

PRADA

MILANO

DAL 1913

3rd Quarter Results as of October 31st, 2015

Milan, December 15th, 2015

Highlights

TURNOVER

- Total Revenues up 1% in 9M-2015 (-7% at constant FX) to € 2,583 mn
- Retail channel up 4% (-5% at constant FX); Q3 was impacted by recently deteriorated market conditions
- Wholesale channel down 16% (-21% at constant FX) due to persistent rationalization strategy
- Royalties up 16%

RETAIL TRENDS BY REGION

- Positive organic growth in Europe and Japan supported by tourism, across all categories
- No improvement in Asia Pacific, especially in Greater China region
- US weakened in Q3, penalized by the strengthening of USD

RETAIL TRENDS BY BRANDS / CATEGORY

- Miu Miu overall positive during the period
- Leather goods business still impacted by weak market conditions, primarily in Asia Pacific
- Growth momentum continued in footwear and resilience in RTW, signalling indisputable leadership in design

MARGINS / OPERATING RESULTS

- Gross margin 73% in 9M-2015, improving in Q3 mainly sustained by supply-chain efficiencies
- EBIT to € 374 mn in 9M-2015, 14% on Revenues, compared to 19% in 9M-2014

Net Sales by Channel (€ mn) – 9 months

	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Retail	2,171.7	86%	2,253.5	88%	+4%	-5%
Wholesale	351.5	14%	295.5	12%	-16%	-21%
Total	2,523.2	100%	2,549.0	100%	+1%	-7%

Retail

- +4% reported driven by FX tailwind
- -5% at constant exchange rates, due to negative SSSG (excluding Europe and Japan)
- Macroeconomic conditions deteriorated in Q3 impacting consumer attitude, mainly in Greater China and US

Wholesale

- -16% reported (-21% at constant FX), as a result of the Group's decision to further rationalize this channel, notably in Europe
- Duty-free channel in Korea negatively impacted by MERS outburst
- Positive organic performance in US market in Q3

Net Sales by Geography (€ mn) – 9 months

<i>Note (*)</i> : PRC, HK, Macau <i>Note (**)</i> : Japan and Hawaii	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Retail						
Europe	751.0	35%	815.9	36%	+9%	+8%
Americas	270.6	12%	293.7	13%	+9%	-8%
Asia Pacific	824.5	38%	784.4	35%	-5%	-18%
<i>Greater China(*)</i>	566.2	26%	516.4	23%	-9%	-24%
Japan (**)	257.1	12%	283.8	13%	+10%	+5%
Middle East	66.9	3%	73.4	3%	+10%	-8%
Others	1.6	-	2.3	-	+45%	+40%
Total Retail	2,171.7	86%	2,253.5	88%	+4%	-5%
Wholesale	351.5	14%	295.5	12%	-16%	-21%
Total Sales	2,523.2	100%	2,549.0	100%	+1%	-7%

Europe - positive organic growth driven by tourism on weaker Euro

- Italy over-performed the area, showing a stable trend during the period, also in Q3

Americas - impacted by lower touristic flow and shift of local consumption in other shopping destinations, particularly in Europe

- North American customers were globally up in the period; good organic performance in Canada, Brazil and Mexico, improving significantly in Q3

Asia Pacific - continued weakness in Greater China also on the backdrop of the increasing volatility in the financial markets in Aug-Sept period

Japan - positive organic trend also in Q3 supported by tourism, mainly driven by Chinese

- Softness in Q3 mainly explained by lower performance in Hawaii

Middle East - Dubai suffering from lower tourism; local consumption shifted to other countries

- Middle Eastern customers overall positive worldwide

Net Sales by Brand (€ mn) – 9 months

	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Prada	1,799.4	83%	1,836.5	81%	+2%	-6%
Miu Miu	329.6	15%	368.3	16%	+12%	+2%
Church's	33.4	2%	39.3	2%	+18%	+9%
Other	9.3	-	9.4	-	+1%	-2%
Total Retail	2,171.7	86%	2,253.5	88%	+4%	-5%
Total Wholesale	351.5	14%	295.5	12%	-16%	-21%
Total	2,523.2	100%	2,549.0	100%	+1%	-7%

