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BRUNELLO CUCINELLI

ANNUAL FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We have added another year to our journey, a path that has been continuing for 11 years since we were listed in 2012, and which I personally consider to be extremely fascinating. It has allowed us to get through and face many challenges with steadfast and united spirits.

We have just finished a period that we have defined "particularly beautiful and noble" for our Casa di Moda, with many important moments and milestones we believe to be the fruit of our principles of Humanistic Capitalism and Human Sustainability, which have always illuminated our path. These values have helped us navigate large and small changes in the world, they have supported us when we had to make important decisions, have inspired our actions targeted towards protecting human dignity and all of creation. 2023 also coincides with an important symbolic milestone: the 45th anniversary of our establishment which we celebrated with a special plenary meeting at our beautiful factory in Solomeo. It is very important for us to point our how the beating heart of our company lies in the remarkable skills of our artisans and the vibrant sensitivity of all our human resources, as these are the foundations on which we base our ability to express the excellence of our products and the philosophy that characterises us.

We were particularly honoured by two recognitions in 2023. The first, which concerns the taste and philosophy that distinguish us, is the 2023 Designer of the Year award, which we received from the men's magazine GQ China in the beautiful town of Puyuan. The second, which rewards the path we have taken together since we were listed on the Italian Stock Exchange, and the entry of our stock in the FTSE MIB, the main index of Piazza Affari, which is a result that makes us very proud, especially for the way in which we obtained it together in a little more than ten years. These recognitions are added to a series of prestigious awards that have recently testified to the international recognition of our distinctive style ad our way of doing business, starting with the illustrious 2021 Designer of the Year award received in London from British GQ. Furthermore, in October 2021 we had the great honour of being invited to the G20 in Rome, where we have the opportunity to present the model and ideal that guide our work to important politicians from around the world. Finally, we received the "Neiman Marcus Fashion Award" in 2022, a type of "Oscar" for the fashion world.

These occasions strengthen our determination for the work we do every day in Solomeo, confirm the validity of the path we have taken and instil new optimism in the values we aspire to transmit through our collections.

In our pursuit of sustainable growth, we have always kept our central focus on the fundamental values of our company: respect for beauty, human dignity and work, the search for fair profit, protection of traditions and the search for innovations and technology that harmoniously support human creativity. It was according to these ideals that we inaugurated the School of Arts and Crafts in 2013, which is academy targeted to young people who desire to learn and perpetuate the value of a remarkable tradition. A place for training that we have enriched over time with new courses and new spaces, always with our conscious rooted in the excellence of Italian craftsmanship and our focus projected towards the future.

We firmly believe that finding the right balance between work and personal life, between contributing to the common good and taking care of our own spirituality is the foundation for creating a humanly prosperous community. This search for balance is also of fundamental importance in our relationship with our suppliers, with whom we have created a relationship based on mutual trust, which was reinforced further during the challenges presented by the pandemic. The value we place on human relationships is also apparent in our relationship with the environment: we are committed to improving the spaces in which we live and work, to restoring a significant link between human creations and the natural environment, opting, where possible, for regeneration instead of expansion at the expense of nature. This project included the renewal of the valley below Solomeo, which we have renamed the "pleasant peripheries", returning to it its innate harmony, reintegrating the beauty of our rural landscapes with the elegance of our hamlets. We mean the commitment to protecting the beauty of creation as a transversal program, which combines all the activities of our Casa di Moda. We have also taken on the objective of contributing towards improving the climate of our plant with a major plan for the reduction of CO_2 emissions.

The last large project, which is still being implemented, is the construction of the "Universal Library of Solomeo", promoted by the "Brunello and Federica Cucinelli Foundation", which will be located inside one of the historical buildings of the hamlet, a noble 18th-century villa with its own large park. For this project we were inspired not only by the patrimony we inherited from the great thinkers of the past, but also by the relationship that links us to new technologies, which are so fast and efficient in providing support but so far away from feelings, emotions and the need for the right time, which are inherent to human spirituality. We believe that this place of harmony, of sharing and of custody can also represent an expression, both symbolic and concrete at the same time, of the gentle and harmonious behaviour we like to have with people.

The sales of our 2024 Spring-Summer Collections are proceeding in a very positive manner, starting to complete the cycle that started with a wonderful order intake and predicting a very interesting half of the year. We are decidedly very satisfied by the sales campaign started for the 2024 Fall-Winter Collections, which were presented during events considered by the press and industry professionals as a special moment, also thanks to the friendly, serene and relaxed atmosphere that we always try to transmit, and that, in our opinion, helps appreciate the material and artisan quality of our products.

2023 ended with results that we define as particularly important and noble for our Casa di Moda, recording a 23.9% increase in turnover. Furthermore, the excellent quality of sales in our boutiques and in the multibrands make it possible for us to have a very optimistic outlook for the start of this year. In consideration of these results, we confirm our great optimism for this new year, for which we imagine a good, pleasant and healthy growth of around 10%, which is in line with our expectations for a program of gentle growth.

As a result of this fantastic path we have created together, I would like to say something to all the young people of humanity, who I suggest to safeguard and share a special feeling, that of feeling as being the "guardians of the creation". A deep feeling that is able to guide sensitivity towards people who need help, to indicate the way towards a correct balance between profit and giving back, to find a harmonious and fruitful balance between body, mind and soul.

Solomeo, 14 March 2024

Brunello Cucinelli
Chairman of the Board
of Directors

Brunello Cucinelli

CORPORATE DETAILS

Registered office of the Parent Company

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

Legal data of the Parent Company

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

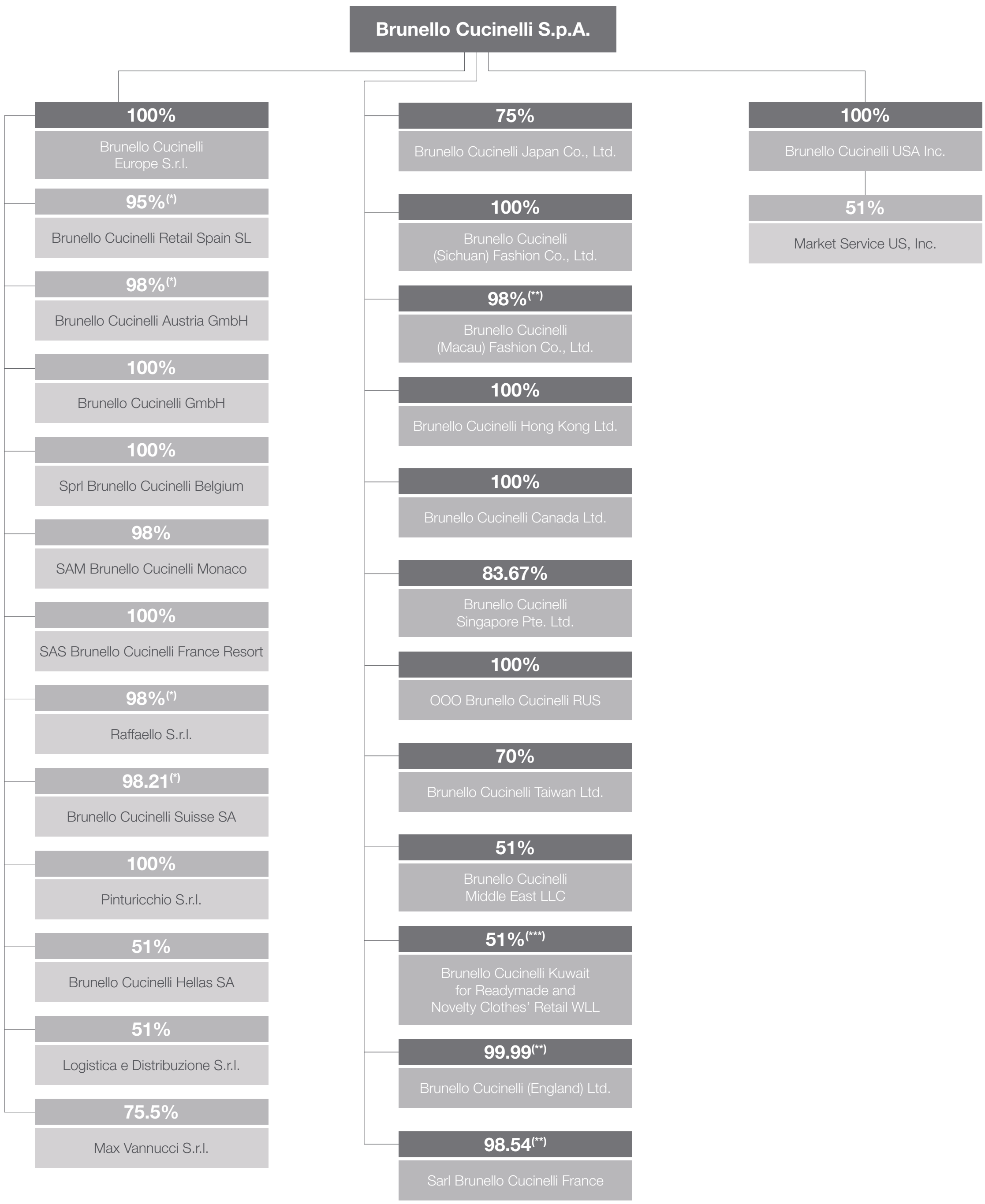
Corporate website: http://investor.brunellocucinelli.com/eng/

CORPORATE GOVERNANCE BODIES AS AT 31 DECEMBER 2023

Board of Directors[(1)]	Brunello Cucinelli	Executive Chairman
	Riccardo Stefanelli	Managing Director and CEO
	Luca Lisandroni	Managing Director and CEO
	Camilla Cucinelli	Director
	Carolina Cucinelli	Director
	Alessio Piastrelli	Director
	Giovanna Manfredi	Director
	Andrea Pontremoli	Director
	Ramin Arani	Independent Directors
	Maria Cecilia La Manna	Independent Directors
	Stefano Domenicali	Independent Directors
	Guido Barilla	Independent Directors
	Chiara Dorigotti	Independent Directors
	Emanuela Bonadiman	Independent Directors
Lead Independent Director	Maria Cecilia La Manna	
Control and Risk Committee	Maria Cecilia La Manna	Chairman
	Chiara Dorigotti	
	Emanuela Bonadiman	
Remuneration and Appointments Committee	Emanuela Bonadiman	Chairman
	Ramin Arani	
	Chiara Dorigotti	
Board of Statutory Auditors[(1)]	Paolo Prandi	Chairman
	Dante Valobra	Standing Auditor
	Anna Maria Fellegara	Standing Auditor
	Isabella Ippolita Soldani	Substitute Auditor
	Myriam Amato	Substitute Auditor
Independent auditors	PricewaterhouseCoopers S.p.A.	
Manager Charged with preparing Company's Financial Reports	Dario Pipitone	

(1) Appointed at the ordinary shareholders' meeting of 27 April 2023; will remain in office until the shareholders' meeting called to approve the financial statements for the year ending 31 December 2025.

THE BRUNELLO CUCINELLI GROUP AS AT 31 DECEMBER 2023



(*) The remaining percentage is held by BRUNELLO CUCINELLI S.p.A.
(**) The remaining percentage is held by BRUNELLO CUCINELLI EUROPE S.r.l.
(***) Percentage of ownership held by virtue of voting agreements with the minority shareholder.

GROUP STRUCTURE AS AT 31 DECEMBER 2023

Company name	Location
Brunello Cucinelli S.p.A.	Corciano, Solomeo hamlet (PG) – Italy
Brunello Cucinelli Europe S.r.l.	Corciano, Solomeo hamlet (PG) – Italy
Max Vannucci S.r.l.	Corciano (PG) – Italy
Pinturicchio S.r.l.	Corciano, Solomeo hamlet (PG) – Italy
Raffaello S.r.l.	Corciano, Solomeo hamlet (PG) – Italy
Logistica e Distribuzione S.r.l.	Milan – Italy
Brunello Cucinelli Austria GmbH	Vienna – Austria
Sprl Brunello Cucinelli Belgium	Brussels – Belgium
Brunello Cucinelli (England) Ltd.	London – United Kingdom
Sarl Brunello Cucinelli France	Paris – France
SAS Brunello Cucinelli France Resort	Paris – France
Brunello Cucinelli GmbH	Munich – Germany
Brunello Cucinelli Hellas SA	Athens – Greece
SAM Brunello Cucinelli Monaco	Principality of Monaco
OOO Brunello Cucinelli RUS	Moscow – Russia
Brunello Cucinelli Retail Spain SL	Madrid – Spain
Brunello Cucinelli Suisse SA	Lugano – Switzerland
Brunello Cucinelli Canada Ltd.	Vancouver – Canada
Brunello Cucinelli USA Inc.	Ardsley (NY) – 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
Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL	Kuwait City – Kuwait

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, so-called DOS (Directly Operated Stores) and hard shops, i.e., spaces located inside department stores and managed under the Group's responsibility and with directly employed staff.
  At 31 December 2023, the directly managed boutiques (DOS) numbered 125, along with a total of 49 hard shops within department stores.

– 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 single-brand stores operated by third parties under commercial distribution agreements (single-brand wholesale), independent multi-brand points of sale and dedicated shop-in-shops in department stores (multi-brand wholesale). The Group avails of a network of agents and distributors for sales to a number of single-brand and multi-brand wholesale customers.
  At 31 December 2023, there were 27 wholesale single-brand boutiques.

A summary is provided below of the Brunello Cucinelli Group's single-brand sales network at 31 December 2023 compared to the situation at 31 December 2022:

Distribution channel	31 December 2023	31 December 2022
RETAIL	125	119
WHOLESALE	27	30

The following table sets out existing sales points at 31 December 2023 by geographical area:

	Italy	Europe	Americas	Asia	Total
Total Brunello Cucinelli stores	13	46	35	58	**152**

REPORT ON OPERATIONS OF THE BOARD OF DIRECTORS

COMPANY PHILOSOPHICAL AND STRATEGIC REPORT

Letter about Artificial and Human Intelligence

Like many inventions that have accompanied the history of humanity, promoting its progress, I like to think about artificial intelligence as a new handmaid that assists humans to inspire them and renew their genius and creativity; I imagine this new reality as similar to a puff of air that can rekindle the vital fire of our human mind. «Parva favilla magnam flammam secundat». Words by Dante Alighieri, a humble invitation for posterity to follow the universal call of perennial human values. Recently there was a large ethical initiative in order to receive proposals for the shared design of artificial intelligence. I am paying attention to this initiative with a sense of fascination, trepidation and hope, because it demonstrates how we all are feeling the need for a type of Nomos who told the Ancient Greeks how to regulate their social and political life.

The values and assets of humanity draw strength and quality from their duration, and this makes me think of Hegel, who said that the quantity determines the quality. I am convinced that the genius lies in one of these values, and I would like for real genius to become a destination that should be constantly regarded by us all with an open mind, I would like to believe that the whole world, and each individual, each single reality lives for truth. Was it not real genius that inspired our Renaissance scientists and artists? When Leonardo da Vinci, after admiring a work of art, perhaps a painting or a sculpture, exclaimed: "I would like to imagine the construction of a flying object!". Is this not perhaps an incarnation of genius? Genius is that human factor that creates inventions unexpectedly, because it does so skipping the logical processes of the mind, becoming madness for a moment.

This extraordinary creativity, like the creativity of Galilei and Newton, the same that lead Darwin and Einstein to establish the foundation of the current world, is today fertile ground where artificial intelligence can demonstrate its effectiveness, and we are expecting from our contemporary geniuses that there will be a return, a formidable return to pure human creativity, a process where I see renewal and not a new path. I am convinced that every new value will sprout from previous ones, increasing the sacredness of the antique heritage and the places where the wisdom of fathers is conserved: I am thinking of the books and those silent temples that are the libraries. What the Library of Alexandria did for centuries, spreading the Hellenistic culture throughout the world, is today what every small library does, also a mirror of the world.

I am convinced that the value of the written text, the antique material of its physical reality, made of paper and the scent of ink, of dust and antique wood, will become useful prompters for artificial intelligence, because it seems to me that the value of the sources, the unique possibility, in my opinion, to dialogue with ancients lies in these aspects. As Machiavelli did, who considered his library a place:

"Where I am not ashamed to speak with the ancients and ask them the reasons for their actions; and they, in their humanity, answer me; and for four hours I feel no boredom, I dismiss every affliction, I no longer fear poverty nor do I tremble at the thought of death; I become completely part of them".

This is the external greatness of books, from which emerges the authentic genius of great thinker of every age. The truth and the reason of books, and from which derives credibility, which is a necessary factor for human life. Who would we be without truth and credibility? With Kant I ask myself if the stars above us and the moral law inside of us would still be our guide.

I expect that the contemporary Leonardos of technology consider humanistic values as at the source of their creations, because only in this way can the results be permeated and artificial intelligence can reach the maximum levels of good for human kind.

In one of his most thought-provoking works, Aeschylus recounts the myth of Prometheus: this hero represents the human cognitive spirit who, giving the world the gift of fire, intends to free men from the anguish of darkness. Prometheus says:

"I will teach them about sunrises and sunsets in the starry sky; […] the idea of calculation was my idea, to their own good, the first fruits of genius, and I also created the system of traced signs, memory of the world".

However we read further in Aeschylus that the use of fire brought to man the evils of a life far from their calm and simple primitive existence. For this reason, Jupiter condemned Prometheus to eternal suffering, and he himself recognised his mistake with these words:

"My skill is much weaker than necessity".

We can recognise in the Greeks the highest level of genius generating eternal values.

The first source of truth of human beings, as for all sentient animals, is represented by the perception of the world, which is experienced through our senses. As recounted by a historian, a human being, unlike the rest of the animal kingdom, has a formidable capacity for imagination. We are the only beings who change reality starting from ideas, from desires, from dreams: our mind knows how to go far beyond what our five senses have us observe and understand.

The concepts of authentic and true are constantly evolving with the progress of our societies: if for prehistoric man truth was what the wise elderly man of their tribe said, for many human beings truth lied in the Holy Scriptures. This was the case for literature, figurative arts, printed books and, at the end of the XIX century, for photography; we can imagine for this reason that humanity will create new foundations on which to securely base their mind and their social relationships.

At the same time, the direct human experience can have enormous importance and construct the foundations of that we, as living beings, and society need.

In the course of its history, human beings have always imagined to be able to create machines and automations to free them from the heaviest and most repetitive work. Aristotle already made reference to this aspiration in Politics, when he described work tools able to perform a task commanded by a word or "intelligent anticipation", tools that would be able to cancel slavery from the future of humanity. Artificial intelligence will perhaps become the form through which contemporary man will examine the eternal myth of the imitation of nature. However, if we want to see in this a replication of nature and its mysteries, we should also remember that human intelligence was formed over millions of years, and it is difficult to imagine that artifice can create a copy in less time. For this reason, the fear of artificial intelligence, beyond the use that man can make of it, seems more like the fear of the unknown that assailed man when they saw lightening before Prometheus brought them the gift of fire.

Therefore it seems that if it is not something to be feared, artificial intelligence is something to be appreciated for the utility it can bring to the world to the extent that it can free man from the material troubles of current life, giving back to them, in a contemporary context, the time and space of an existence lived in harmony with nature, as human kind has lived since the most ancient times until at least the last century. For this reason it is not easy for me to imagine, instead, an automation or an artificial system that can feel authentic emotions or deep and real feelings; could a robot ever raise its eyes to the sky, or feel moved, or see real tears flow from its eyes?

Brunello Cucinelli
Chairman of the Board
of Directors

COMPANY INFORMATION

Brunello Cucinelli S.p.A. is a Casa di Moda and Company incorporated under Italian law with registered office in Solomeo, Viale Parco dell'Industria 5, and listed on the Euronext Milan Stock Exchange of Borsa Italiana.

The business of the Casa di Moda is focused on the creation, production and sale of Brunello Cucinelli branded clothing, accessories and lifestyle which make up **women's, men's and children's total look collections**, which are always conceived as an expression of the ethical and human values cultivated in the hamlet of Solomeo. The brand is internationally recognised as a benchmark of **Made in Italy** excellence and a point of reference in the **luxury** goods sector, with the ability to combine the timeless qualities derived from the **selection of the finest materials**, **craftsmanship** and **exclusivity** with **contemporary creativity** that is attentive to market trends and technological innovations.

The company, based on the founding values of respect for **human dignity** and the **beauty of Creation**, pursues **growth in line with the principles of balance, harmony** and **sustainability**, with constant attention to the rhythms of mankind and of nature. The Brunello Cucinelli Casa di Moda is universally recognised as a prime example of **"Humanistic Capitalism"**, combining the **safeguarding of traditions**, appreciation of the **"thinking souls**" who work for the greater good of the company, and promotion of important projects aimed at **beautifying Creation and the legacy left to future generations**.

YEAR 2023

For us, **2023** was an **excellent year**, and without a doubt among the best for our Casa di Moda, due to the excellent results we achieved from many points of view, starting from **turnover**, which is the highest in our history, with a growth of +23.9% (+26.0% at constant exchange rates) that caused us to exceed €1.1 billion, **operating income**, equal to €187.4 million, with growth of +39.4% compared to 2022, and **profit** equal to €123.8 million, with a +42.0% increase compared to the previous year.

The dynamics for the channels shows equally excellent results, with **retail** and **wholesale** that indicate a particularly positive trend for the highest end of the luxury segment. Both channels have in fact grown a significant amount, with growth of the **Retail** channel equal to **+30.3%** and the **Wholesale** channel equal to **+13.3%**.

Sales in all geographical areas and channels clearly show the large demand for **high quality**, **handcrafted ready-to-wear items**, with a focus on the **exclusiveness** and **rarity** of these articles. The **Americas**, **Europe** and **Asia** show a "structural" increase in demand towards this type of offer, confirming solid growth in all quarters of the year.

In our opinion, it is interesting how, in practically all the geographical areas, the common denominator has been a general demand for understatement, elegance, uniqueness and quality on the part of the end customer, who more and more often wants to find out and learn about the history and hidden behind the products they purchase.

We believe it to be useful to stress some aspects we believe have played a **central role** in the growth recorded in this particularly beautiful and noble year:

– the **exclusivity**, which in our opinion represents a fundamental factor in absolute luxury, with the demand for **rare** and **very high-quality** products;

– the focus on positioning in the **highest end** of the luxury sector, with an offering characterised by the very high-quality **craftsmanship** of the products;

– the recognition of Brunello Cucinelli as a **lifestyle** brand, with a solid foundation in **Ready to Wear**, an expression of a recognisable taste that is at once understated and elegant;

– the prestigious international awards we have received:
"**Neiman Marcus Fashion Award**", a sort of "Oscar" of world fashion, presented to Brunello Cucinelli last March in Paris;
"**GQ Designer of The Year 2023**", awarded to Brunello Cucinelli in December in China "*for standing out as a trendsetter in fashion and lifestyle*";

– the **balance** between the different sales channels and the various geographical areas where we maintain a presence worldwide;

– the distinctive idea of **hospitality** based on which the company has continued to establish its relationship with customers, the fruit of gentle attention that focuses on developing a special and exclusive relationship.

ANNIVERSARIES AND MILESTONES

The company's 45th anniversary

2023 started with an important anniversary. On **13th February**, the entire company gathered in the production area of the Solomeo factory overlooking the fountains that adorn the gardens to proudly celebrate the **forty-fifth anniversary** of the foundation of our Casa di Moda, with an affectionate surprise gathering for our Chairman, Brunello Cucinelli.

We believe that 45 years of the company represent both a splendid milestone to be celebrated as well as a new starting point, imagining a future in which it can live in Solomeo in the centuries to come.

On this occasion, a delighted and emotional Brunello Cucinelli took the opportunity to pleasantly thank all the company's employees in Italy and around the world for the unwavering passion, dedication and creativity shown in their daily work, also sharing his reflections on the return to normality after 3 agonising, special, contemplative years.

Entry into the main index of the Italian stock markets (FTSE MIB)

The end of **2023** was also marked by another big milestone. Just over 10 years after its listing on the Italian Stock Exchange, 18 December 2023 **our stock was entered into the FTSE MIB, the main index of Piazza Affari**. This is a very important and **prestigious achievement** that makes us very proud, especially for the **way we believe we have attained it**.

Along its entire growth path, the company has always tried to **keep faith** in the principles that characterise our ethical foundation, from the **values of Humanistic Capitalism and Human Sustainability** to the enhancement of **craftsmanship** in all its forms, to the search for **harmony with Creation** and a **healthy and sustainable growth**, commensurate with the great **theme of giving**.

These values have accompanied and illuminated the history of the company during these wonderful forty-five years, during which we have always tried to face even difficult and painful moments – such as the recent and extremely harsh global pandemic – with **respect for the dignity of humans and every living being.**

The inclusion of our stock in the FTSE MIB is a result that fills us with deep gratitude, also for the **relationship of trust**, which the company considers **special,** that was cultivated over the years with all of its esteemed workers, always with full respect for the company's ethical and moral values.

In particular, the company would like to extend its **deepest thanks to all investors, analysts and stakeholders** for sharing this dream and for helping to make it a reality, also by virtue of a **constantly constructive and fruitful dialogue,** which we are sure has contributed significantly and positively to our growth.

In this moment of great emotion, the **words** with which Brunello Cucinelli greeted the **listing** on the Stock Exchange, over ten years ago, seem to us more **vivid, meaningful and consistent** than ever with respect to the path undertaken and also the direction to be followed for the years to come:
"My lifelong dream has always been this: to make the work of man more humane, and to seek a listing on the stock exchange so that this business can thrive for the next fifty to one hundred years. […] When we met with the investors […] we explained our business philosophy to them, and made it quite clear that we wanted to seek a sustainable and gracious profit; we explained that our underlying intention was to imagine a company that could grow without harming humanity, or at least do as little harm as possible. […] Foreigners were intrigued by this Italian company's philosophy, by the value of skilled hands that work with dignity, pride, and curiosity: hands that work. Everyone was fascinated by the concept of restoring moral and economic dignity to work. […] We wanted to search for new partners who could serve as true guardians of this business for the next century. […] Therefore, if you asked me for my opinion, I'd say that I strongly believe in a new capitalism, a new contemporary humanistic capitalism. How was this idea sparked? Well, today's young people know about everything; by the time they've reached their early 20s, they've already been informed about all manner of things in real time, and so we are no longer credible if we aren't true to ourselves; this is why we need a Humanistic Capitalism, in which enlightenment and romanticism merge together, in which the mind and soul can meet."

ARTISANAL DIMENSION AND HARMONIOUS PRODUCTION

Constantly striving for that harmony between fair profit and gentle growth, the company has always been committed so that the **workplaces** reflect the same **economic and moral dignity** that has been the foundation of the company since its inception.

The humanistic values on which our company is founded translate first and foremost into the continuous protection of the **dignity of labour** and, more generally, of every person. The deep respect for our Human Resources goes hand in hand with the search for a **healthy** and **balanced development**, in which sight is never lost of the centrality of the human person.

Moral and economic dignity of work: the great value of craftsmanship and blue collar work

The year 2023 also marks an important milestone in terms of the human resources that give life to the company: we have over 2,500 direct employees, a number that we expect to grow even more in 2024 as the business develops.

Approximately half of our human resources operate in Italy, specialised mainly in production and craftsmanship, while the remaining half, mostly on the commercial side, work in various countries around the world.

In 2023, we continued to devote great attention to our idea of **Humanistic Capitalism** and **Human Sustainability.** As a sign of respect for what for us are core values, our commitment to the pursuit of the "**right profit**", the "**right growth**" and the "**right balance**" continues.

The right profit also presupposes the right recognition of the **central value** of those directly involved in **manual labour**, specifically our esteemed workers and artisans.

The love for our Beautiful Factory and care for the production chain

The theme of balanced profit finds in fact concrete expression in the attention paid to the salaries of our esteemed **craftsmen and workers**.

The company believes that salaries represent a noble means of pursuing an equally noble end, just as protection of the dignity of labour is essentially expressed also through **care devoted to workplaces**.

