2021 and approved by the European Union in August 2021, extending the period of application of COVID-19- relating to “rent concessions” to 30 June 2022. This allows lessees to recognise any “rent concessions” obtained due to the health emergency as negative variable rentals (with the consequent registration directly in the income statement to reduce the cost of rent), without having to evaluate whether the concessions themselves represent lease modifications.

With regard to existing lease contracts, as in the past year proposals for some reductions in rents for the periods most affected by the pandemic – mainly concentrated in the United Kingdom and Asia – were accepted. Taken as a whole, these reductions amounted to € 2,926 thousand, representing a cost containment of 2.5% on the total cost for rents (normalised by the effect of applying the IFRS 16 accounting standard).

4.2 ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIV

Principles and interpretations that had already been issued but were not yet in force at the date of preparation of the Group’s consolidated financial statements are presented below. The Group intends to adopt these principles and interpretations, if applicable, when they become effective.

Definition of an accounting estimate – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. Moreover, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.
The changes are not expected to have a significant impact on the Group.

Disclosure on accounting principles – Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to assist entities in applying materiality judgements to accounting principle disclosures. The amendments aim to help entities provide more useful accounting principle disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. Furthermore, guidance is added on how entities apply the concept of materiality in making accounting principle disclosure decisions.
The amendments to IAS 1 will apply from financial years starting on or after 1 January 2023, but early application is permitted. Because the amendments to Practice Statement 2 provide non-mandatory guidance on applying the definition of material to accounting principle disclosures, an effective date for those amendments is not required.

There are no other significant accounting standards, amendments or interpretations that have been issued but are not yet effective which might have a significant effect on these consolidated financial statements.

5. CONVERSION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO AND OF FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, the functional and presentation currency adopted by the Company. As required by IAS 1, the amounts were represented in thousands of euros.
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) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate ruling at the balance sheet date.
All exchange differences are recognised in the income statement. Non-monetary items, measured at historic cost in foreign currency, are translated at the exchange rates at the date of the initial recognition of the transaction.
The financial statements of foreign companies being consolidated are translated into euro using the current exchange rate method, under 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 period.
Translation differences are recognised directly in shareholders' equity and presented in a separate reserve. On the sale of a foreign company the cumulative exchange differences in shareholders' equity are recognised in the income statement.
The following table shows 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	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
US dollar	1.1827	1.1422	1.1326	1.2271
Swiss franc	1.0811	1.0705	1.0331	1.0802
Japanese yen	129.8767	121.8458	130.38	126.49
Renminbi	7.6282	7.8747	7.1947	8.0225
British pound	0.8596	0.8897	0.84028	0.89903
Hong Kong dollar	9.1932	8.8587	8.8333	9.5142
Canadian dollar	1.4826	1.5300	1.4393	1.5633
Rouble	87.1527	82.7248	85.3004	91.4671
Singapore dollar	1.5891	1.5742	1.5279	1.6218
Danish krone	7.437	7.4542	7.4364	7.4409
Taiwan dollar	33.0361	33.6227	31.3671	34.4807
Dirham	4.3229	*	4.1595	*

6. BUSINESS COMBINATIONS

Acquisition of control of Brunello Cucinelli Middle East LLC

With effect from 1 March 2021 Brunello Cucinelli S.p.A. acquired control of the company Brunello Cucinelli Middle East LLC, previously a commercial partner of the Brunello Cucinelli Group through the management of monobrand stores in Dubai, for a price of Dirham 7,725 thousand (corresponding to € 1,737 thousand). The Parent Company directly acquired 49% of the share capital of the company and by virtue of contractual agreements between shareholders acquired the management and *de facto* control thereof.

In these financial statements, the Company has made a preliminary allocation of the purchase price and will complete the process of identifying the fair value of the assets and liabilities acquired in the following period and in any case within 12 months from the date of acquisition.

7. COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

7.1 IMPAIRMENT

On each financial closing date, as required by IAS 36 and internal procedures, the Group assesses whether there are any indications of loss of value of non-current assets (€ 764.8 million as at 31 December 2021), and in particular:
– Goodwill (€ 7.0 million as at 31 December 2021).
– Right-of-use (€ 505.0 million as at 31 December 2021), which also includes compensation paid to the lessee in accordance with industry practice in order to take over a lease contract for a store located in a strategic position (so-called Key Money).
– Intangible assets (€ 13.1 million as at 31 December 2021).

Impairment Test structure
The impairment test starts from the identification of the Cash Generating Unit (CGU) or group of CGUs to which goodwill, property, plant and equipment and intangible assets with finite useful lives of the Group should be allocated. This assessment is complex and requires the application of technical and professional judgement by Management. Taking into account the organisational structure and type of business, the way in which management controls the operations of the Company and the Group, and makes decisions on whether to keep operational or dispose of assets or the group of assets and services that generate economic benefits, in line with previous years and in the absence of organisational and/or structural changes at a Group level, Brunello Cucinelli SpA has identified the individual legal entities controlled by the Group or the set of assets (including goodwill and usage rights) pertaining to the individual legal entities controlled by the Group as the smallest group of assets capable of generating cash flows that are largely independent of those generated by other assets or groups of assets.

With reference to the goodwill recognised in the financial statements at 31 December 2021 and allocated to the CGU OOO Brunello Cucinelli RUS, an impairment test is performed at least annually regardless of the presence or absence of impairment indicators.

Instead, with regard to property, plant and equipment and intangible assets with finite useful lives, in accordance with the Impairment Procedure the Group performed an analysis aimed at assessing the recoverability of the right-of-use assets and intangible and tangible assets attributable to the individual CGUs that showed indicators of impairment as at 31 December 2021.

Al 31 dicembre 2021 il management ha identificato impairment indicators per le seguenti CGU:
1) OOO Brunello Cucinelli RUS
2) Sarl Brunello Cucinelli France
3) Brunello Cucinelli (England) Ltd.
4) Brunello Cucinelli Hong Kong Ltd.
5) Brunello Cucinelli GmbH

Management believes that the assets represented by the rights of use do not represent assets capable of generating cash inflows that are largely independent of those deriving from other assets or groups of assets. Therefore, as envisaged by paragraphs 22 and 66 of IAS 36, the determination of the recoverable amount for the purpose of performing impairment tests in the presence of impairment indicators is performed at the level of the smallest cash-generating unit which the asset belongs to (i.e. the individual Cash Generating Unit - CGU). The “rights-of-use” of each individual CGU are tested for impairment in the presence of a triggering event.

The main assumptions used to calculate the recoverable value include:
– an estimation of future operating flows;
– the Weighted Average Cost of Capital (WACC);
– the nominal long-term growth rate “g”;
– the terminal value.

For the OOO Brunello Cucinelli RUS CGU, to which the goodwill recognised in the financial statements as at 31 December 2021 is allocated, and for the other CGUs for which management has identified impairment indicators at that date, the impairment test is performed by comparing the net carrying amount of the CGU (intended as the Net Invested Capital in the CGU) with the recoverable amount (intended as the higher of fair value less costs to sell and value in use, as envisaged by paragraphs 18 and 74 of IAS 36). A model based on discounting the expected future cash flows (Discounted Cash Flow – DCF) generated by the CGU was used to estimate the value in use. In line with the provisions of paragraph 75 of IAS 36, the Net Invested Capital in the CGU (legal entities) used for the purpose of the impairment test was appropriately adjusted in order to make it consistent with the recoverable amount.

As required by paragraph 33, point b of IAS 36, the cash flows used to determine value in use are based on the most recent budgets/forecasts approved by management and do not include projections of any cash inflows or outflows that are expected to arise from future restructuring or improvements or enhancements in business performance. In line with industry best practice and international accounting principles, these projections extend to a period not exceeding five years. More specifically, the explicit projection period for CGUs tested for impairment as at 31 December 2021 is three years, unless the characteristics of the business require a different period. The projections of operating cash flows used for the purposes of the value assessments are based on budgets and plans submitted for approval to the Board of Directors on 14 December 2021 and were prepared on the basis of the most recent economic and financial forecasts available and management’s expectations regarding the performance of the markets the subsidiaries operate in. This assessment is complex and requires the application of technical and professional judgement by Management. Specifically, in the forecast of the expected profitability of the stores operating in a given country (and monitored at the level of legal entity), which in turn is influenced by the forecast of the traffic and spending of customers in local markets, as well as by the assumptions underlying the calculation of the discount rate and terminal value.

In this regard, please also refer to the paragraph “Management outlook” of this Financial Report.

The present value of cash flows for the years explained in the various plans was supplemented by the Terminal Value, calculated according to the perpetual income methodology, at a growth rate “g” that represents the present value at the last forecast year of all expected future cash flows. In this case, Management considered an average growth rate “g” equal to 3.38% corresponding to the expected nominal long-term growth rate.

For the purpose of discounting cash flows and terminal value, management used a discount rate equal to the Weighted Average Cost of Capital (WACC) which, as required by paragraph 55 of IAS 36, takes into account the time value of money and the risks specific to the business for which estimates of future cash flows have not been adjusted.

The following table provides details of average discount rates by geographical area:
– OOO Brunello Cucinelli RUS: 9.8%
– Sarl Brunello Cucinelli France: 6.8%
– Brunello Cucinelli (England) Ltd.: 7.4%
– Brunello Cucinelli Hong Kong Ltd.: 7.9%
– Brunello Cucinelli GmbH: 6.5%

These discount rates, net of the tax effect, were considered adequate to reflect the cost of money and the specific risk related to operations, also taking into account the country risk. The discount rates were determined taking into account the market cost of the debt and the equity and financial structure of the CGUs.

Effects of the impairment test at the reporting date

No adjustments as at 31 December 2021 emerged from the impairment tests performed. For the CGUs tested for impairment at 31 December 2021, the value in use was higher than the carrying amount, and therefore it was not necessary to estimate the fair value net of costs to sell.

Sensitivity analysis of the impairment test

Sensitivity analyses were carried out on the impairment tests, simulating a change in the growth rate “g” equal to zero and a change in the WACC equal to +1%. These sensitivity tests did not reveal results that were significantly different from the recoverable value of the assets subject to impairment tests.

Note 1. Goodwill

The composition of goodwill at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Goodwill	7,045	7,045	-
Total goodwill	**7,045**	**7,045**	**-**

Goodwill at 31 December 2021 amounted to € 7,045 thousand and mainly arises from the business combination that took place in 2017 for the acquisition of 62% of OOO Brunello Cucinelli RUS.
At 31 December 2021, there were no changes. No indications of a possible loss in value emerged during the year.

For information on the impairment test conducted at 31 December 2021, see paragraph 7.1.

Note 2. Right-of-use

The composition of right-of-use assets at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Right to use property	504,551	470,040	34,511
Right to use equipment	261	-	261
Right to use other tangible fixed assets	156	157	(1)
Total right-of-use assets	**504,968**	**470,197**	**34,771**

Details of historical cost, accumulated depreciation and net book value of right-of-use assets at 31 December 2021 with comparative figures at 31 December 2020 are as follows:

(In € thousand)	31 December 2021			31 December 2020		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Right to use property	844,350	(339,799)	504,551	744,268	(274,228)	470,040
Right to use equipment	281	(20)	261	-	-	-
Right to use other tangible fixed assets	314	(158)	156	303	(146)	157
Total right-of-use assets	**844,945**	**(339,977)**	**504,968**	**744,571**	**(274,374)**	**470,197**

Right-of-use assets at 31 December 2021 amounted to € 504,968 thousand and mainly relate to leases for spaces in the Group's boutiques and showrooms, and to a residual extent to leases for offices and logistics. This item also includes Key Money paid by the Group as it is classified as an initial direct cost of leases according to IFRS 16.

