



BRUNELLO CUCINELLI

PRESS RELEASE

BRUNELLO CUCINELLI: the Board of Directors has examined the Group's revenues for the first 9 months of 2017.

- Net revenues of €384.2 million, +10.3% at current exchange rates compared to 30 September 2016;
- Considerable growth in international markets and on the Italian market of 10.4% and 9.8% respectively;
- Europe +10.4%, North America +6.3%, Greater China +37.7%, Rest of the World +8.0%;
- Increase in sales in all the distribution channels: retail +19.8%, normalized wholesale monobrand +3.0%¹, wholesale multibrand +7.7%.

Brunello Cucinelli, Chairman and CEO, commented as follows:

"We have almost reached the end of this most interesting 2017, a year that we would like to define as particularly satisfying in terms of both financials and brand image, positioning and credibility. Sales of the winter collections are proceeding very very well, so we can say with confidence that we will deliver double-digit growth in terms of both revenues and profits."

"The order intake for Spring/Summer 2018 was also very good in terms of both numbers and image. Our customers and the international press both delivered an excellent feedback on the collections. As a result, we assume that 2018 will be another very important year with healthy double-digit growth in terms of both revenues and profits."

"The digital world, ever so fascinating and partly still unexplored, keeps providing food for thought on how we can possibly "humanise" our relationship with the web so that it does not steal the soul that the Creation has given to us."

¹ Performance based on the same perimeter, excluding from the first 9 months of 2016 the sales made by the 4 wholesale monobrand boutiques in Moscow and by our online boutique which were converted to direct operations from the first quarter of 2017 (the reported result fell by 25.9%).



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Solomeo, 14 November 2017 - The Board of Directors of Brunello Cucinelli S.p.A. – an Italian *maison* operating in the luxury goods sector and listed on the Borsa Italiana Electronic Stock Exchange (MTA) – today examined the Group’s revenues for the first 9 months of 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The sales figures form part of the Group’s **long-term growth project**, confirming the **sustainability of its business model**, within the sphere of what we believe will be one of the greatest challenges of the next few years: **protecting the brand in both the physical and online world**, attempting to “**humanize the internet**” and interpreting our presence in the digital world as “**humanist artisans of the web**”.

Our Online Boutique

(Humanist Artisans of the Web)

The results obtained until now by our online boutique, operated directly since January 2017, are very, very positive, likewise the especially important and amiable comments we have received from customers and also from partners, suppliers and the press.

The development of our “**online**” presence is conceived and governed with the aim of remaining **exclusive** in a constantly changing environment, where it could be extremely easy for our offer to be diluted and conform to the norm and where daily “**brand protection**” remains fundamental, having the intention of working on the internet with the same care that we have always used in approaching the physical world.

We believe that considerable attention and the ability to listen are needed to grow on the web, day by day, and that is why we consider our online boutique to be the most important international shop window for us and one that we would like to fully represent our taste and lifestyle.

As in the physical world we give a great deal of attention in our “online” shop window to **visual merchandising**, with a regular change of outfits, and to **care in every smallest detail**, essential for a luxury offer.

A “**courteous and direct**” and we hope also “**human**” **relationship** with our end customers is of absolute importance; we would always like them to feel at ease without being constantly bombarded with irrelevant emails aiming to push purchases which could distance them permanently from affection for the brand and weaken its allure.

We use the same approach when sending out our highly selected newsletters, considering the requirements and specific nature of each individual customer, and when sending out personalized notes written by hand, which may also include one or two exclusive proposals linked to the product and lifestyle as well as the latest news about the hamlet of Solomeo and our local area.

Considerable attention is given to the packaging in which clothes are delivered, so that the online purchaser may also experience the exclusivity of our brand, the craftsmanship, the manual skill and the flavors of our land.



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Sales performance

Net sales at 30 September 2017 rose by 10.3% to reach €384.2 million compared to €348.4 million last year (a rise of 9.8% at constant exchange rates); significant growth was achieved in all geographical areas and all distribution channels.

Italian market – a very handsome rise of 9.8% in revenues which reached €70.6 million compared to last year's €64.3 million (18.4% of the total, remaining unchanged).

