

PAG 0



Good morning ladies and gentlemen. It is a great pleasure to be here and to open the WWD and SKP Forum.

I wish to thank Mr Ji for last night's amazing performance.



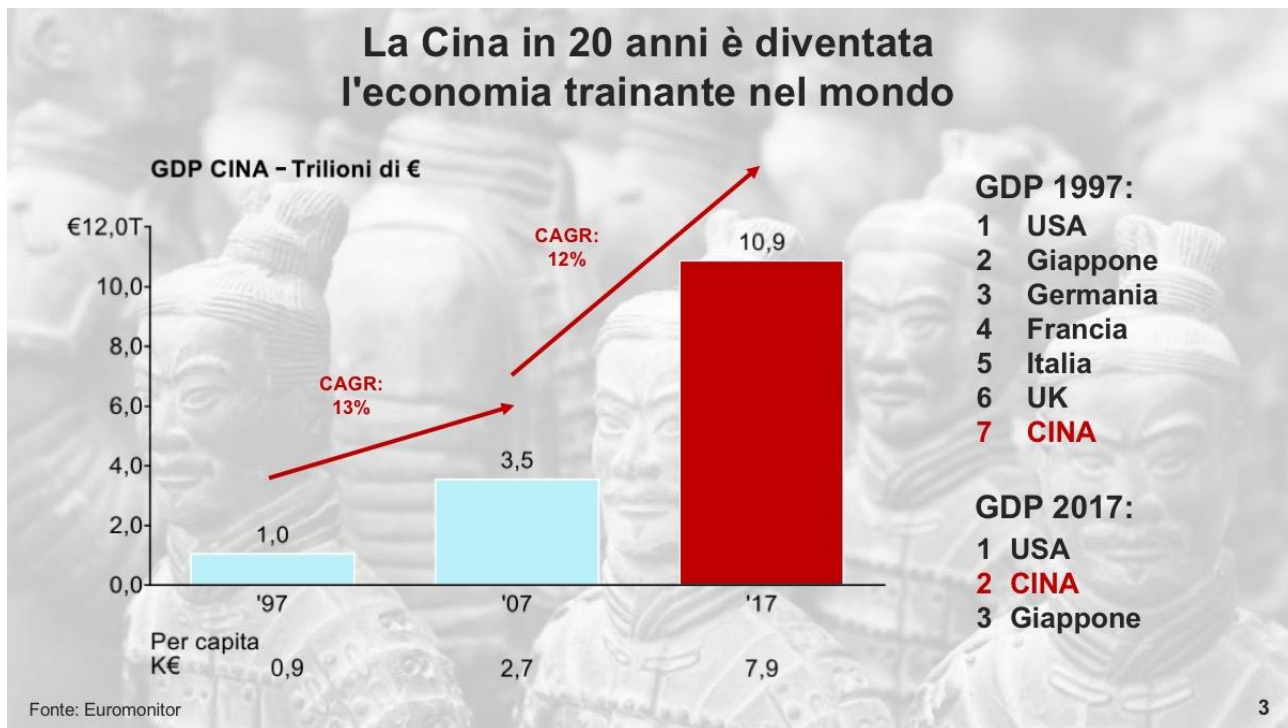
We first entered China in 1995, with 2 boutiques - in Beijing and Shanghai - thanks to a company wholly owned by the Group, without resorting to franchisees.



We listed the Prada Group on the Hong Kong Stock Exchange in 2011 because we were confident that the Chinese market would soon become the second largest global economy.

The weight of the Chinese market is 20% of the total Group sales, whilst the incidence of Chinese consumers on the total business is 36%.

We employ about 1,200 people in China.



Now I would like to share with you a quick overview of China's economic growth over the last 20 years.

