BRUNELLO CUCINELLI

ANNUAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2013

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Over the past two years our listing on the Stock Exchange has enabled us to make progress together through the establishment of a sincere and mutual trust which I am hoping we can take to an even deeper level in the coming years.

As 2012, the past year was also very positive. We achieved excellent results in terms of sales and operating profit which we want to share with you by distributing a healthy dividend, and we continued to reform the bases for that growth project that we still have in mind and which we would like to be gracious, progressive and sustainable. We began several projects during the year, with results which allow us to concentrate our thoughts on consistent and serene growth. We invited young people to come here to Solomeo to learn craftsmanship and therefore to pick up again the traditions that have always enabled Italy to excel in the world; the School of Craftsmanship has begun giving courses in the hamlet on a variety of subjects (with the contribution of the Brunello Cucinelli Foundation for those not relating to the Company): Mending and Linking, Textile Arts, but also Masonry and Horticulture and Gardening, important for our business and our local area and above all for giving the work of a craftsman its due dignity. A dignity which has unfortunately been lost to a large extent but which still remains the foundation on which we have built our company and the beauty of our country. We are hoping and planning to initiate new courses and thereby extend the School over future seasons by inviting new young people to complete the path in which we believe.

We are currently working on the new 2015 spring/summer collections which we will be presenting at the beginning of the summer. Work has begun at the new complex, which extends and reshapes the whole of the business structure and which will be completed over the next few months as far as its main body is concerned. The renewed business hub, immersed in the green countryside on the outskirts of the ancient hamlet of Solomeo, enables us to plan that sustainable and proper growth which for us is a synonym of serene and scrupulous productivity.

We have recently acquired the production business of the historical menswear business d'Avenza, headquartered in Carrara.

This integration will allow us to share its important tradition and savoir faire, confirming our desire to continue in the tracks of an elegance having an essentially and traditionally Italian character. Since 1940, d'Avenza has been celebrating the elegance of men such as Winston Churchill, Marcello Mastroianni and Marlon Brando.

The project to expand the presence of the brand on international markets is taking shape as each season passes, staying faithful to our commitment to maintain the exclusivity of our distribution channels under the protection of a single brand linked to a taste and a style all of its own, and therefore a lean and rapid organization spread throughout the country. The world appreciates Italy and is fascinated by the country, and we are proud to represent it through the products we have to offer which are the result of a careful attention and deep passion which run through the whole process from the selection of raw materials to tailoring.

We continue to look confidently towards the future of Italy: in an era when change and progress have become important necessities, we will be capable of winning back those unique values - at times simple and traditional but always essentially inimitable - which have built up our country's image throughout the world, and will therefore be able to renew their effectiveness under the banner of creativity, rapidity and geniality - qualities which at all times represent the real Italian spirit.

At what is a delicate time, we would like to act as ambassadors throughout the world of that idea of work in which I have always wholeheartedly believed: dignified, attentive to values, responsible, creative and genial. Solomeo's "thinking souls" are growing, in both number and experience, accumulating awareness and knowledge; my gratitude goes first and foremost to the people who work alongside me in building this special world day by day. I am also grateful to the national and international press, which through their courtesy and interest are helping us to express our reality and speak to the world about our humanistic business.

A special thanks goes from all of us to you, our shareholders, who in these first two years have been the source of important discussions, checks and debate and who are supporting the plan to safeguard our values and our reality.

Solomeo, 10th March 2014

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

COMPANY INFORMATION

Registered office of the Holding Company

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

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

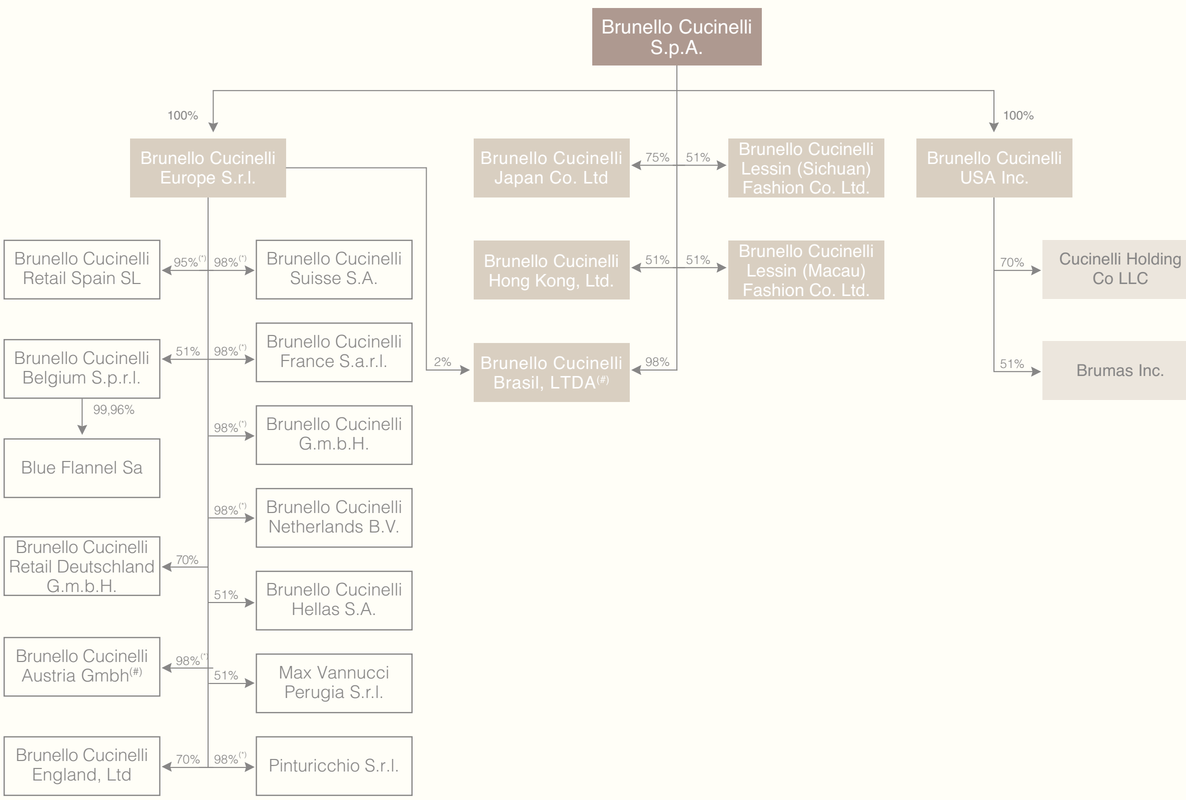
Official website http://investor.brunellocucinelli.com/eng/

CORPORATE GOVERNANCE BODIES AT 31ST DECEMBER 2013

Board of Directors	Brunello Cucinelli (1)	Chairman and CEO
	Riccardo Stefanelli (1)	Executive Director
	Moreno Ciarapica (1)	Executive Director
	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)	Alternate auditor
	Eros Faina (4)	Alternate 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 2013



(*) The remaining percentage is held by Brunello Cucinelli S.p.A.
(#) At 31st December 2013 and as of this writing the company has already been incorporated; the relevant store will become operational at a later date.

GROUP STRUCTURE AT 31ST DECEMBER 2013

Company name	Registered office
Brunello Cucinelli S.p.A.	Corciano, frazione Solomeo (PG) – Italia
Brunello Cucinelli USA, Inc.	New York – USA
Cucinelli Holding Co, LLC	New York – USA
Brunello Cucinelli Europe S.r.l.	Corciano, frazione Solomeo (PG) – Italia
Brumas Inc.	New York – USA
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 Belgium Sprl	Brussels – Belgium
Blue Flannel SA	Brussels – Belgium
Max Vannucci S.r.l.	Perugia – Italy
Brunello Cucinelli Japan Co. Ltd	Tokyo – Japan
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland
Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.	Chengdu – China
Brunello Cucinelli Hellas S.A.	Athens – Greece
Brunello Cucinelli Austria GmbH (#)	Vienna – Austria
Brunello Cucinelli England Ltd	London – United Kingdom
Brunello Cucinelli Hong Kong Ltd	Hong Kong
Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd	Macao
Pinturicchio S.r.l.	Carrara – Italy
Brunello Cucinelli Brasil LTDA (#)	Sao Paulo – Brazil

(#) The company was already formed at 31st December 2013; the relevant 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.

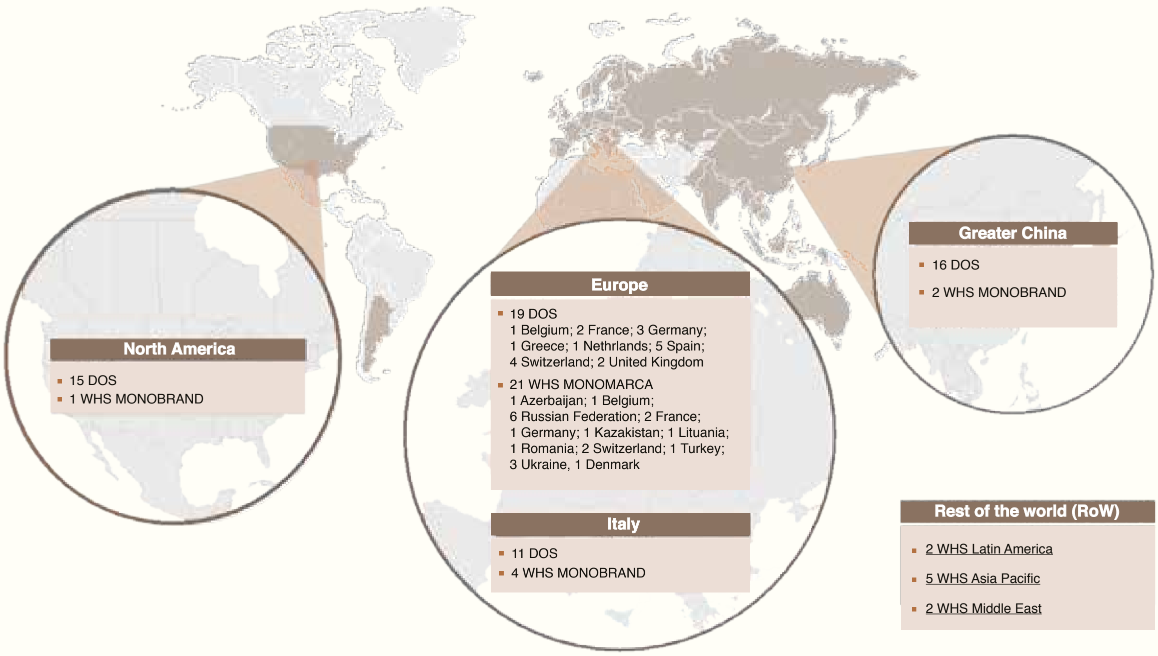
We summarize below the Brunello Cucinelli Group's monobrand store network at 31st December 2013 and 2012:

Distribution channel	31st December 2013	31st December 2012
RETAIL	61	46
MONOBRAND WHOLESALE	37	35

The following table breaks down the store network at 31st December 2013 by geographical area:

	Italy	Europe	North America	Greater China	Rest of the world (Row)	Total
DOS	11	19	15	16	-	61
MONOBRAND WHOLESALE	4	21	1	2	9	37
TOTAL	**15**	**40**	**16**	**18**	**9**	**98**

The following chart sets out the DOS and monobrand wholesale points at 31st December 2013 and their locations:



BOARD OF DIRECTORS' REPORT

I have built my entrepreneurial career and my life as a man around Human Quality. I believe in it now more than ever and, now more than ever, I think that there may be a shining future for humankind. It is up to us to imagine and conquer this future. Socrates, in his extraordinary wisdom, knew that action stems from knowledge. Knowledge to conquer tomorrow's beauty and to preserve it. Knowledge obtained through the experience and the words of the wise.

Solomeo's School was created with this in mind. It is the brainchild of the neo-humanistic ideal that has been nourishing my dream for years: doing our best so that our children – who are often discouraged, and rightly so – can see the world as something that still needs to be discovered, with a world of things that they do not know yet. The reason for their future is in their fathers' traditions. Keeping alive or, where necessary, reviving traditional values, making them current and handing them down for the future that they will be able to build with their own hands and souls.

In many years I have known many people who were knowledgeable but did not have a beautiful soul. They were useless people, fruitless trees. That is what the Solomeo School will be all about: learning with the reason and the heart to be active and fruitful. In corde intellego – in the heart I understand – might be its motto.
On one side the teaching of manual trades, such as the art of weaving, land tilling and gardening, carpentry, or the art of metalworking by those who know because they work and love; on the other, the nourishment of the soul and knowledge of humanistic values: art, most of all, as the aesthetic depiction of reality and spiritual foundation of all knowledge.
This was the idea conceived in the XIX century, when the industrial revolution was in full swing, by that great visionary of John Ruskin.

If there is an example in history that can best show the philosophical identity of this school – even though it is not its model – is the Arts and Crafts movements founded by William Morris, together with John Ruskin, who set out to wage war on the anonymity brought by industry in the Victorian age and to restore man to his natural condition as a creative artist.

That movement, which was led by brave men against the industrial culture of the age, called for a return to craftsmanship and manual work and for the recognition, again, of artisans as artists; Morris's intention was to encourage the rebirth of craftsmanship in its most traditional forms.

William Morris's Arts and Crafts movement was something more th5an a local experience; it was an actual philosophy that, over time, inspired the creation of a large number of arts and crafts schools, which brought to art's attention the rejuvenation of crafts in relation to modern manual production and laid the groundwork of modern design.

From this point of view, William Morris's experience was part of a legacy that went way back in time, with such illustrious precedents as that of Lorenzo de' Medici, the Magnificent, who in his garden in San Marco, Florence – a garden that he had graced with hundreds of classical and modern artistic works, changing it to a museum *and a place of extraordinary beauty, nature and culture – hosted and supported talented young men, to expose them to art and to prompt them to pursue their natural talent through the power of example and learning. One of these young men was none other than Michelangelo, who created right here, in San Marco, his first masterpieces.*

Times have changed and history does not repeat itself; however, ideals live on and the Solomeo School is intended not only to deliver immediate results but also to contribute to bring man's spirit to its natural condition because, in John Ruskin's words, "As the art of life is learned, it will be found at last that all lovely things are also necessary".

And as they are necessary, they are true.

Brunello Cucinelli

We do not learn for the school, but for life

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 chic prèt-à-porter products that satisfy the tastes of young and less-young customers while retaining value over time. Merging old and new, business goals and human needs: the secret of a company whose innovative capacity is a case study illustrated at prestigious universities.

PRODUCT

***Identity and innovation**. are the principles that guide the company in the creation of its collections.*
Brunello Cucinelli's 2014 spring-summer and 2014-2015 fall-winter collections show are the expression of natural luxury, in keeping with the values of the brand, though always open to contemporaneity and the quest for new techniques.
Craftsmanship is enhanced by technological innovation, in a mix of modern techniques and traditional luxury. Technology comes into play and sets a new pace to more traditional artisanal techniques: "aristocratic" fabrics and precious materials are treated with high-tech actions to give life to new collection themes.
Constantly searching for an aesthetic balance between naturality and distinction, Brunello Cucinelli's new collections are intended for a self-aware and sophisticated target with a more urban and metropolitan offering that includes also soft colours, precious fibres and material, striking a balance between luxury and minimalism.
A tailor-made approach and artisanal touches mix with the "active" world, turning into "soft luxury" for daytime and something more important for the night.
The two lines, men and women, move in lockstep by expanding the formal offering, with an important selection of men's clothes and a broad range of evening dresses in the women's collection to be worn also at important night events.

VISUAL MERCHANDISING

In keeping with changes in taste and the trends of the new collections, visual merchandising synthesizes the brand's philosophy and traditions and the product's contemporariness.
The new displays and presentations, in line with the more minimalist and sophisticated spirit of recent collections, reflect the values of the brand in a contemporary light.

A young and constantly growing team – which is structured by geographical area to ensure a consistent yet customized expression, suited to local cultures and to the values of consumers worldwide – interacts not only with the DOSs but with the multibrand universe as well.

The organization is responsible for:

– 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.

COMMUNICATION

One of the "youngest" companies to operate at the very high-end of the luxury market, Solomeo's humanist company has made its philosophy and its particular organizational form an emblem and is recognized by scholars and journalists as one of the most advanced companies, on the leading edge of "humanist capitalism". The great universal values of ethics, dignity and morality combine with quality, craftsmanship and a quest for contemporariness of the product.
In this universe full of meanings, the purpose was never the design of complex marketing strategies or comprehensive promotion plans but to "tell a story" and "convey" with simplicity the legacy of the past and plans for the future.
A long-standing philosophical and cultural identity guides the choices of every single communication action, always true to the brand's identity, in a constant balance between tradition and innovation.

DISTRIBUTION

The brand is now present in over 60 countries thanks to a solid wholesale multibrand network and to expanding distribution by means of a retail and wholesale monobrand channel.

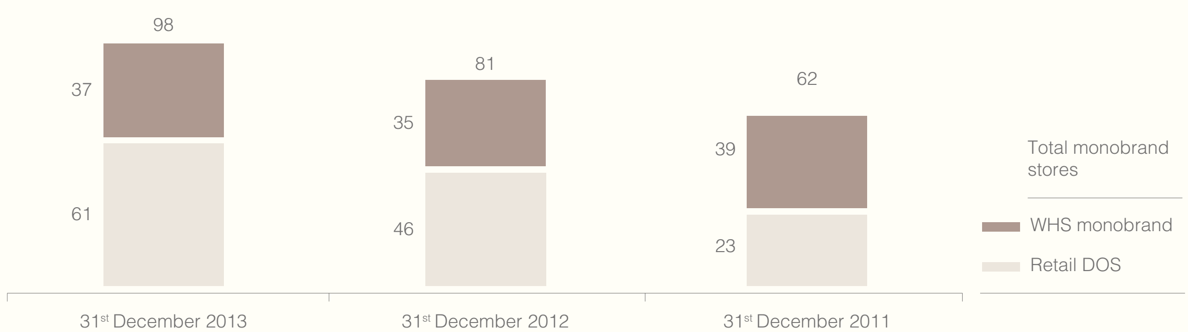
– The retail channel includes monobrand stores, hereinafter called DOS (Directly Operated Store), including e-commerce;
– The wholesale monobrand channel refers to monobrand boutiques which for strategic reasons are managed by means of well-established business relations with local partners;
– The wholesale multibrand channel includes 700 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.

In keeping with the gentle and sustainable growth policy for the brand, distribution plans are mindful of the rarity and exclusiveness principles that are typical of the luxury sector. To this end, the Company has a policy of selected openings in the most exclusive luxury addresses in the main cities of the world and in resort locations, pursuing a strategy of low-key market expansion and firming up and enlargement of existing monobrand and multibrand retail locations.

Expansion
The geographical reach has expanded including today also Mexico (Mexico City) and Latin America (Sao Paulo, Lima), without altering the Company's selective market penetration policy.

Firming up
The Company's is firming up in strategic areas through the creation of joint ventures that guarantee local expertise and ideas suited to local cultures and traditions, quality and consistency of service.

Enlargements
The brand is expanding its footprint in its markets through a policy of enlargement and refurbishing of the exiting retailers, both monobrand and multibrand, to make room for and give visibility to new themes, including the project of the "formal" line for men.



PRODUCTION

One of the defining characteristics of Brunello Cucinelli products is the high level of craftsmanship inherent in the process, made possible thanks to the constant in-house programs of intellectual and manual training conducted by the Company.
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.
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 – both financial and moral – we fully acknowledge and whose operations are efficiently scheduled thanks to a constant flow of information, is a guarantee for the future
Today, following the acquisition of D'Avenza Fashion S.p.A., the Group has further expanded its manufacturing capabilities, by employing workers specialized in tailor-made men's suits.

THE SOLOMEO SCHOOL

Talking about ancient crafts today does not just mean to try to revive a craftsmanship tradition that risks being lost forever but also to achieve a concrete and contemporary synthesis of the secular ingenuity and work of the people and culture that made the "Made in Italy" and Italian lifestyle famous all over the world.
It is a virtuous process that intends to regenerate and rejuvenate itself also through the creation of the Crafts School: a theoretical and practical teaching activity which will enrich the **constant in-house training process**, where over 60 apprentices sit every day at their workbench next to the most qualified workers in Solomeo.
The Solomeo School is intended to be a place where "pupils" and "teachers" meet, providing methods and tools to bring back to life ancient techniques, laying bridges between past and present to shape the cultural identity on which the community, local and otherwise, can make concrete plans for the future.

