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Luxury Firm Cucinelli Chided by Italian Regulators Over Russia Claims

By AFP

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Shares in Italian luxury group Brunello Cucinelli were temporarily suspended Thursday after allegations it "misled shareholders" over its operations in Russia in violation of EU sanctions.

The cashmere company, which was founded in 1978 in Umbria and claims a "humanist" approach to capitalism, denied any wrongdoing and said it was considering taking legal action.

The trading suspension followed the release by London-based Morpheus Research of a report into Cucinelli's activities in Russia, after an initial investigation by the investment fund Pertento that alleged a breach of luxury goods sanctions.

"Cucinelli appears to have blatantly disregarded European law by continuing to sell ultra high-value luxury goods in Russia," Morpheus said.

"At the same time, spokespersons for the company have made a series of contradictory and misleading statements about the operations in Russia, including that its stores are closed or its staff is simply providing style and advisory services," it said.

The European Union prohibited the export of luxury goods worth more than 300 euros ($350) to Russia following its invasion of Ukraine in 2022.

While most competitors withdrew from the Russian market, Cucinelli's Russian subsidiary generated revenues of around 15 million euros in 2023 and 2024, Morpheus said.

It added that Cucinelli boutiques were open this summer in Moscow and selling items recently made in Italy and priced at several thousand euros.

The brand's shares were suspended for a few hours Thursday on the Milan stock exchange, and plummeted more than 17% once trading resumed.

Both Pertento and Morpheus acknowledged they had built a short position in Cucinelli shares — meaning they had borrowed shares in expectation their value would fall, meaning they could buy them back cheaper and pocket the difference when returning the stock to lenders.

Cucinelli said Thursday that it was in "full compliance" with EU sanctions.

"Currently, our staff provides, upon request from end customers, an assistance service within our showroom," it said.

"The products used are those legally shipped to Russia within the limits set by the European Union, along with the residual inventory delivered prior to the introduction of sanctions," it said.

Doing so "enables us to locally generate the resources needed to sustain salaries and rents," it added, saying inspections by the Italian Customs Agency had confirmed "full compliance" with procedures.

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