The following tables show changes in the net book value of right-of-use assets for the years ended 31 December 2021 and 31 December 2020:

(In € thousand)	Right to use property	Right to use equipment	Right to use other tangible fixed assets	Total right-of-use assets
Balance at 1 January 2021	**470,040**	**-**	**157**	**470,197**
Increases	98,174	281	144	98,599
Net decreases	(6,727)	-	(10)	(6,737)
Translation differences	22,543	-	-	22,543
Value adjustments	-	-	-	-
Reclassifications	2	-	-	2
Change in scope of consolidation	1,684	-	-	1,684
Depreciation/amortisation	(81,165)	(20)	(135)	(81,320)
Balance at 31 December 2021	**504,551**	**261**	**156**	**504,968**

(In € thousand)	Right to use property	Right to use other tangible fixed assets	Total right-of-use assets
Balance as at 1 January 2020	**433,449**	**172**	**433,621**
Increases	175,237	106	175,343
Net decreases	(41,014)	(8)	(41,022)
Translation differences	(23,168)	-	(23,168)
Value adjustments	(299)	-	(299)
Depreciation/amortisation	(74,165)	(113)	(74,278)
Balance at 31 December 2020	**470,040**	**157**	**470,197**

The main increases during 2021 relate to new lease agreements entered into in the year for opening new boutiques, hard shops, expanding monobrand points of sale and conversions of the wholesale channel.

No adjustments emerged from the impairment tests performed.

Note 3. Intangible assets

The composition of intangible assets at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Concessions, licences, trademarks and similar rights	10,061	8,549	1,512
Other intangible fixed assets	641	1,012	(371)
Assets under construction and advances	2,368	2,575	(207)
Total intangible assets	**13,070**	**12,136**	**934**

Details of historical cost, accumulated amortisation and the net book value of intangible assets at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021			31 December 2020		
	Cost	Accumulated amortisation	Net value	Cost	Accumulated amortisation	Net value
Concessions, licences, trademarks and similar rights	35,293	(25,232)	10,061	28,622	(20,073)	8,549
Other intangible fixed assets	1,722	(1,081)	641	1,721	(709)	1,012
Assets under construction and advances	2,368	-	2,368	2,575	-	2,575
Total intangible assets	**39,383**	**(26,313)**	**13,070**	**32,918**	**(20,782)**	**12,136**

Intangible assets amounted to € 13,070 thousand at 31 December 2021 and consisted principally of concessions, licenses, trademarks and similar rights for software used in IT and Digital activities to support the business through the renovation and modernization of the Group's technological platforms, in particular those for the e-commerce website and for digital sales.

Changes in intangible assets for the years ended 31 December 2021 and 31 December 2020 are as follows:

(In € thousand)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Assets under construction and advances	Total intangible assets
Balance at 1 January 2021	**8,549**	**1,012**	**2,575**	**12,136**
Increases	3,947	-	2,303	6,250
Net decreases	-	-	-	-
Translation differences	41	3	-	44
Value adjustments	-	-	-	-
Reclassifications	2,510	(39)	(2,510)	(39)
Change in scope of consolidation	-	-	-	-
Depreciation/amortisation	(4,986)	(335)	-	(5,321)
Balance at 31 December 2021	**10,061**	**641**	**2,368**	**13,070**

(In € thousand)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Assets under construction and advances	Total intangible assets
Balance as at 1 January 2020	**6,962**	**1,309**	**3,192**	**11,463**
Increases	2,845	-	2,296	5,141
Net decreases	(12)	-	-	(12)
Translation differences	(56)	-	-	(56)
Value adjustments	-	-	-	-
Reclassifications	3,063	-	(2,913)	150
Change in scope of consolidation	-	-	-	-
Depreciation/amortisation	(4,253)	(297)	-	(4,550)
Balance at 31 December 2020	**8,549**	**1,012**	**2,575**	**12,136**

Investments for 2021 amounted to € 6,250 thousand, of which € 6,157 thousand related to the renewal project of Information Technology and IT/Digital systems, capitalised for € 3,854 thousand under "Concessions, licences, trademarks and similar rights" and for € 2,303 thousand under "Assets under construction and advances".

The impairment tests performed did not reveal any impairment losses. For more information, see paragraph 7.1.

Note 4. Property, plant and equipment

The composition of Property, plant and equipment at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Land	7,974	7,280	694
Buildings	40,732	42,071	(1,339)
Leasehold improvements	75,572	66,136	9,436
Plant and machinery	4,471	3,412	1,059
Industrial and commercial equipment	2,584	2,941	(357)
Other assets	32,558	24,849	7,709
Assets under construction and advances	2,142	3,565	(1,423)
Total property, plant and equipment	**166,033**	**150,254**	**15,779**

Details of historical cost, accumulated depreciation and the net book value of property, plant and equipment at 31 December 2021 with comparative figures at 31 December 2020 are as follows:

(In € thousand)	**31 December 2021**			**31 December 2020**		
	Cost	**Accumulated depreciation**	**Net value**	**Cost**	**Accumulated depreciation**	**Net value**
Land	7,974	-	7,974	7,280	-	7,280
Buildings	54,542	(13,810)	40,732	54,407	(12,336)	42,071
Leasehold improvements	158,461	(82,889)	75,572	131,967	(65,831)	66,136
Plant and machinery	15,686	(11,215)	4,471	13,645	(10,233)	3,412
Industrial and commercial equipment	15,742	(13,158)	2,584	13,268	(10,327)	2,941
Other assets	61,992	(29,434)	32,558	46,418	(21,569)	24,849
Assets under construction and advances	2,142	-	2,142	3,565	-	3,565
Total property, plant and equipment	**316,539**	**(150,506)**	**166,033**	**270,550**	**(120,296)**	**150,254**

Property, plant and equipment at 31 December 2021 amounted to € 166,033 thousand and consisted mainly of the value of buildings used for the production and logistics of the main headquarters, the improvements made to leased stores, as well as equipment, plant and equipment used for production and logistics and for store furnishings.

The following table sets out the changes in the net book value of property, plant and equipment for the year ended 31 December 2021 and 31 December 2020:

(In € thousand)	Land	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and equipment
Balance at 1 January 2021	**7,280**	**42,071**	**66,136**	**3,412**	**2,941**	**24,849**	**3,565**	**150,254**
Increases	288	924	22,519	1,868	1,978	13,271	1,938	42,786
Net decreases	-	-	(907)	(18)	(13)	(70)	(5)	(1,013)
Translation differences	-	-	3,244	81	92	1,598	116	5,131
Value adjustments	(318)	(635)	(686)	(2)	(30)	(78)	-	(1,749)
Reclassifications	724	-	1,704	201	360	520	(3,472)	37
Change in scope of consolidation	-	-	161	-	-	6	-	167
Depreciation/amortisation	-	(1,628)	(16,599)	(1,071)	(2,744)	(7,538)	-	(29,580)
Balance at 31 December 2021	**7,974**	**40,732**	**75,572**	**4,471**	**2,584**	**32,558**	**2,142**	**166,033**

(In € thousand)	Land	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and equipment
Balance as at 1 January 2020	**7,280**	**42,641**	**61,259**	**3,676**	**3,552**	**22,680**	**1,617**	**142,705**
Increases	-	1,029	24,257	704	1,916	8,927	2,921	39,754
Net decreases	-	-	(935)	-	(2)	(326)	-	(1,263)
Translation differences	-	-	(3,063)	(51)	(26)	(1,031)	(70)	(4,241)
Value adjustments	-	-	(999)	-	(43)	(100)	-	(1,142)
Reclassifications	-	-	432	81	142	145	(903)	(103)
Change in scope of consolidation	-	-	-	-	-	-	-	-
Depreciation/amortisation	-	(1,599)	(14,815)	(998)	(2,598)	(5,446)	-	(25,456)
Balance at 31 December 2020	**7,280**	**42,071**	**66,136**	**3,412**	**2,941**	**24,849**	**3,565**	**150,254**

In 2021, the Brunello Cucinelli Group made investments in property, plant and equipment of € 42,786 thousand consisting of the following:

– Investments totalling € 1,212 thousand under “Buildings” and “Land”, mainly related to the expansion and functionality of the industrial hub of Solomeo.
– Investments of € 22,519 thousand in “Leasehold improvements”, principally due to the openings and expansion of DOSs and wholesale points of sale and improvements to existing boutiques and showrooms throughout the world.
– Investments totalling € 17,117 thousand, of which € 1,868 thousand recognised under “Plant and machinery” (mainly referring to new machinery for production), € 1,978 thousand under “Industrial and commercial equipment” (mainly referring to investments made at sales points as well as at Solomeo headquarters), € 13,271 thousand under “Other assets” (mainly referring to investments in furniture and furnishings at sales points, as

well as for ordinary development and upgrading of machinery, furniture and furnishings, vehicles and equipment and the "historic collection" at the headquarters in Solomeo);
– Additional investments recognised in "Assets under construction and advances" totalling € 1,938 thousand, mainly relating to the work carried out in setting up points of sale.

Investments in IT/Digital amounted to € 2,256 thousand in 2021 and refer to tangible fixed assets.

"Value adjustments" at 31 December 2021 amounted to € 1,749 thousand, while at 31 December 2020 they amounted to € 1,142 thousand.

"Changes in scope of consolidation" refer to the entry of the subsidiary Brunello Cucinelli Middle East LLC.

Note 5. Investments in non-current financial assets

The composition of investment property at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Investments in non-current financial assets	6,593	4,179	2,414
Total investment property	**6,593**	**4,179**	**2,414**

This item, amounting to € 6,593 thousand, relates to property complexes and building land located in Solomeo, managed with the aim of being restored and subsequently leased, an activity started in the first half of 2021.

The table below shows changes in the net book value of investment properties for the year ended 31 December 2021:

(In € thousand)	**Total investment property**
Balance at 1 January 2021	**4,179**
Increases	2,472
Net decreases	(4)
Reclassifications	-
Depreciation	(54)
Balance at 31 December 2021	**6,593**

Note 6. Current and non-current financial assets for leases

This item includes active subleases identified as "financial leases" that have been classified and accounted for as financial assets for investment.

This item was as follows at 31 December 2021:

(In € thousand)	Non-current	Current	Total at 31 December 2021
Financial assets for leases	3,886	2,633	6,519
Total financial assets for leases	**3,886**	**2,633**	**6,519**

Changes for the years ended 31 December 2021 and 31 December 2020 are as follows:

(In € thousand)	Total financial assets for leases
Balance at 1 January 2021	**575**
Increases for new leases	8,262
Decreases for early termination of leases	(400)
Increases for interest income	18
Decreases for cash received	(1,936)
Foreign exchange gains/(losses)	-
Translation differences	-
Balance at 31 December 2021	**6,519**

(In € thousand)	Total financial assets for leases
Balance as at 1 January 2020	**991**
Increases for new leases	-
Decreases for early termination of leases	(161)
Increases for interest income	17
Decreases for cash received	(272)
Foreign exchange gains/(losses)	-
Translation differences	-
Balance at 31 December 2020	**575**

Note 7. Other non-current financial assets

The composition of other non-current financial assets at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Guarantee deposits and other financial receivables	13,538	11,039	2,499
Total other non-current financial assets	**13,538**	**11,039**	**2,499**

Other non-current financial assets consist mainly of guarantee deposits which relate to amounts paid by the Brunello Cucinelli Group on entering lease agreements for monobrand points of sale.

