BRUNELLO CUCINELLI

HALF-YEAR FINANCIAL REPORT AT 30th JUNE 2012

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

CONTENTS

COMPANY DATA

Registered office of the Group holding company

Brunello Cucinelli S.p.A.
via Dell'Industria, 5, frazione Solomeo
Corciano - Perugia – Italy

Legal information of the Group holding company

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

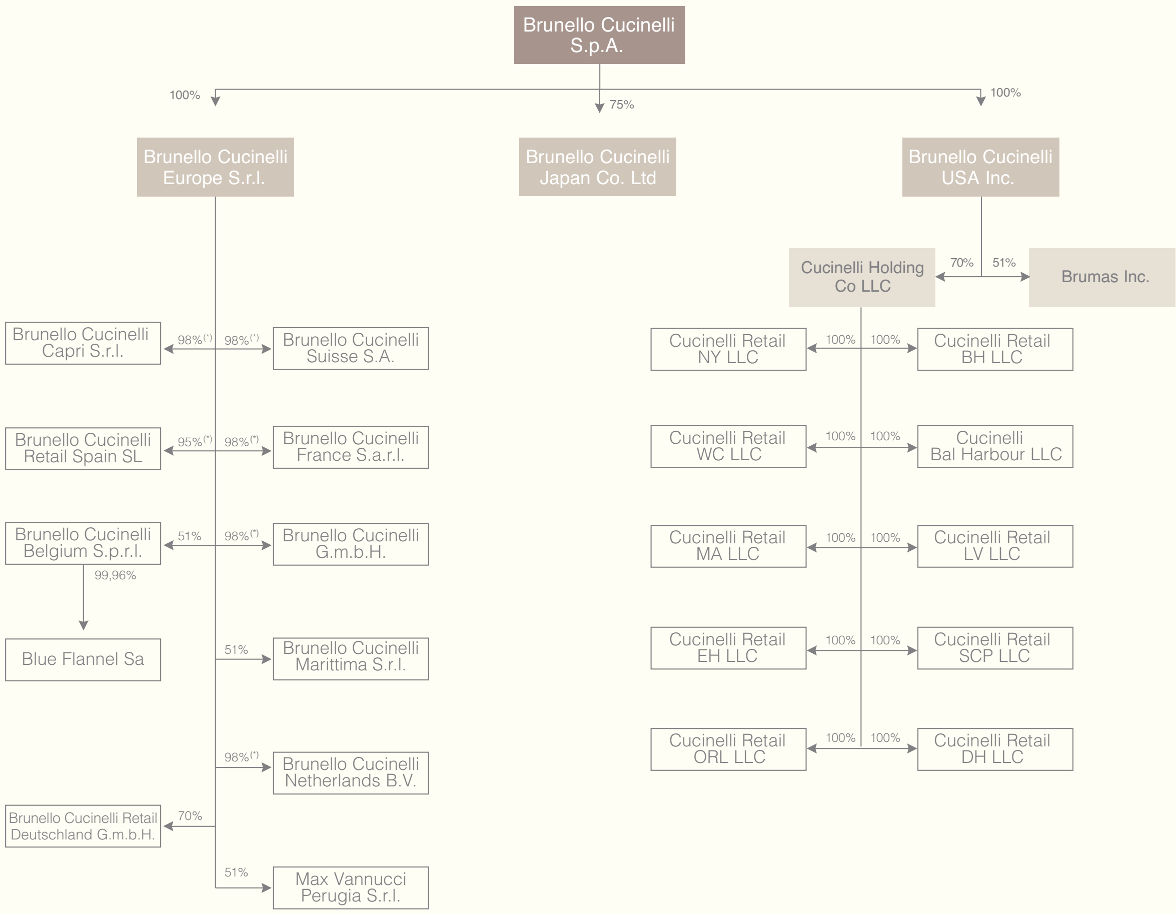
Official website: http://investor.brunellocucinelli.com

CORPORATE GOVERNANCE BODIES AS AT 30th JUNE 2012

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

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

GROUP STRUCTURE AS AT 30th JUNE 2012



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

COMPOSITION OF THE GROUP AS AT 30th JUNE 2012

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

DISTRIBUTION NETWORK

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

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

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

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

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

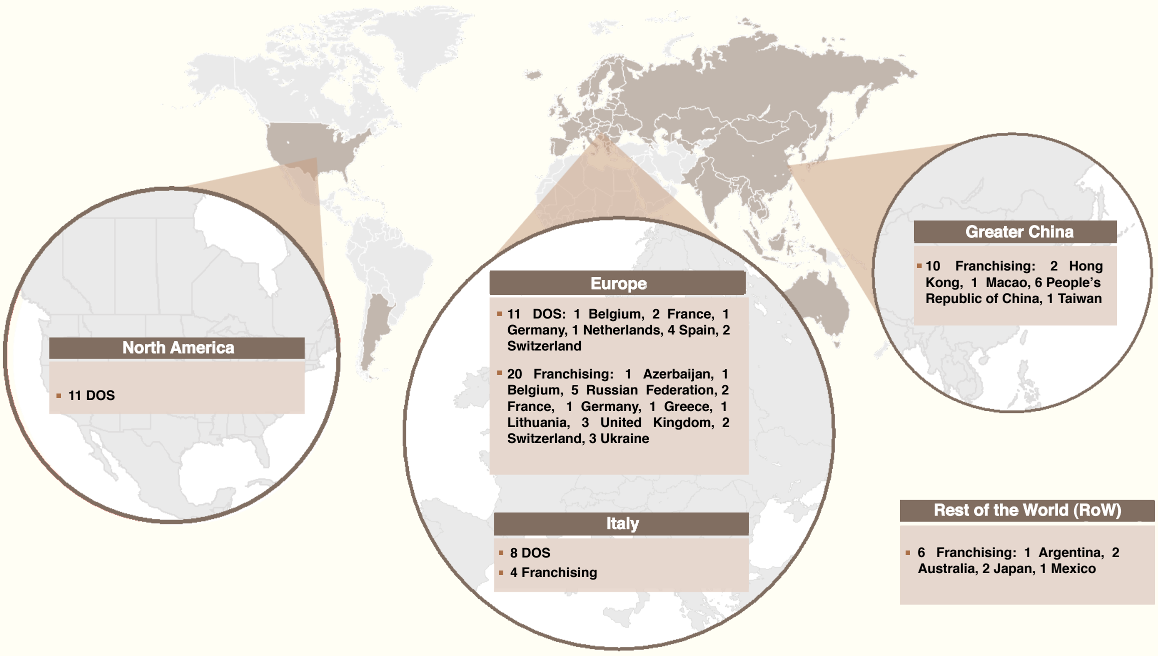
We have summarized below the Brunello Cucinelli Group's monobrand sales network updated as at 30th June 2012, 31st December 2011 and 30th June 2011:

Distribution channel	Segment	30.06.2012	31.12.2011	30.06.2011
RETAIL	DOS	30	23	21
WHOLESALE MONOBRAND	Franchising	40	39	34

The following table provides an analysis the location of the sales points at 30th June 2012 by geographical area:

	Italy	Europe	North America	Greater China	Rest of the World (RoW)	Total
DOS	8	11	11	–	–	**30**
Franchising	4	20	–	10	6	**40**
Total	**12**	**31**	**11**	**10**	**6**	**70**

The following chart sets out the DOS and franchising sales points at 30th June 2012 and their locations:



CONSOLIDATED INTERIM REPORT AS AT 30th JUNE 2012

CORPORATE INFORMATION

THE GROUP'S ACTIVITES

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

Brunello Cucinelli is an Italian maison operating in the absolute luxury goods sector and today is one of the most exclusive brands in the world in the casual-chic fashion sector.
It is particularly well-known for its cashmere products and it is one of the main players in apparel and accessories design, manufacturing and distribution. Its strength lies in the ability to combine its exclusive "made in Italy" features with the top-notch quality and high craftsmanship of its production, its creativity, its innovation capacity as well as its hope to remain contemporary.
The Group's product range focuses on a single brand: Brunello Cucinelli.

The Brunello Cucinelli Group's activities are implemented according to a business model combining business efficiency, the Company's social mission and its ethical and humanistic values so strongly promoted by its founder. The blending of these elements has featured along the whole company development, enhancing the brand's highly distinctive and individual character.
The Group operates according to a business model whereby a close connection is promoted between product strategies and communication activities. This ensures their consistency with the brand image and the Brunello Cucinelli style.

ORGANIZATION OF PRODUCTION

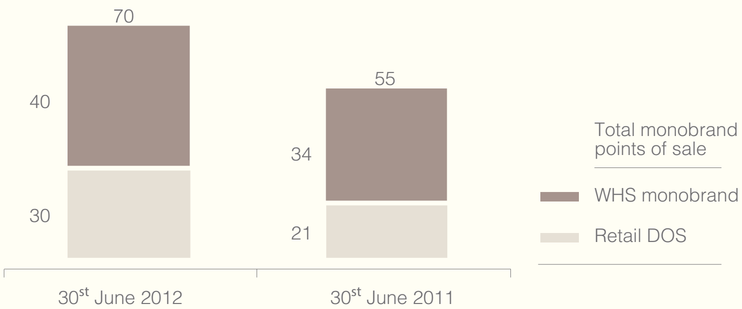
Brunello Cucinelli products are a rigorous expression of the "Made in Italy" tradition and the production process is located exclusively in Italy. This may be broken down into various stages that are carried out under the Company's quality control. In line with sector practice, production is carried out through the use of qualified laboratories outside the Group known as *façonisti* (based mainly in Umbria). These are craftsmen and medium-sized businesses that are highly specialized by single product and single production stage and work mostly by using "hand-made" techniques. Production is carried out through job contracts based on orders received after the launch of each collection.

DISTRIBUTION

Products are sold through a consolidated international presence in over 50 countries involving retail and wholesale monobrand and wholesale multibrand distribution channels.

The retail channel consists of monobrand stores, referred to in the following as DOS (Directly Operated Stores).
The wholesale monobrand channel consists of monobrands managed in franchising.
The "Brunello Cucinelli" monobrand stores are located in the most prestigious streets of the world's leading cities and in a number of the world's most exclusive resorts.

The wholesale multibrand channel consists of approximately 1,000 independent multibrand stores, including dedicated areas inside department stores (at 30th June 2012 around 70 hard shops out of a total of over 300 corners).



THE PRODUCTS

At an international level the Brunello Cucinelli brand is known as one of the examples of “absolute” luxury, in which the Made in Italy tradition is combined with the ability to innovate and perceive new trends, maintaining a decisive identity of taste and style. The product line, presented under the single Brunello Cucinelli brand, consists of a casual-chic total look comprising articles of clothing and accessories. The attention and care put into the preparation of the product are expressed through the use of top quality raw materials, tailoring and craftsmanship in the process which is carried out exclusively in Italy.

