

**Brunello Cucinelli S.p.A.**

**"Nine Months 2020 Results Conference Call"**

**Thursday, November 19, 2020, 18:00 CET**

MODERATORS:     BRUNELLO CUCINELLI, EXECUTIVE PRESIDENT AND CREATIVE  
DIRECTOR  
MORENO CIARAPICA, CHIEF FINANCIAL OFFICER  
PIETRO ARNOBOLDI, INVESTOR RELATIONS

OPERATOR: Good evening. Chorus Call operator speaking. Welcome to the Presentation of the Nine Months 2020 Results of Brunello Cucinelli Group. I'd like to remind you that all participants are in listen-only mode. Following the initial presentation, there will be a Q&A session.

Speakers will be Mr. Brunello Cucinelli, President...Executive President and Creative Director, Moreno Ciarapica, CFO and Pietro Arnoboldi, Head of Investor Relations. In order to receive help from an operator during the call, please press "\*" followed by "0."

And now, I'd like to give the floor to Brunello Cucinelli.

BRUNELLO CUCINELLI: So good evening, my dear friends. It's a pleasure to have you here investors, analysts and journalists. I am always very, very happy that you are online and attended at this special time. I keep saying that I am always very keen and fond of these exchanges, because through these times, I tend to also grow in a personal manner, from the human [indiscernible] and economic view.

But especially at this time, there are say, sometimes I call it intense and painful for our body and for our soul, although that something has slightly changed today. In this year that we have called a some sort of transition year, we have tried to keep in contact more frequently with you, more frequently than usual so that we could feel close to each other maybe to help each other around and to stand by each other's side. And I would say that I am particularly pleased of having made this choice.

You see, there's 9 of us, the whole team here with us, and I say that we were happy to make this...to have made this choice to speak to you at least once a month. So what about the call? I'd like to convey and share with you the...all the results on 30<sup>th</sup> November, and then I'd like to talk

about the time we are experiencing the performance in the fourth quarter, because we are half way through it. So and thereby the trend for the whole year, and then we would like to provide you with very detailed visibility on 2021. A pretty detailed visibility on 2022 and then a wrap up on the 10-year plan 2019-2028.

Just a couple of words on the Spring/Summer '21 production, and you know, it's all Made in Italy. And the importance of the fact that collections will come out next week for the Fall/Winter. E-commerce image and communication, and last but not least, the performance of the world markets and then our strategies that we have trusted that is how we are behaving.

So I'd like to read out now. So buoyant growth at 3.4% at current exchange rates vis-à-vis the same time last year, thus confirming the expectations for revenues increase, of course, this is the last quarter obviously. Significant increase of revenues in North America, Europe and domestic China, Mainland China, North America plus 9.2%, Europe plus 7.7%, China including Hong Kong and Macau plus 3.2%, Italy minus 6.9%, Rest of the World minus 5.7%.

Excellent growth in the wholesale channel, plus 20.5%, good hold up in the retail channel decreasing by 15.7%. Well, these are the results of the first 9 months. So net revenues of €378.7 million, decreasing down minus 17.5% at current exchange rate, minus 17.4% at constant exchange rates vis-à-vis €459.2 million last year, North America minus 21.4%, Europe minus 13.4%, China minus 12.6%, Rest of the World minus 13.9%, Italy minus 23.1%. Performance broken down by distribution channel, wholesale minus 9%, retail minus 26.1%, these are the first 9 months of the year.

So what about my comments on this? We have achieved really interesting results in the third quarter of the 2020, and as we are already half way into the last quarter, we can envisage very positive results for the last quarter as well. We should therefore close the year reporting a slight drop in revenues of around 10%. And just a few days ago, we finally received the long awaited news of the forthcoming arrival of the vaccine which has stirred, joy and hope across all of mankind. This has prompted us to return to live and work in a better mood after long months of intense and sometimes painful life, both for our body and our soul. Because of the above, and thanks to a strong order collection for Spring/Summer 2021, we envisage that next year which we call the year of rebalancing will mark a return to a grateful growth of around 15%.

So now, I would like to dwell on the time we are living in. Then attached to the press release, there is a letter and truth be told, I wrote it just a few days ago and in these days there are, of course, painful and intense but full of hope for the arrival of a better world, and I believe in this. I actually wrote this letter at the end of last week, following the great announcement concerning the vaccine. And then we'll spend a couple of minutes on this, but this has really changed our lives, at least also in our company.