Note 8. Inventories

The composition of inventories at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Raw, ancillary and consumable materials	36,923	34,032	2,891
Work in progress and semi-finished goods	8,205	5,670	2,535
Finished goods and merchandise	185,758	200,372	(14,614)
Inventory write-down reserve	(31,620)	(31,727)	107
Total inventories	**199,266**	**208,347**	**(9,081)**

A comment on this item can be found in the Management Report.

Note 9. Trade receivables

Trade receivables at 31 December 2021 amounted to € 72,809 thousand compared with € 78,871 thousand at 31 December 2020. For a comment on the changes in Net Working Capital, see the Board of Directors’ Management Report.

Trade receivables represent amounts due for the supply of goods and services and are all collectible in the short term, which means that their carrying amount is effectively 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, as well as the expected loss in value.

Changes in the allowance for bad and doubtful debts during the year ended 31 December 2021 compared with the previous year are as follows:

(In € thousand)	2021	2020
Value at 1 January	**2,278**	**1,311**
Allocations	1,135	1,308
Uses	(190)	(336)
Exchange differences	26	(5)
Value at 31 December	**3,249**	**2,278**

Allocations and utilisations for the year are included under the item “Value adjustments to assets and other provisions” in the income statement.
In 2021, losses were recorded on receivables in the income statement for a total of € 120 thousand, which together with the uses of the provision for bad debts represented 0.04% of Net Revenues for the year (0.07% in the previous year).

The situation regarding overdue balances is illustrated in the usual ageing table:

	Situation at 31 December		
Overdue by:	**2021**	**2020**	**2019**
0-90 days	3,880	9,397	4,231
91-180 days	3,138	3,555	3,820
More than 180 days	4,047	4,134	2,065
TOTAL	**11,065**	**17,086**	**10,116**

The change in the balances relating to past due receivables is illustrated in the comments contained in the "Management Report of the Board of Directors", to which reference should be made, noting that as at 31 December 2021 the values were substantially in line with the situation at 31 December 2019, as things had returned to normal after the period of the pandemic during which the Group had managed its commercial policy with targeted and attentive openness and elasticity, further strengthening the close, cooperative relationship that had already existed with its consolidated, high quality clientele.

Note 10. Tax receivables

The composition of tax receivables at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
IRES corporate income tax receivables	6	1,468	(1,462)
IRAP regional production tax receivables	1	4	(3)
Other tax receivables	1,728	2,399	(671)
Total tax receivables	**1,735**	**3,871**	**(2,136)**

Tax receivables at 31 December 2021 amounted to € 1,735 thousand, mainly attributable to "Other tax receivables". The balance refers to tax credits recognised by the Group's foreign companies. Among these, the main amount refers to the receivable generated by the higher advances compared to the balance of income taxes for the year paid by the American subsidiary Brunello Cucinelli Usa Inc. Note that during the second half of 2021, the subsidiary fully collected the receivable recognised in 2020 relating to the tax benefits arising from the Cares Act.

Note 11. Other current receivables and assets

The composition of other receivables and other current assets at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Tax receivables	11,144	4,534	6,610
Credit card receivables	5,466	3,362	2,104
Prepayments and accrued income	5,148	3,307	1,841
Advances to suppliers	1,515	5,571	(4,056)
Receivables from agents	220	266	(46)
Other receivables	5,517	3,028	2,489
Total other receivables and current assets	**29,010**	**20,068**	**8,942**

Tax receivables amounted to € 11,144 thousand at 31 December 2021 compared to € 4,534 thousand at 31 December 2020.
Note that in 2021 tax credits of the Parent Company Brunello Cucinelli S.p.A. for Research and Development related to the years 2016, 2017 and 2018 were accounted for for a total of € 5,202 thousand. The residual amount mainly refers to VAT receivables recognised by the parent company and subsidiaries.

Credit cards receivables amounted to € 5,466 thousand at 31 December 2021 compared to € 3,362 thousand at 31 December 2020. The amount refers to payments received through credit cards, which occurred before the end of the year but have not yet been credited to current accounts.

Accrued income and prepaid expenses mostly arise from advance payments for the production of catalogues for the spring/summer collection which will be delivered for use in the following half year and prepayments for utilities and insurance premiums and for charges relating to the digital sphere. The increase in the balance at the end of the year is mainly due to new multi-year support contracts in the area of digital management.

Advances to suppliers are mainly paid to the production chain, especially façonisti for the external production of Group products.

Note 12. Other current financial assets

The item Other current financial assets as at 31 December 2021 amounted to € 80 thousand, while as at 31 December 2020 it amounted to € 11 thousand. This refers to short-term financial assets, including prepaid expenses on financial commissions.

Note 13. Cash and cash equivalents

The composition of cash and cash equivalents at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Bank and postal deposits	97,451	72,297	25,154
Cash in hand	525	472	53
Cheques	27	65	(38)
Total cash and cash equivalents	**98,003**	**72,834**	**25,169**

The above amounts can be readily converted into cash, they are not liable to constraints or restrictions 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 mostly refers to deposits in various leading 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 31 December 2021 compared to those of the previous year.

Note 14. Derivative financial instruments

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

The Company only takes out these contracts 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, meaning those negotiated bilaterally with market counterparties, and the determination of the relative current value is based on valuation techniques that use input parameters (such as rate curves, foreign exchange rates, etc.) observable on the market (level 2 of the fair value hierarchy envisaged by IFRS 7).

The following is noted for outstanding financial instruments at 31 December 2021:
– all financial instruments at fair value form part of Level 2 (the same situation existed in 2020);
– there have been no transfers from Level 1 to Level 2 or vice versa in 2021;
– there have been no transfers from Level 3 to other levels or vice versa in 2021.

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 derivative financial instruments – assets" and "Current derivative financial instruments – liabilities" at 31 December 2021 are set out below, with comparative figures at 31 December 2020:

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Current assets for derivative instruments hedging currency risk	161	4,935	(4,774)
Current assets for derivative instruments hedging interest rate risk:			
- Current assets for derivative instruments hedging interest risk accounted for using hedge accounting	-	-	-
- Current assets for derivative instruments hedging interest risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – current assets	**161**	**4,935**	**(4,774)**
Non-current assets for derivative instruments hedging currency risk	-	-	-
Non-current assets for derivative instruments hedging interest rate risk:			
- Non-current assets for derivative instruments hedging interest risk accounted for using hedge accounting	125	-	125
- Non-current assets for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – non-current assets	**125**	**-**	**125**
Current liabilities for derivative instruments hedging currency risk	(6,721)	(253)	(6,468)
Current liabilities for derivative instruments hedging interest rate risk:			
- Current liabilities for derivative instruments hedging interest risk accounted for using hedge accounting	(233)	(238)	5
- Current liabilities for derivative instruments hedging interest risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – current liabilities	**(6,954)**	**(491)**	**(6,463)**
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 risk accounted for using hedge accounting	-	(217)	217
- Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – non-current liabilities	**-**	**(217)**	**217**

The contractual characteristics of derivative financial instruments used to hedge interest risk and their relative fair values at 31 December 2021 and 31 December 2020 are as follows:

Derivatives on interest rate risk accounted for using hedge accounting

(In € thousand)	31 December 2021		31 December 2020	
	Current portion	Non-current portion	Current portion	Non-current portion
Derivative assets/(liabilities)	(233)	125	(238)	(217)
Total fair value of IRS	**(233)**	**125**	**(238)**	**(217)**

The contractual characteristics of derivative financial instruments used to hedge currency risk and their relative fair value at 31 December 2021 and 31 December 2020 are as follows:

(In € thousand)	Negative fair value		Positive fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Derivative assets/(liabilities)	(6,721)	(253)	161	4,935
Total fair value foreign currency forward contracts	**(6,721)**	**(253)**	**161**	**4,935**

The following table shows the book value of the financial instruments in existence (current loans and non-current loans) shown in the balance sheet, comparing them with their fair value:

(In € thousand)	31 December 2021 Fair Value	31 December 2021 Book value
Current and non-current loans	108,937	109,000

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

Note 15. Capital and reserves

The share capital at 31 December 2021 amounted to € 13,600 thousand, fully paid, consisting of 68,000,000 ordinary shares.

Shareholders' equity at 31 December 2021 amounted to € 322,400 thousand, up € 61,296 thousand compared to 31 December 2020.

Details of changes in equity for the periods ended 31 December 2021 and 31 December 2020 can be found in the consolidated statement of changes in equity.

The share premium reserve amounts to € 57,915 thousand and is stated net of the listing costs incurred in 2012, which were deducted from 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 equity reserves at 31 December 2021 with comparative figures at 31 December 2020 were as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Legal reserve	2,720	2,720	-
Extraordinary reserve	232,948	258,815	(25,867)
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	(2,623)	2,484	(5,107)
IFRS first-time adoption reserve	(782)	(782)	-
Reserve for IAS 19 effects	(561)	(517)	(44)
Translation reserve	2,168	(7,779)	9,947
Consolidated retained profits/losses	(45,626)	(37,331)	(8,295)
Total other reserves	**191,304**	**220,670**	**(29,366)**

The change in the cash flow hedge reserve of € 5,107 thousand reflects the items presented in the comprehensive income statement.

The translation reserve consists of the accumulated exchange differences arising from the translation of foreign financial statements expressed in a currency other than the euro, as well as the exchange differences generated by intercompany loans for which settlement is not planned nor likely to occur in the foreseeable future. As such it is classified and recognised initially in a separate component of equity in accordance with paragraph 15 of IAS 21 “Net Investment in a Foreign Operation”.

Shareholders’ equity attributable to non-controlling interests was € 6,259 thousand at 31 December 2021 compared to € 2,135 thousand in the previous year and represents minority interests in the Group’s subsidiaries.

Note 16. 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 liability is discounted to present value by the means described in IAS 19.

The table below shows changes in liabilities for employee benefits at 31 December 2021 compared with changes in the previous year:

(In € thousand)	2021	2020
Present value of the obligation at the beginning of the year	**3,108**	**3,182**
Revaluation of the severance indemnity pursuant to article. 2120 of the Italian Civil Code	169	114
Benefits paid	(204)	(133)
Financial (income)/expense	(90)	(32)
Exchange differences	(2)	(3)
Remeasurement of defined benefit plans (IAS 19) - as shown in the statement of comprehensive income	63	(20)
Present value of the obligation at year end	**3,044**	**3,108**

Note that the item “Remeasurement of defined benefit plans (IAS 19)” - as shown in the statement of comprehensive income reflects the contents 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

	31 December 2021	31 December 2020
Annual discount rate	0.23%	0.14%
Inflation rate	0.50%	0.50%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	31 December 2021	31 December 2020
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	31 December 2021	31 December 2020
Advances rate %	1.00%	1.00%
Turnover rate %	8.80%	8.80%

Note that the Company performed a sensitivity analysis on the actuarial assumptions used to determine the liability at 31 December 2021. Specifically, under the same conditions, a change of +10% in the discount rate used would result in a decrease in the balance of the liability equal to € 2 thousand, while a change of -10% would result in an increase in the balance of the liability equal to € 2 thousand.

