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Oggetto	:	The Board of Directors approves FY 2020 Results

Testo del comunicato

Vedi allegato.

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Press Release

BRUNELLO CUCINELLI: the BoD has approved the 2020 consolidated financial statements and the draft statutory financial statements

- **Net revenues for 2020 of €544.0 million, with a slight decrease of -10.5% at current exchange rates, equal to -9.9% at constant exchange rates.**
- **Progressively growing revenues in H2 2020 with an increase at current exchange rates of +7.1%.**
- **Normalised EBITDA[1] in 2020 equal to €41.8 million, with an impact on revenues of 7.7%.**
- **Normalised EBIT [1] equal to €6.9 million, with an impact on revenues of 1.3%.**
- **Normalised net profit [1] of €2.7 million.**
- **Significant investments of €51.6 million in 2020, in line with pre-pandemic plans.**
- **Stable Net Financial Position[2] equal to €93.5 million.**
- **Shareholders' Meeting called for 19 April 2021.**
- **Approved the 2020 Consolidated Non-Financial Statement.**

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

"We have just ended the year 2020, which will be a topic for discussion for generations to come, and which will stick to our memory as a painful time for the body and soul, but also as a time of great change for the benefit of humanity and Creation as a whole; in terms of revenues, we closed this year with a slight decrease of 9.9%.

These days I feel very strongly that in a few months we will be able to return to our normal quality of life. With this conviction, and thanks to the significant quantity of orders in our order portfolio from the Fall-Winter 2021 collections, which have been unanimously found beautiful by both customers and the specialised press worldwide, we are guiding for this "year of rebalancing" with a significant growth in turnover of between 15% and 20%; and as for 2022, we envisage – as per our ten-year plan for 2019 - 2028 – a growth of around 10%."

[1] The normalisation of the data as at 31 December 2020 sterilises the accounting effects of the application of IFRS 16 and the extraordinary provision of €31.7 million relating to the new "Brunello Cucinelli for Humanity" project for the donation of clothing left unsold due to the Covid-19 emergency and the consequent temporary disruption of sales. Including the accounting effects of the application of IFRS 16 and the extraordinary provision of €31.7 million, the 2020 EBITDA is equal to €89.5 million, the EBIT for 2020 is equal to -€14.8 million and the Net Profit for 2020 is equal to -€32.1 million.

[2] Financial payables for leases are excluded, therefore the figure reported was determined without the application of IFRS 16.

Solomeo, 11 March 2021 - 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 and approved the Group's consolidated financial statements and the draft statutory accounts for the year ended 31 December 2020.

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We ended 2020 with the perception that our company and our brand are continuing to enjoy a positive moment.

Considering the current circumstances, we are pleased with the results achieved, which fully reflect the way we have interpreted and dealt with the pandemic.

Having imagined since March that the effects of the pandemic would be significant but not structural, we oriented all our actions towards achieving two results:

1) **Preserve the company's structure** so as not to compromise our medium-long term growth project.
2) Try to contain the loss of turnover in order to **continue growing in market share** and **guarantee work** to our employees and partners, and thus **the health of our entire supply chain**.

These two objectives had to be pursued while remaining **faithful to our way of doing business** and relating with the local community, customers and suppliers.

We believe that we have managed to achieve these objectives and that today we remain a **company** with the same **skills** as before, driven by **great creativity** and **confidence looking forward**, and with a **clear, shared vision** of future developments.

Thanks to the **"Brunello Cucinelli for Humanity**" project we have made the most of the unsold apparel generated by the temporary suspension of sales in our direct stores, maintaining the value of the garments intact and indeed further augmenting it with the value of giving to those who are less fortunate.

Losses related to the impact of the pandemic have been fully absorbed in the 2020 income statement without affecting the company's **financial soundness** and the possibility of continuing to pursue the **growth targets of our 2019-2028 ten-year plan**, which should lead to a **doubling of our turnover**.

Sales Performance

Revenues in 2020 were equal to €544.0 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 €338.9 million, with growth at current exchange rates of +7.1%.

Revenues from sales and services, including other operating revenues, reached €546.8 million, a decrease of -10.2% compared to the €608.6 million for the previous year.

European Market – revenues equal to €181.5 million (33.3% of the total), with a slight decrease of -1.8% compared to €184.8 million last year. H2 2020 saw significant growth of +20.6%.

Very positive results were driven by the multibrand channel. Sales in the areas where local customers are usually prevalent recorded positive results, especially in central-northern Europe and the entire area of the former USSR, while tourist-oriented 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 -23.8% 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 -15.4% compared to €204.1 million in 2019. The second half of 2020 saw growth of +4.8% at current exchange rates, while it was more significant when considered at constant exchange rates.

The North American market returned to grow 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 1.9% 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 sharp 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 €268.8 million (49.4% of the total), with a performance of -20.8% compared to 2019. The second half of 2020 saw a slight decrease of -12.3%.

Our online boutique saw a significant increase in sales, doubling their impact on overall sales in 2020 and amounting to 5% of the total.

As for physical stores, despite the drop in traffic in many regions we continued to invest in shop windows and visual merchandising with the same intensity and frequency as in previous years with the intention of instilling in our customers a desire to return to visit our physical spaces.

