PRADA

MILANO

DAL 1913

Annual Report 2020

PRADA spa
(Hong Kong Stock code: 1913)

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The first Prada store
Galleria Vittorio Emanuele II, Milan

THE PRADA GROUP

Miuccia Prada and Patrizio Bertelli

PRESENTATION

Pioneer of a vision that transcends fashion, the Prada Group inquisitively observes contemporary society and its interactions with very diverse and apparently distant cultural spheres.
A fluid perspective that becomes the Group's manifesto, suggesting a unique approach to doing business by placing at the core of ethical and action principles essential values such as freedom of creative expression, reinterpretation of what already exists, preservation of know-how and enhancement of people's work.
The Prada Group is a contemporary interpreter of changing scenarios. In a three-dimensional temporal dialogue that combines the identity heritage of the past with demands and dynamics of the present and future perspectives, creativity molds ideas that transcend the boundaries of the ordinary and create an innovative vision of tomorrow.

"Thorough observation and curiosity for the world around us have always been at the heart of the creativity and modernity of the Prada Group. In society, and thus in fashion, which is somehow a reflection of it, the only constant is change. The transformation and innovation of aesthetic codes, at the core of any evolution, has led us to interact with different cultural disciplines, at times apparently far from our own, allowing us to capture and anticipate the spirit of the times. Today this is no longer enough: we must be the agents of change, with the flexibility required to translate the demands of the market and society into tangible actions that inform our way to do business".

Miuccia Prada and Patrizio Bertelli

Mario Prada

PRADA GROUP HISTORY

The Prada brand dates back to the beginning of the last century: in **1913**, Mario Prada opened an exclusive store in the Galleria Vittorio Emanuele II, Milan, selling handbags, travel trunks, beauty cases, tasteful accessories, jewelry and other luxury items. Thanks to the innovative design of its goods, created using fine materials and sophisticated techniques, Prada rapidly acquired wide popularity across Europe.

In **1919** Prada became an official supplier to the Italian royal family; since then Prada has been able to display the House of Savoy coat of arms and knotted rope design in its trademark logo.

The turning point for the Group came at the end of the 1970s when Miuccia Prada, Mario Prada's granddaughter, partnered with Tuscan entrepreneur Patrizio Bertelli to combine creativity with business acumen and lay the foundations for the ensuing international expansion.
Patrizio Bertelli broke new ground in the luxury goods sector by introducing a business model based on direct control over all processes and applying strict quality criteria to the entire production cycle. Miuccia Prada's creative talent attracted international attention due to her innovative approach, inspired by an unconventional outlook on society, enabling her to anticipate and often influence new fashion and design trends.

In **1977** Patrizio Bertelli founded IPI spa, where he concentrated the production resources he had built up over ten years in the leather goods industry. In the same year, IPI spa obtained a license from Miuccia Prada for the exclusive production and distribution of Prada brand leather goods. In the following years the two family businesses gradually merged into a single Group.

In **1983** the Prada family opened a second store in prestigious Via della Spiga in Milan, one of Europe's key shopping destinations. The store showcased the new brand image by pairing traditional elements with modern, innovative architecture, thereby revolutionizing and setting a new standard for luxury retail.

In response to the growing appreciation of the products, the Prada leather goods range was expanded to include the first women's footwear collection in **1979**. The first women's clothing collection was launched in Milan in **1988**. At the same time the internationalization process began, with the first store openings in New York and Madrid, followed by London, Paris and Tokyo.

In **1993** Prada made its debut in menswear with its first men's clothing and footwear collection. That same year, Miuccia Prada's creative inspiration led to the establishment of a new brand, Miu Miu, conceived for sophisticated, stylish women who love to stay ahead of fashion trends. Miu Miu now creates women's ready-to-wear apparel, handbags, accessories, footwear, eyewear and fragrances, and accounts for a significant share of the Group's sales.

In **1993** Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", which subsequently became "Fondazione Prada", to pursue their interests and passions in the world of art and culture.

In **1997** Patrizio Bertelli organized the Prada Challenge sailing team to compete for the 2000 America's Cup and in the same year Prada launched its leisurewear range featuring the "Linea Rossa" (red line).

In **1999**, the Prada Group acquired the classic brand Church's, founded in 1873 in Northampton, England. The brand, specialized in high-end handcrafted footwear, is a universally recognized symbol of British tradition and sophisticated elegance.

In **2001**, the Prada "Epicenter" store, designed by Rem Koolhaas, was opened on Broadway in New York City. This was the first store of the Epicenters project, whose purpose was to redefine the shopping concept and try out inventive ways to interact with customers. A second Epicenter store was opened in Aoyama, Tokyo, followed by a third one on Rodeo Drive, Beverly Hills, in **2004**. During the same year, Prada acquired control of Car Shoe, a classic Italian brand renowned for its exclusive driving moccasins.

In **2003** Prada entered into a licensing agreement with Italian eyewear manufacturer Luxottica, a global industry leader which currently produces and distributes eyewear with the Prada and Miu Miu brands. Also in **2003**, a new partnership was established which led to the release of the first fragrance, Amber, in 2004.

Prada Epicenter concept store Broadway, New York
by architect Rem Koolhaas and Studio OMA

Prada Epicenter concept store Los Angeles, Beverly Hills
by architect Rem Koolhaas and Studio OMA

Prada Epicenter concept store
Aoyama, Tokyo by architects Herzog & de Meuron

In **2006**, Miu Miu moved its fashion show venue to Paris to better represent its brand identity.

The Prada phone by LG, the world's first touchscreen cellphone, made its debut in March **2007**. The LG/Prada partnership achieved further success with new releases in 2008 and 2011.

On June 24, **2011**, Prada was successfully listed on the Main Board of the Hong Kong Stock Exchange.

In March **2014**, Prada spa acquired control of Angelo Marchesi srl, the historical Milanese patisserie founded in 1824, thus entering the food industry.

In **2015** the Prada Group and Coty Inc. introduced the first Miu Miu fragrance. In September of that year the Marchesi 1824 brand was developed on the market with the opening of a patisserie in via Montenapoleone, Milan.

2016 featured important manufacturing investments, all of which were made to achieve sustainable production growth respectful of the environment: a new leather goods factory was inaugurated and five factories in Tuscany and Umbria were renovated. The first construction phase of the new logistics hub for finished products was completed in Tuscany. The second phase was completed in **2018.**

In **2017**, the important restyling plan for Prada and Miu Miu stores was coupled with an extensive program of pop-up events to further support retail activities. In the same year, the Prada Group was admitted to the Cooperative Compliance regime with the Italian tax authorities, introduced with Italian Law Decree 128 of 2015. In November the first edition of the "Shaping a Future" conference cycle takes place at the Headquarters in Milan. Other editions will follow in 2018 again in Milan, in 2019 in New York and in 2020 in Venice.

In **2018** the Group added to its customary Milan and Paris fashion shows two important events to present pre-collections: Miu Miu Croisière in Paris and Prada Resort in New York.

In **2019** the Diversity & Inclusion Advisory Council was established; assisted

by leading personalities of authoritative international academic and cultural institutions, it will guide the Group on matters of social sustainability. In October of the same year, the Prada Group obtained full control of the retail network by acquiring Fratelli Prada spa, the long-standing franchisee of Prada monobrand stores in Milan.
In December, Prada spa and L'Oréal announced the stipulation of a long-term licensing agreement, effective from January 1, 2021, for the creation, development and distribution of Prada brand luxury cosmetic products.

In **2020**, a year disrupted by the Covid-19 pandemic, Raf Simons became the Creative Co-Director of Prada and other important managers joined the team, with a view to fostering long-term growth regardless of the uncertainties arising from the public health emergency. In July of the same year Prada spa obtained "AEO Full" (Authorized Economic Operator) certification from the Italian Customs Agency, becoming one of very few taxpayers in Italy to hold simultaneously this qualification and participate in the Cooperative Compliance regime with the Italian Revenue Agency.
Among the particularly successful marketing and communication initiatives, it's worth mentioning the sponsorship of Luna Rossa and Prada Cup. In December the preliminary races of the 36th America's Cup presented by Prada got underway and the challengers include the Luna Rossa sailing team sponsored by Prada which in February 2021 will win the Prada Cup (i.e. the selection among the challengers), and therefore the right to compete with the defender of the prestigious sailing race.

THE GROUP'S BRANDS

The Prada Group is synonymous with innovation, transformation and independence. Under such principles it offers its brands a shared vision in which they may identify their essence. The complexity of visions has broadened the horizons of luxury, without fear of facing contradictions, modifications and passions.
The Prada Group owns and manages some of the most prestigious luxury brands in the world and works constantly to enhance their value by increasing their visibility, recognition and appeal. The Group's brands are one of its most important assets.

PRADA

The Prada label has become one of the leading brands in the fashion and luxury goods industry. Prada is synonymous with best of Italy's design and manufacturing tradition, sophisticated style and outstanding quality. As one of the most innovative fashion brands, it is capable of redefining the norm by anticipating and setting new trends. This is because Prada constantly applies its creative approach not only to design development, but also to the most novel production techniques, to communications and to its distribution network.
Miuccia Prada has always been a sophisticated interpreter of her times who has stayed ahead of styles and trends. The Prada brand, with its collections of men's and women's leather goods, clothing, footwear, eyewear, and fragrances, targets an international clientele that is modern, sophisticated, fashion-conscious and appreciative of the highest quality craftsmanship.


CAN
YOUR
EMOTIONS
BE
ENGINEERED?
PRADA
MILANO


ANSWER
AT
PRADA
.COM
Prada "Dialogues"
advertising campaign S/S 2021


CAN
SOMETHING
BE
TRULY NEW?

Prada "Dialogues"
advertising campaign S/S 2021

MIU MIU

Miu Miu is the most free-spirited representation of Miuccia Prada's creativity. Intentionally distant from classic aesthetic expressions, the brand reflects an emancipated and discerning woman.

Miu Miu was created in 1993 from Miuccia Prada's independent and unconventional spirit. It soon evolved into one of the leading fashion brands in the world by successfully embodying the same creativity, quality and culture of innovation on which all the Group's activities are based. Miu Miu is known for its fashion-forward, sensual and provocative style, which seeks to evoke a sense of freedom and intimacy, along with attention to detail and quality. Miu Miu targets fashion conscious women driven by a modern spirit of exploration and experimentation in their fashion choices. The independent identity of the Miu Miu brand is enhanced by its ties with Paris, where the fashion shows have been held for several years now.

Right page
Miu Miu "Mind Mapping"
advertising campaign S/S 2021


EMMA is an actor known for her portrayal
of a princess in a hit streaming series.
miu miu

CHURCH'S

Church's has challenged the most formal rules of style throughout its history. Church's expresses contemporary luxury, keeping a centuries-old tradition. It began its distinctive journey when, thanks to a family heritage of handcrafted shoemaking experience dating back to 1675, the first Church's brand shoe factory was opened in 1873 at 30 Maple Street in Northampton, England.

Over time, Church's turned a small cordwainer's workshop into a leading luxury footwear company.

With its creations, Church's has become synonymous with an impeccable style that remains faithful to the British look yet explores new design areas, playing with the combination of three primary elements: the finest leather, classic style and excellent craftsmanship. Church's dedicates meticulous attention and care to every detail: approximately 250 manual steps and 8 weeks of labor are necessary to make a single pair of shoes.

Left page
Church's advertising campaign S/S 2021


THE ORIGINAL
CAR SHOE
Patented in 1963

CAR SHOE

Small rubber studs set on a deconstructed sole have characterized the iconic Car Shoe loafer since 1963. Originating from a passion for race cars and fine shoes, this timeless accessory has become part of the imagery involving travel and motors. The Car Shoe brand is a symbol of an exclusive, relaxed lifestyle, inspired by luxury. Particularly suited for leisure time and informal occasions, the Car Shoe collections are targeted to a casual, well-dressed male and female clientele.

MARCHESI 1824

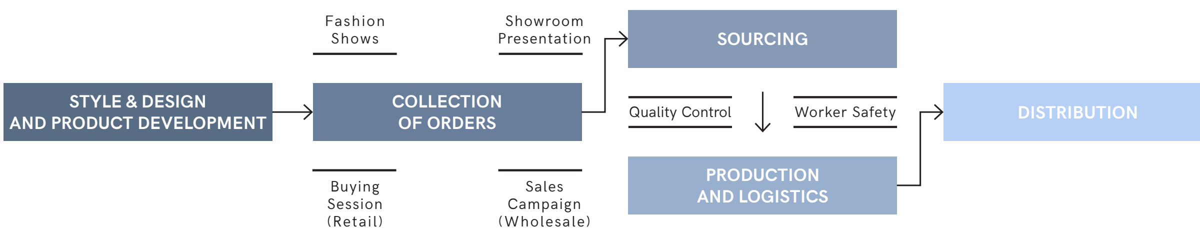
In keeping with its history and tradition, Marchesi 1824 is one of the oldest and most famous pastry shops in Milan, synonymous with excellence due to its products offered, particularly chocolate and Panettone, the typical Milanese cake.

Left page
Car Shoe advertising campaign F/W 2020

Pasticceria Marchesi 1824
Galleria Vittorio Emanuele II, Milan

BUSINESS MODEL

The success of the Group's brands is based on a business model that combines skilled craftsmanship with industrial manufacturing processes. This integration enables the Group to translate its innovative fashion concepts into viable commercial products while retaining flexible capacity and technical control over know-how, quality standards and production costs.



CREATIVITY

Creativity is at the heart of the manufacturing process.

Miuccia Prada has the talent to combine intellectual curiosity, the pursuit of new and unconventional ideas, and cultural and social interests with a strong sense of fashion. This has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone who works in the creative process.

With this unique approach Prada anticipates trends and often influences them, while continually experimenting with new designs, fabrics and production techniques. Experimentation and idea-sharing are the essential components of the design process throughout the Group. The time spent at the drawing board and in the testing room on design research and development is fundamental to formulating each collection so that the clothing, footwear and accessories complement each other and create a well-defined image reflecting the brands.

Prada's flair and the strong appeal of its tradition and corporate quality standards continue to attract talented people from all over the world who want to share the creative experience. This results in teams involved at all stages of the creative process: from fashion design to manufacture, from architecture to communication and photography, from store interior design to all the unique and special projects

in which the Prada Group is involved.
In 2020 the British Fashion Council selected Miuccia Prada as an Honoree at "Fashion Awards 2020" in the Creativity category. Creative Co-Directors Miuccia Prada and Raf Simons were honored for promoting positive change within the fashion industry, and for demonstrating the power of creativity and the importance of communication with the first fashion show designed together in September of the same year.

RAW MATERIALS AND THE PRODUCTION PROCESS

Prada's approach to manufacturing is based on two key principles: the constant quest for innovation, ensuring the continuous evolution of skills and expertise, and a vocation for craftsmanship, which is an essential asset for production and a unique distinction for every brand.

Raw materials are an essential part of product quality and are of primary importance for all the Prada Group's brands. In many cases the fabrics and leather are made especially for the Group, according to stringent technical and style specifications that guarantee excellence and highlight the exclusive nature of the products. Raw materials undergo strict quality controls by internal inspectors and experts.

Prada products are made at 23 manufacturing facilities owned by the Group (20 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and through a network of contract manufacturers which undergo thorough controls and are supplied with internally made raw materials, patterns and prototypes. This system, which enables close oversight of each step of the process and ensures high-quality workmanship, emphasizes the manufacturing excellence of each facility and guarantees significant flexibility in the organization of production.

Most of the production employees have been working for the Prada Group for an average of 20 years; this ensures an extremely high level of specialization as well as in-depth knowledge and harmony with the Group's unique concept. In recent years, Prada has been investing heavily in the seamless transmission of manufacturing techniques and core values to younger generations, both through the Prada Academy and the strengthening of technical skills at the Italian industrial sites.

Prada store
Miyashita Park, Tokyo

Prada store
Miyashita Park, Tokyo

Miu Miu store
Faubourg, Paris

Miu Miu store
Soho, New York

DISTRIBUTION

Over the years, the Group has expanded its distribution network to 633 Directly Operated Stores ("DOS") in the most prestigious locations of the major international shopping destinations, consistent with the image, heritage and exclusivity of each brand. This extensive network, the subject of continuous research and renovation, is a true asset for the Group as it showcases the new collections and is the fulcrum of the omnichannel strategy. The DOS serve as more than a primary sales function as they are also an important means of communication: they are the true ambassadors of the brand, conveying the image of each brand consistently and categorically. The DOS are integrated with the e-commerce strategy and allow the Group to monitor in real time the sales performance of the various markets for each brand and product category.

The wholesale channel (department stores, multi-brand stores and franchisees) provides additional venues selected on the basis of their prestigious location and enables direct, immediate comparison with the competition. The Group's recent significant developments in the digital world have solidified important partnerships with top online retailers ("e-tailers").

The retail channel generates 88.5% of the Prada Group's consolidated sales, and the wholesale channel accounts for the remaining 11.5%.

IMAGE AND COMMUNICATIONS

Sharing information with stakeholders allows to be involved in the brands' value system, which transcends purely commercial goals. Effective communications are key to building and transmitting a strong image for the brands consistent with their identity.
From impeccably executed fashion shows rich in content to award-winning advertising campaigns, Prada and all the Group's brands continue to create a captivating, stylish image that is valued particularly by a high-end, international clientele and by the strictest, most demanding observers and critics.

The primary importance that the Prada Group attaches to innovation is apparent in the continuous development of communications content and channels. In recent years the digital sphere has gradually gained ground, consistently with the implementation of the omnichannel strategy. Through social media accounts,

brand e-commerce websites, corporate website and digital platforms in general, the Group fosters close and immediate contact with the audience to enhance the interest in its brands and values, offering a fluid perspective of content distinguished by creative freedom and intellectual curiosity.
Meanwhile, as the media continues to showcase the Group's products on hundreds of covers of the world's leading fashion magazines and in the most influential dailies and weeklies, the visibility of the brands keeps on growing. Special events also help promote brand profiles and boost awareness of the most recent collections in local markets, especially in large cosmopolitan cities.

HUMAN RESOURCES

The Prada Group puts the human factor and the universe of cultures, talents and identities that compose it at the center of its work. This variety is a source of inspiration for creativity and innovation, and an essential tool for rapidly understanding changes in society and in the market.

At December 31, 2020 the Group has 12,858 employees from 104 countries, with women making up 62% of the total workforce.

The Group, which works in a constantly evolving global market, encourages a culture of diversity, equity and inclusion within its own ranks and along its entire sphere of influence. The interest in elevating minorities led to the establishment in 2019 of the Diversity & Inclusion Advisory Council in the U.S.A., which brings together illustrious activists and experts. The Council, autonomously and independently from any form of Group governance, serves to raise management's awareness of the social aspects of sustainability, particularly those related to diversity.
In order to step up its effectiveness, in 2020 a Chief Diversity, Equity and Inclusion Officer was appointed who, in close contact with the Council and with the Group's top management, is responsible for developing strategies, policies and programs to help ensure representation of diverse cultures and perspectives at all levels of the company.

From the outset, Prada has encouraged and rewarded workplace skills, results orientation and teamwork. The passion and skills of the employees, and of the artisans in particular, are essential for product innovation and quality, for which the Group pursues excellence in all its endeavors and relationships. It cultivates a mindset that leads people to strive for perfection in their work.

Prada Academy is the Group's training hub designed to cultivate talent and ensure the Group's future through the sharing of knowledge, techniques, and ideas. Prada Academy is based on a global digital platform and a team dedicated to the implementation and continuous updating of training plans for each of the three macro areas: Industrial, Retail and Corporate.
Educational paths relating to industrial production take place at the Craftsmanship School through courses dedicated to acquisition of theoretical and practical know-how in the areas of ready-to-wear, footwear and leather goods. The goal is to conserve the heritage of knowledge and expertise that has always characterized the generations of artisans who work for the Prada Group.
In the area of retail training, in addition to the daily support of experienced personnel, the activities conceived for store staff include institutional training courses designed to strengthen key skills, product knowledge and the focus on the customer.
The professional training for members of the corporate team centers on the enhancement of technical skills and behavioral aspects, and aims to improve the handling of operational complexities.

The extensive, merit-based compensation and benefits system ensures fair and equal treatment in terms of gender, title and seniority, and makes the Prada Group a true equal opportunity employer. The Group's remuneration policy seeks to attract, reward and retain skilled personnel and expert managers, while bringing the interests of management into line with the primary objective of creating value for the long-term future.
The Remuneration Committee oversees the compensation packages of top management, taking into consideration roles and responsibilities, as well as market standards for similar positions in a panel of companies comparable to Prada in terms of size and complexity.

The Group is committed to demonstrating its full respect for the value of the individual and of the human rights, especially of workers, recognized in Italian and international agreements and statements such as the United Nations Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises, as noted in the Sustainability Policy approved by the Board of Directors on March 15, 2019. Internal policies safeguard the health and safety of the employees at all the premises in accordance with the highest standards and in full compliance with local and international regulations and with the strictest public health emergency protocols, such as during the Covid-19 pandemic in 2020. In most locations (offices, warehouses and stores), these risks are limited. Manufacturing facilities present the greatest risk in terms of health and safety, although still to a limited degree. Safety training and refresher courses, with an emphasis on industrial facilities, helped keep the number of accidents very low in 2020, as well as in previous years.

The Prada Group collaborates with trade unions to continuously improve the working conditions of its employees and to foster the medium/long-term well-being of its employees and respective communities. In particular, on the occasion of the Covid-19 pandemic, the Group was among the first operators in Italy to establish rigorous protocols for the protection of employee safety which allowed the reopening of production plants during the most acute phase of the lockdown in Italy. Over the years the Group has stipulated many supplementary agreements, especially in Italy, the United Kingdom and France, whereby it offers better benefits than those already in the local collective bargaining agreements. Thanks to the respect, dialogue and cooperation with trade unions, no labor strikes occurred in the year, just as none had occurred in recent years.

With regard to the working conditions of employees throughout the supply chain, the Company has identified some industrial supplier risks, for which it has adopted a Qualified Vendor List (QVL) procedure. This tool defines the responsibilities and operational behaviors required in the assessment of the ethical, technical and financial reliability of the suppliers. Specifically for ethical issues, the accreditation and subsequent maintenance of a supplier's qualification is based on compliance with Group's Code of Ethics and the collection of documents, statements and self-certifications that ensure compliance with the law on remuneration, social security, taxation, occupational health and safety, the environment, privacy and the governance model. During recent years the Group launched an audit plan at the manufacturing locations of the suppliers in order to further control risks of human rights violations and inadequate working conditions.

ENVIRONMENT AND LOCAL AREAS

The Prada Group believes it has a responsibility to engage in and cultivate virtuous behaviors that contribute to the sustainable growth of its business and are examples of good practice within its industry. Prada is committed to reducing its environmental impact not only within the organization but also by raising the awareness of its stakeholders and partnering with qualified third parties.

Fighting climate change and conserving the places where it operates are ways the Group intends reduce its ecological footprint with the greatest priority.

The reduction of greenhouse gas emissions is supported by an important energy-efficiency action plan implemented recently that has achieved many results, including the construction of 10 large photovoltaic power stations, the gradual replacement of all air conditioning and cooling systems with those equipped with latest-generation technology, a campaign for the complete, definitive coverage of all lit spaces with low-energy LED lamps, and the installation of technologies to improve the recording and consequential optimization of energy consumption.
As of December 31, 2020, these measures have earned the Group 58 certifications from LEED (Leadership in Energy and Environmental Design, the world's most widely used system for green building assessment) for its stores and factories (20 new certifications in 2020).

Respect for the places where its facilities are located has been a guiding principle for the Prada Group from the start. Reducing land take, renovating existing structures and working toward building requalification have inspired the decisions made in more than thirty years of industrial development.
Prada's manufacturing and storage facilities are an excellent example of its responsible relationship with the environment. These buildings occupy more than 200,000 m2, and almost all are located in Italy. Five of them are new constructions, three are the products of industrial archeology projects, and many more have been converted from sites long abandoned and in obvious disrepair.
For four of its largest industrial projects, Prada hired architect Guido Canali, Italy's leading proponent of sustainable architecture. This relationship, initiated in the 1990s and still underway in a new, important phase, was developed while business ethics were being introduced voluntarily and spontaneously at a time in history in which the significance of adopting such values had not been realized

Prada industrial Headquarter
Valvigna, Terranuova Bracciolini (AR)
by architect Guido Canali

SEA BEYOND

United Nations
Educational, Scientific and
Cultural Organization

Intergovernmental
Oceanographic
Commission

**Sustainable
Development
Goals**

PRADA
RE-NYLON

yet. The Prada Valvigna factory, as well as the new logistic hub in Levanella, both in Tuscany, represent the synthesis of these principles: a structure that fits in well with the local environment, is capable of generating sustainable efficiency, and whose design is harmonious with its natural surroundings.

With respect to protecting biodiversity, the decision to adopt a fur-free policy and the launch of Prada Re-Nylon are the most significant recent expressions of the Group's commitment to this important area of environmental sustainability. The Prada Re-Nylon campaign, initiated in 2019 with the ambitious goal of fully replacing the use of virgin nylon with that of regenerated nylon, progressed according to plan with the extension of the use of Prada's iconic fabric to a significant share of the clothing and leather goods collections.

In 2020, for World Oceans Day, the Prada Group inaugurated the international educational program "Sea Beyond" in partnership with UNESCO. The project involves students of various countries throughout the world to spread awareness of how important the oceans are for the future of the planet and it harnesses the energy and creativity of young generations for activities intended to build a more sustainable society. Due to the pandemic and the closing of many of the schools involved, Prada and the Intergovernmental Oceanographic Commission of UNESCO decided to postpone to 2021 the initiatives initially planned for 2020.
Participation in the Fashion Pact, which was signed on August 23, 2019 at the G7 Meeting in France, was a unique opportunity to accelerate the Group's commitment to environmental sustainability and capitalize its efforts with those of more than 60 leading fashion and textile companies. In 2020 the Fashion Pact set up a flexible yet effective governance, signed on expert technical partners and started an extensive project to share knowledge among participants in order to achieve the challenging objectives of the plan: contrasting climate change, restoring biodiversity and protecting the oceans.

Left page
Prada Group and UNESCO educational programme "Sea Beyond"

SPECIAL PROJECTS

Art, philosophy, architecture, literature and film are the main cultural disciplines that represent continuous sources of inspiration for the Group. The network of connections broadens horizons, subverting norms, boldly challenging expectations and shaping scenarios that deviate from the ordinary. Interaction with these apparently distant cultural spheres has led to a number of special projects that, over the years, have helped define the many facets of the Prada world.

Prada's interest in architecture has always been evident in its cutting-edge manufacturing sites, with the requalification and conversion of former factories into showrooms and offices, and the development of revolutionary retail concepts thanks to prestigious partnerships with some of the most influential architectural firms in the world.

In 2015 Herzog & de Meuron, winners of the Pritzker Architecture Prize, worked with the Group on the Miu Miu flagship store in the Aoyama district of Tokyo, the core of the brand's Japanese operations. A few years earlier, from 2000 to 2004, Herzog & de Meuron and another Pritzker Prize winner, Rem Koolhaas, had partnered with Prada on the Epicenter Concept Stores in New York, Los Angeles and Tokyo. These Epicenters, still key for the Group's image, are the result of innovative thinking about the shopping concept, revisited and reinvented in order to create unique stores, where luxury goods, technology, design and architecture combine seamlessly with a vast range of exclusive services and sensory and digital experiences. On occasion, the Epicenters host movie screenings, exhibitions, debates and other cultural events.

The restoration of Rong Zhai, a historic residence in downtown Shanghai, was completed in 2017 after a scrupulous, six-year refurbishment. Rong Zhai, yet another example of the Prada Group's interest in the restoration of historical landmarks, is the result of a fruitful partnership with architects, historians, and artisans and is now the center of the Group's cultural events in China.

The interests and the passions of Miuccia Prada and Patrizio Bertelli have inspired the Prada Group to support the activities of Fondazione Prada, created in 1993 in Milan to develop contemporary art exhibitions along with architecture, cinema, philosophy and performing arts projects. The sponsorship of Fondazione Prada makes it possible to observe changes in society from a culural perspective, contributing significantly to the inspiration of the creative activities. The Group associates the success of Fondazione Prada with its image and shares the related value with all stakeholders interested in this form of cultural engagement. Since 2010 Fondazione Prada has presented twenty-four exhibitions in Milan dedicated to important international artists, as well as other activities in the field of cinema, architecture and philosophy in Italy and abroad.

Since 2011, Fondazione has also been operating from its Venetian venue, Ca' Corner della Regina, an eighteenth-century building that has hosted seven art exhibitions, an experimental platform dedicated to cinema, and a large retrospective devoted to Jannis Kounellis.

In 2020, Fondazione Prada's headquarters in Milan, inaugurated in 2015 and designed by the architectural firm OMA, had a program of three exhibitions: "The Porcelain Room", curated by Jorge Welsh and Luísa Vinhais, "Storytelling" by Liu Ye, conceived by Udo Kittelmann, and "K", a project curated by Udo Kittelmann.

Still in 2020, in response to the temporary closure of the exhibition spaces due to the health emergency, Fondazione Prada expanded and reinvented its digital presence.

With the aim of transforming a period of crisis into an opportunity for study and analysis, it experimented new ways of communicating that led to the transformation of its website (fondazioneprada.org) and social media channels into a laboratory of ideas, a platform in which to test new formats and codes.

During the temporary closure of exhibition spaces, new ways of using the Cinema projects, the workshops of Accademia dei bambini and the editorial activities were developed.

In addition, Fondazione Prada presented two digital projects: "Love Stories" and "Finite Rants".

In 2020, Fondazione Prada started "Human Brains," a global project of exhibitions, scientific debates, public meetings, and publishing activities dedicated to brain studies. The project, which will run until 2022, aims to attract public interest in neuroscience and create a forum to facilitate exchanges between scientists, philosophers and scholars.

Projects at Prada Rong Zhai in Shanghai included the site-specific event of Alex Da Corte, presented by the Prada Group with the support of Fondazione Prada in November 2020.

Finally, in September 2020 Fondazione Prada helped promote the charity campaign undertaken by Damien Hirst supporting the Save The Children education program in Italy, "Riscriviamo il Futuro." Through the sale of four limited edition prints by the British artist, the campaign raised a total of Euro 3.3 million.

"The Porcelain Room" at Fondazione Prada, Milano.
Photo: DSL Studio

Miuccia Prada’s personal interest in cinema as a contemporary form of art has led to other invaluable collaborations such as the short films entitled “The Miu Miu Women’s Tales”, of which the last two episodes - “In My Room”, directed by Mati Diop and “Nightwalk“, directed by Małgorzata Szumowska - were shown at the 2020 Venice Film Festival as part of the Giornate degli Autori program. The film series, which consists of twenty films produced up to December 2020, calls upon directors of international fame and diverse intellectual backgrounds to explore the world of women.

Interaction with the world of cinema has created various other partnerships with internationally renowned film directors, such as “The Delivery Man” (2018), created and directed by Ryan Hope and interpreted by Academy Award winner J.K. Simmons, “Past Forward” (2016) by Academy Award winner David O. Russell and “Thunder Perfect Mind” (2006) by Jordan and Ridley Scott.

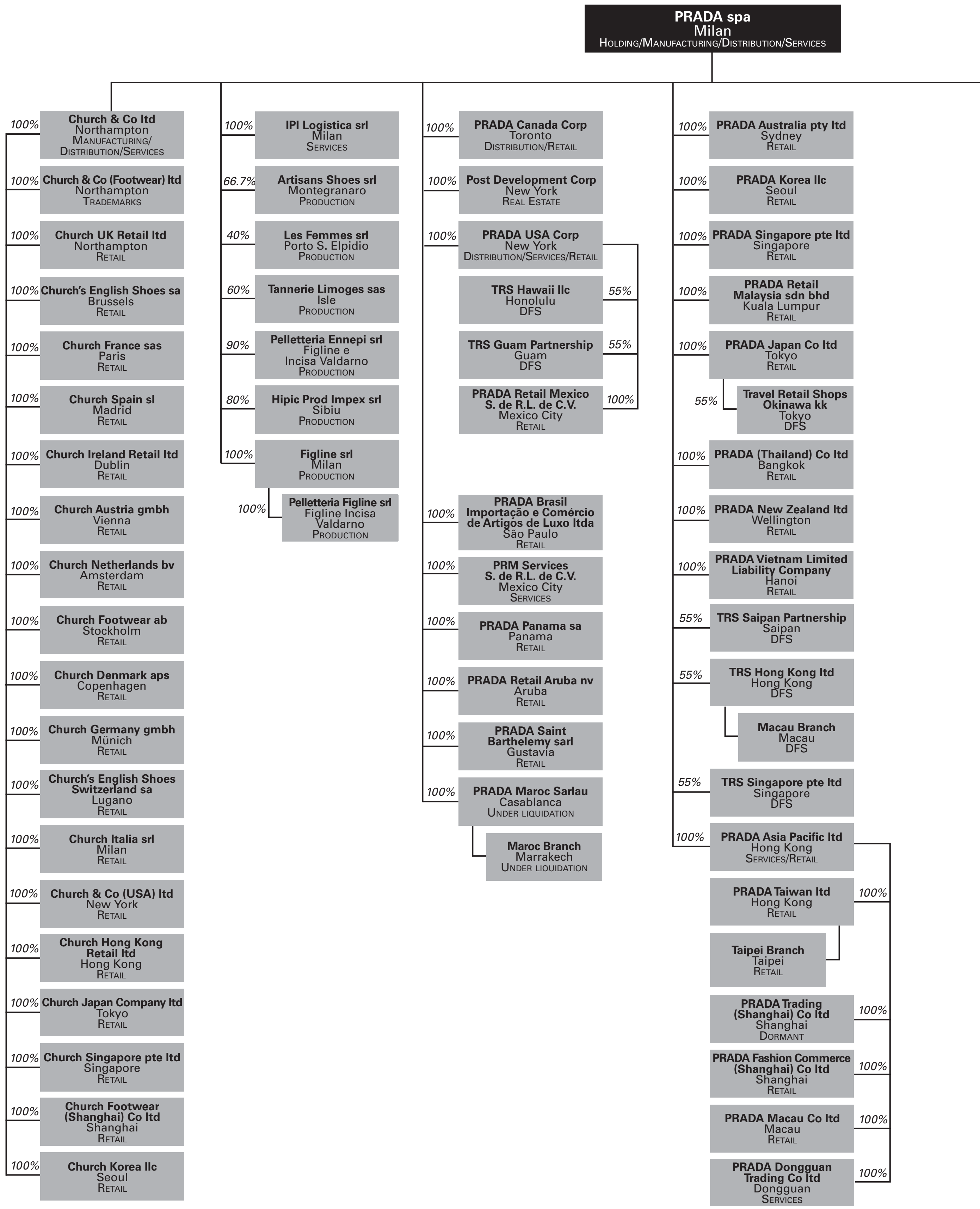
Left page
The Miu Miu Women’s Tales “Nightwalk”
BTS image shot by Ph Brigitte Lacombe,
featuring actors Raffey Cassidy and Filip Rutkowski.