Growth was very positive in all channels, retail monobrand, wholesale monobrand and multibrand, which we believe to be of prime importance given the role that we have always assigned to the Italian market as an extremely important shop window for the brand and its **prêt-à-porter**, **chic** and **contemporary** proposal – which we think may be considered as a symbol of **Made in Italy**, a reference point for luxury especially for **daytime** wear.

Results that may be considered excellent were posted by our largest “**physical**” boutique opened in Via Montenapoleone, Milan in January 2017, which we believe has been successful in combining the desire to transfer the imagery and atmosphere of “*our land*” with “*our way of living and working*”, contributing to heightening the brand's allure.

European market – growth of 10.4%, with revenues reaching €116.1 million compared to €105.2 million last year, representing 30.2% of the total.

The upwards trend in sales is essentially homogenous in all markets, with increases being seen in both the monobrand and multibrand channels, supported by **local customers** and **top-end tourists**, both of which are on the increase.

More specifically the positive trend in top-end tourism is supported by the search for “**unique**” **products** by customers visiting Europe for pleasure or on business.

In this way our customers have the possibility to go shopping in the leading fashion capitals of the world, finding a clothing proposal that thanks to the **significant breadth and depth of our collections** enables them to have items at their disposal that they might not find in other boutiques and vice versa.

We believe that the special relationship that we have always sought to create with our customers is supported by the ever courteous and respectful way in which we work with them, acting as “**friendly advisors**” in suggesting new items of clothing which they can wear together with something they already have in their wardrobes or creating a specific outfit for the needs of each single customer.

North American market – a noteworthy increase 6.3%, with sales reaching €130.2 million (33.9% of the total) compared to €122.5 million at 30 September 2016 (35.2%), despite the negative effect of the exchange rate, particularly in the third quarter.



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The trend in North America – a market where it is still fundamental to maintain a proposal of **“special products with limited distribution”** – remains very favorable, supported as it is by the results achieved in the monobrand channel and the spaces dedicated to the multibrand channel which continue to be “highly important shop windows” for the brand.

We believe that the solidity of the results achieved in the multibrand channel is attributable to the care we dedicate to all the spaces where the brand is present, Luxury Department Stores and selected multibrands, to which we dedicate the same attention as when we manage the direct boutiques, starting with **visual merchandising**, with a dedicated team created to prepare shop windows, outfits and combinations, which fully represent the taste of the collections, through to the **service provided to the customer**.

In addition an essential item for success on the American market, which is one the most sophisticated of all, remains the constant offer of contemporary collections with a marked craft-based and manual stamp, a symbol of that Made in Italy which represents a further element of prestige for customers.

Greater China – a very positive increase of 37.7%, even if limited in value terms; revenues rose from €21.4 million in the first 9 months of last year (6.1% of the total) to the current €29.5 million (7.7%).

The sales trend was very positive in all areas in Greater China, Mainland China, Hong Kong and Macao, thanks in particular to the increase in sales achieved in the network of existing boutiques; a positive contribution was made by one net opening – the last for this year – in Mainland China (which had 13 boutiques at 30 September 2017) and one opening in Macao.

The growth in Greater China combines the **considerable interest in the brand and its potential** with our **desire to “protect it”**, keeping its **exclusivity and allure** through **limited distribution** in the awareness that if distributed too much the brand loses its appeal and accordingly its fascination.

Rest of the World – there was a very good increase of 8.0% in revenues, with sales reaching €37.9 million (9.9% of the total) compared to €35.1 million at 30 September 2016 (10.1%).

The positive growth trend continued, with solid results in all the main reference markets such as Japan, South Korea and the Middle East. The performance in Japan is supported by the performance of the direct boutiques and the sales results in the spaces inside the Luxury Department Stores.

In all the sales channels the **attention given to the image of the spaces**, the **outfits proposed** and the **relationship with the customer** meet up with **increasingly demanding customers** who are also aware of the value of “beautiful things”; the dynamics of **tourist flows**, in particular in Japan and South Korea, continued with a **gradual and sustainable increase**, motivated by the presence of top-end customers who are less influenced by macroeconomic developments than the mid-range customer.



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Revenues by Distribution Channel

Retail channel – an increase of 19.8%, with revenues reaching €187.3 million (48.7% of the total) compared to €156.3 million in the first 9 months of last year (44.9%).

This very good growth was boosted by the performance of like-for-like and the development of the boutique network, which included the conversion of certain selling spaces from third party management to direct operations.

