

PRADA

MILANO

DAL 1913

Investor & Analyst Day

London, March 30th, 2015

Agenda

10:00am-10:45am

Presentation

10:45am-11:30am

Q&A Session

11:30am-01:30pm

Transfer from London to Northampton

01:30pm-02:30pm

Light lunch in Church's office

02:30pm-04:30pm

Visit around Church's Factory

04:30pm-06:30pm

Transfer from Northampton to London

Speakers and contents

- **Carlo Mazzi** - *Chairman*
 - 2014: a year of transition on our growth journey

- **Donatello Galli** - *CFO*
 - 2014 Financial Review

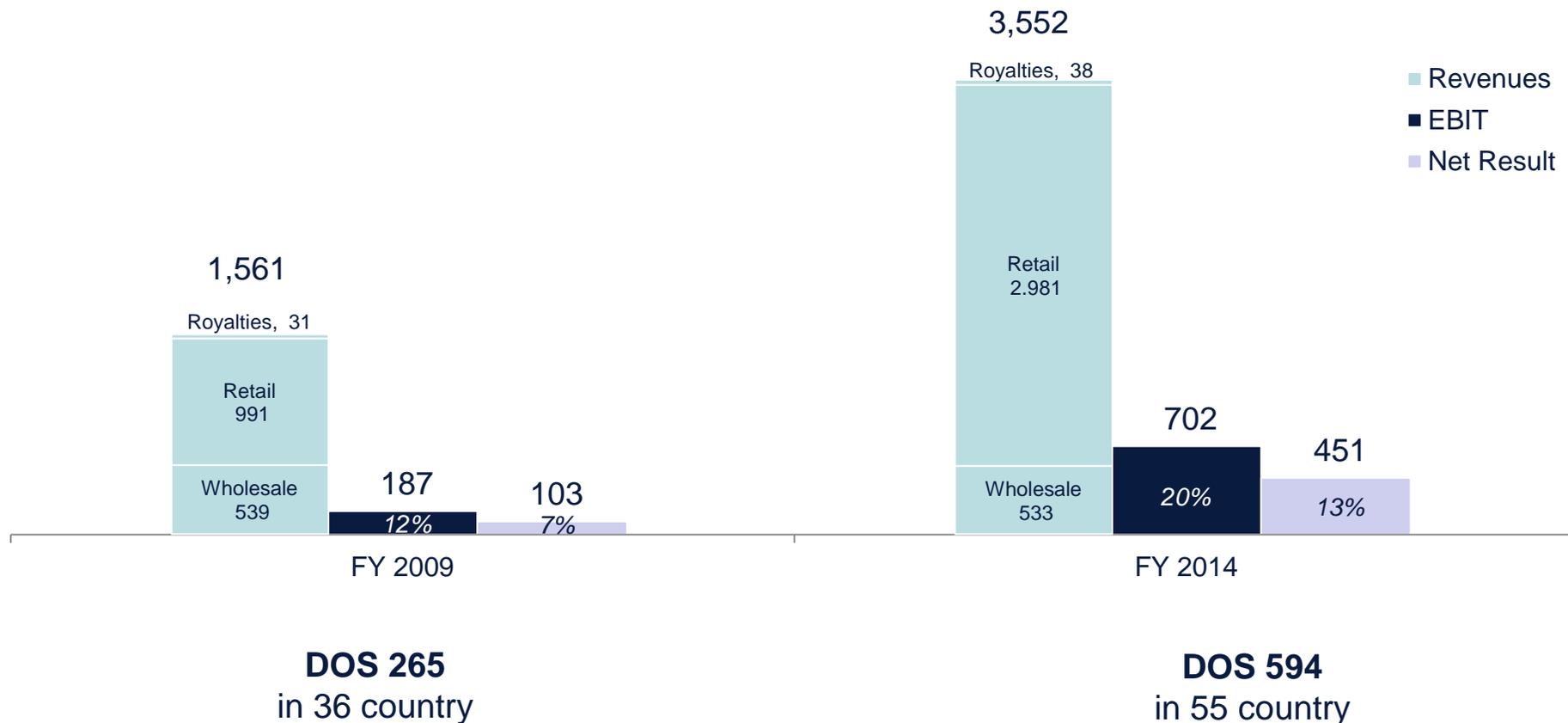
- **Stefano Cantino** - *Communication and Marketing Director*
 - Driving stable and profitable growth

- **Carlo Mazzi** - *Chairman*
 - Outlook

2014: a year of transition on our growth journey

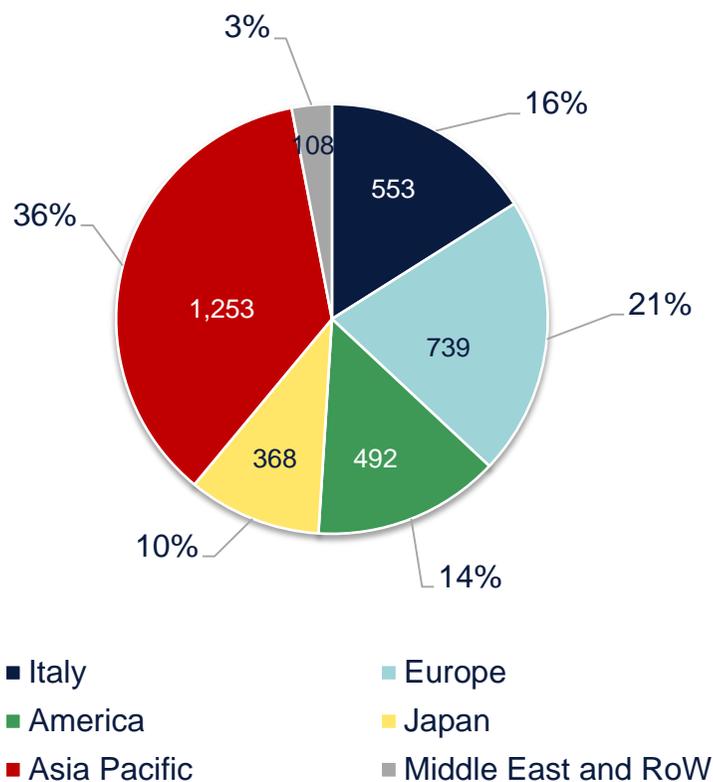
Carlo Mazzi
Chairman

The Group has more than doubled its size in the last five years, reaching a strong position at the top of the luxury industry

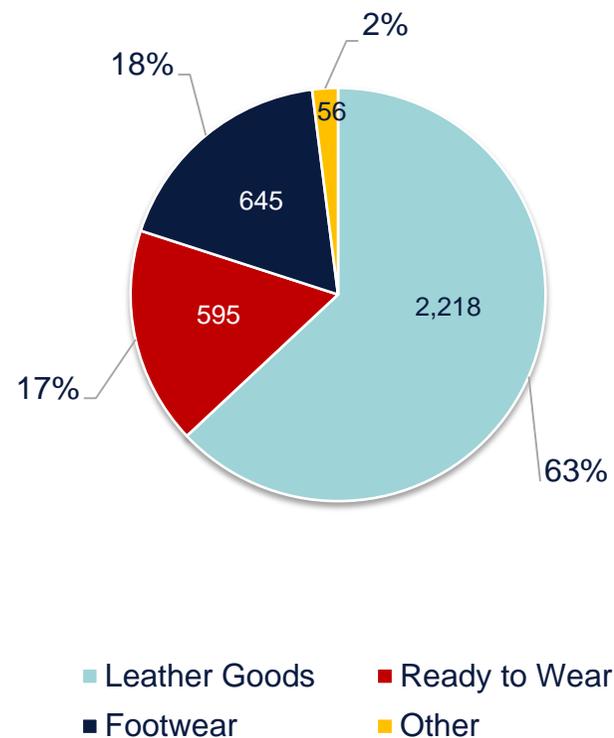


Well-balanced retail footprint combined with a prominent presence in all product categories give the Group a resilient profile