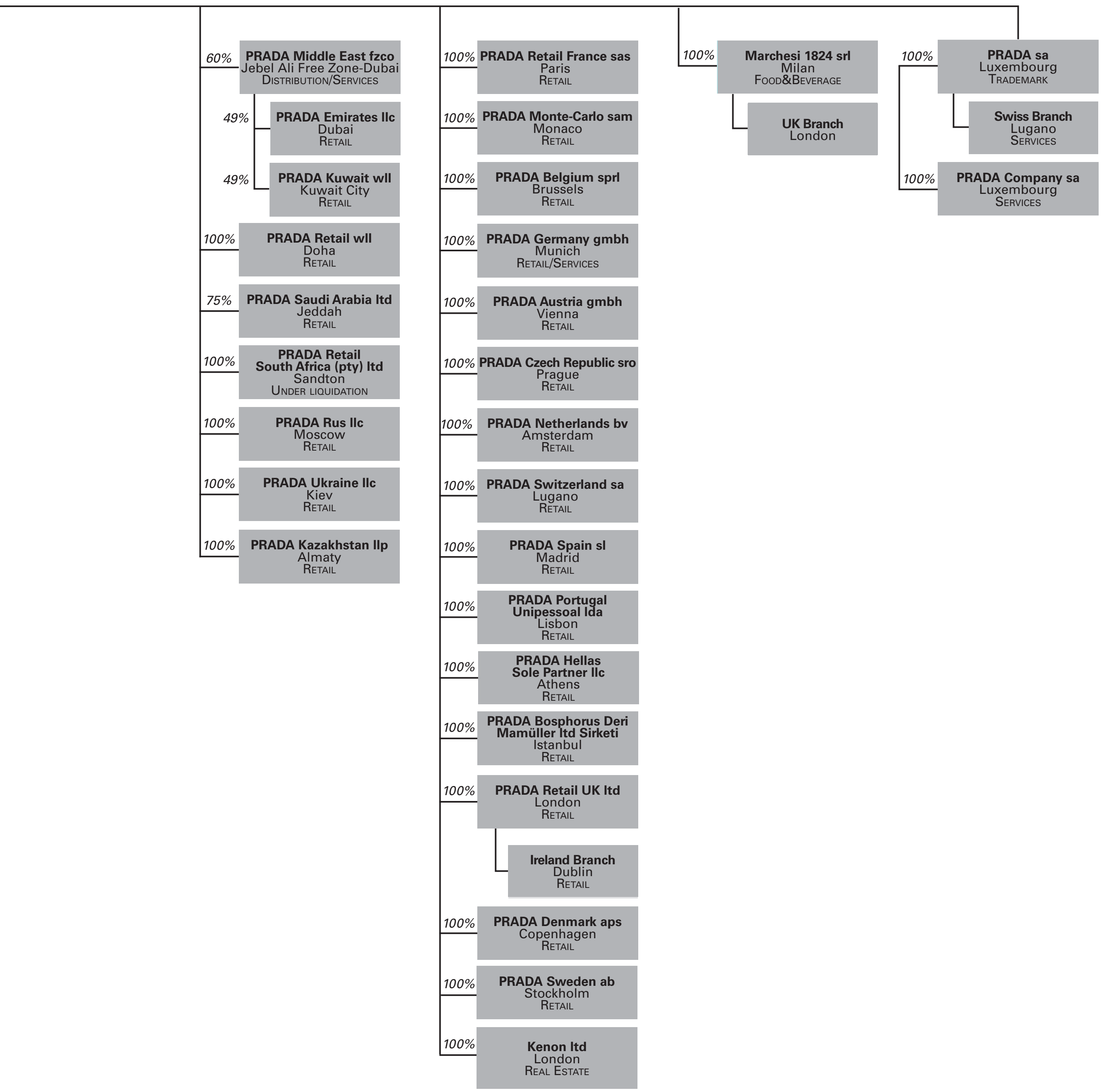

PRESENTED BY
PRADA
PRADA
PIRELLI
PANERAI
PRADA
LUNA ROSSA

Last, but not least, in the area of high-profile sports, the Luna Rossa team sponsored by the Prada Group was a challenger in the America's Cup sailing yacht races of 2000, 2003, 2007, 2013 and 2021, winning the challenger selection regattas in 2000 and 2021 and reaching the finals in 2007 and 2013.
Having benefited from this experience, which made a huge contribution to the commercial success of the lifestyle clothing and footwear, as well as eyewear and fragrances, lines and promoted the Prada brand visibility around the world, the Group participated in the latest edition of America's Cup in the role of main sponsor of the Luna Rossa sailing team and Title and Presenting Sponsor of the event. The 36th edition of the oldest competition in existence, held from December 2020 to March 2021 in Auckland with the names "Prada Cup" and "America's Cup presented by Prada", has been organized with the objective to become the most broadcasted and most viewed one, assisted by coverage in 195 territories by broadcasters and webcasts.

Left page
Luna Rossa Prada Pirelli Team
Winner of the Prada Cup

PRADA GROUP STRUCTURE




60%
PRADA Middle East fzco
Jebel Ali Free Zone-Dubai
Distribution/Services
49%
PRADA Emirates llc
Dubai
Retail
49%
PRADA Kuwait wll
Kuwait City
Retail
100%
PRADA Retail wll
Doha
Retail
75%
PRADA Saudi Arabia ltd
Jeddah
Retail
100%
PRADA Retail
South Africa (pty) ltd
Sandton
Under liquidation
100%
PRADA Rus llc
Moscow
Retail
100%
PRADA Ukraine llc
Kiev
Retail
100%
PRADA Kazakhstan llp
Almaty
Retail
100%
PRADA Retail France sas
Paris
Retail
100%
PRADA Monte-Carlo sam
Monaco
Retail
100%
PRADA Belgium sprl
Brussels
Retail
100%
PRADA Germany gmbh
Munich
Retail/Services
100%
PRADA Austria gmbh
Vienna
Retail
100%
PRADA Czech Republic sro
Prague
Retail
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PRADA Netherlands bv
Amsterdam
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PRADA Switzerland sa
Lugano
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PRADA Spain sl
Madrid
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PRADA Portugal
Unipessoal lda
Lisbon
Retail
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PRADA Hellas
Sole Partner llc
Athens
Retail
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PRADA Bosphorus Deri
Mamüller ltd Sirketi
Istanbul
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PRADA Retail UK ltd
London
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Ireland Branch
Dublin
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PRADA Denmark aps
Copenhagen
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PRADA Sweden ab
Stockholm
Retail
100%
Kenon ltd
London
Real Estate
100%
Marchesi 1824 srl
Milan
Food&Beverage
UK Branch
London
100%
PRADA sa
Luxembourg
Trademark
Swiss Branch
Lugano
Services
100%
PRADA Company sa
Luxembourg
Services

PRADA S.P.A. CORPORATE INFORMATION

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Company Corporate web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Share Capital	Euro 255,882,400 (represented by 2,558,824,000 shares of Euro 0.10 each)
Board of Directors	Carlo Mazzi (*Chairman & Executive Director)* Miuccia Prada Bianchi *(Chief Executive Officer & Executive Director)* Patrizio Bertelli *(Chief Executive Officer & Executive Director)* Alessandra Cozzani *(Chief Financial Officer & Executive Director)* Stefano Simontacchi *(Non-Executive Director)* Maurizio Cereda *(Independent Non-Executive Director)* Gian Franco Oliviero Mattei *(Independent Non-Executive Director)* Giancarlo Forestieri *(Independent Non-Executive Director)* Sing Cheong Liu *(Independent Non-Executive Director)*
Audit Committee	Gian Franco Oliviero Mattei *(Chairman)* Giancarlo Forestieri Maurizio Cereda
Remuneration Committee	Maurizio Cereda *(Chairman)* Carlo Mazzi Gian Franco Oliviero Mattei

Nomination Committee	Gian Franco Oliviero Mattei *(Chairman)* Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi *(Chairman)* Roberto Spada *(Standing member)* David Terracina *(Standing member)*
Supervisory Board (Italian Leg. Decr. 231/2001)	David Terracina *(Chairman)* Gian Franco Oliviero Mattei Gianluca Andriani
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Authorized Representatives in Hong Kong S.A.R.	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Alternate Authorized Representative to Carlo Mazzi in Hong Kong S.A.R.	Sing Cheong Liu Flat A, 17/F Park Haven 38 Haven Street Causeway Bay, Hong Kong S.A.R. (P.R.C.)
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong S.A.R. (P.R.C.)
Auditor	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

FINANCIAL REVIEW

FINANCIAL REVIEW BASIS OF PREPARATION

The Board of Director's Financial Review refers to the group of companies controlled by PRADA spa (the "Company"), the parent company of the PRADA Group (the "Group"). This Financial Review should be read in conjunction with the Consolidated Financial Statements and the related Notes, which are an integral part thereof.

The tables reported in the Financial Review have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. Some "non-IFRS measures" are also used within the Financial Review in order to represent some economic and financial aspects of the period from a management perspective.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	twelve months period ended December 31, 2020	% on net revenues	twelve months period ended December 31, 2019	% on net revenues
Net Sales	2,390,866	98.7%	3,183,339	98.7%
Royalties	31,873	1.3%	42,255	1.3%
Net revenues	2,422,739	100%	3,225,594	100%
Cost of goods sold	(679,361)	-28.0%	(905,982)	-28.1%
Gross margin	1,743,378	72.0%	2,319,612	71.9%
Product design and development costs	(102,232)	-4.2%	(127,378)	-3.9%
Advertising and promotion expenses	(206,848)	-8.5%	(231,011)	-7.2%
Selling costs	(1,143,994)	-47.2%	(1,470,101)	-45.6%
General and administrative expenses	(154,410)	-6.4%	(184,343)	-5.7%
Operating expenses	(1,607,484)	-66.3%	(2,012,833)	-62.4%
Selling expenses of the closed stores during the lockdowns (*)	(115,833)	-4.8%	-	-
Total operating expenses	(1,723,317)	-71.1%	(2,012,833)	-62.4%
EBIT	20,061	0.8%	306,779	9.5%
Interest and other financial income / (expenses), net	(29,480)	-1.2%	(25,174)	-0.8%
Interest expenses on Lease Liability	(42,670)	-1.8%	(48,980)	-1.5%
Dividends from investments	277	0.0%	2,135	0.1%
Total financial income/(expenses)	(71,873)	-3.0%	(72,019)	-2.2%
Income / (loss) before taxation	(51,812)	-2.1%	234,760	7.3%
Taxation	(2,556)	-0.1%	22,964	0.7%
Net income / (loss) for the period	(54,368)	-2.2%	257,724	8.0%
Net income / (loss) - Non-controlling interests	(229)	0.0%	1,936	0.1%
Net income / (loss) - Group	(54,139)	-2.2%	255,788	7.9%
Basic and diluted earnings / (losses) per share (in Euro per share)	(0.021)		0.100	

(*) Non-IFRS measures

KEY FINANCIAL INFORMATION

Key economic figures (amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Net revenues	2,422,739	3,225,594
EBIT	20,061	306,779
% Incidence on net revenues	0.8%	9.5%
EBIT excluding Selling expenses of the closed stores during the lockdowns	135,894 (*)	-
% Incidence on net revenues	5.6%	-
Net income / (loss) of the Group	(54,139)	255,788
Earnings / (losses) per share (Euro)	(0.021)	0.100
Average number of employees (in unit)	13,331	13,779
Net Operating Cash Flows (**)	262,100	362,365

(*) The "Selling expenses of the closed stores during the lockdowns", a non-IFRS measure, include the direct costs pertaining to the stores that could not operate following the closure periods related to the pandemic in the various countries around the world

(**) Non- IFRS measure equal to Net Cash Flows from operating activities less repayments of lease liability

Key indicators (amounts in thousands of Euro)	December 31 2020	December 31 2019
Net operating working capital	667,024	702,835
Net invested capital (Right of Use assets included)	5,296,489	5,809,417
Net financial surplus / (deficit)	(311,357)	(405,544)
Group shareholders' equity	2,832,057	2,967,158

2020 HIGHLIGHTS

The year 2020 was disrupted by the Covid-19 pandemic, which had dramatic health, social and economic consequences on a global scale, still enduring in the initial months of 2021. The restrictions on individuals' free movement imposed by governments and the general distress caused by the spread of the pandemic had a significant impact on luxury spending. The elimination of tourism flows resulted in a considerable drop in the demand, but at the same time fostered local consumptions. In addition, changes previously underway accelerated, like for example the growth of digital communication and on-line sales along with the expansion of the share of young consumers.

The pandemic had the greatest effect on the Group's business in the first half of the year, although with different trends across countries. Sales picked up gradually towards the end of the first half of the year, practically everywhere, to the point of full retail recovery in October and December compared to the same months of 2019, despite a new wave of lockdowns, mainly in Europe.

Overall, the Prada Group operated in the twelve months of 2020 with an average of 18% of stores closed (27% in the first half and 9% in the second), which peaked at 70% in April 2020. At December 31, 2020, 22% of the stores were still closed due to the pandemic.

The Group's reaction to the emergency was immediate, decisive and far-reaching. Each business function revised its activities and adapted the workforce, prioritizing employee safety and customer centrality.
Prada's business model, which is deeply rooted in Italy and features strict controls over all the productive processes, along with full collaboration with government authorities and the flexibility of the Group's craft workers, enabled limiting the production shutdown to merely five weeks. This ensured some supply continuity to the stores. The ability to readily reallocate finished products within the retail network helped the assortment in stores that stayed open and the growth of the direct e-commerce channel, thus preventing excessive inventories. The retail personnel kept contacts with customers alive during the various closure periods, whereas all the other functions ensured operational continuity in a context of severe cost containment, especially in the first half of the year.
Operating expenses were reduced thanks in part to rent discounts obtained and wage supplements where the Group' subsidiaries were eligible to access. In addition, the investment program was revised during the year as some renovation and relocation projects for the retail network were postponed. Some marketing initiatives were canceled or postponed too and discretionary expenses were trimmed. At the same time, at the reopening of the stores in the various countries, an important plan of pop-ups and special installations in the retail spaces was implemented, fully integrating it with a dedicated communication strategy.
The objective of enhancing the value of the Group over the long-term led to the appointment during the year of Raf Simons as Prada's new Creative Co-Director and the addition of new top positions in the Industrial, Marketing and Communication areas.
The pandemic spurred the digital evolution reinforcing the Prada Group's vision of expanding the omnichannel strategy, which during the year made additional progress: an important plan to update the back-end technological and organizational structures was established, the prada.com and miumiu.com customer experiences were redesigned on an international scale, new e-commerce markets were opened, content was localized and customized, and the digital communication strategy was strengthened through full use of social media channels, in various areas of the world. Sales from the e-commerce channel tripled from 2019 levels and the

Group’s brand relevance in the digital world showed considerable improvements. The 2021 Spring/Summer Prada and Miu Miu fashion shows were presented digitally, and gained visibility for their originality and impeccable performance, even in the new format. Miuccia Prada’s and Raf Simons’ co-management of the creative work made its debut at the Prada Womenswear show in September, paving the way for an important partnership between the two designers and representing an example of change in creativity leadership models for the entire fashion industry.

In the year of the pandemic, the focus on sustainability in the Group’s business led to numerous initiatives aimed at offering wide-ranging support in the society: from the conversion of the Torgiano plant in Umbria, Italy for the production of personal protective equipment and scrubs to be donated to hospitals and employees, to support scientific research on the novel coronavirus, not to mention the numerous donations. One of these led to allocating the proceeds from the Tools of Memory auction to support UNESCO’s “Keeping Girls in the Picture” campaign, to contrast social abuses relating to the public health emergency.
On the environmental front, the campaign to transition from the use of virgin nylon to regenerated nylon (“Prada Re-Nylon”) proceeded according to plan thanks to the use of the new version of the iconic fabric for the production of a complete collection including clothing and footwear.
The agenda of the Fashion Pact, a coalition of 60 leading international fashion companies of which Prada was one of the first participants, made large steps forward in taking concrete action to contrast climate change, restore biodiversity and protect the oceans.

In December 2020, the adventure officially began in Auckland for the Luna Rossa sailing team, sponsored by the Group and one of the protagonists of the Prada Cup and 36th America’s Cup presented by Prada. The prestigious competition, the oldest still played, has been planned to achieve extraordinary media exposure to the brand thanks to a global coverage with 195 territories involved.
Last, but not least, in order to optimize the retail presence in Milan and to profitably realize no longer useful real estate assets, in December 2020 the Prada Group sold its commercial property in Via della Spiga, occupied until March by a Prada store that closed during the pandemic and never reopened, as described in Note 15. The transaction generated an extraordinary income amounting to Euro 27 million, net of tax.

The Group, thanks to a disciplined cost containment program, a limited amount of investments and the withdrawal of dividends on 2019 results, enabled to keep the debt under strict control. The year-end net financial deficit is Euro 94 million less than at December 31, 2019, providing the basis for the applications needed to relaunch the business activities.

ANALYSIS OF NET REVENUES

(amounts in thousands of Euro)		twelve months ended December 31 2020		twelve months ended December 31 2019	% change
Net Sales by geographical area					
Europe	741,131	31.0%	1,228,437	38.6%	-39.7%
Asia Pacific	963,845	40.3%	1,017,593	32.0%	-5.3%
Americas	324,479	13.6%	455,402	14.3%	-28.7%
Japan	280,232	11.7%	386,066	12.1%	-27.4%
Middle East and Other countries	81,179	3.4%	95,841	3.0%	-15.3%
Total Net Sales	2,390,866	100%	3,183,339	100%	-24.9%
Net Sales by brand					
Prada	2,012,620	84.2%	2,643,348	83.0%	-23.9%
Miu Miu	329,497	13.8%	450,491	14.2%	-26.9%
Church's	36,964	1.5%	69,801	2.2%	-47.0%
Other	11,785	0.5%	19,699	0.6%	-40.2%
Total Net Sales	2,390,866	100%	3,183,339	100%	-24.9%
Net Sales by product line					
Leather goods	1,310,938	54.8%	1,765,799	55.5%	-25.8%
Clothing	604,571	25.3%	729,350	22.9%	-17.1%
Footwear	442,792	18.5%	627,576	19.7%	-29.4%
Other	32,565	1.4%	60,614	1.9%	-46.3%
Total Net Sales	2,390,866	100%	3,183,339	100%	-24.9%
Net Sales by channel					
Net Sales of direct operated stores (DOS)	2,115,370	88.5%	2,636,097	82.8%	-19.8%
Sales to independent customers and franchisees	275,496	11.5%	547,242	17.2%	-49.7%
Total Net Sales	2,390,866	100%	3,183,339	100%	-24.9%
Net Revenues					
Net Sales	2,390,866	98.7%	3,183,339	98.7%	-24.9%
Royalties	31,873	1.3%	42,255	1.3%	-24.6%
Total Net Revenues	2,422,739	100%	3,225,594	100%	-24.9%

DISTRIBUTION CHANNELS

Total net sales for the twelve months ended December 31, 2020 were some Euro 2,391 million, down by 23.6% at constant exchange rates (down by 24.9% at current exchange rates) compared with approximately Euro 3,183 million of the same period of 2019: the contraction at constant exchange rates was 18.2% for the retail channel (-19.8% at current exchange rates) and 49.5% for the wholesale

channel (almost equal at current exchange rates).
The retail channel, that started the year with double-digit growth in Europe, the Americas and the Middle East, began to show a decline in February, at the height of the public health emergency in China. The subsequent global spread led to the closing of stores in nearly all countries: from February to May the Prada Group operated with an average of 40% of stores closed, which peaked at 70% in April.
When the stores were reopened, and compatibly with the market environment influenced by the health measures introduced and the absence of tourists, net retail sales rallied, and the contraction at constant exchange rate narrowed from 32.5% for the first half of the year to 5.7% for the second half. In more detail, the retail sales recovery in the fourth quarter was stronger than in the third quarter, notwithstanding the reinstatement of the restrictions in Europe to counter a resurgence of the pandemic.
There are 633 stores at December 31, 2020, after twelve new store openings and twenty closings. At the reporting date, 140 stores are still closed to the public due to the pandemic.
The distress of physical stores was compensated for in part by direct e-commerce sales, which tripled in value compared with 2019 and had triple-digit growth rates throughout the whole period.

The wholesale channel presented a 49.5% decline from 2019 at constant exchange rates. The pandemic undoubtedly affected the shipping volumes in 2020, but a large share of the contraction compared with the prior year was substantially attributable to the decision to rationalize the network of independent customers with the objective of protecting brand image and ensuring additional retail growth.

On the whole, the retail channel accounted for 88.5% of the Prada Group's net sales in 2020, versus 82.8% in 2019.

MARKETS

Asia Pacific was the first market to suffer the effects of the pandemic, but also the first to show important signs of recovery. Retail net sales for the year ended December 31, 2020 were substantially in line with those of 2019 (up by 0.7% at constant exchange rates, down by 1.1% at current exchange rates). During the year they showed significant recovery: in the first half of the year they posted a decrease of 18.3% at constant exchange rates compared with the first half of

2019, while in the second half of 2020 the showed an increase of 19% at constant exchange rates compared with the same period of 2019. Significant double-digit growth in mainland China, South Korea and Taiwan offset the revenue reduction in other countries, particularly Hong Kong S.A.R. and Macau S.A.R., which were severely impacted by the lack of tourism flows.
The absence of travelers, particularly in the duty free channel, was also responsible for the decline in wholesale sales, but for China where the channel in the second half of the year posted a significant growth compared to the second half of 2019.

In Europe, the effects of repeated, prolonged lockdown periods were aggravated by the restrictions imposed on the movement of individuals, considering the significance of tourism flows for this market.
After double-digit growth in January and February, the retail net sales of the region fell considerably, bottoming out between March and June; the annual contraction was 35.1% at constant exchange rates (-36.3% at current exchange rates) compared with 2019. However, the positive response of local customers to the reopening of the stores and the direct e-commerce channel enabled to mitigate the effects of the missing tourism flows. In the first half of 2020 the region posted at constant exchange rates a contraction of 40.7% compared to the same period of 2019, while in the second half of the year the difference compared to the same period of the last year was 30.8%. Furthermore, the results of the European market benefited from the particularly favorable performance of Russia.
Europe, the main market for the wholesale channel, was the region hit the most by the aforementioned strategic decision to select the independent accounts.

The American retail channel, after a double-digit growth until the end of February, experienced a drastic decrease at the time of the outbreak, posting a turnaround in the second half of the year. In America, the sales recovery when the stores reopened was stronger because local customers represent a structurally larger share than do tourists. The 41.9% contraction at constant exchange rate of the first half of 2020 compared with the same period of 2019 shrank to 16.6% on a twelve-month basis (-19.8% at current exchange rates), thanks to a second half with results up by 4.3% compared to the same period of 2019.
The decline in the wholesale of this region, although not material for the entire channel, was steeper than in other regions due to the struggles of some department stores.

The Japanese market reported net retail sales down by 28.2% at constant exchange rates compared with the twelve months of 2019 (same contraction at current exchange rates). The lack of tourism flows in Japan and the prolonged shutdowns in Hawaii, Guam and Saipan was partially offset by positive trends in local consumption.

Retail sales in the Middle East area contracted by 11.7% for the year at constant exchange rates (down by 13.6% at current exchange rates), with a double-digit growth in the second half of 2020 (up by 26.5 at constant exchange rates) sustained by local consumers, that was able to offset much of the 43.8% decline of the first six months of 2020.

PRODUCTS

All product categories showed a decrease in the retail channel compared to the same twelve months of 2019: clothing -11.6% at constant exchange rates (-13.3% at current exchange rates), leather goods -18.6% (-20% at current exchange rates) and footwear -22.7% (-24.5% at current exchange rates).

All categories benefited from recovery in the second part of the year, particularly clothing, whose sales in the second half of 2020 were in line with those of the same period of 2019. Leather goods have found positive responses from the markets both on the occasion of the launch of new products and when iconic items have been reinterpreted, as was the case for the Re-edition bag. The same dynamics also occurred for the footwear segment, in particular for the newness related to lifestyle collections.

The wholesale decrease, because of the aforementioned rationalization policy, impacted similarly all the three categories.

BRANDS

The retail sales of the Prada and Miu Miu brands fell by 16.6% and 22.5% respectively at constant exchange rates compared with the twelve months ended December 31, 2019 (down by 18.2% and 23.8% at current exchange rates), with both brands showing rapid recovery in the second part of the year. The wholesale channel had similar trends.

The Church's brand experienced a more severe drop (down by 47.4% at constant exchange rates) due to its dominant presence in Europe and the larger weight of the wholesale channel.

ROYALTIES

Licensed businesses generated 24.6% less royalty income compared with the same twelve-month period of 2019; eyewear and fragrance segments presented similar trends.

NUMBER OF STORES

	December 31, 2020		December 31, 2019		December 31, 2018	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	410	20	410	19	398	25
Miu Miu	152	6	160	6	166	9
Church's	62	-	62	-	63	-
Car Shoe	3	-	3	-	4	-
Marchesi 1824 and others	6	-	6	-	5	-
Total	633	26	641	25	636	34

	December 31, 2020		December 31, 2019		December 31, 2018	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	222	-	229	-	226	4
Americas	108	-	107	-	111	-
Asia Pacific	194	21	198	20	195	25
Japan	88	-	85	-	81	-
Middle East	21	5	22	5	23	5
Total	633	26	641	25	636	34

OPERATING RESULTS

The gross margin of the twelve months ended December 31, 2020 corresponded to 72% of net revenues, substantially in line with the 2019 incidence of 71.9%. The favorable sales mix in terms of channel and geographical area enabled to offset the dilution of the initial months of the year caused by reduced economies of scale in the manufacturing division.

The total operating expenses, including the operating costs of stores closed during the lockdown periods, were Euro 1,723.3 million, down by Euro 289.5 million from the comparative period. Approximately half of the reduction was attributable to rent discounts obtained and governments subsidies supplementing earned income, of which the Group benefited, especially Europe. The remainder was due to reduced discretionary expenses, greater real estate capital gains in 2020 and lower variable costs associated with sales.
Advertising and communications costs, Euro 206.8 million in the twelve months ended December 31, 2020, fell by Euro 24.2 million from the same period of 2019; a significant portion of the expenses incurred was allocated to digital communication that proved to be key to strengthen customers’ relationships in the given circumstances.
The product design and development costs of Euro 102.2 million in the twelve months ended December 31, 2020 were Euro 25.1 million lower than in the same period of 2019, largely as a result of curbing the resources spent on product development activities.
General and administrative costs, Euro 154.4 million in the twelve months ended December 31, 2020, showed a decrease of Euro 29.9 million. This costs category included the capital gain on the sale of the building in via Spiga 18, Milan.

The EBIT was Euro 20.1 million.

The amounts commented on above include the operating expenses of the stores shut down during the lockdown periods, detailed hereunder:

(amounts in thousands of Euro)	twelve months ended December 31 2020
Depreciation of the Rights of Use assets, net of related Covid lease discounts	45,519
Cost of labor, net of related government subsidies	35,453
Depreciation of tangible fixed assets	27,744
Other expenses	7,117
Total Selling expenses of the closed stores during the lockdown	115,833

FINANCIAL EXPENSES AND TAXATION

The net finance costs of Euro 71.9 million were substantially consistent with those of 2019 (Euro 72 million).
Interest expense on the lease liability fell by Euro 6.3 million compared with the previous year as a result of a lower amount and shorter time horizon of the liability. That effect was offset by greater net bank interest expense, mainly following lower interest income on surplus funds, and foreign exchange losses associated with the revaluation of foreign-currency liabilities.

The income tax expense, net was Euro 2.6 million against a pre-tax loss of Euro 51.8 million. The income tax calculation was affected by permanent upward differences to the pre-taxable result as well as to the prudence adopted in the recognition of deferred tax assets.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NET INVESTED CAPITAL

The following table reclassifies the Statement of Financial Position to provide a better view of net invested capital:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Right of Use assets	2,054,338	2,362,841
Non-current assets (excluding deferred tax assets)	2,507,244	2,670,839
Trade receivables, net	290,380	317,554
Inventories, net	666,222	712,611
Trade payables	(289,578)	(327,330)
Net operating working capital	667,024	702,835
Other current assets (excluding items of financial position)	246,914	244,341
Other current liabilities (excluding items of financial position)	(221,421)	(250,090)
Other current assets/(liabilities), net	25,493	(5,749)
Provision for risks	(45,416)	(49,484)
Post-employment benefits	(73,256)	(63,519)
Other long-term liabilities	(61,576)	(23,215)
Deferred taxation, net	222,638	214,869
Other non-current assets/(liabilities)	42,390	78,651
Net invested capital	5,296,489	5,809,417
Shareholder's equity - Group	(2,832,057)	(2,967,158)
Shareholder's equity - Non-controlling interests	(19,663)	(21,417)
Total Consolidated shareholders' equity	(2,851,720)	(2,988,575)
Long-term financial, net surplus/(deficit)	(450,075)	(583,766)
Short-term financial, net surplus/(deficit)	138,718	178,222
Net financial deficit	(311,357)	(405,544)
Net financial deficit to Consolidated shareholders' equity ratio	10.9%	13.6%
Long-term Lease Liability	(1,729,819)	(2,005,761)
Short-term Lease Liability	(403,593)	(409,537)
Total Lease Liability	(2,133,412)	(2,415,298)
Net financial deficit, including Lease Liability	(2,444,769)	(2,820,842)
Shareholders' equity and net financial deficit	(5,296,489)	(5,809,417)

The net invested capital at December 31, 2020 amounts to Euro 5,296 million, financed by net bank borrowings of Euro 311.4 million, the lease liability of Euro 2,133 million and the Group's equity of Euro 2,851 million.

The right-of-use asset decreased by Euro 308.5 million on account of the depreciation charge of Euro 443.9 million and foreign exchange losses of Euro 98 million, net of the increase due to new leases and remeasurements of existing ones, equal to approximately Euro 255 million.

The non-current assets (net), excluding deferred tax, fell by Euro 164 million compared with December 31, 2019, from Euro 2,671 million at December 31, 2019 to Euro 2,507 million. The decrease was explained by the Euro 225 million depreciation and amortization for the year and foreign exchange devaluation of Euro 40 million, net of capital expenditures of Euro 121.7 million. Capital expenditures of the year are detailed as follows:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Retail	61,056	121,919
Real estate	-	60,351
Production, Logistics and Corporate	60,686	119,460
Total	121,742	301,730

In response to the public health emergency caused by the pandemic, the Group slowed down the implementation of its investments, prioritizing those most strategic. Notably, the technological and digital evolution projects moved forward according to plan.

The net operating working capital at December 31, 2020 is Euro 667 million, down by approximately Euro 36 million compared with 2019. The difference was almost entirely attributable to an inventory reduction following the reallocation of the inventories of the closed stores to the benefit of those operating and the e-commerce, as well as, an efficient replanning of production activities.

The net other current liabilities shown as Euro 5.7 million in the net invested capital at December 31, 2019 are now net assets of Euro 25.5 million, essentially as a result of the reduced debt for investments (Euro 20.9 million), collection of other receivables (Euro 12 million) and the recognition of a short-term receivable arising on the sale of the building at Via Spiga 18 in Milan (Euro 20 million).

The net other non-current assets are equal to Euro 42.4 million at December 31, 2020, down by Euro 36.3 million compared with December 31, 2019 as a result of a deferral relating to a long-term business agreement (Euro 64 million), net of the payment for the acquisition of Fratelli Prada spa (Euro 20.7 million).

NET FINANCIAL POSITION

The following table provides details of the net financial position:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Bank borrowing – non-current	**(451,200)**	**(584,141)**
Financial payables and bank overdrafts - current	(300,577)	(241,464)
Payables to related parties - current	(3,097)	(3,387)
Total financial payables – current	**(303,674)**	**(244,851)**
Total financial payables	(754,874)	(828,992)
Cash and cash equivalents	442,392	421,069
Financial receivables from related parties - non-current	1,125	375
Financial receivables from related parties - current	-	2,004
Total Financial receivables and Cash and cash equivalents	443,517	423,448
Net financial deficit	(311,357)	(405,544)

The net operating cash flow for the twelve-month period, after lease payments (Euro 373 million), was positive for Euro 262 million and enabled to finance the investing activities, equal to approximately Euro 150 million, in addition to contributing to the improvement of the net bank exposure.

Moreover, the net financial deficit also benefitted from the postponement of the dividend distribution of 2019 results.

During the period, the Group repaid current portion of the long-term borrowings of Euro 205.6 million, stipulated new long-term loans for a total amount of Euro 175 million and obtained additional financial flexibility by stipulating a new revolving credit facility of Euro 300 million (undrawn at December 31, 2020).

The total amount of undrawn lines of credit as at December 31, 2020 is Euro 1,009 million, out of which Euro 600 million of committed lines and Euro 409 million of uncommitted.

All financial covenants at year-end were fully complied.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Short-term Lease Liability	403,593	409,537
Long-term Lease Liability	1,729,819	2,005,761
Total Lease Liability	2,133,412	2,415,298

The Lease Liability decreased from Euro 2,415 million at December 31, 2019 to Euro 2,133 million as a result of the payments made in the period (Euro 373 million), net of re-measurements to reflect lease renewals or modifications (Euro 254.3 million) and interest recognized to adjust the present value of the liability (Euro 42.7 million).

The Lease Liability is concentrated mainly in Japan, U.S.A. and Italy.

The net financial indebtedness, including the Lease Liability, is Euro 2,444 million at December 31, 2020.

Further information on the Group's debt maturities and obligations, currency and interest rate management, commitments and contingent liabilities is provided in Notes 21, 26 and 28 of the Notes to the Consolidated Financial Statements.

RISK FACTORS

RISK FACTORS REGARDING THE INTERNATIONAL LUXURY GOODS MARKET

ECONOMIC RISKS AND INTERNATIONAL BUSINESS RISKS

The performance of the luxury goods market is influenced by individuals' propensity to consume and by the general economy. Accordingly, the Group's financial and business performance is exposed to global social and macroeconomic risks due to its international scale. An unfavorable economy in one or more of the main countries where the Group operates, as well as on a global level, could adversely affect the propensity to spend on luxury goods and have a negative impact on the Group's operations, results, cash flows and financial condition.

Moreover, a substantial portion of sales originates from purchases of products by customers on trips abroad. Therefore, unfavorable economic conditions, social, health or geopolitical situations leading to instability, adverse natural events or government restrictions on movement could negatively impact the Group's sales operations, results, cash flows and general financial condition.

The Group believes that full control over the value chain, a well-balanced physical retail presence in the global market accompanied by an omnichannel strategy with closely integrated sales and communication channels, and a sufficiently diversified product range enable to mitigate the risk that adverse conditions such as these could influence significantly the business performance.

RISKS REGARDING IMAGE AND BRAND RECOGNITION

The Group's success in the international luxury goods business is linked to the image and distinct character of its brands. These features depend on many factors, such as the style and design of the products, the quality of the materials used and production techniques, the image and locations of DOS, careful selection of licensees, communications activities and the general corporate profile.

Preserving the image and prestige acquired by its brands is a primary objective of the Prada Group, pursued by monitoring constantly the Company and its changes, including through close collaboration with the world of art and culture, and by continuously seeking innovation in styles, products and communications in order to convey messages that are always consistent with the strong brand identities. Meanwhile, monitoring meticulously each internal and external phase of the value chain reduces considerably the risk that inappropriate performance could affect the image and therefore the value of the brands.

RISKS REGARDING ABILITY TO ANTICIPATE TRENDS AND REACT TO SHIFTS IN CONSUMER TASTES

The Group's success is reliant on its ability to create and define fashion and product trends, and to anticipate shifts in consumer tastes and luxury market trends in a timely manner.

Miuccia Prada, assisted by a qualified team of stylists and designers, is capable of combining intellectual curiosity, the pursuit of new and unconventional ideas, and cultural and social interests with a strong sense of fashion. This has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone who works in the creative process. The recent appointment of a Creative Co-Director for the Prada brand enables the Group to benefit from dialogue between two designers widely acknowledged as among the most important and influential of our times – Miuccia Prada and Raf Simons – emphasizing the importance and power of creativity while challenging the idea of individuality in creative authorship, in a constantly evolving cultural landscape.

Approximately one thousand individuals work in the design and product development departments. In the design area, a mix of different nationalities, cultures and talents contribute to creativity; in the development area, craft skills combined with solid manufacturing processes enable the Group to keep abreast of emerging consumer trends and lifestyles and to continue to be a major player in the industry.

INTELLECTUAL PROPERTY RISKS

The Prada Group's brands have always been associated with beauty, creativity, tradition and excellent quality. Prada's ability to protect its brands and other intellectual property rights means safeguarding these fundamental assets that are responsible for the success of the brands and the brand positioning.

The Group protects its brands, designs, patents and websites by registering them and obtaining legal protection for them in all countries throughout the world. The Group actively opposes all forms of counterfeiting and intellectual property infringement by adopting strong, systematic measures worldwide. The wholesale, retail, online and offline markets are monitored daily in close collaboration with the Italian and international customs authorities, tax authorities and police.

RISKS SPECIFIC TO THE PRADA GROUP

STRATEGIC RISKS

The possibility for the Group to improve its financial and business performance depends on successful implementation of its commercial strategy for each brand, which is achieved through the continuous support and development of retail sales and the constant recognition of the brands as reference points in the industry.

The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positioning accompanied by a unique buying experience distinguished by careful revision of the physical and digital store concepts and layouts and by constant enrichment of customer services. The performance of the retail channel is supported by marketing initiatives intended to enhance the identity of the brands in the specific markets, emphasizing the unique features that distinguish the style and craftsmanship of the products.

Moreover, the implementation of the omnichannel strategy has paved the way for long-term business development based on product quality, strong innovation and interconnection of distribution and communication channels in line with the evolving demands of consumers.

RISKS REGARDING THE IMPORTANCE OF KEY PERSONNEL

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business. Its success also depends on Prada's ability to attract and retain people who are qualified in the design, product development, marketing, merchandising and corporate and merchandising functions. Another factor for the Group' success is the capacity to attract and train new generations of artisans.

The Group considers its management structure to be capable of ensuring business continuity, and has recently implemented a long-term incentive plan to retain key resources so that they will continue to cover the roles essential to the achievement of the challenging objectives that the Group constantly sets itself.

RISKS REGARDING THE OUTSOURCING OF MANUFACTURING ACTIVITIES

The Prada Group's products are made at 23 manufacturing facilities owned in Europe (20 in Italy, 1 in France, 1 in the United Kingdom and 1 in Romania) and through a network of contract manufacturers carefully selected on the basis of

competence, quality and reliability. Nearly all the prototypes and samples and some finished products are made at the Group's own manufacturing facilities, and the most sensitive phases of production, such as the cutting of hides and the controls over all raw materials (including those to be sent to contract manufacturers) and semi-finished goods take place there as well.
All stages of the production process are checked by the Prada Group's technical staff to ensure that the products meet the quality standards and that the entire supply chain complies with Prada Spa's Code of Ethics, which must be signed before any business relationship is entered into.
A key part of the strategy is to establish long-term business relationships with suppliers based on mutual trust and transparency. The Prada Group works with approximately 1,000 raw material suppliers and contract manufacturers, 80% of which are located in Italy. The Group has implemented a strict quality control process for all outsourced production and contractually requires its contract manufacturers to comply with all regulations on brand ownership and other intellectual property rights. Moreover, the Group demands compliance with applicable regulations concerning labor law, social security and occupational health and safety, and monitors such compliance with a process that uses document controls and, since 2019, audit activities at the suppliers' premises.

CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through its business and financial strategies, which are based on the monitoring of the creditworthiness and solvency of customers, the stipulation of insurance contracts and the use of safe solutions such as advance payments.
Concerning liquid assets, the risk of default substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing surplus operating cash flows. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparties (always investment grade), country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts.

The Group considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of independent parties involved is fragmented.

LIQUIDITY RISK

Liquidity risk refers to difficulty that the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Corporate Finance management, which reports to the CFO, is responsible for optimizing financial resources.
The Directors consider the currently available funds and lines of credit, in addition to the funding that will be generated by operating and financing activities, to be sufficient for enabling the Group to meet its requirements resulting from working capital management, investing activities, punctual loan repayment and the payment of any dividends as planned.

TAX RISKS

The Prada Group's tax strategy is based on the prevention of tax risks and on tax certainty, both of which are pursued through ongoing dialogue and long-term, principled interaction with the tax authorities in the countries where it operates.
The Group's tax risks, which could arise from compliance errors or incorrect interpretation of regulations, are constantly monitored within the scope of an extensive internal control system, and are managed specifically within the tax control framework. The effectiveness of the tax risk management system has made Prada spa eligible to participate in the Cooperative Compliance Tax Regime in Italy (under Italian Legislative Decree 128/2015).
Within such regime, the Group has expanded a systematic, open communication channel with the Italian tax authorities based on reciprocal transparency and trust, with the purpose of minimizing the level of uncertainty about potentially risky situations.
After the inclusion in the regime, the Italian tax authorities invited some companies of the Group to join the International Compliance Assurance Programme ("ICAP") promoted by the Organisation for Economic Co-operation and Development ("OECD").
The program started with a pilot in 2018 that ended in the first half of 2019, followed by a second pilot, "ICAP 2.0", in which the Group formally confirmed its participation in December 2019. As part of the first ICAP pilot, the Group's

participating companies shared extensive information with the tax authorities of the countries where they reside (Italy, the U.S.A., the U.K., Canada and Australia). At the end of the assessment, the respective tax authorities assigned the status of "low-risk taxpayer" to those companies. The companies residing in Italy, Germany and the Netherlands are currently participating in ICAP 2.0.

LEGAL AND REGULATORY RISKS

The Prada Group operates in a complex regulatory environment and so it is exposed to the following legal and regulatory risks:

- risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or with other laws or regulations in force in Hong Kong S.A.R. that the Company must observe as it is listed on the Stock Exchange of Hong Kong Limited;
- risks associated with occupational health and safety under Italian Legislative Decree 81/08 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001, as subsequently amended;
- possible events that could adversely affect the accuracy of the annual financial statements and the protection of assets;
- possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used. In 2020 Prada spa obtained "AEO Full" (Authorized Economic Operator) certification from the Italian Customs Agency for its handling of goods, becoming one of very few taxpayers in Italy to hold simultaneously this qualification and participate in the Cooperative Compliance regime with the Italian Revenue Agency. The AEO Full status enables the Group to reduce considerably the average transfer time for raw materials and finished products through the reduction of physical and document controls, thus improving operational and economic efficiency. In addition, it enhances Prada spa's standing with public authorities and institutions.

The Group involves various divisions and uses external experts as necessary to keep its processes and procedures constantly updated in order to comply with changing rules and regulations in a timely manner, thereby reducing the risk of non-compliance to an acceptable level.
Monitoring activities are performed by the divisional managers, auditors, and

special entities and committees such as the Supervisory Board and the Internal Control Committee.

FOREIGN EXCHANGE RISK

The Group has a vast international presence, and therefore is exposed to the risk that changes in currency exchange rates could adversely impact revenue, expenses, margins and profit. In order to hedge the foreign exchange risk, the Group enters into derivative contracts designed to fix the value in Euro (or other functional currency) of identified future cash flows. The future cash flows consist primarily of inflows of trade and financial receivables and outflows of trade payables. They refer mainly to PRADA spa, the Group's parent company and worldwide distributor of Prada and Miu Miu brand products.
The management of foreign exchange risk is described in more detail in the Notes to the Consolidated Financial Statements.

INTEREST RATE RISK

Interest rate risk is the risk that future cash flows could be affected by interest rate fluctuation. In order to hedge this risk, which refers mainly to PRADA spa, the Group uses derivatives (such as interest rate swaps) to convert variable-rate debt into fixed-rate debt or debt at rates within a specified range.
The management of interest rate risk is described in more detail in the Notes to the Consolidated Financial Statements.

DATA PROCESSING RISK

Data is processed using information systems whose governance model ensures that:

- information is adequately protected against the risk of unauthorized access and disclosure (including with means to protect personal privacy and proprietary information), improper information modification or destruction (including accidental loss), and use that is incompatible with the job assigned;
- data is processed in accordance with the applicable laws and regulations.

In accordance with the specific legislative and regulatory developments on this matter, the Group has set up organizational and operational controls to adapt processes and procedures in order to adopt effective security measures to minimize the risks of non-compliance.

OTHER INFORMATION

INFORMATION ON RELATED-PARTY TRANSACTIONS

Information on the Group's transactions and balances with related parties is provided in the Notes to the Consolidated Financial Statements insofar as required by IFRSs, and in the Corporate Governance Report and within this Financial Review insofar as required by the Hong Kong Stock Exchange Listing Rules.

NON-IFRS MEASURES

The Group uses certain financial measures ("non-IFRS measures") to assess its business performance and to help readers understand and analyze the results of its operations and its financial position. Although they are used by the Group's management, such measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare these Consolidated Financial Statements. Other companies operating in the luxury goods industry might use the same measures, but with different calculation criteria. For this reason, non-IFRS measures should always be read in conjunction with the related notes, and may not be directly comparable with those used by other companies.

In addition to the non-IFRS measures already adopted in the 2019 Annual Report, the Group introduced a new non-IFRS measure, "Selling expenses of the closed stores during the lockdowns", in order to distinguish the portion of selling operating expenses that could not generate revenues following the constraints imposed by the pandemic.

By including this non-IFRS measure, the Group would like to provide additional quantitative information to improve the reader's understanding about the impacts of the Covid-19 pandemic on the business, while helping also the comparison with last year.

The caption "Selling expenses of the closed stores during the lockdowns", Euro 115.8 million for the twelve months ended December 31, 2020, included the main direct costs pertaining to the retail network during the closure periods related to the pandemic, which prevented the stores from operating.

The most significant caption were for Euro 45.5 million the depreciation of rights of use assets, net of Covid-related lease discounts obtained from lessors, for Euro 35.4 million the labor costs, net of government subsidies, and for Euro 27.7 million the depreciation of tangible fixed assets.

In this Annual Report the Prada Group used the following non-IFRS measures:

EBIT: Earnings before Interest and Taxation, i.e. "Consolidated net result for the period" adjusted to exclude "Total financial income/(expenses)" and "Taxation".

EBITDA: Earnings before Interest, Taxation, Depreciation and Amortization, i.e. "Consolidated net result for the period", adjusted to exclude "Total financial income/(expenses)", "Taxation" and "Total depreciation, amortization and impairment (included the Depreciation of the Right of Use assets)".

Markdown sales: Net sales of Group's Directly Operated Stores of end of season products at promotional prices.

Full-price sales (or "regular sales"): Net sales of Group's Directly Operated Stores excluding Markdown sales.

The following sets forth the EBIT and the EBITDA, both excluding and including the "Selling expenses of the closed stores during the lockdowns":

(amounts in thousands of Euro)	twelve months ended December 31 2020	% on net revenues	twelve months ended December 31 2019	% on net revenues
EBIT	20,061	0.8%	306,779	9.5%
Selling expenses of the closed stores during the lockdowns	115,833	4.8%	-	-
EBIT excluding Selling expenses of the closed stores during the lockdowns	135,894	5.6%	306,779	9.5%
Depreciation, amortization and impairment on tangible and intangible fixed assets	225,014	9.3%	233,759	7.2%
Depreciation and write-downs of the Right of Use assets (*)	443,910	18.3%	456,310	14.1%
Total depreciation, amortization and impairment	668,924	27.6%	690,069	21.4%
EBITDA	688,985	28.4%	996,848	30.9%
EBITDA excluding Selling expenses of the closed stores during the lockdowns	803,737	33.2%	996,848	30.9%

(*) shown without the impact of Covid-related discounts

Net financial position surplus/(deficit): Short-term and long-term financial payables due to third parties and related parties, net of cash and cash equivalents and short-term and long-term financial receivables due from third parties and related parties.

Net financial position surplus/(deficit), including Lease Liability: Net Financial Position including Lease Liability (current and non-current).

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Net financial position surplus/(deficit)	(311,357)	(405,544)
Short-term Lease Liability	(403,593)	(409,537)
Long-term Lease Liability	(1,729,819)	(2,005,761)
Total Lease Liability	(2,133,412)	(2,415,298)
Net financial position surplus/(deficit), including Lease Liability	(2,444,769)	(2,820,842)

Net Operating Cash Flow: Net Cash Flow generated by operating activities, less the repayment of Lease Liability.

Free cash flow: Net Operating Cash Flow after the net cash flows used for the investing activities.

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Cash Flow from operating activities	691,013	895,573
Cost of net financial debt: interest paid	(11,704)	(10,338)
Lease Liability: interest paid	(42,670)	(49,214)
Tax Paid	(44,220)	(26,126)
Net Cash Flow from operating activities	592,419	809,895
Repayment of Lease Liability	(330,319)	(447,530)
Net Operating Cash Flow	262,100	362,365
Net cash flow utilized by investing activities	(149,910)	(302,261)
Free Cash Flow	112,190	60,104

RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development activities are described within section "The Prada Group" of this Annual Report, especially in the paragraph on creativity. The design and product development costs for the 2020 twelve-month period, as reported in the Consolidated Profit or Loss statement by destination prepared in accordance with IFRSs, amounted to Euro 102.2 million.

TREASURY SHARES

At December 31, 2020 the Group does not hold treasury shares, as reported in the section relating to the Report on Corporate Governance.

EVENTS AFTER THE REPORTING DATE

No significant events to be reported.

OUTLOOK

The Prada Group successfully withstood the unprecedented challenges of the pandemic, while continuing to drive forward strategy.

Continuous investment in people, products and customers relationships delivered resilience and rapid recovery in sales. At the same time, the direct control of manufacturing and distribution, combined with brand equity and focus on digital communications, are the pillars of the Group’s future positive prospects.

In an environment that is still uncertain, the fundamentals of the luxury sector remain strong and the Prada Group is well positioned to capture long term growth.

The start of the year 2021 shows encouraging retail sales trend in spite of enduring Covid-related restrictions.

Milan, March 10, 2021

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of nine Directors, of whom four are executive Directors, one is a non-executive Director and four are independent non-executive Directors. The Board of Directors is appointed for a term of three years.

CHAIRMAN

MAZZI, Carlo, aged 74, is the Chairman of the Board, first appointed on February 14, 2014 and most recently re-elected on April 27, 2018. He was first appointed to the Board in 2004 – who served mainly as Vice Chairman – until his appointment as Chairman of the Board. Mr. Mazzi holds directorships in subsidiaries of the Company. He holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.p.A., which are substantial shareholders of the Company. Mr. Mazzi obtained a degree "cum laude" (with praise) in Mechanical Engineering from the Bologna University of Italy in 1971 and obtained a master's degree in Business Administration from Bocconi University of Milan in 1976. Mr. Mazzi worked as a Manager of the Large Corporate department of IMI and San Paolo IMI Bank from 1994 to 2000. He was a board member of IBI International Business Advisors Investment N.V. - Amsterdam; Vice Chairman and Executive Committee Member of IBI Bank AG - Zurich; Board Member of IBI Corporate Finance B.V. - Amsterdam; Managing Director of IBI S.p.A. - Milan (financial intermediation ex art. 106 TUB) from 2000 to 2004. He is currently a board member of Chora S.r.l. - Milan (a service company) and an independent board member of Banca Profilo S.p.A. (a bank listed on the Italian Stock Exchange) since April, 2018 and Board member of Sammontana S.p.A. since May, 2019. He was previously a board member of IMI-ABN AMRO S.p.A. - Milan (focused on merchant banking), SAGO S.p.A. - Florence (an IT research company responsible for the management of health facilities), IMILEASE S.p.A. - Rome (a leasing company), Banca di Intermediazione Mobiliare IMI S.p.A. - Milan (now Banca IMI S.p.A.) (focused on investment banking), Tecnofarmaci S.p.A. - Pomezia (a research company in the pharmaceuticals industry), SIM S.p.A. - Rome (focused on project management) and Paros International Insurance Brokers S.r.l. - Milan (in the insurance brokerage sector). He is a member of the Remuneration Committee and Nomination Committee. Save as disclosed herein, Mr. Mazzi is not and has not been a director of any other listed companies in Hong Kong S.A.R., P.R.C. ("Hong Kong") or overseas in the past three years.

EXECUTIVE DIRECTORS

PRADA BIANCHI, Miuccia, aged 72, is a Chief Executive Officer of the Company. She was first appointed as the Chairperson of the Board on November 20, 2003 until February 14, 2014 and she was most recently re-elected as Executive Director on April 27, 2018. Ms. Prada holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.p.A., which are substantial shareholders of the Company. Ms. Prada received an Honorary Doctorate from the Royal College of Art (London) in 2000. Ms. Prada is a co-founder of our Group along with Mr. Patrizio Bertelli. Ms. Prada is the wife of Mr. Bertelli, one of our Chief Executive Officers, and is the mother of Mr. Lorenzo Bertelli. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, Patrizio, aged 74, is a Chief Executive Officer of the Company. He was first appointed to the Board on November 20, 2003 and was most recently re-elected as Executive Director on April 27, 2018. Mr. Bertelli holds directorships in subsidiaries of the Company. He holds directorship in PA BE 1 S.r.l., which is a substantial shareholder of the Company. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in October, 2000. Mr. Bertelli is a co-founder of our Group along with Ms. Miuccia Prada Bianchi. Mr. Bertelli is the husband of Ms. Prada, one of our Chief Executive Officers, and is the father of Mr. Lorenzo Bertelli. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

COZZANI, Alessandra, aged 58, is the Chief Financial Officer of the Company. She was first appointed to the Board as Executive Director on December 20, 2013 and she was most recently re-elected on April 27, 2018. She has been our Investor Relations Director since July 2010, responsible for managing financial communication and for relationships with investment community, and was further appointed as Chief Financial Officer on February 19, 2016. Ms. Cozzani holds directorships in subsidiaries of the Company. Ms. Cozzani joined our Group in 2000 and has covered different managerial roles within the Finance department. In 2003, she was appointed as Group Financial Reports Director. Ms. Cozzani obtained a degree "cum laude" (with praise) in Business Administration from the University of Genoa (Italy) in 1988. She started her career as an auditor at Coopers & Lybrand (1989 to 1995). Prior to joining our Group, she worked in

Castelletti International Transports, the Italian subsidiary of an international logistic company (now Schenker Group) for five years, most of the time as Finance and Control Director. Ms. Cozzani is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

NON-EXECUTIVE DIRECTORS

SIMONTACCHI, Stefano, aged 50, has been appointed as Non-Executive Director of the Company on April 8, 2016 and most recently re-elected on April 27, 2018. On December 2018 Mr. Simontacchi has been appointed as President of BonelliErede Law Firm, a leading law firm in Italy, after being Managing Partner from 2013 to 2018. He has been on the firm's board since 2010. His practice focuses on international taxation, transfer pricing, tax planning, private equity, and tax aspects related to real-estate transactions, real-estate and equity funds, M&A and reorganisations. In addition, Mr. Simontacchi is a member of the EU Joint Transfer Pricing Forum (which assists and advises the European Commission on transfer pricing tax matters) and has authored widely on tax law, including for Il Sole 24 Ore (a leading, daily business newspaper). Mr. Simontacchi obtained a degree with praise (cum laude) in business administration from L. Bocconi University of Milan in 1995. In 2000, he obtained an Adv. LLM with praise (cum laude) in International Taxation from Leiden University. In January 2007, Mr. Simontacchi obtained his PhD in International Taxation from the Faculty of Law of Leiden University. In April 2015, Mr. Simontacchi was appointed as board member of RCS MediaGroup S.p.A., an Italian listed company, leader in the newspaper sector. In addition, he has been serving as board member of Cabara Insurance Broker S.r.l. since 2010, as Chairman of the Fondazione Ospedale Buzzi since July 2015 and as board member of Assoedilizia Servizi S.r.l. since 2017. On November 2018 he has been appointed as board member of Fattorie Osella S.p.A. and in 2020 as board member of Cordusio Sim S.p.A. Save as disclosed herein, Mr. Simontacchi has not held any directorship in other listed companies in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MATTEI, Gian Franco Oliviero, aged 75, was first appointed as Independent Non-Executive Director on May 28, 2009 and was most recently re-elected on

April 27, 2018. Mr. Mattei obtained a degree in Economics from The Sapienza University of Rome (Italy) in 1970 and became a Public Chartered Accountant (member of the Registro dei Revisori Legali) with the Italian Ministry of Justice in 1995. He has worked as Managing Director (Investment Banking) in Credit Suisse, Managing Director (Global Banking & Markets) in The Royal Bank of Scotland, Head of Investment Banking at Sanpaolo IMI and Chairman of Banca IMI and was previously Head of the Finance Department at the Istituto Mobiliare Italiano IMI. Mr. Mattei has also been a Board Member of Borsa Italiana. He is Deputy Chairman of Officine CST - Consulting Services & Technology - S.p.A.. Mr. Mattei is the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Mattei is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

FORESTIERI, Giancarlo, aged 74, was appointed to the Board first on May 31, 2007 and was most recently re-elected as Independent Non-Executive Director on April 27, 2018. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena (Italy) in 1970 and obtained a Specialization in Corporate Finance from the Scuola Mattei - ENI in 1971. From 1988 to 2016, Mr. Forestieri was Full Professor of Financial Markets and Institutions at the Bocconi University in Milan. Mr. Forestieri's professional experience includes serving as a member of the boards of directors of INA and Assitalia (from 1993 to 1994), Mediofactoring (from 1997 to 1999), Cassa di Risparmio di Parma e Piacenza (from 1996 to 1999 and then from 2003 to 2007 as the chairman of the board), Banca Intesa (from 1999 to 2006) and as a member of its executive committee (from 2000 to 2006), Alleanza Assicurazioni (from 2001 to 2007), Centrosim (from 1998 to 2003 where he was the chairman of the board) and Crédit Agricole Vita (from 2007 to 2013 as the chairman of the board). Mr. Forestieri is a member of the Italian Scientific Societies in the Fields of Finance and Management. Mr. Forestieri is a member of the Audit Committee. Mr. Forestieri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIU, Sing Cheong, JP, aged 65, was first appointed as Independent Non-Executive Director on May 9, 2011 and was most recently re-elected on April 27, 2018. He is the Chairman of My Top Home (China) Holdings Limited. He has been Director of HKS Education Fund Limited ("HKSEF") since 2005 (HKSEF is a charitable institution which holds certain percentage of shares in Hongkong Sales (International) Limited

("HKSI"), an investment holding, knitwear manufacturing company), Non-executive Director of HKSI since 2005 and Non-Executive Chairman of Grosvenor Asia Pacific Limited since Nov 8, 2018, all of which are private companies. He served as an independent non-executive director of Swire Properties Limited from April, 2010 to May, 2019 (Swire Properties Limited was listed on the Stock Exchange of Hong Kong on January 18, 2012). Mr. Liu graduated from The Hong Kong Polytechnic in 1979 with an Advanced Higher Diploma in Surveying and from The Hong Kong University of Science and Technology in 1994 with a Master of Business Administration degree. He has been a fellow of the Royal Institution of Chartered Surveyors since 1994. Mr. Liu is a member of the Nomination Committee. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CEREDA, Maurizio, aged 57, has been appointed as Independent Non-Executive Director of the Company on April 27, 2018 and previously has been a Non-Executive Director since May 24, 2016. Mr. Cereda's practice focuses on providing consultancy services to entrepreneurs, family offices, companies and financial institutions. Since 2015, he has also been founding partner and board member of FIEE (Fondo Italiano per l'Efficienza Energetica) Sgr S.p.A.. Mr. Cereda obtained a degree in business economics from L. Bocconi University of Milan in 1989. Mr. Cereda has been serving as board member of various companies listed on the Italian Stock Exchange including Technogym S.p.A. (since 2016), and Enervit S.p.A. (since 2007). Mr. Cereda started his career as an analyst in the equity capital markets division in Rasfin S.p.A. and then he worked fifteen years at Mediobanca S.p.A., untill his appointment as deputy general manager and head of corporate finance covering large corporate clients, a role that he covered from 2007 to 2015. From 2007 to 2014, he was a board member of Mediobanca S.p.A., and from 2006 to 2014, he was also a board member of Ansaldo STS S.p.A., both companies listed on the Italian Stock Exchange. Mr. Cereda is the Chairman of the Renumeration Committee and a member of the Audit Committee. Save as disclosed herein, Mr. Maurizio Cereda has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of the business of the Group.

ANDRIANI, Gianluca, aged 46, has been appointed as Group Internal Audit and Risk Management Director in February 2020. He is primarily responsible for the appropriateness of the control systems and the application of procedures, to ensure protection against risks at Group level. Mr. Andriani obtained a degree in Economics and Management. He joined our Group in 2008, first as Fiscal Manager, then as Latin America and Caribbean Accounting, Finance and Controlling Director. Prior to joining Prada, he worked in Ernst & Young as Senior Auditor and in Erg Group as Financial Statement Senior Analyst.

BERTELLI, Lorenzo, aged 32, has been Group Marketing Director since 2019 and Head of Corporate Social Responsibility since 2020. Mr. Lorenzo Bertelli is primarily responsible for the Group's communication strategy and for the development, innovation and sales analysis of the retail channel, for all the Group's brands. Mr. Lorenzo Bertelli obtained a degree in Philosophy at San Raffaele University in Milan in 2008. He joined the Group in 2017 to oversee the development of the food and beverage activities carried out by the Group through the Pasticceria Marchesi brand. He was appointed as Head of Marketing and Communication in 2018 and he has been Director of Prada Holding S.p.A. since 2015. Mr. Lorenzo Bertelli is the son of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli, the Chief Executive Officers of the Company.

BERTONCINI, Francesca, aged 50, has been appointed as North Europe Regional Director in December 2019. Ms. Bertoncini is primarily responsible for overseeing the Group's operations in United Kingdom, Ireland, Denmark and Sweden, where she covers several managerial roles at the Company's subsidiaries. She joined the Group in 2001 and covered, until 2018, different managerial roles in product development, collection and retail merchandising, until being appointed as Worldwide Prada Woman Shoes Collection/Retail Merchandising Director. From 2018 to 2019 she worked as Senior Vice President Global Merchandising and Product Development for Stuart Weitzman in New York.

BUGG, Christopher Aaron, aged 38, has been appointed Group Communication Director in 2021. During 2020 he had a strategic communication role in the Asia region. He is responsible for media and communication strategies, public relations and promotional activities of all the Group brands. Mr. Bugg obtained a Bachelor Degree in Mass Communication at University of Evansville in 2004. After the graduation, he worked as Account Executive in different media communication agencies based in New York. From 2008 to 2016, he was Vice President Global Digital Marketing at Calvin Klein. Prior to joining the Prada Group he was Director of Global Digital Communication at Louis Vuitton.

CAROLA, Pablo, aged 53, has been Middle East Regional Director since 2017. Mr. Carola is primarily responsible for overseeing the Group's commercial operations in the Middle East area, where he covers several managerial roles at the Company's subsidiaries. Mr. Carola obtained a University degree in Business Administration at Universidad de Politecnica de Catalunya (Spain). He joined the Group in 2011 to manage human resources of both Miu Miu and Prada stores worldwide and from 2013 to 2017 he was Regional Director for Iberian Peninsula and North Africa. Prior to joining our Group he worked for almost twelve years as human resources director at Louis Vuitton.

CHAN, Li Sa, aged 49, has been South East Asia General Manager since 2017. She is primarily responsible for overseeing the Group's commercial operations in Singapore, Malaysia and Thailand. Ms. Chan obtained a Master degree in Business Administration at the University of Stirling (UK). She joined Prada first in 2008 as Retail Merchandising Manager for Prada after spending a few years as Brand Manager in a number of brands in Singapore. In 2013, she was appointed as Retail Director for Miu Miu responsible for the retail merchandising, retail operations and visual merchandising of the brand in the South East Asia. From 2016 to 2017, she worked for Valentino as General Manager in Singapore.

CHOI, Moonyoung, aged 58, has been Prada Korea General Manager since 2007. She is primarily responsible for overseeing the Group's commercial operations in Korea. She started her career at Louis Vuitton, as the first Louis Vuitton Store Manager in Korea (1991 – 1999). From 1999 to 2007 Ms. Choi worked at Celine Korea, LVMH Group, as Retail Manager, subsequently becoming Country Manager for Korea.

CLARK, Sophie, aged 48, has been Prada Australia General Manager since 2016. She is primarily responsible for overseeing the Group's commercial operations in Australia and New Zealand. Ms. Clark graduated from Sydney's exclusive Kincoppal-Rose Bay School. Ms. Clark had an extensive career at leading Department store David Jones in Sydney (1999 – 2016) where she most recently held the position of General Manager Womenswear. Ms. Clark was elected as a judge for the prestigious International Woolmark Fashion Awards in Milan 2014, Bejing 2015 and New York 2016.

COVIELLO, Letizia, aged 53, has been Group Tax Director since 2016. She is primarily responsible for overseeing all Group strategic tax matters. Ms. Coviello obtained a Degree in Economics from the University La Sapienza in Rome in 1991 followed by a Tax Specialization Master at Ipsoa in Milan. Before joining the Group in 1998 she worked for a Legal Firm, Studio Simonelli e Associati in Milan and afterwards as Tax Senior Assistant in the Fiscal Department at Eni Spa, in Milan.

CROSO, Carlo, aged 40, joined the Group in July 2019 as Director of Retail Innovation and E-Commerce. Mr. Croso is responsible for the Group's customer strategy, digital transformation and omnichannel initiatives while also overseeing the development of the e-commerce channels. After obtaining a Bachelor's Degree in Industrial Engineering and a Master's Degree in Business Administration from the Politecnico of Milan, Mr. Croso worked several years covering different industries for Bain & Company. Before joining the Group, since 2014 Mr. Croso has been globally in charge of business-to-consumer distribution and digital, holding the position of Senior Vice President of Direct Business for Royal Caribbean Group's luxury cruise company Silversea.

LOUIS, Marie Celine Florence, aged 41, has been appointed as General Manager for France, Belgium and Principality of Monaco in September 2018. She is primarily responsible for overseeing the Group's commercial activities in France, Belgium and Principality of Monaco. Ms. Louis joined our Group in 2015 as General Manager for Hong Kong. After the Master Degree at the EDHEC Business School in France, she joined the Christian Dior Couture as management trainee and then became the Retail Manager in Australia and also in China (2002 – 2009). In 2009, Ms. Louis moved to Chanel Fashion China as Retail Manager and in 2011 she joined Prada China as Retail Operations Manager where she stayed until 2014. From 2014 to

2015 she worked for Saint Laurent China as General Manager.

MANZATTO, Denni, aged 36, has been appointed Group Commercial Director in September 2019. He is responsible for the commercial development of the wholesale and marketplace channels of the Prada, Miu Miu and Car Shoe brands. He directly manages Prada wholesale channel as well as the eyewear and fragrance licenses for both Prada and Miu Miu. Moreover, he is also responsible for leading Group and brand-level business development opportunities, strategic partnerships and collaborations. Mr. Manzatto obtained an Executive Master in Business Administration at INSEAD and Tsinghua University in 2018. He joined our Group in 2013 and, before being appointed to his current position, he covered different roles in retail/collection merchandising, marketing and e-commerce.

MARSICOLA, Alessandra, aged 61, has been appointed as Prada Retail Director in January 2020. She is primarily responsible for overseeing worldwide Prada retail functions and strategy of Prada Brand. Ms. Marsicola joined our Group in 1991 and before being appointed to her current position she covered different managerial roles in the commercial area, including Regional Director North West Europe, Retail Development Director for Japan and Asia, Chief Executive Officer of Prada Fashion Commerce (Shanghai), Prada Worldwide Store Operation Director and Prada Retail Director for Prada Japan. From 2006 to 2009, she worked first as Sales Director for La Rinascente then as Asia Pacific Retail Director for Fendi.

NOSCHESE, Marcelo, aged 56, has been Latin America Regional Director since 2017 and has been appointed as North America Regional Director in 2020 . He is primarily responsible for overseeing the Group's operations in North America, Central America, South America and Caribbean area. Mr. Noschese obtained a master's degree in Business Administration from INSEAD, Fontainebleau, France, in 1992 and graduated in Business Administration in Getúlio Vargas Foundation São Paulo, Brazil. He started his career at L'Oréal, as International Development Manager for the Fine Fragrances Division, and then was appointed as General Manager for the Travel Retail Division in North and South America (1992 - 1998). Prior to joining our Group in 2011 as Regional Director for South America, he worked for LVMH - Moët Hennessy Louis Vuitton as Country Manager for Brazil (2001 - 2004) and for Salvatore Ferragamo S.p.A., as Regional Development Director for South America (2007 - 2011).

PETRUZZO, Benedetta aged 35, has been appointed Miu Miu General Manager in February 2020. She is responsible for overseeing the worldwide retail and wholesale operations of the brand and for the overall strategy and development of Miu Miu. Before joining the Prada Group, she was Executive Vice President for the North America at Kering Eyewear, where she worked for five years, holding different management positions. After obtaining a degree in Business Administration and a Master of Science in Management at Bocconi University, she started her career first in the finance sector. Afterwards, she joined Bain & Company, where she worked several years in the retail and luxury practices of the management-consulting firm.

RASTRELLI, Stefano, aged 58, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He first joined the PRADA Group in 2007 to manage the human resources of the Industrial Departments and subsequently extended also to the Commercial Departments. Prior to joining our Group he worked for almost twenty years for the Fiat Group, covering different managerial roles within the Fiat Group for different branches in Italy and abroad (Argentina, Brazil). From 2005 to 2007 Mr. Rastrelli was in Spain as Human Resources Director for GKN Driveline.

ROMANO, Anthony, aged 54, has been Church Group Chief Executive Officer since 2017. Mr. Romano is primarily responsible for overseeing worldwide operations and strategy of the Church Group and the Car Shoe brand. He joined the Group in 2013 as Regional Director for the South East Mediterranean area. After his bachelor's degree in Business in New Zealand, he was employed at Deloitte & Touche and then at Timberland Europe before working for almost ten years for Calvin Klein Europe (1995 – 2004) where he became C.E.O. and Managing Director. From 2004 to 2007, he was General Manager and Company Director of Luna Rossa Challenge for the 2007 America's Cup. He was partner of ADR – fashion and sport strategic consultancy company, from 2008 to 2013.

SESIA, Davide, aged 53, has been Japan and Hawaii Regional Director since February 2004. He is primarily responsible for overseeing the Group's operations in Japan, Guam, Saipan and Hawaii area, where he covers several managerial roles at the Company's subsidiaries. Mr. Sesia obtained a degree in Business Administration from the University Cattolica del Sacro Cuore of Milan in 1991. He joined our Group in 2000 as Representative Director and Chief Financial Officer of Prada Japan. Prior to that, he was Chief Financial Officer and Director of Benetton Japan and Managing Director of Benetton Korea Ltd (1997 - 2000).

SIMONS, Raf, aged 53, has been appointed as co-creative director for Prada in April 2020, working in partnership with Mrs Miuccia Prada Bianchi. He launched his own menswear label in 1995. He was creative director at Jil Sander from 2005 to 2012,in Christian Dior from 2012 to 2015 and in Calvin Klein from 2016 to 2018. He contributes to the conception, preparation and development of the Prada brand products, coordinating also the image. He participates in the development of creative strategies of marketing, advertising and branding campaigns. Mr. Simons graduated in Industrial Design at SHIVKV in Genk in 1991.

TAO, Yu Hua Irene, aged 54, has been Prada Taiwan General Manager since 2017. She is primarily responsible for overseeing the Group's commercial operations in Taiwan. Ms. Tao obtained the degree in Japanese Language at the Soochow University (Taiwan). Prior to joining the Group, she worked for almost 11 years at Louis Vuitton in Taiwan. Then she held the Retail Operations positions in Fendi and Cartier from 2007 to 2013 and became the General Manager at Chloe Taiwan from 2014 to 2017.

TOLOMELLI, Armando, aged 54, has been Asia Pacific Regional Director since 2012. Mr. Tolomelli is primarily responsible for overseeing the Group's operations in the Asia Pacific region, where he covers several managerial roles at the Company's subsidiaries. Prior to this appointment Mr. Tolomelli has been our Group Controlling Director since joining our Group in July 2005. Prior to joining our Group, he spent fourteen years working for the Barilla Group, covering various roles including Financing Office Manager, Divisional Business Controller, Business Controller for South Eastern Europe, Group Controller of Wasa in Stockholm, Sweden (1999 to 2001), Finance Manager International Business Development of the Bakery Division (2001) and Corporate Controlling Director of Kamps in Düsseldorf, Germany (2002 to 2005). He graduated in business economics from University of Parma (Italy) in 1989.

VIAN, Massimo, aged 48, has been appointed Group Industrial Director in 2020. He is responsible for industrial divisions. Mr. Vian obtained a degree in Engineering Management from the University of Padua in 1999 and an Executive Development

Program in 2008 from the Kellogg Business School, North-Western University of Chicago. He gained his professional experience first in the automotive sector, and then he joined the Luxottica Group in 2005 covering several managerial roles, in Italy and abroad (China), where he became C.E.O. Product and Operations. In March 2019, he joined the Calzedonia Group as C.E.O. of the Falconeri brand.

WANG, Chen-Chen, aged 48, has been China General Manager since 2019. She is primarily responsible for overseeing the Group's commercial operations in China, where she covers several managerial roles at the Company's subsidiaries. She joined our Group in 2015 as Miu Miu Retail Director. Ms. Wang obtained a Masters Degree in Science from Auburn University. She started her career at Guilford Mills New York (1 997-2000); then she worked at SilverStream Software New York (2000- 2002). Before joining our Group, she was Merchandising Director at Christian Dior China (2011 -2015).

ZAMBERNARDI, Fabio, aged 58, has been Group Design Director since November 2002. He is responsible for the collection concept development, overseeing all the strategic activities related to the coherence between image and product development of the collection, as well as supporting the strategic brands image communication of both Prada and Miu Miu brands. He has been collaborating with the Group since 1981. He was promoted Shoe Design Director in 1997 and Design Fashion Coordinator in 1999.

ZENKOVSKAYA, Vera, aged 44, has been Russian area Regional Director since 2013. Ms. Zenkovskaya is primarily responsible for overseeing the Group operations in Russia, Kazakhstan and Ukraine, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazakhstan. Prior to joining our Group in 2011 as Russia Country Manager, she worked within the beauty sector (L'Oreal, Temtrade) in marketing and retail areas. From 2006 to 2011, she covered several managerial roles in Russia and Ukraine for Louis Vuitton.

ZHU, Liang Jimmy, aged 35, has been General Manager for Hong Kong and Macau S.A.R., P.R.C. ("Macau") since 2018. He is primarily responsible for overseeing the Group's commercial operations in Hong Kong and Macau. Mr. ZHU obtained a degree in Commerce at the Macquarie University (Australia). He worked in Japan and Taiwan from 2004 to 2007 and then moved to Australia to start his career as Brand Manager at Giorgio Armani. Then he moved to Taiwan in 2013 to join Prada Taiwan as Retail Operations Manager for Prada and Miu Miu. In 2016, he became the Country Manager of Macau.

