BRUNELLO CUCINELLI

Press Release

BRUNELLO CUCINELLI: the BoD has examined the 2020 preliminary results

Revenues for the year 2020

- **Net revenues of €544.1 million, with a "slight" decrease of -10.5% at current exchange rates, equal to -9.9% at constant exchange rates.**
- **Excellent market strength in Europe (-1.7%) and China (-1.8%, including Hong Kong and Macao). North America -15.3%, Rest of the World -9.9%, Italy -23.9%.**
- **Wholesale channel up +2.7%, retail channel down -20.9%.**

Revenues for H2 2020

- **Significant increase of +7.2% at current exchange rates.**
- **Europe growing, with turnover of +20.7%, China +14.0% (including Hong Kong and Macao), North America +4.8%. Modest decline in the Rest of the World (-1.5%) and in Italy (-13.3%).**
- **Significant growth in the wholesale channel, up +36.3%. Retail channel in recovery, reporting a performance of -12.3% in H2.**

Investments and Net Financial Position

- **Significant investments of around €51 million, unchanged compared to pre-pandemic plans.**
- **Net Financial Position[1] equal to approximately €94 million.**

Brunello Cucinelli, Executive Chairman and Creative Director of the Company, commented as follows:

"This year 2020 closed "well", especially considering how things looked in the spring. The turnover of these twelve months, what we have defined as a "year of transition", saw a "small" decrease of 10%.

After a long period of pain for both the body and the soul, thanks to the long-awaited "vaccine" we seem to be moving towards a highly-sought "armistice" with Creation. Together we hope to find the great humility, courage, seriousness and creativity needed to face this new year of "rebalancing".

The positioning of the brand and the excellent feedback on the Fall Winter 21 collections lead us to believe that we will see "graceful growth" of around 15% this year."

[1] Financial payables for leasing are excluded, therefore, the data reported was determined without the application of IFRS 16

Solomeo, 11 January 2021 - The Board of Directors of Brunello Cucinelli S.p.A. – Italian maison operating in the luxury goods sector listed on the Italian Electronic Stock Exchange (MTA) – today examined the Group's preliminary consolidated net sales for 2020 and its net financial debt as at 31 December 2020. The complete and final annual data for 2020 will be examined and approved by the Board of Directors at its meeting scheduled for 11 March.

Our 2020

We believe that **2020** was a **"good" year** for our company.

While on the one hand we cannot forget the apprehension we all felt due to the pandemic, and unfortunately for some of us there was an even a greater pain that will be hard to forget, on the other hand we are very pleased with the results achieved, even more so because of the way we managed to deal and live with the pandemic.

Our primary objective all these months has always been to devote ourselves with extreme focus to everything that we could change and address without being overwhelmed by what the pandemic might bring.

We tried to maintain a hopeful outlook, imagining a "***New Time***" that could offer an opportunity to bring together humanism and technology, spirit and harmony, profit and giving.

Throughout the year just ended we felt a strong call to **ethical and civic duty**, to conduct ourselves impeccably. That's how it was here in Solomeo and for all those who for various reasons contribute to the operation and development of our company.

From a numerical point of view, it seems to us that a **decrease in turnover limited to just 10%** in a year like this fully reflects all the work done on the organisation of our processes, on the development and physical production of the collections, and on the relationships with our customers, both final and wholesale.

We managed to limit the violent effects of the pandemic to just the second quarter, after registering a first quarter that was substantially in line with last year and having returned to growth in the last two quarters of 2020, starting 2021 with a renewed enthusiasm and determination.

The first part of our year was marked by three critical dates:

- 9 January, the date the virus was isolated in China, experienced as a "*moment of alert*".
- 30 January, the "*moment of awareness*" when we realised the extremely concrete risk of a pandemic, and began preparing for a year that was very different from what we had imagined.
- 11 March, the "*moment of clarity*" when, thanks to a video received from our Chinese contacts, visibly relieved and already getting back to work with masks, we better understood that the crisis we were going through was **short term** and **not structural**.