SUMMARY DATA AT 31ST DECEMBER 2013

The following tables provide (i) a condensed consolidated income statement at 31st December 2013 compared with the previous year, (ii) a statement of financial position reclassified by sources and uses at 31st December 2012 compared with 31st December 2012, as well as (iii) data on capex and cash flow from operating activities for 2013 compared with the same figures for 2012.

Condensed consolidated income statement

(In thousands of euro)	Year ended 31st December				Change	
	2013	**% of revenues**	**2012 (restated*)**	**% of revenues**	**2013 vs. 2012**	**2013 vs. 2012 %**
Revenues	324,570	100.0%	281,351	100.0%	43,219	+15.4%
EBITDA (1)	58,181	17.9%	49,110(2)	17.5%	9,071	+18.5%
Operating income	46,956	14.5%	41,985(2)	14.9%	4,971	+11.8%
Net profit for the period	29,575	9.1%	26,670(2)	9.5%	2,905	+10.9%

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The main change in the amount for the year ended 31st December 2012 was an increase in net profit for € 146 thousand; the other amounts in the table did not show any change.

(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 a non-IFRS measure and accordingly should not be considered as an alternative measure of the Group's operating income. Since EBITDA is a non-IFRS measure, 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) As of 31st December 2012, EBITDA, operating profit and 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 for € 6,241 thousand.

Statement of financial position reclassified by sources and uses:

(In thousands of euro)	Situation at		Change	
	31st December 2013	31st December 2012 (restated*)	2013 vs. 2012	2013 vs. 2012 %
Net working capital	71,074	57,264	13,810	+24.1%
Non-current assets	89,158	61,641	27,517	+44.6%
Other non-current assets (liabilities)	1,083	1,563	(480)	-30.7%
Net Invested Capital	**161,315**	**120,468**	**40,847**	**+33.9%**
Net debt (3)	16,101	851	15,250	> +100.0%
Shareholders' equity	145,214	119,617	25,597	+21.4%
Sources of financing	**161,315**	**120,468**	**40,847**	**+33.9%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The main change in the amounts for the year ended 31st December 2012 was an increase in net profit for € 146 thousand and a decrease in reserves for the same amount; the other amounts in the table did not show any change.

(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 summary data:

(In thousands of euro)	Situation at		Change	
	31st December 2013	31st December 2012 (restated*)	2013 vs. 2012	2013 vs. 2012 %
Capex (4)	40,203	27,279	12,924	+47.4%
Cash flow from operating activities	23,554	17,005	6,549	+38.5%

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

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

THE GROUP'S RESULTS

In 2013 Revenues amounted to € 324,570 thousand, with a 15.4% increase on the previous year. This benefited from the sale of the trademarks "SOLOMEI", "SOLOMEO" and the "coat of arms to the controlling company Fedone S.r.l. (which is in turn controlled by Brunello Cucinelli, Knight of Labour), which resulted in a gain of € 830 thousand recognized as "Other revenues". It is also worthy of note that the income statement for 2012 had been positively affected by the € 1,014 thousand gain on disposal of the rental agreement for the store in Milan, Via della Spiga, 15.

Net revenues for the year ended 31st December 2013 rose by 15.5%, to € 322,480 thousand, from € 279,321 for 2012.

EBITDA for the year under review settled at € 58,181 thousand, representing 17.9% of Revenues and an 18.5% increase on the normalized figure for the previous year. Including the I.P.O. cost incurred in 2012, the percentage increase was 35.7%.

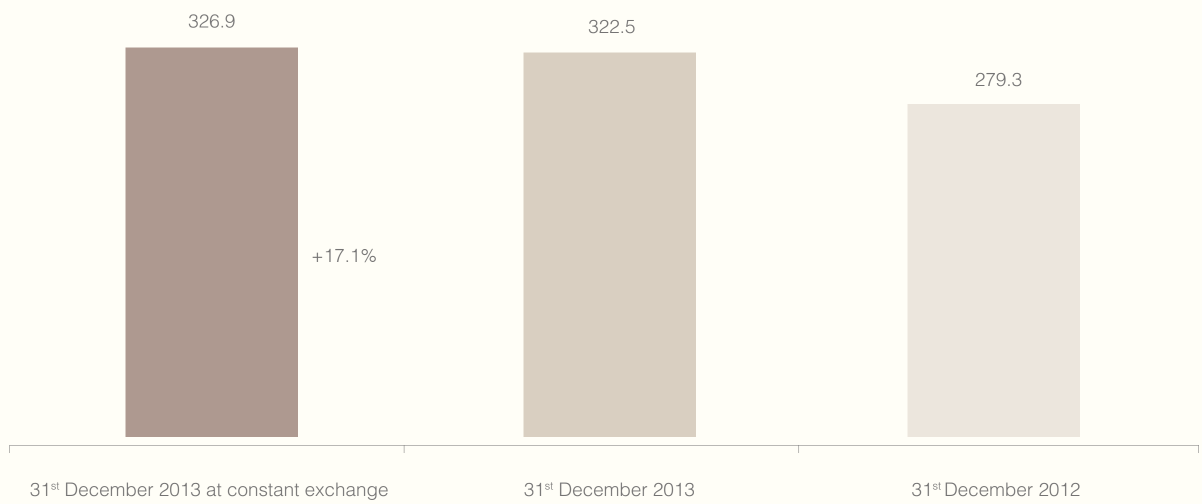
Net profit for the year ended 31st December 2013 amounted to € 29,575, accounting for 9.1% of Revenues and representing a 10.9% increase in the normalized figure for 2012. Considering the effects of non-recurring charges in the previous year, net profit rose by 32.1%.

SEASONALITY OF SALES

Even though it does not show any profound seasonal or cyclical differences in its annual sales, the Group is affected, during the various quarters, by the inconsistency in revenues and costs due mainly to its operations.
In addition, The luxury market on which the Group operates is subject, at the sales channel level, to seasonal effects 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, even though for the latter a significant amount of goods is delivered as early as the second quarter, as required by part of the international clientele.
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 interim results may not uniformly contribute to the formation of the operating performance and cash flows of each year.

ANALYSIS OF REVENUES

The Group's net revenues for 2013 totalled € 322,480, reflecting a 15.5% increase on 2012. The year under review had solid double-digit growth in revenues. At constant exchange rates, that is using the average rates used for 2012, revenues would have amounted to € 326,948 thousand, +17.1%.



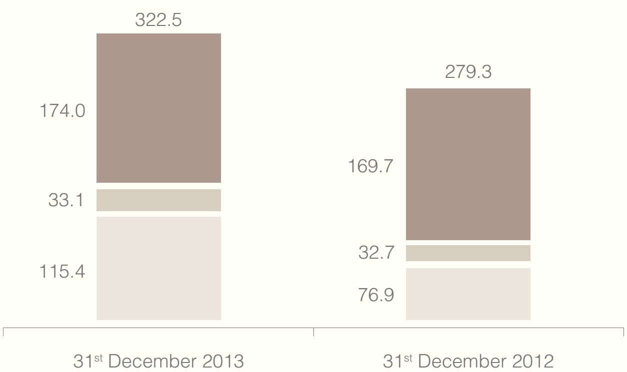
Overall, Net revenues rose by € 43,159 thousand, at constant exchange rates (up 15.5%).
All distribution channels delivered positive performance, particularly Retail, which reflected the organic growth of the existing retail stores and the opening of new directly-operated stores (DOS) in all geographical areas, with 9 new openings and 6 changes from the Monobrand Wholesale channel.

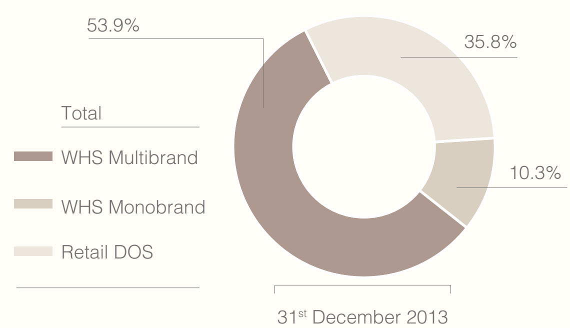
REVENUES BY DISTRIBUTION CHANNEL

The year under review saw significant overall growth rates, thanks mainly to the retail channel. The table below shows the Group's net revenues for 2013 and 2012 by distribution channel.

(In thousands of euro)	Year ended 31st December				Change	
	2013	**%**	**2012 (restated*)**	**%**	**2013 vs. 2012**	**2013 vs. 2012 %**
Retail	115,440	35.8%	76,949	27.5%	38,491	+50.0%
Wholesale Monobrand	33,080	10.3%	32,682	11.7%	398	+1.2%
Wholesale Multibrand	173,960	53.9%	169,690	60.8%	4,270	+2.5%
Total	**322,480**	**100.0%**	**279,321**	**100.0%**	**43,159**	**+15.5%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.





RETAIL

Net revenues generated by the retail channel amounted to € 115,440 thousand, posting an increase of € 38,491 thousand, or 50%, on the previous year.
Exiting stores provided a positive contribution; this significant growth benefited also from the selected 9 openings over the 12-month period and the conversion of 6 monobrand wholesale stores to retail stores.
Directly-operated stores went from forty-six at 31st December 2012 to sixty-one at 31st December 2013, with an increase of 15 retail stores.
As of 31st December 2013, the retail channel accounted for 35.8% of the Group's net revenues, up 27.5% on the comparable amount of 31st December 2012.

Like-for-like (comparable store sales), calculated as the growth in revenues at constant exchange rates achieved in the DOS existing at 1st January 2012, was 7.3% (1st January to 31st December 2013).
Comparable store sales for the current year, still at constant exchange rates, related to the DOS existing at 1st January 2012, were up 6.1% in the early weeks of 2014 (1st January 2014 – 28th February 2014).

MONOBRAND WHOLESALE

The monobrand wholesale channel generated revenues of € 33,080 thousand (up € 398 thousand on the previous year), reflecting a 1.2% increase.
Revenues from sales generated by the monobrand wholesale channel represented 10.3% of net revenues, down from 11.7% in 2012, without any increase of the total number of sales locations, in keeping with the exclusive distribution strategy that has long been the Group's hallmark. In percentage terms, the channel accounted for 60.8% as of 31st December 2012 and 53.9% as of 31st December 2013.
These results were affected by the 6 conversions to the monobrand retail network. Without the 14 conversions completed in the past 24 months, net revenues for the year would have been 25% higher than in 2012.
The number of stores went from thirty-five at 31st December 2012 to 37 at 31st December 2013. In 2013, the number of monobrand wholesale stores rose by 2 units, compared to 31st December 2012, due to the combined effect of the shift of 6 locations to the retail channel and the opening of 8 new monobrand wholesale stores.

WHOLESALE MULTIBRAND

Net revenues generated through the multibrand channel amounted to € 173,960 thousand (up € 4,270 thousand compared to 31st December 2012, reflecting a 2.5% increase). Consequently, the channel went from 60.8% of the total at 31st December 2012 to 53.9% at 31st December 2013. The performance of the multibrand channel is further evidence to the attractiveness of the most important luxury department stores, as well as the importance of multibrand boutiques, in the main cities and resort locations, both in traditional and emerging markets.

REVENUES BY GEOGRAPHICAL AREA

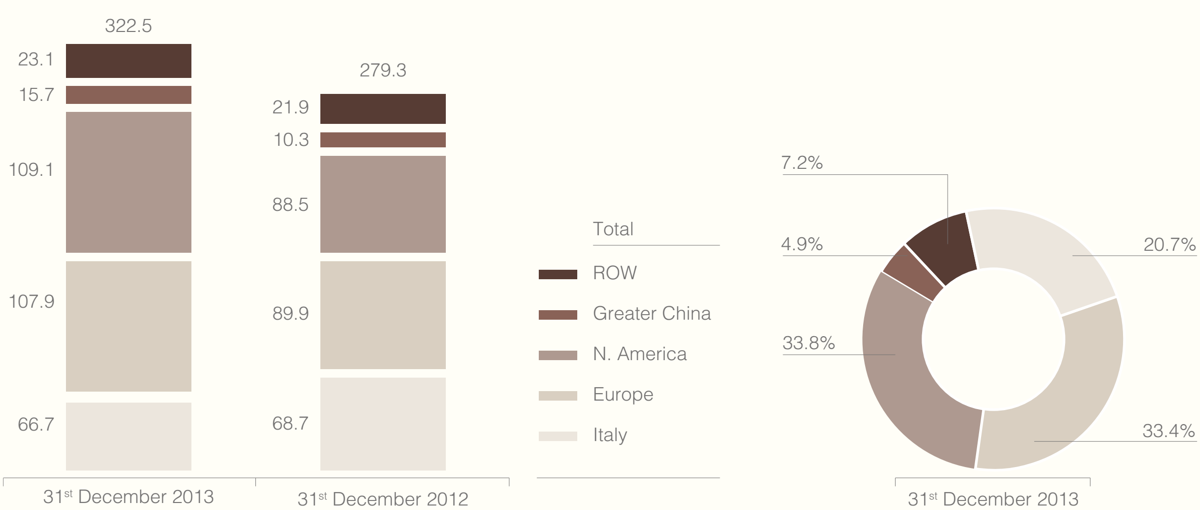
In 2013, in the face of a 2.9% decline of the domestic market, the Brunello Cucinelli Group continued to grow, mainly in international markets. The table below breaks down revenues by geographical area for 2013 and 2012

REVENUES BY GEOGRAPHICAL AREA

In 2013, in the face of a 2.9% decline of the domestic market, the Brunello Cucinelli Group continued to grow, mainly in international markets. The table below breaks down revenues by geographical area for 2013 and 2012.

(In thousands of euro)	Year ended 31st December				Change	
	2013	**%**	**2012 (restated*)**	**%**	**2013 vs. 2012**	**2013 vs. 2012 %**
Italy	66,664	20.7%	68,662	24.6%	(1,998)	-2.9%
Europe	107,897	33.4%	89,924	32.2%	17,973	+20.0%
North America	109,068	33.8%	88,554	31.7%	20,514	+23.2%
Greater China	15,728	4.9%	10,315	3.7%	5,413	+52.5%
Rest of the World (RoW)	23,123	7.2%	21,866	7.8%	1,257	+5.7%
Total	**322,480**	**100.0%**	**279,321**	**100.0%**	**43,159**	**+15.5%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.



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

Italy

Net revenues from "Italy" amounted to € 66,664 thousand, compared to € 68,662 in 2012, representing 20.7% of total revenues (24.6% in the previous year).

Sales to foreign tourists drove the performance of the retail and wholesale monobrand network, with positive results in the wholesale multibrand channel in prime Italian cities and exclusive resort locations. This continues to be a key channel in defining the appeal of the collections at the international level and in judging the product. At 31st December 2013 there were 15 monobrand stores.

Europe

Net revenues from "Europe" rose by 20% (from € 89,924 thousand to € 107,897 thousand), accounting for 33.4% of total revenues (32.2% in the previous year), with an increase of € 17,973 thousand in absolute terms.
In 2013, the program to open selected monobrand stores continued (6 boutiques), with increases in comparable store sales. At 31st December 2013, the Company had a total of 19 directly-operated boutiques and 21 wholesale monobrand stores.

North America

Net revenues from "North America" rose by 23.2% on the previous year, representing 33.8% of total revenues (31.7% in the previous year), going from € 88,554 thousand to € 109,068 thousand, reflecting an increase in absolute terms of € 20,514 thousand.
The increase in sales was driven by the existing network, the opening of new spaces and the important sell-out results achieved. The exclusive presence, within prestigious "hard shops", in the most important luxury department store, and in boutiques in the most exclusive luxury shopping avenues are a key factor of the double-digit growth achieved by the wholesale multibrand channels and the monobrand channel. At 31st December 2013, the monobrand network consisted of 16 boutiques.

Greater China

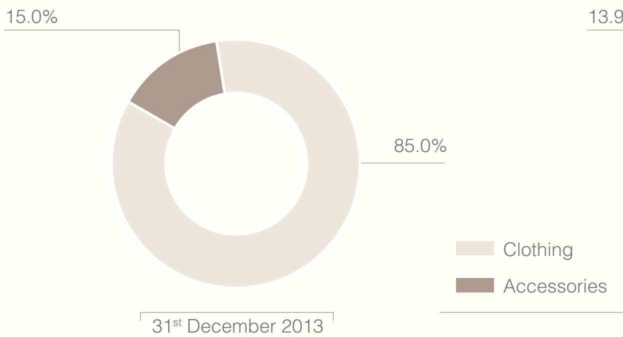
Net revenues from "Greater China" rose by € 5,413 thousand (up 52.5%), from € 10,315 thousand to € 15,728 thousand, representing 4.9% of revenues (3.7% in the previous year).
The increase in sales, which exceeded 50%, was driven mainly by the conversion of stores of the wholesale monobrand network to directly-operated stores (4 conversions in 2013, in addition to the six completed in October 2012), the positive impact of the 4 net openings during the year and sales of the existing network. At 31st December 2013, the distribution network in greater China included 18 boutiques, consisting of 16 directly-operated stores and 2 wholesale monobrand boutiques.

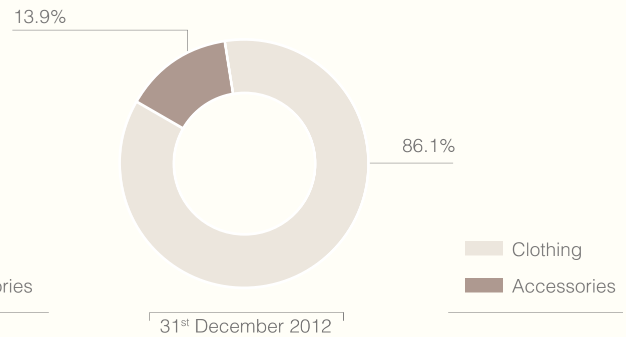
Rest of the World

In 2013, net revenues from the "Rest of the World" increased by 5.7% on the previous year, from € 21,866 thousand to € 23,123 thousand, accounting for 7.2% of the total (7.8% in 2012). At financial year-end 2013, there were 9 monobrand retail stores.