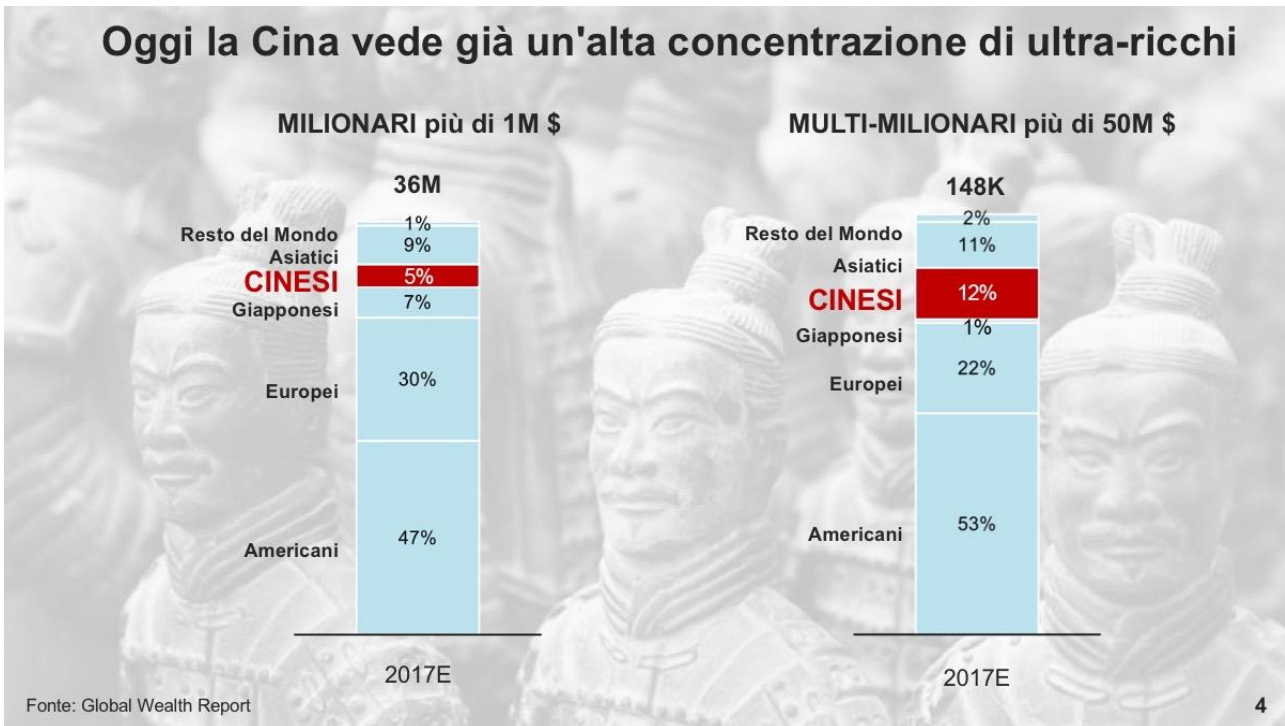
In 1997, China was the 7th-largest global economic power, whilst today it ranks 2nd.

From 2007 to 2017, the Compound Average Growth Rate of the country stood at 12% per year.

In 1997, per capita income was € 900. In 2017, it reached nearly € 8,000. In Italy, it stands at € 28,000.

It should be noticed that last year, China's Gross Domestic Product was up 7%, with half of that growth being generated by the increase of domestic consumption.

In previous years, growth had been mainly generated by the State's infrastructural investment.



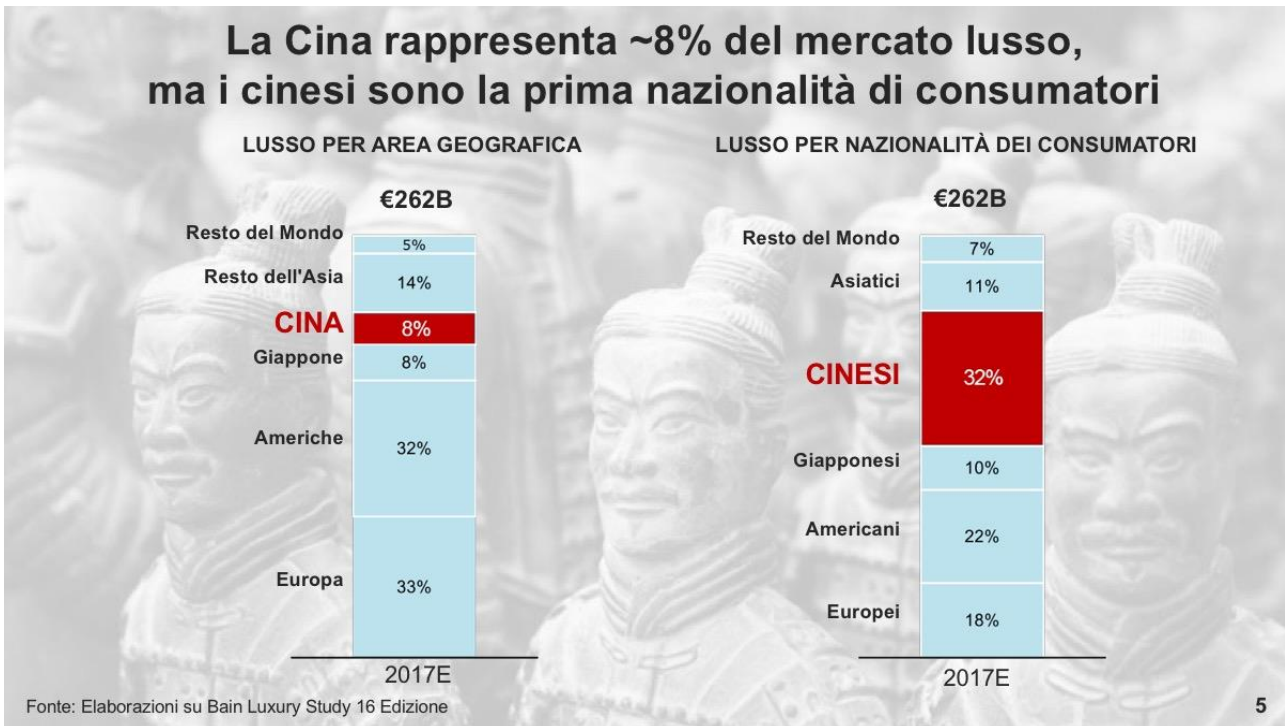
Today in China there already is a high concentration of Ultra High Net Worth Individuals.