Our store personnel also played a central role during the digital events promoted by Casa Cucinelli in Solomeo, which have been crucial in keeping the relationship with our end customers alive, warm and personal.

Our customers' high level of brand loyalty allowed us to significantly limit the impact deriving from the drop in traffic in fashion districts around the globe.

As at 31 December 2020 the network consisted of 107 boutiques (106 boutiques as at 31 December 2019). During 2020 we have also implemented the expansion of prestigious boutiques located in London, Paris, Saint Petersburg and Shanghai.

Wholesale Channel – sales were equal to €275.2 million (50.6% of the total),[3] with a performance of +2.6% compared to €268.3 million as at 31 December 2019. The second part of the year saw a very significant growth of +36.1%.

These results, which we believe to be excellent in a year that was as particular as 2020, confirm the strategic importance that we have always attached to multibrand customers, capable of adapting the characteristics and taste of the brand to the needs of the local customer.

The growth achieved was supported by several actions that testified to the company's focus on this channel. For example:

- The creation of complete, innovative collections.
- The physical availability of these collections in showrooms around the world.
- Constant transparency with respect to the expected delivery dates of the Fall/Winter 20 collection, restocking service and on-time deliveries for Spring 21.
- An open dialogue with customers and full willingness to offer them certainty in long-term planning through shared development plans and a relationship that remains solid over time.

Analysis of the Income Statement

Over the course of 2020 we wanted to maintain our corporate structure unchanged and solid, pursuing healthy cost controls without penalising investments, which allowed us to resume our growth project immediately in H2 2020.

The results reported for the full 12 months of the year therefore benefit from the return to a positive margin in the second half, H1 2020 having been strongly influenced by the pandemic with a production shutdown and shop closures in many countries around the world.

Production costs amounted to €174.7 million compared to €191.6 million last year, with a relative impact on turnover of 32.0% compared to 31.5% in 2019, the **First Margin** incidence therefore remaining substantially unchanged.

Operating costs went from €247.3 million (40.6%) to €282.6 million (51.7%), an increase mainly due to the development of the network of single-brand stores and the effects of the critical choices of maintaining the remuneration levels of all employees unchanged and not demanding discounts from any supplier, third-party manufacturer or lessor.

Personnel costs amounted to €119.6 million compared to €112.2 million last year. In 2020 new hires supported strategic initiatives, sales network expansion projects, digital growth and the strengthening of central structures.

The cost of **rents** net of IFRS 16 effects[4] amounted to €96.4 million at 31 December 2020 (17.7%) compared to €85.6 million at 31 December 2019 (14.1%), with an increase related to new openings and the significant expansion of some existing areas.

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[3] 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 €35.6 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).

[4] The cost of rents net of IFRS 16 effects includes total rents. The cost of leases including the application of IFRS 16, which mainly refers to lease contracts with variable consideration, was instead equal to €17.9 million at 31/12/2020 compared to €21.8

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With regard to operating costs, great attention was devoted to **investments in communications**, representative of our desire to support the brand and its desirability.

The slight increase in communication costs – 5.9% compared to 5.8% last year – was in line with previous years trends and derived from the choice to keep the commitments made with physical and digital publishers around the world to ensure the continuity of our communications.

With respect to the investments earmarked at the beginning of the year, savings were produced by the cancellation of a series of physical events planned during the year and which we will be happy to judiciously reschedule in the second part of 2021.

EBITDA amounted to €89.5 million (16.4%) compared to €169.6 million last year (27.9%).

Normalised EBITDA[5] was equal to €41.8 million (7.7%) compared to €106.1 million in 2019 (17.4%).

Depreciation and amortisation, excluding for rights of use,[6] amounted to €34.8 million (6.4%) compared to €29.2 million (4.8%) in 2019, with an increase impacted by investment performance.

EBIT amounted to -€14.8 million (-2.7%) compared to €83.4 million in 2019 (13.7%).

Normalised EBIT[7] was equal to €6.9 million (1.3%) compared to €76.8 million last year (12.6%).

Financial income was negative, equal to €19.0 million compared to €14.2 million in 2019, including lease liabilities deriving from the application of IFRS 16 equal to €13.1 million in 2020 (€8.8 million in 2019).

Excluding the effects relating to the application of **IFRS 16** for leases, the negative balance of financial charges at 31 December 2020 amounted to €5.8 million, essentially in line with the €5.4 million of the previous year.

Net income was negative for -€32.1 million compared to €53.1 million in 2019, which included the tax benefits deriving from the so-called Patent Box for an amount of €5.7 million.

The tax rate is 5.1%, compared to -23.3% in 2019 (-30.9% excluding the tax benefit of the Patent Box).

Normalised net income[8] amounted to €2.7 million compared to €49.3 million in 2019.[9]

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million at 31/12/2019, with a decrease in absolute value mainly related to the trend in turnover in 2020.

5 The 2020 normalised EBITDA sterilises the accounting effects of the application of IFRS 16 (equal to €947 thousand relating to "Other revenues" and €78,487 thousand for "Rents payable") and the extraordinary provision of €31.7 million relating to the new "Brunello Cucinelli for Humanity" project for the donation of clothing left unsold due to the Covid-19 emergency and the consequent temporary disruption of sales.