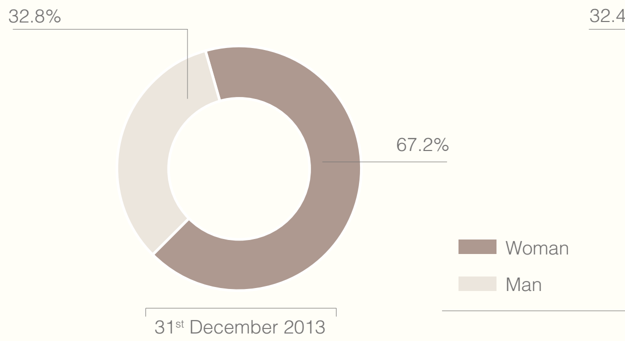
REVENUES BY PRODUCT AND BY TYPE OF FINAL CUSTOMER

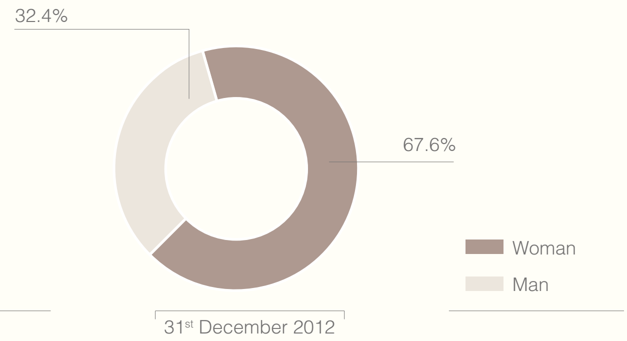
The following charts present revenues at 31st December 2013 by product line, compared to the previous year:





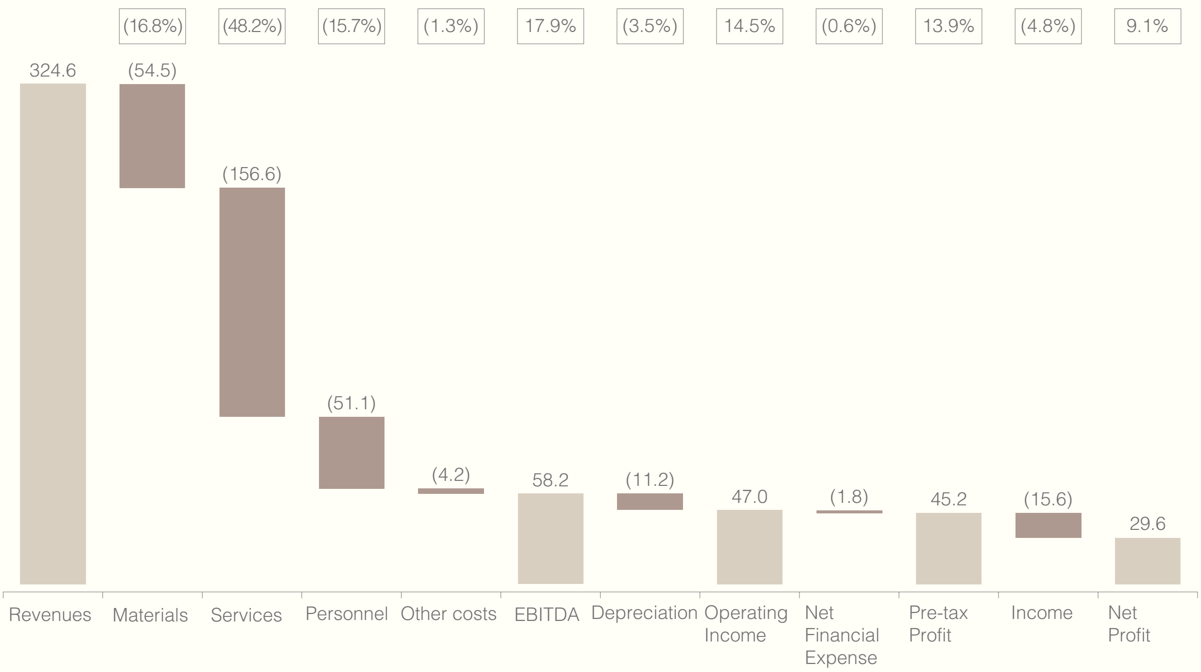
The following charts present revenues of the Brunello Cucinelli Group at 31st December 2013 by product line, compared to the previous year:





ANALYSIS OF INCOME STATEMENT

The chart presents in a graphic format operating data for the year ended 31st December 2013:



OPERATING RESULTS

The table below illustrates the operating result and EBITDA components:

(In thousands of euro)	Year ended 31st December				Change	
	2013	**% of revenues**	**2012 (restated*)**	**% of revenues**	**2013 vs. 2012**	**2013 vs. 2012 %**
Operating income	**46,956**	**14.5%**	**35,744**	**12.7%**	**11,212**	**+31.4%**
+ Depreciation and amortization	11,225	3.5%	7,125	2.5%	4,100	+57.5%
EBITDA (1)	**58,181**	**17.9%**	**42,869**	**15.2%**	**15,312**	**+35.7%**
+ Non-recurring charges	-	0.0%	6,241	2.2%	(6,241)	-100.0%
Normalized EBITDA (2)	**58,181**	**17.9%**	**49,110**	**17.5%**	**9,071**	**+18.5%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

(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 a non-IFRS measure and accordingly should not be considered as an alternative measure of the Group's operating income. Since EBITDA is a non-IFRS measure, the means of calculating this figure used by us might not be consistent with that used by others and might therefore not be comparable.

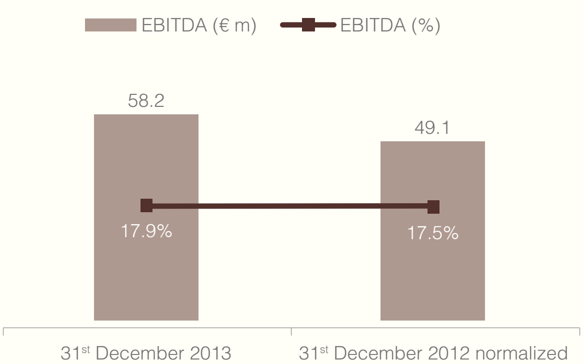
(2) As of 31st December 2012, normalized EBITDA, operating profit and net profit for the normalized period represent the results for year ended 31st December 2012 excluding the effect of the non-recurring expenses incurred as part of the listing process.

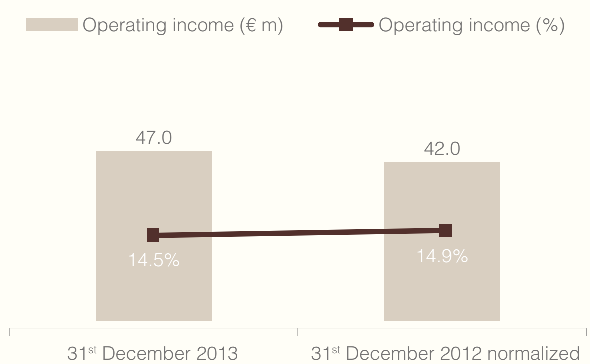
In application of CONSOB Deliberation no. 15519 of 27th July 2006, revenue components deriving from nonrecurring events or transactions are (when significant) noted separately in the management comments and in the financial report.

EBITDA rose from € 42,869 thousand, accounting for 15.2% of revenues for 2012, to € 58,181 thousand, or 17.9% of revenues, for the year under review. As indicated in the table, 2012 was affected by non-recurring expenses incurred in connection with the listing process on the Milan Stock Exchange, which was completed on 27th April 2012. A comparison between the 2013 EBITDA and the normalized EBITDA for 2012 reveals an increase of € 9,071 thousand, or 18.5%.

Operating income, which was also affected by the above events, went from € 35,744 thousand, representing 12.7% of revenues for 2012, to € 46,956 thousand, or 14.5% of revenues for 2013. Net of the effects of non-recurring expenses, operating income for 2013 rose by € 4,971 thousand, or 11.8%. Attention is called to the impact of depreciation, following the capital expenditure incurred, accounting for 3.5% of Revenues from sales and services for 2013 (2.5% in 2012).

The chart below shows the changes in EBITDA and Operating income between 2012 and 2013 (amounts adjusted for consistency):





As indicated above, EBITDA rose both in absolute and in percentage terms. The key factor that drove performance in 2013 were retail sales (which have higher margins than the wholesale channel) which accounted for a greater share of Net revenues due to (i) the organic growth of existing stores; (ii) the conversion of 6 wholesale monobrand store in DOS; and (iii) the opening of 9 DOS in 2013.

For a clearer understanding of production costs, we set out below a combined analysis of the costs for raw materials and consumables and outsourced manufacturing costs for 2013 and 2012, indicating their value as a percentage of revenues.

(In thousands of euro)	Year ended 31st December				Change	
	2013	**% of revenues**	**2012 (restated*)**	**% of revenues**	**2013 vs. 2012**	**2013 vs. 2012 %**
Costs for raw materials and consumables	68,656	21.2%	60,163	21.4%	8,493	+14.1%
Change in inventories	(14,171)	-4.4%	(15,702)	-5.6%	1,531	-9.8%
Outsourced manufacturing costs	75,747	23.3%	74,360	26.4%	1,387	+1.9%
Total	**130,232**	**40.1%**	**118,821**	**42.2%**	**11,411**	**+9.6%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

In the year under review, these combined items fell as a share of revenues, going from 42.2% in 2012 to 40.1%. This decrease in percentage terms was due to, in essence, to the greater amount of revenues generated by the retail distribution channel as a share of Net revenues for the year (35.8% in 2013 versus 27.5% in 2012).

The other main items making up operating costs include:

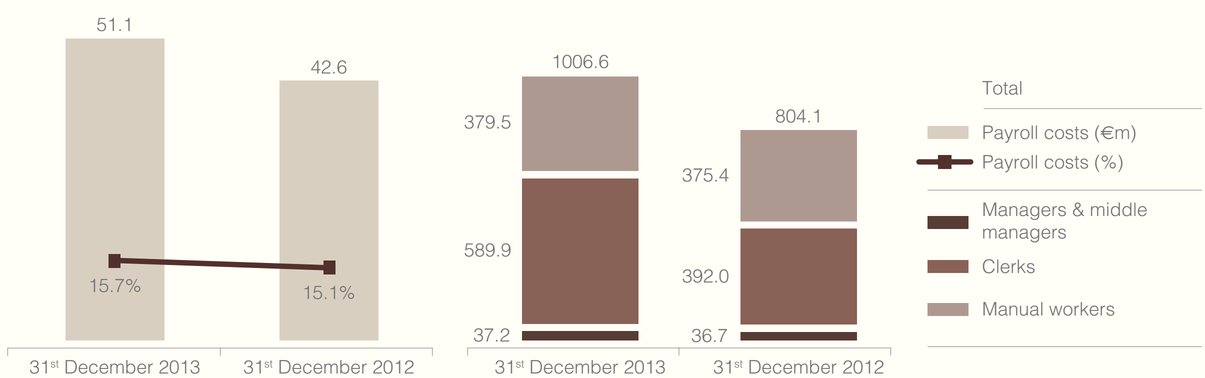
- Commissions and accessory costs, related to the compensation paid to the agent network, which fell by 0.9% as a share of revenues from the preceding year (3.6% in 2013, 4.5% in 2012), due to the diminished incidence of the wholesale channel;
- Advertising and other commercial costs, which rose in absolute terms by € 2,424 thousand (up 15.8%) but was stable as a percentage of Revenues (5.5% both in 2013 and 2012). These are costs incurred for 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.
- Transport and duties, which remained largely stable as a share of revenues, compared to the previous year;
- Rental expenses as a share of revenues rose from 4.6% in 2012 to 6.3% in the year under review, due to the 15 new directly-operated stores (9 new openings and 6 conversions from wholesale monobrand);
- Commissions on the use of credit cards rose by 40.5% on the comparable amount for 2012, reflecting in essence the growth achieved in the retail channel.

The following is a summary of costs incurred for such items in 2013 and 2012, with indication of their value as a percentage of Revenues.

(In thousands of euro)	Year ended 31st December				Change	
	2013	**% of revenues**	**2012 (restated*)**	**% of revenues**	**2013 vs. 2012**	**2013 vs. 2012 %**
Commissions and accessory costs	11,820	3.6%	12,764	4.5%	(944)	-7.4%
Advertising and other commercial costs	17,807	5.5%	15,383	5.5%	2,424	+15.8%
Transport and duties	13,758	4.2%	12,050	4.3%	1,708	+14.2%
Rental expenses	20,513	6.3%	12,995	4.6%	7,518	+57.9%
Credit cards Commissions	2,296	0.7%	1,634	0.6%	662	+40.5%

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

Payroll costs rose mainly as a result of the increase in employee headcount determined by the expansion of directly-operated monobrand stores which, as indicated previously, in the period between 1st January 2013 and 31st December 2013 increased by fifteen units, with 9 new openings and 6 conversions from wholesale monobrand stores to DOS. Total salaries amounted to € 51,112 thousand, compared to € 42,621 thousand of the previous year, with an increase of € 8,491 thousand. At 31st December 2013 this item accounted for 15.7% of Revenues (vs. 15.1% at 31st December 2012).



Depreciation and amortization (€ 11,255 thousand at 31st December 2013 and € 7,125 thousand in the previous year) accounted for 3.5% of Revenues in 2013 and 2.5% in 2012. The € 4,100 thousand increase was due mainly to commercial development expenses, including, as described more thoroughly in the section on "Investments", key money for about € 13.5 million to take over rental contracts for monobrand store locations and about € 9.1 million to restructure and refurbish directly-operated and indirect stores.

NET FINANCIAL EXPENSES, TAXES AND NET PROFIT

Net financial expense for the year ended 31st December 2013 amounted to € 1,735 thousand, resulting from the difference between financial expense of€ 5,812 thousand and financial income of € 4,077 thousand.
As a percentage of revenues, net financial expenses showed an improvement compared to 2012, settling at 0.53% in 2012 vis-à-vis 0.63% in 2012.

For more details of financial income and expense, reference is made to the notes to the consolidated financial statements. The table below shows a breakdown of these items, with separate indication of foreign exchange effects and changes in the fair value of derivative contracts:

(In thousands of euro)	Year ended 31st December				Change	
	2013	% of revenues	2012 (restated*)	% of revenues	2013 vs 2012	2013 vs 2012 %
Interest expense	466	0.2%	613	0.2%	(147)	-24.0%
Other Expenses/(income), net	794	0.2%	697	0.3%	97	+13.9%
Financial Expenses (income)	**1,260**	**0.4%**	**1,310**	**0.5%**	**(50)**	**-3.8%**
Losses/(Gains) on foreign exchange	37	0.0%	168	0.0%	(131)	-78.0%
Losses/(Gains) due to changes in fair value of derivatives on loans	438	0.1%	305	0.1%	133	+43.6%
Total Net Financial Expenses	**1,735**	**0.5%**	**1,783**	**0.6%**	**(48)**	**-2.7%**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. This resulted in a decrease in financial expense for € 201 thousand in 2012.

Income taxes for the year amounted to € 15,646 thousand, representing 34.6% of consolidated pre-tax profit. It is worthy of note that the Group generates in Italy most of its taxable income and that it opted for “transparency taxation” (taxation in Italy applying he tax rates applicable in Italy) for taxable income generated in low – tax countries in which the Group operates.

In light of the above, net profit for the year amounted to € 29,575 thousand, representing 9.1% of revenues, compared to € 22,389 thousand for 2012. Adjusting the net profit of 2012 for the effects of non-recurring charges, related to the I.P.O., and applying IAS 19 retrospectively, net profit rose by € 2,905 thousand, up 10.9% on the previous year.
The table below shows the allocation of net profit between the Holding Company’s shareholders and non-controlling interests:

(In thousands of euro)	31st December 2013	31st December 2012 (restated*)
Net income for the period attributable to owners of the parent	30,476	22,630
Net income for the period attributable to non-controlling interests	(901)	(241)
Net income for the period	**29,575**	**22,389**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. This resulted in an increase in net profit for € 146 thousand.

The loss attributable to non-controlling interests, amounting to € 901 thousand, was due mainly to the results of the Chinese subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd., which commenced operations in 2012 and, as such, is still in the start-up phase. Accordingly, it is noteworthy that in January 2014 the partners in this subsidiary – each for the amount attributable to it – agreed to raise share capital from the current RMB 50 million to RMB 100 million through the conversion of shareholder loans provided in December 2013 into shares.

ANALYSIS OF ASSET AND FINANCIAL BALANCES

Below, the main items related to the statement of financial position and net borrowings reclassified by sources and uses as of 31st December 2013 are discussed as compared with the corresponding items at 31st December 2012.

NET WORKING CAPITAL

The table below shows the composition of the Brunello Cucinelli Group's net working capital as of 31st December 2013 and 31st December 2012:

(In thousands of euro)	**31st December 2013**	**31st December 2012 (restated*)**
Trade receivables	43,361	47,826
Inventories	94,464	80,089
Trade payables	(62,607)	(62,718)
Other net current assets/(liabilities)	(4,144)	(7,933)
Net working capital	**71,074**	**57,264**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

As of 31st December 2013, net working capital rose by € 13,810 on the comparable amount at 31st December 2012. This was due mainly to the increase in inventories, which went up by € 14,375 thousand, and a rise as a share of Revenues from 28.5% to 29.1%, consistent with the company's business growth.

The reduction of trade receivables was due, for about € 2.6 million, to the conversion of 6 wholesale monobrand stores to DOS in 2013 while the increase in revenues from international sales – characterized by faster collections – improved the average days outstanding and the resulting reduction of the balance at year-end.

Raw materials rose by € 3,496 thousand, going from € 19,256 thousand at 31st December 2012 to € 22,752 thousand at 31st December 2013. Finished and semi-finished products, for their part, went from € 60,833 thousand at 31st December 2012 to € 71,712 thousand at 31st December 2013, reflecting a € 10,879 thousand increase attributable to a significant extent to the expansion of the retail monobrand network.

(In thousands of euro)	**31st December 2013**	**31st December 2012 (restated*)**
Raw materials	22,752	19,256
Finished and semi-finished products	71,712	60,833
Inventories	**94,464**	**80,089**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year

NON-CURRENT ASSETS

The table below breaks down non-current assets as of 31st December 2013 and 31st December 2012:

(In thousands of euro)	**31st December 2013**	**31st December 2012 (restated*)**
Intangible assets	26,552	16,548
Property, plant and equipment	59,180	41,931
Non-current financial assets	3,426	3,162
Non-current assets	**89,158**	**61,641**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year.

At 31st December 2013 non-current assets amounted to € 89,158 thousand, compared to € 61,641 thousand at 31st December 2012, with an increase of € 27,517 thousand, or 44.6%.
In particular, intangible assets went up by € 10,004 thousand and property plant and equipment by € 17,249 Thousand. Non-current financial assets rose by € 264 thousand, representing mainly security deposits posted in connection with the rental agreements covering monobrand stores opened during the year.

INVESTMENTS

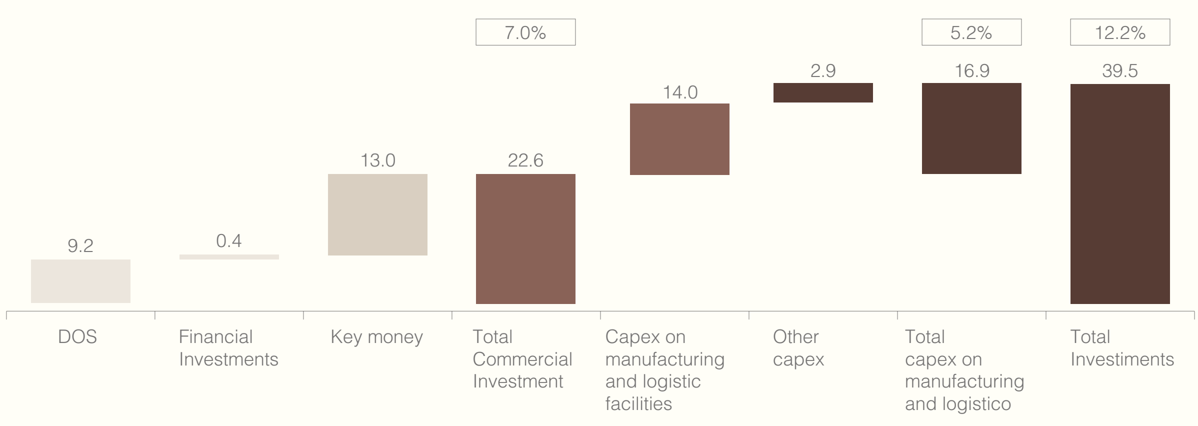
In 2013 the Group invested to strengthen its commercial structure and its manufacturing and logistic organization. The following table shows the Group's gross and net investments according to type and category during the years ended 31st December 2013 and 2012.

(In thousands of euro)	31st December 2013		31st December 2012	
	net	**gross**	**net**	**gross**
Investments in intangible assets	14,192	14,476	7,154	7,154
Investments in property, plant and equipment	24,835	25,287	18,242	18,634
Investments in financial assets	440	440	1,491	1,491
Total investments	**39,467**	**40,203**	**26,887**	**27,279**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year

As indicated above, net investments were made in intangible assets for € 14,192 thousand. This sum included € 13.5 million for key money which, as will be explained in greater detail in the notes to the financial statements, included about € 7.5 million used by Brunello Cucinelli England to acquire the two retail locations of Burlington Gardens e Sloane Street. This sum comprised also the price of the put option granted to the minority shareholder and the application of the tax gross-up required by the adoption of IAS/IFRS (see paragraph on "Business combinations" in the notes).
Net investments in property, plant and equipment amounted overall to € 24,835 thousand, of which about € 9.6 million to set up the retail stores and showrooms according to the Brunello Cucinelli concept and approximately € 14.0 million related to the enlargement of the facilities for the manufacturing and logistic activities at headquarters.

The following graph shows the Group's investments in 2013 according to allocation:



NET DEBT

The table below shows details of net debt at 31st December 2013 and at 31st December 2012.