None of the Group's senior management listed above is or has been a director of any listed companies in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

ALBANO, Patrizia, aged 67, is the joint company secretary of the Company. Ms. Patrizia Albano has been the Head of Corporate Affairs since September 2008 and is responsible for monitoring general legal compliance. Ms. Albano obtained a degree in Law from the University La Sapienza of Rome in 1979 and was admitted to the Bar Association (Ordine degli Avvocati di Roma) in 2006. She started her career as an in-house legal advisor at the Istituto Mobiliare Italiano S.p.A. from 1981 to 1999 and then worked as Head of the Large Corporate Division central legal office of San Paolo IMI S.p.A. until 2000. She has also worked as General Counsel of IBI (now Alerion Clean Power S.p.A.), and as Company Secretary of Risanamento Napoli S.p.A. and Fincasa S.p.A., both of which are listed companies on the Italian Stock Exchange. In 2002, Ms. Albano became the General Counsel and Company Secretary of a private company active in services provision, property and facility management and renewable energy. She then worked at an Italian law firm, Studio Legale Carbonetti, from 2003 to 2007, and also founded her own private practice law firm in 2007 before joining our Company in 2008. Ms. Albano has been Chairman of the Board of Statutory Auditors of Artemide Italia S.r.l., a member of the Board of Statutory Auditors in Artemide Group S.p.A. and Artemide S.p.A. since May 2014. In 2017 she was appointed as Board member of FinecoBank S.p.A. and in April 2018 she was appointed as Independent Board member of Piaggio & C. S.p.A., both companies listed on the Italian Stock Exchange. Ms. Albano also served as board member of Cassa di Risparmio di Rimini S.p.A. from April to November 2015, of Mediacontech S.p.A. from June to December 2016 and as Chairman of Gruppo Moda, Design e Arredo of Assolombarda (Association of Industrial provinces of Milan, Lodi, Monza and Brianza) from February 2015 to December 2017. Ms. Albano is the wife of Mr. Carlo Mazzi, the Chairman of the Board of our Company. Save as disclosed herein, Ms. Albano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YUEN, Ying-kwai, aged 54, is the joint company secretary of the Company. She is responsible for corporate secretarial duties. Ms. Yuen joined our Group and was appointed joint company secretary in May 2011. Ms. Yuen has over 25 years of working experience in the corporate secretariat and compliance areas of sizeable organizations and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now Lingnan University) in 1988. Ms. Yuen holds a master's degree in Business Administration (Executive) from City University of Hong Kong, awarded in 2003. Ms. Yuen has been a fellow of both the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators (now The Chartered Governance Institute), UK since 2001. Ms. Yuen was the past member of each of the Membership Committee of HKICS (2016 - 2019) and the Company Secretaries Panel of HKICS (2012 – 2015). Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

PRADA S.p.A. (the "Company"), together with its subsidiaries (the "Group"), is a leading global luxury group in the design, production and distribution of high-end leather goods, handbags, footwear, apparel and accessories, as well as operates, under licensing agreements, in the eyewear and fragrance sectors. Through its Directly Operated Stores network (the "DOS"), franchise stores and a selected number of luxury department stores and independent retailers, the Group operates in all major international markets.

The Company is a joint-stock company with limited liability, incorporated and domiciled in Italy. Its registered office is in Via A. Fogazzaro 28, Milan 20135, Italy.

Further discussion and analysis of these activities as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Company, a discussion and analysis of the Group's performance during the year ended December 31, 2020 (the "Reviewed Period") and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, is set out in the Financial Review section of this annual report. Particulars of important events affecting the Company that have occurred since the end of the reporting period is set out in note 44 to the Consolidated financial statements. These discussions form part of this directors' report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

A key ethical value fundamental to the Group is the compliance with legislative and regulatory provisions in all countries in which the Group operates. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have a significant impact on the Group.

The Group's products are distributed and sold across 70 countries; therefore they have to comply with all applicable laws, standards and regulations in each of these countries. To properly address this matter, the Group established an Industrial Compliance Committee in 2010 to constantly oversee the Group's products compliance with international and local legislative requirements of the manufacturing and distribution process at a worldwide level.

A detailed analysis of the legal and regulatory risks to which the Group is exposed is set out in the paragraph headed "Legal and regulatory risks" of the Financial Review section of this annual report, which forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group aims to achieve a continuous improvement in creating value for its stakeholders by combining economic profitability with employee and customer satisfaction, as well as respecting ethical and environmental values and maintaining a high standard of sustainability.

Environmental protection is one of the interests of the Group, which feels responsible for engaging in and cultivating virtuous behaviors that contribute to its sustainable growth and are examples of good practices within the entire industry.

Commitment to environmental respect is a key element of the Code of Ethics, applied both within the organization, by constantly raising staff awareness, and to third parties working with the Group.

The main direct impact of the Group's business originates from the use of energy for offices, factories, logistics centers and stores in the various parts of the world. The objective is to reach ever-higher levels of energy efficiency, waste reduction and responsible use of natural resources.

Further analysis on the environmental policies and performances is set out in "The PRADA Group" section to this annual report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders such as employees, customers, suppliers and shareholders.

EMPLOYEES

The Group is built on people. The Group has always considered human capital to be the key to its competitive edge and makes every effort to promote and reward productivity, professional skills and teamwork, with an emphasis on results. The employees' enthusiasm, craft skills and intellectual curiosity are the indispensable elements which underpin the innovation and quality of the Group's products. The

Company searches for people that can combine these exceptional qualities with the values of the Group.

As of December 31, 2020 the Group had 12,858 employees (headcount), of whom 39.2% working in Italy and with women making up 62% of the total workforce, showing for the first time in ten years a 8% decrease compared to the previous financial year mainly due to the non-replacement of departed retail staff with new hires.

The Group's remuneration policy aims to attract, reward and retain skilled personnel and expert managers, while bringing the interests of the management in line with the primary objective of creating value over the medium and long term.

Further analysis on the value of human resources of the Group is set out in the "The PRADA Group" section to this annual report, while further analysis on the remuneration policy of the Group is set out in the "Corporate Governance" section of this annual report, both of which form part of this directors' report.

CUSTOMERS

The Group believes that it has a reputation for being a leader in style, maker of outstanding products and providing excellent customer service.

The distinctive features and the prestige of the Group, derived from an original management of the creative and industrial processes, places the Group itself in a position to offer customers around the world with unique products, which represent an inimitable synthesis of creativity, quality and exclusivity. In addition, the Group believes that an effective communication is crucial to build and convey an image of strong and consistent brand identity.

The result of the Group's approach to its customers is the unique relationship between each customer and the Group's brands, its products and its stores.

SUPPLIERS

The Group regards its relationship with its suppliers - built up through years of day-to-day collaboration and directed towards continuous improvement - as fundamental to it. The Group has a diverse range of raw materials suppliers and external manufacturers. About 92% of them are located in the European Union, the vast majority of which in Italy.

Raw materials are a key component of the quality of the Group's products and therefore constitute a primary focus for the Group itself. Their procurement process, import, use and export are carried out in compliance with the most stringent international and local regulations. Every raw material used in the manufacturing process has a certificate of origin that attests its geographical origin. In addition, raw materials undergo extreme quality controls by the Group's inspectors and experts.

In fact, the Group has always intended to act as a stimulus for its suppliers, not only in terms of the excellent quality level required, but also through the promotion of a culture and modus operandi, which comply with the highest ethical standards. The Group thus requires that its suppliers act in a responsible manner and that each of them undertakes and acknowledges the Group's Code of Ethics, which expresses the inalienable rights of employees, proper working conditions, equal opportunity, freedom of association, health insurance coverage and protection of the environment in the collection of the materials and in the production processes.

In order to achieve the highest quality standards, the Group undergoes a strict process in selecting and maintaining its suppliers with the aim of establishing long-term relationships.

SHAREHOLDERS

One of the corporate goals of the Group is to enhance corporate value to its shareholders by granting dividend payouts, taking into account the liquidity positions and business expansion needs of the Group. Details of the Group's communication with its shareholders are set out in the "Corporate Governance" section of this annual report, which forms part of this directors' report.

An analysis of the Group's environmental policies and performance and of the relationships with key stakeholders (employees, customers, suppliers and shareholders) will be included in the Group's Social Responsibility Report 2020, which will be published in due course.

RESULTS AND DIVIDENDS

The results of the Group for the Reviewed Period are set out in the Consolidated Statement of Profit or Loss.

Taking into account on one hand the withdrawn distribution of the dividends of the previous year as a conservative measure and, on the other hand, the positive trends in sales of the second half of the year, continued also in the first months of 2021, the Board recommends for the Reviewed Period the distribution of a final dividend of Euro 89,558,840 (Euro 0.035 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 S.A.R., P.R.C. ("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.

The final dividend will be subject to approval by the shareholders at the forthcoming shareholders' general meeting of the Company to be held on Thursday, May 27, 2021. The shareholders recorded on the Company's shareholders register on Tuesday, May 25, 2021, will be allowed to attend and vote at the shareholders' general meeting of the Company.

In order to qualify to attend and vote at the shareholders' general meeting of the Company, 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, 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 in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself, in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Monday, May 24, 2021. The Company's shareholders register (both sections) will be closed from Tuesday, May 25, 2021 to Thursday, May 27, 2021, both days inclusive, during which period no share transfer can be registered.

Subject to the shareholders' approving the recommended final dividend, such dividend will be paid on Wednesday, June 30, 2021.

The final dividend will be paid to shareholders recorded on the Company's shareholders register on Friday, June 4, 2021.

In order to qualify for the payment of the final dividend, 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, 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, or

(ii) the Company's registered office in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company,

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Thursday, June 3, 2021. The Company's shareholders register (both sections) will be closed on Friday, June 4, 2021, during which no share transfer can be registered.

The dividend will be paid net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is 26%.

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out in Note 41 to the Consolidated financial statements.

RESERVES

Details of the movements in the reserves of both the Group and the Company during the Reviewed Period are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in PRADA S.p.A. Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to Euro 1,625 million (gross of the loss for the year), including Euro 51.2 million allocated to Extraordinary reserve following the Annual General Meeting of the Company held on May 26, 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reviewed Period are set out in Note 15 to the Consolidated financial statements.

PRE-EMPTIVE RIGHTS

The Company's by-laws do not provide for pre-emptive rights.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.

CAPITAL GAINS TAX IN ITALY

Capital gains realized from the sale in an Italian company by shareholders resident in Hong Kong are not subject to taxation in Italy.

Further details on Italian capital gains taxation have already been reported in the Tax Booklet available on the Company's website www.pradagroup.com.

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2020, are set out in Note 42 to the Consolidated financial statements.

DIRECTORS

The Directors of the Company during the Reviewed Period and up to the date of this annual report are:

EXECUTIVE DIRECTORS
Mr. Carlo MAZZI (Chairman of the Board)
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)
Mr. Patrizio BERTELLI (Chief Executive Officer)
Ms. Alessandra COZZANI (Chief Financial Officer)

NON-EXECUTIVE DIRECTOR
Mr. Stefano SIMONTACCHI

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Gian Franco Oliviero MATTEI
Mr. Giancarlo FORESTIERI
Mr. Sing Cheong LIU
Mr. Maurizio CEREDA

In accordance with the by-laws of the Company, the Board of Directors was appointed by the shareholders' general meeting on April 27, 2018 for a period of three financial years. Therefore, the Board's mandate will lapse on the date of the forthcoming shareholders' general meeting called to approve the financial statements for the Reviewed Period. The Directors may be reappointed.

BIOGRAPHICAL INFORMATION OF DIRECTORS

A brief biography on each of the Directors of the Company is set out in the "Directors and Senior Management" section of this annual report.

DIRECTORS' PERMITTED INDEMNITY

There is no permitted indemnity provision in a contract entered into by the Company or any of its associated corporation that is or was in force during the Reviewed Period and until the date when this directors' report is approved by the Board, which is required to be disclosed under section 470 of the Hong Kong Companies Ordinance.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of any business of the Company, that is not a contract of service with any Director or any person engaged in full-time employment of the Company, to which the Company or any of its subsidiaries was part, was entered into or existed during the Reviewed Period.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has or is proposed to have a service contract with any member of the Group that cannot be terminated within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reviewed Period, none of the Directors of the Company, held any interest in a business which competes, or is likely to compete, either directly, or indirectly, with the business of the Company or the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2020, the Directors (including the Chief Executive Officers) of the Company held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

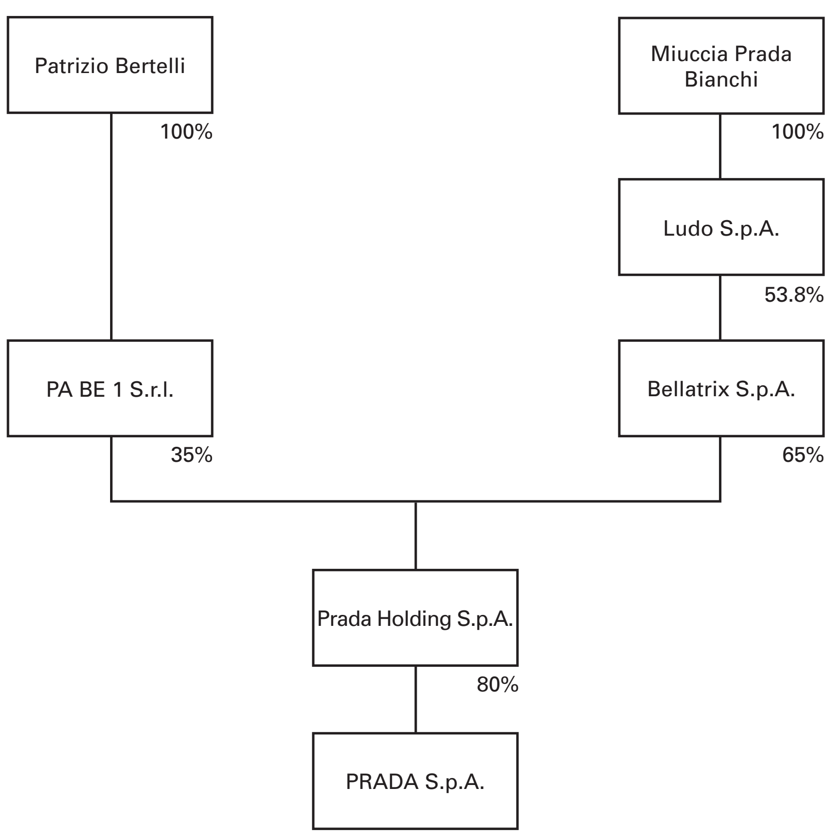
(a) Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares	Nature of Interest	Approximate percentage of Issued Capital
Ms. Miuccia Prada Bianchi	2,046,470,760 (Notes 1 and 2)	Interest of Controlled corporation	80%
Mr. Patrizio Bertelli	2,046,470,760 (Notes 1 and 3)	Interest of Controlled corporation	80%

Notes:

1. Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.
2. Ms. Miuccia Prada Bianchi, owns indirectly through Ludo S.p.A. (formerly known as Ludo S.r.l.), 53.8% (comprised of 438,460 ordinary shares and 100,000 preference shares) of the capital in Bellatrix S.p.A., which in turn owns 65% (comprised of 1,650 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A. Ms. Miuccia Prada Bianchi is also a director of Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.p.A..
3. Mr. Patrizio Bertelli owns, indirectly through PA BE 1 S.r.l., 35% (comprised of 750 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Mr. Patrizio Bertelli is also a director of PA BE 1 S.r.l..

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at December 31, 2020 are summarized in the following chart:



(b) Long positions in shares and underlying shares of associated corporations:

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%
	Ludo S.p.A.	Class A shares Class B shares	5,066,000 4,965,100	Beneficial Owner	100%
	C.I.D. - Cosmetics International Distribution Corp.	Common Shares	1	Controlled Corporation	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%
	Orexis S.r.l.	Participation quota (Euro)	1	As above	100%
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	C.I.D. - Cosmetics International Distribution Corp.	Common Shares	1	As above	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%
	Orexis S.r.l.	Participation quota (Euro)	1	As above	100%

Save as disclosed above, as at December 31, 2020, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2020, other than the interests of the Directors of the Company as disclosed above, the following persons held interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
Long Positions			
Prada Holding S.p.A.	Legal and beneficial owner	2,046,470,760	80%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80%
Ludo S.p.A.	Interest of controlled corporation	2,046,470,760	80%
PA BE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80%
Invesco Advisor Inc.	Investment manager	137,700,330	5.38%

Note:

Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company. As Ludo S.p.A. owns 53.8% of Bellatrix S.p.A. which in turn owns 65% of Prada Holding S.p.A. and PA BE 1 S.r.l. owns 35% of Prada Holding S.p.A., Bellatrix S.p.A., Ludo S.p.A. and PA BE 1 S.r.l. are all deemed to be interested in the 2,046,470,760 shares of the Company held by Prada Holding S.p.A..

SHARE CAPITAL

Details of the share capital of the Company during the Reviewed Period are set out in both the Consolidated Statement of Changes in Shareholders' Equity and Note 30 to the Consolidated financial statements.

MATERIAL INTERESTS OF DIRECTORS AND ENTITIES CONNECTED WITH A DIRECTOR IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those contracts disclosed under the section on Continuing Connected Transactions below and in Consolidated financial statements Note 40, Transactions with Related Parties, and Note 39, Remuneration of the Board of Directors, in the opinion of the Directors, no transaction, arrangement or contract of significance to the Company or the Group subsists as at December 31, 2020, or in fact subsisted during the Reviewed Period in relation to the Company or the Group's business in which the direct or indirect interest of a Director or an entity connected with a Director is or was material.

During the Reviewed Period, there were no arrangements to which the Company or any of the Company's subsidiaries or holding companies or a subsidiary of any of the Company's holding companies is a party, these being arrangements whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

ISSUANCE OF DEBT SECURITIES

Neither the Company nor any of its subsidiaries issued any debt securities during the Reviewed Period.

CONTINUING CONNECTED TRANSACTIONS

During the Reviewed Period, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Company's announcements dated July 15, 2015, May 26, 2017, December 1, 2017, March 1, 2020 and November 20, 2020 respectively:

(a) Luna Rossa sponsorship agreement

On December 1, 2017 the Company has entered into a sponsorship agreement with Luna Rossa Challenge S.r.l., a company which is indirectly controlled by Mr. Patrizio Bertelli, who is a Chief Executive Officer, an Executive Director and a substantial shareholder of the Company, for the participation of the Luna Rossa sailing team in the XXXVI edition of the America's Cup, which will be held in New Zealand in 2021. The payment to be made by the Company to Luna Rossa Challenge S.r.l. according to the terms of the new sponsorship agreement will be due over the period from January 2018 to June 2021, as disclosed in the Company's announcement dated December 1, 2017 (the "Luna Rossa Sponsorship Agreement").

The annual cap of the sponsorship contribution paid by the Company to Luna Rossa Challenge S.r.l. under the Luna Rossa Sponsorship Agreement for the Reviewed Period was Euro 25 million.

As disclosed in the Company's announcement dated November 20, 2020, the Luna Rossa Sponsorship Agreement was amended to grant an additional sponsorship contribution of Euro 10 million to be paid to Luna Rossa Challenge S.r.l. (the "Amended Sponsorship Agreement") for the period from November 20, 2020 to June 30, 2021.

The annual cap of the sponsorship contribution paid by the Company to Luna Rossa Challenge S.r.l. under the Luna Rossa Sponsorship Agreement as amended by the Amended Sponsorship Agreement for the Reviewed Period was Euro 35 million.

(b) COR 36 Sponsorship Agreement

As disclosed in the Company's announcement dated March 1, 2020, the Company has entered into a sponsorship agreement ("COR36 Sponsorship Agreement") with Challenger of Record 36 S.r.l. ("COR36"), a company wholly owned by Luna Rossa Challenge S.r.l., thus indirectly controlled by Mr. Patrizio Bertelli, who is a Chief Executive Officer, an Executive Director and a substantial shareholder of the Company, for the sponsorship of the management and organization by COR36 of the preliminary regattas, the related event, and the selection of the challenger to the 36th edition of the America's Cup, named "Prada Cup". The term of COR36 Sponsorship Agreement is from March 1, 2020 to June 30, 2021.

The annual cap of this sponsorship contribution paid by the Company to COR36 under the COR36 Sponsorship Agreement for the Reviewed Period was Euro 23 million.

(c) Lease Agreement and Guarantee for Prada Aoyama Building in Japan

On July 15, 2015, PH-RE LLC purchased a building in Minami-Aoyama, Tokyo, Japan ("the Aoyama Building"). Prada Japan Co. Ltd ("Prada Japan"), a wholly owned subsidiary of the Company, has been leasing the Aoyama Building for use as its flagship store in Tokyo since 2004.

On May 25, 2015, Prada Japan, as lessee, and the former lessor, renewed the lease of the Aoyama Building by entering into a lease agreement for a term of 20 years (the "Lease Agreement"). On the same date, the Company granted a guarantee in favour of the former lessor to guarantee the punctual performance by Prada Japan of all its obligations under the Lease Agreement (the "Guarantee").

As a result of purchasing the Aoyama Building, PH-RE LLC, a connected person of the Company, has become the lessor under the Lease Agreement and the beneficiary of the Guarantee granted by the Company in favour of the former lessor. Accordingly, the Lease Agreement and the Guarantee, which were continuing transactions of the Group, have become continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

On April 28, 2017 PH-RE LLC, which was previously a wholly owned subsidiary of PA BE 1 S.r.l., became a wholly owned subsidiary of Prada Holding S.p.A., a substantial shareholder of the Company. Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli - Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company - are indirect shareholders of Prada Holding S.p.A..

As a consequence of this transaction, the Lease Agreement and the Guarantee remained as subsequent continuing connected transaction of the Group with no variation of their terms.

The annual cap for the Reviewed Period for the rent paid to PH-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the Lease Agreement and the Guarantee was JPY 2,040,703,000, as disclosed in the Company's announcement dated May 26, 2017.

(d) Lease Agreement and Guarantee for Miu Miu Aoyama Building in Japan

On May 26, 2017, PH-RE LLC, formerly known as PABE-RE LLC, purchased a building in Minami-Aoyama, Tokyo, Japan ("the MM Aoyama Building"). Prada Japan has been leasing the MM Aoyama Building for use as flagship store for the

Miu Miu brand in Tokyo since 2015 under a lease agreement entered into with the former owner of the MM Aoyama Building (the "MM Lease Agreement"). In the context of the MM Lease Agreement, the Company granted a guarantee in favour of the former owner to secure the punctual performance by Prada Japan of all its obligations under the MM Lease Agreement (the "MM Guarantee").

As a result of purchasing the MM Aoyama Building, PH-RE LLC has become the lessor under the MM Lease Agreement and the beneficiary of the MM Guarantee granted by the Company in favour of the former owner.

PH-RE LLC is a wholly owned subsidiary of Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company. Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli - Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company - are indirect shareholders of Prada Holding S.p.A..

In this context, the MM Lease Agreement and the MM Guarantee, which were continuing transactions of the Group, have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

The annual cap for the Reviewed Period for the rent paid to PH-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the MM Lease Agreement and the MM Guarantee was JPY 630,000,000.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the Reviewed Period:

	Continuing Connected Transaction ("CCT")	Accounting adjustment to the CCT following the application of "IAS 1 Presentation of Financial Statements"	Impact on the profit or loss for the year ended December 31, 2020
(a) Luna Rossa Sponsorship Agreement as amended in 2020	Euro million	Euro million	Euro million
Sponsorship contribution	26.3	(5)	21.3
(b) COR 36 Sponsorship Agreement	Euro million	Euro million	Euro million
Sponsorship contribution	18	(6.5)	11.5
(c) Lease Agreement and Guarantee for Prada Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the Right of Use assets and Interest expenses on Lease Liability	2,040.7	114.7	2,155.4
(d) Lease Agreement and Guarantee for Miu Miu Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the Right of Use assets and Interest expenses on Lease Liability	630	(7)	623

The Independent Non-Executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that these have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or better; and

(iii) in accordance with the relevant agreement governing them on terms that are considered fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to review the above non-exempt continuing connected transactions. The auditors have, based on the work performed, provided a letter to the Directors of the Company (with a copy provided to the Stock Exchange) to confirm that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Company's Board of Directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transaction involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have exceeded the relevant annual limits set out in the Company's announcements dated July 15, 2015, May 26, 2017, December 1, 2017, March 1, 2020 and November 20, 2020 as applicable.

Save as disclosed above, none of the transactions disclosed as related party transaction in note 40 to the consolidated financial statements is a connected transaction or continuing connected transaction which is subject to the reporting or disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing "connected transactions" or "continuing connected transactions" in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

On December 29, 2020, the Company disposed of a property at Via Della Spiga, Milan (previously operated as a Prada store) to Orexis S.r.l., a company wholly owned by Prada Holding S.p.A. which holds approximately 80% of the total issued share capital of the Company at a consideration of Euro 40 million based on a valuation report by an independent real estate expert.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at December 31, 2020 are set out in Notes 21 and 26 to the Consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is less than 30% of the total sales or purchases and the Directors do not consider any one customer or supplier to have an influence on the Group.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in Note 27 to the Consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Having made specific enquiries to all Directors, all have confirmed that they have complied with the standard set out in the Model Code throughout the Reviewed Period.

EVENTS AFTER THE REPORTING PERIOD – IF APPLICABLE

Details of significant events occurring after the reporting date – if any - are set out in Note 44 to the Consolidated financial statements.

COMMITMENTS AND CONTINGENCIES

Details of capital commitments and contingent liabilities of the Group as at December 31, 2020 are set out in Note 28 to the Consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

At the time the Company was listed, the Stock Exchange granted a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "Public Float Waiver"). Pursuant to the Public Float Waiver, the Company must at all times maintain a minimum public float of 20%. Based on the information that is available to the Company and within the knowledge of the Directors, the Company has maintained an amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Consolidated financial statements for the year ended December 31, 2020, with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the Consolidated financial statements on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

AUDITOR

The Consolidated financial statements and the Separate financial statements of the Company are audited by Deloitte & Touche S.p.A.. Under Italian company law, the auditor is appointed and its remuneration is resolved every three years by the shareholders of the Company in a general meeting, on the basis of a proposal from the Board of statutory auditors.

On April 13, 2012, the Stock Exchange granted to the Company a waiver from strict compliance with Rule 13.88 of the Listing Rules, which requires the appointment of an auditor at each annual general meeting to hold office until the next annual general meeting. As a consequence, the Company's auditor is appointed and its remuneration determined every three years at the shareholders' general meeting of the Company under the applicable Italian laws.

On March 15, 2019, the Board resolved, in accordance with the recommendations received from the Board of statutory auditors and the Audit Committee, to propose a resolution at the shareholders' general meeting of the Company on April 30, 2019 (the "2019 AGM") to reappoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years and to fix its remuneration.

At the 2019 AGM, it was resolved to appoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years. Accordingly, the auditor's mandate will expire at the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ending December 31, 2021.

By order of the Board

Carlo Mazzi
Chairman

March 10, 2021

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company is seamlessly engaged in 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 Group, to protect the rights of the Company's shareholders, to enhance shareholder value and to uphold the Group's credibility and reputation. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, where the Company has its legal seat, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

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 (i.e. the year ended December 31, 2020). This Corporate Governance report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the 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. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the 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.

Directors' interests as at December 31, 2020, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out in the Directors' Report.

BOARD OF DIRECTORS

A. BOARD COMPOSITION

The Board is currently composed of nine Directors, of which four are Executive Directors, one is Non-Executive Director and four are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is relevant to the Group's business activities and strategic development. Biographical details of the Directors and their relationships, where applicable, are set out in the Directors and Senior Management section of this annual report. The Company has maintained both on its own website and on the website of the Stock Exchange an updated list of its Directors, identifying their respective roles and functions, also specifying if they are an Independent Non-Executive Director.

B. BOARD MEETINGS

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual and interim results) and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings through electronic means was 88.9%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the Board meetings and all Board Committee meetings are available for inspection by any Director by giving reasonable notice.

C. BOARD ATTENDANCE

The details of attendance at Board meetings, Committee meetings and shareholders' general meeting held during the Reviewed Period are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		2/2	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	6/6				0/1
Ms. Alessandra COZZANI (Chief Financial Officer)	6/6				1/1
Non-Executive Director					
Mr. Stefano SIMONTACCHI	5/6				1/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI [1]	6/6	7/7	2/2	1/1	1/1
Mr. Maurizio CEREDA [2]	6/6	7/7	2/2		1/1
Mr. Giancarlo FORESTIERI [3]	6/6	7/7			1/1
Mr. Sing Cheong LIU [4]	5/6			1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6				1/1
Mr. Roberto SPADA	6/6				1/1
Mr. David TERRACINA	5/6				1/1
Date(s) of Meeting	Mar18, 2020	Feb 18, 2020	Feb 20, 2020	Mar 18, 2020	May 26, 2020
	Apr 22, 2020	Mar 4, 2020	Sep 24, 2020		
	Jun 22, 2020	Mar 17, 2020			
	Jul 29, 2020	Jul 9, 2020			
	Nov 19, 2020	Jul 29, 2020			
	Dec 21, 2020	Oct 12, 2020			
		Nov 18, 2020			
Average Attendance Rate of Directors	88.9%	100%	100%	100%	77.8%

Notes:
1. Chairman of Audit Committee and Nomination Committee and member of Remuneration Committee
2. Chairman of Remuneration Committee and member of Audit Committee
3. Member of Audit Committee
4. Member of Nomination Committee

D. ROLES AND RESPONSIBILITIES

The Board is vested with full powers for the ordinary and extraordinary management of the Company. The Board has the power to perform all acts it deems advisable for the successful implementation and attainment of the Company's corporate purposes, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' general meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. As a consequence, the Board reserves for its own consideration and decision all matters concerning the overall Group strategy including the sustainability strategy, the Group's strategic objectives, annual budgets, as well as annual and interim results, approval of major transactions, connected transactions (including major acquisitions and disposals) and any other significant operational and financial matters. The Board is also responsible for evaluating the effectiveness of the risk management and internal control systems on an ongoing basis.

During the Reviewed Period, all Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties. In addition, due to the uncertainty at a worldwide level created by the surge of the Covid-19 pandemic, the meetings of the Board held during the Reviewed Period devoted additional time to discuss the actual situation of the business as well as the measures adopted by the Company and the Group to boost its business.

The Executive Directors are responsible for the day-to-day management of the Company and to make operational and business decisions within the control and delegation framework of the Company.

The types of decisions delegated by the Board to the management include:
- the preparation of annual and interim results for the approval of the Board prior to publication;
- execution of business strategy and other initiatives adopted by the Board;
- monitoring of operating budgets adopted by the Board;
- designing, implementing and monitoring the risk management and the internal controls systems; and
- compliance with relevant statutory requirements, rules and regulations.

E. NON-EXECUTIVE DIRECTORS

The Non-Executive Directors, including the Independent Non-Executive Directors, provide the Company with diversified skills, expertise, qualifications as well as varied backgrounds and perspectives. They participate in the Board and Board Committees meetings to bring independent and objective opinions, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend the shareholders' general meetings of the Company to understand the views of the shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

F. INDEPENDENT NON-EXECUTIVE DIRECTORS

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. The independence of the Independent Non-Executive Directors was further confirmed by the review of the Nomination Committee made on February 26, 2021. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries.

G. LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of all corporate activities. The insurance coverage is reviewed on an annual basis.

H. DIRECTORS' TRAINING

Each Director, after his/her appointment, is provided with a comprehensive, formal and tailored induction program to ensure that he/she has a proper understanding of the key areas of business operations and practices of the Company, as well as his/her responsibilities under the relevant laws, rules and regulations.

The Directors (namely, Mr. Carlo Mazzi, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Stefano Simontacchi, Mr. Gian Franco Oliviero Mattei, Mr. Giancarlo Forestieri, Mr. Sing Cheong Liu and Mr. Maurizio Cereda) have participated in continuous professional training to develop and refresh their knowledge and skills during the Reviewed Period, through for example, receiving regular updates on changes to and developments of the Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. These initiatives are aimed at ensuring the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

Directors are requested to provide records of the continuous training they have received during the Reviewed Period to the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Chairman is Mr. Carlo Mazzi and the Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairman is separate from that of the Chief Executive Officers. The Chairman is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly and adhering to good corporate governance practices and procedures. The Chief Executive Officers, supported by the other Executive Directors and senior management, are responsible for managing the Company's business, including the implementation of major strategies and other initiatives adopted by the Board. The Chief Executive Officers are husband and wife.

APPOINTMENT OF DIRECTORS

At the shareholders' general meeting of the Company held on April 27, 2018 ("2018 AGM"), the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for the Reviewed Period.

Under the Company's By-laws, the Directors may be re-appointed.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for determining and supervising the application of the Company's appropriate corporate governance policies and ensuring its compliance with the provisions of the Code. The Board's role in this regard is:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Ethics, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative Decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;
(v) to review the Environmental, Social and Governance ("ESG") matters;
(vi) to review the Company's compliance with the Code and disclosure of such in the Corporate Governance report; and
(vii) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

During the Reviewed Period, the Board considered the following corporate governance matters:
(i) reviewed and approved connected transactions of the Company;
(ii) reviewed the level of compliance with the Code;
(iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee;
(iv) reviewed and approved the corporate social responsibility report; and
(v) approved the Group's main transactions and corporate reorganization plans.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee, each chaired by an Independent Non-Executive Director. Each of the Committees' terms of reference is available on both the website of the Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.
In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 231 of June 8, 2001.

A. 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. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and its internal control and risk management systems, to oversee the external audit process, the internal audit process, the implementation of the Company's risk management functions and to perform any other duties and responsibilities as are assigned to it by the Board.

During the Reviewed Period, the Audit Committee held seven 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, the significant internal and external audit findings and financial matters as required under the Audit Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the year 2020, the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group for 2019, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2019 and the interim financial results as at June 30, 2020), before recommending them to the Board for approval.

The Audit Committee has also held one meeting on March 8, 2021, to review the Group results for the Reviewed Period, before recommending it to the Board for approval.

AUDITOR'S COMPENSATION

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the financial statements for the Reviewed Period and for the year ended December 31, 2019, together with non-audit services, are illustrated below (amounts in thousands of Euro):

Type of service	Audit Firm	Provided to	twelve months ended December 31 2020	twelve months ended December 31 2019
Audit services	Deloitte & Touche spa	PRADA spa	450	500
Audit services	Deloitte & Touche spa	Subsidiaries	106	137
Audit services	Deloitte Network	Subsidiaries	1,066	1,166
Total audit fees to Deloitte Network			1,622	1,803
Other advisory services	Deloitte & Touche spa	PRADA spa	31	214
Other advisory services	Deloitte Network	Subsidiaries	111	83
Total non-audit fees to Deloitte Network			142	297
Total compensation to Deloitte Network			1,764	2,100

B. REMUNERATION COMMITTEE

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration package of Directors and senior management and the establishment of a formal and transparent procedure for developing policies on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Mr. Maurizio Cereda (Chairman), Mr. Gian Franco Oliviero Mattei and the Chairman of the Board, Mr. Carlo Mazzi.

During the Reviewed Period, the Remuneration Committee held two meetings (with an attendance rate of 100%) to review and recommend the remuneration package for certain executives with strategic responsibilities certain updates to the long term incentive plan and to the management by objectives plans for executives.

REMUNERATION POLICY

The Group's compensation policy is aimed at attracting, rewarding and protecting its personnel, who are considered to be the key to the success of the Group's business. This 'Human Capital' is preserved with constant monitoring actions in order to maintain engagement with the Company and an equal remuneration policy with the internal practice and the market.

The Group's remuneration policy is designed to reward and retain highly professional staff and skilled managers, newly graduates and workers, with the certainty that the creation of value is achieved in the medium and long term through constant organizational learning and the consolidation of collaborators' experiences and skills.

The policy features a balanced combination of components that are fixed and variable, direct and deferred, tailored to the position and professional qualifications, and consistent with the needs of the various geographical areas.

The Group has an incentive system that links compensation with the annual performance of the Group itself, taking into account the Group's objectives in net sales, as well as the objectives of each department.

The Group has adopted long term cash incentive plans for senior managers and key managers for retention purposes, under which the benefit of a senior manager or a key manager under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period.

Other incentive schemes specific to sales staff are also in place, and technicians of the Group may receive a collection bonus that is provided to them following the development of a seasonal collection. The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

C. NOMINATION COMMITTEE

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to determine the policy for the nomination of Directors and to make recommendations to the Board for consideration and, where appropriate, adoption on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and the Chairman of the Board of Directors, Mr. Carlo Mazzi.

During the Reviewed Period, the Nomination Committee held one meeting on March 18, 2020 (with an attendance rate of 100%), to perform the annual review of the independence of the Independent Non-Executive Directors of the Company for the 2019 financial year.

The Nomination Committee held one meeting on February 26, 2021 to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period and to recommend to the shareholders the structure of the Board and the election and appointment of nine directors in total at the forthcoming shareholders' general meeting.

In discharging its duties, the Nomination Committee has considered and proposed to the Board for adoption, the Board diversity policy in 2013 and the Director nomination policy in 2019.

With a view to achieving a sustainable and balanced development, the Company has viewed diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its development. The Board diversity policy has been considered and adopted by the Board in September 2013 (the "Board Diversity Policy"). According to the principles included in the Board Diversity Policy, all Board appointments are based on meritocracy and candidates are proposed and selected based on objective criteria, with due regard for the benefits of diversity within the Board. Diversity in this sense encompasses a wide range of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The final selection is based on merit and the contribution which the candidates can bring to the

Board. The Nomination Committee has been delegated the overall responsibility for implementing and monitoring the application of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required to ensure the effectiveness of the board diversity policy and will recommend any such revisions to the Board for its consideration and approval.

On March 15, 2019, the Board has adopted the nomination policy for Directorship ("Director Nomination Policy"), which provides guidance in relation to the proposal for the appointment or re-appointment of Directors or to fill casual vacancies and sets out the processes and criteria for the nomination of a candidate for directorship in the Company. The Company adopted the Director Nomination Policy to ensure that all nominations of Board members are fair and transparent in order to facilitate the constitution of the Board with a balance of skills, experience and diversity of perspectives that is appropriate to the requirements of the Company's business.