In fact, our Casa di Moda has always paid great attention to the beauty, welcoming atmosphere and cleanliness of its working and production spaces; hence the project of Solomeo's Beautiful Factory, with large, tidy and well-kept spaces, overlooking fountains and green areas, because we believe that **"a beautiful and tidy place fosters genius and creativity",** as well as a virtuous circle of **esteem, responsibility** and **amiability.**

We strongly believe in the **great value of the factory as a place of high creativity and quality**. Brunello Cucinelli himself often likes to recall the words of a great Italian entrepreneur and founder of industry, Leonardo Del Vecchio, who stressed the need for a factory to be not only efficient, but also "beautiful".
The care of the working environment extends to the **entire production chain**, **consisting of over 400 artisanal workshops**. They represent the central hub of the production of our highly handcrafted collections, as over 50% of our production is created by hand with needle, thread and scissors.

As usual, we were able to ensure the availability of raw materials by anticipating requests to our industrial partners as much as possible in a relationship of great cooperation, respect and mutual understanding. The great responsiveness of our short, all-Italian supply chain thus made it possible to "normalise" an increase in product volumes faster than experienced in the past.
The constant growth of our supply chain is a reason for great satisfaction for the company. We are still maintaining the artisanal nature that sets it apart, and we believe that this close mutual relationship – both geographical and relational – constitutes an added value for the nature of the collections, for the allure of the brand and for its positioning, consistent with its idea of luxury.

The balanced growth of industrial spaces

Over the years the constant, harmonious growth of the company's spaces has developed in line with the relationship that links the company philosophy to the landscape surrounding Solomeo. At every stage, the principles that guided its development have been closely linked to a **love of the land and the preservation of harmony with nature and between the people.**

Retracing the milestones of industrial development, **Brunello Cucinelli initially purchased and restored the ruined castle in Solomeo**, to give it new life as the heart of a modern factory.

To cope with the company's initial expansion, an old factory from the 1960s in the valley in front of the hamlet was acquired and made efficient and contemporary again after restoration. In 2013 growth led to the expansion of the factory through the purchase of third-party industrial spaces next to the factory, which housed abandoned warehouses and industrial buildings, as a part of a large beautification project of the valley called "**Pleasant Peripheries**".

The enlargement of the Solomeo site

On the outskirts of Solomeo, **redevelopment work** is currently underway **on a large eight-hectare area**, whose **purchase** was **completed at the beginning of 2022**, for the **expansion** of the **company's** structures.

The project for the recovery of the area that was previously the site for an industrial complex constitutes a further fortification of the company's bond with the territory and the community. Its complete redevelopment, which is now under way, and the building conversion plan will progressively add up to about 40,000 square metres, in addition to related services and outdoor spaces.

The strategic location near our hometown therefore allows for the expansion of the company's operations, supporting its growth in the years to come. At the same time, it will be possible to continue with the beautification of the suburbs, where the **approach of rebuilding and renovating** instead of building new spaces is always followed.

The new factory in Penne

On **22 November 2023**, the important project to build a new, "beautiful factory" for **men's outerwear and tailored suits was officially presented to the public in Penne**, a town in the Abruzzo region known as a district of **excellence in men's tailoring**.
The new factory will see the light of day in spring 2025 and will occupy a production area of 4500 square metres, which will be able to accommodate up to approximately **350 skilled craftsmen**. In line with the ideals that have

always inspired the Solomeo-based company, the project aspires to **enhancing the local area** by virtue of a **long-term business vision** in terms of both employment and the environment.

Pending the completion of the new plant, operations started in a leased factory with the full-time employment of 75 workers, with the goal being 100 employees by the end of 2024. Brunello Cucinelli commented as follows:

"*Penne represents a special place, where the tradition of the finest Italian craftsmanship is best expressed in the production and manufacture of men's clothing; this is why we would like to contribute to a bright future for this lovely tradition, combining the craftsmanship skills of Abruzzo and Umbria. […] We will try to create all the right conditions so that our artisans of today and tomorrow can renew the most fascinating Italian sartorial creativity, so greatly admired all over the world'.*

Chanel together with Brunello Cucinelli in the prestigious Lanificio Cariaggi Cashmere

With the agreement signed on **23 May 2023**, the prestigious **Maison Chanel** acquired a minority stake in the **prestigious Cariaggi Lanificio S.p.A.**, a leading company in the supply and processing of the finest quality cashmere. Following this operation, Brunello Cucinelli's stake in Lanificio Cariaggi went from 43% to 24.5%; with the sale by the Cariaggi family of a 6% stake in the capital to Chanel, the company's share capital is now held by the Cariaggi family with a stake of **51%**, and by **Brunello Cucinelli** and **Chanel** with a stake of **24.5%** each.

This project is a particular honour for our Casa di Moda, also because it is the **first time** that the incredibly prestigious **Chanel**, a "*point of reference in style, modus operandi and kindness*", has collaborated **with another brand inside a manufacturing company**, sharing the same belief in valuing exclusivity and **craftsmanship** in the highest bracket of the luxury market.

We also believe that this agreement will help protect and further develop Cariaggi, which is an icon of **Italian manufacturing excellence** worldwide.

On the signing of the agreement, Brunello Cucinelli commented:

"I am particularly happy on this day of truly historic importance. The agreement we have reached represents a splendid diadem that will enhance the value of the entire Italian supply chain, enormously pleased by the fact that a Maison of absolute excellence in global fashion like Chanel has chosen to invest in Made in Italy by sharing with us the beautiful "Cariaggi woollen mill project". I therefore consider it a joyful day of celebration, which we believe will be followed by years full of great achievements by virtue of this very, very special collaboration. After all, with Chanel we are in the presence of a true international icon of style, elegance and beauty, and I am immensely honoured that they have decided to work with us. This agreement, I am certain, will constitute for all of us the best possible leaven for magnificent growth as humans, not just professionals, over the coming decades. By virtue of all these healthy and concrete elements, I sincerely thank the esteemed Cariaggi family, to whom my family and I have always been tied in a virtuous relationship of shared values, and the equally esteemed Bruno Pavlovsky, President of fashion at the prestigious French Maison, which gives this memorable agreement an added value of great beauty".

PRODUCT CREATION AND EXCLUSIVITY

High Craftsmanship

Our industry and Casa di Moda were established with the aim of producing **high quality, handcrafted products**, expressing exclusivity in both materials and their production and packaging, seeking to create garments that will last over time and that can be handed down from generation to generation.

We believe that for the luxury market, the main attraction is the search for products with a **high level of craftsmanship**, **an expression of authenticity and exclusivity, modern and contemporary**. Furthermore, a renewed **focus on sustainability**, a topic that is becoming increasingly important also for the coming years, has further spurred customers' search for a "**well-made**", **long-lasting product**.

When developing collections, the valuable skills of experienced artisans are constantly consulted and stimulated in a virtuous creative circle in collaboration with the creative teams, thus generating a mutually enriching relationship. The value of this collaboration makes it possible to place the **product at the centre** of our **Casa di Moda's** operations, and to base its positioning in the absolute luxury segment on its **intrinsic quality**.

As a guarantee of the handcrafted quality of the collections, we always offer all customers the opportunity to **repair** and **refurbish** their **garments**, in order to prolong their life, solidify trust and reduce waste, with the desire that these items crafted by skilful hands can be left as a **legacy to future generations**.

Handiwork of Excellence

The development of the collections, the sales results and the attention received from industry insiders also put the focus on a segment of the product range that constitutes a **special part of the ready-to-wear collections**, that of the **more artisanal and more complex garments**.

These production characteristics, fine-tuned after extensive research and experimentation, necessarily add a significant cost to the final product, with the customer understands the value of this, as they are aware of the very high quality and exclusivity of the product, and our constant attention to the **pursuit of a fair profit.**

Furthermore, the special processes involved, which are either entirely manual or executed with sophisticated innovative techniques, instil a quality in the garment that in itself guarantees the unique value of each element.

Balance between the Women's and Men's collections

The company works continuously to consolidate our taste and to seek a thoughtful **balance between the style of the Men's and Women's collections**, as it believes that the **recognisability of the product**, whether for men or women, is highly significant, and the fruit of Brunello Cucinelli's savoir-faire and characteristic aesthetic.

This recognisability also has the considerable task of balancing the absence or minimal presence of the brand's logo, another distinctive element of the Brunello Cucinelli range. We believe that our identify and our style reside is in the **small, handcrafted details** and, obviously, in the fundamental **ability to mix and match** the products.

There is great satisfaction for the results of and positive comments on the collections during the year, especially the many articles in the trade press and the satisfaction expressed by customers and friends of the brand. One aspect that we would like to emphasise, which is a source of heartfelt gratification, concerns the judgement of customers who perceive the contemporary appeal of the collections, which appear "**fresh**" and **chic**.

Our idea of "Contemporary Licence"

Eyewear

2023 marked the start of an exclusive ten-year "**contemporary licence**" agreement with **EssilorLuxottica** inherent to the design, production and distribution of "Brunello Cucinelli" prescription glasses and sunglasses.

This agreement represents the natural evolution of the partnership that began in 2021 with the launch of the first eyewear capsule in collaboration between **Brunello Cucinelli** and **Oliver Peoples**, with the launch of the first Brunello Cucinelli branded collection in March 2024.

We believe that the contemporaneity of this licence allowed a further important development of the Eyewear collection, even more focused on the brand's distinctive taste. The creative team in Solomeo collaborated directly with EssilorLuxottica in developing prototypes and monitoring all phases related to the **production** of eyewear **exclusively Made in Italy**.

The presentation of the eyewear collection in March 2024 represents the successful completion of this work and another significant step towards the definition and completion of the proposed Men's and Women's **total look** which is of central importance for the physiognomy of the brand.

A key aspect of this "**Contemporary Licence**" is also the fundamental collaboration in the **distribution** of the products, which aims to identify the **most suitable and exclusive spaces** in which to present the eyewear collections, with a **limited presence** in our single-brand boutiques, in EssilorLuxottica's most prestigious spaces and with the most prominent independent opticians.

Fragrances

On 28 March 2023 in Milan, at a press conference attended by numerous journalists and industry operators, the two new fragrances expressing the creativity of the Casa di Moda were officially unveiled.

The fragrances "**Brunello Cucinelli pour Femme**" and "**Brunello Cucinelli pour Homme**" are the culmination of a collaboration with company EuroItalia, an esteemed Italian firm with an excellent international reputation, owned by the Sgariboldi family and specialised in the creation and distribution of luxury brand fragrances.

The two fragrances add yet another layer of complexity for enhancing the men's and women's ready-to-wear collections, and, more in general, the interpretation of the **lifestyle** concept our brand represents, adding another element to clearly define our distinctive taste, which is always based on materials of the finest quality, handcrafted creativity and the pursuit of a balanced, timeless style.

Both scents are the result of a synergistic and meticulous **process** that **began in 2019** and was developed with the expert perfumer noses Daphné Bugey and Olivier Cresp.

The **feedback** received about the product has been excellent from the beginning, and the Casa di Moda is greatly honoured to have been chosen by these **highly important multi-brand customers,** who describe our fragrances as **modern** and **contemporary**.

At a product level, for these first two products our research was guided by the desire to transfer the brand identity into olfactory notes, creating an **"essential"** product capable of **representing us** over time, as if it were a "***crew-neck cashmere sweater***".

We believe that the general feedback validates our impression of having succeeded in activating a new sense, in line with the **understatement**, **quality** and **exclusivity** naturally associated with our brand.
Brunello Cucinelli commented as follows on the launch of the new line on 28 March 2023:
"I am particularly pleased to announce the new production that adds two fragrances to the line of elegance of our Casa di Moda, one for women and one for men. Many years ago, when I lost a very dear friend who produced aromatic essences, a beautiful soul, I dreamed that one day I would have dedicated a new product to him in his memory. Today I am making that dream real, which I never abandoned in all these years […]. I like to think that a moderately used fragrance is like a caress, which together with trust gives the human person a colourful vision of the world".

The School of Contemporary High Craftsmanship and Arts in Solomeo

We have always considered **training** in trade schools to be a topic of great importance, to be followed and managed with particular attention. In keeping with our Humanistic Philosophy, we strongly believe in **young people** and their **ability to learn tradition** while **stimulating new creativity**.

Thanks to their fresh energy and lively sensibilities, we have the opportunity to devote new attention to detail, to look with fresh eyes at the criteria of our work, and to teach the values we have cultivated so that they can be passed on.

In light of these reflections, over the years the curriculum has been expanded for the **School of Contemporary High Craftsmanship** inaugurated in 2013 in Solomeo, for which we received many requests from young people from all over Italy and beyond. It fills us with great satisfaction to see that we have provided a source of knowledge for all those young people who want to learn a trade that, unfortunately and at great risk, has long been neglected and regarded as "inferior" to others.

Ever since the foundation of the Solomeo School of Arts and Crafts, the main objective has been to **restore dignity to these trades**, hiring **highly qualified instructors**, providing **well-kept spaces**, and offering a fair "**remuneration**" to apprentices, just like in the Renaissance workshops that inspired us.

The company also considers the school as a true **investment in the future**, a great long-term project designed for **our future artisans** who, learning now, will play the valuable role of skilled **guardians of manual creativity**. The fruits that we have reaped from this work are irreplaceable and we are truly honoured.

POSITIONING AND MARKET

Exclusivity, protection and positioning in absolute luxury

The Casa di Moda considers the **highest segment of the luxury market** to be its **target market**, historically less volatile and constantly supported by a demand in search of a contemporary product of the highest quality.

We believe that the brand's image of exclusivity is closely linked to the protection of the **high-quality craftsmanship** of the collections and the promotion of the **Italian lifestyle**,and the perception of **exclusivity** are central elements within the contemporary world and market.

"**Safeguarding the brand**" means **preserving its allure** through **discreet communication** connected to the company's identifying values, concentrating the offer in **prime locations**, paying constant attention to the **modernisation of all spaces,** and curating its **digital presence** in accordance with the essential communication principles that have always distinguished us.

In many categories today, we seem to see a **search for the top end of the range** that effectively supports the brands with the most prestigious positioning. In this context, the idea of **not over-exposing** the product and **protecting our brand** seems to us to have **increased its appeal and attractiveness**.

The centrality of the Ready-to-Wear product range

The increased exposure and visibility of people's lives have progressively increased the attention paid to how they present themselves to others, boosting the importance of the **ready to wear** category (84% of total revenues), which is **fundamental** in defining a person's **image**. Accessories make up 16% of total revenues, contributing to the total look the brand offers.

We believe that the centrality of the **product in the company's business** and its **positioning in the luxury world** has enabled us to respond effectively to the widespread **desire to "dress well"**, a trend that is now more universal than ever as it is expressed by both more experienced and younger customers.

We believe that the centrality of a Ready-to-Wear product oriented towards'"**contemporary elegance**", combined with a selection of carefully studied looks and a complete lifestyle allows us to propose a well-rounded range to the customer, always fresh and at the same time distinctive.

This accompanies the great attention paid to the constant renewal of shop windows and the specificity of each square, elements we believe have contributed to the **constant increase in the number of end customers** recorded over the past year.

Balance and Complementarity between sales channels

One aspect the company considers to be of considerable importance with respect to the quality of sales concerns the **balance** between **distribution channels** (retail, wholesale and online), between **geographical areas** (Italy, Europe, the Americas and Asia) and between **product categories**, including the **balance of supply between women's and men's collections.**

Following the events of 2022, there was **complementarity** and **synergy** between the wholesale and retail channels also in 2023, which made it possible for us to consider also countries located further away as "domestic", and to meet the growing demand both in large capitals as well as in smaller and resort towns.

The **multi brand** channel experienced another year of great operational and planning vitality. **A very positive growth** in performance was registered in our most important **multi brand** and luxury **specialty stores** for all geographical areas, with the overall number of doors substantially unchanged. The results achieved have certainly benefited from the need of our partners to meet strong end-customer demand, resulting in fast delivery times that we think we have been able to meet.

As far as the **retail channel** is concerned, we have invested heavily again this year in the exclusivity of our boutique network with selected prestigious openings, some expansions and repositionings in important cities.

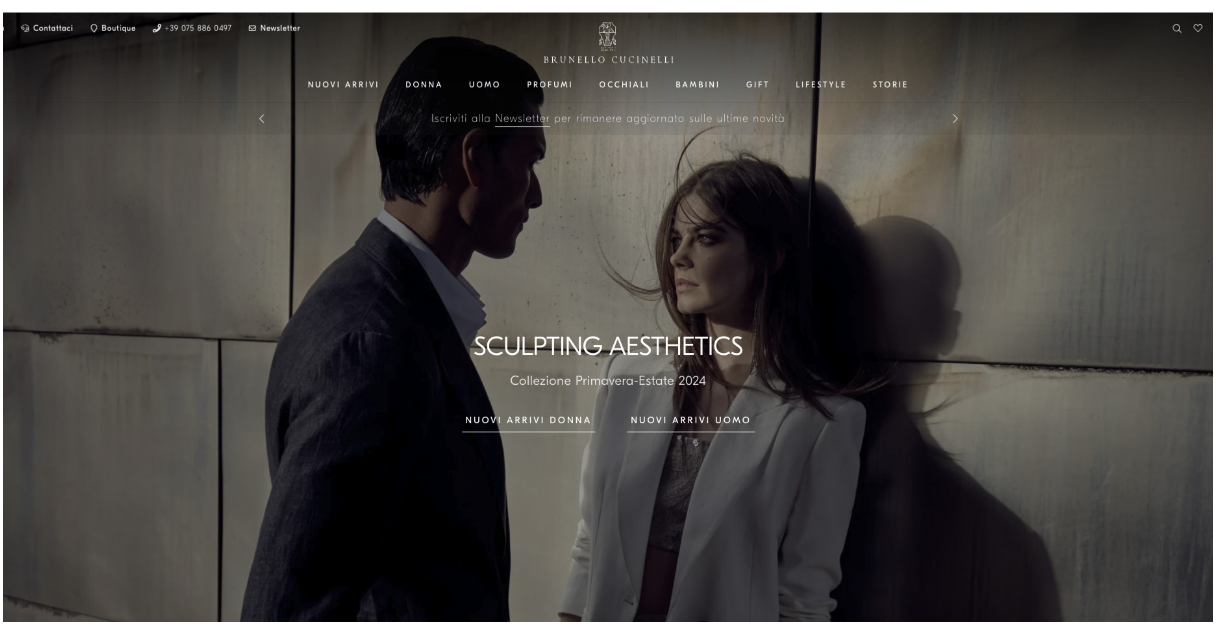
E-commerce as a showcase to the world

Now more than ever **physical and digital channels are complementary**, each indispensable in order to obtain an articulated and diversified development of our distribution and – in the end just as or even more importantly – to effectively disseminate the brand's image and values worldwide and across the board.

The digital channel aims to offer the most convenient, straightforward and complete experience of the brand's philosophy and products. E-commerce was conceived as a global digital flagship with a vast assortment that also serves as a tool for the presentation and digital representation of the company's collections, its image and creativity, its lifestyle.

Constantly updating and monitoring the structure of the website and its user experience allows us to offer the customer an image that is always fresh, enhanced by simple, consistent navigation, and supported by a customer care team operating directly from Solomeo.

In this way, the company hopes to offer a consistent shopping and collection experience that is both warm and engaging.



TASTE IDENTITY AND RECOGNISABILITY

One of the hallmarks of our brand is certainly the **identity of its taste**, which, in addition to representing a certain way of understanding and **manufacturing the products**, is based on a skilful **combination** of these traits in order to create the range of complete, balanced and original looks that always appear fresh in the eyes of customers. We believe that recognisable taste is a salient feature of exclusivity and its positioning in the absolute luxury sector.

The awards for our lifestyle

We believe that the prestigious awards Brunello Cucinelli has received over the past years confirms the recognisability of the taste and lifestyle we have developed over the years. In September **2021**, for "his belief in humanistic capitalism and for bringing prestige to Italian excellence around the world", **Brunello Cucinelli** received the award as the "***Designer of the Year***" from **British GQ**, which provided great visibility in terms of image the following two years.

The **same year**, Brunello Cucinelli also received an invitation to **speak before world leaders** gathered in Rome for the **G20**, where he represented his dream of returning to a belief in a new harmonious respect for the planet and achieving the full moral and economic dignity of the human being.

Neiman Marcus Fashion Award

We were deeply honoured to be notified in December 2022 that we had been selected for the prestigious "***Neiman Marcus Fashion Award for Distinguished Service in the field of Fashion***" for 2023. This recognition has been awarded by Neiman Marcus since the 1930s to those who have most influenced fashion around the world, including Coco Chanel, Christian Dior, Valentino, Giorgio Armani, Miuccia Prada and Karl Lagerfeld.

The award ceremony took place on **6 March 2023** in **Paris**, during Fashion Week. This award has crowned a very long, successful partnership based on mutual esteem and constant interaction. We are convinced that all this has further increased the visibility and allure of our brand and our high-end fashion lines, which we feel are gaining more and more appreciation worldwide.

Brunello Cucinelli commented on the prestigious award with these words:
"I am immensely grateful to my highly esteemed Geoffroy van Raemdonck and Lana Todorovich, who at this particular point in time have the honour of representing Neiman Marcus, one of the highest expressions of fashion and luxury in the world, but also an icon of lifestyle and elegance. I would also like to thank all the people at Neiman whom I have admired during our twenty years of collaboration as people of great humanity, as well as appreciating them as very special professionals. I feel particularly honoured and I like to think of this award as a high recognition that gives credit to the people of Solomeo, to the creative hands of the best Italian craftsmanship that – with their daily dedication – have built 'The Dream of Solomeo' together with my family and all my co-workers. In our work, as in life, we have always tried to be inspired by the values of Humanistic Capitalism, linked to Human Sustainability, with respect for all human beings and in harmony with the whole of Creation. Thank you, thank you very much".

GQ Designer of the Year

On **7 December**, Brunello Cucinelli received another very important award in **China**, the prestigious "***GQ Designer of the Year 2023***" award for the values of high craftsmanship and dignity of manual labour, in the name of Italian genius and the values of Human Sustainability and Humanistic Capitalism. This authoritative award was presented to Brunello Cucinelli by the renowned men's fashion magazine GQ China ***"for standing out as a trendsetter in fashion and lifestyle***".

A **conference** was held the day before the ceremony, when **Brunello Cucinelli addressed some major ethical and philosophical issues** in life such as the balance between work and private life, with **very important Chinese influencers** and **celebrities** in attendance.

Brunello Cucinelli commented on the award as follows:
"I warmly thank the entire GQ team, starting with Roger Lynch, Will Welch, Gill Zhou and Rocco Liu. The past two years have been very special for the life of our Casa di Moda, years that were illuminated by touching events, such as the invitation to speak to the world leaders during the G20 dedicated to climate issues, and by illustrious awards such as the one received in London by British GQ in 2021 and the Neiman Marcus Fashion Award received in Paris this past March; but the great emotion is the one that touches my heart today for the formidable award from the GQ China magazine, which I feel honoured by both due to the motivation of "creator of fashion and life-style trends" and because it came from a country I deeply respect. I dedicate this award to all the young people of humanity, to whom I say: remember, you are the guardians of the creation! Do not turn your backs on poverty, find a fair balance between private life and work, between the mind, body and soul. Create a moderate relationship with the right hours of connection, because it can rob you of the soul the creator gave to you. It is like my father told me for a long time, I urge you to be good people, creating a harmonic balance between profit and giving back. Live life with a smile! When your soul is heavy, when something does not work out, when someone humiliates you, go outside and look up at the sky and the stars and everything will balance itself out. There is an ancient Chinese proverb from 2500 years ago that says: "If you are planning for a year, sow rice; if you are planning for a decade, plant trees; if you are planning for a lifetime, educate people". I have always followed these words".

The Casa di Moda attributes to **these prestigious awards**, among others, also the value of the **testimony of the prevalent recognisability** of **its distinctive idea of lifestyle**, thanks to which the brand exercises its distinctly Italian appeal.

Being recognised worldwide as interpreters of a particular contemporary lifestyle philosophy constitutes an important milestone for us, which is something we have strived for since the beginning of the brand's evolution from a specialist in knitwear to a company able to offer exclusive Prêt-à-porter collections.

The continuous search for new trends, the development and innovation of style in parallel to the perfection of traditional artisan techniques has made it possible for us to target a **sophisticated, modern consumer**, who is able to appreciate the extent to which **not only the final product**, but also all the boutiques and spaces in which the brand is presented to the world, are a reflection of a **complete lifestyle idea**.

OUR IDEA OF HOSPITALITY

The concept of hospitality has always been a **fundamental value** for the Casa di Moda: we have always aimed to welcome customers as if they were our guests, offering polite attention to make them feel at ease and to share a sincere, serene and human interaction. In all our spaces we try to convey the same sense of hospitality that we offer in the hamlet of Solomeo.

Boutiques

Over the years the company has devoted special attention to developing the boutique network so that each space can be an expression of a **peaceful, welcoming atmosphere**, combining the pleasure of a **familiar, domestic feel** with the ability to empathetically communicate the philosophy and appeal of Solomeo's products to the customer.

All the boutique have been equipped with small bars, depending on the availability of the different locations, with generous seating and bookcases: areas not strictly intended for sales but dedicated to the relaxation of customers and guests.

In this way, we strive to convey a concept of **hospitality** as it is understood in Italy and in our hamlet of Solomeo, just as we believe it is essential to associate the experience inside the boutiques with authentic sensations and with the idea of a **gracious, humanly sustainable luxury**.

The inspiration at the basis of all our boutiques is represented by the idea of a cosy home, where the store managers play the role of "**hosts**" and **brand ambassadors**, paying attention to all those details that contribute to a homey, warm ambiance.

Even in the smallest boutiques we want to create a space to offer a small bar and coffee service as a sign of customer care, and at the same time as an expression of a **distinctly Italian lifestyle** that celebrates the pleasure of meeting together with the offer of a coffee or a small refreshment.

Visual merchandising

Connected to the offer of a complete lifestyle, the value of the fit-out, the care of the space and all the visual merchandising represents a **fundamental trait of the brand's image**.

We believe that visual merchandising takes on the very important role of **promoting the aesthetic perception** of **collections** and environments that are in perfect harmony, while also **conveying the brand's philosophy**.

In a consistent, harmonious manner in all our spaces around the world, the staging of the shop aims to **recreate the familiar ambiance** and **hospitality of Italian homes**, according to the possibilities of each space and carefully in agreement with the culture that hosts our shop.

The company takes special care to ensure that **in all the spaces** that host the collections, from single-brand to multi brand, our **product range is perceived as freshly contemporary** through a coordinated, dynamic display that is regularly renewed and attentive to the needs of each individual location.

Care of the Digital Boutique

The same philosophy that guides the organisation of the physical boutique network is also the point of reference for image and relationship management through the digital channel. The "**digital boutique**" is constantly monitored to appear aligned with the boutique layout and also enhanced through the production of specially designed images and videos.
This way we believe that the digital image, which is **increasingly important and complementary** to the image disseminated by the **physical boutiques**, also always remains **fresh and stimulating, constantly updated** and capable of responding in the best possible manner to customer demand in search of new developments and special offers.

We try to transfer the same sensitivity and skill that we pursue in brick-and-mortar boutiques through the digital world with the aid of people we call "**Humanist Artisans of the Web**", the ideal meeting point between the savoir-faire of the new generations and the knowledge of tradition according to the humanist approaches of the Solomeo brand. The publications, product ranges and communications attempt to create a **pleasant** yet **comprehensive experience** in keeping with the **values** demonstrated in **boutiques around the world**.

The Casa Cucinelli experience

The desire to share the fundamental value of **hospitality** is the guiding principle behind the Casa Cucinelli concept, now present in **Solomeo**, **Milan**, **Paris**, **New York**, **London** and **Tokyo**, **Hong Kong** and **Los Angeles**.

The guiding principle in the creation of each **Casa Cucinelli** is based on the expression of a **kind**, **familiar** and **relaxed hospitality**, enshrined in a meeting space that conveys our idea of lifestyle. The very name "Casa Cucinelli" is intended to immediately evoke the **feelings of familiarity and well-being** that are distinctive to the brand, which immediately convey an **Italian taste**.

Each Casa Cucinelli is intended to host friends and collaborators, intimate events and social receptions just as we receive guests in our own home.

The rooms of each Casa Cucinelli include a **large social lounge**, a **library** with books in the original language, a **kitchen** where flavours are blended and wines are stored, as well as a series of different rooms for each location able to promote the specific values of each host culture.