(In thousands of euro)	**31st December 2013**	**31st December 2012 (restated*)**
Current payables towards banks	29,639	28,423
Current derivative liabilities	195	257
Current financial liabilities	2,955	15
Current financial debt (1)	**32,789**	**28,695**
Non-current payables towards banks	18,281	11,559
Non-current financial payables	3,707	642
Non-current financial debt (1)	**21,988**	**12,201**
Total gross financial debt	**54,777**	**40,896**
– Current financial assets	-	-
– Current derivative assets	-	-
– Cash and cash equivalents	(38,676)	(40,045)
Net debt (1)	**16,101**	**851**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The amounts in the table did not show any change from those reported in the previous year

(1) Current and non-current borrowings 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.

Net debt of the Brunello Cucinelli Group rose by € 15,250 on the comparable amount at the end of 2012. Such increase was due essentially to the investments made during the year as well as to normal operations, in a context characterized by volume growth, significant capital expenditure and cash flows in line with operating activities.
Furthermore, attention is called to the following:

- the item "Current financial payables" includes the loan obtained, for the share attributable to it, from the minority shareholder in the Chinese subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.;
- the item "Non-current financial payables" includes the loan obtained, for the share attributable to it, from the minority shareholder in the Brunello Cucinelli Hong Kong Ltd, as well as the financial liability associated with the price of the put option granted to the minority shareholders of Brunello Cucinelli (England), Ltd..

SHAREHOLDERS' EQUITY

The table below provides details of the Brunello Cucinelli Group's equity at 31st December 2013 and 31st December 2012:

(In thousands of euro)	**31st December 2013**	**31st December 2012 (restated*)**
Share capital	13,600	13,600
Reserves	97,978	81,593
Group profit	30,476	22,630
Group sharholders' Equity	**142,054**	**117,823**
Non-controlling interests	3,160	1,794
Total Shareholders Equity	**145,214**	**119,617**

(*) Following the amendment to IAS 19, the amounts for 2012 were restated. The relevant impact on 31st December 2012 resulted in an increase in Net profit of € 146 thousand and a lower reserve for the same amount.

At 31st December 2013, the share capital, fully subscribed and paid up, amounted to Euro 13,600,000 divided into 68,000,000 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 plans to acquire its own shares and, as at 31st December 2013, it had no such shares in treasury.
At 31st December 2013, no classes of shares had been issued with voting rights or other rights differing from those of the ordinary shares and no financial instruments had been issued that grant the right to subscribe to newly-issued shares.
Brunello Cucinelli S.p.A. is controlled by Fedone S.r.l., which is wholly-owned by Cav. Lav. Brunello Cucinelli
In the year under review, based on an agreement signed and disclosed in March 2012, 1,200,000 shares of Brunello Cucinelli were sold to Sichuan Lessin Department Stores Co. Ltd., the current partner with a 49% equity stake in the Chinese subsidiary Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd..

Pursuant to the reports issued for purposes of Art. 120 of the Consolidated Act on Finance and to the other information possessed by the Company on 31st December 2013, significant equity investments are as follows:

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

For a full description of changes in Equity, see the specific schedule and Note 10 of the explanatory notes.

RECONCILIATION OF EQUITY AND NET PROFIT OF PARENT WITH CONSOLIDATED EQUITY AND NET PROFIT

The following table shows the reconciliation of Equity and Net Profit of the Parent Company with consolidated Equity and Net Profit at 31st December 2013:

(In thousands of euro)	31st December 2013	
	Equity	**Net profit**
Parent Company's balance sheet	**141.987**	**30.634**
Difference between shareholders' equity of consolidated companies and book value of consolidated companies	5.888	2.098
Elimination of intercompany transactions	(9.982)	(2.870)
Elimination of dividends	-	(721)
Tax effects related to consolidation adjustments	4.161	1.335
Other	-	-
Total attributable to parent company's shareholders	**142.054**	**30.476**
Equity and net profit attributable to non-controlling interests	3.160	(901)
Total consolidated balance sheet	**145.214**	**29.575**

ECONOMIC AND FINANCIAL INDICATORS

The main economic and financial indicators for the Brunello Cucinelli Group are shown below for the periods under review.

PROFITABILITY RATIOS

The following table shows the trend in the main profitability indices for 2013 and 2012, with indication of the normalized amount in consideration of the oft-cited non-recurring expenses.

	31st December 2013	**31st December 2012 (restated*)**
ROE(*) – Net profit for year / Average equity in year	22.33%	28.41%
ROI – Operating result / Net average invested capital in year	33.33%	34.63%
ROS – Operating result / Revenues	14.47%	12.70%

(*): The denominator of the ratio for the figures at 31st December 2012 is the average between pre-listing and post-listing equity.

FINANCIAL SOUNDESS INDICATORS

The analysis of stability is designed to determine the ability of the Brunello Cucinelli Group to maintain a constant balance between its cash outflows and cash inflows, so as to meet its obligations.

	31st December 2013	**31st December 2012 (restated*)**
Ratio – Shareholders' Equity / Total Assets	49.62%	47.83%
Ratio – Total Current Assets / Total Current Liabilities	166.07%	161.08%

ROTATION INDEX

	31st December 2013	31st December 2012 (restated*)
Receivable turnover – Revenues / Average trade receivables	7.1 times	5.8 times
Average collection days accounts receivable – (Average trade receivables / Revenues) x 360	50.6	61.8
Payables turnover – (Costs of raw and subsidiary materials and consumables + Service costs) /Average trade payables	3.4 times	3.3 times
Days payable outstanding (Average trade payables / (Costs of raw and subsidiary materials and consumables, net of changes in inventory + Service costs)) x 360	106.9	110.6
Average days in inventory – Inventories-Advances / Revenues x 360	96.8	92.6

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to 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 reporting process.

Such Report, approved by the Board of Directors meeting of 10th March 2014, may be consulted in the Governance section of the Company's website: www.brunellocucinelli.com.

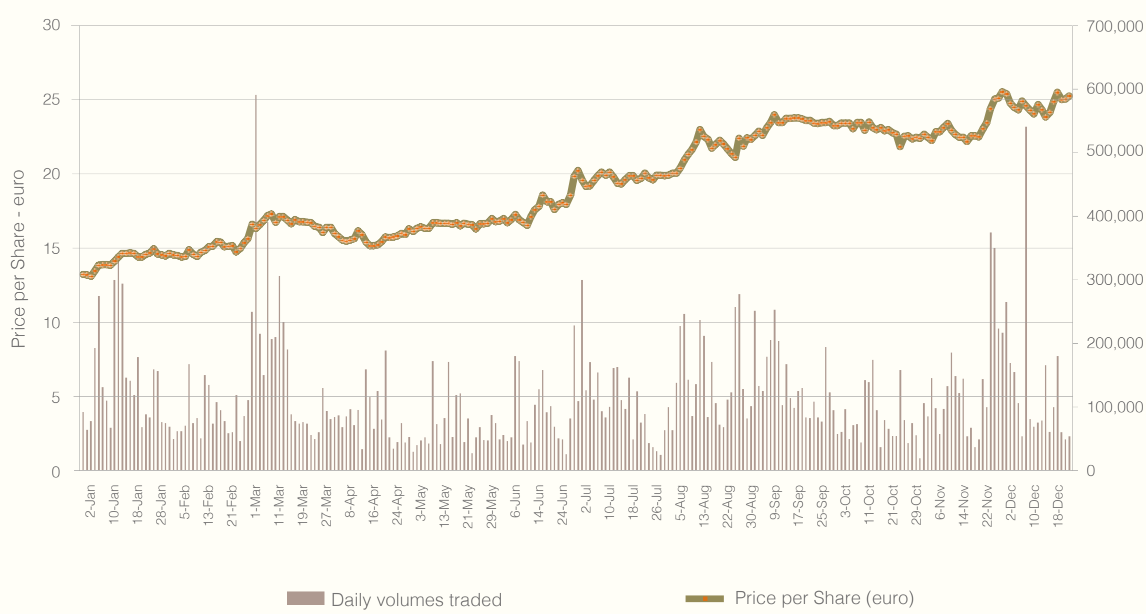
TREND OF THE STOCK PRICE LISTED ON THE MTA OF BORSA ITALIANA S.p.A.

On 31st December 2013, the year's last trading day, the Brunello Cucinelli share posted an official price of € 25.83 (up 233% compared to the € 7.75 per share set for the I.P.O., up 93.3% on the closing price for 2012 of € 13.60). On the same date, the Company's market capitalization was € 1,756 million.

Below, key share performance data are shown for the period between 1st December 2013 and 31st December 2013.

	Euro	Date
I.P.O. price	7.75	-
Low (1)	13,32	04-jan-13
High (1)	26.12	03-dec-13
Official price	25.83	31-dec-13
Capitalization	1,756,440,000	31-dec-13
Free float	21,078,000	31-dec-13
Market value of free float	544,444,740	31-dec-13

(1): Low and high for the trading day and, as such, may not be the same as the official price and the reference price as of the same date.



SIGNIFICANT EVENTS DURING 2013

Merger between Cucinelli Holding Co. LLC 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 transaction 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 – commercial partner of the Brunello Cucinelli Group, managing monobrand stores in London – at a price of £ 3,500,000 (equivalent to € 4,166 thousand at the exchange rate prevailing on the date of payment), fully paid at the same date. This transaction was financed entirely with own cash flow.
Mer&Cashmere (England) Limited – renamed Brunello Cucinelli (England) Limited – manages two monobrand stores in London at Burlington Gardens and at 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 should be 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.
For more details about the transaction, reference is made to the paragraph "Business combinations" in these notes.

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

On 13rd 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 favourable 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-month notice and without penalty.

Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd

In August 2013 the share capital of the newly-established Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd, Macau, was paid in. Brunello Cucinelli S.p.A. owns 51% of this company while the remaining 49% is held by Lessin Group Macau Co., Ltd. The company, which is based in Macau, took over as of 1st August 2013 the boutique previously operated as a wholesale monobrand store.

Brunello Cucinelli Hong Kong Limited

On 21st August 2013 "Brunello Cucinelli Hong Kong Limited" was established. Brunello Cucinelli S.p.A. owns 51% of this company while the remaining 49% is held by The Swank Shop Limited, the then exclusive distributor of the Brunello Cucinelli brand in Hong Kong. As of 1st October 2013, the new company took over the three monobrand stores previously operated by The Swank Shop Limited.

Merger of Brunello Cucinelli Marittima S.r.l. and Brunello Cucinelli Capri S.r.l. with and into the Company

On 17th December 2013 the merger agreement whereby two small local retail operators wholly owned by Brunello Cucinelli S.p.A. – Brunello Cucinelli Capri S.r.l. and Brunello Cucinelli Marittima S.r.l., operating in Campania and Emilia Romagna, respectively – were merged with and into the parent company was entered in the Companies Register of Perugia and Forlì-Cesena.
The merger was executed to streamline the Group's corporate structure in Italy, with the optimization of the resources managed. Following the merger, the monobrand boutiques of the companies taken over (Naples, Capri, Bologna and Milano Marittima) are now managed by the parent Company.

The merger agreement was entered into on 16th December 2013, pursuant to the merger resolutions adopted by each of the Board of Directors of Brunello Cucinelli S.p.A. and the shareholders' meetings of Brunello Cucinelli Capri S.r.l. and Brunello Cucinelli Marittima S.r.l. on 7th October 2013. The merger took effect as of 31st December 2013 while the accounting and tax effects of the corporate action took effect retroactively as of 1 January 2013. During the year Brunello Cucinelli S.p.A. acquired the share capital of both merged companies, which it held directly and indirectly, except for a 49% equity interest in Brunello Cucinelli Marittima S.r.l., which it purchased from minority interests for € 82 thousand.
The merger is a common control business combination and the only accounting effect on the consolidated financial statements was the purchase of equity held by non-controlling interests in Brunello Cucinelli Marittima S.r.l., as noted above.

RELATED-PARTY TRANSACTIONS

Reference is made to the Notes to these Consolidated Financial Statements for a detailed description of related-party transactions conducted in 2013.
Pursuant to CONSOB Deliberation no. 17221 of 12nd 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

The parent company Brunello Cucinelli S.p.A. directly or indirectly controls 4 companies (Brunello Cucinelli USA Inc., Cucinelli Holding Co., LLC, Brunello Cucinelli Suisse SA e Brunello Cucinelli Lessin (Sichuan) Fashion Co. Ltd.) formed and governed by the laws of countries that are not European Union Member States ("Significant non-EU Companies" as defined by CONSOB Deliberation no. 16191/2007 and subsequent modifications).
With reference to such companies, it is reported that:

- all of them draw up 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 company's external auditors all of the information they need to audit the parent company's annual and interim accounts; ii) have an administrative-accounting system that regularlyprovides the parent company's management, control bodies, and external auditors data on their financial conditions, operating results and cash flows 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 will in the future be positioned in the absolute luxury sector, thereby becoming the Company's direct competitors.

Risks related to sale of the Brunello Cucinelli Group's products on an international basis

The Group sells its products all over the world, specifically in Europe, North America, Japan, Greater China. The Group's presence on several international markets exposes it to risks related, among other things, to the geopolitical and macroeconomic conditions of the countries in which it operates and to possible changes in same. Sales could be influenced by a variety of events, such as market instability, natural disasters, or socio-political upheaval (for example: terrorist attack, coup d'état, armed conflict). The occurrence of these events, difficult to predict, could negatively influence the demand for luxury goods in a certain country or cause a reduction in the flow of tourists, 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 protecting consumer, industrial and intellectual property rights and safeguarding competition and the health and safety of workers and the environment are especially important. The enactment of new laws or changes to current laws could force the Group to adopt stricter standards, which could require costs to adapt production facilities or product characteristics, or could limit the Group's performance, with consequent negative effect on its growth prospects. Specifically, in relation to commercial distribution in countries other than Italy, the Group's products may be subject to the application of customs duties and/or to protectionist laws regarding the importation of products in such countries.

OPERATING RISKS

Risks related to the continuity of craftsmanship and artisanal skills

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

Risks related to the supply of 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 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 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 property 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 2013, the Company incurred € 4,688 thousand in costs, charged entirely to the income statement, for personnel devoted to research.

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 an adequate level of capital.

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 equivalent amount of revenues in Euros may decrease in the event of unfavourable fluctuations in the exchange rate, thereby reducing the desired margin.
To limit its exposure to exchange rate risk deriving from its business activities, the Company stipulates derivative contracts (forward sale currency contracts) that predefine the conversion rate or a range of conversion rates at future dates.
The forward contracts are stipulated when seasonal price lists in foreign currency are defined, based on estimated sales and considering the expected collection date of the sales invoices as the expiration date of the contract. Specifically, the Company sets its selling prices in Euro and calculates the corresponding prices in foreign currency by applying the forward exchange rate.

Liquidity risk
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 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.

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

SIGNIFICANT EVENTS OCCURRED AFTER YEAR-END

Acquisition of business operation from D'Avenza Fashion S.p.A.
On 15st January 2014 the Brunello Cucinelli Group acquired, though its subsidiary Pinturicchio S.r.l., the manufacturing operation of D'Avenza Fashion S.p.A. specializing in the production of ready-made and customized men's suits.
On the same date, Brunello Cucinelli S.A. entered into a preliminary salepurchase agreement with Spring Immobiliare S.r.l. (a company belonging to the same group of which D'Avenza Fashion S.p.A. is part), subject to certain conditions precedent for the purchase of the real estate complex located in the City of Carrara, Avenza area, where the business operation in question is located; simultaneously, pending execution of the final agreement, Spring Immobiliare S.r.l. leased the above complex to Pinturicchio S.r.l..
With this acquisition, the Company intends to expand its offering to customers with a high-end clothing service devoted to both ready-made and customized men's suits.

Purchase of 49% of Brunello Cucinelli Belgium Sprl (Brussels) and the Knokke and Cannes retail locations
In January 2014 Brunello Cucinelli Europe S.r.l. acquired from an independent third party 49% of Brunello Cucinelli Belgium Sprl, a company organized under the laws of Belgium that manages the monobrand store in Brussels. Accordingly, the Brunello Cucinelli Group became this company's sole shareholder. Meanwhile the Group, through Brunello Cucinelli Belgium Sprl, acquired from the same selling party 100% of the company organized under the laws of Belgium that manages a monobrand store in the beach town of Knokke (Belgium); this completed the conversion of the Knokke boutique from wholesale monobrand store to DOS (directly-operated store).
The Group paid € 493,820.00 for the two acquisitions.

In February 2014 Brunello Cucinelli Europe S.r.l. acquired from an independent third party 25% of the company organized under the laws of France that has long been operating the monobrand store in Cannes. Based on agreements between the shareholders and amendments to articles of association, Brunello Cucinelli Europe S.r.l. acquired the de facto control of the company. Therefore as of 1st February 2014, the boutique in Cannes was converted from wholesale monobrand to DOS (directly operated store).
The Group paid € 700,000. For the acquisition.

These acquisitions, like the acquisition of the London stores in 2013, are part of the overall strategy pursued by the Group to integrate in the store network certain selected monobrand boutiques previously operated through the wholesale channel.

Upcoming opening of boutique in Sao Paulo, Brazil
In February 2014, the Group paid in 1,500,000.00 BRL to establish the share capital of Brunello Cucinelli Brasil – Comercio de Artigos de Vestuario e Acessorios de Luxo LTDA.
The Brazilian subsidiary will operate a monobrand store in the well-known shopping mall of Cidade Jardim, Sao Paulo, Brazil. The complex process to obtain an import licence in Brazil is still under way and the opening of the retail location is expected to take place within the next six month.

Capital increase for Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. ("BC Lessin")

In January 2014 the shareholder of BC Lessin, Brunello Cucinelli S.p.A. (51%) and Sichuan Lessin Holdings Company Ltd. (formerly known as Sichuan Lessin Department Stores Ltd.) (49%) signed an agreement for the share capital increase of BC Lessin from the current RMB 50 million to RMB 100 million, to be completed via the conversion to equity of the loans provided in December 2013 by BC Lessin. The authorization procedure for the capital increase is currently under way, with the share capital increase expected to be completed by April 2014.

Acquisition of Woollen Co., Ltd.'s business unit by Brunello Cucinelli Japan Co., Ltd.

Pursuant to an agreement between the partners, Brunello Cucinelli S.p.A. (75%) and Itochu Corporation (25%), Brunello Cucinelli Japan Co., Ltd. ("BC Japan") exercised its option to buy from Woollen Co., Ltd. (current sub-distributor of the Group in Japan) of the operation organized by the latter for the distribution of products under the Brunello Cucinelli brand in Japan.

BC Japan and Woollen Co., Ltd. intend to complete the transfer of the operation by 31st August 2014 and are still discussing the details of the transaction. Starting from the effective date of the sale of the operation, the Brunello Cucinelli Group (through BC Japan) will replace Woollen Co., Ltd. in the sale of its products to department stores.

Within the context of the transfer, the Company and Itochu are discussing the adoption of a new business plan for BC Japan to chart a growth path in the period 2014-2017.

BUSINESS OUTLOOK

The year 2013 was also special for the Group, characterized by double digit growth of both turnover and profits. The biggest result achieved was from an image standpoint; positioned as it is as a prêt-à-porter business in the "absolute" luxury sector, the Company is given recognition for its high level of craftsmanship, quality and creativity, typical of well-produced Made in Italy products, and for the exclusivity of its distribution.

After years of significant investment the Group has laid sound foundations for being able to work in serenity in the years to come, uniquely under the "Brunello Cucinelli" brand.

In these first few months of 2014 we can say that everything is running well; in particular, the orders received for the 2014 spring/summer collection were very positive. In addition, with the 2014 fall/winter sales campaign ending in a very interesting way as regards the numbers and the taste of the collections, considered to be contemporary, this is likely to be an especially positive year with "gracious double digit" growth in terms of turnover and profits.

