Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

PRADA MILANO DAL 1913

PRADA spa
(Stock Code: 1913)

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2018

- Net revenues were Euro 3,142 million, up by 6% at constant exchange rates compared with the twelve months ended December 31, 2017 (+3% at current exchange rates)
- Net retail sales were Euro 2,532 million, up by 7% at constant exchange rates compared with the period ended December 31, 2017 (+4% at current exchange rates), with positive trends across brands, products and geographical areas
- EBIT was Euro 324 million, 10% on net revenues
- The Group's net income for the period was Euro 205 million, 7% on net revenues
- Operating net cash flows were Euro 365 million
- The net financial position is indebtedness of Euro 314 million, after dividend payments totaling Euro 198 million

Presentation of the Prada Group

PRADA spa (the "Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the leading companies in the luxury goods industry, 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, clothing and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements. In addition, with its acquisition of Pasticceria Marchesi 1824, the Group made, in the last years, its entry into the food industry, where it's consistently positioned at the highest levels of quality.

As of December 31, 2018, the Group's products are sold in 70 countries worldwide through a network of 634 directly operated stores ("DOS") and a select network of luxury department stores, independent retailers and franchise stores.

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan.

Key financial information

	IFRS	Pro-forma	
Key economic figures (amounts in thousands of Euro)	Twelve months closed at December 31 2018	Twelve months closed at December 31 2017	% change
Net revenues	3,142,148	3,056,475	2.8%
EBITDA	551,203	587,980	-6.3%
EBITDA %	17.5%	19.2%	-
EBIT	323,846	360,020	-10.0%
EBIT %	10.3%	11.8%	-
Net income of the Group	205,443	248,925	-17.5%
Earnings per share (Euro)	0.080	0.097	-17.5%

	IFRS	IFRS	
Key indicators (amounts in thousands of Euro)	December 31 2018	December 31 2017	change
Net operating working capital	638,493	546,205	92,288
Net invested capital	3,210,574	2,969,909	240,665
Net financial position surplus/(deficit)	(313,505)	(103,738)	(209,767)
Group shareholders' equity	2,877,986	2,844,652	33,334
Average number of employees	13,197	12,400	797
Net operating cash flows (*)	365,108	446,517	(81,409)

(*) figure relates to the eleven-month period for December 31, 2017

Highlights for the period ended December 31, 2018

In 2018 the Prada Group's sales performance turned around, showing revenue growth that had been absent for some years. The results, which reflect a plan to increase volumes and profitability in the medium term, are reassuring to management with respect to the effectiveness of the omnichannel strategy and of the investments made in recent years.

Changes to the organizational structure, especially at an operational level, and large steps forward in the digitalization process have made the Prada Group more dynamic and able to interpret more rapidly the spirit of the times. While this has been happening throughout the Company, the design team has focused its creative talent on the development of products that are particularly popular with the new generations, such as sneakers, backpacks and special editions. The collections have therefore benefited from a product assortment better targeted to the tastes of such market segment, while maintaining the brand identities and essential brand codes. Nylon was renewed as a major component of the Spring/Summer collection and Fall/Winter Linea Rossa 2018 collections, and was at the center of an important communications campaign.

Handbags, which have enjoyed the continued success of iconic models launched in recent collections, contributed significantly to the annual sales growth.

The strategic decision to go for a product range increasingly geared toward preserving the exclusivity of the brands entailed revising the promotional sales policies to achieve more effective product positioning. In terms of volume, discounted sales fell in 2018 while full-price sales rose. However, the positive contribution of this situation is not evident in the operating margin as it was eliminated by the impact of very unfavorable exchange rates compared with those of the prior period.

The Fondazione Prada and Luna Rossa sponsorships have promoted the Prada brand on the international scene and have enhanced its value through its association with the prestigious cultural center and the oldest surviving sports competition, respectively. For the first time, Prada's role in America's Cup is not only as a team sponsor; it is also the Title and Presenting Sponsor of the entire sailing competition. Thanks to this agreement, in 2018 the brand began to benefit from growing visibility through events regarding the presentation of the 36th edition, such as the hologram presentation of the new AC75 flying monohull and the unveiling of the new trophy.

The brand identity was also strengthened with the addition of new fashion shows, Prada Resort in Manhattan, broadcast live in Times Square, and Miu Miu Croisière at Hotel Regina in Paris.

Special displays at directly operated stores and pop-up shops at prestigious department stores were used to market new collections and celebrate re-releases of iconic products in uniquely designed and conceptualized settings. Meanwhile, the constant research of store concepts led to additional restyling projects. Along with investments in the websites and in social media, these activities have further enriched the customer journey and are forging closer integration of physical retail, digital retail and communications.

The investments of the year involved the industrial area, with the reinforcement of manufacturing and logistics structures in Italy, and the corporate area, with improvements to the central and regional offices. Moreover, an extensive IT investment plan, part of the Group’s broader digital transformation strategy, is bringing benefits across the Company, such as in the areas of human resources and institutional compliance. This broad investment plan, prioritized with significant resources allocated to it by the Directors, enables Prada to be among the most technologically advanced companies for traditional retail as well as for its own e-commerce platforms and manufacturing processes, while preserving the Group’s characteristic craftsmanship.

Basis of Presentation

The Consolidated Financial Statements of the Prada Group as at December 31, 2018, which consist of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2018, the Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2018, the Consolidated Statement of Cash Flows for the twelve months ended December 31, 2018, the Consolidated Statement of Changes in Shareholders' Equity and the Notes to the Consolidated Financial Statements, have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

At the date of presentation of the Consolidated Financial Statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the PRADA Group and those issued by the IASB.

IFRS also refers to all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The Consolidated Statement of Financial Position presents separately the current and non-current assets and liabilities. All information necessary for accurate and complete disclosure is provided in the Notes to the Consolidated Financial Statements. The Consolidated Statement of Profit or Loss is classified by destination. The Consolidated Statement of Cash Flows has been prepared with the indirect method.

The Consolidated Financial Statements have been prepared on a going concern basis and are presented in Euro, which is also the functional currency of PRADA spa.

