



BRUNELLO CUCINELLI

Press Release

BRUNELLO CUCINELLI: the Board of Directors has approved the 2014 Half Year Financial report.

- **Net revenues € 175.8 million, a rise of 11.6% at current exchange rates compared to the first half of 2013;**
- **EBITDA € 30.6 million, +12.9%;**
- **Net income € 15.6 million, +17.8%;**
- **International markets in constant expansion (+15%), currently representing 79.4% of turnover;**
- **Slight growth on the Italian market, +0.2%;**
- **Revenues growth in all sales channels: retail monobrand +22.9%, wholesale monobrand +6%, multibrand distribution +6.3%;**

Brunello Cucinelli, Chairman and CEO, commented as follows:

"It is with great positivity and peace of mind that we are about to announce the really special performance achieved by our company, with results that enjoy growth once again and that we believe will be confirmed also in the second half of the year.

We are witnessing an increasing demand at global level for products manufactured in Italy, which should be "recognizable and exclusive", with a high content in "quality and manual work". And the fact that nowadays almost four fifth of our revenues ensue from the appreciation of our collections abroad is evidence to this.

This proves the validity of our choice to manufacture in our country, which is unique in terms of creativity and production capacity, and this is the reason why we keep investing in our territory and in our people.

At this moment in time we feel confident in expecting 2014 to close with a double-digit growth both in terms of profit and revenues.

We have concluded the Men's 2015 Spring Summer sales campaign and the Women's is also at a fairly advanced stage; the data and, more in general, the mood in the absolute luxury segment prompt us to envisage next year as another year enjoying excellent results of double-digit healthy growth.

We perceive very important positive signs for our Italy from our foreign players; we feel that there is great confidence in our creative and productive capacity. Our Country has gone back to showing great potential; if we are able, especially us enterprises, to convert this uniqueness into growth opportunities worldwide, the future cannot but have in store for us the serenity of a new economic development, imagining that now Italy needs each and every one of us.

A special thanks is owed to our esteemed clients, institutions and co-workers collaborating with us with pride and dedication."



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Solomeo, 27th August 2014 – The Board of Directors of Brunello Cucinelli S.p.A. – an Italian maison operating in the luxury goods sector, listed on the Borsa Italiana Electronic Stock Exchange – today examined and approved the 2014 half year financial report.

The results for the first half of 2014 support and confirm the solidity and sustainability of the Company's growth project, regarding both its increase in revenues and its profitability, and are consistent with the positioning of the brand within the absolute luxury sector and with its wholly Italian craft-based system of production.

Exclusive distribution, product excellence, craftsmanship and creativity are the undeniable bases of the Company's identity; its exclusive distribution and Company philosophy confer the allure and prestige acknowledged by the top-end customer whose preference for outstanding products and **Made in Italy** is constantly consolidating.

The brand's charm is expressed through an exclusive **prêt-à-porter** proposal capable of narrating the whole Brunello Cucinelli world, considered by the end customer as a modern and contemporary **lifestyle**.

These are the bases underlying the half year results, achieved within a moral and economic framework and with respect for the work ethic, features that have always distinguished the Company's humanistic approach.

Revenues

Net revenues for the half year ended 30th June 2014 totaled € 175.8 million, a rise of 11.6% (+12.9% at constant exchange rates) over the figure of € 157.6 million posted in the first half of 2013, as previously announced after the meeting of the Board of Directors on 17th July.

Revenues including other operating revenues amounted to € 177.0 million, an increase of 11.5% over the € 158.8 million reached in the corresponding period of the previous year.

Revenues by Geographical Area

The results achieved highlight important growth in all markets¹.

North American market – growth in revenues of 18.2% (€ 55.4 million compared to € 46.9 million in the first half of 2013), representing 31.5% of the total (29.7% in the first half of 2013).

European market – revenues rose by 9.5% (€ 60.0 million compared to € 54.8 million in the first half of 2013), representing 34.2% of the total (34.8% in the first half of 2013).