Workforce

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

	31 December 2021	31 December 2020
Executives and middle managers	75.0	69.0
Office and sales staff	1,543.3	1,443.4
Blue-collar workers	541.8	532.3
Total workforce	**2,160.1**	**2,044.7**

Note 17. Provisions for risks and charges

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

The following table sets out the changes in provisions for risks and charges for the period ended 31 December 2021 with comparative figures for the year ended 31 December 2020:

(In € thousand)	2021	2020
Agents' supplementary termination indemnity – value at 1 January	**445**	**660**
Allocations	959	1,281
Uses	(664)	(825)
Actuarial losses/(gains)	1,068	(671)
Agents' severance indemnity – value at 31 December	**1,808**	**445**
Other provisions for risks - value at 1 January	**492**	**467**
Exchange differences	40	(41)
Allocations	77	168
Uses	(17)	(102)
Other provisions for risks - value at 31 December	**592**	**492**
Total provisions for risks and charges	**2,400**	**937**

Changes in uses during 2021 relate to early termination of the contractual relationship with some agents, and to the adjustment of the agents' supplementary termination indemnity provision of existing contractual relationships.

The discount rate used in the actuarial calculation of the provision for agents' severance indemnity was 0.22%, compared to 0.13% last year.

Note 18. Non-current bank debt

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

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 31 December 2021, showing the portion due within 12 months, between 1 and 5 years and after 5 years:

Description *(In € thousand)*	Balance at 31 December 2021	Portion within the next year	Portion within 5 years	Portion beyond 5 years
Total medium/long-term loans	109,000	35,324	73,676	-
Total non-current bank debt	**73,676**			

Financial covenants exist on some of the outstanding loans. These are calculated on an annual basis by making reference to the consolidated financial statements of Brunello Cucinelli S.p.A. The financial covenants are based on the ratio (Net Financial Indebtedness/Shareholders' Equity) or (Net Financial Indebtedness/EBITDA). As of 31 December 2021, all financial covenants have been met.

Reference should be made to the "Liquidity risk" section in the "Financial risk management" paragraph of these Notes for details of the repayment plan for all outstanding loans.

Finally note that the payables specified are not encumbered by collateral on company assets.

Note 19. Current and non-current lease liabilities

The application of the new IFRS 16 standard has led to the recognition of a financial liability consisting of the present value of residual future payments. The balance at 31 December 2021 breaks down as follows:

(In € thousand)	Non-current	Current	Total at 31 December 2021
Financial liabilities for leases	469,753	79,610	549,363
Total financial liabilities for leases	**469,753**	**79,610**	**549,363**

Changes for the years ended 31 December 2021 and 31 December 2020 are as follows:

(In € thousand)	Total financial liabilities for leases
Balance at 1 January 2021	**512,368**
Reclassification from financial payables to others	-
Increases for new leases	102,741
Decreases for early termination of leases	(6,881)
Increases for interest expense	10,578
Decreases for payments made	(94,567)
Foreign exchange gains/(losses)	(1,236)
Translation differences	26,360
Balance at 31 December 2021	**549,363**

(In € thousand)	Total financial liabilities for leases
Balance as at 1 January 2020	**451,477**
Reclassification from financial payables to others	4,500
Increases for new leases	174,983
Decreases for early termination of leases	(43,484)
Increases for interest expense	10,705
Decreases for payments made	(61,335)
Foreign exchange gains/(losses)	2,595
Translation differences	(27,073)
Balance at 31 December 2020	**512,368**

Net debt

The following table provides details of the net debt of the Brunello Cucinelli Group at 31 December 2021 compared to the situation at 31 December 2020, restated in accordance with the format required by Consob reminder no. 5/21 of 29 April 2021 "Compliance with ESMA Guidelines on disclosure obligations pursuant to the prospectus regulation".

(In € thousand)	**31 December 2021**	**31 December 2020**
A. Cash and cash equivalents	(98,003)	(72,834)
B. Means equivalent to cash and cash equivalents	-	-
C.1 Other current financial assets	(80)	(11)
C.2 Other current financial liabilities for leases	(2,633)	(173)
D. Cash and cash equivalents (A + B + C)	**(100,716)**	**(73,018)**
E.1 Current financial debt	10,934	2,409
E.2 Current financial debt for leases	79,610	75,412
F. Current portion of non-current financial debt	35,324	103,635
G. Current financial debt (E + F)	**125,868**	**181,456**
H. Net current debt (G + D)	**25,152**	**108,438**
I.1 Non-current financial debt	74,854	60,350
I.2 Non-current financial debt for leases	469,753	436,956
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	**544,607**	**497,306**
M. Total financial debt (H + L)	**569,759**	**605,744**
of which:		
Net financial debt for the core business	*23,029*	*93,549*
Payables for leases	*546,730*	*512,195*

For a comment, see the Management Report of the Board of Directors.

As required by IAS 7 Cash Flow Statements, the following table sets out changes in liabilities deriving from financing activities:

(In € thousand)			Non-monetary flows			
	31 December 2020	Monetary flows	Change in exchange rates	Change in fair value	Other	31 December 2021
Non-current bank payables	60,133	(54,784)	-	-	68,327	73,676
Other non-current financial payables	217	1,133	45	(217)	-	1,178
Current portion of non-current debt	103,635	-	-	-	(68,311)	35,324
Current and non-current lease liabilities	512,368	(94,567)	25,125	-	106,437	549,363
Other current financial payables	2,409	8,340	112	(5)	78	10,934
Current financial assets	(11)	-	-	-	(69)	(80)
Current financial liabilities for leases	(173)	1,936	-	-	(4,396)	(2,633)
Cash and cash equivalents	(72,834)	(22,441)	(2,728)	-	-	(98,003)
Net debt	**605,744**	**(160,383)**	**22,554**	**(222)**	**102,066**	**569,759**

It should be noted that the column "Monetary flows" indicates the flows of the statement of consolidated financial statements, while the column "Other" mainly refers to the effects of reclassification from the "non-current" portion to the "current" portion of outstanding loans, as well as, with respect to the row "Current and non-current financial liabilities for leases", to the amount generated by the effects of increases, decreases and discounted interest relating to contracts falling within the scope of IFRS 16.

Note 20. Non-current financial payables

The item Non-current financial payables, amounting to € 1,178 thousand at 31 December 2021, refers to the loan payable, for its share, by the shareholder Al Tayer to the subsidiary Brunello Cucinelli Middle East LLC, a loan that for the proportional part was made by the Group itself.

(In € thousand)	31 December 2021	31 December 2020	Change
Non-current financial payables	1,178	-	1,178
Total non-current financial payables	**1,178**	**-**	**1,178**

Note 21. Other non-current liabilities

Other non-current liabilities amounted to € 788 thousand at 31 December 2021, up compared to € 60 thousand at 31 December 2020. The balance is attributable to deferred liabilities on leases that do not fall within the application of IFRS 16.

(In € thousand)	31 December 2021	31 December 2020	Change
Non-current deferred income	788	60	728
Total other non-current liabilities	**788**	**60**	**728**

Note 22. Trade payables

The composition of trade payables at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Trade payables to third-party suppliers	102,654	91,412	11,242
Total trade payables	**102,654**	**91,412**	**11,242**

Trade payables represent amounts due for the supply of goods and services. Comments on changes in net working capital can be found in the Management Report of the Board of Directors.

Note 23. Current bank debt

The composition of current bank debt at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Current portion of medium/long-term loans	35,324	103,635	(68,311)
Bank advances received and invoices	8,040	1,261	6,779
Accrued interest liabilities	11	111	(100)
Total current bank debt	**43,375**	**105,007**	**(61,632)**

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

The current portion of medium/long-term loans refers to the portion of bank loans falling due within the next year.

Reference should be made to the Management Report of the Board of Directors for further details.

Note 24. Current financial payables

Current financial payables as at 31 December 2021 amounted to € 2,649 thousand compared to € 799 thousand for last year.

(In € thousand)	31 December 2021	31 December 2020	Change
Current financial payables	2,649	799	1,850
Total current financial payables	**2,649**	**799**	**1,850**

Note 25. Tax payables

Tax payables at 31 December 2021 amounted to € 12,242 thousand compared to € 2,621 thousand at 31 December 2020.

The item mainly includes the IRES and IRAP tax payables of the Parent Company for 2021 and the current tax payable contributed to the consolidation by the subsidiaries.

(In € thousand)	31 December 2021	31 December 2020	Change
Current IRES corporate income tax payables	9,217	-	9,217
Current IRAP regional production tax payables	1,583	208	1,375
Other tax payables	1,442	2,413	(971)
Total tax payables	**12,242**	**2,621**	**9,621**

Note 26. Other current liabilities

The composition of other current liabilities at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Payables to agents	2,769	2,860	(91)
Payables to employees	12,072	8,908	3,164
Social security payables	5,588	5,358	230
Payables of Italian companies to be paid as withholding agent (IRPEF, withholding taxes)	3,904	3,919	(15)
VAT payables	5,254	2,638	2,616
Payables for current taxes not on income	335	232	103
Accrued expenses and deferred income	701	812	(111)
Advances from customers	5,359	3,498	1,861
Other current payables to related parties	-	2,498	(2,498)
Other payables	3,221	4,348	(1,127)
Total other current liabilities	**39,203**	**35,071**	**4,132**

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, settled during the first few days of January, and the accrual for vacation leave vested but not yet taken. Social security payables refer to contributions on wages and salaries paid in December and on wages and salaries accrued at the end of December but paid during the first days of January.

Taxes withheld by the Italian companies consist of end-of-year balances for IRPEF and withholding taxes paid in January.

VAT payables relate mainly to the balances of the Group's foreign companies.

Advances from customers refer to advances that Group companies receive before the shipment of goods from some customers, both retail and wholesale, mainly foreign.

Other current liabilities to related parties as at 31 December 2020 refer to payables to the company Solomeo S.r.l. following the operation carried out with the favourable opinion of the Control and Risks Committee relating to the purchase of building land adjacent to the industrial hub of Solomeo. As per the contract, the payable was paid on 21 January 2021.

Note 27. Income taxes

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Deferred tax assets	49,546	35,368	14,178
Deferred tax liabilities	(8,575)	(6,402)	(2,173)

The balance of deferred tax assets is mainly attributable to the tax effect related to the elimination of intercompany margins on inventories and deferred taxation recorded on temporary differences generated by the accounting of rents. Deferred tax assets were also recorded on the balance of the provision for write-down of inventories. Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available against which temporary deductible differences and carried forward tax assets and liabilities can be utilised.

