The Brunello Cucinelli Group S.p.A

BRUNELLO CUCINELLI

Consolidated financial statements as of 31 December 2010 and 2009

Index

Introduction

We hereby present the consolidated financial statements of the Brunello Cucinelli Group for the financial years ending 31 December 2010 and 2009, giving the consolidated financial and economic situation, consolidated profit and loss account, consolidated overall profit and loss account, consolidated financial report, consolidated changes in equity with accompanying explanatory notes, set out in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union - and henceforth referred to as the IFRS - for the purposes of inclusion in the prospectus prepared in association with the application for listing on the Italian Stock Exchange. The date of adopting IFRSs was 1 January 2008 and the first complete IFRS compliant financial statements were for the financial year ended 31 December 2010.

Company activity within the Brunello Cucinelli Group for the first half of 2011

In January 2011 a new company, ′Cashmere Spagna S.L.′, was incorporated (2% owned by the parent company Solomeo S.p.A and 98% by the subsidiary Brunello Cucinelli Retail).

In January 2011 a preliminary agreement was signed for the acquisition of 51% of the associate company Max Vannucci S.r.l which represents a *façonista* for the subsidiary Brunello Cucinelli S.pA.

On 8 March 2011, Fundita S.r.l, owned by Giovanna Manfredi and holder of 50% of the shares of the subsidiary Gunex S.p.A, and by Fedone S.r.l, parent company of the Brunello Cucinelli Group, signed a sales agreement on the basis of which Fundita S.r.l transferred its 50% share in Gunex S.p.A to Fedone S.r.l for the sum of €13,500 thousand. Following the sale, 50% of the Gunex S.p.A share capital was held by the Brunello Cucinelli Group and the remaining 50% by Fedone S.r.l.

Subsequently, in June 2011 the operating company known at the time as Brunello Cucinelli S.p.A (henceforth referred to as ′the Ex-Brunello Cucinelli S.p.A′) merged through acquisition with Gunex S.p.A into Solomeo S.p.A which at the same time was renamed Brunello Cucinelli S.p.A.

In June 2011, during Group restructuring, the property known as Foro delle Arti was part split off from Brunello Cucinelli S.p.A and transferred to Parmenide S.r.l, a company 100% controlled by Fedone S.r.l. The split took place immediately after the merger of the Ex-Brunello Cucinelli S.p.A and Gunex S.p.A. Parmenide S.r.l is not therefore part of the Group. Together with the Foro delle Arti, the properties in Solomeo where the Group's activities are centred were also transferred to Parmenide S.r.l.
The Brunello Cucinelli Group continues its activity in Solomeo properties as a tenant of Parmenide S.r.l.

The merger through acquisition of the operating company Ex-Brunello Cucinelli S.p.A and Gunex to form Brunello Cucinelli S.p.A took place within the company perimeter of the Brunello Cucinelli Group, and does not constitute a company aggregation as per the revised IFRS 3. The operation comes under the category of ′under common control′ and has been recorded as such in the accounting within the consolidated financial statements of Solomeo S.p.A for the financial years ended 31 December 2010 and 2009, and as such has had no effect on the Group's consolidated equity and financial structure and on consolidated economic results.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010 AND 2009.

Consolidated position regarding equity and finances as of 31 December 2010 and 2009

(In thousands of Euro)	**Notes**	**31 December**	
		2010	**2009**
NON CURRENT ASSETS			
Intangible assets	1	9,095	8,233
Property, equipment and machinery	2	34,537	32,102
of which associates		*2,141*	*1,674*
Other non current financial assets	3	1,113	743
Deferred tax receivables	20	1,754	1,324
Non current assets in the form of derivative financial instruments	10	-	-
TOTAL NON CURRENT ASSETS		**46,499**	**42,402**
CURRENT ASSETS			
Inventories	4	48,271	47,044
Trade receivables	5	47,624	41,788
of which associates		*24*	*5*
Tax credits	6	555	200
Other credits and current assets	7	7,128	5,166
Other financial current assets	8	0	0
Liquidity and cash equivalents	9	6,960	3,283
Current assets for derivative financial instruments	10	663	105
TOTAL CURRENT ASSETS		**111,201**	**97,586**
TOTAL ASSETS		**157,700**	**139,988**
EQUITY			
GROUP EQUITY			
Share capital	11	4,600	4,600
Reserves	11	13,221	10,776
Net Group profits	11	9,576	4,896
TOTAL GROUP EQUITY		**27,397**	**20,272**
THIRD PARTY EQUITY			
Third party capital and reserves	11	3,189	3,284
Net profit apportionable to third parties	11	1,860	630
TOTAL THIRD PARTY EQUITY		**5,049**	**3,914**
TOTAL EQUITY		**32,446**	**24,186**
NON CURRENT LIABILITIES			
Employees benefit liabilities	12	2,404	2,511
Reserves for risks and charges	13	930	739
Non current bank debt	14	28,304	29,683
Non current financial debt	15	275	255
Other non current liabilities	16	517	400
Deferred tax payables	21	491	295
TOTAL NON CURRENT LIABILITIES		**32,921**	**33,883**
CURRENT LIABILITIES			
Trade payables	17	43,981	37,140
of which associates		*868*	*899*
Current bank debt	18	30,774	34,061
Tax debt	19	3,545	510
Liabilities relating to current derivative financial instruments	10	613	182
Other current liabilities	20	13,420	10,026
TOTAL CURRENT LIABILITIES		**92,333**	**81,919**

TOTAL LIABILITIES	**125,254**	**115,802**
TOTAL EQUITY AND LIABILITIES	**157,700**	**139,988**

Consolidated profit and loss account for financial years ended 31 December 2010 and 2009

(In thousands of Euro)	Notes	Financial year ended 31 December 2010	2009
		2010	**2009**
Net revenues	22	203,599	158,135
of which associates		*24*	*12*
Other operating income	22	819	509
of which associates		*67*	*66*
Income from sales and services	**22**	**204,418**	**158,644**
Costs for raw materials, ancillaries and consumables	23	(49,277)	(35,103)
of which associates		*(46)*	
Costs for services	24	(103,349)	(87,536)
of which associates		*(2667)*	*(3005)*
Personnel costs	25	(25,590)	(20,057)
of which associates		*(102)*	*(71)*
Other (costs)/net operating income	26	(1,809)	(1,171)
Increases in intangibles through internal costs	27	191	177
Amortisation and depreciation	28	(3,840)	(3,250)
Adjustments to asset values and other allocations	29	(617)	(214)
Total operating costs		**(184,291)**	**(147,154)**
Operating result		**20,127**	**11,490**
Financial charges	30	(4,004)	(4,098)
Financial income	31	1,746	1,503
Pre-tax profits		**17,869**	**8,895**
Income taxes	20	(6,433)	(3,369)
Net profit for the financial year		**11,436**	**5,526**
Third party profit		**1,860**	**630**
Group profit		**9,576**	**4,896**
Base and diluted earnings per share (in EURO)	32	**208,17**	**106,43**

Consolidated overall profit and loss account for financial years ended 31 December 2010 and 2009

(In thousands of Euro)	**Financial year ended 31 December**	
	2010	**2009**
NET PROFIT FOR THE YEAR	**11,436**	**5,526**
Other elements in the comprehensive profit and loss account		
Cash flow hedge reserves	(20)	(23)
Income taxes	6	6
Effect of changes in cash flow hedge reserve	**(14)**	**(17)**
Conversion difference with foreign balances	24	(25)
Total other income/(losses) net of taxes	**10**	**(42)**
Total overall profit (loss) net of taxes	**11,446**	**5,484**
attributable to:		
Parent company shareholders	9,570	4,846
Minority shareholders	1,876	638

Consolidated financial report for financial years ended 31 December 2009 and 2010

(In thousands of Euro)	**Financial year ended 31 December**	
	2010	**2009**
OPERATING ACTIVITY CASH FLOW		
Net profit for the financial year	**11,436**	**5,526**
Adjustments to reconcile net profit with cash flow generated/(absorbed) by operating activities		
Amortisations	3,840	3,250
Allocations to employees benefit liabilities	89	277
Allocations to reserves for risks and charges/obsolescence provision/provisions for doubtful debts	679	15
Changes in other non current liabilities	117	152
Payments of employees benefit liabilities	(196)	(214)
Payments for reserves for risks and charges	(5)	(1)
Net change in deferred tax payable and receivable	(229)	(81)
Change in financial instruments fair value	(144)	384
Change in operational assets and liabilities		
Trade receivables	(5,869)	(1,186)
Inventories	(1,029)	(3,538)
Trade payables	6,341	1,889
Other current assets and liabilities	3,989	2,813
NET CASH FLOW GENERATED/(ABSORBED) BY OPERATING ACTIVITIES (A)	**19,019**	**9,286**
CASH FLOW FROM INVESTMENTS		
Investments in property, equipment and machinery	(5,097)	(3,787)
Investments in intangible assets	(2,077)	(1,270)
(Investments)/divestments in financial assets	(445)	(304)
Purchase of 1% of shares in Ex-Brunello Cucinelli S.p.A	(250)	-
Sale of property, equipment and machinery	168	100
NET CASH FLOW ABSORBED BY INVESTMENT ACTIVITY (B)	**(7,701)**	**(5,261)**
CASH FLOW FROM FUNDING		
Granting of medium-long term loans	6,500	22,654
Repayment of medium-long term loans	(3,865)	(15,447)
Net change in short-term financial liabilities	(7,413)	(9,219)
Dividend payments	(2,986)	(1,332)
Repayment of share capital and shareholder payments	-	-
Increase in share capital and shareholder payments	-	-
NET CASH FLOW GENERATED/(ABSORBED) BY FUNDING (C)	**(7,764)**	**(3,344)**
OVERALL CASH FLOW (D=A+B+C)	**3,554**	**681**
EFFECT OF EXCHANGE RATES OF NET CASH FLOW AVAILABILITY (E)	**123**	**(59)**
CASH AVAILABILITY AT START OF FINANCIAL YEAR (F)	**3,283**	**2,661**
CASH AVAILABILITY AT END OF FINANCIAL YEAR (G=D+E+F)	**6,960**	**3,283**
Additional information		
Interests paid	1,890	2,433
Income tax paid	4,232	3,456

Change in the consolidated equity for financial years ended 31 December 2009 and 2010

	Share capital	Legal reserve	Share premium reserve	Reserve for shareholder payments share capital	Conversion rate reserve	Other reserves	Profit for the period	Total Group equity	Total third party equity	Total equity
Balance on 1 January 2009	**4,600**	**95**	**-**	**-**	**8**	**7,518**	**4,127**	**16,348**	**3,685**	**20,033**
Profit for the period							4,896	4,896	630	5,526
Other income/(losses)					(33)	(17)		(50)	8	(42)
Total overall profit/(loss)	**-**	**-**	**-**	**-**	**(33)**	**(17)**	**4,896**	**4,846**	**638**	**5,484**
Allocation of profit for the period		37				4,090	(4,127)	-		-
Dividend payment						(920)		(920)	(412)	(1,332)
Rounding						(2)		(2)	3	1
Balance at 31 December 2009	**4,600**	**132**	**-**	**-**	**(25)**	**10,669**	**4,896**	**20,272**	**3,914**	**24,186**
Profit for the period							9,576	9,576	1,860	11,436
Other income/(losses)					37	(43)		(6)	16	10
Total overall profit/(loss)	**-**	**-**	**-**	**-**	**37**	**(43)**	**9,576**	**9,570**	**1,876**	**11,446**
Allocation of profit for the period		59				4,837	(4,896)	-		-
Dividend payment						(2,484)		(2,484)	(502)	(2,986)
Effect of operations under common control (purchase of 1% of Brunello Cucinelli S.p.A						(8)		(8)		(8)
Other movements						47		47	3	50
Change in area of consolidation (purchase of 1% of Brunello Cucinelli S.p.A)									(242)	(242)
Balance at 31 December 2010	**4,600**	**191**	**-**	**-**	**12**	**13,018**	**9,576**	**27,397**	**5,049**	**32,446**

Accounting principles and editing criteria adopted in the preparation of the consolidated financial statements as of 31 December 2010 and 2009

The publication of the Brunello Cucinelli Group's consolidated financial statements for the periods ending 31 December 2010 and 2009 was authorised by the Board of Directors on 20 June 2011, for the sole purposes of inclusion in the prospectus.

The Company's legal status is in accordance with Italian company regulations. The registered office is at Corciano - Frazione Solomeo (Perugia) Piazza Carlo Alberto Dalla Chiesa.

Statement of compliance with IFRS

The Company's consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Union.

Criteria adopted and the area of consolidation

The consolidated financial statements as of 31 December 2010 and 2009 include a presentation of the consolidated position of company equity and finances, the consolidated profit and loss account, the consolidated overall profit and loss account, the consolidated financial report and a presentation of the changes of the consolidated equity.

The consolidated financial statements were set out on the basis of the financial statements of the Company, the companies under its control and the sub-consolidation of the American subsidiary Cucinelli Holding Co. LLC, approved by the various Shareholders Meetings or delegated bodies, adjusted as necessary for IFRS compliance.

The subsidiary companies are fully consolidated as from the date of acquisition or from when the Group acquires the controlling interest, and cease to be consolidated on the date such control is transferred outside the Group.
Control is presumed to exist when the company holds more than half the voting rights or else when the company owns half or fewer of the exercisable voting rights in assembly if it has:
- control of more than half of the voting rights by virtue of an agreement with other investors;
- the power to decide the financial and operational policy of the company by virtue of statutory clause or contract;
- the power to nominate or remove the majority of the board of directors or an equivalent body,
- the power to exercise majority voting rights at board meetings or an equivalent body.

All balances and operations within the Group, including any unrealised profits and losses deriving from dealings between different companies within the Group, are deleted.

Acquisitions of subsidiaries are entered on the basis of the method of acquisition (the so-called purchase method) which allocates the cost of the company aggregation to fair value of assets, liabilities and potential liabilities acquired at the time of purchase and inclusion in the results of the acquired company from the purchase date to the end of the financial year in question.

Third party Profits and Equity represents the portion of profit or loss and equity relating to net assets not owned by the Group and appear as a separate item in the consolidated profit and loss account, the consolidated overall profit and loss account and the presentation of the consolidated position regarding company equity and finances, separately from the profits and equity of the Group as a whole.

In the financial years ended 31 December 2010 and 2009 the Brunello Cucinelli Group did not have shares in affiliated companies (partnerships where the Group owns at least 20% of the voting rights or where it has a major influence over financial and operational policy but without having control or joint control), or joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control as per IAS 31).

The following tables summarise the information regarding the subsidiary companies as of 31 December 2010 and 2009 in respect of name, registered head office and proportion of share capital held directly or indirectly by the Brunello Cucinelli Group.

As of 31 December 2010

CONTROLLED COMPANIES

(consolidated using the integral method, specifying the third party share of equity and results)

Name	Registered head office	Currency	Currency unit capital	Percentage control Direct	Indirect
Ex Brunello Cucinelli S.p.A.	Corciano (Perugia) - Italy	(EURO)	12,000,000	100%	
Brunello Cucinelli, USA, Inc.	Brewster (NY) - USA	US dollar	1,500	100%	
Gunex S.p.A.	Corciano (Perugia) - Italy	(EURO)	3,500,000	50.00%	
Brunello Cucinelli Retail S.r.l.	Corciano (Perugia) - Italy	(EURO)	100,000	2.00%	98.00%
Marittima S.r.l.	Forlì (FC)– Italy	(EURO)	20,000		51.00%
Bruxelles Cashmere S.p.r.l.	Brussels - Belgium	(EURO)	20,000		51.00%
Blue Flannel SA	Bruxelles – Belgium	(EURO)	61,973		50.98%
Cashmer Paris S.a.r.l.	Paris- France	(EURO)	200,000	2.00%	98.00%
Brunello Cucinelli Gmbh	Munich - Germany	(EURO)	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) - USA	US dollars	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) - USA	US dollars	1,182,967		51.00%
Cucinelli Retail New York LLC	Brewster (NY) - USA	US dollars	(*)		51.00%
Cucinelli East Hampton LLC	Brewster (NY) - USA	US dollars	2,500		51.00%
Cucinelli Beverly Hills LLC	Brewster (NY) - USA	US dollars	5,000		51.00%
Cucinelli Retail Woodbury Commons LLC	Brewster (NY) - USA	US dollars	510		51.00%
Cucinelli Retail Madison LLC	Brewster (NY) - USA	US dollars	(*)		51.00%
Cucinelli Retail Bal Harbour LLC	Brewster (NY) - USA	US dollars	(*)		51.00%
Cucinelli Retail Las Vegas LLC	Brewster (NY) - USA	US dollars	(*)		51.00%
Cucinelli Retail South Coast Plaza LLC	Brewster (NY) - USA	US dollars	(*)		51.00%

(*) The share capital is zero, as permitted by American company law.

The main changes to the area of consolidation during the financial year ended 31 December 2010 were as follows:

- The Company acquired from an associate 1% of the share capital of Ex-Brunello Cucinelli S.p.A (which merged with the Company on 9 June 2011) at a price of €250 thousand, thereby gaining full control of the subsidiary. For further details regarding this transaction, see the paragraph "Company aggregations, acquisition of minority shares and operations under common control" in this document;

- Brunello Cucinelli Retail S.r.l, together with the Company, established Cashmere Paris S.a.r.l and Brunello Cucinelli GmbH, owners of single brand stores in Paris and showrooms in Paris and Munich;

- Ex-Brunello Cucinelli S.p.A transferred to third parties its holding in BC Asia Ltd for €498, a capital loss of €161 thousand. BC Asia Ltd was formed in 2007 in order to establish a direct presence on the Asian market. Subsequent developments have led the Group to modify its strategy for penetrating the Asian market, with the consequent decision to transfer the company.