New Standards and Amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2018

New IFRS and Amendments to existing standards	Effective Date for Prada Group	EU endorsement date
IFRS 9 Financial Instruments	January 1, 2018	Endorsed in November 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Endorsed in September 2016
Amendments to IFRS 4	January 1, 2018	Endorsed in November 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Endorsed in October 2017
2014-2016 Cycle affecting IFRS 1, IAS 28, IFRS 12	January 1, 2018	Endorsed in February 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Endorsed in February 2018
IAS 40: Transfers of Investment Property	January 1, 2018	Endorsed in March 2018
IFRIC Interpretation 22: "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	Endorsed in March 2018

IFRS 9 Financial Instruments

On January 1, 2018, IFRS 9 "Financial instruments" replaced IAS 39 "Financial instruments: recognition and measurement".
The Group adopted the Standard using the exemption which allows not to restate comparative figures of previous years in terms of classification, measurement and impairments. Changes in the carrying amounts of financial assets and liabilities deriving from the adoption of IFRS 9 were recognized in the retained earnings as at January 1, 2018.

IFRS 9 introduced new provisions for the classification and measurement of financial assets based on the business model with which these activities are managed, taking into account the characteristics of their financial flows. IFRS 9 classifies financial assets into three main categories: at amortized cost, at fair value recognized through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Categories indicated by IAS 39, like assets held to maturity, loans and receivables and assets available for sale are eliminated.

Below are reported the results of the analyzes carried out and the impacts deriving from the introduction of the new IFRS 9 Standard in the Group's Consolidated Financial Statements.

Classification and measurement

The Group carried out an analysis of financial assets and liabilities to determine impacts deriving from the first time application of IFRS 9, considering the contractual cash flows of financial instruments and the business model of the Group. The Group has concluded that most of the non-derivative financial assets in the Group’s financial statements are classified in the IFRS 9 category of assets valued at amortized cost.

On the basis of the new classification criteria, Investments in equity instruments, whose fair value at December 31, 2017 was Euro 8.4 million and classified as assets available for sale, are now reported in the “Investments in equity instruments” category. For each investment in equity instrument, the Group has decided whether the fair value measurement will have to be recognized through profit or loss (FVTPL) or through the statement of comprehensive income (FVOCI), not recyclable to profit or loss. This option, applicable to each investment in equity instrument, it’s an irrevocable election and cannot change. The Group applied the FVTOCI criteria for equity investments existing at year end.

Impairment

The new Standard introduced a new method based on the “expected loss”, replacing the previous “incurred loss” model. In response to this new method for measuring financial assets, which for the Prada Group are essentially the trade receivables, a new impairment procedure was developed deriving in part from the commercial scoring system already in place in the Group. Such procedure is based on the probabilities of default of the country in which the subsidiary owner of the receivable operates and the probability of default of the counterparty itself.

The new standard was adopted without restating the December 31, 2017 balances and the effect on the opening equity reserves was Euro 1.7 million, net of taxes.

Hedge accounting

The new model introduced by IFRS 9 aims to simplify hedge accounting, bringing it closer to the company’s risk management activities. The application of the new standard entails a different way of recording derivatives in the financial statements, now based on the recognition of all changes in the fair value in the cash flow hedge reserve, provided that the hedged cash flow does not already affect the profit or loss of the year (as already established by IAS 39).
The application of the new Standard involved a reclassification within equity reserves, between the “cash flow hedge reserve” and the “other reserves”, of Euro 2.1 million, net of taxes.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, IFRS 15 “Revenue from Contracts with Customers” replaced IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

IFRS 15 establishes a new model of revenue recognition based on the allocation of the transaction selling price between the various obligations identified within a contract with a customer.
The criteria for the revenues recognition depends on how a performance obligation is satisfied, whether at a point in time or over time. The new standard does not allow revenue to be recognized before the control of the promised goods or services is transferred to the customer. Moreover, the costs of fulfilling customer contracts may be capitalized when such costs are directly related to the contract and recovered over the life of the contract.

The new standard was adopted by the Group without restating previous periods and it did have an impact on the opening equity as at January 1, 2018 amounting to Euro 2.7 million, net of taxes.

The adoption of the new standard had two applications for the Group. The first one related to a different method for recognizing future liabilities for returns of finished products, resulting in an increase in the current liabilities accounted for at December 31, 2017 balanced by a corresponding new inventory item, “return assets” (Euro 4.6 million at January 1, 2018). The second one related to the write-off of such return assets in order to adjust its carrying value to the net realizable value (Euro 3.8 million).

No material adjustment to the classification of revenue and expense in the statement of profit or loss was identified given that the Prada Group acts on its own behalf (principal) in each activity concerning finished product sales. Moreover, the new standard did not produce effects with reference to the license agreements.

New Standards and Amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada Group as effective for financial years beginning on January 1, 2019

New IFRS and Amendments to existing standards	Effective Date for Prada Group	EU endorsement status
IFRS 16 Leases	January 1, 2019	Endorsed in October 2017
IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	Endorsed in March 2018
IFRIC Interpretation 23: “Uncertainty over Income Tax Treatments”	January 1, 2019	Endorsed in October 2018

On January 13, 2016 IASB published IFRS 16 “Leases”, intended to supersede IAS 17 – “Leases”, as well as IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC-15 “Operating Leases — Incentives”, and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The new standard provides a new definition of leases and introduces a method based on the right of use of an asset to distinguish between a lease and a service contract, using as discriminating factors: identification of the asset, right of substitution of the asset, right to obtain substantially all the economic benefits from use of the asset and right to direct the identified leased asset’s use.

The standard provides for a single model to recognize and measure leases whereby a lessee recognizes a right-of-use asset (including for operating leases) and a lease liability. The standard does not include significant changes for lessors.

The standard is effective for annual periods beginning on or after January 1, 2019 and the Company opted to apply it retrospectively according to the “modified retrospective approach”. As a result, the adoption of the standard will entail the recognition on January 1, 2019 of:

- a lease liability of Euro 2.4 billion, corresponding to the present value of future lease payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each lease. Such amount does not differ significantly from the total lease obligations reported in Note 40 of the 2018 Annual Report because the discount component is more or less balanced out by the optional periods, considered only in the estimated lease liability. Leases for which the underlying asset is of low value (“low-value assets”) and short-term leases constitute an immaterial difference between the two amounts;

- a right-of-use asset of Euro 2.4 billion obtained from the amount of the above lease liability reduced by the total allowances for deferred rent recognized in the December 31, 2018 financial statements, reclassified from liabilities to this new asset item pursuant to the transition. The right-of-use asset was also increased by the carrying amount of the “store lease acquisition” at December 31, 2018 and other Statement of Financial Position components that were immaterial on the whole.