The great care taken with the furnishings, the scrupulous choice of the rarest and most precious materials, the harmonious distribution of spaces, the unique antiques recovered and restored with a contemporary perspective, the finishes with refined materials, all elements revolve around the value of time and an exclusive experience.

The intention is to openly and harmoniously convey the **experience of time as it is understood in the Italian lifestyle, and especially in Solomeo**, according to an approach that we believe allows us to best promote the value of the products.

COLLECTIONS

The creation of the collections has been inspired by the growing request for understated, sophisticated clothing with clean lines, which clearly differs from the more sporty and casual inclinations characteristic of the pandemic period that we have now left behind. The search for **contemporary elegance** does not exclude the formation of a **comfortable and relaxed style** – essential attributes of Brunello Cucinelli's distinctive taste, which is always searching for the connecting point between the indoor and outdoor world, between free and professional time.

The values of comfort and lightness remain in fact at the centre of our attention, but our focus projected towards the future makes it possible to interpret them according to the contemporary canons of dressing well, in a new order focused on the balance of tailoring and informality, sophistication and ease.

We believe that the reflections of the brand on creativity intersect with a specific market demand that has a tendency to change, stimulated to pursue innovation thanks to the increasingly important presence of social media, but at the same time very attentive to the intangible value of the object, as the fruit of exclusive craftsmanship and the symbol of a philosophy and a message that it is intended to support.

The search for elegance **based on sartorial foundations but expressing a contemporary appeal**, concerns both the **Women's collection**, which increasingly includes elements **expressing feminine, casual tailoring,** as well as the **men's style**, to which special attention has been paid for several years now through a **distinctive range of suits and jackets**, as well as a special **tailoring** service.

We really appreciate that the presentation of the new stylistic proposals continues to be associated with a special moment, partly thanks to the human, relaxed atmosphere we believe has been created together with the trade press and our customers. The new recently presented **Fall-Winter 2024 collections** received very favourable comments from customers and industry insiders, who combined their appreciation for the latest designs with the recognition of a line oriented towards contemporary, casual and balanced elegance.

The offer of a **balanced**, **recognisable** and **complete taste** – the interpretation of the authentic spirit of an Italian lifestyle – remains the foundation and goal of our collection; which feature multiple carefully developed items that when combined represent a means to offer a true reinterpretation of an iconic or classic element, as well as a definitive and iconic expression of the Brunello Cucinelli style.

Parallel to the definition of a look, there is a growing selection of special highly exclusive elements, the result of unique craftsmanship in terms of both expertise and creativity. For the **women's collection**, the **OPERA** tops, made entirely by hand – with needles or crochet – are joined by a special series called "**Maglieria Couture**", the result of sophisticated embroidery that can create original effects and thus reinterpret the very concept of knitting.

For the men's collection, in addition to the introduction of knitwear with a significant hand-knitted component, the special garments include **outerwear with a very high degree of craftsmanship**, produced in very precious materials such as vicuña, and finally the **new tailoring techniques** that enhance the value of knitwear on unusual elements such as down jackets.

The **Women's Fall-Winter 2024 Collection** rediscovers the allure of an aware simplicity, based on the careful pursuit of the authentic character of each element. The tradition is renewed to give life to an updated female taste that is also iconic, able to express a harmonic and welcoming naturalness. The design of the garments is based on texture, proportion and essential colours, and the stylistic search selects a few distinct elements to offer an elegant and relaxed collection. The fabrics and tailored forms often recall the male taste, expertly balance with the relaxed and enveloping attitude of the most refined aspects and sophisticated details that enrich and complete the garments. An important role is played by some key words such as *double*, *bonded* and *padded*, processes that offer a new interpretation of classic fabrics and the natural appearance of leathers. The fusion of traditional materials and innovative effects instils a contemporary spirit to long formal coats, important shoulders, dense or granular wool fabrics, skirts with composed fluidity, material textures with a retro look, and no-fade denim.

The **Men's Fall-Winter 2024 Collection** focuses on the fascination of a male style in its purest, most defined and essential form. Rethinking elements that have been iconic during the history of men's elegance from a more contemporary point of view is the common thread that guarantees the lasting recognisability of the brand throughout its collections, and at the same time it is what projects the 2024 Fall-Winter collection towards the future. The important forms that are firmly based in the tailoring imagery of the 1980s inspire an attentive and generous taste that is clean and fluid at the same time, always light and especially comfortable, with the authentic spirit of Brunello Cucinelli. Updating the forms makes it possible to give traditional garments a new look, thanks to important yet also comfortable lines that the physicality of men. Silhouettes and materials create versatile functions and give more depth to the look that always reflects a structured and tailored taste.

The **importance of colour**, which has always been at the centre of the Brunello Cucinelli aesthetic, remains central in all the collections. The shades lend an authentic flavour to every look, representing an immediate trademark of the timeless style that inspires Brunello Cucinelli research. Very light, wintry tones, beiges and greys express a luxurious and subdued allure, and are able to gracefully refine the spirit of other shades or modulate refined tone-on-tone palettes.

The **Boys' and Girls' Collections** represent a natural extension of the Women's and Men's collections, whose distinctive characters and models have been redesigned into a **mini-me version**, also adding a number of specific elements that reinterpret the Brunello Cucinelli taste on a younger scale. The quality of the materials and workmanship is perfectly in line with the main collections, while the constructions and details meet the requirements of comfort, dynamism and ease of use ideal for children.
Through the distinctive expression of the brand's contemporary style, the boys' and girls' collections aim to express the magic and wonder of children, for whom joy and living carefree are fundamental, to be harmonised with feelings of lightness, freedom and fun.

An important addition to the Men's and Women's collections, the **Fall-Winter 2024 Lifestyle Collection** extends the horizons of our ready-to-wear, which borrows from the artisan care and the unmistakable taste that characterises each item. The heritage of the brand and its territory are celebrated through a harmonic combination of artisan knowledge and new technologies. The nuances of the *medium greys*, *browns* and *panamas* intensity the identity of the materials, which are able to express discrete luxury in an understated and refined daily context, whereas renewed fabric processing and original blends distinguish the proposals for the table and for free time. Soft leathers, the warm touch of walnut wood, the steel finishes and stone surfaces unite the spirit of tradition with the exclusivity of sophisticated technologies, expressing a welcoming and familiar spirit, celebrate a precious yet authentic lifestyle.

The new **Eyewear Collection** is an expression of the brand's distinctive characteristics: aesthetics in harmony with the style of the Men's and Women's collections and the search for the highest standards of materials and craftsmanship. The aesthetic impact of every model reinterprets the distinctive characters of the brand: the lightness of the frames, which corresponds to the pursuit of lightness in clothing, made possible in particular by the new titanium frames; the careful selection and development of colours in harmony with the brand's distinctive nuances; the refinement of elegant details, which constitute both an element of recognisability and exclusivity; and finally, as is the case with the Brunello Cucinelli collections, the high level of craftsmanship of each frame, made with care and knowledge by expert hands.

The **fragrances** "**Brunello Cucinelli pour Femme**" and "**Brunello Cucinelli pour Homme**" represent one of the main innovation introduced by the brand in 2023. Both fragrances are inspired by the characteristics of Umbria, with the aim of harmonising its various inspiring elements, such as the landscape with rolling hills dotted with tall and elegant cypresses; the ancient history of the small hamlets, the style of Medieval art, the spirituality and force of ideals. The women's perfume exalts notes of chestnut, citrus, pink pepper and fine woods, among others, while the men's fragrance features the essence of cypress that is harmoniously balanced with the spicy notes of juniper essence and with other sophisticated ingredients, such angelica, black pepper, clary sage and ginger. Thanks to these properties, these two contemporary and timeless fragrances communicate the essence of Brunello Cucinelli and are harmoniously integrated into the brand's cherished complete lifestyle idea.

THE LARGE PROJECT FOR SUSTAINABLE AND BALANCED GROWTH

The forms of Sustainability

“I like to think of a sustainability that is inclusive of both material and spiritual values, a concrete place where the environment, economy, technology, culture, spirit and morals live together. I am convinced that this will make it possible to have a sustainable and complete action because, in spite of technology, we live among nature and, according to Leibniz, nature “does not make jumps”, that is relationships between things are continuous and not differentiable. For this reason, we imagine that there must be an environmental, economical, technological, cultural, spiritual and moral sustainability”.

In this harmonious framework – commented on by Brunello Cucinelli himself – the forms of sustainability find their place: **environmental**, **economic**, **cultural**, **spiritual** and **moral**, to which can be added the most current and ever-changing form of sustainability, **technological**.

At the heart of it all is the constant desire to seek that fundamental balance between Humanism and Technology, capable of bringing about a “soulful” technological innovation. These are the words of Brunello Cucinelli:

“Today, where contemporary technological products are so extraordinary that they even astonish those who created them, I think that, as was the case in the past, our humanity will chose every suitable thing that new science presents to improve the life of the Creation in all of its aspects and govern technological innovation to ensure it does not rob us of the soul we have received as a gift. Two great minds of the past, Montaigne during the Renaissance and Jacob Burckhardt during the 19th century basically thought in the same way that science is useless without the guidance of the mind.”

Himalaya Regenerative Fashion Living Lab

The Himalaya Regenerative Fashion Living Lab is a project that the company has enthusiastically gotten involved in, presented in 2022 with development starting during 2023 as a result of a partnership between the Sustainable Markets Initiative (SMI) Fashion Task Force, founded by King Charles III of England, and the Circular Bioeconomy Alliance (CBA).

It is a wide-ranging **humanistic project** that includes Brunello Cucinelli as one of the enthusiastic supporters of an impressive endeavour to **promote the knowledge and craftsmanship peculiar to the Himalayan peoples.**

Indeed, the project aims to support the fundamental value of a **humanely sustainable environment** in an attempt to **restore harmony between small local communities and nature in certain areas of the Himalayas**, in the name of protecting biodiversity.

The goal shared by all supporters is to **create fashion value chains that are as sustainable as possible** through the **restoration of degraded landscapes** (reforestation, agro-forestry) and the **development of traditional artisanal skills**, especially local textiles, in order to promote the indigenous cashmere, cotton and silk economies.

The philosophy of our Casa di Moda is perfectly reflected in this project, which is a natural extension of our daily activities in Solomeo, which has always been committed to the restoration of "forgotten" landscapes in Umbria and the promotion of local traditional craftsmanship and textile skills.

In keeping with the long-term outlook of the Solomeo-based company, the Himalaya Regenerative Fashion Living Lab project above all pursues the benefits that will accrue to **future generations**.

Brunello Cucinelli commented on the initiative as follows:
«*I've always thought about humankind in its universal dimension. For this reason, the Himalaya Regenerative Fashion Living Lab has charmingly captured my eyes' attention as this project is a visionary initiative concerning earth and populations for which arts and crafts play a crucial role, a highly humanistic project which I could participate in thanks to the invitation by His Majesty King Charles III".*

Harmony of sustainability: the Greenhouse Gas Emission Reduction Plan

Starting in 2019, an in-depth analysis was initiated for the development of a **decarbonisation strategy**, with the aim of reducing the carbon footprint of our Casa di Moda and its supply chain.

The plan to reduce greenhouse gas emissions was validated by applying the principles of the **Science Based Targets Initiative** (SBTi), an international partnership created by the Carbon Disclosure Project, Global Compact (UN), the World Resources Institute and the WWF.

The **reduction targets** of both direct and indirect climate-changing emissions, submitted by the company during 2022 foresee:
– 70% reduction in GHG Scopes 1 and 2 emissions by 2028 compared to 2019;
– reduction of GHG Scope 3 emissions by 22.5% by 2028 compared to 2019;
– reduction of GHG Scopes 1, 2 and 3 emissions by 90% by 2050 compared to 2019;
– achieving the net-zero target by 2050, as set out in the "Science Based Targets Initiative Net-zero Standard" by taking part in the UNFCCC's international "Business Ambition for 1.5 °C" and "Race to Zero" campaigns.

We see it as important to emphasise that the progressive decarbonisation plan will be prioritised and that all residual emissions will be neutralised (if applicable) in line with SBTi criteria before reaching net-zero emissions.

With turnover doubling in the last 3 years, the compilation of the GHG emissions inventory showed the benefits of the actions taken so far, with an increase in GHG emissions significantly lower than the increase in revenues.

"Social Return on Investment" (SROI)

It is in all of these **social and cultural initiatives** that the founding concept of **Human Sustainability** as promoted by our company for many years is reflected.
The issues of social wellbeing, the enhancement of the natural landscape and the protection of the historical-artistic heritage are in fact part of a holistic and wide-ranging vision that sees the concept of sustainability as a **harmonious set of values, aspirations and objectives** that the company naturally looks to in its medium-term and, above all, long-term plans.

For these reasons, an in-depth analysis has been carried out in collaboration with leading international institutes, aimed at **measuring** and **evaluating** the **positive impacts** – in terms of **social benefits for the communities** concerned – generated by the initiatives implemented by our Casa di Moda, aware that the value of these actions **naturally goes far beyond** any kind of numerical measurement.

The **Social Return on Investment (SROI)**, an index that provides a quantitative measure of the social impacts generated against the economic value of the investments made by the company and other stakeholders involved, was chosen as the methodology for calculating impacts.
The detailed analysis has also concerned the "**Great Works**" realised over the years in **Solomeo**, in the **Umbrian territory** and **internationally**, and we are honoured to note that the value of the Social Return on Investment is more than **twice** the value of the investments dedicated over the years.

INTRODUCTION

This financial report as at 31 December 2023 was prepared according to Legislative Decree 58/1998 and as amended, as well as the Consob Issuers' Regulation. 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.

SUMMARY DATA AS AT 31 DECEMBER 2023

The tables below show (i) the consolidated summary economic data as at 31 December 2023, compared with the corresponding previous year; (ii) a consolidated statement of financial position reclassified by sources and applications at 31 December 2023 with comparative figures at 31 December 2022; and (iii) cash flow from operating activities, investment activities and financing activities, as well as the amount incurred for investments as at 31 December 2023, with comparative figures at 31 December 2022.

Summary Consolidated Income Statement

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Revenues	1,139,420	100.0%	919,708	100.0%	219,712	+23.9%
EBITDA	326,251	28.6%	266,357	29.0%	59,894	+22.5%
EBITDA excluding IFRS 16	230,279	20.2%	172,411	18.7%	57,868	+33.6%
Operating Income	187,406	16.4%	134,412	14.6%	52,994	+39.4%
Profit before taxes	173,341	15.2%	123,967	13.5%	49,374	+39.8%
Net profit	123,809	10.9%	87,205	9.5%	36,604	+42.0%

Statement of financial position reclassified by sources and uses:

(Euro/000)	Situation at			
	31 December 2023	31 December 2022	Change	% change
Net working capital	178,330	140,786	37,544	+26.7%
Fixed assets	773,784	774,207	(423)	-0.1%
Other non-current assets/(liabilities)	62,586	47,499	15,087	+31.8%
Net invested capital	**1,014,700**	**962,492**	**52,208**	**+5.4%**
Net financial debt	6,146	7,147	(1,001)	-14.0%
Financial lease liabilities	554,941	562,369	(7,428)	-1.3%
Shareholders' equity	453,613	392,976	60,637	+15.4%
Sources of financing	**1,014,700**	**962,492**	**52,208**	**+5.4%**

Other summary data:

(Euro/000)	Situation at			
	31 December 2023	31 December 2022	Change	% change
Net cash flows provided by/(used in) operating activities	209,048	215,937	(6,889)	-3.2%
Net cash flows provided by/(used in) investing activities	(52,842)	(81,541)	28,699	-35.2%
Net cash flows provided by/(used in) financing activities	(163,618)	(115,652)	(47,966)	+41.5%
Total cash flow	**(7,412)**	**18,744**	**(26,156)**	**>-100.0%**
Total Investments	**79,076**	**87,537**	**(8,461)**	**-9.7%**

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 Income* before *Depreciation and Amortization*.

– **EBITDA *excluding IFRS 16***: this is the *Operating Income* calculated using the accounting standards in force prior to the introduction of IFRS 16 before *Depreciation and Amortization* calculated using the accounting standards in force prior to the introduction of IFRS 16.

– **Commercial net working capital**: it is calculated as the sum of the *Inventories* and *Trade receivables* net of *Trade payables*.

– **Net Working Capital**: is calculated as the sum of the Commercial net working capital and the balance (positive or negative) of all the other balance sheet items classified as *Current asset*s or *Current liabilities*, with the exclusion of financial items.

– **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 towards banks*, *Current and non-current financial liabilities, Current financial assets for leases, Current financial liabilities for leases and Non-current financial liabilities for leases*).

– **Net Financial Debt**: 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 Property, plant and equipment, in Investment property and net increases in Other non-current financial assets.

SEASONALITY OF SALES

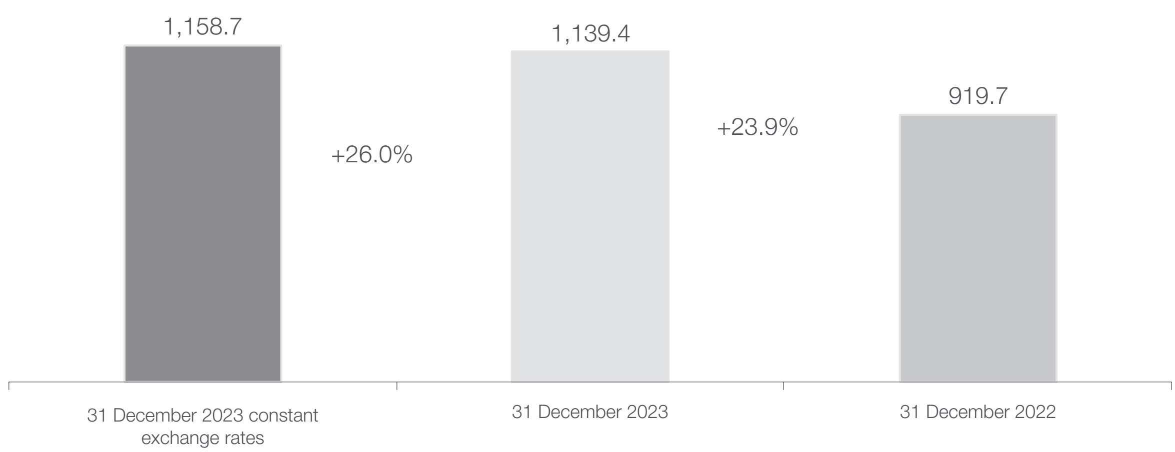
While not subject to significant seasonal or cyclical changes in total annual sales, during the various quarters of the year, the Group's activities suffer from a lack of perfect uniformity in the flow of revenues and costs deriving mainly from its businesses.
Furthermore, the luxury market which the Group operates in 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 result in greater revenues in the first and third quarters of each financial year. In fact, shipments determine greater sales 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 uniformly to the formation of the economic and financial results for each year.

THE GROUP'S RESULTS FOR THE YEAR 2023

ANALYSIS OF REVENUES

The Group's consolidated turnover for the year 2023 amounted to €1,139,420 thousand, an increase of +23.9% over the year 2022. At constant exchange rates, meaning using the same average exchange rates as those used in 2022, revenues would have been €1,158,675 thousand, equal to +26.0%.

The turnover for year 2023 is the highest in our history, with a growth that has led us to exceed 1.1 billion in revenues. Outstanding results were achieved in all geographical areas and distribution channels, with exceptional sales quality favoured by the position of the Brunello Cucinelli brand in the highest and most exclusive luxury segment.



REVENUES BY GEOGRAPHICAL AREA

We see it as important to emphasise the balanced and uniform increase in turnover recorded during 2023 in all markets (Europe +13.5%, Italy +25.4%, Americas + 20.8%, Asia +40.4%).
It is interesting how, in the various geographical areas, we have noticed a general demand for understatement, elegance, uniqueness and quality on the part of the end customer, who more and more often wants to find out and learn about the history and values behind the products they purchase.

Revenues by geographic area as at 31 December 2023 compared with 31 December 2022 are presented below:

(Euro/000)	Year ended 31 December					
	2023	**% of revenues**	**2022**	**% of revenues**	**Change**	**% change**
Europe	299,380	26.3%	263,814	28.7%	35,566	+13.5%
Italy	128,852	11.3%	102,753	11.1%	26,099	+25.4%
Americas	404,453	35.5%	334,693	36.4%	69,760	+20.8%
Asia	306,735	26.9%	218,448	23.8%	88,287	+40.4%
Total	**1,139,420**	**100.0%**	**919,708**	**100.0%**	**219,712**	**+23.9%**

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

Europe
In the European market, revenues amounted to €299,380 thousand, an increase of 13.5% compared to 2022, with a relative weight of 26.3%.

The year just ended was undoubtedly **very positive for the entire European area**, with results that we can define as **outstanding in each of the quarters** of 2023, including in view of last year's particularly challenging basis for comparison. The loyalty of **local client** and their appreciation for the product have proven to be **solid and constant factors at various times of the year**.

In addition, we are very satisfied with customers' favourable response to our visual merchandising, with particular attention to the windows and the in-store presentation of the product that has always been a hallmark of the brand's image. Indeed, we believe that all this is very important to convey our sense of lifestyle and authentic taste.

At 31 December 2023, the single-brand network (direct and single-brand wholesale) consisted of 46 boutiques.

Italy
In Italy, turnover amounted to €128,852 thousand, up 25.4% compared to 2022, accounting for 11.3%.

As for the European market, **local demand is solid** and additionally reinforced by the **growth in high-end tourism** coming from **North America**.

At 31 December 2023, the single-brand network (direct and single-brand wholesale) consisted of 13 boutiques.

Americas
The American market recorded a turnover of €404,453 thousand, an increase of 20.8% compared to last year, with a sales impact of 35.5%.

The US market has definitely shown **great solidity**, with very strong demand in all **major cities** on both the eastern and western seaboards, in renowned **resort locations** and in **"secondary" cities**, where the presence in the most important multi-brand and Specialty Stores has represented significant added value.

This great year has been full of special moments, memorably including the takeover of the windows at the **Saks** luxury Department Store on the renowned Fifth Avenue in Manhattan, and the event in Los Angeles, at ***Chateau Marmont***, attended by many of the brand's friends.

All this appears to be concrete testimony from this market of the great warmth and affection we receive for our brand, for which we are profoundly grateful.

At 31 December 2023, the single-brand network (direct and single-brand wholesale) consisted of 35 boutiques.

Asia
In the Asian market, revenues amounted to €306,735 thousand, an increase of 40.4% compared to 2022, accounting for 26.9% of sales.

Asia remains an area of **great interest**, both in terms of the **results achieved** and the **growth potential**. In China, we are noticing in particular how the positioning of our brand is being confirmed, from one year to the next, as more and more clear and consistent with the rest of the world. Indeed, the Chinese market continues to expand significantly, which goes hand in hand with the growth in appreciation by the end customer and their loyalty.

It is essential to reiterate the prestigious international "**Designer of the Year 2023**" award received by Brunello Cucinelli from the renowned men's fashion magazine GQ China on 7 December in China. A conference was held the day before the ceremony, when Brunello Cucinelli referred to certain major **ethical and philosophical issues in life**, such as the **balance between work and private life**, with very important Chinese influencers and celebrities in attendance.

We were highly honoured to witness the attention, sensitivity and curiosity that the young attendees showed on the shared issues, and we are pleased to welcome all this as confirmation of the increasing proximity being fostered with the country.

As weel as in China, we are very satisfied with the wonderful growth in the **Middle East** – a substantially young and new market for us, with the great energy shown by **South Korea**, and with the constant loyalty that a market of central historical importance such as **Japan** continues to reserve for us. All this enables us to look ahead to a future full of fascinating opportunities.

At 31 December 2023, the single-brand network (direct and single-brand wholesale) consisted of 58 boutiques.

REVENUES BY DISTRIBUTION CHANNEL

The following table sets out the revenues earned by the Group in 2023 and 2022, analysed by distribution channel:

(Euro/000)	Year ended 31 December					
	2023	**% of revenues**	**2022**	**% of revenues**	**Change**	**% change**
Retail	746,816	65.5%	573,320	62.3%	173,496	+30.3%
Wholesale	392,604	34.5%	346,388	37.7%	46,216	+13.3%
Total	**1,139,420**	**100.0%**	**919,708**	**100.0%**	**219,712**	**+23.9%**

RETAIL

The retail channel grew by 30.3% compared to 2022, with the relative percentage impact on sales rising to 65.5% compared to 62.3% in 2022.

Sales in this channel recorded a significant increase, thanks to the **excellent results** on **a like-for-like basis** and the **very positive sell-outs** of the **Spring-Summer** and **Fall-Winter 2023** collections. It seems to us that the **selected**, **prestigious boutique openings**, together with our expansions and renovations, have made a healthy contribution to growth.

Undoubtedly, 2023 confirmed the **centrality of physical retail**: at the same time, **digital retail** now represents a **multi-dimensional factor** inextricably interconnected with the physical channel, in which the interpretation of the brand's values and identity is being integrated more and more closely.

As at 31 December 2023, we had **125 retail boutiques** as compared to 119 the previous year, and 49 **hard shops** (42 at 31 December 2022).

WHOLESALE

The wholesale channel grew 13.3% compared to 2022, accounting for 34.5% of sales.

2023 was also confirmed as a **great year** for the wholesale channel. Indeed, the **growth in sell-outs** was accompanied by further consolidation of the **channel's strategic centrality**; wholesale clients have long played a primary role in keeping **our brand contemporary**.

The considerable expertise, utter conscientiousness and constantly fresh and contemporary taste they bring to the presentation of the collections in their stunning spaces continues to remain a great source of inspiration for us. We would like to thank our valued customers once again, and we are honoured by the wonderful relationship of esteem that unites us and by the love they show for our product and our brand.

REVENUES BY PRODUCT LINE AND END CUSTOMER

The following is a presentation of the Brunello Cucinelli Group's revenues at 31 December 2023 and 31 December 2022, analysed by type of end customer and by product line:

	31 December 2023	31 December 2022
Men (%)	44.8%	44.0%
Women (%)	55.2%	56.0%
	100.0%	**100.0%**

	31 December 2023	31 December 2022
Apparel (%)	84.2%	84.4%
Accessories (%)	15.8%	15.6%
	100.0%	**100.0%**

ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

The following table provides a summary of the financial data as at 31 December 2023 and 31 December 2022:

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Revenues	**1,139,420**	**100.0%**	**919,708**	**100.0%**	**219,712**	**+23.9%**
Costs of raw materials and consumables	(114,343)	-10.0%	(95,537)	-10.4%	(18,806)	+19.7%
Costs for services	(475,769)	-41.8%	(372,224)	-40.5%	(103,545)	+27.8%
Payroll costs	(194,969)	-17.1%	(164,713)	-17.9%	(30,256)	+18.4%
Other operating (costs)/revenues	(28,088)	-2.5%	(20,877)	-2.3%	(7,211)	+34.5%
EBITDA	**326,251**	**28.6%**	**266,357**	**29.0%**	**59,894**	**+22.5%**
Depreciation and amortization	(138,845)	-12.2%	(131,945)	-14.3%	(6,900)	+5.2%
Operating Income	**187,406**	**16.4%**	**134,412**	**14.6%**	**52,994**	**+39.4%**
Net financial income/(expenses) and from equity investments	(14,065)	-1.2%	(10,445)	-1.1%	(3,620)	+34.7%
Profit before taxes	**173,341**	**15.2%**	**123,967**	**13.5%**	**49,374**	**+39.8%**
Taxes	(49,532)	-4.3%	(36,762)	-4.0%	(12,770)	+34.7%
Net profit	**123,809**	**10.9%**	**87,205**	**9.5%**	**36,604**	**+42.0%**
EBITDA excluding IFRS16	230,279	20.2%	172,411	18.7%	57,868	+ 33.6%

EBITDA AND RESULTS

At 31 December 2023:

– **EBITDA** amounted to €326,251 thousand, equal to **28.6%** of Revenues (€266,357 thousand at 31 December 2022 equal to 29.0% of Revenues).

– **EBITDA excluding IFRS 16** amounted to €230,279 thousand, equal to **20.2%** of Revenues (€172,411 thousand at 31 December 2022, equal to 18.7% of Revenues).