- Cucinelli Holding Co. LLC incorporated Cucinelli Retail South Coast Plaza LLC, a company subject to US law, with the objective of expanding and managing the shops in Desert Hills (Los Angeles, CA) and South Coast Plaza (Los Angeles, CA).

It should be noted that the companies owned by Cucinelli Holding Co. LLC are subject to simplified arrangements, taking advantage of the possibility allowed for by US company law not to publish separate financial statements, as the direct parent company Cucinelli Holding Co. LLC prepares the consolidated financial statements in accordance with the American accounting principles (US GAAP).

It should further be noted that Gunex S.p.A, whilst being 50% owned by the Company, is included in the Brunello Cucinelli Group's financial statements using the integrated consolidation method, in so far as the Company, on the basis of existing contractual arrangements between Gunex S.p.A and Ex-Brunello Cucinelli S.p.A is empowered to make administrative and managerial decisions.

The Group's company structure in the US has Brunello Cucinelli USA Inc., which is 100% controlled by the Company, having control with 51% share ownership of Cucinelli Holding Co. LLC, which in turn controls the trading companies managing the stores in the US. On 19 October 2010 Brunello Cucinelli USA Inc. made a partnership deal referred to as the "Operating Agreement of Cucinelli Holding Co. LLC" with minority shareholder MC LUX LLC, who holds 49% of the shares, for the purpose of regulating the rights and obligations of the parties as partners in Cucinelli Holding Co. LLC.

As regards the equity and finances of the Operating Agreement of Cucinelli Holding Co. LLC, MC LUX LLC has given Brunello Cucinelli USA Inc. the option of buying its shares in Cucinelli Holding Co. LLC, in certain circumstances. The cost of the purchasing option will be the equivalent of 49% (or whichever percentage MC LUX LLC might have in Cucinelli Holding Co. LLC at the time the right of acquisition is exercised) of the equity of Cucinelli Holding Co. LLC at the time the option is exercised. The option, if exercised, will mean an increase in the shareholding of Brunello Cucinelli USA Inc. in Cucinelli Holding LLC, without affecting the existing situation as regards controlling interests.

As of 31 December 2009

CONTROLLED COMPANIES

(consolidated using the full consolidation method, specifying the third party share of equity and results)

Name	**Registered head office**	**Currency**	**Capital**	**Percentage control**	
			currency unit	**Direct**	**Indirect**
Brunello Cucinelli S.p.A.	Corciano (Perugia) - Italy	(EURO)	12,000,000	99.00%	
Brunello Cucinelli, USA, Inc.	Brewster (NY) - USA	Dollar US	1,500	100%	
Gunex S.p.A.	Corciano (Perugia) - Italy	(EURO)	3,500,000	50.00%	
Brunello Cucinelli Retail S.r.l.	Corciano (Perugia) - Italy	(EURO)	100,000	2.00%	97.02%
Brunello Cucinelli Asia Ltd.	Hong Kong	HK dollar	2,500,000		99.00%
Marittima S.r.l.	Forlì (FC)– Italy	(EURO)	20,000		50.00%
Bruxelles Cashmere S.p.r.l.	Brussels - Belgium	(EURO)	20,000		50.00%
Blue Flannel SA	Brussels - Belgium	(EURO)	61,973		50.00%
Brumas Inc.	Brewster (NY) - USA	Dollar US	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) - USA	Dollar US	833,500		51.00%
Cucinelli Retail New York LLC	Brewster (NY) - USA	Dollar US	(*)		51.00%
Cucinelli East Hampton LLC	Brewster (NY) - USA	Dollar US	2,500		51.00%

Cucinelli Beverly Hills LLC	Brewster (NY) - USA	Dollar US	5,000	51.00%
Cucinelli Retail Woodbury Commons LLC	Brewster (NY) - USA	Dollar US	510	51.00%
Cucinelli Retail Madison LLC	Brewster (NY) - USA	Dollar US	(*)	51.00%
Cucinelli Retail Bal Harbour LLC	Brewster (NY) - USA	Dollar US	(*)	51.00%
Cucinelli Retail Las Vegas LLC	Brewster (NY) - USA	Dollar US	(*)	51.00%

(*) Share capital is zero, as permitted by American company law.

The main changes in the area of consolidation over the financial year ended 31 December 2009 are given below:

- Critone S.r.l, previously included in the area of consolidation, has been absorbed by the Company which now owns it 100%;

- Ex-Brunello Cucinelli S.p.A together with the Company has established Brunello Cucinelli Retail S.r.l sub-holding to be in charge of the retail structure in Europe; Ex-Brunello Cucinelli S.p.A has also transferred to the newly-formed company its shares in Marittima S.r.l and Bruxelles Cashmere S.p.r.l;

- Cucinelli Holding Co. LLC has set up the following companies: Cucinelli Retail Madison LLC, Cucinelli Retail Bal Harbour LLC and Cucinelli Retail Las Vegas LLC, companies subject to US law and having as object the expansion and management of the stores at Madison (New York), Bal Harbour (Miami, Florida) and Las Vegas (Nevada).

Conversion of balances in currencies other than the EURO and book entries in foreign currency

The consolidated financial statements are given in EURO, which is the operating and presentation currency adopted by the Company. Every business within the Group determines its own operating currency, which is then used for valuating the items in the individual financial statements. Foreign currency transactions are shown initially with the rate of exchange (for the operating currency) applicable on the date of the transaction. Foreign currency assets and liabilities are reconverted into the operating currency at the exchange rate applicable on the end date of the accounting period.

All exchange rate changes are recorded in the profit and loss account.

Non currency postings taken at historic cost are converted using the exchange rates applicable at the date of the initial entry for the transaction.

The conversion into EURO of the financial statements of the foreign companies within the area of consolidation is done using the current exchange rates method, whereby the rate applicable at the end of the financial year is used for converting equity postings and the average exchange rate over the year is used for the items in the profit and loss account.

The exchange rate differences deriving from the conversion are shown directly as equity and appear separately in a specific equity reserve. When a foreign company is divested, the accumulated exchange rate differences in equity are shown in the profit and loss account.

Exchange rates used to determine the EURO equivalent of financial statements of the controlled companies expressed in foreign currencies (€1 equivalent) are shown in the following table:

	Average exchange rates for the financial year ended 31 December		Exchange rates at the end of the financial year as of 31 December	
	2010	**2009**	**2010**	**2009**
US dollar	1.326	1.397	1.336	1.441
HK dollar	(*)	10.829	(*)	11.171

(*) The shareholding in BC Asia Ltd was transferred to a third party with effect from 1 January 2010.

Accounting Principles adopted by the Cucinelli Group

Introductory comments

The Group's consolidated financial statements have been set out in accordance with the IFRS current on the respective end dates of the financial years, purely for the purposes of inclusion in the Prospectus.

There has been no waiver of IFRS application in the preparation of the present consolidated financial statements.

The consolidated financial statements were prepared on the basis of the principle of historic cost, apart from the items Buildings, within the first application of IFRS, financial derivatives and sales oriented financial activities entered at fair value.

The consolidated financial statements are given in EURO and values are rounded up or down to the nearest thousand EURO, unless indicated otherwise.

Discretional valuations and significant accounting estimates

The preparation of the Group's consolidated financial statements requires the Company directors to make discretional valuations, estimates and hypotheses that affect the value of income, costs, assets and liabilities and the indication of potential liabilities on the date of the financial statements. The final results may differ from these estimates. The main processes of discretional valuation and estimate regard the posting and values of the following items in the financial statements.

Deferred tax receivables

Deferred tax receivables are shown against temporary deductible differences between the asset and liability values as stated in the financial statements compared to the equivalent tax value and tax loss shown in so far as there is likely to be sufficient taxable income in the future to offset the losses. The directors are asked to make a discretional valuation in order to determine the amount of deferred tax receivables that can be accounted depending on the estimate of the probable temporary nature and the amount of future taxable income.

Employees benefit liabilities (employment termination payments – "TFR") and liabilities allocated to the additional indemnities reserve

The calculation of the TFR and the additional indemnities reserve for the agents' clientele for the Group's Italian companies is worked out using actuarial assessments. The actuarial assessment requires formulating hypothetical discount rates, future pay rises (for TFR only), turnover rates and mortality rates. Because of the long term nature of these plans, such estimates are subject to considerable uncertainty.

For further details refer to Notes 11 and 12 below.

Company aggregations and goodwill value

Company aggregations are recorded using the purchase method. This requires showing the fair value of the identifiable assets (including previously non recorded intangibles) and identifiable liabilities (including potential liabilities) of the acquired company.

Acquired goodwill in a company aggregation is initially measured at the cost represented by the amount the cost of the company aggregation exceeds Group share of the fair value of the assets, liabilities and potential liabilities identifiable in the acquired company. In the interests of congruity, the goodwill acquired in a company aggregation is allocated on the date of purchase to the single units generating Group cash flows, or to groups of units generating cash flows who would benefit from the synergies of aggregation, irrespective of the fact that other Group assets or liabilities are allocated to these units or groupings. Every unit or grouping to which a goodwill value is assigned:

a) represents the lowest level within the Group, where the goodwill is monitored for internal management purposes; and

b) is not greater than the segments identified on the basis of the presentation schedule for that group sector, as per IFRS 8 Operating Sectors.

When the goodwill is part of a cash flow generating unit (the so-called group of units generating cash flows) and part of the internal activity is transferred, the goodwill associated with the transferred asset is included on the accounting value of the asset, in order to determine the level of profit or loss deriving from the transfer. In these circumstances transferred goodwill is measured on the basis of the relative values of the asset transferred and of the portion which is retained.

When the transfer relates to a subsidiary company, the difference between the transfer price and net assets plus the accumulated exchange rate differences and goodwill value is assigned to the profit and loss account.

In the Group's financial statements for the financial years ending 31 December 2010 and 2009 there are no postings for goodwill value.

Operations under common control

With aggregations involving companies under joint control and given that, with the accounting principles applied, the contents of IFRS 3 – “Company aggregations” - are not applicable, being a specific ground for exclusion as stated in the relevant standard, the recording criterion has been identified as the one normally accepted in similar operations of “pooling of interests”. From the purely re-organisational view of such operations and in accordance with the Group's accounting policy on the matter, they have continued to be posted in the financial statements of the companies involved, without recording the economic effects.

Intangible assets

Intangibles are recorded as assets at the purchase price when there is the probability that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
Intangibles purchased through aggregations are recorded at the fair value defined on the purchase date, assuming the value can be reliably determined. Intangibles produced internally are not capitalised and appear in the profit and loss account for the financial year in which they were incurred.

Intangibles with a precise useful life are written off at a fixed rate during their estimated useful life and are subjected to impairment tests whenever there are signs of a possible loss in value, in accordance with the rules described below.

The residual useful life is re-assessed at the end of each financial year or more frequently where appropriate. Changes in the expected useful life or the means whereby the Group derives economic benefit in the future from the intangible asset are shown by amending the period and/or method of amortisation and treated as amendments to the accounting estimates. The amortisation rates of the intangible assets with a precise life cycle are shown in the profit and loss account under costs related to the function of the intangible in question.

Profits or losses relating to the transfer of an intangible asset are measured as the difference between the net sales income and the accounting value of the item and are shown in the profit and loss account at the date of transfer.

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

	Years
Franchises, licences, brand names and similar entitlements	18
Key money	On the basis of the length of the lease
Software	2
Other intangible assets	3-12

Key money

The item, classified under intangibles, includes amounts paid by the Group for sub-rental of commercial properties in prestige locations. These amounts include initial direct costs incurred for the negotiation of and amendments to the leases. The capitalisation of these costs is by way of the anticipated increased revenue deriving from the possibilities of operate in prestige locations.
Key money is written off through the duration of the lease (for the retail stores) or through the duration of the partnership agreement (for single brand wholesale outlets).

Franchises, licences and brands

This item, listed under Intangibles, includes costs incurred for the registration of the Group's brand names.

Property, equipment and machinery

Property, equipment and machinery purchased separately are shown at historic cost, inclusive of supplementary costs directly relevant to and necessary for the activation of the item in question for the use for which it was acquired. This cost includes any charges for the replacement of equipment and machinery parts when incurred, provided they comply with the relevant criteria.

As regards Buildings, the historic cost is represented by the fair value at the date of adoption of the IFRS (1 January 2008) as permitted by the IFRS 1, and shown net of depreciation and any loss in value.

Property, equipment and machinery purchased through aggregations are shown at the fair value at the purchase date.

Servicing and repair costs not associated with increasing and/or prolonging the residual life of the item/s, are written down in the financial year in which they are incurred; where other circumstances apply they are put down as capital items.

Property, equipment and machinery are shown net of any accumulated amortisation and losses in value due to any of the following. Amortisation is quoted as a constant on the basis of the estimated useful life of the item for the business, re-assessed annually and any necessary amendments applied as appropriate.

The estimate of the useful life of the main categories of material assets is as follows:

	Years
Buildings	33/ on the basis of the length of the lease
Equipment and machinery	8
Industrial and office equipment	4
Other goods	4-8

When elements of Property, equipment and machinery have different useful lives, these elements are entered separately. Land, including land not built on and land adjacent to buildings, are shown separately and are not written off, as they have an unlimited useful life.

The book value of Property, equipment and machinery is subject to verification to highlight any loss in value, whenever events or changing circumstances indicate that the book value cannot be recovered, in accordance with the rules given below.

At the time of sale or when there are no future economic benefits anticipated from the use of an item, the item is eliminated from the financial statements and any loss or profit (calculated as the difference between the transfer value and book value) is shown in the profit and loss account of the year of its deletion.

Historic collection

For every collection, Ex-Brunello Cucinelli S.p.A, Gunex S.p.A and currently the Company itself keep one item of each article considered significant and saleable. These items are used as a source of inspiration by the style creation department in the development of new collections.

These items are classified under Property, equipment and machinery and are shown at the historic cost of production and are not written off as they have an unlimited useful life. Increases in value in such items are entered under Increases in intangibles through internal costs.

Loss of asset value (impairment)

At every financial year ending the Group assesses the existence of impairment indicators for intangible assets and Property, equipment and machinery. If such indicators are found to be present, an impairment test is carried out.

If the asset book value exceeds the recoverable value, they are written down accordingly. The recoverable value is calculated as the greater between the fair value for an asset or cash generating unit, net of the cost of sale and its usage value, and is worked out for each individual asset, excluding the situation when the asset generates cash flows insufficiently independent of those generated by other assets or groups of assets, in which case the Group evaluates the recoverable value of the cash flow unit to which the asset belongs.

In determining the usage value, the Group discounts at current value the estimated future cash flows, using pre-tax time-discounting to reflect market valuations on the monetary value at the time and the specific risks of the asset in question.

To estimate the usage value, future cash flows are identified from company plans approved by the Board of Directors, which is the best estimate the Group can make on the economic conditions envisaged in the period of the plan's implementation. The projections of the plan normally cover a period of three financial years; the long term growth rate used for estimating the end value of the asset or unit is normally lower than the average long term growth rate for the sector, country or reference market. Future cash flows are estimated with reference to current conditions; as such, the estimates do not take account of the benefits deriving from future restructuring to which the Company is not yet committed, nor future investments in the improvement or optimisation of the asset or unit.

If the book value of an asset or of a cash flow generating unit is higher than its recovery value, the asset will have lost value and as such is written down to its recovery level.

Losses in value in active assets appear in the profit and loss account in the cost category corresponding to the function of the asset which lost value. At every financial year ending the Group also assesses the existence of indicators of a reduction in loss of value as previously pointed out and, where such indicators exist, it makes a fresh estimate of the recovery value. The value of a previously written off asset may be reinstated only if there have been changes to the estimates used to establish the recovery value of the asset after the last recording of a loss in value. In such cases the book value of the asset is transferred to the recovery value, but without the increased value exceeding the book value that would have been determined net of depreciation, had there not been any loss of value in previous years. Any reinstatement is shown as income in the profit and loss account; after a value reinstatement is recorded, the depreciation rate is adjusted for future periods at a fixed amount, so as to spread the amended book value - net of any residual value - over the remaining useful life. Write downs of goodwill value cannot in any circumstance have their value reinstated.

Financial assets and other non current financial assets

These assets are valued on the basis of amortisation costs using the effective discount rate method net of any allocation for loss of value.

The amortisation cost is calculated by considering all discounts or purchase premiums and includes all commissions which form an integral part of the effective interest rate and transaction costs.

Credits due after one year, interest free credits and with interests lower than the market rate, are discounted using interest rates in line with market reference rates.

Inventories

Stock inventories are valued at the lesser of the purchase cost and/or production cost, worked out using the weighted average cost method, and the net realisable value. The purchase cost includes additional charges applicable to purchases for the period; the cost of production includes directly attributable costs plus a proportion of the indirect costs which can be reasonably assigned to the products in question. The net presumed realisable value consists of the estimated sale price minus estimated completion costs and estimated costs for making the sale.

Where necessary, provision has been made for bad debts for materials and products, taking into account their expected usage and realisable value.

Trade receivables. Other credits and current assets

The items Trade receivables and Other credits and current assets are shown initially at fair value, which normally corresponds to the nominal value, and subsequently valued at the wrote down cost and reduced in the event of loss of value. The presumed realisable cost is also adjusted if lower, by making a special provision for adjustment.

Credits in currencies other than that used in the book-keeping are recorded at the exchange rate applicable on the day of the transaction and subsequently converted at the end of the year. The gain or loss deriving from the conversion is entered in the profit and loss account.

In the event of the due date of Trade receivables and Other credits and current assets not falling within normal commercial due dates and when the items are not interest bearing, an analytical discounting process is applied based on assumptions and estimates.