The adoption of the new IFRS Standard will not have any material effect on the opening equity of the year 2019.

In adopting IFRS 16, the Prada Group intends to use the exemption allowed by IFRS 16:5(a) regarding short-term leases and low-value assets, although the effects of the exemption are expected to be immaterial. For such leases, the introduction of IFRS 16 will not entail recognition of the lease liability and the related right of use, but the lease payments will be recognized in the Statement of Profit or Loss on a straight-line basis over the terms of the respective leases.

Transition to IFRS 16 introduces areas where professional judgment may be required, involving the establishment of some accounting policies and the use of estimates. The main ones are summarized below:

- the identification of a lease term is very important because the form, legislation and common business practice regarding leases for real estate vary considerably from one jurisdiction to another. Based on its past experience, the Group has set an accounting policy for inclusion of the lease renewal period beyond the non-cancellable period, limited to cases in which the lease assigns an enforceable right that the Group is reasonably certain to exercise;

- since most leases stipulated by the Group do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments was determined as the risk-free rate of each country in which the leases were stipulated, with payment dates based on the terms of the specific lease, increased by the parent company’s credit spread.

The implementation of the technological solution chosen by the Group to adopt IFRS 16 was nearly completed at the end of the reporting period. The new structure, designed to satisfy the new regulatory requirements, while improving the business processes involved in managing the underlying assets of leases, intends to ensure an adequate level of internal control based on the standardization and automation of the processes and full integration of the ERP systems with the financial reporting systems.

The final amount of lease liability is likely to change between the date of this Financial Statement and the publication of the financial statement for the interim financial report ended June 30, 2019 as regards the estimated term of certain leases. This is because market and technical positions in certain countries could still evolve in this period, thereby calling into question some of the assumptions used to date to estimate lease terms.

Scope of work of Messrs. Deloitte & Touche S.p.A.

The figures in respect of the Group’s “Consolidated statement of financial position”, “Consolidated Statement of Profit or Loss for the twelve-month period ended December 31, 2018", “Statement of consolidated comprehensive income for the twelve-month period ended December 31, 2018”, “Summarized Statement of Consolidated cash flows for the twelve-month period ended December 31, 2018”, “Statement of changes in consolidated shareholders’ equity” and some of the “Notes to the Consolidated financial statements” thereto, as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte & Touche S.p.A., to the amounts set out in the Group’s audited Consolidated financial statements for the twelve-month period ended December 31, 2018. The work performed by Messrs. Deloitte & Touche S.p.A. in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by Messrs. Deloitte & Touche S.p.A. on the preliminary announcement.

The figures in respect of the "Pro-Forma Statement of Profit or Loss for the twelve-month period ended December 31, 2017" and related details and tables are unaudited.

Consolidated statement of Profit or Loss for the period ended December 31, 2018

	IFRS		Pro-forma	
(amounts in thousands of Euro)	twelve months closed at December 31 2018	%	twelve months closed at December 31 2017	%
Net sales (Note 1)	3,098,068	98.6%	3,008,280	98.4%
Royalties	44,080	1.4%	48,195	1.6%
Net revenues	3,142,148	100%	3,056,475	100%
Cost of goods sold	(879,554)	-28.0%	(810,885)	-26.5%
Gross margin	2,262,594	72.0%	2,245,590	73.5%
Operating expenses (Note 3)	(1,938,748)	-61.7%	(1,885,570)	-61.7%
EBIT	323,846	10.3%	360,020	11.8%
Interest and other financial income/(expenses), net	(21,940)	-0.7%	(6,168)	-0.2%
Dividends from investments	632	0.0%	670	0.0%
Income before taxation	302,538	9.6%	354,522	11.6%
Taxation (Note 4)	(94,356)	-3.0%	(105,284)	-3.4%
Net income for the period	208,182	6.6%	249,238	8.2%
Net income - Non-controlling interests	2,739	0.1%	313	0.0%
Net income - Group	205,443	6.5%	248,925	8.1%
Basic and diluted earnings per share (in Euro per share) - (Note 5)	0.080		0.097	
Depreciation, amortization and impairment	227,357	7.2%	227,960	7.5%
EBITDA	551,203	17.5%	587,980	19.2%

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	as at December 31 2018	as at December 31 2017
Assets			
Current assets			
Cash and cash equivalents		599,821	892,610
Trade receivables, net	6	321,913	289,973
Inventories	7	631,791	569,929
Derivative financial instruments –		9,718	13,923
Receivables from, and advance payments to, related parties - current	8	12,626	6,107
Other current assets	9	185,741	192,072
Total current assets		1,761,610	1,964,614
Non-current assets			
Property, plant and equipment	10	1,577,352	1,522,782
Intangible assets	10	920,011	921,458
Investments in equity instruments		99,538	8,416
Deferred tax assets		217,104	209,402
Other non-current assets	11	102,992	110,698
Derivative financial instruments - non-		205	2,005
Total non-current assets		2,917,202	2,774,761
Total Assets		4,678,812	4,739,375
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdrafts and short-term loans		421,481	352,971
Payables to related parties - current	12	4,477	4,488
Trade payables	13	315,211	313,697
Tax payables		85,043	68,116
Derivative financial instruments -		14,220	7,654
Other current liabilities	14	146,429	157,346
Total current liabilities		986,861	904,272
Non-current liabilities			
Long-term financial payables		487,431	638,954
Post-employment benefits		60,001	61,444
Provision for risks and charges	15	51,310	61,815
Deferred tax liabilities		30,050	32,012
Other non-current liabilities		159,013	167,595
Derivative financial instruments non-		7,077	7,112
Total non-current liabilities		794,882	968,932
Total Liabilities		1,781,743	1,873,204
Share capital		255,882	255,882
Total other reserves		2,383,720	2,375,084
Translation reserve		32,941	(4,035)
Net income for the period		205,443	217,721
Net Equity attributable to owners of		2,877,986	2,844,652
Net Equity attributable to Non-		19,083	21,519
Total Net Equity		2,897,069	2,866,171
Total Liabilities and Total Net Equity		4,678,812	4,739,375
Net current assets		774,749	1,060,342
Total assets less current liabilities		3,691,951	3,835,103