6 Depreciation and amortisation including those for rights of use amounted to €104.3 million compared to €86.3 million in the previous year; the relative impact on "Rights of Use" increasing from 19.9% in 2019 to 22.2% in 2020.

7 The normalised EBIT for 2020, in addition to the accounting effects specified for the normalisation of EBITDA, eliminates the effects of the application of IFRS 16 on the item "Depreciation and amortisation" for an amount equal to €69,452 thousand.

8 The normalised net income for 2020 eliminates the accounting effects of the extraordinary provision for inventories and the accounting effects relating to the application of IFRS 16.

9 The normalised net income for 2019 eliminates the accounting effects relating to the application of IFRS 16 and the tax benefits of the Patent Box, equal to €5.7 million and ended on 31 December 2019.

Balance Sheet

Net working capital, including “Other net assets/liabilities”,[10] amounted to €186.7 million compared to €155.1 million the previous year.

Inventories amounted to €208.3 million compared to €204.9 million in 2019 (€218.1 million the value of inventories as at 30 June 2020).

Changes in inventory show a full recovery after the significant increase reported as at 30 June 2020, generated by a delay in shipment of orders for the Fall/Winter 2020 collection due to the lockdown period. This postponement of shipping times was efficiently recovered in H2 2020 thanks to an intense work schedule that allowed us to meet the delivery times of goods to all customers in July/August.

Trade receivables amounted to €78.9 million compared to €58.6 million in 2019. The relative dynamics were essentially influenced by two factors: the first related to the increase in shipments and restocking in the wholesale channel in Q4 2020, the second related to payment deferrals[11] granted to some customers based on a very strong relationship of trust established over the years.

Trade payables amounted to €91.4 million, in line with €89.5 million the previous year, maintaining the same timing of payments to suppliers, contractors and consultants.

Investments and the Net Financial Position

Investments as at 31 December 2020 amounted to **€51.6 million**, in line with €52.6 million last year. Commercial investments amounted to €39.6 million, while “Other investments” for IT, digital, production and logistics software amounted to €12.0 million.

Once again in 2020 we devoted a **great deal of attention** to investments in the belief that continuous innovation is a decisive factor in keeping the **company modern** and maintaining **sustainable growth over the long term**.

Commercial investments were mainly directed towards the expansion of prestigious boutiques and as usual, the opening and refurbishing of some stores in our network and the constant updating of the look and image of our showrooms around the world.

The same attention was paid to our online boutique, which in November 2020 saw the global roll-out of the technological update project involving both the “engine” of our websites and the “heart” of the user experience.

Concurrent with our physical and digital commercial investments, we also continued to invest in the **renewal of production facilities**, making suitable **logistical structures** available for the evolution and development of the business, not to mention **ICT investments** including new technological platforms, information security and new application software.

[10] “Other net assets/liabilities” were negative for €9.1 million as at 31 December 2020 compared to €18.9 million as at 31 December 2019, with dynamics substantially related to the assessment of the fair value on derivatives to hedge exchange risks.

[11] These deferred payments resulted in an increase in the balance of overdue receivables, equal to €17.1 million at 31 December 2020 compared to €10.1 million at 31 December 2019, but a net decrease compared to the balance at 30 June 2020 when they amounted to €24.7 million. Following emergencies and high tensions, we have always sought a relationship of extreme cooperation and mutual willingness to find solutions with our customers, including in the management of trade receivables. In fact, both in 2001 and 2008 we managed receivables with flexibility and positivity, and within a couple of half years we had returned to normal conditions, without affecting business opportunities. Once again, we are confident that our willingness to find solutions and flexibility will allow us to further solidify good business relationships and current and future business opportunities.

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The **net financial debt**[12] at 31 December 2020 was **€93.5 million** compared to €30.1 million at 31 December 2019.

The net financial debt was impacted by the effects of the pandemic on 2020 results, however the end-of-year data already show significant improvement compared to the €136.5 million reported as at 30 June 2020.

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[12] Including financial payables for leases as required by IFRS 16, Net Financial Debt amounted to €605.7 million at 31 December 2020 compared to €481.2 million at 31 December 2019.
The trend in net financial debt was affected by the dynamics related to the Covid-19 pandemic, and led to the need for additional financing and, consequently, taking out new loans: during 2020 disbursements were obtained for a total of €151.7 million compared to repayments made during the year for €36.5 million.

Important company strategies for the 2019-2028 project

As at **1 January 2021** we performed an extensive analysis of who we are, assessing the **strategic fundamentals** and the **health of our company** at the beginning of this new growth path.

We have always used five-year plans. The arrival of the pandemic interrupted the development of the 2018-2022 five-year plan. We've decided to **restart from 2021** with a new five-year plan covering 2021 to 2025, which will accompany us to the completion of the **2019-2028 ten-year project** with which we would like to **double our turnover to about €1.1 billion**.

We'd like to share the results of this analysis with you. Internally we consider it a sort of "**new prospectus**" for presenting the company.

We analysed the sizing and quality of the processes of each individual department, and had the opportunity to learn more about the talent of our personnel and the characteristics of customers and suppliers.

