BRUNELLO CUCINELLI

ANNUAL FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2012

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

I am honoured to share with you the results and goals we achieved in 2012. This was a special year for our company: the listing on the Stock Exchange laid the foundation for healthy, long-term growth in the future.

From the very beginning, we imagined that our growth would be benevolent and sustainable, our medium- and long-term goals being to generate healthy profits and to safeguard our brand's allure and value.

Our 2011-2015 investment plan is right on course: we have achieved excellent results in terms of sales and operating profit, which we will share with you by distributing a "healthy" dividend, guaranteeing remuneration for you and giving the Group all of the resources it needs for continued growth.

But perhaps what delights us most is the image that the brand enjoys worldwide in the absolute luxury sector: the expression of an exclusive, high-quality product, the result of fine Italian craftsmanship and creativity.

The company's growth and expansion have allowed us to plan a large investment for the new production pole, which will sustain our development over the next five years. This modern structure, situated in a green area just outside Solomeo, will become an integral part of our existing facility, in line with the aesthetics of the entire medieval village.

We received a very large number of orders for fall/winter 2013, and the collection (this is the most important thing) was judged modern and contemporary. There seems to be great interest all over the world for this casual, deluxe prêt-à-porter in harmony with a new, more private type of glamour that brings luxury into everyday life and lets you be "well dressed" all day long. All this convinces us that 2013 will be very positive in terms of turnover, profits, and image.

I am optimistic about the future of the world and, especially, of our country. It is a future full of new opportunities, opening new horizons to a world fascinated by Italy, by our products, beauty, culture, and uniqueness. I believe that being an Italian company will always represent value, because the value of our workmanship and craftsmanship is unmatched. We are a people of geniuses and improvisers, and will safeguard the characteristics that have made us successful throughout the world: simplicity, rapidity, organizational ability, flexibility and, especially, great creativity.

Our company intends to expand its presence on international markets, maintaining the exclusiveness of our distribution under the protection of a single brand identified by elegance, expert craftsmanship, attention to the smallest details, and the finest raw materials. Thanks to a lean management style that delegates responsibilities to local workshops, we make decisions quickly and efficiently, setting precise tasks and ensuring the strong involvement of people – the heart and mind of our company.

Responsibility and values are the bases of our company's history, and we have always helped safeguard and enhance the territory, its art and culture. In 2012, the company began a major project to restore the Etruscan Arch, symbol of Perugia and heritage of Italy, so that an important piece of its historical and artistic legacy may be protected and passed on to future generations.

Throughout the company's 35 years, I have invested everything in human dignity, always believing that working in the best conditions makes people more creative, ingenious, and responsible.

My sincere thanks goes to the 800 "thinking souls" who work with me every day with passion and dedication. I also wish to express my gratitude to the national and international press, which has given credit to this singular way of doing business they define as "humanistic capitalism."

Lastly, a special thanks to you, our shareholders and partners, who believe in our plan to "safeguard" the company, to make it grow, and to donate it to those who will come after us. A principle that I learned from Marcus Aurelius: Live each day as if it were your last, dream as if you will live forever."

Solomeo, 12 March 2013

Brunello Cucinelli
Chairman and Managing Director of the Group

COMPANY INFORMATION

Registered office of the Group holding company

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

Legal information of the Group holding company

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

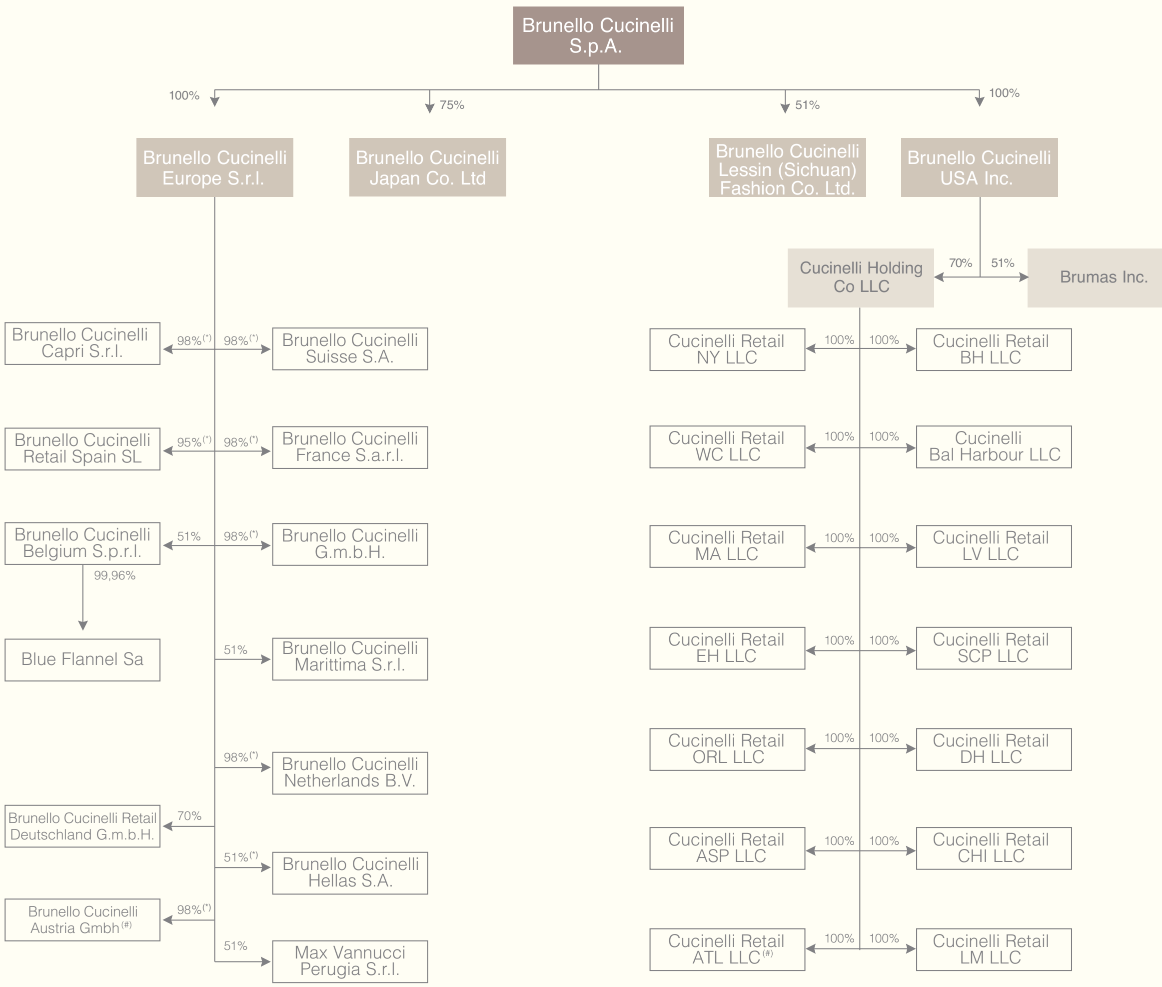
Official website http://investor.brunellocucinelli.com

CORPORATE GOVERNANCE BODIES AT 31ST DECEMBER 2012

Board of Directors	Brunello Cucinelli (1)	Chairman and MD
	Riccardo Stefanelli (1)	Director with powers
	Moreno Ciarapica (1)	Director with powers
	Giovanna Manfredi (1)	Director
	Giuseppe Labianca (5)	Director
	Candice Koo (2)	Director
	Andrea Pontremoli (2)	Director
	Matteo Marzotto (2)	Director
	Cassian Folsom (Padre Cassiano) (2)	Director
Lead Independent Director	Andrea Pontremoli (3)	
Control and Risks Committee	Andrea Pontremoli (3)	Chairman
	Matteo Marzotto (3)	
	Candice Koo (3)	
Remuneration Committee	Matteo Marzotto (3)	Chairman
	Andrea Pontremoli (3)	
	Candice Koo (3)	
Board of Statutory Auditors	Gerardo Longobardi (1)	Chairman
	Lorenzo Ravizza (1)	Standing auditor
	Guglielmo Castaldo (1)	Standing auditor
	Alessandro Galli (1)	Substitute auditor
	Eros Faina (4)	Substitute auditor
External Auditors	Reconta Ernst &Young S.p.A.	
Manager in charge of preparing the corporate accounting documents	Moreno Ciarapica	

(1): In office from 16th June 2011
(2): In office from 16th March 2012
(3): Appointed by a resolution of the board of directors on 26th March 2012, with force and effect conditional on the initiation of trading of the Company's shares on the Electronic Stock Exchange (MTA)
(4): Appointed on 22nd December 2011
(5) In office from 14th December 2012

THE BRUNELLO CUCINELLI GROUP AT 31ST DECEMBER 2012



(*) The remaining percentage is held by BRUNELLO CUCINELLI S.p.A.
(#) The company was already formed at 31st December 2012; the respective store will become operational at a later date.

GROUP STRUCTURE AT 31ST DECEMBER 2012

Company name	Registered office
Brunello Cucinelli S.p.A.	Corciano, frazione Solomeo (PG) - Italy
Brunello Cucinelli USA, Inc.	New York – USA
Cucinelli Holding Co, LLC	New York – USA
Brunello Cucinelli Europe S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Brumas Inc.	New York – USA
Brunello Cucinelli Capri S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Brunello Cucinelli Suisse SA	Lugano – Switzerland
Brunello Cucinelli Retail Spain SL	Madrid – Spain
Brunello Cucinelli GmbH	Munich – Germany
Brunello Cucinelli France Sarl	Paris – France
Brunello Cucinelli Marittima S.r.l.	Forlì – Italy
Brunello Cucinelli Belgium Sprl	Brussels – Belgium
Blue Flannel SA	Brussels – Belgium
Cucinelli Retail EH, LLC	New York – USA
Cucinelli Retail NY, LLC	New York – USA
Cucinelli Retail MA, LLC	New York – USA
Cucinelli Retail BH, LLC	New York – USA
Cucinelli Retail Bal Harbor, LLC	New York – USA
Cucinelli Retail LV, LLC	New York – USA
Cucinelli Retail SCP, LLC	New York – USA
Cucinelli Retail WC, LLC	New York – USA
Cucinelli Retail ORL, LLC	New York – USA
Cucinelli Retail DH, LLC	New York – USA
Cucinelli Retail CHI, LLC	New York – USA
Cucinelli Retail ASP, LLC	New York – USA
Cucinelli Retail LM, LLC	New York – USA
Cucinelli Retail ATL, LLC (#)	New York – USA
Max Vannucci S.r.l.	Perugia – Italy
Brunello Cucinelli Japan Co. Ltd	Tokyo – Japan
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland
Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.	Chengdu – China
Brunello Cucinelli Hellas S.A.	Athens – Greece
Brunello Cucinelli Austria GmbH (#)	Vienna – Austria

(#) The company was already formed at 31st December 2012; the respective store will become operational at a later date.

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, that is the direct retail sales channel in which the Group uses directly operated stores or "DOS";
– the **wholesale monobrand** channel, consisting of franchised monobrand retail stores. We use intermediaries represented by monobrand franchise stores for sales to end customers, with the result that these are the Group's customers;
– the **wholesale multibrand** channel, which consists of independent multibrand stores and dedicated areas in department stores (shop in shop). For this channel the Group uses intermediaries for sales to end customers represented by independent multibrand stores (namely department stores), with the result that these are the Group's customers.

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

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

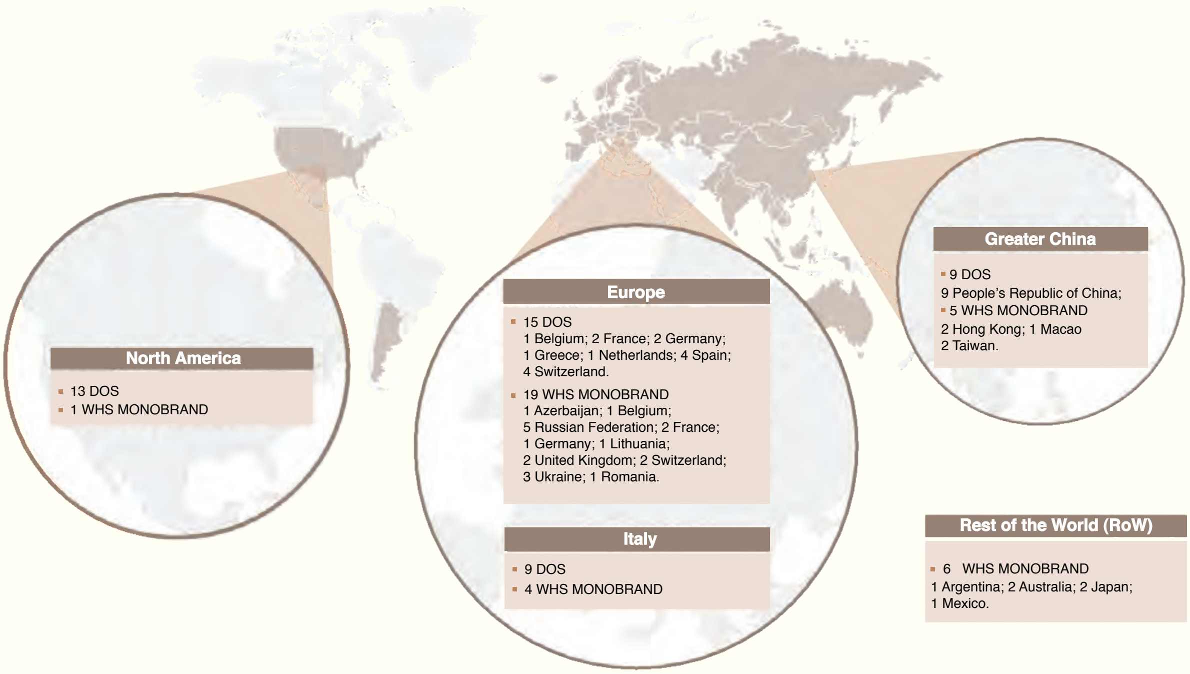
We summarize below the Brunello Cucinelli Group's monobrand store network at 31st December 2012 and 31st December 2011:

Distribution channel	**31.12.2012**	**31.12.2011**
RETAIL	46	23
MONOBRAND WHOLESALE	35	39

The following table provides an analysis the location of store network at 31st December 2012 by geographical area:

	Italy	**Europe**	**North America**	**Greater China**	**Rest of the World (RoW)**	**Total**
DOS	9	15	13	9	-	**46**
MONOBRAND WHOLESALE	4	19	1	5	6	**35**
TOTAL	**13**	**34**	**14**	**14**	**6**	**81**

The following chart sets out the DOS and monobrand wholesale points at 31st December 2012 and their locations:



BOARD OF DIRECTORS REPORT

A SMALL TRIBUTE TO THE GREAT WORTH OF YOUNG PEOPLE AND CRAFTSMANSHIP

by Brunello Cucinelli

I am profoundly convinced that the future of our world is radiant and full of new opportunities, and that human values play a key role in making them come true. I am saying this today, in a historical moment that often seems to tread on human values in the name of material ones, leading to widespread disappointment.

Socrates taught us that knowledge and action coincide and, personally, I find that my teacher's important reflection is true. In Solomeo, a plaque in Piazza della Pace marks the beginning and anticipates my tangible action that has then been carried out up to now. Actions more than words explain this outlook on life and the way to consider our future. Joy in life, enthusiasm for the enterprise and respect for human dignity are central expressions of my humanity, but they would not be as vital if I had not loved philosophy and listened to the ideas of the great thinkers of the past.

We are philosophers not only if we are among those who develop new theories, but also when we learn from the great figures of the past and use them to think philosophically and improve our daily lives. This way of life is not a utopia, but a tangible achievable goal. Countless conceptions can draw on the clear font of philosophy.

Among them, the most vivid teaching that has helped the way I think, the one that allows me to try to be new and free, is that of the transience of the meaning of life in relation to death; I am referring in particular to the testimony of the emperor Marcus Aurelius, of Boetius, of Francis of Assisi, all of whom emphasize this aspect, despite their different paths and eras. This is why I do not feel like the owner but the guardian of what I produce and that I have perhaps made more beautiful, recalling the emperor Hadrian, who tells us in his memoirs that he felt "responsible for sustaining the beauty of the world".

As a guardian, I am a passenger without heavy baggage and, with lightness and fullness, I can pursue my one strong desire to improve the world as much as I can, without fear and without obstacles.

The transition from my entrepreneurial and local setting to that of the world is not as big or different as it might seem. The global world of today frightens many people, but I am convinced that it can be the very source of a happy and unexpected tomorrow. Saint Augustine thanked God for giving him pain as a teacher and, like Erasmus of Rotterdam, I would like to live long enough to see the light of the tomorrow in which I believe.

We can start now to re-plan our most beautiful future in the best way possible: as Pico della Mirandola said, man is a "great miracle" and can attain these results. In its hands and in its creativity, Italy holds its richest and most reliable treasure, Craftsmanship, which I am writing with a capital C and which Lorenzo the Magnificent felt was wholly an Art form. Our Craftsmanship is loved the world over and we must not allow it to be swallowed up by the avid speed of our technological era. If we lose it, we will lose our memory and ourselves. Rediscovering and cherishing it is within everyone's grasp, and we need merely love beauty and be tolerant, as Voltaire taught.

The renaissance of Craftsmanship involves two fundamental points that are closely tied to each other: man and the environment. No one can live happily and act positively if his dignity is neglected, but at the same time he cannot live happily in a degraded environment, and degradation does not depend solely on the physical quality of the environment but also its beauty. Moreover, dignity does not depend only on others, but also ourselves, and today the protection of dignity can also make use of the revolution of information technology. What has been referred to as the "Arab Spring" is one of the most recent demonstrations of the fact that present and future do not always clash, but can be used to great and unexpected advantage, above all when technology is put at the service of human values. There are no more screens, no more hidden things, for without transparency there can be no brotherhood, and the brotherhood of all people has now become the preliminary for the future of each human, because it is the diffused place of the Spirit of the World.

Then there is the environment, the one in which we live our private and public time alike. Even back in the eighteenth century Rousseau complained about the difficulty of living in urban areas and dreamed of a life in the suburbs, in the countryside. Urban planning must be reconceived from a historical standpoint as well, for example in the intimate connection between Craftsmanship and living environment, between family life and the social life of work and free time. I think these are the cornerstones on which we can build a future full of human richness.

All of this is within our reach. It is not true that today you young people and we, who are not as young, are discouraged and disappointed. It is not true that we, the youth of yesterday, were "better" than you are. What is true, however, is that today we have lost the ability to dream, to place our trust in creativity. The reasons for the contingent regression of ideals are before everyone's eyes, but ideals are a category of the human spirit and so they will last as long as humankind itself. They nourish creativity, which pertains to everyone, even those who do not think they have it. As Socrates taught us, in order to act we must simply be able to recognize it.

I know that you young people will not turn your backs on the poor.
Every human undertaking is a risk, so to make it succeed, try to be enthusiastic and courageous,
but also rational and prudent.
Let's remember that needs can be satisfied, but desires can never be.
Be proud that you love the world, respecting common rules.
We are in a springtime of humanity that cannot come to an end.
Go back to planning for three months, three years and three centuries.
Build so that you can move people.
Experience solidarity.
Shed the requirement of being afraid.
Bear witness to the courage of your forebears and be inspired by it.
Never forget that, in the face of absolute catastrophes, crises are paradise.
The fire of progress never stops burning.
Despite different origins, share the same dreams: freedom, justice and progress.
Go back to uniting scientific and classical studies, knowing that universities are the salt of the earth.
Saint Benedict reminds us to be strict and gentle, to be demanding teachers and loving fathers.
Lastly, I would like to give you what I think is excellent advice: be good people.

COMPANY INFORMATION

OUR COMPANY

Brunello Cucinelli S.p.A. is a company registered as a legal entity under the laws of the Republic of Italy and has its registered office at Via dell'Industria 5, Corciano – Frazione Solomeo (PG), Italy.

The Group's product range focuses on a single brand: Brunello Cucinelli, internationally recognized as one of the finest examples of absolute luxury, combining exclusive "Made in Italy" features with the ability to innovate and to identify new trends.

The brand's distinctive elements are quality, craftsmanship, creativity, exclusivity, and beauty, plus a remarkable ability to hear the market and its new trends. The result is a line of casual chicprèt-à-porter products that satisfy the tastes of young and less-young customers while retaining value over time. Merging old and new, business goals and human needs: the secret of a company whose innovative capacity is an example of modern economics studied at prestigious universities.

PRODUCTS

The Company presents its annual collections based on guidelines of **identity and innovation**.

Season after season, these guidelines shape our selection of products that are always new but always in line with the contemporary casual chic style that is synonymous with Brunello Cucinelli collections.

A deluxe pret à porter in harmony with a new, more private type of glamour that brings luxury into everyday life and lets you be "well dressed" all day long. A lifestyle which, starting this year, is enriched with a number of home decorating accessories.

Top-quality raw materials, fine tailoring, and expert craftsmanship express a new concept of contemporary elegance, a trend toward simplicity and sophisticated understatement.

These new collections are an expression of daytime luxury: precious but casual, perfect any hour of the day on every occasion, to be worn for pure pleasure.

VISUAL MERCHANDISING

In step with the themes and trends of the new collections, the Company has prepared personal and clearly defined visual merchandising criteria that describe its products and business culture and that express its traditions and creativity:

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

A constantly growing team based in Solomeo plans and studies themes and objects, and travels all over the world to promote the brand's image not only in monobrand stores but also in the shop-in-shops of department stores and of our main multibrand customers.
Following the parent company's guidelines, the team branches out to sub-headquarters in numerous countries, the most important of which is in the United States, followed by Japan, Russia, and China. Visual merchandising personnel are also employed at exclusive boutiques in Milan, Paris, London, and Barcelona.

A diffused organization that considers the surrounding area, different traditions, and local customs, and then works to promote the Company's image of taste and style, renewing boutique window dressings monthly and fortnightly and adapting to a general message, to the change of seasons, and to new product display criteria.

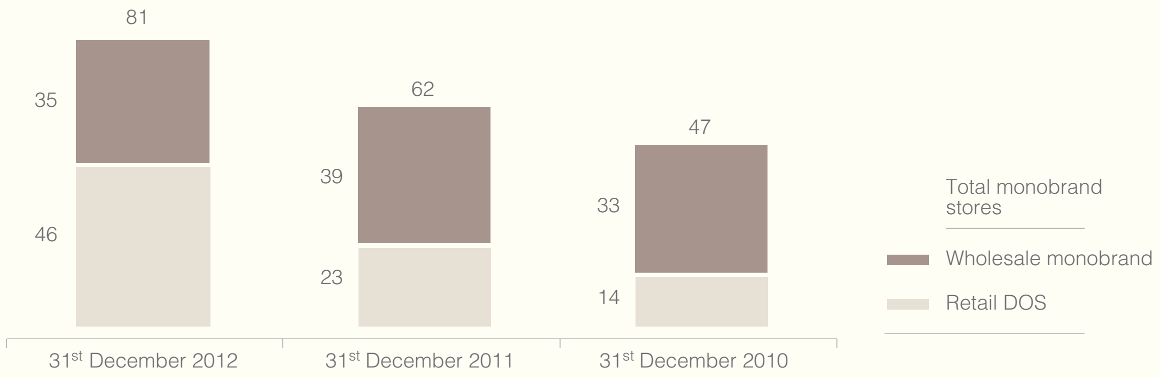
COMMUNICATION

Every year, we invest heavily in communication, with specific campaigns in each of the more than 50 countries where the brand is distributed.
Although rarity is one of the axioms of the luxury market, communication criteria must necessarily be different, qualitatively higher, defined ad hoc in every country based on their different cultures and traditions.
By means of specific messages and advertising campaigns, the Company has built a strong image that exemplifies a scale of values going beyond the quality and beauty of its products and aims to share higher concepts and express a lifestyle.
The Company believes it is essential to promote the brand's allure through serious and well-chosen advertising campaigns in line with its philosophy. This policy has been awarded by constantly growing attention by the press and by coverage exceeding the average for the sector, resulting in greater interest in our products, tradition and business culture, and its positioning at the top of the pyramid.