There is no doubt, that following the great announcement a few days ago on the discovery of the vaccine, the world mood has changed. We are now seeing some sorts of light at the end of the tunnel of the pandemic. It might last 2, 3 or maybe 4 months longer, but there is no doubt that the end is close, and all this enables us to work on a daily basis as we were saying, slightly less fearful but still very, very careful for what we still have to live through. Of course, all this is triggering positivity, creativity and a great hope for a better world.

We have not eased at all the April project, because every day we have 2 doctors available, and we take tests and swabs, there are 1000 employees here. We also have our doctors examine people at home and all this enables us to work slightly better conditions, because whoever comes to visit, they have to test for COVID, and this has given us a very special opportunity to work in a serene manner.

We have now reached the half of this fourth and last quarter of 2020, and very frankly, we think that we can confirm with a wealthy balance the forecasts that we indicated towards the mid of this year. And this quarter that actually shows once again a plus sign, and also for the whole year we imagined a slight decrease of around 10%.

What I would like to say is that, at the end of all this year, we can say that the second quarter only was really complicated, because all boutiques were closed. However, the remaining 3 quarters, we can say that they were pretty positive. Of course, that we are trying to be wise about this, there is nothing, no way around it. We try and come to terms and accept this special year.

Well, in this year we have tried to lease our company as I was saying before, and also recalling the quote by Jus Bases [ph] last April when he mentioned humility, courage, creativity. And I'd like to add seriousness to the equation, because in one of his great speeches, our President of the Republic said Italy is made up of serious people, dependable people, this is the message I would like to convey.

So as you know, we made 3 great choices in March, between the 11<sup>th</sup> and the 12<sup>th</sup> of March. The first one, the strong choice of not laying everybody off and also to guarantee the same wages to all our employees worldwide and there's 1,000 of us here, and 1,000 worldwide staffing the stores. We

did not request or ask for any discounts, and this somehow is part of our corporate culture, and all the excess goods due to the fact that the boutiques were closed has made available, well this inventory we have made available to mankind to improve somebody's livelihood, and this project that we called Brunello Cucinelli for Humanity, I am sure you are familiar with it in the detail.

So as we said, as of today, our company is the very same as it was in February, 2,000 employees, 5,000 sub contractors, everybody located in Italy. And the results we achieved made us feel, you know, sounder in under many points of view. First of all, the value of our workforce, we are all physically at work with all the care and attention that is required. So today, we have...we are experiencing a good, positive mood and even slightly better today for 2021, where we have good plans and we envisage it to be quite a profitable year.

So what about our view on 2021, which we dubbed and called the year of the rebalancing? Well, here again, we'd like to confirm once again what we announced towards the half of the year and then once again in August, that is 2021 that is very appealing with revenues up around 15% and EBITDA in the range of 13%, 14%. Investments are all confirmed and they will account for more or less 7% of revenues in 2021.

In the last call, we said this would amount to 6%, because we thought we would pull forward 1% and invest it in 2020. But since many of these projects struggled 2 years, this 1% actually is carried forward to next year, so 7%.

So what about these great plans that we have? We're talking about store expansions and extensions, one in Madison Avenue, New York, where we doubled our size. In Tokyo, Omotesando, this is also a doubling of the

space. St. Petersburg, the same in Las Vegas, we doubled our size for ladies.

I think, we have a balance sheet and capital situation that is pretty sound and healthy as far as we are concerned. This is how we are poised to tackle next year. Next year will also be the year of rebalancing inventory, because the excess goods of the first quarter that has become a part of the project, you already know. But for this year...for 2021, we are very confident and we work with excitement. And this is understandable following such a difficult, tough time.

So what about 2022? We did not change any guidance. We keep seeing 2022 with a come back to a general balance with revenues increasing up around 10%. And, you know, personally speaking, I always like this figure of growth 10%, and EBITDA around 16%, 17%. And investments, CAPEX usually should be around 8%, as it was before the pandemic and all this, well, we would like to confirm today that our 10-year Business Plan that started in 2019 and will extend to 2028, well, where the aim was of doubling our revenues, this will not be changed.