Prada

- Positive organic trends in Europe and Japan not compensating weakness in Asia Pacific and US

Miu Miu

- Positive underlying growth sustained particularly by good performance in Europe, Middle East and Mainland China

Church's

- Very good retail performance in the period, sustained by double-digit SSSG in the last 2 quarters, benefitting from higher exposure to Europe

Net Sales by Product (€ mn) – 9 months

	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Leather Goods	1,446.7	67%	1,426.2	63%	-1%	-10%
Footwear	323.2	15%	399.7	18%	+24%	+13%
Ready to Wear	359.2	17%	379.7	17%	+6%	-3%
Others	42.6	2%	47.8	2%	+12%	+3%
Total Retail	2,171.7	86%	2,253.5	88%	+4%	-5%
Total Wholesale	351.5	14%	295.5	12%	-16%	-21%
Total	2,523.2	100%	2,549.0	100%	+1%	-7%

Leather goods business impacted by contrasting trends across regions

- Positive organic growth in Europe and Japan
- Negative trend in Asia Pacific and US

Strong performance of **Footwear** across all brands, still growing in Q3 after six consecutive quarters of double-digit organic growth

Resilient performance in **Ready-to-wear**

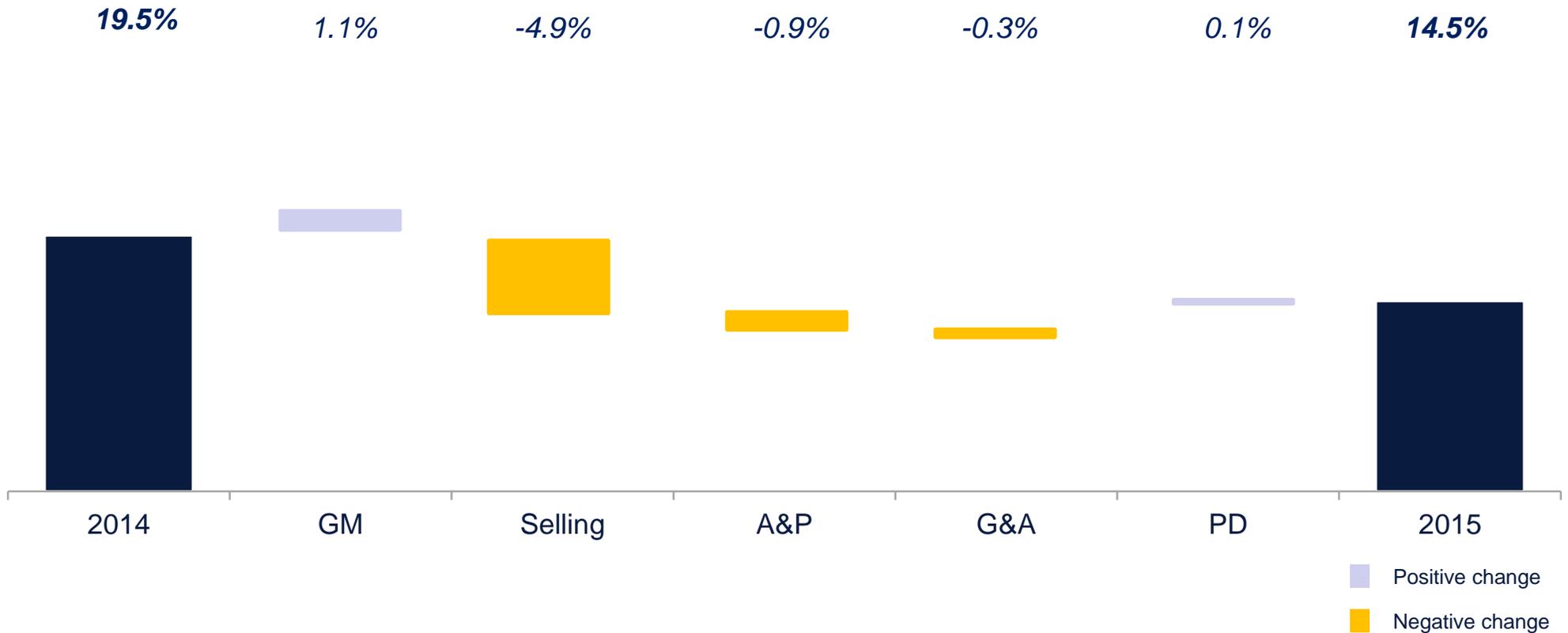
- Very good reception from the Prada **women** F/W 15 collection in Q3
- Slowdown in **men** in Q3, negatively impacted by higher exposure to Asia vs. group average

