



BRUNELLO CUCINELLI

Press Release

BRUNELLO CUCINELLI: the Board of Directors has approved the 2015 Half Year Financial Report

- **Net revenues of € 200.3 million, +13.9% at current exchange rates compared to 30th June 2014;**
- **EBITDA € 33.4 million, +11.8%¹;**
- **Net income € 15.5 million, +2.7%¹;**
- **Growth in all geographical areas: International Markets +17.1%, Italy +1.8%;**
- **Positive trend in sales in all markets: North America +25.8%, Europe +5.3%, Greater China +14.5%, Rest of the World +36.0%;**
- **Sales increase in all distribution channels: retail monobrand +36.0%, wholesale monobrand +0.6% (+4.1% excluding conversions to the direct channel), wholesale multibrand +2.2%;**
- **Investment projects: capex of € 20.7 million in the first half of 2015 (€ 37.9 million invested over the past 12 months), as part of the Company's significant 2013-2015 three year plan, in the range of € 118 million, geared towards the exclusivity of its positioning and presence in key locations and the development of its production, technological and IT infrastructure;**
- **Net debt of € 78.3 million at 30th June 2015, due to the current key investment plan, the exclusive extension of the Company's presence in leading locations and the seasonality of the business.**

Brunello Cucinelli, Chairman and CEO, commented as follows:

"We are very satisfied with this first half of the year. We see these numbers as "excellent", and since two thirds of the year have already gone by, we can envisage a beautiful year end. We are about to complete the significant 2013-15 three-year investment plan, which has enabled us to strengthen our company for the years to come.

The Spring/Summer 2016 sales campaign is drawing to a close, reporting particularly positive results. Collections have received excellent feedback. Based upon this, we can envisage a very interesting 2016 too, with double-digit growth.

We are deeply convinced, with a sense of responsibility but also with extreme serenity, that our company's business strategy – based on apparel products featuring high quality, craftsmanship, manual work, exclusivity, elegance and contemporary character – will still be the keystone making our Made in Italy always appreciated, sought after and leading worldwide."

¹ The comparison is with normalized EBITDA and net income for the first half of 2014, meaning excluding the extraordinary items posted in the first 6 months of last year.



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Solomeo, 26th August 2015 – The Board of Directors of Brunello Cucinelli S.p.A. – an Italian maison operating in the luxury goods sector, listed on the Borsa Italiana Electronic Stock Exchange – today examined and approved the 2015 half year financial report.

The sales trend in the first half of the year, announced earlier on 16 July when revenues were published, confirms the highly positive atmosphere surrounding the brand and the sustainability over the very long term of the absolute luxury offer, as always founded on exclusivity, uniqueness, supreme quality, craftsmanship and Made in Italy.

In addition to the sustainability of its sales growth project, the Company's results for the first half of 2015 confirm and support the sustainability of a healthy profitability, consistent with the **prêt-à-porter** proposal of top-quality products, the expression of **Made in Italy** craftsmanship, with a constant respect of both a moral and economic nature being shown for such artisan craftwork and the end customer.

Sales Performance and Revenues by Geographical Area

Net revenues for the six months ended 30th June 2015 rose to € 200.3 million, an increase of 13.9% (+9.3% at constant exchange rates) over the figure of € 175.8 million posted in the first half of 2014, as previously announced following the meeting of the Board of Directors on 16th July.

Revenues including other operating income totaled € 200.6 million, a rise of 13.3% over the € 177.0 million achieved in the corresponding period of the previous year, which included a capital gain² of € 0.8 million in other operating income.

Excluding that capital gain, revenues rose by 13.8%.

North American market – growth in revenues of 25.8% (€ 69.7 million compared to € 55.4 million in the first half of 2014, representing 34.8% of the total).

European market – revenues rose by 5.3% (€ 63.2 million compared to € 60.0 million in the first half of 2014, representing 31.6% of the total).