This renewed awareness led us to make **three** great choices of ethical, moral and civic behaviour, which were then accompanied by three other operational choices that guided the activity of the following months.

The **three major principled decisions** that inspired our approach to the pandemic were:

- **Guaranteeing employment and maintaining wage levels** of all our human resources throughout the world, who have shown courage and creativity, allowing us to deal with all the challenges of 2020 with serenity and confidence, knowing that we are ready to continue along the growth path that we foresee in the coming years.
- **Choosing not to ask for discounts from anyone**, aware that during a pandemic everyone had a duty to take responsibility without seeking benefits that could harm others.
- **Launching the "Brunello Cucinelli for Humanity" project**, making the decision to donate free of charge all the clothing left unsold in our direct stores due to the emergency and the temporary interruption of sales. This choice made it possible to make the most of these garments and transform a critical issue into an important resource for the less fortunate.

The key operational choices in 2020 were:

- Expend the maximum creative effort to try to **develop complete collections with a high rate of creativity and originality**, able to completely differentiate themselves from the previous ones. The next step was to make these new collections **physically available** in the various showrooms around the world: New York, Shanghai, Munich, Paris, Milan and Solomeo.
- **Not change the ambition and long-term objectives of the company** due to the turbulence of an "intense" yet "contingent" event. We therefore chose to **maintain** the **size of our investments** planned to support future growth, as well as investments in communications. Even though we imagined that at the end of the year we would report a slight decrease in turnover, we considered these investments to be sustainable and important to best prepare the company for expected future growth.
- Since March we felt a real moral and civic duty to **communicate our vision of the world and business to institutions and the financial community**. For us it was important to share our plans and how we see the future, commenting on our financial and social expectations for 2020 and 2021.

We wanted to somehow represent that beautiful idea of trying to be **"lightcarriers for humanity"**, our task being to light the way for those who are behind us to make the path less difficult for them to travel, trying to be inspirational especially for the younger ones and for all those in the local community to which we are inextricably linked who look to our company as a point of reference.

We sought to replace fear with hope, through a strong call for creativity in the development of new projects in many different operational and strategic areas.

For all these months, we have therefore maintained open and direct communications **with all our stakeholders**: our human resources, our suppliers and third-party manufacturers, our business partners and customers, and, as underscored above, our shareholders and the entire financial market.

Since February, we have understood that it would be essential to maintain a work environment that is as tranquil as possible, and so we began to design a rigorous **system for constantly monitoring the health of our employees** through blood tests and swabs, extended if necessary to their family members and all the people close to our company.

This project is the result of an agreement between the company, the Department of Medicine of the University of Perugia, the Santa Maria della Misericordia Hospital of Perugia and the USL Umbria national health office, and makes use of the presence of a medical unit within our company staffed by two doctors and equipped with all the swabs and machines necessary for the screening of our employees and visitors.

This initiative, introduced with the **resumption of work** after the lockdown and which will **continue until the end of the pandemic**, allows all company employees to undergo both nasopharyngeal swabs and blood tests on a regular basis, and immediately in the event of symptoms or contact with people who have tested positive.

Even today, all **external contractors** who visit our company are welcomed in a room where **they are tested**, waiting 20 minutes for the results. Only once the negative results have been confirmed can the guest access the company, with the certainty of not posing a danger to all the people they meet with.

In November, we were genuinely overjoyed to learn of the arrival of the vaccine, crowning a long, important effort by many esteemed medical researchers from all over the world, giving us the firm hope of soon seeing the end of this pandemic.