COMMUNICATION

The Group’s communication strategy is consistent with the principles that characterize a business philosophy where the efficiency of an industrial organization is combined with the grand basic values of ethics and man’s dignity. Discretion and the evocative and symbolic dimension have always been a distinguishing feature of the Brunello Cucinelli brand’s communication, with its aim of conveying the value of the local area and high craftsmanship and the unique and exclusive tradition of the products being in perfect balance with the business’s soul and philosophy, creating the icon of a truly genuine lifestyle.
Press attention does not only concentrate on the creativity and fashion contents of Brunello Cucinelli products but also celebrates its particular business philosophy and the attention given to social matters, the arts and beauty, ensuring editorial returns on investment that are higher than average for the sector.

SUMMARIZED FIGURES AS AT 30th JUNE 2012

The tables below set out the following: (i) a summarized consolidated income statement for the half-year to 30th June 2012 with comparative figures for the corresponding half-year to 30th June 2011, (i) a balance sheet reclassified by sources and applications at 30th June 2012 with comparative figures at 31st December 2011, and (iii) figures for capex and operating cash flows for the first half of 2012 with comparative figures for the first half of 2011.

Summarized consolidated income statement

(In thousand of Euro)	Half-year to 30th June				Change over corresponding period	
	2012	% of net revenues	2011	% of net revenues	2012 vs. 2011	2012 vs. 2011 %
Net revenues	136,719	100.0%	116,846	100.0%	19,873	+17.0%
EBITDA (1)	16,418	12.0%	18,351	15.7%	(1,933)	–10.5%
Operating income	13,455	9.8%	15,962	13.7%	(2,507)	–15.7%
Net profit for the period	7,638	5.6%	8,821	7.5%	(1,183)	–13.4%
Normalized EBITDA (2)	22,659	16.6%	18,351	15.7%	4,308	+23.5%
Normalized operating income (2)	19,696	14.4%	15,962	13.7%	3,734	+23.4%
Normalized net profit for the period (2)	11,919	8.7%	8,821	7.5%	3,098	+35.1%

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

(2) Normalized EBITDA, normalized operating income and normalized net profit for the period represent the results for the half-year to 30th June 2012 excluding the effect of the non-recurring expenses incurred as part of the listing process.

Balance sheet reclassified by sources and applications:

(In thousand of Euro)			Change over previous period end	
	30.06.2012	31.12.2011	2012 vs. 2011	2012 vs. 2011 %
Net working capital	66,344	46,218	20,126	+43.5%
Fixed assets	48,073	42,158	5,915	+14.0%
Other non-current assets/(liabilities)	2,046	(2,398)	4,444	> +100.0%
Net invested capital	**116,463**	**85,978**	**30,485**	**+35.5%**
Net debt (3)	14,164	47,994	(33,830)	–70.5%
Equity	102,299	37,984	64,315	> +100.0%
Sources of funds	**116,463**	**85,978**	**30,485**	**+35.5%**

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

Other summarized figures:

(In thousand of Euro)	Half-year to			
	30.06.2012	30.06.2011	2012 vs. 2011	2012 vs. 2011 %
Capex (4)	8,797	9,387	(590)	–6.3%
Cash flows from operating activities	(13,555)	2,908	(16,463)	< –100.0%

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

FIRST HALF 2012 GROUP'S RESULTS

Revenues amounted to € 136,719 thousand for the first six months of 2012, an increase of 17.0% over the first half of the previous year. This trend was favourably affected by the assignment of the lease agreement for the store in Via Spiga 15, Milan, which as is described below in further detail below led to a gain of € 1,014 thousand, recognized as Other operating income.

Net revenues for the six months ended 30th June 2012 increased by 16.1% to close at € 135,203 thousand compared to € 116,457 thousand for the six months ended 30th June 2011.

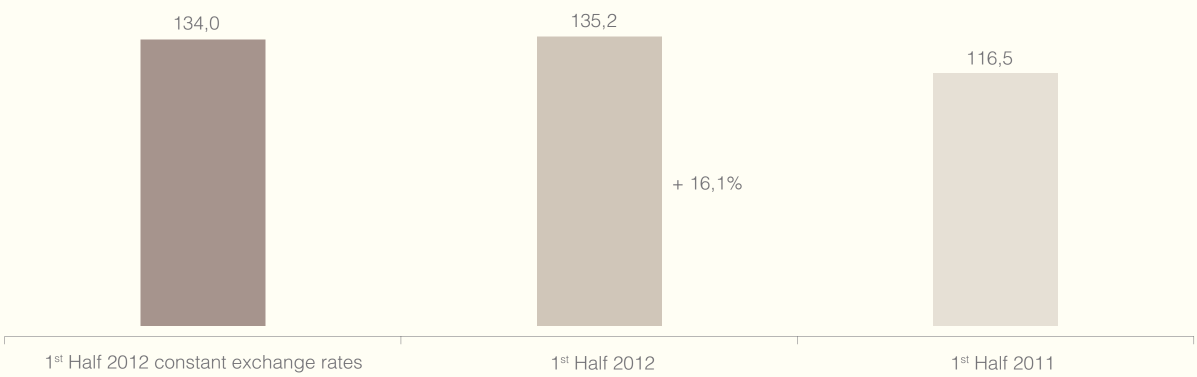
EBITDA for the first half of 2012 was affected by non-recurring costs of € 6,241 thousand connected with the IPO and closed at € 16,418 thousand, 12.0% of revenues. Eliminating the effect of these non-recurring costs, EBITDA would have closed at € 22,659 thousand, corresponding to 16.6% of revenues, an increase of 23.5% over the corresponding period of the previous year.

Net profit for the half-year moved from € 8,821 thousand for the first half of 2011, 7.5% of revenues, to € 7,638 thousand in 2012 or 5.6%. Eliminating the effect of the non-recurring expenses, net profit would have been € 11,919 thousand, corresponding to 8.7% of revenues, an increase of 35.1% over the corresponding period of the previous year.

While the Group's activities are not subject to significant seasonal or cyclical variations in respect of overall annual sales, during the various quarters they are affected by a lack of uniformity in revenue and cost flows deriving mainly from industrial activities. For this reason an analysis of the interim results and economic, balance sheet and financial ratios cannot be considered fully representative, and it would therefore be mistaken to consider the ratios for the period as a proportional share of those for the whole year.

ANALYSIS OF NET REVENUES

The Group's consolidated turnover for the first half-year totalled € 135,203 thousand, a rise of 16.1% over the same period in 2011. The first half of the year posted solid double-digit revenue growth. At constant exchange rates, that is using the average rates used for the first half of 2011, Net revenues would have amounted to € 134,030 thousand.

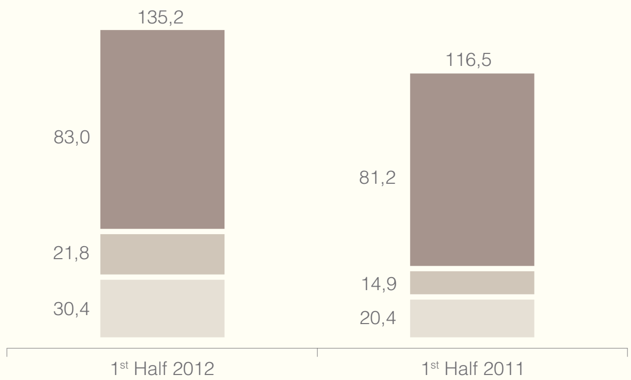


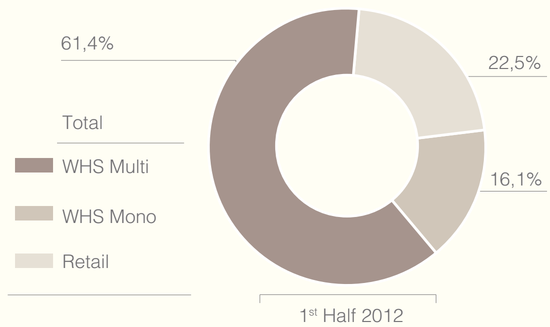
The total increase in net revenues of € 18,746 thousand at current exchange rates (+16.1%) is due mainly to the following factors: (i) organic growth of the retail channel arising from the development of existing points of sale and the opening of new direct points of sale (DOS), especially in Europe and North America; (ii) expansion in the wholesale monobrand and multibrand channel, above all in the North American and Asian markets; (iii) growth in the number of doors in department stores through which the Group already distributed its products; (iv) the use of larger display spaces that are better placed in department stores thanks to the consolidation of the brand with customers.

ANALYSIS BY DISTRIBUTION CHANNEL

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

(In thousands of euro)	Half-year to 30th June				Change over previous	
	2012	**%**	**2011**	**%**	**2012 vs. 2011**	**2012 vs. 2011 %**
Retail	30,394	22.5%	20,350	17.5%	10,044	+49.4%
Wholesale monobrand	21,809	16.1%	14,864	12.8%	6,945	+46.7%
Wholesale multibrand	83,000	61.4%	81,243	69.7%	1,757	+2.2%
Total	**135,203**	**100.0%**	**116,457**	**100.0%**	**18,746**	**+16.1%**





RETAIL

Net revenues of € 30,394 thousand were earned by the retail channel, an increase of € 10,044 thousand or 49.4% over the corresponding period of the previous year.
Like-for-like (comparable store sales), calculated as the growth in net revenues achieved in the DOS existing at 1st January 2011, was 19.7% in the first 33 weeks of the year (1st January to 19th August 2012).
For the half-year to 30th June 2012 the retail channel represented 22.5% of the Group's total net revenues, an increase over the 17.5% achieved for the half-year to 30th June 2011.
Direct points of sale, twenty one in number at 30th June 2011, rose to thirty at 30th June 2012. Compared with 30th June 2011 there was an increase of nine in the number of points of sale with ten opening and one closing. During the first six months of 2012 the number of direct points of sale increased by seven over 31st December 2011, with the opening of six new points of sale, the passage of two points of sale to DOS franchising and the closing of the store at Malpensa on 31st January 2012.

WHOLESALE MONOBRAND

Net revenues of € 21,809 thousand were earned by the wholesale monobrand channel, (+ € 6,945 thousand over the half-year to 30th June 2011), corresponding to an increase of 46.7%.
Net revenues earned through the wholesale monobrand channel amounted to 16.1% of total net revenues, an increase over the 12.8% achieved in the corresponding period of the previous year.
The number of franchised points of sale, which amounted to thirty four at 30th June 2011, rose to forty at 30th June 2012. During the first six months of 2012 the number of wholesale monobrand stores increased by one over 31st December 2011 due to the combined effect of the passage to DOS of the two points of sale at Porto Cervo and Hamburg and the opening of new franchised points of sale in Shanghai, Hong Kong and Baku.