A breakdown of net deferred taxes as at 31 December 2021 and 2020 is as follows:

(In € thousand)	Year ended 31 December							
	Balance Sheet		**Shareholders' Equity**		**Income Statement**		**Exchange differences, change in scope of consolidation and other changes**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Amortisation of intangible assets	253	185	-	-	68	75	-	-
Depreciation of tangible assets	(6,456)	(3,778)	-	-	(2,211)	(3,441)	(467)	344
Provision for bad debts	594	419	-	-	175	165	-	-
Fair value of derivatives	827	(785)	1,612	(870)	-	-	-	-
IAS 17 – Lease payment normalisation	6,824	7,303	-	-	(1,042)	6,257	563	(569)
IAS 39 – Amortised cost	-	-	-	-	-	-	-	-
IAS 19 – Employee severance indemnity	122	112	15	(5)	(5)	(2)	-	-
IAS 37 – Agent severance indemnity	121	121	-	-	-	-	-	-
Elimination of intercompany margins on inventories	17,790	15,457	-	-	2,333	2,014	-	-
Elimination of the effects of intercompany capital gains	9	9	-	-	-	-	-	-
Prepaid taxes on tax losses	1,181	891	-	-	290	(818)	-	-
Unrealised exchange gains and losses	(269)	999	-	-	(1,268)	767	-	-
Unrealised gains and losses on changes in fair value of securities held for trading	-	-	-	-	-	30	-	-
Taxed cash transactions	277	243	-	-	17	255	17	(12)
Sale of Brunello Cucinelli Suisse S.A. shares to employees	51	49	-	-	-	-	2	-
Taxation of Brunello Cucinelli USA Retail LLC's interest in Brunello Cucinelli USA Inc.	-	-	-	-	-	479	-	8
Net investments in foreign operations	-	-	(968)	633	968	(633)	-	-
IFRS 16 – Leases	7,486	6,546	-	-	558	1,172	382	(345)
Inventory write-down	8,823	-	-	-	8,823		-	
Others	3,338	1,195	-	-	2,079	577	66	(48)
Cost/(Revenue) for deferred taxes					**10,785**	**6,897**		
Deferred taxes recognised in shareholders' equity			**659**	**(242)**				
Exchange differences and changes in scope of consolidation							**563**	**(622)**
Net deferred tax assets/(liabilities)	**40,971**	**28,966**						
Represented in the balance sheet as follows:								
Deferred tax assets	49,546	35,368						
Deferred tax liabilities	(8,575)	(6,402)						
Net deferred tax assets	**40,971**	**28,966**						

INCOME TAXES

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

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Current taxes	18,713	7,356	11,357
Deferred taxes	(10,785)	(6,897)	(3,888)
Prior year taxes	(197)	(2,172)	1,975
Income taxes in the consolidated income statement	**7,731**	**(1,713)**	**9,444**
Income taxes in the comprehensive income statement	(1,627)	875	(2,502)
Total income taxes	**6,104**	**(838)**	**6,942**

The reconciliation between the nominal and actual rates of the Brunello Cucinelli Group for the years 31 December 2021 and 2020 is as follows:

(In € thousand)	**Year ended 31 December**	
	2021	**2020**
Pre-tax results	**64,026**	**(33,782)**
IRES rate in force for the year	24.00%	24.00%
Theoretical tax charge	**(15,366)**	**8,108**
Income taxes with different rates (IRAP)	(1,924)	(1,261)
Effect of the different tax rates of foreign companies	332	(703)
Prior year taxes	196	2,172
Inventory write-down	8,823	(8,852)
Tax benefit Research and development – years 2016-2017-2018	1,451	-
Other changes	(1,243)	2,249
Total Taxes in the Income Statement	**(7,731)**	**1,713**
Actual tax rate	-12.08%	-5.07%

Please refer to the Management Report of the Board of Directors for a full explanation of the tax rate for the current year.

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

Note 28. Revenue from sales and services

The composition of revenues from sales and services for the six months ended 31 December 2021 with comparative figures for the six months ended 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Total revenue from sales and services	712,179	544,013	168,166

Revenues are earned from the sale of clothing, accessories and services of the Brunello Cucinelli Group.
For a detailed comment, see the Management Report of the Board of Directors.

Revenues may be broken down by geographical area as follows:

(In € thousand)	Year ended 31 December				Change	
	2021	% %	2020	% %	2021 v 2020	2021 v 2020 %
Italy	84,223	11.8%	68,323	12.6%	15,900	+23.3%
Europe	219,150	30.8%	173,078	31.8%	46,072	+26.6%
Americas	238,238	33.4%	174,242	32.0%	63,996	+36.7%
Asia	170,568	24.0%	128,370	23.6%	42,198	+32.9%
Total	**712,179**	**100.0%**	**544,013**	**100.0%**	**168,166**	**+30.9%**

Note that at 31 December 2021 sales are presented by market based on the geographical affiliation (Europe, Americas, Asia) of the different countries that the Group operates in, maintaining a specific focus on Italy. This mode of presentation makes it possible to give greater emphasis to the weight that each geographical area holds for the Group. In this regard, sales in countries that were previously included in the "Rest of the World" category were allocated to the specific geographical areas of reference.

Revenues may be broken down by distribution channel as follows:

(In € thousand)	Year ended 31 December				Change	
	2021	% %	2020	% %	2021 v 2020	2021 v 2020 %
Retail	419,817	58.9%	268,773	49.4%	151,044	+56.2%
Wholesale	292,362	41.1%	275,240	50.6%	17,122	+6.2%
Total	**712,179**	**100.0%**	**544,013**	**100.0%**	**168,166**	**+30.9%**

In accordance with the accounting standard IFRS 15, the Group recognises revenues for the sale of products at a point in time.

Reference should be made to the Management Report of the Board of Directors for comments on revenue performance.

Note 29. Costs for raw materials and consumables

The composition of Costs for raw materials and consumables for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Costs for raw materials and consumables	95,969	98,025	(2,056)
Change in inventories	17,641	(44,300)	61,941
Total Costs for raw materials and consumables	**113,610**	**53,725**	**59,885**

Reference should be made to the Management Report of the Board of Directors for comments on this item.

Note 30. Cost of services

The composition of the item Costs for services at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Outsourced work	119,606	121,008	(1,402)
Advertising and other marketing costs	36,058	32,069	3,989
Transport and duties	29,115	23,405	5,710
Lease expense	30,562	17,912	12,650
Commissions and accessory charges	7,810	10,635	(2,825)
Credit card charges	7,977	4,971	3,006
Outsourced services, training and miscellaneous consultancy	7,994	7,264	730
Maintenance services	6,161	5,654	507
Electricity, telephone, gas, water and postal expenses	6,912	5,693	1,219
Directors' and statutory auditors' fees	3,872	3,458	414
Insurance	1,756	1,586	170
Digital maintenance and support	3,933	1,693	2,240
Other general expenses	9,328	7,948	1,380
Total costs for services	**271,084**	**243,296**	**27,788**

The main "Costs for services" are discussed in the Management Report of the Board of Directors, to which reference should be made.

Among the other items shown in the table and not commented on in the Management Report, we note the significant increases recorded by the item Electricity, telephone, gas, water and postal expenses (increased by € 1,219 thousand) due to tariff increases in the last part of the year and by the item Digital maintenance and support (increased by € 2,240 thousand) due to the development and constant updating of the digital channel.

In conclusion it should be noted that costs for services also include an amount of € 6,472 thousand relating to expenses of an IT/Digital nature.

Note 31. Personnel costs

The composition of Personnel costs for the year ended 31 December 2021 with comparative figures for the situation at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Wages and salaries	103,561	94,084	9,477
Social security contributions	23,390	20,403	2,987
Employee severance indemnity	3,280	3,309	(29)
Other personnel costs	2,717	1,773	944
Total personnel costs	**132,948**	**119,569**	**13,379**

Reference should be made to the Management Report of the Board of Directors for a comment on personnel costs.

Note 32. Other operating costs

The composition of Other operating costs at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Taxes and duties	4,478	3,479	999
Losses on bad debts	120	66	54
Other operating costs	5,215	5,357	(142)
Total other operating costs	**9,813**	**8,902**	**911**

For the item “Other operating costs” shown in the table, a significant part is represented by costs for the purchase of devices and other personal protective equipment (PPE) aimed at containing and combating the COVID-19 epidemic emergency, as well as costs relating to the establishment of the Solomeo vaccination point.

Note 33. Other operating revenues

The composition of Other operating revenues at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Other operating revenues	10,054	2,772	7,282
Total other operating revenues	**10,054**	**2,772**	**7,282**

The item "Other operating revenues" mainly consists of non-recurring revenues related to tax credits for Research and Development of the Parent Company Brunello Cucinelli S.p.A. for the years 2016, 2017 and 2018 for a total of € 5,202 thousand. The item also includes contributions granted by foreign governments of Group companies to deal with the economic crisis created by the pandemic, which at 31 December 2021 amounted to € 2,298 thousand, as well as other income mainly related to insurance claim reimbursements.

Note 34. Increases in fixed assets for internal costs

The increase of € 3,445 thousand in fixed assets for internal costs mainly relates to production costs incurred to develop the historical collections, costs for the internal fit-out of the Group's boutiques and costs for the development of new IT procedures. The value at 31 December 2020 amounted to € 3,258 thousand.

Note 35. Depreciation/amortisation

The composition of the item Depreciation/amortisation at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Depreciation of right-of-use assets	81,320	74,278	7,042
Amortisation of intangible assets	5,321	4,550	771
Depreciation of property, plant and equipment	29,580	25,456	4,124
Depreciation of investment properties	54	-	54
Total depreciation and amortisation	**116,275**	**104,284**	**11,991**

The increase in the depreciation and amortisation charge is linked to the investments made by the Group.

Reference should be made to the Management Report of the Board of Directors for comments on depreciation trends.

Note 36. Value adjustments to assets and other provisions

At 31 December 2021, Value adjustments to assets and other provisions amounted to € 4,912 thousand and relate to allocations to the provision for doubtful accounts, allocations to the provision for agents' termination indemnity and adjustments to the residual net book value of tangible assets, recognised with the expansions of the Group's boutiques. It should be remembered that the balance of 31 December 2020 was € 35,085 thousand and included the extraordinary allocation to the provision for inventories for an amount equal to € 31,727 thousand.

Note 37. Financial expense

The composition of Financial expenses at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	**31 December 2021**	**31 December 2020**	**Change**
Lease interest expense	10,578	10,705	(127)
Mortgage loan interest	800	840	(40)
Interest payable on advances	652	1,342	(690)
Bank interest expense	-	33	(33)
Realised exchange losses	18,948	24,040	(5,092)
Unrealised exchange losses	1,107	4,043	(2,936)
Lease exchange losses	259	2,457	(2,198)
Financial expense on derivatives	2,213	2,763	(550)
Impairment of CGU ("Cash Generating Unit")	-	583	(583)
Miscellaneous financial expense	351	150	201
Total financial expense	**34,908**	**46,956**	**(12,048)**

For a comment on the trend, please see the Management Report of the Board of Directors where the item Financial expense is analysed together with the item Financial income.

Note 38. Financial income

The composition of Financial income at 31 December 2021 with comparative figures at 31 December 2020 is as follows:

(In € thousand)	31 December 2021	31 December 2020	Change
Lease interest income	18	17	1
Bank interest income	18	28	(10)
Realised exchange gains	18,385	26,533	(8,148)
Unrealised exchange gains	1,131	1,115	16
Lease exchange gains	1,369	-	1,369
Miscellaneous financial income	782	-	782
Financial income on derivatives	68	193	(125)
Other income	127	106	21
Total financial income	**21,898**	**27,992**	**(6,094)**

For a comment on the trend, please see the Management Report of the Board of Directors where the item Financial income is analysed together with the item Financial expense.

Note 39. Basic and diluted earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) 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.

Diluted earnings per share do not differ from basic earnings per share as there are no convertible bonds or other financial instruments with dilutive effects.