The Chinese account for 5% of the global population with assets in excess of \$ 1 million - High Net Worth Individuals.

This percentage rises to 12% in the UHNWI cluster - people with assets in excess of \$ 50 million.

It is worth noting that the percentage of HNWI nearly doubled in the last ten years.

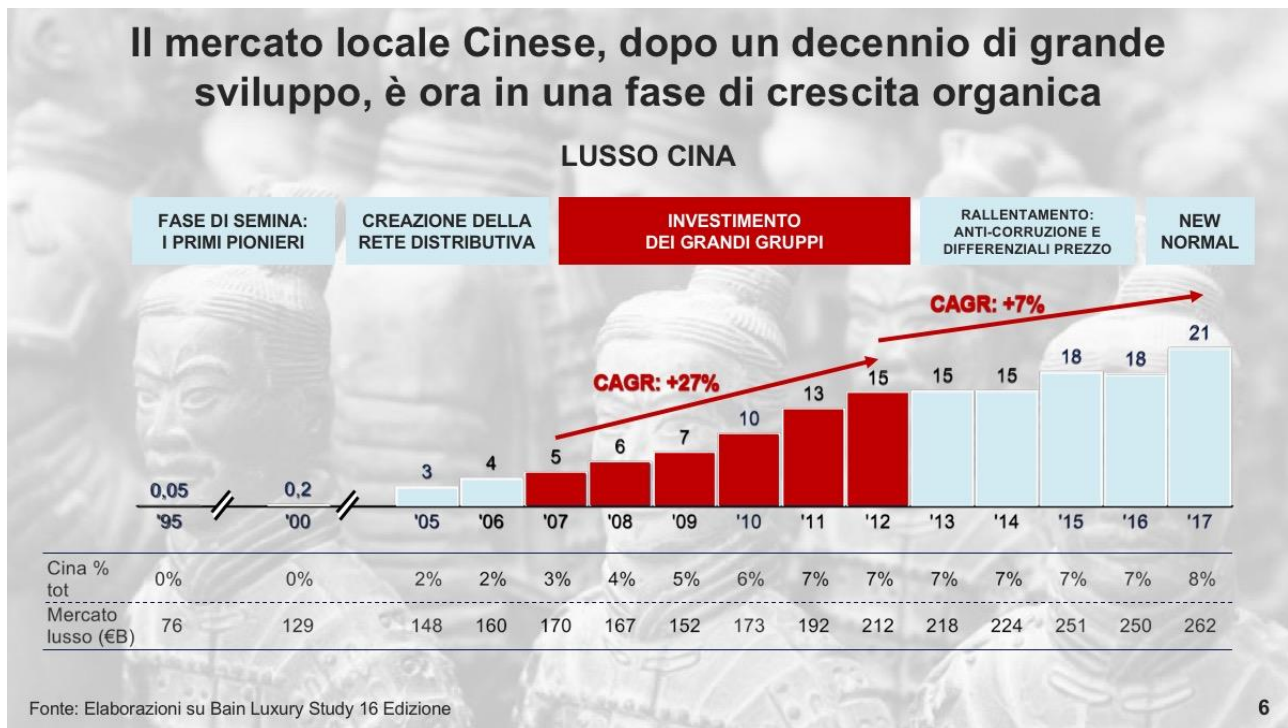




China accounts for 8% of the total global luxury market, but the Chinese are the first consumer nationality. Indeed, they account for 32% of overall revenues.