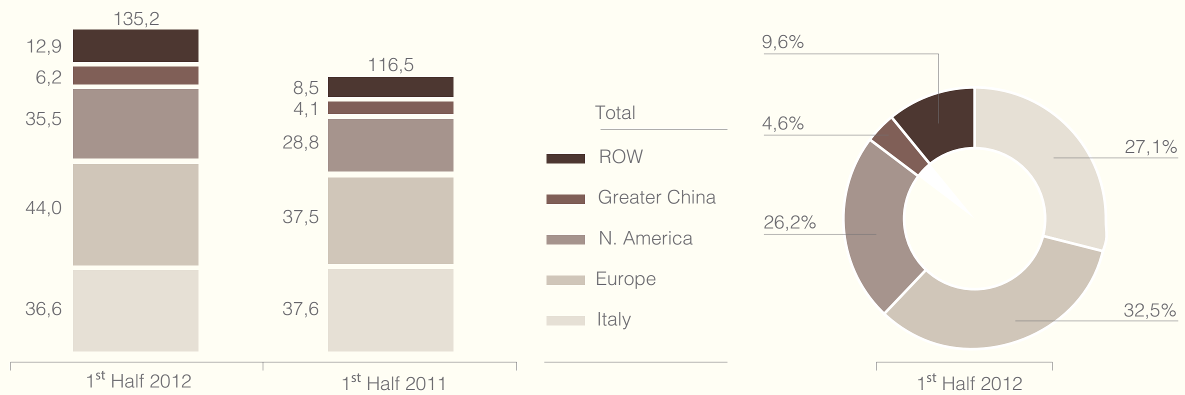
WHOLESALE MULTIBRAND

Net revenues of € 83,000 thousand were earned by the wholesale monobrand channel (+ € 1,757 thousand over the half-year to 30th June 2011, corresponding to an increase of 2.2%). As a consequence the channel passed from 69.7% of the total for the half-year to 30th June 2011 to 61.4% for the half-year to 30th June 2012.

ANALYSIS BY GEOGRAPHICAL AREA

During the first half of 2012 against a slight fall in the domestic market limited to the amount of –2.8% the Brunello Cucinelli Group continued its development and hence growth on the international markets. The following table sets out net revenues for the half-year to 30th June 2012 analysed by geographical area, with comparative figures for the corresponding period of the previous year.

(In thousands of euro)	**Half-year to 30th June**				**Change over previous period**	
	2012	**%**	**2011**	**%**	**2012 vs. 2011**	**2012 vs. 2011 %**
Italy	36,605	27.1%	37,642	32.3%	(1,037)	–2.8%
Europe	44,033	32.5%	37,530	32.2%	6,503	+17.3%
North America	35,445	26.2%	28,744	24.7%	6,701	+23.3%
Greater China	6,184	4.6%	4,080	3.5%	2,104	+51.6%
Rest of the World (RoW)	12,936	9.6%	8,461	7.3%	4,475	+52.9%
Total	**135,203**	**100.0%**	**116,457**	**100.0%**	**18,746**	**+16.1%**



An analysis of the increase in net revenues by geographical area follows:

Italy

Net revenues for "Italy" represent 27.1% of total net revenues (32.3% in the half-year to 30th June 2011), a slight fall over the corresponding period of the previous year, decreasing in absolute terms by € 1,037 thousand or 2.8% (€ 36,605 thousand in 2012; € 37,642 thousand in 2011).

Europe

Net revenues for "Europe" represent 32.5% of total net revenues (32.2% in the corresponding period of the previous year), a rise of +17.3%, passing from € 37,530 thousand to € 44,033 thousand with an increase in absolute terms of € 6,503 thousand.

North America

Net revenues for "North America" represent 26.2% of total net revenues (24.7% in the corresponding period of the previous year), passing from € 28,744 thousand to € 35,445 thousand with a rise of € 6,701 thousand or 23.3%.
Net revenues expressed directly in foreign currency and translated into euro in the preparation of these interim financial statements amounted to US$ 44,403 thousand (the average exchange rate for the first half of 2012 was 1.296469).

Greater China

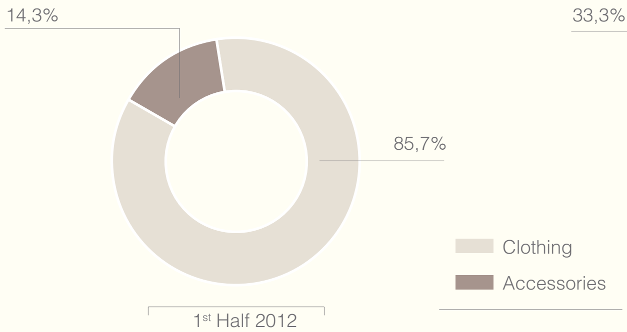
Net revenues for "Greater China" represent 4.6% of total net revenues (3.5% in the corresponding period of the previous year), increasing by € 2,104 thousand (+51.6%) from € 4,080 thousand to € 6,184 thousand.

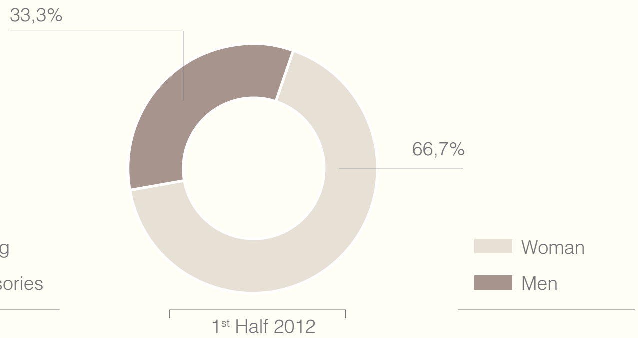
Rest of the world

Net revenues for the "Rest of the World" rose by 52.9% in the first half of 2012 over the corresponding period of the previous year, continuing the sustained growth rate and passing from € 8,461 thousand to € 12,936 thousand.
The positive performance in this area was driven by the growth in sales in Japan and Korea, and in particular that achieved in the department stores.

ANALYSIS BY PRODUCT LINE AND TYPE OF END CUSTOMER

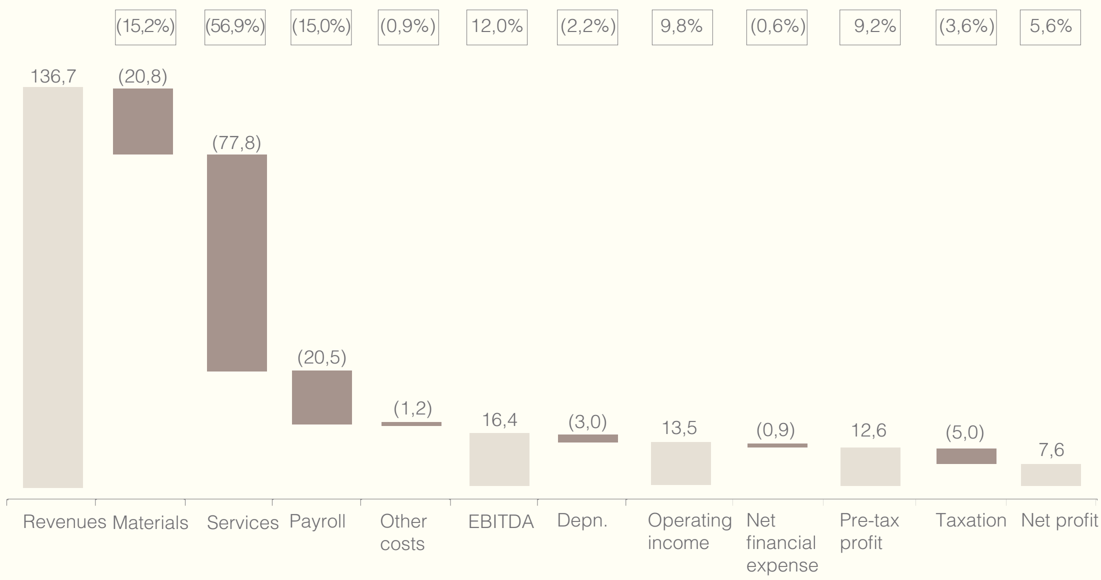
The following figure provides a presentation in graphical form of the composition of net revenues of the Brunello Cucinelli Group for the half-year to 30th June 2012, analysed by product line and type of end customer:





ANALYSIS OF THE INCOME STATEMENT

We have set out below a graphical representation of economic data for the half-year to 30th June 2012, representing the Group's performance for the first half-year:



ANALYSIS OF OPERATING INCOME

The following table provides a summary of the operational profitability indices, EBITDA and operating income:

(In thousands of euro)	Half-year to 30th June				Change over previous period	
	2012	% of net revenues	2011	% of net revenues	2012 vs. 2011	2012 vs. 2011 %
Operating income	**13,455**	**9.8%**	**15,962**	**13.7%**	**(2,507)**	**–15.7%**
+ Depreciation and amortization	2,963	2.2%	2,389	2.0%	574	24.0%
EBITDA (1)	**16,418**	**12.0%**	**18,351**	**15.7%**	**(1,933)**	**–10.5%**
+ Non-recurring expenses	6,241	4.6%	–	0.0%	6,241	+100.0%
Normalized EBITDA	**22,659**	**16.6%**	**18,351**	**15.7%**	**4,308**	**+23.5%**

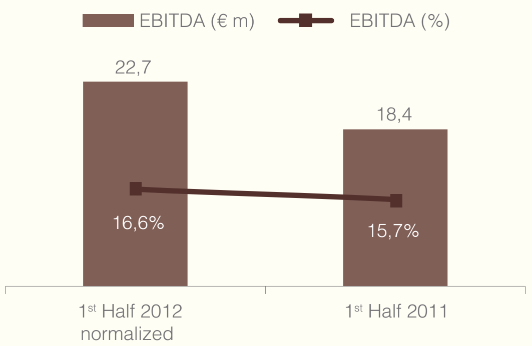
(1) We define EBITDA as operating income before depreciation and amortization. EBITDA defined in this way is a measure used by our management to monitor and assess our operating performance. EBITDA is not an accounting measure in the context of IFRS and accordingly should not be considered as an alternative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

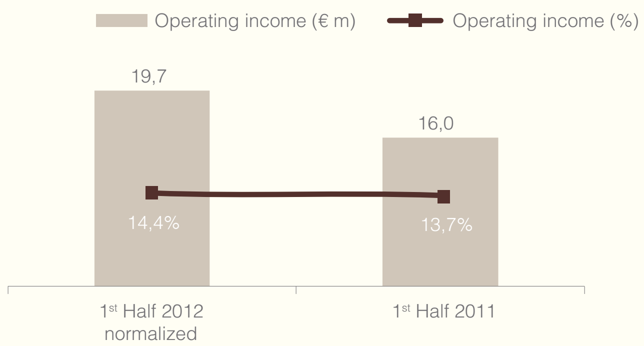
EBITDA passed from € 18,351 thousand, or 15.7% of net revenues, for the first half of 2011, to € 16,418 thousand, or 12.0% of net revenues, for the first half of 2012. As the table shows, the first half of 2012 was affected by the non-recurring expenses arising from the listing on the Borsa Valori S.p.A. Electronic Market, which was completed on 27th April 2012.

Normalized EBITDA closed at € 22,659 thousand, or 16.6% of net revenues, a rise of 23.5% over the corresponding period of the previous year.

Operating income, which was also affected by the above movements, passed from € 15,962 thousand, or 13.7% of net revenues, for the first half of 2011, to € 13,455 thousand, or 9.8% of net revenues, for the first half of 2012. Excluding the effect of the non-recurring expenses, operating income for the half-year to 30th June 2012 would have been € 19,696 thousand, an increase of 23.4% over the half-year to 30th June 2011.