DISTRIBUTION

The **selective and targeted distribution policy** that merges with the exclusive character of Brunello Cucinelli products is reflected in the Company's choice of positioning its monobrand stores on the most prestigious streets of major capitals and in the most famous resorts, or in the world's most famous department stores or most exclusive multibrand stores.
The brand is now present in over 50 countries thanks to a solid wholesale multibrand network and to expanding distribution by means of a retail and wholesale monobrand channel.

- The retail channel includes monobrand stores, hereinafter called DOS (Directly Operated Stores);
- The wholesale monobrand channel refers to monobrand boutiques which for strategic reasons are managed by means of well-established business relations with local partners;



- The wholesale multibrand channel includes 750 select multibrand customers for a total of about 1000 stores. The multibrand network includes the world's most prestigious department stores with progressively larger spaced devoted to the Company's products.

The Company's goal is to expand on international markets based on a strategy of a single, highly exclusive brand.

PRODUCTION

One of the defining characteristics of Brunello Cucinelli products is the high level of artisanality inherent in the process, made possible thanks to the constant in-house programs of intellectual and manual training conducted by the Company. The Company does not grant licenses as part of its plan to expand the product line, but instead has built an in-house network of skilled workers in every sector to achieve the highest quality at all times.
Today the Company has direct and specific know-how not only in the production of cashmere knitwear, but also in outerwear, trousers and dresses, shirts, t-shirts, leather goods and accessories to support a coordinated total look.
The expertise and meticulous attention required in every step of the production process, plus the needs of an increasingly demanding market, have led the Company to use a network of highly specialized laboratories and to directly manage the chain from raw material to finished product, emphasizing excellence at all times.
Our products are truly Made in Italy, created by over 300 independent artisanal small businesses, highly qualified and extremely loyal, most of which are located in Umbria and have worked for the brand for years, combining their skills with those of our in-house workers. For our Company, the loyalty of these outside laboratories (called **faconisti**), whose value we fully acknowledge and whose operations are efficiently scheduled thanks to a constant flow of information, is a guarantee for the future.

SUMMARY DATA AT 31ST DECEMBER 2012

The following tables provide (i) a summary of the consolidated income statement at 31st December 2012 compared with the previous year, (ii) a balance sheet schedule reclassified by sources and uses at 31st December 2012 compared with 31st December 2011, as well as (iii) data on investments and cash flow for 2012 compared with the same date at 31st December 2011.

Summarized consolidated income statement

(In thousands of euro)	Year ended 31st December				Change	
	2012	% of revenues	2011	% of revenues	2012 vs. 2011	2012 vs. 2011 %
Revenues	281,351	100.0%	243,448	100.0%	37,903	+15.6%
EBITDA (1)	42,869	15.2%	40,160	16.5%	2,709	+6.7%
Operating profit	35,744	12.7%	34,907	14.3%	837	+2.4%
Net profit for the period	22,243	7.9%	21,025	8.6%	1,218	+5.8%
Normalized EBITDA (2)	49,110	17.5%	40,160	16.5%	8,950	+22.3%
Normalized operating income (2)	41,985	14.9%	34,907	14.3%	7,078	+20.3%
Normalized net profit for the period (2)	26,524	9.4%	21,025	8.6%	5,499	+26.2%

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

(2) Normalized EBITDA, normalized operating income and normalized net profit for the period represent the results for the nine months to 31st December 2012 excluding the effect of the non-recurring expenses incurred as part of the listing process.

Balance sheet reclassified by sources and uses:

(In thousands of euro)	Situation at		Change	
	31.12.2012	31.12.2011	2012 vs. 2011	2012 vs. 2011 %
Net Working capital	57,264	46,218	11,046	+23.9%
Fixed Assets	61,641	42,158	19,483	+46.2%
Other Non-working capital /(Liabilities)	1,563	(2,398)	3,961	> +100.0%
Net Invested Capital	**120,468**	**85,978**	**34,490**	**+40.1%**
Net Debt (3)	851	47,994	(47,143)	-98.2%
Shareholders' Equity	119,617	37,984	81,633	> +100.0%
Sources of Financing	**120,468**	**85,978**	**34,490**	**+40.1%**

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

Other summarized figures:

(In thousands of euro)	Situation at		Change	
	31.12.2012	31.12.2011	2012 vs. 2011	2012 vs. 2011 %
Capex [(4)]	27,279	18,065	9,214	+51.0%
Cash flows generated by operating activities	17,005	20,342	(3,337)	-16.4%

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

THE GROUP'S RESULTS IN 2012

In 2012, Revenues amounted to € 281,351 thousand, an increase of 15.6% over the previous year. This figure was favorably affected by the assignment of the lease agreement for the store in Via Spiga 15, Milan, which as is described below in further detail below led to a gain of € 1,014 thousand, recognized as other operating income on the Income Statement.

Net revenues at 31st December 2012 increased by 15.1% to close at € 279,321 thousand compared to € 242,635 thousand at 31st December 2011.

EBITDA for 2012 was affected by non-recurring costs of € 6,241 thousand connected with the IPO and closed at € 42,869 thousand, 15.2% of Revenues. Eliminating the effect of these non-recurring costs, EBITDA would have closed at € 49,110 thousand, corresponding to 17.5% of Revenues an increase of 22.3 % over the previous year.

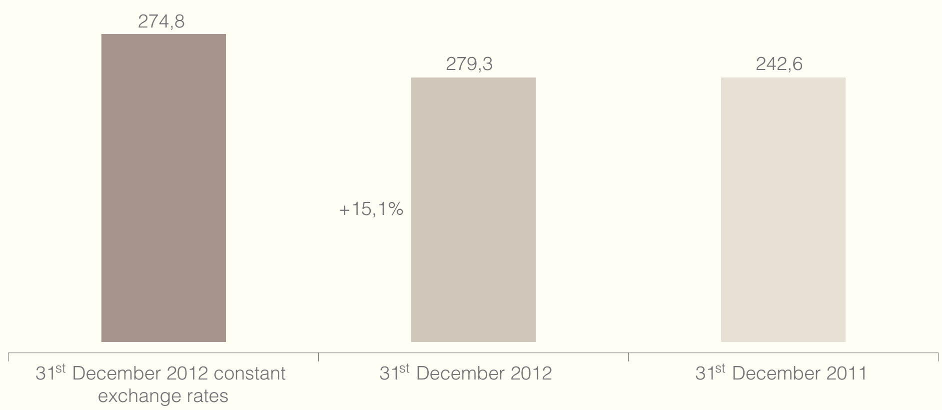
Net profit for the year rose from € 21,025 thousand, 8.6% of revenues from sales and services, in 2011 to € 22,243 thousand in 2012, 7.9 % of Revenues in 2012. Eliminating the effect of the non-recurring expenses, net profit would have been € 26,524 thousand, corresponding to 9.4% of Revenues an increase of 26.2% over the previous year.

SEASONALITY OF SALES

The luxury market on which the Group operates is subject, at the sales channel level, to seasonality phenomena that have an impact on its economic results.
A principal seasonality phenomenon is linked to the selling methods of the wholesale monobrand and wholesale multibrand distribution channels, which have a concentration of revenues in the first and third quarter of each corporate year; turnover is concentrated in January-March for the spring/summer collection and in July-September for the fall/winter collection.
As for the retail channel, Groups sales are concentrated primarily in the last quarter of each year, characterized by the sale of products with higher unitary value.
Consequently, the Group's infra-annual results may not uniformly contribute to the formation of the economic and financial results of each year.

ANALYSIS OF REVENUES

The Group's consolidated turnover for 2012 totaled € 279,321 thousand, up 15.1% over 2011. 2012 had solid double-digit growth in revenues. At constant exchange rates, that is using the average rates used for 2011, revenues would have amounted to € 274,790 thousand, +13.3%.

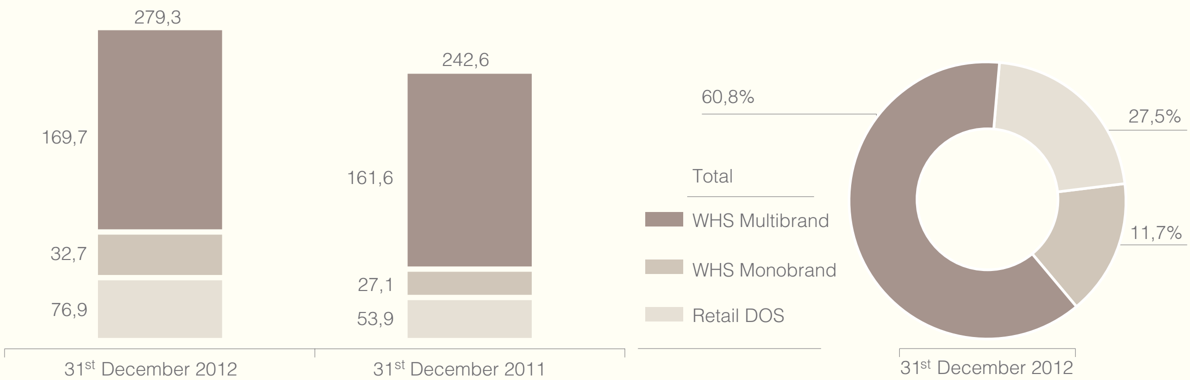


The total increase in net revenues of € 36,686 thousand at current exchange rates (+15.1%) is due mainly to the following factors: (i) organic growth of the retail channel arising from the development of existing points of sale and the opening of new direct points of sale (DOS), in Europe, North America, and Greater China; (ii) expansion in the wholesale monobrand and multibrand channels, above all on the North American and Asian markets; (iii) the use of larger display spaces that are better placed in stores thanks to the consolidation of the brand with customers, especially in deluxe department stores.

REVENUES BY DISTRIBUTION CHANNEL

All sales channels grew in 2012, and this was especially significant in the monobrand channels. The following table sets out the net revenues earned by the Group in 2012 and 2011, analyzed by distribution channel.

(In thousands of euro)	Year ended 31st December				Change	
	2012	**%**	**2011**	**%**	**2012 vs. 2011**	**2012 vs. 2011 %**
Retail	76,949	27.5%	53,861	22.2%	23,088	+42.9%
Wholesale Monobrand	32,682	11.7%	27,156	11.2%	5,526	+20.3%
Wholesale Multibrand	169,690	60.8%	161,618	66.6%	8,072	+5.0%
Total	**279,321**	**100.0%**	**242,635**	**100.0%**	**36,686**	**+15.1%**



RETAIL

Net revenues of € 76,949 thousand were earned by the retail channel, an increase of € 23,088 thousand or 42.9% over the previous year.
Like-for-like (comparable store sales), calculated as the growth in revenues at constant exchange rates achieved in the DOS existing at 1st January 2011, was 9.3% (1st January to 31st December 2012).
For the nine months to 30th September 2012 the retail channel represented 22.8% of the Group's total net revenues, an increase over the 18.3% achieved for the nine months to 30th September 2011.

The current year began very positively, with Like-for-like (comparable store sales) at constant exchange rates achieved in the DOS existing at 1st January 2012 amounting to 12.8% in the first 9 weeks of the year (1st January to 3rd March 2013).
At 31st December 2012 the retail channel represented 27.5% of the Group's total net revenues, up from 22.2% at 31st December 2011.
Directly operated store, twenty-three at 31st December 2011, rose to forty-six at 31st December 2012. Compared with 31st December 2011, there was an increase of 23 in the number of points of sale, with 24 openings (including 9 conversions from Wholesale Monobrand and 15 new points of sale) and one closing (regarding the Malpensa store, which closed on 31st January 2012).

WHOLESALE MONOBRAND

Net revenues of € 32,682 thousand were earned by the wholesale monobrand channel (+ € 5,526 thousand over the previous year), corresponding to an increase of 20.3%.
Net revenues earned through the wholesale monobrand channel amounted to 11.7% of total net revenues, up from 11.2% in 2011.
The number of points of sale, which amounted to thirty-nine at 31st December 2011, decreased to thirty-five at 31st December 2012. During 2012 the number of wholesale monobrand stores decreased by 4 compared to 31st December 2011 due to the combined effect of the conversion to DOS of the 9 points of sale, including conversion of the points of sale in China on 1st October 2012, and the opening of 5 points of sale.

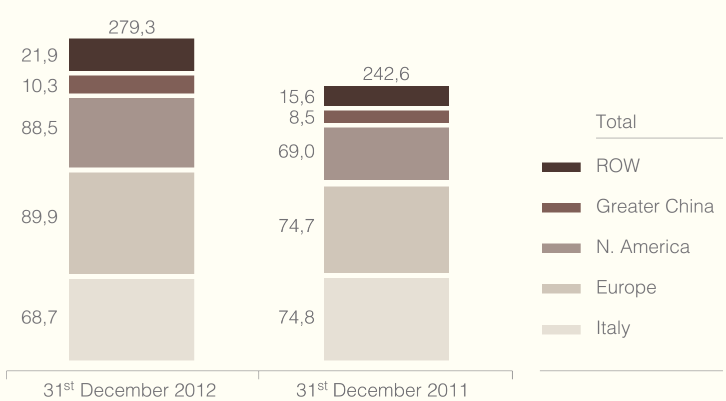
WHOLESALE MULTIBRAND

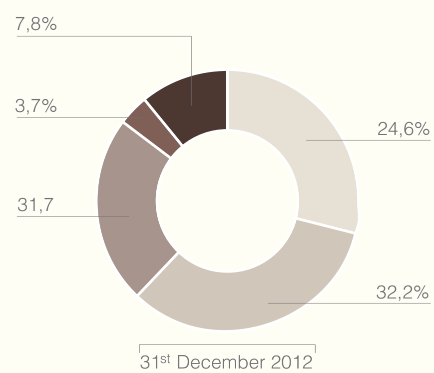
Net revenues of € 169,690 thousand were earned by the wholesale monobrand channel (+ € 8,072 thousand compared to 31st December 2011, corresponding to an increase of 5.0% over the previous year.). As a consequence the channel passed from 66.6% of the total at 31st December 2011 to 60.8% at 31st December 2012.
The fourth quarter of 2012 was positively affected by large product orders from wholesale multibrand customers who wanted to have fresh and well-assorted merchandise in stock in the last two months of the year.

REVENUES BY GEOGRAPHICAL AREA

The Brunello Cucinelli Group continued its development and growth on international markets in 2012. The areas Europe, North America, Greater China and Rest of the World recorded an overall increase of +25.5%, whereas the domestic market recorded a slight decrease of –8.2%. The following table sets out revenues 31st December 2012, analysed by geographical area, compared with the previous year.

(In thousands of euro)	Year ended 31st December				Change	
	2012	**%**	**2011**	**%**	**2012 vs. 2011**	**2012 vs. 2011 %**
Italy	68,662	24.6%	74,805	30.8%	(6,143)	-8.2%
Europe	89,924	32.2%	74,716	30.8%	15,208	+20.4%
North America	88,554	31.7%	68,961	28.4%	19,593	+28.4%
Greater China	10,315	3.7%	8,529	3.5%	1,786	+20.9%
Rest of the World (RoW)	21,866	7.8%	15,624	6.4%	6,242	+40.0%
Total	**279,321**	**100.0%**	**242,635**	**100.0%**	**36,686**	**+15.1%**





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

Italy

Sales for “Italy” represent 24.6% of Net revenues (30.8% in 2011), a slight decrease compared to the previous year, decreasing in absolute terms by € 6,143 thousand or -8.2% (€ 68,662 thousand in 2012; € 74,805 thousand in 2011).

The dynamics of sales show the continuous and positive contribution of foreign tourists, accompanied by a moderate decrease in the multibrand channel in smaller provinces, with evolving dynamics of distribution and consumer habits, which concentrate sales in medium-large cities and in resorts.

Europe

Sales for “Europe” represent 32.2% of Net revenues (30.8% in the previous year), an increase of +20.4%, from € 74,716 thousand to € 89,924 thousand with an increase in absolute terms of € 15,208 thousand. Important results were achieved in Russia and in Eastern European countries (7.4% of total net revenues), driven by the growth of wholesale monobrand stores and by the results of the multibrand channel, which grew significantly in former “Soviet bloc” countries.

North america

Sales for “North America” represent 31.7% of Net revenues (28.4% in the previous year), increasing from € 68,961 thousand to € 88,554 thousand, up € 19,593 thousand or +28.4%.

Revenues expressed directly in foreign currency and converted into Euro for the preparation of these consolidated financial statements amounted to US$ 108,884 thousand (average exchange rate for 2012 = 1.284788).

Greater china

Sales for “Greater China” represent 3.7% of Net revenues (3.5% in the previous year), increasing by € 1,786 thousand (+20.9%) from € 8,529 thousand to € 10,315 thousand.

With regard to the Chinese market, on 1st October 2012 six wholesale monobrand stores were converted to DOS pursuant to agreements stipulated between the Group and Sichuan Lessin Department Stores LTD.

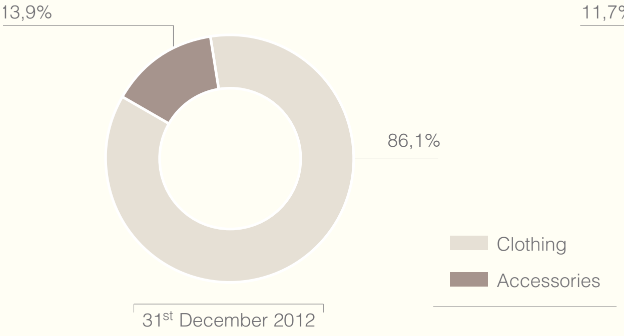
These conversions influenced the year’s results: deliveries made in the second half of 2011 had contributed to turnover in that period (sell-in turnover), whereas after the conversion of the stores to DOS, analogous deliveries in the second half of 2012 will contribute primarily to the result of the first half of 2013 (sell-out turnover in converted stores).

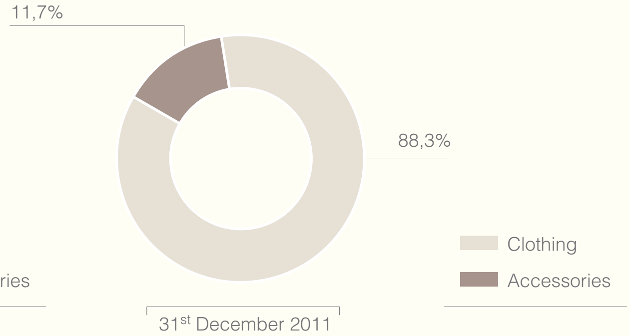
Rest of the world

Sales for the “Rest of the World” rose by 40.0% in 2012 compared to the previous year, continuing their sustained growth rate and increasing from € 15,624 thousand to € 21,866 thousand. The positive performance in this area was driven by the growth in sales in Japan and Korea, and in particular by increased sales in department stores.

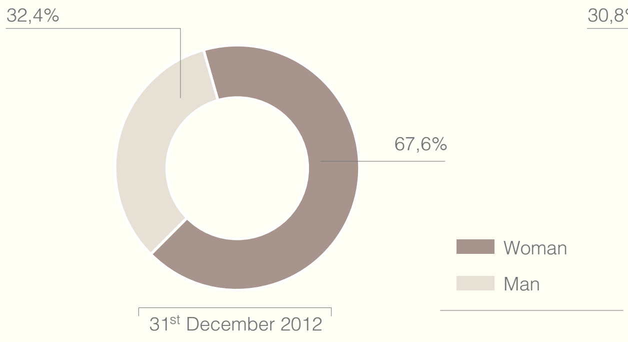
REVENUES BY PRODUCT AND BY TYPE OF FINAL CUSTOMER

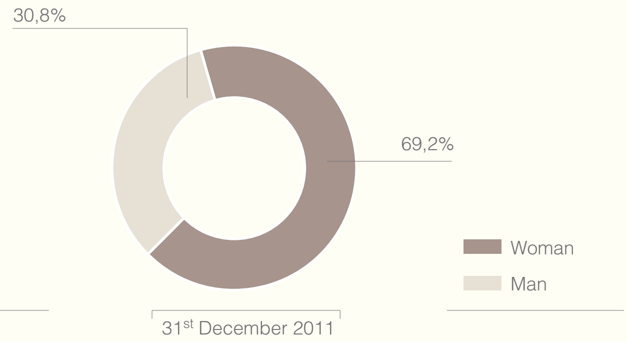
The following charts present revenues at 31st December 2012, analyzed by product line, compared to the previous year:





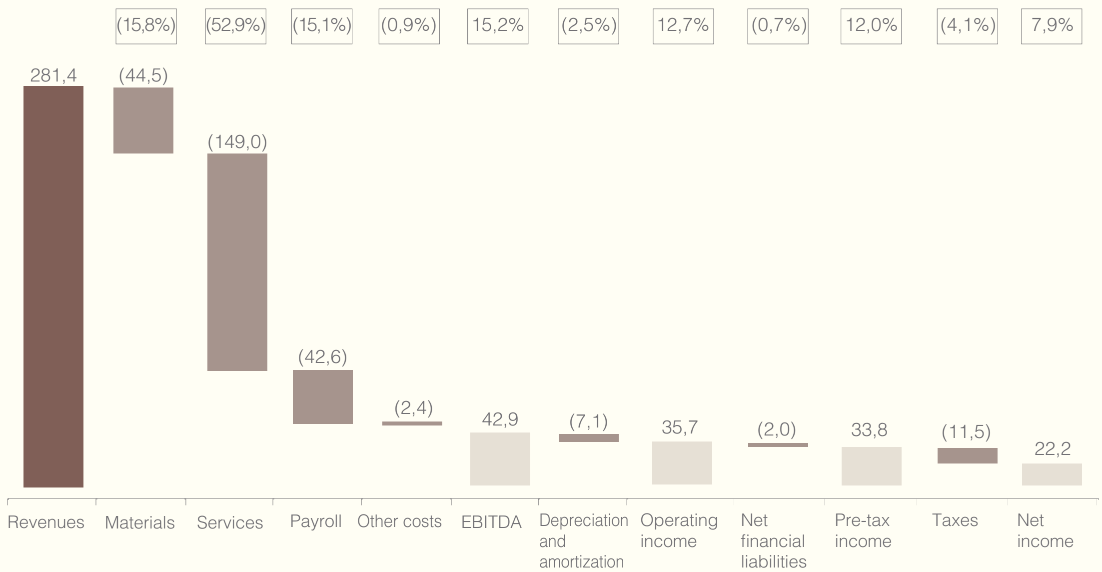
The following charts present revenues at 31st December 2012, analyzed by type of final customer, compared to the previous year:





ANALYSIS OF INCOME STATEMENT

The following table presents economic data at 31st December 2012 for purposes of representing performance in 2012:



OPERATING RESULTS

The following tables summarize profitability indices EBITDA and operating income:

(In thousands of euro)	Year ended 31st December				Change	
	2012	**% of revenues**	**2011**	**% of revenues**	**2012 vs. 2011**	**2012 vs. 2011 %**
Operating income	**35,744**	**12.7%**	**34,907**	**14.3%**	**837**	**+2.4%**
+ Depreciation and amortization	7,125	2.5%	5,253	2.2%	1,872	+35.6%
EBITDA (1)	**42,869**	**15.2%**	**40,160**	**16.5%**	**2,709**	**+6.7%**
+ Non-recurring expenses	6,241	2.2%	-	0.0%	6,241	+100.0%
Normalized EBITDA (2)	**49,110**	**17.5%**	**40,160**	**16.5%**	**8,950**	**+22.3%**

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

(2) Normalized EBITDA for the period ended 31st December 2012 is EBITDA less the effect of the non-recurring expenses incurred as part of the listing process.

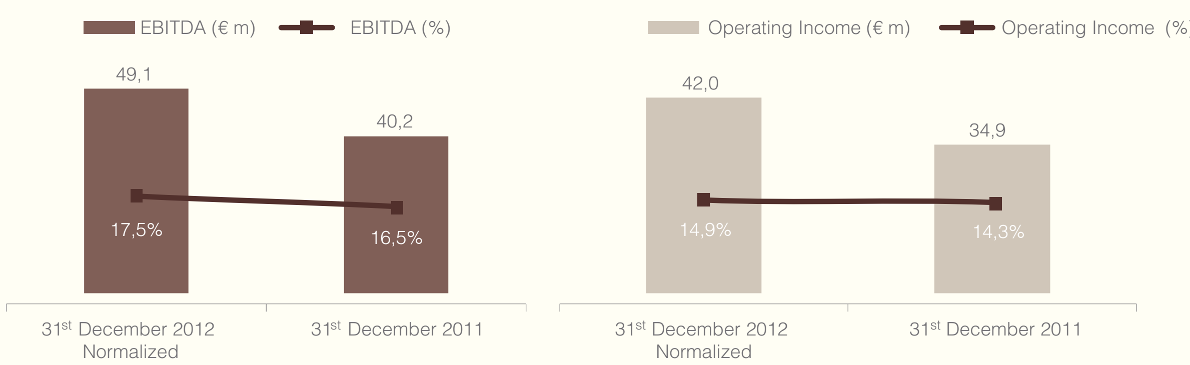
In application of CONSOB Deliberation no. 15519 of 27 July 2006, revenue components deriving from non-recurring events or transactions are (when significant) noted separately in the management comments and in the financial disclosure.