Finally, 2020 was a year where we tried to make the most of everything that such a particular period gave us. Indeed, creation asked us for help and we imagined that it was also up to us to respond to this important and urgent request, thinking of a **new social contract with creation**.[2]

"So I like to dream that future generations will be able to live where they feel they will recognize their homeland, and will have the whole world as a free choice; if they see the great migrations of people as an opportunity rather than a danger, if for them the desire to repair and reuse things will prevail over the temptation of waste, if the State and laws are not considered obligations forced upon them but means of civil life to be respected for a more just life; if they know how to develop technology and humanity as lovable sisters, if every corner of the planet will be considered the heritage of each and every one, and finally, if, as Hadrian the Emperor thought, they know how to consider books as the granaries of the soul, they will be happy. Such is the social contract that I would like to enter into with Creation, such is the help I feel I want to give as a loving response to such a caring guardian. Thank you, may Creation enlighten our path".

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[2] Below is an excerpt from the "Letter for a new Social Contract with Creation", written in recent weeks by Brunello Cucinelli. This is a reflection on this moment that we are experiencing, looking to a horizon of promise and renewed tranquillity that we hope will come soon.

<u>Our analysis of the business</u>

At the beginning of this 2021 it seems to us that our company has gotten stronger in a number of ways.

The wholly Italian production chain

In 2020 we **safeguarded our production chain**, our suppliers and artisanal workshops by not asking for discounts and maintaining a volume of work that was the same as the previous year.

The flexibility and responsiveness of our all-Italian production network allowed us to offer **punctual, complete deliveries** to all stores, with the objective of keeping them constantly "fresh" and "inviting".

We have been able to guarantee **rapid restocking**, even more important in our opinion in recent months when the initial stocks of the stores were greatly reduced by the combined effect of cancellations made by many customers vis-à-vis other companies and by cancellations made by the suppliers themselves based on production choices.

The value of creativity and the product

We believe that in painful, intense moments genius unleashes its maximum **creativity**. Therefore, it is no coincidence that this year we seem to have developed **our most beautiful collections ever**, collections that fully express our interpretation of what it means to experience clothing Made in Italy, in line with the latest trends that closely match our own tastes.

The **Spring Summer 21 collections for men and women** that came out in July and August **physically available** in our showrooms in New York, Shanghai, Munich, Paris, Milan and Solomeo, were praised by wholesale customers and journalists alike, thus ensuring **a large number of orders**.

As for the **Fall Winter 21 collections, we have already received some great orders** for the first part of the women's collection (pre-winter), physically in showrooms since 21 November 2020. The second part of the women's collection will instead be presented to customers and journalists starting at the end of January.

The **men's collections** will be presented physically in the coming days, at **Pitti Uomo Fall Winter 2021**.

Given the impossibility of holding the exhibition in its traditional form, this year we chose to set up our booth in the company and to stream from here to customers and journalists all over the world, offering the same "glimpse" of the collection's taste that our guests used to get by visiting our spaces at Pitti in Florence.

The digital events will last four days, coinciding with the dates of Pitti Uomo Fall Winter 2021.

The value of the multibrand

In 2020, we seem to have managed to further strengthen the relationship **with all our multibrands**.

During the year, we held **two complete "road shows"**, connecting with all the owners of our 500 multibrand customers and with their managers divided into groups of 15 to 20 people.

During these conferences we discussed both strategic and operational issues, reiterating how important multibrand stores are for us, giving them clarity and certainty on the dates of delivery and presentation of the collections, discussing mutual responsibilities and starting to plan for the near future.

Following these conversations with all the main customers, we signed a concrete mutual commitment for the coming seasons, which makes us very confident about the results of the upcoming sales campaigns.

Casa Cucinelli

2020 was characterised by a **constant dialogue with our end customers**.

Here in Solomeo we staged a space rich in all the elements that reflect our concept of lifestyle, and which we therefore decided to call **Casa Cucinelli**.

This physical space immediately became a "virtual square", initially used for extensive conversations with groups of our customers who seem to have appreciated the time spent with them, seeing it as a sign of respect and closeness.