Other current and non current financial assets

The elements of Other financial assets are initially entered at fair value and subsequently valued according to the depreciated cost.

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

- the rights to derive cash flows from the asset have ceased;

- the Group maintains the right to derive cash flow from the asset, but is contractually committed to pass it on in whole and without delays to a third party;

- the Group has transferred its entitlement to derive cash flows from the asset and (a) has transferred the risks and benefits of the asset or else (b) has not transferred the risks and benefits but has transferred their control.

In the event of the Group having transferred its right to derive cash flows from an asset but has not yet either transferred or held onto the risks and benefits or has not lost control, the asset is shown in the Group financial statements to the extent of its residual interest in the asset. The residual interest takes the form of a guarantee on the transferred asset and is valued at the lesser between the initial book value of the asset and the maximum value of the amount that the Group could be ordered to pay.

When the residual interest takes the form of an option on the transferred asset issued and/or purchased (including cash regulated options or similar) the interest of the Group equates to the amount of the asset transferred which the Group might buy back; in any case with a put option issued on an asset calculated at fair value (including cash regulated options or similar) the Group's residual interest is limited to the lesser between the asset's transferred fair value and the option exercise price.

Liquidity and cash equivalents

Availability of cash and cash equivalents include petty cash and sight deposits and short term deposits; in this latter case with initial due date within three months. Liquidity and cash equivalents are recorded in the financial statements at nominal value and the spot exchange rate applicable at financial year ending if in a foreign currency.

Financial debt

All loans are shown initially at fair value for the amount received and net of additional charges of loan purchase.

After the initial book entry, loans are valued with the criterion of writing down costs using the effective interest rate method.

Every source of revenue or loss is recorded in the profit and loss account when the liability is extinguished, as well as through depreciation.

Provisions for risks and charges

Allocations to Provisions for risks and charges are made when the Group has to face a current obligation (legal or implied) deriving from a past episode and will probably need the resources to meet the obligation and it is possible to make a reliable estimate as to its amount.

When the Group believes that an allocation to Provisions for risks and charges will be repaid in whole or in part - for example in the case of risks covered by insurance - the indemnity is shown as a separate and distinct asset if, and only if, it is regarded as being practically certain. In such cases, the allocation cost is shown net of the indemnity amount in the profit and loss account.

If there is significant discounting of the monetary value, the allocations are discounted using a pre-tax discount rate which shows, where applicable, the specific risks of the liability in question. When the discounting is applied, the increased allocation due to the time elapsed is shown as a financial charge.

Employees benefit liabilities

Work related benefits are defined on the basis of programmes, even if not yet formalised, which can be divided into two categories “specific benefits' and 'specific contributions”.

Italian law (Civil Code article 2120) states that on the date an employee's contract with the employer ceases, the employee shall receive an indemnity (the “TFR”). The calculation of the amount is based on several elements which go to make up the employee's annual pay for each year of work (revalued as appropriate) and on the period of service. In Italian civil law, the indemnity must be recorded in the financial statements according to a calculation method based on the accrued indemnity entitlement for each employee at the date of the financial statements, on the hypothesis that all employees' contracts are terminated on the same date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) has tackled the question of the Italian TFR and has come to the conclusion that, in application of IAS 19, it must be calculated on the basis of the Projected Unit Credit Method (PUCM) whereby the sum of the liabilities for the accrued benefits must reflect the anticipated date of termination of employment and must be discounted.

Actuarial hypotheses and their effects take account of changes in Italian law and allow for the option for the employee to transfer the TFR accrued starting from 1 July 2007 to the Italian National Social Welfare Institution (INPS) or to supplementary pension funds.

The Group's net obligation relating to specific benefit plans is calculated by taking the amount of the future benefit that employees have matured in exchange for the activity in the current financial year and previous years; the benefit is discounted so as to calculate the current value. Actuarial profits and losses relating to specific benefit plans matured up to the previous financial year and which reflect the effects of variation in the actuarial hypotheses adopted, are shown in their entirety in the profit and loss account.

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

The Group does not have other pension plans with specific benefits.

The Group's obligation relating to plans with specific contributions is limited to paying the State contributions, or to a legally distinct body or equity fund, and is based on the amount of contributions owed.

Financial instruments

Financial instruments are initially entered at fair value and following the first entry, are valued on the basis of the classification as per IAS 39.

Financial assets are treated differently according to their category:

- Fair value financial assets with changes allocated to the profit and loss account;

- Investments held until term;

- Loans and credits;

- Financial assets free for sale.

As regards financial liabilities there are just two categories:

- Fair value financial liabilities with changes allocated to the profit and loss account;

- Liabilities at depreciated cost.

Methods and procedures for calculating the fair value of financial instruments for accounting or data purposes, are summarised below with reference to the main categories of financial instrument to which they apply:

- derivatives: appropriate pricing models have been used based on the market bank rates and exchange rates;

- unlisted credits and debits and financial assets: for financial instruments with due date beyond 1 year the discounted cash flow method has been applied, i.e. the discounting of expected cash flows in consideration of current credit rating and interest;

- listed financial instruments: the market value at the reference date is used.

Derivative Financial Instruments

Derivative financial instruments are used by the Brunello Cucinelli Group solely for the purpose of hedging financial risks relating to changes in exchange rates affecting commercial transactions conducted in foreign currency.

In accordance with the provisions of IAS 39, the hedge of derivative instruments may be recorded in the accounts as per hedge accounting procedures only when:

- the formal designation of the instruments and the hedging relationship documentation exist from the beginning of the hedge;

- it is expected that the hedge will be highly effective;

- the effectiveness is capable of reliable measurement, and

- the hedge itself is highly effective during the various financial years for which it is designated as such.

All derivative instruments have been valued at their fair value. When the derivative instruments possess the characteristics allowing the use of hedge accounting, the following accounting procedures have been applied:

Fair value hedge - If a derivative financial instrument has been designated as a hedge against exposure to changes in the current value of a Balance Sheet asset or liability which may have an effect on the profit and loss account, the profits or losses deriving from subsequent valuations of the current value of the hedge instrument have been shown in the profit and loss account as also the profits or losses on the hedged item.

Cash flow hedge - If a derivative financial instrument has been designated as a hedge against exposure to changes in cash flow from a Balance Sheet asset or liability or an operation considered to be highly probable which might have an effect on the profit and loss account, the effective part of the profits or losses on the financial instrument will be shown in Share Equity. The accumulated profits or losses will be deleted from equity and recorded in the profit and loss account during the period when the hedged operation is recorded. The profits or losses associated with a hedge or to that part of the hedge which has become ineffective, will be entered in the profit and loss account when the ineffectiveness is identified.

The Group has used cash flow hedge accounting rules for the stabilisation of cash flows connected to loans received with effect from the 2010 financial year including for the hedging of income in dollars. As a consequence, the component considered effective in the variation in fair value of derivative instruments traded as hedges to foreign currency transactions considered to be highly probable has been transferred to a specific reserve in Share Equity. At the moment of the manifestation of the hedged transactions in the accounts, the amounts transferred to the reserve are attributed to the profit and loss account under "income". The non-effective component of such fair value variations are however, attributed to the profit and loss account through the Financial Revenue and Charges heading. Fair value variations subsequent to the manifestation of the hedged transactions in the accounts, in compliance with the hedge accounting procedures for the items concerned, are entered in the profit and loss account under Financial Revenue and Charges.

When the conditions for the application of hedge accounting are not satisfied, the effects deriving from the fair value valuation of the derivative financial instrument have been entered directly in the profit and loss account.

Revenue and Costs

Revenue and costs have been shown in accordance with the accruals basis principle. Revenue and proceeds, presented net of returns, discounts, credit notes and bonuses, have been entered at their fair value to the extent that this can be reliably determined and that it is probable that the related economic benefits will be enjoyed.

Financial Income and Charges

Financial income and charges have been recorded on the accruals basis according to the interest accruing on the net value of the related financial assets and liabilities, using the actual interest rate.

Income Taxes

Current Taxes

Current taxes reflect an estimate of the tax burden calculated by the application of the law in force in the countries where the Brunello Cucinelli Group carries out its business activities. Current tax liability has been calculated by use of tax rates in force or effectively approved at the closure of the financial year.
The current tax payable has been classified in the Financial-Equity Balance Sheet net of any advance taxes paid.

Deferred taxes

Deferred taxes have been calculated on temporary differences between tax values taken as reference values for assets and liabilities and values recorded in the Financial Statements which are either deductible (deferred tax receivables) or chargeable to tax (deferred tax payables) at the Balance Sheet date.

Deferred tax receivables have been shown to the extent that it is probable that adequate future taxable profits will arise allowing the use of the deductible temporary differences and thus the tax assets and liabilities carried forward.

The value to be recorded in the Financial Statements in relation to deferred taxes is reviewed on the closing date of each Financial Statements and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow the use of all or part of such receivable.
Deferred tax receivables which have not been recognised are reviewed annually at the date of closure of the Financial Statements and entered to the extent of likelihood that taxable profits will be sufficient to allow the recovery of such deferred tax receivables.

Deferred tax receivables and liabilities have been calculated on the basis of the expected tax rates to be applied in the financial year when such assets are realised or liabilities are extinguished. The rates used have been those in current and those which have already been issued or substantially issued at the date of the Financial Statements.

Deferred tax receivables and liabilities have been entered directly in the profit and loss account with the exception of those relating to headings entered directly under the components of Share Equity. In such circumstances the related deferred taxes have been recorded consistently with the above without entries being made in the profit and loss account.

Deferred tax receivables and liabilities have been set off whenever a legal right to set off current tax assets against current tax liabilities exists and deferred taxes refer to the same tax entity and the same tax authority.

Deferred tax receivable sand deferred tax payables have been classified under non-current assets and liabilities.

Share earnings

The base-earnings per share has been calculated by dividing the Group's economic results by the weighted average of shares in circulation during the financial year. The weighted average of circulating shares should be changed for the purposes of the calculation of the diluted earnings per share with the addition of the conversion of all potential variations with diluting effect. The net results should also be modified to take account of the effects of the conversion net of taxes.

The diluted earnings per share are the same as the basic earnings because there are no options or shares in circulation other than ordinary shares.

Operating Segments
For the purposes of IFRS 8, "Operating Segments", the Group's business activities can be identified as a single Operating Segment.

Changes in Accounting Standards, new Accounting Principles, Changes in Estimates and Reclassification

The consolidated financial statements for the Brunello Cucinelli Group for the financial years closing on 31 December 2010 and 2009, drawn up for the sole purpose of inclusion in the Informative Prospectus, are the first Financial Statements drawn up with the application of the IFRS. The date of transition from Italian accounting standards to the IFRS was 1 January 2008.

The following accounting standards, amendments and interpretations have been issued with effect from 1 January 2010 which neither govern cases present in the Brunello Cucinelli Group consolidated financial statements nor have a significant effect on the same:

- IFRIC 12 (Agreements for concession services): IFRIC 12 is aimed at operators in the private sector involved in the provision of services typical of the public sector (e.g. roads, airports, supply of electricity and water pursuant to a franchising contract). In the context of such agreements the franchised assets are not necessarily controlled by the private operators even though the latter are liable for the related supply activities as also for the operating and maintenance of the public infrastructure. In the context of such agreements the assets may not be recognised as Tangible Fixed Assets in the Financial Statements of the private operators but rather as financial assets and/or Intangible Fixed Assets depending on the nature of the agreement.

- IFRIC 15 (Agreements for the construction of real estate): this interpretation provides guidelines to establish whether an agreement for the construction of a property unit comes within the ambit of IAS 11 "Construction contracts" or IAS 18 "Revenue", defining the moment when the revenue has to be recognised. In the light of this interpretation residential development comes within the scope of application of IAS 18 "Revenue", requiring the recording of the revenue at the moment of the conveyance. Tertiary development activities, if performed on the basis of specific client techniques, fall within the remit of IAS 11 "Construction contracts".

- IFRIC 16 (Hedging of a net investment in a foreign operation): this interpretation clarifies a number of questions relating to the accounting treatment of hedges of net investments in foreign operations in Consolidated Financial Statements, identifying the type of risk which satisfies the conditions for the application of hedge accounting. In particular it states that hedge accounting is only applicable for exchange rate differences between the functional currency of the foreign operation and the functional currency of the controlling company and not between the functional currency of the foreign operation and the currency of presentation of the Consolidated Financial Statements.

- IFRIC 17 (Distribution of non-cash assets to owners-entrepreneurs): this interpretation clarifies that (i) dividend payables must be entered when the dividend has been authorised and is no longer at the discretion of the entity, (ii) dividend payables must be valued at the fair value of the asset to be distributed, (iii) the difference between the dividends paid and the accounting value of the distributed net assets must be entered in the profit and loss account.

- IFRIC 18 (*Transfers of assets from customers*): this interpretation clarifies the conditions that must be satisfied when agreements are concluded under which the entity receives an asset from a customer used by the former to connect the customer to a network/grid or to assure the customer continuous access to the supply of goods or services (such as the supply of electricity, water or gas).

- Amendments to IFRS 3 (*Business aggregations*): the changes are concerned with the valuation of non-controlling interests, the accounting treatment of transaction costs, the initial recording and subsequent valuation of any additional payments ("contingent consideration").

- Amendments to IAS 27 (*Consolidated and Separate Financial Statements*): requiring that a change in the ownership structure of a subsidiary (without loss of control) should be recorded in the accounts as an operation between shareholders. As a consequence, such transactions no longer generate goodwill value, profits or losses.

- Amendments to IAS 39 (*Financial instruments: recognition and measurement*): this clarifies that an entity will be permitted to designate a portion of variations in a financial instrument's fair value or cash flows as a hedged element. The amendment also includes the designation of inflation as a hedged risk or as a portion of the risk in particular situations.

- IFRS 1 revision (*First adoption of IFRS*): IFRS 1 has been subjected to numerous amendments over time following the issue of new standards or amendments of existing standards compromising its clarity. The IFRS 1 Revision has not lead to substantive amendments with respect to the previous version although it has changed its structure.

- The IASB has issued an amendment to IFRS 2 which clarifies the purpose and accounting treatment of group transactions with cash-settled share-based payments.

We have set out below the new accounting standards or interpretations of existing accounting standards and would note that they are not applicable to the Financial Statements closing on 31 December 2010. The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) have recently published new standards and interpretations. Some of these have not yet been officially endorsed by European Union law while others have been recognised but will be applicable with effect from the financial years subsequent to 31 December 2010:

- IAS 24 revision (Related party disclosures in the Financial Statements): on 4 November 2009 the IASB published the revised version of IAS 24. The amendments introduced simplify the definition of "related party" at the same time as eliminating a number of inconsistencies, exempting public entities from a number of disclosure requirements regarding operations with related parties.

- Amendment to IAS 32 (Financial instruments: presentation in the Financial Statements and the classification of rights issues): these amendments relate to rights issues such as options and warrants expressed in a currency other than the Brunello Cucinelli Group functional currency. Previously such rights issues were recorded as financial derivative liabilities. If particular conditions are satisfied it is possible to classify such rights issues as equity instruments independently of the currency in which the exercise price is expressed. The above amendments were endorsed by the European Union in December 2009 (EC Regulation 1293/2009) and they are applicable with effect from 1 January 2011. It is not anticipated that they will have an impact on the Financial Statements following the future application of the amendments concerned.

- Amendment to IFRIC 14 (Prepayment relating to minimum funding requirement): on 15 November 2009 the International Financial Reporting Interpretation Committee (IFRIC) published amendments to the IFRIC 14 interpretation. The purpose of the amendments was to eliminate an unwanted consequence in a case where an entity subject to a minimum contribution requirement makes a prepayment of contributions as a result of which, in specific circumstances, the entity making such prepayment would be required to record a cost in the accounts. In circumstances where a defined benefit plan is subject to a minimum funding requirement the IFRIC 14 amendment requires that such prepayment should be treated as an asset in the same way as any other prepayment. It is not anticipated that there will be any impact on the Financial Statements following the application of the above amendments.

- IFRIC 19 (Extinguishing financial liabilities with equity instruments): on 26 November 2009 IFRIC published the IFRIC 19 Interpretation the purpose of which is to provide guidance on the tax treatment by the debtor of equity instruments issued to extinguish a financial liability in whole or in part following the renegotiation of the related conditions. It is not anticipated that there will be any impact on the Financial Statements following the future application of the above amendments.

Finally, the IASB has issued a series of improvements to the standards with a view to eliminate the main inconsistencies and clarify terminology. Each standard has specific transition clauses. The adoption of the following amendments has translated into changes to accounting standards which have had no impact on the Group's financial position or results:

- IFRS 2 (Share-based payments): the amendments make it clear that, following the changes introduced by IFRS 3 to the definition of business aggregation, the transfer of a business on the setting up of a joint venture and the aggregation of entities or activities under common control will be excluded from the application of IFRS 2.

- IFRS 5 (Non-current assets held for sale and discontinued operations): the amendment, to be applied in the future, identifies the disclosure obligations relating to non-current assets (or discontinued groups) held for sale and discontinued operations. It makes clear that IFRS 5 and the other IFRSS referring specifically to these assets contain all reference principles for disclosure on the related Financial Statements.

- IFRS 8 (Operating Segments): the amendment to IFRS 8 notes that the entity is required to record the total amount for each operating sector only if such information is provided regularly to the highest level of operating management. Previously, this information had to be provided in every case for each operating sector.

- IAS 1 (Presentation of the Financial Statements): the amendment notes that an entity will be required to classify an asset as current when it does not have an unconditional right to defer settlement for a period of at least 12 months from the Balance Sheet reference date even if the payment of the liability may be effected by the issue of equity instruments at the discretion of the counterparty.

- IAS 7 (Statement of Cash Flows): the amendment makes it clear that expenses relating to assets not recorded in the Financial Statements must be classified when drawing up the cash flow statement in the context of monetary flow from investment assets.