Statement of changes in consolidated shareholders' equity
(amounts in thousands of Euro, except for number of shares)

(amounts in thousands of Euro)	Number of Shares (in thousands)	Share Capital	Transla-tion Reserve	Share premium reserve	Cash flow hedge reserve	Actuarial Reserve	Fair Value Available for sale Reserve	Other reserves	Total Other Reserves	Net income for year	Equity attributa-ble to owners of Group	Equity Equity attributa-ble to Non-Controll. Interests	Total Equity
Balance at January 31, 2017	2,558,824	255,882	144,791	410,047	(7,897)	(5,707)	(1,656)	2,006,713	2,401,500	278,329	3,080,502	24,028	3,104,530
Allocation of 2016 net income	-	-	-	-	-	-	-	278,329	278,329	(278,329)	-	-	-
Dividends	-	-	-	-	-	-	-	(307,059)	(307,059)	-	(307,059)	(1,014)	(308,073)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	89	89
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	323	323
Comprehensive income for the period (recyclable to P&L)	-	-	(148,826)	-	4,624	-	(3,914)	-	710	217,721	69,605	(1,894)	67,711
Comprehensive income for the period (not recyclable to P&L)	-	-	-	-	-	1,604	-	-	1,604	-	1,604	(13)	1,591
Balance at December 31, 2017	2,558,824	255,882	(4,035)	410,047	(3,273)	(4,103)	(5,570)	1,977,983	2,375,084	217,721	2,844,652	21,519	2,866,171
First Time Adoption IFRS 15 – Allowance for return assets	-	-	-	-	-	-	-	(2,740)	(2,740)	-	(2,740)	-	(2,740)
First Time Adoption IFRS 9 – Allowance for bad and doubtful debts	-	-	-	-	-	-	-	(1,724)	(1,724)	-	(1,724)	(33)	(1,757)
First Time Adoption IFRS 9 – Derivatives	-	-	-	-	(2,063)	-	-	2,063	-	-	-	-	-
Balance at January 1, 2018	2,558,824	255,882	(4,035)	410,047	(5,336)	(4,103)	(5,570)	1,975,582	2,370,620	217,721	2,840,188	21,486	2,861,674
Allocation of 2017 net income	-	-	-	-	-	-	-	217,721	217,721	(217,721)	-	-	-
Dividends	-	-	-	-	-	-	-	(191,912)	(191,912)	-	(191,912)	(5,729)	(197,641)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	345	345
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(577)	(577)
Comprehensive income for the period (recyclable to P&L)	-	-	36,976	-	(5,284)	-	-	-	(5,284)	205,443	237,135	3,567	240,702
Comprehensive income for the period (not	-	-	-	-	-	(719)	(6,706)	-	(7,425)	-	(7,425)	(9)	(7,434)

recyclable to P&L)													
Balance at December 31, 2018	2,558,824	**255,882**	**32,941**	410,047	(10,620)	(4,822)	(12,276)	2,001,391	**2,383,720**	**205,443**	**2,877,986**	**19,083**	**2,897,069**

Summarized statement of consolidated cash flows

(amounts in thousands of Euro)	IFRS twelve months ended December 31 2018	IFRS eleven months ended December 31 2017
Net cash flows from operating activities	365,108	446,517
Cash flows generated/(utilized) by investing activities	(379,421)	(211,609)
Cash flows generated/(utilized) by financing activities	(288,828)	324
Change in cash and cash equivalents, net of bank overdrafts	(303,141)	235,232

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	twelve months ended December 31 2018	eleven months ended December 31 2017
Net income for the period – Consolidated	208,182	218,017
A) Items recyclable to P&L:		
Change in Translation reserve	37,804	(151,016)
Tax impact	-	-
Change in Translation reserve less tax impact	37,804	(151,016)
Change in Cash Flow Hedge reserve	(7,300)	5,729
Tax impact	2,016	(1,105)
Change in Cash Flow Hedge reserve less tax impact	(5,284)	4,624
B) Item not recyclable to P&L:		
Change in Fair Value reserve	(6,706)	(3,362)
Tax impact	-	(552)
Change in Fair Value reserve less tax impact	(6,706)	(3,914)
Change in Actuarial reserve	(826)	1,921
Tax impact	98	(330)
Change in Actuarial reserve less tax impact	(728)	1,591
Consolidated comprehensive income for the period	233,268	69,302
Comprehensive income for the period – Non-controlling Interests	3,558	(1,907)
Comprehensive income for the period – Group	229,710	71,209

Notes to the consolidated results for the period ended December 31, 2018

1. Analysis of Net Revenues

(amounts in thousands of Euro)	IFRS twelve months ended December 31 2018		Pro-forma twelve months ended December 31 2017		% change
Net Sales by geographical area					
Europe	1,188,910	38.4%	1,169,679	38.9%	1.6%
Americas	426,184	13.8%	431,843	14.4%	-1.3%
Asia Pacific	1,035,061	33.4%	972,888	32.3%	6.4%
Japan	350,313	11.3%	336,810	11.2%	4.0%
Middle East	93,655	3.0%	92,924	3.1%	0.8%
Other countries	3,945	0.1%	4,136	0.1%	-4.6%
Total Net Sales	3,098,068	100%	3,008,280	100%	3.0%
Net Sales by brand					
Prada	2,558,108	82.6%	2,461,246	81.8%	3.9%
Miu Miu	453,476	14.6%	459,338	15.3%	-1.3%
Church's	69,079	2.2%	70,999	2.4%	-2.7%
Other	17,405	0.6%	16,697	0.5%	4.2%
Total Net Sales	3,098,068	100%	3,008,280	100%	3.0%
Net Sales by product line					
Leather goods	1,756,288	56.7%	1,702,824	56.6%	3.1%
Footwear	616,263	19.9%	624,598	20.8%	-1.3%
Clothing	666,187	21.5%	623,988	20.7%	6.8%
Other	59,330	1.9%	56,870	1.9%	4.3%
Total Net Sales	3,098,068	100%	3,008,280	100%	3.0%
Net Sales by channel					
Net Sales of direct operated stores (DOS)	2,532,004	81.7%	2,443,697	81.2%	3.6%
Sales to Independent customers and franchisees	566,064	18.3%	564,583	18.8%	0.3%
Total Net Sales	3,098,068	100%	3,008,280	100%	3.0%
Net Revenues					
Net Sales	3,098,068	98.6%	3,008,280	98.4%	3.0%
Royalties	44,080	1.4%	48,195	1.6%	-8.5%
Total Net revenues	3,142,148	100%	3,056,475	100%	2.8%