Set out below in graphic form is the performance of the Group's EBITDA and operating income for the half-year to 30th June 2012 (amounts adjusted to make the comparison consistent) and the half-year to 30th June 2011:





The key factors that enabled the Group to achieve growth in EBITDA and operating income in absolute terms in the first half of 2012 were as follows:

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

(ii) a lower ratio of total operating costs to total revenues; excluding non-recurring expenses, these rose by € 16,139 thousand in the first half of 2012 and amounted to 85.6% of total revenues compared with 86.3% in the first half of 2011.

To provide a more precise understanding of production costs, we have set out below a combined analysis of consumption costs and costs for outsourced manufacturing costs for the first half of 2012 and 2011, also indicating their value as a percentage of net revenues.

(In thousands of euro)	Half-year to 30th June				Change over previous period	
	2012	% of net revenues	2011	% of net revenues	2012 vs. 2011	2012 vs. 2011 %
Costs for raw materials and consumables	32,636	23.9%	28,100	24.0%	4,536	16.1%
Change in inventories	(11,849)	–8.7%	(10,518)	–9.0%	(1,331)	12.7%
Outsourced manufacturing costs	41,261	30.2%	38,275	32.8%	2,986	7.8%
Total	**62,048**	**45.4%**	**55,857**	**47.8%**	**6,191**	**11.1%**

Taking the evolution of these two cost items together it can be seen that as a total they have fallen as a percentage of revenues when compared to the corresponding period of the previous year (45.4% in 2012 compared to 47.8% in 2011). This decrease in percentage terms is mainly due to the increase in net revenues of the *retail* distribution channel as a proportion of total net revenues for the period (22.5% in the first half of 2012 against 17.5% in the first half of 2011).

The other main items making up operating costs are commissions, being the fees payable to the agents' network, and advertising and other marketing expenses incurred for the promotional activities carried out by the Group to communicate its image and philosophy throughout the world – more specifically, these are costs relating principally to the production of catalogues, advertising campaigns, events and trade fairs organized in Italy and abroad, transport, duties and rental and leasing.

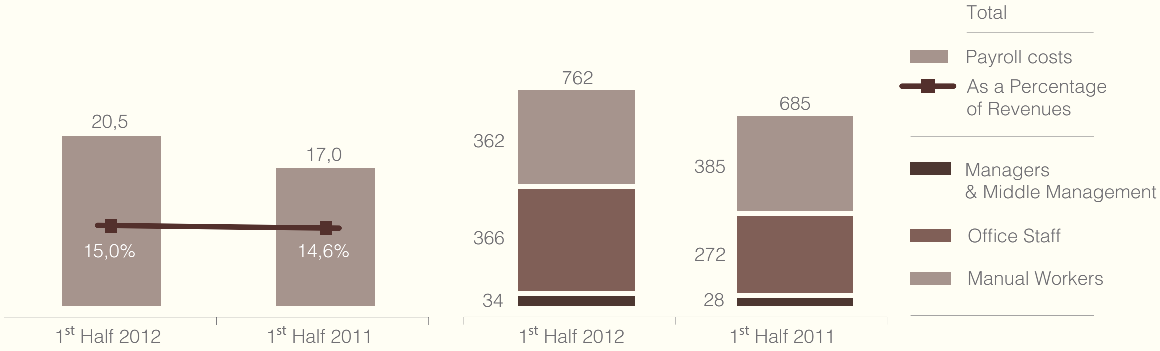
We set out below a summary of the costs incurred for these items in the first half of 2012 and 2011, also indicating their value as a percentage of net revenues.

(In thousands of euro)	Half-year to 30th June				Change over previous period	
	2012	% of net revenues	2011	% of net revenues	2012 vs. 2011	2012 vs. 2011 %
Commissions and accessory costs	6,042	4.4%	6,785	5.8%	(743)	–11.0%
Advertising and other commercial costs	6,477	4.7%	4,664	4.0%	1,813	38.9%
Transport and duties	5,512	4.0%	4,533	3.9%	979	21.6%
Rents payable	**5,509**	**4.0%**	**3,461**	**3.0%**	**2,048**	**59.2%**

Changes in payroll costs mainly relate to the increase in employed staff, which to a large extent is the consequence of the extension of the monobrand store network. Costs for wages and salaries totalled € 20,526 thousand against € 17,024 in the corresponding period of the previous year, leading to a rise in absolute terms of € 3,502 thousand.

The increase in this item is also due to the entry of managerial staff following the listing of the Company: as of now the managerial structure appears complete in both the logistic and production sector and the administrative and financial sector, as well as in the multibrand marketing sector. It is therefore believed that good results can be achieved in the coming years in terms of operating leverage on the central structure costs.

For the half-year to 30th June 2012 payroll costs represented 15.0% of net revenues compared with 14.6% for the half-year to 30th June 2011.



Depreciation and amortization (€ 2,963 thousand for the half-year to 30th June 2012 and € 2,389 thousand for the corresponding period of the previous year) amounted to 2.2% of net revenues in the first half of 2012 and 2.0% in the first half of 2011; the increase in absolute terms of € 574 thousand is mainly due to capex in the key money paid to take over agreements for the monobrand stores and capex in directly operated stores.

ANALYSIS OF FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Net financial expense amounted to € 864 thousand for the half-year to 30th June 2012, of which financial expense of € 2,068 thousand and financial income of € 1,204 thousand.
There was an improvement in net financial income and expense as a percentage of revenues over the first half of 2011, which closed at 0.34% in 2012 compared to 0.96% in 2011.

While reference should be made to the notes to the financial statements for a listing and further details of financial income and expense items, the following table sets out the result of the Group's financial management, separating out the effect of exchange differences and the fair value measurement of derivative contracts from the overall change:

(In thousands of euro)	**Half-year to 30th June**				**Change over previous period**	
	2012	**% of net revenues**	**2011**	**% of net revenues**	**2012 vs. 2011**	**2012 vs. 2011 %**
Loan interest expense	366	0.3%	486	0.4%	–120	–24.7%
Other income/(expense), net	698	0.5%	860	0.8%	(162)	–18.8%
Financial (income)/expense	**1,064**	**0.8%**	**1,346**	**1.2%**	**(282)**	**–21.0%**
Exchange gains/(losses)	(205)	–0.2%	(271)	–0.2%	66	–24.4%
Financial income/(expense) from adjusting derivatives on loans to fair value	5	0.0%	45	0.0%	(40)	–88.9%
Total financial expense, net	**864**	**0.6%**	**1,120**	**1.0%**	**(256)**	**–22.9%**

Income taxes for the period amounted to € 4,953 thousand and represent 39.3% of pre-tax consolidated profit. The Group paid taxes of € 10,361 thousand in the half-year to 30th June 2012 compared with € 1,669 thousand in the corresponding period of the previous year. The difference arises from the different timing in the payment of the first tax instalment by Brunello Cucinelli S.p.A.; previously the Company paid the instalment in July while in the current year the instalment was paid in June.

In the light of the above, net profit for the period closed at € 7,638 thousand, or 5.6% of revenues, compared to € 8,821 thousand for the first half of 2011. Excluding the effect of non-recurring expense, net profit for the period would have been € 11,919 thousand, or 8.7% of revenues, an increase of 35.1% over the corresponding period of the previous year.
The following table provides an analysis of net profit for the period between the portion attributable to the Group and the portion attributable to non-controlling interests:

(In thousands of euro)	**Half-year to**		
	30.06.2012	**30.06.2011**	**30.06.2012 normalized**
Net profit attributable to the Group	7,863	8,575	11,919
Net profit/(loss) attributable to non-controlling interests	(225)	246	(225)
Net profit	**7,638**	**8,821**	**11,694**

ANALYSIS OF THE BALANCE SHEET

Comments are provided below on the main items of the balance sheet reclassified by sources and applications at 30th June 2012, with comparative figures presented for 31st December 2011 and 30th June 2011:

NET WORKING CAPITAL

The following tables provides an analysis of the net working capital of the Brunello Cucinelli Group at 30th June 2012, 31st December 2011 and 30th June 2011:

(In thousands of euro)	**30.06.2012**	**31.12.2011**	**30.06.2011**
Trade receivables	61,327	48,832	57,837
Inventories	77,019	64,708	58,013
Trade payables	(56,020)	(56,129)	(52,605)
Other current assets/(liabilities), net	(15,982)	(11,193)	(13,653)
Net working capital	**66,344**	**46,218**	**49,592**

Given the "seasonality" referred to earlier, for a better understanding of the main changes in net working capital the following comments present the situation as at and for the half-year ended 30th June 2012 compared to that as at and for the half-year ended 30th June 2011.

The main changes relate to the items "Trade receivables" and "Inventories".
In this sense trade receivables rose from € 57,837 thousand at 30th June 2011 to € 61,327 thousand at 30th June 2012: the increase of € 3,490 thousand is almost totally due to the franchising channel, where in terms of turnover there was an increase of 46.7% over the first half of 2011.

The following table provides details of inventories, which rose overall by € 19,006 thousand.

(In thousands of euro)	**30.06.2012**	**31.12.2011**	**30.06.2011**
Raw materials	18,320	16,036	14,565
Finished goods and semi-finished goods	58,699	48,672	43,448
Inventories	**77,019**	**64,708**	**58,013**

Raw materials rose by € 3,755 thousand, from € 14,565 thousand at 30th June 2011 to € 18,320 thousand at 30th June 2012, while finished goods and semi-finished goods rose from € 43,448 thousand at 30th June 2011 to € 58,699 thousand at 30th June 2012, a rise of € 15,251 thousand, due mainly to the growth in the number of monobrand stores and in part to an increase in production aimed at an increasingly timely delivery of products to stores in the third quarter of 2012.

FIXED ASSETS

The following table provides the composition of fixed assets and other non-current assets at 30th June 2012, 31st December 2011 and 30th June 2011:

(In thousands of euro)	**30.06.2012**	**31.12.2011**	**30.06.2011**
Intangible assets	13,094	11,807	12,559
Property, plant and equipment	32,230	28,568	24,720
Non-current fixed assets	2,749	1,783	1,582
Fixed assets	**48,073**	**42,158**	**38,861**

Fixed assets at 30th June 2012 totalled € 48,073 thousand, compared to € 42,158 thousand at 31st December 2011, an increase of € 5,915 thousand or 14.0%.
More specifically, intangible assets increased by € 1,287 thousand, property, plant and equipment by € 3,662 thousand and non-current financial assets by € 966 thousand, mainly relating to the guarantee deposits paid on signing the lease agreements for the monobrand stores opened in 2012.

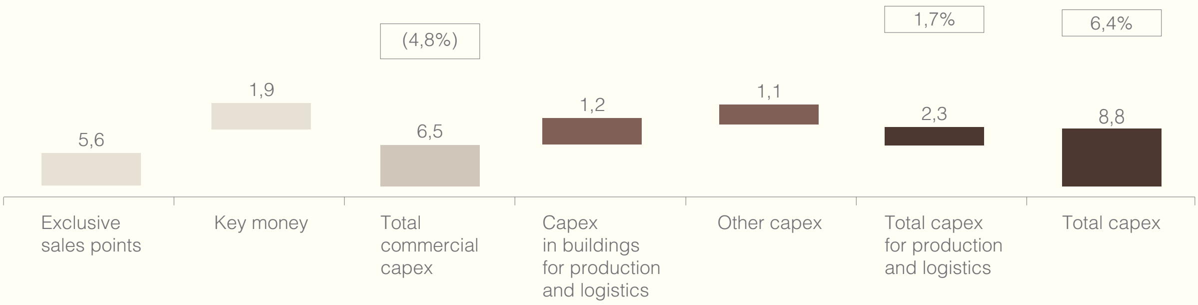
CAPITAL EXPENDITURE

The Group made capital expenditure of € 8,797 thousand in fixed assets in the half-year to 30th June 2012, of which € 2,234 thousand in intangible assets, € 5,720 thousand in property, plant and equipment and € 843 thousand in non-current financial assets (guarantee deposits).
The following table provides details of the capital expenditure made by the Group analysed by type and category for the half-year to 30th June 2012 and 2011.

