PRADA spa

PRESS RELEASE

PRADA SPA FIRST HALF 2016 RESULTS ANNOUNCEMENT

Highlights

Mixed H1 impacted by tough trading conditions especially in Q1 but clear improvement seen in following months.

Total net revenues of €1.6bn, (-13% at constant FX compared with 2015). The decline was focused in the retail channel while wholesale was stable thanks to an initial positive contribution from recent partnerships with international e-tailers; good progress from royalties driven by the success of the new fragrances.

- **EBITDA** margin at 21% of revenues (24% in H1 2015) with strong operating cash flow generation at €267 million and a Net Financial Position at -€246 million, improved by €12 million compared with 2015.

- **EBIT** margin showed strong improvement from the first quarter (6%) to the second quarter (19%) ending the period at 14% (16% in 2015); progress on cost containment translated into a reduction in operating expenses of 12% compared with 2015.

- **Net income** amounted to €142 million, representing 9% of consolidated revenues (10% in 2015).

Milan, August 26th, 2016

The Board of Directors of Prada S.p.A meeting on the above date, has examined and approved the consolidated financial results for the six month period to July 31st, 2016.

Net revenues - Revenues in the period totalled €1,554 million, representing a decline of 13% at constant FX) compared to the same period in 2015 (-15% at current FX).

Retail Channel - Sales through the Group's **retail network** fell 16% year-on year at constant FX to €1,277 million:

- The **European market** (-18% YoY at constant FX) was particularly impacted by the decline in tourist flows, while domestic consumers have proven more stable. Highlights were Russia, with double digit organic growth, and the UK market which benefited from a more favourable exchange rate as a consequence of *Brexit*.

- The **American market** (-15% YoY at constant FX) was also impacted by the fall in tourist flows. Stores in Mexico and Brazil however performed extremely well.

- In **Asia Pacific (**-18% YoY at constant FX), the negative economic backdrop continued to impact performance in both Hong Kong and Macau, but signs of improvement have been visible since July across Greater China.

- After a period of consistent growth since 2010, sales in **Japan** fell (-9% YoY at constant FX) mainly due to lower tourist flows from China caused by a less favourable exchange rate.

- The **Middle East** performed in-line with the previous year at constant FX, driven by a recovery in local consumption.

Wholesale Channel – With revenues of €253 million, the Wholesale channel was in line with 2015, showing the positive initial results from the new collaboration with leading e-tailers.

Licensing – Progress in Licensing was driven both by growth in Eyewear and Fragrances with royalties growing overall by 8%, reaching €25 million.

Financial results

The fall in margins in the period, attributable to the sales performance, was partially limited by the initial effects of our rigorous operational review, which started last year and is still in progress. Given the structural nature of the review, the long-term benefits will not only show in this half, but will also run throughout the second half and in future years.

EBITDA amounted to €330 million: 21% of revenues (24% in H1 2015)

EBIT amounted to €214 million: 14% of revenues (16% in H1 2015)

Net income amounted to €142 million, representing 9% of revenues (10% in 2015)

During the six months, the Group generated strong operating cash flow of €267 million thanks to more efficient management of net working capital, with targeted action to reduce inventories. As a result, the Group was able to fully self-finance capital expenditure of €108m, with no further negative impact on the **net financial position** which stood at -€246 million as at July 31st, 2016, improving by €12 million year-on-year, having also distributed dividends totalling €281 million to shareholders during the period.

Patrizio Bertelli, CEO

"With the implementation of the first phase of rationalization of various management and operating processes and with the launch of a series of new initiatives that will allow the Group to respond quickly to the requirements of a rapidly evolving market, I see 2016 as a turning point.

I refer in particular to three principal lines of action:

- *Rolling out our e-commerce platform, giving priority to China, Hong Kong and Singapore with the objective of achieving global coverage within two years. At the same time there will be a constant enhancement of the on-line shopping experience. Our e-commerce offer will also leverage new partnerships with international leaders in the sector.*

- *Redefining the components of our offer will prioritise the needs of individual markets and all strategic price points for our brands. At the same time digital communications in support of the collections will be considerably enhanced.*

- *Finally, the retail network is currently subject to rigorous review including closure of non-strategic locations and selective openings in high potential markets. Part of this process will also include the launch of new concepts such as the recent restyling of the Prada stores at Plaza 66 in Shanghai and GUM in Moscow, redesigned to offer a new and exclusive shopping experience for increasingly demanding clients.*

These elements are the foundations on which we can base a future of sustainable growth."

For further information, please contact:

Prada Press Office
+39.02.541921
ufficio.stampa@prada.com

Finsbury

Edward Simpkins
+44 7947 740 551
Edward.Simpkins@Finsbury.com

Benita Barretto
+44 7957 203 615
Benita.Barretto@Finsbury.com

+44 203 7251 3801
Prada@Finsbury.com

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. In 2014, Prada acquired 80% of Marchesi srl, owner of the historic Milanese patisserie founded in 1824. The Group also operates, under licensing agreements in the eyewear and fragrance sectors. Its products are sold in 70 countries worldwide through a network that includes 622 directly operated stores (DOS) (at July 31st, 2016) and a select network of luxury department stores, independent retailers and franchise stores.