2. Number of stores

	December 31, 2018		December 31, 2017		January 31, 2017	
	Owned	Franchisees	Owned	Franchisees	Owned	Franchisees
Prada	398	25	394	25	387	25
Miu Miu	166	9	167	9	171	9
Church's	63	-	57	-	54	-
Car Shoe	4	-	4	-	5	-
Marchesi	3	-	3	-	3	-
Total	634	34	625	34	620	34

	December 31, 2018		December 31, 2017		January 31, 2017	
	Owned	Franchisees	Owned	Franchisees	Owned	Franchisees
Europe	224	4	229	4	220	4
Americas	111	-	112	-	113	-
Asia Pacific	195	25	184	25	187	25
Japan	81	-	79	-	78	-
Middle East & Africa	23	5	21	5	22	5
Total	634	34	625	34	620	34

3. Operating expenses

	IFRS		Pro-forma	
(amounts in thousands of Euro)	twelve months ended December 31 2018	% on net revenues	twelve months ended December 31 2017	% on net revenues
Product design and development costs	125,179	4.0%	130,468	4.3%
Advertising and communications costs	207,278	6.6%	184,752	6.0%
Selling costs	1,414,153	45.0%	1,399,273	45.8%
General and administrative costs	192,138	6.1%	171,077	5.6%
Total	1,938,748	61.7%	1,885,570	61.7%

4. Taxation

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Current taxation	95,184	69,896
Deferred taxation	(828)	21,904
Total	94,356	91,800

PRADA spa is eligible to benefit from the Patent box regime that grants a tax exemption for income derived from the use of the qualified intangible assets, for both Italian corporate income tax (IRES) and Italian regional tax (IRAP) purposes. This optional Patent box regime was introduced by the 2015 Italian Bill, Italian Law No. 190 of December 2014 (subsequently amended and supplemented) and lasts as of fiscal year 2015 to fiscal year 2019.

On January 29, 2016 PRADA spa formally applied for the Patent box regime to Italian Tax authorities for the direct use of intangibles, whose method for the determination of the exemption has to be mandatorily agreed in the framework of a tax ruling. The procedure has seen significant progresses in last period and the Company’s Directors expect to formally sign the agreement in 2019.

Therefore in 2019 Financial statements, PRADA spa will recognize the patent box benefit for the whole 5 years period.

5. Earnings and dividends per share, basic and diluted

Earnings per share

Earnings per share are calculated by dividing the net income of the period attributable to Group’s shareholders by the weighted average number of ordinary shares in issue.

	IFRS	Pro-Forma
	twelve months ended December 31 2018	twelve months ended December 31 2017
Group net income in Euro	205,443,297	248,924,973
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and Diluted earnings per share in Euro, calculated on weighted average number of shares	0.080	0.097

Dividend per share

The Board of Directors of PRADA spa has proposed a dividend of Euro 153,529,440 (Euro 0.06 per share) for the twelve months ended December 31, 2018.

During 2018 the Company distributed dividends of Euro 191,911,800 (Euro 0.075 per share), as approved at the General Meeting held on April 27, 2018 to approve the December 31, 2017 financial statements.

The dividends and the related Italian withholding tax (Euro 10 million), determined by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, were fully paid during the year.

6. Trade receivables, net

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Trade receivables – third parties	319,945	284,602
Allowance for bad and doubtful debts	(8,821)	(7,892)
Trade receivables – related parties	10,789	13,263
Total	321,913	289,973

The change in the provision for doubtful debts for the period is detailed below:

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Opening balance	7,892	6,654
IFRS 9 First Time Adoption - Bad Debt Provision	2,246	-
Exchange differences	7	(171)
Increases	413	1,926
Reversals	(325)	-
Utilization	(1,412)	(517)
Closing balance	8,821	7,892

An aging analysis of the trade receivables, before the provision for doubtful debts, is shown below:

(amounts in thousands of Euro)	as at Dec. 31 2018	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	330,734	283,862	18,226	12,021	1,565	2,278	12,782
Total	330,734	283,862	18,226	12,021	1,565	2,278	12,782

(amounts in thousands of Euro)	as at Dec. 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	297,865	267,271	9,871	6,225	2,052	1,622	10,824
Total	297,865	267,271	9,871	6,225	2,052	1,622	10,824

An aging analysis of the trade receivables, net of the provision for doubtful debts, is shown below:

(amounts in thousands of Euro)	as at Dec. 31 2018	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	321,913	281,485	18,137	11,993	1,331	2,264	6,703
Total	321,913	281,485	18,137	11,993	1,331	2,264	6,703

(amounts in thousands of Euro)	as at Dec. 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	289,973	267,133	9,871	6,225	2,052	1,622	3,070
Total	289,973	267,133	9,871	6,225	2,052	1,622	3,070

7. Inventories, net

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Raw materials	104,036	102,246
Work in progress	36,327	30,556
Finished products	530,324	484,709
Allowance for obsolete and slow-moving inventories	(39,312)	(47,582)
Total	631,375	569,929
Return assets	2,391	-
Allowance for return assets	(1,975)	-
Total	631,791	569,929

Net inventories rose by Euro 61.9 million from December 31, 2017 due essentially to the restocking of finished products at the retail network.

The changes in the provision for obsolete and slow-moving inventories are as follows:

(amounts in thousands of Euro)	Raw materials	Finished products	Total allowance for obsolete and slow-moving inventories	Allowance for return assets	Total allowance on inventories
Balance at December 31, 2017	23,774	23,808	47,582	-	47,582
First time adoption IFRS 15 – Allowance for return assets	-	-	-	3,800	3,800
Exchange differences	(1)	(32)	(33)	-	(33)
Increases	130	6,855	6,985	-	6,985
Utilization	(707)	(11,996)	(12,703)	(1,825)	(14,528)
Reversal	(2,506)	(13)	(2,519)	-	(2,519)
Balance at December 31, 2018	20,690	18,622	39,312	1,975	41,287

The change of the allowance is mainly related to the use of merchandise written down in prior years.