Greater China – growth in sales of 43.5% (€ 10.4 million compared to € 7.2 million in the first half of 2013), representing a contained proportion of revenues (5.9% in the first half of 2014 compared to 4.6% in the first half of 2013).

Rest of the World – sales rose by 10.3% (€ 13.7 million compared to € 12.4 million in the first half of 2013), representing 7.8% of the total (7.9% in the first half of 2013).

¹ Performance in the quarterly results is characterized by the timing of deliveries between the end of one quarter and the beginning of the next, making a reading on a cumulative basis important for obtaining an understanding of the dynamics underlying the business.



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Italian market – a slight growth in revenues of 0.2% (€ 36.3 million compared to € 36.2 million in the first half of 2013), representing 20.6% of the total (23.0% in the first half of 2013).

Revenues by Distribution Channel

The results indicate increases in sales in all the distribution channels driven by the performance of existing boutiques, new selected openings and an exclusive presence in the most prestigious Luxury Department Stores and multibrand boutiques.

Retail monobrand channel - an increase in sales of 22.9%, with revenues reaching € 62.4 million in the first half of 2014 (35.5% of total turnover), compared to € 50.8 million in the first half of 2013 (32.2%).

*Like for Like*² sales of the direct distribution network rose by a “fair” 5.6% in the first 34 weeks of 2014 (from 1st January to 24th August 2014).

The network (65 boutiques at 30th June 2014) is growing in a very selected manner, with 5 openings over the past 12 months, of which 2 in 2014, and 6 conversions from the wholesale monobrand network to the direct channel (2 conversions in 2014).

Wholesale monobrand channel - revenues grew by 6.0%, with sales reaching € 21.8 million (12.4% of revenues for the first half of 2014) compared to € 20.6 million in the first half of 2013 (13.1% of revenues for the period).

The wholesale monobrand network (37 boutiques at 30th June 2014) benefited from 5 openings over the past 12 months (of which 2 in 2014), which balanced out the 6 conversions to the direct channel (of which 2 in 2014).

Multibrand channel – turnover increased by 6.3% to arrive at revenues of € 91.6 million for the first half of 2014 (representing 52.1% of the total), compared to € 86.2 million in the first half of 2013 (representing 54.7% of the total).

The Monobrand Channel Network

At 30th June 2014 the monobrand network consisted of 102 boutiques (65 direct monobrand and 37 wholesale monobrand), compared to 92 stores at 30th June 2013 (54 direct monobrand and 38 wholesale monobrand); there were 98 boutiques at 31st December 2013.

Over the past 12 months, 5 boutiques were opened in the retail channel and the same number in the wholesale monobrand channel, while 6 conversions took place from the wholesale monobrand network to the retail monobrand network.

The constant search by the Company for the utmost in selectivity and exclusivity in distribution is confirmed by the 4 openings that took place in the first 6 months of 2014.

The 3 wholesale monobrand boutiques currently existing in Japan will be converted to direct monobrand from 1st September 2014, as already anticipated. The different approach to

² Like for Like in 2014 represents the increase in revenues at constant exchange rates achieved by the DOS existing at 1st January 2013.



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management will also involve the dedicated spaces in the 13 Luxury Department Stores in Japan, where the brand is currently present, and these will pass from wholesale monobrand to the retail channel.

Analysis of operating results and net income

EBITDA reached € 30.6 million, an increase of 12.9% over the result of € 27.1 million for the first half of 2013.

As a percentage of revenues EBITDA increased from 17.1% in the first half of 2013 to 17.3%.

This increase in margin was driven by both the growth of the business and the evolution of the sales channel mix, which absorbed the rise in operating costs which rose in percentage terms from 41.1% to 42.7% in the half years ended 30th June 2013 and 30th June 2014 respectively.

In terms of sales channel mix, the percentage of sales in the retail channel rose from 32.2% to 35.5%, backed by the selected openings of boutiques and the positive performance of existing spaces.

