



BRUNELLO CUCINELLI

Press Release

BRUNELLO CUCINELLI: the Board of Directors has examined the 2018 preliminary results

- **Net revenues¹ of €553.0 million, +8.1% at current exchange rates (+10.7% at constant exchange rates) compared to €511.7 million at 31 December 2017;**
- **A significant rise in sales of 8.8% in the international markets and 4.2% in the Italian market;**
- **Europe +8.5%, North America +3.9% (“high single-digit” growth at constant exchange rates), Greater China +28.5%, Rest of the World +10.7%;**
- **Growth in all distribution channels: retail +6.3%, wholesale monobrand +19.4%, wholesale multibrand +9.0%;**
- **Capital expenditure of approximately €45 million, having the objective of keeping the brand image “extremely high” in both the physical and digital channels;**
- **Net debt of approximately €15 million, in slightly improvement compared to 2017.**

Brunello Cucinelli, Chairman and CEO, has commented as follows:

“Another year has come to an end in a “splendid” manner, both in terms of numbers and from the standpoint of the general image of the brand at a global level. We continue to support, believe in and invest in our beloved Italy, perceiving the great value this represents at a world level for the country’s creativity, quality and craftsmanship.”

“On the basis of these convictions and the more than positive sell out of the past winter, along with the actual quantity of Spring Summer 2019 orders received, we expect another year ahead of gracious growth in line with 2018.”

“We would like to start the year by thanking from the bottom of our hearts all those who have allowed us to achieve these results; customers, collaborators, institutions, investors and journalists, always reminding us to be great supporters of the entire mankind”.

¹ Accounting standard IFRS 15 (“Revenue from Contracts with Customers”), which became effective on 1 January 2018, requires a different accounting treatment from the past for certain types of contracts for the sale of goods in multibrand spaces managed using the “concession” formula. The application of this new accounting standard leads to an increase in net revenues and operating expenses (rent) by the same amount without any change occurring in the absolute amount for EBITDA, operating income or net income for the period.



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Solomeo, 7 January 2019 - 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 consolidated net sales revenues for 2018 and its net debt at 31 December 2018. The complete and final figures for the year ended 31 December 2018 will be examined and approved by the Board of Directors at its meeting scheduled for 14 March 2019.

With a double-digit increase, 2018 has confirmed the **sustainability of a healthy and gracious growth project** both from an **economic point of view** and from the standpoint of the **moral dignity** of each individual who, with his own contribution, has made these results possible.

The year was **splendid**, in the attempt to realize the idea of “**humanistic capital**” that is so dear to our hearts, in the hope of having contributed in some way, even small, to improving the economic and moral conditions of mankind as a whole.

We achieved economic growth and a successful performance in the year gone by with full regard for our business values, on which we also continue to plan our future growth to the benefit of the company, the people, the local area in which we live, our shareholders and all of our stakeholders.

That is the reason we continue to imagine a form of “**humane sustainability**”, something capable of creating profit and generating beauty, and constantly seek to produce without causing harm to humanity.

We could call 2018, our 40th year of activities, one of the finest in the history of the business, enhanced from the standpoint of the quality of life and harmony in the workplace; on 4 September we welcomed over 500 journalists from throughout the world to Solomeo and showed them the way **we live and work in harmony and with full regard for the Created**, imagining ourselves to be the temporary keepers of a small corner of the Earth.

On that occasion we presented Solomeo, which we love to call the “**Hamlet of the Spirit**”, in its entirety: places that speak to us of spirituality, as well as work, dignity and respect, taken back to their ancient beauty thanks to the support of the **Brunello and Federica Cucinelli Foundation**.

In addition to carrying out the conservative restoration of the small village and its periphery, the **Brunello and Federica Cucinelli Foundation** has also designed **monuments for eternity**: the “**Theatre**”, the secular temple of the arts, the “**Monument**”, dedicated to the dignity of man, and the “**Cellar**”, with its due regard for the dignity of the Earth.

The foundations on which we built the success of the year which has just come to a close, and on which we will continue to plan for the future, are the very same that have always characterized our history.

The essence of our collections remains encapsulated in the proposal of “**special clothing**”, which to a certain extent we consider to be **unique**, representative of the **Made in Italy** concept, characterized by **outstanding craftsmanship** and produced exclusively by highly-specialized **artisan laboratories**.

We continue to seek the **exclusivity** of the **positioning** of the brand and **distribution** in everyday life, giving the utmost attention to our presence on the markets.