– The **Operating Income** amounted to €187,406 thousand, equal to **16.4%** of Revenues (€134,412 thousand at 31 December 2022, equal to 14.6% of Revenues).

– **Profit before taxes** amounted to €173,341 thousand, equal to **15.2%** of Revenues (€123,967 thousand at 31 December 2022 equal to 13.5% of Revenues).

– **Net profit** amounted to €123,809 thousand, equal to **10.9%** of Revenues (€87,205 thousand at 31 December 2022, equal to 9.5% of Revenues).

OPERATING COSTS

The percentage of **production costs** (costs of raw materials and consumables and cost for outsourced work) dropped to 27.5% at 31 December 2023 compared to 28.5% at 31 December 2022.

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Costs of raw materials and consumables	168,389	14.8%	137,583	15.0%	30,806	+22.4%
Change in inventories	(54,046)	-4.7%	(42,046)	-4.6%	(12,000)	+28.5%
Outsourced work	199,325	17.5%	166,192	18.1%	33,133	+19.9%
Total	**313,668**	**27.5%**	**261,729**	**28.5%**	**51,939**	**+19.8%**

Our first margin at 31 December 2023 amounts to €825,752 thousand compared to €657,979 thousand at 31 December 2023, an increase in absolute value of €167,773 thousand, equal to +25.5%, also thanks to the evolution of our sales mix.

Concurrent with the evolution of the network, the development of new commercial initiatives and the consolidation of operations, operating costs are gradually increasing, also impacted by dynamics of the Euro exchange rate against other currencies.

The percentage of **payroll costs** at 31 December 2023 amounted to 17.1% of revenues, down from 17.9% at 31 December 2022.
Payroll costs at 31 December 2023 amounted to €194,969 thousand, an increase in value as compared to the figure for the previous year of €30,256 thousand.

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Payroll costs	194,969	17.1%	164,713	17.9%	30,256	+18.4%

The dynamics of payroll costs also reflect the development of our Human Resources structure. FTE (Full Time Equivalent) equals 2,623.3 at 31 December 2023 as compared to 2,308.3 at 31 December 2022 (+315.0), with an increase in the managerial structure as well as due to an expansion in the store networks (e.g. +6 DOS, +7 *department stores*) and a signal of increase in production workers in the are of the expansion project for our artisan structure, which is divided as indicated below:

	Year ended 31 December		
	2023	2022	Change
Executives and managers	93.0	82.6	10.4
Office and sales staff	1,833.6	1,624.7	208.9
Blue-collar workers	696.7	601.0	95.7
Total workforce	**2,623.3**	**2,308.3**	**315.0**

The following table provides a summary of the main income statement items for 2023 and 2022 as they relate to Revenues:

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Lease expense	50,598	4.4%	38,561	4.2%	12,037	+31.2%
Advertising and other marketing costs	78,938	6.9%	52,201	5.7%	26,737	+51.2%
Transport and duties	46,855	4.1%	42,697	4.6%	4,158	+9.7%
Commissions and accessory charges	10,002	0.9%	7,244	0.8%	2,758	+38.1%
Credit card charges	15,692	1.4%	11,975	1.3%	3,717	+31.0%

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

– **Costs for leases** amounted to €50,598 thousand at 31 December 2023 compared to €38,561 thousand at 31 December 2022.
  This item mainly refers to lease contracts with variable consideration (and as such not included in the scope of IFRS 16).
  Details are provided below for lease expense and the cost for leases relative to the lease contracts included in the scope of IFRS 16 for 2023 compared with 2022:

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Lease expense	50,598	4.4%	38,561	4.2%	12,037	+31.2%
Cost for leases included in IFRS 16	104,414	9.2%	95,013	10.3%	9,401	+9.9%
Total	**155,012**	**13.6%**	**133,574**	**14.5%**	**21,438**	**+16.0%**

Therefore excluding the effects of applying IFRS 16, the balance for the cost for leases at 31 December 2023 amounts to €155,012 thousand (equal to 13.6% of Revenues) compared to €133,574 thousand (equal to 14.5% of Revenues) at 31 December 2022: the growth is related both to new openings, including, as mentioned, the new flagship in Via dei Condotti in Rome, the boutique resort of Forte dei Marmi and the important flagship “Mall of Emirates” in Dubai as well as the significant expansion of some of the existing areas as well as new spaces dedicated to hospitality. These include the presence of small bars of different sizes and libraries in the boutiques, and the “Casa Cucinelli” spaces, areas for meeting with customers, partners, journalists, analysts and investors where we attempt to fully express our lifestyle ideas.

– **Advertising and other commercial expenses** of €78,938 thousand (6.9% of Revenues) as of 31 December 2023 compared to €52,201 thousand (5.7% of Revenues) at 31 December 2022.
  2023 demonstrates the considerable importance of investments in communication, which we believe benefit the allure of the brand, consolidate our positioning in the segment of absolute luxury and reinforce those relationships we like to define as “special” and “unique” with the clients and “friends” of the brand.
  We aspire to a “silent” and “refined” communication that is based on the desire to communicate the brand’s values during our multiple occasions for meeting at our boutiques, at our “Case Cucinelli”, at the multi-brands, and in the hamlet of Solomeo.
  This desire to share also characterises the events for the presentation of our collections, where we are very pleased to invite not only trade journalists and our multi-brand customers, but also end customers, enhancing both the product, as the synthesis of our idea of modernity and contemporaneity, as well as the “amiable” way we would always like to characterise our relationship.
  The investments in communication during 2023 were dedicated significantly to important brand events that were promoted during the period of reference, sharing our strong desire for social relations and the physical experience, and celebrating the very important recognitions received, including the prestigious *“Neiman Marcus Fashion Award for Distinguished Service in the field of Fashion”* and the prestigious award *“GQ Designer of The Year 2023”* awarded to Brunello Cucinelli in China *“for standing out as a trendsetter in fashion and lifestyle”*.

- **Transport and duties**, equal to €46,855 thousand at 31 December 2023 (4.1% of Revenues) compared to €42.697 thousand at 31 December 2022 (4.6% of Revenues).
  The item is substantially reduced in terms of percentage of revenues in 2023, mainly due to the effect of the price control of the increase in tariffs registered during 2022, but also thanks to some significant process optimisations implemented by the Group.

- **Commissions and accessory charges**, related to the remuneration paid to the agent networks, whose percentage of revenues is stable (0.9% at 31 December 2023 and 0.8% at 31 December 2022).

- **Credit card commissions** amounting to €15,692 thousand (1.4% of Revenues) as of 31 December 2023 compared to €11,975 thousand (1.3% of Revenues) at 31 December 2022. The increase in credit card commissions in percentage terms with respect to turnover substantially follows the development of the sales channels.

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

- other items included in “Costs for services” amounted to a total of €74,359 thousand at 31 December 2023 compared to €53,354 thousand at 31 December 2022.
  The €21,005 thousand increase (+39.4% compared to the previous year) is mainly due to structural aspects: the increase in spaces where business is carried out, with increasing costs for maintenance and security, the significant increase in costs inherent to the development of digital activities, the increase in expenses for outsourced services and miscellaneous consultancy and the considerable resumption of international travel of our people for development, creativity and implementation of management.

- The item “Other operating (costs)/revenues” has a negative balance amounting to €28,088 thousand at 31 December 2023 compared to a negative balance amounting to €20,877 thousand at 31 December 2022, recording a substantial balance in terms of percentage of turnover in the considered years (2.5% of Revenues for 2023 compared to 2.3% of Revenues for 2022).

DEPRECIATION, AMORTIZATION, NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Depreciation and amortization at 31 December 2023 amounted to €138,845 thousand, up €6,900 thousand compared to €131,945 thousand in 2022, mainly due to new leases.

Amortization of Rights of Use amounted to €95,664 thousand, including amortization of key money of €3,982 thousand. At 31 December 2022 depreciation and amortization amounted to €91,002 thousand, of which €5,127 thousand relating to key money.

The details of the depreciation and amortization and the effects inherent to that item deriving from the application of IFRS16 to leasing contracts at 31 December 2023 and 31 December 2022 are provided below:

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Depreciation and amortization	138,845	12.2%	131,945	14.3%	6,900	+5.2%
Exclusion of the effects of IFRS 16 application	(91,426)	-8.0%	(85,593)	-9.3%	(5,833)	+6.8%
Total	**47,419**	**4.2%**	**46,352**	**5.0%**	**1,067**	**+2.3%**

As shown in the above table, excluding the effects of the application of IFRS 16 relating to lease contracts, depreciation and amortization amounted to €47,419 thousand (4.2% of Revenues), compared to €46,352 thousand (5.0% of Revenues) in 2022.

For details of the investments in 2023, see the following section "Investments" in this Board of Directors' Report on Operations.

Net financial expense at 31 December 2023 amounted to €14,065 thousand compared to €10,445 thousand in 2022, up €3,620 thousand.

Referring also to the notes to these condensed consolidated financial statements for a separate statement of financial income and expenses 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, as well as the effects of the financial income and expenses from equity investments.

(Euro/000)	Year ended 31 December					
	2023	% of revenues	2022	% of revenues	Change	% change
Loan interest expense	1,998	0.2%	860	0.1%	1,138	>+100.0%
Other net (income)/expense	2,984	0.2%	2,479	0.3%	505	+20.4%
Financial expenses/(income) from ordinary operations	**4,982**	**0.4%**	**3,339**	**0.4%**	**1,643**	**+49.2%**
Lease financial expenses/(income)	12,944	1.1%	11,702	1.3%	1,242	+10.6%
Foreign exchange losses/(gains) on leases	6,870	0.6%	(2,320)	-0.3%	9,190	>-100.0%
Financial expenses/(income) from lease operations	**19,814**	**1.7%**	**9,382**	**1.0%**	**10,432**	**>+100.0%**
Foreign exchange losses/(gains)	3,207	0.3%	(1,675)	-0.2%	4,882	>-100.0%
(Gain)/Loss from participations	(18,199)	-1.6%	(6,716)	-0.7%	(11,483)	>+100.0%
Financial expenses/(income) for adjustment of derivatives to fair value	4,261	0.4%	6,115	0.6%	(1,854)	-30.3%
Total net financial expense/(income)	**14,065**	**1.2%**	**10,445**	**1.1%**	**3,620**	**+34.7%**

At 31 December 2023 the financial expenses from ordinary operations amounted to €4,982 thousand, compared to €3,339 thousand for the past year, with an increase equal to +49.2% mainly due to the effect of the progressive increase in the interest rates starting from the second half of the previous year and the increase in the volume of operational transactions in relation to the increase in business.

The Lease financial expenses/(income) are equal to €12,944 thousand at 31 December 2023 compared to €11,702 thousand at 31 December 2022, recording an increase of 1,242 thousand. This item represents the ordinary and recurring financial component that includes interest expenses and interest income, each determined based on the leasing liabilities and assets.

As instead regards the item Foreign exchange losses/(gains) on leases, it is mainly comprised of unrealized gains and losses on exchange rates determined by the conversion into Euro at the current exchange rate at the end of the year of the financial liabilities for leases expressed in currency and, therefore, reflects the trend of the foreign currencies with respect to the Euro.
Due to the effect of this trend, the item presents a negative effect equal to €6,870 thousand at 31 December 2023, which is also attributable to the reversal of the positive effect of the previous year equal to €2,320 thousand.

With regard to the result of foreign exchange management, a net negative value of Foreign exchange losses equal to €3,207 thousand was recorded compared to a net positive value of Foreign exchange gains of €1,675 thousand as at 31 December 2022.
This change is mainly due to the net effect of unrealised gains and losses on exchange rates resulting from the assessment of the items in foreign currency at 31 December 2023, which experienced a considerable strengthening of the Euro as compared to 31 December 2022, in relation to almost all currencies with which the Group operates. Due to its nature, this item is strongly conditioned by the dynamics of exchange rates managed by the Group in order to limit the oscillation risk, also through the stipulation of derivatives contracts.
For more details, please refer to the paragraph Financial risk management of the Explanatory notes to these Consolidated financial statements.
Therefore please note that as previously commented with reference to Foreign exchange losses/(gains) on leases, the prospective economic effects of this item will be a direct consequence of the Euro situation evaluated at the individual dates of reference.

The balance of the item (Gain)/Loss from participations mainly includes the effects related to the associate Cariaggi Lanificio S.p.A.:
– the assessment based on the reporting package as at 31 December 2023, appropriately adjusted to harmonise it with the Group's accounting standards;
– the capital gain following the sale of a minority investment. For more details concerning the operation, refer to the following paragraph "Significant occurred events during 2023" in this Board of Directors' Report on Operations.

Finally, we note the impact of the charges deriving from interest rate and exchange rate hedging transactions, which amounted to €4,261 thousand at 31 December 2023 compared to €6,115 thousand the previous year. These are mainly financial expenses determined by the fair value adjustment of exchange rate derivatives, the valuation of which is also influenced by short- and medium-term expectations expressed by the exchange rate curves used, and therefore by their nature subject to fluctuations between individual years.

In light of the above, **Profit before taxes** at 31 December 2023 amounted to €173,341 thousand, an increase as compared to the result recorded at 31 December 2022 (€123,967 thousand).

Net profit for the year amounted to €123,809 thousand, an increase of 42.0% over the previous year.

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

(Euro/000)	**31 December 2023**	**31 December 2022**
Net profit attributable to owners of the parent	114,617	80,599
Net profit attributable to non-controlling interests	9,192	6,606
Net profit	**123,809**	**87,205**

ANALYSIS OF BALANCE SHEET AND FINANCIAL ITEMS

Provided below are comments on the main items of the Group's consolidated statement of financial position at 31 December 2023 reclassified by sources and uses, with comparative figures at 31 December 2022.

NET WORKING CAPITAL

The following table provides an analysis of the net working capital of the Brunello Cucinelli Group at 31 December 2023 and at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**
Trade receivables	78,170	76,608
Inventories	287,291	242,844
Trade payables	(166,244)	(137,040)
Commercial net working capital	**199,217**	**182,412**
Other net current assets/(liabilities)	(20,887)	(41,626)
Net working capital	**178,330**	**140,786**

Commercial net working capital at 31 December 2023 increased €16,805 thousand compared to the figure at 31 December 2022.

This change is due to a variety of factors as follows:

– The balance of **Trade receivables** increased as compared to 31 December 2022 for an amount equal to €1,562 thousand (+2.0%).
  The substantial stability of the trade receivables, even with a significant increase in turnover during 2023, in particular due to the 13.3% increase in the wholesale channel, testifies to an extremely healthy situation.

We consider our receivables to be sound and payable without particular problems, and have prudently set aside a provision for write-downs of €2,071 thousand, recording for the year losses on receivables in the income statement and use of the provision (a total of €682 thousand, equal to 0.06 % of revenues). As at 31 December 2023 the provision for bad debts equalled €5,017 thousand (€3,586 thousand at 31 December 2022), an amount we consider suitable in order to cover the expected losses on receivables.

– The amount of **Inventories** equal to €287,291 thousand that, due to the effect of the considerable increase in business, which increased organically both as compared to 31 December 2022 (€242,844 thousand).
  The percentage of the value of inventories at 31 December 2023 represents 25.2% of turnover whereas at 31 December 2022 represented 26.4%, also due to the optimal sales *performance*.

The following table breaks down the Inventories of the Brunello Cucinelli Group at 31 December 2023 and at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**
Raw materials	61,358	47,899
Finished and semi-finished goods	304,344	238,431
Inventory write-down provision	(78,411)	(43,486)
Inventories	**287,291**	**242,844**

– the balance of **Trade payables**, equal to €166,244 thousand at 31 December 2023 compared to €137,040 thousand at 31 December 2022, with an increase equal to €29,204 thousand.
  Note that also during 2023 the Group did not change its payment terms towards its suppliers, collaborators and consultants. The change is mainly due to the purchase of raw materials and external production in the last quarter of 2023, which increased €18,279 thousand compared to the same period of the previous year to support the excellent performance of the Spring-Summer 2024 collection sales campaign and the significant start of production for the Fall-Winter 2024 campaign.

Other net current assets/(liabilities) has a negative balance at 31 December 2023 of €20,887 thousand, compared to a negative balance of €41,626 thousand at 31 December 2022. The changes are mainly attributable to the balances of income tax receivables and payables and the fair value of derivative instruments hedging currency risk. For more details, refer to the comments in the Explanatory notes to these Consolidated financial statements.

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 2023 and at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**
Intangible assets	13,824	13,970
Right of use	501,051	520,066
Property, plant and equipment	213,036	188,692
Non-current financial assets for leases	3,272	5,633
Other non-current financial assets	32,529	38,623
Investment property	10,072	7,223
Other net non-current assets/(liabilities)	62,586	47,499
Fixed assets and other net non-current assets/(liabilities)	**836,370**	**821,706**

Fixed assets and other net non-current assets/(liabilities) amounted to €836,370 thousand at 31 December 2023 compared to €821,706 thousand at 31 December 2022, representing a net increase of €14,664 thousand, or 1.8%.

For details on the changes in the individual items shown in the table during the year see the Notes to these consolidated financial statements.

The main changes are noted here:

– net decrease in "Right of use" with a decrease of €19,015 thousand compared to 31 December 2022, amounting to €501,051 thousand at 31 December 2023. The variation is mainly attributed to the combined effect of significant depreciation equal to €95,664 thousand and net decreases equal to €50,468 thousand due to the relocation of some boutiques, which overall were higher than the investments for the year ended at 31 December 2023. Note that this item represents the right to use the assets underlying the respective leases and key money considered initial direct costs of the lease arrangement;

– net increase in "Property, plant and equipment", up €24,344 thousand compared to 31 December 2022, amounting to €213,036 thousand at 31 December 2023. The main increases are due to work and furnishings 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 renovations carried out at the industrial hub;

– net decrease in "Other non-current financial assets", down €6,094 thousand as compared to 31 December 2022. The variation is main attributed to the change in the interest held in the associate company Cariaggi Lanificio S.p.A. following its sale to Chanel. For more details concerning the operation, refer to the following paragraph "Significant events occurred during 2023" in this Board of Directors' Report on Operations.

– Increase of €15,087 thousand compared to 31 December 2022 under "Other net non-current assets/(liabilities)", mainly attributable to the variation in the asset balances for deferred tax assets and liability balances for deferred tax liabilities.

INVESTMENTS

During 2023, the Group made investments in Intangible assets amounting to €7,116 thousand, in Property, plant and equipment amounting to €66,417, Investment property amounting to €2,994 thousand while the net increases in Other non-current financial assets amounted to €2,549 thousand.

The following table shows the investments by type and category made by the Group at 31 December 2023 and at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**
Investments in intangible assets (*)	7,116	12,901
Investments in Property, plant and equipment	66,417	55,470
Investment property	2,994	910
Investments in Other non-current financial assets (**)	2,549	3,206
Total Investments	**79,076**	**72,487**
Investment in associates	-	15,050
Total Investments, including Investments in associates	**79,076**	**87,537**

(*) 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.
(**) Other net non-current financial assets (balance of payments made net of repayments received).

As shown in the table, investments in 2023 amounted to €79,076 thousand.

Of these, €31.3 million is attributable to commercial investments, €44.8 million to investments in production, logistics and IT/Digital, and €3.0 million to investments in Investment property.

Following are the investments made by the Group as at 31 December 2023 and at 31 December 2022, broken down by type as described above:

(Euro/000)	**31 December 2023**	**31 December 2022**
Commercial Investments	31,272	46,545
Investments in production and logistics	36,525	15,812
Investments in IT/Digital	8,285	9,220
Investment property	2,994	910
Total Investments	**79,076**	**72,487**
Investments in associates	-	15,050
Total Investments, including Investments in Equity Investments in associate companies	**79,076**	**87,537**

Commercial investments equal to €31,272 support selected openings and some major expansions of prestigious boutiques, contributing to the growth of sales areas in the network of single-brand stores, dedicated spaces in Luxury Department Stores and the renewal and expansion of our showrooms worldwide, in addition to supporting development initiatives in multi-brand stores.

Investments in production and logistics equal to €36,525 thousand 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, with constant attention to maintaining comfortable work environments.
The investments in technical fixed assets include the start of work for building requalification and reconversion in a vast area of 8 hectares on the outskirts of Solomeo, which were purchased during the previous year for the strategic expansion of our production hub as well as the initial investments targeted towards the construction of a new factory in Penne, Abruzzo, which is an area that traditionally has been very important in the Italian history of artisan tailoring, in particular men's suits.

The investments in IT and Digital (also with specific platforms in evolving markets) are assuming increasing importance and at 31 December 2023 amounted to €8,285 thousand.

Investment property relate to property complexes as well as building land in Solomeo being managed with the aim of being restored and subsequently leased.

NET FINANCIAL DEBT

The net financial debt 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:

(Euro/000)	**31 December 2023**	**31 December 2022**
A. Cash and cash equivalents	(106,944)	(117,400)
B. Means equivalent to cash and cash equivalents	-	-
C.1. Other current financial assets	(883)	(108)
C.2. Other current financial assets for leases	(2,954)	(2,628)
D. Cash and cash equivalents (A+B+C)	**(110,781)**	**(120,136)**
E.1. Current financial debt	64,782	45,854
E.2. Current financial debt for leases	97,498	90,066
F. Current portion of non-current financial debt	24,259	31,164
G. Current financial debt (E+F)	**186,539**	**167,084**
H. Net current financial debt (G+D)	**75,758**	**46,948**
I.1. Non-current financial debt	24,932	47,637
I.2. Non-current financial debt for leases	460,397	474,931
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I+J+K)	**485,329**	**522,568**
M. Total financial debt (H+L)	**561,087**	**569,516**
of which:		
Net characteristic financial debt	*6,146*	*7,147*
Payables for leases	*554,941*	*562,369*

At 31 December 2023, the financial debt of the Brunello Cucinelli Group amounted to €561,087 thousand, of which €554,941 thousand related to debt generated by the accounting of lease contracts pursuant to IFRS 16.
At 31 December 2022 financial debt amounted to €569,516 thousand, (of which €562,369 thousand relating to lease contracts).

Excluding the balances due to the application of IFRS 16, financial debt at 31 December 2023 equalled €6,146 thousand, which is substantially in line as compared to €7,147 thousand at 31 December 2022, thanks to the positive economic result of the year, even with the important investment plan of €79.1 million and the dividend payment for a total of €53.1 million.

This resulted in the repayment of medium/long-term loans for a total of €31,164 thousand according to ordinary amortization schedules.

Note that item “I.1 Non-current financial debt” also includes the debt for loans due to subsidiaries' minority shareholders (amounting to €1,731 thousand).

SHAREHOLDERS’ EQUITY

The following table provides details of Shareholders’ equity at 31 December 2023 and at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**
Share capital	13,600	13,600
Reserves	313,574	288,344
Net profit attributable to owners of the parent	114,617	80,599
Shareholders’ equity attributable to owners of the parent	**441,791**	**382,543**
Shareholders’ equity attributable to non-controlling interests	11,822	10,433
Shareholders’ equity	**453,613**	**392,976**

The share capital of the Parent Company at 31 December 2023 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 2023 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**
Foro delle Arti S.r.l.	50.05%
FMR LLC	9.48%
Invesco	4.16%
Other shareholders	36.31%
Total	**100.00%**

For a description of the changes in shareholders’ equity, refer to the balance sheet and what is indicated in note 14 of the Explanatory notes to these Consolidated financial statements.

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 for the year as at 31 December 2023 and as at 31 December 2022:

(Euro/000)	31 December 2023		31 December 2022	
	Shareholders' equity	Result	Shareholders' equity	Result
Financial statements of the Parent Company	**518,669**	**108,345**	**454,674**	**99,840**
Difference between shareholders' equity of consolidated companies and the book value of the equity investments	39,277	44,509	3,742	7,366
Elimination of the effects of intercompany transactions	(119,177)	(22,692)	(95,244)	(32,660)
Elimination of dividends	-	(2,659)	-	(1,548)
Net investments in foreign operations	-	3,851	-	3,113
Tax effects of consolidation adjustments	33,204	6,659	26,545	7,622
Other	(30,182)	(23,396)	(7,174)	(3,134)
Group total	**441,791**	**114,617**	**382,543**	**80,599**
Shareholders' equity and net profit attributable to non-controlling interests	11,822	9,192	10,433	6,606
Total consolidated financial statements	**453,613**	**123,809**	**392,976**	**87,205**

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to article 123-bis of the Consolidated Law on Finance (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 related to the year ended on 31 December 2023, approved by the Board of Directors at its meeting of 14 March 2024, can be consulted in the "Governance" section of the Company's website at **www.brunellocucinelli.it**.

INFORMATION ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

In compliance with article 5(3)(b) of Legislative Decree 254/2016, the Brunello Cucinelli Group prepared the consolidated non-financial statement which constitutes a separate report. The 2023 consolidated non-financial statement, prepared in accordance with the "GRI Standards", is available on the Company's website at **www.brunellocucinelli.it**.

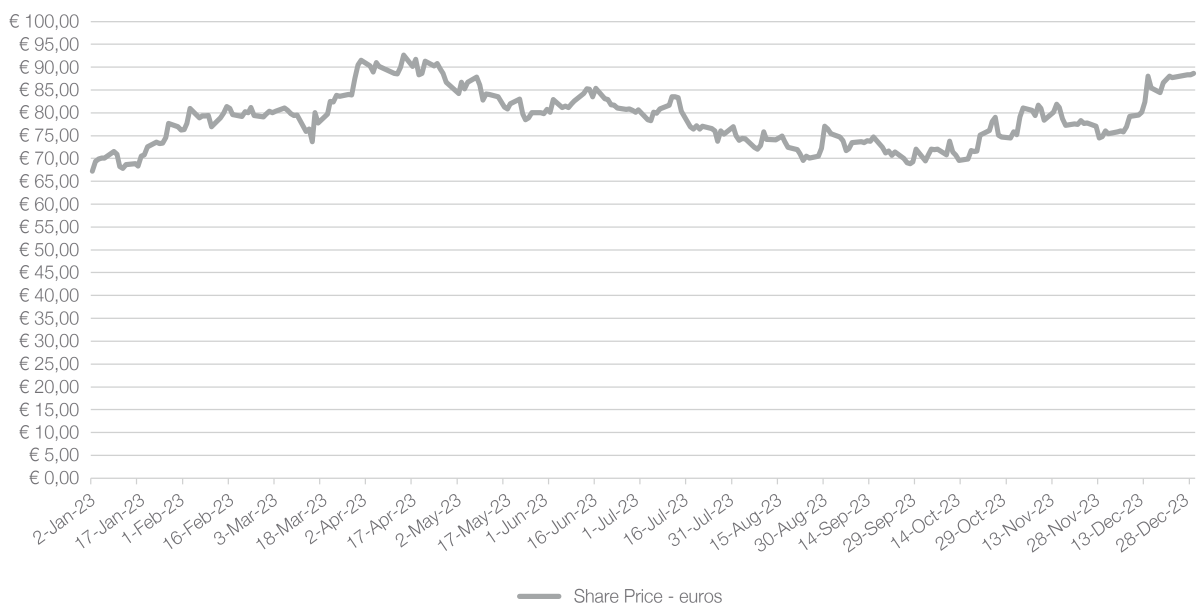
PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. MILAN EURONEXT STOCK EXCHANGE

On 29 December 2023, the final trading day of the year, the closing price of the Brunello Cucinelli share was €88.60 (+1,043.23% compared to the €7.75 per share set for the IPO, +28.22% compared to the 2022 closing value of €69.10). Market capitalisation at 31 December 2023 was €6,024,800 thousand.