Like-for-like performance posted a growth of **4.2%**² (for the period between 1 January and 5 November 2017), once again confirming the sustainability of the trend on an LFL basis.

The first 9 months of the year provided **very interesting sell-out figures**, both for the **2017 spring/summer collections** and for sales currently being made from the **2017 fall/winter collections**, thanks to a collection proposal that we believe has been able to maintain the fundamental characteristics of **modernity** and **top level craftsmanship**.

The evolution of the boutique network contributed to the growth to reach 93 direct boutiques at 30 September 2017, with 3 net openings over the past 12 months and the conversion of the 4 boutiques in Moscow from the wholesale monobrand channel.

In addition a positive contribution also arrived from the passage of a number of the shop-in-shops in Canada in Holt Renfrew's Luxury Department Stores in Canada³ from wholesale multibrand management to direct operations.

Wholesale monobrand channel – sales of €21.8 million (5.7% of the total), representing a rise of 3.0%, excluding the transfers from third party to direct operations of our online boutique and the 4 boutiques in Moscow (reported performance fell by 25.9%⁴).

The growth trend has been boosted by the Group's exclusive presence, with a current network of 30 boutiques to be found in prestigious locations and selling spaces that enable the taste of the collections to be fully expressed; these are managed by our partners using the same care and attention with which we run the direct boutiques.

Wholesale multibrand channel – growth of 7.7%, with revenues amounting to €175.1 million at 30 September 2017 (45.6% of the total) compared to €162.6 million at 30 September 2016 (46.7%).

² Like-for-like in 2017 is calculated as the increase in revenues at constant exchange rates in the DOS existing at 1 January 2016.

³ The passage relates to the conversion to direct operations of 5 shop-in-shops inside Holt Renfrew's Luxury Department Stores in Canada, previously run on the basis of the wholesale formula, which took place following the signing of an agreement on 13 March 2017.

⁴ Reported performance, obtained by including the revenues from the converted boutiques and the online boutique (passing to direct operations from January 2017) in the figure for the first 9 months of 2016, declined by 25.9% (revenues for the first 9 months of 2017 amounted to €21.8 million compared to €29.4 million at 30 September 2016).



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The collection of orders based on the 2018 spring/summer collection, which was recently concluded, provided some very interesting figures which confirm a trend of progressive growth, which is important and – we imagine – sustainable in the medium-long term.

The performance of the multibrand channel, with solid results in all geographical areas, was made possible by the **relationship** we believe we have been able to create over the years with the most prestigious multibrands and the most important Luxury Department Stores together with all the attention we dedicate to the spaces where our brand has a presence.

The contribution made to sales growth in the multibrand channel in China was very, very positive. This business is developing gradually with very interesting results and a potential we believe to be strong in the medium-long term, considering that the new multibrands are assuming an important role for top-end customers, fascinated as they are by the possibility of comparing and combining special products made by different brands that have prestige and uniqueness in common.

Following the issue of the press release on 30 August 2017 describing the agreement signed with the tax authorities defining the method and criteria for calculating the economic contribution to the production of business income by intangible assets for the purpose of the “patent box” scheme, it is additionally noted that the tax benefit for 2016 has been quantified in the order of €3.5 million (€2.9 million for 2015). It will only be possible to calculate the benefit for 2017⁵, 2018 and 2019 when preparing the statutory accounts for those years

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. The revenue figures included in this release have not been audited.

This document may contain forward-looking statements on future events regarding the Brunello Cucinelli S.p.A. Group and its operating, economic and financial results. By their nature these statements contain an element of risk and uncertainty, as they depend on the occurrence of future events and developments.

Brunello Cucinelli S.p.A. is an Italian maison operating in the absolute luxury goods sector; specializing in cashmere it 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 net revenues of €456 million in 2016 (+10.1% compared to the previous year), of which 83.3% was achieved overseas, and a normalized EBITDA of €78.2 million (up by 13.2% compared to the previous year), and currently has approximately 1,600 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.

⁵ The tax benefit attributable to fiscal years 2015, 2016 and 2017 will be recognized in the 2017 financial statements as a deduction from the line item “income taxes” in the income statement of Brunello Cucinelli S.p.A. and will be used cumulatively by the Company on settling its tax liabilities.



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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 123 monobrand boutiques (93 direct boutiques and 30 monobrand wholesalers) 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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