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

ACCOUNTING STATEMENTS AT 31ST DECEMBER 2013

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2013

(In thousands of euro)	NOTE	31st December 2013	related parties	31st December 2012 (restated*)	related parties
NON-CURRENT ASSETS					
Intangible assets	1	26,552		16,548	
Property, plant and equipment	2	59,180	8,252	41,931	6,094
Other non-current financial assets	3	3,426	41	3,162	41
Deferred tax assets	21	10,082		7,489	
TOTAL NON-CURRENT ASSETS		**99,240**		**69,130**	
CURRENT ASSETS					
Inventories	4	94,464		80,089	
Trade receivables	5	43,361	99	47,826	8
Tax receivables	6	1,094		987	
Other receivables and other current assets	7	14,186		10,384	
Cash and cash equivalents	8	38,676		40,045	
Derivative financial instruments	9	1,658		1,610	
TOTAL CURRENT ASSETS		**193,439**		**180,941**	
TOTAL ASSETS		**292,679**		**250,071**	

(In thousands of euro)	NOTE	31st December 2013	related parties	31st December 2012 (restated*)	related parties
SHAREHOLDERS' EQUITY					
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS					
Share capital	10	13,600		13,600	
Share premium Reserve	10	57,915		57,915	
Reserves	10	40,063		23,678	
Net income for the period	10	30,476		22,630	
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**142,054**		**117,823**	
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Capital and reserves attributable to non-controlling interests		4,061		2,035	
Net income for the period attributable to non-controlling interests		(901)		(241)	
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**3,160**		**1,794**	
TOTAL SHAREHOLDERS' EQUITY		**145,214**		**119,617**	
NON-CURRENT LIABILITIES					
Employees termination indemnities	11	2,854		2,954	
Provisions for risks and charges	12	831		950	
Non-current payables towards banks	13	18,281		11,559	
Non-current financial debt	14	3,477		219	
Other non-current liabilities	15	2,006		1,216	
Deferred tax liabilities	21	3,308		806	
Non-current derivative financial instruments		230		423	
TOTAL NON-CURRENT LIABILITIES		**30,987**		**18,127**	
CURRENT LIABILITIES					
Trade payables	16	62,607	753	62,718	286
Current payables towards banks	17	29,639		28,423	
Current financial liabilities	18	2,955		15	
Income tax payables	19	1,562		2,761	
Current derivative financial instruments	9	311		271	
Other current liabilities	20	19,404		18,139	
TOTAL CURRENT LIABILITIES		**116,478**		**112,327**	
TOTAL LIABILITIES		**147,465**		**130,454**	
TOTAL EQUITY AND LIABILITIES		**292,679**		**250,071**	

(*) The comparative amounts of the consolidated statement of financial position have been restated as explained in paragraph 4.1 of the notes

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2013

(In thousands of euro)	Year ended 31st December				
	NOTE	2013	related parties	2012 (restated*)	related parties
Net revenues	22	322,480	85	279,321	50
Other operating income	22	2,090	934	2,030	21
Revenues		**324,570**		**281,351**	
Costs for raw materials and consumables	23	(54,485)	(58)	(44,461)	(55)
Costs for services	24	(156,619)	(1,490)	(148,956)	(1,606)
Non-recurrent costs	24	-		(6,241)	
Payroll costs	25	(51,112)	(202)	(42,621)	(173)
Other operating (expenses)/revenues, net	26	(2,916)	(14)	(1,579)	(8)
Costs capitalized	27	528		295	
Depreciation and amortization	28	(11,225)		(7,125)	
Impairment of assets and other accruals	29	(1,785)		(1,160)	
Total operating costs		**(277,614)**		**(245,607)**	
Operating Income		**46,956**		**35,744**	
Financial expense	30	(5,812)		(3,741)	
Financial income	31	4,077		1,958	
Income before taxation		**45,221**		**33,961**	
Income taxes	21	(15,646)		(11,572)	
Net income for the period		**29,575**		**22,389**	
Net income for the period attributable to owners of the parent	10	30,476		22,630	
Net income for the period attributable to non-controlling interests	10	(901)		(241)	
Basic earnings per share	32	0.44818		0.34584	
Diluted earnings per share	32	0.44818		0.34584	

(*) The comparative amounts of the consolidated statement of financial position have been restated as explained in paragraph 4.1 of the notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of euro)	31st December	
	2013	2012 (restated*)
Net income for the period	**29,575**	**22,389**
Items of other comprehensive income:		
Effects with possible future impact on the income statement	(977)	1,946
Cash flow hedges	(678)	3,014
Tax Effect	187	(829)
Total Profit/(Loss) from fair value adjustments related to hedging instruments	**(491)**	**2,185**
Exchange differences on translation of foreign operations	(486)	(239)
Effects that do not have future impact on the income statement	**72**	**(146)**
Profit / (loss) from effects of employee benefit remesurement	99	(201)
Tax effect	(27)	55
Total other profit/(loss), net of taxation	**(905)**	**1,800**
Total net comprehensive income, net of taxation	**28,670**	**24,189**
Attributable to:		
Owners of the parent	29,666	24,487
Non-controlling interests	(996)	(298)

(*) The comparative amounts of the consolidated statement of financial position have been restated as explained in paragraph 4.1 of the notes

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2013

(In thousands of euro)	31st December	
	2013	**2012 (restated*)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	29,575	22,389
Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:		
Depreciation and amortization	11,225	7,125
Provisions for employees termination indemnities	99	148
Provisions for risks and charges / inventory obsolescence / doubtful accounts	1,806	1,185
Change in other non-current liabilities	932	474
(Gain)/Loss on disposal of Fixed assets	(878)	(1,062)
Termination indemnities payments	(100)	(88)
Payments of Provisions for risks and charges	(302)	(12)
Net change in deferred tax assets and liabilities	(1,405)	(4,465)
Change in fair value of financial instruments	(879)	(813)
Changes in operating assets and liabilities:		
Change in trade receivables	2,772	(186)
Change in inventories	(14,129)	(15,701)
Change in Trade payables	(463)	7,089
Change in other current assets and liabilities	(4,699)	922
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	**23,554**	**17,005**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(24,543)	(18,634)
Additions to intangible assets	(6,944)	(7,154)
Additions/(disposals) of financial assets	(308)	(1,491)
Acquisition of Brunello Cucinelli (England) Ltd , net of cash acquired	(3,197)	-
Acquisition of minority interest share of Brunello Cucinelli Marittima S.r.l.	(82)	-
Proceeds from disposal of property, plant and equipment	1,337	295
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(33,737)**	**(26,984)**
CASH FLOW FROM FINANCING ACTIVITIES		
Medium-long term loans received	13,600	217
Repayment of medium-long term loans	(6,571)	(6,985)
Net change in short-term financial debt	1,954	(9,147)
Net change in long-term financial debt	3,258	-
Share capital and reserves increase	2,744	60,233
Dividends paid	(5,794)	(2,817)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**9,191**	**41,501**
TOTAL CASH FLOW FOR THE PERIOD	**(992)**	**31,522**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(377)**	**(160)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**40,045**	**8,683**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**38,676**	**40,045**
Additional information:		
Interest paid	1,717	1,998
Income tax paid	18,465	18,414

(*) The comparative amounts of the consolidated statement of financial position have been restated as explained in paragraph 4.1 of the notes

CHANGES IN CONSOLIDATED SHAREHOLDER'S EQUITY AT 31ST DECEMBER 2013

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

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Shareholders' capital advances	Translation reserve	Other reserves	Net profit for the period	Total Equity attributable to Parent's shareholders	Total non-controlling interest equity	Total equity
Balance at 1st January 2012	**12,000**	**255**	**-**	**-**	**333**	**3,438**	**20,268**	**36,294**	**1,690**	**37,984**
Balance at 1st January 2012 (restated*)	**12,000**	**255**	**-**	**-**	**333**	**3,191**	**20,515**	**36,294**	**1,690**	**37,984**
Net profit for the period							22,630	22,630	(241)	22,389
Other profits / (losses)					(182)	2,039		1,857	(57)	1,800
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**(182)**	**2,039**	**22,630**	**24,487**	**(298)**	**24,189**
Allocation of net profit		955				19,560	(20,515)	-		-
Dividends paid						(2,500)		(2,500)	(316)	(2,816)
Share capital increase	1,600		57,915					59,515		59,515
Change in consolidation scope								-	718	718
Other changes						27		27		27
Balance at 31st December 2012 (restated*)	**13,600**	**1,210**	**57,915**	**-**	**151**	**22,317**	**22,630**	**117,823**	**1,794**	**119,617**

(*) Amounts were restated as indicated in paragraph 4.1 of the notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2013

1. CRITERIA OF PREPARATION

1.1 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), endorsed 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 Issuer Regulation, of EC document November 2003 and, where applicable, of the Italian Civil Code.

The consolidated financial statements at 31st December 2013, approved by the Board of Directors on 10th March 2014, include the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity.

The items in the consolidated statement of financial position are presented in order of liquidity, where:

- non-current assets reflect items that are typically converted to cash after twelve months, and include Intangible assets, Property, plant and equipment, and Financial assets;
- current assets include items that are typically converted to cash within twelve months;
- non-current liabilities include payables due beyond twelve months, including borrowings, provisions and employee severance fund (TFR);
- current liabilities include payables due within twelve months, including the short-term portion of medium/long-term loans, provisions and employee severance fund (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, investing 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. SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial condition, operating performance and cash flows of Parent Company Brunello Cucinelli S.p.A. and of its Italian and foreign subsidiaries (together identified as Brunello Cucinelli Group) at 31st December 2013.

The consolidated financial statements have been prepared on the basis of the accounting records of the Company, of its subsidiaries and the latter's subsidiaries, as adjusted to conform to IFRSs.

The subsidiaries are consolidated on a line-by-line basis 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.
Control is assumed to exist when the Company possesses more than half of the voting rights or when the Company possesses half or less of the 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 intercompany balances and transactions, including any unrealized profits or losses deriving from dealings among companies of the Brunello Cucinelli Group, are eliminated.

Acquisitions of subsidiaries are recorded with the purchase method, which involves allocation of the cost of the business combination to the assets, liabilities, and contingent 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.

Profits and equity attributable to non-controlling interests represent the part of profits or loss and equity relative to net assets not held by the Parent Company's shareholders, and are shown in the consolidated income statement, of the consolidated statement of comprehensive income, and of the consolidated statement of financial position separately from profits and equity attributable to the shareholders of the Parent Company.

At 31st December 2013, the Brunello Cucinelli Group did not hold investments in associated companies (associated companies in which the Group holds at least 20% of the voting rights or exercises significant influence, but not control or joint control, over financial and operating policies) or joint ventures (defined as 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 2013, including name, registered office, and percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Name	Registered Office	Currency	Share capital currency	Percentage of control	
				Direct	Indirect
Brunello Cucinelli USA, Inc.	Brewster (NY) – USA	US Dollar	1,500	100%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100%	
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	Monaco – Germany	Euro	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) – USA	US Dollar	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) – USA	US Dollar	1,182,967		70.00%
Brunello Cucinelli Retail Spain S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
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	Monaco – 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	51.00%	
Brunello Cucinelli Hellas S.A.	Atene – Greece	Euro	24,000		51.00%
Brunello Cucinelli Austria Gmbh	Vienna – Austria	Euro	35,000	2.00%	98.00%
Brunello Cucinelli England Ltd	London – UK	Sterling Pound	700		70.00%
Brunello Cucinelli Hong Kong Ltd	Hong Kong	Hong Kong Dollar	2,000,000	51.00%	
Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd	Macau	MOP	5,000,000	51.00%	
Pinturicchio S.r.l.	Carrara – Italy	Euro	100,000 (a)	2.00%	98.00%
Brunello Cucinelli Brasil LTDA	Sao Paulo – Brazil	BRL	1,500,000 (b)	98.00%	2.00%

(a): Paid-in share capital at 31st December 2013 amounted to € 25,000.

(b): The company as established on 16th December 2013; the share capital was paid in in 2014.

The main changes in the scope of consolidation in 2013 were as follows:

- In January 2013 the subsidiary Brunello Cucinelli Europe S.r.l. (wholly owned by Brunello Cucinelli S.p.A.) acquired 70% of Mer&Cashmere (England) Limited, which was eventually renamed Brunello Cucinelli (England) Limited.
- In August 2013 the share capital of the newly-established Brunello Cucinelli Lessin (Macau) Fashion Co., Ltd, incorporated in Macau, was paid in. Brunello Cucinelli S.p.A. owns 51% of this company.
- On 21st August 2013 "Brunello Cucinelli Hong Kong Limited" was established. Brunello Cucinelli S.p.A. owns 51%. As of 1st October 2013, the new company took over the three monobrand stores previously operated by The Swank Shop Limited.
- In August 2013 Brunello Cucinelli S.p.A. bought out the minority partners in Brunello Cucinelli Marittima S.r.l., which was eventually merged into Brunello Cucinelli S.p.A..
- In September 2013 Pinturicchio S.r.l. was established which, at 31st December 2013, was not yet operational.
- On 16th December 2013 Brunello Cucinelli Brasil LTDA was entered in Brazil's companies register: as of 31st December 2013, the company – which is owned by Brunello Cucinelli S.p.A. and Brunello Cucinelli Europe S.r.l. with 98% and 2% of the shares outstanding, respectively – was not yet operational.

Other than the above, there were no changes to the consolidation scope compared to the consolidated financial statements at 31st December 2012.
As a reminder, in 2013 the wholly-owned subsidiaries of Cucinelli Holding Co., Llc – which operated the Group's monobrand stores in the United States - merged with and into their parent company. In the same year, did Brunello Cucinelli Marittima S.r.l. and Brunello Cucinelli Capri. S.r.l. merged with and into their parent company, Brunello Cucinelli S.p.A..
As the above subsidiaries were already consolidated on a line-by-line basis, the mergers did not result in any change in the scope of consolidation.

3. ACCOUNTING STANDARDS

INTRODUCTION

The consolidated financial statements were prepared based on the historical cost principle, except for buildings, on first-time adoption of IFRSs, 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 nearest thousands of Euro, unless otherwise indicated.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the Brunello Cucinelli Group's consolidated financial statements requires the Company's directors to make estimates and assumptions that influence the values of revenues, cost, assets and liabilities, and the indication of contingent 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 valuation refer to the following 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.

Employee and agent severance indemnities
The employee severance indemnity (TFR) and the supplemental indemnity reserve for customers of agents for the Group's Italian companies are valued 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.

Allowance for doubtful accounts
The allowance for doubtful accounts represents management's best estimate, based on information available on the date of the financial statements, to report the expected realizable value of receivables.

Amortization, depreciation and impairment tests
Amortization and depreciation of assets with a finite useful life, of property, plant and equipment and intangible assets, and the forward-looking data used for impairment tests require discretional estimates by directors. Such estimates are revised at every year-end to ensure that the carrying amounts reflect the best estimates of the costs to be incurred by the Group and, in case of significant discrepancies, the amounts are revised and updated.
As to the impairment test, reference is made to the paragraph "Impairment" hereinbelow.

Derivative instruments

Derivatives recognized as assets and liabilities are recognized on the basis of estimates ad assumptions. Determination of the fair value and the risks associated with derivative contracts to hedge foreign exchange risk and interest risk are illustrated in the specific paragraph on "Derivative instruments" of these notes. The estimates and assumptions considered are revised constantly and the effects of any changes are recorded immediately.

Estimate and assumptions are made by directors with the support of the company functions and, where appropriate, of independent professionals and are revised from time to time.

BUSINESS COMBINATIONS AND GOODWILL

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

The goodwill acquired in a business combination is initially measured at the cost represented by the difference between the price paid and the Group's share of the fair value of identifiable assets, liabilities, and contingent 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 segments pursuant to 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 asset sold is included in the accounting value of the asset to calculate the gain or loss deriving from the sale. The goodwill sold under these circumstances is measured on the basis of the values of the sold asset and of the portion of the asset remaining.

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

No goodwill was recorded in the consolidated financial statements of the Brunello Cucinelli Group for the year ended 31st December 2013.

COMMON CONTROL TRANSACTIONS

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

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 the relevant costs were incurred.

Intangible assets with definite useful life are amortized on a straight line basis in accordance with 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.

Remaining 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 of definite-life intangible assets is recorded in the income statement in the cost category consistent with the function of the intangible asset.

Gains or losses on the sale of an intangible asset are measured as the difference between net proceeds 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 definite-life intangible assets 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, other than costs that increase the value and/or extend the remaining useful life of assets, are expensed out as 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 basis, over the estimated useful life of the asset, which is re-examined annually; if necessary, any changes are made with prospective application.

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

	Years
Buildings	33
(of which leasehold improvements)	Based on lease term
Plant and machinery	8
Industrial and 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 indefinite useful life.

The carrying amount of property, plant and equipment is tested for 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 are expected from its use, the asset is derecognized any gain or loss (calculated as the difference between disposal value and book value) is recorded on the income statement in the year of derecognition.

Historical collection

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

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

The value increases of such assets are recorded in the income statement as self-constructed assets.

Impairment

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

If the book value of the asset exceeds its recoverable value, such asset 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 the time value of money 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 projections normally cover three years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate for the industry, country, or reference market. Future cash flows are estimated by making reference to current conditions: therefore, the estimates do not consider benefits deriving from future reorganizations to which the Company is not yet committed or future investments to improve or optimize the asset or the unit.

If the 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 operating assets are reported on the income statement in the cost categories consistent with the function of the impaired asset. At year-end, the Group also considers whether there are any indicators of decrease in losses determined by previous impairment tests and, if so, it makes a new estimate of recoverable value. The value of a previously impaired asset may be restored only if there have been changes of estimates used to calculate the asset's recoverable value after the latest recognition of impairment. In such case, the asset's carrying amount 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 amount 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 the effective discount rate method net of any provision for impairment.

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

Receivables with maturity exceeding one year, 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 lower of purchase and/or production cost, calculated by means of the weighted average cost method, and net realizable value. Purchase cost includes relative ancillary costs for purchases in the period. Production cost includes directly attributable costs and a portion of indirect costs reasonably attributable to the products. Presumable net realizable value consists of the estimated selling price less estimated completion costs and estimated selling costs.

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

TRADE RECEIVABLES, OTHER RECEIVABLES AND CURRENT ASSETS

Trade 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 their expected realizable value, if lower, via a specific allowance for bad debts.

Receivables in currencies other than the Euro are recorded at the exchange rate on the transaction date and then translated at the exchange rate prevailing at year-end. Gains or losses deriving from translation are recognized through profit or loss.

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

OTHER FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

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

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

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand and short-term deposits (the latter with original maturity not beyond three months). Cash and cash equivalents are 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 sums borrowed, net of ancillary loan charges.

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

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

PROVISIONS

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

When the Group believes that an allocation to provisions for risks and charges will be partially or totally reimbursed (for example, in case of risks covered by insurance policies), the indemnity is recorded specifically and separately in assets if (and only if) reimbursement is practically certain. In such case, the cost of any provision 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, provisions are discounted by using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liability. When discounting is performed, the increase in the allocation due to the passage of time is recorded as a financial expense.

POST-EMPLOYMENT BENEFITS

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

Italian law (Article 2120 of the Civil Code) 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 of service. According to Italian law, this indemnity is reported 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 accrued benefits must reflect the expected employment termination date and must be discounted.

The actuarial assumptions 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 years of service, and this benefit is discounted to present value. Actuarial gains and losses from defined benefit plans, accumulated up to the previous year and reflecting the effects deriving from changes in the actuarial assumptions used, are recognized through profit or loss.

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 the contribution due.

FINANCIAL INSTRUMENTS

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

For financial assets, this treatment varies according to the following classifications:
- Financial assets at fair value through profit or loss;
- Financial assets held to maturity;
- Loans and receivables;
- Available-for-sale financial assets.

With reference to financial liabilities, there are only two categories:
- Financial liabilities recognized at fair value through profit or loss;
- Liabilities at amortized cost.

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

Derivatives

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

In line with the requirements of IAS 39, derivatives may be treated as hedges only when:
- there is formal designation and documentation of the hedge relationship when the hedge commences;
- the 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 in the fair value of an asset or a liability through profit or loss; gains and losses from subsequent measurements of the fair value are recognized through profit or loss, as are gains and losses on the hedged item.

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

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

If hedge accounting cannot be applied, the effects deriving from 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 EXPENSE

Financial income and expense are recognized on an accrual basis according to interest accrued on the net value of the relevant 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 in which the Brunello Cucinelli Group conducts business. Current tax liabilities are calculated by applying the tax rates in force or substantially approved at year-end.
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) at fiscal year-end between the tax bases and the reported amounts of assets and liabilities.