Greater China – growth in sales of 14.5% to reach € 11.9 million in the first half of 2015, compared to € 10.4 million in the first half of 2014, maintaining a contained proportion of 5.9% of the total.

Rest of the World – sales rose by 36.0% in the first half of 2015³, equal to € 18.7 million (representing 9.3% of the total), compared to € 13.7 million in the first half of 2014.

Italian market – sales of € 36.9 million, representing 18.4% of the total, a rise of 1.8% over the figure of € 36.3 million for the first half of 2014, confirming the positive growth achieved in previous quarters.

² The sale of a property in the first half of 2014 that led to the recognition of a capital gain of € 755 thousand in other operating income.

³ The results are affected by the conversion of the business in Japan to the retail channel, with the transfer of 3 wholesale monobrand boutiques and 13 sales points in the most important Luxury Department Stores from wholesale multibrand operations to direct operations from 1st September 2014.

In particular, the first half of 2014 was mainly characterized by the delivery of the spring/summer collection to wholesale monobrand and multibrand customers (sell-in), while in the first half of this year the same deliveries contributed as the sell-out turnover of the converted spaces.



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Revenues by Distribution Channel

Retail monobrand channel - an increase in sales of 36.0%, reaching € 84.8 million in the first half of 2015 (€ 62.4 million in the first half of 2014), representing 42.3% of total revenues (35.5% in the six months ended 30th June 2014).

*Like for Like*⁴ sales in the direct distribution network increased by 5.1% in the first 33 weeks of 2015 (from 1st January to 16th August 2015), consistent with the dynamics of the previous quarters and the sustainability of long-term growth.

The direct monobrand network consisted of 79 boutiques at 30th June 2015 (65 boutiques at 30th June 2014) following 11 net openings and 3 conversions in Japan from the wholesale monobrand network over the past 12 months.

The conversions of the 13 sales points in Japan to direct management from 1st September 2014 made a positive contribution to sales.

Wholesale monobrand channel – revenues of € 22.0 million (11.0% of the total), with performance increasing by 0.6% over the figure of € 21.8 million for the first half of 2014 (12.4% of total revenues), affected by the conversions to the direct channel; excluding these conversions, sales in the wholesale monobrand network rose by 4.1%.

The wholesale monobrand network consisted of 36 boutiques at 30th June 2015 (37 boutiques at 30th June 2014) after the 3 conversions to the direct channel (3 boutiques in Japan) and the 2 openings taking place over the past 12 months.

Multibrand sales channel – a rise of 2.2% in sales, which reached € 93.6 million (46.7% of total revenues), compared to € 91.6 million in the first half of 2014 (52.1% of total sales); the result was affected by the conversion of the 13 dedicated spaces in the Japanese Luxury Department Stores from the multibrand channel to the retail channel from 1st September 2014.

The Monobrand Channel Network

At 30th June 2015 the monobrand network consisted of 115 boutiques (102 boutiques at 30th June 2014), with 13 net openings taking place over the past 12 months; there were 105 boutiques at 31st December 2014.

The direct monobrand network consisted of 79 boutiques at 30th June 2015 (65 boutiques at 30th June 2014) following 11 net openings and 3 conversions from the wholesale monobrand network over the past 12 months; the network consisted of 71 boutiques at 31st December 2014.

The wholesale monobrand network consisted of 36 boutiques at 30th June 2015 (37 boutiques at 30th June 2014) after 2 openings and 3 conversions over the past 12 months; there were 34 boutiques at 31st December 2014.

Analysis of Operating Results and Net Income

EBITDA amounted to € 33.4 million (representing 16.6% of revenues), a rise of 11.8% over the result of € 29.9 million for normalized EBITDA⁵ for the first half of 2014 (16.9% of revenues).

⁴ Like for Like in 2015 represents the increase in revenues at constant exchange rates achieved by the DOS existing at 1st January 2014.

⁵ The sale of a property in the first half of 2014 that led to the recognition of a capital gain of € 755 thousand as other operating income.