Business development and the openings in the retail channel (where the total network rose from 54 to 65 boutiques, against the above-mentioned 5 openings and 6 conversions from the wholesale monobrand network) drove up operating costs, in particular rental expense and payroll costs.

Rental expense rose as a percentage from 5.8% (in the first half of 2013) to 7.1%, while payroll costs increased from 15.5% to 16.6%.

Other operating expenses fell as a percentage of revenues from 19.8% in the first half of 2013 to 19.0% in the first half of 2014; among these expenses, investments in marketing and advertising remained constant as a proportion at 5.1%.

Depreciation and Amortization amounted to € 6.3 million (3.6% as a proportion) compared to € 5.3 million in the first half of 2013 (3.4%).

Net Income amounted to € 15.6 million, an increase of 17.8% over the result of € 13.3 million achieved in the first half of 2013, rising as a percentage of revenues from 8.4% to 8.8%.

Balance sheet

Net working capital amounted to € 96.7 million at 30th June 2014 (€ 76.5 million at 30th June 2013).

Net working capital increased to a limited extent as a percentage of last 12 months revenues (from 29.6% at 30th June 2013 to 30.8% at 30th June 2014), given the positive and healthy management of trade receivables and payables, absorbing the structural increase in inventories.

Inventories, amounting to € 107.3 million at 30th June 2014, increased by € 17.2 million over the corresponding figure of € 90.1 million at 30th June 2013, rising from 29.9% to 31.5% as a percentage of last 12 months revenues.

The increase in inventories is related to the growth of the business and of the retail network, also affected by the upcoming conversions of the sales spaces in Japan to the retail channel.



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Net debt amounted to € 46.1 million at 30th June 2014 (€ 32.2 million at 30th June 2013); the investment project (€ 22.4 million invested at 30th June 2014) is supported by cash generation and healthy working capital management in the presence of a sound balance sheet, consistent with the long-term growth project.

The increase in the Group's net financial position at 30th June 2014 over that at 31st December 2013 (€ 16.1 million) arose as a consequence of the business seasonality and was in line with the changes experienced in 2013 (the net financial position was € 0.9 million at 31st December 2012, which then rose to € 32.2 million at 30th June 2013).

Investment projects

In the first half of 2014 the Company continued its significant investment project, structural to its long-term growth, sustainability of the business model and positioning of the brand at the top of the absolute luxury goods sector, and this will progress over the next months.

Commercial investments supporting the strategy of consolidation and selected growth of the boutique network totaled € 10.2 million in the first 6 months of 2014 and were related to both new locations and extension of certain sales spaces, a number of which in the most prestigious Luxury Department Stores.

Investments relating to production and logistics, which reached € 8.9 million, include expenditure incurred for extending the Solomeo manufacturing facility, with full utilization to be achieved over the next months.

The first half of 2014 saw the start of an important investment project to be developed over a three-year term which relates to the strengthening and development of IT infrastructure platform. This will include strategic resources for supporting the brand's digital presence, consistent with a positioning of exclusivity and prestige.

The manager in charge of preparing the corporate accounting documents, Moreno Ciarapica, declares pursuant to and to the effects of article 154-bis, paragraph 2 of Legislative Decree no. 58 of 1998 that the disclosures included in this release correspond to the balances on the books of account and the accounting records and entries.

Pursuant to article 154-ter, paragraph 2 of Legislative Decree no. 58 of 1998, the Half Year Financial Report at 30th June 2014, approved by the Board of Directors as of today's date, is made available at the Company's registered office and made available to the public in the section "Financial Reports" of the Company's website www.brunellocucinelli.it.

This documentation is also available on the website of Borsa Italiana S.p.A. and on the website of the authorized "1Info" storage system.

The Analysts' Presentation of the results at 30th June 2014 in pdf format may be found in the "Presentations" section of the Company's website at <http://investor.brunellocucinelli.com/ita/presentazioni/>.



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Brunello Cucinelli S.p.A. is an Italian maison operating in the absolute luxury goods sector which specializes in cashmere and has increasingly become one of the most exclusive brands in the international informal luxury **prêt-à-porter** sector.

Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, posted a net turnover of € 322.5 million in 2013 (+15.5% compared to the previous year), of which 79.3% was achieved overseas, and an EBITDA of € 58.2 million (up by 18.5% over normalized EBITDA for 2012), and currently has over 1,000 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 the 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 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, in the outskirts of Perugia. Today the brand is distributed internationally in 60 countries through 102 monobrand boutiques in leading capitals and cities worldwide and in the most exclusive resorts, with a significant footprint in approximately 700 selected multibrand stores, including leading luxury department stores.

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The financial statements are attached



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CONSOLIDATED BALANCE SHEET AS OF 30TH JUNE 2014

	June 30, 2014	related parties	December 31, 2013	related parties	June 30, 2013	related parties
Non-current assets						
Intangible assets	30.233		26.552		27.715	
Property, plant and equipment	69.823	9.992	59.180	8.252	51.142	6.908
Other non-current financial assets	3.972	41	3.426	41	3.895	41
Deferred tax asset	12.890		10.082		9.557	
Total non-current assets	116.918		99.240		92.309	
Current assets						
Inventories	107.278		94.464		90.144	
Trade receivables	60.112	6	43.361	99	60.144	24
Tax receivables	2.496		1.094		1.342	
Other receivables and other current assets	12.652		14.186		8.212	
Other current financial assets	38		-		-	
Cash and cash equivalents	43.626		38.676		33.101	
Derivative financial instruments	200		1.658		838	
Total current assets	226.402		193.439		193.781	
Assets held for sale	0		0		0	
Total assets	343.320		292.679		286.090	

	June 30, 2014	related parties	December 31, 2013	related parties	June 30, 2013	related parties
Shareholders' equity						
Shareholders' equity attributable to parent company shareholders						
Share capital	13.600		13.600		13.600	
Share-premium Reserve	57.915		57.915		57.915	
Reserves	62.261		40.063		40.309	
Net income for the period	16.618		30.476		14.047	
Total shareholders' equity attributable to owners of the parent	150.394		142.054		125.871	
Shareholders' equity attributable to non-controlling interests						
Capital and reserves attributable to non-controlling interests	6.427		4.061		3.918	
Net income for the period attributable to non-controlling interests	(993)		(901)		(784)	
Total shareholders' equity attributable to non-controlling interests	5.434		3.160		3.134	
Total shareholders' equity	155.828		145.214		129.005	
Non-current liabilities						
Employees termination indemnities	3.286		2.854		2.977	
Provisions for risks and charges	813		831		944	
Non-current payables towards banks	30.767		18.281		9.805	
Non-current financial debt	3.529		3.477		1.717	
Other non-current liabilities	3.823		2.006		1.371	
Deferred Tax liabilities	3.786		3.308		2.316	
Non-current derivative financial instruments	329		230		276	
Total non-current liabilities	46.333		30.987		19.406	
Current liabilities						
Trade payables	62.501	1.365	62.607	753	60.841	518
Current payables towards banks	54.726		29.639		53.245	
Current financial liabilities	146		2.955		13	
Income tax payables	5.214		1.562		3.765	
Current derivative financial instruments	484		311		280	
Other current liabilities	18.088		19.404		19.535	
Total current liabilities	141.159		116.478		137.679	
Total liabilities	187.492		147.465		157.085	
Total equity and liabilities	343.320		292.679		286.090	