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

The value of deferred tax assets to be shown on the financial statements is re-examined at year-end 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 at year-end 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 in the year in which such assets are realized or such liabilities are extinguished, considering the tax rates in force as well as those already issued or substantially issued as of the reporting date.

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

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 are calculated by dividing the Group's profit by the weighted average of shares outstanding during the year. To calculate diluted earnings per share, the weighted average of shares outstanding is 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 coincide 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 EFFECTIVE AS OF 1ST JANUARY 2013

On 12nd 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. Its adoption did not affect the Group's financial statements for 2013.

On 16th June 2011, the IASB issued IAS 1 "Presentation of Financial Statements," which requires companies to group all components in Other comprehensive incomes/(losses) depending on whether or not they may be reclassified to profit or loss. The amendment took on or after 1st July 2012. The Group adopted this amendment starting 1st January 2013. The adoption of this amendment had limited effect on other comprehensive income / (losses) reported in these financial statements.

On 16th June 2011, the IASB issued an amendment to IAS 19 "Employee Benefits," applicable retrospectively as of 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 in the statement of financial position, the introduction of net financial expense and the classification of net financial expense in defined-benefit plans. In detail:

– Recognition of plan deficit or surplus: the amendment eliminates the option of deferring, without recording on the interest statements, actuarial gains and losses with the "corridor method" and requires recognition directly in other comprehensive income (losses). In addition, the amendment requires immediate recognition through profit or loss of past service costs.
– Net interest expense: the separate measurement of interest expenses on gross liabilities and of expected returns on plan assets is replaced by the concept of net interest expense on defined-benefit plans, which groups interest expense calculated on the present value of liabilities for defined benefit plans;

  interest income deriving from measurement of plan assets; and

  interest expenses or income deriving from any limits to recognition of plan surplus.

  Net interest 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.
– Classification of net interest expense: in accordance with the new definition of net expense, all net interest expense in defined-benefit plans is recognized under interest income/(expense) in the income statement. Pursuant to the previous version of IAS 19, up to 31st December 2012 the Group recognized all costs and income deriving from the measurement of assets and liabilities of defined-benefit plans among operating costs by functional area of destination while interest expense related to unfunded defined-benefit plans (other post-employment benefits) were recognized as interest income/(expense).

According to the transition rules provided for by IAS 19, paragraph 173, the Group applied this amendment to IAS 19 retrospectively as of 1st January 2013, adjusting the opening amounts of the statement of interest position as of 1st January 2012 and 31st December 2012 as well as the income statement for 2012 as though the amendment had always been applied.
In particular, the effect related to the previous years is a reclassification from "Retained earnings/(accumulated deficit)" to "Reserve for discounting of post-employment benefits to present value" for € 242 thousand. The effect on fiscal year 2012 is shown in the following table:

INCOME STATEMENT	31st December 2012 (restated)	31st December 2012	Change
Operating income	**35,744**	**35,744**	**-**
Net financial expense	(1,783)	(1,984)	201
Pre-tax profit	**33,961**	**33,760**	**201**
Income tax	(11,572)	(11,517)	(55)
Net profit	**22,389**	**22,243**	**146**

EQUITY	31st December 2012 (restated)	31st December 2012	Change
Share capital	13,600	13,600	-
Share premium reserve	57,915	57,915	-
Other reserves	23,678	23,824	(146)
Net profit attributable to Parent's shareholders	22,630	22,484	146
Equity attributable to Parent's shareholders	**117,823**	**117,823**	**-**
Equity attributable to non-controlling interests	2,035	2,035	-
Net profit attributable to non-controlling interests	(241)	(241)	-
Equity	**119,617**	**119,617**	**-**

On 16th December 2011, the IASB issued certain amendments to IFRS 7 "Financial instruments: disclosures." The amendment requires information on the effects or potential effects deriving from rights to offset financial assets and liabilities in the statement of financial position. The Group adopted such amendments as of 1st January 2013. The adoption of this amendment did not entail any effect on this Report.

On 17th May 2012, the IASB issued a set of changes to IFRSs ("Annual Improvement to IFRS – 2009-2011 Cycle"); below a description is provided only of those applicable to the Group, omitting those that will cause only changes in terminology or style with minimum accounting effects:

IAS 1 "Presentation of financial statements: the amendment clarifies methods for presenting comparative information if the entity changes its accounting standards, restates or reclassifies retrospectively and provides financial condition information in addition to that required by the standard. This amendment was applied for the retrospective restatement of the statement of financial position in reference to the application of the amendment to IAS 19, whose effects are shown on the above table.

IAS 16 "Property, plant and equipment: the amendment clarifies that servicing equipment must be capitalized only if it meets the definition of property, plant and equipment; otherwise, it must be classified as inventories.

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 through profit or loss to the extent that the distribution regards revenues generated from transaction originally recorded through profit or loss. The Group adopted these amendments retrospectively as of 1st January 2013, without any effect on the accounts.

IAS 12 – Deferred tax: recovery of underlying assets; the objective is to introduce an exception to the measurement principle in IAS 12 in the form of a rebuttable presumption that assumes that the carrying amount of an investment property measured at fair value will be recovered through sale and an entity would be required to adopt the tax rate applicable to the sale of the underlying assets.

IFRS 1 – Amendment: the objective of the amendment is to introduce a new exception to the standard, in that an entity that had been subject to severe hyperinflation is permitted to use fair value as the deemed cost of its assets and liabilities in its opening IFRS statement of financial position. Moreover, these amendments remove also references to fixed dates in IFRS 1 with respect to transition dates.

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

On 12nd May 2011, the IASB issued IFRS 10 "Consolidated financial statements" (as amended on 28th June 2012) 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 starts from existing standards, identifying control as the determining factor applicable to all entities, including vehicles.

It also provides guidance to determine the existence of control in cases where it is difficult to ascertain. The IASB requires application retrospectively as of 1st January 2013. The competent bodies of the European Union have completed the endorsement process for this principle, postponing its application to 1st January 2014, permitting early adoption as of 1st January 2013. The Group is evaluating the effects that may derive from adoption of the new standard.

On 12nd May 2011, the IASB issued IFRS 11 "Joint arrangements," (as amended on 28th June 2012) which replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly controlled entities: Non-monetary contributions by venturers." The new standard provides 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. After the standard was issued, IAS 28 – Investments in associates was amended to include in its scope of application, as of the effective date of the standard, also investments in joint arrangements. The IASB requires application retrospectively as of 1st January 2013. The competent bodies of the European Union have completed the endorsement process for this principle, postponing its application to 1st January 2014, permitting early adoption as of 1st January 2013. The Group is evaluating the effects that may derive from adoption of the new standard.

On 12nd May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities" (as amended on 28th June 2012), 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 IASB requires application retrospectively as of 1st January 2013. The competent bodies of the European Union have completed the endorsement process for this principle, postponing its application to 1st January 2014, permitting early adoption as of 1st January 2013. The Group is evaluating the effects that may derive from adoption of the new standard.

On 16th December 2011, the IASB issued certain amendments to IAS 32 "Financial instruments: presentation," to clarify the application of certain criteria for offsetting the financial assets and liabilities presented in IAS 32. The amendments must be applied retrospectively as of 1st January 2014.

As of this writing the competent EU authorities have not yet completed the endorsement process necessary to adopt the following accounting standards and amendments:

- On 12nd November 2009, the IASB published IFRS 9 "Financial instruments," subsequently amended. The standard, to be applied retrospectively as of 1st January 2015, is the first part of a process in phases that aims to completely replace IAS 39 and introduces 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 main change in the standard concerns the accounting treatment of changes in fair value of a financial liability designated as measured at fair value through profit or loss, in case such changes are due to a change in the rating of the liability. According to the new standard, such changes must be recognised in Other Comprehensive Profits (Losses) and through profit or loss.
- On 20th May 2013 the IASB issued IFRIC Interpretation 21: Levies, an Interpretation of IAS 37,

  an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. **IFRIC 21 clarifies** when an entity should recognize a liability for the payment of levies imposed by governments, except for those governed by other standards (e.g. IAS 12 – Income taxes). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after 1st January 2014
- On 29th May 2013, the IASB issued an amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1st January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13
- On 27th June 2013, the IASB issued certain minor amendments to IAS 39 'Financial Instruments: Recognition and Measurement' entitled 'Novation of Derivatives and Continuation of Hedge Accounting'. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, following the enactment of legislation or regulation to replace the original counterparty to guarantee the orderly fulfilment of the obligation, provided certain criteria are met. This amendment will be included in IFRS 9 "Financial Instruments". The amendments are effective for annual periods beginning on or after 1st January 2014.

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 reporting currency adopted by the Company. Each Group company defines its own functional currency, used to measure its financial statement items. Foreign currency transactions are initially recognized at the exchange rate (for the functional currency) prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate prevailing on the balance sheet date.
All exchange differences are recognized through profit or loss. 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 equity and are presented separately in a specific reserve. When a foreign company is divested, the exchange differences accumulated in equity are recognized through profit or loss.
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	
	31st December 2013	31st December 2012	31st December 2013	31st December 2012
US dollar	1.328118	1.284788	1.3791	1.3194
Swiss franc	1.231058	1.205275	1.2276	1.2072
Japanese yen	129.662666	102.491875	144.72	113.61
Chinese Renminbi	8.164629	8.105231	8.3491	8.2207
Pound sterling	0.849255	(*)	0.8337	(*)
Hong Kong dollar	10.301565	(*)	10.6933	(*)

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

6. BUSINESS COMBINATIONS

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. – which was previously the commercial partner of the Brunello Cucinelli Group, managing monobrand stores in London - from the Rambaud family at a price of £ 3,500,000 (equivalent to € 4,166 thousand at the exchange rate prevailing on the date of payment) fully paid at the same date. This transaction was financed entirely with own cash flow.
Mer&Cashmere (England) Limited – renamed Brunello Cucinelli (England) Limited – manages two monobrand stores in London at 3-5 Burlington Gardens and 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.
In accordance with IFRS 3, and considering the existence of a put option attributed to non-controlling interests, the accounting effects of this acquisition can be summarized as follows:

- A financial liability was recognized related to the possibility that the minority shareholders will exercise their put option;
- The subsidiary's equity and net profit for the period were attributed to the shareholders of the Parent Company;

All assets purchased and liabilities assumed were reviewed for recognition at their fair value. In addition to the assets purchased and the liabilities assumed, an amount reflecting Key Money was recognized for a total of € 7.034 million, determined as illustrated in the following table:

	In thousands of euros
Purchase price for 70% of the company	4,166
Fair value of put option granted on the remaining 30% on purchase date	1,521
Total carrying amount of the investment (A)	**5,687**
Equity of acquiree at acquisition date (B)	**86**
Excess value to be allocated (A - B)	**5,601**
Allocation of excess value:	
Key Money	7,034
Deferred tax assets	(1,433)

The table below shows the assets and liabilities of the acquired company at the date of acquisition, and the net liquidity used in the acquisition:

	Fair Value determined on acquisition
Other intangible assets	497
Property, plant and equipment	744
Other non-current financial assets	132
TOTAL NON-CURRENT ASSETS	**1,373**
Inventories	1,112
Other receivables and current assets	665
Cash and cash equivalents	969
TOTAL CURRENT ASSETS	**2,746**
TOTAL ASSETS	**4,119**
Non-current bank debt	382
Deferred tax liabilities	-
TOTAL NON-CURRENT LIABILITIES	**382**
Trade payables	1,748
Current bank debt	48
Taxes payable	444
Other current assets	1,411
TOTAL CURRENT LIABILITIES	**3,651**
TOTAL LIABILITIES	**4,033**
Equity attributable to non-controlling interests	**-**
TOTAL NET ASSETS IDENTIFIABLE AT FAIR VALUE	**86**
GOODWILL ARISING ON ACQUISITION	**5,601**
PRICE FOR ACQUISITION	**5,687**
Price paid	4,166
Financial liability representing value of put option on 30% of equity interest on acquisition date	1,521
Cash flows of acquisition:	
Net cash obtained with the subsidiary (reflected in cash flows from investing activities)	969
Price paid	(4,166)
NET CASH FLOW OF ACQUISITION	**(3,197)**

7. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1. INTANGIBLE ASSETS

The components of Intangible assets at 31st December 2013 compared to 31st December 2012 are shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Concessions, licenses, trademarks and similar rights	1,106	975	131
Key money	25,071	15,261	9,810
Other intangible assets	175	145	30
Intangible assets under construction and advances	200	167	33
Total Intangible assets	**26,552**	**16,548**	**10,004**

Details of historical cost, accumulated amortization and net carrying amount of intangible assets at 31st December 2013 compared to 31st December 2012 are shown below:

(In thousands of euro)	31st December 2013			31st December 2012		
	Historical cost	Accumulated amortization	Net carrying amount	Historical cost	Accumulated amortization	Net carrying amount
Concessions, licenses, trademarks and similar rights	3,416	(2,310)	1,106	2,634	(1,659)	975
Key money	33,751	(8,680)	25,071	20,286	(5,025)	15,261
Other intangible assets	495	(320)	175	394	(249)	145
Intangible assets under construction and advances	200	-	200	167	-	167
Total Intangible assets	**37,862**	**(11,310)**	**26,552**	**23,481**	**(6,933)**	**16,548**

At 31st December 2013, the item Intangible assets amounted to Euro 26,552 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 2013 and 31st December 2012:

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

(In thousands of euro)	Concessions, licenses, trademarks and similar rights	Key money	Other intangible assets	Intangible assets under construction 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
Amortization	(475)	(1,885)	(54)	-	(2,414)
Balance at 31st December 2012	**975**	**15,261**	**145**	**167**	**16,548**

Increases in 2013 were due mainly to Key Money paid by the Brunello Cucinelli Group (€ 13,393 thousand, of which € 7,532 thousand related to the acquisition of BC England, as discussed above). At 31st December 2013, there were also advances for Key Money for € 200 thousand. Net decreases, amounting to € 277 thousand, refer to the write-off of the assets obtained with the business combination conducted in 2008, following the acquisition of the equity stake in the Belgian subsidiary Blue Flannel S.A., operator of the shop in Brussels. In the first half of 2013, the shop relocated to a more prestigious address, with greater exhibition spaces, and is operated by the Belgian subsidiary Brunello Cucinelli Belgium Sprl.

There were no indications of possible impairments of Intangible assets in 2013.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

The following table shows the composition of the item Property, plant and equipment at 31st December 2013 compared to 31st December 2012:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Land	2,321	2,237	84
Buildings	11,108	11,032	76
Leasehold improvements	18,870	15,904	2,966
Plant and equipment	2,546	2,326	220
Industrial and business equipment	624	572	52
Historical collection	1,556	1,378	178
Other assets	4,126	3,454	672
Assets under construction and advances	18,029	5,028	13,001
Total Property, plant and equipment	**59,180**	**41,931**	**17,249**

Details of historical cost, accumulated depreciation and net carrying amount of intangible assets at 31st December 2013 compared to 31st December 2012 are shown below:

(In thousands of euro)	31st December 2013			31st December 2012		
	Historical cost	Accumulated depreciation	Net carrying amount	Historical cost	Accumulated depreciation	Net carrying amount
Land	2,321	-	2,321	2,237	-	2,237
Buildings	13,333	(2,225)	11,108	12,933	(1,901)	11,032
Leasehold improvements	29,558	(10,688)	18,870	22,788	(6,884)	15,904
Plant and equipment	7,228	(4,682)	2,546	6,433	(4,107)	2,326
Industrial and business equipment	1,601	(977)	624	1,072	(500)	572
Historical collection	1,556	-	1,556	1,378	-	1,378
Other assets	9,079	(4,953)	4,126	7,382	(3,928)	3,454
Assets under construction and advances	18,029	-	18,029	5,028	-	5,028
Total Property, plant and equipment	**82,705**	**(23,525)**	**59,180**	**59,251**	**(17,320)**	**41,931**

At 31st December 2013, the item Property, plant and equipment amounted to € 59,180 thousand and consisted 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 carrying amount of Property, plant and equipment for the years ended 31st December 2013 and 31st December 2012 are shown below:

(In thousands of euro)	Land	Buildings	Leasehold improvements	Plant and equipment	Industrial and business equipment	Historical collection	Other assets	Assets under construction and advances	Total Property, plant and equipment
Balance at 1st January 2013	**2,237**	**11,032**	**15,904**	**2,326**	**572**	**1,378**	**3,454**	**5,028**	**41,931**
Increases for acquisitions	84	475	7,882	860	673	178	1,243	13,148	24,543
Net decreases	-	-	(361)	(5)	(51)	-	(35)	-	(452)
Translation differences	-	-	(377)	(16)	-	-	(45)	(2)	(440)
Change in scope of consolidation	-	-	220	-	-	-	524	-	744
Reclassifications	-	-	131	13	(55)	-	56	(145)	-
Depreciation	-	(399)	(4,529)	(632)	(515)	-	(1,071)	-	(7,146)
Balance at 31st December 2013	**2,321**	**11,108**	**18,870**	**2,546**	**624**	**1,556**	**4,126**	**18,029**	**59,180**

(In thousands of euro)	Land	Buildings	Leasehold improvements	Plant and equipment	Industrial and business equipment	Historical collection	Other assets	Assets under construction 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 assets under construction 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 2013, the Brunello Cucinelli Group made investments of € 25,287 thousand in Property, plant and equipment, consisting mainly of the following:

- € 9,480 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;
- € 1,409 thousand in Other assets attributable mainly to purchases of electronic and office machines and to motor vehicles;
- € 1,250 thousand to upgrade manufacturing facilities;
- € 13,148 thousand in Assets under construction, of which € 12,867 thousand attributable to costs incurred at 31st December 2013 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 2013.

NOTE 3. OTHER NON-CURRENT FINANCIAL ASSETS

The item Other non-current financial assets at 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2012	Increases	Changes in the scope of counsolidation	Translation differences	31st December 2012
Security deposits	3,162	308	132	(176)	3,426
Total Other non-current financial assets	**3,162**	**308**	**132**	**(176)**	**3,426**

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 (€ 264 thousand) is due to the opening of new stores.

NOTE 4. INVENTORIES

The composition of the item Inventories at 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Raw and subsidiary materials and consumables	22,752	19,256	3,496
Work in process and semi-finished goods	7,036	5,047	1,989
Finished products and goods for resale	64,676	55,786	8,890
Total Inventories	**94,464**	**80,089**	**14,375**

The Group does not make any allowance for obsolescence 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 2012. See the Board of Directors Report for details on changes in Net Working Capital.

NOTE 5. TRADE RECEIVABLES

At 31st December 2013, Trade receivables amounted to € 43,361 thousand, compared to € 47,826 thousand at 31st December 2012. See the Board of Directors Report for details on changes in Net Working Capital.
Trade receivables are the receivable for supplies of goods and services, and are all payable short-term;
The amount of the allowance for bad debts 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 2013 compared to 31st December 2012 are shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**
Amount at 1st January	**1,312**	**936**
Provisions	1,324	1,092
Uses	(1,278)	(716)
Amount at 31st December	**1,358**	**1,312**

Provisions 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 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Due from tax authorities (IRES)	22	87	(65)
Due from tax authorities (IRAP)	1	53	(52)
Other tax credits	1,071	847	224
Total tax credits	**1,094**	**987**	**107**

At 31st December 2013, the item Tax credits amounted to € 1,094 thousand. The amount consisted mainly of the credit recognized by the Parent Company (€ 711 thousand) following submission of the request for refund of IRES and IRPEF and of the relative surtaxes, 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 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
VAT credits	6,154	4,846	1,308
Other receivables	3,908	2,439	1,469
Accrued income and prepaid expenses	2,527	1,646	881
Advances to suppliers	352	257	95
Foreign tax credits	661	663	(2)
Receivables from agents	584	533	51
Total Other receivables and current assets	**14,186**	**10,384**	**3,802**

VAT credits at 31st December 2013 amounted to € 6,154 thousand, compared to € 4,846 thousand 31st December 2012. 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 Lessin (Sichuan) Fashion Co. Ltd, and Brunello Cucinelli France Sarl.