EBITDA rose from Euro 40,160 thousand (16.5% of revenues) in 2011 to Euro 42,869 thousand (15.2% of revenues) in 2012. As shown in the table, 2012 was affected by non-recurring expenses deriving from the listing on the Borsa Valori S.p.A. Electronic Stock Exchange, which was completed on 27th April 2012.

Normalized EBITDA closed at € 49,110 thousand, or 17.5% of revenues, a rise of 22.3% over the previous year.

Operating income, which was also affected by the above movements, rose from € 34,907 thousand, or 14.3% of revenues, in 2011, to € 35,744 thousand, or 12.7% of revenues, in 2012. Excluding the effect of the non-recurring expenses, operating income at 31st December 2012 was € 41,985 thousand, an increase of 20.3% compared to 31st December 2011.

The following graphs present the performance of the Group's EBITDA and Operating Income at 31st December 2012 (amounts adjusted to make the comparison consistent) and at 31st December 2011:



The following key factors enabled the Group to achieve growth in EBITDA and Operating Income in 2012:

(*i*) a higher percentage of net revenues coming from sales made through the retail channel (due to the increased number of DOS 2012 and to higher margins achieved by the retail channel compared to the wholesale channel);

(ii) a lower percentage of total operating costs, which, net of non-recurring expenses, increased by Euro 30.825 thousand in 2012, amounting to 85.1% of Revenues compared with 85.7% in 2011.

For a more precise understanding of production costs, we set out below a combined analysis of the costs for raw materials and consumables and outsourced manufacturing costs for 2012 and 2011, indicating their value as a percentage of revenues.

(In thousands of euro)	Year ended 31st December				Change	
	2012	% of revenues	2011	% of revenues	2012 vs. 2011	2012 vs. 2011 %
Costs for raw materials and consumables	60,163	21.4%	63,310	26.0%	(3,147)	-5.0%
Change in inventories	(15,702)	-5.6%	(16,249)	-6.7%	547	-3.4%
Outsourced manufacturing costs	74,360	26.4%	62,420	25.6%	11,940	+19.1%
Total	**118,821**	**42.2%**	**109,481**	**44.9%**	**9,340**	**+8.5%**

Taking the evolution of these two cost items together it can be seen that as a total they have fallen as a percentage of Revenues when compared to the previous year (42.2% in 2012 compared to 44.9% in 2011). This decrease in percentage terms is mainly due to the increase in net revenues in the retail distribution channel as a proportion of total net revenues for the period (27.5% in 2012 against 22.2% in 2011).

In addition, a combined reading of the two items is useful for making a consistent comparison of the figures in the financial statements, since against unchanged production processes and using the same outside workshops, the accounting treatment for certain operators may differ from one period to another to take account of the different logistical organization used in managing the materials deployed. More specifically, for an increase in logistical efficiency from one period to another, the Company may ask the same outside workshop to bill only the processing cost, or the workshop may be asked to add to this also the cost of the material deployed, despite the fact that this is always under the direct control of the Company at both the selecting and purchasing stage and at the quality control stage.

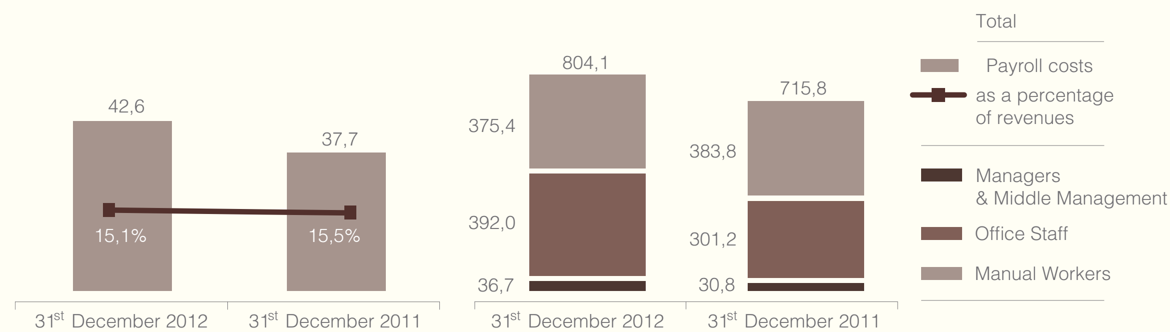
The other main items making up operating costs are commissions, being the fees payable to the agents' network, advertising and other marketing expenses incurred for the promotional activities carried out by the Group to disseminate its image and philosophy throughout the world – more specifically these are costs relating principally to the production of catalogues, advertising campaigns, events and trade fairs organized in Italy and abroad - and costs for transport, duties and rental and leasing. Costs for credit card commissions are closely linked to increased Retail volumes.
The following is a summary of costs incurred for such items in 2012 and 2011, with indication of their value as a percentage of Revenues:

(In thousands of euro)	Year ended 31st December				Change	
	2012	% of revenues	2011	% of revenues	2012 vs. 2011	2012 vs. 2011 %
Commissions and accessory costs	12,764	4.5%	12,617	5.2%	147	+1.2%
Advertising and other commercial costs	15,383	5.5%	12,752	5.2%	2,631	+20.6%
Transport and duties	12,050	4.3%	9,366	3.8%	2,684	+28.7%
Rents payable	12,995	4.6%	8,098	3.3%	4,897	+60.5%
Credit card commissions	1,634	0.6%	1,096	0.5%	538	+49.1%

Changes in payroll costs mainly relate to the increase in the workforce which to a large extent is the consequence of the extension of the monobrand store network. Costs for wages and salaries totaled € 42,621 thousand against € 37,710 thousand in the previous year, for a rise in absolute terms of € 4,911 thousand. At 31st December 2012 payroll costs represented 15.1% of Revenues, compared to 15.5% at 31st December 2011.

In December 2012 the Company, using the financial resources made available for such purposes by Fedone S.r.l. (as instructed by Cav. Lav. Brunello Cucinelli), paid employees a lump-sum amount up to a maximum of Euro 4,550. The payment was made in neutrality of liabilities (financial, economic, and tax) for the Company. The transaction, completed on 31st December 2012, was conducted in full neutrality, and generated neither revenues nor costs for the Company.

Specifically, the Company covered the entire amount paid to employees (subject to ordinary withholding and social security taxes) with the funds received from parent company Fedone S.r.l.; therefore, as described above, the transaction generated no effect on this year's balance sheet.



Depreciation and amortization (€ 7,125 thousand at 31st December 2012 and € 5,253 thousand in the previous year) is equivalent to 2.5% of Revenues in 2012 and 2.2% in 2011; the increase in the absolute amount of € 1,872 thousand is mainly due to the investments in key money paid to take over leases for monobrand stores and to the investments made in directly operated stores.

NET FINANCIAL EXPENSES, TAXES AND NET PROFIT

Net financial expenses at 31st December 2012 amounted to Euro 1,984 thousand, including financial expenses of Euro 3,942 thousand and financial income of Euro 1,958 thousand.
The incidence of net financial expenses on Revenues improved compared to 2011, dropping to 0.71% in 2012 compared to 1.05% in 2011.

Reference is made to the supplemental note for a description of financial expenses and income. The following table presents the result of financial management, with separate indication of the effect of currency conversion and of the fair value of derivative contracts compared to the trend of financial expenses and income:

(In thousands of euro)	Year ended 31st December				Change	
	2012	% of revenues	2011	% of revenues	2012 vs. 2011	2012 vs. 2011 %
Interest paid on loans	613	0.2%	935	0.4%	(322)	-34.4%
Other net Expenses / (Income)	1,211	0.4%	1,932	0.8%	(721)	-37.3%
Financial Expenses /(Income)	**1,824**	**0.6%**	**2,867**	**1.2%**	**(1,043)**	**-36.4%**
Loss/(Profit) on currency conversion	168	0.1%	(338)	-0.1%	506	>-100.0%
Financial Expenses /(Income) due to adjustment of derivatives to fair value	(8)	0.0%	28	0.0%	(36)	<-100.0%
Total Net Financial Expenses	**1,984**	**0.7%**	**2,557**	**1.1%**	**(573)**	**-22.4%**

Income taxes for the year were Euro 11,517 thousand and represent 34.1% of the consolidated pre-tax result.

Net profit for the year was Euro 22,243 thousand, 7.9% of revenues, compared to Euro 21,025 thousand in 2011. Eliminating the effect of non-recurring expenses and the relative tax effect, net profit would have been € 26,524 thousand, corresponding to 9.4% of revenues, an increase of 26.2% over the previous year.
The following table shows the attribution of net profit to the Group and to third parties:

(In thousands of euro)	31.12.2012	31.12.2011	31.12.2012 normalized
Group profit	22,484	20,268	26,765
Third-party profit	(241)	757	(241)
Net profit	**22,243**	**21,025**	**26,524**

ANALYSIS OF ASSET AND FINANCIAL BALANCES

The following is a description of the main items of the balance sheet, reclassified by sources and uses of the asset and financial situation, at 31st December 2012 compared with 31st December 2011.

NET WORKING CAPITAL

The following table shows the composition of net working capital of the Brunello Cucinelli Group at 31st December 2012 and at 31st December 2011:

(In thousands of euro)	**at 31.12.2012**	**at 31.12.2011**
Trade receivables	47,826	48,832
Inventories	80,089	64,708
Trade payables	(62,718)	(56,129)
Other net current assets/(liabilities)	(7,933)	(11,193)
Net working capital	**57,264**	**46,218**

Net working capital at 31st December 2012 increased by Euro 11,046 thousand compared to the same date in the previous year. The change is mainly attributable to the balance of Inventories, with a change of Euro 15,381 thousand and a percentage of net revenues increasing from 26.7% to 28.6%. In detail, the item Raw Materials increased by Euro 3,220 thousand, from Euro 16,036 thousand at 31st December 2011 to Euro 19,256 thousand at 31st December 2012, while Finished and Semi-processed Products rose from Euro 48,672 thousand at 31st December 2011 to Euro 60,833 at 31st December 2012, an increase of Euro 12,161 thousand mainly attributable to expansion of the monobrand store network.

(In thousands of euro)	**at 31.12.2012**	**at 31.12.2011**
Raw Materials	19,256	16,036
Finished and Semi-processed Products	60,833	48,672
Inventories	**80,089**	**64,708**

CAPITAL EXPENDITURES

The composition of Capital Expenditures and of other long-term assets at 31st December 2012 and at 31st December 2011 is shown below:

(In thousands of euro)	**at 31.12.2012**	**at 31.12.2011**
Intangible assets	16,548	11,807
Property, plant and equipment	41,931	28,568
Non-current financial assets	3,162	1,783
Total capital expenditures	**61,641**	**42,158**

Capital Expenditures at 31st December 2012 amounted to Euro 61,641 thousand, compared to Euro 42,158 thousand at 31st December 2011, an increase of Euro 19,483 thousand (46.2%).
Intangible assets increased by Euro 4,741 thousand, tangible assets by Euro 13,363 thousand, and non-current financial assets by Euro 1,379 thousand, mainly regarding security deposits paid at the time of stipulation of leases for monobrand stores opened during 2012.

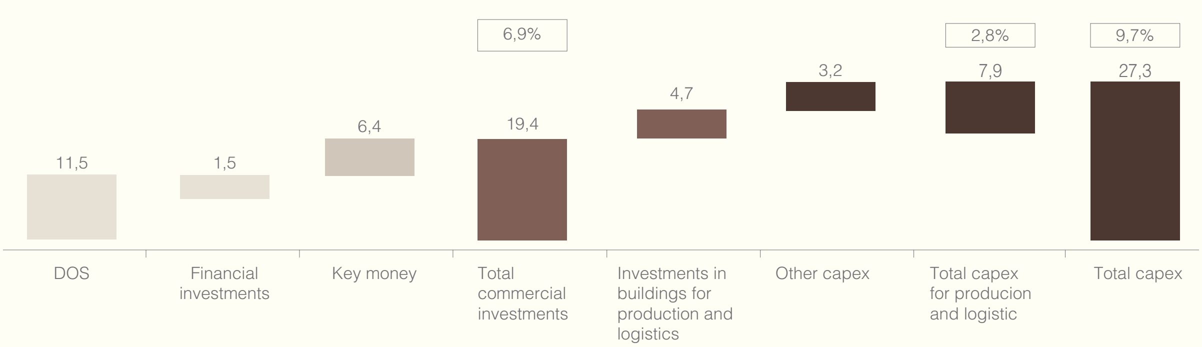
INVESTMENTS

During 2012, the Group invested in assets for a total of Euro 27,279 thousand, including Euro 7,154 thousand in intangible assets, Euro 18,634 thousand in tangible assets, and Euro 1,491 thousand in financial assets (security deposits).
The following table shows the Group's investments according to type and category during the years ended 31st December 2012 and 2011.

(In thousands of euro)	**at 31st December**	
	2012	**2011**
Investments in Intangible assets	7,154	7,578
Investments in Property, plant and equipment	18,634	10,032
Investments in financial assets	1,491	455
Total Investments	**27,279**	**18,065**

The largest investments were made to open and renovate stores, mainly attributable to the opening of stores directly operated by the Group in North America, Europe, Greater China, and Italy.
Investments were also made to expand and equip buildings for operations and logistics at the Headquarters, including the construction (still in progress) of a new building for warehouse, production, logistics, and shipping operations.

The following graph shows the Group's investments in 2012 according to allocation:



NET DEBT

The following is a detail of net debt at 31st December 2012 and at 31st December 2011.

(In thousands of euro)	**31.12.2012**	**31.12.2011**
Current bank payables	28,423	38,539
Current payables for derivative instruments	257	527
Other current financial payables	15	-
Current financial debt (1)	**28,695**	**39,066**
Medium-long term loans – non-current portion	11,559	17,611
Non-current financial payables	642	-
Non-current financial debt (1)	**12,201**	**17,611**
Total gross financial debt	**40,896**	**56,677**
- Current financial receivables	-	-
- Receivables from current derivative instruments	-	-
- Cash and cash equivalents	(40,045)	(8,683)
Net debt (1)	**851**	**47,994**

(1) Current and non-current net debt are not identified as accounting measures by the IFRS. The criterion applied by the Company may not be consistent with that used by other groups and, therefore, the balance obtained by the Company might therefore not be comparable to the balance they obtain.

At 31st December 2012, the debt of the Brunello Cucinelli Group decreased by Euro 47,143 thousand compared to the figure at 31st December 2011. At 31st December 2012, net debt was almost eliminated; such reduction was linked mainly to the liquidity generated by the listing operation on 27th April 2012. This fall in net debt took place in a situation marked by a growth in sales volumes, by large investments, and by financial dynamics in line with the normal performance of operations.

SHAREHOLDER'S EQUITY

The following table analyzes Shareholders' Equity at 31st December 2012 and at 31st December 2011:

(In thousands of euro)	**at 31.12.2012**	**at 31.12.2011**
Share capital	13,600	12,000
Reserves	81,739	4,026
Group profit	22,484	20,268
Group Shareholders' Equity	**117,823**	**36,294**
Non-controlling interests	1,794	1,690
Total Shareholders' Equity	**119,617**	**37,984**

At 31st December 2012, the share capital, fully subscribed and paid up, amounted to Euro 13,600,000 divided into 68,000,000 no-par value dematerialized ordinary shares.
Each ordinary share carries the right to one vote at the Company's ordinary and extraordinary shareholders' meetings, as well as the other administrative rights provided by applicable laws and By-laws provisions.
The Company has no intention of acquiring its own shares and, as at 31st December 2012, the Company had no such shares in its portfolio.
At 31st December 2012, no classes of shares had been issued with voting rights or other rights differing from those of the ordinary shares and no financial instruments had been issued that grant the right to subscribe newly-issued shares.
Brunello Cucinelli S.p.A. is controlled by Fedone S.r.l., which is wholly-owned by Cav. Lav. Brunello Cucinelli.

Pursuant to the reports issued for purposes of Art. 120 TUF and to the other information possessed by the Company on 31st December 2012, the significant investments in the Company's capital are as follows:

Shareholder	**Number of shares**	**% of share capital**
Fedone S.r.l.	43,058,000	63.32%
Ermenegildo Zegna Holditalia S.p.A.	2,040,000	3.00%
FMR Llc	1,938,000	2.85%
Fundita S.r.l.	1,710,000	2.52%
Capital Research and Management Company	1,394,000	2.05%
Other shareholders	17,860,000	26.26%
Total	**68,000,000**	**100.0%**

For a full description of changes in Shareholders' Equity, see the specific balance sheet schedule and Note 10 of the Supplemental Notes.

RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET PROFIT OF PARENT WITH CONSOLIDATED SHAREHOLDER'S EQUITY AND NET PROFIT

The following table presents the reconciliation of Shareholders' Equity and Net Profit of the Parent Company with consolidated Shareholders' Equity and Net Profit at 31st December 2012:

(In thousands of euro)	31.12.2012	
	Shareholders' Equity	**Net Profit**
Parent Company's Balance Sheet	**117,300**	**23,009**
Difference between shareholders' equity of consolidated companies and book value of consolidated companies	4,808	923
Elimination of effects of intercompany transactions	(7,090)	(2,542)
Elimination of dividends	–	(82)
Tax effects on consolidation adjustments	2,930	1,303
Other adjustments	(125)	(127)
Total Group shareholders' equity	**117,823**	**22,484**
Non-controlling shareholders' equity and net profit	1,794	(241)
Total consolidated balance sheet	**119,617**	**22,243**

ECONOMIC AND FINANCIAL INDICATORS

The main economic and financial indicators of the Brunello Cucinelli Group for the periods in question are presented below.

PROFITABILITY INDICATORS

The following table shows the trend in the main profitability indices for 2012 and 2011, with indication of the normalized date in consideration of the non-recurring expenses described above.

	31.12.2012	**31.12.2011**	**31.12.2012 normalized**
ROE(*) – Net profit for year / Average shareholders' equity in year	28.23%	59.70%	32.82%
ROI – Operating result / Net average invested capital in year	34.63%	40.77%	40.67%
ROS – Operating result / Revenues	12.70%	14.34%	14.92%

(*): At 31st December 2011 the indicator was calculated on the value of Shareholders' Equity prior to the IPO.

FINANCIAL SOUNDNESS INDICATORS

The analysis of soundness ascertains the ability of the Brunello Cucinelli Group to maintain, over the medium-long term, a constant balance of outgoing cash flows due to reimbursements of sources and incoming cash flows from the recovery of uses in order to ensure the economic balance of operations.

	31.12.2012	**31.12.2011**
Ratio – Shareholders' Equity (*) / Total Assets	47.83%	20.49%
Ratio – Total Current Assets / Total Current Liabilities	161.08%	109.37%

(*): At 31st December 2011 the indicator was calculated on the value of Shareholders' Equity prior to the IPO.

ROTATION INDEX

	31.12.2012	**31.12.2011**	**31.12.2012 normalized**
Receivables rotation index – *Revenues / Average trade receivables*	5.8 times	5.0 times	5.8 times
Average collection days accounts receivable – *(Average trade receivables / Revenues) x 360*	61.8	71.3	61.8
Payables rotation index – *(Costs of raw and subsidiary materials and consumables + Service costs) /Average trade payables*	3.3 times	3.3 times	3.1 times
Days payable outstanding *(Average trade payables / (Costs of raw and subsidiary materials and consumables, net of changes in inventory + Service costs)) x 360*	120.4	122.7	124.8
Average days in inventory – *Inventories-Advances / Revenues x 360*	102.5	95.7	102.5

INFORMATION ON CORPORATE GOVERNANCE

For purposes of Art. 123-bis of the TUF, the Company is required to prepare an annual report on corporate governance and ownership structure 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 internal risk management and control system in relation to its financial disclosure process.

Such Report, approved by the Board of Directors meeting of 12th March 2013, may be consulted in the Governance section of the Company's website: **www.brunellocucinelli.com**.

LISTING ON THE MTA (ITALIAN ELECTRONIC STOCK EXCHANGE) OF BORSA ITALIANA S.P.A.

The meeting of the Board of Directors of Brunello Cucinelli S.p.A. of 27th January 2012 among other things approved the application for the admission of the ordinary shares of Brunello Cucinelli S.p.A. to trading on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A. For the listing purposes, on the same date the extraordinary shareholders' meeting approved an increase in the Company's share capital of up to € 13,600,000.

The Company's global share offering consisted of a public offer for subscription (OPS) and sale (OPV) to the general public in Italy, and a concurrent private placement reserved for:

- qualified investors in Italy and institutional investors abroad pursuant to Regulation S of the 1933 United States Securities Act, as amended, with the exception of Canada, Japan and Australia and any other country in which the offering of securities is not permitted without authorization by the competent authorities, subject to any exemptions under existing laws; and
- "Qualified Institutional Buyers" in the United States of America pursuant to Rule 144 A of the 1933 United States Securities Act, as amended.

On 2nd February 2012 the application for admission to the MTA of Brunello Cucinelli S.p.A. ordinary shares was submitted to Borsa Italiana S.p.A. On the same date the statement provided for by Article 94 of the CFA (the Italian Consolidated Finance Act) was submitted to CONSOB, in relation to the aforementioned public offering.

On 10th April 2012 Borsa Italiana S.p.A. approved the listing of Brunello Cucinelli S.p.A. ordinary shares on the Italian Electronic Stock Exchange (MTA). On 11th April 2012 CONSOB approved the public offering prospectus. Trading in the Company's shares on the MTA began on 27th April 2012.

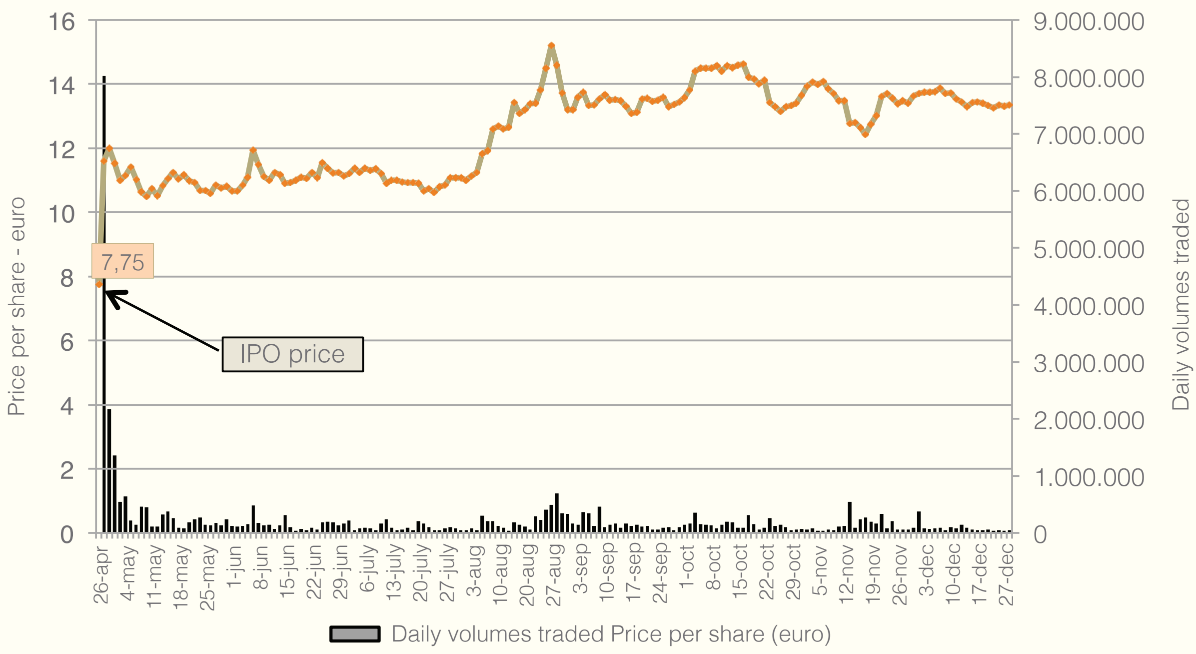
The statement of execution of the capital increase, approved by a resolution of the company's extraordinary meeting on 27th January 2012, was entered in the Perugia companies register on 3rd May 2012. The share capital of Brunello Cucinelli S.p.A. therefore amounts to € 13,600,000, consisting of 68,000,000 ordinary shares without nominal value.