Net Sales By Region



Net Sales By Product

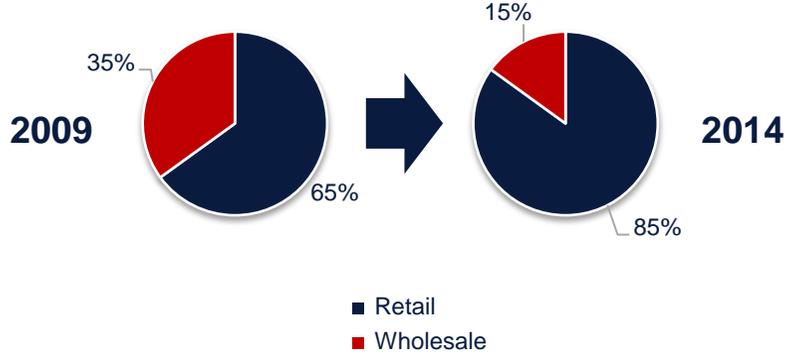
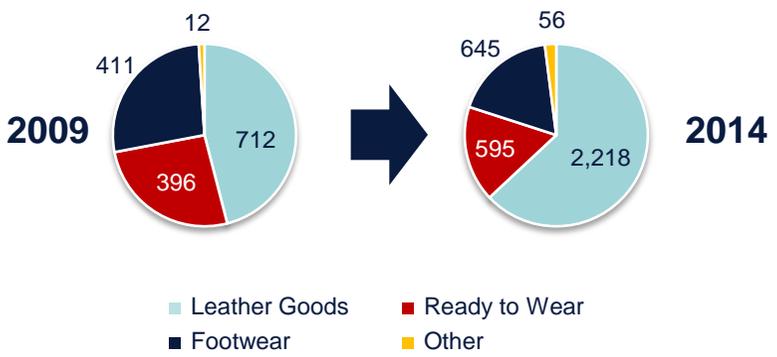
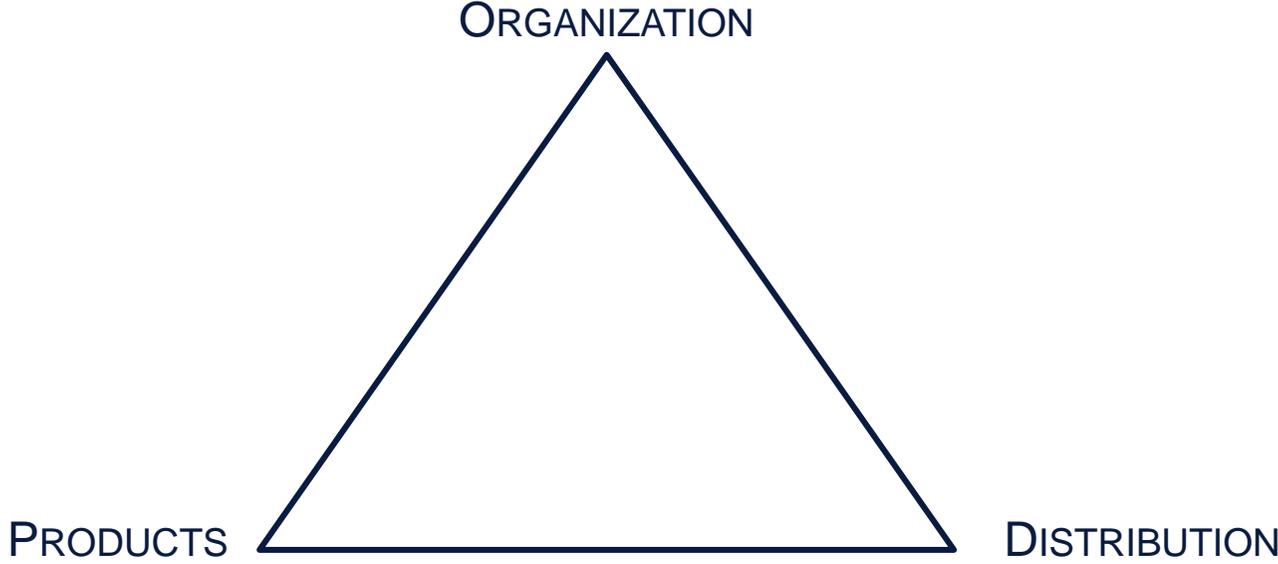


2014: a year of transition

- 2014 was meant as a year to consolidate the Group position and results while pursuing our long term growth strategy
- Macroeconomic environment was more challenging than expected
- The luxury consumptions have been affected by a general economic slowdown and the spending patterns of Chinese customers have been influenced by “anti-extravagance campaign”
- The rising competition has increased customers’ choices, making them more demanding and somehow reducing brand loyalty, especially in the Leather Goods segment
- The challenge of meeting customers’ needs is growing, due to the ongoing change of new generations’ habits and culture

...

We have been focusing on three main areas, with the aim of matching the increasing market's complexity



2014 Financial Review

Donatello Galli
Group CFO

Net Sales by Channel (€ mn) – Full Year

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Retail	2,996.6	84%	2,980.9	85%	-1%	-
Wholesale	551.6	16%	532.5	15%	-3%	-5%
Total	3,548.2	100%	3,513.4	100%	-1%	-1%

- Retail
 - Flat at constant exchange rates:
 - 54 net openings since February 1st , 2014 (32 Prada, 19 Miu Miu, 3 Church's)
 - SSSG high single-digit negative in the period

- Wholesale
 - In line with guidance and our Group's strategy to increase control over distribution
 - Negative trend in Europe due to persistent selective strategy
 - Americas recorded a negative trend mainly following the conversion of 14 corners in US and Canada (on top of 21 in 2013)
 - Strong double digit increase in Far East (mainly DFS in Korea)

Net Sales by Channel (€ mn) – 4th Quarter

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Retail	814.6	81%	809.2	82%	-1%	-5%
Wholesale	186.4	19%	181.1	18%	-3%	-6%
Total	1,001.0	100%	990.3	100%	-1%	-5%

- Retail marginally improved at constant exchange rate despite the adverse timing of the Chinese New Year (*)
- Wholesale trend impacted by 4 conversions in US and Canada and continuing selective strategy in Europe

(*) 19 February in 2015, captured in Q1 2015
31 January in 2014, captured in Q4 2013

Net Sales by Geography (€ mn) – Full Year

<i>Note(*)</i> : PRC, HK, Macau <i>Note(**)</i> : Japan and Hawaii	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Retail						
Europe	1,012.0	34%	999.6	34%	-1%	-1%
Americas	363.3	12%	391.2	13%	+8%	+7%
Far East	1,195.7	40%	1,130.2	38%	-5%	-7%
<i>Greater China(*)</i>	823.2	27%	769.7	26%	-7%	-8%
Japan (**)	338.7	11%	364.8	12%	+8%	+13%
Middle East	84.5	3%	92.9	3%	+10%	+9%
Others	2.5	-	2.2	-	-10%	-11%
Total Retail	2,996.6	84%	2,980.9	85%	-1%	-
Wholesale	551.6	16%	532.5	15%	-3%	-5%
Total Sales	3,548.2	100%	3,513.4	100%	-1%	-1%

- Europe: impacted by the lack of touristic flow and weak domestic demand, especially in the first 9-months
- Americas: good trend fuelled by domestic consumption, also considering the tough comparison base (+36% in FY-2013)
- Far East: negatively impacted primarily by HK and Macau where market conditions deteriorated significantly during the second half
- Japan: strong performance across the quarters driven by robust local demand and increasing touristic flow
- Middle East: good performance affected by a slowing down of tourism in the second part of the year