We should also remark that today, less than 175 million Chinese citizens have a passport; they were 120 million in 2015.

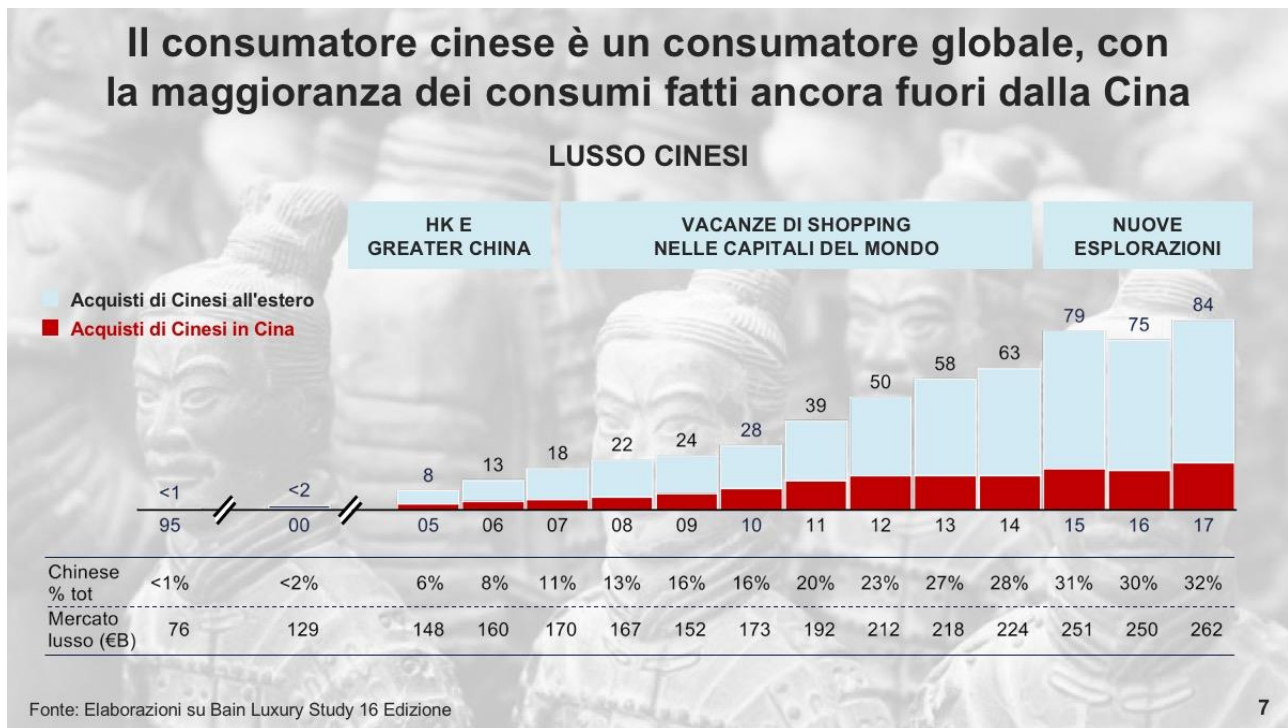
In the next few years, the amount of Chinese citizens travelling abroad is expected to grow substantially, with a positive impact on all markets.



The global luxury market is estimated to be worth € 262 billion.

From 2007 to 2012, the Chinese luxury market grew exponentially, and tripled its size in 5 years, posting an yearly CAGR of 27%.

In the last five years, the market consolidated, with an organic growth of 7%.



In the last 12 years, 2/3 of the growth of the global luxury market was generated by the Chinese consumers.

This pattern had already been observed with the Japanese consumers in the 1990s.