We have tried to physically reproduce this familiar environment also in Milan, Paris, London and soon New York, and we expect to animate these spaces through multiple initiatives developed to bring the end customer closer to our lifestyle concept.

Physical and digital presence

2020 was a very important year for **strengthening our retail network**, with the design of a series of extensions that in 2020 and 2021 will further reinforce the perception of our brand's exclusivity in the structural backbone of the capitals of luxury.

We continue to consider the **physical experience** of the sale to be essential because it creates a sensory memory, giving us the opportunity to cultivate a “personal” relationship of “mutual knowledge and esteem” with the end customer.

In addition to our commitment to physical spaces, we have also invested resources and energy to continue to enrich the **digital experience** offered to our customers.

In November, we concluded the global roll-out of a technological update of our e-commerce system. We updated the “engine” driving our websites as well as the “heart” of the user experience in the hope of continuing to keep our way of presenting the collections on our digital channel contemporary. This project allowed us to offer an even richer and more user-friendly experience, especially on mobile devices and in Asian markets.

The value of communication

The decision to maintain our **investments in communications** at the beginning of 2020 was a natural consequence of our objective to support the brand and its desirability, as we were convinced that the crisis we were going through was short-term.

It seems to us that this choice also allowed us to support sales in the short term, being visible at a time when customers had time to read and search, strengthening relations with physical and digital publishers around the world.

We were impressed by how many journalists from around the world commented favourably on "Brunello Cucinelli for Humanity” and the other great choices of ethical, civic and moral initiatives, with a very important return on our brand image.

The solidity of our presence in Europe and North America

2020 highlighted the **strength of our traditional markets** such as **Europe** and **North America** where demand for luxury goods has demonstrated resilience and great flexibility in channels and purchasing methods.

The desire to be “domestic” in all markets, which has always inspired our business, was particularly rewarding in 2020.

Local coverage – guaranteed by a dual presence in monobrand and multibrand channels – has allowed us to remain very close to our customers while only partially suffering from the lack of international mobility.

This objective is supported by the **presence of strong local organisations** complete with all functions and with greater autonomy at a governance level, which bring decisions closer to the markets in an effort to reduce response times and increase effectiveness.

Opportunities in China

2020 underscored the strong potential of **Mainland China** for our long-term growth, with a performance that has already shown double-digit increases in the last 12 months in both the monobrand and multibrand channels, with a growing number of new customers embracing the brand philosophy and taste of the collections.

Over the long term **China** is destined to have an increasing weight, currently accounting for 11% of turnover.

A key element for development in this region is a strong local presence through our Shanghai hub, equivalent in functions and activities to the one in New York, and where we decided to double the space currently available to our team in early 2021.

We believe that success in this area depends on the knowledge and willingness to learn the local uses and culture, entrusted to our team in the region and completed by the presence of a network that includes journalists, authorities, entrepreneurs and customers.

Brunello Cucinelli for Humanity

We consider the Brunello Cucinelli for Humanity initiative to be an important resource for humanity and our company, trying to improve the conditions of the people who are most in need, to whom we donated unsold garments following the lockdown.

We re-labelled all the garments, starting to give them as a gift to small associations in all the countries we operate in, aided by our local partners and a multitude of “friends” who took the initiative to heart, acting personally to point out any difficult situations.

It seems to us that the whole world has appreciated our “great moral decisions”, and like the Brunello Cucinelli for Humanity project, we believe that the decision to not dismiss anyone and maintain wage levels has also had a significant impact on communications and customers’ perceptions of our way of being and doing business.

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Investments and the Net Financial Position

Investments as at 31 December 2020 were equal to approximately **€51 million**, in line with €52.6 million last year.

We continue to imagine that a robust investment programme is the **prerequisite for keeping the company contemporary over the long term**, and, believing that the impacts of the pandemic were short-term and not structural, we wanted to keep our company's structure **very solid**.