Net Sales by Geography (€ mn) – 4th Quarter

<i>Note(*)</i> : PRC, HK, Macau <i>Note(**)</i> : Japan and Hawaii	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Retail						
Europe	247.5	30%	248.6	31%	-	+1%
Americas	108.0	13%	120.5	15%	+12%	+3%
Far East	334.3	41%	305.7	38%	-9%	-16%
<i>Greater China(*)</i>	232.6	29%	203.5	25%	-13%	-21%
Japan (**)	100.5	12%	107.7	13%	+7%	+9%
Middle East	23.6	3%	26.0	3%	+10%	-
Others	0.7	-	0.7	-	-2%	-4%
Total Retail	814.6	81%	809.2	82%	-1%	-5%
Wholesale	186.4	19%	181.1	18%	-3%	-6%
Total Sales	1,001.0	100%	990.3	100%	-1%	-5%

- Europe turned positive supported by improving local demand and touristic flow
- Americas improved, thanks to local consumption
- Far East weakened, particularly impacted by the different timing of the CNY affecting the performance of January throughout the Greater China
- Japan accelerated sustained by local demand and strong touristic flow
- Middle East was broadly flat impacted by a slump in the touristic flow (mainly Russians)

Net Sales by Brand (€ mn) – Full Year

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Prada	2,505.5	84%	2,463.2	83%	-2%	-2%
Miu Miu	437.5	15%	455.0	15%	+4%	+4%
Church's	42.7	1%	49.0	2%	+15%	+12%
Car Shoe	7.5	-	8.4	-	+12%	+11%
Other	3.4	-	5.3	-	+57%	+57%
Total Retail	2,996.6	84%	2,980.9	85%	-1%	-
Total Wholesale	551.6	16%	532.5	15%	-3%	-5%
Total	3,548.2	100%	3,513.4	100%	-1%	-1%

Prada

- Far East showed a deterioration trend in 2H, largely due to tough trading conditions in HK and Macau and different calendar of the CNY
- Double-digit organic performance in men's division sustained particularly by mature markets and Middle East

Miu Miu

- Strong double digit organic growth in US, Middle East and Mainland China / mixed performance in Europe and good in Japan
- Slowdown in HK and Macau towards year-end

Church's and Car Shoe

- Double digit organic growth, showing an acceleration trend in the last quarter

Net Sales by Brand (€ mn) – 4th Quarter

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Prada	678.8	83%	663.7	82%	-2%	-6%
Miu Miu	120.2	15%	125.4	15%	+4%	-
Church's	13.2	2%	15.6	2%	+18%	+14%
Car Shoe	1.4	-	1.9	-	+32%	+26%
Other	0.9	-	2.6	-	+198%	+198%
Total Retail	814.6	81%	809.2	82%	-1%	-5%
Total Wholesale	186.4	19%	181.1	18%	-3%	-6%
Total	1,001.0	100%	990.3	100%	-1%	-5%

Net Sales by Product (€ mn) – Full Year

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Leather Goods	2,090.5	70%	1,965.6	66%	-6%	-6%
Footwear	376.7	13%	448.7	15%	+19%	+19%
Ready to Wear	490.6	16%	512.3	17%	+4%	+5%
Others	38.8	1%	54.3	2%	+40%	+40%
Total Retail	2,996.6	84%	2,980.9	85%	-1%	-
Total Wholesale	551.6	16%	532.5	15%	-3%	-5%
Total	3,548.2	100%	3,513.4	100%	-1%	-1%

- Leather goods negatively impacted by tougher market conditions in Asia and lack of touristic flow in Europe / Solid trend in Japan and US across the year
- Excellent performance of footwear across all regions and brands and sustained along all quarters
- Positive trend of RTW at Prada and Miu Miu, notably in mature markets, slowing towards 2H and primarily impacted by Far East
- Double-digit organic increase in Men's business fuelled particularly by footwear and RTW

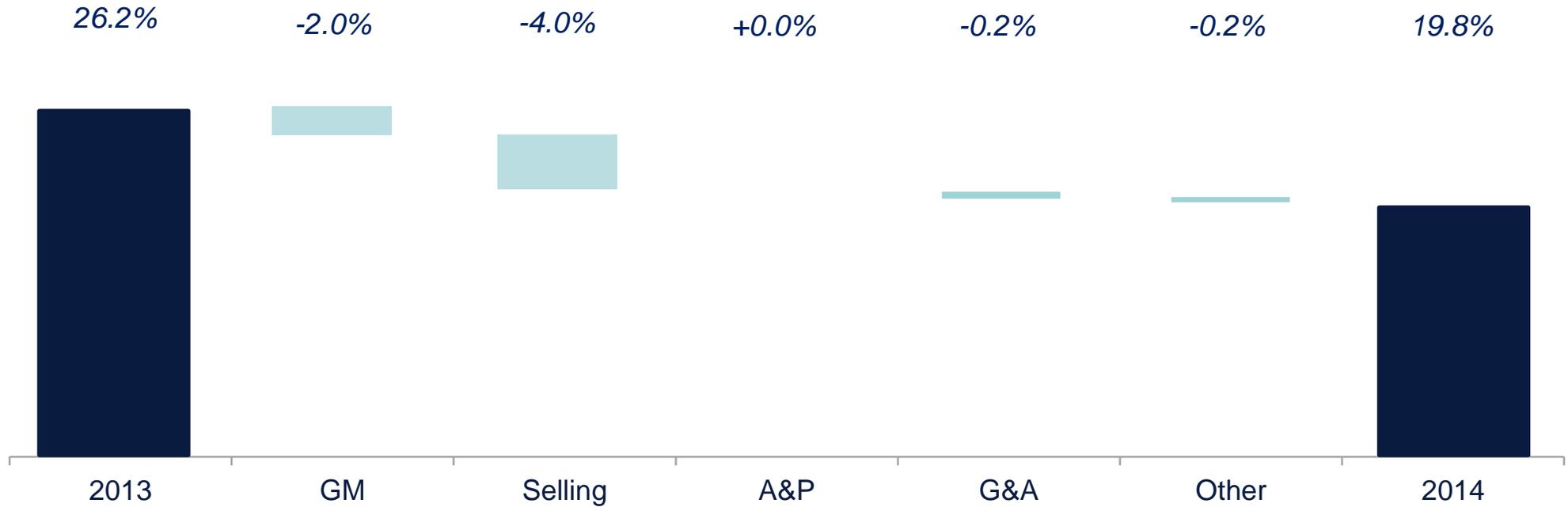
Net Sales by Product (€ mn) – 4th Quarter

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Leather Goods	544.7	67%	518.9	64%	-5%	-9%
Footwear	104.9	13%	125.5	16%	+20%	+15%
Ready to Wear	156.4	19%	153.1	19%	-2%	-5%
Others	8.5	1%	11.7	1%	+37%	+29%
Total Retail	814.6	81%	809.2	82%	-1%	-5%
Total Wholesale	186.4	19%	181.1	18%	-3%	-6%
Total	1,001.0	100%	990.3	100%	-1%	-5%