Others - Solid performance of **eyewear** and **fragrances**; enthusiastic reception of the new **Miu Miu fragrance**

Group Profit and Loss – 9 months

€ mn	Oct 2015	%	Δ 2015 vs 2014	Oct 2014	%
Net Sales	2.549,0	98,7%		2.523,2	98,9%
Royalties	33,5	1,3%		28,9	1,1%
Net Revenues	2.582,5	100,0%	1,2%	2.552,0	100,0%
COGS	(695,4)	26,9%		(715,6)	28,0%
Gross Margin	1.887,1	73,1%	2,8%	1.836,4	72,0%
Product Development	(95,9)	3,7%		(96,2)	3,8%
Advertising & Promotion	(144,9)	5,6%		(120,3)	4,7%
Selling	(1.110,5)	43,0%		(971,6)	38,1%
G&A	(161,9)	6,3%		(151,9)	6,0%
EBIT	373,9	14,5%	-24,7%	496,4	19,5%
Net Financial Income (Expenses)	(18,5)	0,7%		(15,5)	0,6%
Income Taxes	(117,1)	4,5%		(154,7)	6,1%
Net Income	238,2	9,2%		326,2	12,8%
Minority Income	3,1	0,1%		6,9	0,3%
Group Net income	235,1	9,1%	-26,4%	319,3	12,5%
D&A	221,5	8,6%		185,2	7,2%
EBITDA	595,4	23,1%	-12,7%	681,7	26,7%