The following table provides details of the Company's share price and performance between 1 January 2023 and 31 December 2023:

	Euro	Date
IPO price	7.75	-
Minimum Price(1)	67.20	2-Jan-23
Maximum Price(1)	92.65	14-April-23
Closing price	88.60	29-Dec-23
Capitalisation	6,024,800,000	29-Dec-23
Number of outstanding shares	33,966,000	29-Dec-23
Free float	3,009,387,600	29-Dec-23

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



SIGNIFICANT EVENTS OCCURRED DURING 2023

Purchase and assignment of own treasury shares in performance of the 2022-2024 Stock Grant Plan

On 9 January 2023 the Board of Directors of the Parent Company, in implementation of the resolution approved by the Shareholders' Meeting held on 27 April 2022 concerning the 2022-2024 Stock Grant Plan granted a mandate to Mediobanca – Banca di Credito Finanziario S.p.A. to start a program for the purchase of treasury shares on behalf of the Parent Company starting on 10 January 2023, in an independent manner, in compliance with the applicable regulations and what was dictated by the resolution approved by the Shareholders' Meeting.
The program for the purchase of treasury shares was carried out, making use of the safe harbour pursuant to art. 5 of Regulation (EU) no. 596/2014.
The program was completed with the total purchase of 47,250 treasury shares by the Parent Company.
As of the date of this annual financial report, all of these shares were assigned free of charge to the executive directors and employees in top positions of the company and its subsidiaries, in execution of the 2022-2024 Stock Grant Plan.

Shareholders' Meeting of Brunello Cucinelli S.p.A.

The Ordinary Shareholder's Meeting of the Parent Company Brunello Cucinelli S.p.A. was held on 27 April 2023.
The Shareholders' Meeting resolved to approve the annual financial statements as at 31 December 2022 and to allocate the profit for the year, as to the amount of €44,200,000, by allocating to the shareholders a dividend of €0.65 per share, and as to the amount of €55,640,598, to be carried forward by allocation to retained earnings.

The Shareholders' Meeting also:

– appointed the new Board of Directors, composed of 14 members for the 2023-2025 three-year period, who will remain in office until the Shareholders' Meeting is requested to approve the financial statements for the year that will close on 31 December 2025. Based on the two lists that were presented, the following Directors were appointed: Brunello Cucinelli (Executive Chairman and Creative Director), Luca Lisandroni and Riccardo Stefanelli (Managing Directors and CEO), Camilla Cucinelli, Carolina Cucinelli, Alessio Piastrelli, Giovanna Manfredi, Ramin Arani (independent), Maria Cecilia La Manna (independent), Stefano Domenicali (independent), Guido Maria Barilla (independent), Chiara Dorigotti (independent), Andrea Pontremoli, taken from list no. 1 presented by the majority shareholder Foro delle Arti S.r.l., and Emanuela Bonadiman (independent) taken from list no. 2, presented by a group of savings management companies and institutional investors;
– appointed the new Board of Statutory Auditors for the 2023-2025 three-year period, who will remain in office until the Shareholders' Meeting is requested to approve the financial statements for the year that will close on 31 December 2025. Based on the two lists that were presented, the following appointments were made: Paolo Prandi, Chairman of the Board of Statutory Auditors, taken from list no. 2 presented by a group of savings management companies and institutional investors; Dante Valobra and Anna Maria Fellegara, standing auditors, taken from list no. 1 presented by the majority shareholder Foro delle Arti S.r.l.; Isabella Ippolita Soldani, alternate auditor, taken from list 1 and Myriam Amato, alternate auditor, taken from list no. 2;
– revoked, for the part that was not executed, the authorisation for the purchase and disposal of the company treasury shares granted by the deliberation of the Shareholders' Assembly on 27 April 2022 and, at the same time, approved a new authorization for the purchase and disposal of ordinary company shares servicing the 2022-2024 Stock Grant Plan according to the terms and conditions of the proposal approved by the Board of Directors on 15 March 2023.

The same extraordinary Shareholders' Meeting held on 27 April 2023 resolved to approve the changes to the articles of association in order to introduce a voting increase pursuant to article 127-*quinquies* of the Consolidated

Law on Finance (TUF), which specifies that the increase in the voting right is acquired at the start of the minimum period of holding the shares of 24 months and defining the maximum limit of the increase to two votes per share. The change to the articles of association does not grant the right of withdrawal to shareholders pursuant to art. 2437 of the Italian Civil Code.
The idea of introducing the increased system of voting results from the intention to guarantee the longevity of the company, protecting its value over time. This system appeared coherent with the long-term profile of many investors who indicated that they agreed with our company's idea of Humanistic Capitalism and Human Sustainability.

At its meeting on 27 April 2023, the Board of Directors appointed Dario Pipitone as the Chief Financial Officer and Manager charged with preparing Company's Financial Reports.

Sale to Chanel of a minority interest in Cariaggi Lanificio S.p.A.
In data 23 May 2023 the company reached an agreement with Chanel and the Cariaggi family for the sale to Chanel by Brunello Cucinelli S.p.A. of a 18.5% share in the capital of Cariaggi Lanificio S.p.A.
The company held 43% of Cariaggi Lanificio S.p.A. With the sale, its investment has become 24.5%.
Based on this same agreement, the Cariaggi family sold, in turn, 6% of the capital of Cariaggi Lanificio S.p.A. to Channel.
As a result of the sales operations, the share capital of the company Cariaggi Lanificio S.p.A. is held 51% by the Cariaggi family, and 24.5% each by Brunello Cucinelli S.p.A. and Chanel.
The parties signed a long-term agreement to regulate the corporate governance of Cariaggi Lanificio S.p.A. which specifies that the Cariaggi family retains the control and management of the company.
The economic effect of the sale is accounted for in the item "Financial income".

Merger operation of the company Brunello Cucinelli Retail Deutschland GmbH into the company Brunello Cucinelli GmbH
During the first half of 2023 the merger by incorporation of Brunello Cucinelli GmbH, as the incorporating company, and Brunello Cucinelli Retail Deutschland GmbH, as the incorporated company, was carried out.
For accounting and tax purposes, the merger operation is effective as of 1 January 2023.
The merger operation was approved for the purposes of organisational simplification, concentrating all the operating activities in the German territory in a single legal entity.

Merger operation of the company SAS White Flannel into the company SAS Brunello Cucinelli France Resort
The merger by incorporation of SAS Brunello Cucinelli France Resort, as the incorporating company, and SAS White Flannel, as the incorporated company, became operationally effective during September.
For accounting and tax purposes, the merger operation is effective as of 1 January 2023.
The merger operation was approved for the purposes of organisational simplification of the Group, concentrating all the operating activities of the sales points in the resort towns of the French Riviera.

Bilateral Advance Pricing Agreement
On 26 February 2021 Brunello Cucinelli USA Inc, following a similar application presented by Brunello Cucinelli S.p.A. on 29 December 2020, forwarded the request for a bilateral Advance Pricing Agreement between Italy and the United States of America to regulate the commercial transactions related to the Group's most important foreign market, for the purpose of transfer pricing.

During September 2023, the company and the United States subsidiary concluded with the respective tax authorities (*Agenzia delle Entrate* and the Internal Revenue Service, respectively) a bilateral agreement that applies, also reactively, to the five-year period 2020-2024.

RELATED PARTY TRANSACTIONS

Reference should be made to the Explanatory notes to the Consolidated financial statements for a detailed description of related party transactions conducted in 2023.

On 20 December 2023, the Parent Company purchased a portion of an industrial building that was previously leased, located in Solomeo, from the parent company Foro delle Arti S.r.l. The large industrial building was already owned by Brunello Cucinelli S.p.A. with the exception of the part purchased.
Both due to its location as well as due to its characteristics, the building has enormous strategic value for the Group, as it guarantees a high level of productive efficiency which permits the optimisation of the logistical operations of Brunello Cucinelli S.p.A., reducing both the times as well as costs related to internal handling.
Finally, given the physical location of the building (structurally connected with the neighbouring building already owned by the Parent Company) it is obvious the Company is interested in preventing third parting from benefiting from its availability.
Configured as a transaction between related parties, the amount determined for the sale, equal to €6,150 thousand, was considered suitable based on the report prepared by a third-party independent expert, and the overall transaction was presented to the Control and Risk Committee, which expressed its favourable opinion on 12 December 2023.

Pursuant to Consob Resolution No. 17221 of 12 March 2010, it is acknowledged that during 2023 the Group did not enter into major or material transactions with related parties that significantly affected the Group's financial situation or net profit for the year.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Brunello Cucinelli S.p.A., the Parent Company, directly or indirectly controls 7 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., Brunello Cucinelli (England) Ltd., Brunello Cucinelli Middle East LLC) established and regulated by the law of states not members of the European Union ("Significant Companies outside the EU" as defined by Consob resolution no. 20249/2017).

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 governance and powers of the corporate bodies.

– The Significant Companies outside the EU: i) provide the independent 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 independent 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 independent 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 independent auditor and with the Manager charged with preparing Company's Financial Reports.

CERTIFICATION AS PER ART. 16, PARAGRAPH 4 OF THE MARKET REGULATION ADOPTED WITH RESOLUTION NO. 20249 OF 28 DECEMBER 2017

Brunello Cucinelli S.p.A. is controlled by right by Foro delle Arti S.r.l. More specifically, Foro delle Arti 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 management and coordination by its Parent Company Foro delle Arti 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 14 March 2024, which may be consulted in the "Governance" section of the Company's website at **www.brunellocucinelli.it**.

MAIN RISKS AND UNCERTAINTIES

Market risks

Risks related to the 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, particularly 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, 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 Group 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 third-party manufacturers (façonisti)

Brunello Cucinelli Group products are produced using third-party manufacturers with respect to Brunello Cucinelli Group, in Italy known as façonisti. The relations between the Company and most of the third-party manufacturers 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 brand 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 Brunello Cucinelli Group 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 internal control and risk management system through which they are managed and controlled, refer to the specific description in the Report on Corporate governance and ownership structures, approved by the Board of Directors on 14 March 2024, can be consulted on the corporate website **www.brunello-cucinelli.it** in the “Governance” section.

RESEARCH AND DEVELOPMENT

Investing in research and development is crucial for the Brunello Cucinelli Group 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 this financial year, the Parent Company Brunello Cucinelli S.p.A. and its Italian subsidiaries benefited from the following concessions:

– contribution exemptions introduced for the COVID health emergency and subsequently extended, considered state aid, totalling €172 thousand.
– Tax credit on incremental advertising investments (article 57-bis, paragraph 1, Italian Decree-Law 50/2017) totalling €36 thousand.
– Tax credit for investments in capital goods (article 1, paragraphs 1051-1063, Italian Law 178/2020) for a total of €182 thousand.
– Energy and gas tax credit (Italian Decree-Laws 144/2022, 176/2022, 197/2022, 34/2023) for a total of €275 thousand.
– Contribution exemptions (Italian Law 205/2017) for a total of €63 thousand.
– Art Bonus tax credit (article 1, Italian Decree-Law 83/2014) totalling €235 thousand.

ENVIRONMENTAL RISKS

The Brunello Cucinelli Groups considers the prevention and management of risks able to jeopardise the attainment of the company’s objectives and its ability to continue as a going concern as 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 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, considering the Group's sector of operation - the Group's current exposure to the consequences of climate change are considered low, both in terms of probability as well as in terms of the ability to influence strategies and financial cash flows.

The concept behind Human Sustainability is expressed, among other things, in the commitment to combat climate change. For this purpose, 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 2021, the Group thus defined its Emission Trajectory up to 2028 in compliance with the scientific standards defined by the Science-Based Target Initiative (SBTi).
After submitting its Letter of Commitment to the SBTi in December 2021, the Company submitted its targets for reducing its direct and indirect climate-changing emissions to the Science Based Target Initiative in 2022. In 2023 the targets developed by the Brunello Cucinelli Group were approved as considered coherent with the actions needed to achieve the 1.5° climate warning limit as defined in the Paris Agreement.

For further information on environmental risk management, see the 2023 consolidated non-financial report.

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 exchange rate risk), liquidity risk, credit risk and tax 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 financial 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 expenses, and also their fair value.
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.

EXCHANGE RATE RISK

Exchange rate 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 shareholders' 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 exchange rate risk for the currencies in which sales are made to Group companies and third-party customers. This risk exists in the eventuality that the market value 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, on the one hand, the resources generated or absorbed by operating and investment activities, and on the other hand, the maturity and renewal status of payables or the liquidity of financial commitments and market conditions.

The Group 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 criticalities and strains of available cash.

CREDIT RISK

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 Group's exposure to potential losses arising from the failure by counterparties to meet their obligations.

The Group'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 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 customer economic-financial figures. 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 2023, the Group consisted of 28 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.

The group has adopted the Transactional Net Margin Method for transfer pricing. 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 Consolidated Financial Statements.

SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2023

There were no significant events affecting the Group's operations after the closure of this annual financial report.

MANAGEMENT OUTLOOK

The **beginning of 2024 has been very good**, with significant **sell-outs of the Spring-Summer 2024 collections** that fully value the great feedback gathered during the presentations of the collections, from both multi-brand partners and the specialist press.
As for the new **Fall-Winter 2024 Collection**, order intake has shown **decidedly satisfactory results**, with highly positive notices from the specialist press for the men's presentation, first in Florence at Pitti Immagine and straight after that in Milan, as well as the women's during Milan Fashion Week in February.
Great performance in the first few months of the year, the order intake for the Fall-Winter 2024 collections and the planning of selected exclusive openings have therefore boosted the solidity of our forecast for **gracious grow**th in sales of **around 10%** for this year, resulting in **healthy** and **balanced profits**.
Similar sustainable growth is also expected for 2025, for which we maintain an estimate of a **solid increase** in turnover of around **10%**.

Solomeo, 14 March 2024

Luca Lisandroni	**Cav. Lav. Brunello Cucinelli**	**Riccardo Stefanelli**
Chief Executive Officer Markets Area	Chairman of the Board of Directors	Chief Executive Officer Product and Operations Area

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(Euro/000)	NOTES	December 31, 2023	*"of which with related parties"*	December 31, 2022	*"of which with related parties"*
NON-CURRENT ASSETS					
Right of use	1	501,051	1,515	520,066	4,154
Intangible assets	2	13,824		13,970	
Property, plant and equipment	3	213,036	19,161	188,692	12,755
Investment property	4	10,072		7,223	
Non-current financial assets for leases	5	3,272		5,633	
Other non-current financial assets	6	32,529	13,990	38,623	22,115
Deferred tax asset	26	79,503		65,337	
Non-current derivative financial assets	13	243		1,101	
TOTAL NON-CURRENT ASSETS		**853,530**		**840,645**	
CURRENT ASSETS					
Inventories	7	287,291		242,844	
Trade receivables	8	78,170	179	76,608	137
Tax receivables	9	290		3,779	
Other receivables and other current assets	10	41,107		32,350	450
Current financial assets for leases	5	2,954		2,628	
Other current financial assets	11	883		108	
Cash and cash equivalents	12	106,944		117,400	
Current derivative financial assets	13	8,711		6,626	
TOTAL CURRENT ASSETS		**526,350**		**482,343**	
TOTAL ASSETS		**1,379,880**		**1,322,988**	

(Euro/000)	NOTES	December 31, 2023	*"of which with related parties"*	December 31, 2022	*"of which with related parties"*
SHAREHOLDERS' EQUITY					
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS					
Share capital	14	13,600		13,600	
Share-premium Reserve	14	57,915		57,915	
Other reserves	14	255,659		230,429	
Net profit	14	114,617		80,599	
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**441,791**		**382,543**	
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Capital and reserves attributable to non-controlling interests	14	2,630		3,827	
Net income for the period attributable to non-controlling interests	14	9,192		6,606	
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**11,822**		**10,433**	
TOTAL SHAREHOLDERS' EQUITY		**453,613**		**392,976**	
NON-CURRENT LIABILITIES					
Employees termination indemnities	15	3,672		3,060	
Provisions for risks and charges	16	3,023		3,015	
Non-current payables towards banks	17	22,160		46,386	
Non-current financial liabilities for lease	18	460,397	1,325	474,931	4,058
Non-current financial liabilities	19	2,772		1,251	
Other non-current liabilities	20	209		386	
Deferred Tax liabilities	26	10,256		12,478	
TOTAL NON-CURRENT LIABILITIES		**502,489**		**541,507**	
CURRENT LIABILITIES					
Trade payables	21	166,244	11,368	137,040	7,959
Current payables towards banks	22	86,943		75,006	
Current financial liabilities for lease	18	97,498	350	90,066	562
Current financial liabilities	23	2,098		2,012	
Income tax payables	24	14,367		32,492	
Other current liabilities	25	55,641	995	47,911	713
Current derivative financial liabilities	13	987		3,978	
TOTAL CURRENT LIABILITIES		**423,778**		**388,505**	
TOTAL LIABILITIES		**926,267**		**930,012**	
TOTAL EQUITY AND LIABILITIES		**1,379,880**		**1,322,988**	

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2023

(Euro/000)		Year ended			
	NOTES	December 31, 2023	*"of which with related parties"*	December 31, 2022	*"of which with related parties"*
Revenues	**27**	**1,139,420**	**157**	**919,708**	**102**
Costs of raw materials and consumables	28	(114,343)	(14,735)	(95,537)	(14,833)
Costs for services	29	(475,769)	(4,092)	(372,224)	(3,940)
Payroll costs	30	(194,969)	(5,850)	(164,713)	(6,271)
Other operating expenses	31	(21,569)		(16,491)	
Other operating income	32	2,369	128	1,947	104
Costs capitalized	33	2,432		2,153	
Depreciation and amortization	34	(138,845)		(131,945)	
Impairment of assets and other accruals	35	(11,320)		(8,486)	
Total operating costs		**(952,014)**		**(785,296)**	
Operating Income		**187,406**		**134,412**	
Financial expenses	36	(61,338)		(80,917)	
Financial income	37	47,273	2,179	70,472	6,716
Profit before taxes		**173,341**		**123,967**	
Income taxes	26	(49,532)		(36,762)	
Net profit		**123,809**		**87,205**	
Net profit attributable to owners of the parent	14	114,617		80,599	
Net profit attributable to non-controlling interests	14	9,192		6,606	
Base earnings per share	38	1.68576		1.18528	
Diluted earnings per share	38	1.68576		1.18528	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2023

(Euro/000)		Year ended	
	NOTES	December 31, 2023	December 31, 2022
Net profit (A)		**123,809**	**87,205**
Other items of comprehensive income:			
Other items of comprehensive income that will later be reclassified on the income statement:		**(7,879)**	**9,739**
Cash flow hedge		(512)	12,584
Tax effect		65	(2,947)
Effect of changes in cash flow hedge reserve	**14**	**(447)**	**9,637**
Translation differences on foreign financial statements		(4,505)	2,468
Profit / (Losses) on net investment in a foreign operation		(3,851)	(3,113)
Tax effect		924	747
Other items of comprehensive income that will not later be reclassified on the income statement:	**14**	**(419)**	**(69)**
Remeasurement of defined benefit plans (IAS 19)		(551)	(91)
Tax effect		132	22
Total other comprehensive income, net of tax (B)		**(8,298)**	**9,670**
Total comprehensive income net of tax (A) + (B)		**115,511**	**96,875**
Attributable to:			
Shareholders of parent company		106,626	90,334
Non-controlling interests		8,885	6,541

CONSOLIDATED CASH FLOWS STATEMENT AS AT 31 DECEMBER 2023

(Euro/000)		Year ended	
	NOTES	December 31, 2023	December 31, 2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit		123,809	87,205
Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:			
Income tax	26	49,532	36,762
Depreciation and amortization	34	138,845	131,945
Provisions for employees termination indemnities	15	193	133
Provisions for risks and charges/doubtful accounts and impairment of assets		11,352	8,538
Change in other non-current liabilities		(177)	(402)
(Gain)/Loss on disposal of Fixed assets		(176)	98
(Gain)/Loss from Participations		(17,513)	(6,716)
Other non-monetary items IFRS 16		6,782	(1,643)
Interest expense	36	5,355	2,387
Interest on lease liabilities	36	13,017	11,753
Interest income	37	(676)	(142)
Interest on lease activities	37	(73)	(51)
Termination indemnities payments	15	(122)	(200)
Payments of Provisions for risks and charges	16	(177)	-
Net change in deferred tax assets and liabilities	26	(15,660)	(13,628)
Change in fair value of financial instruments	13	(4,475)	1,850
Changes in operating assets and liabilities:			
Change in trade receivables	8	(4,896)	(4,596)
Change in inventories	7	(54,046)	(41,900)
Change in trade payables	21	36,395	34,032
Interest expense paid		(5,290)	(2,324)
Interest on the lease liabilities paid		(13,017)	(11,753)
Interest income cashed		676	142
Interest on lease activities cashed		73	51
Income tax paid		(83,676)	(31,275)
Change in other current assets and liabilities		22,993	15,671
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES (A)		**209,048**	**215,937**

(Euro/000)		Year ended	
	NOTES	December 31, 2023	December 31, 2022
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in Property, plant and equipment	3	(66,417)	(55,040)
Investments in Intangible assets	2	(7,116)	(7,501)
Investments in Financial assets	6	(2,828)	(18,178)
Investments in Investment property	4	(2,994)	(910)
Disinvestments in Non-current financial assets		25,900	-
Disposal of Property, plant and equipment		613	88
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES (B)		**(52,842)**	**(81,541)**
CASH FLOW FROM FINANCING ACTIVITIES			
Medium/Long-term loans received	17	-	5,000
Repayment of medium/long-term loans	17	(31,164)	(36,501)
Net change in short-term financial debt		16,280	34,935
Net change in long-term financial debt		541	-
Repayment of lease liabilities		(95,437)	(95,478)
Receipts of financial assets for leasing		2,612	2,693
Dividends paid		(53,118)	(32,294)
Purchase of treasury shares		(3,332)	5,993
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES (C)		**(163,618)**	**(115,652)**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(7,412)**	**18,744**
Effect of exchange rate changes on cash and cash equivalents (E)		**(3,044)**	**653**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	**12**	**117,400**	**98,003**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**12**	**106,944**	**117,400**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2023

(Euro/000)	NOTES	Share capital	Legal reserve	Additional paid-in capital	Translation reserve	Other reserves	Operating profit	Total Group shareholder's equity	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at 1 January 2023	**14**	**13,600**	**2,720**	**57,915**	**2,339**	**225,370**	**80,599**	**382,543**	**10,433**	**392,976**
Net profit							114,617	114,617	9,192	123,809
Other items of comprehensive income:					(7,204)	(787)		(7,991)	(307)	(8,298)
Total comprehensive result		**-**	**-**	**-**	**(7,204)**	**(787)**	**114,617**	**106,626**	**8,885**	**115,511**
Allocation of the profit for the year	14					80,599	(80,599)	-		-
Dividends paid	14					(44,200)		(44,200)	(8,918)	(53,118)
Deconsolidation of Brunello Cucinelli Denmark ApS						(61)		(61)		(61)
Stock grant reserve	14					3,709		3,709		3,709
Assignment of treasury shares	14					(3,332)		(3,332)		(3,332)
Other changes						(3,494)		(3,494)	1,422	(2,072)
Balance as at 31 December 2023	**14**	**13,600**	**2,720**	**57,915**	**(4,865)**	**257,804**	**114,617**	**441,791**	**11,822**	**453,613**

(Euro/000)	NOTES	Share capital	Legal reserve	Additional paid-in capital	Translation reserve	Other reserves	Operating profit	Total Group shareholder's equity	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at 1 January 2022		**13,600**	**2,720**	**57,915**	**2,168**	**186,416**	**53,322**	**316,141**	**6,259**	**322,400**
Net profit							80,599	80,599	6,606	87,205
Other items of comprehensive income:					171	9,564		9,735	(65)	9,670
Total comprehensive result		**-**	**-**	**-**	**171**	**9,564**	**80,599**	**90,334**	**6,541**	**96,875**
Allocation of the profit for the year						53,322	(53,322)	-		-
Dividends paid						(28,560)		(28,560)	(3,735)	(32,295)
Stock grant reserve						5,523		5,523		5,523
Change in the scope of consolidation and "under common control" transactions						(1,204)		(1,204)	681	(523)
Other changes						309		309	687	996
Balance as at 31 December 2022	**14**	**13,600**	**2,720**	**57,915**	**2,339**	**225,370**	**80,599**	**382,543**	**10,433**	**392,976**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. BASIS OF PREPARATION

1.1 CONTENT AND FORM 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 IFRS are understood to also be all the reviewed international accounting standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously 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 it issued to implement Article 9 of Italian Legislative Decree 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 as at 31 December 2023 have been prepared in accordance with Article 154-ter of Italian Legislative Decree 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 Shareholders' equity, as well as these Notes.

On 14 March 2024, 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 39/2010 in execution of the shareholders' resolution of 19 April 2021.

The consolidated financial statements are presented in Euro, the currency used by the Parent Company Brunello Cucinelli S.p.A., and all figures are rounded to thousands of Euro, unless otherwise indicated.

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 provisions for risks and charges and employees termination indemnities;
- 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 year.

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, investment 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.

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 at 31 December 2023.

These consolidated 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, revenues and expenses of the subsidiary acquired or disposed of during the period are included in the Group's Consolidated statement of 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 income statement, the Consolidated statement of comprehensive income and the Consolidated statement of financial position separately from profits and equity of the Group.

As at 31 December 2023, the Brunello Cucinelli Group does not have any stakes in joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, pursuant to IFRS 11).
As far as equity investments in associate companies are concerned (companies in which the Group holds at least 20% of the voting rights or exercises significant influence over financial and operating policies, but not control or joint control), as of 31 December 2023, the Group holds a 24.5% equity investment in the share capital of Cariaggi Lanificio S.p.A. (with registered office in Cagli (PU) - Italy and share capital of €7,000 thousand).

The following table provides summary information on the Company's subsidiaries and associate companies at 31 December 2023, 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	Location	Currency	Share capital in currency	Controlling interest	
				Direct	Indirect
Equity investments in subsidiaries					
Brunello Cucinelli Europe S.r.l.	Corciano, Solomeo hamlet (PG) – Italy	Euro	100,000	100.00%	
Max Vannucci S.r.l.	Corciano, Solomeo hamlet (PG) – Italy	Euro	118,000		75.50%
Pinturicchio S.r.l.	Corciano, Solomeo hamlet (PG) – Italy	Euro	100,000		100.00%
Raffaello S.r.l.	Corciano, Solomeo hamlet (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 (England) Ltd.	London – United Kingdom	Pound sterling	12,600,700	99.99%	0.01%
Sarl Brunello Cucinelli France	Paris – France	Euro	13,400,000	98.54%	1.46%
SAS Brunello Cucinelli France Resort	Paris – France	Euro	100,000		100.00%
Brunello Cucinelli GmbH	Munich – Germany	Euro	200,000		100.00%
Brunello Cucinelli Hellas SA	Athens – Greece	Euro	25,200		51.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		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%	98.21%

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%
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 – United Arab Emirates	Dirham	300,000	51.00%	
Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL	Kuwait City – Kuwait	Kuwaiti dinar	100,000	51.00%	
Equity investments in associate companies					
Cariaggi Lanificio S.p.A.	Cagli – Italy	Euro	7,000,000	24.50%	

The following changes were made to the scope of consolidation during 2023:

– inclusion of Raffaello S.r.l. fully controlled by the Group. The company was established to create a new productive activity in Penne, Abruzzo, which is an area that traditionally has been very important in the Italian history of artisan tailoring, in particular men's suits;

– exit from the company Brunello Cucinelli Denmark ApS, whose liquidation process was completed during the first half of 2023.

3. ACCOUNTING STANDARDS

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.

DISCRETIONAL ASSESSMENTS 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.

Depreciation and amortization of tangible and intangible fixed assets
The depreciation and amortization of tangible fixed assets, rights of use and intangible fixed 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 Liabilities – 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 asset

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, at least annually for goodwill and intangible assets with an indefinite useful life.

In order to evaluate if there is an indication that an asset may have lost value, company management considers information both coming from external information sources as well as from internal information sources.

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, 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 "6.1 Impairment" below in these Notes to these consolidated financial statements.

Employees termination indemnities and supplementary termination indemnity provision

The valuation of employees termination indemnities and the agents' termination indemnity provision was done using actuarial valuations. These valuations require assumptions to be made about discount rates, future wage increases (for employees termination indemnities only), staff turnover and mortality rates. Because of the long-term nature of these plans, these estimates are subject to a degree of uncertainty.

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 these Notes.
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.

Share-based payments
Share-based payments require estimates to be made with respect to the fair value of the instruments granted and the likelihood of realising the vesting conditions attached to them. These estimates are made by management and periodically updated.

BUSINESS COMBINATIONS AND GOODWILL

The business combinations are recorded using the acquisition 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 the income statement 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 non-controlling 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 the income statement or in another shareholders' equity item, if a reversal to the income statement 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 the income statement.