(In thousands of euro)	**Half-year to 30th June**	
	2012	**2011**
Capital expenditure in intangible assets	2,234	4,530
Capital expenditure in property, plant and equipment	5,720	4,200
Capital expenditure in non-current fixed assets	843	657
Total capital expenditure	**8,797**	**9,387**

The most significant capex were made for the opening and setting up of points of sale, mainly regarding the opening of new stores directly operated by the Group in North America, Europe and Italy. Capital expenditure also related to the extension and renovation of buildings used for production and logistics at the Group's headquarters.

Below is a graphical representation of the capital expenditure made by the Group in the first half of 2012, analysed by investment type:



NET FINANCIAL DEBT

The following is a detail of net financial debt at 30th June 2012 and 31st December 2011.

(In thousands of euro)	**30.06.2012**	**31.12.2011**
Current bank payables	32,808	38,539
Current liabilities – Derivative financial instruments	636	527
Other current financial payables	23	–
Current debt (1)	**33,467**	**39,066**
Medium-long term loans – non-current portion	14,228	17,611
Non-current financial payables	–	–
Non-current debt (1)	**14,228**	**17,611**
Total gross debt	**47,695**	**56,677**
– Current financial assets	–	–
– Current assets – Derivative financial instruments	–	–
– Cash and cash equivalents	(33,531)	(8,683)
Net debt (1)	**14,164**	**47,994**

(1) Current and non-current debt are not identified as an accounting measure by IFRS. The method we have used to calculate these may not be consistent with that used by other groups and accordingly the figure we have obtained may not be comparable with that calculated by those groups.

At 30th June 2012, the debt of the Brunello Cucinelli Group decreased over the corresponding figure at 31st December 2011 by € 33,830 thousand. This fall in net debt in a situation marked by a growth in volumes and activity and by financial changes in line with the normal trend in operations in the period is strictly connected with the cash generated by the listing of 27th April 2012.

SHAREHOLDERS' EQUITY

Shareholders' equity at 30th June 2012, 31st December 2011 and 30th June 2011 may be analysed as follows:

(In thousands of euro)	**30.06.2012**	**31.12.2011**	**30.06.2011**
Share capital	13,600	12,000	12,000
Reserves	79,283	4,026	7,833
Net profit attributable to the Group	7,863	20,268	8,575
Shareholders' equity attributable to the Group	**100,746**	**36,294**	**28,408**
Shareholders' equity attributable to non-controlling interests	1,553	1,690	1,130
Shareholders' equity	**102,299**	**37,984**	**29,538**

Share capital at 30th June 2012 consisted of 68,000,000 ordinary shares, fully paid-up, and amounted to € 13,600 thousand.
The shareholding structure of Brunello Cucinelli S.p.A. as stated in the shareholders' register and in notifications received was as follows at 30th June 2012:

Shareholder	**Number of shares**	**% of ordinary capital**
Fedone S.r.l.	43,058,000	63.321%
Ermenegildo Zegna Holditalia S.p.A.	2,040,000	3.000%
FMR Llc	1,938,000	2.850%
Fundita S.r.l.	1,710,000	2.515%
Capital Research and Management Company	1,394,000	2.050%
Other shareholders	17,860,000	26.264%
Total	**68,000,000**	**100.0%**

For a full description of changes in shareholders' equity reference should be made to the statement of changes in shareholders' equity and the details provided in note 10 to the financial statements.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD AS STATED IN THE HOLDING COMPANY'S FINANCIAL STATEMENTS AND THE CORRESPONDING FIGURES IN THE CONSOLIDATED FINANCIAL STATEMENTS

The following table provides a reconciliation between shareholders' equity and net profit as stated in the holding company's financial statements and the corresponding figures in the consolidated financial statements as at and for the half-year to 30th June 2012:

(In thousands of euro)	**30th June 2012**	
	Shareholders' equity	**Net profit/(loss)**
Financial statements of the holding company	102,507	10,937
Difference between shareholders' equity of consolidated capex and their carrying amount	3,989	(162)
Elimination of intragroup transactions	(8,779)	(4,231)
Elimination of dividends	–	(82)
Tax effect of consolidation adjustments	3,037	1,410
Other movements	(8)	(9)
Total attributable to the Group	100,746	7,863
Shareholders' equity and profit/loss of non-controlling interests	1,553	(225)
Total consolidated financial statements	**102,299**	**7,638**

ECONOMIC AND FINANCIAL RATIOS

The main economic and financial ratios of the Brunello Cucinelli Group for the periods under consideration are set out below.

PROFITABILITY RATIOS

The following table shows trends in the main profitability ratios for the periods ended 30th June 2012 and 2011, with an indication of the normalized figures given the non-recurring expenses referred to on several occasions earlier.

	30.06.2012	**30.06.2011**	**30.06.2012 normalized**
ROE (*) – *Net profit for the period / Average equity for the period*	10.89%	28.46%	16.99%
ROI – *Operating profit / Average net invested capital for the period*	13.29%	18.43%	19.46%
ROS – *Operating profit / Revenues*	9.84%	13.66%	14.41%

(*) At 30th June 2011 the ratio was calculated using equity prior to the IPO.

CAPITAL SOLIDITY RATIOS

The aim of a solidity analysis is to determine the ability of the Brunello Cucinelli Group to maintain a constant balance in the medium-long term between outgoing cash flows, caused by the repayment of sources, and incoming cash flows, arriving from the monetary recovery of applications, to avoid jeopardising the economic balance of operations.

	30.06.2012	**30.06.2011**
Ratio – *Net equity* (*) */ Total assets*	44.05%	16.94%
Ratio – *Total current assets / Total current liabilities*	160.25%	110.30%

(*) At 30th June 2011 the ratio was calculated using equity prior to the IPO.

ROTATION RATIOS

	30.06.2012	**30.06.2011**	**30.06.2012 normalized**
Receivables turnover ratio – *Revenues / Average trade receivables*	2.5 times	2.2 times	2.5 times
Average days sales outstanding – *(Average trade receivables / Revenues)* (*) *180*	72.5	81.2	72.5
Payables turnover ratio – *(Costs for raw materials and consumables + Costs for services) / Average trade payables*	1.8 times	1.7 times	1.6 times
Average days payable outstanding *(Average trade payables / (Costs for raw materials and consumables net of changes in inventories + Costs for services)* (*) *180*	116.3	95.2	96.9
Days sales in inventories – *Inventories – advances / Revenues*	144.0	126.5	144.0

INFORMATION ON CORPORATE GOVERNANCE

The Company has aligned its system of corporate governance to the provisions contained in Legislative Decree no. 58/1998 (the Italian Consolidated Finance Act or "CFA") and the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee.

The Company's extraordinary shareholders' meeting of 27th January 2012 adopted bylaws that came into effect on 27th April 2012, the date on which trading in the Company's shares initiated on the Electronic Stock Exchange (MTA).

The bylaws include the provisions of Legislative Decree no. 27/2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. This provides for the following among other things: a "list vote" mechanism for appointing the members of the Board of Directors (in compliance with the requirements of article 147-*ter* of the CFA); a "list vote" mechanism for appointing the members of the Board of Statutory Auditors (in compliance with the requirements of article 148 of the CFA); the appointment of a manager in charge of preparing the corporate accounting documents and fulfilling the requirements of article 154-*bis* of the CFA.

In addition, the Company will arrange for the inclusion in its bylaws, by the next date of renewal of the management and control bodies, of the provisions of articles 147-*ter*, paragraph 1-*ter* of the CFA and 148, paragraph 1-*bis* of the CFA, introduced by Law no. 120/2011, on gender balance. However by making additions to the Board by means of the resolution adopted by shareholders on 16th March 2012, the Company has already implemented the provision at article 147-*ter*, paragraph 1-*ter* of the CFA on the composition of the Board of Directors; one fifth of the present directors belong to the lesser represented gender (meaning the female gender).

On 27th January 2012 the Company's Board of Directors, after consulting with the Board of Statutory Auditors for its opinion, appointed Moreno Ciarapica as manager in charge of preparing the corporate accounting documents with effect from the date on which trading in the Company's shares initiates on the Electronic Stock Exchange (MTA). In addition, in compliance with the requirements of articles 14 and 17 of Legislative Decree no. 39/2010, the ordinary shareholders' meeting of 27th January 2012 appointed Reconta Ernst & Young S.p.A. as legal auditors of the accounts for the term established by legislation.

The Board of Directors further:

- on 27th January 2012, approved a procedure for managing the group register of persons having access to inside information, in compliance with article 115-*bis* of the CFA, effective from 27th April 2012;
- on 27th January 2012, adopted a procedure for managing internal dealing disclosure requirements in connection with the management of the requirements of the internal dealing rules, as per article 114, paragraph 7 of the CFA and articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulations;
- on 27th January 2012, adopted a procedure for the internal management and external communication of documents and information regarding the Company, in particular with reference to inside information;
- on 27th January 2012, appointed Cav. Lav. Brunello Cucinelli as the director in charge of the internal control and risk management system, effective from 27th April 2012;
- on 26th March 2012, approved the setting up of a remuneration committee and a control and risks committee. Both of these committees consist of three independent directors and became effective on the date on which trading in the Company's shares initiated on the Electronic Stock Exchange (MTA);
- on 26th March 2012, given that Cav. Lav. Brunello Cucinelli holds the position as Chairman and Managing Director of the Company and in addition controls the Company, appointed the independent director Andrea Pontremoli as lead independent director in accordance with the recommendations of application criterion 2.C.3 of the Corporate Governance Code;
- on 9th May 2012, gave final approval to, subject to the unanimous favourable opinion of the control and risks committee, the related party transaction procedure prepared on the basis of the provisions of Consob Regulation no. 17221/2010. Under this procedure the control and risks committee acts as the related party committee.

In addition on 20th June 2011 the Board adopted an organizational, management and control model pursuant to Legislative Decree no. 231/2001, designed to ensure propriety and transparency in conducting business activities and to protect the position and image of the Company and Group companies, shareholder expectations and the work of its employees. A monocratic Supervisory Body, consisting of Prof. Dott. Paolo Bertoli, was appointed at the same meeting.

The Company's Board of Directors also appointed David Paoletti as head of the internal audit function, with effect from 27th April 2012.

Further information on the Company's corporate governance may be found in the specific section of its website (http://investor.brunellocucinelli.com/ita/governance).