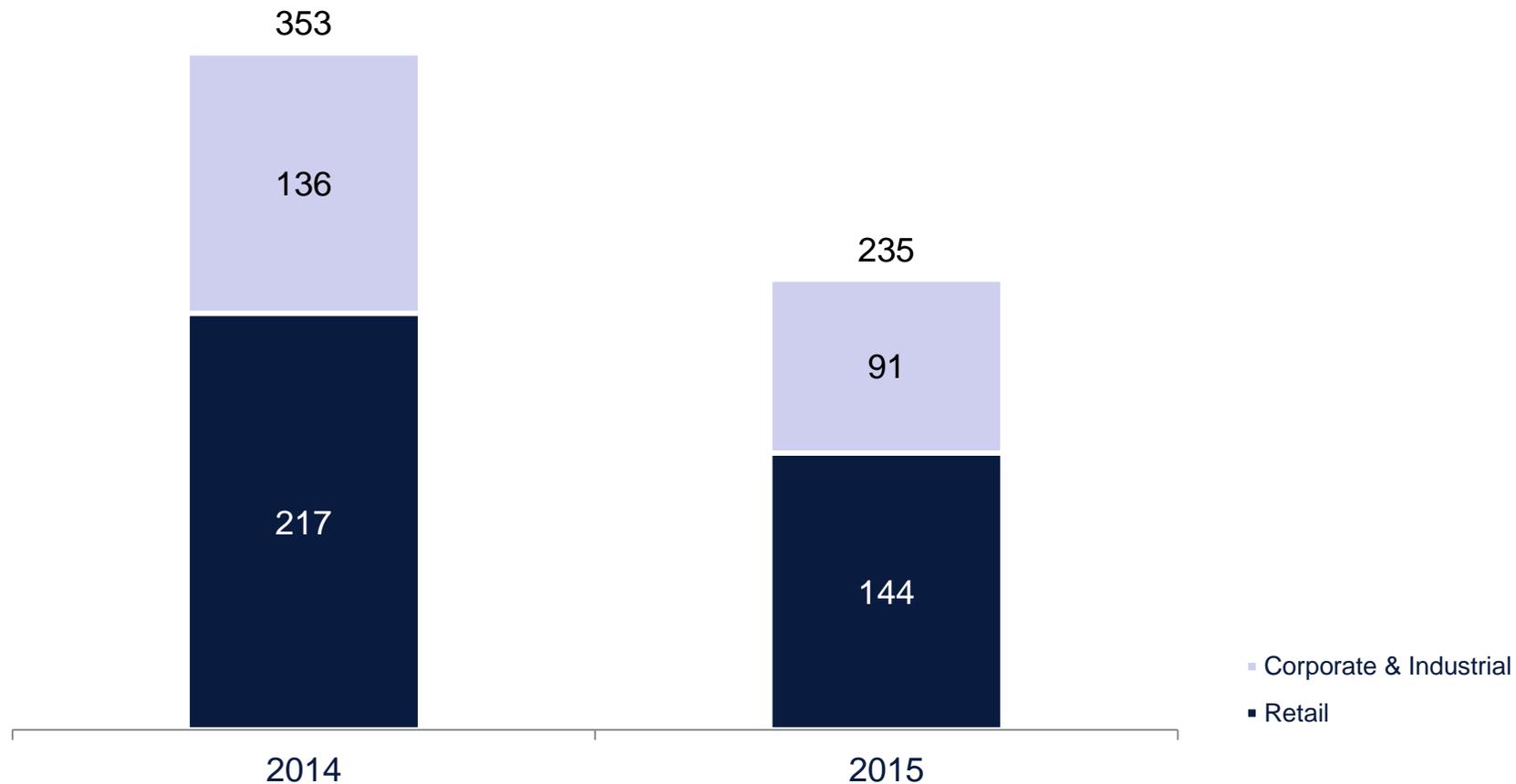
EBIT Development – 9 months



- Gross Margin improvement thanks to supply chain efficiencies and FX largely offsetting unfavourable category / geographic mix
- Higher incidence of selling expenses affected by negative SSSG and higher fixed costs, due to retail network expansion