Group Profit and Loss – Full Year

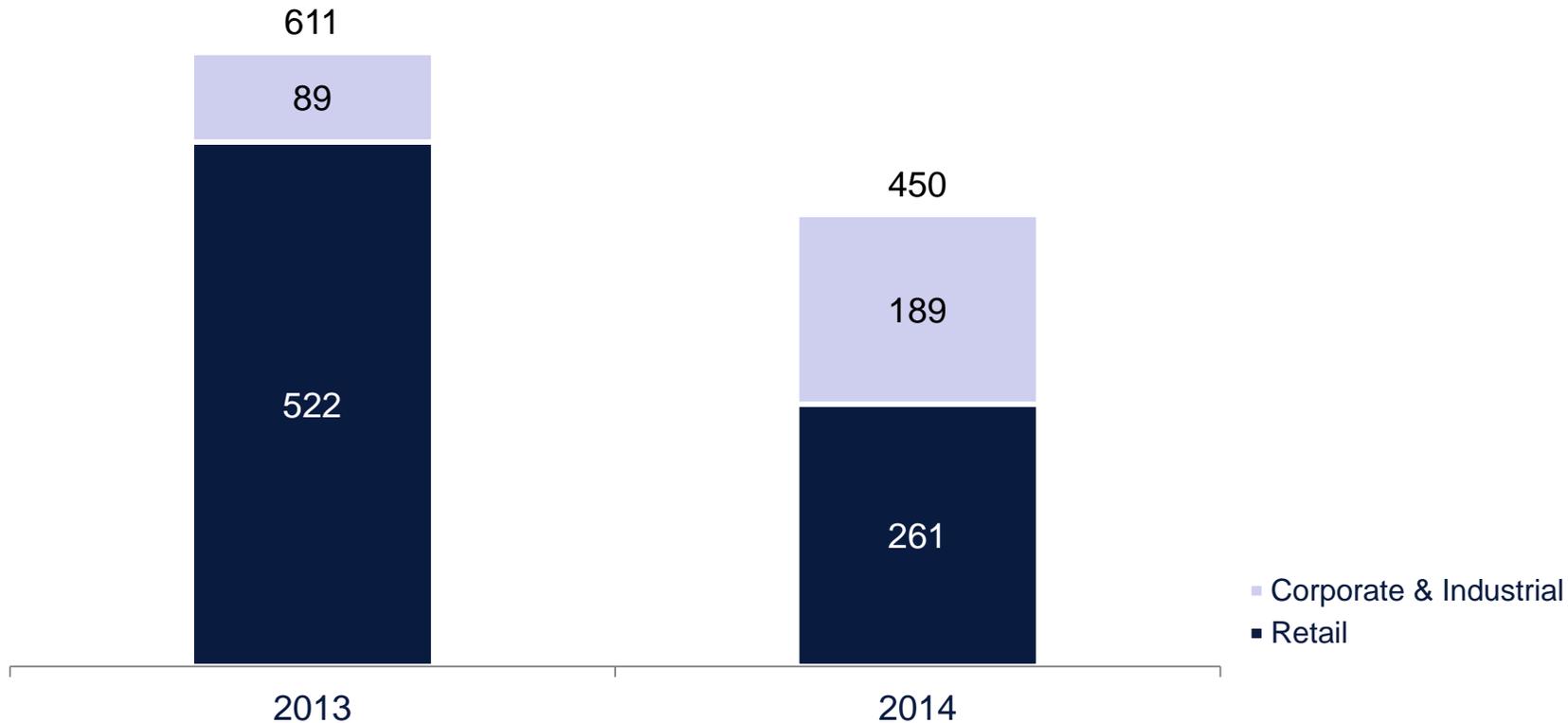
€ mn	2014	%	Δ 2014 vs 2013	2013	%
Net Sales	3.513,4	98,9%		3.548,2	98,9%
Royalties	38,3	1,1%		39,1	1,1%
Net Revenues	3.551,7	100,0%	-1,0%	3.587,3	100,0%
COGS	(1.001,1)	28,2%		(938,7)	26,2%
Gross Profit	2.550,6	71,8%	-3,7%	2.648,6	73,8%
Product Development	(132,6)	3,7%		(129,8)	3,6%
Advertising & Promotion	(170,6)	4,8%		(172,0)	4,8%
Selling	(1.340,8)	37,8%		(1.212,1)	33,8%
G&A	(205,0)	5,8%		(195,6)	5,5%
EBIT	701,6	19,8%	-25,3%	939,2	26,2%
Net Financial Income/(Expenses)	(34,0)	1,0%		(16,3)	0,5%
Income Taxes	(208,0)	5,9%		(285,1)	7,9%
Minority Income	(8,5)	0,2%		(10,0)	0,3%
Group Net income	451,0	12,7%	-28,2%	627,8	17,5%
D&A	252,7	7,1%		203,9	5,7%
EBITDA	954,3	26,9%	-16,5%	1.143,2	31,9%

EBIT Development – Full Year



- Foreign exchange rates negatively impacted EBIT margin by ~ 60 bps
- Gross Margin dilution mainly due to foreign exchange rates and less favourable category / geographical mix

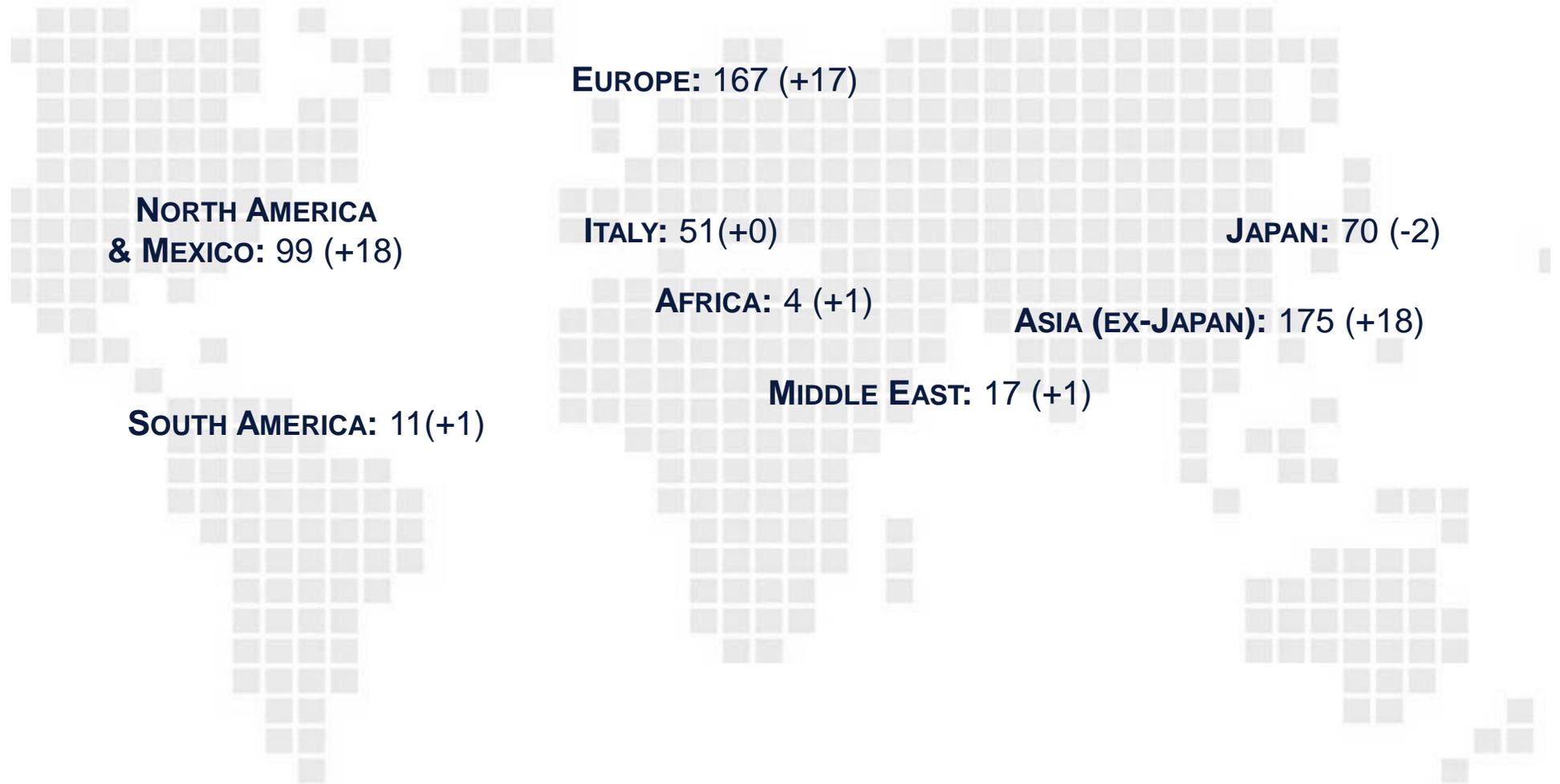
Capex (€ mn) – Full Year



- 2014 Capex driven by Retail development (64 gross new openings, 28 relocations and 9 renovations)
- 2014 Corporate & Industrial includes:
 - € 64 million for the purchase of the headquarters office in Milan
 - € 60 million for production and logistics
- 2013 Retail includes € 182 million for the acquisition of a store located in London (Old Bond Street acquisition)