A couple of words on production for Spring/Summer 2021. All our workshops are working, Made in Italy, and we will have really timely shipments and delivery. And this is really comforting to us.

Next week, we will be presenting the Full/Winter '21 collections, and are really keen on saying this, they are physically made and they will be exhibited in the showroom in New York, a very important one, Shanghai, London, Munich, Milan and Solemeo.

So clients can really view the goods, some of them can see it...can see the goods physically, some others online. But if you have a chance to really

see things in person, it really makes a difference. We saw it last season those who placed their orders physically, really touching the goods, well, the orders are slightly more appealing in that case.

Of course, and as far as taste is concerned, what is clear is that taste has definitely moved towards a DNA that is typical of our company. That is a style, that is slightly cleaner, more leaner, chic, sporty, always in high luxury. But you see this is...you see, this is a question of cycles that usually last 5 years when basically taste changes.

Then e-commerce, very, very well there. We will have more or less 5% sales results, which means doubling the previous figure, it's a very important vehicle for communication because everything goes through those channels. And you see about this, we have always thought that the business for brand was more or less 8%, not very easy to pinpoint because we have the multibrand side to it too. This year, it will more or less amount to 14% or 15%. But we have the facilities in-house whereby if we were to double the size every year, we would have all the equipment to cater for that.

Of course, every year we need to invest. And as it was the case now, we have renovated completely, we finished yesterday our connection with America. We changed the whole graphics and also the IT infrastructure. Every year, we need to invest in this. But I believe that technology evolves very...in a very quick paced manner. And we want to go along the stream, because we actually realized that recently. And we actually saw that through this new technology, it is really, really possible to visualize the product in a fascinating way.

So what about the markets? The performance of the third quarter and the first half of the fourth quarter, we'd like to call it a performance that is



built on the grounds of a balance. There's a balance among markets with the recovery and the dynamism of China and Russia, the relevance and the strength of Japan and the U.S. Especially lately, Europe, perhaps, is the market that is slightly more in difficulty, especially in the last months. But truth be told, I have to say that the closed stores in our case, we are talking about 12%, 16 closed stores in Europe. These stores are physically closed, but we can't say that they don't work because they ship and deliver at home.

Another important concept is the idea that all markets are turning domestic, so to speak. You see, Andrea Guerra taught me this, and now there's Luca Lisandrone here beside me, who used to work for him. Andrea Guerra used to say, we should always try to have a domestic kind of trend towards markets, because this can provide you with great results. And I have to say that this year, this trend has provided us with good results.

Of course, there is a large difference between the stores that targeted local customers rather than the ones that targeted tourists, but we really have many, many customers who...and clients, who believe in local customers. So this idea of longstanding customers, it really entails special relations. And this has a lot of value also for wholesale clients. And as you know, we always attach a lot of strategic importance to this channel.

Well, as far as this wholesale channel is concerned, we are reaping great results both in terms of business turnover, but more or less...more than that, in terms of relations as far as the next 5 to 10 years projects are concerned.

And what about the past months? What did we do in order to engage with end customers...Cucinelli end customers and also multibrand clients?

Well, in the past few months, we have organized many, many daily calls with these loyal customers, and it's always a very fascinating thing to do. We have shown them our collections, thanks to this cutting-edge technology. It seems to really that you are there to touch the goods.

And we had very important exchanges, where we have debated important topics. I really like this formula, so to speak. And I think that they are...they are appreciated too, because we can have between 20 and 24 clients in one call. And of course, you're really able to talk to each one them.

And I think that, however, it seems to be I come back to the IPO, because you see before the IPO, we would come to you investors, but you see banks has put together some schedules of meetings, they were really exhausting, 8 to 9 everyday. And you know, at the end of the day, you didn't what your name was? Because every hour, he was suppose to repeat this very same story. My name is Brunello Cucinelli, I just make cashmere. But, you see, I have to say that out of these Zoom calls...daily Zoom calls, 5 to 6, a day, you really see the future for the brand. And I have to say that in these months, I have met more Cucinelli end customers in the rest of my career. So it is exhausting, obviously, because you have to start early in the morning and you end late at night, but it's very, very pleasant.