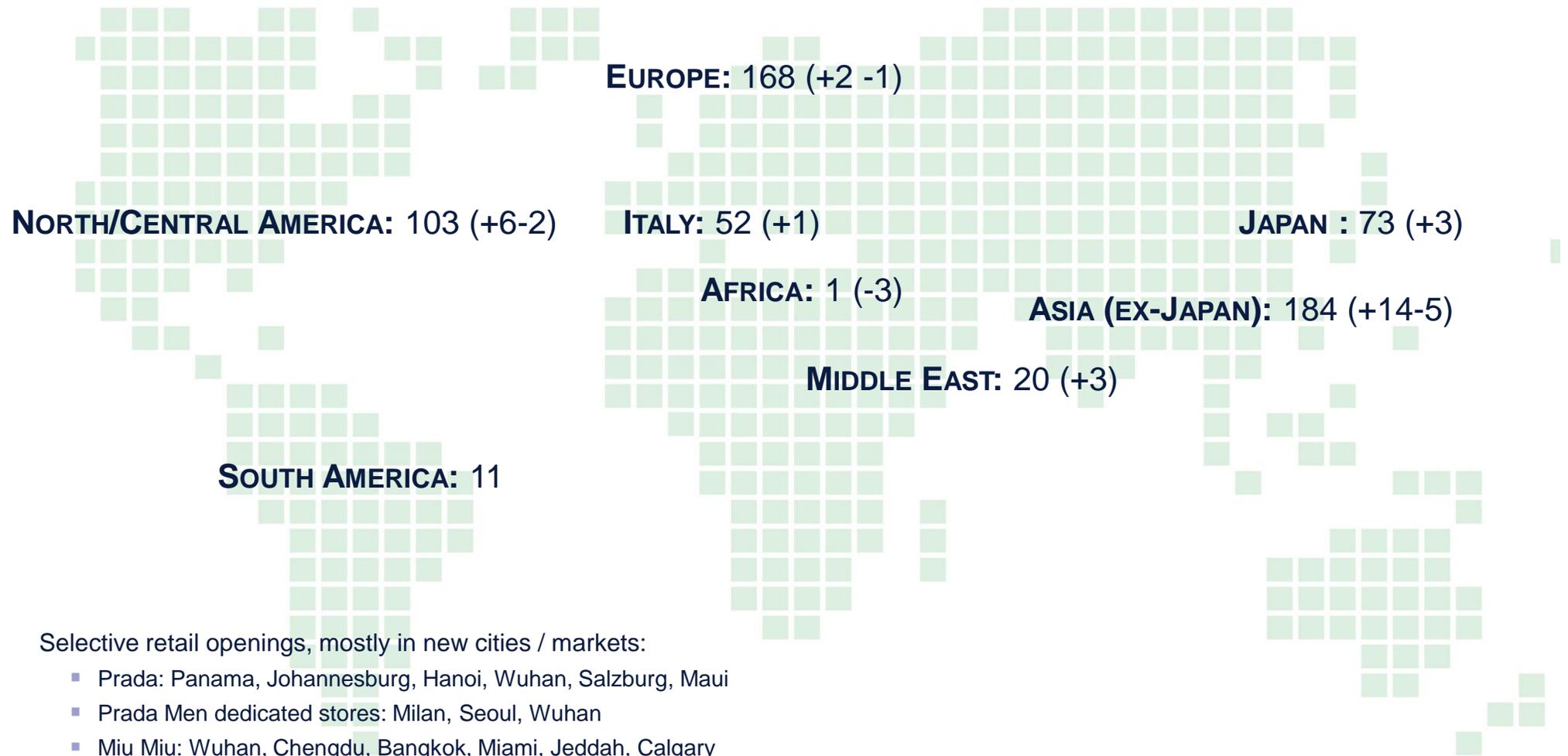
Capex (€ mn) – 9 months

- Retail capex in 2015 includes 29 gross new openings, 18 relocations and 9 renovations
- 2015 Corporate & Industrial capex includes:
 - 2 new industrial facilities
 - completion of the new manufacturing HQ in Tuscany



Retail overview

612 DOS at October 2015 with 29 openings and 11 closings



Note: 612 DOS not including 2 Marchesi DOS

Net Financial Surplus/(Deficit) (€ mn)



Final remarks

EXTERNAL ENVIRONMENT

- Market conditions remain volatile amid financial markets instability and rising geopolitical tensions worldwide potentially impacting tourism and consumer attitude
- Luxury goods consumers becoming increasingly sophisticated, looking for more exclusivity and differentiation

SHORT TERM ACTIONS

- Continuing actions to fuel organic growth and protect margins through:
 - Well balanced merchandising mix with product portfolio covering all strategic price ranges
 - Price architecture revision
 - Retail network optimization, including store concept review
 - Strengthening relations with our customers, also enhancing digital experience
 - Increasing efficiency at all operational levels and strict control on costs
 - Strengthening the Organization

LONG TERM VISION

- Looking beyond short-term volatility, the Group remains optimistic about the luxury market perspectives and focused on consistently executing its long term strategy to foster organic growth, leveraging on its stylistic leadership and the extensive global retail network built in recent years

Appendix

Net Sales by Channel (€ mn) – 3rd Quarter

	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Retail	729.5	92%	701.1	94%	-4%	-8%
Wholesale	62.7	8%	46.6	6%	-26%	-27%
Total	792.3	100%	747.7	100%	-6%	-10%

Net Sales by Geography (€ mn) – 3rd Quarter

<i>Note(*)</i> : PRC, HK, Macau <i>Note(**)</i> : Japan and Hawaii	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Retail						
Europe	269.3	37%	274.3	39%	+2%	+2%
Americas	93.5	13%	89.9	13%	-4%	-13%
Asia Pacific	262.7	36%	226.8	32%	-14%	-20%
<i>Greater China(*)</i>	178.2	24%	148.0	21%	-17%	-26%
Japan (**)	83.2	11%	89.5	13%	+8%	+4%
Middle East	20.5	3%	20.0	3%	-3%	-14%
Others	0.4	-	0.6	-	+60%	+65%
Total Retail	729.5	92%	701.1	94%	-4%	-8%
Wholesale	62.7	8%	46.6	6%	-26%	-27%
Total Sales	792.3	100%	747.7	100%	-6%	-10%