The following table shows net profit and share information used to calculate basic and diluted earnings per share:

(In € thousand)	31 December 2021	31 December 2020
Net profit/(loss) attributable to shareholders of the parent (in € thousand)	53,322	(33,216)
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 (in euros)	0.78415	(0.48847)
Diluted earnings per share (in euros)	0.78415	(0.48847)

Note 40. Commitments and risks

As at 31 December 2021, the Group had commitments mainly attributable to leases of new points of sale for an amount of € 44.7 million.

Also note assets owned by the Brunello Cucinelli Group lent to third parties and mainly related to operating machines and electronic equipment lent at no charge to workshops and outside companies which use them to produce and supply apparel and services for an amount of € 283 thousand.

FINANCIAL RISK MANAGEMENT

The Brunello Cucinelli Group is exposed to various types of financial risks connected with 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 established 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 most widely used financing instruments are:
– Medium/long-term loans with a multi-year amortisation plan, to cover investments in fixed assets.
– Short-term loans and bank overdrafts to finance working capital.

Furthermore, the Brunello Cucinelli Group subscribes to financial instruments to hedge the risks of fluctuations in interest rates, which could affect the burden of medium-long term financial debt, and of exchange rates that could influence the Group's economic performance.

The average cost of borrowing is linked to the trend of the 3-month and 6-month Euribor rates, plus a spread that depends on the financing instrument used and the Company's rating.
The Brunello Cucinelli Group uses derivative financial instruments to hedge interest rate risk and exchange risk. Trading in derivatives for speculative purposes is not envisaged.

In the following paragraphs, the various risks are analysed individually, where necessary applying sensitivity analysis to highlight the potential impact on final results deriving from hypothetical fluctuations in the parameters of reference. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final data of the reference periods, and by their very nature cannot be considered indicators of the real effects of future changes in the reference parameters due to a different capital and financial structure and different market conditions, nor can they reflect the interrelationships and complexity of the reference markets.

INTEREST RATE RISK

The Brunello Cucinelli Group is exposed to changes in interest rates, limited to its own floating rate debt instruments

Brunello Cucinelli Group's sensitivity to interest rate risk is managed with due regard to its overall exposure: as part of its general policy of optimising financial resources, the Group seeks a balance by resorting to less expensive forms of financing.

It is the Group's policy to hedge its exposure on the medium and long-term portion of debt for market risk arising from interest rate changes. To manage such risk the Company uses derivative instruments such as interest rate swaps.

As at 31 December 2021, there were 19 positions relating to interest rate swap derivative instruments hedging the risk associated with the potential increase in the cost to service payables to banks due to the fluctuation of market rates. The notional value of these positions amounted to € 70.3 million with a negative equivalent value of approximately € 108 thousand.
As at 31 December 2020, there were 17 positions relating to interest rate swap derivative instruments hedging the risk associated with the potential increase in the cost to service payables to banks due to the fluctuation of market

rates. The notional value of these positions amounted to €58.3 million with a negative equivalent value of approximately €455 thousand.

The short-term portion of the Payables to banks, which mainly serves to finance the need for working capital, is not subject to hedging of interest risk.

The cost of bank borrowing is linked to the Euribor rate for the period plus a spread that depends on the type of credit line used. The margins applied are comparable to the best market standards. The interest rate risk that the Brunello Cucinelli Group is exposed to mainly derives from outstanding financial payables.

Brunello Cucinelli Group's main sources of exposure to interest rate risk are attributable to short-, medium- and long-term loans and derivative instruments. While the Group has adopted a precise hedging policy, the potential impacts on the Income Statement for 2021 (2020 for comparison) attributable to interest rate risk are as follows:
- Potential change in financial and differential charges related to derivative instruments outstanding in 2021.
- Potential change in the fair value of existing derivative instruments.

Potential changes in the fair value of the effective component of existing hedging derivatives produce impacts on Shareholders' Equity.

The Brunello Cucinelli Group has estimated the potential impacts on the Income Statement and Shareholders' Equity for the 2022 financial year calculated with respect to the situation at the end of the 2021 financial year (impacts on 2021 for comparison calculated with respect to the situation at the end of the 2020 financial year) produced by a simulation of the change in the yield curve of interest rates using internal valuation models based on generally accepted logic. Specifically:
- For loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) in the rate yield curve, applied only for cash flows to be settled in 2021 (2020 for comparison).
- For derivative instruments, simulating a parallel change of +100/-30 basis points (+1%/-0.3%) in the rate yield curve.

With regard to the situation at 31 December 2021, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in financial expenses for the 2021 financial year equal to approximately € 448 thousand, offset for approximately € 446 thousand by an increase in the differentials collected against existing derivatives. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in financial expenses equal to approximately € 134 thousand, offset for approximately € 116 thousand by a reduction in the differentials collected against existing derivatives.

With regard to the situation at 31 December 2020, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in financial expenses for the 2020 financial year equal to approximately € 373 thousand, offset for approximately € 371 thousand by an increase in the differentials collected against existing derivatives. A parallel shift in the interest rate yield curve of -30 basis points (-0.3%) would result in a decrease in financial expenses of approximately € 112 thousand, offset for approximately € 88 thousand by a reduction in the differentials collected against outstanding derivatives.

	Interest 31 December 2021		
Loans	**Residual debt** *(€ 000)*	**Impact on the 2021 Income Statement +100 bps** *(€ 000)*	**Impact on the 2021 Income Statement -30 bps** *(€ 000)*
Loans payable	109,113	(448)	134
Total Loans	**109,113**	**(448)**	**134**

Derivative instruments	**Residual notional** *(€ 000)*	**Impact on the 2021 Income Statement +100 bps** *(€ 000)*	**Impact on the 2021 Income Statement -30 bps** *(€ 000)*
Cash flow hedging derivative instruments	70,272	446	(116)
Total derivatives	**70,272**	**446**	**(116)**

TOTAL		**(2)**	**18**

	Interest 31 December 2020		
Loans	**Residual debt** *(€ 000)*	**Impact on the 2021 Income Statement +100 bps** *(€ 000)*	**Impact on the 2021 Income Statement -30 bps** *(€ 000)*
Loans payable	163,895	(373)	112
Total Loans	**163,895**	**(373)**	**112**

Derivative instruments	**Residual notional** *(€ 000)*	**Impact on the 2021 Income Statement +100 bps** *(€ 000)*	**Impact on the 2021 Income Statement -30 bps** *(€ 000)*
Cash flow hedging derivative instruments	58,292	371	(88)
Total derivatives	**58,292**	**371**	**(88)**

TOTAL		**(2)**	**24**

With regard to the situation at 31 December 2021, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in the asset value of existing hedging derivative instruments equal to approximately € 1,204 thousand, with an impact only on shareholders' equity. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in the asset value of existing derivative instruments equal to approximately € 336 thousand, with an impact solely on shareholders' equity.

With regard to the situation at 31 December 2020, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in the asset value of existing hedging derivative instruments equal to approximately € 1,008 thousand, with an impact only on shareholders' equity. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in the asset value of existing derivative instruments equal to approximately € 235 thousand, with an impact solely on shareholders' equity.

	Sensitivity of the fair value of derivatives 31 December 2021									
	Notional value *(€ 000)*	Fair value *(€ 000)*	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 bps	Change in net fair value -30 bps	Impact on the Income Statement -30 bps	Impact on Shareholders' Equity -30 bps
	A	b	c	d = c-b	e = d-f	f	g	h = g-b	i = h-j	J
Cash flow hedging derivative instruments	70,272	(108)	1,096	1,204	-	1,204	(444)	(336)	-	(336)
Other derivatives	-	-	-	-	-	-	-	-	-	-
TOTAL	**70,272**	**(108)**	**1,096**	**1,204**	**-**	**1,204**	**(444)**	**(336)**	**-**	**(336)**

	Sensitivity of the fair value of derivatives 31 December 2020									
	Notional value *(€ 000)*	Fair value *(€ 000)*	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 bps	Change in net fair value -30 bps	Impact on the Income Statement -30 bps	Impact on Shareholders' Equity -30 bps
	A	b	c	d = c-b	e = d-f	f	g	h = g-b	i = h-j	J
Cash flow hedging derivative instruments	58,292	(455)	553	1,008	-	1,008	(690)	(235)	-	(235)
Other derivatives	-	-	-	-	-	-	-	-	-	-
TOTAL	**58,292**	**(455)**	**553**	**1,008**	**-**	**1,008**	**(690)**	**(235)**	**-**	**(235)**

The assumptions regarding the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical evolution of these parameters over a 12-month horizon.

CURRENCY RISK

The Brunello Cucinelli Group is exposed to currency risk for the currencies (primarily the US dollar) in which sales are made to affiliates and third-party customers, while the cost structure is primarily concentrated in the euro area. This risk exists in the eventuality that the countervalue of revenues in euro may decrease in the event of adverse fluctuations in the exchange rate, thereby preventing the desired margin from being achieved.
Due to the geographical composition of the corporate structure, with subsidiaries located in different countries with different currencies, the Group is exposed to exchange rate risk related to intercompany cash flows (mainly dividends, loans, capital transactions).
Finally, the Group is exposed to so-called “translation risk”. This risk implies that assets and liabilities of consolidated companies whose functional currency is different from the euro may have different market values in euros depending on exchange rate fluctuations, the amount of which is reflected in the “translation reserve” in shareholders’ equity. The Group monitors the performance of this exposure, against which no hedging transactions were in place at the balance sheet date.

To limit its exposure to the currency risk deriving from its business activities the Brunello Cucinelli Group enters into derivative contracts (forward exchange 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 defined on the basis of estimated sales, with the expiry date of the derivative set as the expected collection date of the sales invoices. In particular, the Group sets its selling prices in euros and calculates the corresponding prices in foreign currency by applying the exchange rate of the average of the hedges made with forward contracts.

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 shareholders' 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 2021, the Group reclassified as an increase in revenues € 3,724 thousand previously recognised in the cash flow hedge reserve
During 2020, the Group reclassified as a decrease in revenues € 14 thousand previously recognised in the cash flow hedge reserve

The potential effects on the 2022 income statement (2021 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 effective component of outstanding derivatives highly probable transactions in foreign currency.

The potential effects on the 2022 Shareholders' Equity (2021 for comparative purposes) arising from currency risk are:
– Change in fair value of the effective component of outstanding derivatives highly probable transactions in foreign currency.