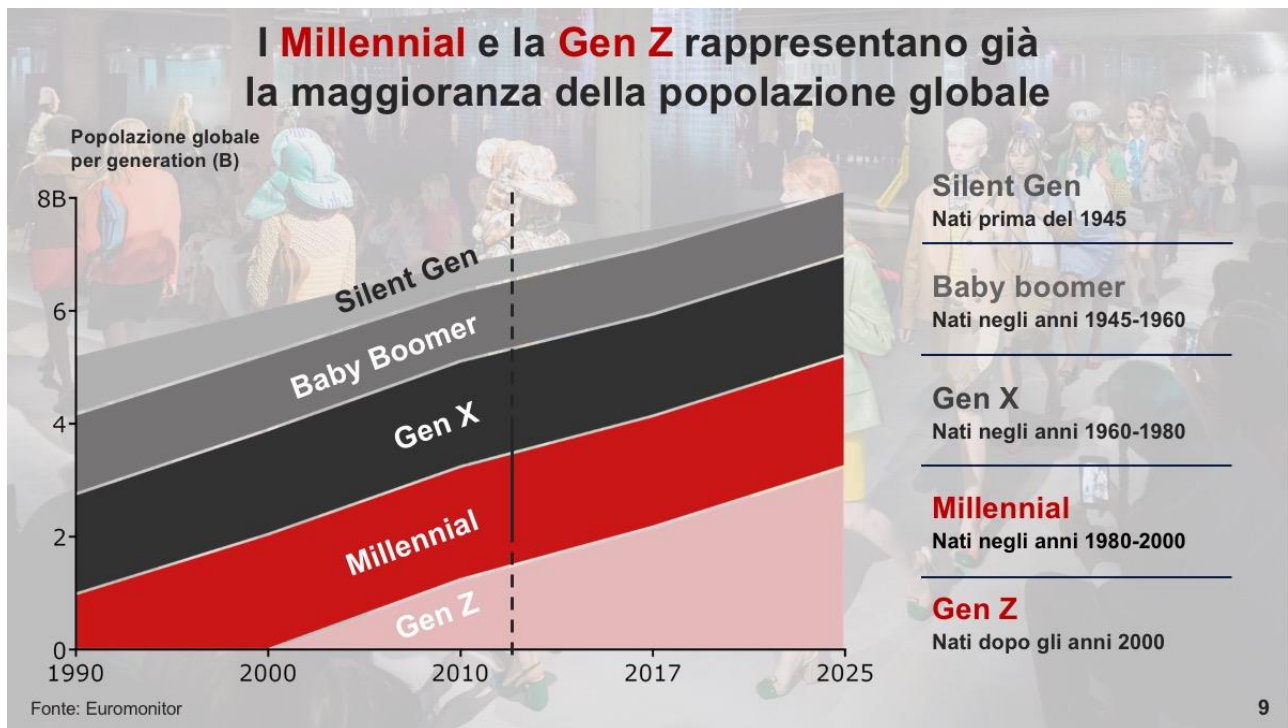
Initially, the Chinese spending abroad was mainly focussed on shopping.

However, after 2015 their interest became extended to all luxury offerings, including new experiences such as cultural holidays, nature vacations, and more.





I would now like to drill down in the profile of Chinese Millennials.