The **Net Financial Position**[3] as at 31 December 2020 is equal to approximately **€94 million**, impacted by the effects of the pandemic on 2020 results but already a marked improvement compared to €136.5 million reported as at 30 June 2020.

Our expectations

The desire to conduct the company with discipline, aware that any decision taken would impact coming years, allowed us to **close 2020 with only a slight drop in turnover of -10.5%**, with **H2** reporting **"good" growth** of **+7.2%**.

The result achieved in 2020, amounting to €544.1 million, is **in line with the objectives** announced mid-year, and having managed to achieve them in such an unstable context makes us proud of what we have done.

The dynamics discussed, the selected development of the commercial presence, the many orders of the Spring Summer 21 collections and the very positive start of the Fall Winter 21 campaign make our growth forecasts of **+15%** for **2021** highly realistic.

We expect the growth to continue in **2022**, with an increase in revenues that will "normalise" around **+10%**.

Our **considerable two-year investment project** will continue with a **solid balance sheet**.

The strategic choices made make us equally **confident in our long-term growth**, adding concreteness to our goal of **doubling turnover in the period 2019-2028**, consistent with a gentle growth based on a constant balance between profit and giving.

Finally, we will continue our **great project of human sustainability**, which we have divided into three main areas related to climate and emissions, our relationship with the land and animals and attention to the care of human beings.

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[3] Financial payables for leasing are excluded, therefore, the data reported was determined without the application of IFRS 16

Analysis of Sales and Revenues by Geographical Area

Revenues in 2020 were equal to €544.1 million, with a performance at current exchange rates of -10.5% and equal to -9.9% at constant exchange rates compared to €607.8 million in 2019, with the effects of the pandemic mainly impacting Q2 2020.

Sales in the second half of the year were equal to €339.0 million, with growth at current exchange rates of +7.2%.

European Market – revenues equal to €181.6 million (33.4% of the total), with a slight decrease of -1.7% compared to €184.8 million last year. H2 2020 saw significant growth of +20.7%.

The very positive result was driven by the multibrand channel. Sales in the areas with local customers were very interesting, especially in central-northern Europe and the entire area of the former USSR, while tourist areas suffered more from the effects of the pandemic.

Italian market – sales were equal to €68.3 million (12.6% of the total), with a decrease of -23.9% compared to €89.7 million in 2019. The second part of the year saw a performance of -13.3%.

The lack of tourists was partially compensated by the stability of Specialty Stores in the suburbs.

North American market – revenues were equal to €172.8 million (31.8% of the total), with a performance of -15.3% compared to €204.1 million in 2019. The second half of 2020 saw growth of +4.7%.

The North American market returned to growth in the second half of the year, demonstrating a great resilience in demand. Positive wholesale orders were a key component of the performance and gave us great confidence in 2021.

China – revenues in 2020 amounted to €61.7 million (11.3% of the total), down 1.8% on last year. The second half of 2020 saw growth of +14.0%.

Mainland China reported a positive result for the whole year, with a marked acceleration in H2, showing significant double-digit growth. The weakness of Hong Kong and Macao persisted over the 12 months, with some positive signs of recovery in the latter part of the year.

Rest of the World – Revenues equal to €59.7 million (11.0% of the total), with a decrease of -9.9% compared to €66.3 million in 2019. The second part of 2020 saw a performance of -1.5%.

Progressive recovery of sales in H2, characterised by solid results in South Korea and normalisation of sales in the Japanese market.

Revenues by Distribution Channel

Retail Channel – revenues were equal to €268.6 million (49.4% of the total), with a performance of -20.9% compared to 2019. The second half of 2020 saw a slight decrease of -12.3%.

The year opened with very positive sales in the Retail channel, but the spread of the pandemic produced a sharp drop in traffic in boutiques around the world.

We managed to limit this effect through several actions: the significant growth in sales in our online boutique, which doubled its relative weight to 5%, the launch of "Casa Cucinelli" as a new channel for interacting with customers, the great work done on the visual merchandising of physical and digital boutiques.

