



BRUNELLO CUCINELLI

Press release

BRUNELLO CUCINELLI: the Board of Directors has examined the 2016 preliminary results

- **Net revenues €456.0 million, +10.1% at current exchange rates compared to 31 December 2015;**
- **Significant increase in sales in all geographical areas, with international markets rising by 10.7% and the Italian market by 7.3%;**
- **Very positive sales results in all international markets: North America +7.1%, Europe +5.8%, Greater China +21.8%, Rest of the World +39.4%;**
- **Growth in all distribution channels: retail monobrand +17.1%, wholesale monobrand +2.4%, wholesale multibrand +4.2%;**
- **Net debt of approximately €51 million at 31 December 2016, a decrease over the figure of €56.4 million at 31 December 2015;**
- **Investments of approximately €30 million in 2016, completing the project started in 2013 (in the range of €150 million invested over a four-year period), which has made it possible to consolidate the Company's medium-long term growth bases, the prestige of the brand and the exclusivity of the positioning of the business in both the "traditional" and "online" channels.**

Brunello Cucinelli, Chairman and CEO has commented as follows:

*"Another **splendid** year for our industry has just ended with double digit revenue growth and a **very agreeable** image of our brand at universal level, in our view. Considering the quality of sales, we also expect the same trend for profits, too."*

"The excellent result of the sell-out for winter 2016 and the stellar sales campaign for summer 2017 augur well for the current year, with a healthy, double digit growth of both revenues and profit."

*"To all our esteemed employees, coworkers, clients and shareholders who help us feel custodians of the creation, we would like to express our most heartfelt **grazie, grazie, grazie.**"*



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Solomeo, 9 January 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 preliminary net revenues for 2016 and its net debt at 31 December 2016. The final figures for the year ended 31 December 2016 will be examined and approved by the Board of Directors at its meeting scheduled for 9 March 2017.

Sales performance during 2016 and the very positive results that have been achieved confirm the sustainability of the business model underlying the Company's long-term growth project, which together with the development of human resources falls within the concept of "*humanistic capitalism*", an integral part of the Group's DNA.

The Company's positioning at the top of the luxury pyramid is based on a constant search for top quality raw materials, its Made in Italy offer of products with contents of the very best craftsmanship and its ability to capture and listen to the trends of the moment: factors that have always been the cornerstones for the Group.

In this context, sustainability issues are an integral part of the decisions of the end customer, a person who is also concerned by ethics and the respect for human values that contribute to the creation of business value as well as searching for a lifestyle and unaffected luxury to be experienced as part of a complete experience well-represented by the "*Brunello Cucinelli world*".

In addition, the selected press articles appearing in the sector's leading journals, magazines and national and international daily papers, which give "voice" to the thoughts of Brunello Cucinelli "*the man and the businessman*", contribute to enhancing the philosophical and humanistic aspect of the business as an integral part of the business model and the Group's identity itself.

Sales Performance and Revenues by Geographical Area

Net revenues increased by 10.1% at 31 December 2016 reaching €456.0 million, compared to €414.2 million at 31 December 2015; there was a rise of 10.4% in sales at constant exchange rates.

Exclusivity, craftsmanship and contemporary style, elements that have always been a feature of the Company's collections, lead and support the results that have been achieved, with increases in all distribution channels, monobrand and multibrand, and in all geographical areas, both in the luxury streets of the world's leading capitals and in the prestigious resorts where the brand is present.

The sustainability of the growth trend is supported by the nature of the "*Brunello Cucinelli*" customer, a person who is seeking a lifestyle that represents a "unique" purchasing experience, both in daily life and when travelling for pleasure or on business; the positive results of the sell-out themselves confirm the customer's appreciation of the contemporary *prêt-à-porter* offer around which a "*ready-to-wear lifestyle*" has been built over the years.

Sales of the 2017 Spring/Summer collection, initiated in the major resorts and the flagship stores of the world's leading capitals, point to very positive sell-out figures, confirming the excellent response given to the collection earlier by the specialist press and multibrand on the presentation of the collections and by the orders received.



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Italian market – very positive growth of +7.3% with revenues reaching €76.2 million (16.7% of net revenues) compared to €71.0 million at 31 December 2015 (17.1% of the total).

The significant growth trend seen in both the direct monobrand channel and the multibrand channel, with performance supported by local customers and top-end tourist flows, and the extremely positive sell-out, which contributed to achieving the final result, were facilitated by the constant attention given to the clientele, with the desire to make their purchasing experience “unique”.

European market – an increase in revenues of +5.8%¹ at €136.4 million compared to €129.0 million at 31 December 2015, representing 29.9% of the total (31.1% at 31 December 2015).

The solidity of the demand of local customers, who have always been the main target for the brand, and the rising flows of top-end tourists, both of whom are in search of a product that is exclusive, craft-based and not excessively distributed, supported the whole year's sales, with results on the increase in all countries of the European market.

The sell-out in the boutiques confirm the positivity of the brand's “*momentum*” and the “*allure*” surrounding it, with figures rising in both the monobrand and multibrand channels thanks to its presence in prestigious, selected spaces dedicated to absolute luxury.

North American market – a considerable rise of 7.1% in revenues which reached €167.6 million compared to €156.6 million at 31 December 2015, representing 36.8% of the total (37.8% at 31 December 2015).

A significant growth trend was a feature of all distribution channels: not only did the monobrand channel post excellent results but sales in the multibrand channel and in the Luxury Department Stores were also positive.

