H1 2018 Financial Review
## H1-2018: at a glance

Solid performance – revenue growth and margin progression

### Condensed P&L

<table>
<thead>
<tr>
<th></th>
<th>H1 18</th>
<th>H1 17 (*)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenues</strong></td>
<td>1,535.3</td>
<td>1,486.0</td>
<td>+3.3%</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>72.0%</td>
<td>72.5%</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>270.8</td>
<td>250.6</td>
<td>+8.0%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>17.6%</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>159.2</td>
<td>137.2</td>
<td>+16.0%</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>10.4%</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>105.7</td>
<td>95.4</td>
<td>+10.7%</td>
</tr>
<tr>
<td><strong>Net Income margin</strong></td>
<td>6.9%</td>
<td>6.4%</td>
<td></td>
</tr>
</tbody>
</table>

- Net Revenues up +9% at constant FX
- EBIT up +16% and EBITDA up +8% leveraging positive SSSG
- Operating costs well under control despite continuing investment in digital and communication

(*) Pro-forma 6 months January – June 17 unaudited
H1-2018: at a glance
Sound financial structure

Condensed Balance Sheet and Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 18</td>
<td>31 Dec 17</td>
<td></td>
</tr>
<tr>
<td>Non current assets</td>
<td>2,569</td>
<td>2,565</td>
<td></td>
</tr>
<tr>
<td>Net operating working capital</td>
<td>602</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Other current assets / (liabilities), net</td>
<td>(31)</td>
<td>(21)</td>
<td></td>
</tr>
<tr>
<td>Other non current assets / (liabilities), net</td>
<td>(106)</td>
<td>(121)</td>
<td></td>
</tr>
<tr>
<td><strong>Net invested capital</strong></td>
<td><strong>3,034</strong></td>
<td><strong>2,970</strong></td>
<td></td>
</tr>
<tr>
<td>Consolidated shareholders’ equity</td>
<td>2,794</td>
<td>2,866</td>
<td></td>
</tr>
<tr>
<td>Net financial position (surplus)/deficit</td>
<td>240</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td><strong>Equity + Net Financial Position</strong></td>
<td><strong>3,034</strong></td>
<td><strong>2,970</strong></td>
<td></td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>180</td>
<td>447 (*)</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>126</td>
<td>251 (*)</td>
<td></td>
</tr>
</tbody>
</table>

(*) 11 months

- Investments of the period fully covered by the operating cash flow
- Increase in working capital in line with merchandising strategy
- Net financial position reflects €186m dividend payment
- Balance sheet remains strong, with very low gearing ratio at 9%
Net sales by channel
Consisted performance across all channels

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>% change same FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1,237</td>
<td>1,200</td>
<td>+10%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>274</td>
<td>260</td>
<td>+8%</td>
</tr>
<tr>
<td>Total</td>
<td>1,511</td>
<td>1,460</td>
<td>+9%</td>
</tr>
</tbody>
</table>

Retail
- Continuing improvement driven by same store sales growth and full-price sales
- Strong double digit online sales growth
- Ongoing strategic reduction of markdown sales representing now around 10% of retail sales
- 4 net store openings (+17 openings -13 closures) consistent with the retail network optimization

Wholesale
- Solid results mainly driven by e-tailers
Net sales by geography
Positive trends across all regions; outstanding Asia Pacific growth

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>% change same FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>563</td>
<td>536</td>
<td>+7%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>520</td>
<td>488</td>
<td>+14%</td>
</tr>
<tr>
<td>Greater China</td>
<td>344</td>
<td>316</td>
<td>+17%</td>
</tr>
<tr>
<td>Americas</td>
<td>204</td>
<td>212</td>
<td>+8%</td>
</tr>
<tr>
<td>Japan</td>
<td>171</td>
<td>171</td>
<td>+9%</td>
</tr>
<tr>
<td>Middle East</td>
<td>51</td>
<td>52</td>
<td>+7%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>1</td>
<td>+4%</td>
</tr>
<tr>
<td>Total</td>
<td>1,511</td>
<td>1,460</td>
<td>+9%</td>
</tr>
</tbody>
</table>