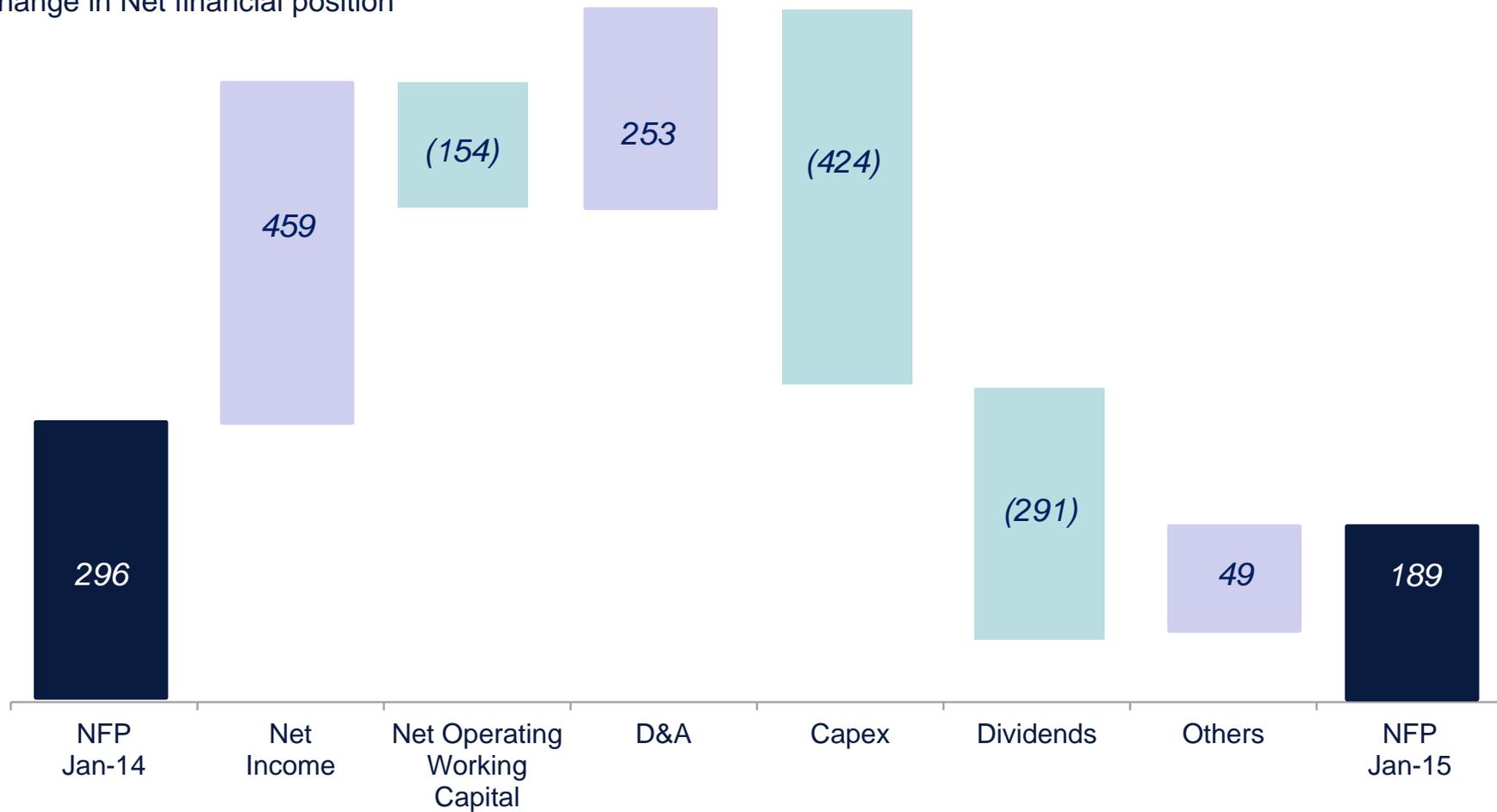
Retail Overview - 594 DOS at January 31st, 2015

64 openings and 10 closings



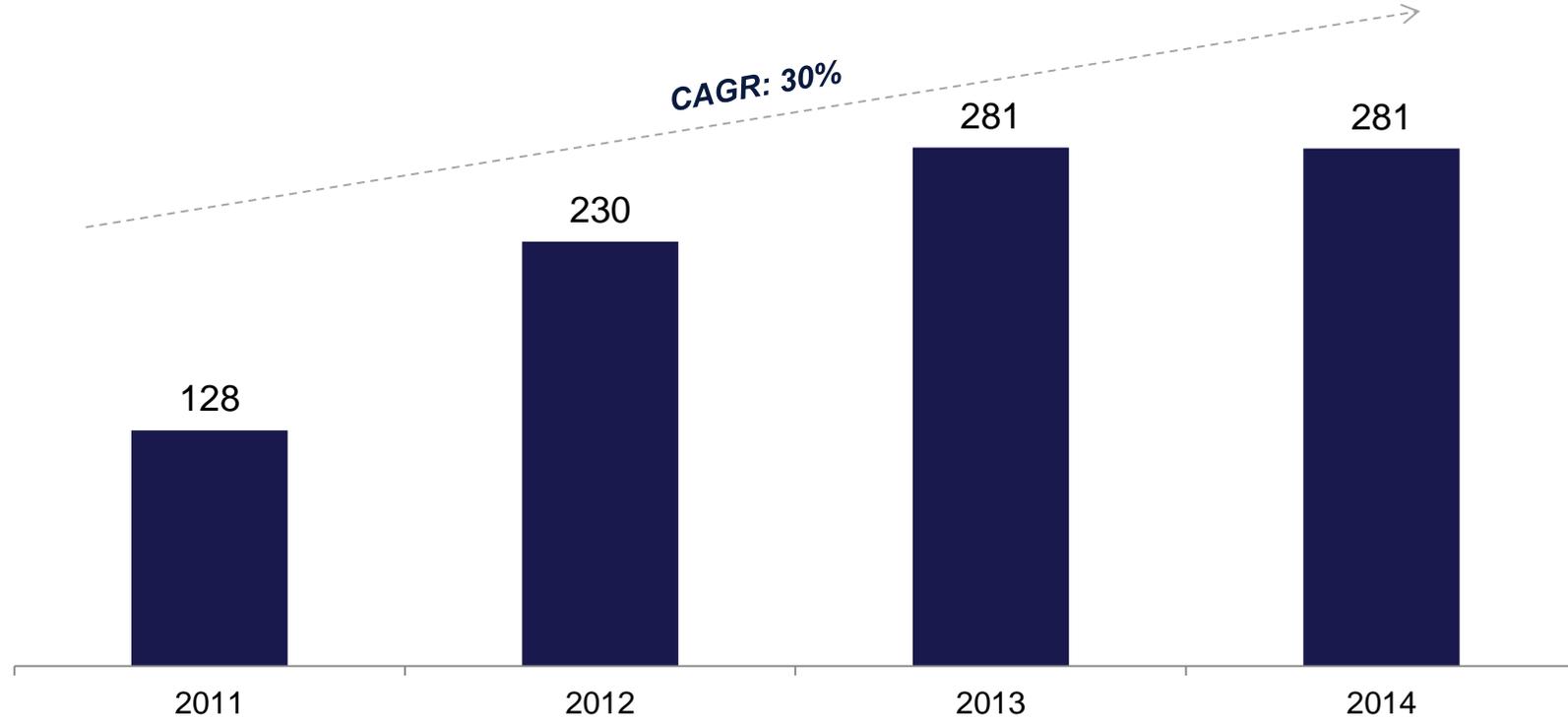
Net Financial Position (€ mn)