Net Sales by Brand (€ mn) – 3rd Quarter

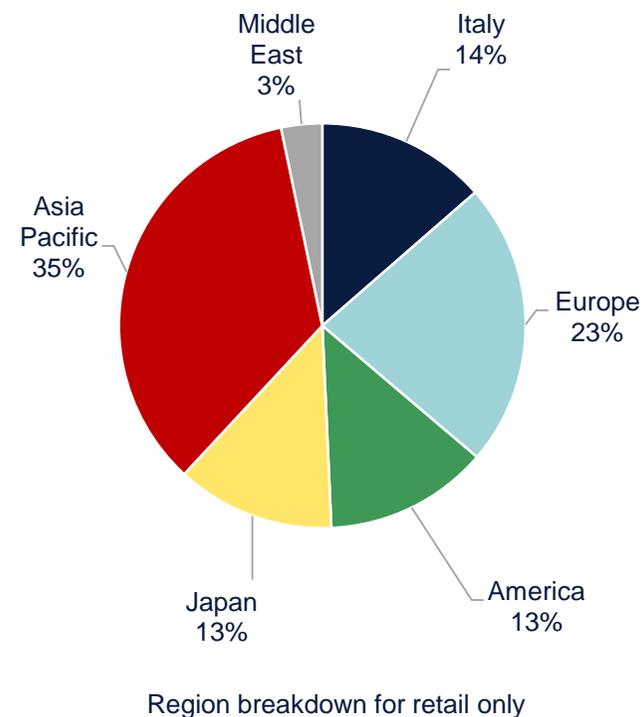
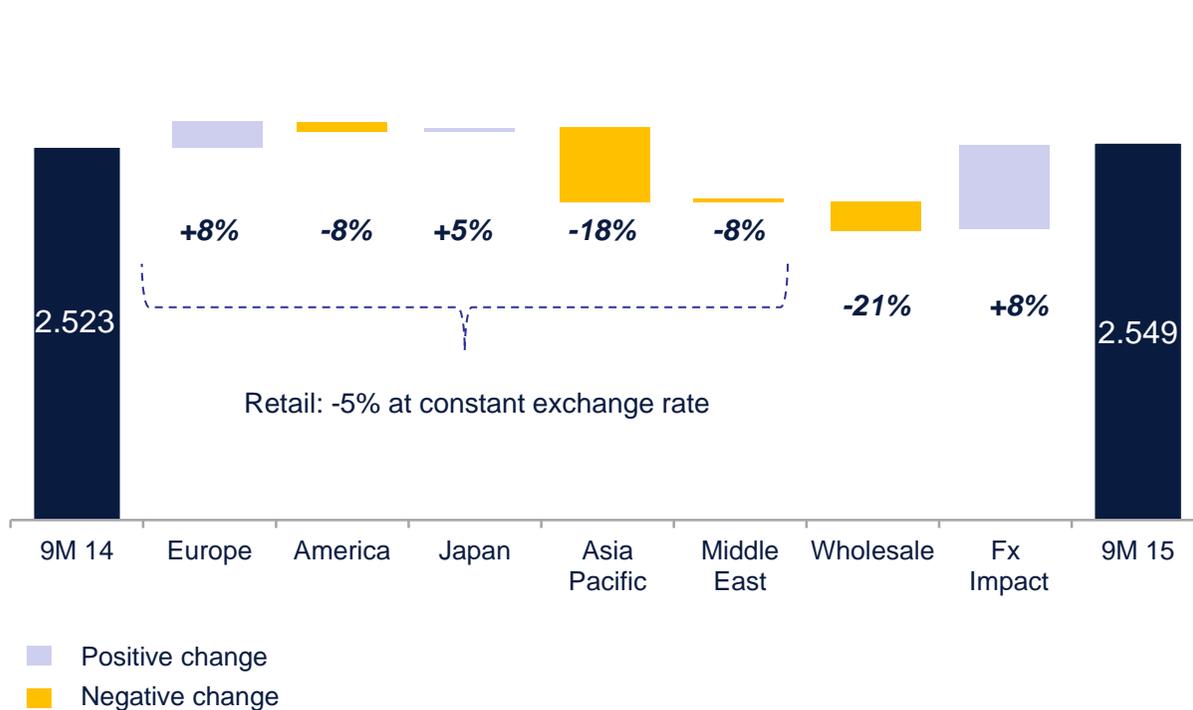
	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Prada	602.5	83%	574.3	82%	-5%	-9%
Miu Miu	112.2	15%	110.4	16%	-2%	-6%
Church's	11.7	2%	13.5	2%	+16%	+9%
Other	3.2	-	2.9	-	-9%	-9%
Total Retail	729.5	92%	701.1	94%	-4%	-8%
Total Wholesale	62.7	8%	46.6	6%	-26%	-27%
Total	792.3	100%	747.7	100%	-6%	-10%