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

NOTE 8. CASH AND CASH EQUIVALENTS

The composition of the item Cash and cash equivalents at 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Bank and post office deposits	38,557	39,960	(1,403)
Cash and short-term deposits	100	79	21
Cheques	19	6	13
Total Cash and cash equivalents	**38,676**	**40,045**	**(1,369)**

The above values can be readily converted into cash and are subject to an insignificant risk of change in value. The Brunello Cucinelli Group believes that the credit risk related to cash and cash equivalents is limited because this item refers mainly to deposits in various domestic and foreign banks.
For details of the sources and uses that generated changes in cash and cash equivalents at 31st December 2013 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 trading of financial instruments for speculative purposes. Derivative instruments that comply with IFRS requirements are recorded according to hedge accounting methods. For derivative instruments that do not comply with IFRS requirements, changes in fair value are recognized trough profit or loss in the year of reference.

The interest and exchange rate derivatives used are Over The Counter (OTC) instruments, traded bilaterally with market counterparties, and the relative fair value is calculated with valuation techniques that use input parameters (such yield curves, exchange rates etc.) observable on the market (level 2 of the fair value hierarchy under IFRS 7).

With reference to the financial instruments existing at 31st December 2013 attention is called to the following:

- instruments recognized at fair value fall within Level 2 (same situation as in 2012);
- in 2013 there were no transfers from Level 1 to Level 2 and vice versa;
- in 2013 there were no transfers from Level 3 to other levels and vice versa;

Details of the composition of Current derivative assets and Current derivative liabilities at 31st December 2013 compared with 31st December 2012 are shown below.

(In thousands of euro)	31st December 2013	31st December 2012	Change
Current assets – exchange rate hedges	1,658	1,610	48
Current assets – interest rate hedges:			
– Current assets – interest rate hedges qualifying for Hedge Accounting	-	-	-
– Current assets – interest rate hedges not qualifying for Hedge Accounting	-	-	-
Total Current derivative assets	**1,658**	**1,610**	**48**
Current liabilities – exchange rate hedges	(116)	(14)	(102)
Current liabilities – interest rate hedges:			
– Current liabilities – interest rate hedges qualifying for Hedge accounting	(184)	(234)	50
– Current liabilities – interest rate hedges not qualifying for Hedge accounting	(11)	(23)	12
Total Current derivative liabilities	**(311)**	**(271)**	**(40)**
Non-current liabilities – exchange rate hedges	-	-	-
Non-current liabilities – interest rate hedges:			
– Non-current liabilities – interest rate hedges qualifying for Hedge accounting	(230)	(412)	182
– Non-current liabilities interest rate hedges not qualifying for Hedge accounting	-	(11)	11
Total Non-current derivative liabilities	**(230)**	**(423)**	**193**

The contractual characteristics and relative fair value of financial instruments to hedge interest rate risk at 31st December 2013 and 31st December 2012 are shown below:

Interest rate derivatives qualifying for hedge accounting

				Fair value 31st December 2013		Fair value 31st December 2012	
Counterparty	**Type**	**Maturity date (dd/mm/yy)**	**Notional amount**	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
MPs	IRS	31/12/2013	1,125	-	-	(15)	-
MPs	IRS	31/12/2015	962	(17)	(13)	(21)	(30)
BNL	IRS	31/12/2018	3,272	(64)	(108)	(75)	(180)
Intesa sanPaolo	Fix Payer Swap	31/12/2018	3,272	(64)	(108)	(75)	(180)
Cassa di Risparmio Lucca e Livorno	IRS	31/07/2014	2,500	(9)	-	(19)	(7)
UBI Banca	IRS	11/05/2015	1,000	(3)	-	(8)	(3)
Cassa di Risparmio Parma e Piacenza	IRS	19/08/2015	2,000	(9)	(2)	(14)	(9)
Deutsche Bank	IRS	31/12/2014	1,000	(3)	-	(7)	(3)
Deutsche Bank	IRS	31/03/2016	1,600	(3)	-	-	-
Banco Popolare	IRS	15/06/2018	2,000	(12)	1	-	-
Current derivative liabilities				**(184)**		**(234)**	
Non-current derivative liabilities					**(230)**		**(412)**

Interest rate derivatives qualifying for hedge accounting

				Fair value 31st December 2013		Fair value 31st December 2012	
Counterparty	**Type**	**Maturity date (dd/mm/yy)**	**Notional amount**	**Current portion**	**Non-current portion**	**Current portion**	**Non-current portion**
BNL	IRS	31/12/2014	3,825	(5)	-	(11)	(6)
Intesa SanPaolo	Acq. Cap	31/12/2014	3,825	(6)	-	(12)	(5)
Current derivative liabilities				**(11)**		**(23)**	
Non-current derivative liabilities					**-**		**(11)**

The contractual characteristics and relative fair value of financial instruments to hedge exchange rate risk at 31st December 2013 and 31st December 2012 are shown below:

(In thousands of euro)	**Negative fair value**		**Positive fair value**	
	31st December 2013	**31st December 2012**	**31st December 2013**	**31st December 2012**
US dollar	-	-	1,459	1,610
Swiss franc	(38)	(14)	-	-
Sterling pound	(76)	-	-	-
Japanese yen	(2)	-	145	-
Hong Kong dollar	-	-	52	-
Renminbi	-	-	2	-
Total	**(116)**	**(14)**	**1,658**	**1,610**

The fair value of reported financial instruments is equal to their carrying amount, except for "Non-current bank debt", as shown in the following table:

(In thousands of euro)	**31st December 2013 Fair Value**	**31st December 2013 Carrying amount**
Non-current bank debt	25,891	25,060

Lastly, it is worthy of note that, pursuant to IFRS 13, the Credit Value Adjustment ("CVA") and the Debit Value Adjustment ("DVA") of the derivatives outstanding were calculated, determining that the amount in question is not significant and, as such, should not be accounted for.

NOTE 10. SHARE CAPITAL AND RESERVES

At 31st December 2013 equity amounted to € 145,214 thousand, showing an increase on the comparable amount at 31st December 2012.

Other changes in equity during the year included comprehensive results for the year and the distribution of dividends, resolved by the Shareholders in the Annual General Meeting of the Parent Company, Brunello Cucinelli S.p.A., held on 28th April 2013 for € 5,440 thousand.
In the same period of the preceding year, dividends had been approved for a total of € 2,500 thousand, disbursed in several instalments.
For details of changes in equity at 31st December 2013 and at 31st December 2012, see "Statement of changes in consolidated equity".

The following table shows details of Other reserves at 31st December 2013 as against the comparable amounts at 31st December 2012:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Legal reserve	2,361	1,210	1,151
Extraordinary reserve	32,188	15,770	16,418
Revaluation reserve	4,813	4,813	-
Cash flow hedge reserve	180	671	(491)
IFRS first-time adoption reserve	(804)	(799)	(5)
Reserve for discounting TFR to present value	(320)	(392)	72
Translation reserve	(241)	151	(392)
Retained earnings (accumulated deficit)	1,886	2,254	(368)
Other reserves	**40,063**	**23,678**	**16,385**

NOTA 11. POST-EMPLOYMENT 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 2013 compared with the previous year:

(In thousands of euro)	31st December 2013	31st December 2012
Net present value of obligation at start of year	**2,954**	**2,695**
Revaluation of TFR as per art.2120Italian civil code	117	137
Benefits paid	(100)	(88)
Change in scope of consolidation	-	-
Financial (income)/expense, net	(18)	10
Actuarial (gain)/loss, net	(99)	200
Net present value of obligation at end of year	**2,854**	**2,954**

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

Financial and other assumptions

	31st December 2013	31st December 2012
Annual discount rate	3.25%	2.43%
Inflation rate	2.00%	2.50%
Expected employee turnover rate	8.80%	8.80%
Capitalization rate	1.00%	1.00%

Discount rates change over time, based on a yield curve combining effective yields of AAA rated Eurobonds and rates for interest rate swaps for the periods where the former are not quoted.

Demographic assumptions

	31st December 2013	31st December 2012
Mortality	TABLE RG48	
Retirement age	65	

Turnover frequencies and TFR advances

	31st December 2013	31st December 2012
Frequency of advance payments %	1%	1%
Turnover frequency %	8.80%	8.80%

The Company performed a sensitivity analysis on the actuarial assumptions used to determine the liability at 31st December 2013. In particular, all other things being equal, a change of +10% in the discount rate used would result in a decrease of € 35 thousand for the amount of the liability while a change of – 10% would result in an increase of € 36 thousand for the amount of the liability.

Personnel

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

	31st December 2013	31st December 2012
Executives and managers	37.2	36.7
Office staff and salespeople	589.9	392.0
Workers	379.5	375.4
Total personnel	**1,006.6**	**804.1**

NOTE 12. PROVISIONS

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 2013 compared to 31st December 2012:

(In thousands of euro)	31st December 2013	31st December 2012
Reserve for supplementary customer allowances – value at 1st January	**950**	**881**
Allocations	568	76
Uses	(302)	-
Actuarial Loss (gain) recorded	(385)	(7)
Reserve for supplementary customer allowances – value at 31st December	**831**	**950**
Other provisions for risks and charges	-	12
Allocations	-	-
Uses	-	(12)
Total Provisions for risks and charges	**831**	**950**

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

	31st December 2013	31st December 2012
Voluntary turnover rate	6.00%	6.00%
Corporate turnover rate	3.00%	4.00%
Discount rate	3.07%	2.10%

NOTE 13. NON-CURRENT BANK DEBT

The item Non-current bank debt includes floating-rate medium- long-term bank loans.

The following table presents data on the Brunello Cucinelli Group's outstanding loans at 31st December 2013, specifying the portion maturing within the next year, within 5 years, and beyond 5 years:

Description	Maturity	Residual Amount at 31st December 2013	Portion within next year	Portion within 5 years	Portion beyond 5 years
Bank *Pool* (lead bank – Banca IMI)	tranche A: 31-dec-2018 tranche B: 31-dec-2014	8,851	4,270	4,581	-
Cassa di Risparmio di Lucca. Pisa e Livorno	31-jul-2015	908	515	393	-
Banco Popolare	15-jun-2018	2,000	250	1,750	-
Cariparma	19-aug-2015	727	413	314	-
Banca Toscana	31-dec-2015	551	262	289	-
Deutsche Bank	31-dec-2014	250	250	-	-
Banca Popolare di Ancona (Gruppo UBI)	11-may-2015	294	207	87	-
Deutsche Bank	31-mar-2016	1,200	533	667	-
BNL – BNP Paribas	31-mar-2015	10,000	-	10,000	-
HSBC	31-jan-2014	6	6	-	-
HSBC	01-oct-2017	272	72	200	-
Total non-current bank debt		**25,059**	**6,778**	**18,281**	**-**

The following table shows the limits provided for by financial covenants, to be calculated annually on the consolidated financial statements of Brunello Cucinelli S.p.A. with reference to the syndicated loan. Such financial covenants were met at 31st December 2013.

Loan	Reference date	Ratio	Limit
Bank *Pool* (lead bank – Banca IMI)	annual (31st December)	Net debt / EBITDA	<4.50
Bank *Pool* (lead bank – Banca IMI)	annual (31st December)	Net debt / Equity	<3.00
BNL	annual (31st December)	Net debt / EBITDA	<1.00
BNL	annual (31st December)	Net debt / Equity	<0.75

NET BORROWINGS

The following table shows the composition of net borrowings of the Brunello Cucinelli Group at 31st December 2013 compared to 31st December 2012:

(In thousands of euro)	31st December 2013	31st December 2012
A. Cash	(101)	(79)
B. Cash equivalents	(38,575)	(39,966)
C. Liquid assets (A) + (B)	**(38,676)**	**(40,045)**
D. Current financial receivables	**-**	**-**
E. Current bank debt	29,639	28,423
F. Other current financial payables	3,150	272
G. Current debt (E) + (F)	**32,789**	**28,695**
H. Current net borrowings (G) + (D) + (C)	**(5,887)**	**(11,350)**
I. Non-current bank debt	18,281	11,559
J. Other on-current debt	3,707	642
K. Non-current net borrowings (I) + (J)	**21,988**	**12,201**
L. Net borrowings (H) + (K)	**16,101**	**851**

NOTE 14. NON-CURRENT BORROWINGS

At 31st December 2013 this item included € 1,581 thousand in relation to the value as of the same date of the put option for the purchase of the non-controlling interest in Brunello Cucinelli (England) Ltd, as discussed in the paragraph on "Business combinations", and € 1,896 thousand in relation to the amount due by the subsidiary Brunello Cucinelli Hong Kong to the minority shareholder.

NOTE 15. OTHER NON-CURRENT LIABILITIES

At 31st December 2013, Other non-current liabilities amount to € 2,006 thousand, compared to € 1,216 thousand at 31st December 2012. The amount refers to payables falling due 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)	31st December 2013	31st December 2012	Change
Lease liabilities (deferred rent ex IAS 17)	2,006	1,216	790
Total Other non-current liabilities	**2,006**	**1,216**	**790**

NOTE 16. TRADE PAYABLES

The composition of Trade payables at 31st December 2013, compared to 31st December 2012, is as follows:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Trade payables to third-party suppliers	62,607	62,718	(111)
Total Trade payables	**62,607**	**62,718**	**(111)**

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

NOTE 17. CURRENT BANK DEBT

The composition of Current bank debt at 31st December 2013, compared to 31st December 2012, is as follows:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Current portion of medium/long-term loans	6,779	6,065	714
Bills and invoices advance account	21,077	20,485	592
Current account overdraft and liquidity repayable on demand	1,783	1,873	(90)
Total Current bank debt	**29,639**	**28,423**	**1,216**

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 18. CURRENT FINANCIAL DEBT

Current financial debt at 31st December 2013 amounted to € 2.955 thousand. This item reflects the loan, maturing within next year, obtained by the subsidiary Brunello Cucinelli Lessin from it minority shareholder and accrued interest expense calculated on outstanding loans.

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Current financial debt	2,938	-	2,938
Accrued expenses on loans	17	15	2
Total Current financial debt	**2,955**	**15**	**2,940**

NOTE 19. TAX PAYABLES

Tax payables at 31st December 2013 amounted to € 1,562 thousand, showing a decrease compared to € 2,761 thousand at 31st December 2012. 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)	31st December 2013	31st December 2012	Change
Payable for current IRES	350	1,905	(1,555)
Payable for current IRAP	170	413	(243)
Other tax payables	1,042	443	599
Total Tax payables	**1,562**	**2,761**	**(1,199)**

The items Payables for IRES and IRAP at 31st December 2013 and 31st December 2012 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 2013.

The item Other tax payables at 31st December 2013 refers to the debt for current taxes of foreign subsidiaries, mainly the Brunello Cucinelli USA Inc., Brunello Cucinelli Suisse SA and Brunello Cucinelli England Ltd..

NOTE 20. OTHER CURRENT LIABILITIES

The composition of the item Other current liabilities at 31st December 2013, compared to 31st December 2012, is as follows:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Due to agents	5,249	6,004	(755)
Due to others	7,577	6,074	1,503
Due to employees	2,743	2,566	177
Due Social Security	2,554	1,970	584
Accrued expenses and deferred income	1,281	1,525	(244)
Total Other current liabilities	**19,404**	**18,139**	**1,265**

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

The item Due 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 Due to employees includes salary and wages for the month of December that are paid at the beginning of January and the payable for unused vacations, while Due to Social Security refers to contributions on salary and wages.

NOTE 21. TAXES

DEFERRED TAX ASSETS AND LIABILITIES

The composition of Deferred tax assets and liabilities at 31st December 2013 compared to 31st December 2012, is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Deferred tax assets	10,082	7,489	2,593
Deferred tax liabilities	(3,308)	(806)	(2,502)

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, while the increase in Deferred tax liabilities is due to the recognition of a bargain purchase gain in relation to the acquisition of Brunello Cucinelli (England) Ltd.

The detail of Net deferred taxes at 31st December 2013 and 31st December 2012 is shown below:

(In thousands of euro)	Year ended 31st December							
	Statement of financial position		Equity		Income statement		Exchange rate differences and change in the scope of consolidation	
	2013	2012	2013	2012	2013	2012	2013	2012
Amortization of intangible assets	(990)	286			155	17	(1,431)	
Depreciation of tangible assets	(529)	(423)			(130)	13	24	
Provision for bad debts	323	244			79	47		
IAS 39 – Arrangement fees	49	59			(10)	(10)		
Fair value of hedges	(53)	(240)	187	(829)		(209)		
Leasing IAS 17 – rent normalization	15	15						
IAS 39 – Amortized cost	6	9			(3)	(5)		
TFR ex IAS 19	52	84	(27)	55	(5)	3		
Tax effects under IAS 37	139	236			(97)	(78)		
Listing expenses	1,650	2,269		1,138	(619)	1,340		
Elimination of intercompany margins on inventories	3,228	2,225			1,003	802		
Elimination of intercompany gains	9	9						
Advance taxes on tax losses	1,591	704			887	505		
Unrealized currency gains and losses	29	108			(79)	108		
Deferred capital gains	(187)				(187)			
Cash-basis taxable transactions	170	224			(46)	399	(8)	
Taxation investment Cucinelli Holding Co. LLC in BC USA Inc.	1,317	955			419	476	(57)	
Other	(45)	(81)			36	(68)		
Costs/ (income) from deferred taxes					**1,403**	**3,340**		
Deferred taxes recognized in equity			**160**	**364**				
Exchange rate differences and change in scope of consolidation							**(1,472)**	**-**
Net assets/ (liabilities) from net deferred taxes	**6,774**	**6,683**						
Reported in the Statement of financial position as follows:								
Deferred tax assets	10,082	7,489						
Deferred tax liabilities	(3,308)	(806)						
Net assets from deferred taxes	**6,774**	**6,683**						

INCOME TAXES

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

(In thousands of euro)	31st December 2013	31st December 2012	Change
Current taxes	16,744	15,652	1,092
Deferred taxes	(1,403)	(3,340)	1,937
Taxes in previous years	305	(740)	1,045
Income taxes on consolidated income statement	**15,646**	**11,572**	**4,074**
Income taxes recognized on Comprehensive income statement	(160)	774	(934)
Total income taxes	**15,486**	**12,346**	**3,140**

The following is the reconciliation between the statutory rate and the effective rate of the Brunello Cucinelli Group for the years ended 31st December 2013 and 31 Decemberst 2012:

(In thousands of euro)	Year ended 31st December	
	2013	2012
Pre-tax profit	**45,221**	**33,961**
IRES rate in effect for year	27.50%	27.50%
Theoretical tax burden	**(12,436)**	**(9,339)**
Income taxes with different rate (irap)	(2,678)	(2,442)
Effect of different tax rate on foreign companies	(567)	(837)
Taxes for previous years	(305)	740
Other changes	340	306
Total taxes on Income Statement	**(15,646)**	**(11,572)**
Pre-tax profit	34.6%	34.1%

8. NOTES TO MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

NOTE 22. REVENUES

The composition of the item Revenues at 31st December 2013 compared to 31st December 2012, is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Net revenues	322,480	279,321	43,159
Other operating revenues	2,090	2,030	60
Total Revenues	**324,570**	**281,351**	**43,219**

Net revenues derive from the sale of clothing articles and accessories produced by the Brunello Cucinelli Group.

Other operating revenues derive mainly from the sale to the parent company, Fedone S.r.l., of the trademarks "SOLOMEI", "SOLOMEO" and the "cat of arms", closely related to medieval castle in the medieval town of Solomeo, owned by Parmenide S.r.l., a wholly-owned subsidiary of Fedone S.r.l..

The sale took place for € 830 thousand. With the sale, Fedone S.r.l granted the Company a user licence for the trademarks sold (for the products of classes 3, 9, 18, 24, 25 and the class 35 services; in short, for all the products sold by the Company) in exchange for an annual fee of € 64,000. The licence agreement will expire in 10 years and the Company may terminate it with a 3-month notice without penalty.

Revenues are analysed below by geographical area:

(In thousands of euro)	Year ended 31st December				Change	
	2013	% share	2012	% share	2013 vs. 2012	2013 vs. 2012 %
Italy	66,664	20.7%	68,662	24.6%	(1,998)	-2.9%
Europe (1)	107,897	33.4%	89,924	32.2%	17,973	+20.0%
North America (2)	109,068	33.8%	88,554	31.7%	20,514	+23.2%
Greater China (3)	15,728	4.9%	10,315	3.7%	5,413	+52.5%
Rest of the World (RoW) (4)	23,123	7.2%	21,866	7.8%	1,257	+5.7%
Total	**322,480**	**100.0%**	**279,321**	**100.0%**	**43,159**	**+15.5%**

(1) Con "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. in this area the Brunello Cucinelli Group does not operate any DOS.