The Director Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which includes the high ethical character and reputation for integrity, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy which may be relevant to the Company's business and strategic direction, commitment in respect of available time, merit and potential contributions to the Board, and the independence criteria under the Listing Rules, if the candidate is proposed to be appointed as an independent non-executive director. The policy also lays down the nomination process on appointment or re-appointment of directors.
The Nomination Committee will review and endorse the candidates proposed by shareholders for new directorship or for re-election and make recommendations to the Board for consideration. The Board will then make a decision as to whether the nominated candidate shall be eligible to be appointed or re-appointed, as the case may be, as a director of the Company and will in turn recommend to shareholders to vote in favor of the relevant resolutions to be proposed at the shareholders general meeting of the Company.

D. SUPERVISORY BODY

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Gianluca Andriani.

BOARD OF STATUTORY AUDITORS

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable laws, regulations and the By-laws, as well as compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and its functioning.

At the shareholders' general meeting of the Company held on April 27, 2018, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of the current Board of Statutory Auditors will expire at the forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for the Reviewed Period.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors are Ms. Stefania Bettoni and Mr. Cristiano Proserpio.

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Consolidated financial statements of the Company for the year ended December 31, 2020 with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Consolidated financial statements have been prepared on a going concern basis and in accordance with International

Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

In addition, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function during the Reviewed Period.

As regards the auditor of the Company, its responsibilities are stated in the auditor's reports on the Consolidated financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control system has mainly been designed to safeguard the assets of the Group itself, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with the relevant laws and regulations.

To better control its activities in moving toward the achievement of the established objectives, the Group has adopted procedures to identify, evaluate and manage the specific risks arising out of the continuous changes which affect the regulatory framework and the Group's operations.

The Board places great importance on maintaining a sound and effective system of risk management and internal control to safeguard the shareholders' investment and the Company's assets.

The Board has acknowledged its responsibility for the risk management and internal control systems - including financial, operational and compliance controls functions - and for the ongoing monitoring and review of their effectiveness. Such systems are designed to manage rather than eliminate risks and are aimed at providing reasonable and not absolute assurance against material misstatement or loss.
The management with the support of the Internal Audit Department has been granted by the Board with the responsibility on the process to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve material internal control defects in the event such defects arise.

In particular, the measures adopted by the Group to contrast and contain the impacts of the spread of the Covid-19 pandemic on the Company's activities, aimed at mitigating the health and safety risk at work, have been continuously assessed during the Reviewed Period.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control and the risk management systems. The audit plan is discussed and agreed every year by the Audit Committee and then submitted to the Board for approval. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. The risk assessment documents are periodically updated by the Internal Audit Department - with the support of the management - then reviewed by the Audit Committee and submitted to the Board for the relevant approval.

The Board has received a specific confirmation from the relevant management of the Company on the effectiveness of the Company's risk management and the internal control systems throughout the Reviewed Period.

During the Reviewed Period, no significant control failings or weaknesses were identified.

The Board - also through the support of the Audit Committee – has been reviewing on an ongoing basis (with the same frequency as regular Board meetings were held) and is generally satisfied that the internal control and the risk management systems have functioned effectively and have been adequate for the Group as a whole, throughout the Reviewed Period.

Moreover, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's internal audit and risk management function during the Reviewed Period.

INSIDE INFORMATION

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- has adopted certain policies to ensure potential inside information is captured and confidentiality is maintained until timely and proper disclosure is made (the "Policy on Inside Information");
- has made available on the Company's intranet the Policy on Inside Information in order to ensure immediate access to it by the entire Group's staff;
- has included in the procedures governing Directors and relevant employees a prohibition on dealing in the Company's shares whilst in possession of inside information; and
- has authorized only the Executive Directors and few selected members of management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman, the Chief Executive Officer, Mr. Patrizio Bertelli, and the Chairman of the Audit Committee. The Inside Information Committee has been delegated with the power to assess, if necessary, any potential inside information, and to keep all other Directors timely informed about its decisions.

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries. Given that the headquarter of the Company is located outside Hong Kong S.A.R., P.R.C. ("Hong Kong") and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries. During the Reviewed Period, each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge. Their biographies are set out in the Directors and Senior Management section.

SHAREHOLDERS' RIGHTS

A. CONVENING OF THE SHAREHOLDERS' GENERAL MEETING AT THE SHAREHOLDERS' REQUEST

Pursuant to Article 14.2 of the Company's By-Laws, a shareholders' general meeting has to be called by the Board when requested by shareholders representing at least one-twentieth of the Company's share capital, provided that the request mentions the item(s) to be discussed at the meeting. If there is an unjustified delay in calling the meeting by the Board, action will be taken by the board of statutory auditors.

B. PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' GENERAL MEETING

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com.

C. MAKING AN ENQUIRY TO THE BOARD

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary Ms. Patrizia Albano by email at corporateaffairs@pradagroup.com. The Company will not normally deal with verbal or anonymous enquiries.

D. PROCEDURES FOR SHAREHOLDERS' TO PROPOSE A PERSON FOR ELECTION AS DIRECTOR

The procedures for a shareholder to nominate a person for election as a Director of the Company are set out in Articles 19.3 and 19.4 of the Company's By-laws, details of which have been disclosed in the Company's announcement dated March 30, 2012.

CONSTITUTIONAL DOCUMENTS

During the Reviewed Period, there was no change to the Company's constitutional document.

COMMUNICATION WITH SHAREHOLDERS

A. DIVIDEND POLICY

On March 15, 2019, the Board has formalized and adopted a Dividend Policy to set out the framework that the Company has put in place in relation to dividend payout to shareholders. The Company aims to provide its shareholders a sustainable dividend stream, taking into account financial results, cash flow situation, working capital requirements, capital expenditures, investment requirements, future operations and earnings, business conditions and strategies, interests of shareholders and any statutory or regulatory restrictions on payment of dividends including applicable provisions under the Italian law and the Company's By-laws.

The Board will review the Dividend Policy from time to time and may adopt changes as appropriate, at the relevant time to ensure the effectiveness of the Dividend Policy.

During the Reviewed Period, the Company did not distributed dividend for the financial year 2019 as a conservative measure in the context of uncertainty created by the spread of the Covid-19 pandemic. Therefore, the whole net income of the Company for the financial year 2019 amounting to Euro 249,027,388.00 was allocated to the reserves of the Company.

B. INVESTOR RELATIONS AND COMMUNICATIONS

The Company endeavors to maintain a high level of transparency when communicating with the shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, investor conferences and results briefings are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Company strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will regularly review the arrangements to ensure its effectiveness.

The Company's corporate website (www.pradagroup.com) facilitates effective communications with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, social responsibility report, press releases, presentations, announcements, circulars to shareholders and notices of general meetings, etc.

C. SHAREHOLDERS' MEETINGS

The Company strives to maintain an on-going dialogue with its shareholders. Shareholders are encouraged to participate in general meetings either in person or through appointed proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis.

The Company uses the shareholders' general meeting as one of the main channels for communicating with the shareholders and to ensure that shareholders' views are communicated to the Board. At the shareholders' general meeting, each substantially separate issue is proposed and considered by a separate resolution (including the election of individual directors).

In order to mitigate the risks connected with the Covid-19 pandemic, a shareholders' general meeting of the Company was held on May 26, 2020 exclusively by way of electronic means and attended by an exclusive proxyholder of all shareholders (Slaughter and May) (the "2020 AGM"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees, the Joint Company Secretaries, the auditor of the Company, Deloitte & Touche S.p.A., the statutory auditors and the scrutineer, attended the 2020 AGM.

Separate resolutions were proposed at the 2020 AGM relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 26, 2020. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Ordinary Resolutions passed at the 2020 AGM	**Number of Votes cast in favour (%)**
1. To approve the Audited Separate Financial Statements which show a net income of Euro 249,027,388 and the Audited Consolidated Financial Statements of the Company for year ended December 31, 2019 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors	2,462,582,602 (99.986%)
2. To approve the allocation of the net income of the Company, for the year ended December 31, 2019, as follows: (i) Euro 51,176,480 to the extraordinary reserves of the Company, and (ii) Euro 197,850,908 to the retained earnings of the Company	2,462,935,296 (100%)

All resolutions put to the shareholders at the 2020 AGM were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2020 AGM.

D. CORPORATE COMMUNICATIONS

In order to increase efficiency in communication with shareholders and to contribute to environmental protection, the Company has made arrangements from September 2011 to ascertain how its shareholders wish to receive corporate communications. Shareholders have the right to choose the language, either in English or Chinese, or both, and means of receipt of the corporate communications, in printed form or by electronic means through the Company's website at www.pradagroup.com.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Note	December 31 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents	9	442,392	421,069
Trade receivables, net	10	290,380	317,554
Inventories, net	11	666,222	712,611
Derivative financial instruments – current	12	10,691	3,315
Receivables from, and advance payments to, related parties - current	13	51,035	21,553
Other current assets	14	194,188	221,476
Total current assets		1,654,908	1,697,578
Non-current assets			
Property, plant and equipment	15	1,506,011	1,642,480
Intangible assets	16	832,445	843,830
Right of Use assets	17	2,054,338	2,362,841
Investments in equity instruments	18	66,191	81,448
Deferred tax assets	36	251,888	244,206
Other non-current assets	19	142,712	165,372
Receivables from, and advance payments to, related parties - non-current	13	19,434	684
Total non-current assets		4,873,019	5,340,861
Total Assets		6,527,927	7,038,439
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term lease liability	20	403,593	409,537
Short-term financial payables and bank overdraft	21	300,577	241,464
Payables to related parties – current	22	3,481	26,057
Trade payables	23	289,578	327,330
Tax payables	24	68,863	83,809
Derivative financial instruments - current	12	7,789	11,317
Other current liabilities	25	153,382	132,294
Total current liabilities		1,227,263	1,231,808
Non-current liabilities			
Long-term lease liability	20	1,729,819	2,005,761
Long-term financial payables	26	451,200	584,141
Long-term employee benefits	27	73,256	63,519
Provision for risks and charges	28	45,416	49,484
Deferred tax liabilities	36	29,250	29,337
Other non-current liabilities	29	110,754	56,365
Derivative financial instruments non-current	12	9,249	8,789
Payables to related parties – non-current	22	-	20,660
Total non-current liabilities		2,448,944	2,818,056
Total Liabilities		3,676,207	4,049,864
Share capital		255,882	255,882
Total other reserves		2,633,673	2,394,051
Translation reserve		(3,359)	61,437
Net income / (loss) for the period		(54,139)	255,788
Net Equity attributable to owners of the Group	30	2,832,057	2,967,158
Net Equity attributable to Non-controlling interests	31	19,663	21,417
Total Net Equity		2,851,720	2,988,575
Total Liabilities and Total Net Equity		6,527,927	7,038,439
Net current assets		427,645	465,770
Total Assets less current Liabilities		5,300,664	5,806,631

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Note	twelve months ended December 31 2020	% on net revenues	twelve months ended December 31 2019	% on net revenues
Net revenues	32	2,422,739	100%	3,225,594	100%
Cost of goods sold	33	(679,361)	-28.0%	(905,982)	-28.1%
Gross margin		1,743,378	72.0%	2,319,612	71.9%
Operating expenses	34	(1,723,317)	-71.1%	(2,012,833)	-62.4%
EBIT		20,061	0.8%	306,779	9.5%
Interest and other financial income/(expenses), net		(29,479)	-1.2%	(25,174)	-0.8%
Interest expenses on Lease Liability		(42,670)	-1.8%	(48,980)	-1.5%
Dividends from investments		277	0.0%	2,135	0.1%
Total financial income/(expenses)	35	(71,873)	-3.0%	(72,019)	-2.2%
Income / (loss) before taxation		(51,812)	-2.1%	234,760	7.3%
Taxation	36	(2,556)	-0.1%	22,964	0.7%
Net income / (loss) for the period		(54,368)	-2.2%	257,724	8.0%
Net income / (loss) - Non-controlling interests	31	(229)	0.0%	1,936	0.1%
Net income / (loss) - Group	30	(54,139)	-2.2%	255,788	7.9%
Basic and diluted earnings / (losses) per share (in Euro per share)	37	(0.021)		0.100	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Net income / (loss) for the period – Consolidated	(54,368)	257,724
A) Items recyclable to P&L:		
Change in Translation reserve	(66,321)	28,911
Tax impact	-	-
Change in Translation reserve less tax impact	(66,321)	28,911
Change in Cash Flow Hedge reserve	4,402	2,730
Tax impact	(1,727)	(579)
Change in Cash Flow Hedge reserve less tax impact	2,675	2,151
B) Item not recyclable to P&L:		
Change in Fair Value Investments in equity instruments reserve	(15,206)	59
Tax impact	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	(15,206)	59
Change in Actuarial reserve	(4,676)	614
Tax impact	1,041	(344)
Change in Actuarial reserve less tax impact	(3,635)	270
Consolidated comprehensive income / (loss) for the period	(136,855)	289,115
Comprehensive income / (loss) for the period - Non Controlling Interests	(1,754)	2,317
Comprehensive income / (loss) for the period - Group	(135,101)	286,798

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Income / (loss) before taxation	(51,812)	234,760
Profit or loss adjustments		
Depreciation and write-downs of the Right of Use assets	443,910	456,310
Depreciation and amortization of property, plant and equipment and intangible assets	203,720	222,309
Impairment of property, plant and equipment and intangible assets	21,294	11,450
Non-monetary financial (income) expenses	36,700	24,108
Gain on disposal of fixed assets	(36,942)	-
Interest expenses on Lease Liability	42,670	48,980
Other non-monetary (income) expenses	(74,598)	6,089
Balance Sheet changes		
Other non-current assets and liabilities	59,210	(14,189)
Trade receivables, net	16,186	1,077
Inventories, net	9,134	(60,719)
Trade payables	(34,894)	(15,735)
Other current assets and liabilities	56,435	(18,867)
Cash flows from operating activities	691,013	895,573
Interest paid (net), including interest paid of Lease Liability	(54,374)	(59,552)
Taxes paid	(44,220)	(26,126)
Net cash flows from operating activities	592,419	809,895
Purchases of property, plant and equipment and intangible assets	(109,557)	(310,957)
Disposals of property, plant and equipment and intangible assets	2,320	1,779
Dividends from investments	277	2,135
Disposals of investments	-	28,074
Acquisition of additional shares from Non-Controlling Interests	-	(400)
Financial investments	-	(4,993)
Business combination (purchase of Fratelli Prada spa)	(42,950)	(17,899)
Net cash flow utilized by investing activities	(149,910)	(302,261)
Dividends paid to shareholders of PRADA spa	-	(153,529)
Dividends paid to Non-Controlling shareholders	-	(1,113)
Repayment of Lease Liability	(330,319)	(447,530)
Repayment of current portion of long-term borrowings - third parties	(205,593)	(268,940)
Arrangement of long-term borrowings – third parties	175,000	200,000
Change in short-term borrowings – third parties	(35,608)	(19,004)
Repayment of loans form related parties	(2,000)	-
Loans to related parties	(750)	(2,375)
Net cash flows generated/(utilized) by financing activities	(395,270)	(692,491)
Change in cash and cash equivalents, net of bank overdrafts	47,239	(184,857)
Foreign exchange differences	(25,916)	6,105
Opening cash and cash equivalents, net of bank overdraft	421,069	599,821
Closing cash and cash equivalents, net of bank overdraft	442,392	421,069
Cash and cash equivalents, net of bank overdraft	442,392	421,069
Closing cash and cash equivalents, net of bank overdraft	442,392	421,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN THOUSANDS OF EURO, EXCEPT NUMBER OF SHARES)

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Investments in equity instruments Reserve	Other reserves	Total other reserves	Net result for the period	Equity: Net Equity attributable to owners of the Group	Equity: Net Equity attributable Non-controlling interests	Total Net Equity
Balance at December 31, 2018	2,558,824,000	**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**
Allocation of 2018 net income	-	-	-	-	-	-	-	205,443	**205,443**	**(205,443)**	-	-	-
Dividends	-	-	-	-	-	-	-	(153,529)	**(153,529)**	-	**(153,529)**	**(1,113)**	**(154,642)**
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	**1,130**	**1,130**
Acquisition of Fratelli Prada spa	-	-	-	-	-	-	-	(48,630)	**(48,630)**	-	**(48,630)**	-	**(48,630)**
Gain/(losses) from the disposal of equity instruments	-	-	-	-	-	-	2,235	2,298	**4,533**	-	**4,533**	-	**4,533**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	**28,496**	-	2,151	-	-	-	**2,151**	**255,788**	**286,435**	**2,353**	**288,788**
Comprehensive income/(loss) for the period (not recyclable to P&L	-	-	-	-	-	306	59	(2)	**363**	-	**363**	**(36)**	**327**
Balance at December 31, 2019	2,558,824,000	**255,882**	**61,437**	410,047	(8,469)	(4,516)	(9,982)	2,006,971	**2,394,051**	**255,788**	**2,967,158**	**21,417**	**2,988,575**
Allocation of 2019 net income - retained earnings	-	-	-	-	-	-	-	204,612	**204,612**	**(204,612)**	-	-	-
Allocation of 2019 net income - extraordinary reserves	-	-	-	-	-	-	-	51,176	**51,176**	**(51,176)**	-	-	-
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	**(64,796)**	-	2,675	-	-	-	**2,675**	**(54,139)**	**(116,260)**	**(1,755)**	**(118,015)**
Comprehensive income/(loss) for the period (not recyclable to P&L	-	-	-	-	-	(3,635)	(15,206)	-	**(18,841)**	-	**(18,841)**	**1**	**(18,840)**
Balance at December 31, 2020	2,558,824,000	**255,882**	**(3,359)**	410,047	(5,794)	(8,151)	(25,188)	2,262,759	**2,633,673**	**(54,139)**	**2,832,057**	**19,663**	**2,851,720**

PRADA SPA SEPARATE FINANCIAL STATEMENTS

PRADA SPA STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Assets		
Current assets		
Cash and cash equivalents	103,295	70,696
Trade receivables, net	526,652	776,685
Inventories, net	295,694	319,433
Derivative financial instruments - current	12,445	4,750
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - current	265,627	250,527
Other current assets	143,154	143,950
Total current assets	1,346,867	1,566,041
Non-current assets		
Property, plant and equipment	791,076	805,676
Intangible assets	200,497	194,608
Right of Use assets	294,420	274,318
Investments	903,272	978,436
Deferred tax assets	43,923	30,834
Other non-current assets	74,457	80,802
Derivative financial instruments - non-current	6,768	6,103
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - non-current	201,298	201,510
Total non-current assets	2,515,711	2,572,287
Total Assets	3,862,578	4,138,328
Liabilities and Shareholders' equity		
Current liabilities		
Short-term lease liability	42,146	39,467
Short-term financial payables and bank overdraft	177,787	122,678
Financial payables and other payables to parent company, subsidiaries, associates and related parties - current	63,801	74,653
Trade payables	635,002	865,380
Tax payables	24,124	19,462
Derivative financial instruments - current	7,789	11,306
Other current liabilities	145,773	128,231
Total current liabilities	1,096,422	1,261,177
Non-current liabilities		
Long-term lease liability	275,612	264,616
Long-term financial payables	385,868	488,108
Long-term employee benefits	35,704	25,049
Provisions for risks and charges	1,581	4,675
Deferred tax liabilities	1,711	1,535
Other non-current liabilities	104,000	47,294
Derivative financial instruments - non-current	9,249	8,789
Financial payables and other payables to parent company, subsidiaries, associates and related parties - non-current	13,878	20,660
Total non-current liabilities	827,603	860,726
Total Liabilities	1,924,025	2,121,903
Share capital	255,882	255,882
Total other reserves	1,698,847	1,511,516
Net income / (loss) for the period	(16,176)	249,027
Total Net Equity	1,938,553	2,016,425
Total Liabilities and Total Net Equity	3,862,578	4,138,328

PRADA SPA STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Net revenues	1,188,628	1,822,823
Cost of goods sold	(598,424)	(841,844)
Gross Margin	590,204	980,979
Operating expenses	(595,638)	(774,134)
Operating income / (loss) - EBIT	(5,434)	206,845
Interest and other financial income / (expenses), net	(52,856)	(52,214)
Interest expenses on Lease Liability	(2,952)	(2,910)
Dividends from investments	37,014	48,741
Total financial income/(expenses)	(18,794)	(6,383)
Income / (loss) before taxation	(24,228)	200,462
Taxation	8,052	48,565
Net income / (loss) for the period	(16,176)	249,027

PRADA SPA STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Net income / (loss) for the period	(16,176)	249,027
A) Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	5,809	3,783
Tax impact	(1,394)	(908)
Change in Cash Flow Hedge reserve less tax impact	4,415	2,875
B) Items not recyclable to P&L:		
Change in Fair Value Investments in equity instruments reserve	(15,206)	58
Tax impact	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	(15,206)	58
Change in Actuarial reserve	(346)	(1,531)
Tax impact	405	-
Change in Actuarial reserve less tax impact	59	(1,531)
Comprehensive income / (loss) for the period	(26,908)	250,429

PRADA SPA STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Income before taxation	(24,228)	200,462
Profit of loss adjustments		
Depreciation and write-downs of the Right of Use assets	43,561	39,346
Depreciation and amortization of property, plant and equipment and intangible assets	65,242	61,706
Impairment of property, plant and equipment and intangible assets	515	1
Losses/(gains) on disposal of non-current assets	(36,748)	(559)
Impairment of investments	40,353	32,661
Interest expenses on Lease Liability	2,952	2,910
Non-monetary financial (income) expenses	(34,537)	(48,741)
Other non-monetary (income) expenses	24,087	8,384
Balance sheet changes		
Trade receivables, net	224,162	(95,815)
Inventories, net	31,769	(15,173)
Trade payables	(230,123)	57,556
Other current assets and liabilities	19,222	(49,304)
Other non-current assets and liabilities	7,591	7,916
Cash flows from operating activities	133,818	201,350
Interest paid (net), including interest paid of Lease Liability	(2,814)	(143)
Taxes paid	(4,159)	-
Net cash flows from operating activities	126,845	201,207
Purchase of property, plant and equipment and intangible assets	(49,054)	(112,231)
Disposal of property, plant and equipment and intangible assets	2,320	720
Investments in subsidiaries	(6,614)	(23,101)
Financial investments	-	23,131
Dividends from investments	37,014	48,741
Net cash flow utilized by investing activities	(16,334)	(62,740)
Dividends paid to shareholders	-	(153,529)
Change in short-term borrowing - third parties	(45,000)	(42,000)
Change in intercompany loans	27,563	(8,851)
Loans repaid by subsidiaries	14,052	41,885
Repayment of Lease Liability	(53,728)	(43,003)
Loans made to subsidiaries	(23,486)	(111,160)
Repayment of short-term portion of long-term borrowings - third parties	(177,889)	(250,000)
Arrangement of long-term borrowings - third parties	175,000	200,000
Net cash flows utilized by financing activities	(83,488)	(366,658)
Change in cash and cash equivalents, net of bank overdraft	27,023	(228,191)
Fratelli Prada spa - Opening cash and cash equivalents, net of bank overdraft	5,574	-
Opening cash and cash equivalents, net of bank overdraft	70,696	298,887
Closing cash and cash equivalents, net of bank overdraft	103,293	70,696
Cash and cash equivalents, net of bank overdraft	103,293	70,696
Closing cash and cash equivalents, net of bank overdraft	103,293	70,696

PRADA S.P.A. STATEMENT OF CHANGES IN EQUITY
(AMOUNTS IN THOUSANDS OF EURO, EXCEPT NUMBER OF SHARES)

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Fair Value Invest-ments in equity in-struments Reserve	Total other reserves	Net result for the period	Total equity
Balance at December 31 2018	2,558,824,000	**255,882**	410,047	51,176	182,899	325,300	(6,585)	(12,275)	**950,562**	**708,548**	**1,914,992**
Allocation of 2018 net income	-	**-**	-	-	-	708,548	-	-	**708,548**	**(708,548)**	**-**
Gain/(losses) from the disposal of equity instruments	-	**-**	-	-	-	2,298	-	2,235	**4,533**	**-**	**4,533**
Dividends	-	**-**	-	-	-	(153,529)	-	-	**(153,529)**	**-**	**(153,529)**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	**-**	-	-	-	-	2,875	-	2,875	**249,027**	**251,902**
Comprehensive inco-me/(loss) for the period (not recyclable to P&L	-	**-**	-	-	-	(1,531)	-	58	**(1,473)**	**-**	**(1,473)**
Balance at December 31 2019	2,558,824,000	**255,882**	410,047	51,176	182,899	881,086	(3,710)	(9,982)	**1,511,516**	**249,027**	**2,016,425**
Allocation of 2019 net income - retained earnings	-	**-**	-	-	-	197,851	-	-	**197,851**	**(197,851)**	**-**
Allocation of 2019 net income - extraordinary reserves	-	**-**	-	-	51,176	-	-	-	**51,176**	**(51,176)**	**-**
Merger of F.lli Prada spa	-	**-**	-	-	-	(50,965)	-	-	**(50,965)**	**-**	**(50,965)**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	**-**	-	-	-	-	4,415	-	**4,415**	**(16,176)**	**(11,761)**
Comprehensive inco-me/(loss) for the period (not recyclable to P&L	-	**-**	-	-	-	60	-	(15,206)	**(15,146)**	**-**	**(15,146)**
Balance at December 31 2020	2,558,824,000	**255,882**	410,047	51,176	234,075	1,028,032	705	(25,188)	**1,698,847**	**(16,176)**	**1,938,553**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

PRADA spa (the "Company" or "Parent Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). The Prada Group is a leading player in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands producing and distributing leather goods, footwear and apparel. It also operates in the food sector with Marchesi 1824 and in the eyewear and fragrance industries under licensing agreements.
It owns 23 production facilities (20 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and its products are sold in 70 countries worldwide mainly through its directly operated stores, which numbered 633 at December 31, 2020. The Prada Group's products are also sold via e-commerce, in selected prestigious department stores, by independent retailers in very exclusive locations, and by important e-tailers.

The Company is a joint-stock company with limited liability, registered and domiciled in Italy. Its registered office is at via Fogazzaro 28, Milan. At the reporting date of these Consolidated Financial Statements, 79.98% of the share capital was owned by PRADA Holding spa, a company domiciled in Italy, and the remainder consisted of floating shares on the Main Board of the Hong Kong Stock Exchange.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of PRADA spa on March 10, 2021.

2. BASIS OF PREPARATION

The Consolidated Financial Statements of the Prada Group as at December 31, 2020, which consist of the "Consolidated Statement of Financial Position", the "Consolidated Statement of Profit or Loss" for the twelve months ended December 31, 2020, the "Consolidated Statement of Comprehensive Income" for the twelve months ended December 31, 2020, the "Consolidated Statement of Cash Flows" for the twelve months ended December 31, 2020, 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 these 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 Group has prepared the Consolidated Statement of Financial Position presenting separately the current and non-current assets and liabilities. All details needed for accurate and complete disclosure are provided in the Notes to the Consolidated Financial Statements. Consolidated Statement of Profit or Loss items are classified by destination. The Consolidated Statement of Cash Flows has been prepared with the indirect method. The Consolidated Financial Statements are presented in Euro, the functional currency of PRADA spa.
The Consolidated Financial Statements have been prepared on a going concern basis.

3. NEW IFRS AND AMENDMENTS TO IFRS

New Standards and Amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2020.

New IFRS Standards and Amendments to existing standards	Effective date for Prada Group	EU endorsement dates
Amendments to IFRS 9, IAS 39 and IFRS7: Interest Rate Benchmark Reform	January 1, 2020	Endorsed in January 2020
Amendments to IFRS 3 Business Combinations	January 1, 2020	Endorsed in April 2020
Covid-Related Rent Concessions: Amendment to IFRS 16	January 1, 2020	Endorsed in October 2020
IAS 1 and IAS 8: definition of material	January 1, 2020	Endorsed in November 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Endorsed in November 2019

Among the New IFRSs and Amendments above, only the "Covid-Related Rent Concession: Amendment to IFRS 16" had a significant impact on the Group Annual Report, the details of which are explained below.

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, 2021.

New IFRS Standards and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	January 1, 2021	Endorsed in December 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	January 1, 2021	Endorsed in January 2021

New Standards, Amendments to existing Standards and operational guidelines issued by the IASB, but not yet endorsed by the European Union at the date of approval of these Consolidated Financial Statements.

New IFRS Standards and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 17 Insurance Contracts	January 1, 2023	Not endorsed yet
Amendment to IAS 1 Presentation of Financial Statements in IFRS Standards	January 1, 2023	Not endorsed yet
Amendments to: -IFRS 3 Business Combinations; -IAS 16 Property, Plant and Equipment; -IAS 37 Provisions, Contingent Liabilities and Contingent Assets; -Annual Improvements 2018-2020	January 1, 2022	Not endorsed yet

AMENDEMENT TO IFRS 16 FOR COVID-RELATED RENT CONCESSIONS

On May 28, 2020, the International Accounting Standard Board ("IASB") approved the possibility of providing lessees with a practical expedient for the immediate recognition in the profit or loss of Covid-related rental discounts.

Based on this practical expedient, the lessees are not required to assess whether the Covid-related rent reductions obtained by the lessors are lease modifications; therefore, the lessees can book such rent reductions as if they were not lease modifications according to the provisions of IFRS 16, thus giving the possibility to the lessees to recognize the entire economic benefit of such discounts immediately through profit or loss.

Rent discounts are eligible for the practical expedient if they occur as a direct consequence of the Covid-19 pandemic and if all of the following criteria are met:

- any rent reduction affects only payments originally due on or before June 30, 2021;
- there is no substantive change to the other terms and conditions of the lease;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

On October 12, 2020, the European Commission completed the endorsement process of the amendment to IFRS 16 for Covid-Related Rent Concessions. The application of such amendment is valid for financial statements starting from June 1, 2020, with early adoption allowed for financial years starting from January 1, 2020. The Prada Group opted for the early adoption thus recognizing the Covid-related rent discounts from January 2020, when the health emergency began to significantly affect the Group's activities in China.
As a result of the above, the Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2020 includes a total of Euro 87.6 million of Covid-related rent discounts within the Operating expenses.

As at the date of these Consolidated Financial Statements, the Directors have not yet completed the analysis necessary to assess the impacts of the above new standards and interpretations not yet applicable to the Prada Group, both in terms of those already endorsed by the European Union and those undergoing the endorsement.

4. SCOPE OF CONSOLIDATION

The consolidated financial information comprises the accounts of PRADA spa and the Italian and foreign companies over which the Company has the right to exercise control either directly or indirectly.
An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The companies in which the Group has more than 50% of the voting rights or that are controlled by the Group in some other way are consolidated on a line-by-line basis from the date on which the Group acquires control until the date on which that control ends.

Associated undertakings are companies in which the Group has significant influence but does not exercise control and are consolidated using the equity method. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee without having control or joint control.

The companies included in the Consolidated Financial Statements are listed in Note 42.

5. BASIS OF CONSOLIDATION

The main consolidation criteria applied to prepare these Consolidated Financial Statements are as follows:

- the separate financial statements of PRADA spa ("holding company") are prepared under IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS accounting standards and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information are those closed at the reporting date;
- assets and liabilities, costs and revenues of controlled companies are fully included on a line-by-line basis in the Consolidated financial statements irrespective of the percentage held. The book value of equity investments, directly or indirectly owned by the holding company, is eliminated against the corresponding portion of shareholders' equity of the companies in which the interest is held;
- for companies consolidated on a line-by-line basis that are not 100% owned by the holding company, the share of the net equity and net results for the year of non-controlling interests are disclosed as "Shareholders' equity - Non-controlling interests" in the Consolidated statement of financial position and "Net result - Non-controlling interests" in the Consolidated statement of Profit or Loss;
- on business combinations, the difference between the acquisition cost of investments acquired and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the profit or loss immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity reserves; in business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss. Business combinations of entities controlled by the same person (business combinations

under common control) require the recognition through equity of the difference, in any, between the purchase price and the corresponding portion of the equity acquired.

- the acquisition cost of an investment or an activity which does not constitute a business, and which therefore does not constitute a business combination, is allocated to the individual assets acquired and liabilities assumed based on their fair value at the acquisition date;
- profits and losses, assets and liabilities of associated undertakings are accounted for using the equity method. According to this method, investments in associated undertakings are recognized in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post-acquisition, less any impairment of the investment value. Losses exceeding the interest of the shareholders of the holding company are recognized only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the interest of the holding company in the net fair value of acquired assets and liabilities assumed is recognized as goodwill. Goodwill is included in the book value of the investment and tested for impairment. If the cost is lower than the holding company's interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recognized in the profit or loss for the year of acquisition;
- during the consolidation process, receivables and payables, costs and revenues arising from transactions between entities included in the scope of consolidation are fully eliminated. Unrealized gains or losses generated by transactions between the Group's consolidated companies and included in inventories at the balance sheet date are also eliminated, if any. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is adjusted for impairment;
- dividends paid by consolidated companies are also eliminated from the profit or loss and added to prior year retained earnings if, and to the extent that, they have been drawn from the latter;
- the financial statements of subsidiary companies are prepared in their respective local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the profit or loss is translated using the average exchange rate for the year. When the translation of a transaction is not properly represented by the average exchange rate of the period, the prevailing exchange rate at the date of such transaction is used to translate its impacts in the

profit or loss of the Consolidated Financial Statements. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period, and translation differences arising on conversion of the profit or loss using the average rate for the period (or other exchange rate as explained above) and the rate at the end of the period are recognized as a translation reserve in the consolidated shareholder's equity until disposal of the investment. The translation reserve in consolidated shareholder's equity represents translation differences recognized as from first time application on January 1, 2004. When preparing the Consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period. Exchange differences arising on a monetary item qualified as a net investment in a foreign operation are initially recognized in the currency translation reserve and released to profit or loss upon disposal of the investment;
- the reporting currency used to prepare the Consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at nominal amount. Cash equivalents include all highly liquid investments with an original short-term maturity.
For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts and deposit accounts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

TRADE RECEIVABLES AND PAYABLES

Trade receivables are recognized at their nominal value net of the bad debt provision determined on the basis of the requirements set by IFRS 9. According to this standard, receivables are written off following the application of the "expected loss" impairment method together with, if necessary, further impairments recognized upon specific doubtful conditions on the single credit positions.
Trade accounts payable are recorded at nominal amount.

Transactions denominated in foreign currency are recognized at the exchange rate as at the date of the transaction. At the reporting date, transactions denominated in foreign currencies are translated using the exchange rate as at the reporting date. Gains and losses arising from the translation are reflected in the profit or loss.

INVENTORIES

Raw materials, work in progress and finished products are recognized at the lower of acquisition cost, production cost and net realizable value. Cost comprises direct production costs and those indirect that have been incurred in bringing the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis.

Provisions, adjusting the value of the inventories, are made for slow moving, obsolete inventories or if, in the end, the estimated selling price or realizable value is reasonably expected to be lower than the cost.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses.

Ordinary maintenance expenses are charged in full to the profit or loss for the year they are incurred. Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included under leasehold improvements relate to refurbishment works carried out on premises, mainly commercial, not owned by the Group.

Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Equipment	Depreciation rate or period
Land	not depreciated
Buildings and construction	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	Shorter of lease term (*) and useful life
Improvements to leased industrial and corporate premises	Shorter of lease term (*) and useful life
Furniture and fixture retail	Shorter of lease term (*) and useful life
Furniture and fixture corporate and industrial	7% - 20%
Other tangible fixed assets	4% - 50%

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain

When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the profit or loss.

If the term of a rental agreement is terminated in advance, the useful life of fixed assets related to such premise is adjusted consistently.

The value of land is stated separately from the value of buildings. Depreciation is only charged on the value of buildings.

Every year-end, a valuation aimed at monitoring indications of impairment over the value of property, plant and equipment is performed. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The impairment loss is determined by comparing the carrying value of the asset with its recoverable value, which means the higher of the fair value of the asset less costs to sell and its value in use.

Fair value is determined based on the best information available to reflect the amount that could be obtained from the disposal of the asset at the reporting date. Value in use is an estimate of the present value of future cash flows expected to derive from the asset tested for impairment. Impairment losses are recorded immediately in the profit or loss.

INTANGIBLE ASSETS

Only identifiable assets, controlled by the Group and capable of producing future economic benefits are included in intangible assets.

Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.

Trademarks are recorded at cost or at the value attributed upon acquisition and include the cost of trademark registration in the various countries in which the Group operates. The Directors estimate a useful life of between 20 and 40 years for trademarks. This assumes there are no risks or limitations on control over their use. Every trademark is tested for impairment whenever indicators of impairment emerge. The useful life of trademark registration costs is estimated to be 10 years. The caption trademark also includes other intellectual property rights which useful life is determinated in accordance with the relevant contracts.

Store lease acquisition costs (or key money) represent expenditures incurred to enter into or take over retail store lease agreements. When the lease contracts fall under the application of IFRS 16 Leases, the store lease acquisition is included within the initial direct costs that contribute to the formation of the Right of Use assets. Otherwise, the store lease acquisition is an intangible assets.