The Brunello Cucinelli Group has estimated the potential effects on its 2022 income statement and shareholders' equity, calculated with reference to the situation at the end of 2021 (2020 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 2021			SENSITIVITY 2021	
	Income	Expense	Net	Income Statement Euro/US dollar exchange rate	
	(US dollar/000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	10,527	(6,867)	3,660	162.0	(162.0)
Total gross exposure of balance sheet items	**10,527**	**(6,867)**	**3,660**	**162.0**	**(162.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/US dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(146,040)	6,447	(6,447)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Swiss franc exchange rate	
	(CHF 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	117	(963)	(846)	(41.0)	41.0
Total gross exposure of balance sheet items	**117**	**(963)**	**(846)**	**(41.0)**	**41.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Swiss franc exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(9,000)	436	(436)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/British pound exchange rate	
	(GBP 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	1,279	(154)	1,125	67.0	(67.0)
Total gross exposure of balance sheet items	**1,279**	**(154)**	**1,125**	**67.0**	**(67.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/British pound exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(11,650)	693	(693)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Japanese yen exchange rate	
	(JPY 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	530,981	(164,201)	366,780	141.0	(141.0)
Total gross exposure of balance sheet items	**530,981**	**(164,201)**	**366,780**	**141.0**	**(141.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Japanese yen exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(1,800,000)	690	(690)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Hong Kong dollar exchange rate	
	(HKD 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	2,230	(3,391)	(1,161)	(7.0)	7.0
Total gross exposure of balance sheet items	**2,230**	**(3,391)**	**(1,161)**	**(7.0)**	**7.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Hong Kong dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(84,800)	480	(480)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Canadian dollar exchange rate	
		(CAD 000)		+ 5% (€ 000)	- 5% (€ 000)
Trade balances	5,013	(537)	4,476	155.0	(155.0)
Total gross exposure of balance sheet items	**5,013**	**(537)**	**4,476**	**155.0**	**(155.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Canadian dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(23,000)	799	(799)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Renminbi exchange rate	
		(CNY 000)		+ 5% (€ 000)	- 5% (€ 000)
Trade balances	47,612	(14,062)	33,550	233.0	(233.0)
Total gross exposure of balance sheet items	**47,612**	**(14,062)**	**33,550**	**233.0**	**(233.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Renminbi exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(213,000)	1,480	(1,480)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Rouble exchange rate	
		(RUB 000)		+ 5% (€ 000)	- 5% (€ 000)
Trade balances	-	(10,753)	(10,753)	(6.0)	6.0
Total gross exposure of balance sheet items	**-**	**(10,753)**	**(10,753)**	**(6.0)**	**6.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Rouble exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(640,000)	375	(375)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Singapore dollar exchange rate	
	(SGD 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	-	(86)	(86)	(3,0)	3,0
Total gross exposure of balance sheet items	**-**	**(86)**	**(86)**	**(3.0)**	**3.0**

Exposure arising from highly probable future transactions	Nozionale	Changes in equity Euro/Renminbi exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(2,250)	74	(74)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Danish krone exchange rate	
	(DKK 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	1	(82)	(81)	(0.6)	0.6
Total gross exposure of balance sheet items	**1**	**(82)**	**(81)**	**(0.6)**	**0.6**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Taiwan dollar exchange rate	
	(TWD 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	23,635	(3,843)	19,792	32.0	(32.0)
Total gross exposure of balance sheet items	**23,635**	**(3,843)**	**19,792**	**32.0**	**(32.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Taiwan dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(46,000)	73	(73)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Dirham exchange rate	
	(AED 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	2,072	(758)	1,314	15.8	(15.8)
Total gross exposure of balance sheet items	**2,072**	**(758)**	**1,314**	**15.8**	**(15.8)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Dirham exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(15,500)	186	(186)

	FOREIGN CURRENCY EXPOSURE			SENSITIVITY 2020	
Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/US dollar exchange rate	
	(US dollar/000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	11,946	(7,021)	4,925	(200.7)	200.7
Total gross exposure of balance sheet items	**11,946**	**(7,021)**	**4,925**	**(200.7)**	**200.7**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/US dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(58,000)	2,363	(2,363)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Swiss franc exchange rate	
	(CHF 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	129	(173)	(43)	2.0	(2.0)
Total gross exposure of balance sheet items	**129**	**(173)**	**(43)**	**2.0**	**(2.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Swiss franc exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(1,900)	88	(88)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/British pound exchange rate	
	(GBP 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	1,685	(521)	1,163	(64.7)	64.7
Total gross exposure of balance sheet items	**1,685**	**(521)**	**1,163**	**(64.7)**	**64.7**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/British pound exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(5,100)	284	(284)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Japanese yen exchange rate	
	(JPY 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	471,344	(286,410)	184,933	(73.1)	73.1
Total gross exposure of balance sheet items	**471,344**	**(286,410)**	**184,933**	**(73.1)**	**73.1**

Exposure arising from highly probable future transactions	Notional	VChanges in shareholders equity Euro/Japanese yen exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(550,000)	217	(217)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Hong Kong dollar exchange rate	
		(HKD 000)		+ 5% (€ 000)	- 5% (€ 000)
Trade balances	2,985	(1,227)	1,759	(9.2)	9.2
Total gross exposure of balance sheet items	**2,985**	**(1,227)**	**1,759**	**(9.2)**	**9.2**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Hong Kong dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(20,000)	105	(105)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Canadian dollar exchange rate	
		(CAD 000)		+ 5% (€ 000)	- 5% (€ 000)
Trade balances	3,937	(508)	3,428	(109.7)	109.7
Total gross exposure of balance sheet items	**3,937**	**(508)**	**3,428**	**(109.7)**	**109.7**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Canadian dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(8,400)	269	(269)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Renminbi exchange rate	
	(CNY 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	56,840	(23,370)	33,470	(208.6)	208.6
Total gross exposure of balance sheet items	**56.840**	**(23.370)**	**33.470**	**(208,6)**	**208,6**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Renminbi exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(91,000)	567	(567)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Real exchange rate	
	(BRL 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	-	(14)	(14)	0.1	(0.1)
Total gross exposure of balance sheet items	**-**	**(14)**	**(14)**	**0.1**	**(0.1)**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Rouble exchange rate	
	(RUB 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	-	(30,971)	(30,971)	16.9	(16.9)
Total gross exposure of balance sheet items	**-**	**(30.971)**	**(30.971)**	**16,9**	**(16,9)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Rouble exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(240,000)	131	(131)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Singapore dollar exchange rate	
	(SGD 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	1	(391)	(391)	12.0	(12.0)
Total gross exposure of balance sheet items	**1**	**(391)**	**(391)**	**12.0**	**(12.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Singapore dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(860)	27	(27)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Danish krone exchange rate	
	(DKK 000)			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	125	(144)	(19)	0.1	(0.1)
Total gross exposure of balance sheet items	**125**	**(144)**	**(19)**	**0.1**	**(0.1)**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Taiwan dollar exchange rate	
	TWD			+ 5% (€ 000)	- 5% (€ 000)
Trade balances	17,481	(2,287)	15,194	(22.0)	22.0
Total gross exposure of balance sheet items	**17,481**	**(2,287)**	**15,194**	**(22.0)**	**22.0**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders equity Euro/Taiwan dollar exchange rate	
		+ 5% (€ 000)	- 5% (€ 000)
Forward sales (Notional Value)	(29,500)	43	(43)

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

LIQUIDITY RISK

The Brunello Cucinelli Group manages liquidity risk by strictly controlling the items making up working capital and, in particular, receivables from customers and payables to suppliers.

The Group 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.

The following tables provide a stratification of outstanding liabilities for 2021 and 2020 relating to financial instruments by residual maturity:

	Situation at 31 December 2021				
	Financial Payables				
	Principal (€ 000)	Interest (€ 000)	Trade Payables (€ 000)	Derivative instruments (€ 000)	TOTAL (€ 000)
	a	b	c	d	e = a+b+c+d
Maturity:					
Within 12 months	35,270	587	102,654	164	138,675
Between 1 and 2 years	29,958	735	-	(258)	30,435
Between 2 and 3 years	23,064	484	-	(222)	23,326
Between 3 and 5 years	20,708	255	-	(123)	20,840
Between 5 and 7 years	-	-	-	-	-
More than 7 years	-	-	-	-	-
TOTAL	**109,000**	**2,061**	**102,654**	**(439)**	**213,276**

	Situation at 31 December 2021				
	Financial Payables				
	Principal (€ 000)	Interest (€ 000)	Trade Payables (€ 000)	Derivative instruments (€ 000)	TOTAL (€ 000)
	a	b	c	d	e = a+b+c+d
Maturity:					
Within 12 months	103,552	829	91,412	241	196,034
Between 1 and 2 years	26,573	217	-	147	26,937
Between 2 and 3 years	18,749	128	-	59	18,936
Between 3 and 5 years	14,895	65	-	12	14,972
Between 5 and 7 years	(1)	-	-	-	(1)
More than 7 years	-	-	-	-	-
TOTAL	**163,768**	**1,239**	**91,412**	**459**	**256,878**

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 the reporting date (31 December 2021 and 31 December 2020).

CREDIT RISKS

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

The Brunello Cucinelli Group's exposure to commercial credit risk refers only to sales made to the wholesale channel, which represents approximately 41.1% of net revenues at 31 December 2021: the remaining turnover refers to sales in 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 both by using information obtainable from specialised 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 provision for bad debts for the years ended 31 December 2021 and 2020 set out in Note 9.
Specifically, note that the percentage ratio of the sum of the utilizations of the provision for bad debts and bad debt losses as compared to revenues (0.04% in 2021 and 0.07% in 2020) support a prudent and sound mindset in credit management.

The carrying amount of trade receivables in the financial statements is stated net of the provision 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 for the years 2021 and 2020:

	Situation at 31 December	
Overdue by:	**2021**	**2020**
0-90 days	3,880	9,397
91-180 days	3,138	3,555
More than 180 days	4,047	4,134
TOTAL	**11,065**	**17,086**

OTHER DISCLOSURES

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 12 March 2010, it is acknowledged that during 2021 the Group did not enter into major or material transactions with related parties that significantly affected the Group's capital or profit or loss.

All transactions that are part of the normal operations of Brunello Cucinelli Group companies have been carried out in the exclusive interest of the Group, applying contractual conditions consistent with those theoretically achievable in negotiations with third parties.

Details of the Brunello Cucinelli Group's transactions and balances with related parties as at 31 December 2021 are as follows:

(In € thousand)	**Net revenues**	**Other operating revenues**	**Costs for raw materials and consumables**	**Cost of services**	**Payroll costs**	**Property, plant and equipment**	**Other non-current financial assets**	**Trade re-ceivables**	**Trade payables**	**Other current liabilities**
MO.AR.R. S.n.c.	2	3	55	34	-	7,424	-	-	436	-
AS.VI.P.I.M. Cucinelli Group	-	3	-	904	-	1	-	4	75	-
Foro delle Arti S.r.l.	-	3	-	199	-	5,084	32	5	2	-
Verna S.r.l.	-	3	-	485	-	-	-	5	66	-
Brunello Cucinelli family	-	4	-	802	751	-	-	-	-	43
Directors and Executives with strategic responsibilities	-	-	-	1,139	1,368	-	-	-	-	674
Prime Service Italia S.r.l.	-	3	-	202	-	-	-	4	-	-
Fedone S.r.l.	-	3	-	79	-	-	-	5	38	-
Brunello Cucinelli Foundation	3	9	-	13	-	-	-	17	-	-
Castello di Solomeo S.a.S.	-	9	61	72	-	8	-	8	4	-
S.C.R.Oratorio Interreligioso S.S.D. A.r.l.	-	3	-	-	-	-	-	4	-	-
Total related parties	**5**	**43**	**116**	**3,929**	**2,119**	**12,517**	**32**	**52**	**621**	**717**
Total consolidated financial statements	**712,179**	**10,054**	**113,610**	**271,084**	**132,948**	**166,033**	**13,538**	**72,809**	**102,654**	**39,203**
Proportion %	*0.00%*	*0.43%*	*0.10%*	*1.45%*	*1.59%*	*7.54%*	*0.24%*	*0.07%*	*0.60%*	*1.83%*

The following table sets out the balances at 31 December 2021 arising from the application of the new standard IFRS 16 to related party transactions:

(In € thousand)	**Right-of-use**	**Non-current financial liabilities for leases**	**Current financial liabilities for leases**	**Depreciation/ amortisation**	**Financial expense**
Foro delle Arti S.r.l.	4,677	4,595	541	547	151
Total related parties	**4,677**	**4,595**	**541**	**547**	**151**
Total consolidated financial statements	**504,968**	**469,753**	**79,610**	**116,275**	**34,908**
Proportion %	*0.93%*	*0.98%*	*0.68%*	*0.47%*	*0.43%*

Specifically:

- MO.AR.R. S.n.c.: commercial relations with the company MO.AR.R. S.n.c., of which Mr. 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 points of sale and offices.