- IAS 17 (Leasing): The amendment is concerned with the classification of the lease of land and buildings. When the lease is of both land and a building, the entity will be required to value each element separately for the purpose of their classification as financial or operating leases. The classification of all existing lease contracts must be reviewed at the date of application of the amendment so far as land is concerned. The reclassification from “operating leasing” to “financial leasing” must be recorded in the accounts with retrospective effect.

- IAS 18 (Revenue): amendments relating to the definition of characteristics of use in establishing whether an entity acts in the capacity of agent (e.g. is not exposed to significant risks and benefits associated with the transaction) or on its own behalf (e.g. is exposed to significant risks and benefits associated with the transaction).

- IAS 36 (Impairment of assets): the amendments are concerned with the allocation of goodwill to cash-generating units (or groups of cash-generating units) of a purchaser in the case of a business aggregation for the purpose of an impairment test. It is noted in particular that each cash-generating unit (or group of cash-generating units) to which the goodwill is to be allocated may not be greater than a purchaser’s operating sector (as defined under IFRS 8) prior to the aggregation.

- IAS 38 (Intangible assets): the amendments are consequential to the revision of IFRS 3 in relation to the measurement of fair value of an intangible asset acquired in the context of a business aggregation.

- IAS 39 (Financial instruments: recognition and measurement): the main amendments, to be applied in the future to all existing contracts, can be summarised as follows (i) it is noted that future contracts from the sale-purchase of an entity which forms part of a business aggregation from the scope of application of IAS 39 will be excluded; (ii) in the case of an option for early refund incorporated in an underlying payable contract: in the case in which the price of exercising the early refund option approximates to the current value of the interest lost for the residual period of the payable contract, such option must be considered as strictly correlated to the primary contract and, as a consequence, should not be recorded separately in the accounts.

- IFRIC 9 (Re-assessment of embedded derivatives): the amendments, applicable in the future, exclude derivatives embedded in contracts acquired in a business aggregation, in an aggregation of businesses or entities under common control or in the setting up of a joint venture.

- IFRIC 6 (Hedge of net investment in a foreign operation): the amendments are concerned with the elimination of a restriction imposed on a foreign operation to hold instruments hedging the foreign operation itself.

Business Aggregations, acquisition of minority shareholdings and operations under common control

Year ended 31 December 2010

In December 2010 the company bought a 1% shareholding in ex-Brunello Cucinelli S.p.A. from Mr. (Cav.) Brunello Cucinelli for a figure of €250,000 thousand, thereby obtaining 100% control.

Year ended 31 December 2009

In November 2009 the Company completed the merger by incorporation of Critone S.r.l. Consequential to the merger the Company held 99% of the share capital of ex-Brunello Cucinelli S.p.A., 100% of Brunello Cucinelli USA Inc. and 50% of Gunex S.p.A.

All the operations described above relating to companies already under common control, were accordingly recorded in the accounts as so-called “operations under common control”.

Comments on the main headings in the Consolidated Balance Sheet

Note 1. Intangible Fixed Assets

The details of the historical cost, the amortisation reserve and net accounting value of the heading Intangible Fixed Assets as at 31 December 2010 and 2009 have been set out as follows:

	31 December					
	2010			2009		
(In thousands of Euro)	Historical cost	Accumulated	Net value	Historical cost	Accumulated	Net value

		amortisation			amortisation	
Concessions, licences, brands and similar rights	1,204	(850)	354	908	(652)	256
Key money	11,442	(2,751)	8,691	9,702	(1,755)	7,947
Other Intangible Fixed Assets	190	(140)	50	153	(123)	30
Fixed Assets under development and advances	-	-	-	-	-	-
Total Intangible Fixed Assets	**12,836**	**(3,741)**	**9,095**	**10,763**	**(2,530)**	**8,233**

The heading is made up for the most part of Key Money paid to take over contractual positions relating to commercial real estate located in prestigious areas (€8,691 thousand and €7,947 thousand in the 2010 and 2009 financial years respectively).

Changes in net accounting values for the heading Intangible Fixed Assets for the financial year closing on 31 December 2010 have been set out as follows:

(In thousands of Euro)	**01/01/2010**	**Increases from purchases**	**Net decreases**	**Translation differences**	**Amortisation**	**31/12/2010**
Concessions, licences, brands and similar rights	256	305	-	-	(207)	354
Key money	7,947	1,740	-	-	(996)	8,691
Other Intangible Fixed Assets	30	32	-	-	(12)	50
Fixed Assets under development and advances	-	-	-	-	-	-
Total Intangible Fixed Assets	**8,233**	**2,077**	**-**	**-**	**(1,215)**	**9,095**

The heading Intangible Fixed Assets as at 31 December 2010 amounted to €9,095 thousand and the increases over the Financial year were made up for the most part of key money paid by the Brunello Cucinelli Group (€1,740 thousand).
No details emerged over the 2010 financial year indicating a possible value impairment with reference to Intangible Fixed Assets.

Changes in net accounting values for the heading Intangible Fixed Assets for the financial year closing on 31 December 2009 have been set out as follows:

(In thousands of Euro)	**01/01/2009**	**Increases from purchases**	**Net decreases**	**Translation differences**	**Amortisation**	**31/12/2009**
Concessions, licences, brands and similar rights	139	313	(4)	-	(192)	256
Key money	7,772	950	-	-	(775)	7,947
Other Intangible Fixed Assets	65	7	-	-	(42)	30
Fixed Assets under development and advances	-	-	-	-	-	-
Total Intangible Fixed Assets	**7,976**	**1,270**	**(4)**	**-**	**(1,009)**	**8,233**

The heading Intangible Fixed Assets as at 31 December 2009 amounted to €8,233 thousand and the increases over the Financial year were made up for the most part of payments of key money (€950 thousand).

No details emerged over the 2009 financial year indicating a possible value impairment with reference to Intangible Fixed Assets.

Note 2. Property, Equipment and Machinery

The details of historical cost, amortisation reserve and net accounting value of the heading Property, Equipment and Machinery as at 31 December 2010 and 2009 are given below:

	31 December					
	2010			2009		
(In thousands of Euro)	**Historical cost**	**Amortisation reserve**	**Net value**	**Historical cost**	**Amortisation reserve**	**Net value**
Land	2,792	-	2,792	2,432	-	2,432
Buildings	31,753	(4,617)	27,136	28,584	(2,914)	25,670
Equipment and machinery	2,871	(1,804)	1,067	2,724	(1,563)	1,161
Industrial and commercial equipment	828	(588)	240	734	(491)	243
Historical collections	1,041	-	1,041	850	-	850
Other assets	5,390	(3,412)	1,978	4,867	(3,121)	1,746
Fixed Assets under construction and advances	283	-	283	-	-	-
Total property, equipment and machinery	**44,958**	**(10,421)**	**34,537**	**40,191**	**(8,089)**	**32,102**

Changes in net accounting values for the heading Property, Equipment and Machinery for the financial year closing on 31 December 2010 have been set out as follows:

(In thousands of Euro)	**01/01/2010**	**Increases from purchases**	**Reclass. of fixed assets under construction**	**Net differences**	**Translation differences**	**Amortisation**	**31/12/2010**
Land	2,432	360	-	-	-	-	2,792
Buildings	25,670	3,096	-	(21)	125	(1,734)	27,136
Equipment and machinery	1,161	151	-	(2)	4	(247)	1,067
Industrial and commercial equipment	243	94	-	-	-	(97)	240
Historical collections	850	191	-	-	-	-	1,041
Other assets	1,746	920	-	(145)	4	(547)	1,978
Fixed Assets under construction and advances	-	283	-	-	-	-	283
Total property, equipment and machinery	**32,102**	**5,097**	**-**	**(168)**	**133**	**(2,625)**	**34,537**

The Brunello Cucinelli Group effected investments in Property, Equipment and Machinery of about €5,097 thousand over 2010 mainly composed of the following:

- investments in Buildings (€3,096 thousand) mainly attributable to the opening of new directly managed shops (in the USA, the North American and the European areas) and to improvements made to real estate owned by the Group (production premises located in Solomeo);
- investments in Other assets (€921 thousand) mainly relating to the purchase of electronic and office machinery and motor-vehicles;
- investments in Fixed Assets under construction (€283 thousand) relating to the construction of new production premises located in Solomeo.

No details emerged over the 2010 financial year indicating a possible value impairment with reference to property, equipment and machinery.

Changes in net accounting values for the heading Property, Equipment and Machinery for the financial year closing on 31 December 2009 have been set out as follows:

(In thousands of Euro)	**01/01/2009**	**Increases from purchases**	**Reclass. of fixed assets under construction**	**Net differences**	**Translation differences**	**Amortisation**	**31/12/2009**
Land	2,432	-	-	-	-	-	2,432
Buildings	24,326	2,714	-	-	(36)	(1,334)	25,670
Equipment and machinery	1,201	204	-	-	(1)	(243)	1,161
Industrial and commercial equipment	168	154	-	-	-	(79)	243
Historical collections	673	177	-	-	-	-	850
Other assets	1,890	538	-	(96)	(1)	(585)	1,746
Fixed Assets under construction and advances	-	-	-	-	-	-	-
Total property, equipment and machinery	**30,690**	**3,787**	**-**	**(96)**	**(38)**	**(2,241)**	**32,102**

The Brunello Cucinelli Group made investments in Property, Equipment and Machinery of about €3,787 thousand over 2009, mainly composed as follows:

- investments in Buildings (€2,714 thousand) for the most part attributable to the restructuring of the production premises in Solomeo and administrative and commercial offices, together with the improvements made to the Milan showroom;
- investments in Other assets (€538 thousand) mainly devoted to the purchase of electronic and office machinery and motor vehicles.

No details emerged over the 2009 financial year indicating a possible value impairment with reference to property, equipment and machinery.

Note 3. Other non-current financial assets

The composition of the item Other non-current financial assets as at 31 December 2010 and 2009 is as follows:

	31 December	
(In thousands of Euro)	**2010**	**2009**
Security deposits	1,113	743
Total Other non-current financial assets	**1,113**	**743**

The item Other non-current financial assets as at 31 December 2010 and 2009 includes the security deposits mainly relating to amounts paid by the Brunello Cucinelli Group at the same time as signing tenancy agreements for the single brand stores. The increase recorded during the course of the two-year period (€370 thousand) was due to the opening of new outlets.

Note 4. Inventories

The composition of the item Inventories as at 31 December 2010 and 2009 is as follows:

	31 December	
(In thousands of Euro)	**2010**	**2009**
Raw, ancillary and consumable materials	12,601	11,134
Work in progress and semi-finished goods	4,827	4,989
Finished products and goods	30,558	29,548
Advance payments to suppliers	285	1,373
Total Inventories	**48,271**	**47,044**

The company does not account for Stock Obsolescence Provision as its stock management policy provides for the efficient sale of each season's remainders.

Advance payments to suppliers refer to advance payments to suppliers for the purchase of raw materials (*cashmere*) to meet the requirements of production plans.

Note 5. **Trade receivables**

Trade receivables as at 31 December 2010 and 2009 respectively totalled €47,624 thousand and €41,788 thousand.

All the trade payables are short-term so book value is assimilable to fair value on the relevant date.

For the terms and conditions regarding receivables from related parties see below.

Trade receivables are the credit for the supply of goods and services, all having expiry in the following accounting period; they are non-interest-bearing, and generally expire contractually from 30 to 60 days and up to 90-120 days in some European countries, such as Spain and Italy.
The adjustment of the foreign trade receivables at exchange rates at the end of the year has led to a loss on unrealised exchange rate losses of €107 thousand as at 31 December 2010, and unrealised exchange rate gains of €278 thousand as at 31 December 2009.

Bad debt provision entered in the financial statements for the financial year is a reasonable estimate of permanent loss of market value identified against the specific risk of irrecoverability identified in the receivables entered on the financial statements.

Movements in bad debt provision for the financial years ended 31 December 2010 and 2009 are now reported:

	Financial year ended 31 December	
(In thousands of Euro)	**2010**	**2009**
Value as at 1 January	455	443
Allocations	259	192
Usage	(192)	(180)
Exchange rates delta	-	-
Value as at 31 December	**522**	**455**

The allocations and usage in the accounting period for bad debt provision are included in the item Value adjustment of financial assets and other allocations in the profit and loss account.

Note 6. Tax credits

The composition of the item Tax credits as at 31 December 2010 and 2009 is as follows:

	31 December	
(In thousands of Euro)	**2010**	**2009**
IRES[1] inland revenue tax credit account	12	57
IRAP[2] tax credits account	6	13
Other tax credit	537	130
Total Tax credits	**555**	**200**

The item Tax credits as at 31 December 2010 and 2009 mainly refers to the payments on account by BC USA Inc. to various federal American states in consideration of the territorial distribution of the assets.

Note 7. Other credits and current assets

The composition of the item Other credits and current assets as at 31 December 2010 and 2009 is as follows:

	31 December	
(In thousands of Euro)	**2010**	**2009**
VAT for accounts credits	3,938	3,621
Other credits	1,115	60
Prepayments accruals and deferred income	941	603
Advance payments to suppliers	532	564
Foreign accounts credits	378	266

[1] IRES (*Imposte sul Reddito delle Società*) - Tax on the Company's Income
[2] IRAP (*imposta regionale sulle attività produttive*) – a regional business tax, literally Regional Tax on Productive Activities

Brokerage credits	224	52
Other credits and current assets	**7,128**	**5,166**

The VAT for accounts credits as at 31 December 2010 and 2009 totalled €3,938 thousand and €3,621 thousand respectively.
The Brunello Cucinelli Group qualifies as exporter on a permanent basis in accordance with Italian DPR[3] no. 633 dated 26 October 1972. The status of exporter on a permanent basis allows the Group to purchase or import goods and services free of VAT up to a certain threshold or "ceiling", determined as the limit of the sum of the foreign operations carried out and recorded in the previous calendar year. The Group usually passes the annual ceiling due to the constant growth of its business. Consequently, purchases made in the last quarter of the financial year for the creation of the spring/summer collection tend to be subject to VAT which creates a VAT credit position at the end of the financial year. This credit position is eliminated in the first few months of the following financial year thanks to the invoicing of the spring/summer collection and the concurrent re-setting of the annual VAT ceiling.

The Prepayments accruals and deferred income mainly include pre-payments for the production of catalogues for the spring/summer collection to be delivered in the first few months of the following financial year, and for rent payments.

The item Advance payments to suppliers mainly refers to amounts paid in advance to *Façonisti* employed in outsourcing on Brunello Cucinelli Group products.

The item Other credits mainly includes payment on accounts receivable. Specifically, as at 31 December 2010 the item had €760 thousand as down payment paid by the Ex-Brunello Cucinelli S.p.A. on the signing of the preliminary sales agreement for the property located in Solomeo. Fedone S.r.l. completed the purchase of this property during January 2011 and will repay the down payment made previously by the subsidiary company Ex-Brunello Cucinelli S.p.A.

Note 8. Liquidity and cash equivalents

The composition of the item Liquidity and cash equivalents as at 31 December 2010 and 2009 is as follows:

	31 December	
(In thousands of Euro)	**2010**	**2009**
Bank and post office deposits	6,651	3,144
Cash and equivalents in hand	148	123
Cheques	161	16
Total Liquidity and cash equivalents	**6,960**	**3,283**

The values shown may be readily converted to cash in hand and are subject to an insignificant risk of variation in value.

[3] D.P.R. = Decree of the President of the Republic – no equivalent in USA or GB.

The Brunello Cucinelli Group considers that the credit risk related to the liquidity and cash equivalents is limited because it mainly involves deposits divided between national and international banking institutions.