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We believe in **creativity**, in connection with both style and all the other phases of the company's life, believing that every one of us must try to be innovative, in all cases starting out from listening and being ready to accept change.

We try, although we're not sure to what extent we are successful, to propose a **contemporary, modern, young offer** in our Men's and Women's collections.

Fresh selling spaces are an essential, as they act as a sort of house where one can breathe the atmosphere of the brand, as are our showrooms which must always be kept up-to-date.

In our relationship with the internet, the "grand gift of the created", we try to present ourselves as **Artisans and Humanists of the web**, approaching it as we have the physical world, aware that everything increases on a mass basis more rapidly there.

Finally, we believe that the **allure** and the **lifestyle** that can be felt around the brand are of increasing importance, interpreted by our customers as a collection offer but also and above all as a style of life to be embraced.

Regarding the trend of the collections, we are very satisfied with the **constantly increasing sales** and **sell-outs** achieved by the **2018 spring/summer** and **2018 fall/winter** collections, results preceded by the highly favorable feedback that arrived from the specialist press and buyers on presentation.

The new **2019 spring/summer** collections were given an enthusiastic welcome, **order collection came to an end with a further increase** and the initial sell-outs are showing themselves to be very, very interesting.

We are highly satisfied by the **atmosphere of exclusivity** that surrounds the brand, which we believe meet the demands of customers increasingly attentive to dressing in a sophisticated manner, where care in every detail can very often make the difference between a "normal" and a "chic" look.

We have the impression that what we are seeing is a gradual **process in the growth of a customer** who wants to feel well-dressed in both the traditional and the so-called new markets, with a considerable increase in the number of people who embrace our collection proposals.

As a result, together with the European and American markets which we have always considered "domestic" due to their cultural and physical proximity, we have decided to try to consider the **Chinese market as also being "domestic"**, by dedicating particular attention to this part of the world.

We believe that there are huge opportunities for our brand in this market, a situation we sense on our frequent trips to those lands, and are aware of the sophisticated Chinese customer's constant search for the "Italian lifestyle", "items of outstanding quality" and "real luxury" broken down into all the aspects of everyday life.



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Sales Performance

Net revenues for 2018 rose by 8.1% at current exchange rates (10.7% at constant exchange rates) to reach €553.0 million compared to €511.7 million last year².

Revenues by geographical area

Italian market – revenues up by 4.2% to reach €88.3 million compared to €84.7 million at 31 December 2017, representing 16.0% of the total.

Italy continues to be very important for the brand's image, the country identifies fashion trends which will then in part represent chic taste throughout the world.

The Italian market achieved a positive performance during the year regarding both local customers and top-end tourism, which includes the Chinese, who despite only representing a limited portion of sales indicate a constant progression.

European market – growth of 8.5%, with sales rising to €163.7 million compared to last year's figure of €150.9 million, representing 29.6% of the total.

Solid growth thanks to the results achieved in all the countries where we have a presence and to the purchases made not only by domestic but also by international customers.

By virtue of its positioning at the top end of the luxury scale and the nature of the Brunello Cucinelli customer, the brand's strength supported a rising performance.

North American market – high single-digit growth at constant exchange rates, with revenues rising to €187.2 million compared to €180.2 million in 2017, representing an increase of 3.9% at current exchange rates and 33.9% of the total.

Broadly positive results were achieved in the North American market, which we have always approached in the same way as the domestic market, given the profound awareness and allure that the brand has achieved in the area over the years.

The growth in revenues is due to a positive performance in the monobrand and multibrand channels; tourist flows are on the increase, to which should be added a solid rise in local demand.

Greater China – significant growth of 28.5%, with sales rising to €54.8 million compared to €42.7 million at 31 December 2017, with the proportion of the total still limited to 9.9%.

Mainland China confirmed the very positive trend of recent months.

Revenues rose in both the monobrand channel and the multibrand channels, which posted very interesting organic growth following the opening of the new spaces dedicated to the brand over the past few months.

² Revenues at 31 December 2017 have been reclassified in order to provide a consistent comparison with the figures at 31 December 2018, which have been recognized in accordance with IFRS 15. By applying the same accounting standard to revenues at 31 December 2017, sales rose from €503.6 million to €511.7 million.



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Our current presence, limited and at the same time exclusive, supports the huge growth potential of the Chinese market, which we are endeavoring to take advantage of in a gradual manner and without compromising the prestige of the offer and distribution. We see considerable opportunities for business for us in this market over the next few decades.