Europe
• Positive trends despite weaker tourist flow on strength of Euro

Asia Pacific
• Double digit organic growth driven by remarkable results in Greater China

Americas
• Solid trends fostered by both distribution channels, with particularly strength in retail

Japan
• Strong recovery in Japan benefited from higher tourist flows and domestic spending

Middle East
• Return to positive retail trends with good results in all countries
## Net sales by product
New launches deliver growth across all categories

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>% change same FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather Goods</td>
<td>859</td>
<td>839</td>
<td>+8%</td>
<td></td>
</tr>
<tr>
<td>Ready to Wear</td>
<td>315</td>
<td>278</td>
<td>+20%</td>
<td></td>
</tr>
<tr>
<td>Footwear</td>
<td>308</td>
<td>313</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>29</td>
<td>+2%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,511</td>
<td>1,460</td>
<td><strong>+9%</strong></td>
<td></td>
</tr>
</tbody>
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### Leather Goods
- Consistent revenue growth across both Prada and Miu Miu
- Newly launched and iconic handbags, including *Prada Black Nylon* performed particularly well

### Ready to wear
- Strong acceleration in both men’s and women’s collections

### Footwear
- Successful launch of sneakers and lifestyle propositions for both men and women
Net sales by brand
Creativity driving growth at both Prada and Miu Miu

| €m        | H1 2018 | H1 2017 | % change  
|-----------|---------|---------|-----------
| Prada     | 1,237   | 1,189   | +10%      
| Miu Miu   | 235     | 230     | +8%       
| Church’s  | 32      | 34      | -4%       
| Other     | 8       | 8       | +2%       
| Total     | 1,511   | 1,460   | +9%       

Prada
- Double digit organic growth driven by all categories. Particularly strength in RTW and Leather Goods

Miu Miu
- Return to positive organic growth across all categories through enhanced distribution and new collections

Church’s
- Wholesale reorganisation temporarily offsetting positive retail trends
Gross margin development

FX headwinds impacted profitability

- Margin supported by higher sales quality and reduction in markdowns
- Negatively impacted by FX
Operating costs
Investing in the brand within a streamlined cost structure

Operating expenses (€m)

<table>
<thead>
<tr>
<th></th>
<th>H1 17</th>
<th>H1 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>94</td>
<td>95</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>Product Development</td>
<td>89</td>
<td>94</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>692</td>
<td>692</td>
</tr>
</tbody>
</table>

- Operating expenses broadly in line year-on-year at current exchange rate
- Mid-single digit growth at constant FX driven mainly by increased advertising and digital media spending
• 4 net openings in H1-2018 - 17 openings and 13 closures
• ~30 renovation and relocation projects
• Industrial project: new Prada logistic hub in Tuscany

Capex
Investments to support long term growth

Capex (€m)
(*) Feb-July 17

H1-2017 (*)

H1-2018

Corporate&Industrial

Retail
Net financial position

(€m)

- NFP Jan-17: (104)
- Net Income: 105
- Net Operating Working Capital: (56)
- D&A: 112
- Capex: (139)
- Dividends: (186)
- Other: 28
- NFP June-18: (240)

Positive Change
Negative Change
Business Update
Brand integrity and digital evolution driving sustainable organic growth

**CHANNELS**
- Enhanced focus on consumer experience
- Retail network continuously refreshed and renovated
- Successful partnerships with e-tailers
- Online experience integrated with store network

**MERCHANDISING**
- Balanced mix of newness and heritage in LG
- Outstanding performance in RTW confirming design leadership
- Leveraging strong identity in classic and sportswear shoes
- Collaborations and Drop collections driving consumer excitement

**COMMUNICATION**
- Investment in brand equity
- A contemporary take on fashion shows
- Increased digital projects targeting new generations
Retail
Global retail network empowered by digital experience