Note 9. Derivative financial instruments

The Brunello Cucinelli Group has underwritten several derivative financial instruments for the purpose of coverage of interest rate risk on its own bank borrowing and the exchange rate risk.
The Company concludes derivative financing contracts for the exclusive purpose of coverage as the Group's financial management policy does not permit speculative transactions of financial instruments. Derivative financial instruments meeting the requirements of international accounting principles are accounted for according to the hedge accounting method. As regards derivative financial instruments for which the conditions provided for in international accounting principles are not met, the movements in the fair value of the financial instruments is assigned to the profit and loss account of the financial year in question.
The contractual specifications and the related fair value of the derivative financial instruments for coverage of interest rate risk as of the 31 December 2010 and 2009 are as follows:

IRS accounted for according to Cash Flow Hedge

Counterpart	**Type**	**Lending rate (Fixed)**	**Borrowing rate (variable)**	**Start date**	**Expiry date**	**Notional Capital (EURO/000)**	**Fair Value as at 31 December 2010**	**2009**
MPS	IRS	2.60%	Euribor6M	31/12/2009	31/12/2013	1,125	(23)	(10)
MPS	IRS	3.02%	Euribor6M	31/12/2009	31/12/2015	1,375	(37)	(17)
BNL	IRS	3.26%	Euribor6M	12/01/2010	31/12/2018	4,675	(139)	-
Intesa SanPaolo	Fixed Rate Payer Swap	3.26%	Euribor6M	12/01/2010	31/12/2018	4,675	(139)	-
Cassa di Risp, Lucca e Livorno	IRS	1.88%	Euribor6M	31/07/2010	31/07/2014	2,500	(11)	-
Unicredit (ex Banca dell'Umbria)	IRS	4.60%	Euribor3M	30/11/2001	30/11/2010	717	-	(2)
Unicredit (ex Banca dell'Umbria)	IRS	4.60%	Euribor3M	30/11/2001	30/11/2010	957	-	(3)
Unicredit	IRS	4.60%	Euribor3M	31/01/2002	30/07/2010	908	-	(3)
Unicredit	IRS	4.60%	Euribor3M	31/01/2002	30/07/2010	454	-	(1)
UBI Banca	IRS	1.89%	Euribor3M	21/05/2010	11/05/2015	1,000	(5)	-
Cassa di Risp, Di Parma e Piacenza	IRS	1.70%	Euribor3M	19/08/2010	19/08/2015	2,000	2	-
Derivative financial instrument assets							**2**	**-**
Liability for derivative financial instruments in the financial year							**(354)**	**(36)**

IRS not accounted for according to Cash Flow Hedge

Counterpart	**Type**	**Lending rate (Fixed)**	**Borrowing rate (variable)**	**Start date**	**Expiry date**	**Notional Capital (EURO/000)**	**Fair Value as at 31 December 2010**	**2009**
BNL	IRS	Euribor5M with 3.5% Cap and 0.5% Spread	Euribor6M	12/01/2010	31/12/2014	3,825	(36)	-
Intesa SanPaolo	Acq. Cap	Euribor6M + 0.5% spread, max 4%	Euribor6M	12/01/2010	31/12/2014	3,825	(36)	-

Intesa SanPaolo	IRS accrual	3.86% if Euribor 3M < 4.25%; 4.25 if Euribor 3M >= 4.25	Euribor6M	31/12/2006	31/12/2009	5,000	-	-
Deutsche Bank	IRS	1.91%	Euribor6M + 3% spread	1/12/2010	31/12/2014	1,000	(7)	-
Intesa SanPaolo	IRS accrual	3.91% if Euribor 3M < 4.25%; 4.25 if Euribor 3M >= 4.25	Euribor6M	31/12/2006	31/12/2009	1,000	-	-
Derivative financial instrument assets							-	-
Liability for derivative financial instruments in the financial year							**(79)**	-

The contractual specifications and the related fair value of the derivative financial instruments for coverage of exchange rate risk as at 31 December 2010 and 2009 are as follows:

	Negative fair value for the financial year ended 31 December		**Positive fair value for the financial year ended 31 December**	
(In thousands of Euro)	**2010**	**2009**	**2010**	**2009**
American dollars	(179)	(146)	661	105
Swiss francs	-	-	-	-
Total	**(179)**	**(146)**	**661**	**105**

The table below summarises the assets and liabilities by derivative financial instrument as at 31 December 2010 and 2009:

	31 December	
(In thousands of Euro)	**2010**	**2009**
Derivative financial assets	663	105
Liability for derivative financial instruments in the financial year	613	182

Note 10. Capital and reserves

The Share Capital as at 31 December 2010 and 2009 totals €4,600 thousand fully paid, consisting of 46,000 shares with a nominal value of €100 each. The company is entirely controlled by Fedone S.r.l.

The item Other reserves as at 31 December 2010 and 2009 is now shown in detail:

(In thousands of Euro)	**31 December**	
	2010	**2009**
Legal reserve	191	132
Extraordinary reserve	881	-
Revaluation reserve	1,091	1,091
Cash flow hedge reserve	(67)	(25)
First-time adoption of the IFRS reserve	(706)	(700)
Conversion reserve	12	(25)

Cumulative consolidated Profit/Loss	11,819	10,303
Other reserves	**13,221**	**10,776**

Note 11. Employees benefits liability

This item refers exclusively to Employee termination payment/Retirement bonus ("TFR") for employees in the Group's Italian companies as per article 2120 of the Italian Civil Code in accordance with the actuarial methods set out in IAS 19.

The following table shows the movements for employee benefits during the financial years ended 31 December 2010 and 2009:

(In thousands of Euro)	**Financial year ended 31 December**	
	2010	**2009**
Current value of the bond at the start of the financial year	2,511	2,448
Financial charges	69	76
Benefits awarded	(196)	(214)
Actuarial losses (gains)	20	201
Current value of the bond at the end of the financial year	**2,404**	**2,511**

The main assumptions used in determining the current value of the TFR are given below:

Economic and financial parameters

	Financial year ended 31 December	
	2010	**2009**
Annual rate of discounting back	3.01%	3.45%
Rate of inflation	2.20%	2.60%
Expected rate of employees turnover	8.80%	8.80%
Loan rate	1.00%	1.00%

Demographic parameters

	Financial year ended 31 December	
	2010	**2009**
Mortality	TABLE RG48	
Pension age	65	

Frequency of turnover and TFR advances

	Financial year ended 31 December	
	2010	**2009**
% Frequency of advances	1%	1%
% Frequency of turnover	8.80%	8.80%

Workforce numbers

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

	Financial year ended 31 December	
	2010	**2009**
Junior and senior managers	24	17
Clerical staff	228	192
Shopfloor workers	330	302
Total workforce	**582**	**511**

Note 12. Provisions for risks and charges

The item Provisions for risks and charges mainly refers to the provisions for supplementary customer allowances for Ex-Brunello Cucinelli S.p.A. and Gunex S.p.A. in accordance with Italian law (art. 1751-bis of the Italian Civil Code) and modified as required by IAS 37.

Movement of the Provisions for risks and charges as at 31 December 2010 and 2009 are now given:

	31 December	
(In thousands of Euro)	**2010**	**2009**
Value as at 1 January	730	709
Allocations	191	28
Usage	-	(7)
Value of Provisions for supplementary customer allowances as at 31 December	**921**	**730**
Other provisions for risks and charges	9	9
Total provisions for risks and charges	**930**	**739**

The main assumptions used in determining the actuarial calculation of the provisions for supplementary customer allowances are as follows:

	Financial year ended 31 December	
	2010	**2009**
Voluntary turnover rate	8.00%	6.00%
Company turnover rate	1.00%	1.00%
Annual rate of discounting back	3.38%	4.26%

Note 13. Non-current bank debts

The item non-current bank debts includes medium to long-term bank loans.

These are variable rate loans so the book value approximates to the fair value on the date in question.

The total funding and current position as at 31 December 2010 and 2009 is as follows:

			31 December				
			2010		**2009**		
(In thousands of Euro)	**Start Date**	**Expiry Date**	**Total debt**	**of which current amount**	**Total debt**	**of which current amount**	**Notes**
Pool of banks (bank agent – Banca IMT)	16-Dec-2009	tranche A: 31-Dec-2018 tranche B: 31-Dec 2014	19,864	2,600	19,801	-	*Note 1*
Cassa di Risparmio di Lucca, Pisa e Livorno	21-Jul-2010	31-Jul-2015	2,382	482	-	-	*Note 2*
Cariparma	19-Aug-2010	19-Aug-2015	1,906	384	-	-	*Note 3*
Banca Intesa	9-Jun-2008	31-Mar-2013	1,500	600	2,100	600	*Note 4*
Deutsche Bank	23-Nov-2009	30-Sept-2013	1,375	500	1,875	500	*Note 5*
Banca Toscana	20-Aug-2007	31-Dec-2015	1,200	195	1,200	-	*Note 6*
Deutsche Bank	1-Dec-2010	31-Dec-2014	1,000	250	-	-	*Note 7*
Banca delle Marche	7-May-2007	15-Sept-2019	891	90	978	88	*Note 8*
Banca Popolare di Ancona	11-May-2010	11-May-2015	889	194	-	-	*Note 9*
Banca delle Marche	3-Dec-2007	3-Dec-2012	869	422	1,268	399	*Note 10*
Banca Popolare di Ancona	7-Aug-2008	7-Aug-2012	855	305	1,143	287	*Note 11*
UniCredit Banca	5-Dec-2007	31-Dec-2012	654	316	953	299	*Note 12*
Banca Etruria	28-Apr-2008	30-Apr-2013	525	205	725	201	*Note 13*
Cassa di Risparmio di Città di Castello	4-Jun-2008	4-Jun-2013	522	205	724	202	*Note 14*
Cassa di Risparmio di Firenze	14-Nov-2007	30-Nov-2012	425	209	630	205	*Note 15*
Banca Popolare di Ancona	7-Aug-2008	7-Aug-2013	285	102	381	96	*Note 16*
UniCredit Banca	5-Dec-2007	31-Dec-2012	218	104	318	100	*Note 17*
Cassa di Risparmio di Firenze	14-Nov-2007	30-Nov-2012	212	105	315	103	*Note 18*
Cassa di Risparmio di Firenze	6-Dec-2006	6-Dec-2011	200	200	400	200	*Note 19*
Cassa di Risparmio di Lucca, Pisa e Livorno	3-Sept-2009	30-Sept-2011	96	96	220	124	*Note 20*
Banca Nazionale del Lavoro	16-May-2006	30-Apr-2011	56	56	167	111	*Note 21*
Cassa di Risparmio di Firenze	30-Mar-2004	30-June-2009	-	-	-	-	*Note 22*
Banca Etruria	24-Jan-2004	31-Jan-	-	-	27	27	*Note 22*

2010					
Other loans expiring in the 2009 financial year	-	-	-	-	*Note 23*
Other loans paid off in advance					*Note 24*
Total bank loans	**35,924**	**7,620**	**33,225**	**3,542**	
Minus current portion	(7,620)		(3,542)		
Non-current bank debts	**28,304**		**29,683**		

Note 1

Within the framework of its own operation to refinance its leveraged exposure, on the 16 December 2009 the Brunello Cucinelli Group accessed financing with a pool of banks composed of Banca Intesa San Paolo S.p.A., Banca Nazionale del Lavoro S.p.A., Banca IMI S.p.A. (as “Bank Agent”), UniCredit Corporate Banking S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca Popolare dell’Etruria e del Lazio S.c.a.r.l., Mediocredito Italiano S.p.A., Cassa di Risparmio di Città di Castello S.p.A., and Banca Popolare di Ancona S.p.A. for the purpose of refinancing part of its own short and medium-term borrowing and sustain its own business development. The total financing of €20,000 thousand is divided into two long-term credit lines of €11,000 thousand (tranche A) and €9,000 thousand (tranche B) respectively, that were fully used by 31 December 2010.
The repayment of tranche A is expected to be completed by 31 December 2018 through an amortisation plan that provides for half-yearly repayment instalments of €550 thousand starting from the 30 June 2011 until 31 December 2017 and of €1,650 thousand starting from 30 June 2018. The interest rate applied to tranche A is that of the Euribor 6 months increased by one spread.
The repayment of tranche B is expected to be completed by 31 December 2014 through an amortisation plan that provides for half-yearly repayments of €750 thousand starting from 30 June 2011 until 31 December 2012, of €1,250 thousand starting from the 30 June 2013 until 31 December 2013 and of €1,750 thousand starting from 30 June 2014 until expiry. The interest rate applied to tranche B is that of the Euribor 6 months increased by a spread.

Mortgage loans have been taken out with the funds granted. In particular, as guarantee for the obligations arising out of tranche A, a first degree mortgage has been taken out on some of the Company’s properties (buildings or parts of buildings located in Solomeo and Corciano) for a maximum guaranteed amount of €22,000 thousand (of which €11,000 thousand is capital and €11,000 thousand million is interest, incidental expenses, and benefit of execution costs) and as guarantee of the obligations arising out of tranche B a second priority mortgage has been constituted on the same properties for a maximum guaranteed total of €18,000 thousand (of which €9,000 thousand is capital and €9,000 thousand is interest, ancillary expenses, and benefit of execution costs).

With reference to Merger and Demerger operations that took place in the first half-year of 2011, the company benefiting from the demerger, Parmenide S.r.l. (entirely controlled by Fedone S.r.l. and outside the Group), has taken responsibility for a portion of the financing for a capital sum of €3,300 thousand in addition to interest and incidental expenses. The Company is jointly responsible with Parmenide S.r.l. for fulfilling the obligations assumed by Parmenide S.r.l.

The loan agreement also contains contractual obligations for financial parameters to be respected. In particular, specific values concerning the following reports in the individual financial statements of Ex-Brunello Cucinelli S.p.A., drawn up according to Italian accounting principles, must be respected:

(i) Net financial position/Gross operating margin: such financial covenants are determined by the relationship between Ex-Brunello Cucinelli S.p.A.'s ″net financial position″ and the value of the ″gross operating margin″ in which:

- the term ″net financial position″ means the difference between, on the one hand, the amount resulting from the sum of the payables due to obligations, bank payables, and payables to other lenders, payables represented by credit instruments, and payables to companies in the Group (excluding positions relating to entities included in the consolidated companies), and on the other, the liquid assets as defined by art. 2424 of the Italian Civil Code in which government securities, easily liquidated quoted shares, and other instruments of temporary use for liquidity are included among the liquid assets;
- the term ″gross operating margin″ means the difference between the value of production, determined by the sum of the items covered by letter A) of art. 2425 of the Italian Civil Code and the costs of production as per letter B) of art. 2425 of the Italian Civil Code, with exclusion of the amortisations of tangible and intangible fixed assets, allocations for risks, other allocations, and cost of finance lease payments for assets used in finance leasing.

(ii) Net financial position/Shareholders Equity: each covenant is determined by the relationship between Ex-Brunello Cucinelli S.p.A.'s ″net financial position″ and the value of the ″shareholders equity″ in which:

- refer to all that is stated above for the definition of ″net financial position″;
- the term ″shareholders equity″ means the sum of the items in the Shareholders Equity defined by art. 2424 of the Italian Civil Code with the addition of any shareholder financing.

In accordance with the loan agreement, failure to respect one or both of the above-mentioned financial covenants may entitle the agent bank to immediately cancel all credit and the Borrower must repay the portion of the total as yet not paid back to the lenders within 5 days as well as the default interest up to the day of effective repayment in addition to commissions, costs, and expenses.

The contractual limits provided for by the covenants described, which are quantified as at the 31 December 2010 and 2009, are shown in the table below – and from which it can be seen that they have been respected:

Reference Date	***Net financial position/Gross Operating Margin***	***Covenants test result***	***Net financial position/Shareholders Equity***	***Covenants test result***
31 December 2010	<4.50	Parameter respected	<3.00	Parameter respected
31 December 2009	<4.50	Parameter respected	<3.00	Parameter respected

Note 2

On the 21 July 2010 the Group took out a secured loan with the Cassa di Risparmio Lucca, Pisa e Livorno for a total amount of €2,500 thousand (remaining debt as at 31 December 2010 was €2,382 thousand). The reimbursement will take place by the 31 July 2015 through an amortisation plan that provides for the repayment of approximately €500 thousand a year in quarterly instalments at increasing capital percentage starting from 31 October 2010. The interest rate applied is the 3-month Euribor rate increased by a spread.

Note 3
On 19 August 2010, the group took out a loan with Cariparma, originally for an amount of €2,000 thousand (debt remaining as at 31 December 2010 of €1,906 thousand). The amount will be repaid by 19 August 2015 in quarterly instalments increasing from €95 thousand in November 2010 to €106 thousand in August 2015. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 4
On 9 June 2008, the Group took out a secured loan with Banca Intesa, originally for an amount of €3,000 thousand (debt remaining as at 31 December 2010 of €1,500 thousand). The amount will be repaid by 31 March 2013 in half yearly instalments of €300 thousand starting from 30 September 2008. The interest rate is the Euribor 6 months plus a spread.

Note 5
On 23 November 2009, the Group took out a loan with Deutsche bank, originally for an amount of €2,000 thousand (debt remaining as at 31 December 2010 of €1,375 thousand). The amount will be repaid by 30 September 2013 in quarterly instalments of €125 thousand starting from 31 December 2009. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 6
On 20 August 2007, the Group took out a secured loan with Banca Toscana, for a total amount of €1,200 thousand. The balance as at 31 December 2010, of €1,200 thousand, will be repaid by 31 December 2015 via half yearly instalments increasing from €107 thousand in June 2011 to €134 thousand in December 2015. The rate applied will be the Euribor 6 months plus a spread.

Note 7
On 1 December 2010, the Group took out a secured loan with Deutsche Bank, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €1,000 thousand). The amount will be repaid by 31 December 2014 in quarterly instalments of €63 thousand starting from 31 March 2011. The interest rate is the Euribor 3 months plus a spread.

Note 8
On 7 May 2007, the Group took out a property loan with Banca delle Marche, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €891 thousand). The amount will be repaid by 15 September 2019 in quarterly instalments increasing from €22 thousand as of 15 December 2009 to €29 thousand on 15 September 2019. The interest rate will be the rate notified quarterly by BEI to the bank plus a spread; the rate applied will not exceed the Euribor 3 months plus a spread. The loan is guaranteed by a mortgage in the total amount of €2,000 thousand.

Note 9: On 11 May 2010, the Group took out a loan with Banca Popolare di Ancona, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €889 thousand). The amount will be repaid by 11 May 2015 in quarterly instalments of around €17 thousand starting from 11 June 2010. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 10
On 3 December 2007, the Group took out a secured loan with Banca delle Marche, originally for an amount of €2,000 thousand (debt remaining as at 31 December 2010 of €869 thousand). The amount will be repaid by 3 December 2012 in monthly instalments increasing from €29 thousand as of 3 January 2008 to €38 thousand on 3 December 2012. The interest rate is the Euribor 6 months plus a spread.