8. Receivables from, and advance payments to, related parties

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Prepaid sponsorship	6,761	-
Other receivables and advances	5,865	6,107
Receivables from and advances to related parties - current	12,626	6,107

9. Other current assets

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
VAT	48,576	42,444
Income tax and other tax receivables	54,181	69,652
Other assets	14,115	18,755
Prepayments	55,897	52,779
Deposits	12,972	8,442
Total	185,741	192,072

10. Capital expenditure

The changes in the carrying amount of property, plant and equipment for the period ended December 31, 2018 are shown below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Balance at December 31, 2017	659,350	45,737	456,999	175,471	94,219	91,006	1,522,782
Additions	31,880	17,733	63,933	46,549	11,303	75,645	247,043
Depreciation	(16,553)	(9,550)	(110,494)	(35,419)	(11,596)	-	(183,612)
Disposals	(1,153)	(74)	(2)	(67)	(8,063)	-	(9,359)
Exchange differences	(950)	(14)	5,111	2,389	102	537	7,175
Other movements	50,591	8,005	17,942	6,731	166	(82,715)	720
Impairment	(15)	(43)	(4,902)	(2,068)	(47)	(322)	(7,397)
Balance at December 31, 2018	723,150	61,794	428,587	193,586	86,084	84,151	1,577,352

The changes in the carrying amount of intangible assets for the period ended December 31, 2018 are shown below:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
Balance at December 31, 2017	248,990	518,336	76,729	35,085	11,256	31,062	921,458
Additions	1,431	-	11,973	9,280	118	13,742	36,544
Amortization	(14,021)	-	(9,136)	(11,019)	(2,094)	-	(36,270)
Disposals	-	-	(1,633)	(22)	-	-	(1,655)
Exchange differences	(325)	(70)	550	(4)	1	(14)	138

Other movements	-	-	17,650	11,655	(101)	(29,329)	(125)
Impairment	-	-	-	(1)	-	(78)	(79)
Balance at December 31, 2018	236,075	518,266	96,133	44,974	9,180	15,383	920,011

11. Other non-current assets

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Guarantee deposits	64,770	66,511
Deferred rental income	9,606	13,004
Pension fund surplus	11,719	13,021
Other long-term assets	16,898	18,162
Total	102,993	110,698

12. Payables to related parties - current

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Financial payables	4,415	4,423
Other payables	62	65
Payables to related parties - current	4,477	4,488

13. Trade payables

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Trade payables – third parties	309,294	302,847
Trade payables – related parties	5,917	10,850
Total	315,211	313,697

An aging analysis of the trade payables at the reporting date is shown below:

(amounts in thousands of Euro)	as at Dec. 31 2018	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	315,211	280,453	18,034	5,727	2,024	1,072	7,901
Total	315,211	280,453	18,034	5,727	2,024	1,072	7,901

(amounts in thousands of Euro)	as at Dec. 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	313,697	284,005	13,277	7,097	1,411	748	7,159
Total	313,697	284,005	13,277	7,097	1,411	748	7,159

14. Other current liabilities

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Payables for capital expenditure	50,086	62,357
Accrued expenses and deferred income	19,719	20,943
Other payables	76,625	74,046
Total	146,430	157,346

15. Provisions for risks and charges

The changes in the provisions for risks and charges are as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other Provisions	Total
Balance at December 31, 2017	3,094	9,928	48,793	61,815
Exchange differences	53	44	724	821
Reversals	(929)	(5,719)	(1,139)	(7,787)
Utilized	(928)	(652)	(4,437)	(6,017)
Increases	135	1,728	2,843	4,706
Reclassification	-	(2,228)	-	(2,228)
Balance at December 31, 2018	1,425	3,101	46,784	51,310

The provisions for risks and charges represent management's best estimate of the maximum amount of potential liabilities. In the Directors' opinion, based on the information available to them, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

Management Discussion and Analysis for the period ended December 31, 2018

Distribution channels

Net retail sales for the twelve months ended December 31, 2018 showed growth of 6.8% at constant exchange rates and 3.6% at current exchange rates. The annual performance was positive, although it slowed down in the latter months due primarily to the volatility of some markets and the strategic decision to reduce the discounted sales. The number of Directly Operated Stores, including 29 openings and 20 closures, rose from 625 at December 31, 2017 to 634 at December 31, 2018.

Sales from the wholesale channel were substantially consistent with those of the prior period, as they rose by 1.3% at constant exchange rates and by 0.3% at current exchange rates. Wholesale orders to e-tailers increased in line with the Group’s digital strategy.

Markets

Net sales in the Asia-Pacific market rose by 9.7% at constant exchange rates (6.4% at current exchange rates), with gains from the twelve months pro-forma of 2017 in all the main markets (especially South Korea) as a result of growth with both the local clientele and with intra-regional travelers flows. Greater China produced net sales of Euro 675 million, up by 8.2% at constant exchange rates and 4.5% at current exchange rates.

Europe had a 2.8% increase in sales at constant exchange rates (+1.6% at current exchange rates). The growth was concentrated in purchases by local customers.

Net sales in the American market rose by 3.9% at constant exchange rates (-1.3% at current exchange rates). The increase was split evenly between local customers and travelers.

Japan reported higher net sales both at constant exchange rates (+7.4%) and at current exchange rates (+4%), mainly as a result of the recovery in domestic consumer spending.

Net sales in the Middle East rose by 5.2% at constant exchange rates (+0.8% at current exchange rates). The opening of two important stores, Prada and Miu Miu, inside the prestigious Dubai Mall contributed to the growth of the period.

Products

Clothing sales rose by 9.6% at constant exchange rates and by 6.8% at current exchange rates. The sales increase involved all Prada and Miu Miu markets.

Sales of leather goods rose by 5.9% at constant exchange rates and by 3.1% at current exchange rates. Handbag sales, driven by the continued success of iconic models, showed the greatest increases. All regions reported sales growth.