At the conclusion of this analysis it seems to us that the **company is structurally ready** to **support** our **growth project**, it is **young**, **passionate**, and can count on **solid partnerships** throughout the supply chain. We imagine that this path is possible thanks to the operational and strategic balance of its **constituent components**, which we analyse below.

The central role of Human Resources

We proudly increased the number of our people in 2020, equal to 2,045 FTE as at 31 December 2020 compared to 1,890 FTE at the end of 2019. We believe that in 2020 we managed to maintain a working environment that is as tranquil as possible by designing a rigorous **system for constantly monitoring the health of our employees and visitors** through blood tests and swabs, extended where necessary to their family members and all the people close to our company.

After six weeks of lockdown we physically returned to work in mid-April, and we are truly satisfied with the atmosphere in the company, characterised by the positivity and liveliness that have always distinguished our workplaces. All our human resources have shown an **extraordinary commitment, a great sense of responsibility**, great skills and strong creativity, and we are aware of having an organisation that can support us in the growth path we have planned.

Solomeo's structure is complemented 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. A noteworthy mention to our Shanghai hub, where we decided to double the space currently available to our team (showroom and offices) in early 2021.

We believe that one of the added values of our company is the **average age of 38.6**, representative of the presence of young people who work alongside colleagues with years of experience. We have always sought such a mix in all roles, and we consider it a strength in that it guarantees a generational turnover that brings lifeblood, energy and (we hope) creativity to the workplace.

Faced with a strong disruption of our market, the ability of young people to adapt to change, react and redesign by replacing fear with hope has also been an effective catalyst for all our actions.

The experience we have gone through in recent months has left our core teams and markets with an incredible awareness of their abilities and the satisfaction of having been able to achieve a "positive" result even in a difficult situation, very different from recent years.

At the same time, we have understood that our **structure will allow us to follow our planned growth path** with conviction and firmness.

The contemporary nature of the product

The product is at the centre of our business and there is no room for compromising **quality**, craftsmanship or **creativity**. The product must be the vehicle that conveys the company's values, the idea of beauty that we promote. It must be contemporary and remain the essential foundation of our positioning of **absolute luxury**.

We continue to devote our full creative and productive effort to the development of complete collections, and we believe that we will be able to introduce innovations in a manner consistent with our distinctive taste.

We very much welcome the trend of fashion that seems to be moving in the direction of sobriety, a direction that is perfectly consistent with our product range, which has always been based on the idea of silent refinement.

Our great appreciation for wholesale customers has allowed us to successfully collect orders for both the **Spring/Summer 2021** and **Fall/Winter 2021** collections. The very flattering comments of journalists also give us comfort that the pandemic has not affected the wealth of ideas in our creative staff, indeed it seems to have further stimulated their creative genius.

In our product range the weight of **Ready to Wear** clothing is equal to approximately 85%. Our desire is to remain primarily a Ready-to-Wear company as we continue to see exciting development opportunities for individual product categories.

Indeed, currently we note a great amount of demand in the market for knitwear of the highest quality, and we have further strengthened our product range in this category.

The identification of the brand as a representation of an everyday **lifestyle** offers us the possibility of exploring new initiatives that further enhance the perception of our brand.

The production organisation

The results of 2020 testify to the **solidity of our company's production organisation**.

The **collections** are **developed internally** through a modelling team capable of developing more than 50 prototypes per day, which has proved decisive in allowing us to complete the preparation of the Spring/Summer 2021 and Fall/Winter 2021 collections without suffering any delays.

The production is then entrusted to a network composed of **over 350 artisanal workshops** distinguished by their high craftsmanship levels, that employ between 10 and 40 employees each. **All are based in Italy**, about 80% of them in Umbria, and the remaining 20% are located in districts of excellence for specific types of processes.

Our artisanal workshops are **well-structured and financially sound small and medium-sized companies** that have invested in superior manual skills. They demonstrated their ability to cope with the challenges presented by 2020 without the need to resort to requests for financial advances from us to get through the most difficult months of the year.

This network is managed by a very precise company team that was able to keep the production running at full steam by providing these suppliers with peace of mind, clarity and planning.

In recent months we believe that we have further **strengthened the relationships of esteem**, **cooperation** and f**riendship** that have bound us for many years, and thanks to careful planning in a very short time we were able to work together to make up for the delays caused by the six-week lockdown in early 2020, thus ensuring precision in production and delivery times and critical assistance in restocking.

The capacity that our production chain has demonstrated and its **quick, flexible and energetic**

response to all the challenges of these months have allowed us to plan and start production of the FW 2021 collections without any delay, restriction or impediment.

The current **production organisation** can guarantee full **coverage of our estimated needs for the next five years and without any problems for the five years after that**, both through the expansion of the suppliers that already work with us and by increasing the volume of work assigned to that half of third-party manufacturers that now have other clients besides us.

Guided by curiosity and a vocation for innovation, we constantly monitor new sources of production in the area category by category, seeing them as a reserve of future production capacity.

The men's **tailoring schools** – Premiere, Rimaglio and Rammendo – which to date have been able to guarantee us a significant number of young resources, halted their classes in 2020 in compliance with current regulations, but the students will continue their training, thus contributing to guaranteeing the future of these great professions.

Distribution

We continue to believe that **balanced distribution between the two channels of wholesale and retail** is an element that safeguards the contemporary nature of the brand.