Note 11
On 7 August 2008, the Group took out a loan with Banca Popolare di Ancona, originally for an amount of €1,500 thousand (debt remaining as at 31 December 2010 of €855 thousand). The amount will be repaid by 7 August 2013 in monthly instalments increasing from €21 thousand as of 7 September 2008 to €28 thousand on 7 August 2013. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 12
On 5 December 2007, the Group took out a loan with Unicredit, originally for an amount of €1,500 thousand (debt remaining as at 31 December 2010 of €654 thousand). The amount will be repaid by 31 December 2012 in quarterly instalments increasing from €65 thousand in March 2008 to €86 thousand in December 2012. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

This loan agreement envisages obligations via financial covenants. Specifically, certain values associated with the following ratios are to be achieved, which will be drawn from the individual financial statements of the Ex-Brunello Cucinelli S.p.A. prepared according to Italian accounting standards:

(i) Net borrowing / shareholders' equity: this financial covenant is defined as the ratio between Net borrowing and the value of Shareholders' equity of the former Brunello Cucinelli S.p.A., where:
- net borrowing is the difference between the total amount of financial debts (bonds and banking debt) and accrued financial payables and the amount of cash (cash and banking), financial receivables and accrued financial receivables;
- shareholders' equity is the total amount of share capital, share premium reserve, revaluation reserves, legal reserve, treasury shares reserves, statutory reserves, other reserves, profit carried forward, profit for the year according to Art. 2424(A) of the Italian civil code, less treasury shares and payments of shareholder loans still due calculated on the latest official financial statements;

(ii) Net borrowing / gross operating margin: this financial covenant is defined as the ratio between Net financial position and the value of Gross operating margin of the Ex-Brunello Cucinelli S.p.A., where:
- net borrowing is as described above.
- Gross operating margin is the sum of the difference between the value and cost of production in accordance with art. 2425 of the Italian civil code and the depreciation of intangible and tangible assets, write-downs, provisions for risks and other provisions

and the following parameter, relating to the individual financial statements of the Ex-Brunello Cucinelli S.p.A., prepared according to Italian accounting standards:

(iii) Extent of shareholders' equity, where:

- Shareholders' equity is as described above.

In the event of the failure to meet one or both of the financial parameters described above, the bank may declare the loan in default and enforce immediate repayment.

The following are the agreed limits and amounts for the covenants described as at 31 December 2010 and 2009 by which the Group's compliance with the covenants will be tested.

Testing Date	*Net borrowing / Shareholders' equity*	*Result of covenant test*	*Net borrowing / gross operating margin:*	*Result of covenant test*
31 December 2010	< 4.5	Threshold met	< 5	Threshold met
31 December 2009	< 4.5	Threshold met	< 5	Threshold met

Note 13
On 28 April 2008, the Group took out a loan with Banca Etruria, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €525 thousand). The amount will be repaid by 30 April 2013 in half yearly instalments increasing from €88 thousand in October 2008 to €108 thousand in April 2013. The interest rate is the Euribor 6 months plus a spread. No real or personal guarantees were made against the loan.

Note 14
On 4 June 2008, the Group took out a loan with Cassa di Risparmio di Città di Castello, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €522 thousand). The amount will be repaid by 4 June 2013 in half yearly instalments increasing from €87 thousand in December 2008 to €114 thousand in June 2013. The interest rate is the Euribor 6 months plus a spread. No real or personal guarantees were made against the loan.

Note 15
On 14 November 2007, the Group took out a loan with Cassa di Risparmio di Firenze, originally for an amount of €1,000 thousand (debt remaining as at 31 December 2010 of €425 thousand). The amount will be repaid by 30 November 2012 in half yearly instalments increasing from €90 thousand in May 2008 to €108 thousand in November 2012. The interest rate is the Euribor 6 months plus a spread. No real or personal guarantees were made against the loan.

Note 16
On 7 August 2008, the Group took out a loan with Banca Popolare di Ancona, originally for an amount of €500 thousand (debt remaining as at 31 December 2010 of €285 thousand). The amount will be repaid by 7 August 2013 in monthly instalments increasing from €7 thousand in September 2008 to €10 thousand in September 2013. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 17
On 5 December 2007, the Group took out a loan with Unicredit Banca, originally for an amount of €500 thousand (debt remaining as at 31 December 2010 of €218 thousand). The amount will be repaid by 31 December 2012 in quarterly instalments increasing from €22

thousand in March 2008 to €29 thousand in December 2012. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

This loan agreement envisages obligations via covenants. Specifically, certain values associated with the following ratios are to be achieved, which relate to the individual financial statements of Gunex S.p.A. prepared according to Italian accounting standards:

(i) Net borrowing / shareholders' equity: this financial covenant is defined as the ratio between Net financial position and the value of Shareholders' equity of Gunex S.p.A., where:
- net borrowing is the difference between the total amount of financial debts (bonds and banking debt) and accrued financial payables and the amount of cash (cash and banking), financial receivables and accrued financial receivables;
- shareholders' equity is the total amount of share capital, share premium reserve, revaluation reserves, legal reserve, treasury shares reserves, statutory reserves, other reserves, profit carried forward, profit for the year according to Art. 2424(A) of the Italian civil code, less treasury shares and payments of shareholder loans still due calculated on the latest official financial statements;

(ii) Net borrowing / gross operating margin: this financial covenant is defined as the ratio between Net financial position and the value of gross operating margin of Gunex S.p.A., where:
- net borrowing is as described above.
- Gross operating margin is the sum of the difference between the value and cost of production in accordance with art. 2425 of the Italian civil code and the depreciation of intangible and tangible assets, write-downs, provisions for risks and other provisions

and the following parameter, relating to the individual financial statements of the former Gunex S.p.A., prepared according to Italian accounting standards:

(iii) Extent of shareholders' equity, where:
- Shareholders' equity is as described above.

In the event of the failure to meet one or more of the financial parameters described above, the bank may declare the loan in default and enforce immediate repayment.

The following are the agreed limits and amounts for the covenants described as at 31 December 2010 and 2009 by which the Group's compliance with the covenants will be tested.

Testing Date	***Net borrowing / Shareholders' equity***	***Result of covenant test***	***Net borrowing / Shareholders' equity***	***Result of covenant test***	***Extent of Shareholders' equity***	***Result of covenant test***
31 December 2010	< 1.5	Threshold met	< 3	Threshold met	> Euro 4 ML	Threshold met
31 December 2009	< 1.5	Threshold met	< 3	Threshold met	> Euro 4 ML	Threshold met

Note 18

On 5 December 2007, the Group took out a loan with Cassa di Risparmio di Firenze, originally for an amount of €500 thousand (debt remaining as at 31 December 2010 of €212 thousand). The amount will be repaid by 30 November 2012 in half yearly instalments increasing from €44 thousand in May 2008 to €54 thousand in November 2012. The interest rate is the Euribor 6 months plus a spread. No real or personal guarantees were made against the loan.

Note 19
On 6 December 2006, the Group took out a loan with Cassa di Risparmio di Firenze, originally for an amount of €500 thousand (debt remaining as at 31 December 2010 of €200 thousand). The amount will be repaid by 6 December 2011 in half yearly instalments of €100 thousand starting from 15 June 2007. The interest rate is the Euribor 6 months plus a spread. No real or personal guarantees were made against the loan.

Note 20
On 3 September 2009, the Group took out a loan with Cassa di Risparmio di Lucca, Pisa e Livorno, originally for an amount of €250 thousand (debt remaining as at 31 December 2010 of €96 thousand). The amount will be repaid by 30 September 2011 in monthly instalments increasing from €31 thousand as of 30 December 2009 to €32 thousand on 30 September 2011. The interest rate is the Euribor 3 months plus a spread. No real or personal guarantees were made against the loan.

Note 21
The loan with Banca Nazionale del Lavoro was paid off on 30 April 2011.

Note 22
The loans received from Cassa di Risparmio di Firenze and from Banca Etruria were paid off on 30 June 2009 and 31 January 2010 respectively.

Note 23
The other loans falling due in 2009 (€1,063 thousand), refer to the loans entered into by the Group with multiple lenders, which were repaid according to the schedule during 2009. The interest rate applied on these loans amounted to the Euribor 3 or 6 months plus a spread.

Note 24
The other loans paid off early refer to loans entered into by the Group with multiple lenders and paid off before term between 28 and 29 December 2009, following the refinancing operation involving a pool loan with the lead bank Intesa San Paolo. Fixed interest rates of 6.00% or variable rates based on the Euribor 3 or 6 months plus a spread were applied to these loans.

Effects on the covenants deriving from the business restructuring operations

Note that following the business restructuring operations in the first half of 2011, the financial covenants prescribed on the loans referred to in Notes 1, 12 and 17, were redefined as follows:

- the financial covenants associated with the pool loan agreement with the banks referred to in Note 1, initially calculated on the individual financial statements of the Ex-Brunello Cucinelli S.p.A. prepared according to Italian accounting standards, are to be calculated on the company's consolidated financial statements;

- as regards the financial covenants on the loan agreements referred to in Notes 12 and 17, as at the reporting date, the company is awaiting notification from the Lenders regarding the new methods of calculating the financial parameters.

The following table provides figures on the loans that Brunello Cucinelli Group has in being as at 31 December 2010, with an indication of the amount falling due before the end of the next period, within 5 years and beyond 5 years:

Description	**Due date**	**Remaining as at 31 December 2010**	**Due by next year end**	**Due within 5 years**	**Due beyond 5 years**
Pool of banks (lead bank -- Banca IMI)	tranche A: 31-Dec-2018 tranche B: 31-Dec-2014	19,864	2,600	10,664	6,600
Cassa di Risparmio di Lucca, Pisa e Livorno	31-Jul-2015	2,382	482	1,508	393
Cariparma	19-Aug-2015	1,906	384	1,207	315
Banca Intesa (former Mediocredito Italiano)	31-Mar-2013	1,500	600	900	-
Deutsche Bank	30-Sep-2013	1,375	500	875	-
Banca Toscana	31-Dec-2015	1,200	195	715	290
Deutsche Bank	31-Dec-2014	1,000	250	750	-
Banca delle Marche	15-Sep-2019	891	90	289	512
Banca Popolare di Ancona (Gruppo UBI)	11-May-2015	889	194	607	87
Banca delle Marche,	3-Dec-2012	869	422	447	-
Banca Popolare di Ancona (Gruppo UBI)	7-Aug-2013	855	305	550	-
UniCredit Banca	31-Dec-2012	654	316	338	-
Banca Etruria	30-Apr-2013	525	205	320	-
Cassa di Risparmio di Città di Castello	4-Jun-2013	522	205	317	-
Cassa di Risparmio di Firenze	30-Nov-2012	425	210	215	-
Banca Popolare di Ancona (Gruppo UBI)	7-Aug-2013	285	102	183	-
UniCredit Banca	31-Dec-2012	218	104	114	-
Cassa di Risparmio di Firenze	30-Nov-2012	212	104	108	-
Cassa di Risparmio di Firenze	6-Dec-2011	200	200	-	-
Cassa di Risparmio di Lucca, Pisa e Livorno	30-Sep-2011	96	96	-	-
Banca Nazionale del Lavoro	30-Apr-2011	56	56	-	-
Total banking loans		35,924	7,620	20,107	8,197

Note 14. Non-current financial debt

The item, Non-current financial debt refers to the amount payable in foreign currency (US dollars) lent to Cucinelli Holding LLC (368 thousand US dollars constant over two periods) by the minority shareholder which, through the changes in the exchange rate amounts to

€275 thousand and €255 thousand as at 31 December 2010 and 2009 respectively. This loan was repaid in full during the first half of 2011.

Net borrowing

The following is a detailed breakdown of the net borrowing of Brunello Cucinelli Group as at 31 December 2010 and 2009:

(In thousands of Euro)	**As at 31 December 2010**	**As at 31 December 2009**
Current financial debt with banks and other lenders	30,774	34,061
Liabilities for current derivative financial instruments	434	182
Current borrowing [(1)]	**31,208**	**34,243**
Medium-and long-term loans -- non-current	28,304	29,683
Non-current financial liabilities	275	255
Non-current borrowing [(1)]	**28,579**	**29,938**
Total gross borrowing	**59,787**	**64,181**
- Current financial assets	0	0
- Assets for current derivative financial instruments	(1)	(105)
- Cash and cash equivalents	(6,960)	(3,283)
Net borrowing	**52,826**	**60,793**

[(1)] Current borrowing and non-current borrowing are not identified as an accounting metric under the IFRS. The measurement criterion applied by the company may not be coherent with that adopted by other groups; therefore the balance obtained by the company may not be comparable with those calculated by the other groups.

Note 15. Other non-current liabilities

As at 31 December 2010 and 2009 the Other non-current liabilities amounted to €517 thousand and €400 thousand respectively and refer, for the next period and reported according to IAS 17, to debts relating to the standardisation of lease payments on the single brand stores in the United States.

Note 16. Trade payables

The breakdown of the item, Trade payables as at 31 December 2010 and 2009:

	As at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Trade payables to third-party suppliers	43,981	37,140
Total Trade payables	**43,981**	**37,140**

Trade payables represent the amount payable for supplies of goods and services.

Note 17. Current payables towards banks

The breakdown of the item, Current payables towards banks as at 31 December 2010 and 2009:

	As at 31 December

(*In thousands of Euro*)	**2010**	**2009**
Current value of medium/long-term loans	7,620	3,542
Factoring	21,305	29,482
Current account overdrafts and on demand cash	1,849	1,037
Total Current payables towards banks	**30,774**	**34,061**

Factoring payables with banks relate to the amounts paid against Ri.Ba (direct debit) payments and trade invoices in financing operations.

The item, Current medium/long-term loans refers to bank loans due within the next period.

Note 18. Tax payables

The breakdown of the item, Tax payables as at 31 December 2010 and 2009:

	As at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Current IRES payables	1,859	264
Current IRAP payables	408	77
Other tax payables	1.278	169
Total Tax payables	**3,545**	**510**

The item, IRES and IRAP payables as at 31 December 2010 and 2009 includes the net amount payable by the company for current income taxes.

The item, Other tax debts as at 31 December 2010 and 2009 includes the amount payable for current taxes through the consolidation of the American companies of the Brunello Cucinelli Group. The increase recorded in other tax payables between 2010 and 2009, of €1,109 thousand, is due primarily to the increase in the volume of business.

Note 19. Other current liabilities

The breakdown of the item, Other current liabilities as at 31 December 2010 and 2009:

	As at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Amounts payable to agents	6,031	4,382
Other amounts payable	3,989	3,214
Amounts payable to employees	1,811	1,412
Pension/social security payables	1,528	969
Accrued income and deferred expenses	61	49
Total Other current liabilities	**13,420**	**10,026**

The Amounts payable to agents refer to the amount of commissions accrued by the Brunello Cucinelli Group and not yet settled with its agents as at the closing date of each period.

Other amounts payable primarily comprise: (i) advance payments the company receives prior to the shipping of goods from some clients, primarily located in the Far East and in Russia (€2,269 thousand as at 31 December 2010 and €1,758 thousand as at 31 December 2009), the increase recorded during the two-year period is associated with the expansion of the Brunello Cucinelli Group into new markets); (ii) payables for employee withholdings and other replacement taxes (€954 thousand as at 31 December 2010 and €882 thousand as at 31 December 2009).

Amounts payable to employees include the payroll for the month of December paid in early January and the amount of holidays accrued and not taken, while the Pension payables refer to salary contributions.

Note 20. Taxes

Deferred tax assets and liabilities

The breakdown of the item, Deferred tax assets and liabilities as at 31 December 2010 and 2009:

	As at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Prepaid tax assets	1,754	1,324
Deferred tax liabilities	(491)	(295)

The detail of Net deferred taxes as at 31 December 2010 and 2009:

	As at 31 December				**Year ended at 31 December**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
(In thousands of Euro)	**Statement of financial position**		**Shareholders' equity**		**Income statement**	
Written off costs of plant and expansion	8	10	-	-	2	(2)
Key money	28	57	-	-	29	(16)
Holidays accrued and not taken	-	163	-	-	163	9
Provision for impairment losses	67	72	-	-	5	-
Fair value of properties	-	-	-	-	-	-
Amortisation of intang. assets	(34)	(57)	-	-	(23)	(23)
Gains and losses on foreign exchange	(36)	(70)	-	-	(34)	148
Capitalisation of theatrical work	211	241	-	-	30	30
Fair value of derivatives	(13)	22	6	6	41	(106)
Discounting of TFR *ex* IAS 19	18	12	-	-	(6)	(57)
Discounting of FISC *ex* IAS	247	199	-	-	(48)	(7)

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IAS 17 leasing - payments standardisation	198	155	14	-	(29)	(71)
IAS 39 - Amortised cost	9	-	-	-	(9)	-
Cancellation of warehouse profits not realised	518	188	-	-	(330)	38
Cancellation of intercompany capital Gains	40	38	-	-	(2)	(38)
Other non-deductible costs	2	(1)	-	-	(3)	5
Cost/(income) for deferred taxes					**(214)**	**(90)**
Net assets/(liabilities) for net deferred taxes	**1,263**	**1,029**	**20**	**6**		
Represented in the statement of financial position as follows						
Prepaid tax assets	1,754	1,324				
Deferred tax liabilities	(491)	(295)				
Net assets for deferred taxes	**1,263**	**1,029**				

As at 31 December 2010 and 2009 there were no tax losses definitively reportable by Group companies.

Income taxes

The breakdown of the item, Income taxes as resulting from the Consolidated income statement:

	As at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Current taxes	6,647	3,459
Net deferred taxes/(income)	(214)	(90)
Total Income taxes	**6,433**	**3,369**

Pre-tax profit and Income tax reserves for the years ended at 31 December 2010 and 2009:

	Year ended at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Consolidated pre-tax profit	**17,869**	**8,895**
Current taxes:		
Italy	(5,546)	(3,290)
United States of America	(954)	(21)
Rest of the world	(147)	(148)
Prepaid tax assets/(liabilities):		
Italy	236	(15)
United States of America	27	105
Rest of the world	(49)	-
Total Income taxes	**(6,433)**	**(3,369)**

Reconciliation between the nominal tax rate prescribed by Italian legislation and the effective tax rate resulting from the Consolidated financial statements:

(*In thousands of Euro)*	Year ended at 31 December	
	2010	**2009**
Pre-tax profit	**17,869**	**8,895**
IRES rate in force for the year	27.5%	27.5%
Theoretical tax charge	**(4,914)**	**(2,44)**
IRAP	**(1.275)**	**(936)**
Effect of the different tax rate of foreign companies	(165)	27
Permanent tax differences	(134)	(48)
Other changes	55	34
Total differences	**(244)**	**13**
Total Income taxes	**(6,433)**	**(3,36)**

Comments on the main items of the Consolidated statement of income

Note 21. Income from sales and services

The breakdown of the item, Income from sales and services for the years ended at 31 December 2010 and 2009:

(*In thousands of Euro*)	Year ended at 31 December	
	2010	**2009**
Net income	203,599	158,135
Other operating income	819	509
Total Income from sales and services	**204,418**	**158,644**

Net income is from the sale of garments and accessories of the Brunello Cucinelli Group.