Footwear sales rose by 1.5% at constant exchange rates and fell by 1.3% at current exchange rates, with different trends for the various markets: from double-digit growth in Japan and Asia Pacific to a slight decline in the Americas, concentrated in the wholesale channel.

Brands

Prada brand net sales increased by 6.7% at constant exchange rates (+3.9% at current exchange rates). At constant exchange rates, all product categories reported higher sales than those of 2017.

Miu Miu net sales rose by 1.7% at constant exchange rates (while they fell by 1.3% at current exchange rates), reflecting growth for clothing and almost steady results for footwear and leather goods compared with the previous period.

The Church's brand reported a decline of 1.6% at constant exchange rates (-2.7% at current exchange rates). The increase in retail sales, achieved through both existing stores and six store openings, compensated for the decrease in sales to independent customers. The reorganization of the Church's wholesale distribution channel, carried out in the past two years, coincided with a period of temporary downturn in the performance of this channel.

"Other brands" consisted primarily of sales of Marchesi 1824 brand patisserie products, which grew from the prior period.

Royalties

Licensed businesses generated royalties of Euro 44.1 million, down by 8.5% at current exchange rates. The delay that occurred in 2018 was substantially attributable to eyewear licenses, which are currently in a phase of reorganization and renewal.

Operating results

The gross margin showed a dilution of 150 basis points, decreasing from 73.5% for the pro-forma twelve-month period ended December 31, 2017 to 72% for 2018. The negative impact of exchange rates, including the effect of hedges, was nearly wholly responsible for this, despite the positive contribution of a more favorable ratio of full-price sales to discounted sales.

Operating expenses rose by Euro 53.2 million compared with the 2017 pro-forma twelve-month period (from Euro 1,885.6 million to Euro 1,938.7 million), whereas they remained consistent as a percentage of net revenues (61.7%).

Selling costs rose mainly as a result of the increase in the retail sales staff, whereas advertising and communications costs rose on account of the numerous initiatives of the year, including digital ones, and sponsorship costs.

	IFRS		Pro-forma	
(amounts in thousands of Euro)	twelve months ended December 31 2018	% on net revenues	twelve months ended December 31 2017	% on net revenues
Product design and development costs	125,179	4.0%	130,468	4.3%
Advertising and communications costs	207,278	6.6%	184,752	6.0%
Selling costs	1,414,153	45.0%	1,399,273	45.8%
General and administrative costs	192,138	6.1%	171,077	5.6%
Total Operating expenses	1,938,748	61.7%	1,885,570	61.7%

EBIT for the twelve months ended December 31, 2018 was Euro 323.8 million, or 10.3% of net revenues, whereas in the 2017 pro-forma period it was Euro 360 million, or 11.8% of net revenues. The adverse effect of exchange rates had a large impact on the dilution of the operating margin.

The increase in finance costs was attributable primarily to exchange differences on financial items.

Net invested capital

The following table reclassifies the statement of financial position to provide a better understanding of the composition of the net invested capital:

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Non-current assets (excluding deferred tax assets)	2,700,098	2,565,359
Trade receivables, net	321,913	289,973
Inventories, net	631,791	569,929
Trade payables	(315,211)	(313,697)
Net operating working capital	638,493	546,205
Other current assets (excluding items of financial position)	208,085	212,102
Other current liabilities (excluding items of financial position)	(245,754)	(233,181)
Other current assets/(liabilities), net	(37,669)	(21,079)
Provision for risks	(51,310)	(61,815)
Post-employment benefits	(60,001)	(61,444)
Other long-term liabilities	(166,091)	(174,706)
Deferred taxation, net	187,054	177,389
Other non-current assets/(liabilities)	(90,348)	(120,576)
Net invested capital	3,210,574	2,969,909
Shareholder's equity - Group	(2,877,986)	(2,844,652)
Shareholder's equity - Non-controlling interests	(19,083)	(21,519)
Total Consolidated shareholders' equity	(2,897,069)	(2,866,171)
Long-term financial payables	(487,431)	(638,954)
Short-term financial, net surplus/(deficit)	173,926	535,216
Net financial position surplus/(deficit)	(313,505)	(103,738)
Shareholders’ equity and net financial position	(3,210,574)	(2,969,909)
Net Debt to Consolidated shareholders' equity ratio	10.8%	3.5%

As at December 31, 2018, the Group has net invested capital of Euro 3,210.6 million, net financial indebtedness of Euro 313.5 million and consolidated shareholders’ equity of Euro 2,897.1 million.

Non-current assets, consisting essentially of property plant, equipment and intangible assets, increased from Euro 2,565.4 million as at December 31, 2017 to Euro 2,700.1 million as at December 31, 2018. The difference was affected mainly by the investments in property plant, equipment and intangible assets (Euro 283.6 million) and use of liquidity in financial investments (Euro 91.4 million), net of depreciation, amortization and impairments (Euro 227.4 million) and assets disposal (Euro 11 million).

The capital expenditure is detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2018	eleven months ended December 31 2017

Retail	135,997	110,026
Production, logistics and corporate	147,590	140,638
Total	283,587	250,664

Approximately 50% of the total capital expenditure of the year was invested in the retail area primarily for store restyling and relocation projects, and to a lesser extent in the store openings of the period. Other capital expenditure was used to build up the manufacturing and logistics structures in Italy, improve the corporate areas and fund the digital transformation process.

The net operating working capital is Euro 638.5 million, up by Euro 92.3 million from that of December 31, 2017, due essentially to the restocking of finished products at the retail network.

Other current liabilities, net increased by Euro 16.6 million due to greater current tax liabilities and the fair value change of derivatives.

Other non-current liabilities, net, showed a decrease of Euro 30.2 million attributable to the use of provisions for deferred rent and other medium/long-term liabilities.

During the year the Group paid dividends for an amount of Euro 197.6 million.