On 31st December 2012 the official closing price of the Brunello Cucinelli share was € 13.36 (+72.4% compared to the IPO offering price of € 7.75). The Company's market capitalization at 31st December 2012 was € 908 million.

Details of the share and its performance between 27th April 2012 and 31st December 2012 are as follows:

	Euro	Date
IPO price	7.75	-
Minimum price (1)	10.00	27.04.12
Maximum price (1)	15.79	28.08.12
Official price	13.36	28.12.12
Capitalization	908,480,000	28.12.12
Number of outstanding shares	21,078,000	28.12.12
Free float	281,602,080	28.12.12

(1): The minimum and maximum prices recorded during the day's trading and therefore not the same as the official reference prices on the same day.



SIGNIFICANT EVENTS DURING 2012

Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd.

On 26th January 2012 the Company entered into a framework agreement with the Chinese trading company Sichuan Lessin Department Stores Co., Ltd. (hereinafter "SLD"), whose controlling shareholder is Mr. Chen Long, for the formation of a new company 51% held by the Brunello Cucinelli Group and 49% by SLD.

On 26th March 2012 the Company and SLD entered into an agreement governing the newly formed Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. (hereafter BC Lessin), a company headquartered in Chengdu.

On 2nd July 2012 BC Lessin obtained a trading license authorizing the company to sell and market the clothing and accessories of the Brunello Cucinelli Group in China.

With effect from 1st October 2012, activities passed from SLD to BC Lessin and BC Lessin took over the contracts, previously in SLD's name, for running the stores previously managed by SLD as an independent third party operator. As a result of this the stores in Chengdu, Shangai, Dalian, Haerbin, Shenyang and Tianjin are managed as new Group DOS.

In addition, the Brunello Cucinelli Group and SLD have initiated procedures to form a company headquartered in Macao which will take over the monobrand boutique currently managed by SLD.

In connection with the above, Fedone S.r.l., as seller, and SLD, as purchaser, will arrange for the transfer of the Company's 1,200,000 shares by 30th April 2013 under an agreement signed between Fedone S.r.l. and Mr. Chen Long on 6th March 2012. In this respect it is noted that SLD is a company controlled by Mr. Chen Long, and that payments totaling 80% of the agreed amount were already made at 31st December 2012.

Further information about the agreement signed by Fedone S.r.l. and Mr. Chen Long may be found in the Prospectus for the IPO of the Company's shares on the Company's website (at the address: http://investor.brunellocucinelli.com/ita/opvs/prospetto-informativo).

Brunello Cucinelli Japan Co., Ltd.

In January 2012 the Company acquired a 75% share in Brunello Cucinelli Japan Co., Ltd., pursuant to a purchase and sales agreement signed between Brunello Cucinelli S.p.A. and Itochu Corporation, a Japanese company which, on the basis of previous agreements, already operated as the exclusive importer and distributor for Japan of Brunello Cucinelli brand products. The remaining 25% stake is held by Itochu Corporation. In the context of such agreements, Brunello Cucinelli Japan Co., Ltd. has the right to directly operate monobrand stores in Japan as well as to directly manage sales at department stores by August 2014.

Brunello Cucinelli Retail Deutschland GmbH

As part of its development in the German market, the Group has set up Brunello Cucinelli Retail Deutschland GmbH, 70% owned by Brunello Cucinelli Europe S.r.l. and 30% by Michael Meyer – the Group's commercial partner in Germany. The newly-formed subsidiary's mission is to manage the Group's DOS in Germany (Munich being the only exception), including the store in Hamburg which was previously operated under a franchise agreement.

Brunello Cucinelli Retail Deutschland GmbH, which was set up to strengthen and develop the Group's presence in the German market, has been operating the monobrand store in Hamburg since 1st April 2012; this store has now effectively become a Group DOS and opened the DOS in Berlin during the year.

Brunello Cucinelli Netherland B.V.

The Dutch registered company Brunello Cucinelli Netherland B.V was formed in 2012. This company is 98% held by Brunello Cucinelli Europe S.r.l. with the remaining 2% held by Brunello Cucinelli S.p.A. The newly-formed company will manage a new DOS for the Group and has its headquarters in Amsterdam.

Brunello Cucinelli Austria GmbH

On 8th August 2012 the Austrian registered company Brunello Cucinelli Austria GmbH was entered in the companies register. This company is 98% held by Brunello Cucinelli Europe S.r.l. with the remaining 2% held by Brunello Cucinelli S.p.A. The newly-formed company will manage a new DOS for the Group and has its headquarters in Vienna.

Brunello Cucinelli Hellas S.A.

The Greek-registered company Brunello Cucinelli Hellas S.A. was formed in September 2012, of which 51% is held by the Brunello Cucinelli Group through Brunello Cucinelli Europe S.r.l. and 49% by an independent third party.
On 14th September 2012 the newly-formed company entered into an agreement to lease the premises located in Athens, in which a new Group DOS has been operative since October 2012. The wholesale monobrand store in Athens was previously managed by a third party company.

Lease agreement for the store in Via della Spiga 15, Milan

The Company received a proposal from a third-party company in November 2011 to take over the lease agreement of the monobrand store located in Via della Spiga 15, Milan. The proposal provided that the party would take over the lease agreement upon the satisfaction of a number of conditions that were outside the Company's control. Among these was the acceptance by the property owner to enter into a new lease agreement with the proposing company which occurred on 13th January 2012 when the agreement was signed. The Company continued to carry on its retail business in the store located in Via della Spiga 15 until 7th January 2012. In September 2011 the company opened a new DOS in Milan, also located in Via della Spiga, at no. 30.
The assignment of the lease agreement generated a capital gain of € 1,014 thousand in the first quarter of 2012.

Expansion of the Company's manufacturing facilities

In the second half of 2012, after receiving a building permit and after signing the required agreements with the City of Corciano and the Province of Perugia, work was begun to expand the Company's manufacturing facilities in Via dell'Industria, fraz. Solomeo, Comune di Corciano (PG).
The expansion project calls for the construction of a new building to be used for warehousing, production, logistical, and shipping activities.

RELATED-PARTY TRANSACTIONS

Reference is made to the Notes to these Consolidated Financial Statements for a detailed description of related-party transactions conducted in 2012.
For purposes of CONSOB Deliberation no. 17221 of 12th March 2010, we report that in 2012 the Group did not conduct any significant transactions or transactions that significantly affected the Group's financial situation or net profit for the year.

INFORMATION ON SIGNIFICANT NON-EU COMPANIES

Parent company Brunello Cucinelli S.p.A. directly or indirectly controls 4 companies formed and governed by the laws of countries that are not European Union Member States ("Significant non-EU Companies" as defined by CONSOB Deliberation no. 16191/2007 and subsequent modifications).
With reference to such companies, it is reported that:

– all of them draft a statement of account for purposes of preparing the consolidated financial statements; the balance sheet and income statement of such companies are made available to the shareholders of Brunello Cucinelli S.p.A. by the deadlines and means required by applicable rules;
– Brunello Cucinelli S.p.A. has received the articles of association as well as the composition and powers of the company officers;
– the Significant non-EU Companies: i) provide the Parent's external auditors all of the information they need to audit the Parent's annual and interim accounts; ii) have an administrative-accounting system that regularly provides the Parent's management, control bodies, and external auditors the economic, equity, and financial data required for preparation of the consolidated financial statements.

For purposes of fulfilling its legal obligations, the control body of Brunello Cucinelli S.p.A. has verified the ability of the administrative-accounting system to regularly provide the management and external auditors of Brunello Cucinelli S.p.A. the economic, equity, and financial data required for preparation of the consolidated financial statements and the effectiveness of the information flow by means of meetings with the external auditors and with the Manager in charge of preparing the corporate accounting documents.

PRINCIPAL RISKS AND UNCERTAINTIES

MARKET RISKS

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

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

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

OPERATING RISKS

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

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

Risks related to the supply of cashmere and to increases in its price

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

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

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

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

Risks related to the defence of industrial and intellectual property rights

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

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

For a description of the complete Risk Management System, see the specific description in the Annual Report on Corporate Governance and Ownership Structures.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company constantly invests in research and development to create new products that satisfy the demands of its customers as well as to reinforce the know-how it has developed over the years. In 2012, the Company incurred Euro 4,298 thousand in costs, charged entirely to the income statement, for personnel devoted to research and development.

MANAGEMENT OF FINANCIAL RISKS

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

The Group is exposed to various types of financial risk linked to its core business. Specifically, the Group is simultaneously exposed to market risk (interest rate risk and exchange rate risk), to liquidity risk, and to credit risk.

Interest rate risk

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

Exchange rate risk

The Company is exposed to changes of the exchange rate for currencies (primarily the US Dollar) in which sales are made to affiliates and third-party customers. This risk exists because there is a possibility that the countervalue of revenues in Euros may decrease in the event of unfavorable oscillations in the exchange rate, thereby reducing the desired margin.
To limit its exposure to exchange rate risk deriving from its business activities, the Company stipulates derivative contracts (forward exchange contracts) that predefine the conversion rate or a range of conversion rates at future dates. The derivatives are stipulated when seasonal price lists in foreign currency are defined, based on estimated sales and considering the expected collection date of the sales invoices as the expiration date of the derivative. Specifically, the Company sets its selling prices in Euro and calculates the corresponding prices in foreign currency by applying the forward exchange rate.

Liquidity risk

The Company manages liquidity risk by strictly controlling the elements comprising working capital and, in particular, trade receivables and trade payables.
The Company strives to obtain good cash generation in order to execute trade payables without jeopardizing the short-term balance of its treasury and to avoid criticalities and strains of available cash.

Credit risk

Credit risk regards the Company's exposure to potential losses deriving from the default in obligations assumed by third parties.

The Company's exposure to commercial credit risk refers only to sales made to the wholesale multibrand channel and to the wholesale monobrand channel, whereas the remaining turnover refers to sales by the retail channel, with payment in cash or by credit or debit card.

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

For a detailed analysis of financial risks, see the supplemental notes to these Financial Statements.

SIGNIFICANT EVENTS AFTER 31ST DECEMBER 2012

Merger between Cucinelli Holding Co. Ltd and subsidiaries

The merger between Cucinelli Holding Co., LLC and its wholly-owned subsidiaries became effective on January 1st 2013; the subsidiaries managed the Group's monobrand stores in the United States. As all the merged companies were wholly owned by their parent, the operation does not have any accounting effect on the Group's consolidated financial statements.

Brunello Cucinelli (England) Ltd.

In January 2013 Brunello Cucinelli Europe S.r.l. (wholly-owned by Brunello Cucinelli S.p.A.) acquired 70% of the capital of Mer&Cashmere (England) Ltd. from the Rambaud family at a price of £ 3,500,000, fully paid at the same date. This operation was financed wholly by shareholders' funds.

Mer&Cashmere (England) Limited – renamed Brunello Cucinelli (England) Limited – was for many years a business partner of the Brunello Cucinelli Group through the management of "Brunello Cucinelli" monobrand stores in London.

The acquired company currently manages two monobrand stores in London at 3-5 Burlington Gardens and at 159 Sloane Street.

30% of the capital of Brunello Cucinelli (England) Limited remains the property of Charles Rambaud, who is also the company's Managing Director.

The company's charter gives each shareholder a pre-emption right if the shares are sold.

At the same time as signing the agreement for the purchase 70% of the capital, the parties (Brunello Cucinelli Europe S.r.l. and Charles Rambaud) entered a put and call option agreement relating to the interest held by Charles Rambaud. Amongst other cases (including Charles Rambaud's resignation or termination of office and change of control of Brunello Cucinelli Europe S.r.l.), the agreement provides for the possibility of exercising the put and call options on the fifth or tenth anniversary of the agreement.

Sale of the "SOLOMEI" and "SOLOMEO" trademarks and relative coat of arms

On 13th February 2013, the Company sold the "SOLOMEI" and "SOLOMEO" trademarks and the "coat of arms" to Fedone S.r.l. (which controls the Company and is in turn controlled by Cav. Lav. Brunello Cucinelli).

The trademarks in question are closely linked to the castle of the medieval village of Solomeo, owned by Parmenide S.r.l., which is wholly owned Fedone S.r.l., and regards the village's heraldic coat of arms. This coat of arms is in some cases (for example, on letterhead, labels, etc.) associated with the actual trademark identifying the product and the "Brunello Cucinelli" company.

The "Brunello Cucinelli" trademark is used to market the products and remains the Company's property.

The sale was made at a price of € 830,000, which Fedone S.r.l. pledged to pay to the Company within 60 days of the stipulation date. Being a related-party transaction of lesser importance, the sale was examined by the Control and Risks Committee which, availing itself of a report by an independent expert, expressed its favorable opinion (with the unanimous vote of its three members) as required by and in compliance with the procedure for related-party transactions adopted by the Company on 9th May 2012. The transaction was then approved by the Board of Directors. At the same time as making the acquisition, Fedone S.r.l. granted the Company a license for the exclusive use (limited to products in categories 3, 9, 18, 24, 25 and to services in category 35; i.e., in relation to the categories of the Group's products) of the sold brands subject to an annual payment of € 64,000. The license agreement has a term of 10 years and provides only the Company the right to withdraw with 3 months notice and without penalty.

BUSINESS OUTLOOK

2012 was a very special year for Brunello Cucinelli Spa: a year in which we debuted on the Stock Exchange and laid the foundations for healthy and sustainable growth in the future.
Our large 2011-2015 investment plan is producing good results: we have achieved excellent sales and earning from operations. But perhaps what delights us the most is the image that the brand enjoys worldwide in the absolute luxury sector. A beautiful and healthy image for a product expressing quality, fine craftsmanship and (we hope) the creativity and exclusiveness of Made in Italy.
We received a very large number of orders for 2013 fall/winter, and the collection (this is the most important thing) was judged modern and contemporary. All this convinces us that 2013 will be very positive in terms of turnover, profits, and image.

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

ACCOUNTING STATEMENTS AT 31ST DECEMBER 2012

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2012

(In thousands of euro)	NOTE	31.12.2012	of which with related parties	31.12.2011	of which with related parties
NON-CURRENT ASSETS					
Intangible assets	1	16,548		11,807	
Property, plant and equipment	2	41,931	6,094	28,568	4,024
Other non-current financial assets	3	3,162	41	1,783	41
Deferred tax assets	22	7,489		3,701	
TOTAL NON-CURRENT ASSETS		**69,130**		**45,859**	
CURRENT ASSETS					
Inventories	4	80,089		64,708	
Trade receivables	5	47,826	8	48,832	12
Tax receivables	6	987		1,652	
Other receivables and current assets	7	10,384		12,592	
Cash and cash equivalents	8	40,045		8,683	
Current assets – Derivative financial instruments	9	1,610		-	
TOTAL CURRENT ASSETS		**180,941**		**136,467**	
Assets held for sale	10	-		3,053	
TOTAL ASSETS		**250,071**		**185,379**	

(In thousands of euro)	NOTE	31.12.2012	of which with related parties	31.12.2011	of which with related parties
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	11	13,600		12,000	
Share premium reserve	11	57,915		-	
Other reserves	11	23,824		4,026	
Group net profit (loss)	11	22,484		20,268	
TOTAL GROUP SHAREHOLDERS' EQUITY		**117,823**		**36,294**	
NON-CONTROLLING INTERESTS					
Capital and reserves attributable to non-controlling interests		2,035		933	
Net profit (loss) attributable to non-controlling interests		(241)		757	
TOTAL CONTROLLING INTERESTS		**1,794**		**1,690**	
TOTAL SHAREHOLDERS' EQUITY		**119,617**		**37,984**	
NON-CURRENT LIABILITIES					
Liabilities for employee benefits	12	2,954		2,695	
Provisions for risks and charges	13	950		893	
Non-current bank debt	14	11,559		17,611	
Non-current financial payables	15	219		-	
Other non-current liabilities	16	1,216		723	
Deferred tax liabilities	22	806		692	
Non-current liabilities – derivative financial instruments		423		-	
TOTAL NON-CURRENT LIABILITIES		**18,127**		**22,614**	
CURRENT LIABILITIES					
Trade payables	17	62,718	286	56,129	733
Current bank debt	18	28,423		38,539	
Current financial payables	19	15		-	
Tax payables	20	2,761		6,821	
Current liabilities – derivative financial instruments	9	271		2,913	
Other current liabilities	21	18,139		20,379	
TOTAL CURRENT LIABILITIES		**112,327**		**124,781**	
TOTAL LIABILITIES		**130,454**		**147,395**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**250,071**		**185,379**	

CONSOLIDATED INCOME STATEMENT AT 31ST DECEMBER 2012

(In thousands of euro)		Year ended 31st December			
	NOTE	2012	of which with related parties	2011	of which with related parties
Net revenues	23	279,321	50	242,635	51
Other operating income	23	2,030	21	813	64
Revenues		**281,351**		**243,448**	
Costs for raw materials and consumables	24	(44,461)	(55)	(47,061)	(27)
Costs for services	25	(148,956)	(1,606)	(116,034)	(881)
of which non-recurring	*25*	*(6,241)*		-	
Payroll costs	26	(42,621)	(173)	(37,710)	(172)
Other operating costs	27	(1,579)	(8)	(1,374)	(1)
Internal costs for increases in fixed assets	28	295		229	
Depreciation and amortization	29	(7,125)		(5,253)	
Value adjustments to assets and other allocations	30	(1,160)		(1,338)	
Total operating costs		**(245,607)**		**(208,541)**	
Operating profit (loss)		**35,744**		**34,907**	
Financial expense	31	(3,942)		(3,985)	
Financial income	32	1,958		1,428	16
Pre-tax profit (loss)		**33,760**		**32,350**	
Income taxes	22	(11,517)		(11,325)	
Net profit (loss) for the period		**22,243**		**21,025**	
Net profit (loss) attributable to the Group	11	22,484		20,268	
Net profit (loss) attributable to non-controlling interests	11	(241)		757	
Basic earnings per share	33	0.3436		0.3378	
Diluted earnings per share	33	0.3436		0.3378	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31ST DECEMBER 2012

(In thousands of euro)	Year ended 31st December	
	2012	2011
Net profit (loss) for the period (A)	**22,243**	**21,025**
Items of other comprehensive income:		
Cash flow hedges	3,014	(2,033)
Income taxes	(829)	557
Effect of cash flow hedge reserve	**2,185**	**(1,476)**
Translation differences on foreign financial statements	(239)	403
Total other comprehensive income net of tax (B)	**1,946**	**(1,073)**
Total comprehensive income net of tax (A) + (B)	**24,189**	**19,952**
Attributable to:		
Group	24,487	19,113
Non-controlling interests	(298)	839

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31ST DECEMBER 2012

(In thousands of euro)	Year ended 31st December	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	22,243	21,025
Adjustments to reconcile net profit to cash flows from (used in) operating activities:		
Depreciation and amortization	7,125	5,253
Allocation to provisions for employee benefits	348	191
Allocation to provisions for risks and charges / provision for inventory obsolescence / provision for bad debts	1,185	1,344
Changes in other non-current liabilities	475	206
Losses / (gains) on disposal of fixed assets	(1,062)	107
Payments for provisions for employee benefits	(88)	(173)
Payments for provisions for risks and charges	(12)	(98)
Net change in deferred tax assets and liabilities	(4,520)	(1,235)
Change in fair value of financial instruments	(813)	922
Changes in operating assets and liabilities:		
Trade receivables	(186)	(816)
Inventories	(15,701)	(15,965)
Trade payables	7,089	10,536
Other current assets and liabilities	922	(955)
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A)	**17,005**	**20,342**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(18,634)	(10,032)
Investments in intangible assets	(7,154)	(7,578)
Investments in financial assets	(1,491)	(455)
Acquisition of Max Vannucci S.r.l. net of cash acquired	-	(308)
Acquisition of non-controlling interest in Cucinelli Holding LLC	-	(491)
Cash settlement of real estate spin-off	-	(146)
Disposal of property, plant and equipment and key money	295	4,512
NET CASH FROM (USED IN) INVESTING ACTIVITIES (B)	**(26,984)**	**(14,498)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Medium-long term loans received	217	-
Repayment of medium-long term loans	(6,985)	(7,471)
Net change in short-term loans	(9,147)	8,328
Change in shareholders' equity	60,233	-
Dividends paid	(2,817)	(5,066)
NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)	**41,501**	**(4,209)**
TOTAL CASH FLOW (D=A+B+C)	**31,522**	**1,635**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (E)	**(160)**	**88**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	**8,683**	**6,960**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**40,045**	**8,683**
Additional information:		
Interest paid	1,998	2,039
Income tax paid	18,414	9,482

SCHEDULE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31ST DECEMBER 2012

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Shareholders' capital advances	Translatio reserve	Other reserves	Net profit for the period	Total Group shareholders' equity	Total non-controlling interest equity	Total shareholders' equity
Balance at 1st January 2012	**12,000**	**255**	**-**	**-**	**333**	**3,438**	**20,268**	**36,294**	**1,690**	**37,984**
Net profit for the period							22,484	22,484	(241)	22,243
Other profits / (losses)					(182)	2,185		2,003	(57)	1,946
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**(182)**	**2,185**	**22,484**	**24,487**	**(298)**	**24,189**
Allocation of net profit for the period		955				19,313	(20,268)	-	-	-
Dividends paid						(2,500)		(2,500)	(316)	(2,816)
Share capital increase	1,600		57,915					59,515	-	59,515
Change in consolidation scope (Brunello Cucinelli Deutschland GmbH - Brunello Cucinelli Japan co, Ltd, - Brunello Cucinelli Lessin co, Ltd)								-	718	718
Other changes						27		27	-	27
Balance at 31st December 2012	**13,600**	**1,210**	**57,915**	**-**	**151**	**22,463**	**22,484**	**117,823**	**1,794**	**119,617**

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Shareholders' capital advances	Translatio reserve	Other reserves	Net profit for the period	Total Group shareholders' equity	Total non-controlling interest equity	Total shareholders' equity
Balance at 1st January 2011	**4,600**	**191**	**-**	**-**	**12**	**13,018**	**9,576**	**27,397**	**5,049**	**32,446**
Net profit for the period							20,268	20,268	757	21,025
Other profits / (losses)					321	(1,476)		(1,155)	82	(1,073)
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**321**	**(1,476)**	**20,268**	**19,113**	**839**	**19,952**
Allocation of net profit for the period		64				9,512	(9,576)	-	-	-
Dividends paid						(4,609)		(4,609)	(457)	(5,066)
Share capital increase	7,400					(7,400)		-	-	-
Effect of operations under common control (merger with Gunex S.p.A.)						3,956		3,956	(3,956)	-
Effect of real estate spin-off						(9,079)		(9,079)	-	(9,079)
Effect of operations under common control (purchase of 19% of Cucinelli Holding LLC)						(395)		(395)	-	(395)
Change in consolidation scope (purchase of 19% of Cucinelli Holding LLC)								-	(96)	(96)
Change in consolidation scope (49% non-controlling interest in Max Vannucci S.r.l.)								-	314	314
Other changes						(89)		(89)	(3)	(92)
Balance at 31st December 2011	**12,000**	**255**	**-**	**-**	**333**	**3,438**	**20,268**	**36,294**	**1,690**	**37,984**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2012

1. CRITERIA OF PREPARATION

CONTENT AND FORMAT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared in conformity to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), approved by the European Union and in effect on the date of the financial statements. The notes to the consolidated financial statements have been supplemented with the additional information required by CONSOB and by the instructions it issued in implementation of Art. 9 of Italian Decree Law 38/2005 (deliberations 15519 and 15520) of 27th July 2006 and communication DEM/6064293 of 28th July 2006, for purposes of Art. 78 of the Rules for Issuers, of EU document November 2003 and, where applicable, of the Italian Civil Code.