Intangible assets with a definite useful life are amortized on a straight-line basis at the following rates:

Category of intangible assets	Amortization rate or period
Trademarks and other intellectual property rights	2.5% - 25%
Store lease acquisition costs	Shorter of lease term (*) and useful life
Software	10% - 33%
Development costs and other intangible assets	10% - 33%

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain

Goodwill, an asset that produces future economic benefits, but which is not individually identified and separately measured, is initially recognized at cost.
Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently.
For impairment test purposes, goodwill acquired in a business combination shall be, from the acquisition date, allocated to each of the acquirer’s cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets. The Prada Group’s Cash Generating Units

include trademarks, sales channels and geographical areas.
The cash generating units to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication of impairment, the carrying value of the cash generating unit is compared with their recoverable amount.
The carrying amount of CGUs tested for impairment for consolidation purposes is represented by the net invested capital, which means the net equity adjusted by the net financial position including the Lease Liability.
Recoverable amount is the higher of fair value less costs to sell and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Cash flow projections are based on budget, forecast and on long-term predictions (generally five years) prepared by the management.

An impairment loss is recognized in the profit or loss for the period whenever the recoverable amount of the cash generating unit is lower than its book value. An impairment loss recognized for goodwill is never reversed in subsequent years.

RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of Use and Lease Liabilities are regulated by IFRS 16 Leases which apply to all lease contracts that provide for the payment of fixed rents, including those indexed and those that set a guaranteed minimum.
The Group recognize the Right of Use assets and the Lease Liability at the commencement date of the lease and based on the lease term.

The identification of a lease term is very important, especially in the field of real estate, because the form, legislation and common business practice can vary considerably from one jurisdiction to another. The Group determines the lease term as the non-cancellable period of a lease, together with the periods covered by an option to extend or to terminate the lease under the control of the Company. The management evaluates the exercise of the option if it’s considered “reasonably certain” based on several factors and circumstances that create an incentive for the lessee to exercise, or not to exercise the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.
The lease term begins on the ‘commencement date’ of the lease. This is defined

as the date on which the lessor makes an underlying asset available for use by a lessee. It is the date on which the lessee initially recognises and measures Right of Use assets and lease liabilities.
The commencement date is not necessarily the date on which start the depreciation of the Right of Use. For retail premises, the asset leased is ready for use when works on premises are completed and, therefore, the depreciation of Right of Use shall begin after the completion of works necessary to bring a store to its working condition according to the management instructions (consistently with the IAS 16 requirements).

The Right of Use assets is measured at cost, identified as the initial measurement of the lease liability, increased by any initial direct costs incurred by the lessee (key money, legal fees, agent fees or other other incremental costs incurred to conclude the contract) or by any dismantling cost necessary to bring back the premises to its original condition. The Right of use Assets is depreciated over the Lease term.
The Lease Liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using an incremental borrowing rate calculated at Group level. The profit or loss caption "Interest expenses IFRS 16" represent the adjustment of the present value of the Lease Liability. 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 is determined as the risk-free rate of each country in which the leases are stipulated, with payment dates based on the terms of the specific lease, increased by the parent company's credit spread.
A lease modification occurs when there is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). The effective date of the modification is defined as "the date when both parties agree to a lease modification". When this occur, the Right of use and the lease liability are updated accordingly. If a lease is terminated before the original lease term date defined at the commencement date, both Right of Use assets and the lease liability are remeasured, impacting also the profit of loss statement.
In addition, the options for the extension and early termination of the lease agreements are re-evaluated and re-considered when a significant event or a change

occurs in the circumstances that are under the control of the Group and this will influence the assessment of the reasonable certainty of the exercise options.
Low value contracts (the price of the asset, when new and recognized on a single-component basis approach, is less than Euro 5,000) and leases whose lease term is shorter than 12 months are not in the scope of "IFRS 16 Leases", so they are recognized through profit or loss on a straight-line basis over the lease term. Purely variable rent, typically linked to sales without a guaranteed minimum, are excluded too from the scope of application of such standard.

Based on the practical expedient set by the "Amendment to IFRS16: Covid-Related Rent Concession", a lessee is not required to assess whether the Covid-related rent reductions obtained by the lessors are lease modifications. Therefore, the lessee can book such rent reduction as if they were not lease modifications, thus recognizing the entire economic benefit of such discounts immediately through profit or loss. Rent discounts are eligible for the practical expedient if they occur as a direct consequence of the Covid-19 pandemic and if all of the following criteria are met:
- any rent reduction affects only payments originally due on or before June 30, 2021;
- there is no substantive change to the other terms and conditions of the lease;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

A lessee is expected to make judgement about whether other changes are substantive based on its understanding of those changes and based on how they were historically managed by the Group. As a result, in the Group's view a modification of the contract such as a renewal or the extension of the lease term is to be considered substantive only when it is not consistent with the usual practices applied by the Group and in the industry as a whole. For example, a contract renewal might be signed up a few years ahead of the formal expiration of the contract under negotiation, as it also occurred in 2020 when certain contract renewals or lease-term extension overlapped, only in terms of timing and without any substantial modifications to other terms and conditions, with the negotiations for the Covid-related rental discounts.

INVESTMENTS IN EQUITY INSTRUMENTS

The initial recognition of Investments in equity instruments (previously "available for sale") is at purchase cost, increased by any directly attributable transaction costs. The Group evaluates these instruments at fair value and the related changes are recorded in a specific equity reserve. This change (Fair Value through Other Comprehensive Income) is also included in the statement of comprehensive income as "items not recyclable to profit or loss", therefore only dividends received will be recorded in the statement of profit or loss of the Group. IFRS 9 also provides for an alternative treatment that allows the recognition of fair value changes directly to profit or loss (Fair Value Through Profit or Loss). The choice of this accounting treatment (FVTPL or FVOCI) has to be done for each investment and has to be considered irrevocable once adopted. Any exceptions to the initial recognition will be reported in the Notes to the Consolidated financial statements.

In the case of securities listed on active markets, the fair value is the price recorded at the end of the trading day of the period under review. For investments for which there is no an active market, the fair value is determined based on the price of recent transactions between independent parts of substantially similar instruments, or by using other valuation techniques such as, for example, income assessments or based on flow analysis discounted financial figures.

DEFERRED TAX ASSETS

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to deductible temporary differences and carryforward of unused tax losses.

Deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax value which, in determining taxable income for future years, will result in deductible amounts when the carrying amount of the asset or liability is realized or settled.

Deferred tax assets are recognized for all deductible temporary differences, tax losses carried-forward and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible temporary differences can be used. Recoverability is reviewed at every year end.

Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are not discounted.

Deferred tax assets are recognized through the profit or loss unless the tax amount is generated from a transaction or an event directly recognized in equity or from a business combination.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recognized at the fair value based on hedge accounting rules.
According to these rules, within the framework of IFRS 9, future cash flow hedging contracts such as those listed above are qualified as cash flow hedges. Hedge accounting treatment is allowed if derivative financial instruments are designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction which could affect profit or loss. In this case, the change in fair value of the hedging instrument is recognized in shareholders' equity. Accumulated gains or losses are reversed from shareholders' equity and recognized in the profit or loss for the period in which the profit or loss effect of the hedged operation is recognized.
Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recognized in the profit or loss. If the hedged transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the profit or loss.

NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities include payables to banks for medium and long-term loans.

Non-current financial liabilities are initially recorded at fair value on the transaction date less transaction costs which are directly attributable to the acquisition. After initial recognition, non-current financial liabilities are valued at amortized cost, which means at the initial amount less principal repayments already made plus or minus the amortization (using the effective interest method) of any difference between that initial amount and the maturity amount.

POST-EMPLOYMENT BENEFITS

Defined benefit plans are recognized using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Group's

obligations.
The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.
Actuarial gains and losses are recognized directly in equity, net of the tax effect.

Other long-term employee benefits are recognized among non-current liabilities and their value corresponds to the present value of the defined benefit obligation at the reporting date, adjusted according to the period of the underlying agreement. Like defined benefit plans, other long-term benefits are also valued using the Projected Unit Credit Method. Unlike defined benefits plans the actuarial gains and losses of other long-term benefits are recognized though profit or loss rather then through net equity.

PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT ASSETS

Provisions for risks and charges cover costs of a known nature, that were certain or probable but whose amount or due date was uncertain at year end. Provisions are recognized following a legal or constructive obligation as a result of past events and when it is probable that an outflow of resources will be required.

Where the Group expects reimbursement of a charge that has been provided for (e.g. under an insurance policy), the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are amounts of income taxes due in future periods in respect of taxable temporary differences.

Taxable temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base which, in determining the taxable income for future years, will result in taxable amounts when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

Deferred tax liabilities are measured at the tax rates which are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax liabilities are not discounted.
Deferred tax liabilities are recognized through the profit or loss unless the tax amount is generated from a transaction or an event directly recognized in equity or from a business combination.

REVENUE RECOGNITION AND COST RECOGNITION

Revenues from the sale of goods are recognized in the profit or loss when all of the following criteria have been satisfied:

- identification of the contract (in writing, orally or in accordance with other customary business practices) with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction selling price for each performance obligations;
- the amount of revenue (transaction selling price) can be measured reliably;
- the significant risks and rewards of ownership are transferred to the buyer;
- all control over the goods sold has ceased;
- the economic benefits generated by the transaction will probably be enjoyed by the Group;
- the costs pertaining to the transaction can be reliably measured;
- each performance obligation has been satisfied.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts.
Financial discounts are recognized as financial expenses.
Costs are recognized on an accrual basis. In particular, a cost is immediately recognized in the profit or loss when:

- an expense does not generate any future economic benefit;
- the future economic benefits do not qualify or cease to qualify as assets for recognition in the statement of financial position;
- a liability is incurred and no asset has been recognized.

PRE-OPENING RENTS

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the profit or loss when incurred, except for the suspension of the depreciation of the Right of Use assets.

INTEREST EXPENSES

Interest expenses might include interest on bank overdrafts, on short and long term loans, financial charges related to the adjustments of the present value of the Lease Liability, amortization of initial costs of loan operations, changes in the fair value of derivatives – insofar as chargeable to the profit or loss –, annual interest maturing on the present value of post-employment benefits and interests on late payments.

TAXATION

The provision for taxation is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates (and tax laws) that have been enacted or substantially enacted in each country at the reporting date.
Current taxes are recognized in the profit or loss as an expense. This is except for taxes deriving from transactions or events directly recognized through shareholders' equity which are directly charged to equity.

EARNINGS OR LOSSES PER SHARE

Earnings or losses per share are calculated by dividing the net result attributable to the holding company by the weighted average number of ordinary shares in issue.

CHANGES OF ACCOUNTING POLICIES, ERRORS AND CHANGES OF ESTIMATES

The accounting policies adopted change from one year to the next only if the change is required by an accounting standard or if it helps provide more reliable and meaningful information on the impact of operations on the entity's statement of financial position, profit or loss or cash flows.

Changes of accounting policy are accounted for retroactively with the effect allocated to the opening equity of the earliest of the periods presented. The other comparative amounts reported for each prior period are also adjusted as if the new policy had been applied from the outset. A prospective approach is adopted only when it would be impracticable to restate the comparative information.

The application of a new or amended accounting standard is accounted for as requested by the standard itself. If the standard does not regulate the transition method, the change is accounted for on a retroactive basis or, if impracticable, on a prospective basis.

Material errors are treated on the same basis as changes of accounting policy as described above. Non-material errors are corrected through the profit or loss for the period in which the error was identified.

Changes of accounting estimates are accounted for prospectively in the profit or loss for the year in which the change is made if it only affects the profit or loss for that year, or in the profit or loss for the year in which the change is made and in subsequent periods if they are also affected by the change.

USE OF ESTIMATES

In accordance with IFRS, preparation of these Consolidated financial statements requires the use of estimates and assumptions when determining certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

These assumptions refer, first of all, to operations and events not settled at the end of the period. Therefore, upon payment, the actual outcome may differ from the estimated amounts. Estimates and assumptions are reviewed periodically and the effects of each change are immediately recognized in the profit or loss.

Estimates are used also for impairment tests, when determining provisions for risks and charges, the provision for bad debts, the inventory obsolescence provision, post-employment benefits, the tax computation, measurement of derivatives, the lease term of contracts with renewal options and the useful life of property, plant and equipment and intangible assets.

IMPACT OF CLIMATE CHANGE-RELATED MATTERS ON FINANCIAL STATEMENTS

The management estimates that the effects of climate change on the criteria for the preparation of these consolidated financial statements are negligible, as it does not identify particular items of assets and liabilities subject to estimation processes that can be significantly influenced by environmental issues.

7. MERGERS AND ACQUISITIONS

On April 22, 2020, with the aim of rationalize and simplify the Prada Group structure, the Board of Directors of PRADA spa approved the plan of merger by incorporation of Fratelli Prada spa, a wholly owned subsidiary acquired by the Parent Company from related parties on October 29, 2019. On October 7, 2020 the merger agreement was signed, with legal effect on the same date and tax and accounting effect on January 1, 2020.

PELLETTERIA FIGLINE srl

In September 2020, the bankruptcy proceedings related to the reorganization plan of Eurobags srl, a former Group's leather goods supplier, was completed (pursuant to the Article 182 bis of the Italian Bankruptcy Law). On September 30, 2020, as a result of such procedure, the production branch of the aforementioned company was transferred through an extraordinary demerger operation into the newco Pelletteria Figline srl, which was then entirely purchased by PRADA spa through its direct subsidiary Figline srl.

No consideration was paid, but net liabilities of Euro 7.1 million were acquired.

As defined by IFRS 3, Business combination, the Group allocated the value resulting from the first consolidation at fair value of the assets and liabilities acquired and, residually, to goodwill. For this reason an amount of Euro 4.7 million was allocated to the Land and buildings category, Euro 3.7 million as Goodwill and Euro 1.3 million as Deferred tax liabilities (calculated on the value of the Land and Buildings allocation).

(amounts in thousands of Euro)	Fair value of net assets/(liabilities) acquired
Property, plant and equipment/intangible assets	56
Other current assets/(liabilities)	(5,499)
Other non-current assets/(liabilities)	(1,705)
Net liabilities acquired	(7,148)
Consideration paid	-
Allocation to land and buildings	4,726
Allocation to deferred tax liabilities	(1,318)
Residual value to goodwill	3,740

8. OPERATING SEGMENTS

IFRS 8, "Operating Segments", requires that detailed information be provided for each operating segment that makes up the business. An operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to allocate appropriate resources to the segment and assess its performance.

Because of the Group's matrix-based organizational structure (whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas), the complementary nature of the various brands' production processes and the many relationships between the different business divisions, it is not possible to designate operating segments as defined by IFRS 8 since the top management is only provided with the financial performance solely on a Group-wide level. For this reason, the business is considered a single operating segment, as it better represents the specific characteristics of the Prada Group business model.

NET REVENUES

Detailed information on net revenues by distribution channel, brand, geographical area and product are provided in the Financial Review together with additional comments.

GEOGRAPHICAL INFORMATION

The following table reports the carrying amount of the Group's non-current assets by geographical area, as requested by "IFRS 8 Operating Segments" for entities, like the Prada Group, that have a single reportable segment:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Europe	3,016,375	3,189,262
Americas	515,662	609,186
Asia Pacific	533,832	650,515
Japan	477,799	536,287
Middle East and Africa	66,181	95,775
Total	4,609,849	5,081,025

The total amount of Euro 4,610 million (Euro 5,081 million at December 31, 2019) relates to the Group's non-current assets. Consistently with IFRS 8, the table does not include in both periods derivative financial instruments, deferred tax assets and the pension fund surplus.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follow:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Cash on hand	25,818	55,432
Bank deposit accounts	120,563	130,444
Bank current accounts	296,011	235,193
Total	442,392	421,069

As of December 31, 2020, interest income of between 0% and 2.1% per year is accrued on bank accounts and deposits (between 0% and 3% at December 31, 2019).

10. TRADE RECEIVABLES, NET

Trade receivables are detailed below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade receivables - third parties	297,953	322,005
Allowance for bad and doubtful debts	(11,979)	(9,354)
Trade receivables - related parties	4,406	4,903
Total	290,380	317,554

Movements during the period in the allowance for bad and doubtful debts are as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Opening balance	9,354	8,821
Exchange differences	(317)	44
Increases	4,135	2,374
Reversals	(109)	(1,207)
Utilization	(1,084)	(678)
Closing balance	11,979	9,354

Both the utilization and the increase in the period mainly refer to wholesale bad debts in the U.S.A..

11. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Raw materials	99,827	110,054
Work in progress	20,386	30,539
Finished products	586,917	608,672
Return assets	6,974	4,199
Allowance for obsolete, slow-moving inventories and return assets	(47,882)	(40,853)
Total	666,222	712,611

The Inventories, net decreased by Euro 46.4 million from December 31, 2019, mainly as a result of the reallocation of the inventories of the closed stores to the benefit of those operating and the e-commerce as well as a meticulous reprogramming of production activities.

Movements during the period in the Allowance for obsolete and slow-moving raw materials and the allowance for finished products and return assets are as follows:

(amounts in thousands of Euro)	Raw materials	Finished products and return assets	Total allowance for obsolete, slow-moving inventories and return assets
Opening balance	20,656	20,197	40,853
Exchange differences	(8)	(274)	(282)
Increases	4,000	7,922	11,922
Utilization	(199)	(4,265)	(4,464)
Reversal	-	(147)	(147)
Closing balance	24,449	23,433	47,882

12. DERIVATIVE FINANCIAL INSTRUMENTS: ASSETS AND LIABILITIES

Derivative financial instruments: assets and liabilities, current and non-current portions:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial assets regarding derivative instruments - current	10,691	3,315
Financial assets regarding derivative instruments – non-current	-	-
Total Financial Assets - Derivative financial instruments	10,691	3,315
Financial liabilities regarding derivative instruments – current	(7,789)	(11,317)
Financial liabilities regarding derivative instruments – non-current	(9,249)	(8,789)
Total Financial Liabilities - Derivative financial instruments	(17,038)	(20,106)
Net carrying amount – current and non-current portion	(6,347)	(16,791)

The net carrying amount of derivatives, both the current and the non-current portion, has the following composition:

(amounts in thousands of Euro)	December 31 2020	December 31 2019	IFRS7 Category
Forward contracts	7,770	1,956	Level II
Options	2,921	1,359	Level II
Interest rate swaps	-	-	Level II
Positive fair value	10,691	3,315	
Forward contracts	(3,006)	(7,112)	Level II
Options	(2,030)	(1,334)	Level II
Interest rate swaps	(12,002)	(11,660)	Level II
Negative fair value	(17,038)	(20,106)	
Net carrying amount - current and non-current	(6,347)	(16,791)	

All of the above derivative instruments are classifiable as Level II in the fair value hierarchy. The Group has not entered into any derivative contracts that could be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives arranged to hedge foreign exchange risks (forward contracts and options) were determined by using one of the most widely used valuation platforms on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.
The Group entered into the derivative contracts in the course of its risk management activities, in order to hedge financial risks stemming from exchange and interest rate fluctuation.

FOREIGN EXCHANGE RATE TRANSACTIONS

The cash flows resulting from the Group's international activities are exposed to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements, so as to guarantee the value of identified cash flows in Euro (or in other currencies used locally). The projected future cash flows mainly regard the collection of trade receivables, the settlement of trade payables and financial cash flows.

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate as at December 31, 2020, reported in Note 38) are as stated below.

Contracts in effect as of December 31, 2020 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2020
Currency			
Chinese Renminbi	64,319	181,739	246,058
US Dollar	53,133	61,527	114,660
Japanese Yen	39,608	58,661	98,269
GB Pound	24,660	45,571	70,231
Korean Won	37,912	48,353	86,265
Canadian Dollar	-	20,585	20,585
Hong Kong Dollar	3,857	15,006	18,863
Swiss Franc	-	14,229	14,229
Russian Ruble	-	12,174	12,174
Taiwan Dollar	4,294	10,981	15,275
Malaysia Ringgit	-	10,022	10,022
Other currencies	16,347	30,016	46,363
Total	244,130	508,864	752,994

Contracts in effect as of December 31, 2020 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts	December 31 2020
Currency		
Swiss Franc	49,528	49,528
GB Pound	24,193	24,193
Malaysia Ringgit	5,067	5,067
US Dollar	2,445	2,445
Other currencies	5,217	5,217
Total	86,450	86,450

Contracts in effect as of December 31, 2019 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2019
Currency			
US Dollar	75,841	67,118	142,959
Chinese Renminbi	117,128	118,535	235,663
Japanese Yen	52,895	77,497	130,392
GB Pound	29,149	37,612	66,761
Hong Kong Dollar	22,864	41,841	64,705
Korean Won	7,406	61,175	68,581
Singapore Dollar	-	21,706	21,706
Canadian Dollar	-	22,880	22,880
Russian Ruble	-	15,710	15,710
Swiss Franc	-	16,003	16,003
Australian Dollar	-	10,535	10,535
Other currencies	4,631	43,819	48,450
Total	309,914	534,431	844,345

Contracts in effect as of December 31, 2019 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Forward sale contracts	December 31 2019
Currency		
US Dollar	5,675	5,675
Japanese Yen	-	-
GB Pound	24,389	24,389
Swiss Franc	52,515	52,515
Singapore Dollar	15,221	15,221
Australian Dollar	10,003	10,003
Other currencies	18,544	18,544
Total	126,347	126,347

All contracts in place at December 31, 2020 have a maturity shorter than twelve months.

All contracts in place at the reporting date were entered into with major financial institutions, and no counterparties are expected to default. A liquidity analysis of the derivative contracts maturities is provided in the financial risks section of these Notes.

INTEREST RATE TRANSACTIONS

The Group enters into IRS contracts in order to hedge the risk of interest rate fluctuations on bank loans. The key features of the IRS agreements in place as at December 31, 2020 and December 31, 2019 are summarized below:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2020	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	34,833	1.457%	May-2030	(3,197)	Euro/000	Term Loan	34,833	May-2030
IRS	Euro/000	58,500	-0.094%	Feb-2022	(313)	Euro/000	Term Loan	58,500	Feb-2022
IRS	Euro/000	90,000	0.013%	Feb-2021	(3)	Euro/000	Term Loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(125)	Euro/000	Term Loan	100,000	Jun-2024
IRS	GBP/000	48,975	2.778%	Jan-2029	(8,364)	GBP/000	Term Loan	51,600	Jan-2029
Total fair value (amounts in thousands of Euro)					(12,002)				

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2019	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	38,500	1.457%	May-2030	(2,991)	Euro/000	Term Loan	38,500	May-2030
IRS	Euro/000	75,500	-0.094%	Feb-2022	(267)	Euro/000	Term Loan	75,500	Feb-2022
IRS	Euro/000	90,000	0.013%	Feb-2021	(362)	Euro/000	Term Loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(683)	Euro/000	Term Loan	100,000	Jun-2021
IRS	GBP/000	51,600	2.778%	Jan-2029	(7,347)	GBP/000	Term Loan	51,600	Jan-2029
IRS	Yen/000	300,000	1.360%	Mar-2020	(10)	Yen/000	Term Loan	300,000	Mar-2020
Total fair value (amounts in thousands of Euro)					(11,660)				

The IRS convert variable interest rates on bank loans into fixed interest rates. They have been arranged with major financial institutions, and no counterparties are expected to default.

INFORMATION ON FINANCIAL RISKS

CAPITAL MANAGEMENT

The Group's capital management strategy is intended to safeguard its ability to guarantee a return to shareholders, protect the interests of other stakeholders and comply with loan covenants, while maintaining a viable and balanced capital structure.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IFRS 7

FINANCIAL ASSETS

(amounts in thousands of Euro)	Financial receivables, trade receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	442,392	-	442,392	9
Trade receivables, net	290,380	-	290,380	10
Derivative financial instruments	-	10,691	10,691	12
Investments in equity instruments	64,203	-	64,203	18
Other Investments	1,988	-	1,988	18
Total at December 31, 2020	798,963	10,691	809,654	

(amounts in thousands of Euro)	Financial receivables, trade receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	421,069	-	421,069	9
Trade receivables, net	317,554	-	317,554	10
Derivative financial instruments	-	3,315	3,315	12
Investments in equity instruments	79,408	-	79,408	18
Other Investments	2,040	-	2,040	18
Total at December 31, 2019	820,071	3,315	823,386	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	754,878	-	754,878	21,22,26
Trade payables	289,578	-	289,578	23
Derivative financial instruments	-	17,038	17,038	12
Lease Liability	2,133,412	-	2,133,412	20
Total at December 31, 2020	3,177,868	17,038	3,194,906	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	828,992	-	828,992	21,22,26
Trade payables	327,330	-	327,330	23
Derivative financial instruments	-	20,106	20,106	12
Financial lease	2,415,298	-	2,415,298	20
Total at December 31, 2019	3,571,620	20,106	3,591,726	

FAIR VALUE

The reported amount of derivative instruments, whether assets or liabilities, reflects their fair value, as explained in this Note 12.

The carrying amount of Cash and cash equivalents, Financial receivables and Trade receivables, as adjusted for impairment where necessary as required by IFRS 9, approximates their estimated realizable value and, hence, their fair value.

The reported amount of Investments in equity instruments corresponds to its fair value (Level I), as explained in Note 18.

Lease Liability is reported at the present value, while all of the other financial liabilities are carried at approximately their fair value.

CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. Management considers its credit risk to regard primarily the trade receivables generated from the wholesale channel and its cash holding, and mitigates the related effects through specific commercial and financial strategies. With regards trade receivables, the credit risk management is carried out by monitoring the reliability and solvency of customers, as well as through insurance agreements, as explained also in the section describing risk factors in the Financial Review.

TRADE RECEIVABLES

The following table contains a summary, by due date, of Trade receivables before the Allowance for bad and doubtful debts at the reporting date:

(amounts in thousands of Euro)	December 31, 2020	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	302,359	265,763	6,157	12,724	1,492	895	15,328
Total at December 31, 2020	302,359	265,763	6,157	12,724	1,492	895	15,328

(amounts in thousands of Euro)	December 31, 2019	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	326,908	292,879	13,845	6,092	1,006	1,326	11,760
Total at December 31, 2019	326,908	292,879	13,845	6,092	1,006	1,326	11,760

The following table contains a summary, by due date, of Trade receivables less the Allowance for bad and doubtful debts at the reporting date:

(amounts in thousands of Euro)	December 31, 2020	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	290,380	263,358	6,094	12,720	1,492	854	5,862
Total at December 31, 2020	290,380	263,358	6,094	12,720	1,492	854	5,862

(amounts in thousands of Euro)	December 31, 2019	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	317,554	291,847	13,761	6,078	997	1,324	3,547
Total at December 31, 2019	317,554	291,847	13,761	6,078	997	1,324	3,547

As of the reporting date, the expected loss on receivables is fully covered by the allowance for doubtful debts. The changes in that allowance are presented in Note 10.

BANK CURRENT ACCOUNTS AND DEPOSITS

Bank deposits accounts are broken down by currency as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Hong Kong Dollar	62,305	66,752
Chinese Renmimbi	37,606	47,143
Other Currencies	20,652	16,549
Total bank deposit accounts	120,563	130,444

The Group aims to reduce the default risk on bank deposits by allocating the available funds to multiple accounts that differ by currency, country and bank (always investment grade); such investments are always short-term.

Bank current accounts are broken down by currency as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Euro	108,877	68,079
US Dollar	76,925	92,617
GB Pound	10,953	12,410
Hong Kong Dollar	6,439	10,170
Korean Won	5,027	3,032
Other Currencies	87,790	48,885
Total bank current accounts	296,011	235,193

The Group considers no significant risk to exist on bank accounts given that their use is strictly connected with operating activities and business processes and, therefore, they are spread over a large number of banks.

LIQUIDITY RISK

Liquidity risk refers to the difficulty the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, while the Chief Financial Office ("CFO") is in charge of optimizing the management of financial resources.

According to management, the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Group to meet its financial requirement arising from investing activities, working capital management, punctual loan repayment and dividends payments as planned.

As of December 31, 2020, the Group has undrawn cash credit lines of Euro 1,009 million (Euro 717 million as of December 31, 2019) available at banks (Euro 600 million of committed loans and Euro 409 million of uncommitted ones).

The following table summarized trade payables by maturity date:

(amounts in thousands of Euro)	December 31, 2020	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	289,578	262,158	10,830	2,725	1,139	652	12,074
Total at December 31, 2020	289,578	262,158	10,830	2,725	1,139	652	12,074

(amounts in thousands of Euro)	December 31, 2019	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	327,330	305,620	7,222	2,353	982	599	10,554
Total at December 31, 2019	327,330	305,620	7,222	2,353	982	599	10,554

FINANCIAL LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS (FORWARD CONTRACTS AND OPTIONS)

The maturities of the financial liabilities according to the earliest date on which the Group could be required to pay (worst-case scenario) are presented in the following tables.

As required by IFRS 7, the following tables show the financial liabilities under forward contracts and options designated as cash flow hedges where a negative cash flow is expected at the reporting date:

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2020	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Net cash flows (outflows/inflows) of forward contracts	(2,931)	(2,351)	(580)	-	-	-	-
Net cash flows (outflows/inflows) of options	(2,045)	(860)	(619)	(355)	(135)	(70)	(6)
Net amount	(4,976)	(3,211)	(1,199)	(355)	(135)	(70)	(6)

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2019	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Net cash flows (outflows/inflows) of forward contracts	(7,112)	(5,196)	(1,916)	-	-	-	-
Net cash flows (outflows/inflows) of options	(1,382)	(419)	(308)	(395)	(174)	(61)	(25)
Net amount	(8,494)	(5,615)	(2,224)	(395)	(174)	(61)	(25)

FINANCIAL LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS (INTEREST RATE SWAPS)

As required by IFRS 7, the following tables show interest rate swaps where a negative cash flow is expected at the reporting date:

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2020	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(11,790)	(1,081)	(1,047)	(2,314)	(1,762)	(1,532)	(4,054)
Net amount	(11,790)	(1,081)	(1,047)	(2,314)	(1,762)	(1,532)	(4,054)

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2019	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(11,467)	(1,057)	(1,470)	(2,140)	(1,643)	(1,281)	(3,876)
Net amount	(11,467)	(1,057)	(1,470)	(2,140)	(1,643)	(1,281)	(3,876)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2020	Future contractual cash flows at Dec. 31, 2020	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Lease Liability (IFRS 16)	2,133,412	2,271,858	-	227,342	204,518	370,768	294,191	257,501	917,538
Financial liabilities - third parties (without deferred costs on loans)	752,673	763,809	-	248,205	55,265	185,442	59,984	48,891	166,022
Financial liabilities - related parties	3,097	3,097	-	-	3,097	-	-	-	-
Total	2,889,182	3,038,764		475,547	262,880	556,210	354,175	306,392	1,083,560

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2019	Future contractual cash flows at Dec. 31, 2019	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Lease Liability (IFRS 16)	2,415,298	2,583,747	-	248,048	212,012	394,243	359,236	281,000	1,089,208
Financial liabilities - third parties (without deferred costs on loans)	827,060	847,224	-	193,104	53,244	200,892	258,920	42,680	98,384
Financial liabilities - related parties	3,387	3,387	-	-	3,387	-	-	-	-
Total	3,245,745	3,434,358	-	441,152	268,643	595,135	618,156	323,680	1,187,592

Some of the above financial liabilities contain loan covenants, as described in Note 26.

SENSITIVITY ON EXCHANGE RATE RISK

The exchange rate risk to which the Group is exposed is concentrated largely with PRADA spa and results from fluctuation of foreign currencies against the Euro.

For PRADA spa, the foreign exchange risk substantially consists of the risk that cash flows from retail and distribution activities could fluctuate as a result of changes in exchange rates. In terms of exposure, the most important currencies for the Group are the U.S. Dollar, Hong Kong Dollar, Japanese Yen, British Pound and Chinese Renminbi.

The following table shows the sensitivity of the consolidated net income and equity to a range of hypothetical fluctuations in the main foreign currencies against the Euro, based on the statement of financial position of the Group's companies as of December 31, 2020:

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
GP Pound	(1,655)	912	1,786	(1,177)
Hong Kong Dollar	1,868	2,618	(2,047)	(2,827)
Japanese Yen	1,738	5,840	(1,918)	(5,827)
US Dollar	6,048	10,148	(6,535)	(10,868)
Chinese Renminbi	(2,386)	5,093	2,202	(6,896)
Other currencies	(4,129)	3,701	4,384	(4,401)
Total	1,485	28,312	(2,129)	(31,996)

The total impact on equity (positive for Euro 28.3 million and negative for Euro 32 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies.

The effects on the financial statement items are presented above before taxes. The sensitivity analysis is based on currency exposure at the end of the period, which might not reflect the actual exposure during the period. For this reason it is purely indicative.

SENSITIVITY ON INTEREST RATE RISK

The Prada Group is exposed to interest rate fluctuations mainly with regard to interest expense on the medium/long-term debt of the parent company, PRADA spa, and of some of its subsidiaries. Managing this risk falls within the scope of the risk management activities carried out by the CFO.

The following table shows the sensitivity of the consolidated net income and equity to a hypothetical shift in the interest rate curve based on the financial position of the Group's companies at December 31, 2020:

(amounts in thousands of Euro)	Interest rate curve shift			
	+0.50%		-0.50%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
Euro	(2,273)	(1,180)	2,273	1,142
GB Pound	(217)	1,361	217	(1,361)
Hong Kong Dollar	344	344	(344)	(344)
Japanese Yen	(556)	(556)	556	556
US Dollar	345	345	(345)	(345)
Other currencies	677	677	(677)	(677)
Total	(1,682)	989	1,682	(1,027)

The total impact on equity (positive and negative for Euro 1 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical shift in the interest rate curve. The effects on the financial statement items are presented above before taxes.

The sensitivity analysis is based on the net financial position at the end of the period, which might not reflect the actual exposure to interest rate risk during the period. For this reason it is purely indicative.

OTHER RISKS

Risks factors affecting the international luxury goods market and those specific to the Prada Group other than the risks reported above (liquidity risk, credit risk, foreign exchange risk and interest rate risk) are disclosed in the Financial Review.

13. RECEIVABLES FROM, AND ADVANCE PAYMENTS TO, RELATED PARTIES – CURRENT AND NON-CURRENT

The current Receivables and advances from related parties are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Prepaid sponsorship	25,032	13,522
Other receivables and advances	26,003	6,027
Financial receivables	-	2,004
Receivables from and advances to related parties - current	51,035	21,553

The Prepaid sponsorship at December 31, 2020 regards the contract in place between PRADA spa and Challenger of Record 36 srl, under the sponsorship agreement for the management of the 36th America's Cup events, and the contract in place between PRADA spa and Luna Rossa Challenge srl, under the sponsorship agreement for the participation of the sailing team in the aforementioned competition.

In the Other receivables and advances Euro 20 million refer to the short-term part of the receivable for the sale of the property in Via della Spiga 18 in Milan.

The non-current Receivables and advances from related parties are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Other receivables and advances	18,309	309
Financial receivables	1,125	375
Receivables from and advances to related parties - non-current	19,434	684

The Other receivables and advances essentially refer to the long-term part of the receivable for the sale of the property in via della Spiga 18 in Milan.

Additional information on related party transactions is provided in Note 40.

14. OTHER CURRENT ASSETS

The Other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
VAT	34,677	59,610
Taxation and other tax receivables	100,406	87,372
Other assets	4,605	20,486
Prepayments	48,319	43,290
Deposits	6,181	10,718
Total	194,188	221,476

OTHER ASSETS

The Other assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Advances to suppliers	1,250	3,287
Incentives for retail investments	20	43
Other receivables	3,335	17,156
Total	4,605	20,486

The decrease in the Other receivables relates to the collection of receivables relating to the sale of lease contracts for commercial space.

PREPAYMENTS

The Prepayments are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Rental costs	1,689	3,400
Insurance	1,957	1,944
Design costs	21,198	11,631
Fashion shows and advances on advertising campaigns	6,911	12,045
Other	16,564	14,270
Total	48,319	43,290

The prepaid design costs consist primarily of costs incurred to design collections that will generate revenue after the reporting period.

DEPOSITS

The guarantee deposit refers primarily to security deposits paid under retail leases. The Group's receivable relating to security deposits from commercial leases, both classified as short-term and long-term, is reduced compared to December 31, 2019 due to some renegotiations that have made it possible to convert this liquidity commitment into bank guarantees.