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

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

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

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

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

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

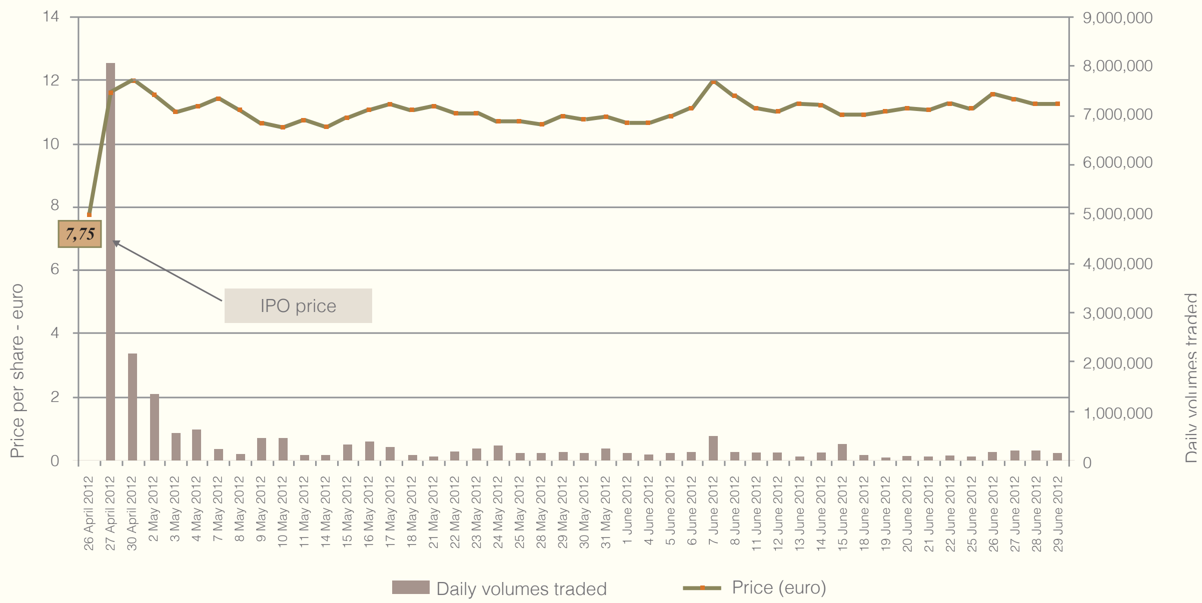
On 3rd May 2012 the statement of execution of the capital increase, approved by a resolution of the company's extraordinary meeting on 27th January 2012, was entered in the Perugia companies register on 3rd May 2012. The share capital of Brunello Cucinelli S.p.A. therefore amounts to € 13,600,000, consisting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

On 30th June 2012 the official closing price of the Brunello Cucinelli share was € 11.24 (+45.0% compared to the IPO offering price of € 7.75). The Company's market capitalization at 30th June 2012 was € 764 million.

Details of the share's performance between 27th April 2012 and 30th June 2012 are as follows:

	Euro	Date
IPO price	7.75	–
Minimum price (1)	10.00	27th April 2012
Maximum price (1)	12.32	2nd May 2012
Official price	11.24	30th June 2012
Capitalization	764,320,000	30th June 2012
Number of outstanding shares	22,440,000	30th June 2012
Free float	252,225,600	30th June 2012

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



SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2012

Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd.
On 26th January 2012 the Company entered into a framework agreement with the Chinese trading company Sichuan Lessin Department Stores Co., Ltd. (hereinafter "SLD"), whose controlling shareholder is Mr. Chen Long. In this agreement the parties established the essential points and conditions for the formation of a new company 51% held by the Brunello Cucinelli Group and 49% by SLD.
In implementation of the agreements reached, on 26th March 2012 the Company and SLD entered into a joint venture agreement governing their respective rights and obligations as shareholders of the new "Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd." company headquartered in Chengdu. For updated information on this matter reference should be made to the section below "Significant subsequent events".

Brunello Cucinelli Japan Co., Ltd.
In January 2012 the Company acquired a 75% share in Brunello Cucinelli Japan Co., Ltd., pursuant to an agreement signed between Brunello Cucinelli S.p.A. and Itochu Corporation, a Japanese company which, on the basis of previous agreements, already operated as exclusive importer and distributor for Japan of Brunello Cucinelli brand products. The remaining 25% stake is held by Itochu Corporation.

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

Since 1st April 2012, Brunello Cucinelli Retail Deutschland GmbH, which was set up to strengthen and develop the Company's presence in the German market, has been operating the monobrand store in Hamburg; this store, which was previously operated under a franchise arrangement, has now become effectively a Group DOS.

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

RELATED PARTY TRANSACTIONS

References should be made to the notes to these condensed consolidated half-year financial statements for a detailed presentation of related party transactions for the first half of 2012.

FINANCIAL RISK MANAGEMENT

Information on financial risk management is provided in the notes to the financial statements in the section "Other information", to which reference should be made.

SIGNIFICANT SUBSEQUENT EVENTS

Agreements with Sichuan Lessin Department Stores Co. Ltd. ("SLD")
On 2nd July 2012, Brunello Cucinelli Lessin (Sichuan) Fashion Co., Ltd. ("BC Lessin") – a joint venture between the Brunello Cucinelli Group and SLD – obtained a trading licence from the competent Chinese authorities authorising the company to sell and market clothing and accessories of the Brunello Cucinelli Group in China. The company's registered share capital amounts to 50 million renminbi.

The newly-formed company will take over from SLD, which currently operates as the Group's franchisee in China (and in Macao), taking on the direct management of the monobrand boutiques located in Shanghai, Shenyang, Dalian, Chengdu and Haerbin (and that shortly to be opened in Tianjin). At the date of this report BC Lessin has initiated procedures to set up branches in Shanghai, Shenyang and Dalian and has already obtained initial approval for all three from the local authorities; it is planned to finalize the administrative procedures over the next few weeks together with the assignment of the lease agreements from SLD to BC Lessin. As regards the points of sale situated in the department stores in Chengdu, Haerbin and Tianjin, BC Lessin is waiting to receive, shortly, the consent of these latter for taking over the trade agreements currently in the name of SLD.
SLD's personnel and inventories will be transferred to BC Lessin at the same time as the branch is opened and the trade agreements are taken over.
In addition, the Brunello Cucinelli Group and SLD have initiated procedures for setting up a joint venture with offices in Macao that will take over the monobrand boutique currently run by SLD.

In connection with the above, Fedone S.r.l. and SLD (in the meantime designated by Mr. Chen Long as the acquirer of the Company's 1,200,000 shares under an agreement signed between Fedone S.r.l. and Mr. Chen Long on 6th March 2012) have extended the final date from 31st August to 31st October 2012 for the fulfilment of the condition precedent represented by the transfer to BC Lessin of the activities connected with the boutique and points of sale managed by SLD as the Group's franchisee. In this respect it is noted that SLD is a company controlled by Mr. Chen Long. Further information about the agreement signed by Fedone S.r.l. and Mr. Chen Long may be found in the Prospectus for the IPO of the Company's shares which may be found on the Company's website (at the address: http://investor.brunellocucinelli.com/ita/opvs/prospetto-informativo).

Extension of the Company's manufacturing facilities
After obtaining building permission and after signing conventions with the Municipality of Corciano and the Province of Perugia, work began in July 2012 on extending the Company's manufacturing facilities located in Via dell'Industria, fraz. Solomeo, Comune di Corciano (PG).

The extension plan envisages the construction of a new building to be used for storage, production, logistics and despatch.

Formation of Brunello Cucinelli Austria GmbH
The process for setting up Brunello Cucinelli Austria GmbH, which has its offices in Vienna, was completed in August 2012.

The newly-formed company is held as to 98% by Brunello Cucinelli Europe S.r.l. and 2% by Brunello Cucinelli S.p.A., and will manage the new store in Vienna.

BUSINESS OUTLOOK

The sound results achieved in this first quarter, both in terms of revenues and margins, have confirmed the current positive momentum recorded by the Brunello Cucinelli brand at an international level.
Our 2013 Spring-Summer collections continue to be highly appreciated in terms of taste by wholesale customers, by the buyers of leading department stores and by the managers of our monobrand stores. This leads us to believe that in the spring our stores will be able to display clothes that are appreciated for their taste and creativity, capable of narrating the Italian lifestyle and the quality and craftsmanship of the genuine Made in Italy tradition.

The positive performance achieved in the first half-year and the current sales campaigns indicate that we can expect to see figures in growth for the year as a whole in terms of both volumes and profitability; a growth which we have imagined to be sustainable and healthy from the very start.

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

FINANCIAL STATEMENTS AS AT 30th JUNE 2012

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2012

(In thousands of euro)	NOTE	30.06.2012	of which with related parties	31.12.2011	of which with related parties	30.06.2011	of which with related parties
NON-CURRENT ASSETS							
Intangible assets	1	13,094		11,807		12,559	
Property, plant and equipment	2	32,230	5,385	28,568	4,024	24,720	4,000
Other non-current financial assets	3	2,749	41	1,783	41	1,582	
Deferred tax assets	21	7,100		3,701		3,799	
TOTAL NON-CURRENT ASSETS		**55,173**		**45,859**		**42,660**	
CURRENT ASSETS							
Inventories	4	77,019		64,708		58,013	
Trade receivables	5	61,327	24	48,832	12	57,837	535
Tax receivables	6	895		1,652		1,335	
Other receivables and current assets	7	4,260		12,592		8,111	
Cash and cash equivalents	8	33,531		8,683		5,234	
Current assets – Derivative financial instruments	9	33		–		1,142	
TOTAL CURRENT ASSETS		**177,065**		**136,467**		**131,672**	
Assets held for sale	10	–		3,053		–	
TOTAL ASSETS		**232,238**		**185,379**		**174,332**	

(In thousands of euro)	NOTE	30.06.2012	of which with related parties	31.12.2011	of which with related parties	30.06.2011	of which with related parties
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	11	13,600		12,000		12,000	
Share premium reserve	11	57,039		–		–	
Other reserves	11	22,244		4,026		7,833	
Group net profit (loss)	11	7,863		20,268		8,575	
TOTAL GROUP SHAREHOLDERS' EQUITY		**100,746**		**36,294**		**28,408**	
NON-CONTROLLING INTERESTS							
Capital and reserves attributable to non-controlling interests	11	1,778		933		884	
Net profit (loss) attributable to non-controlling interests	11	(225)		757		246	
TOTAL NON-CONTROLLING INTERESTS		**1,553**		**1,690**		**1,130**	
TOTAL SHAREHOLDERS' EQUITY		**102,299**		**37,984**		**29,538**	
NON-CURRENT LIABILITIES							
Liabilities for employee benefits	12	2,850		2,695		2,667	
Provisions for risks and charges	13	794		893		822	
Non-current bank debt	14	14,203		17,611		21,111	
Non-current financial payables	15	25		–		–	
Other non-current liabilities	16	979		723		–	
Deferred tax liabilities	21	431		692		820	
TOTAL NON-CURRENT LIABILITIES		**19,282**		**22,614**		**25,420**	
CURRENT LIABILITIES							
Trade payables	17	56,020	760	56,129	733	52,605	439
Current bank debt	18	32,808		38,539		41,534	
Current financial payables		23		–		808	
Tax payables	19	4,409		6,821		10,452	
Current liabilities – Derivative financial instruments	9	2,467		2,913		258	
Other current liabilities	20	14,930		20,379		13,717	
TOTAL CURRENT LIABILITIES		**110,657**		**124,781**		**119,374**	
TOTAL LIABILITIES		**129,939**		**147,395**		**144,794**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**232,238**		**185,379**		**174,332**	