Let's imagine that, compared to the perfect balance of the two channels achieved at the end of 2020, the weight of retail continues to grow. This trend would not change the **strategic importance** we attach to the **wholesale channel** in our long-term project.

Within this channel we would like to spotlight three very different categories, each of which plays a different role.

The first is the **Specialty Store**: about 500 beautiful, independent multibrand stores that we believe have some strategically winning traits:

- They are **domestic** by nature, being managed by entrepreneurs who know their end customers and their preferences very well as they live in the same places and have the same habits.
- They have a distinctive **taste**: the entrepreneurs who own these spaces have dedicated their lives to fashion, and thanks to their ability to edit and combine different collections they are able to create something unique.
- They are **modern, multi-channel companies** that have often found a way to sell their products internationally via third-party e-commerce platforms.

We consider Specialty Stores to be **brand ambassadors** that allow us to get in touch with new customers in environments of absolute value on a daily basis. Through these stores we are able to offer our products in many communities that could not support a direct presence, thus protecting our brand's exclusivity.

Discussions with Specialty Stores also allow us to stay current with the preferences of end customers around the world regarding ready-to-wear apparel.

Their total number has remained unchanged over the years, with a limited turnover.

The constant search for new multibrand partners led us to discover first in Russia and more recently in China important new companies that have become a part of our distribution network.

The second category is represented by **large luxury Department Stores** situated throughout the world. We still believe that these spaces remain the preferred destination of millions of customers worldwide. Today we do not feel there are any critical issues with this channel and we are very focused on execution in the individual spaces dedicated to us.

It seems to us that this category has **two different interpretations**:

- The first (which we could call "**traditional wholesale**") consists of those companies with their own brand that continue to invest in their buying and visual teams, wanting to offer their customers their own interpretation of the brands carried.
- The second is represented by those who, through openness to **concessions**, have moved away from the product and concentrated their resources and based their distinctive range on the composition of the brand mix, on the quality of the spaces and on the services offered to the customer.

In department stores we very often find the completion of our monobrand distribution in the big cities of the world, and our approach to the channel is very flexible ranging from "traditional wholesale" to concession depending on the strategy and structure of the customer.

Lastly, we have the **30 wholesale monobrand boutiques**, which represent the synergy between our brand's strength and the distinctive operational capabilities of local companies.

As regards the direct channel, our **Retail network** reached 107 boutiques as at 31 December 2020 (106 boutiques as at 31 December 2019). As mentioned above, in 2020 we completed the prestigious expansions of the boutiques in London, Paris, St. Petersburg and Shanghai.

To preserve the brand's exclusivity we have opted to invest more in the **expansion of sales areas** in large luxury capitals instead of opening **new stores**, inaugurating a project that includes new developments in both 2021 and 2022.

Already in 2019 we had noted our customers' growing concern for discretion. Based on this insight we decided to open **Casa Cucinelli** in **Solomeo**, **Milan**, **New York**, **Paris** and **London**. In 2020 we made a very high number of connections with many customers around the world in these spaces, and we believe that this practice will continue over time, though less frequently. These multifunctional spaces are strongly characterised by all the elements of our lifestyle, which today as in the future will provide a structure for further strengthening the relationship with our customers. We believe that the effects of the pandemic will reinforce this trend.

With the same intensity we focused our efforts on the store layout with the aim of making our boutiques "**real Italian homes**" capable of fully expressing our lifestyle concept, discreetly re-proposing the atmospheres that we enjoy in our town of Solomeo.

It seems to us that in these spaces we find the warmth, positivity and comfort that distinguish our concept of hospitality, which has always characterised our approach to the community.

We also try to recreate the town's ambiance through different combinations of materials drawn from our local palette.

The service must be present and detailed but never invasive. **Attention to the customer** must warm professionalism with a smile and personal dedication. We would like the design of the store to be functional to the **promotion of the product** and to ensure the **central role of the seller** and brand ambassador.

We trust that store staff will represent the most powerful engine of recovery, clearly distinguishing the difference between a physical experience – capable of generating an emotion and leaving a memory – and a digital purchase.

In this regard, we continue to see great growth opportunities for our **digital boutique**, primarily the expansion of the number of countries served and the growth of spontaneous traffic on our website, and strongly believe in the **complementarity between retail and wholesale also in the digital channel**.

Within the latter channel we are very pleased with our partnership with major international players and continue to believe in the opportunity offered by local "champions".

As for China, 2021 will still be a year of intense preparation and planning for our digital business.

Communications

We believe that in 2020 we devoted a very **special** attention to **communications**. We never stopped producing content, and we believe that we have managed to capture the emotions of that moment in every photo, video and text.

Our communications have alternated various forms and channels, but we really feel that we have managed to reach the vast majority of people who, together with us, play an important role for our company. We hope that we have managed to achieve high **visual and emotional effectiveness** and that we have touched the **heart and mind of our customers**.

The end customer

The activities developed and our commercial presence have contributed to maintaining the **loyalty** of our customers while allowing us to reach and bring **new, young customers** in the absolute luxury segment closer to our brand, all as part of a process of carefully thought-out **expansion of the customer base** that we believe can represent an important driver of growth in the coming years.