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CONSOLIDATED INCOME STATEMENT AS OF 30TH JUNE 2014

	June 30, 2014	<i>related parties</i>	June 30, 2013	<i>related parties</i>
Net revenues	175.811	6	157.574	14
Other operating income	1.219	772	1.254	864
Revenues	177.030		158.828	
Costs of raw materials and consumables	(28.216)	(33)	(27.887)	(31)
Costs for services	(87.151)	(879)	(77.749)	(779)
<i>Non-recurrent costs</i>			-	
Payroll costs	(29.397)	(123)	(24.577)	(94)
Other operating (expenses)/revenues, net	(1.272)	(6)	(873)	
Costs capitalized	457		289	
Depreciation and amortization	(6.322)		(5.325)	
Impairment of assets and other accruals	(833)		(902)	
Total operating costs	(152.734)		(137.024)	
Operating Income	24.296		21.804	
Financial expenses	(3.036)		(3.441)	
Financial income	1.748		2.482	
Income before taxation	23.008		20.845	
Income taxes	(7.383)		(7.582)	
Net income for the period	15.625		13.263	
Net income for the period attributable to owners of the parent	16.618		14.047	
Net income for the period attributable to non-controlling interests	(993)		(784)	
Base earnings per share	0,24438		0,20657	
Diluted earnings per share	0,24438		0,20657	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	June 30	
	2014	2013
Net income for the period	15.625	13.263
Effects with possible future impact on the income statement	(451)	(563)
Profit/(Loss) from fair value adjustments related to hedging instruments	(917)	(941)
Tax Effect	252	259
Total Profit/(Loss) from fair value adjustments related to hedging instruments	(665)	(682)
Exchange differences on translation of foreign operations	214	119
Effects that do not have future impact on the income statement	(69)	31
Profit / (loss) from effects of employee benefit remeasurement	(95)	42
Tax Effect	26	(11)
Total other profit/(loss), net of taxation	(520)	(532)
Total net comprehensive income, net of taxation	15.105	12.731
<i>Attributable to:</i>		
Owners of the parent	16.091	13.478
Non-controlling interests	(986)	(747)



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CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30TH JUNE 2014

CONSOLIDATED STATEMENTS OF CASH FLOWS	June 30, 2014	June 30, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	15.625	13.263
<i>Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:</i>		
Depreciation and amortization	6.322	5.602
Provisions for employees termination indemnities	115	73
Provisions for risks and charges / inventory obsolescence / doubtful accounts	675	660
Change in other non-current liabilities	1.767	148
(Gain)/Loss on disposal of Fixed assets	(722)	(830)
Termination indemnities payments	(101)	(8)
Payments of Provisions for risks and charges	(130)	-
Net change in deferred tax assets and liabilities	(2.595)	(1.735)
Change in fair value of financial instruments	813	(307)
<i>Changes in operating assets and liabilities:</i>		
Change in trade receivables	(17.313)	(12.894)
Change in inventories	(11.668)	(8.775)
Change in trade payables	(1.960)	(3.794)
Change in other current assets and liabilities	1.533	3.204
Net cash provided by/(used in) operating activities	(7.639)	(5.393)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(14.913)	(12.061)
Additions to intangible assets	(2.804)	(5.978)
Additions/(disposals) of financial assets	(531)	(707)
Acquisition of Brunello Cucinelli (England) Ltd , net of cash acquired	-	(3.197)
Acquisition of SAS White Flannel , net of cash acquired	(549)	-
Acquisition of Pearl Flannel S.p.r.l., net of cash acquired	(443)	-
Acquisition of d'Avenza Fashion S.p.A. , net of cash acquired	(84)	-
Proceeds from disposal of property, plant and equipment	2.063	1.134
Net cash provided by/(used in) investing activities	(17.261)	(20.809)
CASH FLOW FROM FINANCING ACTIVITIES		
Medium/Long-term loans received	39.888	1.600
Repayment of medium/long-term loans	(13.308)	(3.648)
Net change in short-term financial debt	7.817	23.101
Net change in long-term financial debt	-	1.498
Dividends paid	(7.955)	(5.755)
Share capital and reserves increase	3.335	2.424
Net cash provided by/(used in) financing activities	29.777	19.220
TOTAL CASH FLOW FOR THE PERIOD	4.877	(6.982)
Effect of exchange rate changes on cash and cash equivalents	73	38
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	38.676	40.045
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	43.626	33.101
<i>Additional information:</i>		
Interest paid	892	797
Income tax paid	7.793	9.143