15. PROPERTY, PLANT AND EQUIPMENT

The Historical cost and Accumulated depreciation of the past two years are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	926,471	220,975	1,400,858	619,105	180,540	41,487	3,389,436
Accumulated depreciation	(141,406)	(157,352)	(1,011,315)	(325,534)	(111,349)	-	(1,746,956)
Net carrying amount at December 31, 2019	785,065	63,623	389,543	293,571	69,191	41,487	1,642,480
Historical cost	917,519	230,663	1,309,080	599,787	178,915	38,332	3,274,296
Accumulated depreciation	(155,018)	(171,987)	(991,399)	(333,605)	(116,276)	-	(1,768,285)
Net carrying amount at December 31, 2020	762,501	58,676	317,681	266,182	62,639	38,332	1,506,011

The changes in the Net book value for the year are as follows:

(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
Opening balance	785,065	63,623	389,543	293,571	69,191	41,487	1,642,480
Change in the consolidation area	4,726	31	-	22	1	-	4,780
Additions	1,440	6,169	36,019	19,004	5,539	18,432	86,603
Depreciation	(17,564)	(11,778)	(94,888)	(37,959)	(10,324)	-	(172,513)
Disposals	(2,521)	(410)	(253)	(154)	(40)	-	(3,378)
Exchange differences	(12,084)	(117)	(15,779)	(8,060)	(413)	(582)	(37,035)
Other movements	3,439	1,182	8,373	4,169	(1,274)	(17,919)	(2,030)
Impairment	-	(24)	(5,334)	(4,411)	(41)	(3,086)	(12,896)
Closing balance	762,501	58,676	317,681	266,182	62,639	38,332	1,506,011

The change in the consolidation area referred to the acquisition of Pelletteria Figline srl, as described in Note 7.

The disposals under Land and buildings referred to the sale of the real estate

used to operate the Prada store in via della Spiga 18 in Milan, which closed in March 2020 following the pandemic and never reopened. On December 29, 2020, with a view to profitably realize no longer strategic assets, PRADA spa sold the aforementioned property to the related party Orexis srl for a consideration of Euro 40 million. This value was supported by an independent appraisal, as reported in the Announcement published the same day of the transaction following the application of the HK Stock exchange Listing Rules. The consideration, apart from the amount of Euro 2 million received immediately, will be collected for Euro 20 million in 2021 and for Euro 18 million in 2022 (Note 40).
The increases in Furniture and fittings and in Leasehold improvements relate to projects for the restyling and relocation of commercial spaces which, despite the emergency context linked to the pandemic, were considered a priority.

Assets under construction at the end of the period mainly refer to projects to be completed in the industrial and retail sectors.

The impairment for the period, equal to Euro 12.9 million, essentially refer to the write-down of store assets due to closures or renovations.

16. INTANGIBLE ASSETS

The Historical cost and Accumulated amortization of the past two years are set forth below:

(amounts in thousands of Euro)	Trade-marks and intellectual property rightss	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	407,921	548,931	55,131	164,583	63,102	33,277	1,272,945
Accumulated amortization	(182,672)	(30,228)	(53,975)	(106,359)	(55,881)	-	(429,115)
Net carrying amount at December 31, 2019	225,249	518,703	1,156	58,224	7,221	33,277	843,830
Historical cost	404,261	551,217	54,445	201,677	63,620	20,985	1,296,205
Accumulated amortization	(193,856)	(37,731)	(53,675)	(120,709)	(57,789)	-	(463,760)
Net carrying amount at December 31, 2020	210,405	513,486	770	80,968	5,831	20,985	832,445

The changes in the Net book value for the year are as follows:

(amounts in thousands of Euro)	Trade-marks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
Opening balance	225,249	518,703	1,156	58,224	7,221	33,277	843,830
Change in the consolidation area	-	3,663	-	-	-	-	3,663
Additions	451	-	3	23,937	346	2,757	27,494
Amortization	(13,160)	-	(393)	(15,646)	(2,008)	-	(31,207)
Exchange differences	(2,135)	(480)	(6)	(41)	(4)	1	(2,665)
Other movements	-	-	10	14,494	276	(15,050)	(270)
Impairment	-	(8,400)	-	-	-	-	(8,400)
Closing balance	210,405	513,486	770	80,968	5,831	20,985	832,445

The Net book value of Trademarks and intellectual property rights at the reporting date is broken down in the following table:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Miu Miu	127,362	132,921
Church's	70,757	76,679
Prada	5,141	5,351
Other trademarks and other intellectual property rights	7,145	10,298
Total	210,405	225,249

No impairment was recognized for the Group’s trademarks during the year.

The change in the consolidation area referred to the acquisition of Pelletteria Figline srl as described in Note 7.

The investments classified under Software refer to numerous technological and digital evolution projects in the retail, manufacturing and corporate sectors.

The impairment of the period, equal to Euro 8.4 million, refers to the devaluation of the Goodwill of the Church’s Group as better described below.

The total capital expenditure for Tangibles and Intangibles fixed assets in the twelve months ended December 31, 2020 was Euro 121.7 million, as broken down below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Retail	61,056	121,919
Real Estate	-	60,351
Production, Logistics and Corporate	60,686	119,460
Total	121,742	301,730

IMPAIRMENT TEST

As required by IAS 36, "Impairment of Assets," intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least once per year. The Group does not report intangible assets with indefinite useful lives other than goodwill. As December 31, 2020, goodwill amounted to Euro 513.5 million, detailed by Cash Generating Unit ("CGU") as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Montecarlo Retail	11,700	11,700
North America Retail and wholesale	48,000	48,000
Production Division	13,906	10,169
Church's	-	8,954
Pasticceria Marchesi 1824	7,975	7,975
Total	513,486	518,703

IAS 36 requires an entity to assess at each annual reporting date whether there are indications of impairment for any other asset recognized in the Statement of Financial Position. Due to the Covid-19 pandemic, which constitutes an indicator of impairment because of its effects on the entire luxury goods industry and the persisting uncertainties at the reporting date, impairment testing was also conducted on the Miu Miu and Church's brands, being significant intangible asset values (respectively equal to Euro 127.4 million and Euro 70.8 million at December

31, 2020), and on the net invested capital of some CGUs relating to the retail activity.
The method used to identify the recoverable amount (value in use) of all the aforementioned CGUs, except for the brands, consisted of discounting the projected cash flows (Discounted Cash Flow) generated by the activities directly attributable to the segment to which the intangible asset or net invested capital has been assigned (CGU). Value in use was the sum of the present value of future cash flows expected from the business plan projections prepared for each CGU and the present value of the related operating activities at the end of the period (terminal value).
In response to planning difficulties arising from the public health emergency, future retail and wholesale revenues were projected on the basis of particularly conservative scenarios, predicting a gradual return to pre-Covid sales volumes with growth in line with the most recent industry forecasts published by third-party experts. Furthermore, the rent concessions and government subsidies obtained in 2020 were not projected in the plans. Finally, no significant improvement in the performance of the assets existing at December 31, 2020 was projected.
The rate used to discount cash flows was calculated using the weighted average cost of capital ("WACC). For the year ended December 31, 2020, the WACC used for discounting purposes ranged between 3.8% and 14.5% (between 4.2% and 12.6% at December 31, 2019).
The WACC was calculated ad hoc for each CGU subject to impairment, considering the parameters specific to the geographical area: market risk premium and sovereign bond yield. For the latter data, the observation period for determining the risk-free rate was extended in some cases to five years in order to minimize the dilutive effect on rates of the expansionary monetary policies adopted by central banks to cope with the public health emergency.
The "g" rate of growth used to calculate the terminal value ranged between 1.5% and 13%, according to different inflation and GDP outlooks in the various markets. However, the prevalent growth rate was 2%, which can be considered prudent given the average growth expected for the luxury goods market in general and the specific growth rate projected for the Prada Group at the reporting date.
Except for the Church's Group, classified as a single CGU, the impairment tests did not identify any impairment losses. For the English Group, the test resulted in an impairment loss of Euro 8.4 million, representing the writedown of the remaining goodwill in the accounts, considered difficult to realize by the Directors within the

context of the emergency situation caused by the pandemic. This CGU was valuated by comparing the carrying amount of net invested capital items with the fair value (less costs to sell) of such items, deemed the best approach for expressing the value of the centenarian Group in the current uncertain situation. In the specific case of the trademark (equal to Euro 70.8 million at December 31, 2020), the fair value was measured by using the royalty relief method. According to such method, the Group estimated the cash flows obtainable from an hypothetical licensing of the asset, assuming to earn a 9% royalty income, in line with comparable market practices. The remainder of the net invested capital, amounting to Euro 90 million (out of which Euro 50 million for Rights of Use of assets and Euro 24.1 million for net operating working capital), was considered to be approximately its realizable value.

In order to ensure that the changes to the main assumptions did not significantly affect the results of the impairment tests, sensitivity analyzes were conducted on 90% of the goodwill recognized in the Statement of the financial position. With these stress tests, the growth rate "g" for the terminal period was reduced by up to 50 basis points, while the WACC rate was increased up to 50 basis points, continuing to show significant coverage.

However, since values in use and fair values are measured on the basis of estimates and assumptions, management cannot guarantee that the value of goodwill or of other tangible or intangible assets will not be subject to impairment in the future.

17. RIGHT OF USE ASSETS

The changes in the Net book value of the Right of Use assets for the period ended December 31, 2020 are shown below:

(amounts in thousands of Euro)	Real Estate	Vehicles	Hardware	Plant and machinery	Total net carrying amount
Opening balance	2,358,995	1,692	237	1,917	2,362,841
Change in the consolidation area	2,954	10	-	-	2,964
New contracts, initial direct costs and remeasurements	253,200	545	91	1,029	254,865
Depreciation	(441,988)	(1,073)	(84)	(765)	(443,910)
Contracts termination	(24,408)	(7)	1	-	(24,414)
Exchange differences	(97,985)	(4)	(17)	(2)	(98,008)
Closing balance	2,050,768	1,163	228	2,179	2,054,338

The change in the consolidation perimeter refers to the Group's acquisition of Pelletteria Figline srl in September 2020 as described in Note 7.

The increase for New leases, initial direct costs and remeasurements was attributable to lease renewals (mainly in Asia Pacific and the U.S.A.) and the remeasurement of the liability to adjust to indexes commonly used in the real estate industry (primarily the consumer price index).
Lease terminations amounted to Euro 24 million for the period and referred mainly to leases in Europe.
The exchange differences of the period impacted significantly the Right to Use assets, as a consequence of the Euro currency revaluation against all the main currencies of the countries in which the Group operates.

18. INVESTMENTS IN EQUITY INSTRUMENTS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Investments in equity instruments	64,203	79,408
Other investments	1,988	2,040
Total	66,191	81,448

The Group, after appropriate evaluation by the respective corporate bodies, invests surplus liquidity in highly rated equity securities listed on the most important stock markets in the world. The decrease for the year referred to the changes in the fair value, recognized through a specific equity reserve.

19. OTHER NON-CURRENT ASSETS

The Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Guarantee Deposits	60,051	70,732
Deferred rental income	533	968
Pension fund surplus (Note 27)	11,277	15,315
Prepayments for commercial agreements	58,427	62,600
Other long-term assets	12,424	15,757
Total	142,712	165,372

The Guarantee deposits are set forth below by nature and maturity:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Nature:		
Stores	53,637	64,981
Offices	3,847	3,850
Warehouses	123	134
Other	2,444	1,767
Total	60,051	70,732

(amounts in thousands of Euro)	December 31 2020
Maturity:	
between one to two years	4,187
between two to five years	19,364
After more than five years	36,500
Total	60,051

The guarantee deposits refer primarily to security deposits paid under retail leases.

Prepayments for commercial agreements, equal to Euro 58.4 million at December 31, 2020, refer to a contract signed in 2019 and for which the related benefits are expected starting from January 1, 2021. The reduction compared to December 31, 2019 referred exclusively to the short-term portion scheduled for the next 12 months.

20. LEASE LIABILITY

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Short-term Lease Liability	403,593	409,537
Long-term Lease Liability	1,729,819	2,005,761
Total	2,133,412	2,415,298

The Lease Liability decreased by approximately Euro 282 million compared to December 31, 2019 mainly due to payments for the period (Euro 373 million), to discounts obtained on rents and to the favorable effect of the differences exchange. The new contracts and the remeasurements, net of the closures for the period, instead led to an increase in the Lease Liability for approximately Euro 230 million.

The Lease Liability is concentrated mainly in Japan, U.S.A. and Italy.

21. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Short-term bank loans	97,115	136,093
Current portion of long-term loans	203,861	106,017
Deferred costs on loans	(399)	(646)
Total	300,577	241,464

The Short-term bank loans as at December 31, 2020 consist substantially of the use of credit lines by PRADA Japan co ltd for Euro 96.5 million. Some of these credit lines contain covenants based on the results of PRADA Japan co ltd's financial statements, all of which were met as at December 31, 2020.
Short-term bank loans are broken down by currency below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Euro	576	45,000
Japanese Yen	96,462	90,207
Other currencies	77	886
Total	97,115	136,093

The Group generally borrows at variable interest rates, as explained in Note 26, and manages the risk of interest rate fluctuations by using hedging agreements, as explained in Note 12.

22. PAYABLES TO RELATED PARTIES – CURRENT AND NON-CURRENT

The current Payables to related parties are shown below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial payables	3,101	3,387
Other payables	380	22,670
Payables to related parties - current	3,481	26,057

The non-current Payables to related parties are shown below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Other payables	-	20,660
Payables to related parties - non-current	-	20,660

The current Financial payables due to related parties regard two interest-free loans granted by non-controlling shareholders of the Group's subsidiaries in the Middle East.

At December 31, 2019 the Other payables (current and non-current) related to the residual debt for the acquisition of Fratelli Prada spa, paid in the current year.

The payables due to related parties are analyzed in Note 40.

23. TRADE PAYABLES

The Trade payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade payables – third parties	286,653	322,105
Trade payables – related parties	2,925	5,225
Total	289,578	327,330

24. TAX PAYABLES

The tax payables are detailed hereunder:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Current taxation	15,691	35,065
VAT and other taxes	53,172	48,744
Total	68,863	83,809

The Group recognizes current tax liabilities of Euro 15.7 million at December 31, 2020 (Euro 35.1 million at December 31, 2019) against tax receivables of Euro 100.4 million (Euro 87.4 million at December 31, 2019), as reported in Note 14.

25. OTHER CURRENT LIABILITIES

The Other current liabilities are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Payables for capital expenditure	39,958	38,588
Accrued expenses and deferred income	24,944	18,098
Other payables	88,480	75,608
Total	153,382	132,294

The Accrued expenses and deferred income increased due to the short-term reclassification of trade agreements, the effects of which will begin to impact from January 1, 2021.

The Other payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Short-term benefits for employees and other personnel	55,525	55,158
Customer advances	16,980	9,553
Returns from customers	14,006	7,838
Other	1,969	3,059
Total	88,480	75,608

26. LONG-TERM FINANCIAL PAYABLES

The Long-term financial payables are as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Long-term bank borrowings	451,695	584,950
Deferred costs on loans	(495)	(809)
Total	451,200	584,141

In January 2020 PRADA spa took out a new sustainability-linked bank loan of Euro 75 million. Like the previous such loan stipulated in 2019, it provides for an adjustment of the annual interest based on the achievement of sustainability goals regarding the number of Leadership in Energy and Environmental Design (LEED) certifications, the use of regenerated nylon and the number of training hours for employees.

In April 2020 PRADA spa took out a 5-year bullet bank loan of Euro 100 million.

PRADA spa's loans covenants were fully complied at December 31, 2020.

In 2020, PRADA spa and other Group companies repaid current portions of long-term loans for an amount of Euro 205.6 million.

The Long-term bank borrowings as at December 31, 2020, excluding amortized costs, are set forth below:

Borrower	Amount in thousands of Euro	Type of loan	Currency	Expiry date	Interest rate (1)	Current Portion (Euro thousands)	Non-current Portion (Euro thousands)	Pledge
PRADA spa	58,500	Term-loan	EUR	02/2022	1.056%	8,500	50,000	-
PRADA spa	50,000	Term-loan	EUR	06/2022	0.750%	-	50,000	-
PRADA spa	34,834	Term-loan	EUR	05/2030	2.737%	3,667	31,167	Mortgage ioan
PRADA spa	40,000	Term-loan	EUR	10/2024	1.030%	10,000	30,000	-
PRADA spa	100,000	Term-loan	EUR	04/2025	0.387%	-	100,000	-
PRADA spa	37,500	Term-loan	EUR	06/2022	0.480%	25,000	12,500	-
PRADA spa	90,000	Term-loan	EUR	02/2021	1.613%	90,000	-	-
PRADA spa	77,778	Term-loan	EUR	06/2024	0.367%	22,222	55,556	-
PRADA spa	75,000	Term-loan	EUR	01/2025	0.708%	18,000	57,000	-
PRADA Japan Co.Ltd	13,834	Syndicate loan	JPY	09/2022	0.479%	7,906	5,928	-
PRADA Japan Co.Ltd	13,834	Syndicate loan	JPY	09/2022	0.479%	7,906	5,928	-
Kenon Ltd	54,475	Term-loan	GBP	01/2029	4.477%	3,253	51,222	Mortgage ioan
Prada Middle East	5,094	Term-loan	USD	02/2022	2.350%	4,075	1,019	-
Tannerie Limoges sas	1,875	Term-loan	EUR	07/2024	1.200%	500	1,375	Mortgage ioan
Hipic Prod Impex srl	2,832	Term-loan	RON	11/2021	3.990%	2,832	-	-
Total	655,556					203,861	451,695	

(1) the interest rates include the effect of any interest rate risk hedges

PRADA spa's mortgage loan is secured by the building in Milan used for the Group's headquarters, and Kenon ltd's mortgage loan is secured by the building on Old Bond Street, London, used for one of the most prestigious Prada stores in Europe. The loan to Tannerie Limoges sas is secured by such company's factory building.

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements, as described in Note 12.

The financial payables are set forth hereunder by their portions with fixed and variable interest rates:

	December 31, 2020		December 31, 2019	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	65%	35%	89%	11%
Long-term financial payables	71%	29%	42%	58%

27. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Post-employment benefits	54,160	52,882
Other long-term employee benefits	19,096	10,637
Total liabilities for long-term benefits	73,256	63,519
Pension plan surplus (note 18)	(11,277)	(15,316)
Net liabilities for long-term benefits	61,979	48,203

POST-EMPLOYMENT BENEFITS

The net balance of Long-term employee benefits as at December 31, 2020 is a liability of Euro 62 million (Euro 48.3 million as of December 31, 2019) and all the benefits are classified as defined benefit plans.

The Post-employment benefits consist of Euro 28.1 million (Euro 26.2 million at December 31, 2019) in liabilities accounted for by Italian companies and Euro 26.1 million by the foreign subsidiaries (Euro 26.6 million in at December 31, 2019). The Italian liabilities regard the "Trattamento di Fine Rapporto" ("TFR", or staff leaving indemnities), a deferred benefit for employees that is mandatory for Italian businesses and is based on the employees' length of service and pay. The present value of the liability recognized was determined by projecting the amount accrued as of December 31, 2020 under Italian law to the estimated future date of employment termination, discounting it to the present value at the same reporting date using the projected unit credit method ("PUCM").

The following table presents the changes in long-term employee benefits as at December 31, 2020:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Opening balance	26,235	26,647	(15,316)	10,637	48,203
Change in the consolidation area	795	-	-	-	795
Current service cost	882	3,985	295	7,759	12,921
Interest expenses (income)	(61)	112	(297)	34	(212)
Actuarial (gains)/losses	2,033	(804)	3,447	1,234	5,910
Benefits paid	(1,834)	(2,745)	-	(190)	(4,769)
Contributions	-	-	(192)	-	(192)
Exchange differences	-	(1,084)	786	(379)	(677)
Closing balance	28,050	26,111	(11,277)	19,095	61,979

The actuarial gains and losses are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Other Countries (including Japan)	Pension Funds in UK
Actuarial adjustments due to			
(a) Changes in financial assumptions	2,988	(195)	(5,945)
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	(955)	(609)	9,392
Actuarial (gains)/losses	2,033	(804)	3,447

The current service cost and interest expense/(income) are recognized in the statement of profit or loss. The actuarial differences for Other long-term employee benefits are also recognized in the statement of profit or loss.

The TFR liability was measured on the basis of an independent appraisal by Federica Zappari, an Italian actuary, member (n. 1134) of the Ordine Nazionale degli Attuari (Italian Society of Actuaries). The technical basis was processed using statistical data, whereas the demographic assumptions used variables such as probability of death, probabilities of retirement and resignations, probability of dismissals, contract expiration, leaving indemnity advances and supplementary pension schemes.

The Post-employment benefits are stated net of the pension plan surplus attributable to Group companies operating in the United Kingdom that supply pension services to their employees. As at December 31, 2020, the fair value of such pension plans is a surplus of Euro 11.3 million (Euro 15.3 million as of December 31, 2019). The fair value of the plan assets was determined by the independent actuary Mercer Limited. It is detailed below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Fair value of plan assets	72,009	70,088
Fair value of plan liabilities	(60,732)	(54,772)
Pension plan surplus	11,277	15,316

The composition of the main plan assets on the reporting date is as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Equities	24,819	27,876
Alternatives	5,860	7,628
Bonds	34,515	31,244
Cash	5,919	3,340
Other	896	57
Total	72,009	70,145

The main actuarial assumptions used as at December 31, 2020 are as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.8	15	13.8
Average increase in remuneration	1.30%	2.60%	3.37%
Rate of inflation	1.50%	2.60%	N/A

The main actuarial assumptions used as of December 31, 2019 were as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.1	15	13.4
Average increase in remuneration	1.30%	1.87%	3.37%
Rate of inflation	1.50%	1.87%	N/A

The discount rate used to measure defined benefit plans was determined on the basis of yields on bonds with an AA rating and a maturity date similar to that of the plans.

With respect to the December 31, 2020 liability, a sensitivity analysis was performed on the main actuarial variables such as discount rate, salary changes and inflation rate. The analysis did not lead to significant changes in the liability, except for the sensitivity analysis conducted on the interest rate curve, according to which a 50 basis point increase or decrease would cause an increase or decrease in the Group's total defined benefit obligation ("DBO") up to Euro 7 million.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Other long-term employee benefits meet the IAS 19 definition of long-term employee benefits and refer to retention and performance-based programs for key-figures of the Group. Their actuarial valuation as of December 31, 2020 under the PUCM methodology resulted in Euro 19.1 million (Euro 10.6 million as at December 31, 2019), according to an independent actuarial appraisal.

28. 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
Opening balance	518	2,347	46,619	49,484
Exchange differences	(3)	(66)	(1,640)	(1,709)
Reversals	(115)	(470)	(612)	(1,197)
Utilized	(105)	(689)	(6,191)	(6,985)
Increases	94	736	4,993	5,823
Closing balance	389	1,858	43,169	45,416

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.

TAX DISPUTES

The Group's main tax disputes at the reporting date are described hereunder.

The dispute filed by PRADA spa following an audit initiated in 2012 by the Italian

Customs Agency for the tax years from 2007 to 2011 to determine the customs value of the products consists of three legal actions regarding the 2010 tax year, all of which are currently pending at the Supreme Court due to the appeals filed by the Company in 2019 and 2020, and for which the Company has already paid the amount due while pending. The Company is awaiting notification of the hearing for all three cases.

IIn addition to the aforementioned disputes, and consistently with the transparent and collaborative approach adopted toward tax authorities, PRADA spa initiated the process of obtaining the Authorized Economic Operator status, which was granted by the Italian Customs Agency at the highest level (AEO Full) in June 2020. At the end of the process, the Company established, in agreement with the Italian Customs Agency, an appropriate method for measuring the value of imported products starting from May 2020 with retroactive effectiveness for the assessable years. The application of such method led to the estimate of an end-of-period liability of Euro 0.6 million.

With respect to the audit of Prada Korea ltd, initiated in 2019 by the Korean National Tax Service for the tax periods from 2014 to 2017, a finding about the direct tax treatment of intercompany transactions between PRADA spa and PRADA Korea ltd under the related licensing agreement amounting to some Euro 2.8 million is pending. After the pre-litigation phase concluded unfavorably, in 2020 PRADA Korea ltd initiated the actual dispute, still pending at the reporting date, while retaining the possibility of initiating a Mutual Agreement Procedure (MAP) between the competent Italian and Korean authorities.

In the first half of 2020 the tax audit of PRADA Austria gmbh ended; it had begun in 2018 with assessment notices issued for the 2011 and 2012 tax periods, regarding registration tax due on store leases. On January 28, 2020 the Company discussed the appeals with an unfavorable outcome and, on the basis of the most recent legal guidance, it decided not to continue with the dispute and settled it by paying Euro 0.7 million in additional tax and interest.

During 2020 the Prada Group and the tax authorities of the countries where it operates continued to exchange views to preventively manage tax risk. Accordingly, Prada spa and the Italian Revenue Agency continued to discuss specific topics within the scope of the Cooperative Compliance tax regime (to which the Company was admitted in 2017). Moreover, PRADA spa and other affiliates of the Group continued their discussions with Italian and foreign tax authorities within the context of the International Compliance Assurance Programme ("ICAP"), to which the Prada Group was invited to participate at the end of the pilot phase, which concluded successfully in 2019.

LEGAL DISPUTES

The Euro 0.4 million Provision for litigation as at December 31, 2020 refers primarily to pending labor disputes.

OTHER RISK PROVISIONS

The Other risk provisions amount to Euro 43.2 million as at December 31, 2020 and refer primarily to contractual obligations to restore leased commercial properties to their original condition.

29. OTHER NON-CURRENT LIABILITIES

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Deferred costs for lease payments	4,362	7,190
Deferred income for commercial agreements	104,000	40,000
Other non-current liabilities	2,392	9,175
Total	110,754	56,365

Deferred income for commercial agreements increased by Euro 64 million compared to December 31, 2019 due to amounts received in the period following commercial agreements whose economic effects are expected beyond 12 months.

30. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP

The equity attributable to owners of the Group is set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,262,759	2,006,971
Actuarial reserve	(8,151)	(4,516)
Fair value Investments in equity instruments reserve	(25,188)	(9,982)
Cash flow hedge reserve	(5,794)	(8,469)
Translation reserve	(3,359)	61,437
Net income/(loss) for the period	(54,139)	255,788
Total	2,832,057	2,967,158

SHARE CAPITAL

As at December 31, 2020, approximately 80% of PRADA spa's Share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

SHARE PREMIUM RESERVE

The Share premium reserve of Euro 410 million did not change from that of December 31, 2019.

TRANSLATION RESERVE

The changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve decreased from Euro 61.4 million at December 31, 2019 to Euro -3.4 million.

OTHER RESERVES

The Other reserves amount to Euro 2,262 million as at December 31, 2020, showing an increase of Euro 255.7 million compared to December 31, 2019 exclusively for the allocation of the 2019 profit.

NET RESULT FOR THE PERIOD

The Group's net result for the twelve months ended December 31, 2020 was a loss of Euro 54.1 million (a profit of Euro 255.8 million for the twelve months ended December 31, 2019).

CAPITAL GAINS TAX IN ITALY

Capital gains realized from the sale of shares of an Italian company by shareholders resident in Hong Kong S.A.R. have not been subject to taxation in Italy. Additional information on Italian capital gains tax is provided in the Tax Booklet available on the Company's website (www.pradagroup.com).

31. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The following table shows the changes in the Non-controlling interests during the periods ended December 31, 2020 and December 31, 2019:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Opening balance	21,417	19,083
Translation differences	(1,526)	417
Dividends	-	(1,113)
Net income/(loss) for the period	(229)	1,936
Actuarial reserve	1	(36)
Capital injection in subsidiaries	-	1,130
Closing balance	19,663	21,417

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For a better understanding of the economical and operating performances of 2020, reference is made to the Financial Review.

32. NET REVENUES

The consolidated Net revenues are produced primarily by sales of finished products and are stated net of returns and discounts.

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Net sales	2,390,866	3,183,339
Royalties	31,873	42,255
Total	2,422,739	3,225,594

The Financial Review describes the Net sales by distribution channel, geographical area, brand and product.

33. COST OF GOODS SOLD

The Cost of goods sold has the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Purchases of raw materials and manufactoring services	417,119	681,908
Depreciation, amortization and impairment on tangible and intangible fixed assets	17,025	17,397
Depreciation and write-downs of the Right of Use assets	3,035	2,963
Labor cost	117,702	128,208
Short-term and low value lease (IFRS 16)	597	678
Logistics costs, duties and insurance	103,808	136,049
Change in inventories	20,075	(61,221)
Total	679,361	905,982

The incidence of the cost of good sold on net revenues for the twelve months ended December 31, 2020 was equal to 28%, substantially in line with that of the corresponding period of 2019 (28.1%). During the first part of the year the incidence of the cost of good sold on net revenues increased as a result of the reduced economies of scale in the manufacturing division, to return, in the second part of the year, to values in line with the comparative period thanks to the recovery of sales.

34. OPERATING EXPENSES

The Operating costs are detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	% of net revenues	twelve months ended December 31 2019	% of net revenues
Product design and development costs	102,232	4.2%	127,378	3.9%
Advertising and communications costs	206,848	8.5%	231,011	7.2%
Selling costs	1,259,827	52.0%	1,470,101	45.6%
General and administrative costs	154,410	6.4%	184,343	5.7%
Total	1,723,317	71.1%	2,012,833	62.4%

The total Operating expenses, including the operating costs of stores closed during the lockdown periods, were Euro 1,723.3 million, down by Euro 289.5 million from the comparative period. Approximately half of the reduction was attributable to rent discounts obtained and governments subsidies supplementing earned income, of which the Group benefited in nearly all the geographical areas, especially Europe. The remainder was due to reduced discretionary expenses, greater real estate capital gains in 2020 and lower variable costs associated with sales.

The following table sets forth depreciation, amortization, impairment, cost of labor and rent expense included within the operating expenses in accordance with the requirements of IAS 1.

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Depreciation, amortization and impairment on tangible and intangible fixed assets	207,989	216,362
Depreciation and write-downs of the Right of Use assets (*)	440,875	453,198
Labor cost	585,616	624,229
Pure variable lease (IFRS 16)	127,830	144,968
Short term and low value lease (IFRS 16)	9,028	8,390

(*) shown without the impact of Covid-related discounts

35. FINANCIAL INCOME / (EXPENSE)

The Net financial income/(expense) are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Interest expenses on borrowings	(10,239)	(10,217)
Interest income	1,954	4,135
Interest income / (expenses) IAS 19	212	173
Exchange gains / (losses) - realized	(2,501)	(15,993)
Exchange gains / (losses) - unrealized	(16,318)	(1,272)
Other financial income / (expenses)	(2,586)	(2,000)
Interest and other financial income / (expenses), net	(29,478)	(25,174)
Interest expenses on Lease Liability	(42,670)	(48,980)
Dividends from investments	277	2,135
Total financial expenses	(71,871)	(72,019)

The net finance costs of Euro 71.9 million were substantially consistent with those of 2019 (Euro 72 million).
Interest expense on the lease liability fell by Euro 6.3 million compared with the previous year as a result of a lower amount and shorter time horizon of the liability. That effect was offset by greater net bank interest expense, mainly following lower interest income on surplus funds, and foreign exchange losses associated with the

revaluation of foreign-currency liabilities.

36. TAXATION

Income taxes have the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Current taxation	22,636	951
Deferred taxation	(20,080)	(23,915)
Total	2,556	(22,964)

The income tax expense, net was Euro 2.6 million against a pre-tax loss of Euro 51.8 million. The income tax calculation was affected by permanent upward differences to the pre-taxable result as well as to the prudence adopted in the recognition of deferred tax assets.

The reconciliation between the Group's theoretical tax rate and its effective tax rate is presented in the table below:

(amounts in thousands of Euro)	twelve months ended December 31 2020
Group's weighted theoretical tax rate (calculated in absolute values on the basis of subsidiaries' pre-taxable income/loss)	22.9%
Effect of the pre-taxable losses	-3.5%
Non deductible expenses, net of not taxable income	-7.5%
Write-off of the deferred tax asset and utilization of tax losses carried forward	-2.1%
Tax losses generated in the year on which no deferred tax assets were recognized	-12.0%
Prior year taxes adjustments	4.5%
Withholding and other income taxes	-7.1%
Effective tax rate of the Group	-4.9%

The changes in Deferred tax assets and liabilities are set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Opening balance	214,869	187,054
Exchange differences	(10,888)	3,383
Deferred taxes on acquisition	(1,318)	1,475
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	(1,727)	(579)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	1,034	(358)
Other movements	590	(21)
Deferred taxes for the period in profit or loss	20,079	23,915
Closing balance	222,638	214,869

Deferred tax assets and liabilities are classified by nature hereunder:

(amounts in thousands of Euro)	December 31, 2020		December 31, 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	123.078	-	128,968	-
Receivables and other assets	1.177	1.548	1,186	1,538
Useful life of non-current assets	34.975	8.447	41,997	7,808
Deferred taxes due to acquisitions	-	12.699	-	13,814
Provision for risks / accrued expenses	13.135	429	13,495	112
Non-deductible / taxable charges/income	6.148	1.639	5,640	1,364
Deferred tax assets on rental contracts	40.630	504	33,965	533
Tax loss carryforwards	12.189	-	3,122	-
Derivative financial instruments	1.508	222	2,497	-
Long term employee benefits	10.911	2.262	10,203	2,723
Other	8.137	1.500	3,133	1,445
Total	251.888	29.250	244,206	29,337

Tax loss carryforwards as of December 31, 2020, including those already recognized in the Group's financial statements, are detailed below:

(amounts in thousands of Euro)	December 31 2020
Expiring within 5 years	15,542
Expiring after 5 years	10,340
Available for carryforward with no time limit	98,810
Total tax loss carryforwards	124,692

The Group's management updated the deferred tax assets recognized on tax loss carryforwards taking into consideration, for their recoverability, the macroeconomic scenario and the business developments of each of the Group's companies.

37. EARNINGS AND DIVIDENDS PER SHARE

EARNINGS PER SHARE BASIC AND DILUTED

Earnings (losses) per share are calculated by dividing the net result of the Profit or Loss of the period attributable to the Group's shareholders by the weighted average number of ordinary shares in issue.

	twelve months ended December 31 2020	twelve months ended December 31 2019
Group net income / (loss) in Euro	(54,138,620)	255,787,505
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and diluted earnings / (losses) per share in Euro, calculated on weighted average number of shares	(0.021)	0.100

DIVIDENDS PER SHARE

The Board of Directors, taking into account on one hand the withdrawn distribution of the dividends of previous year as a conservative measure and, on the other hand, the positive trend in sales of the second half of the year, confirmed also in the first months of 2021, proposed to the Shareholders' Meeting to distribute a dividend of Euro 0.035 per share, for a total of Euro 89,558,840. Last, but not least the proposal of dividends distribution relies on the well-balanced Net financial position at period end. Such dividends can be drawn from the distributable reserves of PRADA spa, which amount to Euro 1,625 million.

During the period of twelve months ended December 31, 2020 the Group did not distributed dividends.

At the meeting held on March 18, 2020 the Board of Directors proposed, on the basis of the results closed as at December 31, 2019, the distribution of a final dividend for a total amount of Euro 51,176,480 (Euro 0.02 per share).
Following the outbreak of the Covid-19 pandemic, on April 22, 2020, the Board of Directors revised its previous recommendation, suggesting the General Meeting of Shareholders to approve the allocation of the 2019 net income to retained earnings and extraordinary reserve, without the distribution of any dividend. Accordingly, with the aim of providing the Group with additional resources to support the rapid recovery of the previous activity paces, on May 26, 2020 the General Meeting of Shareholders approved the suggestion made on April 22, 2020.

The dividends paid in the past three years are detailed hereunder:

	Financial statements ended December 31 2019	Financial statements ended December 31 2018	Financial statements ended December 31 2017
Total dividends paid (Euro)	-	153,529,440	191,911,800
Dividends per Share (Euro)	-	0.06	0.075
Date of approval by Shareholders' Meeting	26/05/2020	30/04/2019	27/04/2018
Date of payment	-	May 2019	May 2018

38. ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES

The average number of employees by business division is presented below:

(number of employees)	twelve months ended December 31 2020	twelve months ended December 31 2019
Production	3,017	3,089
Product design and development	1,016	1,035
Advertising and Communications	165	167
Selling	8,166	8,479
General and administrative services	967	1,009
Total	13,331	13,779

EMPLOYEE REMUNERATION

The employee remuneration by business division, net of government subsidies for Covid-19 pandemic, is presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Production	109,296	128,011
Product design and development	56,335	67,992
Advertising and Communications	15,444	16,085
Selling	390,218	452,362
General and administrative services	85,882	87,599
Total	657,175	752,049

The types of employee remuneration are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Wages and salaries	492,529	572,507
Post-employment benefits and other long-term benefits	34,368	32,725
Social contributions	102,828	118,849
Other	27,450	27,968
Total	657,175	752,049

DISTRIBUTABLE RESERVES OF THE PARENT COMPANY, PRADA SPA

(amounts in thousands of Euro)	December 31 2020	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882	-	-	-	-
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Extraordinary reserve	51,176	A, B, C	51,176	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	1,028,032	A, B, C	981,161	-	652,500
Fair Value reserve	(25,187)	-	-	-	-
Time Value reserve	(1,168)	-	-	-	-
Intrinsic Value reserve	1,871	-	-	-	-
Distributable amount	-	-	1,625,283	-	652,500

A share capital increase
B coverage of losses
C distributable to shareholders

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable since the amount of the legal reserve is equal to or exceeds 20% of share capital. Under Italian Legislative Decree 38/2005, Article 7, Euro 20.5 million of the retained earnings is not distributable. Subject to Annual General Meeting approval, the loss of the year shall be included in the retained earnings.