**Enhanced focus on consumer experience fully integrated with digital and social campaigns**
- Roll-out of 36 pop-up stores:
  - 25 Prada and 11 Miu Miu
  - Concepts: Prada: Silver line, Prada Spirit, Cabins, Sneakers, Nylon Vela, Prada Patch; Miu Miu: Pic Nic, Disco
- Linea Rossa special set up in DOS in H2

**Retail network continuously refreshed and renovated**
- 17 new openings and 13 closures
  - New Prada and Miu Miu openings at the Dubai Mall's Fashion Avenue
- ~30 renovation and relocation projects
  - 23 Prada and 7 Miu Miu
  - Miu Miu *Blue* concept already rolled out in 120 DOS
Wholesale
Successful partnerships with premium e-tailers

Partnerships reinforced by exclusive capsule collections

- Prada Man capsule “bowling” for Mr Porter
- Prada Woman RTW capsule for Mytheresa promoted by R ‘n’ B artist Abra
- Prada capsule of 20 shoe models for Moda Operandi
- The Drop – shopping experience at Barneys
- Prada capsule for the 1st physical store of Ssense
- Church’s Vetements collaboration available at Matches and Mr Porter

Farfetch

- Launched Prada and Miu Miu in H1-18 in US, Europe and Japan
Direct e-commerce
Online experience integrated with retail network

PRADA
- New platform rolled out across all key regions
- Omnichannel experience in EU, US and China
- Special projects in H1-18:
  - *Cloudbust* sneaker launch; *Nylon farm*
  - Online capsule collections for Germany, UK, US and Canada
  - Recently launched Pre-order *Linea Rossa*

MIU MIU
- Released e-commerce in China and other key Asian countries
- Special projects in H1-18:
  - *Miu Miu Blue Tales* T-Shirts; *Summer Dreaming*; *Miu Delight*; *Iconic Wardrobe*
  - Pre-order new collections on line
Merchandising
Leveraging unique DNA and creativity in a more effective offer

Leather Goods - balanced mix of newness and heritage
• Broad-based organic growth across brands and regions
• Bags and Viaggio outperforming
• Successful new product launches along with contemporary reinterpretation of iconic lines

RTW - outstanding performance confirming design leadership
• Accelerating performance in both men and women
• Successful reception of lifestyle collections
• Excellent response to Cruise fashion shows for Prada and Miu Miu

Footwear - leveraging strong identity in classic and sportswear
• Strong success of new sneakers for both men and women

Collaborations and Drop collections - driving consumer excitement
• Prada Invites - Collaborations with 4 celebrated architects and designers to reinterpret the iconic Prada Black Nylon across all categories
Communication
Investment in brand equity

- In the recently opened white-concrete tower at Fondazione, Prada Group inaugurated the beautiful Torre restaurant, managed by Marchesi, that has become soon an iconic destination in Milan
- The building also hosted the Prada FW18 women’s fashion show
Communication
A contemporary take on fashion shows

Prada takes over Times Square in New York

- Prada held its Resort 2019 fashion show at its NYC headquarters – the Piano Factory
- The show was projected live on Times Square’s three iconic buildings: The Nasdaq Tower, the Thomson Reuters Building and the central screen of the Triple Stack

Miu Miu Croisière at the Hotel Regina in Paris

- Miu Miu Croisière 2019 moved to the stunning Belle Époque location overlooking the Louvre and the Tuileries Garden
- Eclectic cast of high-profile models and actresses such as Kate Bosworth, Naomi Campbell, Chloë Sevigny, Uma Thurman
- A “cinematic” set designed by six-time Academy Award nominated and BAFTA award winning production designer Sarah Greenwood
Communication
Increased digital projects targeting new generations