The consolidated financial statements at 31st December 2012, approved by the Board of Directors on 12th March 2013, include the statement of consolidated 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.

The formats for the statement of consolidated financial position are classified by order of liquidity, where:

- non-current assets include positive balances with collection cycle beyond twelve months, and include Intangible assets, Property, plant and equipment, and Financial assets;
- current assets include positive balances with collection cycle within twelve months;
- non-current liabilities include payables due beyond twelve months, including financial payables, risk and expense reserves, and TFR (employee severance pay reserve);
- current liabilities include payables due within twelve months, including the short-term portion of medium-long-term loans, risk and expense reserves, and TFR.

The format for the consolidated income statement classifies costs by type of expense.
The consolidated statement of comprehensive income was prepared on the basis of the indirect method and is presented in conformity to IAS 7, classifying cash flows by operating activities, investment activities, and financing activities.

With reference to CONSOB Deliberation no. 15519 of 27th July 2006 and to Communication DEM6064293 of 28th July 2006, the financial statements provide information on significant relations with related parties for purposes of better disclosure.

2. CONSOLIDATION SCOPE

The consolidated financial statements include the consolidated financial and economic position of Parent Company Brunello Cucinelli S.p.A. and of its Italian and foreign subsidiaries (together identified as Brunello Cucinelli Group) at 31st December 2012.

The consolidated financial statements have been prepared on the basis of the accounting records of the Company, of its subsidiaries, and of the sub-consolidated records of its U.S. subsidiary Cucinelli Holding Co. LLC, appropriated adjusted to conform to the IFRS.

The subsidiaries are wholly consolidated starting from their acquisition date, i.e., from the date on which the Group acquires control, and cease being consolidated on the date on which control is transferred outside the Group.

It is assumed that control exists when the Company possesses more than half of the voting rights or when the Company possesses half or a minority share of votes exercisable at a Meeting if it has:
– control of more than half of the voting rights by virtue of an agreement with other investors;
– the power to dictate the financial and operating policies of the company by virtue of a clause in the bylaws or of an agreement;
– the power to appoint or remove the majority of the members of the Board of Directors or of the equivalent governing body of the company;
– the power to exercise the majority of voting rights at meetings of the Board of Directors or of the equivalent governing body of the company.

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

Acquisitions of subsidiaries are recorded by the purchase method, which involves allocation of the cost of the aggregation to the fair values of the assets, liabilities, and potential liabilities acquired on the acquisition date and inclusion of the result of the acquired company from the acquisition date to the end of the year.

Third-party profits and Equity represent the part of profits or loss and equity relative to net assets not held by the Group, and are shown in a separate item of the consolidated income statement, of the consolidated statement of comprehensive income, and of the statement of consolidated financial position separately from Group Profits and Equity.

At 31st December 2012, the Brunello Cucinelli Group did not hold investments in affiliates (affiliates in which the Group holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over financial and operating policies) or joint ventures (defined as an agreement pursuant to which two or more parties undertake an economic activity subject to joint control for purposes of IAS 31).

The following table summarizes the information on subsidiaries at 31st December 2012, including name, registered office, and percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Name	Registered office	Currency	Capital in currency	Percentage of control	
				Direct	Indirect
Brunello Cucinelli USA, Inc.	Brewster (NY) – USA	US Dollar	150.000	100%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100%	
Brunello Cucinelli Marittima S.r.l.	Forlì (FC) – Italy	Euro	20,000		51.00%
Brunello Cucinelli Belgium S.p.r.l.	Brussels – Belgium	Euro	20,000		51.00%
Brunello Cucinelli Blue Flannel SA	Brussels – Belgium	Euro	61,973		50.98%
Brunello Cucinelli France S.a.r.l.	Paris – France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Gmbh	Munich – Germany	Euro	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) – USA	US Dollar	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) – USA	US Dollar	1,182,967		70.00%
Cucinelli Retail NY LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli EH LLC	Brewster (NY) – USA	US Dollar	2,500		70.00%
Cucinelli BH LLC	Brewster (NY) – USA	US Dollar	5,000		70.00%
Cucinelli Retail WC LLC	Brewster (NY) – USA	US Dollar	510		70.00%
Cucinelli Retail MA LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli Retail Bal Harbour LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli Retail LV LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli Retail SCP LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli Retail ORL LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Cucinelli Retail DH LLC	Brewster (NY) – USA	US Dollar	(*)		70.00%
Brunello Cucinelli Retail Spain S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Capri S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Suisse SA	Lugano – Switzerland	Swiss Franc	200,000	2.00%	98.00%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		51.00%
Brunello Cucinelli Japan Co. Ltd	Tokyo – Japan	Japanese Yen	10,000,000		75.00%
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.	Chengdu – China	RMB	50,000,000 (a)	51.00%	-
Brunello Cucinelli Hellas S.A.	Athens – Greece	Euro	60,000(b)	-	51.00%
Brunello Cucinelli Austria Gmbh	Vienna – Austria	Euro	35,000	2.00%	98.00%

(*) Share Capital is zero, as allowed by American corporation law.
(a) Paid-up Share Capital at 31st December 2012 was RMB 30,400,000.
(b) Paid-up Share Capital at 31st December 2012 was Euro 30,600.

The principal changes in the consolidation scope during 2012 are described below:

- In January 2012 the Company acquired a 75% stake in the share capital of Brunello Cucinelli Japan Co., Ltd. under a purchase and sale agreement signed by Brunello Cucinelli S.p.A. and Itochu Corporation, a Japanese company that pursuant to previous agreements already operated as sole importer and distributor of Brunello Cucinelli products in Japan. The remaining 25% stake is held by Itochu Corporation.
- As part of its development of business on the German market, the Group formed Brunello Cucinelli Retail Deutschland GmbH, held 70% by Brunello Cucinelli Europe S.r.l. and 30% by Michael Meyer, the Group's business partner in Germany.
- On 13th March 2012, Brunello Cucinelli Netherlands B.V. was formed, held 98% by the Group through Brunello Cucinelli Europe S.r.l. and 2% by Brunello Cucinelli S.p.A.
- On 8th August 2012, Brunello Cucinelli Austria GmbH, an Austrian de jure company held 98% by Brunello Cucinelli Europe s.r.l. and 2% by Brunello Cucinelli S.p.A., was registered in the Register of Companies.
- In September 2012, the Greek de jure company Brunello Cucinelli Hellas S.A., held 51% by the Brunello Cucinelli Group through Brunello Cucinelli Europe s.r.l. and 49% by an independent third party, was formed.
- On 1st October 2012, following the agreement stipulated with Chinese company Sichuan Lessin Department Stores Co., Ltd. (hereinafter, "SLD"), the newly-formed company Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd., held 51% by the Parent Company, became operative. The remaining 49% is held by SLD.
- During the first half of the year, for purposes of standardizing the names of Group companies, the company names of Marittima S.r.l., Bruxelles Cashmere S.p.r.l., Cashmere Paris S.a.r.l., Cashmere Spagna S.L., Cashmere Capri S.r.l., and Cashmere Suisse SA were changed to Brunello Cucinelli Marittima S.r.l., Brunello Cucinelli Belgium S.p.r.l., Brunello Cucinelli France S.a.r.l., Brunello Cucinelli Retail Spain S.L., Brunello Cucinelli Capri S.r.l., and Brunello Cucinelli Suisse SA., respectively.

Other than the above, there were no changes to the consolidation scope compared to the consolidated financial statements at 31st December 2011.

3. ACCOUNTING STANDARDS

PRELIMINARY STATEMENT

The consolidated financial statements were prepared based on the historical cost principle, except for the items Buildings (subject to first application of IFRS), Derivatives, and Financial Assets held for sale, which are recorded at fair value.
The consolidated financial statements are presented in Euro, and all values are rounded off to thousands of Euro unless otherwise indicated.

DISCRETIONAL ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparation of the Brunello Cucinelli Group's consolidated financial statements requires the Company's directors to make discretional assessments, estimates, and hypotheses that influence the values of revenues, cost, assets and liabilities, and the indication of potential liabilities as of the date of the financial statements. The year-end results may differ from such estimates. The principal processes of discretional estimate and assessment refer to the entry and assessment of the following balance sheet items.

Deferred tax assets
Deferred tax assets are calculated on the temporary differences between the carrying amount of assets and liabilities in the financial statements compared to the corresponding tax value and reportable tax losses, to the extent that it is probable that taxable profit will be available against which the related temporary differences can be utilized. The directors are required to make a discretional assessment to calculate the amount of deferred tax assets that can be recorded, which depends on the estimate of probable temporary differences and on the amount of future taxable profits.

Liabilities from employee benefits (TFR) and allocations to supplemental indemnity reserve
TFR and of the supplemental indemnity reserve for customers of agents for the Group's Italian companies is assessed by means of actuarial assumptions, which require the elaboration of hypotheses regarding discount rates, future salary increases (for TFR only), and turnover and mortality rates. Due to the long-term nature of these plans, such estimates are subject to a considerable degree of uncertainty.

Value adjustments of receivables
Value adjustments of receivables represents management's best estimate, based on information possessed on the date of the financial statements, in order to convert the value of the receivables to their assumed realizable value. The directors make the estimates and assumptions with the support of company officers and, when appropriate, of independent experts, and such estimates and assumptions are reviewed periodically.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded with the purchase method. This requires the fair value calculation of identifiable assets (including previously unentered intangible assets) of the acquired company.

The goodwill acquired in a business combination is initially measured at the cost represented by the surplus of the cost of the combination compared to the Group's share of the fair value of identifiable assets, liabilities, and potential liabilities of the acquired company. For purposes of the fairness analysis, the goodwill acquired in a business combination is allocated on the acquisition date to the Group's individual cash generating units or to groups of cash generating units that should benefit from the synergies of the combination, regardless of whether other Group assets or liabilities are assigned to such units or groups of units. Each unit or group of units to which goodwill is allocated:

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

When goodwill is part of a cash generating unit (so-called cash generating unit group) and part of such unit's internal assets is sold, the goodwill associated with the sold asset is included in the accounting value of the asset to calculate the profit or loss deriving from the sale. The goodwill sold under these circumstances is measured on the basis of the relative values of the sold asset and of the portion of units remaining.

When the sale regards a subsidiary, the difference between the selling price and the net assets plus accumulated exchange differences and goodwill is recorded in the income statement.

No goodwill was recorded in the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31st December 2012.

OPERATIONS UNDER COMMON CONTROL

In the case of business combinations involving parties under common control, considering that in light of current accounting standards the provisions of IFRS 3 "Business combinations" are not applicable as per the specific causes of exclusion contained in the standard, "pooling of interest," the term commonly accepted in similar transactions, has been identified as the criterion of measurement. In consideration of the purely organizational aims of such transactions, and in application of the Group's applicable accounting policy, they have been recorded based on continuity of accounting values on the financial statements of the companies involved, without measurement of economic effects.

INTANGIBLE ASSETS

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

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

Intangible assets with limited useful life are amortized on a straight line basis along their estimated useful life and are subjected to an impairment test whenever there are indications of a possible loss of value, following the rules described below.

Residual useful life is re-examined at the end of each year or more frequently if necessary. Changes of expected useful life or of the ways in which the Group obtains future economic benefits linked to the intangible asset are recorded by changing the amortization period and/or method and are treated as changes of accounting estimates. Amortization quotas of Intangible assets with limited life are recorded in the income statement in the cost category consistent with the function of the intangible asset.

Profits or losses deriving from the sale of an intangible asset are measured as the difference between net revenue from the sale and book value of the asset and are recorded in the income statement at the time of sale.

The estimate of useful life of intangible assets with limited useful life is as follows:

	Years
Concessions, licenses, trademarks and similar rights	18
Key money	Based on lease term
Software	2
Licenses	5
Other intangible assets	3-12

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

Concessions, licenses and trademarks
This item of Intangible assets includes costs incurred for the registration of Group trademarks.

PROPERTY, PLANT AND EQUIPMENT

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

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

Property, plant and equipment acquired by means of business combinations are recorded at fair value calculated on the acquisition date.

Maintenance and repair costs (if not susceptible of increasing the value and/or extending the residual life of assets) are charged to the year in which they are incurred; otherwise, they are capitalized.

Property, plant and equipment are shown net of accumulated depreciation and of any impairment, calculated by the methods described below. Depreciation is calculated on a straight line, based on the estimated useful life of the asset, which is re-examined annually; if necessary, any changes are made with prospective application.

The estimated useful life of the main categories of tangible assets is as follows:

	Years
Buildings	33
(of which Improvements on third-party assets)	Based on lease term
Plant and machinery	8
Industrial and business equipment	4
Other assets	4-8

If components of Property, plant and equipment have different useful lives, such components are recorded separately. Land, with or without buildings, is recorded separately and is not depreciated because it has an unlimited useful life.

The accounting value of Property, plant and equipment is subject to audit to detect any impairment if events or changes in the situation indicate that book value cannot be recovered, by following the rules described below.

At the time of sale or when no future economic benefits expected from the use of an asset, it is deleted from the balance sheet and any loss or profit (calculated as the difference between sale value and book value) is recorded on the income statement in the year of deletion.

Historical collection

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

These assets are classified as Property, plant and equipment, recorded at historical cost of production, and are not depreciated because they have an unlimited useful life.
The value increases of such assets are recorded in the income statement at Internal costs for increases in fixed assets.

IMPAIRMENT

For each annual report, the Group considers whether there are any indicators of impairment of Intangible assets and of Property, Plant and Equipment. If such indicators are found, an impairment test is conducted.

If the book value of the asset exceeds its recoverable value, it is written down to recoverable value. Recoverable value is calculated as the greater of the fair value of an asset or of a cash generating unit net of selling costs and value in use, and is calculated for each asset except when such asset generates cash flows that are not largely independent of those generated by other assets or groups of assets, in which case the Group estimates the recoverable value of the cash generating unit to which the asset pertains.

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

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

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

Impairments to functioning assets are reported on the income statement in the cost categories coherent with the function of the impaired asset. For each annual report, the Group also considers whether there are any indicators of reductions of previous impairments and, if so, it makes a new estimate of recoverable value. The value of a previously written-down asset may be restored only if there have been changes of estimates used to calculate the asset's recoverable value after the latest finding of impairment. In such case, the asset's book value is written up to recoverable value, but without such increased value exceeding the book value that would have been calculated, net of depreciation/amortization, if no impairment had been found in previous years. Every write-up is recorded as income in the income statement. After a write-up is recorded, the depreciation/amortization quota of the asset is adjusted in future periods in order to distribute the changed book value, net of any residual values, in a straight line over its remaining useful life. Write-downs of goodwill cannot subsequently be written up.

FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

These assets are valued according to the amortized cost criterion by using current discount rate method net of any provision for impairment.

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

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

INVENTORIES

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

Where necessary, depreciation reserves are allocated for materials or products, with consideration of their expected use and realizable value.

TRADE RECEIVABLES, OTHER RECEIVABLES AND CURRENT ASSETS

The items Trade receivables and Other receivables and current assets are initially recorded at fair value, which, generally, corresponds to nominal value and, subsequently, are valued at amortized cost and written down in case of impairment. They are also adjusted to presumable realizable value, if lower, by entry in a specific adjustment reserve.

Receivables in currencies other than the Euro are recorded at the exchange rate on the transaction date and then translated to the year-end rate. Profit or loss deriving from translation is charged to the income statement.

If Trade receivables and Other receivables and current assets have maturity other than applied by normal business terms and do not generate interest, an analytic discount process is applied, based on assumptions and estimates.

OTHER FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

The components of Other financial assets are initially recorded at fair value and then valued at amortized cost.

A financial asset (or, were applicable, part of a financial asset or part of a group of similar financial assets) is deleted from the financial statement when:

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

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

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL PAYABLES

All financings are recorded initially at the fair value of the consideration received, net of loan acquisition accessory expenses.

After the initial entry, loans are valued with the amortized cost criterion by using the effective interest rate method.

Any profit or loss is recorded on the income statement when the liability has been discharged, in addition to by means of amortization.

PROVISIONS FOR RISKS AND CHARGES

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

When the Group believes that an allocation to Provisions for risks and charges will be partially or totally reimbursed (for example, in case of risks covered by insurance policies), the indemnity is recorded specifically and separately in Assets if (and only if) reimbursement is practically certain. In such case, the cost of any allocation is recorded on the income statement net of the amount recognized for the indemnity.

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

LIABILITIES FOR EMPLOYEE BENEFITS

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

Italian law (Article 2120 of the Civil Code) provides that every employee receive an indemnity (called TFR) on the day he/she terminates his/her employment. The indemnity is calculated on the basis of a few items that form the employee's annual salary for each work year (appropriately revalued) and on the number of years worked. According to Italian law, this indemnity is reflected on the financial statement with a method of calculation based on the indemnity accrued by each employee as of the date of the financial statement, as if all employees terminated employment on such date.

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

The actuarial hypotheses and their effects consider the regulatory changes introduced by the Italian government, which provided employees the option of allocating accrued TFR to INPS (Social Security) or to supplemental pension funds starting 1st July 2007.

The Group's net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years, and this benefit is discounted to calculate the current value. Actuarial profits and losses from defined benefit plans, accumulated up to the previous year and reflecting the effects deriving from changes in the actuarial hypotheses used, are recorded in full on the income statement.

The actuarial estimate of the liability has been entrusted to an independent actuary.

The Group has no other defined benefit pension plans.

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

FINANCIAL INSTRUMENTS

Financial instruments are initially recorded at fair value and subsequently, at initial recognition, are valued by category as required by IAS 39.

For financial assets, this treatment is differentiated according to the following categories:

- Financial assets at fair value with changes charged to the income statement;
- Investments held to maturity;
- Loans and receivables;
- Financial assets intended for sale.

With reference to financial liabilities, there are only two categories:

- Financial liabilities at fair value with changes charged to the income statement;
- Liabilities at amortized cost.

The methods for calculating the fair value of such financial instruments for accounting or informative purposes are summarized below for the principal categories of financial instruments in question:

- derivatives: adequate pricing models have been adopted based on market values of interest rates and exchange rates;
- receivables and payables and non-listed financial assets: the discounted cash flow method has been applied to financial instruments with maturity exceeding 1 year;
- listed financial instruments: the market value on the reference date is used.

Derivatives

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

In line with the requirements of IAS 39, derivatives may be recorded with hedge accounting methods only when:

– there is formal designation and documentation of the hedge relationship when the hedge commences;
– the effectiveness of the hedge is high;
– the effectiveness can be reliably measured, and
– the hedge is highly effective during the various designated accounting periods.

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

Fair value hedge – if a derivative is designated to hedge exposure to changes of the current value of a balance sheet asset or liability that may affect the income statement, the profit or loss deriving from subsequent valuations of the current value of the hedge are recorded in the income statement, as is the profit or loss on the hedged item.

Cash flow hedge – if a derivative is designated to hedge exposure to changes of the cash flows of a balance sheet asset or liability or of a highly probable transaction that may affect the income statement, the effective portion of the profits or losses on the financial instrument is recorded in Shareholders' equity; accumulated profit or loss is reversed to Shareholders' equity and recorded on the income statement in the same period in which the hedge transaction is recorded; the profit or loss associated with a hedge, or the part of the hedge that has become ineffective, s recorded on the income statement when the ineffectiveness is recognized.

The Group applies cash flow hedge rules to stabilize cash flows linked to passive loans and, since 2010, to hedge revenues in US Dollars. As a result, the effective portion of the change in fair value of derivatives designated to edge highly probable transactions in foreign currency is allocated to a specific reserve in Shareholders' equity. When hedged transactions are recorded, the amounts allocated to the reserve are charged to Revenues on the income statement. The ineffective portion of such change in fair value is charged to Financial Income and Expenses on the income statement.

If hedge accounting cannot be applied, the effects deriving from fair value evaluation of the derivative are charged directly to the income statement.

REVENUES AND COSTS

Revenues and costs are presented according to the principle of accrual accounting. Revenues and income, presented net of returns, discounts, allowances and bonuses, are recorded at fair value to the extent that such value can be reliably calculated and to the extent it is probable that the related economic benefits will be obtained.

FINANCIAL INCOME AND EXPENSES

Financial Income and Expenses are recognized on an accrual basis according to interest accrued on the net value of financial assets and liabilities by using the effective interest rate.

INCOME TAXES

Current taxes

Current income taxes reflect an estimate of taxable income and are calculated by applying the current tax code in countries n which the Brunello Cucinelli Group conducts business. Current tax liabilities is calculated by applying the rates in effect or substantially approved on the date of the financial statements.
The current tax payable is classified on the statement of consolidated financial position net of any advance tax payments made.

Deferred taxes

Deferred taxes are calculated on temporary deductible differences (Deferred tax assets) and taxable differences (Deferred tax liabilities) on the date of the financial statements between the tax values of reference for the assets and liabilities and values reported on the financial statements.

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

The value of Deferred tax assets to be shown on the financial statements is re-examined on every financial statement date and reduced to the extent it is no longer probable that there is adequate taxable profit against which all or part of such tax credit may be utilized.

Deferred tax assets that are not recognized are re-examined on every financial statement date and revised to the extent it has become probable that there is adequate taxable profit against which such deferred tax assets may be recovered.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to be applied to the year in which such assets are realized or such liabilities are extinguished, considering the rates in effect as well as those already issued or substantially issued as of the date of the financial statements.

Deferred tax assets and liabilities are charged directly to the income statement, except for those relative to items recognized directly in components of Shareholders' equity, in which case deferred taxes are recorded consistently without being charged to the income statement.

Deferred tax assets and liabilities are offset when applied to the same tax authority and when there is a legal right to offset current tax assets with current tax liabilities.

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

EARNINGS PER SHARE

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

Diluted earnings per share coincides with Basic earnings per share because there are no outstanding shares or options other than the ordinary shares.

OPERATING SEGMENTS

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

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

4.1 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IN EFFECT STARTING 1ST JANUARY 2012 AND NOT SIGNIFICANT FOR THE GROUP

There are no accounting standards, amendments and interpretations applicable since 1st January 2012 that produced effects on the Group's consolidated financial statements.

On 7th October 2010, the IASB published a few amendments to IFRS 7 – Financial instruments: Supplemental Information, applicable for the Group as of 1st January 2012. The amendments were issued to improve the understanding of derecognitions of financial assets, including the understanding of possible effects deriving from any risk remaining for the company that derecognised such assets. The amendments also require more information if a disproportionate amount of such transactions is conducted in proximity of the end of an accounting period.

The adoption of this change had no effects on the disclosure provided in these Financial Statements and on the valuation of its balance sheet items.

The following amendment, in effect starting 1st January 2012, regulates situations and conditions that are not present in the Group as of the date of these annual Financial Statements, but that could have accounting effects on future transactions or agreements:

– On 20th December 2010, the IASB issued a minor amendment to IAS 12 "Income Taxes," that clarified the calculation of deferred taxes on real estate investments measured according to the fair value model. The change introduced the assumption that deferred taxes on real estate investments measured at fair value according to IAS 40 must be allocated by considering that the book value will be recovered by sale of the investments. Consequently, SIC-21 "Income taxes: Recovery of revalued non-depreciable assets" is no longer applicable. The amendment must be applied retroactively to 1st January 2012.

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

On 12th May 2011, the IASB issued IFRS 10 "Consolidated financial statements," which will replace SIC-12 – Consolidation – Special Purpose Entities and parts of IAS 27 "Consolidated and separate financial statements," which will be renamed "Separate Financial Statements" and will regulate the accounting treatment of investments in separate financial statements. The new standard departs from existing standards, identifying control as the determining factor for purposes of consolidation of a company in the consolidated financial statements of the parent. It also provides a guide to determine the existence of control in cases where it is difficult to ascertain. The standard must be applied retroactively, at the latest, to annual periods beginning on or after 1st January 2014. At the date of these Financial Statements, the Group is evaluating the effects that may derive from adoption of the new standard.