EXCHANGE RATES

The exchange rates against the Euro used for consolidation of the statements of financial position and statements of profit or loss whose presentation currency differed from that of the consolidated financial statements as at December 31, 2020 and December 31, 2019 are listed hereunder.

(amounts in thousands of Euro)	Average rate December 31 2020	Average rate December 31 2019	Closing rate December 31 2020	Closing rate December 31 2019
UAE Dirham	4.191	4.113	4.507	4.126
Australian Dollar	1.656	1.610	1.590	1.600
Brazilian Real	5.882	4.413	6.374	4.516
Canadian Dollar	1.529	1.486	1.563	1.460
Swiss Franc	1.070	1.113	1.080	1.085
Czech Koruna	26.451	25.669	26.242	25.408
Danish Kronor	7.455	7.466	7.441	7.472
GB Pound	0.889	0.877	0.899	0.851
Hong Kong Dollar	8.850	8.773	9.514	8.747
Japanese Yen	121.773	122.095	126.490	121.940
Korean Won	1,344.894	1,304.460	1,336.000	1,296.280
Kuwait Dinar	0.350	0.340	0.373	0.340
Kazakhstani Tenge	469.976	428.652	516.790	429.000
Moroccan Dirham	10.822	10.768	10.882	10.744
Macau Pataca	9.117	9.038	9.792	9.011
Mexican Peso	24.513	21.561	24.416	21.220
Malaysian Ringgit	4.792	4.637	4.934	4.595
New Zealand Dollar	1.756	1.699	1.698	1.665
Qatari Riyal	4.192	4.097	4.535	4.109
Chinese Renminbi	7.870	7.734	8.023	7.821
Romanian Leu	4.838	4.745	4.868	4.783
Russian Ruble	82.598	72.481	91.467	69.956
Saudi Riyal	4.282	4.199	4.603	4.215
Swedish Kronor	10.491	10.583	10.034	10.447
Singapore Dollar	1.573	1.527	1.622	1.511
Thai Baht	35.686	34.771	36.727	33.415
Turkish Lira	8.033	6.354	9.113	6.684
Taiwan Dollar	33.605	34.612	34.468	33.689
Ukrainian Hryvna	30.808	28.957	34.740	26.422
US Dollar	1.141	1.120	1.227	1.123
Vietnamese Dong	26,478.377	25,760.165	28,469.000	25,954.500
South African Rand	18.758	16.160	18.022	15.777

AUDITOR'S COMPENSATION

The total fees and expenses recognized to Deloitte & Touche spa and its network for auditing the financial statements of the periods ended December 31, 2020 and December 31, 2019 and providing non-audit services, are presented below (amounts in thousands of Euro):

Type of service	Audit Firm	Provided to	twelve months ended December 31 2020	twelve months ended December 31 2019
Audit services	Deloitte & Touche spa	PRADA spa	450	500
Audit services	Deloitte & Touche spa	Subsidiaries	106	137
Audit services	Deloitte Network	Subsidiaries	1,066	1,166
Total audit fees to Deloitte Network			1,622	1,803
Other advisory services	Deloitte Network	PRADA spa	31	214
Other advisory services	Deloitte Network	Subsidiaries	111	83
Total non-audit fees to Deloitte Network			142	297
Total compensation to Deloitte Network			1,764	2,100

39. REMUNERATION OF BOARD OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGERS

Remuneration of PRADA spa Board of Directors for period ended December 31, 2020

(amounts in thousands of Euro)	Directors' fees	Remuneration	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Carlo Mazzi	766	-	-	73	21	860
Miuccia Prada Bianchi	9,088	-	27	-	24	9,139
Patrizio Bertelli	9,088	-	27	-	24	9,139
Alessandra Cozzani	50	294	204	12	181	741
Stefano Simontacchi	35	-	-	-	1	36
Maurizio Cereda	72	-	-	-	2	74
Gian Franco Oliviero Mattei	98	-	-	-	13	111
Giancarlo Forestieri	42	-	-	-	10	52
Sing Cheong Liu	42	-	-	-	14	56
Total	19,281	294	258	85	290	20,208

Remuneration of PRADA spa Board of Directors for fiscal year ended December 31, 2019

(amounts in thousands of Euro)	Directors' fees	Remuneration	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Carlo Mazzi	1,020	-	-	73	22	1,115
Miuccia Prada Bianchi	12,000	-	551	-	23	12,574
Patrizio Bertelli	12,000	-	551	-	23	12,574
Alessandra Cozzani	50	293	138	11	148	640
Stefano Simontacchi	50	-	-	-	2	52
Maurizio Cereda	80	-	-	-	3	83
Gian Franco Oliviero Mattei	140	-	-	-	13	153
Giancarlo Forestieri	60	-	-	-	10	70
Sing Cheong Liu	60	-	-	-	14	74
Total	25,460	293	1,240	84	258	27,335

REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Group's five highest paid individuals included three Board of Director members for 2020 and three Board Members for 2019. The total remuneration of the remaining two highest paid individuals in the twelve months ended December 31, 2020 and the remaining two highest paid individuals in the twelve months ended December 31, 2019 is set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Remuneration and other benefits	19,800	10,819
Bonuses and other incentives	8,250	1,293
Non-monetary benefits	-	340
Pension/social security, healthcare and TFR contributions	28	80
Total	28,078	12,532

Excluding the remuneration of the Board of Directors' members the remuneration range of the highest paid individuals is as follows:

	twelve months ended December 31 2020	twelve months ended December 31 2019
Less than HKD 8,000,000	-	-
Between HKD 8,000,000 and HKD 20,000,000	-	1
Between HKD 20,000,000 and HKD 50,000,000	-	-
More than HKD 50,000,000	2	1
Total individuals	2	2

SENIOR MANAGERS REMUNERATION

The remuneration of the Senior Managers is as follows:

(amounts in thousands of Euro)	twelve months ended December 31 2020	twelve months ended December 31 2019
Remuneration and other benefits	27,018	18,229
Bonuses and other incentives	9,894	3,759
Non-monetary benefits	1,976	2,524
Pension/social security, healthcare and TFR contributions	1,600	2,298
Total	40,488	26,810

There were 25 Senior Managers as of December 31, 2020, and 28 Senior Managers as of December 31, 2019.

The remuneration range of the Senior Managers is as follows:

	twelve months ended December 31 2020	twelve months ended December 31 2019
Less than HKD 4,000,000	13	14
between HKD 4,000,000 and HKD 8,000,000	7	9
between HKD 8,000,000 and HKD 16,000,000	3	4
between HKD 16,000,000 and HKD 50,000,000	-	-
more than HKD 50,000,000	2	1
Total individuals	25	28

40. RELATED PARTY TRANSACTIONS

The Group carries out transactions with companies classifiable as related parties according to IAS 24, "Related Party Disclosures". In the twelve months ended December 31, 2020, these transactions referred primarily to the purchase or sale of finished and semi-finished products and raw materials, the supply of services, loans, sponsorships, leases and the sale of commercial property.

The following tables present the effect of related-party transactions on the consolidated financial statements in terms of Statement of Financial Position balances at the reporting date and total transactions affecting the Statement of Profit or Loss.

STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2020

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Receivables from, and advances to, related parties – non-current	Right of Use assets	Trade payables	Payables to related parties – current	Lease Liability	Other Liabilities
Les Femmes srl	331	-	1,125	-	960	-	-	-
CECCO BRUNA 2011 srl	-	-	-	10	(54)	-	6	-
Luna Rossa Challenge 2013 NZ ltd	228	-	-	-	-	-	-	-
COR 36 srl New Zeland Branch	856	-	-	-	-	-	-	-
DFS Hawaii	-	-	-	-	3	-	-	-
DFS Cotai limitada	188	-	-	5,673	355	-	7,347	-
DFS Guam LP	-	-	-	87	-	-	144	-
DFS Saipan Ltd	-	-	-	12	-	-	24	-
DFS Okinawa	-	-	-	31	-	-	92	-
SPELM SA	-	-	-	4,524	-	-	4,560	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	-	917	-	-
LUDO DUE S.R.L.	-	-	-	4,671	-	-	5,154	-
Orexis S.r.l.	-	20,000	18,000	-	-	-	-	-
Progetto Prada Arte srl	3	-	-	-	-	-	-	-
Luna Rossa Challenge 2013 srl	2,152	18,532	-	-	-	-	-	-
Chora Srl	-	5,848	-	-	403	-	-	-
Peschiera Immobiliare srl	-	-	-	3,820	38	-	4,384	-
Premiata srl	-	-	-	-	125	-	-	-
Conceria Superior spa	1	-	-	-	661	-	-	-
Perseo srl	-	-	-	-	330	-	-	-
COR 36 srl	46	6,500	-	-	-	-	-	-
Al Tayer Group llc	-	-	-	-	8	-	-	-
Al Tayer Insignia llc	596	-	-	-	45	2,184	-	-
Danzas llc	-	-	309	-	50	-	-	234
Al Sanam Rent a Car llc	-	-	-	-	1	-	-	-
PRADA HOLDING spa	5	-	-	-	-	-	-	-
BELLATRIX spa	-	-	-	-	-	-	-	-
PH-RE	-	155	-	257,496	-	-	280,168	-
Members of the Board of Directors of PRADA spa						380 (*)		2,206
Relatives of members of the Board of Directors								471
Total at December 31, 2020	4,406	51,035	19,434	276,324	2,925	3,481	301,879	2,911

(*) Payables for the acquisition of Fratelli Prada spa

STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2019

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Right of Use assets	Trade payables	Payables to related parties – current	Payables to related parties – non-current	Lease Liability	Other Liabilities
Les Femmes srl	391	375	-	1,448	-	-	-	-
CECCO BRUNA 2011 srl	-	-	-	12	-	-	-	-
COR 36 srl New Zeland Branch	290	-	-	-	-	-	-	-
DFS Hawaii	-	-	-	494	-	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	28	-	-	-	-
DFS Cotai limitada	371	-	9,408	1,326	-	-	11,082	-
SPELM SA	-	-	5,032	-	-	-	5,051	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	1,001	-	-	-
LUDO DUE S.R.L.	-	-	5,787	-	-	-	6,351	-
Progetto Prada Arte srl	3	-	-	-	-	-	-	-
Luna Rossa Challenge 2013 srl	1,422	13,522	-	-	-	-	-	-
Chora Srl	-	5,848	-	355	-	-	-	-
Peschiera Immobiliare srl	-	18	-	(25)	-	-	-	-
Premiata srl	-	-	-	562	-	-	-	-
Conceria Superior spa	16	-	-	533	-	-	-	-
Perseo srl	1	-	-	411	-	-	-	-
COR 36 srl	1,766	2,004	-	-	-	-	-	-
Al Tayer Group llc	-	-	-	18	-	-	-	-
Al Tayer Insignia llc	452	-	-	12	2,386	-	-	-
Danzas llc	-	309	-	59	-	-	-	-
Al Tayer Motors	-	-	-	(13)	-	-	-	-
Al Sanam Rent a Car llc	-	-	-	1	-	-	-	-
TRS New Zealand Pty. Ltd	-	-	-	2	-	-	-	-
Prapar Corporation	-	-	-	3	-	-	-	-
PRADA HOLDING spa	191	-	-	-	-	-	-	-
BELLATRIX spa	-	-	-	-	22,253	20,280	-	-
LUDO srl	-	1	-	-	-	-	-	-
PH-RE	-	160	287,169	-	-	-	307,141	-
Members of the Board of Directors of PRADA spa	-	-	-	-	417(*)	380 (*)	-	2,125
Relatives of members of the Board of Directors	-	-	-	-	-	-	-	296
Total at December 31, 2019	4,903	22,237	307,396	5,226	26,057	20,660	329,625	2,421

(*) Payables for the acquisition of Fratelli Prada spa

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Interest income	Interest expenses
Les Femmes srl	-	2,960	-	9	-
CECCO BRUNA 2011 srl	-	99	-	-	-
Luna Rossa Challenge 2013 NZ ltd	-	-	(228)	-	-
COR 36 S.r.l. New Zeland Branch	197	-	(383)	-	-
DFS Hawaii	-	-	587	-	-
DFS Venture Singapore (Pte) Limited	-	-	22	-	-
DFS Cotai limitada	-	-	1,581	-	321
SPELM SA	-	-	537	-	41
LUDO DUE srl	-	-	1,123	-	49
Orexis S.r.l.	-	-	(36,942)	-	-
Luna Rossa Challenge 2013 srl	455	(1)	21,143	-	-
Chora Srl	-		1,711	-	(1)
Peschiera Immobiliare srl	-	114	530	-	47
Premiata srl	-	294	521	-	-
Conceria Superior spa	284	6,807	82	-	-
Perseo srl	-	836	-	-	-
COR 36 srl	25	-	11,414	9	-
Al Tayer Group LLC	-		85	-	-
Al Tayer Insignia LLC	1,217		137	-	-
Danzas LLC	-	65	125	-	-
Al Tayer Motors	-		1	-	-
Al Sanam Rent a Car LLC	-		10	-	-
PRADA HOLDING spa	-		(14)	-	-
BELLATRIX S.P.A.	-		(3)	122	
LUDO Spa	-		1	-	-
PH - RE	-	-	20,093	-	2,724
Relatives of members of the Board of Directors			1,041		
Total at December 31, 2020	2,178	11,174	23,174	140	3,181

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expenses
Les Femmes srl	-	4,418	3	-	-	-
CECCO BRUNA 2011 srl	-	70	-	-	-	-
COR 36 S.r.l. New Zeland Branch	290	-	-	-	-	-
DFS Hawaii	-	-	3,061	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	181	-	-	-
DFS Cotai limitada	-	-	3,839	-	-	275
SPELM SA	-	-	473	-	-	40
LUDO DUE srl	-	-	903	-	-	46
Ludo Tre srl	-	-	(3)	-	-	-
Luna Rossa Challenge 2013 srl	154	(1)	15,919	-	-	-
Chora Srl	-	-	2,032	-	-	-
Peschiera Immobiliare srl	-	33	21	-	-	-
Premiata srl	-	1,125	632	-	-	-
Conceria Superior spa	25	19,861	109	-	-	-
Perseo srl	-	1,350	-	-	-	-
COR 36 srl	46	-	(11)	--	4	-
Al Tayer Group LLC	-	-	114	-	-	-
Al Tayer Insignia LLC	1,265	-	147	-	-	-
Danzas LLC	-	22	67	-	-	-
Al Tayer Motors	-	-	1	-	-	-
Al Sanam Rent a Car LLC	-	-	11	-	-	-
FRATELLI Prada spa	17,626	188	1,101	530	1	-
PRADA HOLDING spa	-	-	(30)	-	-	
PH-RE	-	-	18,134	-	-	1,923
Relatives of members of the Board of Directors	-	-	963	-	-	-
Total at December 31, 2019	19,406	27,066	47,667	530	5	2,284

The foregoing tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures", while the following transactions fall also within the scope of application of the Hong Kong Stock Exchange Listing Rules.

The transactions with related party PH-RE llc (formerly PABE-RE llc) refer to the transaction between such company and PRADA Japan co ltd in relation to the lease for the two Aoyama Buildings in Tokyo for Prada and Miu Miu stores. The transactions reported for the twelve months ended December 31, 2020 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcements dated, respectively, July 15, 2015 ("Prada Aoyama") and May 26, 2017 ("Miu Miu Aoyama").

The transactions with related party Luna Rossa Challenge srl for the twelve months ended December 31, 2020 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcements dated, respectively, December 1, 2017 ("Sponsorship Agreement") and November 20, 2020 ("Amendment to Sponsorship Agreement"). In fact, during the reporting period PRADA spa stipulated with Luna Rossa Challenge srl an amendment to the sponsorship agreement, regarding an additional contribution to the one originally agreed upon.

The sponsorship agreement with related party Challenger of Record 36 srl, effective from March 1, 2020, is regulated by Chapter 14A of the Listing Rules because it is considered a continuing connected transaction subject to disclosure, but it is exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of the continuing connected transaction is contained in PRADA spa's Announcement dated March 1, 2020.

On December 29, 2020 PRADA spa stipulated with related party Orexis srl a real estate agreement under which the Company sold and Orexis srl purchased the building at Via della Spiga 18 in Milan. This transaction is regulated by Chapter 14A of the Listing Rules because it is considered a connected transaction subject to disclosure, but it is exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of the connected transaction is contained in PRADA spa's Announcement dated December 29, 2020.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported above, no other transaction reported in the 2020 consolidated financial statements meets the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of "connected transaction" or "continuing connected transaction" according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders' approval requirements laid down in Chapter 14A.

41. FINANCIAL TREND

(amounts in thousands of Euro)	December 31 2020	December 31 2019	December 31 2018	December 31 2017 (*)	January 31 2017
Net revenues	2,422,739	3,225,594	3,142,148	2,741,095	3,184,069
Gross margin	1,743,378	2,319,612	2,262,594	2,030,696	2,289,112
Operating income (EBIT)	20,061	306,779	323,846	315,878	431,181
Group net income	(54,139)	255,788	205,443	217,721	278,329
Total assets	6,527,927	7,038,439	4,678,812	4,739,375	4,656,929
Total liabilities	3,676,207	4,049,864	1,781,743	1,873,204	1,552,399
Total Group shareholders' equity	2,832,057	2,967,158	2,877,986	2,844,652	3,080,502

(*) eleven-month statement of profit or loss

42. CONSOLIDATED COMPANIES

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Italy							
PRADA Spa	EUR	255,882		Milan	Italy		Group Holding/ Manufacturing/ Distribution/ Retail
Artisans Shoes Srl (*)	EUR	1,000	66.7	Montegranaro	Italy	02/09/1977	Manufacturing
IPI Logistica Srl (*)	EUR	600	100	Milan	Italy	01/26/1999	Services
Pelletteria Ennepì Srl (*)	EUR	93	90	Figline e Incisa Valdarno	Italy	12/01/2016	Manufacturing
Church Italia Srl	EUR	51	100	Milan	Italy	01/31/1992	Retail/Services
Marchesi 1824 Srl (*)	EUR	1,000	100	Milan	Italy	07/10/2013	Food&Beverage
Figline Srl (*)	EUR	10	100	Milan	Italy	07/24/2019	Manufacturing
Pelletteria Figline Srl	EUR	20	100	Figline e Incisa Valdarno	Italy	09/30/2020	Manufacturing
Europe							
PRADA Retail UK Ltd (*)	GBP	5,000	100	London	U.K.	01/07/1997	Retail
PRADA Germany Gmbh (*)	EUR	215	100	Munich	Germany	03/20/1995	Retail/Services
PRADA Austria Gmbh (*)	EUR	40	100	Wien	Austria	03/14/1996	Retail
PRADA Spain Sl (*)	EUR	240	100	Madrid	Spain	05/14/1986	Retail
PRADA Retail France Sas (*)	EUR	4,000	100	Paris	France	10/10/1984	Retail
PRADA Hellas Sole Partner Llc (*)	EUR	2,850	100	Athens	Greece	12/19/2007	Retail
PRADA Monte-Carlo Sam (*)	EUR	2,000	100	Monaco	Principality of Monaco	05/25/1999	Retail
PRADA Sa (*)	EUR	31	100	Luxembourg	Switzerland	07/29/1994	Trademarks/ Services
PRADA Company Sa	EUR	3,204	100	Luxembourg	Luxembourg	04/12/1999	Services
PRADA Netherlands Bv (*)	EUR	20	100	Amsterdam	Netherlands	03/27/2000	Retail
Church Denmark Aps	DKK	50	100	Copenhagen	Denmark	03/13/2014	Retail
Church France Sas	EUR	2,856	100	Paris	France	06/01/1955	Retail
Church UK Retail Ltd	GBP	1,021	100	Northampton	U.K.	07/16/1987	Retail
Church's English Shoes Switzerland Sa	CHF	100	100	Lugano	Switzerland	12/29/2000	Retail
Church & Co. Ltd (*)	GBP	2,811	100	Northampton	U.K.	01/16/1926	Sub-Holding/ Manufacturing/ Distribution
Church & Co. (Footwear) Ltd	GBP	44	100	Northampton	U.K.	03/06/1954	Trademarks
Church English Shoes Sa	EUR	75	100	Brussels	Belgium	02/25/1963	Retail
PRADA Czech Republic Sro (*)	CZK	2,500	100	Prague	Czech Republic	06/25/2008	Retail
PRADA Portugal Unipessoal Lda (*)	EUR	5	100	Lisbon	Portugal	08/07/2008	Retail
PRADA Rus Llc (*)	RUB	250	100	Moscow	Russian Federation	11/07/2008	Retail
Church Spain Sl	EUR	3	100	Madrid	Spain	05/06/2009	Retail
PRADA Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	73,000	100	Istanbul	Turkey	02/26/2009	Retail
PRADA Ukraine Llc (*)	UAH	240,000	100	Kiev	Ukraine	10/14/2011	Retail
Church Netherlands Bv	EUR	18	100	Amsterdam	Netherlands	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100	Dublin	Ireland	11/20/2011	Retail
Church Austria Gmbh	EUR	35	100	Wien	Austria	01/17/2012	Retail
Prada Sweden Ab (*)	SEK	500	100	Stockholm	Sweden	12/18/2012	Retail
Church Footwear Ab	SEK	100	100	Stockholm	Stweden	12/18/2012	Retail
Prada Switzerland Sa (*)	CHF	24,000	100	Lugano	Switzerland	09/28/2012	Retail
Prada Kazakhstan Llp (*)	KZT	500,000	100	Almaty	Kazakhstan	06/24/2013	Retail
Kenon Ltd (*)	GBP	84,000	100	London	U.K.	02/07/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	600	60	Isle	France	08/19/2014	Manufacturing
Prada Denmark Aps (*)	DKK	26,000	100	Copenhagen	Denmark	05/19/2015	Retail
Prada Belgium Sprl (*)	EUR	4,000	100	Brussels	Belgium	12/04/2015	Retail
Hipic Prod Impex Srl (*)	RON	200	80	Sibiu	Romania	04/15/2016	Manufacturing
Church Germany Gmbh	EUR	200	100	Munich	Germany	09/18/2018	Retail

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Americas							
PRADA USA Corp. (*)	USD	152,211	100	New York	U.S.A.	10/25/1993	Distribution/ Services/ Retail
TRS Hawaii Llc	USD	400	55	Honolulu	U.S.A.	11/17/1999	Duty-Free Stores
PRADA Canada Corp. (*)	CAD	300	100	Toronto	Canada	05/01/1998	Distribution/ Retail
Church & Co. (USA) Ltd	USD	85	100	New York	U.S.A.	09/08/1930	Retail
Post Development Corp (*)	USD	45,138	100	New York	U.S.A.	02/18/1997	Real Estate
PRADA Retail Mexico, S. de R.L. de C.V.	MXN	269,140	100	Mexico City	Mexico	07/12/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	335,000	100	Sao Paulo	Brazil	04/12/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100	Mexico City	Mexico	02/27/2014	Services
PRADA Panama Sa (*)	USD	30	100	Panama	Panama	09/15/2014	Retail
PRADA Retail Aruba Nv (*)	USD	2,011	100	Oranjestad	Aruba	09/25/2014	Retail
PRADA St. Barthelemy Sarl (*)	EUR	1,600	100	Gustavia	St. Barthelemy	04/01/2016	Retail
Asia-Pacific and Japan							
PRADA Asia Pacific Ltd (*)	HKD	3,000	100	Hong Kong	Hong Kong S.A.R., P.R.C.	09/12/1997	Retail/Services
PRADA Taiwan Ltd	TWD	3,800	100	Hong Kong	Taiwan	09/16/1993	Retail
PRADA Retail Malaysia Sdn. Bhd. (*)	MYR	1,000	100	Kuala Lumpur	Malaysia	01/23/2002	Retail
TRS Hong Kong Ltd (*)	HKD	500	55	Hong Kong	Macau S.A.R., P.R.C.	02/23/2001	Duty-Free Stores
PRADA Singapore Pte Ltd (*)	SGD	1,000	100	Singapore	Singapore	10/31/1992	Retail
TRS Singapore Pte Ltd (*)	SGD	500	55	Singapore	Singapore	08/08/2002	Duty-Free Stores
PRADA Korea Llc (*)	KRW	8,125,000	100	Seoul	South Korea	11/27/1995	Retail
PRADA (Thailand) Co. Ltd (*)	THB	372,000	100	Bangkok	Thailand	06/19/1997	Retail
PRADA Japan Co. Ltd (*)	JPY	1,200,000	100	Tokyo	Japan	03/01/1991	Retail
TRS Guam Partnership	USD	1,095	55	Guam	Guam	07/01/1999	Duty-Free Stores
TRS Saipan Partnership (*)	USD	1,405	55	Saipan	Saipan	07/01/1999	Duty-Free Stores
PRADA Australia Pty Ltd (*)	AUD	13,500	100	Sydney	Australia	04/21/1997	Retail
PRADA Trading (Shanghai) Co. Ltd (***)	RMB	1,653	100	Shanghai	P.R.C.	02/09/2004	Retail/Dor-mant
TRS Okinawa KK	JPY	10,000	55	Tokyo	Japan	01/21/2005	Duty-Free Stores
PRADA Fashion Commerce (Shanghai) Co. Ltd (***)	RMB	624,950	100	Shanghai	P.R.C.	10/31/2005	Retail
Church Japan Company Ltd	JPY	100,000	100	Tokyo	Japan	04/17/1992	Retail
Church Hong Kong Retail Ltd	HKD	29,004	100	Hong Kong	Hong Kong S.A.R., P.R.C.	06/04/2004	Retail
Church Singapore Pte Ltd	SGD	7,752	100	Singapore	Singapore	08/18/2009	Retail
Prada Dongguan Trading Co. Ltd (***)	RMB	8,500	100	Dongguan	P.R.C.	11/28/2012	Services
Church Footwear (Shanghai) Co. Ltd (***)	RMB	31,900	100	Shanghai	P.R.C.	12/05/2012	Retail
Prada New Zealand Ltd (*)	NZD	3,500	100	Wellington	New Zealand	07/05/2013	Retail
PRADA Vietnam Limited Liability Company (*)	VND	66,606,570	100	Hanoi	Vietnam	09/09/2014	Retail
PRADA Macau Co. Ltd	MOP	25	100	Macau	Macau S.A.R., P.R.C.	01/22/2015	Retail
Church Korea Llc	KRW	650,000	100	Seoul	South Korea	09/03/2018	Retail

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Middle East							
PRADA Middle East Fzco (*)	AED	18,000	60	Jebel Ali Free Zone	U.A.E.	05/25/2011	Distribution/ Services
PRADA Emirates Llc (**)	AED	300	29.4	Dubai	U.A.E.	08/04/2011	Retail
PRADA Kuwait Wll (**)	KWD	50	29.4	Kuwait City	Kuwait	09/18/2012	Retail
PRADA Retail Wll (*)	QAR	15,000	100	Doha	Qatar	02/03/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75	Jeddah	Saudi Arabia	07/02/2014	Retail
Other countries							
PRADA Maroc Sarlau (*)	MAD	95,000	100	Casablanca	Morocco	11/11/2011	Under liquidation
PRADA Retail South Africa (pty) ltd (*)	ZAR	50,000	100	Sandton	South Africa	06/09/2014	Under liquidation

(*) Company owned directly by PRADA spa
(**) Company consolidated based on definition of control per IFRS 10
(***) Wholly foreign owned enterprises

43. DISCLOSURES REGARDING NON-CONTROLLING INTERESTS

The financial information of companies not entirely controlled by the Group is provided below, as required by IFRS 12. The amounts are stated before the consolidation adjustments.

December 31, 2020 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss)	Dividends paid to non-controlling shareholders
Artisans Shoes srl	66.7	EUR	26,530	7,751	48,879	1	-
TRS Hawaii llc	55	USD	1,875	(1,151)	1,824	(3,399)	-
TRS Hong Kong	55	HKD	53	44	-	(7)	-
TRS Singapore	55	SGD	778	716	153	(306)	-
TRS Guam Partnership	55	USD	3,125	2,504	2,041	(1,158)	-
TRS Saipan Partnership	55	USD	2,528	2,427	356	(508)	-
TRS Okinawa KK	55	JPY	6,812	5,336	4,677	(972)	-
TRS Hong Kong branch in Macau S.A.R.	55	MOP	18,498	7,864	7,594	(3,897)	-
PRADA Emirates llc	29.4	AED	75,426	(14,437)	35,141	577	-
PRADA Middle East fzco	60	AED	75,658	40,035	7,160	(43)	-
Prada Kuwait Wll	29.4	KWD	14,778	1,754	19,557	529	-
PRADA Saudi Arabia ltd	75	SAR	16,262	4,380	12,330	(451)	-
Tannerie Limoges sas	60	EUR	9,410	146	4,961	(331)	-
Hipic Prod Impex srl	80	RON	4,644	(1,333)	400	(1,410)	-
Pelletteria Ennepì srl	90	EUR	5,771	1,898	-	(615)	-

December 31, 2019 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss)	Dividends paid to non-controlling shareholders
Artisans Shoes srl	66.7	EUR	35,721	7,750	68,495	788	(310)
TRS Hawaii llc	55	USD	5,688	2,195	9,800	(935)	-
TRS Hong Kong	55	HKD	61	54	-	(7)	-
TRS Singapore	55	SGD	1,338	1,087	1,365	25	-
TRS Guam Partnership	55	USD	6,066	3,911	9,487	807	(803)
TRS Saipan Partnership	55	USD	3,762	3,167	2,071	(287)	-
TRS Okinawa KK	55	JPY	8,830	6,461	8,198	872	-
TRS Hong Kong branch in Macau S.A.R.	55	MOP	29,221	12,475	24,181	1,572	-
PRADA Emirates llc	29.4	AED	105,252	(16,356)	44,204	894	-
PRADA Middle East fzco	60	AED	97,150	43,774	8,589	(361)	-
Prada Kuwait Wll	29.4	KWD	22,471	1,379	18,675	380	-
PRADA Saudi Arabia ltd	75	SAR	22,191	5,241	14,716	(1,291)	-
Tannerie Limoges sas	60	EUR	10,872	477	10,851	(7)	-
Hipic Prod Impex srl	80	RON	4,481	70	621	(67)	-
Pelletteria Ennepì srl	90	EUR	6,354	2,513	-	98	-

There are no significant restrictions on the Group’s ability to access or use assets and settle liabilities as at the reporting period.

In 2011, PRADA spa and Al Tayer Insignia llc (“Al Tayer”) stipulated a shareholder agreement to develop the Prada and Miu Miu brands in the Middle East retail business (the “joint venture”). That agreement, which is going to expire on December 31, 2021, gave PRADA spa a call option exercisable on the PRADA Middle East Fzco’s share capital owned by Al Tayer. At the reporting date, PRADA spa and Al Tayer are negotiating the terms to extend the life of the joint venture up to 2026, confirming the current shareholding structure. The management estimates that this scenario does not trigger any recognition of assets or liabilities to represent the Prada’s rights and obligations over the non-controlling interest of Prada Middle East Fzco.

44. EVENTS AFTER THE REPORTING DATE

No significant events to be reported.

INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORTS

The Independent Auditor's Reports included in this Annual Report are in two different formats taking into account the differences between the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB) and the auditing standards adopted in the Italian jurisdiction (ISA Italia). Specifically, in accordance to the regulations applicable in Hong Kong, where the Company's shares are listed on the Main Board of the Hong Kong Stock Exchange, the Independent Auditors' report is issued in accordance with ISAs, while in Italy, where the Company is domiciled, the Independent Auditor's report is issued for statutory purposes in accordance with ISA Italia pursuant to art. 14 of Italian Legislative Decree no 39 of January 27, 2010.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prada S.p.A.

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test

Description of the key audit matter	As described in Note 16 to the consolidated financial statements, the Group accounts for goodwill of Euro 513.5 million allocated to the "cash generating units" (CGUs) identified by Management which decreased of Euro 5.2 million compared to the previous year. In accordance with IAS 36 "Impairment of assets", goodwill is not amortized, but tested for impairment at least annually by comparing the recoverable amount of the CGUs to their carrying amount. Furthermore, Management identified Covid-19 pandemic, considering its effects on the luxury goods industry, as a trigger event, and therefore carried out impairment tests on Miu Miu and Church's brands and on the net invested capital of some CGUs within the Group even though they do not include any amount of goodwill. In order to measure the recoverable amount of the tested CGUs, Management determined the "value in use" using present value techniques, whilst the recoverable amount of brands have been determined as their "fair value less costs of disposal", measured by using the royalty relief method. Fair value method has also been used for the impairment test of the net invested capital of the Church's CGU which determined an impairment loss of Euro 8.4 million representing the entire carrying amount of goodwill allocated to this CGU. No additional impairment losses have been recognized as a result of the impairment test. The determination of the recoverable amount of each CGU and brand is based on estimates and assumptions made by Management using, among other, projected cash flows of the CGUs, appropriate discount rates, long-term growth rates (g-rate) and royalty rates for brands fair value assessment. In the light of the persisting uncertainties associated to the pandemic, Management developed cash flows projections on the basis of conservative assumptions, predicting a gradual return to "pre-Covid" sales and considering growths in line with industry data foreseen in recent sector reports developed by external parties. Management also performed a sensitivity analysis for the CGUs to which a significant amount of goodwill has been allocated, in order to verify and disclose the effects of changes to the main assumptions (WACC and g-rate) on the impairment tests result. Given the materiality of the value of goodwill and other assets allocated to the CGUs, the complexity of the estimates of the CGUs cash flows projections and of the other estimates and assumptions used in the impairment model, we considered the impairment test as a key audit matter.
Audit procedures performed	For our audit, we have evaluated the methods used by Management to determine the recoverable amount of CGUs and brands and analyzed these methods and the related assumptions used by Management in the impairment test.

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Our audit procedures included, among others, the following, which were performed along with the support of our internal valuation specialists:

- Evaluation of the appropriateness of the methodologies used by Management to test CGUs and brands;
- Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts, with particular focus on how the effects of uncertainties due to Covid-19 pandemic have been considered in the projections, through sector data analysis (reports on the fashion and luxury industry related to the main geographical areas in which the Group operates) as well as of supporting data and information obtained from Management;
- Evaluation of the reasonableness of the discount rates (WACC) and long-term growths (g-rate) used by Management;
- Verification of the mathematical accuracy of the model used to determine the recoverable amount of each tested CGU;
- Verification of the correct determination of the carrying amount of each tested CGU;
- Analysis of the reasonableness of the main assumptions for the determination of brands' fair value less costs of disposal and of the mathematical accuracy of the model used;
- Evaluation of the sensitivity analysis performed by Management and development of an independent sensitivity analysis;
- Analysis of the information disclosed in the notes to the consolidated financial statements.

Application of the practical expedient under the amendment to IFRS 16 «Covid-19 Related Rent Concessions»

Description of the key audit matter	As described in Note 3 to the consolidated financial statements, on October 12, 2020, the European Commission completed the endorsement process of the amendment to IFRS 16 «Covid-19 Related Rent Concessions» (the "Amendment"), whose early adoption is allowed from January 1, 2020. The Amendment, under certain conditions, provides lessees with a practical expedient for the immediate recognition in the profit or loss of Covid-19 related rent discounts; such approach may be adopted without the need of assessing whether the Covid-19 related rent reductions obtained by the lessors are lease modifications. The Group opted for the early adoption of the Amendment thus recognizing the Covid-19 related rent discounts to profit and loss from January 1, 2020, when the health emergency began to affect the Group's activities in China. As a result of the above, the Consolidated Statement of Profit or Loss of the Group for the twelve months period ended December 31, 2020 includes a total profit of Euro 87.6 million of Covid-19 related rent discounts within the "Operating expenses" line-item. The application of the Amendment required Management to carry out a specific analysis to assess the eligibility of the practical expedient in accordance with the applicable criteria. For this purpose, Management implemented specific procedures for the mapping and analysis of all discounts obtained from landlords.

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	Given the significant impact of the Amendment on the Group's financial statements and considering the related audit effort, we considered the application of the practical expedient under the amendment to IFRS 16 «Covid-19 Related Rent Concessions» as a key audit matter.
Audit procedures performed	In carrying out our audit procedures, we first examined the requirements under the amendment to IFRS 16 «Covid-19 Related Rent Concessions» for the application of the practical expedient. Part of our procedures were performed also with the support of our internal IT specialists. As part of our audit, we performed, among others, the following procedures: • Understanding of the relevant procedures and controls implemented by the Group for the application of the Amendment and of the related IT systems; • Tests on the accuracy and completeness of the database used by Management for the mapping of the discounts obtained from the landlords; • Critical analysis of the terms and conditions of a sample of the agreements signed with landlords in order to confirm the results of the assessment carried out by Management on the applicability of the Amendment; • Analysis of the information disclosed in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2020 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
March 10, 2021

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Prada S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Prada S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Prada S.p.A. are responsible for the preparation of the financial review of Prada Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the financial review, with the consolidated financial statements of Prada Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned financial review is consistent with the consolidated financial statements of Prada Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milano, Italy
March 10, 2021

This report has been translated into the English language solely for the convenience of international readers.