Everything happens here in Solomeo, where we have a setup, a specific space, and I hope that you can see it one day that we called Casa Cucinelli, Cucinelli home. It represents our world we have the whole collection there. We have our lifestyle, we have olive oil wine on the table. So it is as if it was a sort of living room of somebody's home. And you see all these conversations that usually last's between 30 to 40 minutes. They

really provide us with great ideas and exchanges of view. So, I want to say thank you once again to these magnificent technologies.

Although, we think that we always invest...we think of investing €5 million or €6 million a year. And then, we end up investing 8, and the same will happen next year. But you see the progress of technology needs to be followed. So this is what we have done for our Cucinelli end customers.

Tomorrow, second great round of meetings will start. And I really wanted you to know about this, that we will organize with the owners of our multibrands, you know, we have about 500 accounts...multibrand accounts all over the world. And I say they are the best names and this round will last about a month and these meetings with about 20 participants, we talk about the time we're living in, we talk about the trends in fashion taste. And another important topic, we also discuss the budgets for the coming year, so it's very, very important.

You basically exchange...we exchange our views, we look at each other in the eyes, but you see, it's also interesting for them, because you...they also see their competitors you have maybe somebody from Los Angeles, Boston and Dallas. And so, they can have an exchange among themselves too, and they talk about the taste and the trends. So very, very interesting.

Then, of course, very often, in order to do that. You must not dread what they might ask of you, but you see this is something I've always had as a dogma in my life. So when we started in March and you see, and I said I want to have a meeting in month. Somebody said, well, maybe it's too much, and I said no, it's not, because if I was an investor, I would be very happy to know frequently what the company...how the company is doing, and then we have the human responsibility also towards our community.

As I said, back in March, of course, when the President of the region, the Governor of the region and the Mayor calls you and asks you, so what do you think about your company and the community? I think, it is our duty to really express our views. I have to say that this strategy that started back in March has yielded great results.

And in the Fall/Winter 2020 collection, we had no cancellations, in the Spring/Summer '21 collection, we already have our secured orders, and we achieved excellent results. And we are also noticing this now in the daily restocking where there is a need. Of course, bottom line is, that if your product is not contemporary everything disappears. So my friends, they say to you guys to it's very important.

And now, 30 seconds, because I'd like to read out as an example of this daily relation that we have with our people, I'd like to read out this loving e-mail that the great...the CEO of a great departments...American department store wrote to me yesterday. "Dear Brunello, I hope that you're well and healthy. It has been a really pleasant to host the event with an important number of our best customers. So you should know that in these events, up to 300 customers can link up. In that case, they do not...they can't see each other, up to 20, they can. Your collection was, so beautiful and relevant with a lifestyle elegance, easy to wear and full of energy. We all need hope, and we need to feel well." Your wise words, and I was moved by this really were of inspiration, and I thought long and hard about it. It was very nice for our clients and customers to hear you speak directly.

Our customers love Brunello Cucinelli fashion, craftsmanship and especially the love and care that your brand embodies. Listening to your approach to 2020 and the hope that you cherish towards a bright future

starting from '21, as well as, our responsibility to implement the future in...whilst respecting our planet has been a great pleasure for all...for us all.

On Friday, I will be traveling and I won't have a chance to take part in your meeting. But I will be thinking of you with esteem and affection. This is an example of this strong long-lasting relationship that you...we have, and you see we talk about product budget and strategy, and next Friday we'll be talking about the strategy for the coming 5 to 10 years.

So to conclude, so that we can have an exchange with you. To conclude, I would say...I would say that you see things are starting to look up. You see from...starting from last week when the vaccine was discovered. So now with daily care and attention as we keep saying, we need to pay attention for a few more months, but we know that the pandemics that we see an end to it. It is a completely different mood.

And another anecdote, I'd like to tell you, last week I asked my brother...my father, who is 99 and he lives, opposite to my home. And maybe he was the most important advisor in the past month, I said to my father, which was the best day in your life, of course, excluding all the family events? And he was moved, and he said to me, "You see, I was at war for 6 years, but you know, on May the 8<sup>th</sup> of 1945 when the end of the war was announced that was the best day of my life." And you see, last week, when they announced the discovery of the virus for me today and I'm 67, if I rule out my family events that was the best day in my life. And he said...my father said to me, because you see when you are elderly, you tend to get tearful very easily. He said, you know, I was 23, when that beautiful day happened and he was moved and I was moved myself.