In 2020 we were also able to rely on the high level of loyalty to our brand and the skill of our dealers, which we like to call “friendly advisors”, able to achieve excellent sales even during the lockdown thanks to their relationships of trust with customers.

As at 31 December 2020 the network consisted of 107 boutiques (106 boutiques as at 31 December 2019).

Wholesale Channel – sales were equal to €275.5 million (50.6% of the total),[4] with a performance of +2.7% compared to €268.3 million as at 31 December 2019. The second part of the year saw a very significant growth of +36.3%.

The result achieved, which we believe to be excellent in a year that was as particular as 2020, confirms the strategic importance that we have always attached to multibrand customers, which are able to adapt the characteristics and taste of the brand to the needs of the local customer.

The initiatives implemented in 2020 have contributed to achieving these results. Particularly worthy of note are the precision of production and delivery times, the very important assistance in **restocking orders**, especially this season, the possibility of physically **touching** the collections during the presentation, the contemporary nature of the apparel, without re-proposing garments from past seasons.

Finally, the numerous connections with multibrand customers from the "Casa Cucinelli" space in Solomeo were also very important, offering opportunities for discussions and long-term planning.

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Pursuant to and in accordance with article 154-bis, paragraph 2 of Italian Legislative Decree no. 58 of 1998, the financial reporting officer, Moreno Ciarapica, declares that the disclosures included in this press release correspond to the documented results 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 Group and its operating, business and financial results. By their very nature, these forecasts contain an element of risk and uncertainty as they depend on the occurrence of future events and developments.

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Brunello Cucinelli S.p.A. is an Italian maison that produces luxury goods. It was founded in 1978 by the fashion designer and entrepreneur of the same name and is listed on the Italian Electronic Stock Exchange. The Company has always been **rooted in the medieval hamlet of Solomeo** and it is considered an authentic expression of the concept of "Humanistic Capitalism" since it can match constant, sound growth with an entrepreneurial philosophy addressing the major issues of **Harmony with Creation** and **Human Sustainability**.

Specialised in cashmere, the **brand** is currently believed to be **one of the most exclusive brands in the chic prêt-à-porter sector**, an expression of everyday lifestyle worldwide. The combination of **modernity** and **craftsmanship**, **elegance** and **creativity**, and **passion** and **human values** make Brunello Cucinelli one of the world's most exclusive and admired **ambassadors** of **Italian style**. In fact, the brand authentically expresses the values of **tailoring** and **craftsmanship** typical of products **Made in Italy** and the territory of the Umbria region in particular, combined with a focus on **innovation** and **contemporary style**.

[4] The wholesale channel combines the wholesale multibrand channel and the wholesale monobrand channel.
Revenues of the multibrand wholesale channel at 31 December 2020 amounted to €239.7 million compared to €235.7 million at 31 December 2019.
The monobrand wholesale channel had a turnover of €35.7 million at 31 December 2020 compared to €32.6 million at 31 December 2019. The corresponding network consisted of 31 boutiques as at 31 December 2020 (compared to 30 boutiques as at 31 December 2019).

Through **healthy, balanced** and **sustainable growth**, the company's main goal is to earn profits with **ethics**, **morality** and **dignity**, respecting the moral and economic dignity of the over 2,000 directly employed Human Resources and all those who work with them. In 2019 the company reported over €600 million in revenues through a selective market presence, with 136 monobrand boutiques and the most prestigious spaces in the world's leading multibrand stores.

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Contacts: **Investor Relations & Corporate Planning**

Pietro Arnaboldi

Brunello Cucinelli S.p.A.

Tel. 075.69.70.079

Media

Vittoria Mezzanotte

Brunello Cucinelli S.p.A.

Tel. 02.34.93.34.78

Corporate website: www.brunellocucinelli.com