- Change in Net financial position



■ Positive change
■ Negative change

Dividend policy (€mn)



**Dividend Payout
(in %)**

30%

37%

45%

62%

**Dividend
Per Shares (in €)**

0,05

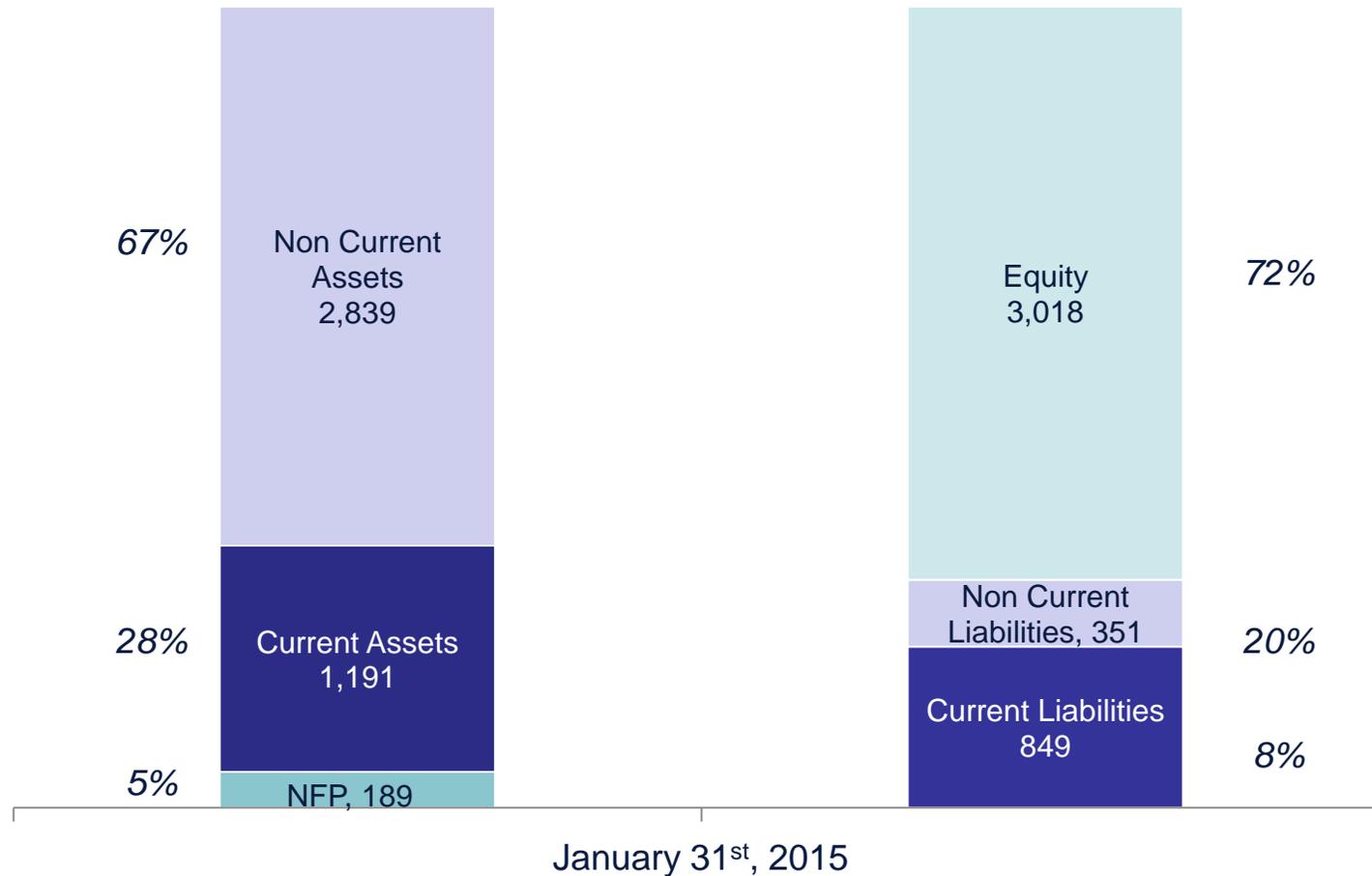
0,09

0,11

0,11

Strong Balance Sheet (€mn)

- ... allow as to keep investing and paying significant dividends in a challenging market conditions



Driving stable and profitable growth

Stefano Cantino

Group Communication and Marketing Director

Driving stable and profitable growth



Relentless focus on product excellence: nurturing our innovation skills

- At the forefront of the industry, Prada has always been universally recognised as a leader in design and style: its ability to interpret, anticipate, and often drive trends remains unchanged
- Prada's creative energy also stems from the careful observation in diverse realms: art, architecture, technology, as well as cinema and literature form part of our corporate culture and DNA



Relentless focus on product excellence: quality and innovation to preserve our competitive edge

Perpetuate the Quality of our products by

- Investing in the value chain through our own manufacturing facilities and possible up-stream vertical integrations
- Preserving Prada's centennial know-how and craftsmanship of our products

TO BOOST PRADA'S ABILITY TO REACT QUICKLY IN AN INCREASINGLY COMPETITIVE LUXURY MARKET



Boost Store Performance: fuel organic growth

Building up a customer-centric culture

- Meet expectations of consolidated customers and reinforce loyalty
 - Scale up in-store marketing retail events to reinforce local customers relations
 - Integrated on-line and off-line CRM activities
- Satisfy aspirations of the new fashion-conscious customers
 - New age categories
 - New markets
 - Digital natives



Boost Store Performance: fuel organic growth

Merchandising Mix: modernity by blending heritage and innovation

- Perpetuate a leading position through a well-balanced product portfolio among and inside all categories
- Relentless commitment to innovate while preserving our centennial history
- Optimize the merchandising mix in an increasingly busy leather goods market: new products covering all strategic price ranges, supported by marketing and communication activities



Selective Retail Development

- Focus on high potential markets to unlock future growth opportunities
- FY 2015: ~ 30 openings
- Improve economics of non-performing stores



Support the Growth through an innovative and highly recognizable communication

THE ENCOUNTER BETWEEN FASHION AND OTHER WORLDS

- Interaction with contemporary culture in its different fields has always been a source of inspiration for our creativity
- Fashion shows: presented in stages created in co-operation with architects and artists, our shows are designed to convey the spirit of the collections
- Iconic advertising campaigns where communication consistently interacts with design and retail
- Events and Special Projects stand out for their total innovative and avant-garde concept. They enhance brands' aura, positioning and desirability