EQUITY INVESTMENTS IN ASSOCIATES COMPANIES

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of the investee without having control or joint control thereover.

The considerations made to determine significant influence are similar to those required to determine control over subsidiaries. The Group's investments in associates are valued using the equity method.

Under the equity method, an investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the investor's share of the investee's profits and losses realised after the acquisition date. Goodwill pertaining to the associate is included in the carrying amount of the investment and is not subject to a separate impairment test.

The statement of profit/(loss) for the year reflects the Group's share of the associate's profit/(loss) for the year. Any changes in the other components of the consolidated statement of comprehensive income relating to these investees are presented as part of the Group's consolidated statement of comprehensive income. Furthermore, if an associate recognises a change with a direct charge to shareholder's equity, the Group recognises its share, the Group recognises its share, where applicable, in the Consolidated statement of changes in Shareholders' equity. Unrealised gains and losses arising from transactions between the Group and associates are eliminated in proportion to the share held in those associate companies.
The Group's aggregate share of the associate's profit/(loss) for the year is recognised in the statement of profit/(loss) for the year after operating income/(loss) and represents the net profit/(loss) after tax and the share of the associate's other shareholders.

The financial statements of associates are prepared on the same date as the Group's financial statements. Where necessary, the financial statements are adjusted to bring them into line with Group accounting standards.

Subsequent to the application of the equity method, the Group assesses whether it is necessary to recognise an impairment of its investment in associates. The Group assesses at each financial statement date whether there is objective evidence that investments in associates are impaired. In this case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate and the carrying amount of the associate in its financial statements, and recognises this difference in the statement of profit/(loss) for the year under the item "Effects of the valuation of investments using the equity method".

Upon the loss of significant influence over an associate, the Group measures and recognises the residual investment at fair value. The difference between the carrying value of the investment at the date of loss of significant influence and the fair value of the residual investment and consideration received is recognised in the income statement.

OPERATIONS 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 intangible assets 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 amortization method and treated as changes in accounting estimates. The amounts of amortization 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
Licenses	5
Other intangible fixed assets	3-12

Concessions, 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 in which they are incurred. 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 amortization or impairment losses. The amortization 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.

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 company, 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 carrying amount reduced by the presumed net disposal value at the end of its useful life, if significant and reasonably determinable. Any changes to the depreciation schedule arising from a revision of the useful life of the asset, the residual value or the manner in which the economic benefits of the asset are 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 PROPERTY

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 property is shown net of accumulated depreciation and any impairment losses. The useful life of the Group's investment property 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 "Impairment of assets and other accruals". 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 Group measures the lease liability 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 Group 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 lease liabilities 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 underlying asset has a low value

The Group has elected the recognition exemption for short-term leases (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 additionally elected the recognition exemption for low-value leases where the underlying asset is office equipment, the value of which is considered immaterial. Lease payments for short-term leases and low-value leases are recognised on a straight-line basis in profit or loss 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 recognized 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 recognized on the basis of the duration of the contract on the same basis as rental income. Unexpected rents are recognized as revenues during the period in which they accrue.

Leases that substantially transfer all the risks and rewards of ownership of an underlying asset are classified as finance leases. Where finance leases exist, the Group recognises a receivable equal to the net investment in the lease in the consolidated statement of financial position and recognises finance income over the lease term on a basis that reflects a constant periodic rate of return on the net investment in the lease. The interest rate used to value the net investment in the lease is the interest rate implicit in the lease. In the case of a sub-lease, if the interest rate implicit in the sub-lease cannot be readily determined, the Group uses the discount rate for the main lease (adjusted for any initial direct costs associated with the sub-lease) to measure the net investment in the sub-lease.

IMPAIRMENT

On each financial closing date, the Group assesses whether there are any indications of loss of value of Intangible assets, Right of use, Property, plant and equipment and Other non-current financial assets. 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.

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 optimisation 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 consolidated statement of comprehensive income and the 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 measurement, financial assets are classified into four categories:
– Financial assets at amortised cost (debt instruments).
– Financial assets at fair value recognised in the consolidated statement of comprehensive income with reclassification of accumulated gains and losses (debt instruments).
– Financial assets at fair value recognised in the consolidated statement of comprehensive income without reversal of accumulated gains and losses at the time of elimination (equity instruments).
– Financial assets at fair value recognised in the income statement.

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 within the context of a business model whose objective is reached by collecting contractual cash flows as well as 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 recognised in the income statement

Financial instruments at fair value with changes recognised in the income statement are recognised in the consolidated statement of financial position at fair value and net changes in fair value are recognised in the statement of profit/(loss) for the year.

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 statement of profit/(loss) 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, with the changes in fair value recognised 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 consolidated statement of financial position) 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 recognised in the income statement. Specifically, impairment provisions apply to all financial assets measured at amortised cost and at fair value and recognised in the consolidated statement of comprehensive income, while financial assets measured at fair value and recognised in the income statement 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 in the income statement, 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 into two categories:
– Financial liabilities at fair value recognised in the income statement.
– Financial liabilities at amortised cost (financing and loans).

Financial liabilities at fair value recognised in the income statement
Financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.

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 statement of profit/(loss) for the year.
Financial liabilities are recognised at fair value in the income statement 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 in the income statement.

Financial liabilities at amortised cost (financing and loans)
After the initial measurement, financing is measured using the amortised cost criteria, using the method of the effective interest rate. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortization 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. Amortization at the effective interest rate is included among the financial expenses in the statement of 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 statement of 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 consolidated statement of financial position 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 income statement. 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 consolidated statement of comprehensive income.

With regard to fair value hedges related to items accounted for at amortised cost, each adjustment to the book value is amortised in the statement of profit/(loss) for the year over the residual period of the hedge using the effective interest method. The amortization 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 statement of 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 consolidated statement of comprehensive income 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 exchange contracts is recognised in financial income and expenses.

The Group designates only the spot component of forward contracts as a hedging instrument. The forward component is cumulatively recognised in the consolidated statement of comprehensive income in a separate item.
Amounts accumulated among other components of consolidated statement 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 consolidated statement of comprehensive income or the effective portion of the hedge, while the remaining (ineffective) portion are recognised in the statement of profit/(loss) for the year. Upon disposal of the foreign asset, the cumulative value of these comprehensive gains or losses is transferred to the statement of 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 realisable 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) there is a probable existence of a present obligation, either legal or constructive, as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.
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 monetary value is significant, the provisions are updated using a pre tax discount rate that can reflect the specific liability risks. When the discounting is carried out, the increase in the provision due to the passing of time is reported 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.

SHARE-BASED PAYMENTS

In accordance with IFRS 2, the total amount of the current value of stock grants at the allocation date is recognised in full in the statement of profit/(loss) for the year, with a balancing entry in a special shareholders' equity reserve. In the case of a "vesting period" in which certain conditions (achievement of targets) must be met for the grantees to become entitled to the right, the cost recognised in the statement of profit/(loss) for the year, determined on the basis of the current value of the shares at the grant date, spread over the relevant service period.

EMPLOYEES TERMINATION INDEMNITIES

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, hypothesising 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 consolidated statement of comprehensive income.

The actuarial valuation of the liability was entrusted to an independent actuary.
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 re-

lated 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 EXPENSES

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 changes in the consolidated statement of comprehensive income directly to shareholder’s equity. In this case, the related deferred taxes are also recognised directly in shareholder’s 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 consolidated statement of financial position net of any advance tax 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 financial statements 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.
Unrecognised deferred tax assets are reviewed annually at the closing date of the financial statements 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 earnings/(loss) per share is 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 STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES IN ESTIMATES AND RECLASSIFICATIONS

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

The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

Various changes were applied for the first time in 2023 but did not have impact on the Group's consolidated financial statements.

IFRS 17 *Insurance contracts*
In May 2017, IASB issued IFRS 17 Insurance contracts, which is a new accounting standard for insurance contracts that considers the recognition and measurement, the presentation and the disclosure. IFRS 17 replaces IFRS 4 Insurance contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), independently of the type of issuing entity, as well as some guarantees and financial tools with a discretionary participation features; some exceptions are applicable with reference to the scope of application. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and coherent for insurers. Unlike the requirements of IFRS 4, which are mainly based on the maintenance of the previous local accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. IFRS 17 is based on a general model, integrated by:
– a specific adjustment for contracts with direct participation features (the variable commission approach);
– a simplified approach (the premium allocation approach) mainly for short-term contracts.
The changes did not have any impact on the Group's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8
The changes to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting standards and the correction of errors. They also clarify how the entities use the assessment techniques and the inputs for calculating the accounting estimates.
The changes did not have any impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The changes to IAS 1 and IFRS *Practice Statement 2 Making Materiality Judgements* provide guidance and examples to help entities apply significant judgements to the disclosure of accounting standards. The changes aim to help entities provide information on the most useful accounting standards, replacing the obligation for entities to disclose their "significant" accounting standards with the obligation to disclose their "relevant" accounting standards and adding a guide on how entities apply the concept of materiality when making decisions regarding the disclosure of accounting standards.
The changes did have an impact on the disclosure of the Group's accounting standards, but not on the measurement, recognition and presentation of the items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The changes to IAS 12 Income taxes narrow the scope of application of the exception to initial recognition, such that it no longer applies to transactions that give rise to temporary taxable and deductible differences in equal measure as in the case of leases and liabilities for dismantling.

The changes did not have any impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

On 20 December 2021, Organisation for Economic Co-operation and Development (OECD) published the document *Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two)* which regulates the reform of international taxation rules, which has the objective of introducing a minimum tax equal to 15% of profits realised by multinational groups.

On 14 December 2022 the Council of the European Union adopted EU Directive 2022/2523 in order to incorporate the *GloBE Rules*. The member states are required to incorporate the "Pillar Two" directive in their guidelines with a gradual application of the measures starting in 2024.

The changes to IAS 12 were introduced in response to the above-cited BEPS *Pillar Two rules* regulations of the OECD and include:

– a temporary mandatory exemption from recognition and disclosure requirements for deferred taxes that deriving from the implementation in the jurisdictions of the regulations of the *Pillar Two rules*; and
– disclosure requirements for the involved entities to help the users of the financial statements better understand the impacts on income taxes that derive from this legislation, in particular prior to the effective date of entry into force.

The temporary mandatory exemption – whose use must be disclosed – is immediately applicable. The remaining disclosure requirements apply for the years starting on 1 January 2023 or later, but not for the intermediate periods prior to 31 December 2023.

The Group is carefully monitoring the process of the legislative processes in each jurisdiction in which it operates to be ready to incorporate the reform.

Taking into account the fundamental values of legality, transparency, correctness and honesty that characterise the Group,

and the current Group structure with the production activities concentrated in Italy and taking into account the current nominal tax rates currently used in the various jurisdictions where the Group operates, significant impacts are not expected on the Group's consolidated financial statements from the introduction of the above-cited legislative modification.

4.2 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

There are no 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. TRANSLATION OF FINANCIAL STATEMENTS IN A CURRENCY OTHER THAN THE EURO AND TRANSLATION 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 closing date of the financial statements. 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 euros using the current exchange rate method, under which the exchange rate at the balance sheet date is used for the translation of the balance sheet items, the historical exchange rates for the shareholders' equity items and the average exchange rate of the year for the income statement items.
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 2023	31 December 2022	31 December 2023	31 December 2022
US dollar	1.0813	1.053	1.1050	1.0666
Swiss franc	0.9718	1.0047	0.9260	0.9847
Japanese yen	151.9903	138.0274	156.3300	140.6600
Renminbi	7.6600	7.0788	7.8509	7.3582
Pound sterling	0.86979	0.85276	0.86905	0.88693
Hong Kong dollar	8.4650	8.2451	8.6314	8.3163
Canadian dollar	1.4595	1.3695	1.4642	1.444
Rouble	92.4486	74.1716	100.2150	79.2258
Singapore dollar	1.4523	1.4512	1.4591	1.4300
Danish krone	*	7.4396	*	7.4365
Taiwan dollar	33.6983	31.3223	33.874	32.7603
Dirham	3.9710	3.8673	4.0581	3.9171
Kuwaiti dinar	0.3324	0.3122	0.3396	0.3266

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

6.1 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 (€853.5 million at 31 December 2023), and in particular:
– Right of use (€501.1 million as at 31 December 2023), 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 (Euro 13.8 million at 31 December 2023);
– Property, plant and equipment (Euro 213.0 million at 31 December 2023);
– Investment property (Euro 10.1 million at 31 December 2023);
– Other non-current financial assets (Euro 32.5 million at 31 December 2023).

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, the management has identified the individual legal entities controlled by the Group or the set of assets 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.

In compliance 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 2023.

At 31 December 2023, management identified impairment indicators only for the CGU OOO Brunello Cucinelli RUS.

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 (for each CGU).

The main assumptions used to calculate the recoverable value include:
– an estimation of future operating cash flows;
– the Weighted Average Cost of Capital (WACC);

– the nominal long-term growth rate "g";
– the terminal value.

For the CGU for which management has identified impairment indicators as at 31 December 2023, 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 of disposal 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. More specifically, the explicit projection period for CGU tested for impairment at 31 December 2023 is at least five years, in line with industry best practices and what is specified by international accounting standards.
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 13 December 2023 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 CGUs (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.

With the purpose of determining the value in use by CGU OOO Brunello Cucinelli RUS, we point out that in the definition of the main assumptions underlying the updating of the prospective data – compared to what was done to perform the impairment test at 31 December 2022 – elements of prudence were incorporated with respect to the estimate of the economic components to take into account the impact of the conflict, the sanctions in place and the possible resumption of business in the domestic territory, as per ESMA and OIV recommendations.

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 4.20% and corresponding to the expected domestic inflation rate provided by an external provider.

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 discount rate used for the impairment test of the CGU OOO Brunello Cucinelli RUS was determined as equal to 17.6% for the explicit projection period and equal to 12.6% for the discounting of the Terminal Value to bring it in line with the long-term outlook of the CGU, once the current situation of maximum volatility has passed.

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.
As in previous years, a "full equity" structure was considered for the test.

Effects of the impairment test at the reporting date
Based on the results of the impairment test performed at 31 December 2023 in these financial statements the right or use buildings entered by the controlled OOO Brunello Cucinelli RUS was partially written down, for a total value equal to €7,500 thousand.

Sensitivity analysis of the impairment test
In relation to the impairment tests, *impairment* sensitivity analysis were performed, simulating a change in the growth rate "g" equal to ±0.5% and a change in WACC equalling ±0.5%. These sensitivity tests did not point out results that were significantly different than the results of the impairment test.

Note 1. Right of use

The composition of Right of use assets at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Right of use buildings	500,252	519,454	(19,202)
Right of use equipment	181	221	(40)
Right of use other tangible fixed assets	618	391	227
Total Right of use assets	**501,051**	**520,066**	**(19,015)**

Details of cost, accumulated depreciation and net book value of Right of use assets at 31 December 2023 with comparative figures at 31 December 2022 are as follows:

(Euro/000)	**31 December 2023**			**31 December 2022**		
	Cost	**Accumulated depreciation**	**Net value**	**Cost**	**Accumulated depreciation**	**Net value**
Right of use buildings	958,469	(458,217)	500,252	932,551	(413,097)	519,454
Right of use equipment	281	(100)	181	281	(60)	221
Right of use other tangible fixed assets	1,123	(505)	618	631	(240)	391
Total Right of use assets	**959,873**	**(458,822)**	**501,051**	**933,463**	**(413,397)**	**520,066**

Right of use assets at 31 December 2023 amounted to €501,051 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, equipment and other assets. 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 the right of use assets for the years ended 31 December 2023 and 31 December 2022:

(Euro/000)	Right of use buildings	Right of use equipment	Right of use other tangible fixed assets	Total Right of use assets
Balance at 01 January 2023	**519,454**	**221**	**391**	**520,066**
Increases	146,657	-	564	147,221
Net decreases	(50,468)	-	-	(50,468)
Translation differences	(12,602)	-	(2)	(12,604)
Value adjustments	(7,500)	-	-	(7,500)
Depreciation and amortization	(95,289)	(40)	(335)	(95,664)
Balance as at 31 December 2023	**500,252**	**181**	**618**	**501,051**

(Euro/000)	Right of use buildings	Right of use equipment	Right of use other tangible fixed assets	Total Right of use assets
Balance at 01 January 2022	**504,551**	**261**	**156**	**504,968**
Increases	110,786	-	470	111,256
Net decreases	(15,865)	-	-	(15,865)
Translation differences	10,709	-	-	10,709
Depreciation and amortization	(90,727)	(40)	(235)	(91,002)
Balance as at 31 December 2022	**519,454**	**221**	**391**	**520,066**

The main increases during 2023 relate to new lease agreements entered into in the year for opening new boutiques, hard shops, expanding single-brand points of sale and conversions of the wholesale channel.

The Value adjustments item includes the results of the impairment test of the CGU OOO Brunello Cucinelli RUS, performed in reference to 31 December 2023, from which resulted a write-down amount to a total of €7,500 thousand of the value of the right of use property.
For more information see paragraph 6.1 of these Consolidated financial statements.

Note 2. Intangible assets

The composition of intangible assets at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Concessions, licences, trademarks and similar rights	10,854	11,213	(359)
Other intangible fixed assets	-	306	(306)
Fixed assets under construction and advances	2,970	2,451	519
Total Intangibles assets	**13,824**	**13,970**	**(146)**

Details of cost, accumulated amortization and net book value of intangible assets at 31 December 2023 with comparative figures at 31 December 2022 are as follows:

(Euro/000)	31 December 2023			31 December 2022		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Concessions, licences, trademarks and similar rights	48,820	(37,966)	10,854	42,840	(31,627)	11,213
Other intangible fixed assets	1,721	(1,721)	-	1,721	(1,415)	306
Fixed assets under construction and advances	2,970	-	2,970	2,451	-	2,451
Total Intangibles assets	**53,511**	**(39,687)**	**13,824**	**47,012**	**(33,042)**	**13,970**

Intangible assets amounted to €13,824 thousand at 31 December 2023 and consisted principally of Concessions, licenses, trademarks and similar rights for investments in software used in IT and Digital activities to support the business through the renovation and modernisation of the Group's technological platforms, in particular those for the e-commerce website and for digital sales.

The following tables show changes in the net book value of the Intangible assets for the years ended 31 December 2023 and 31 December 2022:

(Euro/000)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets under construction and advances	Total Intangibles assets
Balance at 01 January 2023	**11,213**	**306**	**2,451**	**13,970**
Increases	5,187	-	1,552	6,739
Translation differences	(44)	-	(5)	(49)
Reclassifications	1,028	-	(1,028)	-
Depreciation and amortization	(6,530)	(306)	-	(6,836)
Balance as at 31 December 2023	**10,854**	**-**	**2,970**	**13,824**

(Euro/000)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets under construction and advances	Total Intangible assets
Balance at 01 January 2022	**10,061**	**641**	**2,368**	**13,070**
Increases	5,531	-	1,970	7,501
Translation differences	35	-	-	35
Reclassifications	1,887	-	(1,887)	-
Depreciation and amortization	(6,301)	(335)	-	(6,636)
Balance as at 31 December 2022	**11,213**	**306**	**2,451**	**13,970**

Capital expenditures in 2023 amounted to €6,739 thousand, of which €6,447 thousand relating to the project to upgrade the information technology and IT/Digital systems, accounted for as to €4,895 thousand under the items "Concessions, licenses, trademarks and similar rights" and as to €1,552 thousand under the items "Fixed assets under construction and advances".

Note 3. Property, plant and equipment

The composition of Property, plant and equipment at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Land	22,138	17,303	4,835
Buildings	54,339	41,857	12,482
Leasehold improvements	74,968	78,933	(3,965)
Plant and machinery	5,918	4,878	1,040
Industrial and commercial equipment	2,426	1,783	643
Other assets	38,668	36,315	2,353
Fixed assets under construction and advances	14,579	7,623	6,956
Total Property, plant and equipment	**213,036**	**188,692**	**24,344**

Details of historical cost, accumulated depreciation and the net book value of property, plant and equipment at 31 December 2023 with comparative figures at 31 December 2022 are as follows:

(Euro/000)	31 December 2023			31 December 2022		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Land	22,138	-	22,138	17,303	-	17,303
Buildings	71,493	(17,154)	54,339	57,294	(15,437)	41,857
Leasehold improvements	185,505	(110,537)	74,968	180,335	(101,402)	78,933
Plant and machinery	19,743	(13,825)	5,918	17,388	(12,510)	4,878
Industrial and commercial equipment	7,682	(5,256)	2,426	16,109	(14,326)	1,783
Other assets	87,027	(48,359)	38,668	75,376	(39,061)	36,315
Fixed assets under construction and advances	14,579	-	14,579	7,623	-	7,623
Total Property, plant and equipment	**408,167**	**(195,131)**	**213,036**	**371,428**	**(182,736)**	**188,692**

Property, plant and equipment at 31 December 2023 amounted to €213,036 thousand and is mainly comprised of the value of buildings used for production and the logistics for the main office, the improvements made to leased stores as well as equipment, plants and machinery useful for production and logistics and 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 2023 and 31 December 2022:

(Euro/000)	Land	Buildings	Leasehold improve-ments	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total Property, plant and equipment
Balance at 01 January 2023	**17,303**	**41,857**	**78,933**	**4,878**	**1,783**	**36,315**	**7,623**	**188,692**
Increases	4,944	10,391	19,943	2,531	1,343	12,893	14,372	66,417
Net decreases	(109)	-	(93)	(1)	(7)	(217)	(10)	(437)
Translation differences	-	-	(2,739)	(51)	-	(923)	(191)	(3,904)
Value adjustments	-	(469)	(692)	(2)	-	(369)	-	(1,532)
Reclassifications	-	4,276	292	25	-	2,622	(7,215)	-
Depreciation and amortization	-	(1,716)	(20,676)	(1,462)	(693)	(11,653)	-	(36,200)
Balance as at 31 December 2023	**22,138**	**54,339**	**74,968**	**5,918**	**2,426**	**38,668**	**14,579**	**213,036**

(Euro/000)	Land	Buildings	Leasehold improve-ments	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	Total Property, plant and equipment
Balance at 01 January 2022	**7,974**	**40,732**	**75,572**	**4,471**	**2,584**	**32,558**	**2,142**	**166,033**
Increases	8,664	2,644	21,041	1,582	670	12,782	7,657	55,040
Net decreases	-	-	-	(9)	(5)	(159)	(13)	(186)
Translation differences	-	-	1,661	74	17	547	(24)	2,275
Value adjustments	-	-	(411)	-	-	(32)	-	(443)
Reclassifications	665	108	787	-	16	717	(2,139)	154
Depreciation and amortization	-	(1,627)	(19,717)	(1,240)	(1,499)	(10,098)	-	(34,181)
Balance as at 31 December 2022	**17,303**	**41,857**	**78,933**	**4,878**	**1,783**	**36,315**	**7,623**	**188,692**

In 2023 the Brunello Cucinelli Group made investments in Property, plant and equipment of €66,417 thousand consisting of the following:

– investments totalling €15,335 thousand in the "Land" and "Buildings" items, related mainly to the purchase of two buildings for industrial use, one of which from the parent company Foro delle Arti S.r.l. (for more information about this operation, refer to the paragraph "Related party transactions" in the Board of Directors' Report on Operations), and the other near Solomeo, the purchase of the land on which the new factory will be built in Penne, in Abruzzo, other than improvements made to other owned factories;

- €19,943 thousand in "Leasehold improvements", principally due to the openings and expansion of DOS and wholesale points of sale and improvements to existing boutiques and showrooms throughout the world;
- €16,767 thousand, of which €2,531 thousand recognised under "Plant and machinery" (mainly referring to new machinery for production), €1,343 thousand under "Industrial and commercial equipment" (mainly for investments made at sales points and at Solomeo headquarters), €12,893 thousand under "Other assets" (mainly referring to investments in furniture and furnishings at sales points as well as for ordinary development and upgrading activities for furniture and furnishings, vehicles and equipment and the "historic collection" at the headquarters in Solomeo);
- additional investments entered among "Assets under construction and advances" for €14,372 thousand, including the continuation of work for building requalification and reconversion in a vast area of 8 hectares on the outskirts of Solomeo, which were purchased during the previous year for the strategic expansion of our production hub as well as for the preparation of points of sale.

Investments in IT/Digital included in Property, plant and equipment amounted to €1,838 thousand in 2023.

Note 4. Investment property

The composition of Investment property at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Investment property	10,072	7,223	2,849
Total Investment property	**10,072**	**7,223**	**2,849**

This item, amounting to €10,072 thousand, relates to property complexes and building land located in Solomeo, managed with the aim of being restored and subsequently leased.

The table below shows changes in the net book value of investment property for the year ended 31 December 2023:

(Euro/000)	**Total investment property**
Balance at 01 January 2023	**7,223**
Increases	2,994
Depreciation and amortization	(145)
Balance as at 31 December 2023	**10,072**

Note 5. 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 2023:

(Euro/000)	Non-current	Current	Total at 31 December 2023
Financial assets for leases	3,272	2,954	6,226
Total Financial assets for leases	**3,272**	**2,954**	**6,226**

Changes for the years ended 31 December 2023 and 31 December 2022 are as follows:

(Euro/000)	Total Financial assets for leases
Balance at 01 January 2023	**8,261**
Increases for new leases	577
Increases for interest income	73
Decreases for payments received	(2,685)
Balance as at 31 December 2023	**6,226**

(Euro/000)	Total Financial assets for leases
Balance at 01 January 2022	**6,519**
Increases for new leases	4,435
Increases for interest income	51
Decreases for payments received	(2,744)
Balance as at 31 December 2022	**8,261**

Note 6. Other non-current financial assets

The composition of Other non-current financial assets at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Guarantee deposits and other financial receivables	18,571	16,540	2,031
Equity investments in associate companies	13,958	22,083	(8,125)
Total Other non-current financial assets	**32,529**	**38,623**	**(6,094)**

Other non-current financial assets were equal to €32,529 thousand at 31 December 2023. The balance mainly refers to guarantee deposits related to the sums paid by the Brunello Cucinelli Group in connection with the stipulation of lease agreements for single-brand shops, which increased due to new lease agreements. This item also includes €13,958 thousand relative to the investment in the associate Cariaggi Lanificio S.p.A.

The reduction in the value of the interest held in Cariaggi Lanificio S.p.A., equal to €8,125 thousand, reflects the assessment of the associate using the equity method as required by accounting standard IAS 28 and the sale to Chanel of a minority investment (for more details regarding the transaction, refer to the paragraph "Significant events occurred during 2023" in the Board of Directors' Report on Operations as at 31 December 2023).

Note 7. Inventories

The composition of Inventories at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Raw materials and consumables	61,358	47,899	13,459
Work in progress and semi-finished goods	14,270	11,929	2,341
Finished goods and merchandise	290,074	226,502	63,572
Inventory write-down provision	(78,411)	(43,486)	(34,925)
Total inventories	**287,291**	**242,844**	**44,447**

The increase in sales achieved during the past years has resulted in a significant increase in the production volumes of our collections, with the consequent increase in gross inventories and the relative inventory write-down provision. Also in consideration of the connected factors of variability, we adjusted some parameters of the determination criterion adopted for estimating the inventory write-down provision with respect to 31 December 2022, and therefore this adjustment significantly contributed to the change in the inventory write-down provision at 31 December 2023.

For more information on this item, please refer to the Board of Directors' Report on Operations.

Note 8. Trade receivables

Trade receivables at 31 December 2023 amounted to €78,170 thousand compared with €76,608 thousand at 31 December 2022. For a comment on the changes in Net Working Capital, see the Board of Directors' Report on Operations.

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 Consolidated 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.

Changes in the allowance for bad and doubtful debts during the year ended 31 December 2023 compared with the previous year are as follows:

(Euro/000)	**2023**	**2022**
Value at 1 January	**3,586**	**3,249**
Allocations	2,071	836
Uses	(637)	(521)
Exchange differences	(3)	22
Value at 31 December	**5,017**	**3,586**

Allocations for the year are included under the item Impairment of assets and other accruals in the income statement.

In 2023, losses were recorded on receivables in the income statement for a total of €45 thousand, which together with the uses of the provision for bad debts represented 0.06% of Revenues for the year (0.09% in the previous year).