We realise that awareness of our brand still has a lot of room for growth, especially in Asia, and we would like to seize this opportunity by reaching out to high-end customers in the right locations and continuing to "speak softly".

To expand our customer base, we consider the **presence in the multibrand and digital channels to be strategic, together with the direct channel**, allowing us to continuously dialogue with the end customer in spaces that communicate the identity and values of the brand in a unique way, creating "special" encounters.

The brand

The brand seems firmly positioned in the **absolute luxury** segment, conveying values that generate sharing, and it appears to be **fresh** and still ***"hidden and protected"*** thereby increasing its appeal and exclusivity.

Authenticity of the range and **consistency** in every single product are and shall remain the keywords that inspire our every action.

We believe that in the minds of customers our brand does not immediately recall a clear product image but rather a much broader frame of **Italian lifestyle**, **exclusive** and with a strong connotation of value.

Finally, we believe that our brand has the same credibility for both men and women and that it can be equally attractive for customers of very different age groups.

Human Sustainability and Harmony with Creation

We believe that during this pandemic every human being had the precious opportunity to experience a **spiritual rebirth**, in other words to reflect deeply on the importance of the **great themes of life**.

We believe that the difficulties associated with the pandemic have offered a chance to return our focus back to **certain fundamental social** and **environmental issues**.

Moreover, we have the feeling that during the course of 2020 many customers' interpretation of sustainability has progressively expanded from an environmental dimension to one of Human Sustainability that we consider an intrinsic element of our way of doing business. We believe that a renewed and increasingly mature awareness has emerged of the need for a **culture of respect for the dignity of man and the environmen**t we live, work and produce in.

Work life itself has increasingly focused on the needs of human sustainability, which our company has always been particularly attentive to: a type of authentic, concrete sustainability that represents a fundamental and essential value of our work.

Finally, 2020 was a year in which we tried to make the most of everything that such a particular period gave us: Creation asked us for help and we imagined that it was up to us too to respond to this important and urgent request, thinking of a **new social contract with creation**[13].

"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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[13] Below is an excerpt from the "Letter for a new social contract with Creation", written by Brunello Cucinelli.

Business outlook

We approach 2021 in the belief that **2020**, which we consider a “**year of transition**”, has made us **even stronger** and **better prepared** to face all the challenges of the coming years.

We believe that our planning and growth expectations are based on **solid foundations**, which make our development project healthy, sustainable and balanced.

We are aware that we can embark once again on this path of growth accompanied by the strength of our **organisation** and the implicit traits of our **business model**, starting from the important choices that guided our action in 2020.

We are convinced that the desire to continue devoting a **great deal of attention to investments** is a decisive factor in keeping the company contemporary, a prerequisite for the long-term development that lies ahead.

The 2021 that we are building is based on the values that we have always aspired to and that in recent times have guided us: the **right growth**, the **right profit** and the **right balance between profit and giving**.

A prerequisite of our development plans remains the search for a **work life** that is even more **focused** on the **needs** of **human sustainability**, which we have always tried to be particularly attentive to: a type of **authentic, substantive** sustainability that fully represents a **fundamental and indispensable value of our work**.

We look very positively to **2021**, which we consider a "**year of rebalancing**”, and we expect **great growth** in sales – between **+15%** and **+20%** compared to 2020 and between 3% and 7% compared to 2019 – knowing that the end of the pandemic is near.

We believe our estimate to be very solid, and well supported by:

- Current trends in orders for the **Spring/Summer 2021** and **Fall/Winter 2021** collections, both concluded with very positive results, thanks also to an overall trend in fashion towards a taste more suited to our own.
- The **great interest** of **buyers and the dedicated press** in the latest Fall/Winter 2021 collections, which leads us to imagine equally positive feedback from the end customer and positive sell-outs in the direct channel.
- development of the **network of boutiques and sales spaces**, which also includes some prestigious expansions.
- The **significant investments** being made, which allow us to keep the brand's allure very high and the company modern.

The growth will continue in **2022**, with an increase in turnover that we forecast to be around **+9% and 10%**.

2022 will continue the strategic orientation of 2021, working to **develop fresh, contemporary collections** featuring high levels of creativity, the result of continuous research and innovation, and craftsmanship, thanks to our network of artisanal workshops that are fully ready to grow together with us.

We will continue the **plan to selectively develop sales spaces**, both in the direct channel with boutique extensions and new openings, and in the multibrand channel with the **progressive**

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development of beautiful Specialty Stores in geographical areas like China where this channel is growing in importance.

The significant **investment project** will continue in 2022, maintaining a **solid balance sheet**.

This fits well within our **2019-2028 ten-year plan**, which likely slowed sharply in 2020 but which will now regain its balance, and we continue to imagine doubling our turnover in 2028 to around €1.1 billion.

Notice of Call for the Shareholders' Meeting

The Board of Directors has resolved to call a shareholders' meeting on April 19, 2021, in single call to approve the financial statements for the year ended 31 December 2020, to appoint the independent External Auditors for the years 2021-2029 and to resolve on the second section of the remuneration report pursuant to art. 123-ter of Legislative Decree no. 58/1998.