Support the Growth through an innovative and highly recognizable communication

- Iconic events: Pradasphere



Support the Growth through an innovative and highly recognizable communication

- Iconic events: Iconoclasts - Paris



Support the Growth through an innovative and highly recognizable communication

- Iconic events: Miu Miu Aoyama - Opening and Fashion Show



Support the Growth through an innovative and highly recognizable communication

- Special Projects: Prada Journal



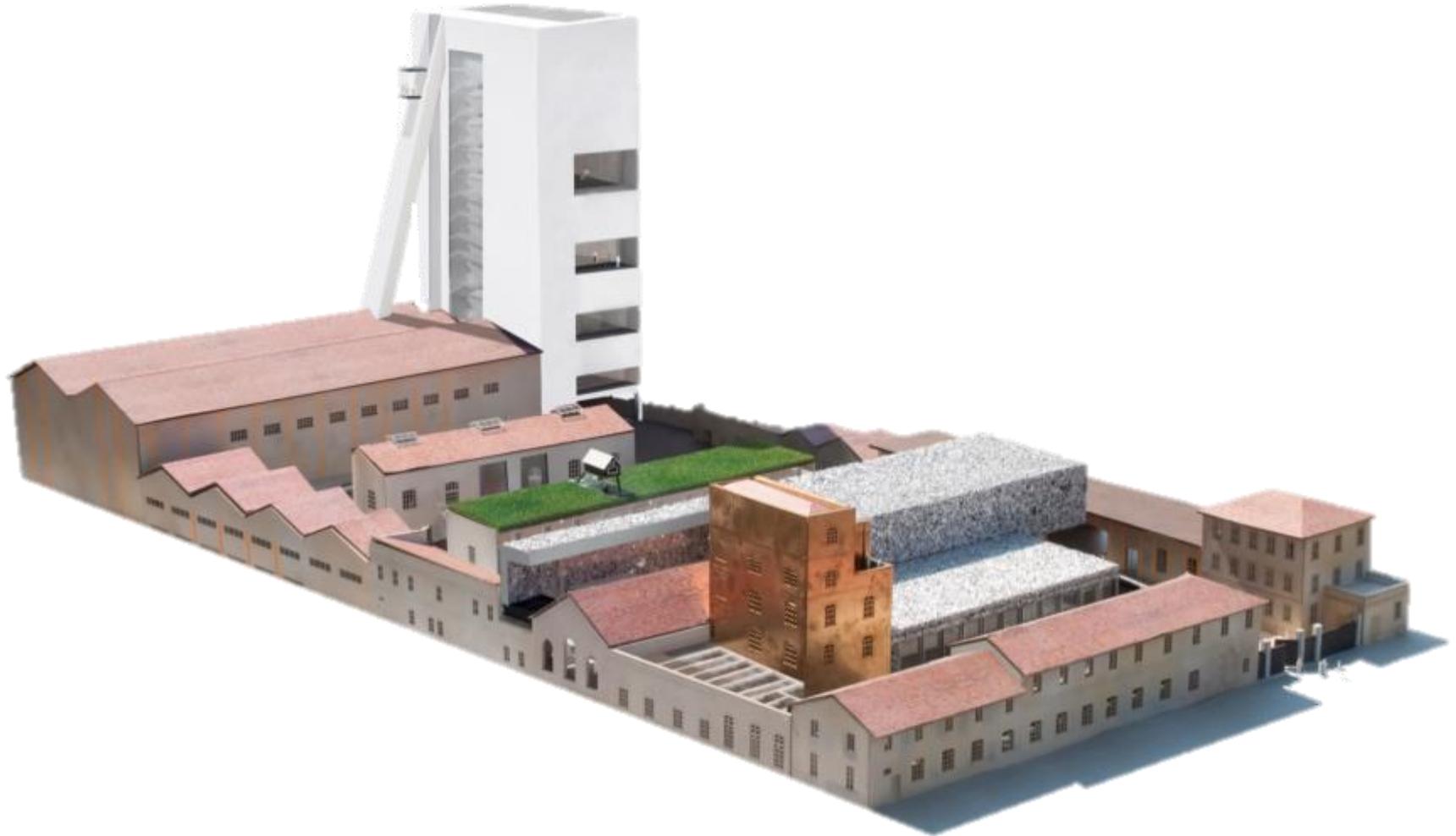
Support the Growth through an innovative and highly recognizable communication

- Special Projects: Miu Miu Women's Tales



Support the Growth through an innovative and highly recognizable communication

- Fondazione Prada expresses the strong connection between Prada and the world of art and culture. It contributes to communicate the essence of our brand globally



Outlook

Carlo Mazzi
Chairman

Outlook

EXTERNAL ENVIRONMENT

- Geo- political and macroeconomic environment still uncertain
- Weaker Euro supporting sales
- Trading conditions in Hong Kong and Macau remain unsettled

LUXURY MARKET

- Beyond cycles, the luxury market is still a structurally growing sector where Prada is positioned firmly at the top
- Increasing competition combined with a more diversified and sophisticated customer, require today more than ever the ability to be responsive in the short term, while investing for the long term

2015 ACTION PLAN

- Strong focus on organic growth
- Continue to increase store productivity
- Industrial investments to protect our competitive edge
- Selective retail expansion
- Rigorous costs management
- Reinforcing organization and processes

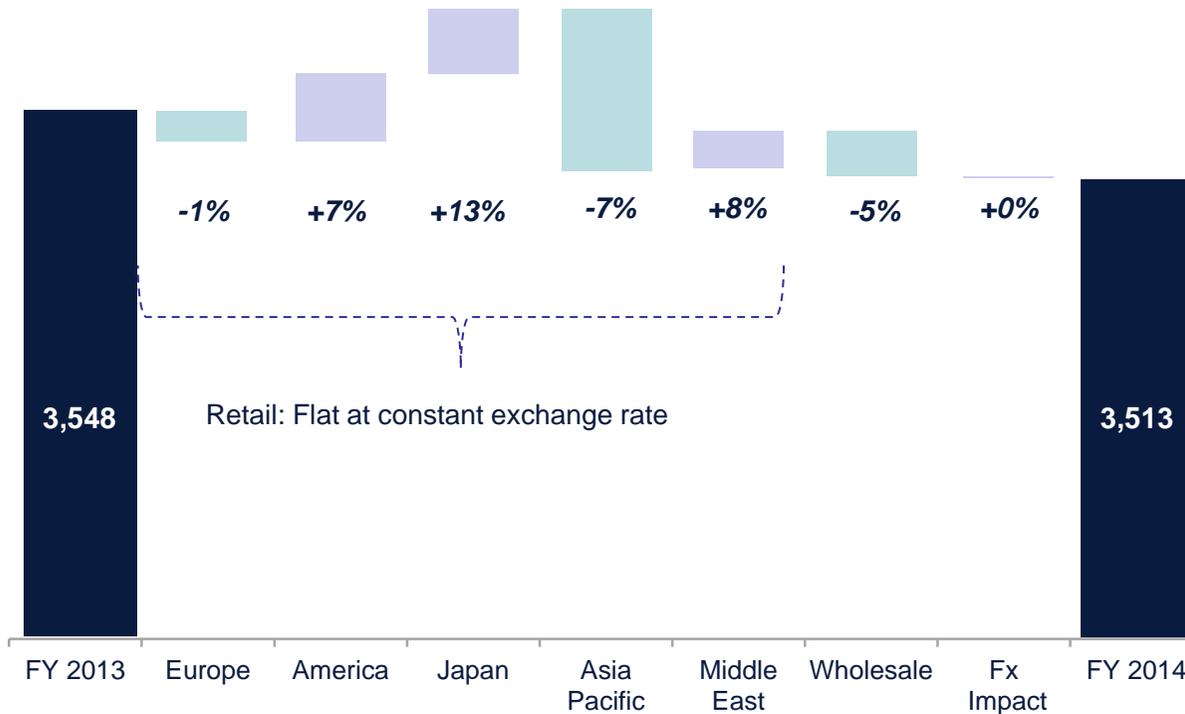
2015 OUTLOOK

- ~30 net openings
- Flat SSSG progressively improving from negative territory during the year
- Further wholesale rationalization
- Exchange rates from headwind to tailwind
- Stabilization of margins