So another nice thing I'd like to convey to you. You see this morning; I read 2 sentences, 2 statements by the Chinese President that I friendly called, 'Zee' because it's easier for me to pronounce his name. And this really changed my mood, but not just for today, but for the time to come for our children. That's why I said to Ricardo; let's have dinner altogether tonight with all my grandchildren. So...and the Chinese President said, first of all, we must build an open world economy, and this thing said by the Chinese President we need to be firm, when and build a world...an open world economy, I think it's fascinating.

Secondly, we have to achieve harmony between man and nature. And this is another important concept very contemporary. So at the end, I can say that this week, I see that there is some more ease in human relations. And this is the result of the great pain and sorrow that we all felt in the past 6-7 months, I lost 2 friends myself. And this pain has been a pain to the body, but also to our souls.

So to conclude, I would like to say, so in the press release there's a copy of that letter, and forgive me, because it might be a bit cheeky, but I really believe in that, but this text that I called the new social contract with creation. You see, I've always been fascinated by Socrates, Aristotle, who would talk about social contracts, then Rousseau also mentioned this, but they always talked about a social contract between man and man, whereas now we have to draft this contract with creation. So I went so far as to attaching it to the press release.

So thank you very much we open the floor for questions. But I'd like you to know, that I'm particularly positive today, there's 9 of us here. And I think that the mood has changed. Of course, now we have the vaccine, we all need to be careful, that's for sure. But maybe we can say that we have covered 36 kilometers of the marathon. The marathon is a very heavy

kind of exercise, but we need some more...just a little bit more resistance.  
So, the floor is open for questions.

## Q&A

OPERATOR: Chorus Call operator speaking. We will now start the Q&A session. Whoever wants to ask a question should press "\*" followed by "1" on your keypad. In order to leave the booking list, you should press "\*" followed by "2." Please speak into the microphone. Whoever wants to ask a question should press "\*" followed by "1" now.

The first question is from Flavio Cereda, Jeffries.

FLAVIO CEREDA: Good evening, Brunello to you and the whole tribe. I think you are all there?

BRUNELLO CUCINELLI: Yes, yes, the tribe is all here. Thank you.

FLAVIO CEREDA: I have 3 questions, 2 dry ones so to speak and one is more strategic. The dry ones are as of today, what is your estimate for the net financial position as at the end of the year and what is your target for 2021, so some details on that?

The second question, so once again about the revenue targets of the year, so what do you think. My question was with the closures in Europe, you yourself said that you have 12%-13% of those closed. So are we taking for granted that stores will be open in December or maybe this won't change very much, whether open in December or not?

And the last question, I know I asked this last time too, about the wholesale and multibrand, especially boutiques. There is still this

persisting negative image on the channel, especially from other brands, we should mention anyone, maybe they have other issue, but for you, this channel is still working very well. By the way, if it is true that we are moving towards an increasingly local market in the coming years, it is somehow taken for granted that this channel will stay important. So the question, the multibrand is it a judge of the product or is it dilutive of the image of the brand.

BRUNELLO CUCINELLI: Of course, the last question is the most fascinating one. So as far as net financial position is concerned, I would say €125 million, as we said before. Then as to December, Flavio, well from the beginning of the pandemic, you see back then we drafted 4 budgets. The first and the more optimistic one, like we did in 2008, then the second one more realistic, the third a bit harsher, and the fourth very harsh.

As of today, we can thank creation [ph] that the third and the fourth are not the case. So in the end, we will end up with three nearly positive quarters. Then of course, I have always thought that when you draft budgets, you cannot just consider things...how that's, everything that is going on. So what we are saying today is that as things stand, so the part of the stores, a part of which are European, work behind closed doors, but there are markets like China, Russia and America where...and Japan itself, that they are performing a slightly exceeding our expectations. So we are confident in confirming everything that we said in the past.

And then the multibrand Flavio, well, first of all, you have to deserve the trust with the multibrand and then when they do not buy your brands, the underlying topic is always the same. It means that your product is not cutting-edge. Nobody is going to change my mind on this. You might say well, they...you see the reality, the truth is always the same, it means that your product is not interesting if they don't buy you.



