PRADA spa

PRESS RELEASE

PRADA SPA APPROVES GROUP RESULTS AS OF 30 JUNE 2020

IMMEDIATE CONSUMER RESPONSE TO STORE REOPENINGS

DOUBLE DIGIT GROWTH IN ASIA FROM JUNE

Valvigna, 29th July 2020 - The Prada S.p.A. Board of Directors held today reviewed and approved the Consolidated Financial Results for the Half Year ended 30 June 2020.

Introduction

The health crisis interrupted the Group's strong revenue momentum registered up until the end of January 2020.

The Prada Group reacted promptly with effective cost containment measures. It also reorganized production to adapt to the new situation, revised its investment plans and suspended distribution of dividends. These measures allowed the Group to control its financial resources, without affecting the Group's solid capital position.

Following the reopening of the store network, the Group has seen ongoing recovering sales trends, with significant growth in Asia as well as encouraging signs in other markets, driven by local consumption and despite the lack of tourism.

The significant reduction to Wholesale exposure and the markdown phase out have remained in place throughout the pandemic and have proved to be the right decisions to confirm the Group's future growth.

Key highlights

- On average 40% of the Retail network was closed from February to May, reaching a peak of 70% in April
- Retail sales significantly impacted by closures but sequentially improving on reopening
- Wholesale channel heavily reduced, following the decision taken in 2019 to strictly control all distribution channels to protect brand positioning
- E-commerce delivered triple-digit sales growth during and after the lockdowns
- Disciplined approach contained costs, with significant reductions in all areas
- Effective management of the supply chain supported stable gross margins
- Investments limited to strategic projects
- Dividend distribution suspended
- Solid Balance Sheet and Net Financial Position

Key numbers

- Retail sales down 32% at constant FX
- Wholesale sales down 71% at constant FX
- Total Net Revenues at Euro 938 million, down 40% at constant FX
- Selling expenses of closed stores during lockdowns at Euro 112 million
- EBIT before selling expenses of the closed stores during lockdowns at Euro -83 million
- Net loss at Euro -180 million
- Capex at Euro 49 million
- Net Financial Position at Euro -515 million

Retail sales

From February to May 2020, the Prada Group operated on average with approximately 40% of stores closed globally, after closures peaked at 70% in April – even the stores which remained open were negatively impacted by restrictions on individual movement. In the weeks following the store re-openings the Prada Group has seen signs of recovery in consumer spending in all geographical areas:

- **Europe** revenues at Euro 228 million, -41% at constant FX. Strong double-digit growth in January and February interrupted by lockdowns; very good response to store re-openings from local consumers but still impacted by the lack of tourists.

- **Asia Pacific** revenues at Euro 370 million, -18% at constant FX. Strong double-digit sales growth since April in Mainland China, while South Korea and Taiwan R.O.C., which didn't experience store closures, showed a consistent double-digit trend throughout the period. Thanks to the contribution of these markets, the entire Asia Pacific region reported double-digit growth in June, despite Hong Kong S.A.R. and Macau S.A.R. still being negatively affected by the lack of travel flows.

- **Americas** revenues at Euro 96 million, -42% at constant FX. As in Europe, strong double-digit growth in January and February was interrupted by lockdown. Current trading is improving notwithstanding the health emergency is still unresolved and some stores have not yet reopened; sustained growth seen in Canada since the reopening.

- **Japan** revenues at Euro 113 million, -39% at constant FX, are seeing a recovery driven by local consumption.

- **Middle East** revenues at Euro 28 million, -44% at constant FX, showing mixed trends with Dubai still suffering from the lack of tourism but other markets in the region sustained by better local consumption.

E-commerce direct channel, showing a positive performance in all regions, has achieved a triple-digit growth, even after the lockdowns, supported by continuing investment in Group digital platforms.

The **Wholesale** channel registered Euro 91 million of sales, a meaningful decline of -71% due to the strategic decision to downsize this business in order to focus on the development of the Group's retail channel and e-commerce, taken to strictly control all distribution channels to protect brand positioning.

Prompt reaction to contain costs and cash-out

During the COVID-19 pandemic, the Prada Group reacted promptly and took effective actions to mitigate the impact of store closures, putting in place a comprehensive program of cost cutting. This included the renegotiation of several lease agreement conditions, cancelling or postponing marketing initiatives and shrinking discretionary costs.

COVID-19 also had an impact on the Prada Group's production activities, with 21 factories shut down for approximately five weeks and then resuming operations beginning in the last week of April. This was enabled by the implementation of comprehensive measures to protect against infection and the application of scrupulous precautions to safeguard employees' health, including systematic serological testing for all employees, daily body temperature monitoring, distancing between work stations and the supply of personal protective equipment.

The rapid resumption of manufacturing activities mainly concentrated in Italy, made possible by the adoption of the aforementioned safety measures, along with direct control over the supply chain, enabled the Prada Group to provide stores with new seasonal products on time, and to manage stock effectively without excess inventory.

In April 2020, the Board of Directors withdrew its recommendation to pay a dividend for 2019. This decision, combined with a reduction in costs and investments, has allowed the Group to maintain a stable financial position and be ready to return to a normal level of investment when markets recover.

Patrizio Bertelli, Prada Group CEO, commented: *"I am very proud of the commitment and sense of responsibility demonstrated in these circumstances by all our people. The first half of 2020 saw a temporary interruption of our growth trajectory which, in a situation of progressive control of the pandemic, we are confident will gradually resume from the second half of 2020, when our store network will again be fully operational. The excellent response of local consumers after the re-openings, confirms the desirability of our products and the strong relationship with our customers, which has been further strengthened by our continued focus on digital technology. The recent positive trends in all markets, combined with our solid balance sheet and financial position, allow us to look to the future with confidence today."*

For further information:

Prada Press Office

corporatepress@prada.com

www.pradagroup.com

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 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, brand's e-commerce, a selection of luxury department stores and multi-brand stores in the most prestigious locations as well as through the most important e-tailers.

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.