Revenues by distribution channel are analysed below:

(In thousands of euro)	Year ended 31st December				Change	
	2013	% share	2012	% share	2013 vs. 2012	2013 vs. 2012 %
Retail	115,440	35.8%	76,949	27.5%	38,491	+50.0%
Wholesale Monobrand	33,080	10.3%	32,682	11.7%	398	+1.2%
Wholesale Multibrand	173,960	53.9%	169,690	60.8%	4,270	+2.5%
Total	**322,480**	**100.0%**	**279,321**	**100.0%**	**43,159**	**+15.5%**

See the Directors Report for a description of revenue performance.

NOTE 23. 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 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Costs of raw and subsidiary materials and consumables	68,656	60,163	8,493
Change in inventories	(14,171)	(15,702)	1,531
Total costs of raw and subsidiary materials and consumables	**54,485**	**44,461**	**10,024**

NOTE 24. SERVICE COSTS

The composition of the item Service costs for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Outsourced work	75,747	74,360	1,387
Commissions and accessory expenses	11,820	12,764	(944)
Advertising and other business expenses	17,807	15,383	2,424
Transportation and customs fees	13,758	12,050	1,708
Rents paid	20,513	12,995	7,518
Credit card fees	2,296	1,634	662
Other general expenses	2,927	2,883	44
Consulting fees	4,478	4,457	21
Non-recurring expenses – listing process	-	6,241	(6,241)
Emoluments to Directors and Auditors	1,934	1,543	391
Maintenance	2,147	2,005	142
Insurance	1,148	933	215
Utilities (energy, telephone, gas, water, post office)	2,044	1,708	336
Total service costs	**156,619**	**148,956**	**7,663**

NOTE 25. PERSONNEL COSTS

The composition of the item Personnel costs for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Salaries and wages	39,985	32,567	7,418
Social security	8,739	8,020	719
Post-employment benefits	1,825	1,687	138
Other personnel costs	563	347	216
Total Personnel costs	**51,112**	**42,621**	**8,491**

See the Directors Report for details on Personnel costs.

NOTE 26. OTHER OPERATING COSTS

The composition of the item Other operating costs for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Taxes	880	372	508
Membership fees	165	162	3
Losses on disposals	148	119	29
Bad debts	6	-	6
Other operating expenses	1,717	926	791
Total Other operating costs	**2,916**	**1,579**	**1,337**

NOTE 27. SELF-CONSTRUCTED ASSETS

In 2013, self-constructed assets amounted to € 528 thousand, compared to € 295 thousand in 2012. They refer mainly to operating costs incurred to develop the historical collection.

NOTE 28. AMORTIZATION AND DEPRECIATION

The composition of the item Amortization and Depreciation for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Amortization	4,079	2,426	1,653
Depreciation	7,146	4,699	2,447
Total amortization and depreciation	**11,225**	**7,125**	**4,100**

NOTE 29. VALUE ADJUSTMENTS AND PROVISIONS

Value adjustments and provisions amounted to € 1,785 thousand in 2013, compared to € 1,160 thousand in 2012. They refer to provisions to the allowance for bad debts and to supplementary customer allowances as well as to the write-down of the balance of key money accounted for with the business combination carried out in 2008, with the merger of the Belgian subsidiary Blue Flannel S.A., as indicated in Note 1.

NOTE 30. FINANCIAL EXPENSE

The composition of the item Financial expenses for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Interest on loans	466	613	(147)
Interest on advances and invoice discount	943	962	(19)
Bank interest paid	86	59	27
Realized exchange rate losses	2,512	671	1,841
Unrealized exchange rate losses	909	672	237
Financial expense on derivatives	466	435	31
Other misc. Financial expense	430	329	101
Total financial expense	**5,812**	**3,741**	**2,071**

NOTE 31. FINANCIAL INCOME

The composition of the item Financial income for the year ended 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	**31st December 2013**	**31st December 2012**	**Change**
Bank interest received	639	651	(12)
Realized exchange rate gains	2,279	794	1,485
Unrealized exchange rate gains	1,105	381	724
Financial income from derivatives	28	130	(102)
Miscellaneous income	26	2	24
Total financial income	**4,077**	**1,958**	**2,119**

NOTE 32. 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 Shareholders in the Annual General Meeting and therefore has not been recorded as a liability on the consolidated financial statements of the Brunello Cucinelli Group at 31st December 2013 as was also done at 31st December 2012.

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

	31st December 2013	31st December 2012
Net profit attributable to shareholders of Parent Company (in thousands of euro)	30,476	22,630
Number of ordinary shares at end of period	68,000,000	68,000,000
Weighted average number of ordinary shares for purposes of basic earnings per share	68,000,000	65,435,616
Weighted average number of ordinary shares for purposes of diluted earnings per share	68,000,000	65,435,616
Basic earnings per share (in euro)	0.44818	0.34584
Diluted earnings per share (in euro)	0.44818	0.34584

The figure at 31st December 2012 is affected by non-recurring expenses referring to the listing process.

NOTE 33. COMMITMENTS AND RISKS

The item Commitments and risks includes goods owned by the Brunello Cucinelli Group held by third parties. The composition of the item at 31st December 2013 compared to 31st December 2012 is shown below:

(In thousands of euro)	31st December 2013	31st December 2012	Change
Goods held by third parties	33	39	(6)
Total commitments and risks	**33**	**39**	**(6)**

The item Goods held by 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.

FINANCIAL RISK MANAGEMENT

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 financial soundness.
The financing instruments most often used are:

- medium/long-term loans with multi-year repayment schedules 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 against risk that could raise the cost of medium/long-term financial debt, and exchange rate hedges against risks that could affect the Group's operating performance.

The average cost of debt is equal to 3- and 6-month Euribor, plus a spread that depends on the financing instrument used and on the Company's rating.
The Brunello Cucinelli Group uses derivatives to 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 2013 there were 12 positions regarding interest rate swap derivatives (2 of which with cap) to hedge the risk of a potential increase in the cost of Bank debt service due to fluctuations of market rates. The notional value of these positions was € 13.6 million with a negative fair value of approximately € 425 thousand.
The short-term portion of Bank debt, used mainly to finance working capital needs, is not covered by an interest rate hedge.
The cost of Bank debt is equal to Euribor for the period plus a spread that depends on the type of credit line used. The applied spreads are comparable to the best market standards. The interest rate risk to which the Brunello Cucinelli Group is exposed derives primarily from 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 2014 Income Statement (compared to 2013) deriving from interest rate risk are:

– potential change in financial and differential costs for derivatives existing in 2013;
– 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 equity.

The Brunello Cucinelli Group has estimated the potential effects on the Income statement and on equity for 2014, calculated with reference to the situation at the close of 2013 (effects on 2013 for comparison calculated with reference to the situation at the close of 2012), produced by a simulation of the change in the yield curve, by using internal assessment models based on generally accepted principles. Specifically:

– for loans, the effects were estimated by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) of the yield curve, applied only to cash flows expected for 2014 (2013 for comparison);
– for derivatives, by simulating a parallel shift of +100/-30 basis points (+1%/-0.3%) of the yield curve.

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

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

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

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

	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**

With reference to the situation at 31st December 2013 a parallel shift of +100 basis points (+1%) of the yield curve would produce an increase in the fair value of hedge derivatives of about € 235 thousand, with an impact solely on equity. A parallel shift of -30 basis points (-0.3%) of the yield curve would produce a decrease in the fair value of hedge derivatives of about € 72 thousand, with an impact solely on equity.

With reference to the situation at 31st December 2012 a parallel shift of +100 basis points (+1%) of the yield curve would produce an increase in the fair value of hedge derivatives of about € 950 thousand, with an impact solely on equity. A parallel shift of -30 basis points (-0.3%) of the yield curve would produce a decrease in the fair value of hedge derivatives of about € 598 thousand, with an impact solely on equity.

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

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

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 amount of revenues in Euros may decrease in the event of unfavourable fluctuations 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 exchange rate or a range of exchange rates at future dates.

The forward contracts are stipulated when seasonal price lists in foreign currency are defined, based on estimated sales and considering the expected collection date of the sales invoices 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 equity. When the hedged transaction is recorded, the amounts allocated to the reserve are released to Revenues in the Income Statement. The ineffective component of this change in fair value is charged to Financial Income and Expenses in 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 in the Income statement.

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

During 2013 the Group released to revenues € 2,744 thousand previously recorded in the Cash Flow Hedge reserve. During 2012 the Group released to revenues € 1,558 thousand previously recorded in the Cash Flow Hedge reserve.

The potential effects on the 2013 Income statement (2012 for comparison) derived from exchange rate risk are:
- Revaluation/write-down 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 closing equity for 2014 (2013 for the comparative figures) due to foreign currency risk are:
- Change in the fair value of the effective portion of outstanding derivative instruments hedging highly probable transactions in foreign currency.

The Brunello Cucinelli Group has estimated the potential effects on the Income statement and on equity for 2014, calculated with reference to the situation at the close of 2013 (2012 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 balance sheet items	FOREIGN CURRENCY EXPOSURE 2013			SENSITIVITY 2013	
	Assets	Liabilities	Net	Income statement Euro/US Dollar forex	
		(US Dollar/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	10.066	(1.580)	8.486	(307,6)	307,6
Total gross exposure of balance sheet items	**10.066**	**(1.580)**	**8.486**	**(307,6)**	**307,6**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/US Dollar exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(34.300)	1.244	(1.244)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc forex	
		(Swiss franc/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	17	(311)	(294)	12,0	(12,0)
Total gross exposure of balance sheet items	**17**	**(311)**	**(294)**	**12,0**	**(12,0)**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/Swiss Franc exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(4.100)	167	(167)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Sterling pound forex	
		(Pound sterling/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	253	(93)	160	(9,6)	9,6
Total gross exposure of balance sheet items	**253**	**(93)**	**160**	**(9,6)**	**9,6**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/ Sterling pound exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(2.600)	156	(156)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Yen forex	
		(Yen /000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	37.595	(42.459)	(4.864)	1,7	(1,7)
Total gross exposure of balance sheet items	**37.595**	**(42.459)**	**(4.864)**	**1,7**	**(1,7)**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/ Yen exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(154.000)	53	(53)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Renmimbi forex	
		(Renmimbi/000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	10.291	(6.403)	3.888	(23,0)	23,0
Total gross exposure of balance sheet items	**10.291**	**(6.403)**	**3.888**	**(23,0)**	**23,0**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/ Renmimbi exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(1.700)	10	(10)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Hong Kong dollar forex Kong	
		(Hong Kong dollar /000)		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Trade payables	887	(1.765)	(878)	4,1	(4,1)
Total gross exposure of balance sheet items	**887**	**(1.765)**	**(878)**	**4,1**	**(4,1)**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/Hong Kong dollar exchange rate	
		+ 5% *(Euro/000)*	- 5% *(Euro/000)*
Forward sales (Notional amount)	(15.500)	72	(72)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Canadian dollar forex	
	(Canadian dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(23)	(23)	0,8	(0,8)
Total gross exposure of balance sheet items	**-**	**(23)**	**(23)**	**0,8**	**(0,8)**

	FOREIGN CURRENCY EXPOSURE 2012			SENSITIVITY 2012	
Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/US Dollar forex	
	(US dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	8.099	(3.584)	4.515	(171,1)	171,1
Total gross exposure of balance sheet items	**8.099**	**(3.584)**	**4.515**	**(171,1)**	**171,1**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/US Dollar exchange rate	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (Notional amount)	(62.600)	2.372	(2.372)

Exposure of balance sheet items	Assets	Liabilities	Net	Income statement Euro/Swiss franc forex	
	(Swiss franc/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	17	(327)	(310)	12,9	(12,9)
Total gross exposure of balance sheet items	**17**	**(327)**	**(310)**	**12,9**	**(12,9)**

Exposure arising from highly probable future transactions	Notional	Changes in Shareholders' equity Euro/Swiss franc exchange rate	
		+ 5% (Euro/000)	- 5% (Euro/000)
Forward sales (Notional amount)	(3.300)	137	(137)

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Sterling pound forex	
	(Pound sterling/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(36)	(36)	2,2	(2,2)
Total gross exposure of balance sheet items	**-**	**(36)**	**(36)**	**2,2**	**(2,2)**

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Canadian dollar forex	
	(Canadian dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(6)	(6)	0,2	(0,2)
Total gross exposure of balance sheet items	**-**	**(6)**	**(6)**	**0,2**	**(0,2)**

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Hong Kong dollar	
	(Hong Kong dollar/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(7)	(7)	-	-
Total gross exposure of balance sheet items	**-**	**(7)**	**(7)**	**-**	**-**

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Yen forex	
	(Yen /000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	10.683	(9.611)	1.072	(0,5)	0,5
Total gross exposure of balance sheet items	**10.683**	**(9.611)**	**1.072**	**(0,5)**	**0,5**

Exposure of balance sheet items	Assets	Liabilities	Net	Income Statement Euro/Renminbi	
	(Renminbi/000)			+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	11.411	(61.762)	(50.351)	306,0	(306,0)
Total gross exposure of balance sheet items	**11.411**	**(61.762)**	**(50.351)**	**306,0**	**(306,0)**

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 pressures on available cash.

The following is a breakdown of 2013 and 2012 Liabilities with reference to financial instruments according to term to maturity:

	Situation at 31st December 2013				
	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	7,030	513	62,607	198	70,348
1 to 2 years	12,958	232	-	129	13,319
2 to 3 years	1,475	153	-	58	1,686
3 to 5 years	3,636	187	-	47	3,870
5 to 7 years	-	-	-	-	-
Over 7 years	-	-	-	-	-
TOTAL	**25,099**	**1,085**	**62,607**	**432**	**89,223**

	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**

Forecast future expenses implicit in loans and future forecast differentials implicit in derivative instruments were estimated on the basis of the yield curves existing on the reference dates (31st December 2013 and 31st December 2012).

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 64.2% of net revenues at 31st December 2013; 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 2013 and 31st December 2012 at Note 5 above.

Trade receivables are recorded on the financial statements net of the allowance for bad debts 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 2013 and 2012:

	Situation at 31st Decembrer	
Expired:	**2013**	**2012**
0-90 days	8,107	12,117
91-180 days	4,010	3,566
over 180 days	5,518	6,836
TOTAL	**17,635**	**22,519**

OTHER INFORMATION

RELATED-PARTY TRANSACTIONS

The following table presents details of transactions 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 12nd March 2010, it is attested that during 2013 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 positions arising from transactions with related parties at 31st December 2013:

(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 recei-vables**	**Trade payables**
MO.AR.R. s.n.c.	-	-	-	58	74	-	1	5,161	-	-	302
Cucinelli Giovannino	-	-	-	-	3	-	-	2,836	-	-	435
As.vI.P.I.M. Gruppo Cucinelli	-	-	-	-	630	-	-	-	-	-	-
AsD Castel Rigone	62	-	-	-	-	-	4	-	-	83	-
Fedone s.r.l.	-	908	-	-	56	-	-	-	-	1	-
Parmenide s.r.l.	2	-	-	-	493	-	-	-	41	2	-
Bartolomeo s.r.l.	15	16	-	-	222	-	-	255	-	6	1
Fondazione Brunello Cucinelli	1	6	-	-	6	-	-	-	-	5	-
Società Agricola Semplice Solomeo	-	4	-	-	6	-	9	-	-	2	15
Brunello Cucinelli Family	5	-	-	-	-	202	-	-	-	-	-
Total related parties	**85**	**934**	**-**	**58**	**1,490**	**202**	**14**	**8,252**	**41**	**99**	**753**
Total consolidated financial statements	**322,480**	**2,090**	**4,077**	**54,485**	**156,619**	**51,112**	**2,916**	**59,180**	**3,426**	**43,361**	**62,607**
% share	*0.03%*	*44.70%*	*0.00%*	*0.11%*	*0.95%*	*0.40%*	*0.48%*	*13.94%*	*1.19%*	*0.23%*	*1.20%*

In particular:

- 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 store;
- Cucinelli Giovannino: 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: transactions refer only to the item Net income and refer to the sale of official uniforms to the Castel Rigone sports association;
- Fedone S.r.l.: other operating income refers mainly to the sale of the "SOLOMEI", "SOLOMEO" trademarks and the "coat of arms, which has already been discussed in this report; 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 OCCURRED AFTER YEAR-END

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

Compensation paid for any reason and in any form to members of the Board of Directors a 31st December 2013 from Brunello Cucinelli S.p.A. at 31st December 2013 amounted overall to € 935,606. Compensation to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 31st December 2013 totalled € 191,831.

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 2013 by Brunello Cucinelli S.p.A. and by its direct and indirect subsidiaries:

Board of Directors

(In thousands of euro)		Year ended 31st December 2013							
First name, Last name	**Office**	**Term of office**	**Expiration of office**	**Compensation**	**Compensation for participation in committees**	**Non-cash benefits**	**Compensation, bonuses and other incentives**	**Other compensation**	**Total**
Brunello Cucinelli	Chairman And CEO	1.01-31.12	a)	803,206	-	-	-	-	803,206
Moreno Ciarapica	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Riccardo Stefanelli	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Giovanna Manfredi	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Giuseppe Labianca	Director	1.01-31.12	a)	3,200	-	-	-	-	3,200
Andrea Pontremoli	Independent Director	1.01-31.12	a)	22,800	12,500	-	-	-	35,300
Matteo Marzotto	Independent Director	1.01-31.12	a)	23,200	10,000	-	-	-	33,200
Father Cassian	Independent Director	1.01-31.12	a)	20,400	-	-	-	-	20,400
Candice Koo	Independent Director	1.01-31.12	a)	23,200	7,500	-	-	-	30,700

a) Approval of 2014 Financial Statements

The following table summarizes the emoluments paid to members of the Board of Statutory Auditors for the year ended 31st December 2013.

Board of Statutory Auditors

(In thousands of euro)		Year ended 31st December 2013			
Name and Last Name	**Office**	**Term of office**	**Expiration of office**	**Compensation for Grand total term of office**	**Total**
Gerardo Longobardi	Chairman	1.01-31.12	a)	81,675	81,675
Ravizza Lorenzo Lucio Livio	Standing auditor	1.01-31.12	a)	56,158	56,158
Guglielmo Castaldo	Standing auditor	1.01-31.12	a)	53,998	53,998

a) Approval of 2014 Financial Statements

STATEMENT FOR PURPOSES OF ART. 149-DUODECIES OF THE REGULATION ON ISSUERS

(In thousands of euro) **Type of service**	**Party providing service**	**Client**	**Total Compensation 2013**
Audit	Auditor of parent Company	Parent Company	332
Certification services for listing process	Auditor of parent Company	Parent Company	3
Other services	Auditor of Parent Company	Parent Company	75
Subtotal			**410**
Audit	i) Network of Auditor of parent Company	Subsidiary	32
	ii) Other Auditors	Subsidiary	146
Subtotal			**178**
Total			**588**

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 transactions, as defined in said Communication.

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

CERTIFICATION PURSUANT TO ART. 154 BIS OF ITALIAN DECREE LAW NO. 58 OF 24TH FEBRUARY 1998 (TUF) AND TO ART. 81–TER OF CONSOB RULE NO. 11971 OF 14TH 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, considering 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 2013 – 31st December 2013.
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 2013.
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) provide a true and fair view of the financial conditions, operating performance and cash flows 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.

10th March 2014

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

Moreno Ciarapica
Manager in charge of preparing
the corporate accounting documents

REPORT OF THE EXTERNAL AUDITORS

Reconta Ernst & Young S.p.A.
Via Bartolo, 10
06122 Perugia (PG)

Tel: +39 075 5750411
Fax: +39 075 5722888
ey.com

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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 2013 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.

   With respect to the consolidated financial statements of the prior year, which are presented for comparative purposes and restated as a result of the retrospective application of amendment to IAS 19, reference should be made to our reports issued on 27 March 2013. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this report.

3. In our opinion, the consolidated financial statements of the Brunello Cucinelli Group at 31 December 2013 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 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 2013.

Perugia, 31 March 2014

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.