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

	Situation at 31 December	
Overdue by:	**2023**	**2022**
0-90 days	7,284	5,639
91-180 days	3,199	2,577
More than 180 days	786	2,096
TOTAL	**11,269**	**10,312**

Due to the significant increase in turnover of the wholesale equal to +13.3%, the less than proportional increase in the balance of the value of receivables as compared to 31 December 2022 testifies to an extremely healthy situation.

Note 9. Tax receivables

The composition of Tax receivables at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
IRES tax receivables	10	43	(33)
IRAP tax receivables	-	8	(8)
Other tax receivables	280	3,728	(3,448)
Total Tax receivables	**290**	**3,779**	**(3,489)**

Tax receivables at 31 December 2023 equals €290 thousand, mainly in reference to tax receivables for income taxes recognised by the Group's foreign companies.

Note 10. Other receivables and other current assets

The composition of Other receivables and other current assets at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Tax receivables	13,152	9,820	3,332
Credit card receivables	11,594	8,223	3,371
Accrued income and prepaid expenses	10,954	7,699	3,255
Advances to suppliers	1,812	1,590	222
Other receivables	3,595	5,018	(1,423)
Total Other receivables and current assets	**41,107**	**32,350**	**8,757**

Tax receivables amounted to €13,152 thousand at 31 December 2023 compared to €9,820 thousand at 31 December 2022.
The item refers mainly to the VAT credit recorded by the Parent Company and by subsidiaries.

Credit card receivables amounted to €11,594 thousand at 31 December 2023 compared to €8,223 thousand at 31 December 2022. 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 are attributable to various types of advance payments, which can be summarised in the following types: advance payments for rents, utilities, insurance premiums and, with increasing importance, fees relating to IT/digital management. Concerning the latter, advance fees amounted to €4,662 thousand at 31 December 2023, continuously increasing.

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

Note 11. Other current financial assets

Other current financial assets amounted to €883 thousand at 31 December 2023, whereas it equalled €108 thousand at 31 December 2022. This refers to short-term financial assets, including accrued interest income and prepaid expenses on financial commissions.

Note 12. Cash and cash equivalents

The composition of Cahs and cash equivalents at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Bank and postal deposits	104,826	116,272	(11,446)
Cash in hand	1,209	756	453
Cheques	909	372	537
Total cash and cash equivalents	**106,944**	**117,400**	**(10,456)**

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 Consolidated cash flow statement for details of the sources and applications that generated changes in cash and cash equivalents in the period ended 31 December 2023 compared to those of the previous year.

Note 13. 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 Parent 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 the income statement in the relevant reporting period.

The interest rate and currency derivatives used by the Group 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 2023:
- all financial instruments measured at fair value are included in Level 2 (identical situation in 2022);
- there have been no transfers from Level 1 to Level 2 or vice versa in 2023;
- there have been no transfers from Level 3 to other levels or vice versa in 2023.

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 and non-current derivative financial assets and Current and non-current derivative financial liabilities" at 31 December 2023 are set out below, with comparative figures at 31 December 2022:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Current assets for derivative instruments hedging currency risk	7,939	5,359	2,580
Current assets for derivative instruments hedging interest rate risk:			
- Current assets for derivative instruments hedging interest rate risk accounted for using hedge accounting	772	1,267	(495)
- Current assets for derivative instruments hedging interest rate risk: not accounted for using hedge accounting	-	-	-
Total Current derivative financial assets	**8,711**	**6,626**	**2,085**
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 rate risk accounted for using hedge accounting	243	1,101	(858)
- Non-current assets for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total Non-current derivative financial assets	**243**	**1,101**	**(858)**
Current liabilities for derivative instruments hedging currency risk	(987)	(3,978)	2,991
Current liabilities for derivative instruments hedging interest rate risk:			
- Current liabilities for derivative instruments hedging interest rate accounted for using hedge accounting	-	-	-
- Current liabilities for derivative instruments hedging interest rate not accounted for using hedge accounting	-	-	-
Total Current derivative financial liabilities	**(987)**	**(3,978)**	**2,991**
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	-	-	-
- Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total Non-current derivative financial liabilities	**-**	**-**	**-**

The contractual characteristics of derivative financial instruments used to hedge interest risk and their relative fair values at 31 December 2023 and 31 December 2022 are as follows:

(Euro/000)	31 December 2023		31 December 2022	
	current portion	non-current portion	current portion	non-current portion
Derivative assets/(liabilities)	772	243	1,267	1,101
Total fair value of IRS	**772**	**243**	**1,267**	**1,101**

The contractual characteristics of derivative financial instruments used to hedge currency risk and their relative fair value at 31 December 2023 and 31 December 2022 are as follows:

(Euro/000)	Negative fair value		Positive fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Derivative assets/(liabilities)	(987)	(3,978)	7,939	5,359
Total fair value foreign currency forward contracts	**(987)**	**(3,978)**	**7,939**	**5,359**

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:

(Euro/000)	31 December 2023 *Fair Value*	31 December 2023 Book value
Current and non-current loans	46,231	46,419

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 recognising the effects in these consolidated financial statements.

Note 14. Capital and reserves

Share capital at 31 December 2023 amounted to €13,600 thousand, fully paid, consisting of 68,000,000 ordinary shares.

Shareholders' equity at 31 December 2023 amounted to €453,613 thousand, up €60,637 thousand compared to 31 December 2022.

Details of changes in shareholders' equity for the periods ended 31 December 2023 and 31 December 2022 can be found in the Consolidated statement of changes in Shareholders' equity.

The Share-premium reserve amounts to €57,915 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 2023 with comparative figures at 31 December 2022 were as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Legal reserve	2,720	2,720	-
Extraordinary reserve	317,676	265,368	52,308
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	6,567	7,014	(447)
IFRS first-time adoption reserve	(782)	(782)	-
Reserve for effects of IAS19	(972)	(632)	(340)
Translation reserve	(4,865)	2,339	(7,204)
Stock grant reserve	9,232	5,523	3,709
Consolidated retained profits/(losses)	(76,977)	(54,181)	(22,796)
Total Other reserves	**255,659**	**230,429**	**25,230**

The change in the "Extraordinary reserve", equalling €52,308 thousand, is mainly attributed to the destination of the year's profits, as approved by the Shareholders' Assembly on 27 April 2023, as well as the value of the treasury shares that were purchased during the year by the Parent Company, all of which were assigned free of charge to executive directors and employees of the Company and its subsidiaries, in execution of the 2022-2024 Stock Grant Plan. For more details refer to the following paragraph "Significant events occurred during 2023" in the Board of Directors' Report on Operations as at 31 December 2023.

The change in the Cash flow hedge reserve of €447 thousand reflects the items presented in the Consolidated statement of comprehensive income.

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 Shareholders' equity in accordance with paragraph 15 of IAS 21 "Net Investment in a Foreign Operation".

With regard to the "Stock grant reserve", note that on 10 March 2022 the Board of Directors of Brunello Cucinelli S.p.A. approved the 2022-2024 stock grant plan (the "Plan") submitted for subsequent approval by the Ordinary Shareholders' Meeting on 27 April 2022.
The Plan provides for the free allocation of shares to executive directors and employees of the Company and its subsidiaries if certain performance targets are achieved.
The same ordinary Shareholders' Assembly of 27 April 2022 has approved the use of the treasury shares of the Parent Company to service the plan, authorising the purchase at the same time.
On 9 January 2023 the Board of Directors of the Parent Company, in implementation of the resolution approved by the Shareholders' Meeting held on 27 April 2022 concerning the 2022-2024 Stock Grant Plan granted a mandate to Mediobanca – Banca di Credito Finanziario S.p.A. to start a program for the purchase of treasury shares on behalf of the Parent Company starting on 10 January 2023, in an independent manner, in compliance with the applicable regulations and what was dictated by the resolution approved by the Shareholders' Meeting.

The program for the purchase of treasury shares was carried out, making use of the safe harbour pursuant to art. 5 of Regulation (EU) no. 596/2014 and was completed with the total purchase of 47,250 treasury shares by the Parent Company.
As of the date of these Consolidated financial statements, all of these shares were assigned for free to the executive directors and employees of the Company and its subsidiaries, in execution of the 2022-2024 Stock Grant Plan.
The shareholders' meeting on 27 April 2023 revoked, for the part that was not executed, the authorisation for the purchase and disposal of the company treasury shares granted by the deliberation of the Shareholders' Assembly on 27 April 2022 and, at the same time, approved a new authorization for the purchase and disposal of ordinary company shares servicing the "2022-2024 Stock Grant Plan" according to the terms and conditions of the proposal approved by the Board of Directors on 15 March 2023.
As required by IFRS 2, the "equity-settled" stock grant plans are measured at fair value and recognised in the income statement among the costs over the period of the provision of the services by the beneficiaries and offset by a shareholders' equity reserve. The determination of the fair value of stock grants is made on the grant date, reflecting the market conditions existing on that date.

For information about the informational documents regarding the Plan, refer to the company website **www.brunellocucinelli.it** in the section "Governance".

Shareholders' equity attributable to non-controlling interests was €11,822 thousand at 31 December 2023 compared to €10,433 thousand in the previous year and represents minority interests in the Group's subsidiaries.

Note 15. Employees termination indemnities

This item consists of the termination indemnity due to employees of the Group's Italian companies. The liability is set aside by law and discounted to present value by the means described in IAS 19.

The table below shows changes in employees termination indemnities at 31 December 2023 compared with changes in the previous year:

(Euro/000)	**2023**	**2022**
Present value of obligation at the beginning of the year	**3,060**	**3,044**
Revaluation of employee termination indemnity	154	279
Benefits paid	(122)	(200)
Financial (income)/expense	39	(146)
Exchange differences	(10)	(7)
Remeasurement of defined benefit plans (IAS19)	551	90
Present value of the obligation at year end	**3,672**	**3,060**

The item "Remeasurement of defined benefit plans (IAS 19)" reflects the items presented in the Consolidated 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 2023	31 December 2022
Annual discount rate	2.06%	2.15%
Inflation rate	4.00%	4.00%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	31 December 2023	31 December 2022
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and termination severance indemnity (TFR) advances

	31 December 2023	31 December 2022
Advance rate %	1.00%	1.00%
Turnover rate %	8.80%	8.80%

Note that the Group performed a sensitivity analysis on the actuarial assumptions used to determine the liability at 31 December 2023. 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 €133 thousand, while a change of -10% would result in an increase in the balance of the liability equal to €142 thousand.

Workforce

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

	31 December 2023	31 December 2022
Executives and managers	93.0	82.6
Office and sales staff	1,833.6	1,624.7
Blue-collar workers	696.7	601.0
Total workforce	**2,623.3**	**2,308.3**

Note 16. 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 2023 with comparative figures for the year ended 31 December 2022:

(Euro/000)	**2023**	**2022**
Agents' supplementary termination indemnity - value at 1 January	**1,960**	**1,808**
Allocations	263	260
Uses	-	-
Actuarial losses/(gains)	(43)	(108)
Agents' supplementary termination indemnity – balance at year end	**2,180**	**1,960**
Other provisions for risks - value at 1 January	**1,055**	**592**
Exchange differences	(35)	34
Allocations	-	429
Uses	(177)	-
Other provisions for risks - value at year end	**843**	**1,055**
Total Provisions for risks and charges	**3,023**	**3,015**

Changes in 2023 relate 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 2.09%, compared to 2.18% last year.

Note 17. Non-current payables towards banks

Non-current payables towards banks consists of long-term loans.

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 31 December 2023, showing the portion due within 12 months, between 1 and 5 years and after 5 years:

(Euro/000)	**Balance at 31 December 2023**	**Portion within next year**	**Portion within 5 years**	**Portion after 5 years**
Total medium long-term loans	46,419	24,259	22,160	-
Total Non-current payables towards banks	**22,160**			

Financial covenants exist on certain of these 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 refer to the Net financial debt/Shareholders' equity ratio or the Net financial debt/EBITDA ratio. As of 31 December 2023, all financial covenants have been met.

Reference should be made to the "Liquidity risk" section in the "Financial risk management" paragraph of these Notes to these consolidated financial statements 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 18. Current and non-current lease liabilities

The application of the IFRS 16 accounting standard has led to the recognition of a financial liability consisting of the present value of residual future payments. The balance at 31 December 2023 breaks down as follows:

(Euro/000)	Non-current	Current	Total at 31 December 2023
Financial liabilities for leases	460,397	97,498	557,895
Total Financial liabilities for leases	**460,397**	**97,498**	**557,895**

Changes for the years ended 31 December 2023 and 31 December 2022 are as follows:

(Euro/000)	Total Financial liabilities for leases
Balance at 01 January 2023	**564,997**
Increases for new leases	148,511
Decreases for early termination of leases	(51,414)
Increases for interest expense	13,017
Decreases for payments made	(108,454)
Foreign exchange gains/(losses)	6,551
Translation differences	(15,313)
Balance as at 31 December 2023	**557,895**

(Euro/000)	Total Financial liabilities for leases
Balance at 01 January 2022	**549,363**
Increases for new leases	112,494
Decreases for early termination of leases	(13,139)
Increases for interest expense	11,753
Decreases for payments made	(107,231)
Foreign exchange gains/(losses)	(1,665)
Translation differences	13,422
Balance as at 31 December 2022	**564,997**

Net financial debt

The following table provides details of the structure of the Net financial debt of the Brunello Cucinelli Group at 31 December 2023 compared to the situation at 31 December 2022, 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".

(Euro/000)	**31 December 2023**	**31 December 2022**
A. Cash and cash equivalents	(106,944)	(117,400)
B. Means equivalent to cash and cash equivalents	-	-
C.1. Other current financial assets	(883)	(108)
C.2. Other current financial assets for leases	(2,954)	(2,628)
D. Cash and cash equivalents (A+B+C)	**(110,781)**	**(120,136)**
E.1. Current financial debt	64,782	45,854
E.2. Current financial debt for leases	97,498	90,066
F. Current portion of non-current financial debt	24,259	31,164
G. Current financial debt (E+F)	**186,539**	**167,084**
H. Net current financial debt (G+D)	**75,758**	**46,948**
I.1. Non-current financial debt	24,932	47,637
I.2. Non-current financial debt for leases	460,397	474,931
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I+J+K)	**485,329**	**522,568**
M. Total financial debt (H+L)	**561,087**	**569,516**
of which:		
Net characteristic financial debt	*6,146*	*7,147*
Payables for leases	*554,941*	*562,369*

For a comment, see the Board of Directors' Report on Operations.

As required by IAS 7 Statement of Cash Flows the following table sets out changes in liabilities deriving from financing activities:

(Euro/000)			**Non-monetary flows**			
	31 December 2022	**Monetary flows**	**Exchange rate changes**	***Changes in Fair Value***	**Other**	**31 December 2023**
Non-current bank debt	46,386	(31,164)	-	-	6,938	22,160
Other non-current financial liabilities	1,251	-	54	-	1,467	2,772
Current portion of non-current debt	31,164	-	-	-	(6,905)	24,259
Current and non-current lease liabilities	564,997	(108,454)	(15,316)	-	116,668	557,895
Other current financial payables	45,854	16,821	16	-	2,091	64,782
Current financial assets	(108)	-	-	-	(775)	(883)
Current financial liabilities for leases	(2,628)	2,685	-	-	(3,011)	(2,954)
Cash and cash equivalents	(117,400)	7,412	3,004	-	-	(106,944)
Net financial debt	**569,516**	**(112,700)**	**(12,202)**	**-**	**116,473**	**561,087**

It should be noted that the column "Monetary flows" indicates the flows of the Consolidated cash flow statement, 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 19. Non-current financial liabilities

The item Non-current financial liabilities, amounting to €2,772 thousand at 31 December 2023, refers to the loan payable, for its share, by the shareholder Al Tayer to the subsidiary Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL, a loan that for the proportional part was made by the Group itself.

(Euro/000)	31 December 2023	31 December 2022	Change
Non-current financial liabilities	2,772	1,251	1,521
Total Non-current financial liabilities	**2,772**	**1,251**	**1,521**

Note 20. Other non-current liabilities

Other non-current liabilities amounted to €209 thousand at 31 December 2023 compared to €386 thousand at 31 December 2022. The balance refers completely to the deferred income of the tax credit for investment in capital equipment entered by the Parent Company.

(Euro/000)	31 December 2023	31 December 2022	Change
Non current accrued expenses	-	3	(3)
Non current deferred income	209	383	(174)
Total Other non-current liabilities	**209**	**386**	**(177)**

Note 21. Trade payables

The composition of trade payables at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Trade payables to third-party suppliers	166,244	137,040	29,204
Total Trade payables	**166,244**	**137,040**	**29,204**

Trade payables represent amounts due for the supply of goods and services.
For a comment on the changes in Net Working Capital, see the Board of Directors' Report on Operations.

Note 22. Current payables towards banks

The composition of current payables towards banks at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Current portion of medium/long-term loans	24,259	31,164	(6,905)
Bank advances	62,684	43,840	18,844
Accrued interest liabilities	-	2	(2)
Total current bank debt	**86,943**	**75,006**	**11,937**

Amounts due to banks for advances relate to advances on trade receivables for financing operations.

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

For more details, refer to what is indicated in the Board of Directors' Report on Operations.

Note 23. Current financial liabilities

Current financial liabilities as at 31 December 2023 amounted to €2,098 thousand compared to €2,012 thousand for last year.

(Euro/000)	31 December 2023	31 December 2022	Change
Current financial liabilities	2,098	2,012	86
Total Current financial payables	**2,098**	**2,012**	**86**

Note 24. Income tax payables

Income tax payables at 31 December 2023 amounted to €14,367 thousand, compared to €32,492 thousand as at 31 December 2022.

The item mainly includes the IRES and IRAP tax payables of the Parent Company for 2023 and the current tax payable contributed to the consolidation by the subsidiaries.

(Euro/000)	31 December 2023	31 December 2022	Change
IRES tax payables	10,234	27,006	(16,772)
IRAP tax payables	2,084	4,751	(2,667)
Other income tax payables	2,049	735	1,314
Total Income tax payables	**14,367**	**32,492**	**(18,125)**

Note 25. Other current liabilities

The composition of other current liabilities at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Payables to agents	2,281	2,081	200
Payables to employees	17,810	13,890	3,920
Social security payables	7,154	5,715	1,439
Payables of Italian companies for withholding tax (IRPEF, withholdings)	5,340	4,334	1,006
Payables for current taxes not on income	347	258	89
VAT payables	7,031	7,523	(492)
Accrued expenses and deferred income	936	719	217
Advances from customers	9,198	7,146	2,052
Other payables	5,544	6,245	(701)
Total Other current liabilities	**55,641**	**47,911**	**7,730**

Amounts due to agents relate to accrued commissions payable by the Brunello Cucinelli Group to its agents but not yet paid at the closing date of each year.

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 related to the month of December but paid during the first days of January.

Payables of Italian companies for withholding tax 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.

Note 26. Taxes

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Deferred tax asset	79,503	65,337	14,166
Deferred tax liabilities	(10,256)	(12,478)	2,222

The balance of deferred tax assets is mainly attributable to the tax effect related to the elimination of intercompany margins on inventories, the recognition of deferred tax assets on the write-down reserve for inventory and the deferred taxation recorded on temporary differences generated by the accounting of rents and losses on foreign exchange from valuation.

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 2023 and 31 December 2022 is as follows:

(Euro/000)	Year ended 31 December							
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		Shareholders' equity		Income statement		Exchange differences, change in scope of consolidation and other changes	
	2023	2022	2023	2022	2023	2022	2023	2022
Amortization of intangible assets	83	177	-	-	(94)	(76)	-	-
Depreciation of property, plant and equipment	(6,585)	(7,621)	-	-	836	(747)	200	(418)
Provision for doubtful debts	1,129	700	-	-	431	106	(2)	-
Fair value of derivatives	(2,055)	(2,120)	65	(2,947)	-	-	-	-
IAS 17 – lease payment normalisation	5,142	6,455	-	-	(1,111)	(801)	(202)	432
IAS 19 – Employee termination indemnity	276	141	132	22	3	(3)	-	-
IAS 37 – Agent severance indemnity	121	121	-	-	-	-	-	-
Elimination of intercompany margins on inventories	36,599	28,559	-	-	8,040	10,769	-	-
Elimination of the effects of intercompany capital gains	9	9	-	-	-	-	-	-
Prepaid taxes on tax losses	189	428	-	-	(239)	(753)	-	-
Unrealised exchange gains and losses	2,066	1,227	-	-	839	1,496	-	-
Taxed cash transactions	177	443	-	-	(256)	152	(10)	14
Sale of Brunello Cucinelli Suisse S.A. shares to employees	-	54	-	-	(54)	-	-	3
Net investments in foreign operations	-	-	924	747	(924)	(747)	-	-
IFRS 16 – Leases	10,032	8,556	-	-	1,860	806	(384)	264
Inventory write-down	22,229	12,134	-	-	10,095	3,311	-	-
Others	(165)	3,596	-	-	(3,770)	173	9	85
Cost/(Revenue) for deferred taxes					**15,656**	**13,686**		
Deferred taxes recognised in shareholders' equity			**1,121**	**(2,178)**				
Exchange differences and changes in scope of consolidation							**(389)**	**380**
Net deferred tax assets/(liabilities)	**69,247**	**52,859**						
Represented in the consolidated statement of financial position as follows:								
Deferred tax asset	79,503	65,337						
Deferred tax liabilities	(10,256)	(12,478)						
Net deferred tax assets	**69,247**	**52,859**						

INCOME TAXES

The composition of the Income tax in the Consolidated income statement for the years ended 31 December 2023 and 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Current taxes	66,474	50,396	16,078
Net deferred taxes	(15,656)	(13,686)	(1,970)
Prior year taxes	(1,286)	52	(1,338)
Total Income taxes in the consolidated income statement	**49,532**	**36,762**	**12,770**
Income taxes in the consolidated statement of comprehensive income	(1,121)	2,925	(4,046)
Total Income taxes	**48,411**	**39,687**	**8,724**

The reconciliation between the nominal and actual rates of the Brunello Cucinelli Group for the years 31 December 2023 and 31 December 2022 is as follows:

(Euro/000)	Year ended 31 December	
	2023	2022
Profit before taxes	**173,341**	**123,967**
IRES rate in force for the year	24.00%	24.00%
Theoretical tax charge	**(41,602)**	**(29,752)**
Income taxes with different rates (IRAP)	(6,925)	(7,030)
Effect of the different tax rates of foreign companies	443	(473)
Prior year taxes	1,286	(52)
Other variations	(2,734)	545
Total taxes in the Income Statement	**(49,532)**	**(36,762)**
Actual tax rate	*28.57%*	*29.65%*

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

Note 27. Revenues

The composition of Revenues at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Revenues	1,139,420	919,708	219,712

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

Revenues may be broken down by geographical area as follows:

(Euro/000)	Year ended 31 December					
	2023	impact %	2022	impact %	Change	% change
Europe	299,380	26.3%	263,814	28.7%	35,566	+13.5%
Italy	128,852	11.3%	102,753	11.1%	26,099	+25.4%
Americas	404,453	35.5%	334,693	36.4%	69,760	+20.8%
Asia	306,735	26.9%	218,448	23.8%	88,287	+40.4%
Total	**1,139,420**	**100.0%**	**919,708**	**100.0%**	**219,712**	**+23.9%**

Revenues may be broken down by distribution channel as follows:

(Euro/000)	Year ended 31 December					
	2023	impact %	2022	impact %	Change	% change
Retail	746,816	65.5%	573,320	62.3%	173,496	+30.3%
Wholesale	392,604	34.5%	346,388	37.7%	46,216	+13.3%
Total	**1,139,420**	**100.0%**	**919,708**	**100.0%**	**219,712**	**+23.9%**

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 Board of Directors' Report on Operations for comments on revenue performance.

Note 28. Costs of raw materials and consumables

The composition of costs of raw materials and consumables for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Costs of raw materials and consumables	168,389	137,583	30,806
Change in inventories	(54,046)	(42,046)	(12,000)
Total Costs of raw materials and consumables	**114,343**	**95,537**	**18,806**

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

Note 29. Costs for services

The composition of Costs for services at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Outsourced work	199,325	166,192	33,133
Advertising and other marketing costs	78,938	52,201	26,737
Transport and duties	46,855	42,697	4,158
Lease expense	50,598	38,561	12,037
Commissions and accessory charges	10,002	7,244	2,758
Credit card charges	15,692	11,975	3,717
Outsourced services, training and miscellaneous consultancy	15,180	10,078	5,102
Maintenance and security services	12,073	9,221	2,852
Electricity, telephone, gas, water and postal expenses	6,633	7,154	(521)
Directors' and statutory auditors' fees	4,477	4,501	(24)
Insurance	2,496	2,049	447
IT and digital maintenance and support	13,452	8,689	4,763
Other general expenses	20,048	11,662	8,386
Total Costs for services	**475,769**	**372,224**	**103,545**

The main Costs for services are commented in the Board of Directors' Report on Operations, to which reference should be made.

Finally, note that Costs for services also include an amount of €15,619 thousand relating to expenses of IT/Digital nature.

Other general expenses amounts to €20,048 thousand at 31 December 2023 compared to €11,662 thousand at 31 December 2022. The increase of €8,386 thousand is mainly due to the significant resumption of international travel of our people for development, creativity and implementation of management combined with a general increase in tariffs.

In addition, Outsourced services, training and miscellaneous consultancy shown in the table includes, for a residual amount equal to €180 thousand, trasfer fees paid by the Parent Company and paid indirectly to the parent company Foro delle Arti S.r.l. through a company specialised in the transport sector.
As a result, given the indirect nature of the relationship, this amount was not indicated in the paragraph Related party transactions in these Explanatory notes to the Consolidated financial statements.

Note 30. Payroll costs

The composition of Payroll costs for the year ended 31 December 2023 with comparative figures for the situation at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Wages and salaries	154,911	129,609	25,302
Social security contributions	32,055	27,136	4,919
Employee termination indemnity	4,259	3,717	542
Other payroll costs	3,744	4,251	(507)
Total Payroll costs	**194,969**	**164,713**	**30,256**

Note that Payroll costs include the cost accrued as of 31 December 2023 (equal to €3,440 thousand) with respect to the 2022-2024 Stock Grant Plan. For more details on this transaction, please refer to Note 14 to these Consolidated financial statements.

Reference should be made to the Board of Directors' Report on Operations for a comment on Payroll costs.

Note 31. Other operating expenses

The composition of Other operating expenses at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Taxes and duties	6,709	5,928	781
Losses on bad debts	45	336	(291)
Socially useful expenses and donations	3,658	1,777	1,881
Other operating costs	11,157	8,450	2,707
Total Other operating expenses	**21,569**	**16,491**	**5,078**

Other operating costs includes costs resulting from an operation with the purpose of changing the commercial agreements with a minority shareholder.

Note 32. Other operating income

The composition of Other operating income at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	**31 December 2023**	**31 December 2022**	**Change**
Other operating income	2,369	1,947	422
Total Other operating income	**2,369**	**1,947**	**422**

The Other operating income item equals €2,369 thousand and mainly refers to rent income for spaces used by commercial partners not included in the scope of application of IFRS 16, insurance contributions and reimbursements received during the year.

Note 33. Costs capitalized

The increase of €2,432 thousand in own work capitalized mainly relates to production costs incurred to develop the historical collections, costs for the internal fit-out of the Group's boutique. The value at 31 December 2022 amounted to €2,153 thousand.

Note 34. Depreciation and amortization

The composition of Depreciation and amortization at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Depreciation of right of use assets	95,664	91,002	4,662
Depreciation of intangible assets	6,836	6,636	200
Depreciation of property, plant and equipment	36,200	34,181	2,019
Depreciation of investment property	145	126	19
Total Depreciation and amortization	**138,845**	**131,945**	**6,900**

The increase in the Depreciation and amortization charge is linked to the investments made by the Group.

Reference should be made to the Board of Directors' Report on Operations for comments on depreciation and amortization trends.