On 12th May 2011, the IASB issued IFRS 11 "Joint arrangements," that replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly controlled entities: Non-monetary contributions by venturers." The new standard provides criteria for identifying joint arrangements based on the rights and obligations deriving from agreements rather than on the legal form of same, and establishes the equity method as the only accounting method for investments in joint arrangements in consolidated financial statements. The standard must be applied retroactively, at the latest, to annual periods beginning on or after 1st January 2014. Following the issuance of standard, IAS 28 "Investments in Associates" was amended to include investments in companies under joint control in its sphere of application beginning on the effective date of the standard. At the date of these Financial Statements, the Group is evaluating the effects that may derive from adoption of the new standard.

On 12th May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities," a new and complete standard for additional information to be provided on all types of investments, including those in subsidiaries, joint arrangements, affiliates, special purpose entities, and other unconsolidated structured entities. The standard must be applied retroactively, at the latest, to annual periods beginning on or after 1st January 2014. At the date of these Financial Statements, the Group is evaluating the effects that may derive from adoption of the new standard.

On 12th May 2011, the IASB issued IFRS 13 "Fair value measurement," which clarifies how fair value must be measured for financial statements and applies to all IFRS standards that require or permit fair value measurements or disclosures based on fair value. The standard applies to annual periods beginning on or after 1st January 2013. It is believed that the new standard will not significantly affect the Group's financial statements.

On 16th June 2011, the IASB issued IAS 1 "Presentation of Financial Statements," which requires companies to group all components in Other profits/(losses) depending on whether or not they can later be reclassified on the income statement. The amendment must be applied to annual periods beginning on or after 1st July 2012. The adoption of this amendment will not produce any effects with regard to the measurement of financial statement items.

On 16th June 2011, the IASB issued an amendment to IAS 19 "Employee Benefits," applicable retroactively to the annual period beginning on 1st January 2013. The amendment changes the rules of recognition for defined benefit plans and termination benefits. The main changes for defined benefit plans regard total recognition of plan deficit or surplus on the balance sheet, the introduction of net financial expense and the classification of net financial expenses in defined benefit plans. In detail:

– Recognition of plan deficit or surplus: the amendment eliminates the option of deferring, without recording on the financial statements, actuarial gains and losses with the "corridor method" and requires recognition directly in Other Comprehensive Profits (Losses). In addition, the amendment requires immediate recognition on the income statement of costs for past work.

  This amendment will not produce any effects on the financial statements because the Group does not apply the "corridor method."
– Net financial expenses:the separate measurement of financial expenses on gross liabilities and of expected gains on plan assets is replaced by the concept of net financial expenses on defined benefit plans, which groups:
  • financial expenses calculated on the current value of liabilities for defined benefit plans,
  • financial income deriving from measurement of plan assets, and
  • financial expenses or income deriving from any limits to recognition of plan surplus.

  Net financial expense is measured by using, for all of the above-mentioned components, the discount rate adopted at the beginning of the period to measure the obligation for defined benefit plans.

  This amendment will not produce any effects on the financial statements because the Group does not have any assets serving defined benefit plans.

On 16th December 2011, the IASB issued a few amendments to IAS 32 "Financial instruments: presentation," to clarify the application of a few criteria for compensating the financial assets and liabilities presented in IAS 32. The amendments must be applied retroactively to annual periods beginning on or after 1st January 2014.

On 16th December 2011, the IASB issued a few amendments to IFRS 7 "Financial instruments: supplemental information." The amendment requires information on the effects or potential effects deriving from rights to compensation of the financial assets and liabilities stated on the balance sheet The amendments must be applied to annual periods beginning on or after 1st January 2013 and to interim periods after such date. The information must be provided retroactively. It is believed that adoption of the amendment will not significantly affect the Group's financial statements.

As of the date of these Financial Statements, the competent authorities of the European Union have not yet concluded the approval process required for adoption of the following accounting standards and amendments:

– On 12th November 2009, the IASB published IFRS 9 "Financial instruments," subsequently amended. The standard, to be applied retroactively by 1st January 2015, is the first part of a process in phases that aims to completely replace IAS 39 and introduce new criteria for classification and measurement of financial assets and liabilities. For financial assets, the new standard uses a single approach based on methods for managing financial instruments and on the characteristics of contractual cash flow of such assets for purposes of determining the measurement criterion, replacing the various rules contained in IAS 39. On the other hand, for financial liabilities, the standard changes with regard to accounting treatment of changes in fair value of a financial liability designated as measured at fair value on the income statement if such changes are due to a change in the creditworthiness of the liability. According to the new standard, such changes must be recognised in Other Comprehensive Profits (Losses) and not in the income statement.
– On 17th May 2012, the IASB issued a set of changes to IFRS's ("Annual Improvement to IFRS's – 2009-2011 Cycle") that will be applicable retroactively beginning on 1st January 2013. The following is a description of the ones that may require a change in the presentation, recognition, and measurement of financial statement items, omitting those that will cause only changes in terminology or style with minimum accounting effects, as well as those that have effect on standards or interpretations not applicable to the Group:
  • IAS 1 "Presentation of financial statements: the amendment clarifies methods for presenting comparative information if a company changes its accounting standards, if a company makes a retroactive presentation or a reclassification, and if a company provides statements in addition to those required by the standard;
  • o IAS 16 "Property, plant and equipment: the amendment clarifies that spare parts and equipment must be capitalized only if they satisfy the definition of Property, plant and equipment; otherwise, they must be classified as Inventory;
  • IAS 32 "Financial instruments: Presentation: the amendment eliminates an inconsistency with IAS 12 "Income taxes" and IAS 32 on the recognition of taxes deriving from distributions to shareholders, establishing that they must be recognized on the income statement to the extent to which the distribution regards revenues generated from operations originally recorded on the income statement.

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

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the Company. Each Group company defines it own functional currency, used to measure its financial statement items. Foreign currency transactions are initially recognised at the exchange rate (for the functional currency) on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate on the date of the financial statement.
All exchange differences are recognized on the income statement. Non-monetary items measured at historical cost in foreign currency are translated at the exchange rate in effect on the date of initial recognition of the transaction.
The financial statements of foreign companies in the consolidation scope are translated into Euros with the current rate method, which uses the rate in effect at year-end to translate balance sheet items and the year's average rate for income statement items.
Exchange differences deriving from translation are recognized directly in Shareholder's equity and are presented separately in a specific reserve. When a foreign company is divested, the exchange differences accumulated in Shareholders' equity are recognized on the income statement.
The following table sets out the exchange rates used for translating the financial statements of subsidiaries denominated in foreign currency (currency amount per euro):

	Average exchange rates		Closing exchange rates	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
US dollar	1.284788	1.391955	1.3194	1.2939
Swiss franc	1.205275	1.232605	1.2072	1.2156
Japanese yen	102.491875	(*)	113.61	(*)
Renmimbi (Yuan)	8.105231	(*)	8.2207	(*)

(*) Exchange rate not used in the period stated

6. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1. INTANGIBLE ASSETS

The components of Intangible assets at 31st December 2012 compared to 31st December 2011 are shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Concessions, licenses, trademarks and similar rights	975	761	214
Key money	15,261	10,847	4,414
Other intangible assets	145	199	(54)
Intangible assets in process and advances	167	-	167
Total Intangible assets	**16,548**	**11,807**	**4,741**

Details of historical cost, amortization reserve and net accounting value of Intangible assets at 31st December 2012 compared to 31st December 2011 are shown below:

(In thousands of euro)	**31st December 2012**			**31st December 2011**		
	Historical cost	**Amort. reserve**	**Net value**	**Historical cost**	**Amort. reserve**	**Net value**
Concessions, licenses, trademarks and similar rights	2,634	(1,659)	**975**	1,945	(1,184)	**761**
Key money	20,286	(5,025)	**15,261**	13,987	(3,140)	**10,847**
Other intangible assets	394	(249)	**145**	394	(195)	**199**
Intangible assets in process and advances	167	-	**167**	-	-	**-**
Total Intangible assets	**23,481**	**(6,933)**	**16,548**	**16,326**	**(4,519)**	**11,807**

At 31st December 2012, the item Intangible assets amounts to Euro 16,548 thousand and consists mainly of key money paid to obtain leases for commercial buildings in prestigious locations by taking over existing leases or by obtaining the withdrawal of lessees in order to stipulate new leases with lessors.

The following tables show changes in Intangible asset items for the years ended 31st December 2012 and 31st December 2011:

(In thousands of euro)	**Concessions, licenses, trademarks and similar rights**	**Key money**	**Other intangible assets**	**Intangible assets in process and advances**	**Total Intangible assets**
Balance at 1st January 2012	**761**	**10,847**	**199**	**-**	**11,807**
Increases for acquisitions	689	6,298	-	167	7,154
Net decreases	-	-	-	-	-
Translation differences	-	1	-	-	1
Amortizations	(475)	(1,885)	(54)	-	(2,414)
Balance at 31st December 2012	**975**	**15,261**	**145**	**167**	**16,548**

(In thousands of euro)	**Concessions, licenses, trademarks and similar rights**	**Key money**	**Other intangible assets**	**Intangible assets in process and advances**	**Total Intangible assets**
Balance at 1st January 2011	**354**	**8,691**	**50**	**-**	**9,095**
Increases for acquisitions	740	6,668	170	-	7,578
Net decreases	-	-	-	-	-
Translation differences	-	39	-	-	39
Assets intended for sale	-	(3,053)	-	-	(3,053)
Change in consolidation scope	-	-	33	-	33
Amortizations	(333)	(1,498)	(54)	-	(1,885)
Balance at 31st December 2011	**761**	**10,847**	**199**	**-**	**11,807**

Increases in 2012 consist mainly of Key Money paid by the Brunello Cucinelli Group (Euro 6,298 thousand). At 31st December 2012, there were also advances in Key Money for Euro 167 thousand.

There were no indications of possible impairments of Intangible assets in 2012.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

The following table shows the composition of the item Property, plant and equipment at 31st December 2012 compared to 31st December 2011:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**change**
Land	2,237	2,237	-
Buildings	11,032	10,666	366
Improvements to third-party assets	15,904	8,753	7,151
Plant and equipment	2,326	1,572	754
Industrial and business equipment	572	300	272
Historical collection	1,378	1,222	156
Other assets	3,454	2,745	709
Assets in process and advances	5,028	1,073	3,955
Total Property, plant and equipment	**41,931**	**28,568**	**13,363**

Details of historical cost, amortization reserve and net accounting value of Property, plant and equipment at 31st December 2012 compared to 31st December 2011 are shown below:

(In thousands of euro)	**31st December 2012**			**31st December 2011**		
	Historical cost	**Amort. reserve**	**Net value**	**Historical cost**	**Amort. reserve**	**Net value**
Land	2,237	-	**2,237**	2,237	-	**2,237**
Buildings	12,933	(1,901)	**11,032**	12,192	(1,526)	**10,666**
Improvements to third-party assets	22,788	(6,884)	**15,904**	13,232	(4,479)	**8,753**
Plant and equipment	6,433	(4,107)	**2,326**	5,269	(3,697)	**1,572**
Industrial and business equipment	1,072	(500)	**572**	781	(481)	**300**
Historical collection	1,378	-	**1,378**	1,222	-	**1,222**
Other assets	7,382	(3,928)	**3,454**	6,276	(3,531)	**2,745**
Assets in process and advances	5,028	-	**5,028**	1,073	-	**1,073**
Total Property, plant and equipment	**59,251**	**(17,320)**	**41,931**	**42,282**	**(13,714)**	**28,568**

At 31st December 2012, the item Property, plant and equipment amounts to Euro 41,931 thousand and consists mainly of the value of buildings used for production and logistics at the headquarters, of improvements made to leased stores, as well as to equipment, plant and machinery used for production and logistics.

Changes to the net book value of Property, plant and equipment for the years ended 31st December 2012 and 31st December 2011 are shown below:

(In thousands of euro)	Land	Buildings	Improvements	Plant and machinery	Indust. and business equipment	Historical collection	Other assets	Assets in process and advances	Total property, plant and equipment
Balance at 1st January 2012	**2,237**	**10,666**	**8,753**	**1,572**	**300**	**1,222**	**2,745**	**1,073**	**28,568**
Increases for acquisitions	-	461	10,354	1,129	482	156	1,613	4,439	18,634
Reclassifications from fixed assets to assets in process and advances	-	280	-	200	-	-	-	(480)	-
Net decreases	-	-	(158)	(46)	(76)	-	(112)	-	(392)
Translation differences	-	-	(160)	(5)	(4)	-	(7)	(4)	(180)
Depreciation	-	(375)	(2,885)	(524)	(130)	-	(785)	-	(4,699)
Balance at 31st December 2012	**2,237**	**11,032**	**15,904**	**2,326**	**572**	**1,378**	**3,454**	**5,028**	**41,931**

(In thousands of euro)	Land	Buildings	Improvements	Plant and machinery	Indust. and business equipment	Historical collection	Other assets	Assets in process and advances	Total property, plant and equipment
Balance at 1st January 2011	**2,792**	**21,847**	**5,289**	**1,067**	**240**	**1,041**	**1,978**	**283**	**34,537**
Increases for acquisitions	-	1,625	5,107	437	230	181	1,662	790	10,032
Reclassifications from fixed assets to assets in process and advances	-	-	-	-	(73)	-	73	-	-
Net decreases	(69)	(72)	(62)	1	(20)	-	(247)	-	(469)
Translation differences	-	-	150	6	-	-	13	-	169
Change in consolidation scope	-	-	-	708	16	-	51	-	775
Split	(486)	(12.264)	-	(176)	(4)	-	(178)	-	(13.108)
Depreciation	-	(470)	(1.731)	(471)	(89)	-	(607)	-	(3.368)
Balance at 31st December 2011	**2.237**	**10.666**	**8.753**	**1.572**	**300**	**1.222**	**2.745**	**1.073**	**28.568**

In 2012, the Brunello Cucinelli Group made investments of Euro 18,634 thousand in Property, plant and equipment, consisting mainly of the following:

– Euro 11,444 thousand attributable mainly to the opening of new DOS and wholesale monobrand stores (concentrated mainly in Europe, the USA and in Greater China) and improvements to same;
– Euro 2,290 thousand in Other assets attributable mainly to purchases of electronic and office machines and to motor vehicles;
– Euro 461 thousand to upgrade the Solomeo facility;
– Euro 4,439 thousand in Assets in progress, of which Euro 4,271 thousand attributable to costs incurred at 31st December 2012 for construction of a new facility for production and logistics, also located in Solomeo.

There were no indications of possible impairments of Property, plant and equipment in 2012.

NOTE 3. OTHER NON-CURRENT FINANCIAL ASSETS

The item Other non-current financial assets at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**change**
Security deposits	3,162	1,783	1,379
Total Other non-current financial assets	**3,162**	**1,783**	**1,379**

The item Other non-current financial assets includes security deposits, mainly regarding amounts paid by the Brunello Cucinelli Group at the signing of leases for monobrand stores. The increase recorded for the year (Euro 1,379 thousand) is due to the opening of new stores.

NOTE 4. INVENTORIES

The composition of the item Inventories at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**change**
Raw and subsidiary materials and consumables	19,256	16,036	3,220
Work in process and semi-finished goods	5,047	5,540	(493)
Finished products and merchandise	55,786	43,132	12,654
Total Inventories	**80,089**	**64,708**	**15,381**

The Group does not register any inventory obsolescence reserve because its inventory management policies provide for efficient sale of remaining inventories from every season.

The increase in inventories refers mainly to finished products and is essentially attributable to the increase in the number of stores compared to 31st December 2011. See the Board of Directors Report for details on changes in Inventories.

NOTE 5. TRADE RECEIVABLES

At 31st December 2012, Trade receivables amount to Euro 47,826 thousand compared to Euro 48,832 thousand at 31st December 2011. See the Board of Directors Report for details on changes in Trade receivables.

Trade receivables are the receivable for supplies of goods and services, and are all payable short-term; therefore, the book value is comparable to fair value at the date of these financial statements.
The amount of the bad debt provision is a reasonable estimate of the long-term impairment calculated on the specific risk of uncollectibility of the receivables recorded in the financial statements.

Changes in write-downs of receivables at 31st December 2012 compared to 31st December 2011 are shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**
Value at 1st January	**936**	**522**
Allocations	1,092	936
Uses	(716)	(522)
Value at 31st December	**1,312**	**936**

Allocations and uses are included in the item Value adjustments to assets and other allocations in the Income Statement.

NOTE 6. TAX CREDITS

The composition of the item Tax credits at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**change**
National revenue IRES credit account	87	97	(10)
National revenue IRAP credit account	53	50	3
Other tax credits	847	1,505	(658)
Total Tax credits	**987**	**1,652**	**(665)**

At 31st December 2012, the item Tax credits amounts to Euro 987 thousand. The amount consists mainly of the credit recognized by the Parent Company (Euro 706 thousand) following presentation of the request for refund of IRES and IRPEF and of the relative penalties, paid as a consequence of non-deduction of IRAP for expenses incurred for employees and term-contract workers, as provided by the Revenue Office ruling of 17th December 2012 in application of Art.2 of Decree Law no. 201/2011 (so-called Monti Decree).

NOTE 7. OTHER RECEIVABLES AND CURRENT ASSETS

The composition of the item Other receivables and current assets at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**change**
VAT credits	4,846	6,102	(1,256)
Other receivables	2,439	928	1,511
I.P.O. costs	-	3,329	(3,329)
Accrued income and prepaid expenses	1,646	1,420	226
Advances to suppliers	257	218	39
Foreign tax credits	663	89	574
Receivables from agents	533	506	27
Total Other receivables and current assets	**10,384**	**12,592**	**(2,208)**

VAT credits at 31st December 2012 amount to Euro 4,846 thousand compared to Euro 6,102 thousand at 31st December 2011. The credit balance is justified mainly by the fact that the Parent Company opts for the right granted by Presidential Decree no. 633 of 26th October 1972 to be qualified as a "habitual exporter." This status allows the Company to purchase or import goods and services without paying VAT up to a certain limit, called plafond, based on the amount of transactions conducted with foreign companies and recorded in the previous calendar year. The Group normally exceeds this annual plafond due to constant growth of its turnover; consequently, purchases made in the last quarter of the year to produce the spring/summer collection tend to be subject to VAT, which gives rise to the VAT credit position at year-end. This credit position is unfrozen in the first quarter of the following year thanks to invoicing of the spring/summer collection and simultaneous reconstitution of the annual VAT plafond.

The item Other receivables refers mainly to receivables from credit card transactions conducted prior to year-end but not yet credited to bank current accounts.

The item Accrued income and prepaid expenses refers mainly to advance payments for the printing of catalogues for the fall/winter collection, to be delivered in the following six-month period, and to operating leases.

Advances to suppliers are paid mainly to façonisti, outsourced for production of Brunello Cucinelli Group products.

The item Foreign tax credits refers mainly to the subsidiaries Brunello Cucinelli Spain S.A., Brunello Cucinelli Suisse S.A. and Brunello Cucinelli Gmbh.

The item Receivables from agents refers to advance commissions paid to the sales network by the Parent Company.

At 31st December 2011, the item also included Euro 3,329 thousand in expenses for the I.P.O.

NOTE 8. CASH AND CASH EQUIVALENTS

The composition of the item Cash and cash equivalents at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Bank and post office deposits	39,960	7,915	32,045
Cash and short-term deposits	79	94	(15)
Checks	6	674	(668)
Total Cash and cash equivalents	**40,045**	**8,683**	**31,362**

The above values can be converted into cash immediately and are subject to an insignificant risk of change in value. The Brunello Cucinelli Group believes that the credit risk related to cash and cash equivalents is limited because this item refers mainly to deposits in various domestic and foreign banks.
For details of the sources and uses that generated changes in cash and cash equivalents at 31st December compared to the previous year, see the Cash Flow Statement.

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company stipulates derivative financial instruments for hedging purposes only, since the Group's financial management policy does not include the negotiation of financial instruments for speculation. Derivative instruments that comply with IAS requirements are recorded according to hedge accounting methods. For derivative instruments that do not comply with IAS requirements, changes in fair value are charged to the income statement in the reference year.

The tax rate and exchange rate derivatives used are Over The Counter (OTC) instruments, traded bilaterally with market counterparts, and relative current value is calculated with valuation techniques that use input parameters (such as rate and exchange curves, etc.) observable on the market (level 2 inputs of IFRS 7) as reference.

Details of the composition of Current derivative assets and Current derivative liabilities at 31st December 2012 compared with 31st December 2011 are shown below.

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Current assets – exchange rate hedges	1,610	-	1,610
Current assets – interest rate hedges			
– Current assets – interest rate hedges Recorded in Hedge Accounting	-	-	-
– Current assets – interest rate hedges not Recorded in Hedge Accounting	-	-	-
Total Current derivative assets	**1,610**	**-**	**1,610**
Current liabilities – exchange rate hedges	(14)	(2,386)	2,372
Current liabilities – interest rate hedges:			
– Current liabilities – interest rate hedges Recorded in Hedge Accounting	(234)	(485)	251
– Current liabilities – interest rate hedges not Recorded in Hedge Accounting	(23)	(42)	19
Total Current derivative liabilities	**(271)**	**(2,913)**	**2,642**
Non-current liabilities – exchange rate hedges	-	-	-
Non-current liabilities – interest rate hedges:			
– Non-current liabilities – interest rate hedges Recorded in Hedge Accounting	(412)	-	(412)
– Non-current liabilities – interest rate hedges not Recorded in Hedge Accounting	(11)	-	(11)
Total Non-current derivative liabilities	**(423)**	**-**	**(423)**

The contractual characteristics and relative fair value of financial instruments to hedge interest rate risk at 31st December 2012 and 31st December 2011 are shown below:

Interest rate hedges recorded in hedge accounting

				Fair Value 31st December 2012		Fair Value 31st December 2011	
Counterpart	**Type**	**Maturity date**	**Maturity date**	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
MPS	IRS	31.12.2013	1,125	(15)	-	(14)	-
MPS	IRS	31.12.2015	962	(21)	(30)	(42)	-
BNL	IRS	31.12.2018	3,272	(75)	(180)	(184)	-
Intesa SanPaolo	Fix Payer Swap	31.12.2018	3,272	(75)	(180)	(184)	-
Cassa di Risparmio Lucca e Livorno	IRS	31,07,2014	2,500	(19)	(7)	(25)	-
UBI Banca	IRS	11,05,2015	1,000	(8)	(3)	(9)	-
Cassa di Risparmio Parma e Piacenza	IRS	19,08,2015	2,000	(14)	(9)	(17)	-
Deutsche Bank	IRS	31.12.2014	1,000	(7)	(3)	(10)	-
Current hedge liabilities				**(234)**		**(485)**	
Non-current hedge liabilities					**(412)**		**-**

Interest rate hedges not recorded in hedge accounting

				Fair Value 31st December 2012		Fair Value 31st December 2011	
Counterpart	**Type**	**Maturity date**	**Maturity date**	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
BNL	IRS	31.12.2014	3,825	(11)	(6)	(21)	-
Intesa SanPaolo	Acq, Cap	31.12.2014	3,825	(12)	(5)	(21)	-
Current hedge liabilities				**(23)**		**(42)**	
Non-current hedge liabilities					**(11)**		**-**

The contractual characteristics and relative fair value of financial instruments to hedge exchange rate risk at 31st December 2012 and 31st December 2011 are shown below

(In thousands of euro)	Negative Fair Value		Positive Fair Value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
US Dollar	-	**(2,386)**	1,610	**-**
Swiss Franc	(14)	-	-	-
Total	**(14)**	**(2,386)**	**1,610**	**-**

NOTE 10. ASSETS HELD FOR SALE

At 31st December 2012 the balance of Assets held for sale was zero. At 31st December 2011 this item included the value of key money for the store at via della Spiga 15, Milan. As shown in the Interim Report, the lease for the monobrand store in Milan, where the Company conducted retail sales until 7th January 2012, was transferred on 13th January 2012. It should be recalled that the Company opened its new DOS at via della Spiga 30, Milan in September 2011.
The lease transfer lease generated capital gains of Euro 1,014 thousand in the first quarter of 2012.

(In thousands of euro)	Balance at 1.01.2012	Amortization	Net decreases	Balance at 31.12.2012
Assets held for sale	3,053	(12)	(3,041)	-
Total Assets held for sale	**3,053**	**(12)**	**(3,041)**	**-**

NOTE 11. SHARE CAPITAL AND RESERVES

Share capital at 31st December 2012 amounts to Euro 13,600 thousand, fully paid-up, consisting of 68,000,000 ordinary shares.