The excellent results in the multibrand channel were made possible by long-standing relationships and a sharing of the values and the philosophy of the brand, with Company resources directly involved in the sales spaces in the Luxury Department Stores, in particular with regard to visual merchandising and brand communication.

Greater China – the significant growth in revenues continued in Greater China, with sales increasing by 21.8% to reach €31.4 million at 31 December 2016, representing a “limited” 6.9% of the total compared to €25.7 million at 31 December 2015 (representing 6.2%).

This performance, albeit with a contained starting point, was driven by the considerable increase in revenues earned in mainland China, thanks to the achievements of the monobrand boutique network and the gradual growth in prestigious multibrand spaces.

The sales trend was also positive in the other markets included in Greater China, such as Hong Kong, Taiwan and Macao, with customers gradually increasing their purchases not only in the “domestic” market but also when making trips to the main European and American cities, as well as when touring in Japan and South Korea.

¹ The trend in revenues in the second half of 2016 was affected by the entry, with an unchanged scope, of the sales of certain key retail monobrand flagship stores opened in Europe.



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Rest of the World - a highly significant rise of 39.4% in revenues (albeit with a contained starting point) which reached €44.4 million at 31 December 2016, representing 9.7% of the total compared to €31.8 million at 31 December 2015 (representing 7.7%).

The 2016 increase takes into account sales improvement in Japan and the decisively positive trend in the Far East (mainly in South Korea) and the Middle East, the latter benefiting from the contribution arriving from the opening of the prestigious monobrand boutique in Dubai.

As far as revenue trends in Japan are concerned the result was driven by sales to local customers and constantly rising flows of top-end tourists; a significant contribution was made by the highly positive performance of the flagship store in Ginza, which was opened in September 2015, and the additional floor space granted to the brand in the Luxury Department Stores, with a presence rising to 15 hard shops in prestigious spaces with a gradually increasing size situated in the most exclusive positions.

Revenues by Distribution Channel

Positive results were achieved in all distribution channels thanks to the contribution made by the performance of existing sales floor spaces, the selected openings in the monobrand channel over the past few months and the additional spaces in the multibrand stores and the most exclusive Luxury Department Stores.

Retail monobrand channel – revenues rose by 17.1%, with sales reaching €226.3 million (49.6% of the total), compared to €193.2 million at 31 December 2015 (representing 46.6%).

The final part of the year saw a further rise in the highly positive sales trend already achieved in the first 9 months, thanks to the performance of existing boutiques.

There was like-for-like ² growth of 3.9%, with particularly interesting sell-out in the 2016 Fall/Winter collection and the initial sales of the 2017 Spring/Summer collection.

A positive contribution was made by the 5 openings made in 2016 and all concentrated in the first six months of the year, which took the network of direct stores to 86 (81 at 31 December 2015).

Wholesale monobrand channel – revenue performance was positive at €34.2 million at 31 December 2016 (7.5% of the total), an increase of 2.4% over the figure of €33.4 million at 31 December 2015 (representing 8.1%).

The overall network was unchanged over the past 12 months at 36 boutiques; growth for the year was therefore driven by the performance of existing stores, where sell-out had a performance in line with the results of the retail monobrand channel.

The total number of boutiques in the monobrand channel rose from 117 at 31 December 2015 to the current 122, unchanged in the second half of the year.

Multibrand sales channel – an increase in sales of 4.2%, with revenues reaching €195.5 million at 31 December 2016 (42.9% of the total), compared to €187.6 million in 2015 (representing 45.3%).

² The Like-for-Like performance of 2016 is calculated as revenue growth at constant exchange rates in DOS existing at 1/1/2015.



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The spaces allocated to the brand in the multibrand channel in the Asiatic areas, in particular China, the Middle East and South Korea, contributed to the results and additionally represent a potential of increasing interest in the medium-long term.

We believe that the potential growth in these areas, with prestigious spaces dedicated to the brand in the Luxury Department Stores and in the most important developing multibrand boutiques, is an extremely important element in the Company's distribution strategy, given the very high value implicit in the multibrand channel with dedicated exclusive structures and services.

The 2017 Spring/Summer, already very positive as far as orders are concerned, is showing very interesting initial sell-out figures which confirm – as expected – the excellent response to the collection in the feedback received from the specialist press and multibrand on its presentation.

Net Financial Position and Capex

The Company's net financial position was approximately €51 million at 31 December 2016, a decrease over the figure of €56.4 million at 31 December 2015.

The trend in net financial position over the year confirms the changes arising from seasonality, with a peak reached between June and September (net debt amounted to €79.7 million at 30 June 2016 and €78.3 million at 30 June 2015).

Capex of approximately €30 million over the past 12 months completed the cycle of significant investments started in 2013 and worth a total of €150 million over a four-year period, consolidating the Company's underlying foundations and the bases for the sustainability of its business model and the positioning of the brand in the top-end luxury sector in the long term.

In particular, the investments made in 2016 supported the opening of selected exclusive boutiques, the continuing development of the technological platform and the management of the Group's presence in the digital world, maintaining and enhancing the brand's exclusivity and positioning in both the "traditional" and "online" channels.

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 press release correspond to the balances on the books of account and the accounting records and entries.

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.

The preliminary results for 2016 included in this press release, which have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB), have not been audited. The final results could differ from the preliminary results as the result of events and circumstances that are currently not predictable.



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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 €414.2 million in 2015 (+16.4% compared to the previous year), of which 82.9% was achieved overseas, and an EBITDA of €69.1 million (up by 11.0% compared to the normalized EBITDA of 2014), and currently has approximately 1,400 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 122 monobrand boutiques (86 direct monobrand boutiques and 36 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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