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If the above-mentioned capital gain is included in the result for EBITDA for the six months ended 30th June 2014, EBITDA for the first half of 2015 increased by 9.0% over the figure of € 30.6 million for the first half of 2014 (17.3% of revenues).

Business development, LFL growth and the channel mix all had a positive effect on margins, with direct channel sales increasing from 35.5% to 42.3% of the total.

The retail network consisted of 79 direct boutiques at 30th June 2015 (65 boutiques at 30th June 2014, with 11 openings and 3 conversions from the wholesale monobrand network taking place over the past 12 months), to which should be added the 13 directly operated hard shop in Japan as the result of the conversion from the wholesale channel on 1st September 2014.

Operating costs (which rose from 43.0% to 47.3% of sales⁶) increased together with business growth, the openings and conversions to the direct channel and the change to retail management of the business in Japan. The increase in operating costs is also related to the opening and enlargement of spaces in the most prestigious locations and in the most important Luxury Department Stores, the renegotiation of expiring rental contracts and the opening and renovation of a number of show-rooms in the world's leading cities.

Rental expense rose from € 12.6 million (7.2% of revenues) to € 22.0 million (11.0% of revenues), an increase of 74.2%, while payroll costs increased by 22.3% from € 29.4 million (16.7% of revenues) to € 36.0 million (17.9% of revenues).

As stated, the increase in rental expense does not only arise as the result of new openings but also due to the repositioning and extension of some of the most important boutiques and the renegotiation of certain expiring contracts, in a context where the property market is appreciating in the most exclusive locations.

The rise in payroll costs is driven by the hiring of personnel over the past 12 months, which mainly involved staff in the new boutiques, the new show-rooms (open in the second half of 2014) and the new organizational structure for managing the business in Japan. Over the past 12 months the number of full-time equivalent staff (FTEs) rose from 1,171 to the present 1,352.

Operating cost leverage remained positive, with the relative proportion of revenues falling from 19.1% for the six months ended 30th June 2014 to the present 18.4%, despite the significant and constant investments made in communications which rose by 6.6% from € 9.0 million in the first half of 2014 to € 9.6 million in the corresponding period this year.

Depreciation and amortization amounted to € 8.5 million (4.3% of revenues), a rise of 35.0% over the € 6.3 million for the six months ended 30th June 2014 (3.6% of revenues), in a context where investments were being made over the past 12 months as part of the key 2013-2015 three-year plan and depreciation on the investment made to double the production facility at Solomeo was charged from the end of 2014.

Net financial expense rose from € 1.3 million (0.7% of revenues) to € 2.5 million (1.3% of revenues), in an overall situation where the average debt increased.

The tax rate decreased from 32.1% in the six months ended 30th June 2014 to the present 30.5%, with the tax charge dropping to € 6.8 million (€ 7.4 million in the first half of 2014). Such decrease is mainly due to the reduction in IRAP regional production tax, from which the Company was able to obtain a significant benefit thanks to the fact that the majority of its profits are taxed in Italy.

⁶ Operating costs for the first half of 2014 are calculated as a proportion of revenues by excluding the capital gain realized in that period.



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Net income rose by 2.7% to reach € 15.5 million compared to normalized net income⁷ of € 15.1 million in the first half of 2014.

Including the above-mentioned capital gain in the result for the six months ended 30th June 2014, net income for the first half of 2015 was essentially in line with that of last year.

Balance Sheet

Working capital totaled € 122.5 million at 30th June 2015 (32.2% of turnover for the past 12 months), compared to € 96.7 million at 30th June 2014 (28.4%).

This change is mainly due to variations in inventories, which rose from € 107.3 million at 30th June 2014 to the present € 141.9 million.

This increase arises from the growth of the business, the developments that have taken place in the direct monobrand store network (79 boutiques at 30th June 2015, with 11 openings and 3 conversions over the past 12 months) and the direct management of the business in Japan from 1st September 2014 (which it is recalled consists of 3 direct boutiques and 13 spaces in Luxury Department Stores).