I have always believed that multibrand stores are the strictest and unbiased judges about the contemporarity [ph] of the product and how the product is sellable. For example, I myself think that by nature they are domestic in nature, these multibrands. We are talking about local entrepreneurs who are fully familiar with the habits and the tastes of the people living around there. Just to give you an example, a beautiful store, Unger [ph] from Hamburg, has always been our client forever from the very beginning when they sent me a cheque of 990,000 Deutsche Mark by mail, it is \$1 million today, and they sent the cheque by post. So when we placed the order for our Hamburg multibrand since we have ready-to-wear where the size is important, the weight is important, truth be told, we always draw inspiration from the sizes that he, the Ungar chooses because he knows exactly the size of his local customers, so really they are father...inspiring fathers of our taste and of the sellability of those products.

Well, truth be told, I am very close to our customers and if I was to tell you how sales went in those typically local stores managed by the owners, well, they went really, really well and this is still a year when I keep thinking about the value of these wonderful multibrands. They have been there for 50-100 years, they display the products in a fascinating way, they mix and match your product with maybe another up and coming designer or with a senior well established one. So...but what it really means where don't buy your products is well, maybe sometimes you can say that they did not buy your product for economic issues and truth be told, Moreno Ciarapica, the CFO is here, we have no losses on receivables. We never had that for 40 years. So we still are very, very optimistic.

In the last decade in Russia with 127...in the former Soviet Union with beautiful multibrands 10, 12, 20 million revenues, and what has happened in the past 5 years with 38 multibrands in China, very high quality, really

makes me hopeful and that's why I believe that we should have the double channel and this year's result is the balance among the different channels, the ecommerce, the multibrand and our monobrand stores.

We should never underestimate the fact that we are in ready-to-wear and knowing the size, the build of [indiscernible], well, this is not the same as somebody from Hamburg. We are not talking about bags [ph], the very same size and weight across all different countries. So we attach a very...a lot of importance to multibrands. So thank you, Flavio, for your questions. I hope you are happy for AC Milan. You haven't been the first in the ranking. I say goodbye for you from the top of the league.

Yes, let's sometimes make jokes because I think that we are really moving towards a better time. I also took a look at the number of cases in Italy. They came out 10 minutes ago, but the curve is flattening. You see, we always take a look at those cases at 5 PM and we always gain confidence. Well, first of all, I gain confidence because I am 67. Yes, you see, everybody is laughing here. They are all young and they laugh at me, okay.

OPERATOR: Next question from Andrea Randone, Intermonte.

ANDREA RANDONE: Good evening Brunello and everybody. I have 2 dry questions too. The first one has to do with the ecommerce and the digital channel because in your presentation, you mentioned a few numbers and I wanted to be sure that I understood 5% this year and 14%, 15% and I don't understand whether this was the

BRUNELLO CUCINELLI: Yes, I can give you all the details. Any more questions?

ANDREA RANDONE: Yes, the second question is on China, which is the other much debated topic for China, you had a strategy to grow in the wholesale segment. So, my question is whether you had any initiatives on the digital and physical wholesale and how things are doing for 2021?

BRUNELLO CUCINELLI: Very well, Andrea. So, the first one, so as far as the wholesale...sorry, the online channel is concerned, we went from 2% to 5% and you know, we have facilities for online sales that can cater for really twice as many sales. So, from before the pandemic, we thought that we would have 2% ourselves with our own website and then the other points would be...you know with the multibrands website. So, now we have reached 5%, so we assume that our multibrands might have had 70% to 80% more. So, we can say that the Cucinelli business worldwide in e-commerce could amount to 13% to 14% including both our own website and the portals of the other multibrands.

But, you see I think that e-commerce is bound to grow in the years to come. But, I am a firm supporter of the great value of the brick and mortar stores. If you ask me, what I think will happen in 3, 4 years; I think that the e-commerce might reach up to 20%, but 80% will still be accounted for by the physical stores, by the Hamburg customer that want to gain some advice from the sales assistants, especially for men's wear. So, this is what...for your question about e-commerce;

Then China, a very attentive [ph] remark. So, this year, we will have about 10% of revenues in China. I think we have...we enjoy a great image in China, that's what the press tells us with important sort of shootings there, so of course, we have something, some opportunities in the coming years, in the coming 3, 4 years we would like to achieve 20% to 22% of our turnover. And with a unique single collection worldwide, always the very same goods and all the confidence and in ready-to-wear

this is...it is not easy to start a culture. And we...on Monday morning, we have 2 calls and we have 38 multibrands in China and we've broken them down into 2 groups. So, we will organize a call with them, 18 plus 18 participants and we talk about how the year went, how we can organize the visuals, merchandize and at the same time we also mention budgets.

