PRESS RELEASE

PRADA APPROVES ITS 2014 ANNUAL REPORT

Consolidated net revenues of Euro 3,552 million

EBITDA of Euro 954 million

EBIT of Euro 702 million

Net income of Euro 451 million

Positive Net Financial Position of Euro 189 million

Dividend of Euro 0.11 per share

Milan, March 30, 2015 – The Prada Spa Board of Directors met on March 27 to review and approve the separate financial statements of Prada Spa and the consolidated financial statements of the Group, for the twelve months ended January 31, 2015.

Revenue

Consolidated net revenues for the period totaled Euro 3,551.7 million, slightly down on 2013: -1.0% at both current and constant exchange rates.

Wholesale channel

In line with forecast and Group's distribution strategy, for several years focused on the development of the retail channel, **wholesale** channel sales, for the 2014 financial year, have decreased by 3.4% (-4.7% at constant exchange rates) to stand at Euro 532.5 million. The contraction essentially regarded the European and American markets, where the long-term process of rationalization is still on going. Meanwhile, strong sales growth was achieved by the network of franchise stores in Asia Pacific (DFS), which are benefiting from an increasing flow of Chinese consumers.

Retail channel by geographical area

As at January 31, 2015, the Group's **retail** network consisted of 594 DOS (Directly Operated Stores). Sales in that channel totaled Euro 2,980.9 million, broadly in line with 2013 at both current and constant exchange rates, but with significant variation from one geographical area to another: the growth recorded in Japan, the Americas and the Middle East was eroded by a fall in sales in the Far East, where market conditions gradually deteriorated in the second semester.

In detail:

- in **Europe**, sales decreased by 1.1% compared to prior year due to the reduced flow of tourists and continuing weakness in domestic demand. However, the trend did improve in the final quarter of the year when there was a return to growth.

- in the fourth quarter, the **American market** confirmed the good performance already shown in the rest of the year. For the entire fiscal year, it recorded a +7.7% increase at current exchange rates (+7.2% at constant exchange rates) thanks to strong domestic demand.

- the situation in **Asia Pacific** was somewhat more difficult and it recorded a 5.5% drop in sales at current exchange rates in 2014 (-6.5% at constant exchange rates). The sales contraction in this area was mainly due to the weak performance of Hong Kong and Macau where market conditions deteriorated significantly in the second half of the year. In addition, the different timing of the Chinese New Year affected sales performance in the month of January throughout the Greater China area.

- the **Japanese** market continues to grow and performed well again in the fourth quarter. Sales growth for 2014 as a whole was +7.7% at current exchange rates (+13.3% at constant exchange rates).

- in the **Middle East**, sales grew by a 9.9% at current exchange rates (+8.5% at constant exchange rates) despite a fall in the number of Russian tourists.

<u>Retail channel by brand</u>

In 2014, the **Prada** brand, which now accounts for 83% of consolidated net revenues, recorded a 1.7% decrease in sales at current exchange rates (-1.5% at constant exchange rates). Performance varied from one geographical area to another, along the lines of total sales revenue as described above. **Men's** collections achieved growth in all geographical area.

Miu Miu achieved 4% revenue growth at current exchange rates in 2014 (+4.4% at constant exchange rates). Except in Europe, the brand recorded good rates of growth on all markets, including the Far East.

Church's also performed well with +14.8% revenue growth at current exchange rates (+12.0% at constant exchange rates), as did **Car Shoe** with +12.2% growth at current exchange rates (+11.0% at constant exchange rates).

Financial highlights

Margins remained satisfactory despite additional costs, incurred for the retail network expansion, that were not fully absorbed due to the broadly static revenues levels. There were 54 new DOS openings (net) in the last twelve months, including 32 Prada, 19 Miu Miu and 3 Church's.

EBITDA totaled Euro 954.2 million: 26.9% of consolidated net revenues.

EBIT amounted to Euro 701.6 million: 19.8% of consolidated net revenues.

Net income, amounting to Euro 450.7 million, represented 12.7% of consolidated net revenues.

At January 31, 2015, the **Net Financial Position** was positive by Euro 188.8 million. Operating cash flows for the period of Euro 484 million were used to finance capex totaling Euro 450 million. During the period, dividends of Euro 282 million were also distributed to the shareholders.

The Board of Directors proposed payment of a **Dividend** of Euro 0.11 per share, i.e. a pay-out of 62%. This proposal will be put to the Shareholders' General Meeting convened on May 26, 2015

Patrizio Bertelli, Chief Executive Officer of Prada Spa, commented: *"As already highlighted, the financial year 2014 represented a year of transition for the Prada Group on its journey of growth. Operating profit slowed down temporarily after the Group preferred to take a medium/long-term view with the continuation of its investment program. Our balance sheet and the operating cash flow generation remain strong and enable us to confirm our investment plans in production and research, while also optimizing the retail network. The next challenges will regard our ability to adapt to the rapidly evolving market and we are confident to face this challenge leveraging on the strength of our brands and on our innovative capacity which has always made the Group stand out".*

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PRADA Group
The PRADA Group –HKSE Code: 1913 – is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates, under licensing agreements, in the eyewear, fragrances and mobile telephone sectors. Its products are sold in 70 countries worldwide through 594 directly operated stores (DOS) at January 31, 2015 and a select network of luxury department stores, independent retailers and franchise stores.