Other operating income relates to the amounts recognised by the Brunello Cucinelli Group from subletting a proportion of the commercial property used.

The breakdown of income by area:

(*In thousands of Euro*)	Year ended at 31 December				Change for the year	
	2010	**%**	**2009**	**%**	**2010 vs. 2009**	**2010 vs. 2009%**
Italy	70,383	34.6%	58,206	36.8%	12,177	20.9%
Europe (1)	65,893	32.4%	56,094	35.5%	9,799	17.5%
North America (2)	51,916	25.5%	32,147	20.3%	19,769	61.5%
Greater China (3)	4,592	2.3%	2,903	1.8%	1,689	58.2%
Rest of the world (4)	10,814	5.3%	8,785	5.6%	2,030	23.1%
Total	**203,599**	**100%**	**158,135**	**100%**	**45,464**	**28.8%**

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

[2] North America refers to the United States of America and Canada. Note that in this area the Brunello Cucinelli Group: (i) holds no directly managed stores (retail channel) in Canada and (ii) has no franchised stores (single brand wholesale channel).
[3] Greater China refers to the People's Republic of China, Hong Kong, Macao and Taiwan. Note that in this area, the Brunello Cucinelli Group holds no directly managed stores.
[4] the Rest of the world refers to all the other countries where the Group has sales, other than those defined above.

Note 22. Costs of raw and secondary materials and consumables

The breakdown of the item, Costs of raw materials, accessories and consumables for the years ended at 31 December 2010 and 2009:

	Year ended at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Costs of raw and secondary materials, accessories and consumables	51,394	39,969
Change in inventories	(2,117)	(4,866)
Total Costs of raw materials, accessories and consumables	**49,277**	**35,103**

Note 23. Costs for services

The breakdown of the item, Costs for services for the years ended at 31 December 2010 and 2009:

	Year ended at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Outsourcing	59,219	52,817
Commissions and accessory charges	13,897	11,154
Advertising and other commercial costs	9,449	7,983
Transport	7,152	5,212
Leases payable	4,307	3,473
Other general costs	2,285	1,941
Various consultancies	2,713	1,935
Administrators and Auditors emoluments	1,605	1,055
Maintenance services	898	565
Insurance	827	581
Energy, telephone, gas, water and postage	997	820
Total Costs for services	**103,349**	**87,536**

The Outsourcing item includes the costs of services provided by *faconistas*, workshops handling various phases of production, excluding the quality control and fulling of the knitwear, which is performed directly by Brunello Cucinelli Group employees.

The item Commissions and accessory charges refers to the fees paid to agents:

The item Advertising and other commercial costs relates to the costs of promotional activities of the Brunello Cucinelli Group for promoting the company image and ethos.

The item Other general costs is primarily the local costs of cleaning and security, bank charges and spending in the community for the promotion of the local area and community by the Brunello Cucinelli Group.

Note 24. Payroll costs

The breakdown of the item Payroll costs for the years ended at 31 December 2010 and 2009:

	Year ended at 31 December	
(*In thousands of Euro*)	**2010**	**2009**
Salaries and wages	18,882	14,841
Social security payments	5,296	4,135
Employee termination indemnities	1,173	971
Other personnel costs	239	110
Total Payroll costs	**25,590**	**20,057**

Note 25. Other net operating income/(costs)

The breakdown of the item Other net operating income/(costs) for the years ended at 31 December 2010 and 2009 solely includes operating costs:

	Year ended at 31 December	
(In thousands of Euro)	**2010**	**2009**
Other various operating costs	851	465
Impairment on receivables	522	246
Subscriptions	188	168
Taxes and duties	156	220
Ordinary losses on capital	92	72
Total Other operating costs	**1,809**	**1,171**

Note 26. Capitalisation of internal costs

Capitalisation of internal costs (€191 thousand in 2010 and €177 thousand in 2009) refers to the production costs incurred over the two-year period for the development of the historic collection.

Note 27. Depreciation and amortisation

The breakdown of the item Depreciation and amortisation for the years ended at 31 December 2010 and 2009:

	Year ended at 31 December	
(In thousands of Euro)	**2010**	**2009**
Amortisation of intangible assets	1,215	1,009
Depreciation of property, plant and equipment	2,625	2,241
Total Depreciation and amortisation	**3,840**	**3,250**

Note 28. Impairment of assets and other accruals

The impairment of assets and other accruals (€617 thousand in 2010 and €214 thousand in 2009) mainly refer to: i) provisions for doubtful accounts which, for the years ended 31 December 2010 and 2009 amounted respectively to €258 thousand and €192 thousand, ii) provisions for the agents' supplementary termination indemnity (€324 thousand for the year ended 31 December 2010 and €28 thousand for the year ended 31 December 2009).

Note 29. Financial expenses

The breakdown of item Financial expenses for the year ended 31 December 2010 and 2009, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2010**	**2009**
Realised foreign exchange losses	1,491	573
Other miscellaneous financial expenses	339	475
Interest on mortgage loans	886	835
Derivatives fair value adjustment	184	580
Interest on advances and factoring	635	1,168
Unrealised foreign exchange losses	22	142
Bank interest charges	48	73
Interest charges on derivative instruments	399	252
Total financial expenses	**4,004**	**4,098**

Note 30. Financial income

The breakdown of item Financial income for the years ended 31 December 2010 and 2009, is presented below:

	Financial year ended 31 December	
(In thousands of Euro)	**2010**	**2009**
Realised foreign exchange gains	1,206	843
Unrealised foreign exchange gains	292	420
Derivatives fair value adjustment	148	194
Other financial income	84	36
Bank interest income	16	10
Total financial income	**1,746**	**1,503**

Note 31. Earnings per share basic and diluted

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

Diluted earnings per share does not show any difference compared to Basic earnings per share since there are no convertible bonds or other financial instruments with a dilutive effect.

Note that the payment of dividends for the period is subject to the approval of the shareholders' meeting and therefore did not show among liabilities in the consolidated financial statements of Brunello Cucinelli Group at 31 December 2010.

The tables below shows the income and shares information used in calculating basic and diluted earnings per share:

	Financial year ended 31 December	
	2010	**2009**
Net income for the year attributable to owners of the parent (In thousands of Euro)	9,576	4,896
Number of ordinary shares at the beginning of the period	46,000	46,000
Increases / (Decreases)	-	-
Number of ordinary shares at end of the period	46,000	46,000
Weighted average number of ordinary shares for basic earnings per share	46,000	46,000
Earnings per share basic and diluted (in Euro)	208.17	106.43

Note 32. Commitments and contingencies

They include assets owned by the Brunello Cucinelli Group held with third parties. For the years ended 31 December 2010 and 2009 they are summarized as follows:

	At 31 December	
(In thousands of Euro)	2010	2009
Assets held with third parties	351	395
Total commitments and contingencies	**351**	**395**

The item Assets held with third parties mainly refers to machinery loaned at no cost to the outsourcer who uses them in the production of the Group's garments.

Other information

Related party transactions

The following tables detail the transactions with related parties in terms of statement of financial position and income statement. The companies listed have been identified as related parties because they are associated directly or indirectly with the majority shareholders of the Brunello Cucinelli Group.

The details of transactions with related parties of the Brunello Cucinelli Group, in terms of statement of financial position and income statement, at 31 December 2010 and for the year ended on that date are shown below:

	Year ended 31 December 2010					31 December 2010		
(In thousands of Euro)	**Net Revenues**	**Other operating income**	**Costs of raw materials**	**Costs for services**	**Payroll costs**	**Property, equipment and machinery**	**Trade receivables**	**Trade payables**
Fedone S.r.l.		3						
MO.AR.R. S.n.c.	8		(46)	(34)		1,536		262
AS.VI.P.I.M. Cucinelli Group		3		(432)			4	32
Cucinelli Giovannino				(20)		605		55
Castel Rigone	16	1		(236)			19	
Azienda Agricola Solomeo		1		(6)				1
Max Vannucci S.r.l.		56		(1,889)			1	518
Fedro S.r.l.		3		(50)				
Brunello Cucinelli's family					(102)			
Total related parties	24	67	(46)	(2,667)	(102)	2,141	24	868
Total consolidated financial statements	**203,599**	**819**	**(49,277)**	**(103,349)**	**(25,590)**	**34,537**	**47,624**	**43,981**
As %	*0.01%*	*8.1%*	*0.09%*	*2.58%*	*0.40%*	*6.20%*	*0.05%*	*1.97%*

The details of transactions with related parties of the Brunello Cucinelli Group, in terms of statement of financial position and income statement, at 31 December 2009 and for the year ended on that date are shown below:

	Year ended 31 December 2009					31 December 2009		
(In thousands of Euro)	**Net Revenues**	**Other operating income**	**Costs of raw materials**	**Costs for services**	**Payroll costs**	**Property, equipment and machinery**	**Trade receivables**	**Trade payables**
Fedone S.r.l.		4						
MO.AR.R. S.n.c.	8		-	(147)		1,123		208
AS.VI.P.I.M. Cucinelli Group	4			(432)			4	81
Cucinelli Giovannino				(27)		551		54
Castel Rigone				(554)				14
Azienda Agricola Solomeo								
Max Vannucci S.r.l.		56		(1,793)			1	542
Fedro S.r.l.		6		(52)				
Brunello Cucinelli's family					(71)			
Total related parties	**12**	**66**	**-**	**(3,005)**	**(71)**	**1,674**	**5**	**899**
Total consolidated financial statements	**158,135**	**509**	**(35,103)**	**(87,536)**	**(20,057)**	**32,102**	**41,788**	**37,140**
As%	*0.01%*	*12.97%*	*0%*	*3.43%*	*0.35%*	*5.21%*	*0.01%*	*2.42%*

More specifically:

- Fedone. S.r.l.: The Brunello Cucinelli Group provides administrative services to the parent Fedone S.r.l., against a consideration which, at 31 December 2010 and 2009, amounted respectively to €3 thousand and €4 thousand;

- MO.AR.R. S.n.c.: the item Cost for services to the related party MO.AR.R. S.n.c., of which Enzo Cucinelli, brother of the *Cavaliere del Lavoro* Brunello Cucinelli, owns 50% of the share capital (at 31 December 2010 and 2009 amounting respectively to €34 thousand and €147) relates to purchases of furnishing materials used for setting up exhibitions, fairs and office. In 2010 and 2009, in addition, the Group purchased from MO.AR.R. S.n.c. furniture for setting up shops for a total net value respectively of €1,536 thousand and €1,123 thousand;

- AS.VI.P.I.M. Cucinelli Group: the company provides surveillance services at the premises in Solomeo. The costs incurred by the Group for the years 2010 and 2009 amounted respectively to €432 thousand and € 432 thousand;

- Cucinelli Giovannino: Giovannino Cucinelli is the brother of *Cavaliere del Lavoro* Brunello Cucinelli. The item Costs for services (amounting to €20 thousand at 31 December 2010 and to €27 thousand at 31 December 2009) includes the costs related to ordinary maintenance and repair of the water supply and air conditioning; in Property, equipment and machinery, the costs incurred for the installation and extraordinary maintenance of those assets are capitalized for an amount respectively of €605 thousand and €551 thousand at 31 December 2010 and 2009.

- Castel Rigone: the item Costs for services (at 31 December 2010 and 2009 amounting respectively to €236 thousand and €554 thousand) includes advertising contributions that the Brunello Cucinelli Group granted to the sporting association Castel Rigone;

- Max Vannucci S.r.l.: the Brunello Cucinelli Group leases a building it owns located in Taverne di Corciano (Perugia), payment for which amounted to €56 thousand for each year in the 2009-2010 period; the item Costs for services refers to the costs incurred by the Group for *façon* activity by the related party, which at 31 December 2010 and 2009 amounted respectively to €1,889 thousand and €1,793 thousand.

- Fedro S.r.l.: the *Cavaliere del Lavoro* Brunello Cucinelli holds 100% of the share capital of this company, of which he is also the sole director. The item Costs for services includes the costs incurred by former Brunello Cucinelli S.p.A. for the lease of the outlet shop in Perugia (€50 thousand at 31 December 2010 and €52 thousand at 31 December 2009). The item Other income includes administrative services provided to the related party Fedro S.r.l, which at 31 December 2010 and 2009 amounted respectively to €3 thousand and €6 thousand;

- Brunello Cucinelli family: the item Payroll costs includes amounts payable to members of the entrepreneur Brunello Cucinelli's family, for a total of € 102 thousand in 2010 and €71 thousand in 2009.

Remuneration to the Sole Director and the Statutory Auditors

The overall remuneration paid to the Sole Director for the years 2010 and 2009 amounted respectively to €1,029 thousand and €744 thousand. Specifically, the remuneration paid by the Company and its Subsidiaries are summarized in the following table:

Sole Director *(amounts in Euro)*				
Financial year ended	**Company**	**Subsidiaries**	**Bonus and other remuneration**	**Total remuneration**
2010	36,000	993,000	-	1,029,000
2009	36,000	707,589	-	743,589

The following tables summarize the amounts paid to members of the Board of Statutory Auditors for the years ended 31 December 2010 and 2009 respectively.

Year 2010

Board Of Statutory Auditors					
First name and last name	**Office**	**Company**	**Subsidiaries**	**Bonus and other remuneration**	**Total remuneration**
Guglielmo Castaldo	Chairman	2,890	16,173	-	19,063
Gilda Castaldo	Standing statutory auditor	2,002	7,867	-	9,869
Bernadetta Mencarelli	Standing statutory auditor	1,970	8,155	-	10,125

Year 2009

Board Of Statutory Auditors					
First name and last name	**Office**	**Company**	**Subsidiaries**	**Bonus and other remuneration**	**Total remuneration**
Guglielmo Castaldo	Chairman	2,890	13,994	-	16,884
Gilda Castaldo	Standing statutory auditor	2,002	6,239	-	8,241
Bernadetta Mencarelli	Standing statutory auditor	1,970	8,155	-	10,125

Management of financial risks

The Brunello Cucinelli Group is exposed in varying degrees to financial risks related to its core business activities. Specifically, the Group is exposed at the same time to market risk (interest rate risk and foreign currency risk), liquidity risk and credit risk.
The management of financial risks (primarily interest rate risk) is carried out on the basis of guidelines set by the Board of Directors. The objective is to ensure a liability structure always balanced with respect to the composition of assets in order to maintain adequate solvency.

The financing instruments most used are:

- medium/long-term loans, with multi-year amortisation schedule, to cover the capital invested in non-current assets.

- short-term loans and overdrafts to finance working capital.

In addition, the Brunello Cucinelli Group uses financial instruments to hedge the risks of fluctuations in interest rates, which could affect the financial burden of its medium-long term loans, and in exchange rates which could influence the operating results of the Group.

The average cost of borrowing is linked to the performance of Euribor 3 months and 6 months, plus a spread which depends on the financial instrument used and the Company's credit rating.
The Brunello Cucinelli Group makes use of derivative instruments aimed at hedging interest rate and exchange rate risks.
There is no trading in derivative instruments for speculative purposes.

Interest rate Risk

The Brunello Cucinelli Group's sensitivity to interest-rate risk is managed by taking into account its overall exposure: within its general policy for the optimisation of financial resources, the Group aims to reach a balanced position while relying on the least expensive forms of financing.

With regard to market risk for interest rate fluctuations, the Company's policy is to cover the exposure associated with the medium-long term portion of its debt. In managing this type of risk the Company uses derivative instruments such as interest rate swaps (in certain cases with cap).

At 31 December 2010 there were 10 open positions in interest rate derivative instruments of the interest rate swap type (of which 2 with cap) to hedge the risk associated with a potential increase in Bank debt service cost due to fluctuations in market rates. The notional value of these positions amounted to €25.7 million, with a negative equivalent value of €432 thousand approximately.

At 31 December 2009 there were 6 open positions in interest rate derivative instruments of the interest rate swap type to hedge the risk associated with a potential increase in Bank debt service cost due to fluctuations in market rates. The notional value of these positions amounted to €2.9 million, with a negative equivalent value of €35 thousand approximately.

The short term portion of bank debt, which is mainly used to finance working capital needs, is not subject to interest rate hedging.
The cost of bank debt is indexed to Euribor for the relevant period plus a margin that depends on the type of credit line used. The margins charged are in line with the best industry standards. The interest rate risk to which the Brunello Cucinelli Group is exposed mainly derives from its outstanding financial debt.

The main sources of exposure to interest rate risk for the Brunello Cucinelli Group are attributable to its short, medium and long-term loans and to derivative instruments. In particular, the potential impacts on the income statement for the year 2011 (2010 and 2009 for comparison purposes) due to interest rate risk are:

- potential change in financial charges and spreads on derivative instruments in place for 2010;
- potential change in fair value of live derivatives.

The potential changes in fair value of the effective component of the live hedging instruments impact on shareholders' equity.