The Board of Directors, in consideration of the loss for the year resulting from the company draft financial statements for 2020 (equal to EUR 25,867,443), deliberated not to propose to the Shareholders' Meeting to resolve on the distribution of a dividend.
The notice calling the shareholders' meeting will be published within the time limits laid down by law on the website (http://investor.brunellocucinelli.com) and an excerpt will also be published in the daily papers Il Sole 24 Ore and MF-Milano Finanza.

Corporate Governance Report and Report on the policy regarding remuneration and fees paid

The Company's Board of Directors has approved the 2020 Report on Corporate Governance and Ownership Structures and the Report on the policy regarding remuneration and fees paid pursuant to art. 123-ter of Legislative Decree no. 58/1998.

2020 Consolidated Non-Financial Statement

The Board of Directors has also examined and approved the 2020 Consolidated Non-Financial Statement, prepared as a report separate from the financial statements in accordance with the requirements of Legislative Decree no. 254/2016 on the communication of non-financial information.

This statement contains information relating to the company's activity, its performance, its results and the effect produced by such, in connection with environmental matters, social matters, employee-related matters, respect for human rights and combatting corruption.
The 2020 Consolidated Non-Financial Statement will be published within the time limits laid down by law.

Documentation

The 2020 Annual Financial Report (together with the Report of the Board of Statutory Auditors and the Report of the External Auditors), the 2020 Report on Corporate Governance and Ownership Structures, the Report on the policy regarding remuneration and fees paid, the 2020 Consolidated Non-Financial Statement and the illustrative reports prepared by the directors on the matters on the agenda (also approved at today's meeting of the Board of Directors) will be made available to the public within the time limits and by the means laid down by current law at the Company's registered office in Corciano, Solomeo (PG), Italy, on the "eMarket Storage" system (www.emarketstorage.com) and in the specific sections of the Company's website (http://investor.brunellocucinelli.com).

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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 PDF of the Analyst Presentation of the results as at 31 December 2020 can be consulted on the website at http://investor.brunellocucinelli.com/ita/presentazioni/. The figures in this press release refer to the 2020 consolidated financial statements.

This document (and in particular the section "Business Outlook") contains forward-looking statements on future events regarding the Brunello Cucinelli Group and its operating, economic 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.

The 2020 consolidated financial statements and draft statutory financial statements are currently subject to auditing that has not yet been completed at today's date. The 2020 Consolidated Non-financial Statement is in turn subject to an audit by the auditors in accordance with article 3, paragraph 10 of Italian Legislative Decree no. 254/2016.

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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**.

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 2020 the company reported revenues for €544 million through a selective market presence, with 138 monobrand boutiques and the most prestigious spaces in the world's leading multibrand stores.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

(Euro/000)	December 31, 2020	*related parties*	December 31, 2019	*related parties*
Non-current assets				
Goodwill	7,045		7,045	
Right of use	470,197	5,193	433,621	5,611
Intangible assets	12,136		11,463	
Property, plant and equipment	150,254	17,487	142,705	19,013
Investment property	4,179		2,814	
Non-current financial assets for leases	402		676	
Other non-current financial assets	11,039	32	8,767	32
Deferred tax asset	35,368		25,436	
Total non-current assets	**690,620**		**632,527**	
Current assets				
Inventories	208,347		204,868	
Trade receivables	78,871	51	58,622	51
Tax receivables	3,871		978	
Other receivables and other current assets	20,068		21,003	
Current financial assets for leases	173		315	
Other current financial assets	11		9,130	
Cash and cash equivalents	72,834		68,932	
Current derivative financial instruments	4,935		552	
Total current assets	**389,110**		**364,400**	
Total assets	**1,079,730**		**996,927**	

(Euro/000)	December 31, 2020	*related parties*	December 31, 2019	*related parties*
Shareholders' equity				
Shareholders' equity attributable to parent company shareholders				
Share capital	13,600		13,600	
Share-premium Reserve	57,915		57,915	
Reserves	220,670		173,581	
Net income for the period	(33,216)		52,553	
Total shareholders' equity attributable to owners of the parent	**258,969**		**297,649**	
Shareholders' equity attributable to non-controlling interests				
Capital and reserves attributable to non-controlling interests	988		1,160	
Net income for the period attributable to non-controlling interests	1,147		530	
Total shareholders' equity attributable to non-controlling interests	**2,135**		**1,690**	
Total shareholders' equity	**261,104**		**299,339**	
Non-current liabilities				
Employees termination indemnities	3,108		3,182	
Provisions for risks and charges	937		1,127	
Non-current payables towards banks	60,133		30,474	
Financial liabilities for non-current leases	436,956	5,115	388,816	5,502
Other non-current liabilities	60		247	
Deferred Tax liabilities	6,402		2,504	
Non-current derivative financial instruments liabilities	217		150	
Total non-current liabilities	**507,813**		**426,500**	
Current liabilities				
Trade payables	91,412	550	89,453	556
Current payables towards banks	105,007		71,987	
Financial liabilities for current leases	75,412	516	62,661	509
Current financial liabilities	799		5,329	
Income tax payables	2,621		3,960	
Current derivative financial instruments	491		3,871	
Other current liabilities	35,071	2,552	33,827	2,567
Total current liabilities	**310,813**		**271,088**	
Total liabilities	**818,626**		**697,588**	
Total equity and liabilities	**1,079,730**		**996,927**	