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR TO 30th JUNE 2012

(In thousands of euro)		Half-year to 30th June			
	NOTE	**2012**	**of which with related parties**	**2011**	**of which with related parties**
Net revenues	22	135,203		116,457	6
Other operating income	22	1,516	9	389	30
Revenue from sales and services		**136,719**		**116,846**	
Costs for raw materials and consumables	23	(20,787)	(4)	(17,582)	(12)
Costs for services	24	(77,822)	(832)	(63,246)	(332)
of which non-recurring	*24*	*(6,241)*		–	
Payroll costs	25	(20,526)	(77)	(17,024)	(82)
Other operating costs	26	(887)	(14)	(571)	(43)
Internal costs for increases in fixed assets	27	92		217	
Depreciation and amortization	28	(2,963)		(2,389)	
Value adjustments to assets and other allocations	29	(371)		(289)	
Total operating costs		**(123,264)**		**(100,884)**	
Operating profit (loss)		**13,455**		**15,962**	
Financial expense	30	(2,068)		(2,197)	
Financial income	31	1,204		1,077	16
Pre-tax profit (loss)		**12,591**		**14,842**	
Income taxes	21	(4,953)		(6,021)	
Net profit (loss) for the period		**7,638**		**8,821**	
Net profit (loss) attributable to the Group	11	7,863		8,575	
Net profit (loss) attributable to non-controlling interests	11	(225)		246	

EARNINGS PER SHARE FOR THE HALF-YEAR TO 30th JUNE 2012

(In euro)	Half-year to 30th June	
	2012	**2011**
Basic earnings per share	0.12515	0.14292
Diluted earnings per share	0.12515	0.14292

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR TO 30th JUNE 2012

(In thousands of euro)	Half-year to 30th June	
	2012	**2011**
Net profit (loss) for the period (A)	**7,638**	**8,821**
Items of other comprehensive income:		
Cash flow hedge	468	256
Income taxes	(128)	(70)
Effect of change in cash flow hedge reserve	**340**	**186**
Translation differences on foreign financial statements	179	(192)
Total other comprehensive income/(loss) net of tax (B)	**519**	**(6)**
Total comprehensive income net of tax (A) + (B)	**8,157**	**8,815**
Attributable to:		
Group	8,352	8,608
Non-controlling interests	(195)	207

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR TO 30th JUNE 2012

(In thousands of euro)	Half-year to 30th June	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	7,638	8,821
Adjustments to reconcile net profit to cash flows from (used in) operating activities:		
Depreciation and amortization	2,963	2,389
Allocation to provisions for employee benefits	177	83
Allocation to provisions for risks and charges / provision for inventory obsolescence / and provision for bad debts	481	572
Change in other non-current liabilities	105	(716)
Losses / (gains) on disposal of fixed assets	(1,116)	35
Payments from provisions for employee benefits	(21)	(93)
Payments from provisions for risks and charges	–	(98)
Net change in deferred tax assets and liabilities	(3,791)	(1,883)
Change in fair value of financial instruments	(11)	(578)
Change in operating assets and liabilities:		
Trade receivables	(12,809)	(10,342)
Inventories	(11,849)	(10,234)
Trade payables	(774)	9,325
Other current assets and liabilities	5,452	5,627
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A)	**(13,555)**	**2,908**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capex in property, plant and equipment	(5,720)	(4,530)
Capex in intangible assets	(2,234)	(4,200)
Capex in financial assets	(843)	(657)
Acquisition of Max Vannucci S.r.l., net of cash acquired	–	(308)
Acquisition of non-controlling interest in Cucinelli Holding LLC	–	(491)
Cash settlement of real estate demerger	–	(146)
Disposal of property, plant and equipment and key money	183	57
NET CASH FROM (USED IN) INVESTING ACTIVITIES (B)	**(8,614)**	**(10,275)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Medium-long term loans received	25	–
Repayment of medium-long term loans	(3,472)	(3,924)
Net change in short-term loans	(5,707)	12,280
Increase in share capital and shareholder payments	58,639	–
Dividends paid	(2,529)	(2,457)
NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)	**46,956**	**5,899**
TOTAL CASH FLOW (D=A+B+C)	**24,787**	**(1,468)**
EFFECT OF EXCHANGE RATES ON NET CASH AND CASH EQUIVALENTS (E)	**61**	**(258)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)	**8,683**	**6,960**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**33,531**	**5,234**
Additional information:		
Interest paid	1,178	977

Income tax paid	10,361	1,669

CHANGES IN SHAREHOLDERS' EQUITY FOR THE HALF-YEAR TO 30th JUNE 2012

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Shareholders' capital advances	Translatio reserve	Other reserves	Net profit for the period	Total Group shareholders' equity	Total non controlling interest equity	Total shareholders' equity
Balance at 31st December 2011	**12,000**	**255**	**–**	**–**	**333**	**3,438**	**20,268**	**36,294**	**1,690**	**37,984**
Net profit for the period							7,863	7,863	(225)	7,638
Other profits/(losses)					149	340		489	30	519
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**149**	**340**	**7,863**	**8,352**	**(195)**	**8,157**
Allocation of net profit for the period		955				19,313	(20,268)	–		–
Dividends paid						(2,500)		(2,500)	(29)	(2,529)
Share capital increase	1,600		57,039					58,639		58,639
Change in consolidation scope (Brunello Cucinelli Deutschland)								–	60	60
Change in consolidation scope (Brunello Cucinelli Japan)								–	25	25
Other changes						(39)		(39)	2	(37)
Balance at 30th June 2012	13,600	1,210	57,039	–	482	20,552	7,863	100,746	1,553	102,299
Saldo al 30 settembre 2012	**13.600**	**1.210**	**57.039**	**0**	**246**	**21.933**	**17.210**	**111.238**	**1.868**	**113.106**

(In thousands of euro)	Share capital	Legal reserve	Share premium reserve	Shareholders' capital advances	Translatio reserve	Other reserves	Net profit for the period	Total Group shareholders' equity	Total non controlling interest equity	Total shareholders' equity
Balance at 31st December 2010	4,600	191	–	–	12	13,018	9,576	27,397	5,049	32,446
Net profit for the period							8,575	8,575	246	8,821
Other profits/(losses)					(153)	186		33	(39)	(6)
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(153)**	**186**	**8,575**	**8,608**	**207**	**8,815**
Allocation of net profit for the period		64				9,512	(9,576)	–		–
Dividends paid						(2,109)		(2,109)	(348)	(2,457)
Share capital increase	7,400					(7,400)		–		–
Effect of operations under common control (merger with Gunex S.p.A.)						3,956		3,956	(3,956)	–
Effect of real estate spin-off						(9,079)		(9,079)		(9,079)
Effect of operations under common control (purchase of 19% of Cucinelli Holding LLC)						(395)		(395)		(395)
Change in consolidation scope (purchase of 19% of Cucinelli Holding LLC)									(96)	(96)
Change in consolidation scope (49% non-controlling interest in Max Vannucci S.r.l.)									314	314
Other changes						30		30	(40)	10
Balance at 30th June 2011	**12,000**	**255**	**–**	**–**	**(141)**	**7,719**	**8,575**	**28,408**	**1,130**	**29,538**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 CONTENTS AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated half-year financial statements have been prepared pursuant to article 154-*ter* of Legislative Decree no. 58 of 24th February 1998 (the CFA) and subsequent amendments and additions and were approved by the directors in a resolution adopted on 28th August 2012.

The consolidated financial statements include comparative figures for the consolidated balance sheet at 31st December 2011 and the income statement for the six months ended 30th June 2011.
The currency used is the euro and all amounts are rounded to thousands of euro unless otherwise stated.

The condensed consolidated half-year financial statements at 30th June 2012 consist of a consolidated balance sheet, a consolidated income statement, a consolidated statement of comprehensive income, a consolidated cash flow statement and a consolidated statement of changes in shareholders' equity.

The consolidated balance sheet is presented with an increasing liquidity financial classification where:

- non-current assets comprise asset balances with a realization cycle of over twelve months and consist of intangible assets, property, plant and equipment and financial assets;
- current assets comprise asset balances with a realization cycle of up to twelve months;
- non-current liabilities comprise payables to be settled after more than twelve months, including financial payables, provisions for risks and charges and the Italian employees' termination indemnity (TFR);
- current financial liabilities comprise payables to be settled within twelve months, including the short-term portion of medium-long term loans, provisions for risks and charges and the Italian employees' termination indemnity (TFR).

Expenses in the consolidated income statement are presented using a classification based on their nature. The consolidated cash flow statement has been prepared using the indirect method and is presented in accordance with IAS 7, classifying cash flows between those arising from operating, investing and financing activities.

1.2 STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union ("IFRS").

2. CONSOLIDATION SCOPE

The condensed consolidated half-year financial statements consist of the financial position, results and cash flows of the holding company Brunello Cucinelli S.p.A. and its Italian and non-Italian subsidiaries, identified as a whole as the Brunello Cucinelli Group, as at and for the six months ended 30th June 2012.

The consolidated financial statements have been prepared from the accounting situations of the Company and its subsidiaries and the sub-consolidation of the American subsidiary Cucinelli Holding Co. LLC, adjusted as necessary to comply with IFRS.

Subsidiaries are consolidated on a line-by-line basis from their acquisition date, meaning the date on which the Group obtains control, and cease to be consolidated at the date control is transferred outside the Group.
Control is assumed to exist if the Company holds more than half the voting rights or if the Company holds half or less of the votes that may be cast at a shareholders' meeting and has:

- the control of more than half of the voting g rights by virtue of an agreement with other investors;
- the power to determine the financial and operating policies of the company by virtue of a clause in the bylaws or a contract;
- the power to appoint or remove the majority of the members of the board of directors or the equivalent governing body;
- the power to exercise the majority of the voting rights at meetings of the board of directors or the equivalent governing body.

All intragroup balances and transactions, including any unrealized profits and losses arising from transactions with companies of the Brunello Cucinelli Group, are eliminated.

The acquisitions of subsidiaries are accounted for using the purchase method which involves allocating the cost of the business combination to the fair value of the assets, liabilities and contingent liabilities acquired at the acquisition date and including the results of the acquired company from the acquisition date to the balance sheet date.

The profits and equity of non-controlling interests represent the portion of profit or loss or equity relating to net assets not held by the Group and are shown as a distinct item in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet, separate from the Group's profits and equity.

In the half-year to 30th June 2012 the Brunello Cucinelli Group did not hold any capex in associates (associates in which the Group holds at least 20% of the voting rights or otherwise exerts significant influence, but not control or joint control, over financial and operational policies) or joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, as per IAS 31).