Shareholders' equity at 31st December 2012 amounts to Euro 119,617 thousand, up by Euro 81,633 thousand compared to 31st December 2011.

The increase is attributable mainly to the listing on the Italian Electronic Stock Exchange (MTA) of Borsa Italiana S.p.A. (MTA) on 27th April 2012, following which a total of 8,000,000 shares were issued.

The Share premium reserve, amounting to Euro 57,915 thousand, is recorded net of listing expenses incurred, charged to Shareholders' equity based on the ratio of the number of new shares issued to the number of shares existing after the IPO, for Euro 2,485 thousand (net of tax effect), in compliance with IAS 32.

The remaining part of the listing expenses, Euro 6,241 thousand, is recorded on the income statement in service costs at the item "Non-recurring expenses."

Other changes in Shareholders' equity during the year are represented by comprehensive results and by the distribution of dividend, resolved by the Shareholders' meeting of Parent company Brunello Cucinelli S.p.A. on 27th February 2012, amounting to Euro 2,500 thousand and distributed on the same date.

For details of changes in Shareholders' equity at 31st December 2012 and at 31st December 2011, see the table "Consolidated changes in Shareholders' equity."

The following table shows details of the item Other reserves of Shareholders' equity at 31st December 2012 compared to 31st December 2011:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Legal reserve	1,210	255	955
Extraordinary reserve	15,770	132	15,638
Revaluation reserve	4,813	4,813	-
Cash flow hedge reserve	671	(1,514)	2,185
IFRS first adoption reserve	(799)	(799)	-
Translation reserve	151	333	(182)
Consolidated accumulated Profits/Losses	2,008	806	1,202
Other reserves	**23,824**	**4,026**	**19,798**

NOTE 12 LIABILITIES DUE TO EMPLOYEE BENEFITS

This item includes only the charge for employee severance pay reserve (TFR) for the Group's Italian employees pursuant to Art. 2120 of the Civil Code, discounted as prescribed by IAS 19.

The following table shows changes in employee benefits at 31st December 2012 compared with the previous year:

(In thousands of euro)	**31.12.2012**	**31.12.2011**
Net present value of obligation at start of year	**2,695**	**2,404**
Financial expenses	137	156
Benefits paid	(88)	(173)
Changes in consolidation scope	-	273
Actuarial Loss (gain) recorded	210	35
Net present value of obligation at end of year	**2,954**	**2,695**

The principal assumptions used to calculate the net present value of TFR are shown below:

Economic-financial bases

	31.12.012	31.12.2011
Annual discount rate	2.43%	3.41%
Inflation rate	2.50%	2.50%
Expected employee turnover rate	8.80%	8.80%
Anticipation rate	1.00%	1.00%

Discount rates are fixed in a variable measure over time, adopting a rate curve that combines trends in effective yield rates of Eurobonds with AAA rating with trends of Interest Rate Swaps for periods in which the first trends are not quotable.

Demographic bases

	31.12.2012	31.12.2011
Mortality	RG48 TABLE	
Retirement age	65	

Turnover frequency and TFR anticipation

	31.12.2012	31.12.2011
% anticipation frequency	1%	1%
% turnover frequency	8.80%	8.80%

Personnel

The average number of employees per category, expressed in terms of equivalent full-time people, is shown below:

	31.12. 2012	31.12.2011
Executives and managers	36.7	30.8
Office staff	392.0	301.2
Workers	375.4	383.8
Total personnel	**804.1**	**715.8**

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

The item Provisions for risks and charges refers mainly to the provision for supplementary customer allowances, calculated in accordance with Italian law (Art. 1751-bis of the Civil Code) and discounted as required by IAS 37.

The following table shows changes in Provisions for risks and charges at 31st December 2012 compared to 31st December 2011:

(In thousands of euro)	**31.12.2012**	**31.12.2011**
Reserve for supplementary customer allowances – value at 1st January	**881**	**921**
Allocations	76	58
Uses	-	(98)
Actuarial Loss (gain) recorded	(7)	-
Reserve for supplementary customer allowances – value at 31st December	**950**	**881**
Other Provisions for risks and charges	12	9
Allocations	-	3
Uses	(12)	-
Total Provisions for risks and charges	**950**	**893**

The principal assumptions used for actuarial calculation of the provision for supplementary customer allowances are shown below:

	31.12.2012	**31.12.2011**
Voluntary turnover rate	6.00%	6.00%
Corporate turnover rate	4.00%	1.00%
Actualisation rate	2.10%	2.68%

NOTE 14. NON-CURRENT BANK DEBT

The item Non-current bank debt includes medium- long-term bank loans. These are variable-rate loans; therefore, book value approximates fair value at the reference date.

The following table presents data on the Brunello Cucinelli Group's outstanding loans at 31st December 2012, specifying the portion maturing within the next year, within 5 years, and beyond 5 years.

Description	Maturity	Residual amount at 31.12.2012	Portion within next year	Portion within 5 years	Portion beyond 5 years
Bank pool (lead bank – Banca IMI)	tranche A: 31st Dec-2018 tranche B: 31st Dec-2014	12,099	3,270	6,519	2,310
Cassa di Risparmio di Lucca, Pisa e Livorno	31st July 2015	1,415	507	908	-
Cariparma	19th August 2015	1,132	406	726	-
Banca Intesa (ex Mediocredito Italiano)	31st March 2013	300	300	-	-
Deutsche Bank	30th Sept. 2013	375	375	-	-
Banca Toscana	31st Dec. 2015	789	238	551	-
Deutsche Bank	31st Dec. 2014	500	250	250	-
Banca Popolare di Ancona (Gruppo UBI)	11th May 2015	496	201	295	-
Banca Popolare di Ancona (Gruppo UBI)	7th August 2013	227	227	-	-
Banca Etruria	30th April 2013	108	108	-	-
Cassa di Risparmio di Città di Castello	4th June 2013	107	107	-	-
Banca Popolare di Ancona (Gruppo UBI)	7th August 2013	76	76	-	-
Total Non-current bank payables		**17,624**	**6,065**	**9,249**	**2,310**

The following table shows the limits provided for financial covenants, to be calculated annually on the consolidated financial statements of Brunello Cucinelli S.p.A. with reference to the bank pool loan. Such financial covenants were respected at 31st December 2012.

Loan	Reference date	Parameter	Limit
Bank pool (lead bank – Banca IMI)	annual (at 31st December)	Net financial position / Gross Operating Margin	<4.50
Bank pool (lead bank – Banca IMI)	annual (at 31st December)	Net financial position / Sharehol-ders' equity	<3.00

NET FINANCIAL DEBT

The following table shows the composition of the financial debt of the Brunello Cucinelli Group at 31st December 2012 compared to 31st December 2011:

(In thousands of euro)	**at 31.12.2012**	**at 31.12.2011**
A. Cash	(79)	(93)
B. Other liquidity	(39,966)	(8,590)
C. Liquidity (A)+(B)	**(40,045)**	**(8,683)**
D. Current financial receivables	**-**	**-**
E. Current bank debts	28,423	38,539
F. Other current financial debts	272	527
G. Current Debts (E)+(F)	**28,695**	**39,066**
H. Net current financial debt (G) + (D) + (C)	**(11,350)**	**30,383**
I. Non-current bank debts	11,559	17,611
J. Other non-current debts	642	-
K. Non-current financial debt (I)+(J)	**12,201**	**17,611**
L. Net financial debt (H) + (K)	**851**	**47,994**

NOTE 15. NON-CURRENT FINANCIAL DEBT

The item Non-current financial debt at 31st December 2012 refers to the debt of Euro 219 thousand contracted by subsidiary Brunello Cucinelli Belgium S.p.r.l. from the minority shareholder.

NOTE 16. OTHER NON-CURRENT LIABILITIES

At 31st December 2012, Other non-current liabilities amount to Euro 1,216 thousand, compared to Euro 723 thousand at 31stDecember 2011. The amount refers to payables allocable beyond the next year and recorded as required by IAS 17, regarding the normalization of leases of monobrand stores located in the United States and in Italy.

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Lease liabilities (deferred rent ex IAS 17)	1,216	723	493
Total Other non-current liabilities	**1,216**	**723**	**493**

NOTE 17. TRADE PAYABLES

The composition of Trade payables at 31st December 2012 compared to 31st December 2011 is as follows:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Trade payables to third-party suppliers	62,718	56,129	6,589
Total Trade payables	**62,718**	**56,129**	**6,589**

Trade payables represent the debt for the supply of goods and services.

NOTE 18. CURRENT BANK DEBT

The composition of Current bank debt at 31st December 2012 compared to 31st December 2011 is as follows:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Current portion of medium/long-term loans	6,065	6,982	(917)
Bills and invoices advance account	20,485	29,255	(8,770)
Current account overdraft and liquidity repayable on demand	1,873	2,302	(429)
Total Current bank payables	**28,423**	**38,539**	**(10,116)**

Bank payables for advances refer to advances on Ri.Ba and commercial invoices for the financing of operations.

The item Current portion of medium/long-term loans refers to portions of bank loans maturing within the next year.

NOTE 19. CURRENT FINANCIAL DEBT

Current financial debt at 31st December 2012 amounts to Euro 15 thousand. The item includes only accrued expenses calculated on outstanding loans.

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Accrued expenses on loans	15	-	15
Total Current financial debt	**15**	**-**	**15**

NOTE 20. TAX PAYABLES

Tax payables at 31st December 2012 amount to Euro 2,761 thousand, decreased compared to Euro 6,821 thousand at 31st December 2011. The item refers mainly to payables for IRES (corporate income tax) and IRAP (Regional tax on productive activities) and the payable for current taxes contributed to the consolidated statement by subsidiaries.

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Payable for current IRES	1,905	4,406	(2,501)
Payable for current IRAP	413	802	(389)
Other tax payables	443	1,613	(1,170)
Total Tax payables	**2,761**	**6,821**	**(4,060)**

The items Payables for IRES and IRAP at 31st December 2012 and 2011 refer to the Group's net debt for payment of current income taxes. The reduction compared to the previous year derives from the higher advances paid during 2012.

The item Other tax payables at 31st December 2012 refers to the debt for current taxes contributed to the consolidated statement by the Group's US companies and by the Swiss subsidiary.

NOTE 21. OTHER CURRENT LIABILITIES

The composition of the item Other current liabilities at 31st December 2012 compared to 31st December 2011 is as follows:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Payables to agents	6,004	5,743	261
Payables to others	6,074	5,464	610
Key money advances for Via della Spiga 15	-	4,150	(4,150)
Payables to employees	2,566	2,282	284
Social security payables	1,970	2,236	(266)
Accrued expenses and deferred credits	1,525	504	1,021
Total Other current liabilities	**18,139**	**20,379**	**(2,240)**

The item Payables to agents refers to the amount of commissions accrued to agents of the Brunello Cucinelli Group, even if not yet paid at the close of each year.

The item Payables to others consists mainly of advances that the Company receives from some customers, primarily in the Far East and in Russia, prior to shipments of goods.

The item Payables to employees includes salary and wages for the month of December that are paid at the beginning of January and the payable for vacations accrued but not yet taken, while Social security payables refer to contributions on salary and wages.

Last year, a payable of Euro 4,150 thousand was recorded for advances received from the transfer of the lease for Via Spiga 15, as described in Note 10 above.

NOTE 22. TAXES

DEFERRED TAX ASSETS AND LIABILITIES

The composition of Deferred tax assets and liabilities at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Deferred tax assets	7,489	3,701	3,788
Deferred tax liabilities	(806)	(692)	(114)

The increase in Deferred tax assets is attributable mainly to the tax effect on expenses incurred for the listing process, taxed over five years pursuant to current tax rules.

The detail of Net deferred taxes at 31st December 2012 and 31st December 2011 is shown below:

(In thousands of euro)	Year ended 31st December					
	Statement of financial position		Shareholder's equity		Income statement	
	2012	2011	2012	2011	2012	2011
Amortization of intangible assets	286	269	-	-	17	3
Depreciation of tangible assets	(423)	(436)	-	-	13	(193)
Provision for bad debts	244	197	-	-	47	129
IAS 39 - Arrangement fees	59	69	-	-	(10)	69
Fair value of hedges	(240)	798	(829)	557	(209)	254
Leasing IAS 17 – rent normalization	15	15	-	-	-	15
IAS 39 – Amortized cost	9	14	-	-	(5)	6
TFR ex IAS 19	84	26	-	-	58	10
FISC ex IAS 37	236	314	-	-	(78)	65
Listing expenses	2,269	(209)	1,138	-	1,340	(209)
Elimination of intercompany margins on inventories	2,225	1,423	-	-	802	902
Elimination of intercompany surplus effects	9	9	-	-	-	-
Advance taxes on tax losses	704	199	-	-	505	199
Unrealised profits and losses on exchanges	108	-	-	-	108	0
Other	1,098	321	-	-	807	(61)
Costs/ (income) from deferred taxes					**3,395**	**1,189**
Net assets/ (liabilities) from net deferred taxes	**6,683**	**3,009**	**309**	**557**		
Represented on Statement of financial position as follows:						
Deferred tax assets	7,489	3,701				
Deferred tax liabilities	(806)	(692)				
Net assets from deferred taxes	**6,683**	**3,009**				

INCOME TAXES

The composition of the item Income taxes on the Consolidated Income Statement is as follows:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Current taxes	15,652	12,187	3,465
Deferred taxes	(3,395)	(1,189)	(2,206)
Taxes in previous years	(740)	327	(1,067)
Income taxes on consolidated income statement	**11,517**	**11,325**	**192**
Income taxes recognized on Comprehensive income statement	829	(557)	1,386
Total income taxes	**12,346**	**10,768**	**1,578**

The following is the reconciliation between the nominal rate and the effective rate of the Brunello Cucinelli Group for the years ended 31st December 2012 and 2011:

(In thousands of euro)	**Year ended 31st December**	
	2012	**2011**
Pre-tax profit	**33,760**	**32,350**
Ires rate in effect for year	27.50%	27.50%
Theoretical tax burden	**(9,284)**	**(8,896)**
Income taxes with different rate (Irap)	(2,442)	(2,132)
Effect of different tax rate on foreign companies	(837)	(102)
Taxes for previous years	740	(327)
Other changes	306	132
Total taxes on Income Statement	**(11,517)**	**(11,325)**
Effective tax rate	***34.1%***	***35.0%***

7. NOTES TO MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

NOTE 23. REVENUES

The composition of the item Revenues at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Net revenues	279,321	242,635	36,686
Other operating revenues	2,030	813	1,217
Total Revenues	**281,351**	**243,448**	**37,903**

Net revenues derive from the sale of clothing articles and accessories produced by the Brunello Cucinelli Group. Other operating revenues derive mainly from transfer of the lease for the store at Via della Spiga 15, Milan, which generated capital gains for Euro 1,014 thousand , and from amounts paid to the Brunello Cucinelli Group against sub-leases for a portion of buildings used for business activities.

Revenues are analysed below by geographical area:

(In thousands of euro)	**Year ended 31st December**				**Change**	
	2012	**%**	**2011**	**%**	**2012 vs. 2011**	**2012 vs. 2011 %**
Italy	68,662	24.6%	74,805	30.8%	(6,143)	-8.2%
Europe (1)	89,924	32.2%	74,716	30.8%	15,208	+20.4%
North America (2)	88,554	31.7%	68,961	28.4%	19,593	+28.4%
Greater China (3)	10,315	3.7%	8,529	3.5%	1,786	+20.9%
Rest of the World (RoW) (4)	21,866	7.8%	15,624	6.4%	6,242	+40.0%
Total	**279,321**	**100.0%**	**242,635**	**100.0%**	**36,686**	**+15.1%**

(1) "Europe" is defined as member nations of the European Union (with the exception Italy), San Marino, Monaco, Switzerland, Liechtenstein, Norway, Russian Federation, Ukraine, Turkey, Uzbekistan, Kazakhstan, Georgia, Serbia and Montenegro, Azerbaijan, Andorra, Armenia, Belarus, and Romania.

(2) "North America" is defined as the United States and Canada. The Brunello Cucinelli Group does not own DOS (retail channel) in Canada.

(3) "Greater China" is defined as the People's Republic of China, Hong Kong, Macao and Taiwan.

(4) "Rest of the World" is defined as all countries other than the above in which the Group sells its products. Note that in this area the Brunello Cucinelli Group does not operate with DOS.

Revenues by distribution channel are analysed below:

(In thousands of euro)	Year ended 31st December				Change	
	2012	**%**	**2011**	**%**	**2012 vs, 2011**	**2012 vs. 2011 %**
Retail	76,949	27.5%	53,861	22.2%	23,088	+42.9%
Wholesale Monobrand	32,682	11.7%	27,156	11.2%	5,526	+20.3%
Wholesale Multibrand	169,690	60.8%	161,618	66.6%	8,072	+5.0%
Total	**279,321**	**100.0%**	**242,635**	**100.0%**	**36,686**	**+15.1%**

See the Directors Report for a description of revenue performance.

NOTE 24. COSTS OF RAW AND SUBSIDIARY MATERIALS AND CONSUMABLES

The composition of the item Costs of raw and subsidiary materials and consumables for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Costs of raw and subsidiary materials and consumables	60,163	63,310	(3,147)
Change in inventories	(15,702)	(16,249)	547
Total costs of raw and subsidiary materials and consumables	**44,461**	**47,061**	**(2,600)**

NOTE 25. SERVICE COSTS

The composition of the item Service costs for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Outsourced work	74,360	62,420	11,940
Commissions and accessory expenses	12,764	12,617	147
Advertising and other business expenses	15,383	12,752	2,631
Transportation and customs fees	12,050	9,366	2,684
Rents paid	12,995	8,098	4,897
Credit card fees	1,634	1,096	538
Other general expenses	2,883	1,732	1,151
Consulting fees	4,457	2,871	1,586
Non-recurring expenses – listing process	6,241	-	6,241
Emoluments to Directors and Auditors	1,543	1,796	(253)
Maintenance	2,005	1,282	723
Insurance	933	791	142
Utilities (energy, telephone, gas, water, post office)	1,708	1,213	495
Total service costs	**148,956**	**116,034**	**32,922**

NOTE 26. PERSONNEL COSTS

The composition of the item Personnel costs for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Salaries and wages	31,737	27,803	3,934
Social security	8,020	7,497	523
Retirement provision	1,687	1,551	136
Other personnel costs	1,177	859	318
Total Personnel costs	**42,621**	**37,710**	**4,911**

See the Directors Report for details on Personnel costs and on the listing premium.

NOTE 27. OTHER OPERATING COSTS

The composition of the item Other operating costs for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Taxes	372	224	148
Membership fees	162	176	(14)
Ordinary capital losses	119	107	12
Bad debts	-	94	(94)
Other miscellaneous operating expenses	926	773	153
Total Other operating costs	**1,579**	**1,374**	**205**

NOTE 28. INTERNAL COSTS FOR INCREASES IN FIXED ASSETS

Internal costs for increases in fixed assets (Euro 295 thousand in 2012 and Euro 229 thousand in 2011) refer mainly to production costs incurred to develop the historical collection.

NOTE 29. AMORTIZATION/DEPRECIATION AND WRITE-DOWNS

The composition of the item Amortization/Depreciation and Write-downs for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Amortization of intangible assets	2,426	1,885	541
Depreciation of property, plant and equipment	4,699	3,368	1,331
Total amortization/depreciation and write-downs	**7,125**	**5,253**	**1,872**

NOTE 30. VALUE ADJUSTMENTS TO ASSETS AND OTHER ALLOCATIONS

Value adjustments to assets and other allocations (Euro 1,160 thousand in 2012 and Euro 1,338 thousand in 2011) refer mainly to allocations to the Provision for bad debts (Euro 1,092 thousand in 2012 and Euro 936 thousand in 2011) and to allocations to the reserve for supplementary customer allowances (Euro 69 thousand in 2012 and Euro 58 thousand in 2011).

NOTE 31 FINANCIAL EXPENSES

The composition of the item Financial expenses for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Interest on loans	613	935	(322)
Interest on advances and invoice discount	962	868	94
Bank interest paid	59	58	1
Losses on realized exchanges	671	901	(230)
Losses on unrealised exchanges	672	109	563
Financial expenses on derivatives	435	435	-
Other misc. financial expenses	530	679	(149)
Total financial expenses	**3,942**	**3,985**	**(43)**

NOTE 32. FINANCIAL INCOME

The composition of the item Financial income for the year ended 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Bank interest received	651	16	635
Gains on realized exchanges	794	1,315	(521)
Gains on unrealised exchanges	381	34	347
Financial income from derivatives	130	29	101
Misc. income	2	34	(32)
Total financial income	**1,958**	**1,428**	**530**

NOTE 33. BASIC AND DILUTED EARNINGS PER SHARE

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

Diluted earnings per share coincides with Basic earnings per share because there are no convertible bonds or other financial instruments with dilutive effects.

Note that the payment of dividends for the year must be approved by the Shareholders' Meeting and therefore has not been recorded as a liability on the consolidated financial statements of the Brunello Cucinelli Group at 31st December 2012, as was also done at 31st December 2011.

The following table shows the revenue and the information on shares used to calculate basic and diluted earnings per share:

	31.12.2012	**31.12.2011**
Net profit attributable to shareholders of Parent Company (in thousands of euro)	22,484	20,268
Number of ordinary shares at end of period	68,000,000	60,000,000
Weighted average number of ordinary shares for purposes of basic earnings per share	65,435,616	60,000,000
Weighted average number of ordinary shares for purposes of diluted earnings per share	65,435,616	60,000,000
Basic earnings per share (in Euro)	0.34360	0.33780
Diluted earnings per share (in Euro)	0.34360	0.33780

Note that the figure at 31stDecember 2012 is affected by non-recurring expenses referring to the listing process.

NOTE 34. COMMITMENTS AND RISKS

The item Commitments and risks includes goods owned by the Brunello Cucinelli Group located at third parties. The composition of the item at 31st December 2012 compared to 31st December 2011 is shown below:

(In thousands of euro)	**31.12.2012**	**31.12.2011**	**Change**
Goods at third parties	39	347	(308)
Total commitments and risks	**39**	**347**	**(308)**

The item Goods at third parties refers mainly to machines and related electronic equipment lent at no charge to workshops and outside companies that use them to produce and supply the Group with clothing articles and services.

MANAGEMENT OF FINANCIAL RISKS

The Brunello Cucinelli Group is exposed to various types of financial risk linked to its core business. Specifically, the Group is simultaneously exposed to market risk (interest rate risk and exchange rate risk), to liquidity risk, and to credit risk.
Financial risks are managed on the basis of guidelines set by the Board of Directors. The aim is to ensure a liability structure that remains balanced with the composition of assets to maintain adequate economic soundness.
The financing instruments most often used are:

- medium/long-term loans with multi-year amortisation term to cover investments in capital assets;
- short-term loans and bank overdrafts to finance working capital.

In addition, the Brunello Cucinelli Group stipulates interest rate hedges that could affect the onerousness of medium/long-term financial debt, and exchange rate hedges that could affect the Group's economic results.
The average cost of debt is tied to the trend of 3 and 6 month Euribor rates, plus a spread that depends on the financing instrument used and on the Company's rating.
The Brunello Cucinelli Group uses derivatives to cover interest rate and exchange rate risks.
The Group does not use derivatives for speculative purposes.

INTEREST RATE RISK

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

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

At 31st December 2012 there were 10 positions regarding interest rate swap derivatives (2 of which with cap) to hedge the risk of a potential increase in the service cost of Bank debt due to oscillation of market rates. The notional value of these positions was Euro 15.4 million with a negative countervalue of approximately Euro 680 thousand.

Likewise, at 31st December 2011 there were 10 positions regarding interest rate swap derivatives (2 of which with cap) to hedge the risk of a potential increase in the service cost of Bank debt due to oscillation of market rates. The notional value of these positions was Euro 16.7 million with a negative countervalue of Euro 527 thousand.

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

The cost of Bank debt is linked to the Euribor rate for the period plus a spread that depends on the type of credit line used. The applied margins are comparable to the best market standards. The interest rate risk to which the Brunello Cucinelli Group is exposed derives primarily from current financial debt.