Note 35. Impairment of assets and other accruals

Impairment of assets and other accruals (€11,320 thousand as at 31 December 2023 and €8,486 thousand as at 31 December 2022) relate for €7,500 to the partial write-down of the Right of use buildings commented in the paragraph "6.1 Impairment", to which reference is made, and for the remaining part to allocations to the provision for bad debts, to the provisions for agents' supplementary termination indemnity and adjustments to the residual net book value of tangible assets recognised on enlarging the Group's boutiques.

Note 36. Financial expenses

The composition of Financial expenses at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Lease interest expenses	13,017	11,753	1,264
Loan interest expenses	1,998	860	1,138
Interest expense on bank advances	3,350	1,523	1,827
Bank interest expenses	7	4	3
Realised exchange losses	21,213	47,206	(25,933)
Unrealised exchange losses	8,124	10,180	(2,056)
Realised exchange losses for leasing	1,703	107	1,596
Unrealised exchange losses for leasing	5,167	1,644	3,523
Financial expense on derivatives	6,290	6,356	(66)
Miscellaneous financial expenses	469	1,284	(815)
Total Financial expenses	**61,338**	**80,917**	**(19,579)**

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

Note 37. Financial income

The composition of Financial income at 31 December 2023 with comparative figures at 31 December 2022 is as follows:

(Euro/000)	31 December 2023	31 December 2022	Change
Lease interest income	73	51	22
Bank interest income	676	142	534
Realised exchange gains	21,810	53,927	(32,117)
Unrealised exchange gains	4,320	5,134	(814)
Realised exchange gains for leasing	-	(19,478)	19,478
Unrealised exchange gains for leasing	-	23,549	(23,549)
Financial income on derivatives	2,029	241	1,788
Income from participations	18,199	6,716	11,483
Other income	166	190	(24)
Total Financial income	**47,273**	**70,472**	**(23,199)**

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

Note 38. Basic and diluted earnings per share

The basic earnings/(losses) per share is calculated by dividing the earnings/(losses) by the weighted average number of ordinary shares of the Brunello Cucinelli Group in circulation during the year, also taking into account the weighted average effect of the treasury shares held by the Company during the period of reference.

There is no difference between basic earnings/(loss) per share and diluted earnings/(loss) 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/(loss) per share:

	31 December 2023	31 December 2022
Net earnings/(loss) attributable to shareholders of the parent company	114,617	80,599
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	67,991,109	68,000,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	67,991,109	68,000,000
Basic earnings/(loss) per share (in euros)	1.68576	1.18528
Diluted earnings/(loss) per share (in euros)	1.68576	1.18528

Note 39. Commitments and risks

As at 31 December 2023 the Group had commitments mainly attributable to leases of new points of sale for an amount of €46.9 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 €328 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 exchange rate 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 amortization 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 2023, there were 11 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 €27.5 million with a positive equivalent value of approximately €1,015 thousand.
As at 31 December 2022, 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 €48.6 million with a positive equivalent value of approximately €2,368 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 2023 (2022 for comparison) attributable to interest rate risk are as follows:
- Potential change in financial and differential charges related to derivative instruments outstanding in 2023;
- 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 Consolidated income statement and on Shareholders' Equity for the 2024 financial year calculated with respect to the situation at the end of the 2023 financial year (impacts on 2023 for comparison calculated with respect to the situation at the end of the 2022 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 interest rate yield curve, applied only for cash flows to be settled in 2023 (2022 for comparison);
- For derivative instruments, simulating a parallel change of +100/-30 basis points (+1%/-0.3%) in the interest rate yield curve.

With regard to the situation at 31 December 2023, 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 2023 financial year equal to approximately €144 thousand, offset for approximately €144 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 €46 thousand, offset for approximately €46 thousand by a reduction in the differentials collected against existing derivatives.

With regard to the situation at 31 December 2022, 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 2022 financial year equal to approximately €275 thousand, offset for approximately €273 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 €82 thousand, offset for approximately €82 thousand by a reduction in the differentials collected against existing derivatives.

	Interest 31 December 2023		
Loans	**Residual debt** *(€/000)*	**Impact on the 2023 Income Statement +100 bps** *(€/000)*	**Impact on the 2023 Income Statement -30 bps** *(€/000)*
Loans payable	46,446	(144)	46
Total loans	**46,446**	**(144)**	**46**
Derivative instruments	**Residual notional** *(€/000)*	**Impact on the 2023 Income Statement +100 bps** *(€/000)*	**Impact on the 2023 Income Statement -30 bps** *(€/000)*
Cash flow hedging derivative instruments	27,500	144	(46)
Total derivatives	**27,500**	**144**	**(46)**
TOTAL		-	-

	Interest 31 December 2022		
Loans	**Residual debt** *(€/000)*	**Impact on the 2022 Income Statement +100 bps** *(€/000)*	**Impact on the 2022 Income Statement -30 bps** *(€/000)*
Loans payable	77,610	(275)	82
Total loans	**77,610**	**(275)**	**82**

Derivative instruments	**Residual notional** *(€/000)*	**Impact on the 2022 Income Statement +100 bps** *(€/000)*	**Impact on the 2022 Income Statement -30 bps** *(€/000)*
Cash flow hedging derivative instruments	48,563	273	(82)
Total derivatives	**48,563**	**273**	**(82)**

TOTAL		**(2)**	**-**

With regard to the situation at 31 December 2023, 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 €242 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 €73 thousand, with an impact solely on Shareholders' equity.

With regard to the situation at 31 December 2022, 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 €553 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 €168 thousand, with an impact solely on Shareholders' equity.

	Sensitivity of the fair value of derivatives 31 December 2023									
	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 -30bps**	**Impact on the Income Statement -30bps**	**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	27,500	1,015	1,257	242	-	242	942	(73)	-	(73)
TOTAL	**27,500**	**1,015**	**1,257**	**242**	**-**	**242**	**942**	**(73)**	**-**	**(73)**

	Sensitivity of the fair value of derivatives 31 December 2022									
	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 -30bps	Impact on the Income Statement -30bps	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	48,563	2,368	2,921	553	-	553	2,200	(168)	-	(168)
TOTAL	**48,563**	**2,368**	**2,921**	**553**	**-**	**553**	**2,200**	**(168)**	**-**	**(168)**

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.

EXCHANGE RATE 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 market value 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 expenses 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 expenses 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 2023 the Group reclassified as an increase in revenues €6,449 thousand previously recognised in the cash flow hedge reserve.
During 2022 the Group reclassified as a decrease in revenues €3,341 thousand previously recognised in the cash flow hedge reserve.

The potential effects on the 2024 consolidated income statement (2023 for comparative purposes) arising from currency risk are:
- Write-up/write-down of asset and liability items expressed in foreign currency;
- Change in fair value of outstanding derivatives hedging asset and liability items expressed in foreign currency;
- Change in fair value of the ineffective component of outstanding derivatives highly probable transactions in foreign currency.

The potential effects on 2024 Shareholders' Equity (2023 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 2024 consolidated income statement and Shareholders' equity, calculated with reference to the situation at the end of 2023 (2022 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 2023			SENSITIVITY 2023	
	Assets	Liabilities	Equity	Income statement Euro/US dollar exchange rate	
	(US dollar/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	9,841	(8,401)	1,440	65.0	(65.0)
Total gross exposure of balance sheet items	**9,841**	**(8,401)**	**1,440**	**65.0**	**(65.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/US dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(218,000)	9,864	(9,864)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Swiss franc exchange rate	
	(CHF/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	37	(1,258)	(1,221)	(66.0)	66.0
Total gross exposure of balance sheet items	**37**	**(1,258)**	**(1,221)**	**(66.0)**	**66.0**

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)	(16,800)	907	(907)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/British pound exchange rate	
	(GBP/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	2,243	(983)	1,260	73.0	(73.0)
Total gross exposure of balance sheet items	**2,243**	**(983)**	**1,260**	**73.0**	**(73.0)**

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)	(21,000)	1,208	(1,208)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Japanese yen exchange rate	
		(JPY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	740,628	(371,503)	369,125	118.0	(118.0)
Total gross exposure of balance sheet items	**740,628**	**(371,503)**	**369,125**	**118.0**	**(118.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/Japanese yen exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(3,800,000)	1,215	(1,215)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Hong Kong dollar exchange rate	
		(HKD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2,065	(4,407)	(2,342)	(14.0)	14.0
Total gross exposure of balance sheet items	**2,065**	**(4,407)**	**(2,342)**	**(14.0)**	**14.0**

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)	(102,800)	595	(595)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Canadian dollar exchange rate	
		(CAD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	4,490	(1,439)	3,051	(104.0)	104.0
Total gross exposure of balance sheet items	**4,490**	**(1,439)**	**3,051**	**(104.0)**	**104.0**

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)	(42,140)	1,439	(1,439)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Renminbi exchange rate	
		(CNY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	56,623	(18,105)	38,518	245.0	(245.0)
Total gross exposure of balance sheet items	**56,623**	**(18,105)**	**38,518**	**245.0**	**(245.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/Renminbi exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(212,000)	1,350	(1,350)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/ Rouble exchange rate	
		(RUB/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(4,604)	(4,604)	2.0	(2.0)
Total gross exposure of balance sheet items	**-**	**(4,604)**	**(4,604)**	**2.0**	**(2.0)**

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Singapore dollar exchange rate	
		(SGD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	7	-	7	0.0	0.0
Total gross exposure of balance sheet items	**7**	**-**	**7**	**0.0**	**0.0**

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)	(3,800)	130	(130)

Exposure of balance sheet items	**Assets**	**Liabilities**	**Equity**	**Income statement Euro/Taiwan dollar exchange rate**	
		(TWD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	35,631	(3,198)	32,433	48.0	(48.0)
Total gross exposure of balance sheet items	**35,631**	**(3,198)**	**32,433**	**48.0**	**(48.0)**

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)	(97,200)	1,198	(1,198)

Exposure of balance sheet items	**Assets**	**Liabilities**	**Equity**	**Income statement Euro/Dirham exchange rate**	
		(AED/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	5,640	(4,574)	1,066	13.0	(13.0)
Total gross exposure of balance sheet items	**5,640**	**(4,574)**	**1,066**	**13.0**	**(13.0)**

Exposure arising from highly probable future transactions	**Notional**	**Changes in shareholders' equity Euro/UAE dirham exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(189,000)	279	(279)

Exposure of balance sheet items	**Assets**	**Liabilities**	**Equity**	**Income statement Euro/Kuwait dinar exchange rate**	
		(KWD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	4	(95)	(91)	(13.0)	13.0
Total gross exposure of balance sheet items	**4**	**(95)**	**(91)**	**(13.0)**	**13.0**

Exposure of balance sheet items	FOREIGN CURRENCY EXPOSURE 2022			SENSITIVITY 2022	
	Assets	Liabilities	Equity	Income statement Euro/US dollar exchange rate	
	(US dollar/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	9,153	(5,822)	3,331	156.0	(156.0)
Total gross exposure of balance sheet items	**9,153**	**(5,822)**	**3,331**	**156.0**	**(156.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/US dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(179,800)	7,937	(7,937)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Swiss franc exchange rate	
	(CHF/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	73	(261)	(188)	(10.0)	10.0
Total gross exposure of balance sheet items	**73**	**(261)**	**(188)**	**(10.0)**	**10.0**

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)	(10,200)	494	(494)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/British pound exchange rate	
	(GBP/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	1,652	(267)	1,385	78.0	(78.0)
Total gross exposure of balance sheet items	**1,652**	**(267)**	**1,385**	**78.0**	**(78.0)**

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)	(8,000)	476	(476)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Japanese yen exchange rate	
		(JPY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	646,528	(295,947)	350,581	125.0	(125.0)
Total gross exposure of balance sheet items	**646,528**	**(295,947)**	**350,581**	**125.0**	**(125.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/Japanese yen exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(1,005,000)	385	(385)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Hong Kong dollar exchange rate	
		(HKD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2,351	(7,883)	(5,532)	(33.0)	33.0
Total gross exposure of balance sheet items	**2,351**	**(7,883)**	**(5,532)**	**(33.0)**	**33.0**

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)	(49,600)	281	(281)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Canadian dollar exchange rate	
		(CAD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	6,530	(845)	5,685	197.0	(197.0)
Total gross exposure of balance sheet items	**6,530**	**(845)**	**5,685**	**197.0**	**(197.0)**

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)	(23,000)	799	(799)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Renminbi exchange rate	
		(CNY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	34,339	(23,662)	10,677	73.0	(73.0)
Total gross exposure of balance sheet items	**34,339**	**(23,662)**	**10,677**	**73.0**	**(73.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/Renminbi exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(161,500)	1,122	(1,122)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/ Rouble exchange rate	
		(RUB/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(5,583)	(5,583)	(4.0)	4.0
Total gross exposure of balance sheet items	**-**	**(5,583)**	**(5,583)**	**(4.0)**	**4.0**

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Singapore dollar exchange rate	
		(SGD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2	(65)	(63)	(2.0)	2.0
Total gross exposure of balance sheet items	**2**	**(65)**	**(63)**	**(2.0)**	**2.0**

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)	(1,400)	46	(46)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Danish krone exchange rate	
		(DKK/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(57)	(57)	(0.4)	0.4
Total gross exposure of balance sheet items	**-**	**(57)**	**(57)**	**(0.4)**	**0.4**

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Taiwan dollar exchange rate	
	(TWD/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	35,876	(6,404)	29,472	45.0	(45.0)
Total gross exposure of balance sheet items	**35,876**	**(6,404)**	**29,472**	**45.0**	**(45.0)**

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)	(83,000)	132	(132)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Dirham exchange rate	
	(AED/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	4,190	(2,609)	1,581	20.0	(20.0)
Total gross exposure of balance sheet items	**4,190**	**(2,609)**	**1,581**	**20.0**	**(20.0)**

Exposure arising from highly probable future transactions	Notional	Changes in shareholders' equity Euro/Dirham exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(36,500)	439	(439)

Exposure of balance sheet items	Assets	Liabilities	Equity	Income statement Euro/Kuwait dinar exchange rate	
	(KWD/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(420)	(420)	(64.0)	64.0
Total gross exposure of balance sheet items	**-**	**(420)**	**(420)**	**(64.0)**	**64.0**

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 jeopardising its short-term cash requirements and to avoid criticalities and strains of available cash.

The following tables provide a stratification of outstanding liabilities for 2023 and 2022 relating to financial instruments by residual maturity:

	Situation as of 31 December 2023				
	Financial liabilities				
	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	24,239	1,019	166,244	(783)	190,719
Between 1 and 2 years	15,329	312	-	(195)	15,446
Between 2 and 3 years	6,851	82	-	(54)	6,879
Between 3 and 5 years	-	-	-	-	-
Between 5 and 7 years	-	-	-	-	-
Due after 7 years	-	-	-	-	-
TOTAL	**46,419**	**1,413**	**166,244**	**(1,032)**	**213,044**

	Situation as of 31 December 2022				
	Financial liabilities				
	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	31,134	1,796	137,040	(1,282)	168,688
Between 1 and 2 years	24,240	1,043	-	(790)	24,493
Between 2 and 3 years	15,326	390	-	(275)	15,441
Between 3 and 5 years	6,850	109	-	(81)	6,878
Between 5 and 7 years	-	-	-	-	-
Due after 7 years	-	-	-	-	-
TOTAL	**77,550**	**3,338**	**137,040**	**(2,428)**	**215,500**

The estimate of future expected expenses implicit to the loans and the future expected differentials implied in derivatives was determined based on yield curve of the interest rates at the dates of reference (31 December 2023 and 31 December 2022).

CREDIT RISK

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 34.5% of revenues at 31 December 2023: 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 2023 and 31 December 2022 set out in note 8 of these consolidated financial statements.
Specifically, note that the percentage ratio of the sum of the utilisations of the provision for bad debts and bad debt losses as compared to revenues (0.06% in 2023 and 0.09% in 2022) 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 2023 and 2022:

	Situation at 31 December	
Overdue by:	**2023**	**2022**
0-90 days	7,284	5,639
91-180 days	3,199	2,577
More than 180 days	786	2,096
TOTAL	**11,269**	**10,312**

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

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

Pursuant to Consob Resolution No. 17221 of 12 March 2010, it is acknowledged that during 2023 the Group did not enter into major or material transactions with related parties that significantly affected the Group's financial situation or net profit for the year.

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 2023 are as follows:

(Euro/000)	Revenues	Costs of raw materials and consumables	Costs for services	Payroll costs	Other operating income	Financial income	Property, plant and equipment	Other non-current financial assets	Trade receivables	Trade payables	Other current liabilities
MO.AR.R. S.n.c.	4	29	127	-	-	-	7,872	-	-	306	-
Cariaggi Lanificio S.p.A.	121	14,706	54	-	67	2,179	-	13,958	143	5,115	-
AS.VI.P.I.M. Gruppo Cucinelli	-	-	986	-	8	-	-	-	2	-	-
Brunello Cucinelli family	-	-	903	1,169	6	-	-	-	1	-	152
Directors and Executives with strategic responsibilities	-	-	1,196	4,681	-	-	-	-	-	-	843
Foro delle Arti S.r.l.	23	-	698	-	33	-	11,281	32	18	6,203	-
Brunello Cucinelli Foundation	9	-	11	-	6	-	-	-	11	-	-
Castello di Solomeo S.a.S.	-	-	117	-	6	-	8	-	4	14	-
S.C.R.Oratorio Interreligioso S.S.D. A.r.l.	-	-	-	-	2	-	-	-	-	-	-
Total related parties	**157**	**14,735**	**4,092**	**5,850**	**128**	**2,179**	**19,161**	**13,990**	**179**	**11,638**	**995**
Total consolidated financial statements	**1,139,420**	**114,343**	**475,769**	**194,969**	**2,369**	**47,273**	**213,036**	**32,529**	**78,170**	**166,244**	**55,641**
% Proportion	*0.01%*	*12.89%*	*0.86%*	*3.00%*	*5.40%*	*4.61%*	*8.99%*	*43.01%*	*0.23%*	*7.00%*	*1.79%*

The following table sets out the balances at 31 December 2023 arising from the application of the standard IFRS 16 to related party transactions:

(Euro/000)	**Right of use**	**Non-current financial liabilities for leases**	**Current financial liabilities for leases**	**Depreciation and amortization**	**Financial expenses**
Foro delle Arti S.r.l.	1,515	1,325	350	505	106
Total related parties	**1,515**	**1,325**	**350**	**505**	**106**
Total consolidated financial statements	**501,051**	**460,397**	**97,498**	**138,845**	**61,338**
% Proportion	*0.30%*	*0.29%*	*0.36%*	*0.36%*	*0.17%*

Specifically:

– MO.AR.R. S.n.c.: commercial relationships with MO.AR.R. S.n.c., of which Enzo Cucinelli, brother of Cavaliere del Lavoro Brunello Cucinelli, holds 50% of share capital, relate to: (i) purchases of decorating materials used for fitting out exhibitions and fairs and (ii) investments for the furnishing of the new points of sale and offices;

– Cariaggi Lanificio S.p.A.: the Parent Company has trade relations with the company Cariaggi Lanificio S.p.A. and essentially concern the purchase of yarn for production. Furthermore, based on the relationship of association between the Parent Company and Cariaggi Lanificio S.p.A. the value of the interest is recorded under Other non-current financial assets other than as financial income deriving from the valuation of the equity investment with the equity method, as required by IAS 28 accounting standard and the capital gain following the sale to Chanel of a minority investment;

– 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 Cavaliere del Lavoro Brunello Cucinelli and the Group are both members.

– 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 Cavaliere del Lavoro 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, the emoluments for the position of Directors of the Parent Company (including the emoluments of the CEO Riccardo Stefanelli), as well as the cost accrued as at 31 December 2023 with respect to the 2022-2024 Stock Grant Plan;

– Foro delle Arti S.r.l.: company in which Cavaliere del Lavoro Brunello Cucinelli is the Chairman and CEO and holds 50.05% of the Parent Company at 31 December 2023; 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;

– Fondazione Brunello Cucinelli, Castello di Solomeo S.a.S. e S.C.R. Oratorio Interreligioso S.S.D. A.r.l.: this concerns insignificant amounts related mainly to expense recharges for services.

SIGNIFICANT EVENTS OCCURRED AFTER 31 DECEMBER 2023

Reference should be made to the Board of Directors' Report on Operations for significant events occurred after the reporting date of these Consolidated financial statements.

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

The amount of remuneration due to the members of the Board of Directors of Brunello Cucinelli S.p.A. as of 31 December 2023 is equal to a total of €2,392 thousand.
The compensation accruing to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 31 December 2023 amounted to €183 thousand.
The table below shows the compensation due to members of the Board of Directors for the year ended 31 December 2023 by Brunello Cucinelli S.p.A. and by direct or indirect subsidiaries:

Board of Directors

(In Euro)		Year ended 31 December 2023								
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**	**Overall total**
Brunello Cucinelli	Chairman	01-Jan/ 31-Dec	a)	895,148	-	-	-	-	-	**895,148**
Riccardo Stefanelli	Director and Chief Executive Officer	01-Jan/ 31-Dec	a)	281,243	-	-	300,000	-	-	**581,243**
Luca Lisandroni	Director and Chief Executive Officer	01-Jan/ 31-Dec	a)	281,643	-	-	300,000	-	-	**581,643**
Giovanna Manfredi	Director	01-Jan/ 31-Dec	a)	3,200	-	-	-	-	-	**3,200**
Camilla Cucinelli	Director	01-Jan/ 31-Dec	a)	2,800	-	-	-	-	-	**2,800**
Carolina Cucinelli	Director	01-Jan/ 31-Dec	a)	3,200	-	-	-	-	-	**3,200**
Alessio Piastrelli	Director	27-Apr/ 31-Dec	a)	1,600	-					**1,600**
Stefano Domenicali	Independent director	01-Jan/ 31-Dec	a)	36,877	3,204	-	-	-	-	**40,081**
Andrea Pontremoli	Independent director	01-Jan/ 31-Dec	a)	37,677	3,204	-	-	-	-	**40,881**
Ramin Arani	Independent director	01-Jan/ 31-Dec	a)	37,277	11,359	-	-	-	-	**48,636**
Maria Cecilia La Manna	Independent director	01-Jan/ 31-Dec	a)	36,477	22,718	-	-	-	-	**59,195**
Emanuela Bonadiman	Independent director	01-Jan/ 31-Dec	a)	37,277	28,398	-	-	-	-	**65,675**
Guido Barilla	Independent director	27-Apr/ 31-Dec	a)	26,464	-	-	-	-	-	**26,464**
Chiara Dorigotti	Independent director	27-Apr/ 31-Dec	a)	26,064	16,309	-	-	-	-	**42,373**

a) with the approval of the 2025 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 2023.

Board of Statutory Auditors

(In Euro)		Year ended 31 December 2023			
Full name	**Office held**	**Term of office**	**Expiry**	**Remuneration**	**Overall total**
Paolo Prandi	Chairperson	01-Jan/31-Dec	a) b)	71,750	**71,750**
Gerardo Longobardi	Standing Auditor	01-Jan/26-Apr	b)	12,000	**12,000**
Alessandra Stabilini	Standing Auditor	01-Jan/26-Apr	b)	12,000	**12,000**
Anna Maria Fellegara	Standing Auditor	27-Apr/31-Dec	a)	43,500	**43,500**
Dante Valobra	Standing Auditor	27-Apr/31-Dec	a)	43,500	**43,500**

a) with the approval of the 2025 financial statements
a) with the approval of the 2022 financial statements

DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUERS' REGULATION

Type of service *(Euro/000)*	**Service provided by**	**Recipient**	**Total Fees 2023**
Audit	Auditor of the Parent Company	Parent company	451
Other services	Auditor of the Parent Company	Parent company	53
Subtotal			**504**
Audit	i) Network of the parent company auditor	Subsidiary	60
	ii) Other auditors	Subsidiary	189
Subtotal			**249**
Total			**753**

BALANCES OR TRANSACTIONS DERIVING FROM ATYPICAL 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 2024

Luca Lisandroni
Chief Executive Officer
Markets Area

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

Riccardo Stefanelli
Chief Executive Officer
Product and Operations Area

CERTIFICATION AS PER ART. 154-BIS OF LEGISLATIVE DECREE DATED 24 FEBRUARY 1998 NO. 58 (CONSOLIDATED LAW ON FINANCE) AND ARTICLE 81-TER OF CONSOB REG. NO. 11971 DATED 14 MAY 1999 AND AS AMENDED

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 Dario Pipitone, as the Manager Charged with preparing Company's Financial Reports 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 2023 to 31 December 2023.
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 2023.
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 Board of Directors' Report on Operations 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 2024

Luca Lisandroni	**Riccardo Stefanelli**	**Dario Pipitone**
Chief Executive Officer	Chief Executive Officer	Manager Charged with preparing
Markets Area	Product and Operations Area	Company's Financial Reports

INDEPENDENT AUDITOR'S REPORT

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 2023

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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

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 statement of financial position as of 31 December 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and explanatory 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 2023, 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*
Assessment of the recoverability of right-of-use assets	
Note "6.1 Impairment of assets" to the consolidated financial statements as of 31 December 2023 As of 31 December 2023 rights-of-use assets totalled Euro 501 million, accounting for 36 per cent of total consolidated assets. An impairment test of right-of-use assets was performed as of 31 December 2023, in the presence of impairment indicators, as required by IAS 36 "Impairment of assets" adopted by the European Union, in accordance with the impairment testing procedure approved by the board of directors, through a comparison between the carrying amount of each of the cash generating units ("CGUs") to which the assets are allocated and the respective value in use, identified as the present value of the future cash flows that are expected to be generated by the CGU, using the Discounted Cash Flow model. The present value of the cash flows for the explicit forecast horizon was supplemented by the terminal value, determined under the perpetuity growth method by capitalising the cash flows generated in the last period of the forecast at a long-term growth rate (G-rate). For the purpose of discounting the cash flows to present value, management used a discount rate (WACC) considered appropriate to reflect the time value of money and the risk specific to the business, taking into account the country risk. As of 31 December 2023, management identified indicators of possible impairment solely for the CGU OOO Brunello Cucinelli RUS, attributable to the situation of uncertainty due to the persisting conflict between Russia and Ukraine and the related sanctions. Therefore, management performed the impairment test which identified impairment losses for Euro 7.5 million. The Group performed a sensitivity analysis based on changes in the discount rate and the G-rate.	We understood and evaluated the procedure used to test right-of-use assets for impairment, adopted by management as of 31 December 2023 and approved by the board of directors. We verified the correct identification of the CGUs and whether indicators of possible impairment existed. For the CGU where management identified indicators of possible impairment as of 31 December 2023, we understood the method used by management to develop the impairment test in consideration of prevailing professional valuation practice. With reference to the estimated future cash flows from the CGU that was tested for impairment, we verified whether they matched the documents approved by the board of directors. We analysed the key assumptions and hypotheses on which management based the projections for the CGU tested for impairment. We evaluated, also through discussion with management, the reasonableness and consistency of the forecasts used by the Company with the requirements of IAS 36, with particular reference to the estimated future revenues, the CGU's performance for previous years and external sources of information. With the support of valuation model experts from the PwC network • we calculated independently the discount rates used to develop the impairment test; • we verified the mathematical accuracy of the calculation model used to determine the value in use of the CGU; • we verified the reasonableness of the long-term growth rate on the basis of an analysis of publicly available sources and information on industry comparables; • we verified the correct allocation of the carrying amounts of the assets and

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We considered the assessment of the recoverability of rights-of-use assets a key audit matter, taking into account the materiality of the amounts and the high degree of judgement required to determine the key assumptions used in the calculation of the recoverable amount.	liabilities directly attributable to the CGU; • we compared the carrying amount of the CGU with its recoverable amount; • we verified the correct recognition of the impairment loss identified; • we re-performed the sensitivity analyses prepared by the Company. Finally, we evaluated the completeness and adequacy of disclosures provided in the consolidated financial statements.

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.

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, actions taken to eliminate the related risks, or safeguards applied.

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.

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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) No. 2019/815

The directors of Brunello Cucinelli SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 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 as of 31 December 2023, 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 as of 31 December 2023 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.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements, when extracted from the XHTML format into an XBRL instance, may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, let ter 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 2023, 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 2023 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 al 31 December 2023 as of 31 December 2023 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, 29 March 2024

PricewaterhouseCoopers SpA

Signed by

Stefano Amicone
(Partner)

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.