The following table summarizes information for subsidiaries at 30th June 2012 concerning the company's name, its registered office and the percentage of share capital held directly or indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Capital in currency units	Percentage holding	
				Direct	Indirect
Brunello Cucinelli USA, Inc.	Brewster (NY) – USA	US dollar	1,500	100%	
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100%	
Brunello Cucinelli Marittima S.r.l.	Forlì (FC)– Italy	Euro	20,000		51.00%
Brunello Cucinelli Belgium S.p.r.l.	Brussels – Belgium	Euro	20,000		51.00%
Brunello Cucinelli Blue Flannel SA	Brussels – Belgium	Euro	61,973		50.98%
Brunello Cucinelli France S.a.r.l.	Paris – France	Euro	200,000	2.00%	98.00%
Brunello Cucinelli Gmbh	Munich – Germany	Euro	200,000	2.00%	98.00%
Brumas Inc.	Brewster (NY) – USA	US dollar	5,000		51.00%
Cucinelli Holding Co. LLC	Brewster (NY) – USA	US dollar	1,182,967		70.00%
Cucinelli Retail New York LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli East Hampton LLC	Brewster (NY) – USA	US dollar	2,500		70.00%
Cucinelli Beverly Hills LLC	Brewster (NY) – USA	US dollar	5,000		70.00%
Cucinelli Retail Woodbury Commons LLC	Brewster (NY) – USA	US dollar	510		70.00%
Cucinelli Retail Madison LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli Retail Bal Harbour LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli Retail Las Vegas LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli Retail South Coast Plaza LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli Retail Orlando LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Cucinelli Retail Desert Hill LLC	Brewster (NY) – USA	US dollar	(*)		70.00%
Brunello Cucinelli Retail Spain S.L.	Madrid – Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Capri S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Brunello Cucinelli Suisse SA	Lugano – Switzerland	Swiss franc	200,000	2.00%	98.00%
Max Vannucci S.r.l.	Perugia – Italy	Euro	118,000		51.00%
Brunello Cucinelli Japan Co. Ltd	Tokyo – Japan	Japanese yen	10,000,000		75.00%
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany	Euro	200,000		70.00%
Brunello Cucinelli Netherlands B.V.	Amsterdam – Holland	Euro	200,000	2.00%	98.00%

(*): Share capital is zero as permitted by US company law.

The main changes in the scope of consolidation during the first half of 2012 were as follows:

- In January 2012 the Company acquired a 75% share in Brunello Cucinelli Japan Co., Ltd., pursuant to an agreement signed between Brunello Cucinelli S.p.A. and Itochu Corporation, a Japanese company which, on the basis of previous agreements, already operated as exclusive importer and distributor for Japan of Brunello Cucinelli brand products. The remaining 25% stake is held by Itochu Corporation.
- As part of its development in the German market, the Group has set up Brunello Cucinelli Retail Deutschland GmbH, 70% owned by Brunello Cucinelli Europe S.r.l. and 30% by Michael Meyer – the

Group's commercial partner in Germany. The newly-formed subsidiary's mission is to manage the Group's DOS in Germany (Monaco being the only exception), including the store in Hamburg which was previously operated under a franchise agreement.

- Brunello Cucinelli Netherlands B.V. was established on 13th March 2012; this company is wholly owned by the Group through Brunello Cucinelli Europe S.r.l. which holds 98% and Brunello Cucinelli S.p.A. which holds 2%. The newly-formed company manages the new DOS in Amsterdam, which was opened on 30th June 2012.
- In order to unify the names of the companies forming part of the Group, during the half-year the formal names of the companies Marittima S.r.l., Bruxelles Cashmere S.p.r.l., Cashmere Paris S.a.r.l., Cashmere Spagna S.L., Cashmere Capri S.r.l. and Cashmere Suisse SA were changed to Brunello Cucinelli Marittima S.r.l., Brunello Cucinelli Belgium S.p.r.l., Brunello Cucinelli France S.a.r.l., Brunello Cucinelli Retail Spain S.L., Brunello Cucinelli Capri S.r.l. and Brunello Cucinelli Suisse SA. respectively.

3. ACCOUNTING STANDARDS

3.1 INTRODUCTION

The condensed consolidated financial statements for the first half of 2012 have been prepared in accordance with international accounting standard IAS 34 **Interim Financial Reporting**. The condensed consolidated half-year financial statements do not include all the information required for the annual financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December 2011.
There have been no changes in the process for determining the estimates and assumptions used in the preparation of the annual financial statements.
The accounting principles and policies used by the Group in the preparation of the condensed consolidated half-year financial statements at 30th June 2012 are consistent with those used to prepared the annual financial statements at 31st December 2011 and reflect the adoption of any new or revised standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applied from 1st January 2012 as discussed below.

3.2 CHANGES IN ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES IN ESTIMATE AND RECLASSIFICATIONS

No accounting standards, amendments or interpretations applicable from 1st January 2012 led to any effects on the Group's condensed consolidated half-year financial statements.

On 7th October 2010, the IASB issued certain amendments to IFRS 7 **Financial Instruments: Disclosures – Transfers of Financial Assets** which are applicable for the Group from 1st January 2012. The amendments allow users of financial statements to improve their understanding of transfer transactions of financial assets (derecognition), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Adopting these amendments had no effect on the disclosures provided in these condensed consolidated half-year financial statements or the measurement of the relative items.

In addition, at the date of the this half-year financial report, the competent bodies of the European Union had not yet completed the process required for the approval of certain accounting standards and amendments which accordingly have not been applied in these condensed consolidated half-year financial statements.

3.3 DISCRETIONAL ASSESSMENTS AND VALAUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Preparing the condensed consolidated half-year financial statements requires the holding company's directors to make discretional assessments and valuations, estimates and assumptions affecting the amounts of revenues, costs, assets and liabilities and disclosures about contingent liabilities at the balance sheet date. The actual results may differ from those estimates. The main estimation and discretional assessment and valuation processes regard the recognition and measurement of the following items in the financial statements.

Deferred tax assets
Deferred tax assets are recognized to take account of tax losses carried forward and deductible temporary differences between the values of assets and liabilities in the financial statements and the corresponding tax values, to the extent that future taxable profits will probably be available against which these losses can be offset. A discretional assessment is required to directors to determine the amount of deferred tax assets that can be recognized, which is based on an estimate of the likely timing and amount of future taxable profits.

Liabilities for employees termination indemnity (employees' termination indemnity – "TFR") and provisions for supplementary termination indemnity due to agents
The measurement of the employees' termination indemnity (T.F.R.) and the provision for the supplementary indemnity due to agents, for the Group's Italian companies, is made using actuarial valuations. This actuarial evaluation requires that a number of assumptions be made about discount rates, future salary increases (only for the employees termination indemnity), staff turnover and mortality rates. Because of the long-term nature of these plans, the related estimates are subject to a significant degree of uncertainty.

Provision for bad debts
The provision for bad debts represents the best estimate made by management, on the basis of information available at the time of preparing this report, in order to bring the value of the receivables into line with their estimated realisable value.

3.4 TRANSLATION OF FINANCIAL STATEMENTS IN A CURRENCY OTHER THAN THE EURO AND ITEMS IN FOREIGN CURRENCY

The consolidated financial statements are presented in euro, the functional and presentation currency adopted by the Company. Each Group entity establishes its functional currency which it uses to measure the items included in the individual financial statements. Transactions in foreign currency are initially recognized at the exchange rate (referred to the functional currency) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rate at the balance sheet date.
All exchange differences are recognized in profit or loss.
Non-monetary items, measured at historic cost in foreign currency, are translated at the exchange rates at the date of the initial recognition of the transaction.
The financial statements of foreign companies being consolidated are translated into euro using the current exchange rate method by which balance sheet items are translated using the exchange rate at the balance sheet date and income statement items are translated using the average exchange rate for the year or period.
The exchange differences arising from the translation are recognized directly in equity and presented in a separate reserve. On the sale of a foreign company, the cumulative exchange differences in equity are recognized in profit or loss.
The following table sets out the exchange rates used for calculating the amounts in euro that are expressed in foreign currency in the financial statements of subsidiaries (currency amount per euro):

	Average exchange rates Half-year to		Closing exchange rates		
	30.06.2012	30.06.2011	30.06.2012	31.12.2011	30.06.2011
US dollar	1.296469	1.403245	1.2590	1.2939	1.4453
Swiss franc	1.204827	1.269432	1.2030	1.2156	1.2071
Japanese yen	103.310236	(*)	100.1300	(*)	(*)

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

3.5 THE SEASONAL OR CYCLICAL NATURE OF INTERIM OPERATIONS

While not subject to sharp seasonal or cyclical variations during the year in total annual sales, the Group's business is affected, in the course of the various quarters of the year, by revenues and costs that are not perfectly homogeneous owing primarily to industrial operations. In addition the market in which the Group operates is characterized by seasonal changes typical of retail sales.
Consequently, the analysis of the half-year results and financial and profitability indicators cannot be considered as fully representative, and therefore it is not advisable to consider the period indicators for the half-year as a proportional share of the full year.

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

NOTE 1. Intangible assets

The composition of intangible assets at 30th June 2012 with comparative figures at 31st December 2011 is as follows:

(In thousands of euro)	**30.06.2012**	**31.12.2011**	**Change**
Concessions, licences, trade marks and similar rights	945	761	184
Key money	11,026	10,847	179
Other intangible assets	172	199	(27)
Assets under formation and advances	951	–	951
Total intangible assets	**13,094**	**11,807**	**1,287**

Details of cost, accumulated amortization and the net book value of intangible assets at 30th June 2012 with comparative figures at 31st December 2011 are as follows:

(In thousands of euro)	**30.06.2012**			**31.12.2011**		
	Cost	**Accum. amort.**	**Net book value**	**Cost**	**Accum. amort.**	**Net book value**
Concessions, licences, trade marks and similar rights	2,312	(1,367)	**945**	1,945	(1,184)	**761**
Key money	14,941	(3,915)	**11,026**	13,987	(3,140)	**10,847**
Other intangible assets	393	(221)	**172**	394	(195)	**199**
Assets under formation and advances	951	–	**951**	–	–	–
Total intangible assets	**18,597**	**(5,503)**	**13,094**	**16,326**	**(4,519)**	**11,807**

This item consists mainly of the key money paid to take over contracts relating to commercial properties situated in prestigious locations (€ 11,026 thousand for the half-year to 30th June 2012 and € 10,847 thousand for the period ended 31st December 2011).

Changes in the net book value of intangible assets for the half-year to 30th June 2012 were as follows:

(In thousands of euro)	**Concessions, licences, trademarks and similar rights**	**Key money**	**Other intangible assets**	**Assets under formation and advances**	**Total intangible assets**
1st January 2012	**761**	**10,847**	**199**	**–**	**11,807**
Purchases	367	916	–	951	2,234
Net decreases	–	–	–	–	–
Translation differences	–	34	–	–	34
Amortization charge	(183)	(771)	(27)	–	(981)
30th June 2012	**945**	**11,026**	**172**	**951**	**13,094**

Increases for the period consist mainly of key money paid by the Brunello Cucinelli Group (€ 916 thousand). At 30th June 2012 there were also advances of € 951 thousand again relating to key money.
No indications of any impairment of intangible assets emerged during the first half of 2012.