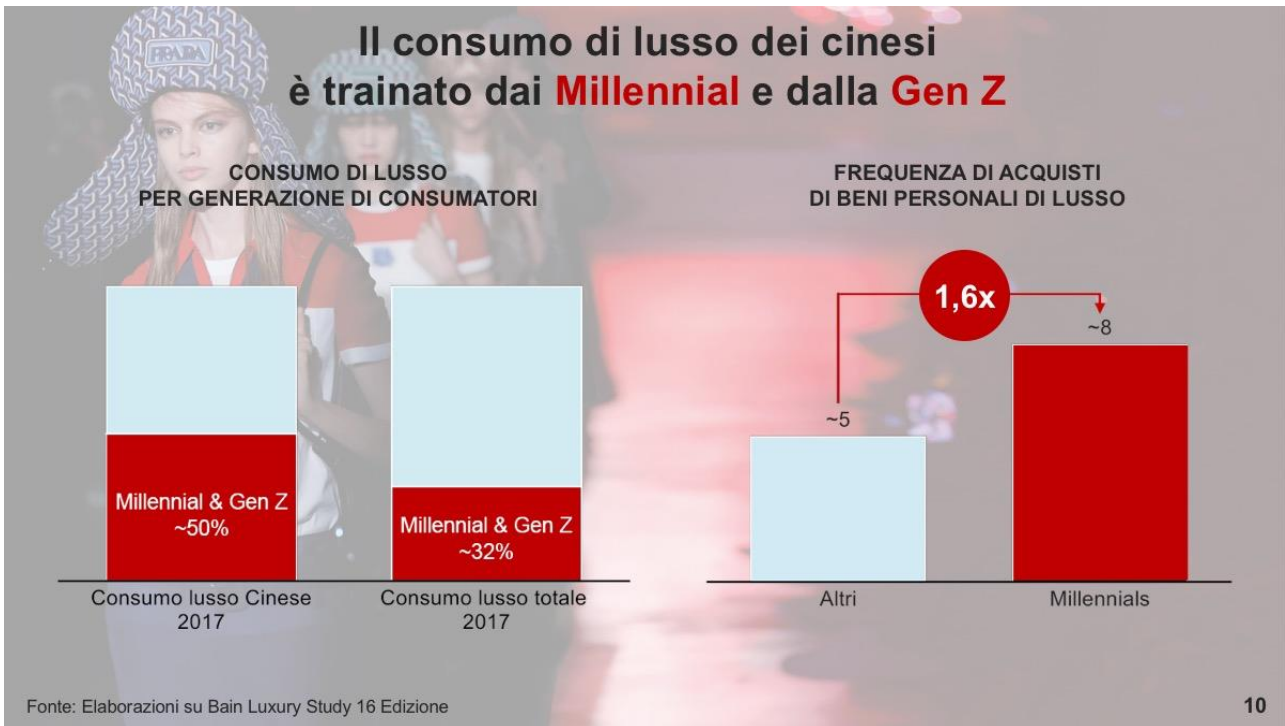


This chart shows the succession of generations after World War II.

The boom of the fashion and luxury market in the 1990s was driven by Generation X - people born from 1960 to 1980.

Millennials, the generation now between 18 and 35 years of age, have driven growth since 2000.

We have already started to think of how to engage Generation Z, those born after 2000.



Chinese luxury consumption is driven by Millennials and by Generation Z, that account for 50% of consumption in China, whilst globally they only account for 32% of total consumption.

We should point out that the Chinese Millennials are the first generation of consumers after China's opening to the market - considering the 2008 Olympic Games as a watershed year.

In China, the frequency of purchases per year by Millennials is almost double compared to how often other generations shop.

China now has 400 million Millennials, i.e. 29% of the total population and 5 times as many Millennials as in the United States.



The Millennial generation has been impacted by the development of new tech tools and by the possibility to travel everywhere at an affordable cost.

Both factors created major discontinuity as compared to the previous generations.

A key change was the arrival of touch screen mobile phones.

I would like to remind you that the first touch screen phone ever was launched on the market by Prada, in partnership with LG, in March 2007 - with record sales, for a co-branded product, of 2 million units.

The first iPhone was only launched three months later, on June 29. The iPad hit the market in 2010.

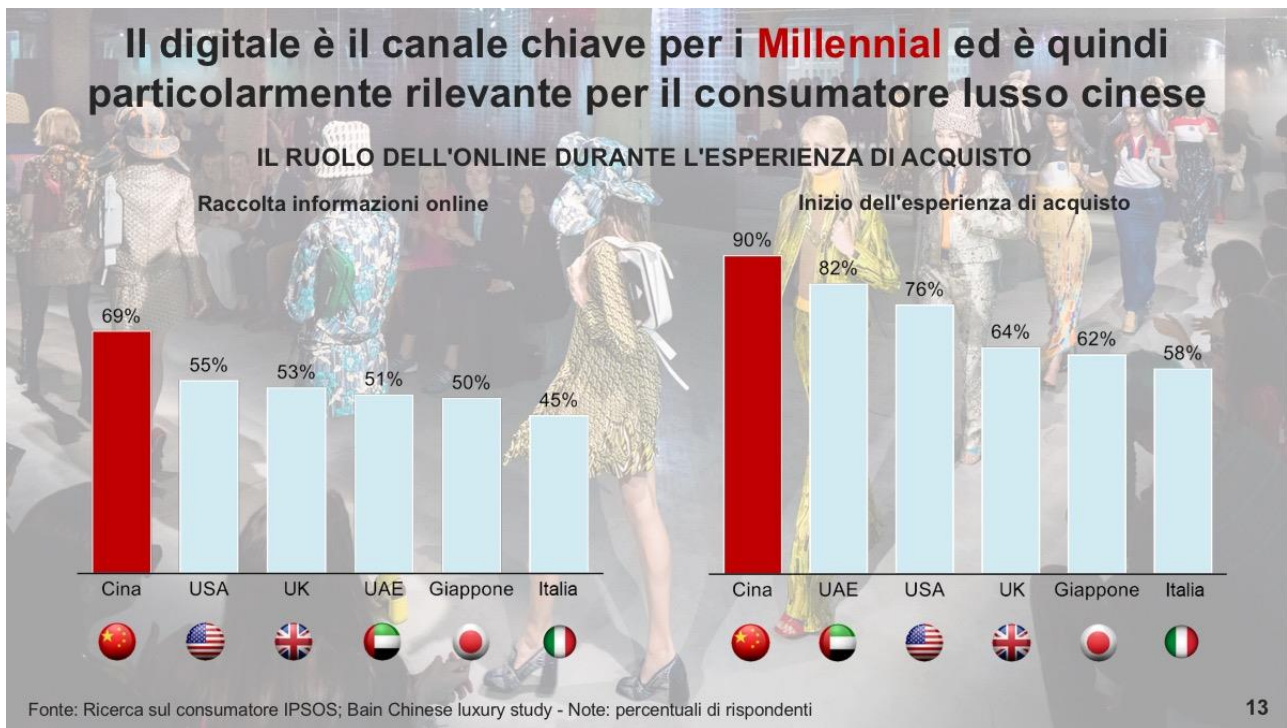
Hence, key communication tools such as the iPhone and iPad are about 10 years old.