Rest of the World – an increase of 10.7%, with sales reaching €59.0 million compared to last year's figure of €53.3 million, representing 10.7% of the total.

Solid results in the Middle East and Japan, and in all the other geographical areas where we have a presence; local demand and demand from top-end tourists point to “healthy” growth.

Revenues by Distribution Channel

Retail monobrand channel – growth of 6.3%, with revenues of €296.3 million compared to €278.7 million at 31 December 2017, representing 53.6% of the total.

The year confirmed healthy like-for-like growth of 3.5%³, in line with our plans, with positive sell-outs of the 2018 spring/summer and 2018 fall/winter collections.

The network consisted of 100 boutiques at 31 December 2018, unchanged over 30 September 2018: two new boutiques were opened during the year to which were added 4 conversions from the wholesale monobrand channel.

Wholesale monobrand channel – an increase of 19.4%, with revenues reaching €30.2 million compared to last year's figure of €25.3 million, representing 5.5% of the total.

No changes have been made to the network of 27 boutiques since 30 September 2018; there were 4 conversions to the direct channel in 2018, offset by the positive contribution coming from the important opening of the prestigious Dubai Mall.

Wholesale multibrand channel – we have always had great belief in this channel where we posted a significant increase of 9.0%, with sales rising to €226.5 million compared to last year's figure of €207.7 million, representing 41.0% of the total.

The rise in revenues reflects the very positive order intake for both the Men's and Women's collections.

The overwhelmingly favorable opinion of the specialist press on the presentation of the collections was confirmed by their performance in the selling spaces, with sell-outs rising significantly; a positive contribution came from the new spaces dedicated to the brand inside Luxury Department Stores and from selected entry into exclusive multibrand stores and Specialty Stores.

³ Like-for-like for 2018 is calculated as the rise in revenues at constant exchange rates in the DOS existing at 1 January 2017.



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Capex and net financial position

Our important investment project is supported by the Group's **healthy balance sheet and net financial position**, the latter in line with last year and amounting to €15 million.

In 2018 we continued to **invest to support the brand's prestige** in both the "traditional" and "online" channels, thereby safeguarding the sustainability of its long-term positioning.

Total investments of €45 million were made, and these were directed towards the commercial channel and production, logistics and IT/Digital.

In the commercial channel, capex supported exclusive openings, the enlargement of prestigious boutiques, an increase in selling spaces in Luxury Department Stores and the extension and renovation of showrooms, which we try to keep constantly up-to-date.

As far as production, logistics, IT and Digital are concerned, the resources were used to keep our production machinery modern by developing cutting edge technologies, adopting advanced information systems to manage all the technological platforms, while logistics was adapted in order to support our business with the maximum of efficiency and effectiveness.

In addition, we would like to recall the importance of the purchase of the minority interest in the Russian subsidiary on 5 June 2018 at a price of 6.5 million⁴, enabling the parent company to take its holding to 100% (from the previous 62%) of the company operating on the Russian market which we continue to believe has great prospects.

Changes to the 2019 Financial Calendar

Brunello Cucinelli S.p.A. announces that the meeting of the Board of Directors to be held to approve net revenues at 31 March 2019 has been brought forward to Wednesday 8 May 2019 instead of Thursday 9 May 2019, as previously stated in the calendar of 2019 corporate events. As a result, the conference call with institutional investors and financial analysts will be brought forward to 8 May 2019.

The 2019 calendar of corporate events (as amended above) can be consulted on the company's website <http://investor.brunellocucinelli.com>.

⁴The effect of the purchase of the minority interest in the subsidiary OOO Brunello Cucinelli RUS by the parent company Brunello Cucinelli S.p.A. has been recognized in equity reserves in accordance with IFRSs.



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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. The sales 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.

The preliminary results for 2018 included in this release, which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) 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.

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 chic **prêt-à-porter** sector, the expression of everyday luxury. Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, posted net revenues of €503.6 million in 2017 (+10.4% compared to the previous year), of which 83.2% was achieved overseas, and an EBITDA of €87.5 million, up by 11.8% over the normalized EBITDA of 2016, and currently has over 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.

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 127 monobrand boutiques (100 direct boutiques and 27 monobrand wholesalers) in leading capitals and cities worldwide and in the most exclusive resorts, with a selected presence in approximately 650 selected multibrand stores, including leading luxury department stores.

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