So, thanks to these relations that we enjoy...now yes, another thing I want to say, last week we organized one of these calls and there were about 100 people in a restaurant in Shanghai, Ricardo Luca to remember, and we were impressed because they were...nobody was wearing facemask, everybody was sitting beside each other, just a normal condition. So, multibrands clients they were living, they were dinning in normal conditions and since we drew inspiration from them on January the 9<sup>th</sup>, when they sent us the first hash [ph] images, you see if that's the case and they are 2 months ahead of us, well, I have to say, that hopefully in January too, we...January too, can go back to restaurants and dine like them.

So, e-commerce I mentioned that, and China I believe very much in it. But I want to keep thinking of my brand as a luxury brand, an exclusive brand. And at the end of the day, we have 18 stores there and this is our strategy. But, once again, we are ready-to-wear brand. So, it is important to understand their taste, there is a difference between China in the north and the south and in the resorts.

ANDREA RANDONE: Thank you, Brunello.

BRUNELLO CUCINELLI: Thank you, Andrea.

OPERATOR: Next question, Paola Carboni, Equita SIM.

PAOLA CARBONI: Good evening, everybody.

BRUNELLO CUCINELLI: Good evening.

PAOLA CARBONI: The first question has to do with communication because I was reading in the press release that you mentioned the desire, you wanted to have significant investments in communication. So, I would like to understand what this means? So, maybe the budget can be different in 2021, if it's a normal year. And how you think of allocating this budget?

And then, a spot question since we spoke a lot about Russia, and recently we did mention how much it's worth for you. But, I think you are more exposed within other peers. So, what's the value of Russia as a market, and the Russians were travelling a lot, what about now?

BRUNELLO CUCINELLI: Well, as far as communication is concerned, no change there. We will spend more or less 6%, 6.1%, but just because revenues dropped slightly, our standard has always been between, between 5.4% and 5.5% and this is the next budget for communication in the future, because you know, we also have a so-called parallel cheap inexpensive communication, which comes from you see the letters and all the different pieces that come out on what we do and the story. So, there is no change there.

As far as China is concerned...sorry Russia is concerned, very interesting question there, because when we talk about Russia, by the way we do not just about St. Petersburg and Moscow that we all know, that's the former Soviet Union that is extremely important to us. We are talking about marvelous clients. So, we thought that at the end the day, we think that, we can have, we can say 5%. And then, there is a 5% from the multibrands. So, the wholesale multibrand in the former Soviet Union,

because you see when we talk about the beautiful city in Kazakhstan or Uzbekistan, there are 2 or 3 beautiful clients and they have great vendors and they do a lot of turnover and they do not appear anywhere, but they are very important. And of course, this year Russia grew slightly more and we speak to them about this too, because, they could travel a bit less. And once travelling will start again maybe Russians will shop in Paris in Centro Paie [ph] because that's what they are used to doing. Thank you.

PAOLA CARBONI: Thank you.

OPERATOR: I would like to remind you if you want to ask a question you can press "\*" followed by "1" on your keypad. For further questions, press "\*" followed by "1" on your keypad. Mr. Cucinelli, there are no questions for the time being.

BRUNELLO CUCINELLI: So, thank you very much. I would like to conclude by saying that I specifically I am very fascinated by the fact that the solution to the pandemic has been found. Truth to be told, you see we are very, very optimistic here. And I am saying this again, maybe 2, 3, 4 months still to go but I'd say that, at least in Italy we have a month that is still a bit harsh, maybe also Christmas, but we are going towards to the end of it.

And last, if you had said to me, back in March of how we could close the current year...and I am not just talking about Cucinelli here, I am talking about fashion in general, I would have never thought about these results. So, let's try and be confident. Thank you very much and goodbye. Thank you.