The following are the main elements that characterise the Millennials' value system.

- 1 - They tend to wear increasingly unisex and ageless garments.
- 2 - They belong to digital communities, with which they share ideas and moments of their daily life in real time.
- 3 - They are extremely sensitive to sustainability and social responsibility.
- 4 - They keep searching for authenticity and new content.
- 5 - They are connected 24/7 and expect web immediacy in real life too.





Digital is the key channel for Millennials, and thus especially relevant for Chinese consumers.

69% of Chinese consumers source information on luxury online, whilst 90% start their purchasing journey online.

In both instances, Chinese consumers rank first in the use of digital tools.



Prada customers in China are mainly Millennials.

Over 60% are under 35.

They are fashion-forward and trendy.

They use mobiles as the first channel of engagement, sharing and payment.



Starting back in 1999, Prada designed unconventional architectural spaces, called Epicenters, to provide a new approach and a different shopping and meeting experience. The first Epicenter opened in Soho, New York, in December 2001, 3 months after 9/11.



In 2003, we opened the Tokyo Aoyama Epicenter, designed by architects Herzog & de Meuron, that has become a city architectural landmark - not just for luxury consumers.









In 2004, we opened our Epicenter on Rodeo Drive in Beverly Hills, Los Angeles, designed by architect Rem Koolhaas.



**Epicentro Prada Los Angeles 2004**  
Architetto Rem Koolhaas



In 2015, we inaugurated the Miu Miu Epicenter in Japan, also in Aoyama, designed by architects Herzog & de Meuron.





As we continued in our cultural research, we rented the Rong Zhai, the most beautiful historic villa in central Shanghai, dating back to the early 20th century.

We carefully restored it while respecting all its original period architectural and furniture features.





The residence opened in October 2017 with two days of events and an exclusive fashion show.

In the first two months when the villa was open to the public free of charge, it welcomed about 120,000 visitors.



The villa hosts several activities, including the “Roma 1950-1965” paintings exhibition, that just closed after welcoming 21,000 visitors.



Also, we started a pop-up stores programme.

We designed capsule collections and limited editions for the pop-up stores.

60% of their customers are Millennials, and more than half of the customers are new to the brand.

Pop-up stores also boosted sales in our shops within the malls.



As to its industrial activities, ever since 1990 Prada has invested substantial economic and human resources in highly sustainable factories.





This was done in order to improve our relationship with our employees, and with younger generations in particular. We own 21 factories, 18 of which in Italy, employing 3,500 people.

Also, we created the Prada Academy to train young people specialising in different manufacturing and artisan skills, and provide them with certified diplomas.





As it extended its knowledge horizon, in 1993 Prada felt the need to establish the Prada Foundation.

It was first born as an expression of Miuccia Prada's and my own passion for art.

Later, the Foundation grew to become a place of experimentation and a meeting point, home to contemporary art exhibitions, cinema screenings and other cultural events.

In keeping with the pre-existing spaces, the Foundation's architecture, designed by Rem Koolhaas, is characterised by its inner courtyard, that has become a prime meeting place, open to the public on a complimentary basis.



The Foundation's compound is complemented by the Torre, that recently opened with the Atlas project - an exhibition featuring artists including:

William N. Copley and Damien Hirst,

John Baldessari and Carsten Holler,

Carla Accardi and Jeff Koons,

Walter De Maria,

Mona Hatoum and Edward Kienholz,

Michael Heizer and Pino Pascali.



The Prada Foundation also opened a location dedicated to photography in Milan's Galleria Vittorio Emanuele.



And it acquired Ca' Corner della Regina in Venice, where every year it organises art and architecture exhibitions at the time of the respective Biennali.



Miuccia Prada is the soul not just of the Group, but also of the Foundation, that she chairs.