Net Sales by Product(€ mn) – 3rd Quarter

	2014	Mix %	2015	Mix %	% ch. as reported	% ch. same FX
Leather Goods	471.7	65%	429.1	61%	-9%	-13%
Footwear	114.7	16%	126.8	18%	+11%	+6%
Ready to Wear	129.4	18%	130.8	19%	+1%	-4%
Others	13.7	2%	14.3	2%	+4%	0%
Total Retail	729.5	92%	701.1	94%	-4%	-8%
Total Wholesale	62.7	8%	46.6	6%	-26%	-27%
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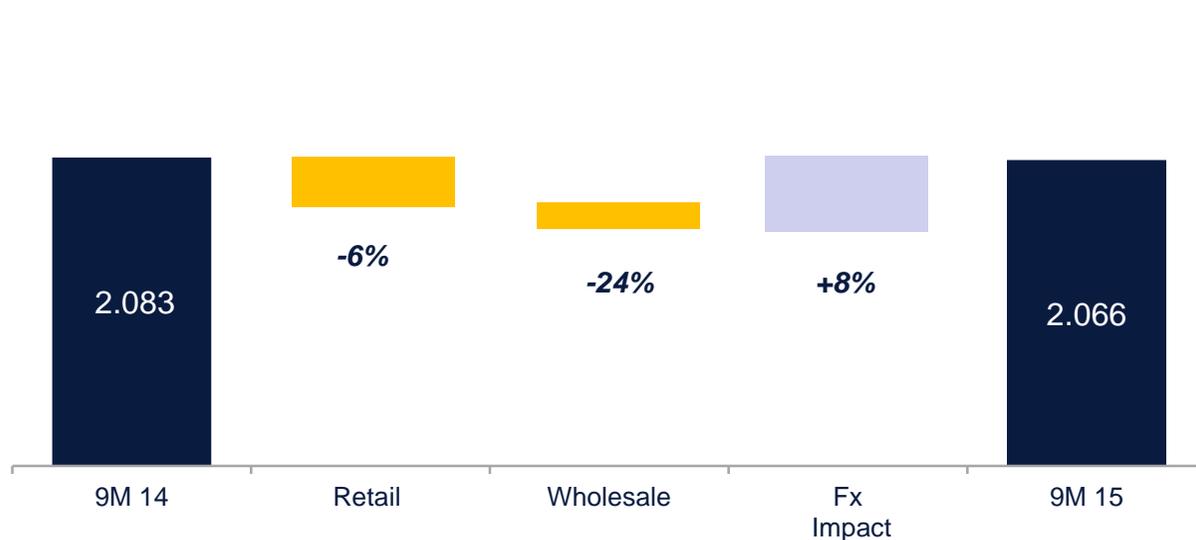
Group Net Sales by Region / channel (€ mn) – 9 months

