

PRESS RELEASE

PRADA SPA APPROVES GROUP RESULTS AS OF 31 DECEMBER 2019

Milan, 18th March 2020 - The Prada S.p.A. Board of Directors held today reviewed and approved the Consolidated Financial Results for the Full Year 2019, ended 31 December 2019.

Introduction

The strong growth seen in H2 and up to the end of January 2020 has been interrupted by the Coronavirus outbreak. This unprecedented sanitary emergency is affecting our operational activities and threatening people's health, which is our main priority. All efforts are now dedicated to overcome this contingency. At the same time, the Prada Group prepares to capture the recovery when it arises and to continue its growth trajectory.

Key Highlights

- Long-term business transformation strategy and brand investment delivering improving results with second half of 2019 showing a strong rebound
- Acceleration in full price sales in H2 for Prada and Miu Miu brands across all markets and categories
- Completed mark down phase out
- More stringent policies to better control digital platforms
- Brand heat flourishing driven by creative communications and environmentally driven initiatives
- Appointment of Raf Simons as co-creative director at Prada to reaffirm the Group's creativity and radical vision

Key numbers

- **Net Revenues** at Euro 3,226 million up 3% at current FX and flat at constant FX
- **Retail sales** up 4% at current FX, +2% at constant FX. **Full price sales**, reaching double digit growth in H2, more than offset sharp reduction in markdowns
- **Wholesale sales** down 3% at current FX, down 4% at constant FX in line with the guidance
- **EBIT** at Euro 307 million, 9.5% of revenues
- **Net Income** at Euro 256 million benefiting from the Patent Box relief
- **Net Financial Position** at Euro -406 million
- **Operating cash flow** at Euro 362 million

2019 marked a year of significant progress for the Prada Group

The strategy of investing in the distinctive values and identity of the Group brands has been successfully translated into strong growth in full price sales, which saw a double digit increase in the second half of the year overall and accelerated further in the final quarter.

Buzz around the brands is growing driven by creative communications and initiatives focused on sustainability, now an essential part of our business strategy.

Raf Simons' appointment as co-creative director reaffirms innovation as a quintessential facet of Prada's identity.

Transformation strategy evident in sales by channels

The phase out of seasonal markdowns affected the retail trend by mid-single digit throughout 2019. The significant cut in allocation to wholesale, starting from the S/S 2020 collection, meant that wholesale channel sales were down 4% year on year.

Both these strategic decisions were aimed at ensuring the preservation of brand exclusivity and the value of Group products.

The market reaction was very positive: full price sales increased 6% year on year, which offset the negative impact of ending markdowns and reducing wholesale allocation.

The progress in the second half was visible: +10%, reaching +15% growth in Q4.

Retail improvement across all geographies

- **Europe** +6% at current FX, including a strong improvement in H2 driven by locals and tourists
- **America** +11% at current FX, largely supported by local customers
- **APAC** -2% at current FX, negatively impacted by protests in HK SAR. Excluding HK, retail sales were up 5% at current FX. Momentum of full price sales accelerated in H2, reaching double digit growth (excluding HK), with outperformance in South Korea and in Mainland China
- **Japan** +9% at current FX, with solid regular sales across the semester notwithstanding VAT increase in October
- **Middle East** -1% at current FX, showing positive full price sales throughout the year

Creativity in products and communication boosting brand heat and consumer excitement

The continuous investment in creativity and enhancement of communications and marketing efforts dedicated to create new emotional connections and experiences with the brands, delivered improving results for Prada and Miu Miu in all product categories. Moreover, both Prada and Miu Miu achieved double-digit increases in full price sales in H2, with new collections very well received across markets and categories, supported by online and in-store initiatives.

Following on from trends witnessed in the first half of the year, **Ready-to-wear** sales grew by 12% at current FX, driven by double-digit full price sales across all geographies.

Footwear and leather goods also showed improving growth: **Leather goods** grew by 2% at current FX, including healthy full-price sales in H2 supported both by iconic lines and newness; **Footwear** grew by 2% at current FX, including double digit full price sales in H2, sustained by the ongoing strong demand for sneakers and lifestyle collections.

Business transformation strategy and sales rebound supporting key financial metrics – (Full Year 2018 non IFRS 16)

EBIT amounted to Euro 307 million, 9.5% of revenues (Euro 324 million, 10.3% in 2018)

Net income amounted to Euro 256 million, 7.9% of revenues benefitting from the Patent Box tax relief relating to the 2015-2019 years (Euro 205 million, 6.5% in 2018)

During the period, the Group generated **operating cash flow** of Euro 362 million (Euro 365 million in 2018)

Capital expenditures throughout the period were mainly towards Retail and amounted to Euro 302 million (including the acquisition of a retail property in Madrid)

Net Financial Position at Euro -406 million, following a Euro 154 million dividend payment during the period.

The Board of Directors has proposed to the General Meeting to distribute a dividend of Euro 2 cents per share.

Patrizio Bertelli, Prada Group CEO, commented: *“2019 has been a year of strong progress. The combination of investment and operational initiatives implemented over the past few years are now clearly translating into brand heat and sales. We are sure that our commitment to guarantee outstanding quality standards as well as strengthening brand desirability has been the right choice to support profitable and sustainable long-term growth.*

The start of 2020 has been very buoyant for the Prada Group; the Coronavirus outbreak has interrupted our growth trajectory. This is a huge and unprecedented event that will draw deeply on our sense of responsibility. Our full concern and support go to the people that are facing these tough times. The safety and the well-being of our colleagues as well as of our customers all over the world are of the greatest importance to us and we will do everything we can to help overcome this crisis together.

Although it is difficult to forecast the evolution of the epidemic, we are expecting a negative impact on this year's results and we are implementing a comprehensive contingency plan to mitigate it, relying on our flexible supply chain and lean organization.

The soundness of our financial structure gives us the confidence to overcome this exceptional moment and to be ready to capture the recovery when it arises.”

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Prada Group

Prada S.p.A. is a global leader in the luxury goods industry. The Group, which owns the Prada, Miu Miu, Church's and Car Shoe brands, produces and distributes luxury leather goods, footwear and apparel benefitting from a supply chain which includes 22 company-owned industrial sites. It also operates in the food sector with Marchesi 1824 and in the eyewear and fragrance industries under licensing agreements.

The Group employs nearly 14,000 people and its products are sold in 70 countries worldwide through 641 directly operated stores as of December 31, 2019 and in a selected network of multi-brand stores and department stores.

The Prada Group is synonymous with innovation, transformation and independence and it is committed to promote a business culture oriented towards sustainability. These principles offer its brands a shared vision in which they are able to express their essence.

The company is listed on the Hong Kong Stock Exchange as 1913.HK.