- **Nylon Farm** – a futuristic episodic film project dedicated to Prada’s emblematic Nylon fabric
- **Neon Dream** – a short movie presents the FW18 Prada advertising campaign featuring model Amanda Murphy and Sarah Paulson
- **Prada Cinéma evolution** – the new Prada Eyewear digital project for the Prada Cinéma collection
- **365 Observia / Industreality** – 2 chapters of FW18 Prada men’s and women’s advertising campaigns set in a fantastical «Prada warehouse»
- **Miu Miu Automne 2018 video** – against the backdrop of London’s Barbican Centre the video directed by Alasdair McLellan’s with colour saturation treatments
- **Miu Miu the conversation** – The new Miu Miu FW18 advertising campaign shot by Alasdair McLellan’s evoke conversations among women
Sustainability
Driving the conversation around sustainability, business and society

• “Shaping a sustainable digital future” to be hosted on 20\textsuperscript{th} November 2018 at Fondazione Prada, in partnership with Yale School of Management and Politecnico di Milano School of Management

• Following the 2017 conference, which focused on the interplay between sustainability, creativity and innovation, the 2018 edition will discuss digitalization and sustainability

• “Shaping a Sustainable Digital Future” will explore the large impact and implications of digitalization on business and societal sustainability.
Outlook
Outlook

#Prada FW18 adv campaign: «Walking into this neon dream. The journey begins»

- H1 2018 confirms Prada Group’s successful transformation aimed at meeting fast-changing consumer expectations while respecting the unique DNA of our brands.

- We are now working on the complete integration of all our channels and communication tools on a single digital view. This project will embrace the entire business from designers right through to store staff.

- We are confident that the disciplined execution of our straightforward strategy will unlock the full potential of our global retail network and will drive long term sustainable growth.
Appendix
Retail overview - 629 Dos at 30 June 18
+4 Net openings yoy

AMERICA: 110 (-2)
EUROPE: 228 (-1)
ASIA (EX-JAPAN): 189 (+5)
JAPAN: 79
MIDDLE EAST AND OTHER: 23 (+2)

Note: 629 Dos includes 3 Marchesi shops in Italy
## H1-2018

<table>
<thead>
<tr>
<th>€m</th>
<th>H1 2018</th>
<th>% change</th>
<th>H1 2017 – proforma</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>1,510.6</td>
<td>98.4%</td>
<td>1,460.5</td>
<td>98.3%</td>
</tr>
<tr>
<td><strong>Royalties</strong></td>
<td>24.9</td>
<td>1.6%</td>
<td>25.5</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>1,535.3</td>
<td>100.0%</td>
<td>1,486.0</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>COGS</strong></td>
<td>(429.5)</td>
<td>28.0%</td>
<td>(408.1)</td>
<td>27.5%</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>1,105.9</td>
<td>72.0%</td>
<td>1,077.9</td>
<td>72.5%</td>
</tr>
<tr>
<td><strong>Selling</strong></td>
<td>(692.2)</td>
<td>45.1%</td>
<td>(691.8)</td>
<td>46.6%</td>
</tr>
<tr>
<td><strong>Advertising &amp; Promotion</strong></td>
<td>(94.4)</td>
<td>6.1%</td>
<td>(88.8)</td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>Product Development</strong></td>
<td>(64.6)</td>
<td>4.2%</td>
<td>(66.0)</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>G&amp;A</strong></td>
<td>(95.5)</td>
<td>6.2%</td>
<td>(94.1)</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>946.7</td>
<td>61.7%</td>
<td>940.7</td>
<td>63.3%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>159.2</td>
<td>10.4%</td>
<td>137.2</td>
<td>9.2%</td>
</tr>
<tr>
<td><strong>Net Financial Income (Expenses)</strong></td>
<td>(10.4)</td>
<td>0.7%</td>
<td>0.6</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Income Taxes</strong></td>
<td>(43.6)</td>
<td>2.8%</td>
<td>(41.6)</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Tax rate %</strong></td>
<td>29%</td>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td><strong>Group Net Income</strong></td>
<td>105.7</td>
<td>6.9%</td>
<td>95.4</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>D&amp;A</strong></td>
<td>111.6</td>
<td>7.3%</td>
<td>113.5</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>270.8</td>
<td>17.6%</td>
<td>250.6</td>
<td>16.9%</td>
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