+1% as reported / -7% at constant exchange rates

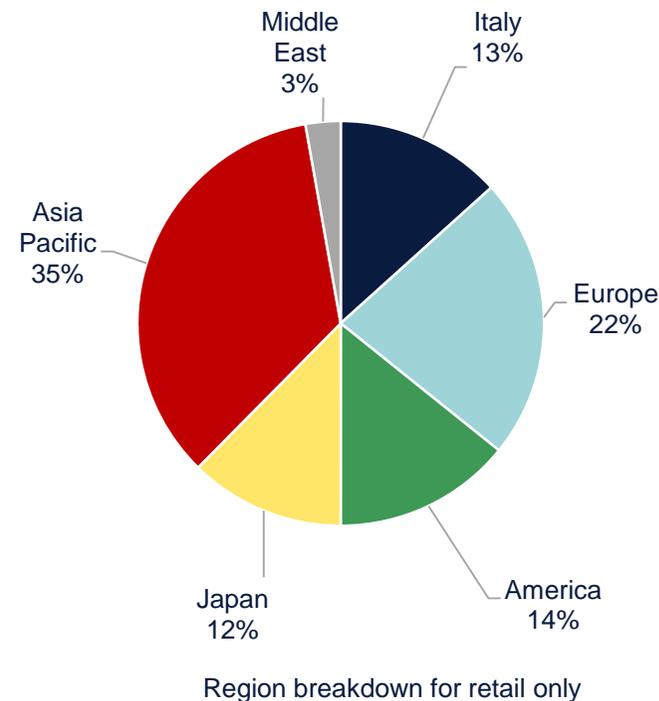


Prada – Total Net Sales by channel (€ mn) – 9 months

-1% as reported / -9% at constant exchange rates

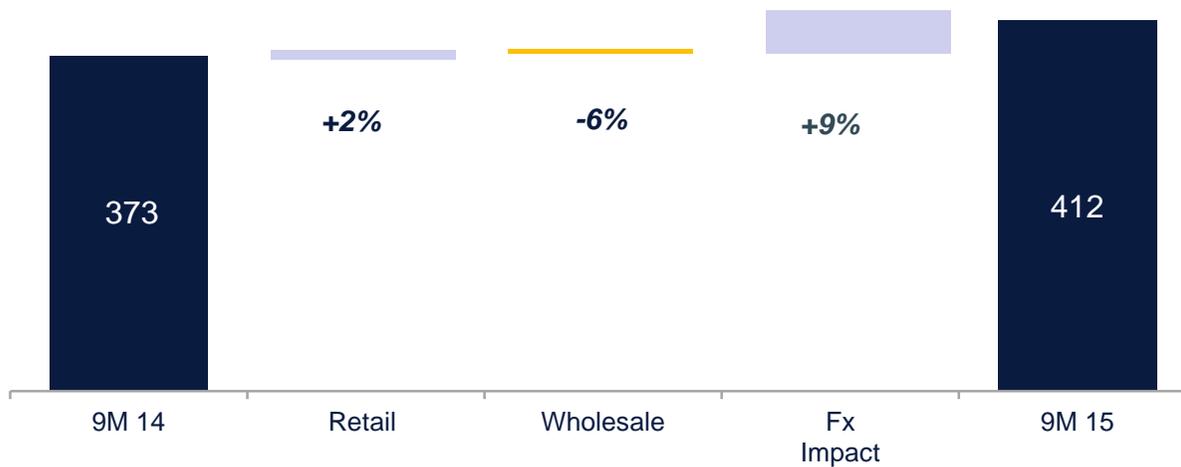


■ Positive change
■ Negative change

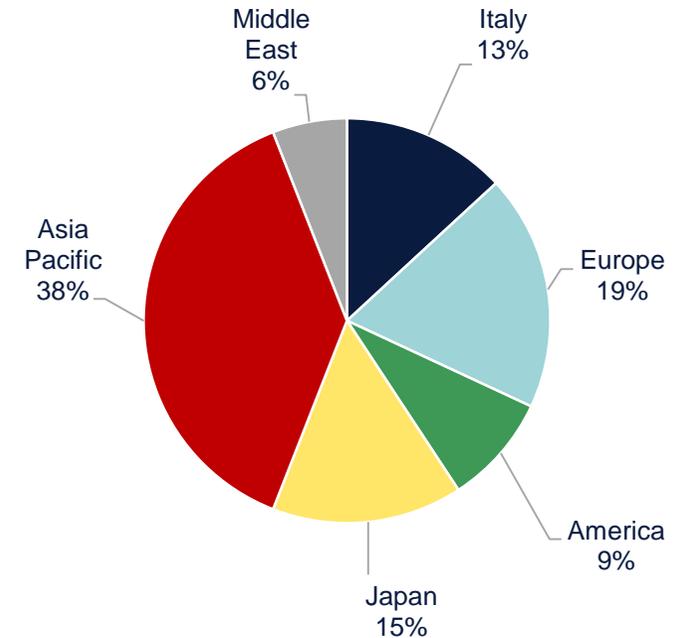


Miu Miu – Total Net Sales by channel (€ mn) – 9 months

+10% as reported / +1% at constant exchange rates



■ Positive change
■ Negative change



Region breakdown for retail only

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Q&A