Comparing the inventory balance at 30th June 2015 (€ 141.9 million) with that at 31st March 2015 (€ 127.6 million), it can be seen that there was a smaller increase than between 31st March 2014 (€ 91.5 million) and 30th June 2014 (€ 107.3 million).

Trade receivables amounted to € 64.9 million at 30th June 2015 (€ 60.1 million at 30th June 2014), while trade payables fell from € 62.5 million at 30th June 2014, to the present € 59.8 million.

In line with the changes already noted in the first quarter, the increase in inventories is partially offset by the variation in "Other net assets/liabilities", which amounted to € 24.4 million at 30th June 2015 compared to € 8.2 million at 30th June 2014; this increase mainly arises from the fair value⁸ of outstanding hedging derivatives.

Net Financial Position and Capex

The Company's net financial position was € 78.3 million at 30th June 2015 (€ 42.6 million at 31st December 2014), compared to € 46.1 million at 30th June 2014 (€ 16.1 million at 31st December 2013), consistent with the seasonality of the business and the 2013-2015 multi-year investment project worth in the range of € 118 million.

Capex in the past 12 months amount to € 37.9 million, of which € 20.7 million relates to investments made in the first 6 months of 2015 compared to € 22.4 million in the first 6 months of 2014.

Commercial investments of € 14.8 million were made in the six months ended 30th June 2015, (€ 10.2 million in the six months ended 30th June 2014), most of which relating to the opening of selected boutiques, the extension of certain selling spaces in existing boutiques and new spaces in the most prestigious Luxury Department Stores and show-rooms.

⁷ The sale of a property in the first half of 2014 that led to the recognition of a capital gain of € 755 thousand as other operating income.

⁸ The change in other net assets/liabilities arises from the measurement at fair value of the derivative instruments hedging the exchange rate risk deriving from commercial transactions in foreign currency. In this respect, it is noted that the Group accounts for these instruments using cash flow hedge accounting.



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Investments relating to production and logistics amounted to € 5.9 million (€ 12.2 million in the six months ended 30th June 2014), mainly as support for the technological-digital platform.

The project for the strengthening and development of the technological platform, which includes the brand's digital presence, began in 2014 and will be completed in 2017, while the other important and strategic project relating to the doubling of the production facility at Solomeo was developed in 2014, with full usage starting from December 2014.

The manager in charge of preparing the corporate accounting documents, Moreno Ciarapica, declares pursuant to and to the effects of article 154-bis, paragraph 2 of Legislative Decree no. 58 of 1998 that the disclosures included in this release correspond to the balances on the books of account and the accounting records and entries.

Pursuant to article 154-ter, paragraph 2 of Legislative Decree no. 58 of 1988, the Half year Financial Report at 30th June 2015, approved by the Board of Directors as of today's date, is made available at the Company's registered office and made available to the public in the section "Financials - Financial reports" of the Company's website (<http://investor.brunellocucinelli.com>).

This documentation is also available on the website of Borsa Italiana S.p.A. and on the website of the authorized "eMarket Storage" storage system (www.emarketstorage.com).

The Analysts' Presentation of the results at 30th June 2015 in pdf format may be found in the "Financials - Presentations" section of the Company's website <http://investor.brunellocucinelli.com/it/servizi/archivio-generale/investor/presentazioni>.

This document may contain forward-looking statements on future events regarding the Brunello Cucinelli SpA Group and its operating, economic and financial results. By their nature these forecasts contain an element of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual figures could differ, even materially, from those stated for a variety of reasons.

Brunello Cucinelli S.p.A. is an Italian maison operating in the absolute luxury goods sector which specializes in cashmere and is now one of the most exclusive brands in the international informal luxury **prêt-à-porter** sector, the expression of *everyday luxury*.

Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, posted a net turnover of € 355.9 million in 2014 (+10.4% compared to the previous year), of which 80.8% was achieved overseas, and an EBITDA of € 63.0 million (up by 8.4% over 2013), and currently has over 1,300 employees. Brunello Cucinelli's success is rooted in the history and legacy of great craftsmanship as well as in modern design: a quality strategy founded on a combination of innovation and artisan skill.

The attention and care taken in manufacturing the product are expressed through the use of the highest quality raw materials, tailoring and **craftsmanship** of exclusively **Made in Italy** production, combined with *savoir faire* and **creativity**; all of this makes the Solomeo-based company one of the most exclusive testimonials of Italian **lifestyle** worldwide.

Company business has always been conducted in the medieval hamlet of Solomeo, on the outskirts of Perugia. Today the brand is distributed internationally in over 60 countries through 115 monobrand boutiques in leading capitals and cities worldwide and in the most exclusive resorts, with a significant presence in approximately 650 selected multibrand stores, including leading luxury department stores.



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The financial statements are attached



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2015

	June 30, 2015	<i>related parties</i>	December 31, 2014	<i>related parties</i>	June 30, 2014	<i>related parties</i>
Non-current assets						
Intangible assets	32,579		29,649		30,233	
Property, plant and equipment	90,376	12,510	80,157	11,475	69,823	9,992
Other non-current financial assets	5,785	32	4,786	32	3,972	41
Deferred tax asset	18,475		13,307		12,890	
Total non-current assets	147,215		127,899		116,918	
Current assets						
Inventories	141,852		125,114		107,278	
Trade receivables	64,913	7	45,051	31	60,112	6
Tax receivables	1,637		1,023		2,496	
Other receivables and other current assets	14,010		14,873		12,652	
Other current financial assets	96		44		38	
Cash and cash equivalents	57,180		53,635		43,626	
Derivative financial instruments	481		495		200	
Total current assets	280,169		240,235		226,402	
Total assets	427,384		368,134		343,320	
Shareholders' equity						
Shareholders' equity attributable to parent company shareholders						
Share capital	13,600		13,600		13,600	
Share-premium Reserve	57,915		57,915		57,915	
Reserves	84,101		60,182		62,261	
Net income for the period	17,449		33,060		16,618	
Total shareholders' equity attributable to owners of the parent	173,065		164,757		150,394	
Shareholders' equity attributable to non-controlling interests						
Capital and reserves attributable to non-controlling interests	7,731		6,841		6,427	
Net income for the period attributable to non-controlling interests	(1,936)		(1,273)		(993)	
Total shareholders' equity attributable to non-controlling interests	5,795		5,568		5,434	
Total shareholders' equity	178,860		170,325		155,828	
Non-current liabilities						
Employees termination indemnities	3,137		3,310		3,286	
Provisions for risks and charges	671		947		813	
Non-current payables towards banks	54,897		42,450		30,767	
Non-current financial debt	2,832		2,663		3,529	
Other non-current liabilities	6,677		4,908		3,823	
Deferred Tax liabilities	2,112		3,280		3,786	
Non-current derivative financial instruments	302		467		329	
Total non-current liabilities	70,628		58,025		46,333	
Current liabilities						
Trade payables	59,823	243	62,185	625	62,501	1,365
Current payables towards banks	75,561		48,709		54,726	
Current financial liabilities	1,596		1,682		146	
Income tax payables	13,628		1,152		5,214	
Current derivative financial instruments	7,506		6,244		484	
Other current liabilities	19,782		19,812		18,088	
Total current liabilities	177,896		139,784		141,159	
Total liabilities	248,524		197,809		187,492	
Total equity and liabilities	427,384		368,134		343,320	



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CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2015

