

PRESS RELEASE

PRADA SPA APPROVES GROUP RESULTS FOR YEAR TO 31 DECEMBER 2017

Progressively improving trends registered in second part of 2017

Recovery in leather goods and growth in RTW accelerating

Patrizio Bertelli *“We are starting to see concrete benefits from the numerous strategic initiatives currently under way and we are expecting a return to growth in 2018.”*

Highlights (pro-forma financial data January – December)

- **Net revenues at €3.1bn** – a 2% decrease at constant FX compared to 2016 (3.6% at current FX)
 - Clear signs of positive impacts showing in second part of the year, the Group returned to sales growth (+1% at constant FX)
 - Positive performance in Ready-to-Wear continues, showing acceleration in the second part of the year (+10% at constant FX)
 - Leather goods progressively recovering volumes thanks to a wider product offer covering all strategic price ranges
 - Double Digit growth in Wholesale benefitting from e-tailers
- **Gross Margin** progression thanks to an increase in full price sales, following the Group's strategic decision to reduce markdowns
- **Cost rationalization programme** progressing well despite higher expenses in digital and communications
- **EBITDA amounted to €588m: 19.2%** of revenues (20% in 2016)
- **EBIT amounted to €360m: 11.8%** of revenues (12.8% in 2016)
- **Net Income amounted to €249m: 8.1%** of revenues (8.2% in 2016)
- **Strong Operating Cash Flow generation at €447m** and **Net Working Capital** in line with 2016
- **Net Financial Position** at -€104m

Patrizio Bertelli, CEO

“I am satisfied with the progress made in 2017: in the second part of the year and in the first months of 2018 sales trends have been progressively improving; thus demonstrating the first significant results from our ongoing strategic initiatives across the Group.

The Group's investment in the store portfolio, in boosting global brand visibility and in the enriched product offer is enhanced by a fast growing digital presence.

We have successfully improved our leather goods offer with increased newness at all price points, supporting full-price sales.

The Prada brand has returned to growth across our key geographies.

*We are confident that this new chapter, founded on our brands' cultural heritage and iconic values, will be key to the Group's success in an increasingly complex market. The launch of our campaign **Black Nylon** is emblematic of our new path towards the future whilst respecting our identity.*

We have seen a promising start to 2018 – I would like to thank all Prada Group colleagues for their deep dedication over recent years aimed at returning the Group to growth. I am confident this is the beginning of a new phase of development.”

Full Year Results 2017

Milan, 9 March 2018 – The Board of Directors of Prada S.p.A met today and approved the Consolidated Financial Results for the year ended 31st December 2017. Year-end has been brought forward to 31st December. The Group's income statement, prepared in accordance with IFRS, is based on an 11-month period. The financial data reported in this release is the 12-month pro-forma data from January to December, both for 2017 and 2016, to allow transparency and performance comparison.

Net revenues – at €3.056bn, a 2% decrease at constant FX compared to 2016 (-3.6% at current FX)

Sales by geographies

- **Asia Pacific** returned to sales growth, +1% at constant FX compared to the previous year. Strong performance in Greater China, +8% sales growth at constant FX.
- In the **US** sales were down 4% at constant exchange rate compared to the previous year. However, the market registered a clear recovery in the latter part of the year, confirmed also into the first months of 2018.
- **Europe** saw a significant improvement with revenues broadly in line with 2016.
- **Japan** (-11% at constant FX in 2017) was weak in the first part of the year but showed an improvement in the final months highlighting stronger local demand and tourist flows.
- The **Middle East** recorded a better second part of the year; overall performance for FY2017 was down by 9% at constant FX.

Brand and product categories

Continued positive performance in **Ready-to-Wear**, with an acceleration in the second part of the year, showing a 7% sales growth at constant FX in 2017. Sales were positive across all brands in all the principal markets.

Encouraging trends in **Leather goods** in second part of 2017, driven by many new products and iconic product lines supported by digital advertising and social media campaigns.

Footwear saw a contraction, although less so in the second part of the year, thanks to the success of new sneaker collections.

The **Prada** brand ended the year in line with 2016. The trend for **Miu Miu** was impacted by temporary store closures tied to a major refurbishment programme, essential for the strategic development of the brand.

Financial results – The implementation of our rationalization programme to streamline operational and management processes started last year and continued to produce tangible results: despite higher investment in digital and communications, our operating expenses are broadly in line with 2016.

Higher **Gross Margins** at 73.5% (72% in 2016), boosted by a better quality of sales benefitting from a higher proportion of full price sales.

EBITDA amounted to €588m: 19.2% of revenues (20% in 2016).

EBIT amounted to €360m: 11.8% of revenues (12.8% in 2016).

Net income amounted to €249m: 8.1% of revenues (8.2% in 2016).

During the period (1st February – 31st December) the Group generated strong **Operating cash flow** of €447m. **Net working capital** remained broadly in line with 2016.

Capex amounted to €251m and has been devoted, with more than 160 projects, to making the store portfolio more attractive and also to strengthening the supply chain with the aim of further developing the Group's industrial and operational capabilities.

Net financial position, at 31st December 2017 was -€104m, having distributed €307 million of dividends to shareholders.

The Board has proposed to the Shareholders' Meeting, called for 27th April, a dividend of 7.5 Euro cents per share, representing a pay-out ratio of 88%.

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PRADA Group

The PRADA Group (HKSE Code: 1913) is a world leader in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the food sector with Pasticceria Marchesi and in the eyewear and fragrance segments, under licensing agreements, applying the same criteria of excellence and high quality. Its products are sold in 70 countries worldwide through a network that includes 625 directly operated stores (DOS) (at 31 December 2017) and a select network of luxury department stores, independent retailers and franchise stores.