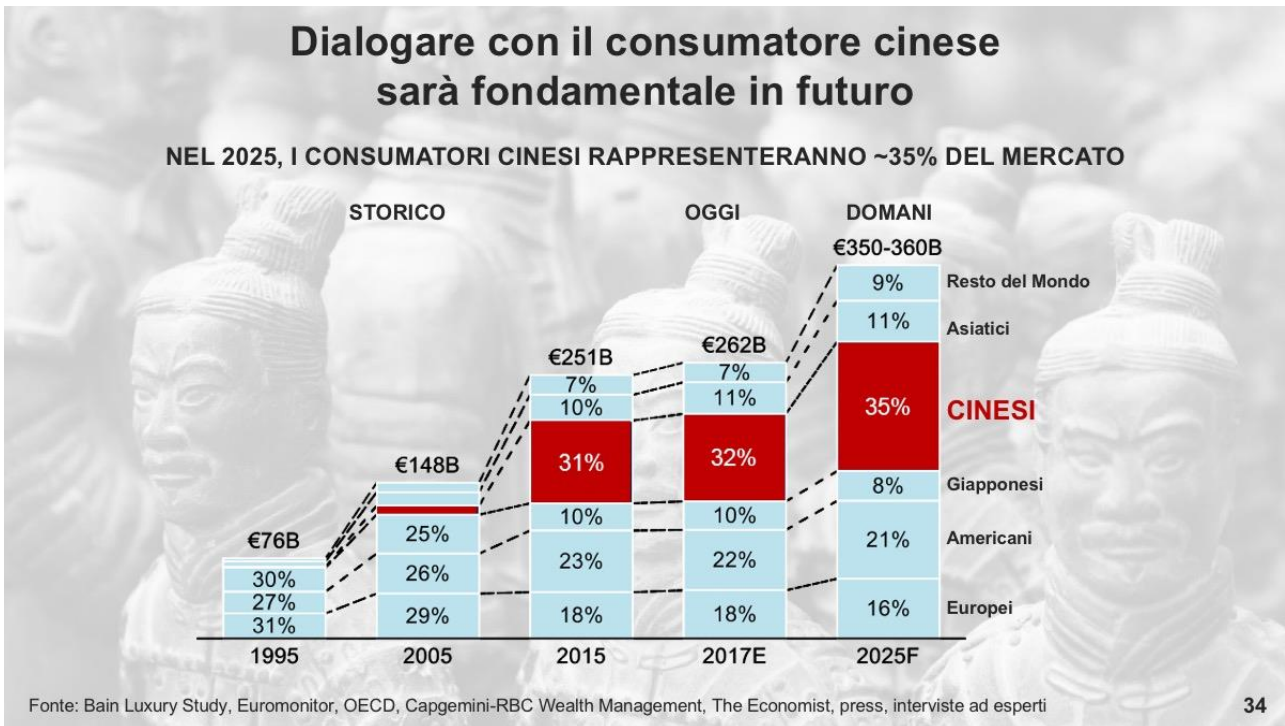




Besides our cultural engagement, we challenged for the America's Cup, and won the Louis Vuitton Cup in 2000 with team Luna Rossa.

Team Luna Rossa, sponsored by Prada, will be the Challenger of Record in the 36th America's Cup, that will be held in Auckland, New Zealand, in 2021.

Prada will be the Naming Sponsor of the Challengers' Selection Series, that will be called Prada Cup, and the Presenting Sponsor of the America's Cup.



All the initiatives that Prada embarked on over time were designed to extend our values beyond fashion globally.

This is highly appreciated by Chinese consumers too, who are expected to account for at least 35% of the global market by 2025.



## Cosa il Gruppo Prada si prefigge di fare

- 1 Interagire con diverse sfere culturali, portando a cogliere ed anticipare lo spirito dei tempi e delle nuove generazioni.
- 2 Essere attori del cambiamento, con la flessibilità necessaria per tradurre le richieste dei giovani consumatori e della loro influenza nelle generazioni future.
- 3 Offrire al mercato cinese una visione condivisa, all'interno della quale sviluppare la propria espressione attraverso i giusti valori.
- 4 Continuare a coinvolgere il consumatore cinese su scala globale ma con una valenza locale.

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Hence, the main future objectives of the Prada Group will be:

- 1 - Interacting with different cultural disciplines, allowing us to capture and anticipate the spirit of the times and of the new generations.
- 2 - Driving change, using the necessary flexibility to translate the requests of new generations and their influence on Generation Z.
- 3 - Improving the engagement of Chinese customers on a global scale through a local proposition.





Thank you for your attention; I wish you fruitful proceedings for the rest of the Forum.

If you have questions, I will be happy to answer you.