Net financial position surplus/(deficit)

The following table presents the composition of the net financial position:

(amounts in thousands of Euro)	as at December 31 2018	as at December 31 2017
Bank borrowing – non-current	(487,431)	(638,954)
Total financial payables – non-current	**(487,431)**	**(638,954)**
Bond – current	-	(130,000)
Financial payables and bank overdrafts - current	(421,481)	(222,971)
Payables to related parties	(4,415)	(4,423)
Total financial payables – current	**(425,896)**	**(357,394)**
Total financial payables	**(913,326)**	**(996,348)**
Cash and cash equivalents	599,821	**892,610**
Total Cash and cash equivalents	**599,821**	**892,610**
Net financial surplus/(deficit), total	**(313,505)**	**(103,738)**
Net financial surplus/(deficit) excluding related party balances	**(309,090)**	**(99,315)**
EBITDA / Net financial deficit	**1.76**	**5.67**

(*) The ratio of EBITDA on Net financial deficit at December 31, 2017 was determined taking into account the EBITDA pro-forma for the 12 months of 2017

The net financial indebtedness as at December 31, 2018 is Euro 313.5 million, an increase of Euro 209.8 million compared with that of December 31, 2017. Funding was used primarily for the distribution of dividends (Euro 197.6 million), capital expenditures and cash investments (Euro 379.4 million), net of the operating cash flow (Euro 365.1 million).

The total amount of undrawn lines of credit at December 31, 2018 is Euro 597 million.

Events after the reporting date

No significant events.

Outlook

The process of business transformation started in 2017 is delivering positive results.

The strategic renewal and subsequent organizational review, which will be completed in the months to come, will give the Group a more dynamic structure and a renewed capacity to interpret the cultural evolution of the new generations with which to share the identity of Group’s brands.

The Group has already started a technological upgrade program that will increase control and efficiency of all business factors, from marketing to logistics and from product to customer service.

It’s clear that the digital transformation has radically altered relationships with consumers, making them ever more aware of their purchasing choices. In this context, communication takes on an even more crucial importance to effectively reach Group’s customers.

With this objective in mind the Group will continue to invest in all its digital assets to create an increasingly immersive brand experience with a unique and engaging involvement at all touch points.

The Group is also investing to strengthen the industrial infrastructure to ensure timely responses to the different needs of the individual markets, translating its creative vision of the evolution of looks into products readily available at stores.

It’s on the basis of these plans that the Group’s expectation of a progressive recovery of volumes and margins is based.

Corporate Governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Company and its subsidiaries (the “Group”), to protect the rights of the Company’s shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Full details on the Company’s corporate governance practices are set out in the Company’s 2018 Annual Report.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or possesses related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Maurizio Cereda who, as of May 23, 2018, has replaced Mr. Sing Cheong Liu.

During the year ended December 31, 2018 (the “Reviewed Period”), the Audit Committee held eight meetings (with an attendance rate of 100%) mainly to review with senior management, the Group’s internal and external auditor and the board of statutory auditors, significant internal and external audit findings and financial matters as required under the Committee’s terms of reference and make relevant recommendations to the Board. The Audit Committee’s review covered the audit plan for the year 2018, the findings of both the internal and external auditors, internal controls, risk assessment, annual review of the continuing connected transaction of the Group for 2018, tax and legal updates (including litigations and cooperative compliance regime with the Italian tax authorities) and the financial reporting matters (including the annual results for the year ended December 31, 2017 and the interim financial results as at June 30, 2018) before recommending them to the Board for approval.

The Audit Committee also held two meetings on March 12 and

15, 2019, to review the final results for the Reviewed Period, before recommending it to the Board for approval.

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, for the entire Reviewed Period.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

The Company has adopted policies to ensure that inside information are handled and disseminated in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

On August 1, 2018, the Company redeemed Euro 130 million, 2.75% notes on their maturity date (the "Notes"). The aggregate price paid for the redemption of the Notes was Euro 130 million. The Notes were issued by the Company on August 1, 2013 for subscription by professional and institutional investors only and were admitted to the official list on the Irish Stock Exchange. Following the redemption, the Notes were cancelled and delisted from the Irish Stock Exchange listing.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.

Shareholders' general meeting

The Shareholders' general meeting of the Company will be held on Tuesday, April 30, 2019 (the "AGM").

Notice of the AGM will be published on the Company's website at *www.pradagroup.com* and on the Hong Kong Exchanges and Clearing Limited's website at *www.hkexnews.hk* and dispatched to the shareholders of the Company in due course.

Final Dividend

The Board recommends, for the Reviewed Period, a final dividend of Euro 153,529,440 (Euro 0.06 per share).The payments shall be made:

- (i) in Euro to the shareholders recorded in the section of the Company's shareholders register kept by the Company at its registered office in Milan (Italy), and
- (ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong. The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (*www.hkab.org.hk*) on the day the final dividend is approved by the shareholders.

Subject to the shareholders' approval of the payment of the final dividend at the forthcoming shareholders' general meeting of the Company to be held on Tuesday, April 30, 2019, such dividend will be paid on Friday, May 24, 2019.

Book Closure and Record Dates

For determining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan *(Note 1)*	April 25, 2019 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) *(Note 2)*	From April 26 to April 30, 2019 (both days inclusive)
Record date	April 26, 2019

For determining shareholders' entitlement to the payment of the proposed final dividend:

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan *(Note 1)*	May 7, 2019 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) *(Note 2)*	May 8, 2019
Record Date	May 8, 2019
Dispatch date of dividend warrants	May 24, 2019

Notes:

1. *All transfers accompanied by the relevant share certificate(s) must be lodged with:*
   (i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited whose address is at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself; or
   (ii) the Company's registered office at Via Antonio Fogazzaro no. 28, Milan 20135, Italy, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself.
2. *No transfer of shares will be registered on the book closure date.*

Publication of Annual Results Announcement and Annual Report

This Annual Results Announcement is published on the Company's website at *www.pradagroup.com* and on the Hong Kong Exchanges and Clearing Limited's website at *www.hkexnews.hk*. The Company's 2018 Annual Report will be published on the same websites and dispatched to shareholders of the Company in due course.

By Order of the Board
PRADA S.p.A.
Mr. Carlo Mazzi
Chairman

Milan (Italy), March 15, 2019

As at the date of this announcement, the Company's executive directors are Mr. Carlo MAZZI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI and Ms. Alessandra COZZANI; the Company's non-executive director is Stefano SIMONTACCHI and the Company's independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI, Mr. Sing Cheong LIU and Mr. Maurizio CEREDA.