- AS.VI.P.I.M. Gruppo Cucinelli: this association conducts the surveillance of all of the buildings located in Solomeo and used by the Group for its business. It should be noted that Cav. Lav. Brunello Cucinelli and the Group are both members.

- Foro delle Arti S.r.l.(former Solomeo S.r.l.): a company in which Cav. Lav. Brunello Cucinelli is the Chairman and CEO; transactions mainly relate to renting and making investments in property used by the Company for conducting operations in the area close to the Company's headquarters. The amounts involved and set out in the above table include the effects of applying the new accounting standard IFRS 16.

- Verna S.r.l.: this company, whose shareholders are Cav. Lav. Brunello Cucinelli and Fedone S.r.l., provides services for the cleaning of the premises and factories of the Company's administrative and production facility in Solomeo.

- Brunello Cucinelli family: this is the remuneration deriving from the employment relationship and the fees for the office of Director of the Parent Company of Cav. Lav. Brunello Cucinelli and some of his family members.

- Directors and Executives with Strategic Responsibilities: includes the remuneration paid to Executives with Strategic Responsibilities for the employment relationship as well as the emoluments for the position of directors of the Parent Company (including the emoluments of the CEO Riccardo Stefanelli);

- Prime Service Italia S.r.l.: this company, controlled by Cav. Lav. Brunello Cucinelli, provides transport services on behalf of Group companies.

- Fedone S.r.l.: a company in which Cav. Lav. Brunello Cucinelli is the Chairman and CEO and which at 31 December 2021 holds a 50.05% interest in the parent company.

- Brunello Cucinelli Foundation, Castello di Solomeo S.a.S (former Parco Agrario Solomeo) and S.C.R. Oratorio Interreligioso S.S.D. A.r.l.: insignificant amounts relating mainly to recharges for services rendered.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021

Reference should be made to the Management Report of the Board of Directors 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 total compensation due to members of the Board of Directors of Brunello Cucinelli S.p.A. at 31 December 2021 amounted to € 2,187 thousand.
The compensation accruing to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 31 December 2021 amounted to € 158 thousand.
The table below shows the compensation due to members of the Board of Directors for the year ended 31 December 2021 by Brunello Cucinelli S.p.A. and by direct or indirect subsidiaries:

Board of Directors

(In Euro)		Esercizio chiuso al 31 dicembre 2021								
Full name	**Office held**	**Term of office**	**Expiry**	**Remuneration**	**Fees for participation in committees**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other remuneration**	**Other remuneration received from subsidiaries**	**General total**
Brunello Cucinelli	Chairman and Chief Executive Officer	01-Jan - 31-Dec	a)	802,400	-	-	-	-	-	802,400
Riccardo Stefanelli	Director and Chief Executive Officer	01-Jan - 31-Dec	a)	252,800	-	-	300,000	-	-	552,800
Luca Lisandroni	Director and Chief Executive Officer	01-Jan - 31-Dec	a)	253,200	-	-	300,000	-	-	553,200
Giovanna Manfredi	Director	01-Jan - 31-Dec	a)	2,800	-	-	-	-	-	2,800
Camilla Cucinelli	Director	01-Jan - 31-Dec	a)	1,200	-	-	-	-	-	1,200
Carolina Cucinelli	Director	01-Jan - 31-Dec	a)	2,000	-	-	-	-	-	2,000
Stefano Domenicali	Independent director	01-Jan - 31-Dec	a)	32,800	10,000	-	-	-	-	42,800
Anna Chiara Svelto	Independent director	01-Jan - 31-Dec	a)	33,200	35,000	-	-	-	-	68,200
Andrea Pontremoli	Independent director	01-Jan - 31-Dec	a)	32,800	10,000	-	-	-	-	42,800
Ramin Arani	Independent director	01-Jan - 31-Dec	a)	33,200	-	-	-	-	-	33,200
Maria Cecilia La Manna	Independent director	01-Jan - 31-Dec	a)	32,400	10,000	-	-	-	-	42,400
Emanuela Bonadiman	Independent director	01-Jan - 31-Dec	a)	32,800	10,000	-	-	-	-	42,800

a) with the approval of the 2022 financial statements.
Note that the amounts stated above do not include salaries received as employee income.

The table below summarises the remuneration paid to the members of the Board of Statutory Auditors for the year ended 31 December 2021.

Board of Statutory Auditors

(In euros)		Year ended 31 December 2021			
Full name	**Office held**	**Term of office**	**Expiry**	**Remuneration**	**General total**
Paolo Prandi	Chairman	01-Jan - 31-Dec	a)	62,000	62,000
Alessandra Stabilini	Standing Auditor	01-Jan - 31-Dec	a)	48,000	48,000
Gerardo Longobardi	Standing Auditor	01-Jan - 31-Dec	a)	48,000	48,000

a) with the approval of the 2022 financial statements.

DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUERS' REGULATION

Type of services *(In € thousand)*	**Service provided by**	**Recipient**	**Total Fees 2021**
Audit	Auditor of the Parent Company	Parent company	381
Other services	Auditor of the Parent Company	Parent company	18
Sub total			**399**
Audit	i) Network of the parent's auditor	Subsidiary	97
	ii) Other auditors	Subsidiary	96
Sub total			**193**
Total			**592**

POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that there were no atypical and/or unusual transactions, as defined in said Communication.

Solomeo, 14 March 2022

Luca Lisandroni	**Cav. Lav. Brunello Cucinelli**	**Riccardo Stefanelli**
Chief Executive Officer Market Area	Chairman of the Board of Directors	Chief Executive Officer Product and Operations Area

CERTIFICATION PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (CONSOLIDATED FINANCE ACT) AND ARTICLE 81-TER OF CONSOB REG. NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1) The undersigned Luca Lisandroni, as Chief Executive Officer of the Markets Area, Riccardo Stefanelli, as Chief Executive Officer of the Product and Operations Area, and Moreno Ciarapica, as the Financial Reporting Officer 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 24 February 1998:
   - their adequacy with respect to the Company and
   - the effective application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements in the period between 1 January 2021 to 31 December 2021
2) No significant aspects arose from applying the administrative and accounting procedures for the preparation of the annual consolidated financial statements as at 31 December 2021.
3) We also certify that:

   3.1 the annual consolidated financial statements:

   a) have been prepared in accordance with the international accounting standards recognised by the European Community as per Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 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 financial position, results and cash flows of the issuer as well as the set of companies included in the consolidation.

   3.2 The Management Report includes a fair review of the development and performance of operations and of the position of the issuer and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they are exposed to

Solomeo, 14 March 2022

Luca Lisandroni	**Riccardo Stefanelli**	**Moreno Ciarapica**
Chief Executive Officer	Chief Executive Officer	Financial Reporting
Market Area	Product and Operations Area	Officer

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO.39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

BRUNELLO CUCINELLI SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Brunello Cucinelli SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brunello Cucinelli Group (the Group), which comprise the consolidated balance sheet as of 31 December 2021, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Brunello Cucinelli SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Evaluation of the recoverability of the right-of-use assets	
Note "7.1 Impairment" of the consolidated financial statements as of 31 December 2021 At 31 December 2021, right-of-use assets amounted to Euro 505 million, corresponding to 43 per cent of total consolidated assets. The right-of-use assets were tested for impairment (impairment test) as at 31 December 2021 when there were indicators of possible impairment and/or goodwill allocated to the related Cash Generating Unit (CGU), in accordance with the impairment procedure approved by the Board of Directors on 10 March 2022, by comparing the book value of the CGUs to which they are allocated and the related value in use, identifiable as the present value of the future cash flows expected to be derived from the CGUs using the Discounted Cash Flow Model. The present value of the cash flows for the explicit forecast period was integrated by the Terminal Value calculated according to the perpetuity growth method obtained by capitalising the cash flows generated in the latest analytical forecast period at a long-term growth rate (G-rate). For discounting cash flows, Company management used the weighted average cost of capital (WACC) deemed appropriate to reflect the cost of money and the specific risk connected with operations, considering the country risk. The impairment tests performed at 31 December 2021 did not highlight any impairment losses. The Group carried out a sensitivity analysis on the basis of the changes in the discount rate and G-rate. Furthermore, for the OOO Brunello Cucinelli RUS CGU, the Group assessed the impact of the ongoing Russian-Ukrainian conflict and in light of this assessment it emerged that, should sanctions	We performed an understanding of the procedure for evaluating impairment losses, if any, adopted by the Company management at 31 December 2021 and approved by the Company's Board of Directors on 10 March 2022. For those CGUs for which the Company management identified indicators of potential impairment and/or to which goodwill was allocated at 31 December 2021, we analysed the method used to develop the impairment tests in consideration of the prevailing professional valuation practice and in accordance with the provisions of IAS 36 "Impairment of assets" adopted by the European Union. We verified the correct allocation of the book value of the assets attributable to the CGUs. We checked that all assets within the scope of the standard and booked in the consolidated financial statements had been tested for impairment when indicators of potential impairment and/or goodwill existed. With reference to the expected future cash flows for the CGUs, we verified the agreement of these cash flows with the impairment tests approved by the Company's Board of Directors. We analysed the main assumptions and key hypotheses on which the Company management based their projections on the CGUs tested for impairment. We assessed, including through inquiries of Company management, the reasonableness and correctness of the forecast data used by the Company compared with what is provided for in IAS 36, with the results obtained in the previous years and the external sources of information. We re-calculated the discount and long-term

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
worsen and endure for long, there might be the risk of partial non-recoverability of the assets related to this CGU, with particular reference to goodwill. We considered the evaluation of the right-of-use assets as a key audit matter, taking account of the significance of the values in question and the high degree of judgement required to determine the main assumptions used as part of the determination of the recoverable amount.	growth rates and verified the accuracy of the tests from a mathematical point of view. From the same perspective we also re-performed the sensitivity analyses prepared by the Company, including the impacts on the OOO Brunello Cucinelli RUS CGU from the ongoing conflict between Russia and Ukraine. We compared the book value of the right-of-use assets with their recoverable value. These activities were carried out also with the support of the PwC network experts in valuation models. Finally, we considered the completeness and adequacy of the financial statement disclosures.

Other Matters

The consolidated financial statements of Brunello Cucinelli group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2021.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Brunello Cucinelli SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 19 April 2021, the shareholders of Brunello Cucinelli SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Brunello Cucinelli SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Brunello Cucinelli SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Brunello Cucinelli Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Brunello Cucinelli Group as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Brunello Cucinelli Group as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Brunello Cucinelli SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Pescara, 31 March 2022

PricewaterhouseCoopers SpA

Signed by

Stefano Amicone
(Partner)

As disclosed by the Directors on page 84, the accompanying consolidated financial statements of Brunello Cucinelli SpA constitute a non-official version which have not been prepared in XHTML format and have not been marked, in al significant respects, according with the provisions of the Commission Delegated Regulation. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.