The Brunello Cucinelli Group's principal sources of exposure to interest rate risk derive in the short term from loans and in the medium-long term from derivative instruments. Even though the Group adopts a careful hedge policy, the potential effect on the 2013 Income Statement (compared to 2012) deriving from interest rate risk are:

- potential change in financial and differential costs for derivatives existing in 2012;
- potential change in fair value of existing derivatives.

On the other hand, potential changes in the fair value of the effective component of existing derivatives generate an effect on Shareholders' equity.

The Brunello Cucinelli Group has estimated the potential effects on the Income statement and on Shareholders' equity for 2013, calculated with reference to the situation at the close of 2012 (effects on 2012 for comparison calculated with reference to the situation at the close of 2011), produced by a simulation of the change in the interest rate yield curve, by using internal assessment models based on generally accepted principles. Specifically:

- for loans, the effects were estimated by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) in the interest yield curve, applied only to cash flows to be liquidated in 2013 (2012 for comparison);
- for derivatives, by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) in the interest yield curve.

With reference to the situation at 31st December 2012, a parallel shift of +100 basis points (+1%) in the interest rate yield curve would produce an increase in financial costs of about Euro 82 thousand in 2013, compensated for about Euro 75 thousand by an increase in differentials collected against current derivatives. A parallel shift of -30 basis points (-0.3%) in the interest rate yield curve would produce a decrease in financial costs of about Euro 25 thousand, compensated for about Euro 15 thousand by a reduction in differentials collected against current derivatives.

With reference to the situation at 31st December 2011, a parallel shift of +100 basis points (+1%) in the interest rate yield curve would produce an increase in financial costs of about Euro 229 thousand in 2012, compensated for about Euro 90 thousand by an increase in differentials collected against current derivatives. A parallel shift of -30 basis points (-0.3%) in the interest rate yield curve would produce a decrease in financial costs of about Euro 69 thousand, compensated for about Euro 27 thousand by a reduction in differentials collected against current derivatives.

	Interest 31st December 2012		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2013 Income Statement +100 bps** *(Euro/000)*	**Effect on 2013 Income Statement -30 bps** *(Euro/000)*
Loans payable	17,684	(82)	25
Total loans	**17,684**	**(82)**	**25**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2013 Income Statement +100 bps** *(Euro/000)*	**Effect on 2013 Income Statement -30 bps** *(Euro/000)*
Cash flow hedges	15,391	75	(15)
Other derivative instruments	-	-	-
Total derivatives	**15,391**	**75**	**(15)**
TOTAL		**(7)**	**10**

	Interest 31st December 2011		
Loans	**Residual debt** *(Euro/000)*	**Effect on 2012 Income Statement +100 bps** *(Euro/000)*	**Effect on 2012 Income Statement -30 bps** *(Euro/000)*
Loans payable	24,673	(229)	69
Total loans	**24,673**	**(229)**	**69**

Derivative instruments	**Residual notional** *(Euro/000)*	**Effect on 2012 Income Statement +100 bps** *(Euro/000)*	**Effect on 2012 Income Statement -30 bps** *(Euro/000)*
Cash flow hedges	16,743	90	(27)
Other derivative instruments	-	-	-
Total derivatives	**16,743**	**90**	**(27)**
TOTAL		**(139)**	**42**

With reference to the situation at 31st December 2012, a parallel shift of +100 basis points (+1%) in the interest rate yield curve would produce an increase in the asset value of hedges of about Euro 950 thousand, with effect only on Shareholders' equity. A parallel shift of -30 basis points (-0.3%) in the interest rate yield curve would produce a decrease in the asset value of derivatives of about Euro 598 thousand, with effect only on Shareholders' equity.

With reference to the situation at 31st December 2011, a parallel shift of +100 basis points (+1%) in the interest rate yield curve would produce an increase in the asset value of hedges of about Euro 340 thousand, with effect only on Shareholders' equity. A parallel shift of -30 basis points (-0.3%) in the interest rate yield curve would produce a decrease in the asset value of derivatives of about Euro 104 thousand, with effect only on Shareholders' equity.

	Sensitivity of Fair Value of Derivatives 31st December 2012									
	Notional value *(Euro/000)* a	**Fair value** *(Euro/000)* b	**Net fair value +100 bps** c	**Change in net fair value +100 bps** d = c-b	**Effect on Income statement +100 bps** e = d-f	**Effect on Shareholders' equity +100 bps** f	**Net fair value -30 bps** g	**Change in net fair value -30 bps** h = g-b	**Effect on Income statement -30bps** i = h-j	**Effect on Shareholders' equity -30 bps** J
Cash flow hedges	15,391	(680)	270	950	-	950	(82)	598	1,196	(598)
Other derivative instruments	-	-	-	-	-	-	-	-	-	-
TOTAL	**15,391**	**(680)**	**270**	**950**	**-**	**950**	**(82)**	**598**	**1,196**	**(598)**

	Sensitivity of Fair Value of Derivatives 31st December 2011									
	Notional value *(Euro/000)* a	**Fair value** *(Euro/000)* b	**Net fair value +100 bps** c	**Change in net fair value +100 bps** d = c-b	**Effect on Income statement +100 bps** e = d-f	**Effect on Shareholders' equity +100 bps** f	**Net fair value -30 bps** g	**Change in net fair value -30 bps** h = g-b	**Effect on Income statement -30bps** i = h-j	**Effect on Shareholders' equity -30 bps** J
Cash flow hedges	16,743	(527)	(187)	340	-	340	(630)	(104)	-	(104)
Other derivative instruments	-	-	-	-	-	-	-	-	-	-
TOTAL	**16,743**	**(527)**	**(187)**	**340**	**-**	**340**	**(630)**	**(104)**	**-**	**(104)**

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

EXCHANGE RATE RISK

The Group is exposed to changes of the exchange rate for currencies (primarily the US Dollar) in which sales are made to affiliates and third-party customers. This risk exists because there is a possibility that the countervalue of revenues in Euros may decrease in the event of unfavourable oscillations in the exchange rate, thereby reducing the desired margin. To limit its exposure to exchange rate risk deriving from its business activities, the Group stipulates derivative contracts (forward exchange contracts) that predefine the conversion rate or a range of conversion rates at future dates.

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

Starting in 2010, the Company adopted Cash Flow Hedge Accounting for 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 is recorded, the amounts allocated to the reserve are charged to Revenues on the Income Statement. The ineffective component of this change in fair value is charged to Financial Income and Expenses on the Income statement. In accordance with methods adopted for recording hedged items, changes in fair value subsequent to recording of hedged transactions are charged to Financial Income and Expenses on the Income statement.

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

During 2012 the Group reduced Income, previously recorded in the Cash Flow Hedge reserve, by Euro 1,558 thousand.

During 2011 the Group entered Income, previously recorded in the Cash Flow Hedge reserve, by Euro 300 thousand.

The potential effects on the 2012 Income statement (2011 for comparison) derived from exchange rate risk are:

- Revalutation/devalutation of asset and liability items expressed in foreign currency.
- Change in fair value of derivatives to hedge asset and liability items expressed in foreign currency.
- Change in fair value of the ineffective component of derivatives to hedge highly probable transaction in foreign currency.

The potential effects on Shareholders' equity at the end of 2013 (2012 for comparison) derived from exchange rate risk are:

- Change in fair value of the effective component of derivatives to hedge highly probable transaction in foreign currency.

The Brunello Cucinelli Group has estimated the potential effects on the Income statement and on Shareholders' equity for 2013, calculated with reference to the situation at the close of 2012 (20111 for comparison), 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 equity items	FOREIGN CURRENCY EXPOSURE 2012			SENSITIVITY 2012	
	Active	Passive	Net	Income statement Euro/US Dollar exchange rate	
	(US Dollar/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	8,099	3,584	11,683	(443)	443
Total gross exposure of equity items	**8,099**	**3,584**	**11,683**	**(443)**	**443**

Exposure of equity items	Future collections forecast	Future payments forecast	Net	Changes in Shareholders' equity Euro/US Dollar exchange rate	
	(US Dollar/000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Future cash flows	67,520	-	67,520	-	-
Forward sales (Notional value)	(62,600)	-	(62,600)	2,372	(2,372)

Exposure from highly probable future transactions	Active	Passive	Net	Changes in Shareholders' equity Euro/Swiss Franc exchange rate	
	(Swiss Franc /000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	17	(327)	(310)	13	(13)
Total gross exposure of equity items	**17**	**(327)**	**(310)**	**13**	**(13)**

Exposure from highly probable future transactions	Future collections forecast	Future payments forecast	Net	Changes in Shareholders' equity Euro/Swiss Franc exchange rate	
	(Swiss Franc /000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Future cash flows	4,020	-	4,020	-	-
Forward sales (Notional value)	(3,300)	-	(3,300)	137	(137)

Exposure of equity items	Active	Passive	Net	Income statement Euro/British Pound exchange rate	
	(British Pound /000)			+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	-	(36)	(36)	2	(2)
Total gross exposure of equity items	**-**	**(36)**	**(36)**	**2**	**(2)**

Exposure of equity items	Active	Passive	Net	Income statement Euro/Canadian Dollar exchange rate	
	(Canadian Dollar /000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	6	6	-	-
Total gross exposure of equity items	**-**	**6**	**6**	**-**	**-**

Exposure of equity items	Active	Passive	Net	Income statement Euro/ Hong Kong Dollar exchange rate	
	(Hong Kong Dollar /000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	7	7	-	-
Total gross exposure of equity items	**-**	**7**	**7**	**-**	**-**

Exposure of equity items	Active	Passive	Net	Income statement Euro/Japanese Yen exchange rate	
	(Japanese Yen/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	10,683	9,611	20,294	(9)	9
Total gross exposure of equity items	**10,683**	**9,611**	**20,294**	**(9)**	**9**

Exposure of equity items	Active	Passive	Net	Income statement Euro/Renminbi exchange rate	
		(Renminbi/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	11,411	61,762	73,173	(445)	445
Total gross exposure of equity items	**11,411**	**61,762**	**73,173**	**(445)**	**445**

	FOREIGN CURRENCY EXPOSURE 2011			SENSITIVITY' 2011	
Exposure of equity items	Active	Passive	Net	Income statement Euro/US Dollar exchange rate	
		(US Dollar/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	4,131	(190)	3,941	(152)	152
Total gross exposure of equity items	**4,131**	**(190)**	**3,941**	**(152)**	**152**
Derivative instruments	-	-	-	-	-
Total net position	**4,131**	**(190)**	**3,941**	**(152)**	**152**

Exposure from highly probable future transactions	Future collections forecast	Future payments forecast	Net	Changes in Shareholders' equity Euro/US Dollar exchange rate	
		(US Dollar/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Future cash flows	58,607	-	58,607	-	-
Forward purchases (Notional value)	-	-	-	-	-
Forward sales (Notional value)	(55,750)	-	(55,750)	2,154	(2,154)
Total net exposure from future transactions	**2,857**	**-**	**2,857**	**2,154**	**(2,154)**
Total net exposure	**2,857**	**-**	**2,857**	**2,154**	**(2,154)**

Exposure of equity items	**Active**	**Passive**	**Net**	**Income statement Euro/Swiss Franc exchange rate**	
	(Swiss Franc /000)			**+ 5%** *(Euro/000)*	**- 5%** *(Euro/000)*
Trade payables	651	-	651	(27)	(27)
Total gross exposure of equity items	**651**	**-**	**651**	**(27)**	**(27)**
Derivative instruments	-	-	-	-	-
Total net position	**651**	**-**	**651**	**(27)**	**(27)**

Exposure of equity items	**Active**	**Passive**	**Net**	**Income statement Euro/British Pound exchange rate**	
	(British Pound /000)			**+ 5%** *(Euro/000)*	**- 5%** *(Euro/000)*
Trade payables	-	(29)	(29)	2	(2)
Total gross exposure of equity items	**-**	**(29)**	**(29)**	**2**	**(2)**
Derivative instruments	-	-	-	-	-
Total net position	**-**	**(29)**	**(29)**	**2**	**(2)**

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

LIQUIDITY RISK

The Brunello Cucinelli Group manages liquidity risk by strictly controlling the elements comprising working capital and, in particular, trade receivables and trade payables.
The Group strives to obtain good cash generation in order to execute trade payables without jeopardizing the short-term balance of its treasury and to avoid criticalities and strains of available cash.

The following is a breakdown of 2012 and 2011 Liabilities with reference to financial instruments according to residual term:

	Situation at 31st December 2012				
	Financial Payables				
	Capital *(Euro/000)* a	**Interest** *(Euro/000)* b	**Trade Payables** *(Euro/000)* c	**Derivatives** *(Euro/000)* d	**TOTAL** *(Euro/000)* e = a+b+c+d
Maturity:					
Within 12 months	6,064	300	62,718	264	69,346
1 to 2 years	5,917	191	-	187	6,295
2 to 3 years	1,853	121	-	109	2,083
3 to 5 years	1,540	188	-	119	1,847
5 to 7 years	2,310	61	-	21	2,392
Over 7 years	-	-	-	-	-
TOTAL	**17,684**	**861**	**62,718**	**700**	**81,963**

	Situation at 31st December 2011				
	Financial Payables				
	Capital *(Euro/000)* a	**Interest** *(Euro/000)* b	**Trade Payables** *(Euro/000)* c	**Derivatives** *(Euro/000)* d	**TOTAL** *(Euro/000)* e = a+b+c+d
Maturity:					
Within 12 months	6,994	676	56,129	178	63,977
1 to 2 years	6,049	415	-	166	6,630
2 to 3 years	5,917	321	-	101	6,339
3 to 5 years	2,633	339	-	73	3,045
5 to 7 years	3,080	213	-	12	3,305
Over 7 years	-	-	-	-	-
TOTAL	**24,673**	**1,964**	**56,129**	**530**	**83,296**

Forecast future expenses implicit in loans and future forecast differentials implicit in derivative instruments were estimated on the basis of the interest rate yield curves existing on the reference dates (31st December 2012 and 31st December 2011).

CREDIT RISK

Credit risk regards the Group's exposure to potential losses deriving from the default in obligations assumed by third parties.

The Group's exposure to commercial credit risk refers only to sales made to the wholesale multibrand channel and to the wholesale monobrand channel, which account for 72.5% of net revenues at 31st December 2012; the remaining turnover refers to sales by the retail channel, with payment in cash or by credit or debit card.

The Brunello Cucinelli Group generally prefers to do business with customers with which it has solid, long-term relations. When customers request extended payment terms, it is the Company's policy to conduct a credit check by means of information obtainable by specialized agencies and by studying and analysing data on the performance of established customers. In addition, the credit balance is constantly monitored during the year in order to guarantee timely action and to reduce the risk of losses. As confirmation of this policy, see the change in the bad debt provision for the years ended 31st December 2012 and 2011 at Note 5 above.

Trade receivables are recorded on the financial statements net of the estimated write-down based on the risk of default by third parties, calculated by considering available information on the customer's solvency as well as historical data.

The following tables show the ageing of Trade receivables with reference to 2012 and 2011:

	Situation at 31st December	
	2012	**2011**
Expired for:		
0-90 days	12,117	15,807
91-180 days	3,566	5,704
over 180 days	6,836	4,315
TOTAL	**22,519**	**25,826**

OTHER INFORMATION

RELATIONS WITH RELATED PARTIES

The following table presents details of economic ad equity relations with related parties. The specifies companies have been identified as related parties because they are directly or indirectly related to the majority shareholders of the Brunello Cucinelli Group.
For purposes of CONSOB Deliberation no. 17221 of 12th March 2010, it is attested that during 2012 the Group did not carry out with related parties any significant transactions or any transactions that significantly influenced the financial situation or annual result of the Group.

The following table presents details of the Brunello Cucinelli Group's financial and economic relations with related parties at 31st December 2012:

(In thousands of euro)	**Net revenues**	**Other operating revenues**	**Financial income**	**Costs for raw materials**	**Costs for services**	**Payroll costs**	**Other operating costs**	**Property, plant and equipment**	**Other non-current financial assets**	**Trade receivables**	**Trade payables**
MO.AR.R. S.n.c.	1	–	–	55	93	–	1	4,756	–	–	180
Giovannino Cucinelli	–	–	–	–	11	–	–	1,321	–	–	96
AS.VI.P.I.M. Group Cucinelli	–	–	–	–	630	–	–	–	–	–	–
ASD Castel Rigone	46	–	–	–	–	–	–	–	–	–	–
Parmenide S.r.l.	–	–	–	–	489	–	–	–	41	–	–
Bartolomeo S.r.l.	3	17	–	–	364	–	–	17	–	4	4
Fondazione Brunello Cucinelli	–	4	–	–	8	–	–	–	–	4	–
Società Agricola Semplice Solomeo	–	–	–	–	11	–	7	–	–	–	6
Brunello Cucinelli Family	–	–	–	–	–	173	–	–	–	–	–
Total related parties	**50**	**21**	**–**	**55**	**1,606**	**173**	**8**	**6,094**	**41**	**8**	**286**
Total consolidated financial statement	**279,321**	**2,030**	**1,958**	**44,461**	**148,956**	**42,621**	**1,579**	**41,931**	**3,162**	**47,826**	**62,718**
%	*0.02%*	*1.03%*	*0.00%*	*0.12%*	*1.08%*	*0.41%*	*0.52%*	*14.53%*	*1.29%*	*0.02%*	*0.46%*

Specifically:

– MO.AR.R. S.n.c.: business relations with MO.AR.R. S.n.c., of which Enzo Cucinelli, Cav Lav. Brunello Cucinelli's brother, holds 50% of the share capital, regard: (i) purchases of decorating materials used to set up exhibits and fairs, and (ii) investments for the furnishing of offices and new stores;
– Giovannino Cucinelli: Giovannino Cucinelli is Cav. Lav. Brunello Cucinelli's brother. The item Service costs includes expenses for the installation, maintenance and routine repair of plumbing and air conditioning systems; in the item Property, plant and equipment, costs incurred for the installation and extraordinary maintenance of the above-mentioned systems are capitalized;
– AS.VI.P.I.M. Group Cucinelli: the association conducts surveillance of all of the structures located in Solomeo and used by the Group for its business. Cav. Lav. Brunello Cucinelli and the Group are both members;
– A.S.D. Castel Rigone Associazione Sportiva Dilettantistica: relations refer only to the item Net income and refer to the sale of official uniforms to the Castel Rigone sports association;
– Parmenide S.r.l.: the Company, wholly-owned by Fedone S.r.l., leases the Group two buildings located in Corciano (PG);
– Bartolomeno S.r.l.: the Company, formed in 2011 by shareholders Fedone S.r.l. and Cav. Lav. Brunello Cucinelli, provides gardening and ordinary maintenance services to the Group;
– Fondazione Brunello Cucinelli: the item Other operating income includes rentals from the Theatre and the Accademia;
– Brunello Cucinelli Family: the item Personnel costs includes remuneration owed to the family of Brunello Cucinelli.

SIGNIFICANT EVENTS AFTER 31ST DECEMBER 2012

See the Directors Report for information on significant events after the date of these Consolidated financial statements.

COMPENSATION OF BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

At 31st December 2012, the accrued compensation paid for any reason and in any form to members of the Board of Directors by Brunello Cucinelli S.p.A. and by the companies it directly or indirectly controls totalled Euro 916,180.

At 31st December 2012, the accrued compensation paid to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. amounted to Euro 198,311.

The following table shows the compensation paid for any reason and in any form to members of the Board of Directors for the year ended 31st December 2012 by Brunello Cucinelli S.p.A. and by the companies it directly or indirectly controls:

Board of Directors

(In thousands of euro)		Year ended 31st December							
First name, Last name	Office	Term of office	Expiration of office	Compensation	Compensation for participation in committees	Non-cash benefits	Remun., bonuses and other incentives	Other compensation	Total
Brunelllo Cucinelli	Chairman and Managing Director	1.01-31.12	a)	803,600	–	–	–	-	803,600
Moreno Ciarapica	Director	1.01-31.12	a)	3,600	–	–	–	–	3,600
Riccardo Stefanelli	Director	1.01-31.12	a)	3,200	–	–	–	–	3,200
Giovanna Manfredi	Director	1.01-31.12	a)	3,600	–	–	–	–	3,600
Giuseppe Labianca	Director	14.12-31.12	a)	–	–	–	–	–	–
Enrico Vitali	Director	1.01-11.12	a)	–	–	–	–	–	–
Andrea Pontremoli	Independent Director	16.03-31.12	a)	18,745	12,500	–	–	–	31,245
Matteo Marzotto	Independent Director	16.03-31.12	a)	18,745	10,000	–	–	–	28,745
Padre Cassiano	Independent Director	16.03-31.12	a)	15,945	–	–	–	–	15,945
Candice Koo	Independent Director	16.03-31.12	a)	18,745	7,500	–	–	–	26,245

a) Approval of 2013 Financial Statements

The following table summarizes the emoluments paid to members of the Board of Statutory Auditors for the year ended 31st December 2012.

(In thousands of euro)		Esercizio chiuso at 31.12.2012			
First name, Last name	Office	Term of office	Expiration of office	Emoluments	Total
Gerardo Longobardi	Chairman	01.01-31.12	a)	81,675	81,675
Ravizza Lorenzo Lucio Livio	Standing auditor	01,01-31.12	a)	56,158	56,158
Guglielmo Castaldo	Standing auditor	01.01-31.12	a)	60,478	60,478

a) Approval of 2013 Financial Statements

STATEMENT FOR PURPOSES OF ART.149-DUODECIES OF THE RULES FOR ISSUERS

(In thousands of euro) **Type of service**	**Party providing service**	**Client**	**Total Compensation**
Audit	Auditor of Parent Company	Parent Company	328
Certification services for listing process	Auditor of Parent Company	Parent Company	730
Other services	Auditor of Parent Company	Parent Company	593
	Network of Auditor of Parent Company	Subsidiary	36
Subtotal			**1,687**
Audit	i) Network of Auditor of Parent Company	Subsidiary	20
	ii) Other Auditors	Subsidiary	174
Altri servizi	Network of Auditor of Parent Company	Subsidiary	9
Subtotal			**203**
Total			**1,890**

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

For purposes of CONSOB Communication no. DEM/6064293 of 28th July 2006, it is confirmed that the Group conducted no atypical and/or unusual operations, as defined in said Communication.

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

CERTIFICATION PURSUANT TO ART. 154 BIS OF ITALIAN DECREE LAW NO. 58 OF 24 FEBRUARY 1998 (CFA) AND TO ART. 81–TER OF CONSOB RULE NO. 11971 OF 14 MAY 1999 AS MODIFIED AND SUPPLEMENTED

1. The undersigned Cav. Lav. Brunello Cucinelli, in his capacity as Chairman and Managing Director, and Moreno Ciarapica, in his capacity as Manager in charge of preparing the corporate accounting documents of Brunello Cucinelli S.p.A., hereby certify, with awareness of the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Decree Law no. 58 of 24th February 1998,
• adequacy in relation to the Company structure and
• effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during the period 1st January 2012 – 31st December 2012.
2. No significant aspects were revealed by application of administrative and accounting procedures for the preparation of the year's consolidated financial statements at 31st December 2012.
3. The undersigned also certify that:
3.1 the consolidated financial statements:
a) were prepared in conformity to the applicable international accounting standards adopted by the European Union for purposes of European Regulation (CE) no. 1606/2002 of the European Parliament and European Council of 19th July 2002;
b) correspond to the Company's accounting books and entries;
c) are a true and correct presentation of the economic and financial standing of the issuer and of the group of companies in the consolidation scope.
3.2 The Directors Report provides a reliable analysis of performance trends and results, as well as of the situation of the issuer and of the group of companies in the consolidation scope, as well as a description of the risks and uncertainties to which they are exposed.

12th March 2013

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors
and Managing Director

Moreno Ciarapica
Manager in charge of preparing
the corporate accounting documents

REPORT OF THE EXTERNAL AUDITORS

ERNST & YOUNG

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

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

1. We have audited the consolidated financial statements of Brunello Cucinelli S.p.A. and its subsidiaries, (the "Brunello Cucinelli Group") as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Brunello Cucinelli S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 27 February 2012.

3. In our opinion, the consolidated financial statements of the Brunello Cucinelli Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Brunello Cucinelli Group for the year then ended.

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

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recommended by CONSOB. In our opinion, the Board of Directors Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance and Ownership Structure , are consistent with the consolidated financial statements of the Brunello Cucinelli Group at 31 December 2012.

Perugia, 27 March 2013

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

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