The Brunello Cucinelli Group has estimated the potential impacts on the Income Statement and on Shareholders' equity for the year 2011 calculated with reference to the situation existing at the end of 2010 (the impact on 2010 and 2009 for comparison purposes was calculated, respectively, with reference the situation existing at the end of 2009 and 2008) produced by a simulated change in the term structure of interest rates, through the use of internal valuation models, based on generally accepted scenarios. More specifically:

- with regard to loans, these impacts were estimated by simulating a parallel variation of +100/-30 basis points (1% / -0.3%) of the term structure of interest rates, applied only to the cash flows to be paid out in 2011 (2010 for comparison purposes);
- with regard to derivatives, by simulating a parallel variation of +100/-30 basis points (1% / -0.3%) of the term structure of interest rates.

With reference to the situation at 31 December 2010, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would produce an increase in borrowing costs for the year 2011 of approximately €283 thousand, offset for €141 thousand approximately by an increase in differentials received from outstanding derivatives. A parallel shift of the term structure of interest rates equal to -30 basis points (-0.3%) would produce a decrease in borrowing costs of approximately €85 thousand, offset for €43 thousand approximately by a decrease in differentials received from outstanding derivatives.

With reference to the situation at 31 December 2009, a parallel shift of the term structure of interest rates equal to +100 basis points (+1%) would produce an increase in borrowing costs of approximately €82 thousand, offset for €14 thousand approximately by an increase in differentials received from outstanding derivatives. A parallel shift of the term structure of interest rates equal to -30 basis points (-0.3%) would produce a decrease in borrowing costs of approximately €25 thousand, offset for €4 thousand approximately by a decrease in differentials received from outstanding derivatives.

		Interest 31 December 2010	
Loans	Outstanding debt (Euro/000)	Impact on the 2010 Income Statement+100 bps (Euro/000)	Impact on the 2010 Income Statement-30 bps (Euro/000)
Loans	36,058	(283)	85
Total loans	**36,058**	**(283)**	**85**

Derivative Instruments	Outstanding notional (Euro/000)	Impact on the 2010 Income Statement+100 bps (Euro/000)	Impact on the 2010 Income Statement-30 bps (Euro/000)
Derivative instruments to hedge cash flows	25,676	141	(43)
	-	-	-
Total Derivative Instruments	**25,676**	**141**	**(43)**
TOTAL		**(142)**	**42**

	Interest 31 December 2009		
Loans	Outstanding debt (Euro/000)	Impact on the 2010 Income Statement+100 bps (Euro/000)	Impact on the 2010 Income Statement-30 bps (Euro/000)
Loans	33,424	(82)	25
Total loans	**33,424**	**(82)**	**25**
Derivative Instruments	Outstanding notional (Euro/000)	Impact on the 2010 Income Statement+100 bps (Euro/000)	Impact on the 2010 Income Statement-30 bps (Euro/000)
Derivative instruments to hedge cash flows	2,929	14	(4)
Total Derivative Instruments	**2,929**	**14**	**(4)**
TOTAL		**(68)**	**20**

Sensitivity of derivatives fair value
31 December 2010

	Notional amount (Euro/000)	Fair value (Euro/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 Bps	Change in net fair value - 30bps	Impact on Income Statement-30bps	Impact on Shareholders' Equity -30 bps
	a	b	c	d = c-b	e = d-f	f	g	h = g-b	i = h-j	j
Derivative instruments to hedge cash flows	25,676	(432)	171	603	-	603	(615)	(183)	-	(183)
Other derivative instruments	-	-	-	-	-	-	-	-	-	-

TOTAL	**25,676**	**(432)**	**171**	**603**	**-**	**603**	**(615)**	**(183)**	**-**	**(183)**

Sensitivity of derivatives fair value
31 December 2009

	Notional amount (Euro/000)	Fair value (Euro/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 Bps	Change in net fair value - 30bps	Impact on Income Statement- 30bps	Impact on Shareholders' Equity -30 bps
	a	b	c	d = c-b	e = d-f	f	g	h = g-b	i = h-j	j
Derivative instruments to hedge cash flows	2,929	(35)	50	84	-	84	(61)	(26)	-	(26)
Other derivative instruments	-	-	-	-	-	-	-	-	-	-
TOTAL	**2,929**	**(35)**	**50**	**84**	**-**	**84**	**(61)**	**(26)**	**-**	**(26)**

With reference to the situation at 31 December 2010, a parallel shift in the term structure of interest rates of +100 basis points (1%) would produce an increase in the value of hedging derivatives in place amounting to approximately €603 thousand with an impact only on shareholders' equity. A parallel shift in the term structure of interest rates of -30 basis points (-0.3%) would produce a decrease in the value of hedging derivatives in place amounting to approximately €183 thousand with an impact only on shareholders' equity.

With reference to the situation at 31 December 2009, a parallel shift in the term structure of interest rates of +100 basis points (1%) would produce an increase in the value of hedging derivatives in place amounting to approximately €84 thousand with an impact only on shareholders' equity. A parallel shift in the term structure of interest rates of -30 basis points (-0.3%) would produce a decrease in the value of hedging derivatives in place amounting to approximately €26 thousand with an impact only on shareholders' equity.

The assumptions relating to changes in market parameters used for the shock simulation were formulated on the basis of an analysis of the historical evolution of these parameters with reference to a 12 months horizon.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from counterparties failing to meet their obligations.

Exposure to trade credit risk for the Brunello Cucinelli Group is attributable solely to sales for the wholesale multi-brand and single-brand channels, which together represent about 83,5% of total revenue at 31 December 2010; the remaining turnover is attributable to sales of the retail channel with payment in cash or by credit card or debit card.

The Brunello Cucinelli Group generally favours business relationships with long-standing customers. The policy of the Group with regard to customers who require extended payment terms is to carry out verification procedures on their credit class, both with reference to information obtained from specialized agencies and from observation and analysis of data on the performance of newly acquired customers. Furthermore, the balance of the credit extended is constantly monitored throughout the year to ensure prompt intervention where necessary and reduce the risk of loss. As a confirmation of this policy, see the changes in the provision for doubtful accounts for the years ended 31 December 2010 and 2009 in Note 5 of this document.

Trade receivables are recognized net of the estimated write-down based on the risk of counterparty default, determined on the basis of available information as to customers' solvency and historical data.

Below are tables on trade receivables aging, with reference to the years 2010 and 2009:

Situation at 31 December 2010			
Overdue by:	**Brunello Cucinelli S.p.A.** (Euro)	**Gunex S.p.A.** (Euro)	**Brunello Cucinelli, USA, Inc.** (Euro)
0 -90 days	12,780	1,980	1,300
91 -180 days	3,536	595	0
Over 180 days	3,902	902	474
TOTAL	**20,218**	**3,477**	**1,774**

Situation at 31 December 2009			
Overdue by:	**Brunello Cucinelli S.p.A.** (Euro)	**Gunex S.p.A.** (Euro)	**Brunello Cucinelli, USA, Inc.** (Euro)
0 -90 days	10,663	1,329	920
91 -180 days	3,217	441	0
Over 180 days	3,736	746	769

TOTAL	17,616	2,516	1,689

Liquidity Risk

The Brunello Cucinelli Group manages liquidity risk by carefully monitoring the component elements of working capital, particularly trade receivables and payables.
The Group's efforts are aimed at getting a good cash generation which is then used to cover payments to vendors without compromising the short-term liquidity balance and thus avoiding critical situations and tensions in current liquidity.

The layering of outstanding liabilities, for the periods 2010 and 2009, by maturity and with reference to financial instruments, is presented below:

Situation at 31 December 2010					
Maturity:	**Financial debt**				
	Principal (Euro/000) a	**Interest (Euro/000) b**	**Trade payables (Euro/000) c**	**Derivative Instruments (Euro/000) d**	**TOTAL e = a+b+c+d**
Within 12 months	7,638	895	43,981	304	52,818
Between 1 and 2 years	7,433	777	-	202	8,412
Between 2 and 3 years	6,492	735	-	53	7,280
Between 3 and 5 years	8,590	955	-	(64)	9,481
Between 5 and 7 years	2,411	574	-	(47)	2,938
Over 7 years	3,495	151	-	(21)	3,625
TOTAL	**36,059**	**4,087**	**43,981**	**427**	**84,554**

Situation at 31 December 2009					
Maturity:	**Financial debt**				
	Principal (Euro/000) A	**Interest (Euro/000) b**	**Trade payables (Euro/000) c**	**Derivative Instruments (Euro/000) d**	**TOTAL e = a+b+c+d**

Within 12 months	4,678	280	37,140	51	42,149
Between 1 and 2 years	6,109	286	-	9	6,404
Between 2 and 3 years	5,884	209	-	(0)	6,039
Between 3 and 5 years	9,706	135	-	(18)	9,824
Between 5 and 7 years	2,569	52	-	(8)	2,614
Over 7 years	4,477	20	-	-	4,497
TOTAL	**33,424**	**982**	**37,140**	**35**	**71,581**

The estimate of expected future borrowing costs and expected future differential in derivative instruments was determined on the basis of the term structure of interest rates in place as at the reference dates (31 December 2010 and 31 December 2009).

Foreign exchange risk

The Brunello Cucinelli Group is exposed to changes in the exchange rates of currencies in which sales transactions to foreign customers are settled (mainly U.S. Dollars). This risk manifests itself in the event that the revenues equivalent value in Euro decreases due to unfavourable fluctuations in the exchange rate, thereby preventing the achievement of the desired margin.

In order to minimize exposure to currency risk arising from its business, the Brunello Cucinelli Group enters into derivative contracts (contracts for forward sale of foreign currency) in order to define in advance the exchange rate or a range of predefined exchange rates, at future dates.

Hedging transactions are entered into when the price lists for a season, expressed in foreign currency, are defined, based on an estimate of orders and considering as deadline for the closing of the hedge the date of expected collection of the sales invoices. In particular, the Group establishes its sales prices in Euro, determining the corresponding price in U.S. Dollars using the exchange rate of the forward contract.

As from 2010, the Company has adopted the Cash Flow Hedge Accounting for recording derivative contracts entered into to hedge the currency risk related to commercial transactions in foreign currencies considered as highly probable. As a result, the effective component of the change in fair value of derivative instruments entered into to hedge highly probable transactions in foreign currency, is set aside in a special shareholders' equity reserve. At the time the transaction being hedged is recognised in the accounting books, the accrued reserves are recognised as revenues in the income statement. The ineffective component of the change in fair value is recognized in income statement in the item Financial income and expenses. Changes in fair value subsequent to the accounting recording of the transaction being hedged, in accordance with the accounting methods adopted to account for hedged items, are recognized in the Income statement as Financial income and costs.

The objective of this Company's financial policy is to shield operating results from the fluctuations in the exchange rate during the period between the date of signing the forward contracts and the time of billing, first, and collection, after.

The potential impacts on the income statement for the year 2010 (2009 for comparison purposes) due to exchange rate risk are:

- Appreciation / depreciation of assets and liabilities denominated in foreign currency.
- Change in fair value of derivatives entered into to hedge assets and liabilities denominated in foreign currency.
- Change in fair value of the ineffective component of derivatives entered into to hedge highly probable transactions in foreign currency.

The potential impacts on shareholders' equity at year end 2011 (2010 and 2009 for comparison purposes) due to exchange rate risk are:

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

The Brunello Cucinelli Group has estimated the potential impacts on the Income Statement and on Shareholders' equity for the year 2011 calculated with reference to the situation existing at the end of 2010 (the impact on 2010 and 2009 for comparison purposes was calculated, respectively, with reference the situation existing at the end of 2009) produced by a shock in the Forex market (with reference to the currencies for which a considerable exposure was identified at each closing date), through the use of internal valuation models, based on generally accepted scenarios.

FOREIGN CURRENCY EXPOSURE 2010				**SENSITIVITY 2010**	
Exposure of items in the statement of financial position	Assets (U.S. Dollar/000)	Liabilities (U.S. Dollar/000)	Net (U.S. Dollar/000)	Income Statement Euro/U.S. Dollar exchange rate + 5% (Euro/000)	Income Statement Euro/U.S. Dollar exchange rate - 5% (Euro/000)
Trade payables	4,255	(422)	3,832	(143)	143
Total gross exposure of items in the statement of financial position	4,255	(422)	3,832	(143)	143
Derivative Instruments	(7,508)	-	(7,508)	281	(281)

Total net position	**(3,253)**	**(422)**	**(3,676)**	**138**	**(138)**
Exposure resulting from highly probable future transactions	Forecast of future cash receipts (U.S. Dollar/000)	Forecast of future cash disbursement (U.S. Dollar/000)	Net (U.S. Dollar/000)	Change in shareholders' equity Euro/U.S. Dollar exchange rate + 5% (Euro/000)	Change in shareholders' equity Euro/U.S. Dollar exchange rate - 5% (Euro/000)
Amount of future cash flows	23,292	-	23,292		
Forward purchases (notional value)	-	-	-	-	-
Forward sales (notional value)	(23,292)	-	(23,292)	872	(872)
Total net exposure for future transactions	**-**	**-**	**-**	**872**	**(872)**
Total net exposure	**-**	**-**	**-**	**872**	**(872)**
Exposure of items in the statement of financial position	Assets (Swiss Franc/000)	Liabilities (Swiss Franc/000)	Net (Swiss Franc/000)	Income Statement Euro/Swiss Franc exchange rate + 5% (Euro/000)	Income Statement Euro/Swiss Franc exchange rate - 5% (Euro/000)
Trade payables	-	(362)	(362)	14	(14)
Total gross exposure of items in the statement of financial position	-	(362)	(362)	14	(14)
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(362)**	**(362)**	**14**	**(14)**
Exposure of items in the statement of financial position	Assets (Yen/000)	Liabilities (Yen/000)	Net (Yen/000)	Income Statement Euro/Yen exchange rate + 5% (Euro/000)	Income Statement Euro/Yen exchange rate - 5% (Euro/000)
Trade payables	-	(5,394)	(5,394)	2	(2)

Total gross exposure of items in the statement of financial position	-	(5,394)	(5,394)	2	(2)
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(5,394)**	**(5,394)**	**2**	**(2)**

Exposure of items in the statement of financial position	Assets (GB Pound/000)	Liabilities (GB Pound/000)	Net (GB Pound/000)	Income Statement Euro/Sterling exchange rate + 5% (Euro/000)	Income Statement Euro/Sterling exchange rate - 5% (Euro/000)
Trade payables	-	(6)	(6)	0	(0)
Total gross exposure of items in the statement of financial position	-	**(6)**	**(6)**	**0**	**(0)**
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(6)**	**(6)**	**0**	**(0)**

Exposure of items in the statement of financial position	Assets (Hong Kong Dollar/000)	Liabilities (Hong Kong Dollar/000)	Net (Hong Kong Dollar/000)	Income Statement Euro/ Hong Kong Dollar exchange rate + 5% (Euro/000)	Income Statement Euro/ Hong Kong Dollar exchange rate - 5% (Euro/000)
Trade payables	-	(10)	(10)	0	(0)
Total gross exposure of items in the statement of financial position	-	**(10)**	**(10)**	**0**	**(0)**
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(10)**	**(10)**	**0**	**(0)**

FOREIGN CURRENCY EXPOSURE 2009				SENSITIVITY 2009	
Exposure of items in the statement of financial position	Assets (U.S. Dollar/000)	Liabilities (U.S. Dollar/000)	Net (U.S. Dollar/000)	Income Statement Euro/U.S. Dollar exchange rate + 5% (Euro/000)	Income Statement Euro/U.S. Dollar exchange rate - 5% (Euro/000)
Trade payables	4,006	(364)	3,643	(126)	126
Total gross exposure of items in the statement of financial position	**4,006**	**(364)**	**3,643**	**(126)**	**126**
Derivative Instruments	(7,150)	-	(7,150)	248	(248)
Total net position	**(3,144)**	**(364)**	**(3,507)**	**122**	**(122)**
Exposure of items in the statement of financial position	Assets (Swiss Franc/000)	Liabilities (Swiss Franc/000)	Net (Swiss Franc/000)	Income Statement Euro/Swiss Franc exchange rate + 5% (Euro/000)	Income Statement Euro/Swiss Franc exchange rate - 5% (Euro/000)
Trade payables	-	(452)	(452)	15	(15)
Total gross exposure of items in the statement of financial position	-	(452)	(452)	15	(15)
Derivative Instruments	-	-	-	-	-
Total net position	-	(452)	(452)	15	(15)
Exposure of items in the statement of financial position	Assets (GB Pound/000)	Liabilities (GB Pound/000)	Net (GB Pound/000)	Income Statement Euro/Sterling exchange rate + 5% (Euro/000)	Income Statement Euro/Sterling exchange rate - 5% (Euro/000)
Trade payables	-	(8)	(8)	0	(0)
Total gross exposure of items in the statement of financial position	-	**(8)**	**(8)**	**0**	**(0)**
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(8)**	**(8)**	**0**	**(0)**
Exposure of items in the statement of financial position	Assets (Canadian Dollar/000)	Liabilities (Canadian Dollar/000)	Net (Canadian Dollar/000)	Income Statement Euro/Canadian Dollar exchange rate	Income Statement Euro/Canadian Dollar exchange rate

				+ 5% (Euro/000)	- 5% (Euro/000)
Trade payables	-	(51)	(51)	2	(2)
Total gross exposure of items in the statement of financial position	-	(51)	(51)	2	(2)
Derivative Instruments	-	-	-	-	-
Total net position	**-**	**(51)**	**(51)**	**2**	**(2)**

The assumptions relating to the extent of changes in market parameters used for the shock simulation were formulated on the basis of an analysis of the historical evolution of these parameters with reference to a 30-60-90 day's horizon, consistent with the expected period of the exposures.

Financial assets and liabilities

All financial instruments of the Brunello Cucinelli Group are recognised at a value which is the same as fair value.

Positions or movements resulting from atypical and/or unusual transactions

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006 it is hereby stated that in the years ended 31 December 2010 and 2009 no atypical and unusual transactions were carried out as defined in the above Communication.