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CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2020

(Euro/000)	December 31, 2020	*related parties*	December 31, 2019	*related parties*
Net revenues	544,013	7	607,761	5
Other operating income	2,772	40	826	43
Revenues	**546,785**		**608,587**	
Costs of raw materials and consumables	(53,725)	(56)	(72,279)	(3)
Costs for services	(243,296)	(2,202)	(248,067)	(2,753)
Payroll costs	(119,569)	(1,390)	(112,199)	(1,351)
Other operating (expenses)/revenues, net	(8,902)		(7,530)	
Costs capitalized	3,258		2,382	
Depreciation and amortization	(104,284)		(86,250)	
Impairment of assets and other accruals	(35,085)		(1,268)	
Total operating costs	**(561,603)**		**(525,211)**	
Operating Income	**(14,818)**		**83,376**	
Financial expenses	(46,956)		(41,401)	
Financial income	27,992		27,201	
Income before taxation	**(33,782)**		**69,176**	
Income taxes	1,713		(16,093)	
Net income for the period	**(32,069)**		**53,083**	
Net income for the period attributable to owners of the parent	(33,216)		52,553	
Net income for the period attributable to non-controlling interests	1,147		530	
Base earnings per share	(0,48847)		0.77284	
Diluted earnings per share	(0,48847)		0.77284	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Euro/000)	December 31 2020	December 31 2019
Net profit (loss) for the year (A)	**(32,069)**	**53,083**
Other items of comprehensive income:		
Other items of comprehensive income that will later be reclassified on the income statement:	**(5,127)**	**1,731**
Cash flow hedge	3,626	752
Income taxes	(870)	(181)
Effect of changes in cash flow hedge reserve	**2,756**	**571**
Translation differences on foreign financial statements	(5,879)	1,483
Profit / (Losses) on net investment in a foreign operation	(2,637)	(425)
Tax effect	633	102
Other items of comprehensive income that will not later be reclassified on the income statement:	**15**	**(113)**
Remeasurement of defined benefit plans (IAS 19)	20	(149)
Tax effect	(5)	36
Total other comprehensive income net of tax effect (B)	**(5,112)**	**1,618**
Total comprehensive income net of tax (A) + (B)	**(37,181)**	**54,701**
Attributable to:		
Shareholders of parent company	(38,311)	54,206
Non-controlling interests	1,130	495

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CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2020

(Euro/000)	December 31	
CONSOLIDATED STATEMENTS OF CASH FLOWS	**2020**	**2019**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	(32,069)	53,083
Adjustments to reconcile net income for the period to the cash flows generated by (used in) operating activities:		
Income tax	(1,713)	16,093
Depreciation and amortization	104,284	86,250
Provisions for employees termination indemnities	82	95
Provisions for risks and charges / inventory obsolescence / doubtful accounts	35,033	1,279
Change in other non-current liabilities	(183)	(11,900)
(Gain)/Loss on disposal of Fixed assets	41	126
Write-down / (Revaluation) of investments in subsidiaries	583	-
Other non-monetary items IFRS 16	227	-
Interest expense	2,215	1,566
Interest on lease liabilities	10,705	10,463
Interest income	(28)	(108)
Interest on lease activities	(17)	(22)
Termination indemnities payments	(133)	(114)
Payments of Provisions for risks and charges	(927)	-
Net change in deferred tax assets and liabilities	(6,897)	(2,031)
Change in fair value of financial instruments	(4,070)	(855)
Changes in operating assets and liabilities:		
Change in trade receivables	(22,916)	2,573
Change in inventories	(44,477)	(40,360)
Change in trade payables	9,392	9,611
Interest expense paid	(2,118)	(1,563)
Interest on the lease liabilities paid	(10,705)	(10,463)
Interest income cashed	28	108
Interest on lease activities cashed	17	22
Income tax paid	(9,107)	(16,401)
Change in other current assets and liabilities	9,215	17,644
Net cash provided by/(used in) operating activities	**36,462**	**115,096**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(39,754)	(38,629)
Additions to intangible assets	(7,434)	(11,442)
Additions/(disposals) of financial assets	(2,814)	(625)
Additions to investment property	(1,432)	(1,895)
Investement/Disinvestments in financial assets held for trading	9,120	(124)
Proceeds from disposal of property, plant and equipment	1,254	708
Net cash provided by/(used in) investing activities	**(41,060)**	**(52,007)**
CASH FLOW FROM FINANCING ACTIVITIES		
Medium/Long-term loans received	151,729	26,950
Repayment of medium/long-term loans	(36,456)	(28,414)
Net change in short-term financial debt	(52,576)	29,396
Repayment of lease liabilities	(50,630)	(53,272)
Receipts of financial assets for leasing	255	288
Dividends paid	(1,076)	(20,483)
Share capital and reserves increase	22	(6,060)
Net cash provided by/(used in) financing activities	**11,268**	**(51,595)**
TOTAL CASH FLOW FOR THE PERIOD	**6,670**	**11,494**
Effect of exchange rate changes on cash and cash equivalents	**(2,768)**	**832**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**68,932**	**56,606**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**72,834**	**68,932**

Fine Comunicato n.1264-4	Numero di Pagine: 21