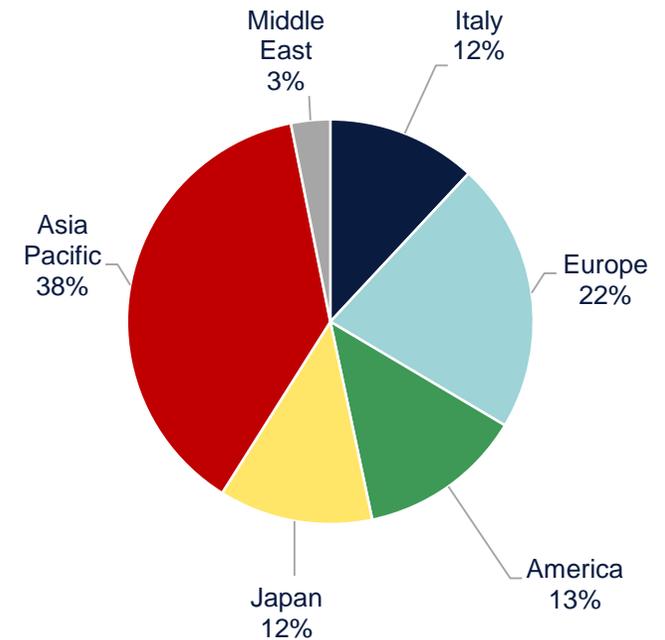
Appendix

Group Net Sales by Region/channel (€ mn) – Full Year

-1% as reported / -1% same fx



■ Positive change
■ Negative change



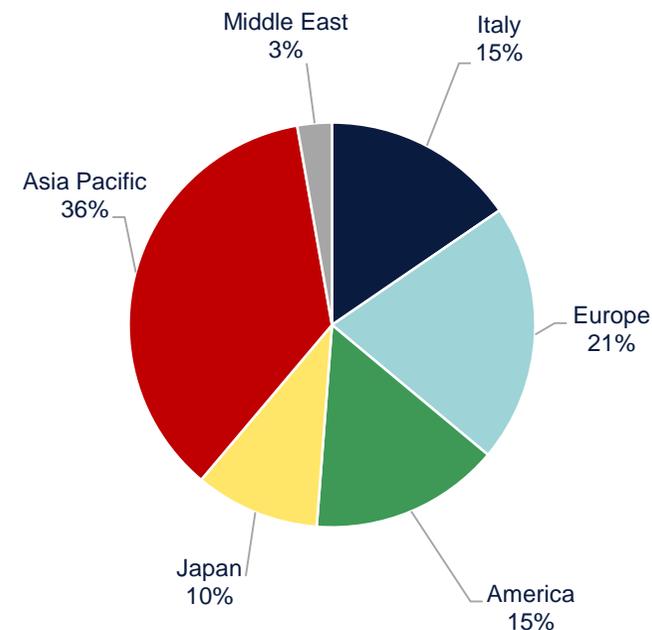
Region breakdown for retail only

Prada – Total Net Sales by channel (€ mn) – Full Year

-2% as reported / -2% same fx

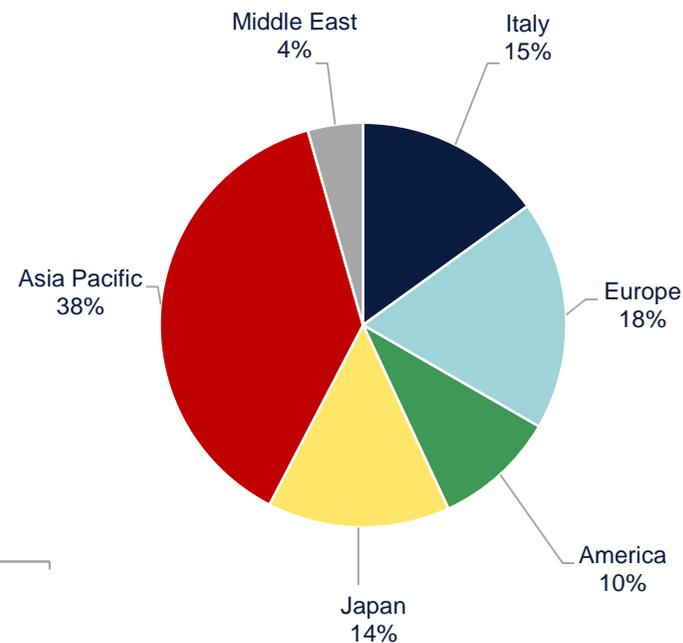
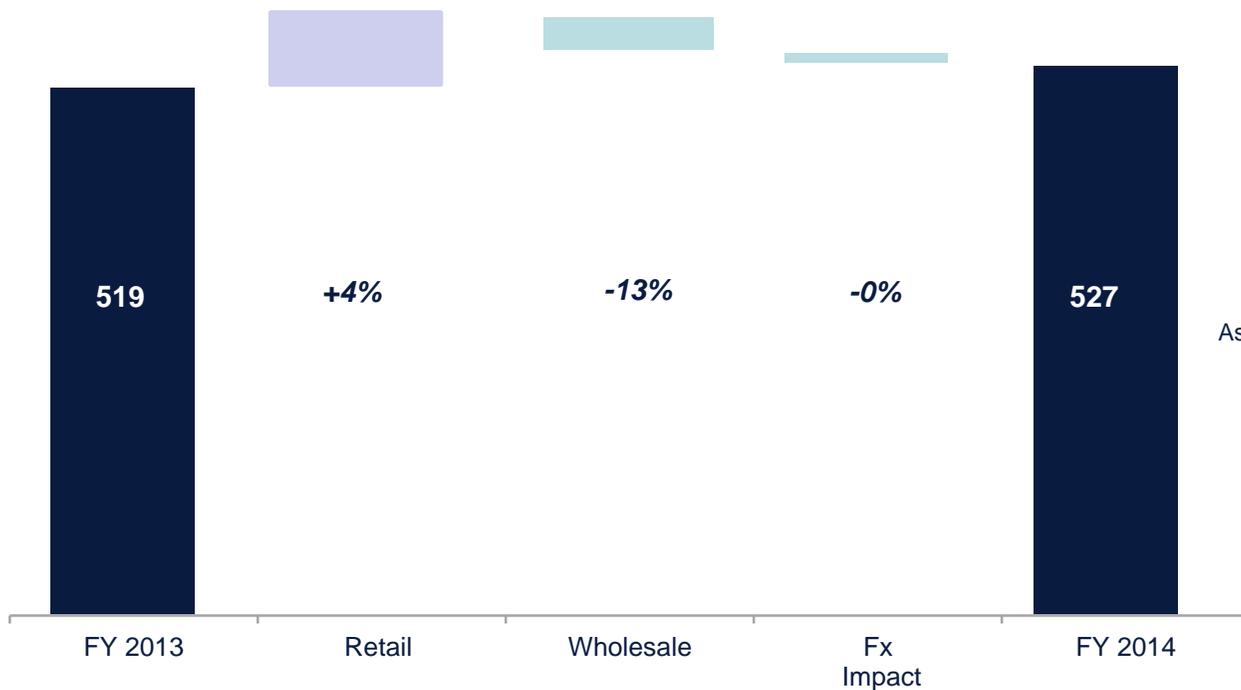


■ Positive change
■ Negative change



Miu Miu – Total Net Sales by channel (€ mn) – Full Year

+1% as reported / +2% same fx



- Positive change
- Negative change