	June 30, 2015	related parties	June 30, 2014	related parties
Net revenues	200,332	6	175,811	6
Other operating income	316	19	1,219	772
Revenues	200,648		177,030	
Costs of raw materials and consumables	(29,193)	(12)	(28,216)	(33)
Costs for services	(100,217)	(1,032)	(87,151)	(879)
Payroll costs	(35,956)	(145)	(29,397)	(123)
Other operating (expenses)/revenues, net	(2,112)		(1,272)	(6)
Costs capitalized	558		457	
Depreciation and amortization	(8,532)		(6,322)	
Impairment of assets and other accruals	(344)		(833)	
Total operating costs	(175,796)		(152,734)	
Operating Income	24,852		24,296	
Financial expenses	(18,261)		(3,036)	
Financial income	15,719		1,748	
Income before taxation	22,310		23,008	
Income taxes	(6,797)		(7,383)	
Net income for the period	15,513		15,625	
Net income for the period attributable to owners c	17,449		16,618	
Net income for the period attributable to non-cont	(1,936)		(993)	
Base earnings per share	0.25660		0.24438	
Diluted earnings per share	0.25660		0.24438	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	June, 30	
	2015	2014
Net income for the period	15,513	15,625
Effects with possible future impact on the income statement	1,069	(451)
Profit/(Loss) from fair value adjustments related to hedging instruments	(522)	(917)
Tax Effect	143	252
Total Profit/(Loss) from fair value adjustments related to hedging instruments	(379)	(665)
Exchange differences on translation of foreign operations	1,448	214
Effects that do not have future impact on the income statement	114	(69)
Profit / (loss) from effects of employee benefit remeasurement	157	(95)
Tax Effect	(43)	26
Total other profit/(loss), net of taxation	1,183	(520)
Total net comprehensive income, net of taxation	16,696	15,105
<i>Attributable to:</i>		
Owners of the parent	18,501	16,091
Non-controlling interests	(1,805)	(986)



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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH JUNE 2015

	June 30, 2015	June 30, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	15,513	15,625
<i>Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:</i>		
Depreciation and amortization	8,532	6,322
Provisions for employees termination indemnities	9	115
Provisions for risks and charges / inventory obsolescence / doubtful accounts	335	675
Change in other non-current liabilities	1,377	1,767
(Gain)/Loss on disposal of Fixed assets	29	(722)
Termination indemnities payments	(25)	(101)
Payments of Provisions for risks and charges		(130)
Net change in deferred tax assets and liabilities	(6,109)	(2,595)
Change in fair value of financial instruments	590	813
<i>Changes in operating assets and liabilities:</i>		
Change in trade receivables	(19,719)	(17,313)
Change in inventories	(12,957)	(11,668)
Change in trade payables	(6,978)	(1,960)
Change in other current assets and liabilities	12,360	1,533
Net cash provided by/(used in) operating activities	(7,043)	(7,639)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(14,970)	(14,913)
Additions to intangible assets	(4,602)	(2,804)
Additions/(disposals) of financial assets	(1,111)	(531)
Acquisition of SAS White Flannel , net of cash acquired		(549)
Acquisition of Pearl Flannel S.p.r.l., net of cash acquired		(443)
Acquisition of d'Avenza Fashion S.p.A. , net of cash acquired		(84)
Proceeds from disposal of property, plant and equipment	479	2,063
Net cash provided by/(used in) investing activities	(20,204)	(17,261)
CASH FLOW FROM FINANCING ACTIVITIES		
Medium/Long-term loans received	27,255	39,888
Repayment of medium/long-term loans	(21,658)	(13,308)
Net change in short-term financial debt	32,344	7,817
Net change in long-term financial debt	30	
Dividends paid	(8,209)	(7,955)
Share capital and reserves increase	47	3,335
Net cash provided by/(used in) financing activities	29,809	29,777
TOTAL CASH FLOW FOR THE PERIOD	2,562	4,877
Effect of exchange rate changes on cash and cash equivalents	983	73
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	53,635	38,676
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	57,180	43,626
Additional information:		
Interest paid	1,191	892
Income tax paid	1,472	7,793